Beverly Hills City Council Liaison / Legislative/Lobby Committee will conduct a regular meeting, at the following time and place, and will address the agenda listed below:

CITY OF BEVERLY HILLS
455 N. Rexford Drive
Beverly Hills, CA 90210

TELEPHONIC VIDEO CONFERENCE MEETING

Beverly Hills Liaison Meeting
https://www.gotomeet.me/BHLiaison
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You can also dial in by phone:
United States (Toll Free): 1-866-899-4679 or United States: +1 646-749-3117
Access Code: 660-810-077

Wednesday, October 14, 2020
10:00 AM

Pursuant to Executive Order N-25-20 members of the Beverly Hills City Council and staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public can view this meeting through live webcast at www.beverlyhills.org/live and on BH Channel 10 on Spectrum Cable, and can participate in the teleconference/video conference by using the link above. Written comments may be emailed to mayorandcitycouncil@beverlyhills.org.

AGENDA

A. Oral Communications

1. Public Comment
   Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.

B. Direction

1. Legislative Platform

   This item provides the Legislative/Lobby Liaisons an opportunity to review the 2020 Legislative Platform and provide direction on developing the 2021 Legislative Platform.

2. Request to Reconvene the Southern California Association of Governments ("SCAG") President's Regional Housing Needs Allocation ("RHNA") Litigation Study Team to Re-Assess the State Housing and Community Development's RHNA Allocation of 1.34 Million Housing Units to the SCAG Region

   This item seeks direction on sending a letter to the President of the SCAG requesting the President to reconvene his RHNA Litigation Study Team based on new, credible data which shows California has a much lower housing need than what was developed by the State Housing Community Development Department.
3. State and Federal Legislative Updates

The City’s state and federal lobbyists will provide a verbal update to the Liaisons on state and federal issues.

C. Adjournment

__________________________
George Chavez, City Manager

Posted: October 9, 2020

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT WWW.BEVERLYHILLS.ORG

Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services.
Item B-1
INTRODUCTION
Each year, the City establishes a Legislative Platform, which embodies key legislative themes and priorities for the upcoming year. The Legislative Platform provides direction for our legislative advocates and City staff as they work to secure clear and strategic initiatives locally as well as in Sacramento and Washington, D.C.

DISCUSSION
The objective of the Legislative Platform (“Platform”) is to outline the City’s position on legislative matters and serve as the foundation for the City to support or oppose various local, state and federal legislation. The Platform seeks to not only secure critical resources for our City, but also outlines policy statements that will allow City staff and our legislative lobbyists to more effectively respond to and influence legislation at the local, state and federal level. The Platform is meant to be an evolving document that is amended annually by City Council.

In the fall of each year, staff begins the process of updating the Platform so the legislative priorities encompass the objectives of the City Council and the interests of the City of Beverly Hills as they evolve from year to year. This year, the process is beginning in October with a request for direction from the Legislative/Lobby Liaison Committee on updating the Platform.

In response to COVID-19, Councilmember Mirisch at a City Council meeting requested two items be added to the 2020 Legislative Platform. The items are:

- Support legislation that provides funding to local government for COVID-19
- Support COVID-19 funding for infrastructure projects.

These two items were approved by the City Council and have been added to City’s legislative efforts. The City has been able to send multiple letters to various elected officials requesting funding due to COVID-19 since these were adopted by the City Council.

These two items will be incorporated into the 2021 update of the Legislative Platform.

RECOMMENDATION
Staff is seeking direction from the Legislative/Lobby Liaison Committee on pursuing an update to the City’s Legislative Platform. Once direction is received, staff will work with the City’s Executive Team to update the Legislation Platform. When the Legislative Platform is updated, it will be brought back to the Legislative/Lobby Liaison Committee for approval prior to scheduling
it for review/approval by the City Council. Staff anticipates this will occur in late November / early December.
Attachment 1
CITY OF BEVERLY HILLS

LEGISLATIVE ADVOCACY PLATFORM

2020 LEGISLATIVE SESSION
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City of Beverly Hills
STATE AND FEDERAL LEGISLATIVE PLATFORM

Platform Overview
The purpose of the legislative platform is to provide a means for summarizing the City’s core legislative principles for the purpose of advocacy efforts at the regional, state and federal level. The Legislative Platform contains broad policy statements pertaining to a variety of issues that impact the City of Beverly Hills.

The legislative platform sets forth the City’s legislative objectives for the 2020 legislative session and provides direction for our legislative advocates as they work to secure clear and strategic initiatives in Sacramento and Washington, D.C. Approval of the legislative platform also streamlines the City’s process and allows the City’s Executive team to effectively respond and take immediate action on pressing legislation under City Council direction.

The policies established within the platform do not preclude City Council consideration of additional legislative matters arising throughout the year that may be brought forward for City Council action as presented to the City Council Legislative/Lobby Liaison Committee.

The City’s primary legislative focus includes:
- Supporting the Keeping California Safe Act
- Supporting legislation in regards to local control with community self determination
- Supporting legislation which focuses on resolving mental health issues
- Supporting sustainability in the community including:
  - Reduce, reuse, recycle;
  - Minimizing food waste; and
  - Supporting state funding for the development of solar power, a solar grid, and solar batteries.

Local Control
- Support legislation that preserves local control.
- Support legislation that protects local control over urban planning.
- Oppose state legislation that supersedes a jurisdiction’s adopted zoning ordinances.
- Support a state constitutional amendment to protect local discretionary authority whereby legislative oversight remains at the lowest level of the appropriate governing body while encouraging regional cooperation. For example, zoning authority would remain with a city whereas air quality, etc. would remain at the regional or state level.
• Support legislation that enhances local control of resources and that allows the City of Beverly Hills to address the needs of local constituents within a framework of regional cooperation.
• Support legislation that encourages the use of federal and state incentives for local government action rather than mandates.
• Oppose preemption of the City of Beverly Hills’ local authority whether by state or federal legislation or ballot propositions.
• In general, oppose any county, state or federal mandates without the direct or indirect reimbursement for the costs associated with complying with new and/or modified laws, regulations, policies, procedures, permits and/or programs.
• Support measures increasing local autonomy, protecting privacy and maintaining local authority over public records. This includes measures that provide for the recovery of costs with regard to public records requests.
• Support transparent government and the purpose of the California Public Records Act while simultaneously observing and protecting the current Rule of Law in California including better legislation in regards to protecting the privacy of public records and enhancing laws related to digital records.
• Support legislation that preserves local control of short term rentals and online hotel intermediaries such as Airbnb.
• Oppose state legislation and state guidelines issued by the Bureau of Cannabis Control that override the intent of Proposition 64 to preserve local control over the sale and distribution of cannabis.

Pension Reform
• Monitor, encourage, and lobby for legislative initiatives designed to achieve public employee pension reform.
• Inform the City Council of future legislative bills, statewide initiatives or other options as they emerge in regards to pension reform.
• Continue to support, where necessary and applicable, any future efforts that may impact the City of Beverly Hills ability to achieve and/or maintain sustainable pensions.
• Support the California League of Cities (“League”) efforts on pension reform based on the report provided at the League’s City Manager’s Department Meeting February 2018 meeting.

Fiscal and Administrative Initiatives
• Support fiscal sustainability and “best practices” administrative initiatives to ensure the delivery of superlative city services.
• Monitor initiatives which seek changes in fiscal relationships at the local, state and federal level.
• Support legislation that guarantees ongoing revenue sources for local government.
• Pursue funding opportunities for public facilities and services including capital improvement projects, public works projects, homeland security, library, parks and social service facilities.
• Oppose any legislation that would undermine voter-approved initiatives to guarantee ongoing revenue sources for the City of Beverly Hills.
• Oppose legislation that would preempt the City’s authority over local taxes and fees.
• Protect the City’s right to levy and collect Transient Occupancy Taxes from hotels, including online hotel intermediaries.
• Oppose any federal or state legislation that would provide immunity to online hotel intermediaries and/or prohibit the City from collecting (retroactively or otherwise) Transient Occupancy Taxes.
• Support continued or expanded funding for the Community Development Block Grant (CDBG) program.
• Oppose the reduction to Department of Homeland Security, Federal Emergency Grants.
• Oppose any attempt to eliminate or limit the traditional tax exemption for municipal bonds.
• Engage in and advocate for legislation or ballot measures to prevent the state from borrowing, raiding or otherwise redirecting local government funds (local taxes, property taxes, etc.).
• Continue to promote increased flexibility for the utilization of municipally generated revenues.
• Support California League of Cities legislative efforts for pension reform and other post-employment benefits (OPEB) unfunded liability.
• Oppose legislation that triggers cost implications pertaining to “public works” projects.
• Support legislation for long-term funding solutions for Peace Officer Standards and Training (POST).
• Support legislation which offers financial opportunities for reimbursement to local jurisdictions in order to supplement increased custodial and supervision costs resulting from prison realignment.
• Oppose legislation with mandates for local agency adherence to operations and programs that may not be reimbursable by State budget funds (e.g. unfunded state mandates).
• Support legislation, which authorizes tax incremental financing for affordable housing projects.

Electoral Process
• Monitor legislative or other initiatives which may address the integrity of the electoral process.
• Encourage safeguards ensuring that all eligible voters are provided with the mechanisms to exercise the right to vote.
• Support initiatives which promote government transparency regarding the election process.
• Support legislation that provides a mechanism to ensure non-eligible voters are unable to vote in an election.
• Support legislation that ensures the voting process is fair and equitable to both the voters and the candidates on the ballot.

Public Safety

• Support the development and use of new firefighting technology in order to produce higher levels of health and safety for the Beverly Hills Fire Department.
• Support legislation that aids paramedics and other emergency medical service practitioners in their ability to be responsive to community needs.
• Support legislation that amends the Centers for Medicare & Medicaid Services (CMS) regulation 42 CFR 410.40 Coverage of Ambulance Services (e) to allow Medicare reimbursement for beneficiaries not transported to the emergency department by the Beverly Hills Fire Department. This would include:
  - Allowing CMS to provide a benefit to local jurisdictions for ‘dry runs’
  - Allowing CMS to provide a benefit for treatment in the field apart from transport, including reimbursement for mid-level practitioners, such as nurse practitioners, as many jurisdictions are moving towards a model of staffing Emergency Medical Services with a higher level of medical care.
• Support legislation, which prioritizes fighting hate crimes and domestic terrorism.
• Oppose legislation or other administrative actions, which seek to limit the Beverly Hills Police Department’s ability to collect and utilize asset forfeiture funds for a wide variety of police services.
• Support legislation, which provides frontline funding to the Beverly Hills Police Department for costs associated with the early release of state prisoners as a result of state-mandated criminal justice realignment provisions.
  - Identify opportunities for reimbursements to Beverly Hills for increased custodial and supervision costs resulting from prison realignment.
• Support legislation to increase funding to ensure responsible supervision by parole agents and for local agencies that provide post-release community supervision.
• Advocate for legislation and/or funding to take advantage of current technology to prevent crime in Beverly Hills (e.g. - the ability to use surveillance cameras and automatic license plate recognition technology).
• Support the deployment of new and emerging investigation technology, including unmanned aircraft, and the development of local policies that provides the tools to save abducted children; collect DNA, prevent the exploitation of children and vulnerable adults; and prosecute those who violate the rights of any person.
• Support the deployment and research of new and emerging technologies, which will provide the Beverly Hills Police Department with tools to provide the highest level of service including:
  - Next Generation 911
  - Mobile and Body Worn Cameras
  - New Generation Investigative Technology - including unmanned aircraft
  - Digital Evidence - support funding for local jurisdictions to collect, store and retain digital evidence.
• Support the development and deployment of enhanced 911 services to allow first responders the ability to respond quickly to the needs of the people of California.
• Support legislation and seek funding to assist in preventing and reducing crimes in Beverly Hills, primarily related to property crimes, cyber-crime, drugs, gang violence, mental illness, and pedestrian safety.
• Support evidence-based studies that seek to improve law enforcement tactics and non-lethal force options that ensure both the safety of the public and peace officers.
• Support efforts to work collectively with the Office of the California Attorney General to maintain transparency concerning lethal force encounters while concurrently retaining local control of investigations of such incidents.
• Oppose legislation that would challenge the use of force standards which are enshrined by federal and state statute and Case Law (e.g. Graham v. Connor, Tennessee v. Garner, etc.).
• Oppose any efforts to further decriminalize existing crimes in California or lessen the sentences of any offenses that would result in the release of serious criminals who would further harm the safety of the public and law enforcement personnel.
• Oppose legislation that would expand the definition of early release, non-serious crimes, and non-violent crimes.
• Oppose legislation to expand “early release” for low-risk, serious and violent offenders.
• Support the Reducing Crime and Keeping California Safe Act 2020 and continue to raise awareness regarding the deficiencies of Proposition 47 and Proposition 57 as well as work to gain support for the fixes contained within November 2020 initiative.
• Support efforts to reverse all legislation, including AB 109, that created “early release” for low-risk, serious and violent offenders.
• Oppose legislation that decriminalizes repeated substance use as well as inform and engage the Legislature and Governor on the public safety impacts of medicinal and recreational cannabis legalization in California.
• Oppose legislation that would expunge or otherwise reduce sentences for the most dangerous cannabis crimes, including sales to minors, commercial drug trafficking and driving under the influence of drugs (DUID).
• Support rehabilitation, housing, and employment programs for local and state prisoners.
• Support legislation, which combats the growing crime of human trafficking and provide to the legislature details and figures to further understand the scope of human trafficking in California.
• Support funding initiatives for Peace Officers Standards and Training (POST) and other law enforcement support organizations.
• Support and encourage legislation and budget negotiations, which retain funding for the Beverly Hills Police Department when the legislation and/or budget
negotiations includes behavioral health treatment; drug and trafficking taskforces; crisis intervention teams; and adequate patrol staffing.

