



**REGIONAL PLANNING COMMITTEE  
MAY 4, 2018**

**ACTION REQUESTED: RECOMMEND**

**DRAFT REGIONAL HOUSING NEEDS ASSESSMENT  
DETERMINATION COMMENTS**

File Number 3102000

**Introduction**

Providing housing for a growing number of people, from all income levels, and at all stages of their lives, continues to be one the major goals of our region. Housing is a key policy objective in San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan) and the Regional Housing Needs Assessment (RHNA), help provide the framework for the planning and construction of housing, particularly affordable housing, in the San Diego region.

**Recommendation:**

The Regional Planning Committee is asked to recommend that the Board of Directors authorize the Executive Director to submit comments to the California Department of Housing and Community Development on the draft Regional Housing Needs Assessment Determination for the San Diego region.

The RHNA process for the sixth housing element cycle (June 30, 2020 – April 15, 2029) is being prepared in conjunction with the development of the 2019 Regional Plan. The RHNA process is aligned with the preliminary 2018 SANDAG Regional Growth Forecast (discussed in Agenda Item No. 4) as the population forecast from the California Department of Finance for the San Diego region is being used for both.

The RHNA process has three main components:

- RHNA Determination – Department of Housing and Community Development (HCD) determination of the regionwide housing need.
- RHNA Plan – The SANDAG plan to distribute the RHNA Determination to the local jurisdictions by four income categories, which includes the RHNA methodology.
- RHNA – Each jurisdiction’s housing need allocation in four income categories for use in updating the housing elements of its General Plan.

This report provides an overview of how HCD developed the draft RHNA Determination and suggests revised approaches for HCD to consider in preparing the final RHNA Determination for the San Diego region. The suggested revised approaches take into consideration factors unique to the San Diego region.

## **Discussion**

### ***Consultation and Review***

Pursuant to Government Code Sections 65584(b) and 65584.01(c), HCD is required to consult with SANDAG to create the final RHNA Determination.

On March 7, 2018, SANDAG received the draft RHNA determination (Attachment 1), which was presented to the Regional Planning Committee on April 6, 2018, and the Regional Planning Technical Working Group (the region's 19 planning directors), on March 26 and April 12, 2018.

HCD prepared the RHNA Determination for the San Diego region in two steps. First, using California Department of Finance (DOF) Population Forecast and Household Formation Rates, HCD determined the projected number of households anticipated by 2029 (the horizon year for the RHNA cycle). In the second step, HCD applied three adjustment factors to the projected number of households to reach the draft RHNA Determination: (1) vacancy rate; (2) overcrowding; and (3) replacement of housing units.

Since the DOF Population Forecast will be utilized in the SANDAG Preliminary Regional Growth Forecast, SANDAG review is focused on the three adjustment factors and the calculation methodology used for the adjustments, as outlined below.

#### Vacancy Adjustment

A 5 percent vacancy rate is generally believed to provide enough available housing units to sufficiently provide choice and mobility for residents. A rate below 5 percent can lead to increased rents and housing costs. HCD's proposed vacancy adjustment is consistent with the preliminary 2018 SANDAG Regional Growth Forecast, which calls for achieving a housing vacancy rate of 5 percent by 2029. The Expert Review Panel (Attachment 2) assembled to provide input on the Regional Growth Forecast suggested that a 5 percent vacancy rate is needed to provide a healthy housing market.

No changes are proposed to the 5 percent vacancy adjustment recommended by HCD.

#### Overcrowding Adjustment

Overcrowding is defined in state law as more than one resident per room in each dwelling. The overcrowding adjustment is intended to increase the supply of housing to lower the number of overcrowded households. The overcrowding adjustment used in the draft RHNA Determination compares San Diego County overcrowding rates to the overcrowding rates of the United States. According to the American Community Survey (five-year data used in the draft RHNA Determination), San Diego County had an overcrowding rate of 6.43 percent of all households, while the national overcrowding rate was 3.34 percent of all households. The Western States Region has an overcrowding rate of 5.87 percent<sup>1</sup>.

