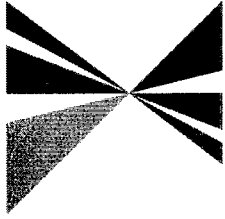


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**No. 7
MEETING OF THE**

**REGIONAL HOUSING NEEDS
ASSESSMENT SUBCOMMITTEE**

***Friday, August 26, 2011
10:00 a.m. – 1:00 p.m.***

**SCAG Office
818 W. 7th Street, 12th Floor
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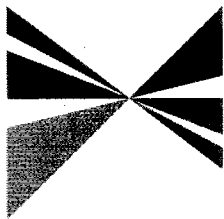
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Due to the limited size of the meeting room, participants are encouraged to reserve a seat in advance of the meeting. In the event the meeting room fills to capacity, participants may attend the meeting at the main location or any of the other video-conference locations.

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San Bernardino County Office

1170 W. 3rd Street, Suite 140

San Bernardino, CA 92410

Ventura Office

950 County Square Drive, Suite 101

Ventura, CA 93003

Coachella Valley Assoc. of Governments

73-710 Fred Waring Drive, Suite 200

Palm Desert, CA 92260

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Ma'Ayn Johnson at (213) 236-1975 or via email johnson@scag.ca.gov

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. If you require such assistance, please contact SCAG at (213) 236-1928 at least 72 hours in advance of the meeting to enable SCAG to make reasonable arrangements. To request documents related to this document in an alternative format, please contact (213) 236-1928.

**Regional Housing Needs Assessment Subcommittee
Member List**

- San Bernardino County: Hon. Bill Jahn, Big Bear Lake, District 11 (Alternate): **Chair**
Hon. Ginger Coleman, Apple Valley, District 65 (Primary)
- Los Angeles County: Hon. Margaret Finlay, Duarte, District 35 (Primary)
Hon. Steven Hofbauer, Palmdale, District 43 (Alternate)
- Orange County: Hon. Sukhee Kang, Irvine, District 14 (Primary)
Hon. Ron Garcia, Brea, OCCOG (Alternate)
- Riverside County: Hon. Darcy Kuenzi, Menifee, WRCOG (Primary)
Hon. Randon Lane, Murrieta, WRCOG (Alternate)
- Ventura County: Hon. Bryan MacDonald, Oxnard, District 45 (Primary)
Hon. Carl Morehouse, Ventura, District 47 (Alternate)
- Imperial County: Hon. Cheryl Viegas-Walker, El Centro, District 1 (Primary)
Hon. Jack Terrazas, Imperial County (Alternate)

REGIONAL HOUSING NEEDS ASSESSMENT SUBCOMMITTEE COMMITTEE AGENDA AUGUST 26, 2011

The Regional Housing Needs Assessment Subcommittee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as information or action items.

CALL TO ORDER & PLEDGE OF ALLEGIANCE

(Hon. Bill Jahn, Chair)

PUBLIC COMMENT PERIOD – Members of the public desiring to speak on items on the agenda, or items not on the agenda, but within the purview of the Committee, must fill out and present a speaker’s card to the Assistant prior to speaking. Comments will be limited to three (3) minutes. The Chair may limit the total time for all comments to (20) twenty minutes.

REVIEW AND PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Time **Page No.**

Approval Item

- | | | |
|--|-------------------|----------|
| 1. <u>Minutes of the August 12, 2011 Meeting</u> | Attachment | 1 |
| 2. <u>RHNA Subcommittee Topic Outlook</u> | Attachment | 7 |

Receive and File

- | | | |
|--|-------------------|-----------|
| 3. <u>Correspondence Received</u> | Attachment | 9 |
| 4. <u>Respondents to the AB 2158 Factor and Replacement Need Survey Matrix</u> | Attachment | 13 |

INFORMATION ITEM

- | | | | |
|---|-------------------|----------------|-----------|
| 5. <u>Final RHNA Determination from California Department of Housing and Community Development (HCD)</u>
<i>(Ma’Ayn Johnson, SCAG Staff)</i> | Attachment | 10 min. | 16 |
|---|-------------------|----------------|-----------|

Staff will provide an update on the regional determination process with HCD, along with the RHNA determination for the SCAG region. Staff will also share with the Subcommittee the assumptions and methodology for the determination.

**REGIONAL HOUSING NEEDS ASSESSMENT
SUBCOMMITTEE COMMITTEE
AGENDA
AUGUST 26, 2011**

<u>ACTION ITEM</u>	<u>Time</u>	<u>Page No.</u>
---------------------------	--------------------	------------------------

- | | | | |
|--|-------------------|----------------|-----------|
| 6. <u>Proposed RHNA Methodology</u>
<i>(Ma'Ayn Johnson, SCAG Staff)</i> | Attachment | 40 min. | 27 |
|--|-------------------|----------------|-----------|

Staff will provide the proposed RHNA methodology for further discussion and recommendation.

Recommended Action: Recommend the proposed RHNA methodology for further recommendation from CEHD to the Regional Council.

CHAIR'S REPORT

STAFF REPORT

(Mark Butala, SCAG Staff)

ANNOUNCEMENTS

ADDITIONAL PUBLIC COMMENT PERIOD

ADJOURNMENT

The next regular meeting of the Regional Housing Needs Assessment (RHNA) Committee will be announced at the August 26, 2011 meeting.

**SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
REGIONAL HOUSING NEEDS ASSESSMENT SUBCOMMITTEE
MINUTES OF MEETING NO. 6
AUGUST 12, 2011**

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE REGIONAL HOUSING NEEDS ASSESSMENT SUBCOMMITTEE. AN AUDIO RECORDING OF THE ACTUAL MEETING IS AVAILABLE FOR LISTENING IN THE OFFICE OF REGIONAL COUNCIL SUPPORT.

The Regional Housing Needs Assessment Subcommittee (RHNA) of the Southern California Association of Governments (SCAG) held its meeting at the SCAG office in Los Angeles. The meeting was called to order by the Hon. Margaret Finlay. There was a quorum.

Present

Representing Los Angeles County

Hon. Margaret Finlay, Duarte, District 35 (Primary) – present

Hon Steve Hofbauer, Palmdale, District 43 (Alternate) – via videoconference

Representing Orange County

Hon. Sukhee Kang, Irvine, District 14 (Primary) - present

Hon. Ron Garcia, Brea, OCCOG (Alternate) – via teleconference

Representing Riverside County

Hon. Darcy Kuenzi, Menifee, WRCOG (Primary) - via videoconference

Representing San Bernardino County

Hon. Ginger Coleman, Apple Valley, District 65 (Primary) – via videoconference

Representing Ventura County

Hon. Bryan MacDonald, Oxnard, District 45 (Primary) – via videoconference

Hon. Carl Morehouse, Ventura, District 47 (Alternate) – via videoconference

Representing Imperial County

Hon. Cheryl Viegas-Walker, El Centro, District 1 (Primary) – via videoconference

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Hon. Margaret Finlay, Acting Chair, called the meeting to order at 9:05 a.m.

REVIEW AND PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Approval Items

1. Minutes of June 24, 2011 Meeting
2. RHNA Subcommittee Topic Outlook

Receive & File

3. Respondents to the AB 2158 Factor and Replacement Need Survey Matrix
4. Correspondence Received

A motion (MacDonald) was made to approve the Consent Calendar items with two corrections to the June 24, 2011 meeting minutes: 1) On page 2 of the minutes, it should reflect that Hon. Bryan MacDonald seconded the motion and that Ventura County voted in favor of the motion; and 2) It should also be noted that Hon. Carl Morehouse made a statement of abstention though he was not voting on behalf of Ventura County. The motion was SECONDED (Kang). Joann Africa, Chief Counsel, advised that the RHNA Subcommittee should be voting by county. A roll call vote was taken by county and the motion was UNANIMOUSLY approved.

INFORMATION ITEMS

5. Update on Draft RHNA Consultation Packet to the California Department of Housing and Community Development (HCD)/Department of Finance (DOF)

Staff reported that there has been great progress with the RHNA consultation with HCD. It was noted that at the present time, SCAG has not received a final RHNA determination from HCD. It is anticipated that HCD will release its final RHNA determination by next Wednesday (August 17th).

6. Subregional Delegation Update

SCAG received letters of intent regarding subregional delegation from both cities of San Fernando and Los Angeles prior to the June 30th deadline. The LA City Planning Staff indicated to SCAG that their Planning and Land Use Management Committee recommended to LA City Council not to pursue RHNA delegation. The City Council will make their final decision in mid-August. At this time SCAG staff is reasonably assuming that no subregional delegation will take place for the 5th RHNA cycle.

ACTION ITEMS

7. Public Hearing on Proposed RHNA Methodology

Per state housing law, SCAG is required to have at least one public hearing on the proposed RHNA methodology during the 60 day public comment period. The comment period will begin after the anticipated RC action on September 1, 2011. The anticipated adoption of the final RHNA methodology by RC is November 3, 2011.

The Subcommittee recommended having two public hearings during the 60 day public comment period. The following dates were selected: Tuesday, October 11, at 10:00 a.m. and Wednesday, October 19, at 3:00 p.m. Both meetings will be held at the SCAG main office in downtown Los Angeles.

A motion was made (Coleman) that the following dates be designated for the RHNA Methodology public hearings, Tuesday, October 11, at 10:00 a.m. and Wednesday, October 19, at 3:00 p.m. The motion was SECONDED (Kang). A roll call vote was taken by county and the motion was UNANIMOUSLY approved.

8. Proposed RHNA Methodology

First, there are three major components of a RHNA allocation methodology:

- 1) The projected household growth. This was heavily relied upon for the region's local growth input process that SCAG began in 2009. Over the past two years, staff worked with all the jurisdictions on receiving population, household, and employment growth. This process is part of the integrated growth forecast which will go into the RTP and SCS development.
- 2) The healthy market vacancy need – For additional housing units to account for vacancy need, 1.5% is considered for owner-occupied and 4.5% is used for renter-occupied.
- 3) Housing replacement need – for every unit that is being demolished, that unit needs to be replaced to maintain an adequate supply to accommodate the local household growth.

The second part of the methodology is that the projected household growth for each jurisdiction should be consistent with the 2012 RTP/SCS Integrated Growth Forecast. This is to ensure that the RHNA is consistent with the development pattern of the SCS per SB 375.

Third, social equity is another key factor in allocating the RHNA by income categories. Social Equity distribution intends to mitigate the over concentration of low income units. 110% social equity factor is being recommended by the RHNA Subcommittee for the 5th RHNA cycle.

Hon. Carl Morehouse, City of Ventura, asked whether SCAG's RHNA numbers or the growth projections accounted for the double digit unemployment situation.

Staff responded that the economic downturn with the double digit unemployment rate is being accounted for in SCAG's Integrated Growth forecast. The Integrated Growth Forecast accounts for the future growth in both jobs and people. In addition to natural birth rate, we also observe that both in- and out- migration fluctuates according to the condition of the economy. When there is a downturn in the economy, there is less in-migration and more out- migration, and subsequently less growth in population and households.

Hon. Cheryl Viegas-Walker, City of El Centro, commented on the international issue with regard to the fact that a lot of workers live in Mexico and come to work in Imperial County, and that such situation should be accounted for in SCAG's growth forecast.

Staff responded that currently the projections do account for those workers traveling internationally.

Staff concluded the presentation by giving a brief example of how the principles of the methodology would be applied.

The Subcommittee decided not to take action on this item prior to SCAG receiving the final RHNA determination from HCD. A motion (MacDonald) was made to reconvene the RHNA Subcommittee meeting to August 26, 2011, at 10 a.m. to discuss the proposed RHNA methodology. The motion was SECONDED (Coleman). A roll call vote was taken by county and the motion was UNANIMOUSLY approved.

CHAIR'S REPORT

None.

STAFF REPORT

None.

ANNOUNCEMENTS

None.

ADDITIONAL PUBLIC COMMENT

- 1) Tracy Sato, City of Anaheim, stated with regards to the projection period for RHNA, why does the region have 10.75 years projection period rather than relatively shorter?

Staff responded that, instead of starting from January 2011 to October 2021, the RHNA projection period will be starting from January 2014 to October 2021. Instead of 10.75 years, it will be 7.75 years.

- 2) Gail Shiomoto-Loehr, City of Mission Viejo, stated that the City of Mission Viejo recognizes and supports the efforts to try to help those jurisdictions that have a lot of existing vacancy within their existing housing stock and to see if there is a way where some of the excess vacancy could be applied to any future RHNA that comes about. Mission Viejo would like to receive clarification as the methodology pursued, is to make sure that as this opportunity is developed and proposed that whether or not there is a new policy being established as to whether or not all existing housing stock in all of the communities need to meet a healthy market vacancy rate.