- Support funding for the increased demand placed on Beverly Hills to respond to societal issues including homelessness; substance abuse and dependency; and unpredictable and potentially harmful behavior towards the public and peace officers.
- Support effective and relevant reporting of local agency data and ensure that any disclosed data be fair as well as balanced and protects the safety of officers and the public they serve.
- Support efforts to engage with the Legislature and Governor on the extreme need for local funding to collect, store, and retain large amounts of digital evidence.
- Support legislation that allows local control on the deployment of body cameras and using facial recognition software.
- Support efforts for cannabis enforcement that encourages state licensing entities to streamline enforcement relationships between the state and local jurisdictions. This includes improving existing systems in order to share information, providing additional funding for local law enforcement, and strengthening enforcement capabilities within the Bureau of Cannabis Control.
- Support common sense gun safety regulations, including legislation that addresses issues caused by firearms made by an individual without a serial number or other identifying markings (known as “ghost guns”).
- Urge the state legislature to redefine recidivism to its original definition as the current definition only considers a person to be a recidivist if there is an arrest resulting in a charge within three years of the individual’s release from incarceration.

**Emergency Management and Homeland Security**

- Support strategies, legislation and funding that promotes emergency preparedness, resiliency and recovery efforts.
- Support efforts to continue regional interoperability advocacy and expansion efforts through ongoing participation with the ICI System Authority.
- Support legislation that enhances and further develops the regional ICI System Authority’s interoperable communications platform through the continued funding of strategic technical and operational improvements.
- Support interoperable communication solutions that meet radio spectrum needs of first responders.
- Support funding opportunities for local homeland security, public safety and emergency management programs including new technology and equipment (e.g., closed circuit television) that does not supplant other City funding, services or operations.
- Seek grants and pilot project/demonstration project funding for City homeland security, public safety and emergency management priorities.
• Support federal funding for the deployment and long-term sustainment of the Biowatch and other monitoring programs in Beverly Hills.
• Support funding for a cost effective public seismic early warning system and other emergency notification systems.
• Support legislation that ensures funding for disaster relief for all types of natural and manmade disasters.
• Support federal or state legislation and funding that improves building resiliency and recovery efforts after a seismic event.

Housing and Land Use
• Pursue incentive-based housing legislation to encourage expanding the housing supply in our area including more flexibility for local jurisdictions to work together to provide housing that counts toward Regional Housing Needs Assessment (RHNA) requirements.
• Support federal and state funding for affordable senior housing opportunities and projects.
• Monitor land use issues and support legislative and administrative efforts to maintain the integrity of local government’s control over land use, planning and zoning matters.
• Emphasize local control related to land use planning.
• Support and pursue the repeal of state laws that affect local control on housing and land use.
• Continue to support new initiatives regarding rent control legislation at the state level.

Mental Health Funding, Homelessness, and At-Risk Youth
• Support additional funding for homeless and mental health outreach teams, as well as for programs targeting at-risk youth.
• Support legislation that expands the treatment of and response to mentally ill persons and inform the Legislature and Governor on the effective mental and behavioral health practices currently being used by law enforcement in California.
• Promote legislation that provides for increased services to or funding for at-risk populations such as the frail elderly, homeless, disabled and other challenged populations.
• Support funding and policy initiatives that support mental health care (e.g., access to psychiatric facilities, behavioral health care treatment, and street-based services).
• Support legislation that addresses the need for housing and supportive services, (e.g. health, mental health and social services) for the City’s homeless population.

Transportation
• Support legislation, which would repeal or modify existing law regarding how a local jurisdiction makes findings on setting a speed limit for a street. Specifically,
modify the requirement that mandates City set an enforceable speed limit at the 85th percentile of a surveyed street speed.

- Support legislation, which would allow local jurisdictions to install speed enforcement cameras.
- Support legislation, which would allow local jurisdictions to install cameras at stop sign intersections for enforcement of vehicle code violations when a vehicle does not come to a complete stop.
- Support state and federal legislation that enhances the safety of the City’s streets for automobile and pedestrian traffic, including issues related to, traffic congestion reduction programs and regional transportation improvements.
- Promote funding, policy goals and visibility for the development of autonomous vehicles.
- Support regional, state and federal efforts for the development of compatible autonomous vehicle infrastructure.
- Support measures and discretionary grant programs that provide funding for critical transportation infrastructure projects that improve mobility for residents and visitors in and around Beverly Hills.
- Support legislation that expands transportation planning, funding, and voluntary incentives to include an increasingly multi-modal perspective focusing on transit, alternative fuel vehicles and fleets, pedestrian ways, bikeways, multi-use trails and parking.
- Support measures which provide the City’s fair share of funding from the State’s cap and trade funding sources.
- Support legislation to provide more tools to both the California Department of Motor Vehicles and local law enforcement to reduce disabled parking placard fraud and abuse.
- Work with other agencies in the region to support current state and federal funding levels and encourage increased funding and flexibility in both operating and capital funding for mass transit.
- In conjunction with the Westside Cities Council of Governments (WSCOG) and other agencies, support legislation that provides incentives for the development of local transportation corridors.
- Support local, regional, state and federal legislative, administrative, and regulatory efforts that will expand and/or supplement funding for maintaining and upgrading major thoroughfares in Beverly Hills to improve the safety for all forms of modality.
- Support increased state and federal resources to mitigate traffic congestion on the City of Beverly Hills’ streets and rebuild and maintain roads.

**Environmental Sustainability**

- Advocate for cost-effective, sustainable, and responsible environmental policy and programs in the areas of energy efficiency, greenhouse gases, climate change, potable water, wastewater, solid waste removal and storm water, among others.
• Support state funding opportunities to assist agencies in meeting sustainability objectives including energy and water efficiencies, active transportation enhancements, connectivity and mobility improvements and carbon sequestration through natural landscape management and protection.
• Support legislation protecting, preserving and restoring the natural environment where it does not conflict with local control and land use designations.
• Support efforts to create partnerships among the City, Beverly Hills Unified School District, businesses, residents, and all other community stakeholders as necessary to achieve a sustainable community.
• Support legislation to combat climate change and improve air quality.
• Support funding to foster an environmentally sustainable city as well as a walkable community that provides ample goods, services and benefits to all residents while respecting the local environment.
• Support legislation and funding for the Metropolitan Transportation Agency (MTA) and other regional transit authorities to continue to create multi-modal transportation systems that minimizes pollution and reduces motor vehicle congestion while ensuring access and mobility for all.
• Oppose legislation that will expand or create new opportunities for off shore oil drilling.
• Support legislation and funding for solar power infrastructure, including solar batteries, as a renewable energy resource.

Community Services
• Support legislation related to the Internet and filtering in public facilities.
• Support funding for literacy and English-as-a-second language programs.
• Support protection against censorship and oppose restriction of free speech.
• Support funding for ADA facility and park upgrades.
• Support legislation that provides opportunities for healthy “aging in place” (aging in one’s own home) options.
• Where reasonable, support public investment in parks, open space and recreation.
• In general, support efforts to provide funding for the rehabilitation, development and capital improvements for local park improvements.

Public Health
• Continue to promote legislation that enhances the health and safety of the general population, with an emphasis on programs that focus on youth, the elderly and at-risk populations.
• Monitor opportunities to expand the City’s ordinances to regulate smoking to other communities or through state legislation.
• Support legislation that will increase funding for mental health at the local level in order to address mental health issues and the impact those with mental health issues have on Beverly Hills.
• Support legislation that provides funding to expand the treatment of, and response to, mentally ill persons and the growing issues associated with the mentally ill.
• Support legislation that would provide direct funding and alternative avenues of healthcare to local first response agencies to adequately address behavioral and mental health issues.
• Support legislation to maintain or increase funding for the provision of mental health services and to establish programs to assist jurisdictions with helping those individuals who may have mental health issues.
• Support legislative efforts to regulate the smoking of any substance at multi-family complexes.
• Oppose legislation that would reduce or eliminate funding allocations for the Prevention and Public Health Fund.
• Support the Personal Health Investment Today Act (PHIT) introduced in March 2017 in Congress.
• Support access opportunities for all Californians for physical activity, proper nutrition and healthy lifestyle options through the promotion of active transportation, complete street implementation, healthy foods, youth programming and maximizing the usage of green space.
• Support legislation that will actively support and provide funding for vaccinations.

General Government
• Support legislation that reinstates net neutrality.
• Support legislation that preserves the ability of local governments to provide broadband capability and services to its residents.
• Support legislation that would prohibit the flying of helicopters, unmanned aircraft or other aircraft at low altitudes over residential neighbors excluding police, fire or other public safety aircraft.
• Support efforts to increase state resources for local arts, cultural events and library programs, including performing and visual arts programs.
• Support legislation that encourages policies and programming that promote healthy lifestyles; e.g. physical activity, preventative screenings, healthful eating and core wellness for people of all ages and abilities.
• Support legislation that would establish statewide regulations prohibiting the use of unmanned aircraft to record or transmit any visual audio recording of any person or private real property in which the subject person or owner of property has a reasonable expectation of privacy.

Public Works – Solid Waste
• Support funding for new infrastructure related to the passage of AB 1826 – Mandatory Commercial Organics Recycling and SB 1383 – Short-Lived Climate Pollutants: Methane Emissions.
• Support legislation that incentivizes corporations to recycle in the United States rather than sending recyclables overseas.
• Support legislation that incentivizes manufacturers to produce recyclable products.
• Support legislation that requires manufactures to be responsible for the end of life of non-recyclable products.

• Support legislation that promotes sustainable practices related to waste reduction, increased reuse of materials, and then recycling.
• Support legislation that encourages the reduction diversion of commercial food waste.

