

October 5, 2018

Action Requested: **Information**

Regional Housing Needs Assessment Update

Overview

On July 5, 2018, SANDAG received the Final Regional Housing Needs Assessment (RHNA) Determination from the California Department of Housing and Community Development (HCD). The RHNA Determination calculated 171,685 units would be needed in the region during the sixth cycle (covering June 2020 to April 2029). The next step is for SANDAG to develop a methodology – called the RHNA Plan – to allocate the units by 4 income categories to each of the 19 local jurisdictions in the San Diego region.

Key Considerations

At its September 14, 2018, meeting, the Board of Directors was asked to provide direction on the development of the RHNA Plan (Attachment 1). In summary, the Board was asked the following questions and provided the input shown below each question:

1. *What objectives and factors are most important when determining the distribution of housing units in the region?*

There are several objectives and factors included in state law as part of the RHNA process. In general, Board discussion focused on the importance of improving the jobs/housing relationship in the region while avoiding an overconcentration of low-income housing units in cities with higher low-income households. Feedback also included the consideration of existing land uses, infill development, and distribution equity (Attachment 2).

2. *What should the role of SANDAG Board members, the Regional Planning Committee, Regional Planning Technical Working Group, and the public be in the RHNA Plan development process?*

Based on Board direction, the Regional Planning Technical Working Group (the region's planning directors), with public stakeholder input, will be responsible for providing input from a technical perspective on the methodology to allocate housing units. The Board of Directors has asked that an ad hoc working group be assembled, which along with the Regional Planning Committee, will provide policy direction to refine the methodology options. The Board of Directors ultimately will approve the final RHNA Plan.

Next Steps

Work on the RHNA methodology and allocation will begin immediately and is expected to last through the first half of next year. It is anticipated that the Board of Directors will be asked to finalize the RHNA Plan in fall 2019.

Charles "Muggs" Stoll, Director of Land Use and Transportation Planning

Key Staff Contact: Seth Litchney, (619) 699-1943, seth.litchney@sandag.org

- Attachments:
1. September 14, 2018, SANDAG Board of Directors Meeting Report: Regional Housing Needs Assessment
 2. Summary of Comments from September 14, 2018, Board of Directors Meeting

Fiscal Impact:

Funding to support the Regional Housing Needs Assessment methodology and allocation process is included as part of the San Diego Forward: The 2019-2050 Regional Plan work in the FY 2019 Program Budget.

Schedule/Scope Impact:

Work on the Regional Housing Needs Assessment methodology and allocation will begin immediately and is expected to last through the first half of next year. It is anticipated that the Board of Directors will be asked to adopt the RHNA Plan for planning purposes in fall 2019 to allow the full 18-month period for local jurisdictions to develop and approve their housing elements.



AGENDA ITEM NO. 18-09-6

**BOARD OF DIRECTORS
SEPTEMBER 14, 2018**

**ACTION REQUESTED: DISCUSSION/
POSSIBLE ACTION**

REGIONAL HOUSING NEEDS ASSESSMENT

File Number 3102000

Introduction

On July 5, 2018, SANDAG received the Final Regional Housing Needs Assessment (RHNA) Determination (Attachment 1) from the California Department of Housing and Community Development (HCD). The RHNA Determination calculated 171,685 units would be needed in the region during the sixth cycle (covering June 2020 through April 2029). The next step is for SANDAG to develop a methodology – called the RHNA Plan – to allocate the units by four income categories to each of the 19 local jurisdictions in the San Diego region.

The Board of Directors is asked to provide direction on the RHNA Plan. In particular, the Board is asked to consider the following questions:

1. What objectives and factors are most important when determining the distribution of housing units in the region?
2. What should the role of SANDAG Board members, the Regional Planning Committee, Regional Planning Technical Working Group, and the public be in the RHNA Plan development process?

Discussion

What objectives and factors are most important when determining the distribution of housing units in the region?

State law requires that all of the following objectives be used to develop the RHNA Plan methodology (Attachment 2) but does not require any particular weighting of the objectives:

- Promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns
- Increase the supply and the mix of housing types and affordability levels in all jurisdictions within the region in an equitable manner which shall result in all jurisdictions receiving an allocation of units for low and very low-income households.
- Promote an improved relationship between jobs and housing within the region
- Avoid concentrating low-income housing in jurisdictions that already have a disproportionately high share of low income households

State law also provides factors that the Board of Directors shall consider as part of the RHNA allocation to the extent that sufficient data is available. Some of the factors most relevant to the San Diego region include:

- Opportunities to maximize the use of public transportation and existing transportation infrastructure.
- The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities.
- High-housing cost burdens.
- The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.