Higher overcrowding in the western states may be caused by geographic/topographical constraints such as mountain and desert areas that limit growth and demographic differences like immigration

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<sup>1</sup> The Census West Region includes the following states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

from areas where overcrowding is more common. Lowering the overcrowding rate in San Diego to a national average would be difficult to accomplish in a single housing element cycle.

It is suggested that HCD consider using an overcrowding rate consistent with the Western States average (5.87%).

### Replacement Adjustment

To account for housing lost by demolition or natural disaster, the RHNA calculation is adjusted to include additional housing units to replace those that will be lost during the RHNA cycle. In the draft RHNA Determination, HCD set a minimum and maximum replacement rate of 0.5 percent and 5.0 percent, respectively. HCD then compared the 10-year average of demolitions local governments reported to DOF to the minimum and maximum replacement rates. Since the San Diego County demolitions percentage (0.32%) was lower than the HCD minimum replacement rate, 0.5 percent was used in the draft RHNA Determination.

Since demolitions reported to DOF represent a verifiable, realistic data point, it is suggested that HCD consider the Replacement Adjustment be calculated at the region's average of 0.32 percent. Using this approach, the adjustment would account for the number of units usually demolished in the San Diego region during a RHNA cycle.

### Calculation Methodology

One other factor contained in the draft RHNA Determination is that HCD calculated these three adjustments based on the total number of housing units in the region rather than the number of housing units needed in the eight-year housing element cycle, as in past RHNA Determinations. It is understood that this new methodology is in response to the tremendous need for housing that has developed since the last RHNA process eight years ago. However, it may be more realistic, while still being responsive to the tremendous housing need, to transition to this new methodology during this RHNA cycle, rather than applying it fully throughout the entire period.

It is suggested that HCD consider a transition in applying the new methodology, half in this cycle and the remaining half in the next cycle.

### ***Technical Working Group Input***

On March 26 and April 12, 2018, the Regional Planning Technical Working Group reviewed the draft RHNA Determination, assumptions, and adjustment factors and recommended that SANDAG provide comments to HCD that recognize the uniqueness of the San Diego region and that acknowledges local commitment to the construction of more affordable housing.

### **Next Steps**

Pending a recommendation from the Regional Planning Committee, SANDAG staff will draft a letter to HCD acknowledging the region's commitment to the production of affordable housing and outlining suggested revised approaches for HCD to consider in preparing the final RHNA Determination for the San Diego region. The draft letter would be presented to the Board of Directors for consideration to authorize the Executive Director to submit comments to the HCD.

It is anticipated that SANDAG will be provided with the final RHNA Determination by HCD in summer 2018. Staff will then return to the Regional Planning Committee to present the final RHNA Determination and begin the process to develop the RHNA Plan with all 19 jurisdictions.

CHARLES "MUGGS" STOLL

Director of Land Use and Transportation Planning

Attachments: 1. HCD Draft RHNA Determination (Sixth Housing Element Cycle, 2018)  
2. List of Expert Review Panelists

