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REGULAR MEETING

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) SUBCOMMITTEE

Please Note Date and Time
Monday, May 6, 2019
10:00 a.m. – 12:00 p.m.

SCAG MAIN OFFICE
900 Wilshire Blvd., Ste. 1700
RC Board Room
Los Angeles, CA 90017
(213) 236-1800
See Next Page for Other Meeting Locations and Webcasting information

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Tess Rey-Chaput at (213) 236-1908 or via email at REY@scag.ca.gov. Agendas & Minutes are also available at: www.scag.ca.gov/committees

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. SCAG is also committed to helping people with limited proficiency in the English language access the agency's essential public information and services. You can request such assistance by calling (213) 236-1908. We request at least 72 hours (three days) notice to provide reasonable accommodations and will make every effort to arrange for assistance as soon as possible.

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Videoconference Sites & Addresses

SCAG Los Angeles Office (Main Office)

> 900 Wilshire Blvd., Ste. 1700, Los Angeles, CA 90017

SCAG Imperial County Regional Office

> 1503 N. Imperial Ave., Ste. 104, El Centro, CA 92243

SCAG Orange County Regional Office

> 600 S. Main St., Orange, CA 92868

> *Due to limited capacity, please RSVP prior to the meeting to ensure availability, housing@scag.ca.gov*

SCAG Riverside County Regional Office

> 3403 10th St., Ste. 805, Riverside, CA 92501

SCAG San Bernardino County Regional Office

> 1170 W. 3rd St., Ste. 140, San Bernardino, CA 92410

Coachella Valley Association of Governments Office

> 73-710 Fred Waring Dr., Ste. 200, Palm Desert, CA 92260

City of Palmdale Office

> 38250 Sierra Hwy., Palmdale, CA 93550

South Bay Cities Council of Governments Office

> South Bay Environmental Services Center
> 20285 S. Western Avenue, Suite 100 Torrance, CA 90501

Teleconference Sites & Addresses

Long Beach City Hall - 333 W. Ocean Blvd., 14th Floor, Long Beach, CA 90802

Oxnard City Hall - 300 W 3rd St, 4th Floor, Oxnard, CA 93030

Simi Valley City Hall - 2929 Tapo Canyon Road, Simi Valley, CA 93063

Big Bear Lake Location - 42115 Plymouth Road, Big Bear Lake, CA 92315

CLOSURE NOTICE: The SCAG Ventura County Regional Office is closed until further notice.

Webcasting Available

Webcast participation is view-only. Registration for webcasting is limited and is on a first come, first serve basis.

Please register at https://scag.zoom.us/meeting/register/b15676cb2d72200bd746f627e8486654

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VOTING MEMBERS

Representing Imperial County
    Primary: Hon. Jim Predmore, Holtville
    Alternate: Hon. Bill Hodge, Calexico

Representing Los Angeles County
    Primary: Hon. Margaret Finlay, Duarte
    Alternate: Hon. Rex Richardson, Long Beach

Representing Orange County
    Primary: Hon. Wendy Bucknum, Mission Viejo
    Alternate: **CHAIR** Peggy Huang, Yorba Linda, TCA

Representing Riverside County
    Primary: Hon. Rusty Bailey, Riverside
    Alternate: Hon. Russell Betts, Desert Hot Springs

Representing San Bernardino County
    Primary: Hon. Bill Jahn, Big Bear Lake
    Alternate: Hon. Jim Mulvihill, San Bernardino

Representing Ventura County
    Primary: Hon. Carmen Ramirez, Oxnard
    Alternate: Hon. Mike Judge, Simi Valley, VCTC

NON-VOTING/EX-OFFICIO MEMBERS

Representing Academia
    Ex-Officio: Paavo Monkkonen, UCLA Urban Planning

Representing Non-Profit/Advocate
    Ex-Officio: Cesar Covarrubias, Executive Director, Kennedy Commission

Representing Building Industry
    Ex-Officio: Jeff Montejano, Chief Executive Officer, BIA of Southern California

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AGENDA
RHNA SUBCOMMITTEE MEETING

Southern California Association of Governments

900 Wilshire Boulevard, Suite 1700
Los Angeles, California 90017
Monday, May 6, 2019
10:00 AM

The RHNA Subcommittee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as Information or Action Items.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE
(The Honorable Peggy Huang, Chair)

ROLL CALL

PUBLIC COMMENT PERIOD
Members of the public desiring to speak on items not on the agenda but within the purview of the RHNA Subcommittee are asked to speak during the public comment period at the designated time at the beginning of the agenda. For questions and comments related to listed items on the agenda, members of the public desiring to speak may speak after the staff presentation and questions from Subcommittee members for each listed item. For those who attend via videoconferencing, please e-mail your name and the agenda item number you wish to speak to housing@scag.ca.gov at the beginning of the meeting. Comments will be limited to three (3) minutes per speaker. The Chair has the discretion to reduce the time limit based upon the number of speakers and may limit the time per speaker and/or the total time for all public comments if needed in order to complete all agenda items.

Questions and comments related to RHNA may also be emailed to housing@scag.ca.gov including the scenario while there is no time for public comments for a particular agenda item.

REVIEW AND PRIORITIZE AGENDA ITEMS

ELECTION OF SUBCOMMITTEE VICE CHAIR

CONSENT CALENDAR

Approval Item	**Time**	**Page No.**
1. Minutes of the Meeting – April 1, 2019		1

Receive and File	Time	Page No.
2. 6th Cycle RHNA Timeline		**5**
3. RHNA Subcommittee Topic Outlook		**6**
4. Summary of Written Comments Received for the 6th Cycle RHNA		**7**

INFORMATION ITEM

5. Regional Determination Panels of Experts Recap *(Kevin Kane, SCAG staff)*	**10 mins.**	**8**

ACTION ITEM

6. Draft Regional Housing Needs Assessment (RHNA) Consultation Package to the California Department of Housing and Community Development (HCD) *(Kevin Kane, SCAG staff)*	**20 mins.**	**11**

DISCUSSION ITEMS

7. Existing Need Distribution in RHNA Methodology *(Ma'Ayn Johnson, SCAG staff)*	**35 mins.**	**27**

CHAIR'S REPORT

STAFF REPORT

ANNOUNCEMENT/S

ADJOURNMENT
The next regular meeting of the RHNA Subcommittee is scheduled for June 3, 2019 at 10 a.m. at the Wilshire Grand Center, 900 Wilshire Boulevard, Suite 1700, Los Angeles, CA 90017.

REGIONAL HOUSING NEEDS ASSESSMENT SUBCOMMITTEE
of the
SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

April 1, 2019
Minutes
THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE REGIONAL HOUSING NEEDS
ASSESSMENT SUBCOMMITTEE. AN AUDIO RECORDING OF THE ACTUAL MEETING IS AVAILABLE FOR LISTENING.

The Regional Housing Needs Assessment Subcommittee held its meeting at SCAG's downtown Los Angeles office. A quorum was present.

VOTING MEMBERS
Representing Imperial County
Primary:	Hon. Jim Predmore, Holtville	Present -- via videoconference
Alternate:	Hon. Bill Hodge, Calexico	Present – in-person

Representing Los Angeles County
Primary:	Margaret Finlay, Duarte	Present – in-person
Alternate:	Hon. Rex Richardson, Long Beach	Present – via teleconference

Representing Orange County
Primary:	Hon. Wendy Bucknum, Mission Viejo	Present – in-person
Alternate:	CHAIR Peggy Huang, Yorba Linda, TCA	Present – in-person

Representing Riverside County
Primary:	Hon. Rusty Bailey, Riverside	Present – via videoconference
Alternative:	Hon. Russell Betts, Desert Hot Springs	Present – via videoconference

Representing San Bernardino County
Primary:	Hon. Bill Jahn, Big Bear Lake	Present – via teleconference
Alternate:	Hon. Jim Mulvihill, San Bernardino	Present – in-person

Representing Ventura County
Primary:	Hon. Carmen Ramirez, Oxnard	Present – in-person
Alternate:	Hon. Mike Judge, Simi Valley	Present – via teleconference

NON-VOTING/EX-OFFICIO MEMBERS
Academia: Paavo Monkkonen, UCLA Urban Planning	Absent
Non-Profit/Advocate: Cesar Covarrubias, Kennedy Commission	Absent
Building Industry: Jeff Montejano, BIA of Southern California	Present – via videoconference

CALL TO ORDER & PLEDGE OF ALLEGIANCE
Chair Peggy Huang called the meeting to order at 10:02 AM and asked the Honorable Wendy Bucknum to lead the Subcommittee in the Pledge of Allegiance.

PUBLIC COMMENT PERIOD
There were no public comments made at this time. Chair Huang provided an update to the process for members of the public who would like to present verbal comments or ask questions during the Subcommittee meeting. Public

comments and questions can be provided at the beginning of the meeting and specific comments can be presented at the beginning of the corresponding agenda item. Questions and comments can always be sent to housing@scag.ca.gov.

REVIEW AND PRIORITIZE AGENDA ITEMS

There was no prioritization of agenda items.

ELECTION OF SUBCOMMITTEE VICE CHAIR

Joann Africa, Chief Legal Counsel, discussed the Vice Chair position and opened nominations. The Honorable Jim Mulvihill expressed interest in this position.

A MOTION was made (Primary Member Carmen Ramirez) to nominate Jim Mulvihill for Subcommittee's Vice Chair and to close nominations. The MOTION was SECONDED (Primary Member Margaret Finlay) and APPROVED by the following votes:

AYES: Predmore (Imperial County), Finlay (Los Angeles County), Bucknum (Orange County), Bailey (Riverside County), Jahn (San Bernardino County), Ramirez (Ventura County) (6).

NOES: None (0).

ABSTAIN: None (0).

CONSTENT CALENDAR

Approval Item

1. Minutes of March 4, 2019 Meeting

A MOTION was made (Primary Member Margaret Finlay, Los Angeles County) to approve the Minutes of March 4, 2019 Meeting. The MOTION was SECONDED (Primary Member Carmen Ramirez, Ventura County) and APPROVED by the following votes:

AYES: Predmore (Imperial County), Finlay (Los Angeles County), Bailey (Riverside County), Jahn (San Bernardino County), Ramirez (Ventura County) (5).

NOES: None (0).

ABSTAIN: Bucknum (Orange County) (1).

Receive and File

2. RHNA Timeline

3. RHNA Subcommittee Topic Outlook

4. Comments Received Relating to the 6th Cycle RHNA

A MOTION was made (Primary Member Margaret Finlay, Los Angeles County) to approve the rest of the Consent Calendar. The MOTION was SECONDED (Primary Member Wendy Bucknum, Orange County) and APPROVED by the following vote:

AYES: Predmore (Imperial County), Finlay (Los Angeles County), Bucknum (Orange County), Bailey (Riverside County), Jahn (San Bernardino County), Ramirez (Ventura County) (6).

NOES: None (0).

ABSTAIN: None (0).

ACTION ITEMS

There were no Action Items provided.

DISCUSSION ITEMS

5.   Update from the California Department of Housing and Community Development (HCD)

Megan Kirkeby, Assistant Deputy Director of Fair Housing at HCD, presented via videoconference on the RHNA statutory objectives and overall process as well as SCAG's role within the process. Ms. Kirkeby also updated the Subcommittee on Governor Newsom's new funding proposal, specifically the planning grants that will apply to the SCAG region. Ms. Kirkeby responded to questions from the Subcommittee about how RHNA applies to short-term rental and second homes, Accessory Dwelling Units, and Superfund sites as well as questions on the RHNA appeal process, infill development, and the difference between fair and equitable under RHNA.

John Mirisch, representing the City of Beverly Hills, submitted a public comment on geographic equity and discussed that there should be more policies that address the job-housing imbalance. Mr. Mirisch emphasized sustainability and advocated for nonprofits to play a major role in building affordable housing.

6.   RHNA Distribution Methodology and Social Equity

Ma'Ayn Johnson, SCAG Staff, presented on the distribution mechanism in the RHNA methodology and addressed previous concerns from the Subcommittee regarding the distribution method. Ms. Johnson also presented on the factors other Councils of Governments used in their respective methodologies. Ms. Johnson responded to questions from the Subcommittee about correcting the undersupply of housing over multiple decades, the social equity factor, the High Quality Transit Areas (HQTA) definition, and solutions to the job-housing and job-worker imbalance.

John Mirisch, representing the City of Beverly Hills, submitted a public comment advocating for regional inter-jurisdictional solutions for housing and clarified that the housing issue is affordable housing, rather than luxury housing. Mr. Mirisch proposed inviting an external speaker from academia to the Subcommittee to provide his perspectives on sustainability. Mr. Mirisch responded to questions from the Subcommittee about how transit-oriented development is connected to displacement.

Peggy Huang, Subcommittee Chair, commented on the importance of looking beyond "one-size fits all" solution and recognizing that different jurisdictions and counties within the SCAG region have different needs and that they be a part of the conversation. She proposed bringing this discussion to the CEHD Policy Committee.

The Honorable Carmen Ramirez made comments on the importance of infrastructure, infill development, and protection of agriculture, especially for Ventura County. She urged the Subcommittee to consider infrastructure in their decision-making.

CHAIR'S REPORT

STAFF REPORT
Kome Ajise, Director of Planning, updated the Subcommittee on the panel of experts that SCAG convened on March 27, 2019.

ANNOUNCEMENT/S
Chair Peggy Huang reminded the Subcommittee of the upcoming deadline for the RHNA methodology survey and of the upcoming SCAG General Assembly on May 2, 2019.

