



**BOARD OF DIRECTORS
MAY 11, 2018**

ACTION REQUESTED: APPROVE

**DRAFT REGIONAL HOUSING NEEDS ASSESSMENT
DETERMINATION**

File Number 3102000

Introduction

The Regional Housing Needs Assessment (RHNA) for the sixth housing element cycle (June 30, 2021–April 15, 2029) is being prepared in conjunction with the development of San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan).

On March 7, 2018, SANDAG received a draft RHNA Determination (Attachment 1) from the Department of Housing and Community Development (HCD), which reflects the state’s assessment of the regionwide housing need that would form the basis of the next RHNA Plan.

At its meeting on May 4, 2018, the Regional Planning Committee received a presentation on potential changes to the RHNA Determination that could be proposed to reflect factors unique to housing in the San Diego region. The Regional Planning Committee recommended that the Board of Directors accept the draft RHNA Determination without adjustments, which in effect would establish a need for more than 171,000 new housing units in the San Diego region for the next housing element cycle.

Discussion

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 allocate the RHNA Determination to each local jurisdiction by four income categories
- RHNA – Each jurisdiction’s housing need allocation in four income categories for use in updating the housing elements of its general plan

The RHNA Determination is the first step in the RHNA process. Pursuant to Government Code Sections 65584(b) and 65584.01(c), HCD is required to consult with SANDAG to create the final RHNA Determination. The consultation process is intended to provide regions with an opportunity to provide local data that HCD may consider for incorporation into the final RHNA Determination.

Recommendation:

The Regional Planning Committee recommends that the SANDAG Board of Directors authorize the Executive Director to submit comments to the California Department of Housing and Community Development, accepting the draft Regional Housing Needs Determination for the San Diego Region for the sixth housing element cycle.

While the RHNA process traditionally has been considered as a planning exercise, recent legislation has modified the RHNA process so that now there are implications for local governments based on fulfillment of the local RHNA allocations outlined in the RHNA Plan and local housing elements. For example, Senate Bill 35 (Wiener, 2017) (SB 35) requires local governments to approve certain development by-right if they are not making adequate progress toward their RHNA allocation.

With more than 60 percent of the current RHNA cycle (2010-2020) underway, the region has permitted approximately 31.3 percent of the housing units called for in the cycle. Based on data received as of January 31, 2018, HCD determined that each of the local jurisdictions in the San Diego region, except for Lemon Grove, are subject to some form of SB 35 streamlining.

Staff reviewed the data included in the draft HCD RHNA Determination and, based on input from the Regional Planning Technical Working Group (the region's 19 planning directors), identified several adjustments that could be made to better reflect realistic conditions in the region. These proposed adjustments, which include a focus on aligning overcrowding and replacement rates in the calculation with trends traditionally seen in the San Diego region, are outlined in Attachment 2.

Regional Planning Committee Feedback and Recommendation

Regional Planning Committee members recognized the importance of considering locally relevant data so that RHNA allocations are realistic and can be met. However, Committee members commented that negotiating with HCD to reduce the housing unit number in previous RHNA cycles has contributed to the housing crisis seen today. There was consensus by the Regional Planning Committee that accepting the HCD RHNA Determination could more effectively address that crisis and improve the region's housing availability going forward. Committee members discussed the need to plan and prepare for higher numbers of housing units in local land use plans, recognizing that housing development often occurs at much lower densities than planned. Therefore, the Regional Planning Committee recommended accepting HCD's draft RHNA Determination as is.

Next Steps

Pending action by the Board of Directors, SANDAG staff will submit a letter to HCD accepting the draft RHNA Determination for the San Diego region. Staff will then return to the Regional Planning Technical Working Group, Regional Planning Committee, and Board of Directors to present the final RHNA Determination and begin the process to develop the RHNA Plan with all 19 jurisdictions.

KIM KAWADA
Chief Deputy Executive Director

- Attachments:
1. HCD Draft RHNA Determination (Sixth Housing Element Cycle, 2018)
 2. Potential Changes to the HCD Adjustments included in the draft RHNA Determination

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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.

Potential Changes to the Department of Housing and Community Development Adjustments included in the Draft Regional Housing Needs Assessment Determination

The following potential changes were presented to the Regional Planning Committee and Regional Planning Technical Working Group for consideration.

Vacancy Rate

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. The Department of Housing and Community Development's (HCD) 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 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 percent¹.

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 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.

HCD could 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 ten-year average of demolitions local governments reported to Department of Finance (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.

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

Since demolitions reported to DOF represent a verifiable, realistic data point, HCD could 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.

HCD could consider a transition in applying the new methodology, applying the adjustments to a portion of the units this cycle.