In addition to the objectives and factors described above, SANDAG is authorized to use other factors it deems appropriate for the development of the RHNA allocation. In the previous RHNA cycle, SANDAG used existing plans and zoning capacity by jurisdiction as the basis for the RHNA methodology. This approach avoided exceeding existing general plan capacities with a goal of facilitating housing element certification; however, it did result in some jurisdictions taking a larger share of housing units.

Similar to the approach used in the last RHNA cycle, SANDAG could prioritize housing in areas near existing and planned high frequency transit. Utilizing this approach could assist in the implementation of local climate action plans, many of which include improved public transit and active transportation strategies as a means of meeting local greenhouse gas emission reduction goals.

As the Board of Directors considers which objectives and factors are most important in the distribution of housing units, there may be a need to balance competing priorities. For example, focusing all housing in urbanized areas could lead to an overconcentration of low income housing in jurisdictions that already have a disproportionately high share of low income households (such as in the cities of Oceanside, San Diego, and National City) and potentially contribute to an imbalance between jobs and housing in job rich communities (such as the cities of Carlsbad and Poway).

Similarly, if the Board wanted to prioritize the placement of housing units near public transit, it may result in jurisdictions with minimal high-quality transit receiving few units, potentially not meeting the objective of ensuring a mix of housing types in all jurisdictions.

What should the role of SANDAG Board members, the Regional Planning Committee, Regional Planning Technical Working Group, and the public be in the RHNA Plan development process?

State law requires public participation in the development of the RHNA Plan and states that organizations other than local jurisdictions and Councils of Governments shall be solicited in a diligent effort to achieve public participation of all economic segments of the community.

Historically, SANDAG staff has worked with the Regional Planning Technical Working Group (TWG) to engage organizations other than local jurisdictions to be included in the process to develop the

RHNA Plan. The TWG is composed of the 19 planning directors from each of the 19 local jurisdictions in the region. Representatives of Caltrans, the Local Agency Formation Commission, San Diego Unified Port District, San Diego County Water Authority, San Diego County Air Pollution Control District, San Diego County Regional Airport Authority, U.S. Department of Defense, North County Transit District, and Metropolitan Transit System are advisory members.

With input from external stakeholders, the TWG has developed recommendations for the Regional Planning Committee to consider and ultimately forward on to the Board of Directors. This approach allows the Planning Directors to provide input from a technical perspective on the methodology to allocate housing units based on policy direction from the Board of Directors and Regional Planning Committee.

Another option could be to create an ad hoc group composed of Board members to provide input from a policy perspective on the methodology to allocate housing units. The ad hoc working group could provide the policy input to the TWG to refine from a technical perspective. Alternatively, the ad hoc group also could include TWG members or other stakeholders.

Timeline

The proposed timeline for the RHNA process is included in Attachment 3. It is anticipated that the Board of Directors will be asked to finalize the RHNA methodology and allocation in fall 2019.

KIM KAWADA
Chief Deputy Executive Director

- Attachments:
1. HCD Final RHNA Determination (Sixth Housing Element Cycle, 2018)
 2. RHNA Plan Statutory Objectives and Factors
 3. Draft Timeline for Preparing the RHNA for the Sixth Housing Element Cycle

Key Staff Contact: Seth Litchney, (619) 699-1943, seth.litchney@sandag.org

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



July 5, 2018

Kim Kawada
Chief Deputy Executive Director
San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101-4231

Dear Kim Kawada:

RE: Final Regional Housing Need Determination

This letter provides the San Diego Association of Governments (SANDAG) its Final Regional Housing Need Determination. Pursuant to state housing element law (Government Code (Gov. Code) section 65584, et seq.), the Department of Housing and Community Development (Department) is required to provide the determination of SANDAG's existing and projected housing need.

In assessing SANDAG's regional housing need, the Department and SANDAG staff completed an extensive consultation process from October 2016 through June 2018 covering the Department's methodology, data sources, and timeline for both the Department's Regional Housing Need Determination and SANDAG's Regional Housing Need Allocation (RHNA). The Department also consulted with Walter Schwarm of the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of **171,685** total units among four income categories for SANDAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Gov. Code section 65584.01. In determining SANDAG's housing need, the Department considered all the information specified in state housing law (Gov. Code section 65584.01(c)).