Public Works - Stormwater

• Support state and county efforts to develop avenues for agencies to collect revenue to support stormwater retention efforts.
• Support legislation that would classify stormwater as a utility similar to water, wastewater and solid waste services.
• Support legislation for funding stormwater infrastructure improvements, including building facilities to capture stormwater runoff and integrate with local, regional and statewide water resources.
• Support legislation that would provide pragmatic compliance goals in statewide and regional National Pollutant Discharge Elimination System (NPDES) permits.
• Ensure the state continues to fund the California Department of Transportation (Cal Trans) capital construction budget for offsetting their requirements to limit their total maximum daily load (TMDL) for pollutant discharge. Encourage Cal Trans to continue to enter into Cooperative Implementation Agreements with local jurisdictions to fund stormwater capture and retention projects.
• Ensure that the State (State Water Resources Control Board) continues to provide Cal Trans Stormwater a Compliance Based Credit System that includes compliance based on using funds to support stormwater projects that would meet statewide TMDls.

Public Works – Water & Utilities

• Support California Water Fix as it will assist with protecting the water supply for Beverly Hills.
• Support projects and legislation that protect the City’s ability to receive water from the Bay Delta and the State Water Project.
• Support measures that uphold the ability of the City of Beverly Hills City Council to regulate and manage their publicly owned water utility so that local authority is not eroded by state or federal agencies, authorities, or other regulatory bodies.
• Oppose legislation that adds requirements to provide services that customers do not value, want, or need.
• Support legislation that ensures local ratemaking authority is preserved and remains meaningful.
• Support policies that recognize, support, and credit the role of water conservation and water use efficiency in reducing greenhouse gas emissions.
• Support local control of groundwater uses and groundwater rights unless otherwise contraindicated.
• Support local control for planning management and use of water supplies to address local needs and contribute to long-term sustainability, unless otherwise contraindicated.
• Support efforts that seek to bring federal sources of funding to California for water infrastructure development and renewable energy development through water management.
• Support cost effective water conservation programs and incentives that are funded by the state or federal government.
• Support flexible funding options that will help Beverly Hills upgrade and replace water and wastewater infrastructure.
• Support legislation for state funding for the development of local water supply and water conservation efforts.
• Support legislation that provides the City of Beverly Hills the flexibility to implement a community choice aggregation program for the purchase of renewable electricity and oppose legislation that would place overly strict requirements on the establishment of, and activities by, community choice aggregators.
• Oppose legislation that makes it more difficult for community-choice aggregators to implement a successful community choice aggregation program.
• Support legislation that ensures equitable cost-sharing between investor-owned utilities and community choice aggregation for stranded costs.
• Support funding and legislation for water recycling projects.

Revised January 2020
Item B-2
TO: City Council Liaison/Legislative/Lobby Committee
FROM: Cynthia Owens, Policy and Management Analyst
DATE: October 14, 2020
SUBJECT: Request to Reconvene the Southern California Association of Governments (“SCAG”) President’s Regional Housing Needs Allocation (“RHNA”) Litigation Study Team to Re-Assess the State Housing and Community Development’s RHNA Allocation of 1.34 Million Housing Units to the SCAG Region

ATTACHMENTS: 1. Orange County Letter
               2. RHNA PowerPoint from SCAG

INTRODUCTION
The Orange County Mayors distributed a letter to SCAG President Rex Richardson urging him to reconvene the SCAG President’s Litigation Study Team to evaluate options on requesting the State Housing Community Development Department re-assess the RHNA assigned to SCAG (Attachment 1).

This item requests the Legislative/Lobby Liaisons provide direction on the preparation of a similar letter to the SCAG President.

DISCUSSION
According to the information provided by the Orange County Mayors, the 1.34 million housing units for this RHNA Cycle was not established in accordance with state law (see Attachment 2 of the letter). As such, they have sent a letter to SCAG President Rex Richardson requesting him to reconvene the President’s RHNA Litigation Study Team to examine new evidence which shows the number of housing units assigned to the SCAG region by HCD was significantly higher than data suggests it should be from other studies.

An email was sent from Nate Fransworth, with the City of Yorba Linda requesting other cities consider sending a similar letter.

RECOMMENDATION
Staff is seeking direction from the Legislative/Lobby Liaison Committee on preparation of a letter similar to the Orange County Mayors’ letter. Any recommendation to send such a letter will require approval of the City Council.
Attachment 1
September 18, 2020

The Honorable Rex Richardson,
President
Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

RE: Request to Reconvene the SCAG President’s RHNA Litigation Study Team to Re-Assess State HCD’s RHNA Allocation of 1.34 Million Housing Units to the SCAG Region

Dear President Richardson:

On behalf of thirty-two cities in Orange County, we, the mayors respectfully support the request of our colleague – City of Yorba Linda Council Member Peggy Huang – that the SCAG President promptly reconvene the SCAG President’s RHNA Litigation Study Team.

We have a deep respect for Council Member Huang and her stewardship of the SCAG RHNA Subcommittee these past two years. We all agree with Council Member Huang that the starting point – the 1.34 million RHNA housing units that the State Department of Housing and Community Development (State HCD) issued for the 6-county SCAG region – must be re-examined.

At the September 3, 2020 SCAG Regional Council meeting, Council Member Huang explained that new and recent housing shortage information has been issued by Freddie Mac, which states that the housing shortage for the entire State of California, not just the SCAG region, is 820,000 units (Attachment 1: Page 6, February 2020 Freddie Mac Insights Report: “The Housing Supply Shortage: State of the States.”). Further, the Embarcadero Institute, a non-profit policy analysis organization, just released a September 2020 Report – “Double Counting in the Latest Housing Needs Assessment” – that questions whether State HCD’s use of an incorrect vacancy rate and double counting has exaggerated the RHNA for the SCAG region, San Diego, the Bay Area and Sacramento area by more than 900,000 units (Attachment 3).

Clearly, this new and credible data should be explored with the members of the President’s RHNA Litigation Study Team. It is our hope that upon examination of the new data, that the President’s RHNA Litigation Study Team could deliberate on options to require State HCD to:
The Honorable Rex Richardson,
RE: Reconvene the SCAG President’s RHNA Litigation Study Team
September 18, 2020
Page 2 of 5

1) consider this and other new information from credible agencies;
2) justify how its 1.34 million housing unit determination is defensible in light of the new information and should be fittingly revised; and,
3) justify how its 1.34 million housing unit determination is consistent with State Statute provisions.

A prompt assessment of this information, and options to pursue resolution with State HCD, would be invaluable and timely to SCAG’s member agencies, many of which are currently exploring appeals of their individual RHNA allocations.

Moreover, if the SCAG President’s RHNA Litigation Study Team is reconvened, we would strongly urge SCAG to revisit the critical issue that State HCD did not follow housing statute, when it determined SCAG’s 1.34 million housing units need. We appreciate that SCAG raised this concern to State HCD. We object, however, that State HCD has chosen to not adhere to the provisions of our Government Code, and we have provided a detailed, technical assessment of such noncompliance in Attachment 2.

We thus respectfully seek your support and follow-through of your verbal commitment to Council Member Huang, that the President’s RHNA Litigation Study Team be reconvened to undertake this important discussion. We look forward to your response, with the desire that the RHNA Litigation Study Team be reconvened prior to the next SCAG Regional Council meeting, October 1, 2020.

With sincere respect and appreciation,

Mike Munzing
Mayor
City of Aliso Viejo

Harry Sidhu
Mayor
City of Anaheim

Marty Simonoff
Mayor
City of Brea

Fred Smith
Mayor
City of Buena Park

Katrina Foley
Mayor
City of Costa Mesa

Rob Johnson
Mayor
City of Cypress
The Honorable Rex Richardson,
RE: Reconvene the SCAG President’s RHNA Litigation Study Team
September 18, 2020
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Cheryl Brothers
Mayor
City of Fountain Valley

Jennifer Fitzgerald
Mayor
City of Fullerton

Steven R. Jones
Mayor
City of Garden Grove

Lyn Semeta
Mayor
City of Huntington Beach

Christina Shea
Mayor
City of Irvine

Tom Beamish
Mayor
City of La Habra

Peter Kim
Mayor
City of La Palma

Bob Whalen
Mayor
City of Laguna Beach

Janine Heft
Mayor
City of Laguna Hills

Laurie Davies
Mayor
City of Laguna Niguel
The Honorable Rex Richardson,
RE: Reconvene the SCAG President’s RHNA Litigation Study Team
September 18, 2020
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Noel Hatch
Mayor
City of Laguna Woods

Neeki Moatazedi
Mayor
City of Lake Forest

Richard D. Murphy
Mayor
City of Los Alamitos

Brian Goodell
Mayor
City of Mission Viejo

Will O’Neill
Mayor
City of Newport Beach

Mark A. Murphy
Mayor
City of Orange

Ward Smith
Mayor
City of Placentia

Bradley J. McGirr
Mayor
City of Rancho Santa Margarita

Troy Bourne
Mayor
City of San Juan Capistrano

Miguel A. Pulido
Mayor
City of Santa Ana
The Honorable Rex Richardson,
RE: Reconvene the SCAG President’s RHNA Litigation Study Team
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Schelly Sustarsic
Mayor
City of Seal Beach

David J. Shawver
Mayor
City of Stanton

Allan Bernstein
Mayor
City of Tustin

Robbie Pitts
Mayor
City of Villa Park

Tri Ta
Mayor
City of Westminster

Beth Haney
Mayor
City of Yorba Linda

Attachments:
1. Freddie Mac Economic and Housing Research Insight: February 2020
2. Orange County Technical Analysis: State Government Code Requirements to Calculate Regional Housing Need
3. Embarcadero Institute Report: Updated September 2020

cc: Council Member Peggy Huang, City of Yorba Linda and SCAG RHNA Subcommittee Chair
Council Member Trevor O’Neil, Chair, OCCOG Board of Directors
Council Member Wendy Bucknum, Vice-Chair, OCCOG Board of Directors
Mayor Pro Tem Michael Carroll, OC Representative SCAG’s RHNA Litigation Study Team
Orange County Representatives on SCAG Policy Committees and Regional Council
Kome Ajise, SCAG Executive Director
Orange County City Managers Association
Orange County Mayors
Marnie O’Brien Primmer, OCCOG Executive Director
Nate Farnsworth, OCCOG TAC Chair
The United States suffers from a severe housing shortage. In a recent study, *The Major Challenge of Inadequate U.S. Housing Supply*, we estimated that 2.5 million additional housing units will be needed to make up this shortage. Our earlier study used national statistics, treating the United States as a single market. What happens when we look closer, basing the analysis at the state level?

When we account for state-level variations, the estimated housing deficit is even greater in some states because housing is a fixed asset. A surplus of housing in one area can do little to help faraway places. For example, vacant homes in Ohio make little difference to the housing markets in Texas. We estimate that there are currently 29 states that have a housing deficit, and when we consider only these states, the housing shortage grows from 2.5 million units to 3.3 million units.

Unsurprisingly, the states with the most severe housing shortage are the states that have recently attempted to loosen zoning policy regulations. States like California, Oregon, and others have undertaken policy action to address this issue. California, for example, has been working on chipping away at single-use zoning while Texas has passed a density bonus program, an ordinance which amends the city code by loosening site restrictions and promoting construction of more units in affordable and mixed-income housing developments. Oregon was one of the first states to pass legislation to eliminate exclusive single-family zoning in much of the state. The Minneapolis City Council voted to get rid of single-family zoning and started allowing residential structures with up to three dwelling units in every neighborhood. We took a deep dive into the supply/demand dynamics to analyze state-level variations.
Accounting for housing supply/demand conditions

To estimate housing supply, we rely on U.S. Census Bureau estimates of the total number of housing units in each state. These estimates include single-family homes, apartments, and manufactured housing. We compare supply to our estimates of housing demand. We first focus on static estimates of housing demand, and then we consider the impact of interstate migration.

