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City Manager

August 26, 2019

The Honorable Peggy Huang, Chair
RHNA Subcommittee
Southern California Association of Governments (SCAG)
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

Re: Regional Housing Needs Assessment (RHNA) Methodology

This correspondence serves as a follow up to our June 24, 2019 letter to the Southern California Association of Governments (SCAG) Regional Housing Needs Assessment (RHNA) Subcommittee (Subcommittee). While the City of Long Beach (City) appreciates the diligent staff and committee work to develop the three methodology options, our primary concerns remain not fully addressed. Long Beach remains deeply concerned that unless adjusted, the draft methodology is unfair to urban jurisdictions with larger low-income populations alongside High Quality Transit Areas (HQTA) and unrealistic in its approach to creating actual housing units.

Offered in this letter are comments on ways to improve all three methodologies the Subcommittee has developed. The City respectfully requests the final methodology be one that results in a mix of housing units that can be reasonably zoned while promoting fair housing. To this end, we request the final methodology include:

- A minimum contribution from each jurisdiction in the SCAG region;

- A requirement that each jurisdiction facilitate the construction of affordable housing in addition to market-rate housing; and,

- A 200 percent social equity adjustment factor, for all units; this is necessary to affirmatively further fair housing.

With respect to the three methodologies the Subcommittee has released for comment, the City offers these remarks:

OPTION ONE: This option should be further developed to address fair housing, data quality, social equity and a minimum contribution floor applicable to all jurisdictions.

Option One attempts to differentiate between existing and projected need as well as consider past housing construction level and high-quality transit. The City agrees with these goals. However, as drafted, the result of this methodology would over-concentrate the allocation of lower-income units in Long Beach, and similarly situated, cities with both HQTA and existing elevated lower-income populations. This impact is contrary to Government Code §65584.04(d), which requires the methodology to affirmatively further

fair housing. This impact can be diminished to a level of acceptability through the following refinements to the methodology:

Adjust the HQTA calculation to utilize 2040 HQTA maps found within the existing adopted RTP/SCS. The draft methodology allocates 20 percent of existing need based on the jurisdiction's share of regional population within HQTAs. As noted previously, SCAG staff's own analysis shows that lower-income persons are more likely to live in HQTA's and higher-income persons are more likely to live outside HQTAs (see May 2019 RHNA Subcommittee Agenda Packet p.33), elevating the allocation to those areas rather than addressing the existing fair housing disparity.

Expanding the methodology for HQTAs to include the areas mapped as HQTA in the 2040 RTP/SCS would broaden the areas within the region subject to this added allocation for transit. This would have the benefit of reducing any overconcentration or fair housing issues, while building housing that is situated well not only for existing transit but for forthcoming transit. This approach not only furthers the goal of reducing Vehicle Miles Traveled (VMT), but also provides built-in ridership as this new transit comes online.

Use proper data for determining regional building activity. The City is concerned the use of construction industry data is not the most accurate method for determining levels of residential housing starts in each jurisdiction. This data is derived from industry surveys and third-party data. A review of City records shows 3,727 starts, not the 3,646 shown in the SCAG data. While the rate of error for Long Beach appears to be low, we remain concerned that varying levels of error across all the SCAG jurisdictions could have more substantial cascading impacts on the methodology and its outcomes.

In contrast to survey data, the Annual Performance Reports (APRs) filed annually by each jurisdiction to the California Department of Housing and Community Development (HCD) provide a more accurate and detailed accounting of building activity in each jurisdiction. We recommend that APRs be used as the data source for building activity and jurisdictions that did not file their required APRs be scored at zero level of activity.

Use a more recent and limited timeframe to establish levels of construction. Long Beach, alongside many jurisdictions, has a current housing element that runs from 2014 to 2021. The approach in the draft methodology, to consider building activity from 2006 to 2018, is overly broad and, as a result, discounts recent levels of activity. We suggest the period from 2014 to 2018 is a more-appropriate capture of each jurisdiction's post-recession commitment to facilitating housing construction.

Jurisdictions that have facilitated housing starts of very low and low-income units should be given further consideration. Use of APRs would allow for the distinction between affordable and market-rate units. The City recommends very-low and low-income units be counted as double in the methodology, as a way of

recognizing and rewarding those jurisdictions that have continued to do the difficult work of producing affordable units in the post-redevelopment era.

Apply the same level of social equity adjustment to existing and projected need. The RHNA cycle is required to address existing disparities throughout the region. As detailed in our previous correspondence, a 110 percent adjustment is insufficient to further fair housing goals. Furthermore, there is not a sufficient rational basis for applying a lower social equity adjustment to existing need as compared to projected need. Residents freely move around the region in response to housing availability, job creation, and available transportation. All units should be subject to the same social equity adjustment and fair housing consideration.