As you know, SANDAG is responsible for adopting a methodology and RHNA Plan for the *projection* period beginning June 2020 and ending April 2029. Within 30 days from the adoption date, SANDAG must submit the RHNA Plan to the Department for approval. Local governments are in turn responsible for updating their housing element for the *planning* period beginning April 2021 and ending April 2029 to accommodate their share of new housing need for each income category.

Pursuant to Gov. Code section 65584(d), the methodology to prepare SANDAG's RHNA plan must be consistent with the following objectives:

- (1) Increasing the housing supply and mix of housing types, tenure, and affordability
- (2) Promoting infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns
- (3) Promoting an improved intraregional relationship between jobs and housing
- (4) Balancing disproportionate household income distributions

Pursuant to Gov. Code section 65584.04(d), to the extent data is available, SANDAG should include the factors listed in Gov. Code section 65584.04(d)(1-10) to develop its RHNA plan, and pursuant to Gov. Code section 65584.04(e), SANDAG must explain in writing how each of these factors was incorporated into the RHNA plan methodology.

The Department commends SANDAG for its leadership in fulfilling its important role in advancing the state's housing, transportation, and environmental goals. SANDAG is also recognized for its actions in proactively educating and engaging its board and subcommittees on the RHNA process and the regional housing need, as well as encouraging regional collaboration on best practices around housing and land use. The Department especially thanks Seth Litchney, Coleen Clementson, Carolina Ilic, Rachel Cortes, Dmitry Messen, Muggs Stoll, Daniel Flyte, and Kim Kawada for their significant efforts and assistance. The Department looks forward to its continued partnership with SANDAG and its member jurisdictions and assisting SANDAG in its planning efforts to accommodate the region's share of housing need.

If the Department can provide any additional assistance, or if you, or your staff, have any questions, please contact Megan Kirkeby, Assistant Deputy Director for Fair Housing, at (916) 263-7428 or megan.kirkeby@hcd.ca.gov.

Sincerely,



Zachary Olmstead
Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION

San Diego County Governments: June 30, 2020 through April 15, 2029

<u>Income Category</u>	<u>Percent</u>	<u>Housing Unit Need</u>
Very-Low*	24.7%	42,332
Low	15.5%	26,627
Moderate	17.3%	29,734
Above-Moderate	42.5%	72,992
Total	100.0%	171,685
* Extremely-Low	13.6%	Included in Very-Low Category

Notes:

Income Distribution:

Income categories are prescribed by California Health and Safety Code (Section 50093, et. seq.). Percents are derived based on Census/ACS reported household income brackets and County median income.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION: SANDAG June 30, 2020 - April 15, 2029

Methodology

1.	San Diego County: June 30, 2020 – April 15, 2029 (8.8 years) HCD Determined Population, Households, & Housing Unit Need				
2.	Population: April 15, 2029 (DOF June 30, 2029 projection adjusted minus 2.5 months to April 15, 2029)				3,613,215
3.	- <i>Group Quarters Population (DOF June 30, 2029 projection adjusted minus 2.5 months to April 15, 2019)</i>				-118,075
4.	Household (HH) Population				3,495,140
	Household Formation Groups	HCD Adjusted DOF Projected HH Population	DOF HH Formation Rates	HCD Adjusted DOF Projected Households	
		3,495,140			
	under 15 years	648,185	n/a	n/a	
	15 – 24 years	504,775	9.98%	50,356	
	25 – 34 years	402,920	37.25%	150,099	
	35 – 44 years	399,705	46.54%	186,020	
	45 – 54 years	428,715	50.72%	217,455	
	55 – 64 years	388,650	53.69%	208,648	
	65 – 74 years	380,010	57.98%	220,348	
	75 – 84 years	250,550	62.03%	155,414	
	85+	91,630	68.51%	62,775	
5.	Projected Households (Occupied Unit Stock)				1,251,115
6.	+ Vacancy Adjustment (2.52%)				31,500
7.	+ Overcrowding Adjustment (3.09%)				38,700
8.	+ Replacement Adjustment (0.50%)				6,255
9.	- <i>Occupied Units (HHs) estimated January 1, 2020</i>				-1,155,883
6th	Cycle Regional Housing Need Assessment (RHNA)				171,685