Our estimate of housing demand relies on two components. First, we need an estimate of long-term vacancy rates ($v^*$). Second, we need an estimate of the target number of households ($h^*$). The estimates of $v^*$ and $h^*$ give an estimate of housing demand ($k^*$) using the formula:

$$k^* = \frac{h^*}{1 - v^*} \quad Eq(1)$$

Vacancy rates

As we discussed in our earlier study, for the housing market to function smoothly, year-round vacant units are needed. Vacancy rates are often used to track the vitality of the housing market. Too high of a vacancy rate reflects a moribund market, while too low of a rate means demand is outstripping supply. Our previous research estimated the average U.S. vacancy rate to be around 13%.

For long-term vacancy rates ($v^*$), we use historical estimates of vacancy rates in each state as well as the share of the state in the housing stock to obtain the state weight. We compute the weighted average national vacancy rate for the U.S. and then estimate the deviation of the state vacancy rate from the average national vacancy rate (see Appendix 1.1 for a detailed methodology). We use each state’s average from 1970 to 2000 as the estimate for $v^*$ because this was the period before the boom and the bust in the housing market began. Historical vacancy rates vary dramatically by state. States like Vermont and Maine tend to have high vacancy rates because a large fraction of the housing stock serves as vacation/second homes. On the other hand, states like California tend to have very low vacancy rates.

---

1 The target number of households is the number of unconstrained households that would have formed if households did not face any constraints related to housing costs.
It is interesting to compare each state’s long-term vacancy rate ($V^*$) to recent estimates ($V$). This measure estimates the number of housing units needed to close the gap between the current vacancy rate and long-term average rates. Exhibit 1 shows the difference between the estimated vacancy rate in 2018 and the long-term vacancy rate for each state. States like Oregon, California, and Minnesota have much lower current vacancy rates compared to their historical averages, while states like West Virginia, Alabama, North Dakota, and Ohio have witnessed an increase in the vacancy rates as the populations of these states have decreased.

Exhibit 1

**Difference between 2018 vacancy rate and historical vacancy rate**

States that are losing (gaining) population have high (low) vacancy rates.

Source: Author’s calculations based on CPS, HVS, and Moody’s Analytics estimated data.
Target households

Our previous research has shown that high housing costs have constrained household formation. These high housing costs have hit the Millennial generation particularly hard. To overcome these cost barriers, some young adults have turned to shared living arrangements. Others have moved back home with parents. As a result, there are more than 400,000 missing households headed by 25- to 34-year-olds (households that would have formed except for higher housing costs).

While high housing costs have hit young adults hardest, they have affected all age groups. If housing costs were lower, more households would form. We use our model estimates of the number of households reduced due to unusually high housing costs and add them back. We do this for each age group (see Appendix 1.2 for more details.)

Due to different age profiles, the share of missing households varies by state. Exhibit 2 plots the share of missing households due to housing costs for each state. In general, states with relatively lower vacancy rates have proportionally more missing households.

Exhibit 2

Missing households due to high housing costs (millions)
States with relatively lower (higher) vacancy rates have proportionally more (fewer) missing households.

Source: Author’s calculations based on American Community Survey data.
Static estimate of housing deficit

We combine our target vacancy rate and target households to estimate housing demand. Subtracting our estimated housing demand from the Census estimate of housing supply gives us the estimated housing deficit. Exhibit 3 shows our results by state.

As a percent of the housing stock, the state housing supply deficit varies from -7 to 10%. Excluding the District of Columbia, Oregon has the largest deficit (nearly 9%) followed by California (nearly 6%). Some states have a negative deficit, meaning they are oversupplied. According to our estimate, 21 states are oversupplied, the largest being West Virginia, at more than 7%.

Exhibit 3
Housing stock deficit as proportion of a state's housing stock (static estimate not considering interstate migration flows)

A static view suggests that 29 states have a housing undersupply.

Source: Author’s calculations.

2 The District of Columbia had the highest deficit as a share of the existing housing stock at 9.7%.
Impact of migration on the housing deficit of the states

While houses stay in place, people do not. Job growth attracts in-migrants, while a dearth of opportunity drives out-migration. High housing costs also contribute to migration patterns. When the rents get too high, people move away. This dynamic can impact our estimates.

It's helpful to consider the case of California. Our estimates indicate that California has a shortage of 820,000 housing units. But history suggests that California's shortage may be overestimated if interstate migration is considered. For more than four decades, California's state population has grown, but this increase has been driven primarily by international migration. High housing costs have driven many U.S. citizens and households out of California, driving housing demand higher in their destination states.

A robust model of domestic migration flows between states is beyond the scope of this study. But we can approximate how migration may affect our estimates. We can use the historical average of state-to-state migration flows as a forecast of future flows. If the future interstate migration exactly matches past flows since 2001, we can create a rough, but useful approximation (Exhibit 4).

Exhibit 4

Housing stock deficit as proportion of state's housing stock (dynamic estimate considering interstate migration flows)

A dynamic view indicates that some states' deficit is overestimated, like California, while others' is underestimated, like Texas. Some states, like Michigan, move from a deficit to a surplus.

Source: Author's calculations.

---

3 We used the average net migration flows between states from 2001 to 2017 for the past flows.
For example, when considering migration flows, the estimated housing demand in Michigan changes from deficit to surplus; Ohio's surplus increases; and Florida's deficit increases (see Appendix 1.3 for details on our estimation method).

Given the severity of the problem, states have started addressing the issue of supply shortages by taking legislative action. Some of these states such as California, Oregon, Minnesota, and North Carolina have passed legislation to eliminate exclusive single-family zoning. Removing these zoning restrictions will provide builders with the flexibility to build a range of housing options which could help alleviate some of the shortage.

Conclusion

A shortage of housing remains a major issue for the United States. Years of underbuilding has created a large deficit, particularly for states with strong economies that have attracted a lot of people from other states. The issue of undersupply will be further exacerbated as Millennials and younger generations enter the housing markets, especially as housing costs become more favorable.

Dynamic estimates suggest that contrary to expectations, it isn't only the larger states that have a higher housing supply shortage. Some of the smaller states, which have been attracting a lot of migrants from other states, also need to build more housing units to accommodate the needs of their growing population.
Appendix

1.1 Vacancy rate calculations

We calculate the vacancy rate based on the historical vacancy rate. For this purpose, we obtain the historical vacancy rates by state from Moody’s analytics for the period from 1970 to 2000 and estimate the average vacancy rate for this period for each state.

\[ VR_i = \text{average}(VR_i) \text{ for } 1970-2000, \]

where \( i \) is the state.

We then obtain the housing stock information by state from the Housing Stock (HVS) (’000s) U.S. Census Bureau (BOC): Housing Vacancies and Homeownership—Table 8—Quarterly Estimates of the Housing Inventory. From these data, the share of the state in the total housing stock is calculated to get the state weights.

\[ w_i = \frac{K_i}{\sum_i K_i}. \]

The sum product of the vacancy rate of the state and the state’s weight in the housing stock gives us the U.S. average vacancy rate.

U.S. average vacancy rate: \( VR = \sum_i VR_i * w_i. \)

We then compute the difference between the state vacancy rate and the average U.S. vacancy rate to see how far away the state is from the U.S. average.

\[ D_i = VR_i - VR. \]

This deviation for the states is then applied to the long-run vacancy rate for the United States (which we estimated earlier to be 13%) to get the state-wise vacancy rate.

State-wise Vacancy Rate = 13% + \( D_i \) for each state.

1.2 Estimating target households

We obtain the headship rates\(^4\) for the year 2018 by state and by age for all the 50 states and District of Columbia.\(^5\) We then estimate target households using this headship rate and adding back housing

---

\(^4\) Data is available from 1970:Q2 onward. We estimate the average for the period up to 2000:Q4. This corresponds to the period before the boom and bust in the housing market began.

\(^5\) Headship Rate = Number of Head of Households/Total Households.

costs assuming that housing costs become more favorable for household formation.

The target headship rate would be

$$ h_{i,j}^* = h_{i,(2018)} + \alpha_{(housing costs, i)} $$

We then use this target headship rate and the population by five-year age buckets to compute the households in each state.

$$ hh_j^* = \Sigma_i h_{i,j}^* \cdot pop_{i,j} $$

where $i$ is the state and $j$ is the five-year age buckets.

The product of headship rate and population by age gives the households by age group. Summing it up over all the ages gives the total households in the state.\(^7\)

### 1.3 Domestic migration flows between states

For the estimate of the states' share of the deficit, we need to obtain the share of the migration flows between states by age. To get detailed age-wise distribution of population, we use the ACS data from 2001 to 2017. We obtain the population by age and by state for these years. We identify people who had a different state of residence from a year ago, which indicates that they migrated to a different state. We then get estimates of the in-migrants and out-migrants by state and age.

We then estimate the net domestic migrants for each state as the difference between the in-migrants and out-migrants.

$$ NM_{i,j} = I_{i,j} - O_{i,j} $$

where $i$ is the state, $j$ is the five-year age buckets, $I$ is the in-migrants, and $O$ is the out-migrants.

To estimate the net outmigrants from states that have a $NM < 0$, we obtain the Moody's historical net domestic migration data. We then apply these shares by state and age to the net migration data for 2018 to obtain the number of people leaving a state by the five-year age bucket.

$$ \Delta P^*_{i,j, out} = \frac{NM_{i,j}}{\Sigma_j NM_{i,j}} \cdot P_{m,j} $$

where $P^*_{i,j, out}$ is the total change in population (net out-migrants) for states that have net outmigration.

---

\(^7\) These households would be based on the Current Population survey (CPS). To make them consistent with estimates of housing supply from HVS, we apply a multiplier to this gap that is proportional to the gap between the CPS-ASEC and HVS household counts. The CPS-ASEC household estimate for 2018 was 127.6 million. The HVS estimate for that year was 121.3 million. We deflate our target households by a factor equal to 121.3/127.6, or 0.95.
$NM_{i,j}$ is the net out-migrants by age group and state,

$\Sigma NM_{i,j}$ is the sum of the total out-migrants for the state, and

$P_{m,i}$ is the historical net domestic migration data from Moody.

The ratio of $NM / \Sigma NM$ gives the share of the five-year age group in the total out-migrants from the state.

This pool of out-migrants ($P_{i,j,out}'$) is then divided among the in-migrating states, given that the net flows for the country are $O$.

We distribute these migrants according to the share of the state in the total in-migrants as well as by the share of the age group in the total in-migrants to the state.

$$\Delta P_{i,j,in}' = SI_i * SA_{i,j} * \Delta P_{i,j, out}'$$

where $\Delta P_{i,j,in}'$ is the in-migrants to the state $i$ from the outmigrants pool,

$SI$ is the share of the state in total in-migrants,

$SA$ is the share of the five-year age bucket in the total in-migrants, and

$\Delta P_{i,j, out}'$ is the total out-migrants.

The population of each state is then adjusted according to the change in the population estimated above.

$$Population_i' = P_{i,j} + \Delta P_{i,j, out}' \text{ if } NM < 0.$$  

$$= P_{i,j} + \Delta P_{i,j, in}' \text{ if } NM < 0.$$  

The households are then computed based on this adjusted population for each state by applying the headship rates by age group. Then the housing stock is estimated as per equation (1).
Prepared by the Economic & Housing Research group

Sam Khater, Chief Economist
Len Kiefer, Deputy Chief Economist
Venkataramana Yanamandra, Macro Housing Economics Senior

[Website Link]

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Orange County Technical Analysis of SCAG’s Regional Determination from HCD

Government Code Section 65584.01(a) states: “If the total regional population forecast for the projection year, developed by the council of governments and used for the preparation of the regional transportation plan, is within a range of 1.5 percent of the total regional population forecast for the projection year by the Department of Finance, then the population forecast developed by the council of governments shall be the basis from which the department determines the existing and projected need for housing in the region....”.