The Honorable Carmen Ramirez noted that today is Cesar Chavez Day which many public agencies recognize as a holiday. She asked to note on the record the importance of Cesar Chavez Day.
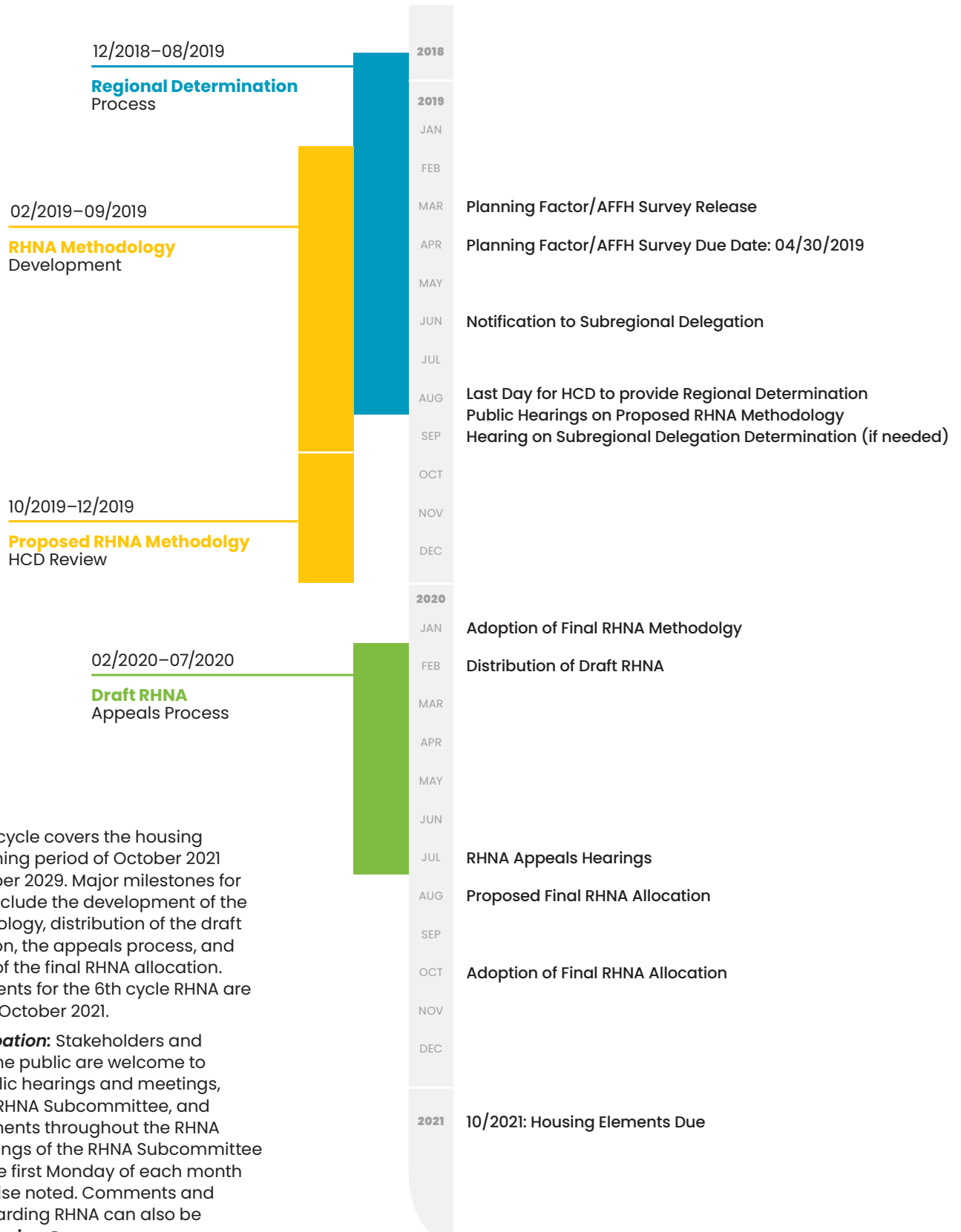
ADJOURNMENT
There being no further business, Chair Peggy Huang adjourned the meeting at 11:53 AM.

The next regular meeting of the RHNA Subcommittee is scheduled for Monday, May 6, 2019 at 10:00 AM at the Wilshire Grand Center, 900 Wilshire Boulevard, Suite 1700, Los Angeles, California 90017.

DEVELOPMENT TIMELINE

6TH CYCLE RHNA *(subject to change)*

12/2018–08/2019
Regional Determination Process

02/2019–09/2019
RHNA Methodology Development

10/2019–12/2019
Proposed RHNA Methodolgy HCD Review

02/2020–07/2020
Draft RHNA Appeals Process

2018

2019
JAN
FEB
MAR — Planning Factor/AFFH Survey Release
APR — Planning Factor/AFFH Survey Due Date: 04/30/2019
MAY
JUN — Notification to Subregional Delegation
JUL
AUG — Last Day for HCD to provide Regional Determination
Public Hearings on Proposed RHNA Methodology
SEP — Hearing on Subregional Delegation Determination (if needed)
OCT
NOV
DEC

2020
JAN — Adoption of Final RHNA Methodolgy
FEB — Distribution of Draft RHNA
MAR
APR
MAY
JUN
JUL — RHNA Appeals Hearings
AUG — Proposed Final RHNA Allocation
SEP
OCT — Adoption of Final RHNA Allocation
NOV
DEC

2021 — 10/2021: Housing Elements Due

The 6th RHNA cycle covers the housing element planning period of October 2021 through October 2029. Major milestones for jurisdictions include the development of the RHNA methodology, distribution of the draft RHNA allocation, the appeals process, and the adoption of the final RHNA allocation. Housing elements for the 6th cycle RHNA are due to HCD in October 2021.

Public Participation: Stakeholders and members of the public are welcome to attend all public hearings and meetings, including the RHNA Subcommittee, and provide comments throughout the RHNA process. Meetings of the RHNA Subcommittee are held on the first Monday of each month unless otherwise noted. Comments and questions regarding RHNA can also be emailed to **housing@scag.ca.gov**.

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RHNA Subcommittee Topic Outlook
October 2018 – August 2020

Meeting	Proposed Date*	Subject	Action
1	October 29, 2018	Overview of RHNA process and legislation; RHNA work plan and schedule; notification to HCD and Caltrans of RTP/SCS adoption date; discussion on housing topics	
2	December 3, 2018	Subregional delegation guidelines; best practices for housing implementation; introduction to the regional determination process; recommend Subcommittee charter	Recommend Subcommittee charter
3	February 4, 2019	Regional determination process; local input process update; local planning factor/affirmatively furthering fair housing and replacement need survey discussion; recommend subregional delegation guidelines	Recommend subregional delegation guidelines to CEHD
4	March 4, 2019	Regional determination process (continued); finalize local planning factor/affirmatively furthering fair housing and replacement need survey; discussion on social equity adjustment	Release local planning factor/affirmatively furthering fair housing and replacement need survey to local jurisdictions and subregions
5	April 1, 2019	Election of Subcommittee Vice Chair; update from HCD; discussion on RHNA distribution and social equity adjustment (continued)	
6	May 6, 2019	Regional determination process (continued); discussion on RHNA distribution and social equity adjustment (continued)	Recommend to CEHD Regional Determination consultation package with HCD
7	June 2019	Survey results for local planning factors, affirmatively furthering fair housing, and replacement need; discussion on determining projected RHNA need in RHNA methodology	Recommend proposed RHNA Methodology to CEHD
8	July 2019	RHNA costs	Release proposed methodology for public review; recommend RHNA costs to CEHD
	August/ September 2019	Public Hearing(s) on Proposed RHNA Methodology	
9	October 2019	Review comments received on proposed RHNA methodology	Recommend submittal of proposed methodology to HCD
10	January 2020	Review comments from HCD on draft RHNA methodology; RHNA appeals process guidelines	Recommend RHNA methodology adoption to CEHD; adopt RHNA appeals process guidelines
11	February 2020	Recommend distribution of draft RHNA allocation	Recommend distribution of draft RHNA allocation to CEHD
12	July 2020	Hearing on appeals	Determine appeals
13	July 2020	Review and ratify the decisions on appeals	Issue written decisions regarding appeals
14	August 2020	Final meeting	Recommend to CEHD proposed Final RHNA Allocation Plan

Meetings of the RHNA Subcommittee are held on the first Monday of the month, unless otherwise noted.

Revised 04/19/19

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Summary of Written Comments Related to RHNA Received by SCAG *(as of 04/19/19)*

Date Received	Name	Organization	Topic(s)	Summary
10/11/18	Hon. John Mirisch	City of Beverly Hills	Subcommittee membership	Concerns were expressed regarding the membership of the Subcommittee and provided suggestions.
12/02/18	Gail Shiomoto-Lohr	City of Mission Viejo	Subcommittee charter, subregional delegation, growth forecast	Clarification is needed about legislative amendments to trade and transfer. Confirmation is needed about SCAG's role in methodology and liability in delegating subregions. Questions were asked about overcrowding rates.
01/17/19	Hon. John Mirisch	City of Beverly Hills	Urban sprawl	A link to a research article was shared questioning the role of urban sprawl.
02/04/19	Hon. John Mirisch	City of Beverly Hills	Role of housing supply, single family homes, subcommittee membership	Concerns were shared about the role between housing price and housing supply, along with the choice of single family homes. Subcommittee membership concerns were also expressed.
03/11/19	Hon. John Mirisch	City of Beverly Hills	Subcommittee membership, upzoning, single family homes	Concerns were expressed regarding the nature of the Subcommittee discussion on March 4, 2019. Comments were provided on the effects of upzoning and building single family homes.
3/30/19	Hon. John Mirisch	City of Beverly Hills	Upzoning, urbanism, density	Three (3) links to articles were shared questioning the benefits of upzoning and increases in density.

To review the original comments or to provide comments on RHNA, please contact housing@scag.ca.gov.

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Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700, Los Angeles, California 90017
May 6, 2019

		INTERIM
To:	Regional Housing Needs Assessment Subcommittee (RHNA)	**EXECUTIVE DIRECTOR'S**
		APPROVAL
From:	Kevin Kane, Associate Regional Planner, Research & Analysis, (213) 236-1878, kane@scag.ca.gov	*Kome Ajise*
Subject:	Regional Determination Panel of Experts Recap	

RECOMMENDED ACTION:
For Information ONLY - No Action Required

STRATEGIC PLAN:
This item supports the following Strategic Plan Goal 1: Produce innovative solutions that improve the quality of life for Southern Californians.

EXECUTIVE SUMMARY:
On March 27, 2019, SCAG convened a panel of fifteen regional experts in housing, economics, and demographics to better understand measures of existing housing need and how they might be integrated into the RHNA process. This report provides a recap of key discussion points.

BACKGROUND:
On March 27, 2019, SCAG convened a panel of regional experts in housing, economics, and demographics to better understand (1) how the SCAG region can best quantify existing housing needs given the options available in existing statute, and (2) examining the extent that accumulated housing need stemming from local action (as opposed to other socioeconomic and demographic trends implicated in the current housing crisis) could be addressed through the 8-year RHNA planning period. While numerous related housing issues are certainly part of the solution to alleviate the state's housing supply and affordability issues, the purpose of this panel was to focus on what can and should fall within the scope of housing needs for the 6th cycle of RHNA for the SCAG region.

Participants included:
Victoria Basolo, Professor, UC-Irvine Department of Urban Planning & Public Policy
Joe Carreras, SCAG Housing Planning Manager (retired)
Cesar Covarrubias, Kennedy Commission
Deborah Diep, Director, Center for Demographic Research, Cal State Fullerton
Adam Fowler, Director of Research, Beacon Economics
Bill Fulton, Professor, Rice University Kinder Institute for Urban Research
Andrew Henderson, Henderson Law Firm
Jordan Levine, Deputy Chief Economist, California Association of Realtors
Steve Levy, Center for the Continuing Study of the California Economy

Paavo Monkkonen, Associate Professor, UCLA Department of Urban Planning
Claudia Monterrosa, City of Los Angeles Department of Housing & Community Investment
Dowell Myers, Professor, USC Price School of Public Policy
Jerry Nickelsburg, Professor and Director, UCLA Anderson Economic Forecast
Deirdre Pfeiffer, Professor, Arizona State Univ. School of Geographical Sciences and Urban Planning
Veronica Tam, Veronica Tam and Associates

Consistent with the two objectives listed above, discussion centered around measuring existing housing need with a focus on new data elements found in recent state legislation, as well as the challenges associated with accommodating existing housing need within the context of the RHNA process and RHNA planning period. Key points from the discussion are as follows:

- Panelists generally agreed that existing need is exceptionally challenging to pin down using available data sources. The trouble lies in the fact that housing need is linked to a wide array of social and economic conditions, leading to extremely wide estimates such as the illustrations that SCAG presented to the March RHNA subcommittee.
- Overall the panel viewed SCAG staff's estimate of healthy market vacancy of 1.5% for owned units and 5% for rented units to be reasonable.

- Some panelists felt RHNA law provided substantial leeway in using data to determine regional need (a "menu of options"), and that adding up several measures which overlap would be result in excessively high estimates or double-counting.

- Panelists discussed the cultural and demographic component of living arrangements, as well as the possibility that the ability to "overcrowd" on occasion can provide flexibility and housing security for unforeseen circumstances. While there was not widespread agreement about the accuracy of using overcrowding measures to estimate housing need, panelists generally felt that comparing overcrowding rates versus a comparable region alleviated some of the issues related to the measure itself.

- Panelists felt that a cost burden measure is particularly difficult to translate into a measure of housing unit need. The difficulty can be attributed to, among other things, the fact that it's a combined measure of both income and housing cost, and that owner and renter experiences of housing security differ substantially.

- Panelists commented that measures of both cost burden and overcrowding mostly reflect the segment of the population experiencing lower housing security, housing quality, and typically lower income conditions.

- Panelists discussed efforts to convert cost burden measures into a quantifiable measure of new unit need, which requires an analysis of the elasticity of demand for housing. While some recent estimates have used this approach, some panelists raised questions as to the robustness of the methodologies used, as well as assumptions of rent standards which may have been too high.

Importantly, this approach relies on establishing a reasonable rent target, which is challenging to build consensus around.

- Some panelists noted support for using historical data to measure existing need, i.e. data covering periods before today's housing "problems" such as the year 2000. In particular, some panelists suggested the use of higher headship rates from past periods as a method for estimating existing housing needs, or for use as a planning target. Others expressed concern over the relevance of measures from nearly a generation ago given substantial changes in demographics and the economy.

- Some panelists emphasized that a discussion of need cannot be decoupled from the fact that the RHNA process culminates in jurisdictions needing to identify sites and zoning designations to accommodate these units. Therefore, a challenge with an especially high estimate or one with a weakly justified basis may cause jurisdictions to be less willing to comply. This matter is complicated since local jurisdictions don't have substantial tools to foster or fund the development of housing. Relatedly, many panelists questioned the effectiveness of a region-wide estimate of housing need for achieving housing goals, especially given the lack of financial support and short timeframe of the RHNA process.

Following a three hour discussion, panelists were given the opportunity to provide additional comments to SCAG staff.

FISCAL IMPACT: Work associated with this item is included in the current FY 18-19 General Fund Budget (800.0160.03:RHNA).

