



SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

The Housing Planning Challenge

Forecasting Housing Need in Uncertain Times

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The Challenge Ahead

- **How to calculate the number of homes needed to “House all the Population of the Region and help localities prepare for their next Housing Element Update**
- **The Regional Sustainable Communities Strategy Forecast of Housing Demand to 2035**
- **The Regional Housing Needs Assessment (RHNA) Algorithm for the next Local Housing Element Update: October 2013 to September 2021**
- **The “Cassandra” Syndrome**

The “Cassandra Syndrome”

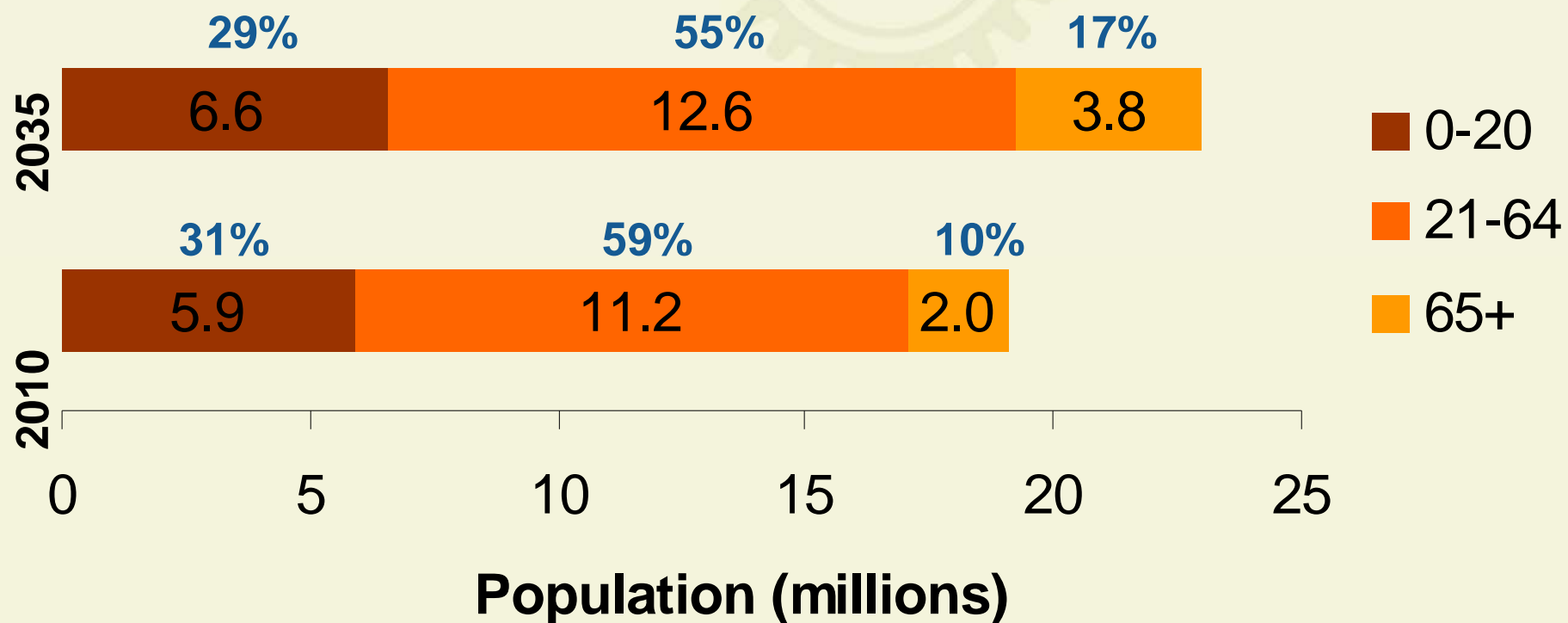
- The Trojan horse is the symbol of the Greek Goddess Cassandra who had the gift of seeing the future – the fall of Troy - but was cursed that no one would believe her when she cautioned, “Beware of the Trojan Horse”
- She had a combination of deep understanding and powerlessness
- This is also the SCAG housing planner’s burden



