REPORT

DATE: July 6, 2006

TO: Regional Council
Community Economic and Human Development Committee

FROM: Hasan Ikhrata, Director, Planning and Policy 213 236 1944 Ikhrata@scag.ca.gov

SUBJECT: Regional Housing Needs Assessment (RHNA) Pilot Program

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTION:
Approve the RHNA Pilot Program as amended per the options contained in this paper and pursue a legislative strategy to amend those portions of the State Housing Law that pertain to the COG's RHNA responsibility in substantial conformance to the Pilot Program before the end of the 2006 legislative session.

SUMMARY:
This report reviews and evaluates several options related to two RHNA Pilot Program issue areas and offers recommendations based on extensive input and feedback received during public outreach and special workshop sessions. The key issues raised during the development of the program are presented in the following order:

1. The Appeals process
2. Integrating the AB 2158 planning factors with the growth forecasting process

Additionally, this report will examine key issues that are not exclusive to the Pilot Program and are pervasive in the discussion of housing assessment and allocation:

3. The "Gap" period between RHNA cycles
4. Avoiding further concentration of lower income households

There are also several attachments that are being provided as background material because they were important in the development of staff recommendations related to the key issues noted above:

- A matrix that formally responds to specific questions and comments submitted by Elected Officials and technical staff during outreach sessions and workshops;
- Draft legislative language for the RHNA Pilot Program that was distributed at the June 15, 2006 *Joint Meeting between the Regional/ Sub Regional Taskforce, Planning and Policy TAC, and the representatives of the Policy Committee* and proposed amendments based on the above referenced input and comments .

If the Pilot Program is not approved then the following action will be required:

> Implementation of a RHNA under the existing law, and identify funding of a minimum of one million dollars from various sources including a potential state budget appropriation, SCAG General Fund or from a RHNA fee or a combination.

BACKGROUND:
At the conclusion of the last RHNA cycle's litigation, SCAG signed a Settlement Agreement that agreed to, in part, "Commit to a process in future RHNA cycles whereby the entire RHNA process is completed within time frames set forth in Article 10.6 of the Government Code" and "Agree to support legislative initiatives that call for local governments and regions to plan for a 20 year site inventory, based on natural increases in population and job growth, and which allow neighboring jurisdictions by agreement to share responsibilities for increasing the housing supply". (REF:: #2. (c) and (e) Settlement Agreement dated 9-24-04).

Since then, the Regional Council and Community, Economic and Human Development (CEHD) Committee have been informed of, and given feedback for, staff participation at several Housing Element Reform and CEQA Reform statewide working groups from the technical to the Executive levels. When it became obvious that no Housing law reforms were to be forthcoming in time for the next RHNA cycle, SCAG initiated a Pilot Program under guidance from the CEHD Policy Committee. This Pilot Program allows SCAG to complete the next RHNA cycle; as we agreed and refocuses housing planning efforts in Southern California to be policy based and integrated with regional planning; as we agreed.

PUBLIC OUTREACH AND WORKSHOPS
The development and review of Draft RHNA Pilot Program has been extensive. Concept discussions and distributions of preliminary drafts have taken place over a period of time. A partial listing of the meetings held includes:

February 2, 2006	CEHD Action Item
April 6, 2006	Joint Meeting Regional Council and Policy Committees
April 24, 2006	Joint Meeting Regional Council and Policy Committees
May 1, 2006	Joint Meeting Regional Council and Policy Committees
May 4, 2006	CEHD Action Item
May 11, 2006	VCOG Board Meeting
May 18, 2006	Planning and Policy Technical Advisory Committee
May 25, 2006	Sub regional Coordinators meeting
May 25, 2006	OCCOG Board meeting presentation and discussion
May 31, 2006	CVAG/ American Planning Association Chapter Meeting
May 30, 2006	Pilot Program briefing to HCD, CSAC and other housing stakeholders
June 1, 2006	Retreat action item continued to July 6, 2006
June 1, 2006	CEHD Discussion
June 2, 2006	Retreat Discussion
June 15, 2006	Joint Meeting Regional/Subregional task Force, TAC and Policy Committees

EVALUATION OF KEY ISSUES

1. The Appeals process

The Pilot Program encourages SCAG to reach a consensus with jurisdictions regarding housing allocation. In the event that a jurisdiction contests its housing allocation, there are two options to consider:

A. Begin an informal appeals process described in Sections 15 and 16 of the Pilot Program Legislative Language [PASSED OUT AT JUNE 15 MEETING]. These sections simply allow SCAG to evaluate a jurisdiction's disagreement based on factors described in Section 5; thereafter SCAG will facilitate a trading process.

B. Utilize a formal appeals process in which a jurisdiction can appeal their allocation based on the grounds of all AB 2158 planning factors. In this process, the grounds are either rejected or found within merit. If they are found within merit, SCAG will implement the appeals process in existing law (65584.D-I); limited to one round of appeals.

Appeals Process
Comparison of Options

Option	Pro	Con
Option A: Use existing Pilot Program language, SCAG makes an evaluation of the contention and facilitates a trading process accordingly	Integrates appeals process resolution with longer term policy objectives; anticipates future funding for incentives	Not defined enough for member support Confusing as to who can trade within whom
Option B: After the draft allocation, local jurisdictions can appeal for a revision on one or more AB 2158 grounds. SCAG either (1) rejects the appeal on merit or (2) accepts the appeal and implements existing law to redistribute successful appeals; limited to one round of appeals	A jurisdiction has a wide scope of grounds to appeal since AB 2158 covers a large range of planning factors This option avoids an endless, costly appeals process.	Blurs the line between a streamlined innovative Pilot Program and existing law

Staff recommends Option B on the grounds that it will provide a detailed formal appeals process for jurisdictions if they contest their housing allocation. The process will allow jurisdictions to adequately present their case and places responsibility on SCAG to meet the regional allocation if the case is determined to have merit. Many comments including feedback from stakeholders received called for an appeals mechanism in the Pilot Program and staff feels that Option B will address these concerns.

2. Integrating the AB 2158 planning factors with the growth forecasting process

SCAG will develop a 30 year growth forecast by 5 year increments for use in transportation, housing, air quality and California Blueprint planning. The integrated growth forecast includes three major variables: employment, population and households.

When the integrated forecast is used for the RHNA, households are then converted to housing units by adding vacancy and replacement housing factors. The Pilot Program calls for the regional total of housing units to be acceptable to HCD if they are within certain limits.

The existing planning factors known as "AB 2158" factors will be used early in the growth forecast process to help determine the amount and distribution of growth between subregions, cities and counties. These planning considerations and factors are listed below:

i. To the extent that sufficient data is available from local governments pursuant to subdivision (b) or other source, each council of governments, or delegate subregion as applicable, shall include the following factors to develop the methodology that allocates regional housing needs:
   - Each member jurisdiction exists and projected jobs and housing relationship.
   - The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following:
     a. Lack of capacity for sewer or water service due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.
     b. 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. The council of governments may not limit its consideration of suitable housing sites and land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions.
     c. Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis.
     d. County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated area.
   - The distribution of household growth assumed for purposes of comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.
   - Agreements between a county and cities in a county to direct growth toward unincorporated areas of the county.
   - Any other factors adopted by the council of governments.

It should be noted that the four remaining AB 2158 factors are now included as a part of the new appeals process using all AB 2158 factors in the Pilot Program.

This summer, SCAG will conduct numerous integrated growth forecast workshops throughout the region to provide additional opportunities for local jurisdictions input on AB 2158 and other growth capacity factors. At these workshops, participants will work in small facilitated groups to review maps depicting the 2004 RTP adopted growth forecast updated as development types. Based on local expertise, participants will evaluate and give feedback on the draft forecasted growth and local constraints as appropriate. This information will then be used to align forecasted regional growth with local land use intentions to the maximum extent possible.

The facilitator will use a laptop computer and the I-Places software at each workshop to enter the input mapped by the participants. I-Places will allow the participants to constantly monitor their progress and check on how they are balancing their local issues and with accommodating their share of the regional population, employment, and household growth. The goal is for cities to work together to refine the future capacity and opportunity for growth in the regional, subregional context.

The growth forecast process is underway and no changes are recommended.

3. The "Gap" period between RHNA cycles

How do local jurisdictions take "credits" for actual construction activity in the gap period that make up the first few years of the growth forecast?

The staff recommends that local jurisdictions take credits for actual construction activities in the 3-year gap period (2005-2008) that are above the growth forecasted for that gap period and apply those credits to the housing needs forecasted for the period between 2008 and 2014.

The period between the end of the last RHNA cycle in 2005 and the beginning of the next RHNA cycle in 2008 results in a three year "gap" caused by a one year suspension of the mandate to update the local housing element and a two year postponement of the requirement. The issue raised is: how do local jurisdictions take "credits" for actual construction activity in the gap period that make up the first few years of the growth forecast?

The housing needs projection can be annualized over the 2005 to 2035 forecasting period and summed for any intervals. For example, if a local jurisdiction has issued permits for housing that exceeds its total housing needs projected for the 2005 to 2008 period, the local jurisdiction shall be allowed to apply that "difference" or, "credit" toward its projected housing needs between 2008 and 2014.

4. Avoiding the further concentration of lower income households

Existing law does not allow the further concentration of lower income households in jurisdictions that house more than their "fair share." The Regional Council has the ability to decrease new allocated housing need in areas that have a high concentration. Staff recommends no changes to existing law or the Pilot Program.

The Regional Council decision on how to avoid the further concentration of lower income households remains the same under both existing law and the RHNA Pilot program. The total regional need for

affordable housing must be maintained through the process. Consequently, when lower income housing unit assignments are reduced in an impacted community, they must be offset by an increase in a non-impacted community. Options that are available when the RHNA is underway include, but are not limited to:

- Assigning no additional lower income housing units to impacted communities
- Adjust lower income housing needed to the county average by 100% or incrementally, i.e. 25%, 50%, 75% (existing RHNA law)
- Adjust lower income housing needed to the regional average by 100% or incrementally, i.e. 25%, 50%, 75% (existing SCAG policy)
- Assign need so that no jurisdiction receives a zero allocation of affordable housing

These are policy decisions that will be made at the Regional Council level, with help from a RHNA Subcommittee and the CEHD Committee, after the process is underway.