Staff responded that SCAG will account for each and all of the excess vacancies as part of the credit towards the RHNA allocation to local jurisdictions. This is one of the major discussion items SCAG staff has been having with HCD during the consultation process. Staff believes that the HCD's staff fully understands this subject, particularly with respect to the relationship between the downturn of the economy and oversupply in vacancy housing stocks.

Staff indicated that there will not be any penalty to the jurisdictions that do not have vacancies to meet a healthy market vacancy rate.

- 3) Kim Fuentes, Deputy Executive Director, South Bay Cities Council of Governments (SBCCOG), stated that several of the South Bay Cities are very interested in the methodology as it relates to demolition and replacement. Ms. Fuentes noted that SBCCOG has been working with SCAG staff but still has outstanding issues and would like to ask for more time to work out the issues. The South Bay Cities are having an issue with regard to the size of the lots that the housing is being assigned to.

Staff responded that SCAG's RHNA methodology does take into consideration for all unique conditions. Staff offered to discuss this in details with the respective jurisdictions

- 4) Mary Ann MacGillivray, City of Sierra Madre, stated that there were twelve AB 2158 factors and there is a number thirteen that says, 'There can be other factors as defined by SCAG.' Ms. MacGillivray suggested that it would seem appropriate to add as an additional planning factor for the possible elimination of redevelopment agencies and the funding that is associated with it.

Staff responded that the RHNA and Housing Element processes relate to the planning of housing, not the building of housing, and that the possible elimination of redevelopment agencies relate more to the building of housing. Staff also responded that anything that has to be done along these lines has to be addressed legislatively and it is highly unlikely to find an author to sponsor a legislative change of this sort.

- 5) Paul Kuykendall, City of Lakewood, stated that the City of Lakewood had noted some inaccuracies in the draft statistics posted on SCAG's website with regard to units built and possibly missing information. Lakewood would like the opportunity to review the data further and make corrections.

Staff indicated that the data referred to as posted in the document on SCAG's website is from DOF. While SCAG is not responsible for the data provided by other sources, staff is willing to help to facilitate some process and make sure all locals will get an opportunity to review the data and make corrections as necessary. Locals will have the opportunity in the coming month to work with SCAG staff on the detailed corrections.

- 6) Tom Bartlett, City of Calabasas, stated that Calabasas believes that the Integrated Growth Forecast, in what it reflects for Calabasas is too high. This includes the projected job growth which is not taking into account that Calabasas buildings have become mostly vacant due to the recession. In the data on surveys returned to SCAG how are you going to fill the gaps if you have a low participation on the part of the jurisdictions responding to the survey?

Staff responded that with regards to the Growth Forecast numbers being too high for the City of Calabasas, once again SCAG has been working on the Forecast process for the last two years, and offering the opportunities for all the local jurisdictions to provide input on the projected growth. SCAG has stated very clearly from the

beginning of the local input process that there is a relationship between the projected growth in population and household and the RHNA. These figures are the numbers SCAG received as part of the Local Input process from local jurisdictions.

- 7) Chris Williamson, City of Oxnard, inquired what data SCAG will be using for establishing the number of vacancies and whether it be based upon Census 2010 or ACS 2010 data. He also asked how SCAG allocates that excess number among the various income classes and reduces one's need by income class based on just a number of vacancies.

Staff indicated that the data was based on 2010 Census.

Regarding the second question, staff responded that this issue was previously raised whereby SCAG attempted to collect this data, but was informed by several local jurisdictions that it would be very difficult to obtain this data. Since SCAG does not have such information, staff welcomes any jurisdiction who can provide SCAG this data. Staff also noted that it will keep this matter in mind for the next update of RHNA.

- 8) Russell Betts, City of Desert Hot Springs, stated that in the last round of the RHNA effort there were cities with primarily low income population, whose residences drove long distances to go to work and those cities ended up with the highest numbers as far as requirements for building low and moderate income housing. That did not meet the intent of the law that is being worked on now. The methodology has to take that into account. It was a fundamental flaw in what took place in the last RHNA cycle. Hopefully the Social Equity Adjustment will correct this.

Staff responded that with the proposed methodology of 110% Social Equity Adjustment, SCAG believes that this could help to address the issue. This was approved by the Subcommittee at the last meeting on June 24th, and is being brought forward as an action item to the CEHD on September 1.

ADJOURNMENT

The Regional Housing Needs Assessment Subcommittee meeting adjourned at 11:17 a.m. The next meeting of the RHNA Subcommittee will be on Friday, August 26, 2011.



Huasha Liu
Director, Land Use and
Environmental Planning

Draft RHNA Schedule (February 2011 to September 2012)

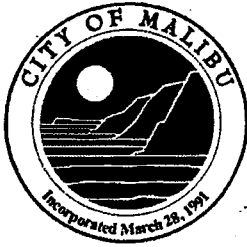
RHNA Subcommittee Topic Outlook

Meeting	Proposed Date	Subject	Action
1	February 23, 2011	Overview of RHNA Process; review RHNA Task Force recommendations; RHNA work plan and schedule; subregional delegation guidelines; evaluate issues between the DOF and Census projections; notification to HCD and Caltrans of RTP/SCS adoption date; discussion on Integrated Growth Forecast foundation	Approve charter; approve RHNA work plan and schedule; recommend to CEHD to notify HCD and Caltrans of RTP/SCS adoption date
2	March 22, 2011	Subcommittee Charter; subregional delegation	Approve the RHNA Subcommittee Charter
3	April 19, 2011	Changes to housing element requirements; AB 2158 factor discussion; draft RHNA methodology framework, Subregional delegation agreement	
4	May 27, 2011	Regional determination update; Social equity adjustment discussion; Subregional delegation agreement,	Provide direction on subregional delegation
5	June 24, 2011	Update on RHNA consultation with HCD; social equity adjustment; replacement needs survey; AB 2158 factor survey	Recommend a social equity adjustment to CEHD
6	August 12, 2011	Replacement need survey results; AB 2158 factor survey results; continued discussion on methodology: overcrowding; at-risk affordable units; high housing cost burdens; farmworker housing	
7	August 26, 2011	Continued discussion on proposed RHNA methodology	Recommend proposed methodology to CEHD
8	September 16, 2011	RHNA annexation policy	Recommend a RHNA annexation policy to CEHD
9	October 31- November 2, 2011	Final RHNA methodology	Recommend final methodology to CEHD
10	December 9, 2011	Discussion on draft RHNA Allocation	
11	January 13, 2012	Continued discussion on draft RHNA allocation; RHNA revisions and appeals process guidelines	Recommend draft RHNA allocation to CEHD; recommend RHNA revisions and appeals process guidelines
12	July 2012	Review submitted revision requests	
13	July 2012	Review submitted revision requests	Results of revision requests
14	Mid-September 2012	Hearing on appeals	
15	Mid-September 2012	Hearing on appeals	
16	Mid-September 2012	Hearing on appeals	
17	Mid-September 2012	Final meeting	Recommend to CEHD appeals results and RHNA determinations

Draft RHNA Schedule (February 2011 to September 2012)

CEHD and Regional Council

Proposed Date	Meeting	Action
March 3, 2011	CEHD	Approve Subcommittee charter; approve RHNA schedule and work plan
April 7	CEHD	Approve Subcommittee charter
April 7	Regional Council	Approve RHNA schedule
June 2	CEHD and Regional Council	Approve subregional delegation agreement
June 2	Regional Council	Approve Subcommittee charter
September 1	CEHD	Recommend release of proposed RHNA methodology
September 1	Regional Council	Release proposed RHNA methodology
October 6	CEHD	Recommend RHNA annexation policy
November 3	CEHD	Recommend final RHNA methodology
November	Regional Council	Approve final RHNA methodology; approve RHNA annexation policy
February 2 2012	CEHD	Recommend Regional Council approval of draft RHNA allocation; recommend approval RHNA revisions and appeals process guidelines
March 1	Regional Council	Approve draft RHNA allocation; approve RHNA revisions and appeals process guidelines
October 6, 2012	CEHD	Approve proposed final RHNA allocation
October 6, 2012	Regional Council	Public hearing to adopt final RHNA allocation



City of Malibu

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August 11, 2011

The Honorable Bill Jahn, Chair
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
818 West Seventh St., 12th floor
Los Angeles, CA 90017-3435

Subject: RHNA Methodology for Replacement Housing Units

Honorable Chair Jahn and RHNA Subcommittee Members:

The City of Malibu continues to have serious concerns about SCAG's proposed approach to determining the replacement need for units demolished. We have reviewed the alternate approach suggested by the City of Hermosa Beach and are generally in support of that approach, particularly the recommendation that units lost to natural disaster not be counted toward the assumed replacement need. However, we believe that additional discussion is needed to fine-tune the details of this methodology. Therefore we encourage the Subcommittee to postpone any final decisions on the replacement need methodology until the next meeting.

Malibu staff is committed to working with other cities with similar concerns and with SCAG staff to devise a mutually agreeable solution. We therefore request the RHNA Subcommittee defer its final adoption of the replacement need methodology for 30 days.

Please contact Planning Director, Joyce Parker-Bozylinski at (310) 456-2489 ext. 265 if you have questions.

Sincerely,

Jim Thorsen
City Manager

cc: Hasan Ikhata, Executive Director, SCAG
Huasha Lui, Director, Land Use and Environmental Planning, SCAG
Ma'Ayn Johnson, Senior Regional Planner, SCAG





City of Hermosa Beach

Civic Center, 1315 Valley Drive, Hermosa Beach, CA 90254-3885 Tel: (310) 318-0242

August 11, 2011

The Honorable Bill Jahn, Chair
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
818 West Seventh St., 12th floor
Los Angeles, CA 90017-3435

Subject: RHNA Methodology for Replacement Housing Units

Honorable Chair Jahn and RHNA Subcommittee Members:

We have reviewed the proposed RHNA methodology and continue to have serious concerns about lack of policy to address replacement of units lost to demolition, which were documented by the demolition survey data provided to SCAG in response to their request.

Hermosa Beach proposed to the RHNA Subcommittee a specific methodology for its consideration to address replacement units and assignment to income categories. We understand that some cities may disagree with the specifics of that proposal, but believe we can agree on the following general principles:

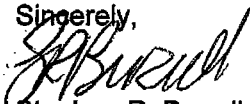
1. The RHNA should be a 'net' rather than a 'gross' number so that demolished units replaced on the same site with at least as many units as were demolished will not add units to the RHNA.
2. Units lost to natural disasters should not be part of the calculation.
3. When there is a replacement need, taking into account items 1 and 2, the income category of the replacement units should be related to the category of the units lost.

While Hermosa Beach's approach was to use density as a proxy for demonstration of income categories, we believe other approaches could be considered, such as a combination of the ability to demonstrate the actual income categories of lost units and a proxy system if this data cannot be demonstrated.

The City is committed to working with other cities with similar issues and with SCAG staff to provide a consensus approach. We therefore request the RHNA Subcommittee defer its final adoption of a methodology until this consultation can occur; we anticipate forward progress within 30 days.

Please contact me at (310) 318-0201 or Ken Robertson, Community Development Director at (310) 318-0240 if you have questions.

Sincerely,


Stephen R. Burrell
City Manager

cc:

Hasan Ikhata, Executive Director, SCAG
Huasha Lui, Director, Land Use and Environmental Planning, SCAG
Ma'Ayn Johnson, Senior Regional Planner, SCAG
Jacki Bacharach, Executive Director, SBCCOG



August 18, 2011

Honorable Bill Jahn, Chair
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
818 West Seventh St., 12th floor
Los Angeles, CA 90017-3435

Subject: 2011 RHNA Methodology for Replacement Housing Units

Honorable Chair Jahn and RHNA Subcommittee Members:

The City of Laguna Beach has serious concerns regarding SCAG's proposed approach to determining the replacement need for units demolished, particularly since Laguna Beach is an older community and almost all of our residential demolitions include the reconstruction of the same number of residences on the same sites. We have reviewed the alternate approach suggested by the City of Hermosa Beach and others, and are in support of all aspects of the recommended approach. We strongly encourage SCAG to adopt a revised methodology for replacement need that is based on the following principles:

1. Replacement need should be based on net housing units lost (not gross) during the previous planning period. Demolished units that are replaced on-site with an equal or greater number of housing units should not generate any replacement need.
2. Units lost due to *unique circumstances* should not be included in demolition/conversion totals. Unique circumstances are those that are not assumed to recur in the new planning period (e.g., units lost due to natural disasters such as fire, flood, or landslide).
3. The income category of replacement units should be related to the income category of units lost, not the income distribution of the jurisdiction as a whole (as is the case with household growth need).