Future Housing Demand to 2035

Shift in Ages of the Population: SCAG Region

Population By Age Group

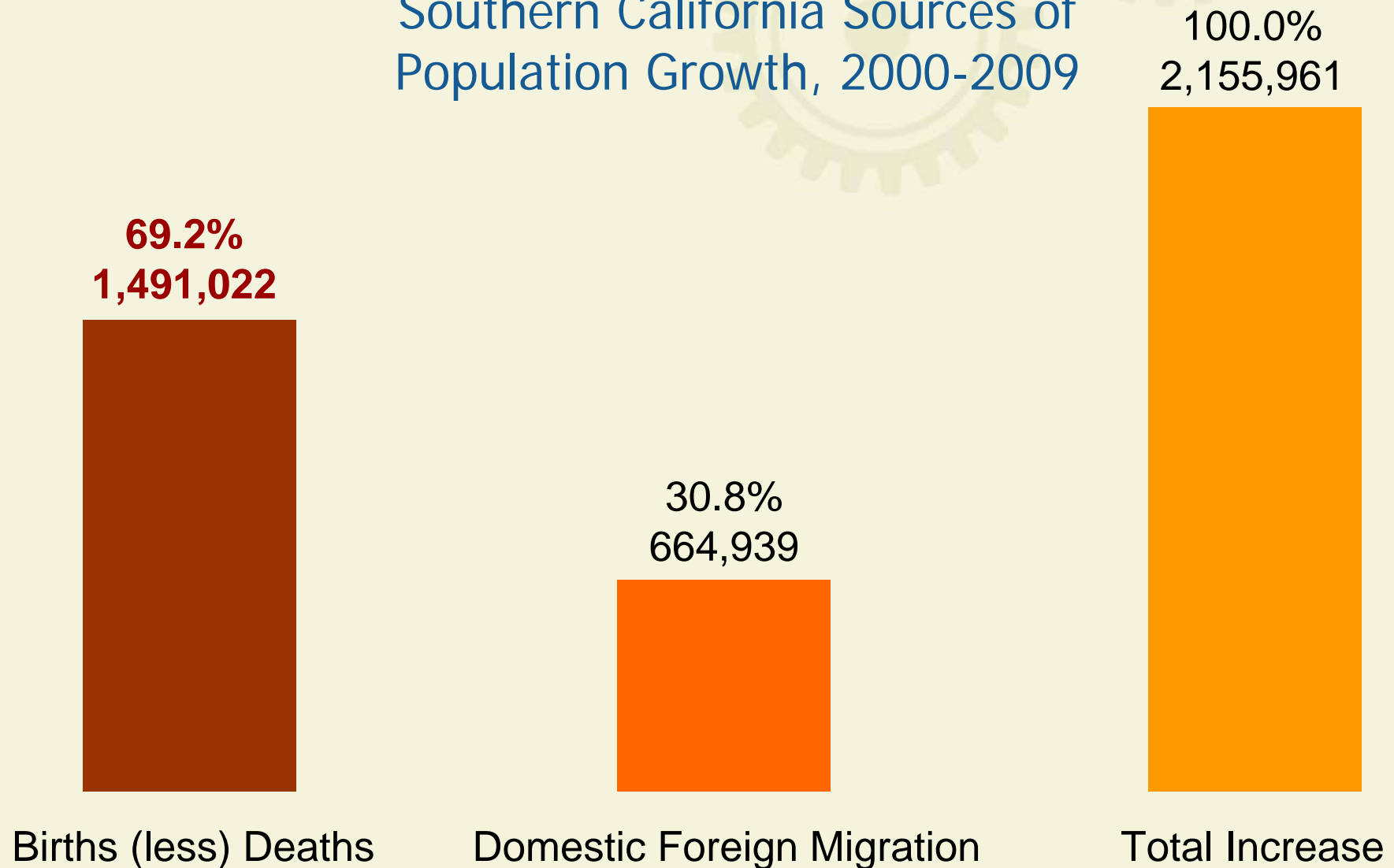


Note: Percentages do not add to 100% due to rounding

Source: SCAG, Local Input/General Plan Growth Forecast, March 2010

Where is Population Growth Coming From?