Staff recommends that the Community Economic and Human Development Committee immediately form a subcommittee to start policy discussion, debate and build up consensus regarding the following RHNA policy issues:

- Appropriate factors in determining housing allocation by income. Determine the method to address the concern of local jurisdictions with disproportionately high share of households in lower income category.
- Appropriate factors, such as weighing job growth and regional 2% strategy, etc. in determining housing allocation by local jurisdiction.
- Appropriate level of resources for producing affordable housing.
- Appropriate level of incentives or regulatory relief for land use strategies and designations consistent with regional growth forecast

FISCAL IMPACT:
The action of approval of the RHNA Pilot Program to pursue legislation is included in the operating budgets for FY 2005-2006 and FY 2006-2007 of the Government Affairs Department and the Legal Department. The work described pertaining to the integrated growth forecast is included in both fiscal year budgets. The appeals process portion of the RHNA Pilot Program as well as preparation of the draft and final housing need allocation plans will require a budget amendment at mid-year to the FY 2006-2007 budget.

Section 65584.01(e) is added to the Government Code, to read:

65584.01 (e) Nothwithstanding the provisions of Government Code sections 65584.01 (a)-(d) and 65584.04(b) and (h), relating to the regional housing needs process, the Southern California Association of Governments, hereinafter referred to as SCAG, shall prepare the fourth revision of the Housing Element Regional Housing Needs Assessment in accordance with the following:

(1) Develop integrated long-term growth forecasts by 5 year increments.

(2) The forecasts shall include three major variables: population, employment, and households by geographic area throughout the region.

(3) SCAG shall convert households into housing units using replacement rates from the Department of Finance "DOF", and county level vacancy rates from the most recent Census, by weighing vacancy rates of for-sale and for-rent units.

(4) The methodology and allocation process shall follow the Regional Transportation Plan "RTP" Growth Forecasting Process and other strategies adopted by SCAG to integrate housing planning with projected population growth and transportation.

(5) SCAG shall consider the following factors early in the growth forecasting process:

(A) Each member jurisdiction's existing and projected jobs and housing relationship.

(B) 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 due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.

(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. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions.

(C) The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.

(D) Agreements between a county and cities in a county to direct growth toward incorporated areas of the county.

(E) Any other factors adopted by the council of governments.

(6) SCAG shall conduct a minimum of fourteen public workshops, which shall include at least one for each subregion. The objective of the workshop shall include but not be limited to the solicitation of information regarding the above factors.

(7) SCAG shall approve the forecasts, and transmit to the State Housing and Community Development Department "HCD" at the regional level the following variables: population, households, employment and housing units.

(8) The HCD shall certify the SCAG growth forecast. If the difference between SCAG's population projection and the one projected by the DOF is over 4 percent, the HCD may convene a Panel consisting of representatives from Department of Finance (DOF), Employment Development Department (EDD), Caltrans and a representative of another Council Of Government (COG) to review the assumptions and methodology of the forecast and to recommend to HCD whether or not the household forecasts and assumptions are consistent with this section or require modifications.

(9) Upon review of the recommendations of the Panel and consultation with SCAG, HCD shall either certify the SCAG forecast, or shall certify the forecast determined by the Panel, or shall propose an alternative regional housing need with a written explanation for its proposal to the Panel. If HCD proposes an alternative regional housing need that is not acceptable to SCAG, the parties shall abide by the determination of the Panel.

(10) SCAG shall follow the Regional Transportation Plan (RTP) Growth Forecasting process and complete the Housing Need Allocation Plan twelve (12) months from the date that HCD sends notice of the certification of the SCAG forecasts.

(11) SCAG shall appoint and work with appropriate subcommittees and technical advisory committees to establish a public review process on various policy issues that will determine key methodologies required to complete the Regional Housing Allocation Plan. In addition to the factors listed in Government Code Section 65584.01 (e)(5)(A) thru (E), SCAG shall also consider the following:

(A) Appropriate factors in determining housing unit allocation by local jurisdiction,

(B) Appropriate factors in determining housing unit allocation by income,

(C) Appropriate level of resources for producing low-income housing,

(D) Appropriate level of incentives or regulatory relief for land use strategies and designations consistent with the regional growth forecast

(11.01) Upon release for public review of the draft Regional Housing Allocation Plan, a jurisdiction may proceed to appeal the allocation of housing pursuant to Government Code Section 65584.05(b) through (i), except that no jurisdiction may appeal any adjustment or adjustments made by the council of government or delegate subregion made as a result of disposition of an appeal pursuant to this section.

(12) SCAG shall approve the final Housing Need Allocation Plan with findings that the Plan is consistent with the objectives of this section and with the Regional Transportation Plan, and that the distribution of housing allocation will not significantly impact mobility and air quality.

(13) SCAG shall delegate development of the Housing Need Allocation Plan to the subregional entities, provided that subregional entities agree to maintain the subregional total of housing need throughout the process.

Responses to Comments
SCAG Proposed Regional Housing Needs Assessment (RHNA) Pilot Program

June 2006

Organization	Commenter Name	Comment Date	Comment Page Number	Response Page Number
Orange County Council of Governments	Not Identified	5/3/2006	1	7
League of Cities	Betsy Strauss	5/19/2006	12	13
South Bay Council of Governments/ City of Torrance	Rebecca Cutting	5/31/2006	14	15
County of Ventura	Not Identified	6/6/2006	17	19
City of Tustin	Doug Davert/ Richard Dixon	6/15/2006	22	24
Technical Advisory Committee	Various	6/15/2006	25	26
Joint Meeting of the Regional/Subregional Task Force	Various	6/15/2006	27	32
Department of Housing and Community Development	Not Identified	6/23/2006	37	39

Orange County Council of Governments

May 3, 2006

Questions for Consideration Regarding SCAG RHNA Pilot Program:

1. Will the strong tie to the Compass program essentially change it from a voluntary program to a required program? A jurisdiction's housing allocation is a State mandated program that they are required to meet, whether it is possible or not and whether they agree with the distribution or not. 1
    a. This could be considered to constitute a reduction in land use control by local jurisdictions. 2
    b. Allocation according to Compass may increase allocation of units to cities where the 2% strategy is focused – in already developed infill areas. 3
    c. How strongly is the 2% strategy influencing the numbers? 4
    d. Will this put additional financial strain on cities? 5
    e. Is this going to bring the timeline of Compass to before 2010? 6

2. No staff level review time of the RHNA Pilot Program has been allocated in this process. President Young has allowed staff from interested cities/counties/COGs, etc… to participate in the workshops held for elected officials. However, this is not the same forum where technical discussions can take place. The SCAG Plans & Programs Technical Advisory Committee should be given the opportunity to review and give feedback and recommendations on the proposed RHNA Pilot Program to the committees and Regional Council. 7

3. The timeline for this process and how it links to the RTP are not clear. SCAG should outline the timeline of the process by months for each of the steps in the RHNA Pilot Program, including the following key stages:
    a. Passage of legislation approving RHNA Pilot Program,
    b. SCAGs completion of the RTP dataset and selecting the dataset to be used for the RHNA,
    c. Regional total finalized and submitted to HCD; 8
    d. HCD to approval of the regional number;
    e. Delegation to subregions;
    f. Disaggregation of subregional totals to jurisdictions;
    g. Trade/transfer period;
    h. Approval by Regional Council.

4. The timeline for trades and transfers is not clear. Why does there have to be a timeline for trades and transfers? If there is, why does there have to be only one opportunity? 9
    a. Additional trades at 5 years and 10 years?
    b. At RTP updates?
    c. Who administers trading?
    d. Who pays for trading?

5. It is not clear how this process will be funded either to SCAG or to the subregions for which allocation is delegated to. There has been mention that money from the infrastructure bonds could be used. However, that is only $1.4 billion for the entire state – SCAG will only get a portion of that. With all of the process and administration needs, that will leave very little that can go to jurisdictions. If SCAG gets 50% of the money, that is $700 million – which, when administration is removed and then allocation is provided to jurisdictions, it is not adequate to cover the trades/transfers and other incentives that could be provided. Are their other guaranteed funds or are there funds that would need to be identified? 10

6. The proposed process is a fundamental change in the projection process for the RTP. The projections for the RTP and RHNA become a zoning process because jurisdictions will be required to have sites zoned to be consistent with their planned housing sites. It removes the ability for cities to have a realistic projection instead of a "need" based projection that may or may not be possible to develop. 11
    a. What is projections timeline, and can it be met by zoning?
    b. If RTP is reviewed every 4 years with a 20 year plan, how are disconnects between RHNA and RTP reconciled? 12
    c. If zoning is done for 10 years, how does that affect other General Plan elements? Does this create an additional burden?
    d. How will this accommodate market shifts?
    e. Does it politicize the demographic process?