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Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700, Los Angeles, California 90017
May 6, 2019

To:	Regional Housing Needs Assessment Subcommittee (RHNA)	**INTERIM EXECUTIVE DIRECTOR'S APPROVAL**
From:	Kevin Kane, Associate Regional Planner, Research & Analysis, (213) 236-1878, kane@scag.ca.gov	
Subject:	Draft Regional Housing Needs Assessment (RHNA) Consultation Package to the state Housing and Community (HCD)	

RECOMMENDED ACTION:
Recommend approval by the CEHD Committee the Draft Regional Housing Needs Assessment (RHNA) Consultation Package to the state Housing and Community Development Department (HCD)

STRATEGIC PLAN:
This item supports the following Strategic Plan Goal 1: Produce innovative solutions that improve the quality of life for Southern Californians.

EXECUTIVE SUMMARY:
The RHNA process as prescribed by Government Code Section 65584 et seq. requires a consultation process between SCAG and the State Department of Housing and Community Development (HCD) before HCD issues its final determination of regional total housing need for the SCAG region. SCAG staff has developed a framework to guide this process, and a list of specific subject areas for HCD's consideration, including projections of household growth from SCAG's 2020 RTP/SCS bottom-up local review and input growth forecasting process as well as data, analysis, and assumptions related to existing housing needs.

BACKGROUND:
The RHNA process as prescribed by Government Code Section 65584 et. seq., requires a consultation process between SCAG and HCD before HCD issues its final determination of regional total housing need for the SCAG region. Specifically, Government Code Section 65584.01(b)(1) requires SCAG to provide data, assumptions, and methodology to be used by HCD to determine the region's housing needs.

SCAG staff have previously presented a framework to guide the development of this consultation process which includes the following goals:

- Follow the SCAG 2020 RTP/SCS growth forecasting process, procedure, methodology, and results including bottom-up local review, comment, and input.
- Provide the best outcomes for the SCAG regional housing needs assessment and determination, meet the requirements of the law, and use the best available data and technical methodology.
- Research the appropriate factors and causes associated with "existing housing needs."

- Develop policy responses for a long-term robust, stable, supply of sites and zoning for housing construction.

SCAG proposes that a clear distinction be made between housing need due to projected regional population growth and those due to existing housing needs. Using the RTP/SCS growth forecast as a basis for projected housing need is a long-standing, credible approach which is consistent with Government Code Section 65584.01.

SCAG also recognizes regional housing supply and affordability challenges statewide and in the region, and recognizes that legislative changes in 2017 and 2018 have added data elements to 65584.01(b)(1) which are closely related to "existing housing needs," or "housing production backlog." Separate estimates of existing need have not been included in RTP/SCS growth forecast development, so therefore an alternative means of assessing and allocating this need is required. Planning for this additional housing production through RHNA is an important concurrent and complementary planning process.

On March 27, 2019, SCAG convened a panel of fifteen housing, demographic, and economic experts to assist with understanding how to measure and assess existing housing need. Many of their comments have been reflected herein, though ultimately this report reflects SCAG staff's interpretation.

What follows is (a) SCAG's approach toward need due to projected growth, and (b) an interpretation of several data elements proposed by the legislature or recently used by HCD in other COG 6th cycle RHNA plans for discussion. In addition, we focus on several specific technical matters for HCD's consideration:

1. SCAG 2020 RTP/SCS growth forecast data and assumptions
2. Clarifying the distinction between housing need due to projected growth versus existing need
3. Use of a comparable region standard and household overcrowding
4. Use of cost burden as an input to determining housing needs
5. Use of historical comparison for understanding SCAG region demographic, economic, and housing characteristics

Additionally, we focus on three further conceptual matters raised by changes to the RHNA process in the 6th cycle which staff intends to discuss further with HCD:

6. High correlation and double-counting possibility between measures of existing housing need
7. Phasing existing housing need beyond a single RHNA cycle
8. Issues related to sites, zoning, and COG efforts to promote housing

Technical Appendix

The RHNA process as prescribed by Government Code Section 65584 et. seq., requires a consultation process between SCAG and HCD/DOF before HCD issues its final determination of regional total housing need for the SCAG region.

Specifically, Government Code Section 65584.01(b)(1) requires SCAG to prepare this information packet:

"At least 26 months prior to the scheduled revision pursuant to Section 65588 and prior to developing the existing and projected housing need for a region, the department shall meet and consult with the council of governments regarding the assumptions and methodology to be used by the department to determine the region's housing needs. The council of governments shall provide data assumptions from the council's projections, including, if available, the following data for the region:

(A) Anticipated household growth associated with projected population increases.

(B) Household size data and trends in household size.

(C) The percentage of households that are overcrowded and the overcrowding rate for a comparable housing market. For purposes of this subparagraph:

(i) The term "overcrowded" means more than one resident per room in each room in a dwelling.

(ii) The term "overcrowded rate for a comparable housing market" means that the overcrowding rate is no more than the average overcrowding rate in comparable regions throughout the nation, as determined by the council of governments.

(D) The rate of household formation, or headship rates, based on age, gender, ethnicity, or other established demographic measures.

(E) The vacancy rates in existing housing stock, and the vacancy rates for healthy housing market functioning and regional mobility, as well as housing replacement needs. For purposes of this subparagraph, the vacancy rate for a healthy rental housing market shall be considered no less than 5 percent.

(F) Other characteristics of the composition of the projected population.

(G) The relationship between jobs and housing, including any imbalance between jobs and housing.

(H) The percentage of households that are cost burdened and the rate of housing cost burden for a healthy housing market. For the purposes of this subparagraph:

(i) The term "cost burdened" means the share of very low-, low-, moderate-, and above moderate-income households that are paying more than 30 percent of household income on housing costs.

(ii) The term "rate of housing cost burden for a healthy housing market" means that the rate of households that are cost burdened is no more than the average rate of households that are cost burdened in comparable regions throughout the nation, as determined by the council of governments.

(I) The loss of units during a state of emergency that was declared by the Governor pursuant to the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2), during the planning period immediately preceding the relevant revision pursuant to Section 65588 that have yet to be rebuilt or replaced at the time of the data request."

As specified in Government Code 65584 et seq., if the total regional population forecast for the projection year (10/1/2029) developed for SCAG's RTP/SCS is within a range of 1.5% of DOF's forecast of the same, then SCAG's forecast shall be the basis from which HCD determines existing and projected need for housing in the region.

Table 1 outlines the SCAG region's housing need due to projected growth. SCAG proposes a regional housing needs determination of 429,926 due to projected growth for SCAG and delegated subregions (if applicable) to distribute among local jurisdictions. SCAG projects regional population to grow to 20,725,878 by October 1, 2029. SCAG's projection is 0.18% higher than DOF's projection of 20,689,591, thus SCAG's forecast shall be used.

Table 1. SCAG region housing need due to projected growth: January 1 2018 - October 1 2029				
1	**Population: October 1,** 2029 (SCAG Estimate)				20,725,878
	- Less Group Quarters Population (SCAG Estimate)				-327,879
	Household (HH) Population, 10/1/2029				20,397,998
2	**Household Formation Groups**	**SCAG Projected HH Population**	*Headship rate - see Table 2*	**Projected Households**	
		20,397,998		**6,668,498**	
	under 15 years	3,812,391		n/a	
	15 - 24 years	2,642,548		147,005	
	25 - 34 years	2,847,526		864,349	
	35 - 44 years	2,821,442		1,304,658	
	45 - 54 years	2,450,776		1,243,288	
	55 - 64 years	2,182,421		1,116,479	
	65 -74 years	1,883,181		1,015,576	
	75 - 84 years	1,167,232		637,415	
	85+	590,480		339,727	
3	**Projected Households, Oct 1, 2029**				**6,668,498**
4	*CA DOF Occupied housing units, January 1, 2018 (E-5)*				*6,073,761*
5	**Projected household growth, Jan 1, 2018 - Oct 1, 2029 (11.75 yrs)**				**594,737**
6	**+ Adjustment to ensure future healthy market vacancy**	Owner	Renter		
	Tenure Percentage (2017 1-year ACS, table DP04)	52.43%	47.57%		
	Projected HH Growth by Tenure	311,821	282,916		
	Healthy market vacancy rate	1.50%	5.00%		
	Future Vacancy Needs Adjustment	4,677	14,146		18,823
7	**+ Replacement Adjustment (min. from 5th cycle)**			0.50%	2,974
8	**- Less: HH growth on tribal lands (SCAG estimate, Table 3)**				-4,215
	Regional Housing Need due to Projected Growth, Jan 1, 2018 - Oct 1, 2029				612,319
9	**Regional Housing Need due to Projected Growth over the RHNA planning period (8.25 years)**				**429,926**

TABLE 1 NOTES

1 <u>Population</u>. Total population, group quarters population, and household reflect SCAG's October 1, 2029 projection consistent with the 2020 RTP/SCS growth forecast and reflect the most recent socioeconomic data and statstics from the Decennial Census & American Community Survey.

2 <u>Household formation groups</u>: Headship rates, also referred to as household formation rates, are applied to the household population from (1) and are broken down by age, sex, and race/ethnicity as is standard demographic practice. Total headship rates in the SCAG region have declined consistently since 1980 and have been roughly stable since 2014. While SCAG's previous forecasts such as the 2012 and 2016 RTP/SCS typically forecasted a continuation of this long-term downward trend, SCAG's 2020 RTP/SCS forecast has been revised to use a constant headship rate based on the most available American Community Survey (ACS) data. At the time of this analysis, the most recently available data are ACS 2017 1-year samples.

3 <u>Projected households</u>: Projected households at the end of the RHNA planning period using the above methodology.

4 <u>Existing housing units</u>: From the most recently available DOF housing unit estimate.

5 <u>Projected household growth</u>: Increase in the number of households expected from DOF's most recently available housing unit estimate until the end of the RHNA planning period.

6 <u>Adjustment to ensure future healthy market vacancy</u>: The housing to accommodate projected growth is adjusted upward by the healthy market vacancy rate, split by tenure type (owner/renter) using the most recently available tenure information. While Gov't Code 65584.01 specifies a 5% minimum for renter vacancy, 1.5% is used as an acceptable vacancy rate for for-sale housing. This is roughly equivalent to the statewide average vacancy rate between 1998-2018 and is also equal to the 1.5% owner vacancy used during the 5th cycle of RHNA.

7 <u>Replacement Needs Adjustment</u>: A rate of 0.5% applied to projected growth reflects housing losses localities annualy report to DOF, and is used as an estimate of the number of housing units destroyed/demolished but not replaced during the planning period. At the time of this writing, estimates of units lost due to natural disaster, e.g. wildfire, were not yet available from local jurisdiction survey results. Such units lost but not replaced may be included here.

8 <u>Household growth on tribal lands</u>: Household growth identified on the tribal lands which are not subject to General Plan housing element update/planning. As discussed durnig the 5th cycle RHNA determination process, these households are both excluded in determining regional needs, and units constructed will not count toward satisfying a jurisdiction's RHNA total.

9 <u>Regional housing need due to projected growth</u>: This is SCAG's estimate of housing need due to projected growth over the 8.25 year RHNA planning period, which is a proportional share using the above analysis of the 11.75 year period for which data are fully available (1/1/2018 - 10/1/2029).

Table 2: Household Projection Using Population Projection for 10/1/2029

Race/Ethnicity	Sex/Age	2029 Residential Population	2017 Headship Rate	2029 Households
White				
NH White	Male			
NH White	15-24	254,422	7.54%	19,172
NH White	25-34	319,764	40.04%	128,049
NH White	35-44	384,282	52.30%	200,981
NH White	45-54	349,480	56.73%	198,277
NH White	55-64	322,373	62.46%	201,365
NH White	65-74	341,125	70.32%	239,893
NH White	75-84	230,154	72.29%	166,382
NH White	85+	109,909	72.98%	80,209
NH White	Male Total	2,311,510		1,234,328
NH White	Female			
NH White	15-24	249,619	9.02%	22,512
NH White	25-34	309,532	37.37%	115,687
NH White	35-44	353,394	49.76%	175,863
NH White	45-54	320,634	52.92%	169,680
NH White	55-64	318,582	53.52%	170,516
NH White	65-74	362,387	55.78%	202,122
NH White	75-84	276,412	59.19%	163,602
NH White	85+	174,354	67.10%	116,999
NH White	Female Total	2,364,914		1,136,981
Black				
NH Black	Male			
NH Black	15-24	73,225	7.11%	5,210
NH Black	25-34	70,067	26.73%	18,730
NH Black	35-44	82,547	44.14%	36,433
NH Black	45-54	66,592	51.75%	34,459
NH Black	55-64	56,756	57.66%	32,723
NH Black	65-74	51,207	68.20%	34,924
NH Black	75-84	26,746	59.50%	15,913
NH Black	85+	10,431	61.83%	6,450
NH Black	Male Total	437,571		184,841
NH Black	Female			
NH Black	15-24	71,673	6.19%	4,436
NH Black	25-34	74,503	40.06%	29,847
NH Black	35-44	85,856	58.23%	49,994
NH Black	45-54	72,269	62.58%	45,223
NH Black	55-64	68,812	58.51%	40,262
NH Black	65-74	66,201	67.35%	44,586
NH Black	75-84	37,571	68.36%	25,683
NH Black	85+	19,255	68.98%	13,282
NH Black	Female Total	496,141		253,313

