



City of Sierra Madre
Office of City Manager

September 6, 2019

Honorable Peggy Huang, Chair
Community, Economic and Human Development Policy Committee
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
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Los Angeles, CA 90017
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Subject: Draft Regional Housing Needs Assessment (RHNA) Methodology Options

The City of Sierra Madre appreciates the opportunity to provide these comments on the proposed methodologies for the draft regional housing needs assessment (RHNA) for your consideration. The City looks forward to further regional cooperation regarding how best it and the other cities and counties in the SCAG region can work together to cooperatively improve the availability of affordable, safe housing reasonably sited in each jurisdiction reflecting each community's safety, character, applicable development constraints and hazards, and needs.

NATURAL LIMITATIONS ON DEVELOPMENT. First, as the past few years have made painfully clear, there is a substantial state and local interest in reducing and mitigating residential exposure to fire risk. The City of Sierra Madre is mapped within a very high fire hazard severity zone. Many cities in Southern California, and indeed across the state, are similarly situated – with existing vulnerable communities in higher fire risk areas. Further, many jurisdictions are dealing with escalating construction costs to replace structures lost to fires. Compelling additional development and significant numbers of additional residents (who will then become additional evacuees) into higher fire risk jurisdictions with no analysis of each jurisdiction's ability to serve those additional

residents, to defend those additional structures and homes from the next wildfire, and to protect their community courts the next fire disaster and is certainly not in the best interest of residents who might live in these structures.

In addition to being within a high fire hazard severity zone, Sierra Madre, like many cities in California, lacks sufficient water to accommodate expansive development. The City currently only has the ability to produce water to meet 48% of the community demand. The remaining water must be imported, which is not only costly, but depletes water resources in the region and State. Even though the City is currently producing less than half of the demand of the current population, the aquifer where the water is drawn from (the East Raymond Basin) is still being overdrafted, meaning Sierra Madre is depleting its only source of water at a rate greater than can be replenished. The City is working to enter into a safe yield agreement with the other producers of the East Raymond Basin. It is anticipated that the safe yield is 50% of the current amount annually pumped. Once the safe yield is calculated, the City will only be able to produce 25% of current water demand from its adjudicated ground water rights and will need to seek new (and costly) permanent connections to other ground water sources or contractual rights to imported water. Increasing the water demand in Sierra Madre through the addition of significant housing will exacerbate and worsen a water supply situation that is already untenable and not sustainable.

In addition to the fire and water issues for Sierra Madre, none of the three proposed SCAG RNHA methodologies consider or account for differing topography amongst local jurisdictions. The City is constrained by difficult topography and the fact that the City's General Plan, and applicable state laws, restrict grading and development on hillsides and significant ridgelines. The City strongly urges SCAG to revise the proposed RHNA allocation methodologies to take fire risk, availability of water, open space preservation requirements, environmental resource protections, appropriate mitigation methods, and the resulting limited true development potential into consideration.

CREDIT FOR HOUSING CONSTRUCTION IN PRIOR CYCLE. In spite of the environmental and geographical constraints, the City has approved new construction of ADU's (relying on existing water meters), and conversion of existing structures to ADU's for production of needed affordable housing. The City has worked within the constraints of its limited water resources to approve new housing starts on lots which already had water line infrastructure in place. Within the current five-year Housing Element cycle,

the City has approved nearly 100% of the housing development applications which have been submitted to it, resulting in the approval of 69 new residential units.

The final RHNA methodology should provide a credit to those jurisdictions where housing construction occurred in the prior cycle. We note that the Association of Bay Area Governments' (ABAG) methodology contains such a provision that could be used as a model.

ALLOCATION METHODOLOGIES – OPTION 3 BEST ACCOUNTS FOR PAST GROWTH. Next, we understand that the first and third proposed methodologies allocate projected housing need based, in part, on jurisdictions' historic growth and replacement need. The City appreciates that SCAG's proposed methodologies adhere to historic growth patterns, instead of dividing estimated future housing need solely based on relative population. This best represents local conditions and sets a realistic goal for future development. However, this approach needs to be applied with clear recognition that any city with very low population growth over the past several decades cannot be expected to be the relief valve for Southern California's pent-up development pressures. Sierra Madre jurisdictional boundaries lie within 2.96 miles, with a population of less than 11,000. Among the three options, the City recommends further consideration of Option 3, because this option, in part, best accounts for local estimated household growth. We would welcome an approach that applies Option 3 and further refines it to account for the local fire risk, water availability, topography, environmental, and open space preservation factors discussed above, and to account for a City's past limited growth patterns.