Distribute existing need into four categories for those jurisdictions with an existing overconcentration of lower-income persons and units. The draft methodology distributes existing need units into only three categories: very-low income, low-income and moderate-income categories. This has the effect of concentrating lower-income units in those jurisdictions where those levels are already elevated. Long Beach, for example, would be in the position of having 72 percent of its allocated units as lower-income when the city already has a concentration of such persons and housing in exceedance of the County average. This would be contrary to the RHNA goals of allocating a lower proportion of housing need in income categories in jurisdictions that have a disproportionately high share in comparison to the county distribution.

Distributing existing need into four categories for those jurisdictions where 45 percent or less of households have above-moderate incomes would result in a more equitable distribution that furthers fair housing. This approach would also preserve the SCAG staff stated goal of addressing existing need primarily (but not exclusively) with affordable units.

Apply a 200 percent social equity adjustment to further fair housing. We wish to reiterate that a 200 percent social equity adjustment is necessary to address long-standing equity and fair housing issues throughout the region. We reiterate our previous comments that a change in income distribution of 1 percent or less when existing and new units are combined, cannot be considered sufficient progress for an eight-year housing cycle that, by statute, is to address fair housing and existing inequities. We note that ABAG utilizes 175 percent and that 200 percent would be appropriate to the SCAG region.

Create a minimum allocation to assure that all jurisdictions more fully contribute to addressing the regional housing supply and affordability crisis. The City supports the inclusion of local input within the RHNA methodology. This approach recognizes that each jurisdiction is unique and holds different constraints and opportunities for housing supply growth. However, there are limits and imperfections inherent in the local input process that may result in inadequate allocations to some jurisdictions. Correcting these aberrations in the data should be part of the final methodology.

Similar to provisions within the ABAG methodology, we recommend a minimum allocation of 100 units or 0.5 percent of existing population (whichever is greater) for all jurisdictions. We note that 40 jurisdictions forecast fewer than 100 new households over the upcoming RHNA period. Regardless of the validity of those forecasts, it is appropriate for all jurisdictions to take on a minimum allocation to address a regional need. This change is necessary to distribute units throughout the region, but also as a matter of fairness across jurisdictions.

Expand the criteria to include total jobs within a jurisdiction. SCAG staff analysis correctly identified that jobs-housing balance is difficult to measure due to the complexity of commuters moving around the region, the relatively close distance between some jurisdictions, and the mismatch between types of jobs, wages, housing, and other factors. Nonetheless, total jobs is an available data point and should be included in each methodology. Expanding housing opportunities in proximity to employment is a direct way to decrease VMT and improve the quality of life within the region. Likewise, including employment in the RHNA methodology is a way to correct any bias in the local input provisions whereby a small number of jurisdictions grow their employment base without adequate provision of housing opportunities.

One option would be to decrease the local factor determination of the total RHNA and introduce a new 20 percent factor based on the percentage share of total employment within the region. This would provide a more balanced methodology consistent with the discussion held by the RHNA Subcommittee and more recently at the Regional Council.

OPTION TWO: This option should be further developed to address HQTA and social equity.

Option Two applies a more straight-forward calculation based on existing population and HQTA. This option promotes a shared regional approach whereby all jurisdictions seek to address regional housing needs. However, it fails to consider local input and constraints faced by some jurisdictions. This option could be improved similarly to option one through expansion of the HQTA area to use 2040 maps, inclusion of total employment as a consideration, and the use of a 200 percent social equity adjustment.

OPTION THREE: This option should be further developed to address social equity and the establishment of a minimum allocation.

Option Three builds on local input and recognizes that HQTA is an imperfect proxy for reducing VMT. Each jurisdiction is already required under various state laws and regulations to reduce VMT, including areas without HQTA. Housing growth outside HQTAs, particularly around job centers, is a powerful tool to reducing regional VMT levels. In one aspect, this alternative is superior in that it bases growth allocation on population rather than households, allowing for differences in household size and formation to be addressed regionally rather than on a jurisdiction by jurisdiction basis. We recommend this option be improved through the more aggressive social equity adjustment, total employment as a consideration, and a minimum allocation as discussed for option one.

In closing, we thank SCAG staff for its incredible effort in refining the RHNA methodology. We believe our suggested improvements will be beneficial to the entire region and its efforts to address the housing supply and affordability crisis. Should you have any questions regarding this matter please contact Christopher Koontz, Planning Bureau Manager, at (562) 570-6288 or christopher.koontz@longbeach.gov.

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