Table 2 (cont'd): Household Projection Using Population Projection for 10/1/2029

Race/Ethnicity	Sex/Age	2029 Residential Population	2017 Headship Rate	2029 Households
NH Asian & Oth.				
NH Asian & Oth.	Male			
NH Asian & Oth.	15-24	223,296	7.04%	15,714
NH Asian & Oth.	25-34	233,920	34.39%	80,455
NH Asian & Oth.	35-44	234,858	53.38%	125,378
NH Asian & Oth.	45-54	220,539	57.53%	126,886
NH Asian & Oth.	55-64	201,374	58.51%	117,827
NH Asian & Oth.	65-74	171,696	57.73%	99,118
NH Asian & Oth.	75-84	111,302	52.64%	58,585
NH Asian & Oth.	85+	52,225	47.78%	24,956
NH Asian & Oth.	Male Total	1,449,210		648,919
NH Asian & Oth.	Female	0		
NH Asian & Oth.	15-24	222,291	7.05%	15,673
NH Asian & Oth.	25-34	242,953	29.01%	70,493
NH Asian & Oth.	35-44	256,035	39.72%	101,702
NH Asian & Oth.	45-54	250,454	41.03%	102,750
NH Asian & Oth.	55-64	228,414	37.12%	84,786
NH Asian & Oth.	65-74	204,846	33.72%	69,067
NH Asian & Oth.	75-84	146,686	37.99%	55,724
NH Asian & Oth.	85+	82,280	41.67%	34,288
NH Asian & Oth.	Female Total	1,633,959		534,481
Hispanic				
Hispanic	Male			
Hispanic	15-24	793,538	4.01%	31,828
Hispanic	25-34	813,915	24.60%	200,196
Hispanic	35-44	723,165	42.26%	305,592
Hispanic	45-54	592,224	51.04%	302,243
Hispanic	55-64	485,958	53.93%	262,072
Hispanic	65-74	323,946	56.16%	181,924
Hispanic	75-84	147,756	48.86%	72,199
Hispanic	85+	59,000	45.12%	26,620
Hispanic	Male Total	3,939,502		1,382,674
Hispanic	Female			
Hispanic	15-24	754,483	4.30%	32,461
Hispanic	25-34	782,872	28.22%	220,893
Hispanic	35-44	701,304	44.02%	308,715
Hispanic	45-54	578,583	45.59%	263,771
Hispanic	55-64	500,152	41.37%	206,928
Hispanic	65-74	361,773	39.79%	143,942
Hispanic	75-84	190,606	41.62%	79,327
Hispanic	85+	83,027	44.47%	36,924
Hispanic	Female Total	3,952,799		1,292,962
Total				
Total				
Total	15-24	2,642,548		147,005
Total	25-34	2,847,526		864,349
Total	35-44	2,821,442		1,304,658
Total	45-54	2,450,776		1,243,288
Total	55-64	2,182,421		1,116,479
Total	65-74	1,883,181		1,015,576
Total	75-84	1,167,232		637,415
Total	85+	590,480		339,727
Total	**Grand Total**	16,585,607		6,668,498

Table 3: Analysis of SCAG region households on tribal land

COUNTY	TRIBE	2013-2017 ACS Estimate	2016 SCAG Estimate	2020 SCAG Projection	2030 SCAG Projection	Growth estimate, 2018-2029
Riverside	Agua Caliente Reservation	13,777	13,891	15,221	17,263	2,720
Riverside	Augustine Reservation	0	0	0	0	-
Riverside	Cabazon Reservation	206	206	362	670	382
Riverside	Cahuilla Reservation	34	53	55	64	10
San Bernardino	Chemehuevi Indian Reservation	124	295	295	295	-
Riverside	Colorado River Indian Tribes Reservation	719	944	977	1,089	124
San Bernardino	Fort Mohave Reservation	113	73	73	75	2
Imperial	Fort Yuma Reservation (Quechan Tribe)	405	615	694	773	122
Riverside	Morongo Reservation	273	278	287	338	53
Riverside	Pechanga Reservation	101	93	98	122	25
Riverside	Ramona Reservation	0	2	2	2	-
San Bernardino	San Manuel Reservation	24	58	58	59	1
Riverside	Santa Rosa Reservation	24	16	33	89	62
Riverside	Soboba Reservation	387	182	195	229	40
Riverside	Torres Martinez Reservation	840	1,148	1,285	1,919	672
San Bernardino	Twenty-nine Palms Reservation	4	11	12	13	2
Source: Draft SCAG 2020 RTP/SCS Growth Forecast		17,031	17,864	19,647	23,000	4,215

The header "HOUSEHOLDS" spans the numeric columns.

1. SCAG 2020 RTP/SCS growth forecast data and assumptions

SCAG's growth forecast is the foundation for the 2020 RTP/SCS development and housing planning efforts. SCAG initiated the current growth forecasting process in July 2017. Through the 24-month process, the methodology, assumptions, and results of SCAG's growth forecast reflected the information of the most recently available socioeconomic data and statistics, including expert panel opinions, and American Community Survey (ACS) information. Additionally, as preparation for both the 2020 RTP/SCS and the 6th cycle of RHNA, SCAG staff met one-on-one with all 197 local jurisdictions and provided an opportunity to review the draft growth forecast. Additional detail can be found in the notes of the above tables.

2. Clarifying the distinction between housing need due to projected growth versus existing need

SCAG proposes that a clear distinction be made between housing need due to projected regional growth and that due to existing housing need. In this context, projected need refers to housing need due to expected growth during the 6th cycle RHNA projection period, which is from 7/1/2021 through 10/1/2029. This approach was followed during SCAG's 5th cycle regional determination, which used *projected growth in households* as a starting point and arrived at a determination of regional need by making adjustments to this value.

While using a growth forecast as a basis for projected housing need is a credible, established approach for regional targeting, understanding existing housing need is inherently imprecise. Several approaches are discussed throughout this memo and are detailed in Table 5.

As preparation for the 2020 RTP/SCS and 6th cycle of RHNA, staff met one-on-one with all 197 local jurisdictions and provided an opportunity to review the draft growth forecast. Since this process began, new legislation has added specific measures of *existing housing need* to the planning process. Since local jurisdictions have already begun linking their planning practice with projected growth, clarifying which component of housing need is above and beyond this will ultimately help SCAG region jurisdictions achieve targets.

SCAG has reviewed SANDAG's 6th cycle regional determination from HCD which applied adjustment factors to *total households* rather than *projected growth in households*. Government Code 65584(b)(2) specifically enables this, stating *"The methodology submitted by the department may make adjustments based on the region's total projected households, which includes existing households as well as projected households."*

However, SCAG believes that the nature of each adjustment must be considered carefully as to whether it is appropriate to apply it to *projected growth in households* or to *households existing at the beginning of the planning period* (henceforth "existing households"). In SANDAG's 6th cycle regional determination, adjustments for vacancy, overcrowding, and replacement need were all applied to *total households*.

The vacancy adjustment in particular illustrates the distinction between adjusting against projected versus existing need. A vacancy adjustment has been used in past RHNA cycles which increases the new unit need by the healthy market vacancy rate. The rationale is that in order to truly accommodate the projected growth in households, a slightly higher number of housing units is needed. Owing to inherent differences in expected housing turnover for rented versus owned units, this rate is split based on the current owner/renter share in the region.

In SANDAG's 6th cycle RHNA determination, HCD compared the region's observed vacancy versus a healthy market rate and multiplied the difference by the *total households* in the region. In addition to the above rationale, this introduced a new approach: since vacancy in a region is "unhealthily low," the determination should be adjusted upward such that the entire region's housing stock reaches a healthy market level. However, we propose that this adjustment should be applied only to *existing households* since its intent is to correct for existing vacancy rates which are too low.

Thus, two different vacancy adjustments can be used to ensure (1) adequate vacancy for projected households, and (2) addressing a vacancy rate which may be "too low" in the current housing stock—a component of existing housing need.

3. **Use of a comparable region standard and household overcrowding**

Perhaps recognizing that Census-derived data on household conditions is reflective of myriad factors in addition to housing market conditions e.g. demographic composition, unique geography, and cultural and regional preferences, SB 828 added Section 65584.01 (b)(C)(ii): *"The term "overcrowded rate for a comparable housing market" means that the overcrowding rate is no more than the average overcrowding rate in comparable regions throughout the nation, as determined by the council of governments."*

However, due to SCAG's sheer size and unique demographic characteristics, this is a greater challenge than other regions in the state. Specifically, using 2017 American Community Survey data for consolidated statistical areas (CSAs), the combined, five-county area of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties leads the nation in the share of households with above 1.0 resident per room in a dwelling, at 9.8%.[1]

Code defines overcrowding as "more than 1.0 per room," analogous to the ACS' measure. However, several concerns are raised by the use of this measure.

- Multiple definitions of overcrowding exist including a 1.5 persons/room standard ("severe overcrowding") and measures which use occupants per unit size. Despite this variety, state law defines overcrowding as the 1.0/room standard.
- SCAG's interpretation of existing statute is that overcrowding is being suggested as a measure of housing need in order to capture "unrealized" housing demand, e.g. doubling or tripling up, bundling, adult children living excessively with parents, etc. While the 1.0 occupants/room standard may capture some of this behavior it is not a precise reflection of it.
- Definitions of a "room" may not be universally applied and may vary based on the housing design characteristics, the character of a region's housing stock, ACS guidelines, and ultimately the opinion of what constitutes a "room" by the sample of householders responding to the American Community Survey.
- While housing overcrowding can be associated with substandard living conditions, a planning target seeking to entirely eliminate overcrowding would remove a form of housing safety net—that is, the ability to occasionally have additional person such as a family member or friend in a housing unit in order to guard against further housing insecurity, up to and including homelessness.
- Measures of overcrowding may consider the same living conditions overcrowded or not overcrowded. For example, a family of two adults and two children living in a standard two-bedroom apartment (which likely contains three bona-fide rooms according to ACS guidelines) live in overcrowded conditions according to the 1.0 occupants/room standard. However, according to the California residential occupancy of standard of "two-persons-per-bedroom-plus-one" would not.[2]
- There are strong cultural and demographic drivers of living arrangements. Research on residential occupancy standards emphasizes the extent to which a class-specific standard of individual space can prevent higher-density housing in an area.[3]

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[1] The most common delineation of a region is the Metropolitan Statistical Area (MSA) defined by the US Office of Management and Budget based on contiguity and labor market connectivity. However, the SCAG region is an aggregation of multiple MSAs. The Census Bureau's definition of a CSA is roughly analogous and provides a basis of comparing the SCAG region to other areas (although Imperial County is omitted).

[2] Tim Iglesias, *Moving Beyond Two-Person-Per-Bedroom: Revitalizing Application of the Federal Fair Housing Act to Private Residential Occupancy Standards*, 28 Ga. St. U. L. Rev. (2013). Available at: https://readingroom.law.gsu.edu/gsulr/vol28/iss3/11
[3] *Ibid. 2*

- Prior research on housing overcrowding demonstrates that demographic characteristics show stronger observed relationships with overcrowding measures than housing market characteristics. A region's foreign-born population share is amongst the strongest predictors of a region's household overcrowding measure.[4]
- Much of the uniqueness of the SCAG region from a demographic and housing perspective is due to its historical and current role as a key immigrant gateway which fosters the social and economic integration of recent immigrant arrivals to promote positive social outcomes.

Rather than choosing a single CSA as a comparable region, we propose using a set of CSAs based on their share of recently-arrived (since 2000) foreign-born population as a crude mechanism for isolating non-demographic drivers of housing issues, such as overcrowding. Thus, a comparable set of regions is the above list which have an average overcrowding rate of 7.49%. The list consists of large areas, plus mid-sized areas in Texas and California which are also immigrant gateways (Table 4).

In addition to the use of a comparable region standard, staff believe it is only appropriate to apply an overcrowding adjustment to *existing households*. The rationale of an overcrowding adjustment is that current data indicate "too many" individuals per room in a certain share of the region's households, and the determination should be adjusted upward such that a target level of overcrowding is reached. However, if planning targets based on population and household forecasts are met – the goal of RHNA – there will be no overcrowding amongst these future households. SCAG staff's analysis of SANDAG's 6th cycle RHNA determination found that an overcrowding adjustment was applied to *total households* in the region at the end of the planning period, which may be excessive and is not grounded in housing need.

Table 4: Ten largest CSAs by recently-arrived foreign-born population* (2017 ACS 1-yr.)

Region/Consolidated Statistical Area (CSA)	Total Population	Percent Foreign-born, arrived since 2000	Percent Overcrowded (1.0/room)	Percent Overcrowded (1.5/room)	Percent cost-burdened (30% standard), low/very low-income renters
1 Los Angeles-Long Beach, CA	18,788,800	19.7%	9.83%	3.79%	88.1%
2 Miami-Fort Lauderdale-Port St. Lucie, FL	6,832,588	19.7%	4.63%	1.60%	86.7%
3 San Jose-San Francisco-Oakland, CA	8,837,789	16.8%	6.99%	2.52%	85.9%
4 McAllen-Edinburg, TX	925,115	15.8%	11.25%	3.85%	68.8%
5 Brownsville-Harlingen-Raymondville, TX	448,358	15.1%	9.67%	3.17%	67.8%
6 El Paso-Las Cruces, TX-NM	1,058,256	15.1%	5.59%	1.82%	65.5%
7 New York-Newark, NY-NJ-CT-PA	23,876,155	14.8%	5.26%	1.92%	83.5%
8 Visalia-Porterville-Hanford, CA	614,594	14.6%	10.63%	1.99%	73.9%
9 Modesto-Merced, CA	820,572	14.4%	7.09%	1.68%	79.0%
10 Fresno-Madera, CA	1,146,145	13.1%	9.35%	3.48%	78.1%
11 Las Vegas-Henderson, NV-AZ	2,455,481	12.0%	4.43%	1.45%	77.6%
**(1) is the SCAG region, excluding Imperial County*		AVERAGE:	7.49%	2.35%	76.7%

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[4] Myers, D., Baer, W.C., and Choi, S-Y. 1996. The changing problem of overcrowded housing. *Journal of the American Planning Association* 62:1, 66-84, DOI: 10.1080/01944369608975671.

4. **Use of cost burden as an input to determining housing needs**

SCAG staff's understanding is that cost burden is a newly added data element for 2018 for which a comprehensive methodology is yet to be developed. In particular, which (if any) income category breakdowns to use is left wholly unspecified.

There are several challenges in using a measure of cost burden to estimate housing need, including but not limited to:

- Owner and renter experiences of cost burden – and housing security – differ substantially.
- Expenditure on housing represents a bundle of goods including physical aspects of the home itself, its location within a metropolitan area, and the labor market in which it lies.
- The 30 percent-of-income standard, while used by the US Department of Housing and Urban Development (HUD) and benefiting from historical precedent, may not be an effective measure of overpayment and housing affordability challenges. In particular, "cost burden" shares have been rising nationwide. A "severe cost burdened" indicator which measures the share of household paying more than 50 percent of income on housing may be a better indicator, though the 30 percent standard is included in state legislation.
- Using housing cost (or housing cost relative to income, which is effectively equivalent to the cost burden measure) to estimate a number of units needed requires an analysis of *the elasticity of housing demand*. Put differently, how many units would need to be added such that prices would decrease? This is an especially challenging empirical and methodological task due to the multi-faceted behavioral nature of housing consumption. By way of an analogy, in the same way that adding freeway lane-miles is not likely to alleviate traffic congestion in the long-run, there is not a one-to-one (i.e., linear) relationship between increases in housing supply and decreases in rates of housing cost burden.