The first and second proposed methodologies allocate at least some of the total RHNA numbers based on the proportion of the jurisdiction's population compared to the SCAG region. SCAG would be better served by, at the least, including consideration of historic growth patterns in this determination. Each jurisdiction's local conditions allow or restrict future development. Sierra Madre has fire-risk related, natural, geographic, climatic, topographical limitations on further development opportunities. These factors are implicitly recognized in historic growth patterns, but are not reflected by merely comparing total population. Failing to account for these factors, as in Options 1 & 2, leaves the analysis incomplete. Further, failing to account for local input regarding historic growth patterns, as in Option 2, violates the statutory requirement to consider local input from each City as part of the RHNA process. (Gov't Code, § 65584.04, subd.

(b)(4.) The City urges SCAG to adopt an approach based in historic growth more broadly, instead of using generic regional growth factors or relying on the jurisdiction's share of regional population.

SOCIAL EQUITY MULTIPLIER. The City also questions the use of a 150 percent social equity multiplier to increase future housing needs allocations in Option 1 and to increase all allocations in Options 2 & 3. The City acknowledges that the 110 percent social equity multiplier supports important goals – namely mitigating the overconcentration of income categories in certain areas. However, the 150 percent multiplier is untenable. It applies a top-down approach to mandate additional housing at certain income levels in certain areas, with no recognition of legitimate constraints on local development opportunities. The City questions the proposed 150% adjustment rate as excessive, divorced from statutory requirements, and out of alignment with the housing market. Nothing in the Government Code requires nor contemplates a 150% social equity adjustment factor. SCAG's analysis does not demonstrate why this method is appropriate, required, or even would serve to actually promote additional affordable housing, rather than simply as a paper, planning exercise. Market conditions – not zoning – are the significant constraint on very low, low and moderate-income housing in jurisdictions with higher average incomes and thus higher land values. Without sufficient state funding to subsidize a developer's costs to build affording housing, there is little a small city (only 2.96 square miles) such as Sierra Madre can do to overcome a developer's preference to construct more profitable for-sale market-rate housing. Imposing a "social equity multiplier" will not actually result in additional affordable housing being built.

VACANCY RATES. The City understands and agrees that destroyed housing units are accounted for and replaced within the proposed methodologies, as is appropriate to determine existing need. However, SCAG has failed to account for a significant threat to losing existing housing units – short-term rentals. Web-based short term rental markets have greatly expanded this type of use. The outcome is the transition of properties away from permanent housing, a result not reflected in the proposed methodologies. Other cities throughout SCAG's jurisdiction have enacted short-term rental regulations, either supporting or restricting the transition of housing into short-term rentals. In Sierra Madre, we specifically restrict the use of ADU's for short-term rentals, thus preserving this important new housing stock for affordable rental use. We recommend SCAG take these local efforts into account.

Further, we recommend SCAG utilize available jurisdictional data to estimate future vacancy rates. The proposed methodologies intend to use state-average owner-occupied and renter-occupied vacancy rates. If a jurisdiction with historically low vacancy numbers is apportioned state-average rates, it will have been apportioned more than its fair share. If SCAG wants the RHNA allocation to accurately reflect projected housing needs, it will use the most accurate data available.

CONCLUSION. In closing, the City thanks the Chair and Committee in advance for your consideration of the comments included here. The City believes strongly in the need to provide safe, affordable, livable housing for its residents. This goal is best accomplished if SCAG, the City, and all our regional partners work together to assess and allocate fair shares of regional housing needs based on local conditions, including local fire risk, open space and environmental preservation goals and requirements, and hazards. SCAG must also consider historic development patterns and local input from each City regarding its growth projections, in its calculation of existing and projected future housing need. It should consider other local factors that limit dense development, particularly fire hazard, water resources, geography, topography, climate, existing state and other legal restrictions on development (e.g. the prevalence of endangered species), and other local realities. It should consider other regulatory factors that affect existing and future housing development, including short-term rentals. Finally, SCAG should utilize all available localized data, including on vacancy rates, instead of relying on statewide data that misrepresents local conditions.

Again, I appreciate your consideration and am available if you have additional questions or concerns.

Sincerely,



Gabriel I. Engeland,
City Manager
City of Sierra Madre