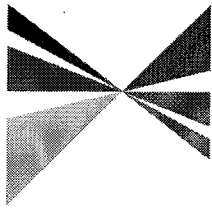
Thank you for your consideration in this matter which has significant implications for the City of Laguna Beach. Should you have questions regarding this request, please contact Carolyn Martin, Principal Planner, at (949) 497-0398

Sincerely,

A handwritten signature in black ink, appearing to read "John Montgomery".

John Montgomery
Director of Community Development

cc: Doug Williford, Deputy Executive Director, SCAG
Huasha Lui, Director, Land Use and Environmental Planning, SCAG
Frank Wen, SCAG
Ma'Ayn Johnson, SCAG
John Pietig, City Manager



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Margaret Clark, Rosemead

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Paul Glaab, Laguna Niguel

August 19, 2011

Mr. Jim Thorsen
City Manager
City of Malibu
23825 Stuart Ranch Road
Malibu, CA 90265-4816

Dear Mr. Thorsen,

Thank you for your July 11, 2011 letter to express Malibu's concerns on the 2008 Regional Transportation Plan (RTP) Growth Forecast and the last cycle (4th cycle 2006-2014) Regional Housing Needs Assessment (RHNA). We appreciate the opportunity to address your concerns and ensure that the RHNA process is as fair and transparent as possible.

In regards to the Growth Forecast used for the 4th cycle RHNA allocation of 441 units for the City of Malibu, the methodology to develop individual allocations was different than what is being developed for the upcoming 5th cycle. Although the 4th cycle allocation for Malibu was significantly higher than the allocation from the previous 3rd RHNA cycle (1998-2005), these concerns were not raised to SCAG at the time prior to the 4th cycle allocation adoption. Had these concerns been raised during the development of the methodology or revision request and appeals processes during the 4th RHNA cycle, SCAG would have been given an opportunity to assess the concerns for further discussion. Unfortunately, changes on the 4th cycle of RHNA can no longer be made.

As you are aware, AB 1233 (2005) requires that jurisdictions to rezone adequate sites in the first year of their housing elements if they have failed to identify or make adequate sites in the prior planning period. For jurisdictions that have an adopted housing element found in compliance by HCD, the 5th cycle housing element will entirely replace the 4th cycle. We encourage the City of Malibu to adopt its housing element to ensure that the prior RHNA allocation does not carryover into the 5th cycle.

While it is premature to give an allocation to your City for the 5th cycle of RHNA, we can confirm that the allocation for Malibu will be noticeably lower than the 441 units allocated in the 4th cycle. Please note that the Integrated Growth Forecast for the 5th cycle allocation uses local input as a starting point. We have received respective information and data from Malibu during the local input process over the past two years, through your responses to the recent surveys, and via in-person meetings with you and your staff.

SCAG is committed to ensuring that the 5th cycle RHNA allocation is fair and transparent. We look forward to continued collaboration. We appreciate your invitation to speak at a future City Council meeting and I am scheduled to be part of your Council agenda on Monday, August 22. I look forward to the presentation and welcome your questions. Should you need anything in the meantime, please do not hesitate to contact Ma'Ayn Johnson at 213-236-1975 or johnson@scag.ca.gov.

Sincerely,

Hasan Ikhata
Executive Director

Respondents to the AB 2158 Factor and Replacement Need Survey Matrix
 Updated August 22, 2011

Subregion	County	City	Local Planning Factors/"AB 2158 Factors" Survey	Replacement Need Survey
Imperial Valley Association of Governments	Imperial	Brawley		X
Imperial Valley Association of Governments	Imperial	Calexico		
Imperial Valley Association of Governments	Imperial	Calipatria		
Imperial Valley Association of Governments	Imperial	El Centro		
Imperial Valley Association of Governments	Imperial	Holtville		
Imperial Valley Association of Governments	Imperial	Imperial		
Imperial Valley Association of Governments	Imperial	Westmorland		
Imperial Valley Association of Governments	Imperial	Imperial County		
North Los Angeles County	Los Angeles	Lancaster		
North Los Angeles County	Los Angeles	Palmdale	X	X
North Los Angeles County	Los Angeles	Santa Clarita		
City of Los Angeles	Los Angeles	Los Angeles City	X	X
City of Los Angeles	Los Angeles	San Fernando		
Arroyo Verdugo	Los Angeles	Burbank		
Arroyo Verdugo	Los Angeles	Glendale	X	
Arroyo Verdugo	Los Angeles	La Canada Flintridge	X	X
San Gabriel Valley Association of Cities	Los Angeles	Alhambra	X	X
San Gabriel Valley Association of Cities	Los Angeles	Arcadia	X	X
San Gabriel Valley Association of Cities	Los Angeles	Azusa		
San Gabriel Valley Association of Cities	Los Angeles	Baldwin Park		
San Gabriel Valley Association of Cities	Los Angeles	Bradbury		
San Gabriel Valley Association of Cities	Los Angeles	Claremont	X	X
San Gabriel Valley Association of Cities	Los Angeles	Covina	X	X
San Gabriel Valley Association of Cities	Los Angeles	Diamond Bar		
San Gabriel Valley Association of Cities	Los Angeles	Duarte	X	X
San Gabriel Valley Association of Cities	Los Angeles	El Monte		
San Gabriel Valley Association of Cities	Los Angeles	Glendora		
San Gabriel Valley Association of Cities	Los Angeles	Industry		
San Gabriel Valley Association of Cities	Los Angeles	Irwindale	X	
San Gabriel Valley Association of Cities	Los Angeles	La Puente		X
San Gabriel Valley Association of Cities	Los Angeles	La Verne		
San Gabriel Valley Association of Cities	Los Angeles	Monrovia		
San Gabriel Valley Association of Cities	Los Angeles	Montebello		
San Gabriel Valley Association of Cities	Los Angeles	Monterey Park		
San Gabriel Valley Association of Cities	Los Angeles	Pasadena		
San Gabriel Valley Association of Cities	Los Angeles	Pomona	X	X
San Gabriel Valley Association of Cities	Los Angeles	Rosemead		
San Gabriel Valley Association of Cities	Los Angeles	San Dimas		
San Gabriel Valley Association of Cities	Los Angeles	San Gabriel		X
San Gabriel Valley Association of Cities	Los Angeles	San Marino	X	X
San Gabriel Valley Association of Cities	Los Angeles	Sierra Madre	X	X
San Gabriel Valley Association of Cities	Los Angeles	South El Monte		
San Gabriel Valley Association of Cities	Los Angeles	South Pasadena		
San Gabriel Valley Association of Cities	Los Angeles	Temple City		
San Gabriel Valley Association of Cities	Los Angeles	Walnut	X	X
San Gabriel Valley Association of Cities	Los Angeles	West Covina		
Westside Cities	Los Angeles	Beverly Hills		
Westside Cities	Los Angeles	Culver City	X	X
Westside Cities	Los Angeles	Santa Monica		
Westside Cities	Los Angeles	West Hollywood	X	X
South Bay Cities Association	Los Angeles	Carson	X	X
South Bay Cities Association	Los Angeles	El Segundo		
South Bay Cities Association	Los Angeles	Gardena	X	X
South Bay Cities Association	Los Angeles	Hawthorne		
South Bay Cities Association	Los Angeles	Hermosa Beach		X
South Bay Cities Association	Los Angeles	Inglewood	X	X
South Bay Cities Association	Los Angeles	Lawndale	X	X
South Bay Cities Association	Los Angeles	Lomita	X	
South Bay Cities Association	Los Angeles	Manhattan Beach		X
South Bay Cities Association	Los Angeles	Palos Verdes Estates	X	
South Bay Cities Association	Los Angeles	Rancho Palos Verdes	X	X
South Bay Cities Association	Los Angeles	Redondo Beach		
South Bay Cities Association	Los Angeles	Rolling Hills		
South Bay Cities Association	Los Angeles	Rolling Hills Estates		
South Bay Cities Association	Los Angeles	Torrance		
Gateway Cities	Los Angeles	Artesia		
Gateway Cities	Los Angeles	Avalon		

Respondents to the AB 2158 Factor and Replacement Need Survey Matrix
 Updated August 22, 2011

Subregion	County	City	Local Planning Factors/"AB 2158 Factors" Survey	Replacement Need Survey
Gateway Cities	Los Angeles	Bell		
Gateway Cities	Los Angeles	Bellflower	X	X
Gateway Cities	Los Angeles	Bell Gardens		
Gateway Cities	Los Angeles	Cerritos		
Gateway Cities	Los Angeles	Commerce		
Gateway Cities	Los Angeles	Compton		
Gateway Cities	Los Angeles	Cudahy		
Gateway Cities	Los Angeles	Downey		
Gateway Cities	Los Angeles	Hawaiian Gardens		
Gateway Cities	Los Angeles	Huntington Park		
Gateway Cities	Los Angeles	La Habra Heights		
Gateway Cities	Los Angeles	La Mirada		
Gateway Cities	Los Angeles	Lakewood		X
Gateway Cities	Los Angeles	Long Beach	X	X
Gateway Cities	Los Angeles	Lynwood		
Gateway Cities	Los Angeles	Maywood		
Gateway Cities	Los Angeles	Montebello		
Gateway Cities	Los Angeles	Norwalk		
Gateway Cities	Los Angeles	Paramount	X	X
Gateway Cities	Los Angeles	Pico Rivera	X	X
Gateway Cities	Los Angeles	Santa Fe Springs		
Gateway Cities	Los Angeles	Signal Hill	X	X
Gateway Cities	Los Angeles	South Gate		
Gateway Cities	Los Angeles	Vernon	X	X
Gateway Cities	Los Angeles	Whittier	X	
Las Virgenes	Los Angeles	Agoura Hills	X	
Las Virgenes	Los Angeles	Calabasas	X	X
Las Virgenes	Los Angeles	Hidden Hills		
Las Virgenes	Los Angeles	Malibu	X	X
Las Virgenes	Los Angeles	Westlake Village		
	Los Angeles	Los Angeles County		
Orange County	Orange	Aliso Viejo	X	
Orange County	Orange	Anaheim	X	
Orange County	Orange	Brea	X	
Orange County	Orange	Buena Park	X	
Orange County	Orange	Costa Mesa	X	
Orange County	Orange	Cypress	X	
Orange County	Orange	Dana Point		
Orange County	Orange	Fountain Valley	X	X
Orange County	Orange	Fullerton	X	
Orange County	Orange	Garden Grove	X	
Orange County	Orange	Huntington Beach		
Orange County	Orange	Irvine	X	X
Orange County	Orange	La Habra	X	
Orange County	Orange	La Palma	X	
Orange County	Orange	Laguna Beach	X	
Orange County	Orange	Laguna Hills	X	
Orange County	Orange	Laguna Niguel		
Orange County	Orange	Laguna Woods		
Orange County	Orange	Lake Forest		
Orange County	Orange	Los Alamitos		
Orange County	Orange	Mission Viejo	X	X
Orange County	Orange	Newport Beach	X	X
Orange County	Orange	Orange City		
Orange County	Orange	Placentia		
Orange County	Orange	Rancho Santa Margarita	X	
Orange County	Orange	San Clemente		
Orange County	Orange	San Juan Capistrano		
Orange County	Orange	Santa Ana		
Orange County	Orange	Seal Beach		
Orange County	Orange	Stanton	X	
Orange County	Orange	Tustin		
Orange County	Orange	Villa Park		
Orange County	Orange	Westminster	X	
Orange County	Orange	Yorba Linda		
Orange County	Orange	Orange County	X	
Western Riverside Council of Governments	Riverside	Banning		X

Respondents to the AB 2158 Factor and Replacement Need Survey Matrix
 Updated August 22, 2011