As outlined in SCAG’s September 18, 2019 objection letter to the California Department of Housing and Community Development (HCD) (see Exhibit B), SCAG’s regional population forecast for its Regional Transportation Plan (RTP) differs from the State Department of Finance (DOF) projection by 1.32%, which falls within the statutory range of 1.5% outlined in state law. Therefore, by statute, the regional determination should be based on SCAG’s population projections.

However, HCD’s October 15, 2019 response letter to SCAG (see Exhibit C) cites two reasons for not using SCAG’s total regional population forecast:

1) The total household projection from SCAG is 1.96% lower than DOF’s household projection.
2) The age cohort of under 15-year old persons from SCAG’s population projections differ from DOF’s projections by 15.8%.

A careful reading of Government Code Section 65584.01(a) demonstrates that HCD’s interpretation and rejection of the use of SCAG’s regional population forecast is incorrect for the following two reasons:

1) The law clearly states that the 1.5% range is based on the total regional population forecast and not the regional household projection forecast.
2) The law clearly states that the 1.5% range is based on the total regional population forecast and not on age-cohort population forecasts.

While Government Code 65584.01 provides a significant level of discretion to HCD over many of the factors used for the regional determination (i.e., vacancy adjustments, overcrowding rates, replacement adjustments, cost-burdened adjustments, etc.), this one issue is clearly written into the law without any discretion from HCD. Therefore, even though we support all of the arguments SCAG outlined in their September 18, 2019 objection letter, we also recognize that state law grants HCD the final determination for those specific factors. However, there is no discretion in HCD’s decision to ignore SCAG’s regional population forecast. Had HCD adhered to Government Code 65584.01(a), we estimate that the regional determination should have been at least approximately 133,000 housing units lower (see Exhibit A), or no more than approximately 1.2 million housing units.

We would hope that HCD would reconsider the other SCAG’s recommendations as noted in their September 18, 2020 objection letter, especially in light of the change in circumstances related to the current COVID-19 pandemic, as well as the recent studies and reports stating that California’s statewide housing shortfall is significantly lower than even SCAG’s entire RHNA obligation.
### Exhibit A

**OPTION A: SCAG region housing needs, June 30 2021-October 1 2029 (8.25 Years)**

1. **Population: Oct 1, 2029 (SCAG 2020 RTP/SCS Forecast)**
   - 20,725,878

2. **Less Group Quarters Population (SCAG 2020 RTP/SCS Forecast)**
   - -327,879

3. **Household (HH) Population, Oct 1, 2029**
   - 20,397,998

<table>
<thead>
<tr>
<th>Household Formation Groups</th>
<th>SCAG Projected HH Population</th>
<th>Household rate - see Table 2</th>
<th>Projected Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 15 years</td>
<td>3,812,391</td>
<td>n/a</td>
<td>6,668,498</td>
</tr>
<tr>
<td>15 - 24 years</td>
<td>2,642,548</td>
<td></td>
<td>147,005</td>
</tr>
<tr>
<td>25 - 34 years</td>
<td>2,847,526</td>
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<td>864,349</td>
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<td>35 - 44 years</td>
<td>2,821,442</td>
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<td>1,304,658</td>
</tr>
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<td>45 - 54 years</td>
<td>2,450,776</td>
<td></td>
<td>1,243,288</td>
</tr>
<tr>
<td>55 - 64 years</td>
<td>2,182,421</td>
<td></td>
<td>1,116,479</td>
</tr>
<tr>
<td>65 - 74 years</td>
<td>1,883,181</td>
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<td>1,015,576</td>
</tr>
<tr>
<td>75 - 84 years</td>
<td>1,167,232</td>
<td></td>
<td>637,415</td>
</tr>
<tr>
<td>85+</td>
<td>590,480</td>
<td></td>
<td>339,727</td>
</tr>
</tbody>
</table>

4. **Projected Households (Occupied Unit Stock)**
   - 6,668,498

5. + vacancy Adjustment (2.63%)
   - 178,806

6. + overcrowding (6.76%)
   - 459,917

7. * replacement Adjustment (0.50%)
   - 34,010

8. "Occupied Units (HHs) estimated June 30, 2021 (from DOF data)
   - -6,250,261

9. + cost-burden Adjustment (Lower Income: 10.63%, Moderate and Above Moderate Income: 9.28%)
   - 117,505

6th Cycle Regional Housing Need Assessment (RHNA)

- 1,208,565
September 18, 2019

Mr. Doug McCauley  
Acting Director  
Housing & Community Development (HCD)  
2020 W. El Camino Ave.  
Sacramento, CA 95833

Subject: SCAG’s Objection to HCD’s Regional Housing Need Determination

Dear Mr. McCauley,

This letter represents the Southern California Association of Governments (SCAG)’s formal objection to HCD’s Regional Housing Need Determination as submitted to SCAG on August 22, 2019 and is made in accordance with Government Code Section 65584.01(c)(2)(A) and (B). At the outset, please know that SCAG is fully aware that the State of California is in the midst of a housing crisis and that resolving this crisis requires strong partnerships with state, regional and local entities in addition to private and non-profit sectors.

As such, SCAG desires to be an active and constructive partner with the State and HCD on solving our current housing crisis, and this objection should not suggest otherwise. We are in fact currently setting up a housing program that will assist our local jurisdictions on activities and policies that will lead to actual housing unit construction.

In the context of the 6th cycle Regional Housing Needs Assessment (RHNA) process, SCAG appreciates the collaboration with HCD as reflected in the numerous consultation sessions on the regional determination and other staff engagement on housing issues with the objective of making RHNA a meaningful step toward addressing our housing crisis.

As you are aware, HCD transmitted its Regional Housing Needs Determination of 1,344,740 units for the SCAG region last month. This number reflects the housing units that local jurisdictions in the region must plan for during the 8-year period from October 2021 to October 2029. At the September 5, 2019 meeting, SCAG Regional Council authorized staff to file an objection to HCD on regional housing need determination pursuant to Government Code Section 65584.01(c).
I would like to note that SCAG’s objection focuses on the process and adherence to state housing law requirements and not necessarily to the regional housing need determination number. The ultimate aim of this objection, as discussed at length by the Regional Council, is to ensure the most technically and legally credible basis for a regional determination so that the 197 local jurisdictions in the SCAG region can approach the difficult task of zoning to accommodate regional needs with the backing of the most robust and realistic target that is possible.

One of our major concerns is that HCD did not base its determination on SCAG’s RTP/SCS Growth Forecast, which was inconsistent with Government Code 65584.01(c)(2)(A). Another major concern is that pursuant to Government Code 65584.01(c) (2) (B), HCD’s determination of housing need in the SCAG region is not a reasonable application of the methodology and assumptions described in statute. Specifically, HCD compared household overcrowding and cost-burden rates in the SCAG region to national averages rather than to rates in comparable regions as statutorily required. These and two additional basis for objections are described in detail in the section below which also includes a deduction for household growth on tribal land and a concern that the vacancy rate standards used by HCD are not substantiated by data, analysis, or literature. In addition, the attached EXCEL worksheet and technical documentation contain SCAG’s alternative proposed 6th cycle RHNA determination, which would consist of a range of total housing unit need between 823,808 and 920,772.

**BASIS FOR SCAG OBJECTION**

**Use of SCAG’s Population Forecast**

HCD did not base its determination on SCAG’s RTP/SCS Growth Forecast, which was provided in the original consultation package and via follow-up email to HCD. Government Code 65584.01(a) indicates [emphasis added]:

“(a) The department’s determination shall be based upon population projections produced by the Department of Finance and regional population forecasts used in preparing regional transportation plans, in consultation with each council of governments. If the total regional population forecast for the projection year, developed by the council of governments and used for the preparation of the regional transportation plan, is within a range of 1.5 percent of the total regional population forecast for the projection year by the Department of Finance, then the population forecast developed by the council of governments shall be the basis from which the department determines the existing and projected need for housing in the region. If the difference between the total population projected by the council of governments and the total population projected for the region by the Department of Finance is greater than 1.5 percent, then the department and the council of governments shall meet to discuss variances in methodology used for population projections and seek agreement on a population projection for the region to be used as a basis for determining the existing and projected housing need for the region. If no agreement is reached, then the population projection for the region shall be the population projection for the region prepared by the Department of Finance as may be modified by the department as a result of discussions with the council of governments.”
SCAG projects total regional population to grow to 20,725,878 by October, 2029. SCAG’s projection differs from Department of Finance (DOF) projection of 20,689,591, which was issued by DOF in May, 2018, by 0.18%. The total population provided in HCD’s determination is 20,455,355, reflecting an updated DOF projection, differs from SCAG’s projection by 1.32%. As SCAG’s total projection is within the statutory tolerance of 1.5%, accordingly HCD is to use SCAG’s population forecast.

While HCD has emphasized that consistency in approach to the 6th cycle RHNA across regions is a priority, deference to the Council of Governments’ forecast as specified in statute is an important aspect of regional planning. Federal requirements for SCAG’s Regional Transportation Plan necessitate a forecast of population, households, and employment for evaluating future land use patterns and measuring future travel demand as well as air quality conformity under the federal Clean Air Act. In addition, under SB 375, the State requires SCAG to develop a Sustainable Communities Strategy which is a coordination of transportation and land use in the regional planning process to achieve State’s climate goals. Both federal and State requirements are predicated on SCAG’s forecast of population, households and employment.

As a result, SCAG has a long-established and well-respected process for producing a balanced forecast of population, households, and employment for the region, the details of which can be found in each Regional Transportation Plan (e.g. [http://scagrtpscs.net/Documents/2016/final/f2016RTPSCS_DemographicsGrowthForecast.pdf](http://scagrtpscs.net/Documents/2016/final/f2016RTPSCS_DemographicsGrowthForecast.pdf)). SCAG’s quadrennial growth forecast begins with a consensus on appropriate assumptions of fertility, migration, immigration, household formation, and job growth by a panel of state and regional experts including members of DOF’s Demographic Research Unit. In addition, SCAG co-hosts an annual demographic workshop with the University of Southern California to keep state and regional experts and stakeholders appraised of demographic and economic trends ([https://www.scag.ca.gov/calendar/Pages/DemographicWorkshop.aspx](https://www.scag.ca.gov/calendar/Pages/DemographicWorkshop.aspx)).

SCAG places a high priority on generating its own forecasts of population, households, and employment and ensuring the highest possible degree of consistency and integrity of its projections for transportation, land use, and housing planning purposes.

**Use of Comparable Regions**

Pursuant to Government Code 65584.01(c)(2)(B), HCD’s determination of housing need in the SCAG region is not a reasonable application of the methodology and assumptions described in statute. Specifically, HCD compared household overcrowding and cost-burden rates in the SCAG region to national averages rather than to rates in comparable regions as statutorily required.

SCAG’s initial consultation package provided an approach using comparable regions to evaluate household overcrowding. SCAG staff met with HCD staff in-person in both Los Angeles and Sacramento to discuss adjustment criteria and how to define a comparable region to Southern California, as our region’s size precludes a straightforward comparison. At the direction of HCD, SCAG staff refined its methodology for identifying comparable regions and provided a state-of-the-practice analysis supported by recent demographic and economic literature which determined
that the most appropriate comparison to the SCAG region would be an evaluation against the San Jose, New York, San Francisco, Miami, Seattle, Chicago, San Diego, Washington D.C., Houston, and Dallas metropolitan areas. Despite this collaboration on the subject between HCD and SCAG, HCD elected to reject this approach and instead used national average statistics, which include small metropolitan areas and rural areas having little in common with Southern California.