Explanation and Data Sources

1. Projection period: Gov. Code 65588(f) specifies RHNA projection period start is December 31 or June 30, whichever date most closely precedes end of previous RHNA projection period end date. RHNA projection period end date is set to align with planning period end date. The planning period end date is eight years following the Housing Element due date, which is 18 months following the Regional Transportation Plan adoption rounded to the 15th or end of the month.
- 2-5. 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, institute, 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.
6. Vacancy Adjustment: HCD applies a vacancy adjustment (standard 5% maximum to total housing stock) and adjusts the percentage based on the County's current "for rent and sale" vacancy percentage to provide healthy market vacancies to facilitate housing availability and resident mobility. Adjustment is difference between standard 5% vacancy rate and County's current vacancy rate based on the 2012-2016 American Community Survey (ACS) data.
7. 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 the 2012-2016 ACS.
8. Replacement Adjustment: HCD applies a replacement adjustment between 0.5% and 5% to total housing stock based on the current 10-year annual average percent of demolitions, applied to length of the projection period. Data is from County local government housing survey reports to DOF.
9. Occupied Units: This figure reflects DOF's estimate of occupied units at the start of the January closest to the projection period start date, per DOF E-5 report.

Regional Housing Needs Assessment Plan Statutory Objectives and Factors

Objectives

Government Code Section 65584 (d)

The regional housing needs allocation plan shall be consistent with all of the following objectives:

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in all jurisdictions receiving an allocation of units for low and very low-income households.
2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns.
3. Promoting an improved intraregional relationship between jobs and housing.
4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category.

Factors

Government Code Section 65584.04(d)

To the extent that sufficient data is available from local governments pursuant to subdivision (b) or other sources, each council of governments, or delegate subregion as applicable, shall include the following factors to develop the methodology that allocates regional housing needs:

1. Each member jurisdiction's existing and projected jobs and housing relationship.
2. The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following:
 - a. Lack of capacity for sewer or water service due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.
 - b. The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions. The determination of available land suitable for urban development may exclude lands where the Federal Emergency Management Agency or the Department of Water Resources has determined that the flood management infrastructure designed to protect that land is not adequate to avoid the risk of flooding.

- c. Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis.
 - d. County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated area.
3. The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.
 4. The market demand for housing.
 5. Agreements between a county and cities in a county to direct growth toward incorporated areas of the county.
 6. The loss of units contained in assisted housing developments, as defined in paragraph (9) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions.
 7. High-housing cost burdens.
 8. The housing needs of farmworkers.
 9. The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.
 10. Any other factors adopted by the council of governments.



**Draft Timeline for Preparing the Regional Housing Needs Assessment
for the Sixth Housing Element Cycle**

September 2018

Anticipated Date	Anticipated Action
Spring 2018	SANDAG consults with the California Department of Housing and Community Development (HCD) on the Regional Housing Needs Assessment (RHNA) Determination
Summer 2018	HCD provides RHNA Determination for the San Diego region
September 2018 – July 2019	SANDAG develops the RHNA Plan (methodology and allocations)
July – August 2019	SANDAG prepares Draft RHNA for adoption and public review
October 2019	SANDAG Board of Directors adopts Final RHNA Plan
April 2021	Housing elements by local jurisdictions due (18 months after the adoption of San Diego Forward: The 2019-2050 Regional Plan)

Summary of Comments from September 14, 2018, SANDAG Board of Directors Meeting

What objectives and factors are most important when determining the distribution of housing units in the region?

- The 2011 Regional Housing Needs Assessment (RHNA) allocation should not be used in the new RHNA Plan.
- Existing land uses should play a role in the RHNA Plan.
- The income levels of a jurisdiction's residents should be considered in the RHNA Plan to avoid concentrating low-income housing in areas with low-income residents and housing imbalances.
- Jurisdictions that exclude areas for development should not be given a lower number of housing units.
- RHNA used to be a planning process. Jurisdictions must now consider the impacts of RHNA as a production target mandate with consequences for not meeting the target.
- Multiple cities may be close to a job center. This should be considered in the RHNA Plan to reduce vehicle miles traveled.
- Cities attempting to meet their affordable housing allocation through inclusionary housing ordinances should get credit. Requiring 15 percent to 20 percent of a development be affordable housing meets the intent of RHNA.
- Housing near job centers is important, but city boundaries are not the best measurement.
- Cities should be promoting infill development and protecting resources, so it needs to be considered in the RHNA Plan. Built out cities should take more housing so distant areas in the County do not need more housing.
- Distribution fairness should be considered in the RHNA Plan. Imbalance would create impacts on the region.
- The region should avoid overconcentrating low income housing in areas with high share of low-income households.
- Jurisdictions should focus housing around job centers and review the commute patterns.
- Jurisdictions approving low-income housing should get credit for their actions.
- Places with higher-income jobs may not need low-income housing nearby.
- The location of low-income jobs should be tracked to determine where housing near jobs is needed.