Southern California Sources of Population Growth, 2000-2009



Source: State of California, Department of Finance, County Population Estimates and Components of Change by Year

Housing: Demographic Trends

Household Type	1960	2005	2040
HH with Children	48%	32%	26%
HH without Children	52%	68%	74%
Single-person HH	13%	31%	34%

Source: Dr. Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah.

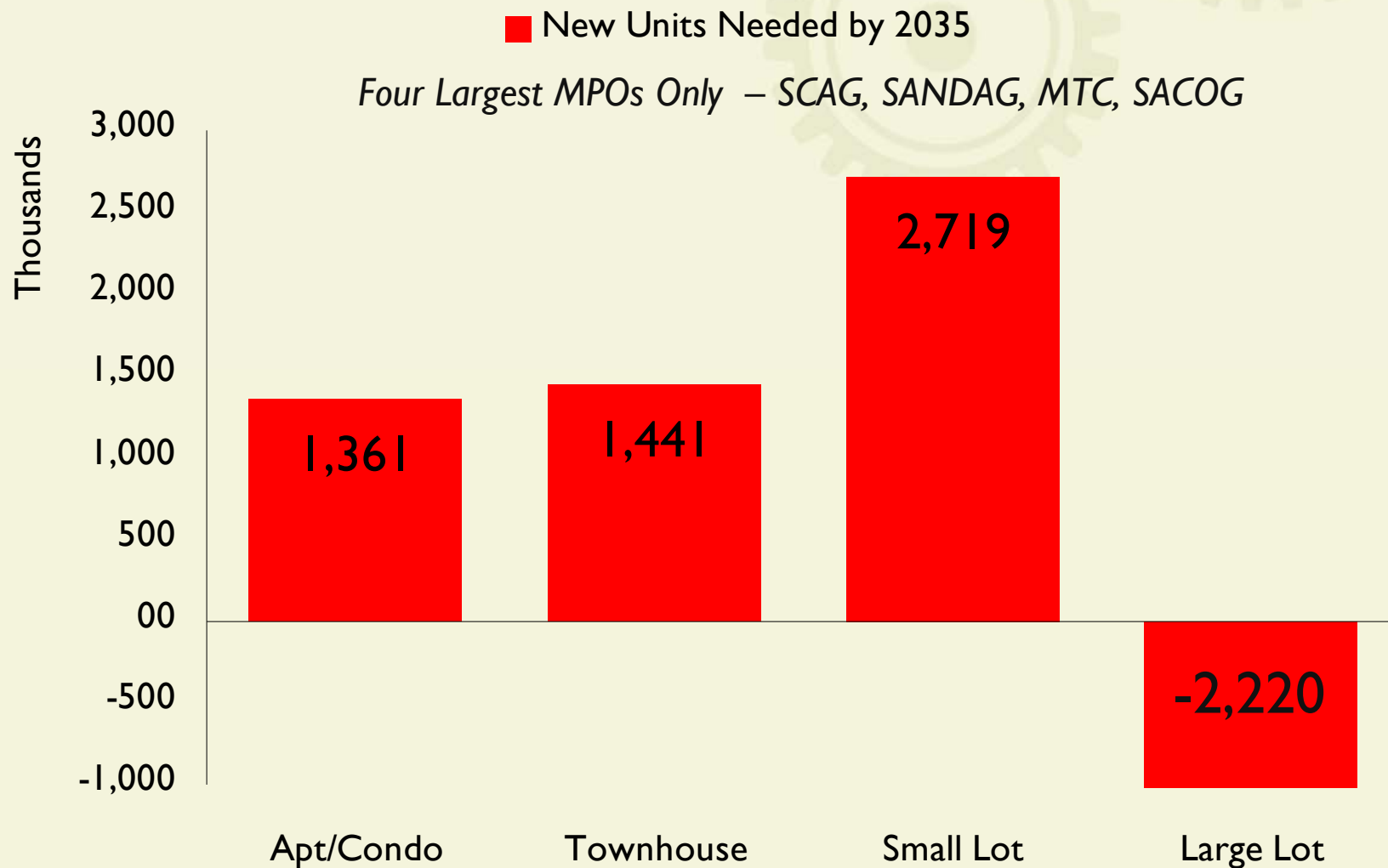
Housing: Market Trends

Unit Type	National Preference		Existing
	Total	Share	SCAG Region
Attached		38%	42%
Apartments	14%	37%	
Condos, Coops	9%*	24%	
Townhouses	15%	39%	
Detached		62%	58%
Small Lot (<7,000 sf)	37%	60%	
Large Lot (>7,000 sf)	25%	40%	