HCD’s choice to use national averages:

- Is inconsistent with the statutory language of SB 828, which added the comparable region standard to RHNA law in order to improve the technical robustness of measures of housing need.

- Is inconsistent with empirical data as economic and demographic characteristics differ dramatically based on regional size and context. For comparison, the median-sized metropolitan region in the country is Fargo, North Dakota with a population of 207,500. That is not a meaningful basis of comparison for the nation’s largest MPO.

- Is inconsistent with HCD’s own internal practice for the 6th cycle of RHNA. The regional need determination for the Sacramento Area Council of Governments (SACOG), issued on July 18, 2019, was the first 6th cycle RHNA determination following SB 828’s inclusion of the comparable region standard. During their consultation process with HCD, SACOG also produced a robust technical analysis to identify comparable regions for the purposes of using overcrowding and cost-burden statistics to determine regional housing needs. However, HCD’s final determination for SACOG used this analysis while the SCAG region was held to a different and less reasonable standard.

**Improved Vacancy Rate Comparison**

HCD seemingly uses unrealistic comparison points to evaluate healthy market vacancy, which is also an unreasonable application of the methodology and assumptions described in statute. While SB 828 specifies a vacancy rate for a healthy rental housing market as no less than 5 percent, healthy market vacancy rates for for-sale housing are not specified. HCD’s practice is to compare actual, ACS vacancy rates for the region versus a 5 percent total vacancy rate (i.e. owner and renter markets combined).

During the consultation process, SCAG discussed this matter with HCD staff and provided several points of comparison including historical data, planning standards, and comparisons with other regions. In addition, SCAG staff illustrated that given tenure shares in the SCAG region, HCD’s suggestion of a 5 percent total vacancy rate is mathematically equivalent to an 8 percent rental market vacancy rate plus a 2.25 percent for-sale housing vacancy rate. However, in major metropolitan regions, vacancy rates this high are rarely experienced outside of severe economic recessions such as the recent, housing market-driven Great Recession. Given the region’s current housing shortage, the high volume of vacant units envisioned in HCD’s planning target would be rapidly absorbed, making it an unrealistic standard.
SCAG staff’s original suggestion of 5 percent rental vacancy and 1.5 percent for-sale vacancy (resulting in a 3.17 percent total vacancy rate based on current tenure shares) is in fact higher than the observed rate in the comparable regions defined above. It is also above Federal Housing Authority standards for regions experiencing slow or moderate population growth. It is also above the very liberal standard of 6 percent for for-rent housing and 2 percent for for-sale housing suggested by the California Office of Planning and Research (equivalent to 3.90 percent total vacancy based on SCAG tenure shares) which would also be a more reasonable application of the methodology.\footnote{See Nelson, AC. (2004), \textit{Planner’s Estimating Guide Projecting Land-Use and Facility Needs}. Planners Press, American Planning Association, Chicago. P. 25.}

### Additional Considerations

In addition to the three key points above, SCAG’s proposed alternative includes several other corrections to technical shortcomings in HCD’s analysis of regional housing needs.

1. HCD’s evaluation of replacement need is based on an arbitrary internal standard of 0.5 percent to 5.0 percent of total housing units. 2010-2019 demolition data provided by DOF suggest that over an 8.25-year period, it is reasonable to expect that 0.14 percent of the region’s total housing units will be demolished, but not replaced. This would form the basis of a more reasonable housing needs determination, as DOF’s survey represents the most comprehensive and robust data available.

2. Anticipated household growth on tribal land was not excluded from the regional determination as indicated in the consultation package and follow-up communications. Tribal entities within the SCAG region have repeatedly requested that this estimate be excluded from the RHNA process entirely since as sovereign nations, state law does not apply. SCAG’s proposed approach is to subtract estimates of household growth on tribal land from the regional determination and ensure that these figures are also excluded from local jurisdictions’ annual progress reports (APRs) of new unit construction to HCD during the 6\textsuperscript{th} cycle.

3. A refinement to the adjustment for cost burden would yield a more reasonable determination of regional housing needs. SCAG has repeatedly emphasized the shortcomings of and overlap across various ACS-based measures of housing need. Furthermore, the relationship between new unit construction and cost burden is poorly understood (i.e., what will be the impact of new units on cost, and by extension, cost-burden). Nonetheless, SCAG recognizes that the region’s cost burden exceeds that of comparable regions and proposes one modification to HCD’s methodology, which currently considers cost burden separately by lower and higher income categories.

While housing security is dependent on income, it is also heavily dependent on tenure. While spending above 30 percent of gross income on housing for renters can reflect true housing insecurity, spending above this threshold for owners is substantially less problematic. This is particularly true for higher income homeowners, who generally benefit from housing shortages as it results in home value appreciation. Thus, a more reasonable application of cost burden...
statistics would exclude cost-burden experienced by moderate and above-moderate owner households and instead make an adjustment based on three of the four income and tenure combinations: lower-income renters, higher-income renters, and lower-income owners.

4. From our review, HCD’s data and use of data is not current. In large metropolitan regions, there is no reasonable basis for using 5-year ACS data, which reflects average conditions from 2013 to 2017. For cost-burden adjustments, HCD relies on 2011-2015 CHAS data. By the beginning of the 6th cycle of RHNA, some of the social conditions upon which the determination is based will be eight years old.

During the consultation process, SCAG staff provided HCD with Excel-version data of all inputs needed to replicate their methodology using ACS 2017 1-year data (the most recent available); however, this was not used. The Census bureau is scheduled to release ACS 2018 1-year data on September 26, 2019. SCAG staff would support replicating the same analysis, but substituting 2018 data when it becomes available in order to ensure the most accurate estimates in planning for the region’s future.

Finally, given that the manner and order in which modifications are made affects the total housing need, the attachments demonstrate two alternatives with varying interpretations of three of the above points (see boldface, red text in attachments):

- Vacancy rate comparison – SCAG’s originally proposed values versus an alternative which emerged from the consultation process
- Replacement need – DOF survey value versus HCD’s current practice
- Cost burden measure – whether or not to include higher-income homeowners in this adjustment

We appreciate your careful consideration of this objection. RHNA is a complex process and we recognize the difficult positions that both SCAG and HCD are in but are hopeful that our agencies can reach a reasonable conclusion with respect to the regional need determination. Please contact me if you have questions. I look forward to continuing our close partnership to address the housing crisis in our state.

Sincerely,

Kome Ajise
Executive Director

Attachments
1. SCAG Alternative Determination
2. Excel version: SCAG Alternative Determination and supporting data
3. HCD Letter on Regional Need Determination, August 22, 2019
### OPTION A: SCAG region housing needs, June 30 2021-October 1 2029 (8.25 Years)

#### Population: Oct 1, 2029 (SCAG 2020 RTP/SCS Forecast)
20,725,878

- Less Group Quarters Population (SCAG 2020 RTP/SCS Forecast) -327,879

#### Household (HH) Population, Oct 1, 2029

<table>
<thead>
<tr>
<th>Household Formation Groups</th>
<th>SCAG Projected HH Population</th>
<th>Headship rate - see Table 2</th>
<th>Projected Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 15 years</td>
<td>3,812,391</td>
<td>n/a</td>
<td>20,397,998</td>
</tr>
<tr>
<td>15 - 24 years</td>
<td>2,642,548</td>
<td>147,005</td>
<td></td>
</tr>
<tr>
<td>25 - 34 years</td>
<td>2,847,526</td>
<td>864,349</td>
<td></td>
</tr>
<tr>
<td>35 - 44 years</td>
<td>2,821,442</td>
<td>1,304,658</td>
<td></td>
</tr>
<tr>
<td>45 - 54 years</td>
<td>2,450,776</td>
<td>1,243,288</td>
<td></td>
</tr>
<tr>
<td>55 - 64 years</td>
<td>2,182,421</td>
<td>1,116,479</td>
<td></td>
</tr>
<tr>
<td>65-74 years</td>
<td>1,883,181</td>
<td>1,015,576</td>
<td></td>
</tr>
<tr>
<td>75 - 84 years</td>
<td>1,167,232</td>
<td>637,415</td>
<td></td>
</tr>
<tr>
<td>85+</td>
<td>590,480</td>
<td>339,727</td>
<td></td>
</tr>
</tbody>
</table>

#### Projected Households (Occupied Unit Stock)

- Vacancy: Owner 52.43%, Renter 47.57%
- Tenure Share (ACS 2017 1-year) Healthy Market Vacancy Standard 1.50%, SCAG Vacancy 1.13%
- Difference 0.37%

#### Overcrowding (Comparison Point vs. Region ACS %)

- 5.20%, 9.82%

#### Replacement Adj (Actual DOF Demolitions)

- 0.14%, 9,335

#### Household Growth on Tribal Land (SCAG Estimate)

- 2,766

#### Occupied Units (HHs) estimated June 30, 2021 (from DOF data)

- 6,250,261

#### Cost-burden Adjustment (Comparison Point vs. Region)

- 23,969

#### 6th Cycle Regional Housing Need Assessment (RHNA)

- 823,808
# OPTION B: SCAG region housing needs, June 30 2021-October 1 2029 (8.25 Years)

## Population: Oct 1, 2029 (SCAG 2020 RTP/SCS Forecast)

<table>
<thead>
<tr>
<th>Household Formation Groups</th>
<th>SCAG Projected HH Population</th>
<th>Headship rate - see Table 2</th>
<th>Projected Households</th>
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<td>147,005</td>
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</tr>
<tr>
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<td>590,480</td>
<td>339,727</td>
<td></td>
</tr>
</tbody>
</table>

## Vacancy Rates

<table>
<thead>
<tr>
<th>Tenure Share (ACS 2017 1-year)</th>
<th>Owner</th>
<th>Renter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households by Tenure</td>
<td>52.43%</td>
<td>47.57%</td>
</tr>
<tr>
<td>Healthy Market Vacancy Standard</td>
<td>2.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>SCAG Vacancy (ACS 2017 1-year)</td>
<td>1.13%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Difference</td>
<td>0.87%</td>
<td>2.70%</td>
</tr>
<tr>
<td>Vacancy Adjustment</td>
<td>30,433</td>
<td>115,973</td>
</tr>
</tbody>
</table>

## Overcrowding

- Overcrowding (Comparison Point vs. Region ACS %) 5.20% 9.82% 4.62% 308,264

## Cost-burden Adjustment

- Cost-burden Adjustment (Comparison Point vs. Region) 47,724

## 6th Cycle Regional Housing Need Assessment (RHNA)

920,772
Cost Burden Adjustment: A cost-burden adjustment is applied to the projected need by comparing the difference in cost-burden by income and tenure group for the region to the cost-burden by income and tenure group for comparable regions. The lower income RHNA is increased by the percent difference between the region and the comparison region cost burden rate for households earning approximately 80% of area median income and below (88.89%-84.39%=4.51% for renters and 27.33%-20.97%=6.36% for owners), then this difference is applied to very low- and low-income RHNA proportionate to the share of the population these groups currently represent (Very Low=63% of lower, Low=37% of lower). The higher income RHNA is increased by the percent difference between the region and the comparison region cost burden rate (67.15%-65.53%=1.62% for renters and 23.78%-17.06%=6.72% for owners) for households earning above 80% Area Median Income, then this difference is applied to moderate and above moderate income RHNA proportionate to the share of the population these groups currently represent (Moderate=29% of higher, Above Moderate=71% of higher). SCAG's analysis of the cost-burden measure suggests that it may be less appropriate to apply for higher-income owners and it may be excluded from the adjustment.
### Option A: Regional Housing Need Allocation (RHNA) Determination

**SCAG Region**  
**June 30, 2021 through October 1, 2029**

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Percent</th>
<th>Housing Unit Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very-Low *</td>
<td>25.8%</td>
<td>212,284</td>
</tr>
<tr>
<td>Low</td>
<td>15.1%</td>
<td>124,375</td>
</tr>
<tr>
<td>Moderate</td>
<td>17.1%</td>
<td>140,601</td>
</tr>
<tr>
<td>Above-Moderate</td>
<td>42.1%</td>
<td>346,547</td>
</tr>
</tbody>
</table>

Total 100.0% 823,808

* Extremely-Low 14.6% included in Very-Low Category

### Income Distribution: Income categories are prescribed by California Health and Safety Code (Section 50093, et.seq.). Percents are derived based on ACS reported household income brackets and county median income, then adjusted based on the percent of cost-burdened households in the region compared with the percent of cost burdened households nationally.
October 15, 2019

Kome Ajise
Executive Director
Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

Dear Executive Director Ajise,

RE: Final Regional Housing Need Assessment

The California Department of Housing and Community Development (HCD) has received and reviewed your objection to the Southern California Association of Governments (SCAG)'s Regional Housing Needs Assessment (RHNA) provided on August 22, 2019. Pursuant to Government Code (Gov. Code) section 65584.01(c)(3), HCD is reporting the results of its review and consideration, along with a final written determination of SCAG’s RHNA and explanation of methodology and inputs.