Reports by the state legislative analyst's office (LAO)[5] and the McKinsey Global Institute[6] both seek to measure the elasticity of housing demand and estimate the number of housing units needed to stabilize housing costs. However both reports are careful to acknowledge a number of substantial modeling limitations. A high level of trust must be placed in (generally linear) modeling assumptions, e.g. the choice to use 1980 as a basis for rent growth in the LAO report's case. Given inherent modeling uncertainties and the need to robustly and effectively communicate drivers of housing need to a wide range of local jurisdictions and stakeholders, we do not recommend an overreliance on either report's conclusions. Furthermore, SCAG's share of state level housing needs remains unexplored. While roughly 49% of the state resides in the SCAG region, a strong rationale would be needed in order to justify allocating 49% of a state housing target to the SCAG region—particularly given the especially acute affordability and supply issues in the Bay Area.

Cost burden is most relevant for low-income renters

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[5] Talor, Mic. 2015. California's high housing costs: Causes and consequences. *California Legislative Analyst's Office*. March 17.
[6] Woetzel, J., Mischke, J., Peloquin, S., and Weisfield, D. 2016. A tool kit to close California's housing gap: 3.5 million homes by 2025. *McKinsey Global Institute*. October.

Based on our analysis of the cost-burden measure, review of similar approaches, and discussion amongst a panel of experts, it's clear that cost burden is an income-based social condition. While it may reflect overpayment in the housing market, it is inadequate as a measure of undersupply. However, narrowly tailored, it may help inform substantially problematic conditions.

SCAG proposes limiting the cost-burden measure to renters earning under $50,000/year since it is those who face the lowest levels of housing security and a stronger indicator can be constructed using available data. Comparing against the set of comparable regions in Table 4, SCAG region's low-income renter cost-burden share is 12.2% higher. While SCAG's share of cost burden for moderate/above moderate renters and for owners is higher than other regions, we do not feel this is as robust an indicator of housing shortfall as the proposed measure for the reasons discussed above.

5. Use of historical comparison for understanding external drivers of housing need in the SCAG region

An approach to estimating existing need that has been discussed at various points, including the 2015 LAO report,[7] is to compare current socioeconomic indicators in a region to a historical point in time when housing supply and affordability issues in the region were less pronounced. We recommend that the relevance of decades-old data should not be overstated given the myriad economic, demographic, and social changes that have occurred regionally and nationally. For comparison, the above-referenced LAO report compares regional to national rent growth since 1980, while a common reference point has also been the year 2000—prior to the housing bubble, great recession, and housing collapse of the mid and late 2000s.

Table 6 presents several key indicators to illustrate some differences in social and economic conditions since 2000 which can also bear a strong relationship to measures of existing housing need. Fertility rates have dropped substantially and median ages have increased. Importantly, labor force participation – particularly amongst younger residents of the SCAG region – has declined substantially. This severely impacts the ability to build sufficient wealth to form households or purchase homes. More broadly, inflation-adjusted median household incomes have barely risen since 2000 despite substantial overall economic growth, making affording housing an increasing challenge. Manufacturing jobs, long a pillar of middle-class stability, have declined dramatically. While employment has grown at high and low wage levels, substantial middle-wage job losses during the recovery from the financial crisis of the late 2000s have resulted in virtually no middle-wage employment growth since the beginning of the millennium—again impacting the ability to form households purchase homes.

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[7] Ibid. 5

Table 6: Historical comparison of select social and economic conditions in the SCAG region

Indicator	2000	Current	Year	Change
Total Fertility Rate	2.17	1.75	2016	-19.6%
Labor force participation, ages 16 and above	67.1%	62.0%	2018	-5.1%
Labor force participation, ages 16-24	65.4%	52.8%	2018	-12.6%
Median household income, 2017 constant dollars	67,726	67,943	2017	0.3%
Median age	32.30	36.50	2020	13.0%
Manufacturing employment	1,004,000	634,000	2018	-36.9%
Growth in low-wage (< $18/hr) employment				344,320
Growth in middle-wage ($18-30/hr) employment				45,460
Growth in high-wage (> $30/hr) employment				252,840

Sources: SCAG 2020 RTP/SCS growth forecast, US Bureau of Labor Statistics, California Employment Development Department ES202

6. High correlation and double-counting possibility between measures of existing housing need

The proposed approach includes three separate measures of existing housing need. However, as acknowledged during informal discussions with HCD, the various measures found in statute are not distinct and likely contain substantial overlap. In addition to the three measures discussed here (vacancy, overcrowding, and cost burden), household formation rates other than the most recently available observed data should be considered as estimates of existing housing need.

Following the above discussion of below-market vacancy, household overcrowding, and cost-burden, Table 5 presents an advisory opinion of how HCD might consider applying data elements found in Government Code 65584.01 et seq. in order to gauge existing housing need. As discussed earlier in this report and as reiterated through SCAG's panel of experts meeting, existing housing need has a close relationship with virtually every social condition and estimating existing housing need is an imprecise effort no matter the data source or approach. Furthermore, we do not believe an additive approach of these three measures would be appropriate due to the level of overlap existing between them and instead recommend an approach which averages, discounts, or otherwise weights measures such as these, if they are to be used to determine regional housing need.

Table 5. Some approaches to measure SCAG region existing housing need as of January 1 2018				
1	Projected Households, Oct 1, 2029				6,668,498
	CA DOF Occupied housing units, January 1, 2018 (E-5)				6,073,761
	Projected household growth, Jan 1, 2018 - Oct 1, 2029 (11.75 yrs)				594,737
2	**+ Adjustment to correct for vacancy below healthy market rate**	Owner	Renter	Total	
	Tenure Percentage (2017 1-year ACS DP04)	52.43%	47.57%		
	Existing housing units by tenure on January 1, 2018	3,184,473	2,889,288		
	SCAG Region Vacancy Rate, 2017 1-year ACS DP04	1.10%	3.28%		
	Healthy market vacancy rate	1.50%	5.00%		
	Difference	*0.40%*	*1.72%*		
	Potential New Unit Need from Existing Vacancy	12,738	49,696		62,434
3	**+ Overcrowding Adjustment**				
	Existing Households			6,073,761	
	SCAG Total Overcrowding Rate (2017 1-year ACS, >1.0/room)			9.82%	
	Comparable region overcrowding rate			7.49%	
	Difference			*2.33%*	
	Potential New Unit Need from Overcrowding				141,519
4	**+ Cost Burdenedness Adjustment**	Renter, VL/L income only			
	Number of low/very low income renter households (ACS 5-yr 2017)		1,348,193		
	SCAG region cost-burden (>30% standard)		88.9%		
	Comparable region cost-burden share		76.7%		
	Difference		12.2%		
	Potential New Unit Need from Cost Burdenedness		164,480		164,480

TABLE 5 NOTES

1 <u>Households</u>: Following Table 1, projected households at the end of the RHNA planning period, DOF's most recently available housing unit estimate, and the anticipated growth in households over this 11.75 year period.

2 <u>Adjustment to correct for vacancy below a healthy market rate in the existing housing stock</u>: Consistent with 65584.01, this line reflects the housing need due to the difference between a healthy market vacancy rate and SCAG's current rate of for-rent and for-sale housing based on 2017 ACS 1-year data, which excludes second/seasonal homes as well as units held off the market for other reasons.

3 <u>Adjustment to correct for excess overcrowding in the existing housing stock</u>: Consistent with 65584.01, this line reflects the difference between the SCAG region's current share of households with more than one occupant per room and that of comparable regions. Data used are from 2017 1-year ACS estimates, series B25014. As elaborated upon in the accompanying document, this figure is the average household overcrowding rate in the top 10 Consolidated Statistical Areas (CSAs) by the share of their population which is foreign born and arrived in the US since the year 2000.

4 <u>Adjustment to correct for cost-burdened households</u>: As discussed in the accompanying document, using a cost-burden measure for all types of households may not be appropriate. The proposed approach isolates renter households earning below $50,000/year (roughly consistent with RHNA's very low and low income categories and a data point available from the ACS) with a set of comparable regions. The proposed approach multiplies the number of such households in the SCAG region by the difference between the share which is cost-burdened in the SCAG region (88.9%) and in comparable regions (76.7%).

7. Phasing existing need beyond a single RHNA cycle

As discussed previously, given that the state's housing affordability and supply challenges have accumulated over decades, it may be particularly challenging to address the entire "backlog" of housing needs during a single, 8.25-year planning period. SCAG proposes discussing the possibility of spreading the existing need component of the region's determined housing needs over multiple RHNA cycles in order to incentivize jurisdictions to make realistic, good-faith efforts to accommodate and foster sustainable, long-term housing development.

This approach would have several advantages over the current approach, which is to include all elements of projected and existing need into a short timeframe. The current approach largely "expires" after the planning period and provides minimal incentive for long-range housing planning. In past RHNA cycles, housing construction typically lags far behind RHNA targets with market rate construction largely following market trends and affordable housing persistently in short supply. A 2019 LAO report[8] discusses the benefits of a lengthened planning period, noting that it would help communities from becoming locked-in to land use patterns that could prevent the accommodation of future growth while encouraging local thinking about the connection between development patterns and long-range infrastructure and climate adaptation goals.

While there are many details which would need to be discussed further with HCD, one approach would be to spread an estimate of existing housing need (i.e. housing need not due to projected household growth) across the 6th, 7th, and 8th cycles of RHNA for the region (roughly 25 years total) and allocate 1/3 to each cycle. 2/3 would be "carried over" into the 7th and 8th cycles and, at the beginning of those planning periods, would be added to the need due to projected growth based on more recent economic and demographic information. Data related to existing need could be reviewed at that time as well.

We recognize that such an approach would not be without challenges and many details would need to be worked out; however, we believe this may be an effective mechanism for incentivizing local participation in long-range housing needs.

8. Issues related to sites, zoning, and COG efforts to promote housing

Furthermore, we recognize that RHNA is a planning target and neither jurisdictions nor COGs are able to build housing. Following the determination of regional need and its allocation to local jurisdictions, the main policy tool of RHNA is the identification of available sites and ensuring that zoning sufficiently allows for development which can achieve regional targets. However, broader housing affordability and supply challenges are the result of numerous issues including limited state and federal availability of affordable housing funding, poor middle-income job growth, high construction labor costs, and other issues which RHNA's main policy tool is not able to facilitate. As such, we suggest that a RHNA existing need target should strive to isolate the share of existing housing need attributable to the unavailability of appropriately designated sites—a component of housing need attributable to jurisdiction-level planning—in order to increase the credibility of the request being made of local jurisdictions.

We believe there are some approaches which could alleviate the concerns over accommodating existing rather than projected need. First, the use of a comparable region as already called for in the 2018 housing legislation as a planning target can help to net out other, exogenous drivers of housing demand. Secondly, using an average (or combination) of more than a one measure of

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[8] Petek, G. 2019. The 2019-20 budget: What can be done to improve local planning for housing? *California Legislative Analyst's Office publication.* February.

existing housing need is an important technique which realizes that a single, credible estimate of "existing need" is not necessarily feasible, particularly using the measures referenced in state law.

Finally, SCAG is committed to successfully meeting the region's housing needs. While ultimately additional state policy and financial assistance will be necessary to further promote additional housing development—particularly affordable housing—staff are in various stages of developing supportive programs which assist local jurisdictions in achieving long-range housing targets:

1.) SCAG's Data Map Books, produced for the aforementioned Bottom-up local input and envisioning process, proposed a methodology for identifying potential infill land and solicited input from local jurisdictions. It is likely that some of this potentially developable land inventory could fill future housing need and fulfill RHNA allocations.

2.) SCAG's Regional Data Platform and General Plan Update Tool. A part of SCAG's Future Communities Initiative, our recent investment in GIS and data aims to provide additional technical assistance to jurisdictions during the next housing element update process and aims to help in the identification of sites and zoning characteristics that would fulfill housing need.

3.) SCAG's tax increment financing pilot program. In particular, SCAG has funded pilot programs to help jurisdictions navigate the state economic development incentive landscape with a focus on Enhanced Infrastructure Finance Districts (EIFDs), Community Revitalization and Improvement Areas (CRIAs), and federal Opportunity Zones (OZs). Each of these represent mechanisms which have the potential to fund future housing construction.

EIFDs offer particular promise to replenish some of the funding for affordable housing which became unavailable following the 2012 dissolution of Redevelopment Authorities (RDAs). Importantly, they are not restricted to designated disadvantaged areas. SCAG's pilot program has assisted several cities in studying and eventually adopting EIFDs, in addition to leveraging our relationships with county governments who are also able to contribute tax increment to priority projects. A specific focus of SCAG's upcoming round of pilots is for project areas with an affordable housing component, which could have substantial impacts on the ability of jurisdictional own-source funding for this goal.

FISCAL IMPACT:
Work associated with this item is included in the current FY 18-19 General Fund Budget (800.0160.03:RHNA).

Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700, Los Angeles, California 90017
May 6, 2019

To:	Regional Housing Needs Assessment Subcommittee (RHNA)	**INTERIM EXECUTIVE DIRECTOR'S APPROVAL**
From:	MaAyn Johnson, Senior Regional Planner, Compliance & Performance Monitoring, (213) 236-1975, johnson@scag.ca.gov	
Subject:	Existing Need Distribution in RHNA Methodology	

RECOMMENDED ACTION:
Information Only – No Action Required

STRATEGIC PLAN:
This item supports the following Strategic Plan Goal 2: Advance Southern California's policy interests and planning priorities through regional, statewide, and national engagement and advocacy.

EXECUTIVE SUMMARY:
SCAG staff will recommend that the proposed RHNA methodology apply a number of factors to determine the distribution of the existing housing needs portion. The factors include a jurisdiction's share of regional population, transit proximity, and household income distribution. Staff is scheduled to recommend the RHNA proposed methodology including both existing and projected needs at the June Subcommittee meeting.

BACKGROUND:

As part of the RHNA process SCAG must develop a proposed RHNA methodology, which will determine each jurisdiction's draft RHNA allocation as a share of the regional determination provided by the California Department of Housing and Community Development (HCD). While State housing law outlines several requirements for the proposed RHNA methodology, such as meeting five main objectives, conducting methodology surveys, and holding at least one public hearing, no specifics are provided on how the regional allocation should be distributed to individual jurisdictions.

At its March 4, 2019 meeting, the RHNA Subcommittee held a general discussion on the State housing law objectives of social equity and affirmatively furthering fair housing (AFFH). As a continuation of this discussion, the RHNA Subcommittee at its April 1, 2019 meeting reviewed different mechanisms to distribute existing housing need and meeting social equity and AFFH objectives, along with the methodologies adopted by other COGs in prior RHNA cycles.