Sources: National housing preference based on a low range of surveys reviewed by Arthur C. Nelson "Leadership in a New Era," *Journal of the American Planning Association*, Fall 2006; existing per California Department of Finance, 2010

*Toll Brothers shifting product mix to 15% condominium; WSJ 12/06

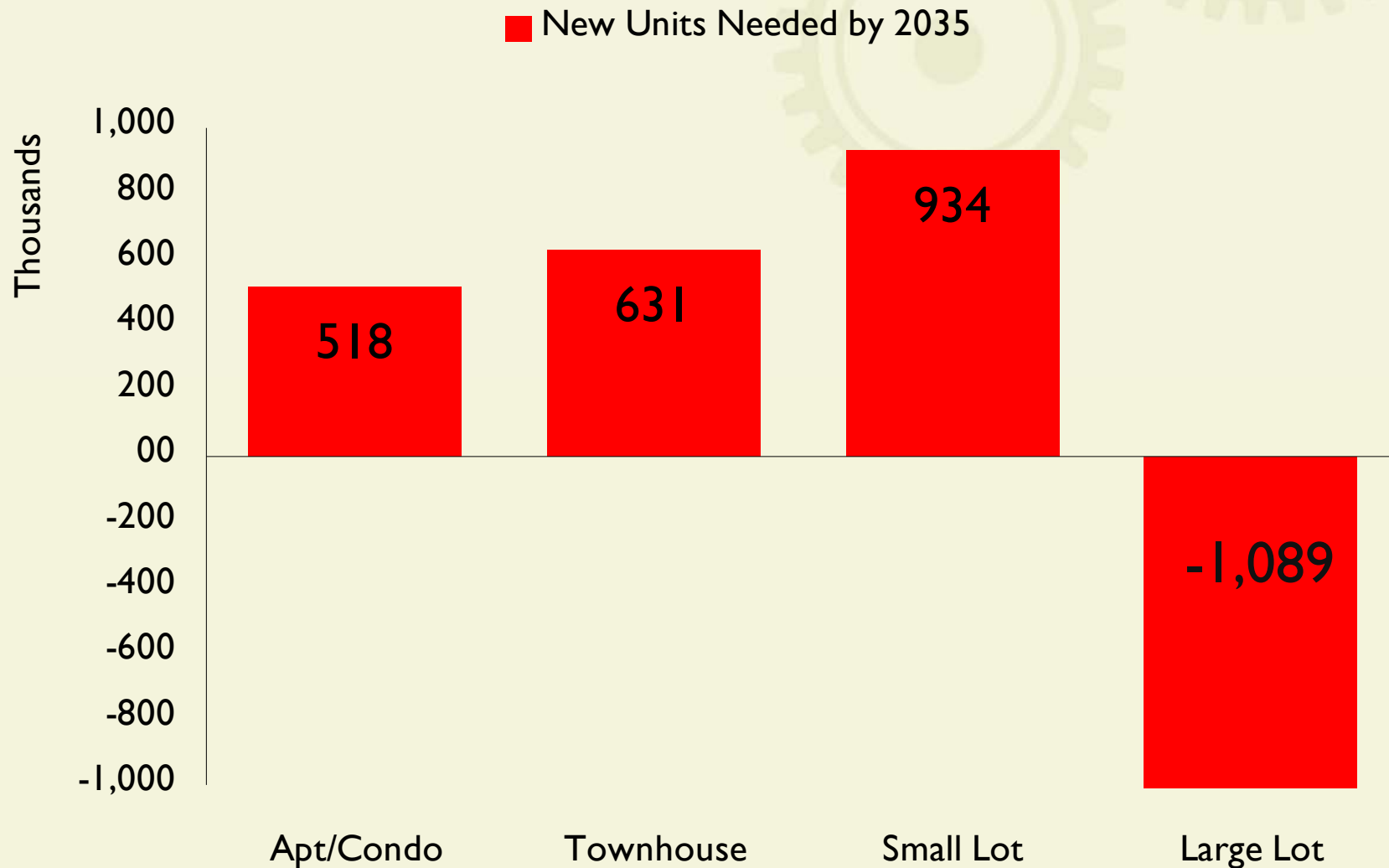
California Housing Demand 2035



Source: AC Nelson. Development Trends of California's Largest MPOs Outlook to 2020 and 2035