7. The RHNA Pilot Program **does not** provide much more local control over the process because HCD still has the final approval of the forecast and methodology. SCAG must still prepare a forecast that is consistent with State law. This appears to shift the work from the State to SCAG. 13

Outline of the process with specific questions:

SCAG will take over the process of developing the regional housing need and submit the regional total to HCD for approval. The process would be:

SCAG Proposed Pilot RHNA Process	Questions and Issues
1. SCAG prepares the 20 year growth forecast and submits the regional forecast to HCD. a. Forecast must be consistent with the Regional Growth Vision Blueprint (Compass) b. Will be developed using a Cohort Component Projection Model and coordinated with the RTP.	Will a city's RHNA growth allocation be increased if the city has a 2% Compass growth area? Clarify that RHNA sites do NOT have to be in 2% Compass areas as was stated in the workshops. 14 Process needs to include a re-evaluation of RHNA allocation at 10-year point. Consideration of adjustments at each RTP update process or at the 5-year point to accommodate changes over time. Ten years is too long to go without an option for adjustments. 15 How are changes in subsequent RTP updates going to affect and be incorporated into the RHNA process? If in 4 or 8 years the RTP has major changes how will this be reconciled with the RHNA? 16 If a Housing Element needs to be updated through a General Plan amendment, will there be self-certification of the element, certification by the subregion or by SCAG? How will the subregion and/or SCAG fund the review/certification process? 17 Cities would be required to plan for 20 years of housing in their housing element – zoning for 10 years of housing. This is not possible in general law cities where they are required to have consistency between their planned land use and zoning – this means that they will have to zone for 20 years of housing allocation if their general plan does not already contain sites for the units. Planned housing sites have to be identified in the General Plan. 18 Identify a bottom threshold in percent or number of units for each 5-year growth increment because it has been stated that jurisdictions can move the allocated units to different time periods. 19
2. The Regional Council will approve the forecast for submission to SCAG.	

SCAG Proposed Pilot RHNA Process	Questions and Issues
3. HCD will convene a Panel comprised of a representative from DOF, EDD, Caltrans, an economist, one or more demographers, and a representative of another COG. This panel will review the methodology of the forecast and provide a recommendation to HCD as to whether the forecast is consistent with the requirements in State Code.	This really means that there is still **little local control over the process** for arriving at the regional number. It should be stated that SCAG will have the opportunity to defend their number and discuss the alternative if the Panel is in disagreement with SCAG's process. Current state code requires that the forecast be based on a determined "housing need" not on availability. There is a conflict in this approach if the forecast numbers between the RTP and the RHNA have to be consistent because the RTP strives for the most realistic projection to allocate limited resources for transportation – a need forecast that may not be based on a realistic land use pattern is not consistent with the needs of the RTP. 20
4. HCD can at that point: a. Certify the SCAG forecast b. Certify the forecast from the Panel – if different than the COG's c. Propose an alternative approach.	Still little local control on this certification. HCD can simply avoid doing the work and require SCAG to use a forecast that HCD staff would have developed. 21
5. If an alternative approach is submitted to SCAG and it is not acceptable, then arbitration by an academic demographer appointed by DOF will make the determination of the final regional housing need. a. This can also be challenged, but it does not state what will occur if there is another challenge.	It is not clear what happens if the determination of the academic demographer is challenged. Also, DOF has historically produced forecasts higher than what in reality occurred. It is not clear how an "unbiased" academic demographer would be chosen. All parties involved should be able to accept the selection or request the selection of a different demographer. 22
6. With a certified forecast, SCAG will begin the allocation process to jurisdictions. a. Allocation to subregions will occur based on the Compass. i. Regional "fair share" allocations would be based on minimum responsibility based on: • Job Growth • Natural Population Increase • Available Resources ii. Allocation would not necessarily be the full "Take Care of your Own" allocations. b. SCAG may delegate the responsibility of allocation to jurisdictions to subregions that	Using Compass for the forecast will allocate more units into the infill 2% target area counties. This would include OC. 23 How is migration between counties/subregions used in this process? 24 There is a need to identify a source of money to fund the delegation process if a subregion takes on that responsibility. 25 Do subregions want the responsibility of assigning the RHNA allocation and taking on the possibly 26

SCAG Proposed Pilot RHNA Process	Questions and Issues	
wish to do it themselves. c. Allocation to jurisdictions would be modified through "policy discussions and consensus." i. 6 public meetings will be held to receive local input. ii. Allocation of income categories – Policy Discussion and Consensus • Reduce concentration of low income • Last RHNA • Establish resources for low income housing iii. Needs to be consistent with the RTP/Compass Blueprint – with growth in the 2% Growth Opportunity Areas. Incentives for concentration of growth in 2% areas would be adopted by the Regional Council including regulatory relief, streamlining, infrastructure investments, etc… Also need performance criteria.	disagreements between jurisdictions? The six meetings proposed by SCAG are not going to be adequate for jurisdictions to discuss their issues. Will additional meetings be available to subregions if they request them? The policy presented by SCAG does not mean that cities with already "high" concentrations of low income will be provided any relief since they will continue to receive more than their fair share – or more than the county average. How will the income distributions be determined – what will the income threshold be? County average, region average, etc… If allocations are based on the last RHNA and a jurisdiction had issues with the last RHNA, how exactly will it affect this process? What resources can be developed for low income housing? Where will money come from to provide those resources? If consistency with the RTP and Compass Blueprint are requirements, is the Compass really voluntary any more? Most staff at jurisdictions in the SCAG region have not reviewed the Compass and many issues with the content of the plan have not been fully discussed. Compass was not developed with the review level of a plan that would be a requirement and it has not been adopted by many, if any, jurisdictions. How can the Regional Council adopt incentives? What will the funding be? SCAG does not have regulatory authority over land use decisions so how will it provide regulatory relief? This would require changes in state law that have not yet passed. Limited state funds would be tied into a land use program that some jurisdictions may not support, thus removing their opportunities to get the funds.	27 28 29 30 31 32 33 34

SCAG Proposed Pilot RHNA Process	Questions and Issues	
	The regional growth visioning process has encouraged jurisdictions to think beyond their borders. Using job growth within a city as an indicator of housing need is unrealistic due to the fact that most people work outside the city they live in. In addition, workers commute from one subregion to another and prohibiting trades and transfers between subregions is counterproductive to the regional growth visioning process.	35
7. SCAG will facilitate Trade and Transfer of units – this would be allowed to be delegated to the subregions. a. Trading must: i. Be in the same subregion ii. Must be targeted to a 2% strategy area iii. Must not dump all units on another jurisdiction – each jurisdiction must take some units. b. 90 days are currently proposed for trading.	Why can't there be trades between subregions? Clarify that trade and transfer RHNA sites do NOT have to be in 2% Compass areas. The presentations have included the statement that they "must" be but Hasan and staff stated at the 1st workshop that it would be encouraged but not required. This would need to be clear in the language of the legislation. Identify a bottom threshold in percent or number of units that can be traded between jurisdictions Identify source of money to track trades/transfers and RHNA process over time. 90 days for trades and transfers are not adequate for jurisdictions. Any trade/transfer would have to be approved by a Council or Board action which would take up at least 60 of the 90 days. 180 or more days would be necessary. Additionally, if trade and transfer incentives could include Blueprint moneys or moneys from the Infrastructure Bonds, how much would that be?	36 37 38 39 40 41
8. SCAG will make findings at the end of the trade and transfer period – trades and transfers must not significantly impact mobility, air quality, and be consistent with the intent of current housing law.	SCAG can disallow agreed upon trades if they feel it does not meet their requirements – even if a subregion feels that it meets their needs.	42
9. SCAG Regional Council will approve the final Regional Housing Need Allocation Plan and make findings that it is consistent with the Regional Transportation Plan and consistent with the Compass.	It should not be required to be consistent with the Compass because the Compass is a voluntary program.	43

Response to Comments from Orange County Council of Governments (OCOG)

1. It is a regional policy that Compass program remains a voluntary program. Local jurisdiction housing allocation is based on local inputs and consensus-based policy choice with broad support by local jurisdictions. Safe-guards are built in and designed to earn support from local jurisdictions while conforming to state law.

   The RHNA Plan requires a forecast of regional total housing unit that is approved by State HCD, within the context of an integrated growth forecast for regional plans.

   In addition the RHNA is a policy-driven planning effort. These policy considerations—will be discussed, debated and determined by policy committees and technical advisory groups:

   - Regional "fair-share" or "minimum-responsibility" housing policy
   - The relationship of employment to housing need
   - Transportation-housing linkage
   - Low income concentration avoidance

2. The Pilot Program and the Compass/Blueprint based entirely on the principles of local-control and policy-driven planning process. The whole process cannot move forward without consensus from local jurisdictions.

3. The comment falls into the endless debate and argument of numbers—the number game—that the Pilot Program is designed to avoid. The Compass program will always be voluntary, however, the Compass is not about the "number," rather it is a series of policy instruments built upon incentives tie to performance (i.e., beyond and above local inputs), and tie to well-delineated 2% opportunity areas. And as a result of successful implementation of these policy instruments, the draft initial growth forecasts will move toward the "visionary outcome" advocated under the 2% Compass.

4. There will be advisory number both at city and smaller geographic areas reflecting the "desired outcome" from 2% strategy. However, it is voluntary and the key is not to force the number on local jurisdictions or 2% areas, rather, the region needs to adopt policy instruments such that the distribution could realize by the end of the planning period.

5. It could cause financial and other pressures on the local jurisdictions, however, the regional policies through incentives and infrastructure investment will work to help local jurisdictions. In addition, additional housing and growth will also create wealth and its own tax bases.

6. Compass will always be voluntary, before 2010 or after 2010.

7. The development and review of Draft RHNA Pilot Program has been extensive. Concept discussions and distributions of preliminary drafts have taken place over a period of time. A partial listing of the presentation made for the Pilot Program includes:

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May 25, 2006	OCCOG Board meeting presentation and discussion
May 30, 2006	Pilot Program briefing to HCD, CSAC and other housing stakeholders
May 31, 2006	CVAG/ American Planning Association Chapter Meeting
June 1, 2006	Retreat action item continued to July 6, 2006
June 1, 2006	CEHD Discussion
June 2, 2006	Retreat Discussion
June 15, 2006	P & P TAC Meeting
June 15, 2006	Joint Meeting Regional/Subregional TF, TAC and Policy Committees

Moreover, P&P TAC are discussing and commenting on the growth forecasting process (including assumptions and methodology) now, and the TAC will also be asked to provide inputs and comments on all technical issues related to RHNA in the near future as we move into the implementation of the Pilot Program.