The total RHNA allocation is the jurisdiction's share of existing and projected housing needs in the region. Once the jurisdiction's total is calculated, it is then divided into four household income categories based on the county median income. The final RHNA of each jurisdiction, by income category, must add up to the same total of the regional total RHNA provided by the HCD during the RHNA process.
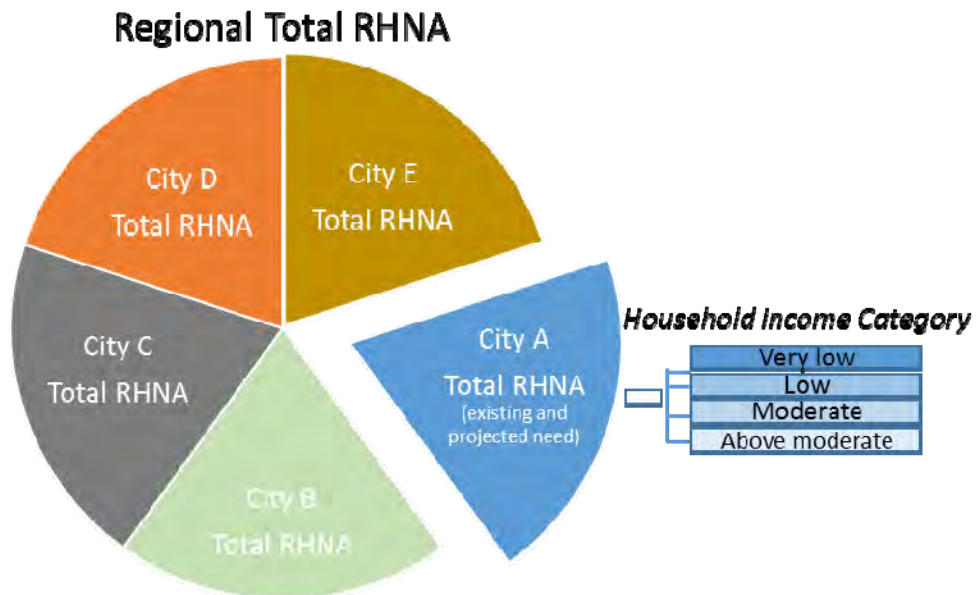
Based on the Subcommittee's input from its last two meetings, SCAG staff is recommending a methodology to be applied on the *existing needs* portion of a RHNA allocation. A separate methodology will be recommended at a future RHNA Subcommittee meeting to determine a jurisdiction's *projected* need.

Recommended Existing Need Distribution Methodology
To determine a jurisdiction's total RHNA need, SCAG staff recommends at multi-step process:

1. Determine existing housing need
   a. Assign 70 percent of regional existing need to jurisdictions based on each jurisdiction's share of the regional population
   b. Assign 30 percent of regional existing need based on a jurisdiction's share of population within the regional high quality transit areas (HQTAs)

2. Determine projected housing need – this methodology to determine this component will be addressed in a future staff report to the RHNA Subcommittee

3. To determine each income category, apply a social equity adjustment of 150 percent to a jurisdiction's total RHNA allocation, which will be the sum of its existing and projected need as defined in step 1 and 2.

This staff report will provide an overview of each step and examples of how this methodology would be applied to two cities, City A and City B. The two cities are based on two existing SCAG cities but their data has been modified to illustrate how the proposed methodology would affect different jurisdictions. City A is a jurisdiction that has a high concentration of lower income households and 38 percent of its total city acreage is within an HQTA. City B is located in a different county and is considered suburban, and does not have any HQTAs within its boundaries. It has a higher concentration of high income households in comparison to its county. For this example, City A and City B have the same population of 65,000.

The total regional RHNA allocation, which will include the regional existing and projected need along with regional need by income category, will be determined as part of the regional determination process and is separate from the SCAG methodology process. For purposes of illustration only, this staff report assumes a regional existing housing need of 250,000 units and a regional projected need of 400,000 units. However because the regional determination process will not conclude until mid to late summer 2020, the final existing and projected needs for the region might be higher or lower. For more information about the regional determination process and on estimated ranges, please refer to the staff report on the regional determination packet in the May 6, 2019 RHNA Subcommittee agenda.

Step 1

The first step to determine a jurisdiction's RHNA allocation is to determine its existing housing need using the regional existing need as the starting point. Staff's recommendation to determine this splits the regional existing need into two parts. One part is based on the jurisdiction's share of regional population and part two is based on the jurisdiction's share of the region's population within a HQTA.
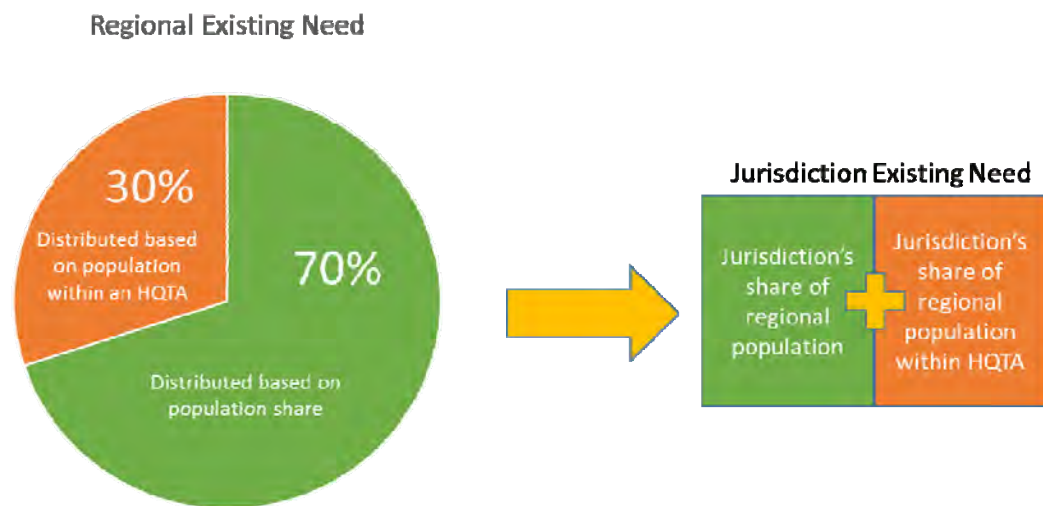
Regional existing housing need 250,000	x	Distribution based on population share 70%	=	175,000
Regional existing housing need 250,000	x	Distribution based on population within HQTA 30%	=	75,000

Step 1a

SCAG staff recommends that 70 percent of the regional existing need be assigned based on a jurisdiction's share of regional population. Assuming a regional existing need of 250,000 units, this means that 70 percent, or 175,000 units will be distributed to jurisdictions based on their population. This straightforward distribution assigns more existing need in areas with larger populations.

The SCAG region has a population of over 18 million people. Because City A and City B have the same population of 65,000, they both have has 0.35% of the region's population. Based on this step, they each will receive 606 units for their share of the regional existing population.

SCAG existing need based on population share	x	Share of regional population	=	City A Existing need based on share of regional population
175,000	x	0.35%	=	606

SCAG existing need based on population share	x	Share of regional population	=	City B Existing need based on share of regional population
175,000	x	0.35%	=	606

Step 1b

The next step involves the consideration of proximity to transit to distribute the remaining 30 percent of the region's existing housing need. To measure proximity to transit, SCAG staff is recommending the use of High Quality Transit Areas (HQTA)s, which are areas that are within a half-mile of transit stations and corridors that have at least a fifteen (15) minute headway (time in between the next scheduled service) during peak hours. Encouraging growth within HQTAs can

promote the use of transit, resulting in lower commute times, reduced greenhouse gas emissions, and efficient land use patterns.

The 30 percent of the regional existing housing need will be distributed based on a jurisdiction's share of regional population within an HQTA. In this example, this translates to 75,000 units that will be distributed regionally based on this factor. City B does not have any HQTAs within its jurisdiction and will receive 0 units of the 75,000. City A has a mix of HQTA and non-HQTA areas. To calculate its share of the 75,000 regional units, the methodology looks at City A's population within its HQTA areas and determines its share of the regional population within HQTA areas. It is determined that City A has 0.37% of the regional population within an HQTA and will be assigned 274 in addition to its need determined by population share from Step 1a.

Existing need based on share of regional population	x	Share of regional population within HQTA	=	City A Existing need based on share of regional population within HQTA
75,000	x	0.37%	=	274

SCAG existing need based on population share within HQTA	x	Share of regional population within HQTA	=	City B Existing need based on share of regional population within HQTA
75,000	x	0.00%	=	0

Jurisdictions throughout the SCAG region vary in how many HQTAs they have within their boundaries. Some, such as City B, have no HQTAs at all while others have 100 percent of their population residing within an HQTA. Jurisdiction-specific information about HQTAs can be found online on SCAG's Open Data platform at: http://gisdata-scag.opendata.arcgis.com/. As part of the final version of the proposed RHNA methodology, provided that HQTAs will be used as part of the methodology, SCAG staff will provide data about HQTAs for each jurisdiction.

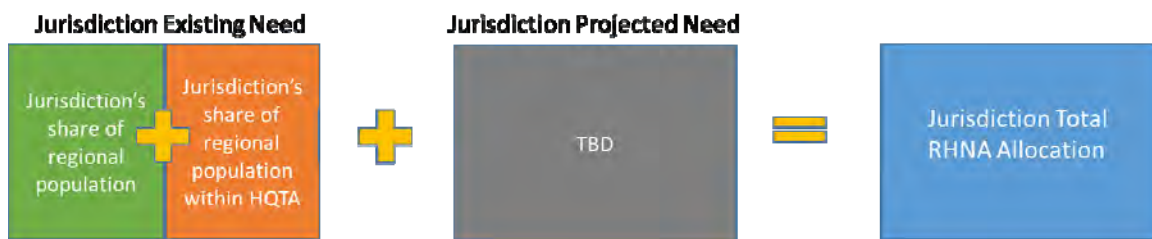To determine a jurisdiction's existing housing need steps 1a and 1b are combined.

Step 1a: Existing need based on population share	+	Step 1b: Existing need based on share of regional population within HQTA	=	City A Existing need
606	+	274	=	880

Step 1a: Existing need based on population share	+	Step 1b: Existing need based on share of regional population within HQTA	=	City B Existing need
606	+	0	=	606

From step 1, City A has an existing housing need of 880 and City B has an existing need of 606. Although the jurisdictions have the same population size, their existing need difference is based on the prevalence, or lack of, HQTAs within their respective cities.

Step 2
The next step is to determine a jurisdiction's projected need and add that to its existing need to calculate its draft total RHNA allocation.

SCAG staff will recommend a mechanism to determine a jurisdiction's projected housing need at a later RHNA Subcommittee meeting. To be able to apply a social equity component as part of its recommendations in this staff report, SCAG staff includes an example of projected housing need for City A and City B for illustrative purposes. For purposes of illustration only, the projected need is calculated using by using local input on household growth as its basis and adding a 5 percent vacancy rate. Thus, projected need for City A is 523 and for City B its projected need is 1,391.

Adding the jurisdictional existing need with its projected need determines that the total draft RHNA allocation for City A is 1,403 and for City B its total draft RHNA allocation is 1,997.

Step 1: Existing need	+	Step 2: Projected need	=	City A draft RHNA allocation
880	+	523	=	1,403

Step 1: Existing need	+	Step 2: Projected need	=	City B draft RHNA allocation
606	+	1,391	=	1,997

Step 3
The final step in determining a jurisdiction's RHNA allocation requires that the total be divided into four income categories. The four categories are very low (50 percent or less of the county median income), low (50-80 percent), moderate (80 to 120 percent), and above moderate (120 percent and above). However, one of the State housing law goals specifically require that the proposed RHNA

methodology allocate a lower proportion of housing need in jurisdictions that already have a disproportionately high concentration of those households in comparison to the county distribution. Additionally, the methodology requires that the proposed methodology affirmatively furthers fair housing and should avoid perpetuating patterns of segregation based on race and income, remove barriers to access to opportunity, and other similar actions.

While approximately 43 percent of all SCAG households live within an HQTA, lower income households tend to live within an HQTA while higher income households tend to live in non-HQTA areas. For example, in Los Angeles County 63 percent of all households live within an HQTA, but 72 percent of the County's very low income households live within an HQTA while only 56 percent of above moderate income households do. In San Bernardino County, 9 percent of households live within an HQTA, but 11 percent of its very low income households live within an HQTA while only 6 percent of above moderate households live in HQTAs. The pattern of disparity among the income levels means that assigning any RHNA need based on HQTAs will result in a disproportionate impact to areas that have a high concentration of lower income households and possibly perpetuate segregation patterns based on income and indirectly race. [1]

To address this potential for overconcentration of income groups in communities where there is already a disproportionate share and to affirmatively further fair housing practices, SCAG staff recommends a 150 percent social equity adjustment to be applied to a jurisdiction's draft total RHNA allocation to determine the need for the four income categories.
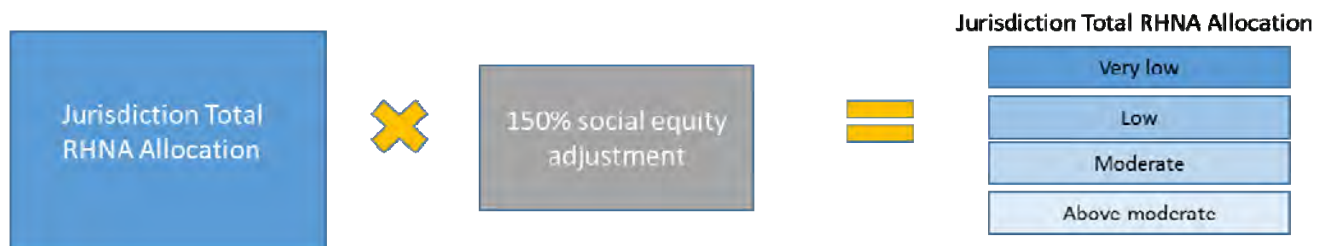
A social equity adjustment approach compares a jurisdiction's distribution for each income category to the county distribution and then makes an adjustment to each category distribution to the jurisdiction. If the adjustment was 100 percent a jurisdiction's distribution would be exactly the same as the County's distribution. Conceptually a 150 percent adjustment means that the City meets the County distribution and goes beyond that threshold by 50 percent, resulting in a higher or lower distribution than the County depending on what existing conditions are in the City.