Courtesy of

SCAG Housing Demand 2035



Source: AC Nelson. Development Trends of California's Largest MPOs Outlook to 2020 and 2035

Courtesy of

**How to calculate the RHNA
supply of homes needed to
“house all the population of
the region” to 2021**

Calculating Regional Housing Demand (SCS) and Housing Supply Capacity (RHNA)

1. Estimate employment growth;
2. Determine international net-migration, reflecting the historical trend;
3. Determine domestic in-migration and domestic out-migration, mostly due to employment growth;
4. Determine natural increase reflecting births and deaths of residents and migrants;
5. Add natural increase and net migration to the base year residential population to arrive at residential population projection;
6. Determine “household formation” rates;
7. Apply household formation or headship rate to residential population to determine total household growth [Housing Demand]
8. **SCS Target = the projected housing units are equal to the projected households and total vacancy rate.**
9. RHNA applies a healthy market *effective vacancy adjustment* [1.5% Owners and 4.5% Renters = 3.0% Healthy Market Vacancy Rate because of the 50-50% owner to renter split in the region] and **replacement housing allowance** [Ave. of last 10 years of demolitions reported to DOF adjusted by local input]
10. **RHNA Target = Household Growth + Vacancy Adjustment + Replacement Allowance = Regional Housing Need [Land Use Capacity to Supply Needed Units]**

**This Generates a Draft
Regional Housing Target that
is Consistent with Past Annual
Average Levels of Permit
Issuance in the Region**