Subregion	County	City	Local Planning Factors/"AB 2158 Factors" Survey	Replacement Need Survey
Western Riverside Council of Governments	Riverside	Beaumont	X	X
Western Riverside Council of Governments	Riverside	Calimesa		
Western Riverside Council of Governments	Riverside	Canyon Lake	X	X
Western Riverside Council of Governments	Riverside	Corona	X	X
Western Riverside Council of Governments	Riverside	Hemet		
Western Riverside Council of Governments	Riverside	Lake Elsinore		
Western Riverside Council of Governments	Riverside	Menifee		X
Western Riverside Council of Governments	Riverside	Moreno Valley		
Western Riverside Council of Governments	Riverside	Murrieta	X	X
Western Riverside Council of Governments	Riverside	Norco		
Western Riverside Council of Governments	Riverside	Perris		X
Western Riverside Council of Governments	Riverside	Riverside City		X
Western Riverside Council of Governments	Riverside	San Jacinto	X	X
Western Riverside Council of Governments	Riverside	Temecula		
Western Riverside Council of Governments	Riverside	Wildomar		
	Riverside	Riverside County	X	X
Coachella Valley Association of Governments	Riverside	Blythe		
Coachella Valley Association of Governments	Riverside	Cathedral City		
Coachella Valley Association of Governments	Riverside	Coachella		
Coachella Valley Association of Governments	Riverside	Desert Hot Springs		
Coachella Valley Association of Governments	Riverside	Indian Wells		
Coachella Valley Association of Governments	Riverside	Indio		
Coachella Valley Association of Governments	Riverside	La Quinta	X	X
Coachella Valley Association of Governments	Riverside	Palm Desert	X	X
Coachella Valley Association of Governments	Riverside	Palm Springs		
Coachella Valley Association of Governments	Riverside	Rancho Mirage		X
San Bernardino Associated Governments	San Bernardino	Adelanto		
San Bernardino Associated Governments	San Bernardino	Apple Valley Town	X	
San Bernardino Associated Governments	San Bernardino	Barstow		
San Bernardino Associated Governments	San Bernardino	Big Bear Lake	X	
San Bernardino Associated Governments	San Bernardino	Chino	X	X
San Bernardino Associated Governments	San Bernardino	Chino Hills	X	X
San Bernardino Associated Governments	San Bernardino	Colton	X	X
San Bernardino Associated Governments	San Bernardino	Fontana	X	X
San Bernardino Associated Governments	San Bernardino	Grand Terrace	X	X
San Bernardino Associated Governments	San Bernardino	Hesperia	X	
San Bernardino Associated Governments	San Bernardino	Highland	X	X
San Bernardino Associated Governments	San Bernardino	Loma Linda		
San Bernardino Associated Governments	San Bernardino	Montclair		
San Bernardino Associated Governments	San Bernardino	Needles	X	
San Bernardino Associated Governments	San Bernardino	Ontario	X	X
San Bernardino Associated Governments	San Bernardino	Rancho Cucamonga		
San Bernardino Associated Governments	San Bernardino	Redlands	X	
San Bernardino Associated Governments	San Bernardino	Rialto		
San Bernardino Associated Governments	San Bernardino	San Bernardino City		
San Bernardino Associated Governments	San Bernardino	Twentynine Palms	X	
San Bernardino Associated Governments	San Bernardino	Upland	X	X
San Bernardino Associated Governments	San Bernardino	Victorville	X	X
San Bernardino Associated Governments	San Bernardino	Yucaipa	X	
San Bernardino Associated Governments	San Bernardino	Yucca Valley	X	X
San Bernardino Associated Governments	San Bernardino	San Bernardino County	X	X
Ventura Council of Governments	Ventura	Camarillo	X	X
Ventura Council of Governments	Ventura	Fillmore		
Ventura Council of Governments	Ventura	Moorpark	X	
Ventura Council of Governments	Ventura	Ojai		
Ventura Council of Governments	Ventura	Oxnard		
Ventura Council of Governments	Ventura	Port Hueneme		X
Ventura Council of Governments	Ventura	Santa Paula	X	X
Ventura Council of Governments	Ventura	Simi Valley	X	X
Ventura Council of Governments	Ventura	Thousand Oaks	X	X
Ventura Council of Governments	Ventura	Ventura City		
Ventura Council of Governments	Ventura	Ventura County		

SCAG staff is currently discussing and consulting with subregions and local jurisdictions about the accuracy and interpretation of the demolition survey data.

Please note that the SCAG demolition survey data for cities in Orange County was based on the Orange County Housing Demolition Net Activity data provided by the Center for Demographic Research (CDR) on July 22, 2011. CDR provided the net total of housing units only.

REPORT

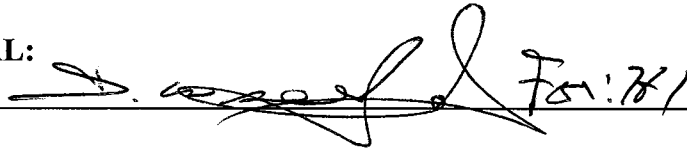
DATE: August 26, 2011

TO: Regional Housing Need Allocation (RHNA) Subcommittee

FROM: Frank Wen, Manager, Research, Analysis and Information Services, 213-236-1854,
wen@scag.ca.gov
Ma'Ayn Johnson, Senior Regional Planner, Comprehensive Planning, 213-236-1975,
johnson@scag.ca.gov

SUBJECT: Final Regional Housing Needs Assessment (RHNA) Determination from California Department of Housing and Community Development (HCD)

EXECUTIVE DIRECTOR'S APPROVAL:



RECOMMENDED ACTION:

For Information Only – No Action Required.

EXECUTIVE SUMMARY:

In 2009, SCAG began working with its local jurisdictions to attain local growth forecasts to assist in preparing for the 2012 RTP/SCS and RHNA consultation process with HCD. SCAG also utilized a well-established economist to assist with the consultation process. SCAG staff officially began its regional RHNA determination consultation process with HCD on June 20, 2011. SCAG staff presented HCD data, justifications, and technical methodology as part of the determination process.

HCD has now concluded its RHNA consultation process with SCAG and provided SCAG with a regional housing need determination for the 5th RHNA cycle. We believe the results to be fully justified and represent a very successful outcome for this region. HCD has determined the range of housing need to be 409,060 – 438,030 dwelling units for the SCAG region, for the projection period between January 1, 2014 and October 1, 2021. This range is consistent with the local input received by SCAG from our 197 local jurisdictions and represents a significant step forward in completing a successful 5th RHNA update process. The process, while arduous, has strengthened the cooperation between SCAG and HCD and we appreciate their commitment to a fair and transparent process.

HCD's decision regarding its determination reflects a true success for all jurisdictions given the new challenges of SB 375 and the future economic uncertainty. The data and technical justifications that SCAG was able to provide to HCD were taken into consideration by HCD as part of its final determination. SCAG's consultation packet included several key issues that our local jurisdictions have told us are important to them, such as the consideration of slower expected regional growth rates, the exclusion of tribal lands from the regional total, adjustments to account for abnormally high vacancies within our region, and the significant reduction of replacement need for the region.

Draft jurisdictional allocations will be issued by SCAG near the end of this year, subsequent to a final methodology being approved by the Regional Council. It should be expected that these jurisdictional allocations will cumulatively fall within the HCD need determination range.

REPORT

STRATEGIC PLAN:

This item supports SCAG's Strategic Plan; Goal 1: Improve Regional Decision Making by Providing Leadership and Consensus Building on Key Plans and Policies; Objective a: Create and facilitate a collaborative and cooperative environment to produce forward thinking regional plans.

BACKGROUND:

Per Government Code Section 65584.01, HCD, in consultation with SCAG, is required to determine the existing and projected need for housing in the SCAG region. HCD began its consultation with SCAG on June 20, 2011. As part of the consultation process, SCAG provided HCD with data, assumptions, and technical justifications. Topics for discussion in the consultation packet included:

- Projected growth forecasts
- Exemption of Tribal Land growth in the SCAG region
- Housing replacement allowance
- Excess vacancy credit

On August 17, 2011, HCD provided SCAG a range of regional housing need of 409,060 to 438,030 for the projection period between January 1, 2014 and October 1, 2021 for the 5th cycle RHNA. A copy of the letter from HCD is attached with this staff report. SCAG recognizes that this range is consistent with the local input received by SCAG. According to HCD, the determination reflects HCD's acceptance of SCAG staff's projections and assumptions as the minimum need after evaluating the reasonableness of data, assumptions, methodology and supporting documentation submitted by SCAG.

Once the Regional Council adopts a final RHNA methodology, SCAG will apply the methodology to determine each jurisdiction's share of housing need for the 5th cycle housing element. The final RHNA methodology is anticipated for adoption in November 2011. The draft RHNA allocation will be discussed by the RHNA Subcommittee starting in December 2011, with a subsequent official release of the draft allocation plan by the Regional Council in March 2012. Based on this timeline, the final RHNA Plan will be adopted in October 2012.

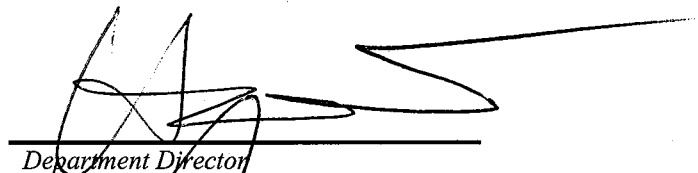
FISCAL IMPACT:

Work associated with this item is included in the current FY 11-12 General Fund Budget (12-800.0160.03:RHNA).

ATTACHMENT:

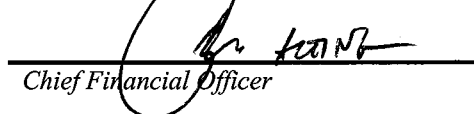
Letter from HCD dated August 17, 2011 regarding SCAG's Regional Housing Need Assessment Determination

Reviewed by:



Department Director

Reviewed by:



Chief Financial Officer

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

1800 Third Street, Suite 430
P. O. Box 952053
Sacramento, CA 94262-2053
(916) 323-3177 / FAX (916) 327-2643
www.hcd.ca.gov



August 17, 2011

Mr. Hasan Ikhata
Executive Director
Southern California Association of Governments
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017-3435

Dear Mr. Ikhata:

RE: Regional Housing Need Assessment Determination

This letter provides the Southern California Association of Governments (SCAG) its Regional Housing Need Assessment Determination (RHNA Determination) for the projection period beginning January 2014 and ending October 2021. Pursuant to State housing element law (Government Code Section 65584, et seq.), the Department of Housing and Community Development (Department) is required to determine SCAG's existing and projected housing need.

As you know, Chapter 728, Statutes of 2008 (SB 375) strengthened coordination of housing and transportation planning and requires Metropolitan Planning Organizations (MPOs) to develop a new sustainable communities strategy (SCS) in the regional transportation plan (RTP) to achieve greenhouse gas emission reductions and ensure the SCS accommodates the RHNA Determination. Amendments to the law included revisions to the Department's RHNA schedule and methodology and also definitions addressing the RHNA projection period, housing element planning period, and coordination with updating the RTP. For SCAG, the Department's RHNA Determination is made on the basis of partial demographic data available at this time from Census 2010 complemented by the American Community Survey (ACS) data. In assessing SCAG's regional housing need, the Department considered the critical role housing plays in developing sustainable communities and supporting employment growth.

The Department has determined a range of housing need (409,060 – 438,030 units) for the period 2014-2021. This range considered the extraordinary uncertainty regarding national, State, and local economies and housing markets. For this RHNA cycle only, the Department made an adjustment to account for abnormally high vacancies and unique market conditions due to prolonged recessionary conditions, high unemployment, and unprecedented foreclosures.

The RHNA low range (409,060) reflects the Department's acceptance of SCAG's projections and assumptions as the minimum need after evaluating the reasonableness of data, assumptions and support documentation submitted by SCAG. This figure considers household growth for the projection period derived from using the 2005-2007 ACS household formation rates and includes an adjustment for projected household growth on tribal land, and for existing high unit vacancies resulting from the unusual turmoil in housing markets. The RHNA high range (438,030) considered SCAG's strong socio-economic assets and demographic trends to grow, become more diverse, and generate increased housing demand, particularly among older age groups.

SCAG's plan to distribute its RHNA must equal or exceed the minimum of the range shown in Attachment 1 for the Total and for Very-Low, Low, and Moderate income categories. The Department encourages planning for housing need above the minimum of the range, in which case the income category percentages applicable to very-low, low, and moderate households remain the same. The regional housing need to be allocated to each jurisdiction represents the minimum amount of residential development capacity to zone for and is not to be used within local general plans as the maximum amount of residential development to plan for or approve.

In assessing the RHNA for the SCAG region, the Department applied methodology and assumptions that considered all of the factors specified in Government Code Section 65584.01(c)(1). In addition, the Department consulted with SCAG and Department of Finance (DOF) staff as required by statute. A meeting with Mary Heim, DOF Chief Demographer, occurred in late February 2011 and was attended by SCAG representatives Frank Wen, Manager, Simon Choi, Chief Demographer, and Joe Carreras, Housing Project Manager. Subsequent consultation meetings, as well as correspondence, included Doug Williford, Deputy Executive Director, Huasha Liu, Director of Planning, and Joann Africa, Legal Counsel. Also consulted was Stephen Levy, Director for the Center for Continuing Study of the California Economy (CCSCE), who prepared employment, population, and household projections for SCAG.

The data, assumptions, and descriptive information provided by SCAG and CCSCE, included DOF's population estimates for 2011, American Community Survey household formation rates controlled for the 2010 Census data, and SCAG population projections. Information provided and/or discussed also included the region's relationship between jobs and housing, including information about inter- and intra-regional commute patterns, and assumptions about the rate with which existing "for sale" and "for rent" housing units will be absorbed by the beginning of the projection period in 2014.