Income category	City A existing	County X existing	125% adjustment	150% adjustment

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[1] While not a formal part of this analysis to recommend a proposed RHNA methodology, there are numerous social equity and environmental justice studies and data available that correlate areas of lower income households with racial minorities and other protected groups under the federal Fair Housing Act.

	household income distribution	housing distribution/ 100% adjustment		
Very low	30.1%	25.3%	24.1%	22.9%
Low	23.2%	15.6%	13.7%	11.8%
Moderate	17.6%	16.8%	16.6%	16.4%
Above moderate	29.1%	42.3%	45.6%	48.9%

Household Income Level	Formula to Calculate City A Social Equity Adjustment of 150%
Very Low Income	30.1%-[(30.1%-25.3%)x150%] = 22.9%
Low Income	23.2%-[(23.2%-15.6%)x150%] = 11.8%
Moderate Income	17.6%+[(16.8%-17.6%)x150%] = 16.4%
Above Moderate Income	29.1%+[(42.3%-29.1%)x150%] = 48.9%

The table above illustrates that based on its existing household income distribution, City A has a higher concentration of lower income households in comparison to County X, and has a lower concentration of higher income households in comparison to the county distribution. Adjusting City A's distribution to the County distribution would require City A to have the same percentage as the county. The higher the adjustment, the higher the change to household income distribution. For reference, SCAG applied a 110 percent adjustment for both the 4th and 5th RHNA cycles, though that was the only factor used to affect the distribution of regional housing need in the adopted RHNA methodology.

A social equity adjustment of 150 percent would have a noticeable effect on the distribution of household income groups across each county. City A receives a lower proportion of very low income households than its existing distribution and it is lower than the existing County distribution with a social equity adjustment of at least 100 percent. Higher percentages such as 150 percent make the distribution more noticeable, particularly in comparison to jurisdictions that have a higher concentration of high income households, such as City B.

Income category	City B existing household income distribution	County Y existing housing distribution/ 100% adjustment	125% adjustment	150% adjustment
Very low	15.8%	23.7%	25.7%	27.7%
Low	12.2%	16.5%	17.6%	18.6%
Moderate	16.8%	18.3%	18.7%	19.1%
Above moderate	55.2%	41.5%	38.1%	34.6%

City B would receive a noticeably higher proportion of very low income households if the social equity adjustment was set at 150 percent. For instance, its current proportion of above moderate households is over 55 percent but its proportion drops to less than 35 percent applying the 150

percent adjustment. A reason for choosing one percentage adjustment over another should be based on the intended effects of distribution. Over an eight year planning period, a higher adjustment aims to achieve social equity goals faster than a lower percentage. SCAG recommends a 150 percent adjustment in order to address the unintended consequence of assigning higher need to areas with an overconcentration of lower income households due to the factor of distributing housing need to HQTAs.

After determining the percentages of each income category, the percentages are applied to the total draft RHNA allocation to get the units needed for each income category.

RHNA need	City A RHNA allocation (units)	City B RHNA allocation (units)
Very low	321	552
Low	165	372
Moderate	230	381
Above moderate	686	692
Total	1,403	1,997

Other Factors

There is a myriad of ways to develop a methodology and applying different factors may result in a different RHNA allocation to the example jurisdictions in this staff report. At the April 1, 2019 RHNA Subcommittee meeting, SCAG staff provided an overview of factors for consideration to apply to existing regional housing need in addition to transit proximity and HQTAs. Based on a review of these factors and input received, SCAG staff has concluded that its recommended methodology for existing housing need distribution and application of a social equity adjustment meets the goals of State housing law and can be applied in a fair, transparent, and equitable manner across the region.

Other Factor: Jobs Housing Fit

One potential factor that could identify areas needed housing, particularly affordable housing, is jobs housing fit. The concept of a jobs housing balance is to either assign more housing to where there are jobs or more jobs to where there is housing. Because RHNA can only allocate housing, this factor would focus on the former. Jobs housing fit takes the jobs housing balance concept one step further by intending to assign more housing that is affordable to workers with low wage jobs.

One of the main limitations identified with the application of this factor is from the assumption that jobs and housing ratios need to be confined to jurisdictional boundaries regardless of actual commute distances. Residence in the same city does not necessarily translate into a shorter commute particularly if the worker lives near the city boundary. Commute sheds defined by a driving distance radius could be defined, but this would require further analysis of subregional and possibly county data and may be complicated by limitations in referenced studies. For this reason, SCAG staff does not recommend using jobs housing fit as a factor in the distribution methodology.

Other Factor: Opportunity Indices

In 2015 the U.S. Department of Housing and Urban Development (HUD) developed a set of indices, known as "Opportunity Indices" to help states and jurisdictions identify factors that contribute to fair housing issues in their region and comply with the federal Fair Housing Act. HUD created seven (7) neighborhood-level opportunity indices to measure exposure to opportunity in local communities. All of indices are available at the tract level and can be overlapped to determine areas that have low areas of opportunity. These indices use a wide variety of sources, including the American Community Survey, Common Core of Data, Location Affordability Index, and other established sources. A RHNA methodology that uses Opportunity Indices as a primary influence could overlay select indices and determine scores by jurisdiction. Jurisdictions that are determined to have lower access to opportunity based on the indices score could be assigned a lower proportion of existing housing need while those with higher access to opportunity could be assigned a higher proportion.

The key limitation of using this factor is its method in calculating the scores for each of the indices. There are several elements in each of the factors, and they are applied to every census tract throughout the SCAG region. However, the scores are calculated based on the region in which the census tract is located, and the regions, as defined by HUD, split up individual jurisdictions. This makes it particularly difficult to aggregate census tracts into individual jurisdictions because they have index scores that are measured across different benchmarks. For example, there are a number of census tracts in Los Angeles County that are identified as "rural" and are compiled with other rural counties in the State, such as Inyo, Placer, and Nevada Counties. Other Los Angeles County census tracts are listed in the Los Angeles Metropolitan Statistical Area (MSA), which uses a completely separate regional benchmark for determining index scores. A methodology based on opportunity indices would result in SCAG developing a completely different set of opportunity indices in order to effectively calculate a jurisdiction's individual index scores, possibly defeating the purpose of using the one developed by HUD.

Additionally, the need in identifying areas with high and low access to opportunity may still be useful in developing the proposed RHNA methodology. The general patterns found in the Opportunity Indices can be compared to the patterns that result from the application of the proposed RHNA methodology to ensure that the goals of State housing law are addressed, particularly in increasing social equity and affirmatively furthering fair housing.

The Case for Using HQTA as a Factor and Applying a Higher Social Equity Adjustment
The use of HQTAs as a factor in determining existing housing need can be used as a proxy for opportunity indices since there is a correlation in assigning existing housing need to where a lot of the need is originating. Overcrowding conditions, overpaying households, and other factors that affect housing need tend to overlap in HQTA areas, particularly for lower income households, and thus existing need is assigned to areas that already generate this need. Distributing 30 percent of existing need acknowledges that these areas do need housing and can link SCAG's regional transportation efforts to increase transit accessibility for households of all income levels. Distributing 70 percent of existing need to the entire SCAG region acknowledges that that the housing crisis is a collective problem that requires a collective solution, and that sharing the responsibility of housing planning is not confined to jurisdictional boundaries.

A higher social equity adjustment is a progression beyond past approaches to RHNA methodology. While any percentage adjustment beyond matching the county distribution promotes social equity, the existence and prevalence of lower income communities around HQTAs may justify the need for a higher percentage that departs from past practice if a new approach considers HQTAs as a major factor. Certainly this recommended methodology is a break from the past, but the past has relied on modest approaches that have not been able to prevent a housing crisis.

Next Steps

SCAG staff plans to fold in its recommendations on determining a jurisdiction's existing housing need and social equity adjustment application into the proposed RHNA methodology. The mechanism to determine a jurisdiction's projected housing need will be recommended at the next meeting of the RHNA Subcommittee, which is scheduled for June 3, 2019. All of the Subcommittee's actions on the methodology will be compiled into the proposed methodology and will be recommended for public distribution to begin the public comment period at its July 1, 2019 meeting. SCAG staff will also present on the proposed methodology to the Community, Economic & Human Development Committee at its August 2019 meeting.

At least one hearing on the proposed RHNA methodology will be held in August or September 2019. Subsequent to the public comment period, the RHNA Subcommittee will recommend approval of the proposed methodology for submittal to HCD by October 2019.

FISCAL IMPACT:
Work associated with this item is included in the current FY 18-19 General Fund Budget (800.0160.03: RHNA).

ATTACHMENT(S):
1. Existing Need Methodology Presentation
2. Map of HQTA and Low Income Households

Existing Need Distribution in RHNA Methodology

Ma'Ayn Johnson, AICP

Compliance and Performance Monitoring

Objectives of RHNA

1) To increase the housing supply and mix of housing types, tenure and affordability within each region in an equitable manner

2) Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns

Objectives of RHNA

3) Promoting an improved intraregional relationship between jobs and housing

4) Allocating a lower proportion of housing need in income categories in jurisdictions that have a disproportionately high share in comparison to the county distribution

5) Affirmatively furthering fair housing

RHNA: Projected and Existing Need

Region	Projected need	Existing need
Jurisdiction	Projected need	Existing need
Jurisdiction with social equity adjustment	Projected need	Existing need

Modifying Existing Housing Need

- Factors for consideration:
  - Access to transit
  - Jobs Housing fit
  - Opportunity Indices

Percent of Low Income Households Around 2012 High Quality Transit Area*

Modifying Existing Need: Jobs Housing Fit
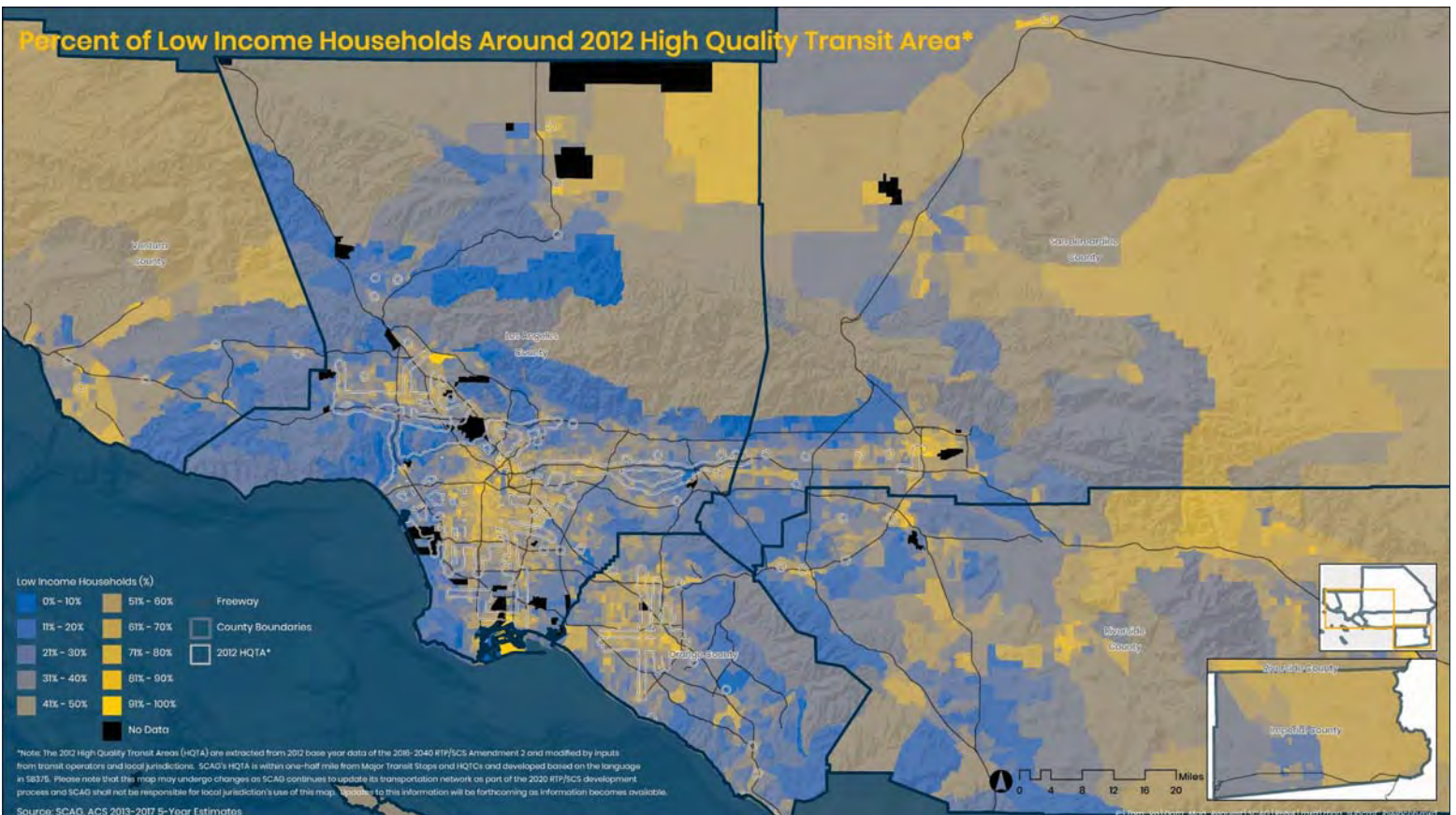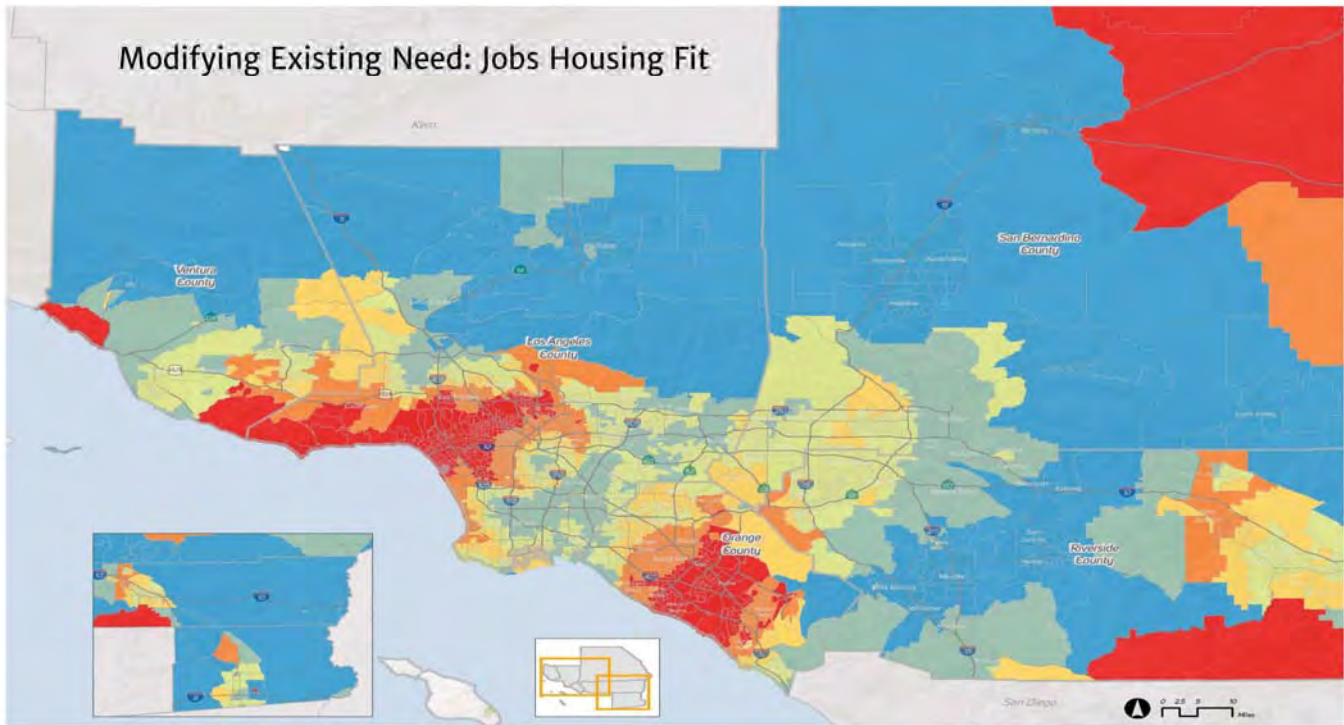
Ratio of Low Wage Jobs to Low Wage Workers in 2012

Less than 0.7 (More Workers) · 0.7 to 0.9 · 0.9 to 1 · 1 to 1.1 · 1.1 to 1.3 · More than 1.3 (More Jobs)

(Source: U.S. Census Bureau. 2015. Longitudinal-Employer Household Dynamics Program.)