Building Permit Issuance in the SCAG Region

20 Year Average = 52,322, for last 10 Years = 57,401

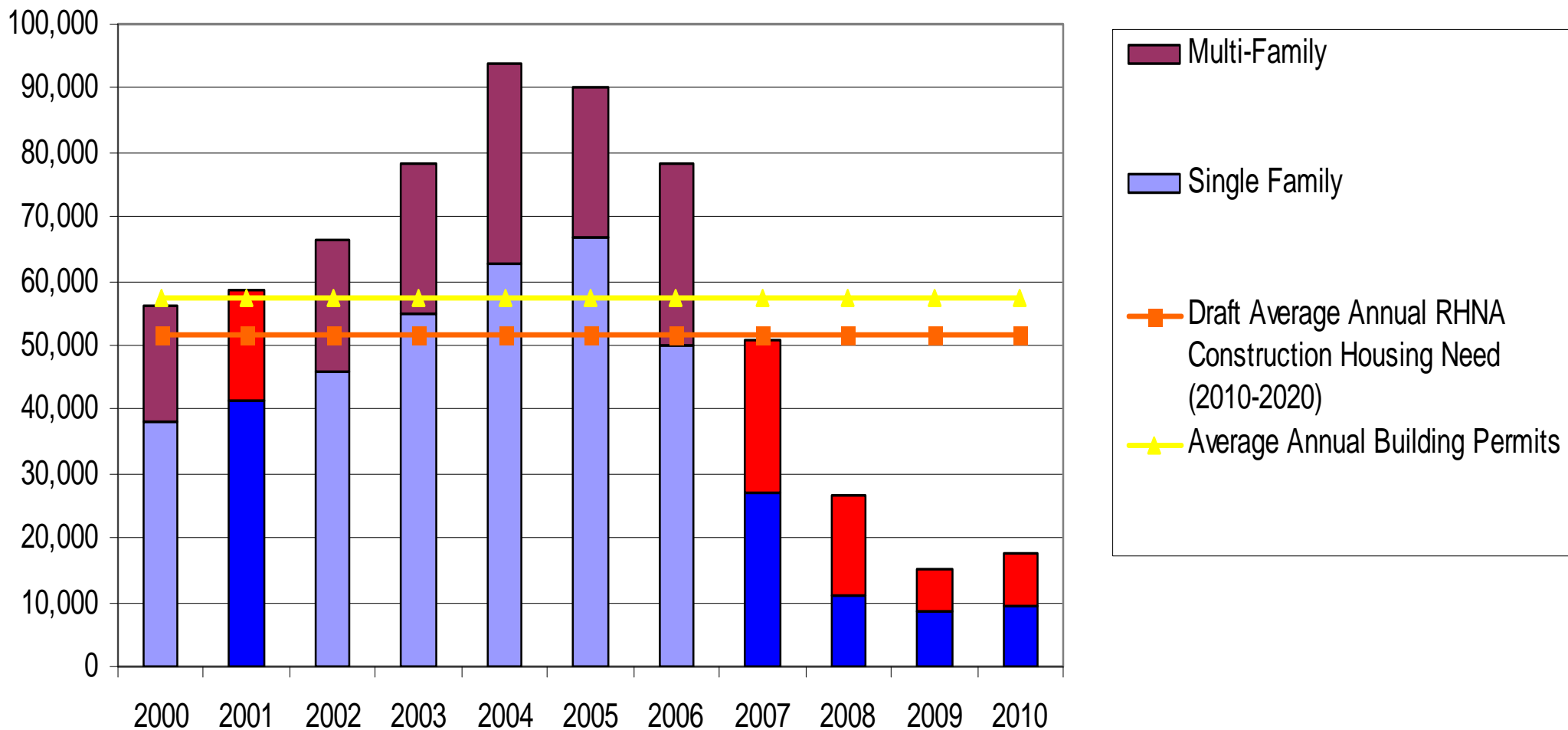
Recession Years in Yellow

Year/County	California	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	SCAG Region
1990	164,313	1,087	25,045	11,979	15,631	13,209	2,612	69,563
1991	105,919	789	16,195	6,569	9,356	6,835	2,194	41,938
1992	97,407	1,001	11,907	5,943	8,206	7,238	1,720	36,015
1993	84,656	626	7,259	6,410	7,299	5,852	1,372	28,818
1994	97,047	854	7,621	12,644	8,286	4,730	2,464	36,599
1995	85,293	497	8,405	8,300	6,946	3,953	2,166	30,267
1996	94,283	331	8,607	10,207	7,499	5,014	2,353	34,011
1997	111,716	327	10,424	12,251	9,784	5,593	2,316	40,695
1998	125,707	394	11,692	10,101	12,493	6,113	3,182	43,975
1999	140,137	333	14,383	12,348	14,579	7,072	4,442	53,157
2000	148,540	677	17,071	12,367	15,410	6,580	3,971	56,076
2001	148,757	756	18,253	8,646	19,014	8,527	3,446	58,642
2002	167,761	1,062	19,364	12,020	22,664	8,819	2,507	66,436
2003	195,682	1,211	21,033	9,311	30,361	12,640	3,635	78,191
2004	212,960	2,157	26,935	9,322	34,226	18,470	2,603	93,713
2005	206,996	2,861	25,618	7,278	33,787	17,581	2,880	90,005
2006	163,864	1,851	26,395	8,339	25,278	13,872	2,402	78,137
2007	112,289	1,075	20,227	7,062	12,445	8,097	1,864	50,770
2008	65,232	476	14,023	3,063	4,878	3,487	664	26,591
2009	36,289	184	5,649	2,173	4,200	2,514	345	15,065
2010	44,953	113	7,474	3,181	4,570	1,857	592	17,787

**But Building Activity will Need
to Increase Dramatically to
Match the Historical average
over the next Decade**

The SCAG Growth Forecast and Local Input Envision Meeting the Supply Challenge Ahead

**Building Permit Activity in the SCAG Region
2000-2010**



Next Steps: Implement SB 375

- **SCAG Regional Transportation Plan and Sustainable Communities Strategy by April 2012**
- **SCAG Regional Housing Needs Assessment by October 2012**
- **Local Housing Element Update by October 2013**

For more information
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