8. See following table:

Exiting Regional Housing Needs Assessment Statute and Proposed Regional Housing Needs Assessment Pilot Program
"Draft" Schedule and Timeline

	Existing Statute[1]	Pilot[2]
Planning Period	2008-2014	2008-2030
	RTP/RHNA	RTP/Compass/RHNA
Consultation	Nov 1, 2005	
Local Survey	Jan 1, 2006	
Formation of Subregional Delegation	Mar 1, 2006	
Determine Statewide Need	May 1, 2006	Jun 2006
Subregional Delegation, Local Review Workshops, Pursue Legislation Change		Jul 2006
Draft Allocation Method	Jun 30, 2006	
Draft Local Allocation		Dec 2006
Workshops/Comments, Appeals/Provisions, Determinations	Sept 1, 2006	
Policy Discussion, Fair Share/Blueprint/ Allocation by Income		Sept - Dec 2006
Adoption of Final Methodology	Oct 1, 2006	Jan 2007
Trade and Transfer	Nov 15, 2007 - Jun 30, 2008	Jan 2007 - Jun 2007
Draft RHNA	Jan 1, 2007	

[1] CURRENTLY SCAG IS AT LEAST 6 MONTHS BEHIND SCHEDULE. THE RHNA FEE ISSUE IS STILL UNRESOLVED.
[2] Statutory change is needed.

Revise Local Share	Mar 1, 2007	
Determination of Revision	Mar 1, 2007	
RHNA Adoption	Jul 1, 2007	Jul 1, 2007
Appeal	Jun 1, 2007	
Public Hearing on RHNA Adoption	Sept 15, 2007	
Proposed RTP Adoption	Dec 2007	Dec 2007
Local Housing Elements Due to State HCD	Jul 1, 2008	Jul 1, 2008

9. The Pilot Program provides for a trade and transfer period as permitted by existing law.

10. The funding issues are currently under discussion and the background and available options are as following:

    State housing law provides COGs with the option to institute a RHNA fee to defray costs under the existing law. COGs have been deemed ineligible to seek reimburse from the Local State Mandates Commission for RHNA eligible expenses. Federal transportation funds may not be used to implement state mandated housing planning requirements, although they may be used to fund tasks common to both the transportation growth forecast process and the RHNA.

    However, Federal transportation and California Blueprint grant resources are not available for use in funding specific State Mandated RHNA activities, which include but are not limited to: determining methodologies or policies to determine and quantify existing housing needs locally, determine methods to translate households into housing units, allocate housing units based on fair share mehodology, income group categories and social equity principles, forming and funding subregional entities to allocate and distribute housing needs, and conducting administrative, public hearing and appeals processes related to housing unit assignments or facilitate trade and transfers related to housing allocation revisions consistent with state law.

    The funding gap between is estimated by SCAG staff to be much higher under existing law ($1 million) than the RHNA Pilot program ($1/2 million) because there are more required steps and the appeals process is very lengthy.

    There are several options to make up the funding gap, including the following resources, either separately or in some combination:

    - A new RHNA fee as allowed in current statute: SB 1102 (2004) - Allows a Fee to Distribute Regional Housing Need and SB 253 (2005) - Allows a Fee for Determining Regional Housing Needs
    - Use of the SCAG General Fund
    - Re-instatement of reimbursement eligibility from the Local State Mandate Commission
    - Seek a state budget appropriation to fund RHNA activities

11. There is no change of the RTP forecasting process. In fact, the process is built upon RTP growth forecasting process and ensures that all regional planning efforts are based on the same growth forecast, and bring housing and transportation planning together.

    As noted above, through the SCAG RTP growth forecasting process the RHNA plan will be consistent with regional and local transportation planning, and become a truly

local-controlled and policy-driven planning process, rather than a number game with endless appeal process.

12. SCAG will provide a 30-year forecast (2005 to 2035) at 5-year increments. While the region and each local jurisdiction are expected to identify adequate land to accommodate the 30-year growth and provide zoning for the first ten-year period, the actual and immediate market conditions will determine the "flow" of the planned units. Issues related to frequency of interim adjustments within the 30-year plan will be discussed and determined by the Technical Advisory and Policy Committees. It is expected that unless there is tremendous shifts in market conditions or warranty under other situations, when working with local jurisdictions in updating RTP growth forecasting in future rounds of RTP process, the long-term growth and land use strategies should be maintained,

13. The RHNA Plan requires a forecast of regional total housing unit that is acceptable by the HCD, and an allocation plan by local jurisdiction and within each local jurisdiction, by income category. The process of determining regional total housing needs to accommodate projected increases in population and jobs, and allocation by county, subregion, and local jurisdiction are built upon the principle of respecting local growth perspectives and local inputs.

14. This depends on further discussion. One option might be for the region to focus on growth distribution and Compass scenarios at finer-delineated 2% area while keep the same city total. Some cities may be willingly to accommodate additional growth due to 2% strategy.

15. See response #12.
16. See response #12.

17. Self certification is not proposed in the Pilot Program and is outside SCAG RHNA's responsibilities.

18. The Pilot Program does not require zone changes.

19. SCAG will provide a 30-year forecast at 5-year increments. However, there is not a pre-determined bottom threshold. Instead, the actual and immediate market conditions will determine the flow of the planned units.

20. The RHNA Pilot is designed to maximize the local control and keep as a policy-driven process. The RHNA plan should be consistent with the RTP growth forecasts.

21. There is a mediation process and SCAG will work with region to defend the forecast.

22. SCAG will defend and negotiate the regional housing needs with the HCD, the expert Panel, etc.

23. See response #14.

24. This was considered in the county-level growth forecasts.

25. Comment received and noted. Also see response # 10.

26. Subregional delegation is voluntary.

27. The Pilot Program guarantees a minimum of one workshop for each subregion. Additional meetings can be added if requested by a subregion.

28. Final policy is yet to be finalized. However, options currently under consideration are as following:
    - Assigning no additional lower income housing units to impacted communities
    - Adjust lower income housing needed to the county average by 100% or incrementally, i.e. 25%, 50%, 75% (existing RHNA law)
    - Adjust lower income housing needed to the regional average by 100% or incrementally, i.e. 25%, 50%, 75% (existing SCAG policy)
    - Assign need so that no jurisdiction receives a zero allocation of affordable housing

29. Existing law requires to use the county median household income and based on household income distribution provided by the 2000 Census. The Pilot Program does not change this.

30. The allocations will not be based on the last RHNA. They will be based on this round of the 2007 growth forecasting process and policy decisions.

31. State and regional policy to be discussed, debated and determined

32. See Response #1.

33. Comment received and noted.

34. Comment received and noted.

35. Housing allocation weighing on job growth is yet to be discussed and determined. Regarding trade and transfer, the Pilot Program provides for a trade and transfer period as permitted by existing law.

36. The Pilot Program provides for a trade and transfer period as permitted by existing law.

37. RHNA sites DO NOT have to be in 2% Compass areas.

38. See Response #36.

39. See Response #36.

40. See Response #36.

41. See Response #36.

42. See Response #36.

43. Comment received and noted.

Betsy Strauss

From: Betsy Strauss [betsy.strauss@gmail.com]
Sent: Friday, May 19, 2006 7:30 AM
To: Dan Carrigg
Subject: SCAG RHNA Process

Here is summary of SCAG RHNA process:

Development of 20 - year growth forecast: Developed by SCAG; reviewed by HCD-convened panel consisting of representatives of DOF; EDD; Caltrans; economist; demographers; another COG. Panel recommends whether forecast consistent with section or requires modifications. HCD accepts forecast or proposes alternative. If COG doesn't like alternative, forecast submitted to arbitration by academic demographer appointed by DOF.

Housing Need Allocation Plan: Must be consistent with regional blueprint. Must allocate lower proportion of housing need to an income category when jurisdiction has disproportionately high share of households in that category. Local jurisdictions review the Plan based on factors in existing law (lack of sewer/water; market demand for housing; availability of land for urban development, etc.). SCAG facilitates trading process. Criteria for trading developed by SCAG. Preliminary Plan approved. Public review for 90 to 120 days. More trading. Final Plan approved. SCAG can delegate development of Plan to subregional entities.

Differences between SCAG proposal and existing law:

1. 20-year growth forecast.
2. Regional 20-year growth forecast submitted to arbitration if HCD-convened panel and SCAG do not agree. No requirement for evidentiary basis for forecast.
3. Does not include detail regarding objectives of plan but does require "consistency with regional blueprint" which probably includes most of these objectives.
4. Does not require SCAG to collect information from jurisdictions (lack of sewer/water; availability of land, etc.) prior to determination of jurisdictions' RHNA.
5. Does not include appeal process.
6. Allows COG to facilitate trading. Does not allow jurisdictions to trade without COG approval if total housing need originally assigned to jurisdicitons is maintained.

Comments:

1. SCAG says that length of process in existing law means SCAG will not be able to develop RHNA in time for next planning cycle. Perhaps we could discuss retaining most of the process in existing law while cutting down the time it takes to complete. 1

2. Existing law includes a lot of detail about the objectives of the Plan; the basis for allocating regional need; etc. The SCAG proposal requires Plan to be consistent with other plans that COG is responsible for adopting but which do not include the transparency of the factors/objectives in existing law. 2

3. Existing law requires evidentiary basis for HCD and COG decisions to facilitate legal challenge if necessary. SCAG plan does not include this requirement. 3

League of Cities Responses to Comments

1. The RHNA Pilot Program attempts to both streamline the process and promote a new policy framework for resolving issues, while integrating regional plan growth forecasts in ways not envisioned when the Housing Statute was last updated and reformed.

2. The transparency and factors in existing law are being maintained, i.e. the AB 2158 factors and public workshops, etc. The goal is to streamline the process and tailor it to the needs of the region.

3. The SCAG RHNA Pilot Program is a policy based approach that promotes cooperative planning based on informed input from local government and regional stakeholders. The emphasis is on promoting planning solutions. SCAG will allow a jurisdiction the opportunity for an appeal based upon AB 2158 factors, and using the existing appeals process.