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San Diego County: June 30 2020-April 15 2029 (8.8 years) HCD Determined Population, Households, & Housing Unit Need				
1	Population: April 15, 2029 (DOF June 30, 2029 projection adjusted - 2.5 months to April 15 2029)			3,613,215
2	- Group Quarters Population (DOF June 30 2029 projection adjusted -2.5 months to April 15 2029)			-118,075
3	Household (HH) Population			3,495,140
	Household Formation Groups	HCD Adjusted DOF Projected HH Population	DOF HH Formation Rates	HCD Adjusted DOF Projected Households
	under 15 years	3,495,140		1,251,115
	15 - 24 years	648,185	n/a	n/a
	25 - 34 years	504,775	9.98%	50,356
	35 - 44 years	402,920	37.25%	150,099
	45 - 54 years	399,705	46.54%	186,020
	55 - 64 years	428,715	50.72%	217,455
	65 - 74 years	388,650	53.69%	208,648
	75 - 84 years	380,010	57.98%	220,348
	85+	250,550	62.03%	155,414
4	Projected Households (Occupied Unit Stock)	91,630	68.51%	62,775
5	+ Vacancy (Maximum Standard 5% vs County ACS 2012-2016 %)	5.00%	2.48%	2.52%
6	+ Overcrowding (US avg % vs County 2012-2016 ACS %)	3.34%	6.43%	3.09%
7	+ Replacement Adj (.5% min, 5% max, vs. % DOF Demolitions 10 year average)	.5 - 5%	0.32%	0.50%
8	- Occupied Units (HHs) estimated January 1 2020			-1,155,883
	6th Cycle Regional Housing Need Assessment (RHNA)			171,685

1-4 Population, Group Quarters, Household Population, & Projected Households: Pursuant to Government Code Section 65584.01, projections were extrapolated from Department of Finance (DOF) projections. Population reflects total persons. Group Quarter Population reflects persons in a dormitory, group home, institution, military, etc. that do not require residential housing. Household Population reflects persons requiring residential housing. Projected Households reflect the propensity of persons, by age-groups, to form households at different rates based on Census trends.

7 Vacancy Adjustment: HCD applies a vacancy adjustment (standard 5% maximum to total housing stock) and adjusts the maximum % based on the county's current "for rent and sale" vacancy % to provide healthy market vacancies to facilitate housing availability and resident mobility. Adjustment is difference between standard 5% and County's current vacancy rate based on the 2012-2016 ACS data.

6 Overcrowding adjustment: In Counties where overcrowding is greater than the U.S. overcrowding rate of 3.34%, HCD applies an adjustment based on the amount the County's overcrowding rate exceeds the U.S. overcrowding rate. Data is from 2012-2016 ACS.

7 Replacement Adjustment: HCD applies a replacement adjustment between .5% & 5% to total housing stock based on the current 10-year average % of demolitions county local government annual reports to Department of Finance.

8 Occupied Units: This figure reflects DOF's estimate of occupied units at the start of January closest to projection period start, per DOF E-5 report.

## List of Expert Review Panelists

### March 9, 2017 Meeting

1. Erik Bruvold, President, National University System Institute for Policy Research
2. Ira Hirshman, Ph.D., Principal Economist, WSP Parsons Brinkerhoff
3. John Husing, Ph.D., Founder, Economics & Politics, Inc.
4. Elizabeth Laderman, Ph.D., Research Economist, San Francisco Federal Reserve Bank
5. Stephen Levy, Director and Senior Economist, Center for Continuing Study of the California Economy (CCSCE)
6. Dudley Poston, Ph.D., Professor of Sociology, Texas A&M University
7. Ryan Ratcliff, Ph.D., Associate Professor of Economics, University of San Diego
8. Lynn Reaser, Ph.D., Chief Economist, Fermanian Business & Economic Institute
9. Ethan Sharygin, Ph.D., Demographer, California Department of Finance
10. Stanley Smith, Ph.D., Emeritus Professor of Economics and Research Demographer, University of Florida
11. Jeff Tayman, Ph.D., Guest Lecturer, UC San Diego, Department of Economics
12. John Weeks, Ph.D., Emeritus Professor of Geography, San Diego State University

### February 14, 2018 Meeting

1. Gary London, Senior Principal, London Moeder Advisors
2. Nathan Moeder, Principal, London Moeder Advisors
3. Frank Wen, Ph.D., Planning Manager, Research and Analysis Division, Southern California Association of Governments
4. Ryan Ratcliff, Ph.D., Associate Professor of Economics, University of San Diego
5. Ethan Sharygin, Ph.D., Demographer, California Department of Finance