The Attachments to this letter describe the RHNA methodology used by the Department and the income category distribution to be used by SCAG in allocating among all local governments within the region at least the minimum total RHNA and minimum amounts for very-low, low, and moderate income categories. The projection period (also described in the Attachments) was determined pursuant to Government Code Section 65588(e)(6), to coordinate housing and transportation planning based on notification from SCAG of its *estimated* RTP adoption date of April 5, 2012. As you know, if the actual RTP adoption date significantly differs from the estimated date, the RHNA determination and projection period will not change, however the housing element due date, and implicitly the planning period, would change.

SCAG is responsible for developing a RHNA distribution methodology and adopting a RHNA Plan for the period beginning January 1, 2014 and ending October 1, 2021. Housing element law (Section 65584, et.seq.) requires SCAG's methodology and RHNA Plan be consistent with the following objectives:

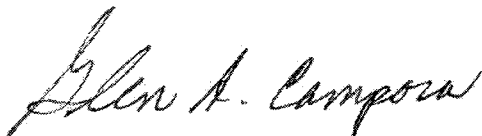
- (1) increasing the housing supply and mix of housing types, tenure, and affordability;
- (2) promoting infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns;
- (3) promoting an improved intraregional relationship between jobs and housing;
- (4) balancing the distribution of households by income category.

Pursuant to Government Code Section 65584.05(h), within three days of adopting the Plan, SCAG is required to submit its RHNA Plan to the Department for approval. Once the Department has approved the RHNA Plan, local governments must be notified of their share of the regional housing need, by income category, for use in updating the housing element for the *planning* period, anticipated to be from October 2013 until October 2021. In updating their housing elements, local governments may credit units permitted since the January 1, 2014 start date of the RHNA projection period. The element must describe the methodology for crediting units to different income categories such as based on the actual or projected sale price or rent level.

The Department commends SCAG for its leadership and efforts in fulfilling its important role in advancing the State's housing, transportation, and environmental goals. SCAG's successful Compass Blueprint has played a tremendous role in leading local organizations to improve community planning to expand housing and transportation choices.

The Department especially thanks Doug Williford, Huasha Liu, Frank Wen, and Simon Choi for their efforts and assistance. The Department looks forward to its continued partnership with SCAG and its member jurisdictions and assisting SCAG in its planning efforts to accommodate the region's share of housing need. If the Department can provide any assistance, or answer any questions, please contact me or Anda Draghici, Senior Housing Policy Specialist, at (916) 445-4728.

Sincerely,



Glen A. Campora
Assistant Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION: SCAG

Projection Period: January 1, 2014 through October 1, 2021

<u>Income Category</u>	<u>Percentage</u>	<u>Range of Housing Unit Need (Rounded)</u>	
		<u>(1)</u>	<u>(2)</u>
Very-Low	24.4%	99,810	- 106,880
Low	15.8%	64,630	- 69,210
Moderate	17.5%	71,590	- 76,650
Above-Moderate	42.3%	173,030	- 185,290
Total	100.0%	409,060	- 438,030

- ¹ The 409,060 low end of the range (see Attachment 2) reflects SCAG's projected minimum housing need (rounded), using 2005-2007 household formation rates from the American Community Survey (ACS) controlled for 2010 census household population. This column represents the rounded minimum housing need that SCAG's RHNA Plan must address in total and the minimum percentage and amount for very-low, low, and moderate income categories.
- ² The 438,030 high end of the range (see Attachment 3) reflects HCD's determined higher housing need (rounded), using the 2005-2007 ACS household formation rates controlled for 2010 Census household population and applied to SCAG's population projections. In planning for RHNA above the low range, income category percentages for very-low, low, and moderate income households remain the same.
- ³ The income category percentages reflect the minimum percentage to apply against the total RHNA chosen by SCAG (at or above the minimum range) in determining housing need for very-low, low, and moderate income households.
- ⁴ For this RHNA cycle only (due to unique conditions not expected to recur to impact future RHNA cycles), two downward adjustments were made: (1) projected households were adjusted (-2,810) for household growth on tribal land as tribal housing data had not been requested by Department of Finance in its annual survey to local jurisdictions regarding housing unit change, and (2) housing need was adjusted by -75,390 units at the low range (Attachment 2) and by -25,130 units at the high range (Attachment 3) to account for different absorption estimates for unprecedented high vacancies in existing stock due to extraordinary conditions including high foreclosures and recession uncertainties.

Notes:

Housing Need Determination

Refer to Attachments 2 and 3 for a description and explanation of methodology.

The Department and SCAG staff acknowledge important differences between the "projection" methodology specified in statute to determine housing need and the methodology SCAG uses in developing its Integrated Forecast for purposes of its Regional Transportation Plan and Sustainable Community Strategy. The statutory planning objective of the RHNA is to accommodate housing "capacity" for projected household growth.

Income Categories

Each category is defined by Health and Safety Code (Section 50093, et seq.). Percentages are derived from Census-reported household income brackets, from the 2005-2009 American Community Survey's number of households by income over 12 months, by County. Housing unit need under each income category is derived from multiplying the portion of households per income category against the total RHNA determination.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION (LOW RANGE): SCAG

HCD Determined Population, Households, & New Housing Need: January 1, 2014-October 1, 2021 (7.75 years)				
1	Population: October 1, 2021 (SCAG Projection)			19,730,980
2	<i>less: Group Quarters Population (SCAG's estimate)</i>			-347,750
3	Household (HH) Population			19,383,230
	Household Formation Groups	HH Population	HH Formation or Headship Rate (ACS)	Households
	Age Groups (DOF)	19,383,230		6,516,345
	Under 15	4,103,915	-	-
	15 - 24 years	2,625,930	8.31%	218,223
	25 - 34 years	2,825,093	38.62%	1,091,002
	35 - 44 years	2,494,520	49.16%	1,226,416
	45 - 54 years	2,380,969	52.39%	1,247,429
	55 - 64 years	2,236,911	53.97%	1,207,223
	65 and older	2,715,892	56.19%	1,526,052
4	Projected Households			6,516,345
5	<i>less: Households at Beginning of Projection Period (January 1, 2014, interpolated)</i>			-6,044,940
6	<i>less: Household Growth on Tribal Lands</i>			-2,810
7	Household Growth: 7.75 Year Projection Period (New Housing Unit Need)			468,595
8	Vacancy Allowance	Owner	Renter	Total
	Tenure Percentage	54.39%	45.61%	
	HH Growth (New Unit Need)	254,869	213,726	468,595
	Vacancy Rate (SCAG)	1.50%	4.50%	
	Vacancy Allowance	3,825	9,620	13,445
9	Replacement Allowance (minimum)		0.50%	482,040
10	<i>less: Adjustment for Absorption of Existing Excess Vacant Units</i>			
	Estimate 10% Absorbed, 90% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(252,023)	175,240	-76,783
	Total 2011 Housing Stock	6,348,741		
	Existing Vacant Unit (Others) Adjustment	1.39%	1.28%	
	Total Adjusted Existing Vacant Units (Others)	(88,247)	81,264	-6,984
	Estimated Units (Others) Not Absorbed by 2014	90%		-83,766
				-75,390
FINAL REGIONAL HOUSING NEED DETERMINATION (Low Range of New Housing Unit Need)				409,060

Explanation and Data Sources

1. **Population:** Population reflects SCAG's October 2021 projection. Pursuant to Government Code 65584.01(b), SCAG's 2021 population projection was compared to the 2021 population derived from Department of Finance (DOF) 2011 Interim Projections P3 for 2020 and DOF's E5 estimate for 2011. Based on SCAG's population projection being within 3% of the DOF Population Interim projections and consultation with SCAG, SCAG's population projection was used in determining housing need for the region. As such, this number reflects SCAG's October 2021 population projection.
2. **Group Quarter Population:** Figure is SCAG's estimate of persons residing in group home / institution / military / dormitory quarters that is 1.76% of total population (DOF estimate for 2010 was 1.78%) in which proportion is maintained constant throughout the projection period. As this population doesn't constitute a "household" population generating demand for a housing unit, the group quarter population is excluded from the calculation of the household population, and is not included in the housing need.
3. **Household (HH) Population:** The population projected to reside in housing units after subtracting the group quarter population from total projected population.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION (LOW RANGE): SCAG (continued)

4. **Projected Households (HHs):** Calculated by applying (to the 2021 HH population) SCAG's HH formation rates from DOF rates per 2005-2007 American Community Survey (ACS) controlled for the 2010 Census household population. HH formation rates were evaluated for reasonableness in conjunction with ACS HH formation rates for the region provided by DOF and with the vacancy assumptions as described below.
5. **Households at Beginning of Projection Period:** For the first time since inception of RHNA, the baseline number of households at the beginning of the projection period (January 2014) must be projected, as a direct effect of amendment to Section 65588(e)(6), specifying the new projection period to start on either June 30 or December 31 whichever date most closely precedes the end of the current housing element period (June 30, 2014 for SCAG). As such, the January 1, 2014 household number was calculated as an interpolation between the DOF E5 Estimate for 2011 and the projected 2021 number of households.
6. **Household Growth on Tribal Land:** For this RHNA cycle only, an adjustment (-2,810) was made for household growth on tribal land as tribal housing data had not been requested by Department of Finance in its annual survey to local jurisdictions regarding housing unit change. Calculated based on 2000 and 2010 Census and SCAG's Draft 2012 RTP Growth forecast.
7. **Household (HH) Growth:** This figure reflects projected HH growth and need for new units.
8. **Vacancy Allowance:** An allowance (unit increase) is made to facilitate availability and mobility among owner and renter units. Owner/Renter % is based on Census 2010 data. A smaller rate is applied to owner units due to less mobility than for renter households. Information from a variety of authoritative sources supports an acceptable range of 1 to 4% for owner units and 4 to 8% for renter units depending on market conditions.
9. **Replacement Allowance:** Rate (0.5%) reflects housing losses that localities annually reported to DOF each January for years 2000-2010, or 0.5%, whichever is higher.
10. **Adjustment for Absorption of Existing Excess Vacant Units:** For this RHNA cycle only (due to extraordinary uncertainty regarding conditions impacting the economy and housing market not expected to similarly impact future RHNA cycles), a new 1-time adjustment was made to account for unprecedented high vacancies in existing stock, due to unusual conditions including high foreclosures and recession uncertainties. A slow absorption rate of 10% of existing excess vacant units is assumed to occur in shrinking current excess vacant units before the start of 2014 RHNA projection period resulting in applying a 90% adjustment to account for units not absorbed that decreases new housing need by -75,390 units. Existing housing stock consists of two components: (1) housing units for sale and rent in existing housing stock that are above the housing units required to maintain the healthy market condition, calculated as the number of units in housing stock (for sale+for rent+sold, not occupied+rented, not occupied + occupied units), (2) housing units in the "vacant units others" category of existing housing stock above the simple average of 1.28% calculated based on Census data from 1980 to 2010. To evaluate the reasonableness of vacancy adjustments proposed by SCAG to account for the unprecedented economic downturn, the Department used 2010 Census Demographic profile data (DP-1) and desirable "normal" vacancy rates by tenure, in conjunction with the region's household growth and proposed household formation rates. The proposed vacancy adjustment is limited to not exceed the differential between the 2010 Census vacant units and the healthy market vacant units rate associated with the region's annual household growth. As the adjustment was below the differential, the vacancy adjustment was applied in calculating the low RHNA range.

RHNA Projection Period January 1, 2014 to October 1, 2021: Per SB 375, the start of the *projection* period (in effect January 1, 2014) was determined pursuant to GC 65588(e)(6), which requires the new projection period to start on June 30 or December 31 whichever date most closely precedes the end of the current housing element period, which for SCAG region is June 30, 2014. The end of the projection period was determined pursuant to GC 65588(e)(5) to be the end of the housing element planning period. *Note: For projection purposes the end of the projection period is rounded to the nearest start/end of the month.*

Housing Element Planning Period October 1, 2013 to October 1, 2021: Per SB 375, the start of the *planning* period was determined pursuant to GC 65588(e)(5), 18 months from the estimated adoption date of the SCAG's Regional Transportation Plan per SCAG's notice to the Department (April 5, 2012) with the date rounded to the nearest start/end of month for projection purposes. The end of the planning period was calculated pursuant to GC 65588(e)(3)(A), 18 months after the adoption of the second RTP, provided that it is not later than eight years from the adoption of the previous housing element. If the actual RTP adoption date differs from the estimated date, the RHNA determination and the projection period will not change, however the housing element due date, and implicitly, the planning period would change.