As a reminder, there are several reasons for the increase in SCAG’s 6th cycle Regional Housing Needs Assessment (RHNA) as compared to the 5th cycle. First, as allowed under Gov. Code 65584.01(b)(2), the 6th cycle RHNA applied housing need adjustment factors to the region’s total projected households, thus capturing existing and projected need. Second, overcrowding and cost burden adjustments were added by statute between 5th and 6th cycle; increasing RHNA in regions where incidents of these housing need indicators were especially high. SCAG’s overcrowding rate is 10.11%, 6.76% higher than the national average. SCAG’s cost burden rate is 69.88% for lower income households, and 18.65% for higher income households, 10.88% and 8.70% higher than the national average respectively. Third, the 5th cycle RHNA for the SCAG region was impacted by the recession and was significantly lower than SCAG’s 4th cycle RHNA.

This RHNA methodology establishes the minimum number of homes needed to house the region’s anticipated growth and brings these housing need indicators more in line with other communities, but does not solve for these housing needs. Further, RHNA is ultimately a requirement that the region zone sufficiently in order for these homes to have the potential to be built, but it is not a requirement or guarantee that these homes will be built. In this sense, the RHNA assigned by HCD is already a product of moderation and compromise; a minimum, not a maximum amount of planning needed for the SCAG region.

For these reasons HCD has not altered its RHNA approach based on SCAG’s objection. However, the cost burden data input has been updated following SCAG’s objection due to the availability of more recent data. Attachment 1 displays the minimum RHNA of 1,341,827 total homes among four income categories for SCAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Gov. Code section 65584.01.
The following briefly responds to each of the points raised in SCAG’s objection:

Use of SCAG’s Population Forecast
SCAG’s overall population estimates for the end of the projection period exceed Department of Finance’s (DOF) population projections by 1.32%, however the SCAG household projection derived from this population forecast is 1.96% lower than DOF’s household projection. This is a result of SCAG’s population forecast containing 3,812,391 under 15-year old persons, compared to DOF’s population projection containing 3,292,955 under 15-year old persons; 519,436 more persons within the SCAG forecast that are anticipated to form no households. In this one age category, DOF’s projections differ from SCAG’s forecast by 15.8%.

Due to a greater than 1.5% difference in the population forecast assessment of under 15-year olds (15.8%), and the resulting difference in projected households (1.96%), HCD maintains the use of the DOF projection in the final RHNA.

Use of Comparable Regions
While the statute allows for the council of government to determine and provide the comparable regions to be used for benchmarking against overcrowding and cost burden, Gov. Code 65584.01(b)(2) also allows HCD to “accept or reject information provided by the council of governments or modify its own assumptions or methodology based on this information.” Ultimately, HCD did not find the proposed comparable regions an effective benchmark to compare SCAG’s overcrowding and cost burden metrics to. HCD used the national average as the comparison benchmark, which had been used previously throughout 6th cycle prior to the addition of comparable region language into the statute starting in January 2019. As the housing crisis is experienced nationally, even the national average does not express an ideal overcrowding or cost burden rate; we can do more to reduce and eliminate these worst-case housing needs.

Vacancy Rate
No changes have been made to the vacancy rate standard used by HCD for the 6th cycle RHNA methodology.

Replacement Need
No changes have been made to the replacement need minimum of adjustment .5%. This accounts for replacement homes needed to account for homes potentially lost during the projection period.

Household Growth Anticipated on Tribal Lands
No changes have been made to reduce the number of households planned in the SCAG region by the amount of household growth expected on tribal lands. The region should plan for these homes outside of tribal lands.

Overlap between Overcrowding and Cost Burden
No changes have been made to overcrowding and cost burden methodology. Both factors are allowed statutorily, and both are applied conservatively in the current methodology.
Data Sources
No changes have been made to the data sources used in the methodology. 5-year American
Community Survey data allows for lower margin of error rates and is the preferred data source
used throughout this cycle. With regard to cost burden rates, HCD continues to use the
Comprehensive Housing Affordability Strategy, known as CHAS data. These are custom tabulations of American Community Survey requested by the U.S. Department of Housing and Urban Development. These customs tabulations display cost burden by income categories, such as lower income, households at or below 80% area median income; rather than a specific income, such as $50,000. The definition of lower income shifts by region and CHAS data accommodates for that shift. The 2013-2016 CHAS data became available August 9, 2019, shortly prior to the issuance of SCAG’s RHNA determination so that data is now used in this RHNA.

Next Steps
As you know, SCAG is responsible for adopting a RHNA allocation methodology for the projection period beginning June 30, 2021 and ending October 15, 2029. Pursuant to Gov. Code section 65584(d), SCAG’s RHNA allocation methodology must further 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 each jurisdiction 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, the encouragement of efficient development patterns, and the achievement of the region’s greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.
(3) Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.
(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, as compared to the countywide distribution of households in that category from the most recent American Community Survey.
(5) Affirmatively furthering fair housing.

Pursuant to Gov. Code section 65584.04(e), to the extent data is available, SCAG shall include the factors listed in Gov. Code section 65584.04(e)(1-12) to develop its RHNA allocation methodology. Pursuant to Gov. Code section 65584.04(f), SCAG must explain in writing how each of these factors was incorporated into the RHNA allocation methodology and how the methodology furthers the statutory objectives described above. Pursuant to Gov. Code section 65584.04(h), SCAG must consult with HCD and submit its draft allocation methodology to HCD for review.
HCD appreciates the active role of SCAG staff in providing data and input throughout the consultation period. HCD especially thanks Ping Chang, Ma’Ayn Johnson, Kevin Kane, and Sarah Jepson.

HCD looks forward to its continued partnership with SCAG to assist SCAG’s member jurisdictions meet and exceed the planning and production of the region’s housing need. Just a few of the support opportunities available for the SCAG region this cycle include:

- SB 2 Planning Grants and Technical Assistance (application deadline November 30, 2019)
- Regional and Local Early Action Planning Grants
- Permanent Local Housing Allocation

If HCD 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 
megan.kirkeby@hcd.ca.gov.

Sincerely,

Douglas R. McCauley
Acting Director

Enclosures
ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION

SCAG: June 30, 2021 – October 15, 2029 (8.3 years)

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Percent</th>
<th>Housing Unit Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very-Low*</td>
<td>26.2%</td>
<td>351,796</td>
</tr>
<tr>
<td>Low</td>
<td>15.4%</td>
<td>206,807</td>
</tr>
<tr>
<td>Moderate</td>
<td>16.7%</td>
<td>223,957</td>
</tr>
<tr>
<td>Above-Moderate</td>
<td>41.7%</td>
<td>559,267</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>1,341,827</strong></td>
</tr>
</tbody>
</table>

* Extremely-Low 14.5% 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 ACS reported household income brackets and regional median income, then adjusted based on the percent of cost-burdened households in the region compared with the percent of cost burdened households nationally.
ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION
SCAG: June 30, 2021 – October 15, 2029 (8.3 years)

Methodology

<table>
<thead>
<tr>
<th>Household Formation Groups</th>
<th>HCD Adjusted DOF Projected HH Population</th>
<th>DOF HH Formation Rates</th>
<th>HCD Adjusted DOF Projected Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 15 years</td>
<td>3,292,955</td>
<td>n/a</td>
<td>6,801,760</td>
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<tr>
<td>15 – 24 years</td>
<td>2,735,490</td>
<td>6.45%</td>
<td>176,500</td>
</tr>
<tr>
<td>25 – 34 years</td>
<td>2,526,620</td>
<td>32.54%</td>
<td>822,045</td>
</tr>
<tr>
<td>35 – 44 years</td>
<td>2,460,805</td>
<td>44.23%</td>
<td>1,088,305</td>
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<td>45 – 54 years</td>
<td>2,502,190</td>
<td>47.16%</td>
<td>1,180,075</td>
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<td>1,379,335</td>
<td>57.96%</td>
<td>799,455</td>
</tr>
<tr>
<td>85+</td>
<td>544,750</td>
<td>62.43%</td>
<td>340,070</td>
</tr>
</tbody>
</table>

4. Projected Households (Occupied Unit Stock) 6,801,760
5. + Vacancy Adjustment (2.63%) 178,896
6. + Overcrowding Adjustment (6.76%) 459,917
7. + Replacement Adjustment (.50%) 34,010
8. - Occupied Units (HHs) estimated (June 30, 2021) -6,250,261
9. + Cost Burden Adjustment (Lower Income: 10.63%, Moderate and Above Moderate Income: 9.28%) 117,505

6th Cycle Regional Housing Need Assessment (RHNA) 1,341,827

Explanation and Data Sources

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.

5. Vacancy Adjustment: HCD applies a vacancy adjustment based on the difference between a standard 5% vacancy rate and the region’s current “for rent and sale” vacancy percentage to provide healthy market vacancies to facilitate housing availability and resident mobility. The adjustment is the difference between standard 5% and region’s current vacancy rate (2.37%) based on the 2013-2017 5-year American Community Survey (ACS) data. For SCAG that difference is 2.63%.

6. Overcrowding Adjustment: In region’s where overcrowding is greater than the U.S. overcrowding rate of 3.35%, HCD applies an adjustment based on the amount the region’s overcrowding rate (10.11%) exceeds the U.S. overcrowding rate (3.35%) based on the 2013-2017 5-year ACS data. For SCAG that difference is 6.76%.

Continued on next page

7. Replacement Adjustment: HCD applies a replacement adjustment between .5% & 5% to total housing stock based on the current 10-year average of demolitions in the region’s local
government annual reports to Department of Finance (DOF). For SCAG, the 10-year average is .14%, and SCAG’s consultation package provided additional data on this input indicating it may be closer to .41%; in either data source the estimate is below the minimum replacement adjustment so the minimum adjustment factor of .5% is applied.

8. Occupied Units: Reflects DOF’s estimate of occupied units at the start of the projection period (June 30, 2021).

9. Cost Burden Adjustment: HCD applies an adjustment to the projected need by comparing the difference in cost-burden by income group for the region to the cost-burden by income group for the nation. The very-low and low income RHNA is increased by the percent difference (69.88%-59.01%=10.88%) between the region and the national average cost burden rate for households earning 80% of area median income and below, then this difference is applied to very low- and low-income RHNA proportionate to the share of the population these groups currently represent. The moderate and above-moderate income RHNA is increased by the percent difference (18.65%-9.94%=8.70%) between the region and the national average cost burden rate for households earning above 80% Area Median Income, then this difference is applied to moderate and above moderate income RHNA proportionate to the share of the population these groups currently represent. Data is from 2013-2016 Comprehensive Housing Affordability Strategy (CHAS).
Double Counting in the Latest Housing Needs Assessment

View PDF Report
Do the Math: The state has ordered more than 350 cities to prepare the way for more than 2 million homes by 2030.