Subj: **Comments on SCAG's RHNA Language**
Date: 5/31/2006 5:30:04 PM Pacific Standard Time
From: RCutting@TORRNET.COM
To: jackibach@cox.net, Kfuent@aol.com
CC: JGIBSON@Torrnet.com
Sent from the Internet (Details)

Hi Jacki/Kim:

After reviewing SCAG's proposed RHNA language, we have the following questions or concerns:

1. How can cities that are built-out such as Torrance be required to provide more housing when land is not available without rezoning vital commercial/industrial lands critical to our continued economic viability?
2. How will the problem many local governments face with funding the additional infrastructure and services to support the new residents be dealt with?
3. What will happen to cities that are not able to build the required housing?
4. How will the RHNA process be funded? (The RC did not support a fee on local governments)
5. Will growth be directed strictly into the 2% Strategy Opportunity areas?
6. Will local governments have control over where growth will occur within their jurisdictions based on their land use capacity and zoning?
7. How will an over-concentration of the low-income categories within one jurisdiction be avoided? The language presents discussion in very general terms leaving the details on how it will actually work up to SCAG.
8. The Review Panel convened by HCD should include at least two (2) representatives, *not one*, from another COG to review the assumptions and methodology of the forecast and to make a recommendation to HCD.
9. This language gives too much power to HCD by providing them with the option of proposing an alternative regional housing need plan if they disagree with plans proposed by SCAG or the review panel, which would most likely not be in favor of local jurisdictions given that HCD has historically used inflated numbers for forecasting. This would defeat SCAG's promotion of a Plan that "respects local input and growth perspectives."
10. The Regional "Fair Share" issue is not addressed in the language.
11. The language explains only in general terms that trades and transfers between two or more jurisdictions will be allowed but does not explain how it will actually work.
12. The S65584.01 (e)(8) cited for findings to be used by local governments does not exist.

Please do not hesitate to call if any questions. Thank you.

Rebecca Cutting
Community Development Department
Phone: 310.618.5990
Email: rcutting@tormet.com

South Bay COG/ City of Torrance Responses to Comments

1. State Housing Law (AB 2158) has very specific guidance on this question: "...Consideration of suitable housing sites or land suitable for urban development is not limited to existing zoning ordinances and land use restrictions of a locality, but shall include consideration of the potential for increased residential development under alternative zoning ordinances and land use restrictions...." Furthermore, "...Any ordinance, policy, voter-approved measure, or standard of a city or county that directly or indirectly limits the number of residential building permits issued by a city or county shall not be a justification for a determination or a reduction in the share of a city or county of the regional housing need...." There are local surveys, written response and public hearing requirements that are also tied into the allocation process to ensure that fair assignment of growth are allocated to communities.

2. Cities are required to have their Capital Improvement Programs consistent with their General Plans. Service delivery is outside the scope of SCAG's mandated role to develop the Housing Need Allocation Plan.

3. Housing need can be met in a variety of ways, of which building new units is one; e.g. conversions of existing units or changes in use of existing statutes.

Existing housing law states: "While it is the intent of the Legislature that cities, counties, and cities and counties should undertake all necessary actions to encourage, promote, and facilitate the development of housing to accommodate the entire regional housing need, it is recognized, however, that future housing production may not equal the regional housing need established for planning purposes."

4. The Regional Council is faced with a funding gap to meet the state housing mandate and has several alternatives: institute a RHNA fee, use the SCAG general fund or some combination of both, and/ or lobby for a State appropriate of RHNA funds through the Governor's budget. Tasks common to meeting federal transportation planning requirements and RHNA maybe be funded with California Blueprint Grant funds and other transportation resources, as appropriate. Both program costs – such as subregional delegation – and potential legal expenses need to be considered. The lengthy administrative, public hearing and appeals process under existing law is projected to cost more than a streamlined RHNA Pilot program, but other countervailing factors must also be weighed and deliberated upon. SCAG staff recommends a Pilot Program tailored to the region, which ties transportation, air quality and housing planning together through a common growth forecast.

5. No. This is a local decision. SCAG will conduct workshops to help communities define areas where growth may be consistent with Compass Blueprint principles, and to obtain feedback related to AB 2158 factors.

6. Yes.

7. The Regional Council has defined communities that house more than the regional average proportion of lower income households as "impacted." The Regional Council decision on how to avoid the further concentration of lower income households remains the same under both existing law and the RHNA Pilot Program. Solutions include, but are not limited to:

- Assign no additional lower income housing units to impacted communities.

- Adjust lower income housing needed to the county average by 100% or incrementally, i.e. 25%, 50%, 75%
- Adjust lower income housing needed to the regional average by 100% or incrementally, i.e. 25%, 50%, 75%

These are policy decisions that will be made at the Regional Council level, with help from a RHNA Task Force and the CEHD Committee, after the process is underway.

8. The COG representative for the Review Panel will be from a COG outside Southern California that has mandated RHNA responsibilities.

9. Comment noted. HCD has responsibility for statewide need numbers and is the deciding entity. The Pilot Program proposal is a more collaborative approach.

10. The Regional fair share issue is a Council of Governments policy decision that will be made by the SCAG Regional Council upon recommendations from a RHHA Task Force and CEHD.

11. The Pilot Program provides for a trade and transfer period as permitted by existing law.

12. We are not aware of the section in law you are referring to.

RESOURCE MANAGEMENT AGENCY
county of ventura

Planning Division
Christopher Stephens
Director

June 6, 2006

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

Subject: SCAG RHNA Process

Dear Mr. Ikhrata:

I want to thank your staff for forwarding a copy of the May 3, 2006 comments prepared by the Orange County Council of Governments regarding the subject matter. It is helpful to have an understanding of the concerns expressed by other subregions as we conduct our own review of SCAG's proposed RHNA processes. After reviewing the Orange County COG's comments, it is clear Ventura County shares many of the same concerns. As such, we respectfully submit the following comments for your consideration and response:

1. To date there has been little or no staff level review of the RHNA Pilot Program. The SCAG Plans & Programs Technical Advisory Committee as well as the Regional/Subregional Coordinators Committee should be given the opportunity to thoroughly review and provide recommendations on the proposed RHNA Pilot Program to the committees and Regional Council.

2. The timeline for this process and how it links to the RTP are unclear. SCAG should outline the timeline of the process for each of the steps in the RHNA Pilot Program, including the following key stages:
   a. Passage of legislation approving RHNA Pilot Program,
   b. SCAG's completion of the RTP dataset and selecting the dataset to be used for the RHNA,
   c. Regional total finalized and submitted to HCD;
   d. HCD to approval of the regional number;
   e. Delegation to subregions;
   f. Disaggregation of subregional totals to jurisdictions;
   g. Trade/transfer period;
   h. Approval by Regional Council.

800 South Victoria Avenue, L# 1740, Ventura, CA 93009 (805) 654-2481 Fax (805) 654-2509

If the subregions are to have an opportunity to provide meaningful input into the process, we must have advance notice of meetings and deadlines so that adequate time for local/subregional dialogue is provided.

3. It is not clear how this process will be funded. There has been mention that money from the infrastructure bonds could be used for planning and/or administrative purposes by SCAG and local jurisdictions. However, there is only $1.4 billion for the entire state. In order to ensure as much of this funding as possible is used for infrastructure and development of needed housing, we would urge SCAG not to allocate any bond funding for its planning and administration work. Should SCAG feel compelled to allocate funding for that purpose, it is essential that like funding be provided to subregions which, under the Pilot Program as we understand it, have a significant amount of work to complete.

4. The process must include a re-evaluation of RHNA allocations at regular intervals, preferably every five years or with every RTP update, but at a minimum every 10-years.

5. If consistency with the RTP and Compass Blueprint are to be used to evaluate RHNA allocations they essentially become requirements. This is a fundamental shift in the concept that the Compass Blueprint was completely voluntary and not to be used in allocating funding. Most local jurisdictions in the Ventura County subregion have not reviewed the Compass and many issues with the content of the plan have not been fully discussed. Compass was not developed with the review level of a plan that would be a requirement and it has not had anything approaching adequate review by local decision-makers.

6. Providing 90 days for trades and transfers is not adequate. Any trade/transfer would have to be approved by a Council or Board action, in addition to a review by the subregion. It would likely require a minimum of 120 to 180 days to complete a trade/transfer.

7. SCAG proposes to make findings at the end of the trade and transfer period to ensure that trades and transfers do not significantly impact mobility and air quality, and that they are consistent with the intent of current housing law. If a number of trades are made across the region, such findings could require substantial modeling work – has SCAG built that into their process/schedule?

Response to Comments from County of Ventura

1. The development and review of Draft RHNA Pilot Program has been extensive. Concept discussions and distributions of preliminary drafts have taken place over a period of time. A partial listing of the presentation made for the Pilot Program includes:

Feb 2, 2006	CEHD Action Item
April 6, 2006	Joint Meeting Regional Council and Policy Committees
April 24, 2006	Joint Meeting Regional Council and Policy Committees
May 1, 2006	Joint Meeting Regional Council and Policy Committees
May 4, 2006	CEHD Action Item
May 11, 2006	VCOG Board Meeting
May 18, 2006	Planning and Policy Technical Advisory Committee
May 25, 2006	Sub regional Coordinators meeting
May 25, 2006	OCCOG Board meeting presentation and discussion
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June 15, 2006	P & P TAC Meeting
June 15, 2006	Joint Meeting Regional/Subregional TF, TAC and Policy Committees

Moreover, P&P TAC are discussing and commenting on the growth forecasting process (including assumptions and methodology) now, and the TAC will also be asked to provide inputs and comments on all technical issues related to RHNA in the near future as we move into the implementation of the Pilot Program.