ATTACHMENT 3

HCD REGIONAL HOUSING NEED DETERMINATION (HIGH RANGE): SCAG

HCD Determined Population, Households, & New Housing Need: January 1, 2014–October 1, 2021 (7.75 years)				
1	Population: October 1, 2021 (SCAG Projection)			19,730,980
2	<i>less: Group Quarters Population (SCAG's estimate)</i>			-347,750
3	Household (HH) Population			19,383,230
	Household Formation Groups	HH Population	HH Formation or Headship Rate (ACS)	Households
	Age Groups (DOF)	19,383,230		6,487,790
	Under 15	4,103,915	-	-
	15 - 24 years	2,625,930	7.42%	194,964
	25 - 34 years	2,825,093	37.48%	1,058,923
	35 - 44 years	2,494,520	49.52%	1,235,224
	45 - 54 years	2,380,969	52.74%	1,255,834
	55 - 64 years	2,236,911	54.03%	1,208,550
	65 and older	2,715,892	56.49%	1,534,295
4	Projected Households			6,487,790
5	<i>less: Households at Beginning of Projection Period (January 1, 2014, interpolated)</i>			-6,036,970
6	<i>less: Household Growth on Tribal Lands</i>			-2,810
7	Household Growth: 7.75 Year Projection Period (New Housing Unit Need)			448,010
8	Vacancy Allowance	Owner	Renter	Total
	Tenure Percentage	54.39%	45.61%	
	HH Growth (New Unit Need)	243,673	204,337	448,010
	Vacancy Rate (SCAG)	1.50%	4.50%	
	Vacancy Allowance	3,655	9,195	12,850
9	Replacement Allowance (minimum)	0.50%		.460,860
10	<i>less: Adjustment for Absorption of Existing Excess Vacant Units</i>			
	Estimate 70% Absorbed, 30% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(252,023)	175,240	-76,783
	Total 2011 Housing Stock	6,348,741		
	Existing Vacant Unit (Others) Adjustment	1.39%	1.28%	
	Total Adjusted Existing Vacant Units (Others)	(88,247)	81,264	-6,984
	Estimated Units (Others) Not Absorbed by 2014	30%		-83,766
				-25,130
	FINAL REGIONAL HOUSING NEED DETERMINATION (High Range of New Housing Unit Need)			438,030

Explanation and Data Sources

1. **Population:** Pursuant to Government Code Section 65584.01(b), SCAG's 2021 population projection was compared to the 2021 population derived from Department of Finance (DOF) 2011 Interim Projections P3 for 2020 and DOF's E5 estimate for 2011. Based on SCAG's population projection being within 3% of the DOF Population Interim projections and consultation with SCAG, SCAG's population projection was used in determining housing need for the region. As such, this number reflects SCAG's October 2021 population projection.
2. **Group Quarter Population:** Figure is SCAG's estimate of persons residing in group home / institution / military / dormitory quarters that is 1.76% of total population (DOF estimate for 2010 was 1.71%) in which proportion is maintained constant throughout the projection period. As this population doesn't constitute a "household" population generating demand for a housing unit, the group quarter population is excluded from the calculation of the household population and is not included in housing need.
3. **Household (HH) Population:** The portion of population projected to reside in housing units after subtracting the group quarter population from total projected population.

ATTACHMENT 3

HCD REGIONAL HOUSING NEED DETERMINATION (HIGH RANGE): SCAG (continued)

4. **Projected 2021 Households (HHs):** Projected HHs are derived by applying (to 2021 HH population) the regional 2005-2009 American Community Survey (ACS) household formation rates as provided by DOF controlled for the 2010 household population. HH formation or headship rates reflect the propensity of different population groups (age, racial and ethnic) to form households.
5. **Households at Beginning of Projection Period:** For the first time since inception of RHNA, the baseline number of households at the beginning of the projection period (January 2014) must be projected, as a direct effect of amendment to Section 65588(e)(6) specifying the new projection period to start on either June 30 or December 31 whichever date most closely precedes the end of the current housing element period (June 30, 2014 for SCAG). As such, the January 1, 2014 household number was calculated as an interpolation between the DOF E5 Estimate for 2011 and the projected 2021 number of households.
6. **Household Growth on Tribal Land:** For this RHNA cycle only, an adjustment (-2,810) was made for household growth on tribal land as tribal housing data had not been requested by Department of Finance in its annual survey to local jurisdictions regarding housing unit change. Calculated based on 2000 and 2010 Census and SCAG's Draft 2012 RTP Growth Forecast.
7. **Household (HH) Growth:** This figure reflects projected HH growth and need for new units.
8. **Vacancy Allowance:** An allowance (unit increase) is made to facilitate availability and mobility among owner and renter units. Owner/Renter % is based on Census 2010 data. A smaller rate is applied to owner units due to less frequent mobility than for renter households. Information from a variety of authoritative sources supports an acceptable range of 1 to 4% for owner units and 4 to 8% for renter units depending on market conditions.
9. **Replacement Allowance:** Rate (0.5%) reflects the housing losses that localities annually reported to DOF each January for years 2000-2010, or 0.5%, whichever is higher.
10. **Adjustment for Absorption of Existing Excess Vacant Units:** For this RHNA cycle only (due to extraordinary uncertainty regarding conditions impacting the economy and housing market not expected to similarly impact future RHNA cycles), a new 1-time adjustment was made to account for unprecedented high vacancies in existing stock due to unusual conditions including high foreclosures and recession uncertainties. A fast absorption rate of 70% of existing excess vacant units is assumed to occur in shrinking current excess vacant units before start of 2014 RHNA projection period resulting in applying a 30% adjustment to account for units not absorbed that decreases new housing need by -25,130 units. Existing housing stock consists of two components: (1) housing units for sale and rent in existing housing stock that are above the housing units required to maintain the healthy market condition, calculated as the number of units in housing stock (for sale+for rent+sold, not occupied+rented, not occupied + occupied units), (2) housing units in the "vacant units others" category of existing housing stock above the simple average of 1.28% calculated based on Census data from 1980 to 2010. To evaluate the reasonableness of vacancy adjustments proposed by SCAG to account for the unprecedented economic downturn, the Department used 2010 Census Demographic profile data (DP-1) and desirable "normal" vacancy rates by tenure, in conjunction with the region's household growth and proposed household formation rates. The proposed vacancy adjustment is limited to not exceed the differential between the 2010 Census vacant units and the healthy market vacant units rate associated with the region's annual household growth. As the adjustment was below the differential, the adjustment was applied in calculating the high RHNA range.

RHNA Projection Period January 1, 2014 to October 1, 2021: Per SB 375, the start of the *projection* period (in effect January 1, 2014) was determined pursuant to GC 65588(e)(6), which requires the new projection period to start on June 30 or December 31 that most closely precedes the end of the current housing element period, which for SCAG region is June 30, 2014. The end of the projection period was determined pursuant to GC 65588(e)(5) to be the end of the housing element planning period. *Note: For projection purposes the end of the projection period is rounded to the nearest start/end of the month.*

Housing Element Planning Period October 1, 2013 to October 1, 2021: Per SB 375, the start of the *planning* period was determined pursuant to GC 65588(e)(5), 18 months from the estimated adoption date of the SCAG's Regional Transportation Plan per SCAG's notice to the Department (April 5, 2012) with the date rounded to the nearest start/end of month for projection purposes. The end of the planning period was calculated pursuant to GC 65588(e)(3)(A), 18 months after the adoption of the second RTP, provided that it is not later than eight years from the adoption of the previous housing element. If the actual RTP adoption date differs from the estimated date, the RHNA determination and the projection period will not change, however the housing element due date, and implicitly, the planning period would change.

REPORT

DATE: August 26, 2011

TO: Regional Housing Need Allocation (RHNA) Subcommittee

FROM: Frank Wen, Manager, Research, Analysis and Information Services, 213-236-1854, wen@scag.ca.gov
Simon Choi, Chief of Research & Forecasting, 213-236-1849, choi@scag.ca.gov
Ma'Ayn Johnson, Senior Regional Planner, Comprehensive Planning, 213-236-1975, johnson@scag.ca.gov

SUBJECT: Proposed RHNA Methodology

EXECUTIVE DIRECTOR'S APPROVAL:



Frank Wen

RECOMMENDED ACTION:

Recommend the Community, Economic & Human Development Committee (CEHD) recommend that the Regional Council approve release of the proposed RHNA methodology.

EXECUTIVE SUMMARY:

Per Government Code Section 65584.04, SCAG is required to develop a proposed methodology for distributing the existing and projected regional housing need to cities and counties within the region. The proposed methodology will be applied to the regional need determined by the California Department of Housing and Community Development (HCD) to develop the proposed RHNA allocation. The proposed methodology contains data on existing and projected housing needs along with key factors used to project growth. Within sixty days of distribution, a public hearing will be held to receive comments on the proposed methodology. After the sixty day comment period, SCAG will adopt a final methodology, which will be used to distribute the projected regional housing need to the jurisdictions within the region.

STRATEGIC PLAN:

This item supports SCAG's Strategic Plan; Goal 1: Improve Regional Decision Making by Providing Leadership and Consensus Building on Key Plans and Policies; Objective a: Create and facilitate a collaborative and cooperative environment to produce forward thinking regional plans.

BACKGROUND:

Per Government Code Section 65584.04, SCAG is required to develop a proposed methodology for distributing the existing and projected regional housing need to cities and counties within the region. The 2012 proposed RHNA methodology includes several components to address the goals of state housing law in Government Code Section 65584 (d), including:

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner;
2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns;
3. Promoting an improved intraregional relationship between jobs and housing;
4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the

REPORT

countywide distribution of households in that category from the most recent decennial United States census.

The 2012 RHNA (5th cycle) projection period covers January 1, 2014 through October 1, 2021. Due to the requirements of state housing law, 5th cycle housing elements are due to HCD in October 2013, which covers the planning period between October 2013 and October 2021. The proposed methodology must be developed no later than 24 months from the housing element due date and thus cannot be done later than October 2011. Within 60 days of the distribution of the proposed draft RHNA methodology, SCAG will hold two public hearings to receive comments on the proposed methodology to receive verbal and written comments on the proposed methodology. Per the direction of the RHNA Subcommittee, these hearings will take place on October 11 and October 19. At the end of the 60 day public comment period, after making any necessary revisions, SCAG will adopt the final RHNA methodology.

SCAG staff recommends that the following elements be incorporated into the proposed RHNA Allocation Methodology:

- (1) Each jurisdiction's projected housing needs or its RHNA allocation is determined by three components: (a) projected household growth, (b) healthy market vacancy need, and (3) housing replacement need.
- (2) Projected household growth for each jurisdiction should be consistent with 2012 RTP/SCS Integrated Growth Forecast process and results.
- (3) Healthy market vacancy need is determined by applying 1.5%-owner vacancy rate and 4.5%-renter vacancy rate to each jurisdiction's projected household growth, split by the proportion of owner occupied units and renter occupied units from the 2010 Census.
- (4) Replacement need is determined by applying each jurisdiction's share of SCAG's historical demolitions to the region's housing replacement need, as determined by the Department of Housing and Community Development (HCD). Jurisdictions' share of the region's demolitions will be derived using historical demolitions data from the Department of Finance (DOF), which will be adjusted according to local input gathered through SCAG's Housing Unit Demolition Survey. SCAG will account for 0.5% Replacement Need for the region.
- (5) Determine the portion of each jurisdiction's projected housing needs, or RHNA allocation that can be met with "excess" vacant units in their existing housing stock.
- (6) Provide income distribution for each jurisdiction to allocate housing needs into four income categories, consistent with the 110% fair-share/over-concentration adjustment policy as adopted by SCAG's RHNA Subcommittee and CEHD.

In addition, the proposed RHNA methodology will address potential RHNA transfers due to future annexations by assessing future growth within spheres of influence areas. For any annexation areas outside a sphere of influence, the proposed methodology recognizes the existence of the small area dataset used for Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) modeling as a framework to derive the potential RHNA transfers in those specific areas.

The proposed methodology technical report is categorized into several sections: existing housing need, projected housing need for the RHNA planning period, the interactions between the RHNA process and the RTP/SCS development process, and the SCAG 2012 Integrated Growth Forecast process and results for the RTP/SCS and RHNA. The proposed methodology technical report and supporting appendices are available online at www.scag.ca.gov/rhna.

REPORT

Several comments were received at the August 12 meeting and in writing. These comments were considered by staff in finalizing this report and do not impact the methodology being proposed.


FISCAL IMPACT:

Work associated with this item is included in the current FY 11-12 General Fund Budget (12-800.0160.03:RHNA).

ATTACHMENTS:

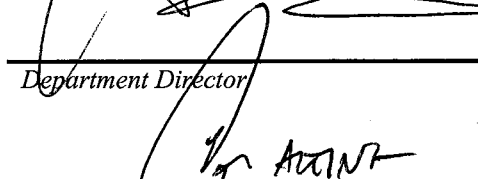
- 1. Proposed RHNA Methodology Contents Table
- 2. Proposed RHNA Methodology
- 3. Proposed RHNA Methodology Example

Reviewed by:



Department Director

Reviewed by:



Chief Financial Officer

Attachment 2: Proposed RHNA Methodology

SB375 requires SCAG's Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) and Regional Housing Needs Assessment (RHNA) to be developed under an integrated process—one process that will facilitate internal consistency amongst these policy initiatives, while also fulfilling the multiple objectives required by the applicable laws and planning regulations.