Map Title: Job-to-Worker Ratio (The Ratio of Low Wage Jobs to Low Wage Workers)   O:\~RTP_EJ\ej2016\mxds\jh_balance\JW_LowJobs_LowWorkers.mxd | Date: 10/14/2015

Modifying Existing Housing Need: Opportunity Indices

- Seven indices developed by U.S. Department of Housing and Urban Development (HUD)

- Measures various factors relating to access to opportunity, such as poverty rates, environmental health, and jobs proximity

- Directly addresses social equity and AFFH

Social Equity Adjustment

- Total draft RHNA divided into 4 income categories

- Social equity adjustment can be applied to avoid overconcentration of lower income households

- The goal is to have a higher or lower income distribution than the county
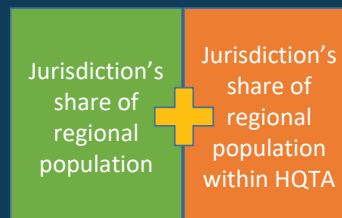
Social Equity Adjustments
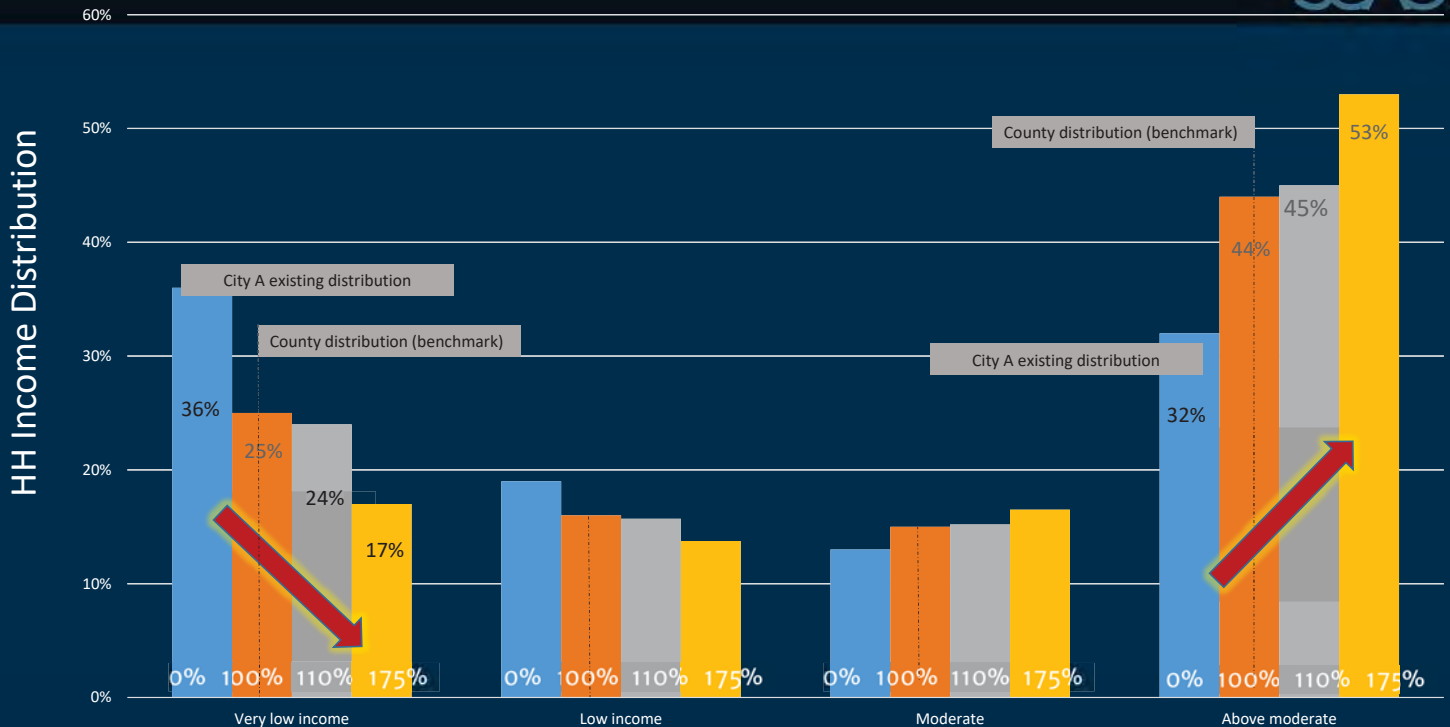
Possible Recommendation:
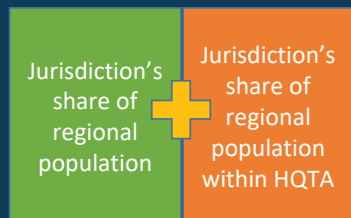# Step 1 Determining Existing Need

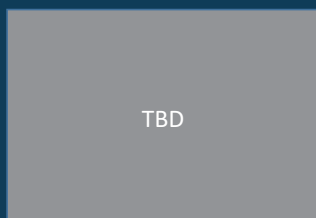Regional Existing Need
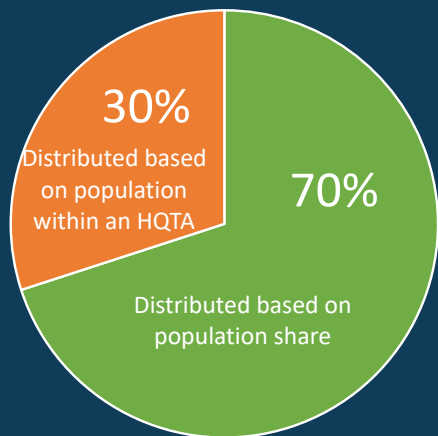
Jurisdiction Existing Need

Possible Recommendation:
Step 2 Determining Total RHNA Allocation

Jurisdiction Existing Need

Jurisdiction Projected Need

Possible Recommendation: Step 3 Determining Income Categories

City A and City B: A Methodology Example

- City A
  - Urbanized
  - Within County X
  - Most of population is within an HQTA
  - Population: Appx. 65,000
  - Higher concentration of lower income households than other parts of the county

- City B
  - Suburban community
  - Within County Y
  - No HQTAs within jurisdiction
  - Population: Appx 65,000
  - Higher concentration of high income households than other parts of the county

City A and City B: Step 1

- Example assumption: Regional existing need of 250,000
  - 175,000 (70%) will be assigned based on population share
  - 75,000 (30%) will be assigned based on population share within HQTA

City A	Existing need
+Share of regional population (0.35%)	606
+Share of regional population within HQTA (0.37%)	274
=Total existing need	880

City B	Existing need
+Share of regional population (0.35%)	606
+Share of regional population within HQTA (0%)	0
=Total existing need	606

Another Option for Step 1: Assigning Less Share to HQTA Areas

- Assign an 80/20 ratio instead of 70/30
- Example assumption: Regional existing need of 250,000
  - 200,000 (80%) will be assigned based on population share
  - 50,000 (20%) will be assigned based on population share within HQTA

City A	Existing need
+Share of regional population (0.35%)	693
+Share of regional population within HQTA (0.37%)	183
=Total existing need	875

City B	Existing need
+Share of regional population (0.35%)	693
+Share of regional population within HQTA (0%)	0
=Total existing need	693

City A and City B: Step 2

- The mechanism to determine projected need will be recommended separately
- For illustrative purposes, projected need is based on local input on household growth and a vacancy rate adjustment

City A	
+Existing need	880
+Projected need	523
=Total draft RHNA allocation	1,403

City B	
+Existing need	606
+Projected need	1,390
=Total draft RHNA allocation	1,997

City A: Step 3

Income category	City A existing income distribution	County X income distribution	City A income distribution after 150% social equity adjustment	RHNA allocation by income category (total = 1,403)
Very low	30.1%	25.3%	22.9%	321
Low	23.2%	15.6%	11.8%	165
Moderate	17.6%	16.8%	16.4%	230
Above moderate	29.1%	42.3%	48.9%	686

City B: Step 3

Income category	City B existing income distribution	County Y income distribution	City B income distribution after 150% social equity adjustment	RHNA allocation by income category (total = 1,997)
Very low	15.8%	23.7%	27.7%	552
Low	12.2%	16.5%	18.6%	372
Moderate	16.8%	18.3%	19.1%	381
Above moderate	55.2%	41.5%	34.6%	692

Next Steps

- SCAG staff will propose a mechanism for projected housing need at the next RHNA Subcommittee meeting

- Proposed RHNA Methodology Public Hearings
  - August/September 2019

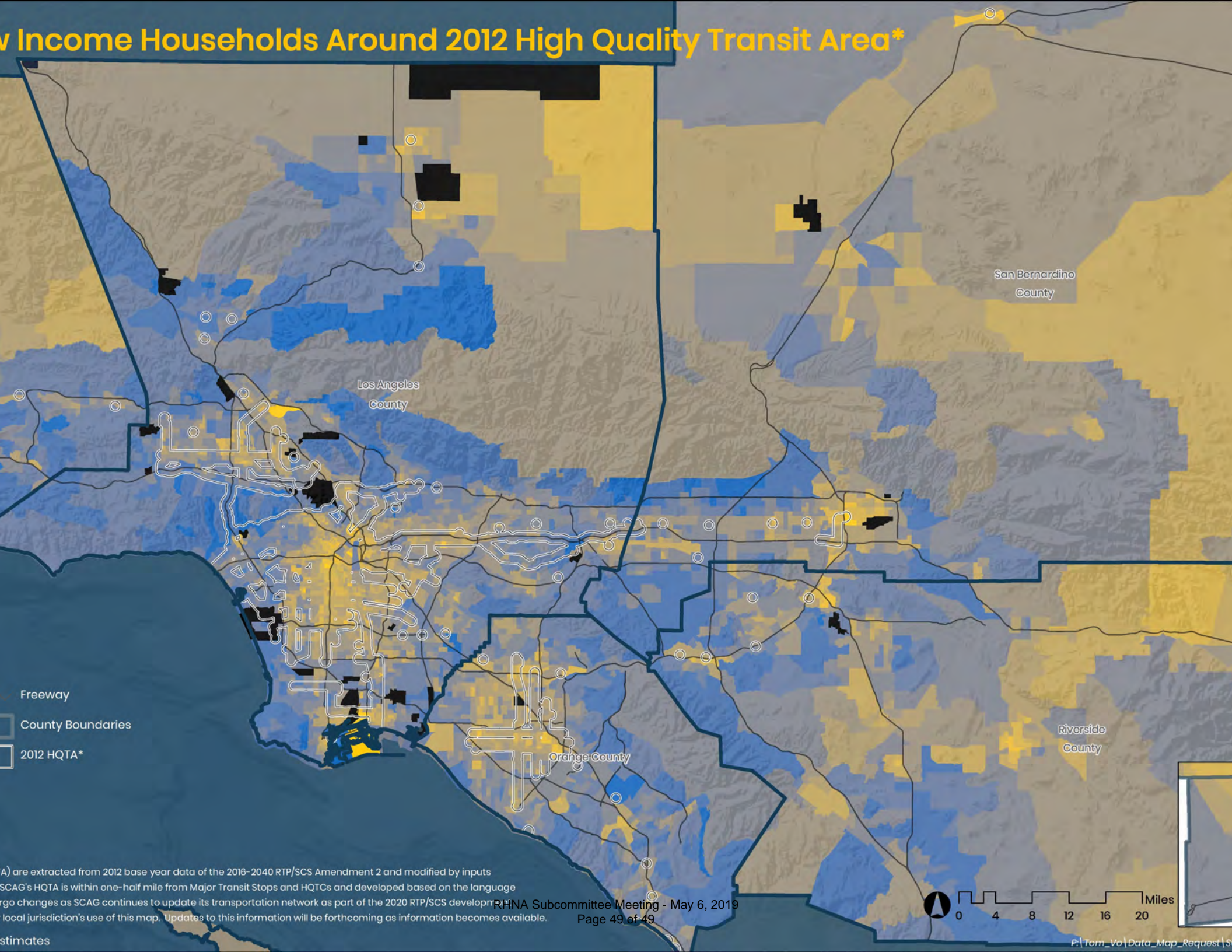- Proposed RHNA Methodology Review by HCD
  - Fall 2019

San Bernardino
County

Los Angeles
County

Freeway

County Boundaries

2012 HQTA*

Riverside
County

Orange County

A) are extracted from 2012 base year data of the 2016-2040 RTP/SCS Amendment 2 and modified by inputs
SCAG's HQTA is within one-half mile from Major Transit Stops and HQTCs and developed based on the language
rgo changes as SCAG continues to update its transportation network as part of the 2020 RTP/SCS developm
local jurisdiction's use of this map. Updates to this information will be forthcoming as information becomes available.

stimates

Miles

0   4   8   12   16   20

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