2. Received & Noted. Please also see following table:

Exiting Regional Housing Needs Assessment Statute and
Proposed Regional Housing Needs Assessment Pilot Program
"Draft" Schedule and Timeline

	Existing Statute	Pilot
Planning Period	2008-2014	2008-2030
	RTP/RHNA	RTP/Compass/RHNA
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Formation of Subregional Delegation	Mar 1, 2006	
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Subregional Delegation, Local Review Workshops, Pursue Legislation Change		Jul 2006
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3. The funding issues are currently under discussion and the background and available options are as following:

   State housing law provides COGs with the option to institute a RHNA fee to defray costs under the existing law. COGs have been deemed ineligible to seek reimburse from the Local State Mandates Commission for RHNA eligible expenses. Federal transportation funds may not be used to implement state mandated housing planning requirements, although they may be used to fund tasks common to both the transportation growth forecast process and the RHNA.

   However, Federal transportation and California Blueprint grant resources are not available for use in funding specific State Mandated RHNA activities, which include but are not limited to: determining methodologies or policies to determine and quantify existing housing needs locally, determine methods to translate households into housing units, allocate housing units based on fair share mehodology, income group

categories and social equity principles, forming and funding subregional entities to allocate and distribute housing needs, and conducting administrative, public hearing and appeals processes related to housing unit assignments or facilitate trade and transfers related to housing allocation revisions consistent with state law.

The funding gap between is estimated by SCAG staff to be much higher under existing law ($1 million) than the RHNA Pilot program ($1/2 million) because there are more required steps and the appeals process is very lengthy.

There are several options to make up the funding gap, including the following resources, either separately or in some combination:

- A new RHNA fee as allowed in current statute: SB 1102 (2004) - Allows a Fee to Distribute Regional Housing Need and SB 253 (2005) - Allows a Fee for Determining Regional Housing Needs
- Use of the SCAG General Fund
- Re-instatement of reimbursement eligibility from the Local State Mandate Commission
- Seek a state budget appropriation to fund RHNA activities

4. Comments received and noted.

5. It is a regional policy that Compass program remains a voluntary program. Local jurisdiction housing allocation is based on local inputs and consensus-based policy choice with broad support by local jurisdictions. Safe-guards are built in and designed to earn support from local jurisdictions while conforming to state law.

   The RHNA Plan requires a forecast of regional total housing unit that is approved by State HCD, within the context of an integrated growth forecast for regional plans.

   In addition the RHNA is a policy-driven planning effort. These policy considerations— will be discussed, debated and determined by policy committees and technical advisory groups:

   - Regional "fair-share" or "minimum-responsibility" housing policy
   - The relationship of employment to housing need
   - Transportation-housing linkage
   - Low income concentration avoidance

6. The Pilot Program will use the trade and transfer provisions in existing law.

7. Any trade and transfer will be defined as under existing law. A streamlined appeals process will be added to the Pilot Program.

Office of the City Council

City of Tustin
300 Centennial Way
Tustin, CA 92780
www.tustinca.org
(714) 573-3010
FAX (714) 838-1602

June 15, 2006

Richard Dixon, Vice Chairperson
Regional/Subregional Relations Task Force
Southern California Association of Governments
818 W. 7th Street, 12th floor
Los Angeles, CA 90017

Doug Davert
Mayor

Tracy Worley Hagen
Mayor Pro Tem

Lou Bone
Councilmember

Tony Kawashima
Councilmember

Jerry Amante
Councilmember

SUBJECT: REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) PILOT PROGRAM

Dear Mr. Dixon:

On behalf of the City of Tustin, I wish to express our concerns regarding the Regional Housing Needs Assessment Pilot Program proposed by the Southern California Association of Governments. If approved through State legislation, this pilot program would implement several significant revisions to the existing Regional Housing Needs Assessment Program for the SCAG region and would allocate the development of housing to SCAG Compass Blueprint 2% Strategy Areas.

The City of Tustin is not opposed to improving the Regional Housing Needs Assessment process. However, we are opposed to the following aspects of the proposed pilot program:

1. The program reduces local land use control.

   Rather than being based on local input, the RHNA numbers would be based on SCAG's 2% Strategy, which was understood to be voluntary and was not adopted by local jurisdictions. In addition, the program that is currently proposed does not allow appeals.

2. The program ties the RHNA with the RTP (Regional Transportation Plan) and, hence, the OCP (Orange County Projections).

   Tying the RHNA with the RTP and OCP is problematic because jurisdictions may underestimate housing, population, and employment projections if those projections will be used for regional housing needs purposes. RHNA is a needs-based program, while the RTP and OCP are land-use based. This fundamental difference underscores the need to keep the processes separate.

3. The program requires jurisdictions to plan for a 20-year housing supply and zone for a 10-year housing supply.A planning horizon of ten or twenty years is ideal for general planning purposes but does not provide for market or demographic shifts over the long term which would strongly influence the RHNA process. Furthermore, the general plan and zoning are required to be consistent pursuant to State law. It is unclear as to how this can be reconciled with the proposed program.

4. The program may increase RHNA allocations to cities with large 2% strategy areas.

   The proposed pilot program may place an unfair burden on developed cities with transit centers and corridors because RHNA numbers would be allocated within 2% strategy areas. The SCAG 2% strategy proposes to concentrate regional growth within infill areas in around metro centers, city centers, rail transit stops, bus rapid transit corridors, airports, ports, industrial centers, and priority residential in-fill areas.

5. The program is unclear about the details pertaining to trades and transfers among jurisdictions.

   The trading and transferring of RHNA allocations among jurisdictions would be permitted, but the administration and allowable frequency of these trades is not specified in the pilot program. Furthermore, the prohibition of trades among subregions contradicts the regional growth visioning process.

For these reasons, we oppose the RHNA Pilot Program as it is currently proposed. If you have any questions, please contact me or Elizabeth Binsack, Community Development Director, at (714) 573-3031.

Sincerely,

Doug Davert
Mayor

cc: Tustin City Council
Orange County Council of Governments
Mark Pisano

Response to Comments from City of Tustin

1. It is a regional policy that Compass program remains a voluntary program. Local jurisdiction housing allocation is based on local inputs and consensus-based policy choice with broad support by local jurisdictions. A streamlined appeals process has been added to the program. The Pilot Program provides jurisdictions a chance to appeal their allocation, using the appeals process under existing law.

2. If jurisdictions choose to undercount their growth forecast numbers as described then the subregion and region will suffer the consequences. By integrating the growth forecast for all regional planning, we avoid the situation described.

3. SCAG will provide a 30-year forecast at 5-year increments. However, this is not the pre-determined bottom threshold for every five year period. Instead, the actual and immediate market conditions will determine the flow of the planned units. Thus the 30-year plan provides the maximum flexibility to local jurisdictions in terms of land use planning and greatly enhances the supply elasticity responding to market shift/ change.

The Pilot Program has no zoning requirements.

4. Comment noted. The AB 2158 local growth factors, anticipated population, employment growth, and existing or future transportation infrastructure will influence growth distribution within and between jurisdictions and maximize public infrastructure investment.

5. The Pilot Program provides for a trade and transfer period as permitted by existing law.

Technical Advisory Committee RHNA Questions
June 15, 2006

Ty Schuiling, Chair, SANBAG

1. It the 4% at all levels or just regional?

2. Trading implies that we're changing the numbers from the initial growth forecast.

3. If you were to frontload the forecast process efficiently and get something approaching consensus on the housing numbers for every jurisdiction, then is the remaining issue the apportionment of need in accordance with the various affordability levels?

Gail Shiomoto-Lohr, Orange County COG

4. Can the numbers be more than what is presented at the county and local level?

5. Do we have a statewide need number? What is the delta between what we have been working on a regional level for the county and what is coming down from the state? Even under the pilot program, a statewide need number will be established by June 2006. Do you anticipate that the pilot program will have different numbers?

Kevin Viera, WRCOG

6. Do you have to address what is stated in AB 2158, or can you go beyond them?

Deborah Chankin, Gateway Cities COG

7. This is the first document where I see a concept about a commuting shed as the definition of the trading area. What is the definition and how does that relate or doesn't relate to the subregions?

Technical Advisory Committee
Responses to RHNA Questions
June 15, 2006

Ty Schuiling, Chair, SANBAG

1. The 4% difference corresponds to the total regional population forecast.

2. No, we are going to start with the regional and county total and then disaggregate it from there. Trading will be allowed, but it will not change the overall total, which must be maintained. Only city totals will change for those who agree to trade.

3. Yes. That is the methodology we must address regardless of what approach is taken.

Gail Shiomoto-Lohr, Orange County COG

4. No, HCD approves the regional total. They do not get into disaggregation below the regional level. It is up to the Regional Council to collectively determine the appropriate integrated growth forecast distribution between cities, counties, and subregions.

5. In the new approach, nothing is coming down from the state. In the existing statue, the state gives us the number, but in the new approach we give the state the number. The state will then make a determination whether or not they approve it.

Kevin Viera, WRCOG

6. You do have to address AB 2158, but there is some flexibility in the category designated as "Other."

Deborah Chankin, Gateway Cities COG

7. The Pilot Program provides one round of appeal for jurisdictions based on AB 2158 factors. Any trade and transfer will be defined as under existing law.

Joint Meeting of the Regional/Subregional Task Force Questions
June 15, 2006

Richard Dixon, Chair, OCCOG

1. At what point are we going to look and discuss this document?

2. The HCD has told us in their letter that there are no extensions. If we're moving forward, why can't we have something here for extensions?

3. Why can't you insert language in your legislation about compliance on what cities do with their housing allocation?

4. How will this process accommodate the gap period, which is the time from the end of the last RHNA? You're determining the need for the 20-year period but also determining the need for the gap. I don't see this in the proposed legislation at all. The gap between the last housing element and the start in the one in 2008 is going to have to be addressed and how it's accommodated in the housing element. Every city will want to have credit for those 3 years.

5. Mark has met with the League of Cities, but they don't have a position. They are leaving it to the locals.

Scott Reekston, City of Tustin

6. Not opposed to changes in the process as outlined in our letter.

7. The Program reduces local land use control and focuses on SCAG's 2% strategy. We feel that although it's voluntary, it's guiding. The Program increases RHNA allocations to 2% strategy cities.