As the region's Council of Governments, SCAG is responsible for the development of the 2012 RTP/SCS and allocation of the state-determined regional housing needs amongst all local jurisdictions in the SCAG region. SCAG and the state Department of Housing and Community Development (HCD) officially started the consultation process to determine the total housing needs for the SCAG region on June 20, 2011. The determination of the appropriate level of population projections and housing needs, subject to HCD approval, may not be finalized until the end of August.

This report describes the Data/GIS and Integrated Growth Forecast process, methodology, and results that will serve as the framework and foundation for the 2012 RTP/SCS development, and will also be used to produce the RHNA Allocation Methodology. All key elements of the RHNA methodology, which are similar to the methodology adopted in the last cycle of RHNA, are presented in detail in the later portion of this report.

The Stepwise Procedure of RHNA Allocation Methodology

The RHNA proposed methodology will apply following components and steps:

- (1) Each jurisdiction's projected housing needs or its RHNA allocation is determined by three components: (a) projected household growth, (b) healthy market vacancy need, and (3) housing replacement need
- (2) Projected household growth for each jurisdiction should be consistent with 2012 RTP/SCS Integrated Growth Forecast process and results (See Appendix IV for Preliminary Allocation as of May 13, 2011, subject to further discussion with local jurisdictions, additional refinement and adjustment consistent with 2012 RTP/SCS development process and results)
- (3) Healthy market vacancy need is determined by applying 1.5%-owner vacancy rate and 4.5%-renter vacancy rate to each jurisdiction's projected household growth, split by the proportion of owner occupied units and renter occupied units from the 2010 Census
- (4) Replacement need is determined by applying each jurisdiction's share of SCAG's historical demolitions to the region's housing replacement need, as determined by the Department of Housing and Community Development (HCD). Jurisdictions' share of the region's demolitions will be derived using historical demolitions data from the Department of Finance (DOF), which will be adjusted according to local input gathered through SCAG's Housing Unit Demolition Survey. SCAG will account for 0.5% replacement need for the region (See Appendix V).
- (5) Determine the portion of each jurisdiction's projected housing needs, or RHNA allocation that can be met with "excess" vacant units in their existing housing stock
- (6) Provide income distribution for each jurisdiction to allocate housing needs into four income categories, consistent with the 110% fair-share/over-concentration adjustment policy as adopted by SCAG's RHNA Subcommittee and CEHD (See Appendix VI).

In addition, the proposed RHNA methodology will address potential RHNA transfers due to future annexations by assessing future growth within spheres of influence areas. For any annexation areas outside a sphere of influence, the proposed methodology recognizes the existence of the small area dataset used for Regional Transportation Plan/Sustainable Communities Strategy modeling as a framework to derive the potential RHNA transfers in those specific areas. The jurisdictional boundaries as the starting point for this analysis will be based on the dataset as of January 1, 2011 and any future changes thereafter.

The key RHNA methodology components are summarized below:

- (1) Existing Housing Needs
- (2) Projected housing needs for the RHNA planning period (currently under consultation with HCD)
 - (i) Total Regional Housing Needs Determination (as determined through SCAG's consultation with HCD)
 - (ii) RHNA Allocation Methodology
 - Projected household growth and AB 2158 factors
 - Healthy market vacancy need
 - Housing replacement need
 - The amount of excess vacant units in a jurisdiction's existing housing stock
- (3) The interactions between the RHNA process and the RTP/SCS development process
 - (i) Housing planning needs to be coordinated and integrated with the regional transportation plan
 - (ii) To achieve this goal, the RHNA allocation plan shall distribute housing units within the region consistent with the development pattern included in the Sustainable Communities Strategy (SCS).
 - (iii) The SCS shall identify areas within the region sufficient to accommodate an eight-year projection of the regional housing needs for the region pursuant to Government Code Section 65584 (RHNA);
- (4) SCAG 2012 Integrated Growth Forecast Process and results for RTP/SCS and RHNA

Existing Housing Needs

Approach to addressing existing housing needs in the SCAG Region

To meet the requirements of assessing existing housing needs and to help local jurisdictions prepare potential updates to their housing elements, SCAG has committed to collaborate with other government agencies, stakeholders, and local jurisdictions to process data from the 2010 Census along with housing related statistics from other sources for the purpose of providing value-added information as required by housing law. Statistics required to meet the existing housing needs include:

- (1) Local jurisdiction's share of the regional housing needs in accordance with Section 65584
- (2) Statistics on household characteristics, including over-payment, overcrowding, and housing stock condition
- (3) An inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment
- (4) An analysis of any special housing needs, such as elderly, persons with disabilities, large families, farm workers, families with female heads of households, and families and persons in need of emergency shelter
- (5) Statistics on existing assisted housing developments

The data set described above was distributed in draft form to stakeholders, interested parties, and on SCAG's RHNA webpage in late July 2011. See Appendix I: (<http://scag.ca.gov/Housing/pdfs/rhna/DraftStatisticsExistingHousingNeed071811.pdf>).

Projected Regional Total Housing Needs for RHNA Planning Period

Before HCD determines the total housing needs and its allocation by income category for the SCAG region, Government Code 65584.01 provides a procedure and process to guide the consultation process between SCAG, the state Department of Finance (DOF), and HCD to reach the determination. The stepwise methodologies are as follows:

- (1) Determine SCAG's regional population growth for the RHNA projection period
- (2) Determine the headship rate
- (3) Determine SCAG's regional household growth by applying the headship rate to population growth
- (4) Subtract population and household growth located on Tribal Lands
- (5) Determine the healthy market vacancy rates for both owner-occupied (1.5%) and renter-occupied housing units (4.5%)
- (6) Determine the data and methodology that will be used to estimate the housing replacement need (currently, applying 0.7% to projected household growth)
- (7) Total SCAG regional housing needs = [household growth / (1 – healthy market vacancy rate)] + housing replacement need]
- (8) Apply “excess” vacant units in existing housing stock to partially meet SCAG's total RHNA need
- (9) Total housing needs breakdown by income category [Above moderate (>120%), Moderate (80%-120%), Lower (50%-80%), and Very Low (<50%)] based on county median household income (MHI)¹ from the 2005-2009 American Community Survey (ACS)

Based on the 2012 RTP/SCS Integrated Growth Forecast process and results, staff presented the Draft HCD/DOF consultation packet to the RHNA Subcommittee on May 27, to CEHD on June 2, and officially begun the consultation process with HCD on June 20, 2011.

The RHNA Allocation Methodology

The Allocation Methodology is the tool used to assign each jurisdiction in the SCAG region its share of the region's total housing needs. No more than six months before the adoption of the RHNA Allocation Methodology, SCAG has to conduct a survey of all local jurisdictions on the factors described below, which shall be used to develop the Allocation Methodology.

A survey was distributed to all local jurisdictions in mid-June 2011 requesting information on the factors listed in Section 65584.04(d). Eighty-four (out of 197) jurisdictions responded to the survey and staff reviewed the responses to develop the proposed methodology (*See Appendix II for the complete survey responses of RHNA allocation planning factors from all jurisdictions*).

- (1) Existing and projected jobs and housing relationship

¹ According to 5-year ACS average data, the estimated SCAG region MHI=\$58,271. The estimated MHI for SCAG region counties are: Imperial (\$37,595), Los Angeles (\$54,828), Orange (\$73,738), Riverside (\$58,155), San Bernardino (\$55,461), and Ventura (\$74,828). All figures are in 2009 dollar.

- (2) The opportunities and constraints to develop additional housing in each member jurisdiction, including all of the following:
 - (i) Lack of capacity for sewer or water service
 - (ii) The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities
 - (iii) Lands preserved or protected from urban development
 - (iv) County policies to preserve prime agricultural land
- (3) The distribution of household growth assumed for purposes of a comparable period of RTP and opportunities to maximize the use of public transportation and existing transportation infrastructure
- (4) The market demand for housing
- (5) Agreements between a county and cities in a county to direct growth toward incorporated areas of the county
- (6) The loss of units contained in assisted housing developments
- (7) High housing costs burdens
- (8) The housing needs of farmworkers
- (9) The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction
- (10) Any other factors adopted by the council of governments

The proposed RHNA methodology must also address the goals of state housing law in Government Code Section 65584 (d), including:

- (1) Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner
- (2) Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns
- (3) Promoting an improved intraregional relationship between jobs and housing
- (4) Allocating a lower proportion of housing needs to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census

The state housing goal #4 listed above was addressed by the RHNA Subcommittee in their meeting on June 24 through the adoption of moving 110% towards county distribution in each of its four income categories for all local jurisdictions in SCAG region, which was the same adjustment used in the 4th cycle of RHNA. Housing goals #1 to #3 as well as all RHNA allocation planning factors were generally addressed through the 2012 RTP/SCS Integrated Growth Forecast process and the results are described in the following section.

As presented in the HCD/DOF consultation packet, the SCAG growth projection framework and methodology directly and explicitly calls for providing adequate housing to accommodate all population growth, taking into account natural increases, domestic and international migration, and employment growth. First, population growth is consistent with employment growth through labor force participation and implied unemployment. Second, appropriate headship rates benchmarked with the latest Census information were applied to convert population growth into household formation. As a result of this procedure, both population and workers are closely linked with employment growth, and their demands on housing opportunities are also adequately addressed.

In addition, historical data on the flow of commuters/workers indicates that the region has been housing an

increasing number of workers for jobs located outside the SCAG region. The excess or the difference between the number of workers living in the SCAG region and taking jobs outside the region versus the number of workers commuting into the region for jobs increased 14 fold- from 4,280 in 1980 to 59,921 in 2008. Thus, the region continues to increase the housing supply and the mix of housing types, tenure, and affordability not only in all cities and counties within the region in an equitable manner, but also to address housing needs for workers commuting for jobs located outside of the SCAG region.

The Integrated Growth Forecast process and results derived through the 2-year (May 2009 to July 2011) top-down and bottom-up process basically provide one growth pattern scenario (along with an associated RHNA Allocation Plan). While local considerations and SCAG's survey of RHNA allocation planning factors were incorporated as part of the current version of SCAG's RHNA Allocation Methodology, information and input received from these workshops and additional discussions and comments with individual jurisdictions, after further assessment by SCAG staff and policy committees, could affect and shape the draft regional housing needs allocation methodology and allocation outcome.

Development of Allocation Methodology

For the purposes of undertaking RHNA and developing an Allocation Methodology, SCAG utilized the information generated as part of the development of the regional Draft Integrated Growth Forecast. The Draft Integrated Growth Forecast of household growth in 2021 is the starting basis for RHNA planning. At the regional level, the total regional household growth that is projected between 2011 and 2021, plus vacancy and housing replacement adjustment, is the draft projected housing needs for the region (see below for detail).

The household forecast for each county in the year 2021 provided by the Draft Integrated Growth Forecast is the foundation of the RHNA allocation plan at the county level. Similarly, the household forecast for each jurisdiction in the year 2021, including unincorporated areas within each county, forms the basis of the RHNA allocation plan at the jurisdictional level.

Each jurisdiction's household distribution, which uses county level median household income based on 2005-2009 5-year ACS data, is the starting point for the RHNA housing allocation plan by income category.

Based upon staff's evaluation and assessment of local jurisdictions' responses to the survey of RHNA allocation planning factors, it is concluded that all factors listed above have been adequately addressed through the 2012 RTP/SCS Integrated Growth Forecast process and are reflected in the current version of the regional housing needs allocation plan.

Consideration of several RHNA allocation planning factors has been incorporated in the Draft Integrated Growth Forecast by way of analysis of aerial land use data, employment and job growth data from InfoUSA's employment database, data from the Census Transportation Planning Package (CTPP), local general plan data, parcel level property data from each county's tax assessor's office, building permit data, demolition data and forecast surveys distributed to local jurisdictions.

However, because the Draft Integrated Growth Forecast alone arguably does not adequately address some of the RHNA allocation planning factors, such as the loss of units contained in assisted housing developments and the housing needs for farm workers, the Allocation Methodology will depend on obtaining additional information from local jurisdictions regarding the RHNA allocation planning factors and also on the outcome of RTP/SCS development as a result of SCAG's subregional workshops. RHNA allocation planning factors that are not adequately incorporated in the Integrated Growth Forecast process may be addressed by adding data and/or statistics from 2010 Census, ACS, or other information sources to the

“Existing Needs” portion of the RHNA.