8. This process doesn't allow appeals at the end of the process.

9. It ties with the RTP and RCP, which is great for planning. However, this encourages cities to under-estimate numbers, which jeopardizes accuracy of projections. Planning for a 5 year or 10 year supply doesn't provide for changes in market and demography shifts over that time.

10. There is lack of detail in the trade and transfer program. We should discuss how that component should be administered and its frequency.

Kathleen McCullough, OCCOG

11. Where is there an appeals process regarding the trade and transfer?

12. Is there a place where cities can get a resolution for their concern? How have we protected ourselves legally and given flexibility to municipalities that cities can address what they're not comfortable with?

13. After the second chance for disagreement, if they are still uncomfortable, how do you reach resolution?

14. Will a city have to seek out another city during that process?

Catherine McMillan, CVAG

15. When does the process start?

16. What about funding for the involvement of subregions?

Deborah Diep, CDR, Cal State Fullerton

17. Will the RTP data set be changed to reflect the RHNA number?

Gail Shiomoto-Lohr, OCCOG

18. When housing elements will be due, local jurisdictions will be due on July 1, 2008. The May 19 HCD letter had extensions. Are you remaining committed to July 1, 2008 language or does the language in front of us include an opportunity for extension?

19. Many jurisdictions are hesitant about new processes and a lot of specifics are not established, which might make the process longer and result in jamming ourselves into a corner.

20. For cities that are built out, what do you anticipate will be the approach to those jurisdictions?

21. Is there a specific number for the jobs-housing relationship, e.g. 1:1?

22. Will the allocation process give us transparency?

23. When the Technical Advisory Committee reviewed their numbers, they didn't know that their numbers would be housing numbers. Will they now be looking at those numbers with a housing focus, as well as for those who have concerns? If we asked them to resubmit their numbers now for RHNA, they would be different from the previous numbers.

Tracy Sato, OCCOG

24. A city might have an idea that there will be development in an area, but not necessarily know the specific site location, nor would they necessarily have zoning in place to create the units. During the RTP, they want to include housing units and jobs so that they can provide the infrastructure, though local government may not be able to say it will go in a particular area. The 20-year forecasting period should be changed because jurisdictions are not ready to do a 20-year housing plan. Maybe cities should be held for the housing element for the first 5-year element. Over the next process they should be examined at the policy level and how state law can be changed to modify the housing program.

25. If cities have to zone for 20-years, they will change their housing numbers, and I would hate to see the RTP data reduced.

26. The Pilot Program language should be modified with reference to other part of state law.

27. Housing element law code states what dates are covered, but doesn't explain how the housing element will expire in 2005 with the planning period. What about the housing that have been built since? It is very technical and will be an issue.

28. There might be cities that have an opportunity to go through the AB 2158 factors and say they cannot build what is allocated to them. What happens if SCAG cannot find a voluntary partner for a city meets those legitimate factors?

29. Wouldn't this exclusion deviate from the determined total?

Toni Young, Port Hueneme

30. If you're a city who submitted the numbers to SCAG, why would you turn around and say you can't build?

Jack Tsao, City of Los Angeles

31. The 5-year review period leaves a gap because the RTP is a 3-4 year review period. We are running the risk for more legal action. If we follow the forecasting and it's not fixed, what kind of process are we talking about?
32. This proposed legislation mentions forecasts and projections. We are talking about 2 sets of data.

Miles Mitchell, City of Los Angeles

33. Did the last RHNA occur under the authority of AB 2158?

34. Section 4 in the meeting agenda and Section 4 in the proposed language presented today are different. For example, the word "forecasting" was inserted in today's version.

35. We are now linking for the first time in the last 60 days housing planning and transportation, particularly the Compass Blueprint. It is troublesome because we are linking allocation and the forecast to the Blueprint.

36. How will SCAG assess the impact for trade and transfer? Will SCAG run models of various scenarios, such as impacts on mobility and air quality? What about the impacts for low income concentrations?

Ty Schuiling, SANBAG

37. We acknowledge that this is appropriate. However, the language states that the December 2006 forecast will be completed to the local level, but there is nothing that indicates how we will get from the county level to the local level. Although if we get the forecast right, the issue of trading should go away. As far as income levels are concerned, the language also fails to mention how it will be addressed.

Stan Carroll, La Habra Heights

38. Our community has a population of 6,000, is zoned agricultural, but we were allocated 200 units last time, which we are still addressing. The City of Industry received 0 units and we are concerned about this round.

39. In reference to AB 2158, what would happen to our town since it has no sewers, just a septic tank, and agricultural zoning? Does this come into effect after the numbers have been allocated?

40. Many of us are trying to preserve a community that we have already inherited. There is trading, but no community can have 0. Last time there were some with 0, while some had many.

What is going to be the minimum this time? All we have in our area in terms of employers is a golf club and our city.

41. What would be the number we would need to retain the status quo? We're built out.

Jim Aldinger, Manhattan Beach

42. The only place I see COG (Council of Government) is on the second page. Is the COG and subregion going to be another Regional Council Issue?

43. The statute reads in (5)B "The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions." Our COG doesn't have a planning department, and we don't have a planner. Those words scare me. I'm afraid we'll spend a lot of time trying to negotiate these agreements in our COG.

Moreno Valley

44 1. Has SCAG received data from the Department (HCD) concerning the HCD's allocation of statewide housing need to SCAG? (Government Code section 65584.01(c))

45 2. Is there now available for review:
   a) a draft of legislation that SCAG's staff is considering be prepared and put into the legislative process?;
   b) a draft of the Pilot Program? (the full program and not only the outline/summary)

46 3. Has SCAG received HCD/s determination of the region's existing and projected housing need? (Government Code section 65584.01(d)). If so, kindly provide a copy. Has SCAG conducted any evaluation of HCD's determination? If so, kindly provide a copy.

47 4. What will be the starting point for RHNA allocations within SCAG? Is there a number from HCD? Has a number been discussed – or a range of numbers? If so, what is the number/range?

48 5. Is SCAG staff proposing that member cities and counties not have appeal rights in the RHNA process? Why?

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To Elizabeth Delgado	From Linda Guillis	
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Phone #	Phone #	
Fax # 213.236.1963	Fax #	

Joint Meeting of the Regional/Subregional Task Force
Responses to Questions
June 15, 2006

Richard Dixon, Chair, OCCOG

1, We have been working and discussing this document since early February 2006. The Legislation to create the Pilot Program has to be acted on at the July 6, 2006 Regional Council meeting in order to proceed.

2. The Regional Council will have to take action to allow for sufficient follow up time.

3. There are other laws for compliance and the Pilot Program is not in conflict with the other laws. The Pilot Program amends the RHNA process, not the entire statute.

4. The housing needs projection can be annualized over the 2005 to 2035 forecasting period and summed for any intervals. For example, if a local jurisdiction has issued permits for housing that exceeds its total housing needs projected for the 2005 to 2008 period, the local jurisdiction shall be allowed to apply that "difference" or, "credit" toward its projected housing needs between 2008 and 2014.

5. The staff has indicated that we should consider the AB 2158 factors up front in the forecasting portion of the activity. Additionally, our review and decisions should be substantive. They didn't state that the appeals mechanisms need to be in the statute, but that we need a way for jurisdictions to have their needs addressed. We've heard from the counties that we don't want the cities pushing their numbers into the counties. The best way to get housing not in unincorporated areas is to go through with the forecast and establish in the incorporated areas you're going to put population where transportation investments are. Additionally, we have received written comments from League Counsel; the comments and responses are in this packet.

Scott Reekston, City of Tustin

6. Comment noted as part of record.

7. Not necessarily. A city that participates in the 2% program will not be penalized. For those cities that are participating, Compass should be considered. However, Compass will remain a voluntary program. The Compass land use distribution is a part of the adopted 2004 RTP and growth forecast.

8. A streamlined appeals process has been added to the Pilot Program that will allow a jurisdiction a chance to appeal their allocation based on AB 2158 factors.

9. The proposed Pilot provides an integrated growth forecast to be used in all phases of regional planning, including RHNA. The forecast is in 5 year intervals, and is not a straight line projection. The forecast anticipates employment and demographic changes.

10. Staff has prepared a set of options for trade and transfer with the July 6th CEHD/RC staff report.

Kathleen McCullough, OCCOG

11. The Pilot process allows for inputs and dialogue, which in turn produces opportunity for meaningful appeal. Staff has prepared a set of options for trade and transfer with the July 6th CEHD/RC staff report.

12. There are two places where cities can come and discuss their concern. One is a workshop in each subregion, where maps and tools will be available for discussion. The other is an appeals process.

13. An enhanced local input process and a streamlined appeals process will be used.

14. SCAG will help facilitate trading, but jurisdictions that appeal their allocation will need to approach each other to coordinate adjustments that maintain the total regional share of need between them. Otherwise, a community will have to identify a non-appealing jurisdiction that will be willing to revise its assignment if needed. SCAG will implement the appeals process in existing law offering one round of appeals.

Catherine McMillan, CVAG

15. The Pilot Program starts after legislature approval and becomes the law. A streamlined Pilot Program may be completed within six months of the state HCD approval of the regional share of the statewide need.

16. RHNA specific funds are needed to support subregional delegation.

Deborah Diep, CDR, Cal State Fullerton

17. Yes. A housing estimate will be added to the set of long-range forecast variables.

Gail Shiomoto-Lohr, OCCOG

18. The SCAG extension request was denied by State HCD. The statutory due date for loca housing elements is July 1, 2008 for the SCAG region.

19. Comment noted.

20. The growth forecast process promotes a fair and equitable distribution of growth based on local information, and anticipated economic and population growth.

21. The relationship of job growth to housing demand is one of the AB 2158 factors that will be used to help determine the amount and distribution of growth between cities, counties, and subreigons.