As of August 25, 2011, 84 jurisdictions have responded to the local planning factor survey. Based on the comments received, SCAG does not recognize the need to refine the proposed RHNA methodology at this point in time. The RHNA allocation planning factors have been considered in the draft Integrated Growth Forecast process as follows:

(1) Each member jurisdiction’s existing and projected jobs and housing relationship

Staff evaluation and assessment of responses from SCAG’s survey to local jurisdictions indicated that the Integrated Growth Forecast process and results have adequately addressed and maintained the existing and projected jobs/housing balance for most of the counties, subregions, and cities in the SCAG region. However, the jobs/housing balance issue may need to be further discussed through the RTP/SCS process to credibly promote additional job growth in areas where desirable job housing ratios are difficult to achieve.

The resulting job/housing relationships show a gradual improvement for all local jurisdictions throughout the forecasting/planning horizon. In addition, spatial distribution of SCAG’s job/housing ratio can be analyzed by the Index of Dissimilarity (IOD). An IOD ranges from 0 to 1. If IOD is 0, then the region is perfectly balanced because each subarea will be exactly the same as the regional figure. If IOD is 1, then the region is completely imbalanced, meaning that there is great diversity from one zone to the next. Using the IOD to analyze the Integrated Growth Forecast, it can be seen that growth from 2011 to 2021 shows improvement in jobs/housing balance throughout the SCAG region (See Appendix III, Job/Housing Balance and Index of Dissimilarity Analysis).

(2) The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following, (i) lack of sewer or water service due to laws or regulations, (ii) the availability of land suitable for urban development or for conversion to residential use, (iii) lands preserved or protected from urban development under governmental programs designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis, and (iv) county policies to preserve prime agricultural land within an unincorporated area.

Consideration of the above planning factors has been incorporated into the Integrated Growth Forecast process and results by way of analysis of aerial land use data, general plan, parcel level property data from tax assessor’s office, open space, agricultural land and resources areas, and forecast surveys distributed to local jurisdictions. The Integrated Growth Forecast process started with an extensive outreach effort involving all local jurisdictions regarding their land use and development constraints. All subregions and local jurisdictions were invited to provide SCAG their respective growth perspective and inputs. In addition, Transit Priority Project growth opportunity areas defined by Public Resources Code and transportation efficient places as defined by mortgage & transportation costs efficient areas are identified throughout the region to redirect growth that favors an urban form consistent with equity, efficiency, regional mobility, and air quality goals.

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Moreover, staff evaluation and assessment of responses from this survey of local jurisdictions concluded that the above factors may need to be further considered before a draft housing needs allocation is determined for a few jurisdictions. SCAG’s Integrated Growth Forecast process and results have adequately incorporated these factors for almost all counties and cities in the SCAG region.

- (3) *The distribution of household growth assumed for purposes of a comparable period of regional transportation plan and opportunities to maximize the use of public transportation and existing transportation infrastructure*

The current version of projected household growth and distribution is consistent with the Integrated Growth Forecast process and results, and is also used to develop the 2012 RTP/SCS. As mentioned above, Transit Priority Project growth opportunity areas defined by Public Resources Code and transportation efficient places as defined by mortgage and transportation costs efficient areas are identified throughout the region for each local jurisdiction to redirect growth favoring an urban form consistent with equity, efficiency, regional mobility, and air quality goals.

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- (4) *The market demand for housing*

All indicators of market demand, such as trends of building permits, household growth, employment growth and population growth are built into the forecasting methodology and model throughout all geographic levels. In addition, SCAG's Integrated Growth Forecast process and results have incorporated the latest economic statistics and updated data from the 2010 Census. Yet from staff evaluation and assessment of jurisdictions' responses to the AB 2158 factors survey, local jurisdictions are all concerned about the continuing weakness and depressed state of the housing market, and anticipate very negative impacts on economic and job growth. All these point to a persistent high level of vacancy rates, if not higher, in the foreseeable future. SCAG researched the number of "excess" vacant units for sale, for rent, and from other vacant units and it was proposed to HCD to use these "excess" units to partially meet the projected future housing needs in the region, which will help all counties and cities in the SCAG region to effectively address their concerns.

- (5) *Agreements between a county and cities in a county to direct growth toward incorporated areas of the county*

This is addressed through an extensive survey of all local jurisdictions and subregion/local jurisdiction inputs/comments process. In addition, a GIS/Data packet including agricultural lands, Spheres of Influence (SOI), open space, etc., were produced and provided to each local jurisdiction and subregion as a basis to develop the RTP/SCS and RHNA.

Moreover, staff's evaluation of responses from the local jurisdiction survey concluded that agreement between a county and cities in a county to direct growth toward incorporated areas of the county only occurred in Ventura County, and it has been adequately addressed and incorporated into the Integrated Growth Forecast process and results through bottom-up input received from Ventura County local jurisdictions.

- (6) *The loss of units contained in assisted housing development.*

The conversion of low-income units into non-low-income uses is not explicitly addressed through the Integrated Growth Forecast process. Staff has provided statistics to local jurisdictions on the potential loss of units in assisted housing developments. The loss of such units affects the proportion of affordable housing needed within a community and the region as a whole.

In addition, staff's assessment and evaluation of responses from the survey of this factor concluded that local jurisdictions had provided adequate documentation and discussion about their assisted

affordable units and potential losses, and as was in last cycle of RHNA is best addressed through combining an existing housing needs statement giving local jurisdictions the discretion to deal with this factor. This factor will not be addressed as part of SCAG's Allocation Methodology. Instead, SCAG will provide the data for this factor to local jurisdictions to adequately plan for the loss of at risk low income units in preparing their housing elements.

(7) High-housing costs burdens.

The collapse of the sub-prime mortgage market in 2007 was one of the key factors causing the Great Recession. Currently the housing market remains severely depressed; the volume of transactions, prices, and permits issued are all at historical lows. In contrast, the housing affordability is at historical high due to high inventory of distressed properties from foreclosures. Thus current concerns on the housing market were translated into the Integrated Growth Forecast process and results are primarily focused on job growth and reductions in unemployment rates, such that people can afford housing in the future and will form new households. This is consistent with staff evaluation and assessment of jurisdictions' responses of the local planning factor survey that jurisdictions are concerned about the continuing weakness and depressed state of the housing market, and their negative impacts on economic and job growth. All these issues pointed to a persistent high level of vacancy rates, if not higher, in the foreseeable future. SCAG's analysis of "excess" vacant units from for sale, for rent, and from other vacant units and the proposal to HCD to use these "excess" units to partially meet the projected future housing needs in the region will help all local jurisdictions to effectively address their concerns.

(8) The housing needs of farm workers.

The Integrated Growth Forecast provides projection of agricultural jobs (wage and salary jobs plus self employment) by place of work. The corresponding requirements of workers were also provided by place of residence. There is no information regarding the forecasts of migrant workers.

The housing needs of farm workers are not always included in a housing Allocation Methodology. Farm worker housing needs are concentrated geographically and across farm communities in specific SCAG region counties and sub areas. However, staff evaluation and assessment of responses from the local planning factor survey indicate that farm worker housing needs are only applicable to a few jurisdictions, and have been mostly addressed locally. As the policy adopted in the last cycle of RHNA combines an existing housing needs statement with giving local jurisdictions the discretion to deal with farm worker housing needs, this factor will not be formally addressed in SCAG's Allocation Methodology. Instead, SCAG will provide the farm worker housing needs data for local jurisdictions to adequately plan for such need in preparing their housing elements. These data include:

- Farm workers by Occupation
- Farm workers by Industry
- Place of work for Agriculture

(9) The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.

Staff prepared enrollment estimates for private university or a campus of California State University or the University of California by SCAG region cities and counties as part of the statistics for existing housing needs. Also, from assessment and evaluation of local jurisdiction's responses to the

local planning factor survey, most housing needs related to university enrollment are addressed and met by on-campus dormitories provided by universities; no jurisdictions expressed concerns about student housing needs due to presence of universities in their communities.

(10) Others factors adopted by the council of governments.

To date, SCAG has not adopted any other planning factors to be considered as part of the allocation methodology.

The Interactions between GC65584 Process (RHNA) and the RTP/SCS Development Process

As required by housing law, housing planning needs to be coordinated and integrated with the regional transportation plan. To achieve this goal, the allocation plan shall allocate housing units within the region consistent with the development pattern included in the Sustainable Communities Strategy (SCS), and the SCS shall identify areas within the region sufficient to house an eight-year projection of the regional housing needs for the region pursuant to Section 65584.

SCAG, in cooperation with the respective subregions within the SCAG region, will conduct two dozen or so public workshops by August 2011 for local jurisdictions, members of the public, and interested parties to provide input to SCAG with regard to:

- Developing the *draft* 2012 RTP/SCS and RHNA
- Refining SCAG's initial assessment of the growth and housing capacity of cities as reflected in the Integrated Growth Forecast and land uses through development types as required for the development of the RTP/SCS and RHNA.

Staff intends to presents its analysis of the information/input gathered from the workshops, and determine whether they affect the proposed Draft RHNA Allocation Methodology.

Finally, as required by GC65584.04 (d) staff will also present information regarding any existing local, regional, or state incentives, such as a priority for funding or other incentives available to those local governments who are willing to accept a higher share than proposed in the draft allocation.

Integrated Growth Forecast Process and Results for 2012 RTP/SCS and RHNA

Please see Appendix VII.

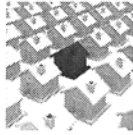
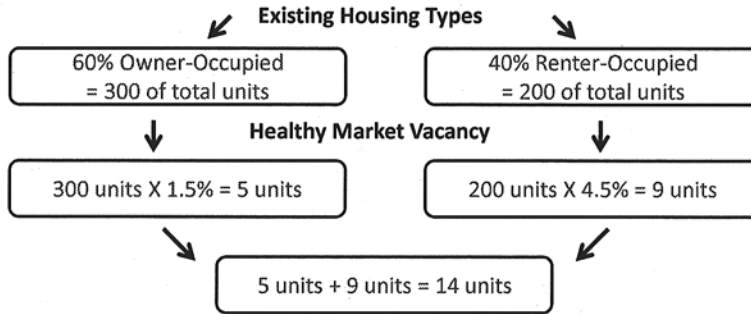
APPENDICES:

- I. *Draft Statistics for Existing Housing needs: the 5th Cycle of Regional Housing Needs Assessment (RHNA)*
- II. *Complete Survey Responses of Local Planning Factors from All Jurisdictions*
- III. *Job/Housing Balance and Index of Dissimilarity Analysis of SCAG Integrated Growth Forecast Result*
- IV. *Preliminary Projected Household Allocation as of May 13, 2011 version, subject to further discussion with local jurisdictions, additional refinement and adjustment consistent with 2012 RTP/SCS process and results*
- V. *Replacement Need Allocation Methodology*
- VI. *Regional Fair-Share/Over-concentration Adjustment: 110% Move toward County Distribution of Each Income Category*
- VII. *Integrated Growth Forecast Process and Results for 2012 RTP/SCS and RHNA*

Due to their large size, the proposed RHNA methodology appendices are available on the RHNA website (www.scag.ca.gov/rhna), and a public copy will be made available at all public meetings and hearings on the RHNA methodology.

Proposed RHNA Methodology: Example

City A = 500 units of Projected Household Growth



500 units + 14 units =
514 units of Growth and Vacancy Need

Proposed RHNA Methodology: Sample

514	Growth and vacancy need
+	
6	Replacement need
<hr/>	
↓	
520	Growth and vacancy need + replacement need
-	
220	Current market excess vacancy credit
<hr/>	
↓	
300	Net new housing need

RHNA Household Allocation (Adjusted for Equity)

Existing Conditions:

Household Income Level	City A	County Distribution
Very Low Income	30.1%	22.9%
Low Income	27.9%	16.8%
Moderate Income	23.5%	18.5%
Above Moderate Income	18.5%	41.8%

To mitigate the over-concentration of income groups each jurisdiction will move 110% towards county distribution in all four categories:

Household Income Level	City A Adjusted Allocation
Very Low Income	$30.1\% - [(30.1\% - 22.9\%) \times 110\%] = 22.2\%$
Low Income	$27.9\% - [(27.9\% - 16.8\%) \times 110\%] = 15.7\%$
Moderate Income	$23.5\% - [(23.5\% - 18.5\%) \times 110\%] = 17.9\%$
Above Moderate Income	$18.5\% - [(18.5\% - 41.8\%) \times 110\%] = 44.2\%$

Final RHNA Allocation

Income Category	City A Adjusted Distribution	RHNA Allocation (units)
Very Low	22.2%	67
Low	15.7%	47
Moderate	17.9%	54
Above Moderate	44.2%	132
Total	100%	300