22. Yes. There will be local input public workshops and an opportunity for appeals.

23. The goal is an integrated and consistent long range growth forecast for regional plans.

Tracy Sato, OCCOG

24. The long range growth forecast already includes an estimate of occupied units or households. The Pilot Program provides for an integrated growth forecast for regional plans, which converts households to housing units by accounting for vacancy and replacement housing needs. The planning period is specified as July 1, 2008 to June 30, 2014.

25. Commented noted. The Pilot Program promotes an integrated long range growth forecast for regional plans and informs the local general plan. It is not a zoning document.

26. Comment noted. That is a Pilot Program goal.

27. The housing needs projection can be annualized over the 2005 to 2035 forecasting period and summed for any intervals. For example, if a local jurisdiction has issued permits for housing that exceeds its total housing needs projected for the 2005 to 2008 period, the local jurisdiction shall be allowed to apply that "difference" or, "credit" toward its projected housing needs between 2008 and 2014.

28. State law recognizes the difference between goals and production requirements. There will be an extensive growth forecast input process and a streamlined appeals process.

29. The regional total must be maintained throughout the RHNA process, including the streamlined appeals process and its opportunities, for trade and transfer.

Toni Young, Port Hueneme

30. Comment noted.

Jack Tsao, City of Los Angeles

31. The housing needs projection can be annualized over the 2005 to 2035 forecasting period and summed for any intervals. For example, if a local jurisdiction has issued permits for housing that exceeds its total housing needs projected for the 2005 to 2008 period, the local jurisdiction shall be allowed to apply that "difference" or, "credit" toward its projected housing needs between 2008 and 2014.

32. The Pilot Program calls for one integrated and consistent long range growth forecast for regional plans.

Miles Mitchell, City of Los Angeles

33. No. AB 2158 is past reform legislation passed in 2004.

34. Comment noted. This is legislative language and is only used for clarification. Both sections mean the same.

35. Yes The Compass Blueprint is the center of the regional transportation plan. However, a city that participates in the 2% Program will not be penalized. The long range growth forecast in the Compass Blueprint is intended to be the same forecast issued in other regional plans. This ties long range transportation, air quality, and housing planning together, and provides a consistent expectation of future growth.

36. We will run models and look at the impacts.

Ty Schuiling, SANBAG

37. The Regional Council will determine fair share housing policy with advice and input from the CEHD policy and technical committee, as well as through public input. This is a RHNA issue generally and not one specific to the Pilot program.

Stan Carroll, La Habra Heights

38. Comment noted. The relationship of job growth to housing need is a factor which will be addressed by the Regional Council in developing a final methodology for assigning housing need. No community will be assigned "0" units under the Pilot Program.

39. The lack of water and sewer capacity is a consideration, but not he determining factor in anticipating future growth share. There would need to be a federal or state law that limits you from providing for future growth.

40. No city will receive a zero allocation if they anticipate employment, population, and housing growth.

41. Local and subregional share of future regional growth depends on anticipated changes in population, employment, and housing, in 5 year increments, over the planning period for both the community and its market area. Collective agreement on the amount and distribution of growth will be achieved through the regional, subregional, and local forecasting process.

Jim Aldinger, Manhattan Beach

42. Under the existing statute, SCAG is the COG referred to. SCAG can delegate responsibility to the subregions if they wish to accept the responsibility and we are going to propose the same for the Pilot Program.

43. A subregional council of governments does not have to accept delegation if. Last time, of the 14 subregions, five subregions requested delegation.

44. No, SCAG has not received the data as described in the government code that starts the RHNA need determination process.

45. The full Pilot Program proposal has been evolving in both concept form and in legislative form since deliberation on this item started. The amended draft of the legislative proposal ready for action on July 6, 2006 is available, and reflects local and stakeholder feedback and input.

46. No, SCAG has not received the described determination.

47. The housing needs projection can be annualized over the 2005 to 2035 forecasting period and summed for any intervals. For example, if a local jurisdiction has issued permits for housing that exceeds its total housing needs projected for the 2005 to 2008 period, the local jurisdiction shall be allowed to apply that "difference" or, "credit" toward its projected housing needs between 2008 and 2014.

48. No, SCAG staff is not proposing this. The Pilot proposes an enhanced growth forecast input process, based on AB 2158 factors, an integrated growth forecast for regional plans, and a streamlined appeals process.

HCD Concerns with SCAG's Draft "Regional Housing Needs Assessment Pilot Program for Southern California"

The following interpretation of the intent of the Pilot Program is based in part on SCAG staff's representation of the draft at their June 15, 2006 Joint committees meeting.

1. Unlike existing law, the Pilot Program does not appear to require the total regional housing need allocation (RHNA) to be maintained. While item #21 indicates that subregions accepting delegation would be required to maintain the subregional total throughout the process, there is no language indicating that SCAG would be held to maintaining the entire regional allocation throughout the process. There should be a provision requiring submittal of the RHNA Plan to the Department, with authority to certify the Final Plan to ensure it allocates the entire RHNA. 1 2

2. It is the Department's understanding that SCAG's *Compass 2% Plan* (and possibly their existing RTP) provided that local governments are not expected to make land-use changes to render their general plans and zoning consistent with these plans before 2010. Housing element updates in SCAG are due by July 2008. Thus, if the Pilot Program incorporated such a principle, this would constitute a substantial constraint for housing element updates, which often requires general plan amendments and rezonings. 3

3. The use of terminology for a "forecast" and housing "need" is inconsistent and problematic to the extent used interchangeably especially in the first 10 items. While forecasts are predictions of most likely outcomes, projected housing need incorporates policy direction; for example, the housing figure "forecast" for a strong growth-control city which is under-producing housing relative to demand factors such as population and employment growth would likely be lower than the projected housing need figure. In transportation planning, some MPOs/COGs incorporate land-use or local policy-based growth controls for the purposes of transportation planning because they are forecasting the likely outcome of such policies. 4

   In contrast, RHNA allocations are not to be constrained by such land-use regulatory constraints, but presume that such policies may need to be amended to enable an adequate housing supply relative to demand. Thus, use of RTP forecasts could result in lower housing need allocations in such areas if applied to RHNAs than would otherwise occur under existing law. This issue has been raised by local governments when commenting on the Pilot program. 5

4. While existing statutes governing the RHNA process include ten separate sections (Government Code 65584 – 65584.2, excluding 65584.06) applicable to the process for the SCAG region, the proposal does not indicate which provisions of existing statute would actually be proposed or amended. It is not possible to fully interpret the effect without seeing proposed legislative language in the complete intended context of the above statutory sections as proposed for amendment. If, for example, the proposed provisions were, for the SCAG region, intended to substitute <u>entirely</u> for existing statutes it would leave the process without clearly articulated State 6

objectives to govern the RHNA, such as are set forth in Section 65584(d). Accordingly, it is unclear what objectives are being referred to in item #20 as the proposed basis of consistency findings by SCAG. The fundamental purpose of the RHNA process is to ensure the State's housing objectives and goals can be met. It is therefore critical any revised process include clear guidance regarding State housing goals. 7

5. There are significant timing issues involved. The proposed or implicit timelines appear too short for completion of the activities and the entire process (SCAG staff acknowledged as much when questioned in the 6/15 meeting, but indicated lack of legislative support for extending housing element due dates). The schedule for the Pilot presumes the process has already begun (see Table 2). In addition, the timeframes for trade and transfer and the time to finalize the Plan afterwards appear unrealistically short. 8

6. The proposed provision for assignment of an arbitrator by the Department of Finance, who could be required to "determine a final regional housing need" (item #9) may not be a feasible proposition (also without appropriation for such cost), and possibly an unlawful delegation of power. It may be more appropriate or feasible to come up with an appeals panel made up of DOF, EDD, OPR, Cal-Trans, CalHFA, etc. 9

7. No information is included (despite the Department's request) to explain the basis for the alleged $1 million cost of implementing the existing statute or the proposed $500,000 cost of the Pilot. Both of these cost estimates, but especially the former, appear to be well beyond what the implementation of the statute would entail at a minimum, and beyond the estimates of other COGs, even allowing for SCAG's greater size. Thus, the alleged cost savings of the Pilot over implementation of existing law, particularly given the lack of details of the Pilot, is not supported. 10

The representation of limitations on the extent to which SCAG's Blueprint and federal transportation planning funds will encompass RHNA activities is not consistent with the understanding of HCD staff. It is not, for example, evident why a transfer process would require dedicated or additional funding, particularly if it were to occur within the appeals process of existing law. 11

Response to Comments from the California Department of Housing and Community Development (HCD)

1. The regional total will be maintained.

2. Same as existing law that HCD has authority to certify the final RHNA Plan.

3. Compass Blueprint and 2% strategy is a voluntary program. Land use and zoning changes consistent with Compass 2% growth principles are underway throughout SCAG region jurisdictions now. Thus local jurisdictions that voluntarily adopt and implement Compass 2% strategies will also voluntarily revise their general plans accordingly.

4. RHNA Planning is indeed a policy-driven planning process. The RTP growth forecasting process includes both technical phases— the most likely outcome—and policy phases. While HCD should have less concern about the allocation plan, SCAG's growth forecasting process will engage the Regional Council and policy committees in discussing, debating, and determining totals and allocations from a regional policy perspective.

5. The policy-based allocation may be different from the initial allocation based on the "most likely outcome." It is up to policy or its "instruments" to achieve the policy-based allocation. If consensus on regional policy can not be reached in issues such as 2% transportation-land use strategy, minimum responsibility, etc., there remains a valid RHNA Plan for the region based on the "most likely outcome."

6. The RHNA Pilot program is proposed to amend: 65584.01(a) – (d) and 65584.04 (b) and (h).

7. Comment received and noted. See revised legislative proposal.

8. SCAG is facing a more reasonable timeline under the Pilot Program than the one required existing law.

9. Comment received and noted.

10. Comment received and noted.

11. Comment received and noted.