But what if the math is wrong?

Senate Bill 828, co-sponsored by the Bay Area Council and Silicon Valley Leadership Group, and authored by state Sen. Scott Wiener in 2018, has inadvertently doubled the "Regional Housing Needs Assessment" in California.

Use of an incorrect vacancy rate and double counting, inspired by SB-828, caused the state's Department of Housing and Community Development (HCD) to exaggerate by more than 900,000 the units needed in SoCal, the Bay Area and the Sacramento area.

The state's approach to determining the housing need must be defensible and reproducible if cities are to be held accountable. Inaccuracies on this scale mask the fact that cities and counties are surpassing the state's market-rate housing targets, but falling far short in meeting affordable housing targets. The inaccuracies obscure the real problem and the associated solution to the housing crisis—the funding of affordable housing.
Do the Math: The state has ordered more than 350 cities to prepare the way for more than 2 million homes by 2030. But what if the math is wrong?

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Double counting (not surprisingly) doubled the assessed housing need for the four major planning regions.

Every five to eight years the Department of Housing and Community Development (HCD) supervises and publishes the results of a process referred to as the Regional Housing Needs Assessment (RHNA). Four regional planning agencies cover the 21 most urban counties and account for 80% of California's housing. All four regions saw a significant jump in the state’s assessment of their housing need for the years 2021 to 2030.
The double count, an unintended consequence of Senate Bill 828, has exaggerated the housing need by more than 900,000 units in the four regions below.

California plans for its housing needs in “cycles.” The four regions are on cycles that last roughly eight years with staggered start dates. In the 2021–2030 housing cycle, errors introduced by language in SB-828 nearly equal the entire 1.15M units of new housing required during the 2013–2022 “cycle.” As illustrated, Southern California and the Bay Area are the most impacted by the state’s methodology errors.
Senate Bill 828 was drafted absent a detailed understanding of the Department of Finance’s methodology for developing household forecasts, and absent an understanding of the difference between rental and home-owner vacancies. These misunderstandings have unwittingly ensured a series of double counts.

**SB-828 MISTAKENLY ASSUMED:**

1. **SB-828 wrongly assumed** ‘existing housing need’ was not evaluated as part of California’s previous Regional Housing Need Assessments, or RHNA. There was an assumption that only future need had been taken into account in past assessments. (In fact, as detailed in The Reality section, the state’s existing housing need was fully evaluated in previous RHNA assessment cycles).

2. **SB-828 wrongly assumed** a 5% vacancy rate in owner-occupied housing is healthy (as explained in the column on the right, 5% vacancy in owner-occupied homes is never desirable, and contradicts Government Code 65584.01(b)(1)(E) which specifies that a 5% vacancy rate applies only to the rental housing market).

3. **SB-828 wrongly assumed** overcrowding and cost-burdening had not been considered in Department of Finance projections of housing need. The bill sought to redress what it mistakenly thought had been left out by requiring regional planning agencies to report overcrowding and cost-burdening data to the Dept. of Housing and Community Development (as explained in the right column).

**THE REALITY IS:**

1. Existing housing need has long been incorporated in California’s planning cycles. It has been evaluated by comparing existing vacancy rates with widely accepted benchmarks for healthy market vacancies (rental and owner-occupied). The difference between actual and benchmark is the measure of housing need/surplus in a housing market. Confusion about the inclusion of “existing need” may have arisen because vacancy rates at the time of the last assessment of housing need (“the 5th cycle”) were unusually high (higher than the healthy benchmarks) due to the foreclosure crisis of 2007–2010, and in fact, the vacancy rates suggested a surplus of housing. So, in the 5th cycle the vacancy adjustment had the effect of lowering the total housing need. Correctly seeing the foreclosure crisis as temporary, the state Department of Finance did not apply the full weight of the surplus, but instead assumed a percentage of the vacant housing would absorb by the time the 5th cycle began. The adjustment appears in the 5th cycle determinations, not as ‘Existing Housing Need’ but rather as “Adjustment for Absorption of Existing Excess Vacant Units.”

2. While 5% is a healthy benchmark for rental vacancies, it is unhealthy for owner-occupied housing (which typically represents half of existing housing). Homeowner vacancy in the U.S. has hovered around 1.5% since the ‘70s, briefly reaching 3% during the foreclosure crisis. However, 5% is well outside any healthy norm, and thus does not appear on the Census chart (to the right) showing Annual Homeowner Vacancy Rates for the United States and Regions: 1968–2019.

3. Unknown to the authors of SB-828, the Department of Finance (DOF) has for years factored overcrowding and cost-burdening into their household projections. These projections are developed by multiplying estimated population by the headship rate (the proportion of the population who will be head of a household). The Department of Finance (DOF) in conjunction with the Department of Housing and Community Development (HCD) has documented its deliberate decision to use higher headship rates to reflect optimal conditions and intentionally “alleviate the burdens of high housing cost and overcrowding.” Unfortunately, SB-828 has caused the state to double count these important numbers.
The forced double-counting errors are significant.*

1. Incorrect use of a 5% benchmark vacancy rate for owner-occupied housing.  
The vacancy rate was incorrectly used for both existing and projected owner-occupied households.  

\[+229,000\] housing units

2. Current vacancies were assumed to exist in household projections.  
This error is unrelated to SB-828, but is an accounting error introduced by HCD methodology.  

\[-22,000\] housing units

3. Overcrowding and cost-burdening were double counted.**  
In addition to the household projection methodology outlined by the Department of Finance (shown to account for overcrowding and cost-burdening), the matter is also mentioned in meeting notes available on the Association of Bay Area Government’s (ABAG) website.***

Quote from ABAG’s Housing Methodology Committee Agenda Packet for the 4th RHNA Cycle, July 2006

“There was also a lot of discussion about the headship rates used by HCD/DOF. Several people commented that headship rates in the Bay Area are generally lower than the State’s estimates because the region’s high housing costs limit household formation. In response, Mr. Fassinger noted that HCD uses these higher headship rates because the RHNA process is intended to alleviate the burdens of high housing cost and overcrowding.”

Despite this, overcrowding and cost-burdening were counted a second time as adjustment factors required by SB-828.

\[+734,000\] housing units

TOTAL: \[+941,000\] housing units

* All errors are rounded to the nearest thousand.
** Overcrowding measures the number of households with more than 1 person per room. Cost-burdening measures the number of households that spend more than 30% of the household income on housing. Cost-burdening is measured by five income levels — extremely low, very low, low, moderate, above moderate.
*** P-4 tables are created by the Department of Finance—Household Projection table 2020–2030 and their methodology is fully explained in ‘read me’ notes that accompany the table.
The state's exaggerated targets unfortunately mask the real story: Decades of overachieving in market-rate housing has not reduced housing costs for lower income households.

The state has shown, with decades of data, that it cannot dictate to the market. The market is going to take care of itself. The state's responsibility is to take care of those left behind in the market's wake. Based on housing permit progress reports published by the Dept. of Housing and Community Development in July 2020, cities and counties in the four most populous regions continue to strongly outperform on the state's assigned market-rate housing targets, but fail to achieve even 20% of their low-income housing target. In the Bay Area where permit records have been kept since 1997, there is evidence that this housing permit imbalance has propagated through decades of housing cycles.

**Permit Progress in the 5th Cycle (2013-2022)**
(all 4 regions)

- **Permits Issued** (as of April 2019)
- **5th Cycle Targets** (as of April 2019)

- **Very low + low income**
- **Market rate**

**Affordable Housing Languishes as Market-Rate Housing Overachieves**
(Bay Area only)

- **Market-Rate Permits**
- **Very-low + Low Income Permits**

* Based on permit progress reports published by the Dept of Housing and Community Development and updated July 2020, reporting progress through April 2019.
** Only the Bay Area is shown because other regions have not kept detailed records of permit progress through the 3rd and 4th cycles.
It's clear. Market-rate housing doesn't need state incentives. Affordable housing needs state funding.

Cities are charged by the state to build one market-rate home for every one affordable home. But state laws, such as the density bonus law, incentivize developers to build market-rate units at a far higher rate than affordable units. As a result, California has been building four market-rate units for every one affordable unit for decades. And with the near-collapse of legislative funding for low-income housing in 2011, that ratio has grown to seven to eight market-rate units to each affordable unit. Yet we need one-to-one. This worsening situation can't be fixed by zoning or incentives which are the focus of many recent housing bills and only reinforce or worsen the ever-higher market-rate housing ratios. From the data it appears that the shortage of housing resulted not from a failure by cities to issue housing permits, but rather a failure by the state to fund and support affordable housing. Future legislative efforts should take note.

---

**State Funds for Affordable Housing, 2008–2019**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Billion</td>
<td>$3.0</td>
<td>$2.0</td>
<td>$1.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
</tbody>
</table>

---

**Market-Rate to Low-Income Housing Permits in the Bay Area has grown from a ratio of 4 : 1 to 7 : 1**

(Bay Area only)**

- 3rd Cycle 1999–2006
- 4th Cycle 2006–2014
- 5th Cycle 2014–2022

---

* "The Defunding of Affordable Housing in California", Embarcadero Institute, update June 2020  www.embarcaderoinstitute.com/reports/

** Only Bay Area is shown because other regions have not kept detailed records of permit progress through the 3rd and 4th cycles. Data is from ABAG’s permit progress reports for 3rd and 4th cycle and Dept. of Housing and Community Development’s 5th cycle Annual Progress Report.
Finally, since penalties are incurred for failing to reach state targets for housing permits, the methodology for developing these numbers must be transparent, rigorous and defensible.

Non-performance in an income category triggers a streamlined approval process per Senate Bill 35 (2017). These exaggerated 6th cycle targets will make it impossible for cities and counties to attain even their market-rate targets, ensuring market-rate housing will qualify for incentives and bonuses meant for low income housing. **Yet again low-income housing will lose out.** The state needs to correct the errors in the latest housing assessment, and settle on a consistent, defensible approach going forward.

At Least Four Different Methodologies Have Been Used Simultaneously by the State to Discuss Housing Need: We Only Need One

1. **The Conventional Economist Approach:** uses goldilocks (not too big, not too small, just right) benchmarks for vacancies - 1.5% for owner-occupied and 5% for rental housing.

2. **SB-828 Double Count:** incorrectly uses a benchmark of 5% vacancy for owner-occupied housing. It also double counts overcrowding and cost-burdening.

3. **McKinsey’s New York Benchmark:** the over-simplified approach generated an exaggerated housing gap of 3.5 Million for California. McKinsey multiplied California’s population by New York’s housing per capita to get 3.5M. New York is not a proper benchmark for California and NY’s higher housing per capita is more reflective of NY’s declining population rather than a healthy benchmark for housing.

4. **Jobs-to-housing ratio of 1.5:** according to state planning agencies 1.5 is the optimal benchmark. Employment in the four regions is estimated to grow to 17 million by 2030 (job growth estimates prepared before COVID).

**Forecast 2030 Housing Need for the Four Regions**

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Housing Gap (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conventional Economist Approach</td>
<td>1.17M</td>
</tr>
<tr>
<td>2. SB-828 Double Count</td>
<td>2.11M</td>
</tr>
<tr>
<td>3. McKinsey’s New York Benchmark</td>
<td>2.88M</td>
</tr>
<tr>
<td>4. Jobs-to-housing Ratio of 1.5</td>
<td>0.23M</td>
</tr>
</tbody>
</table>

**McKinsey’s 3.5 Million Housing Gap for California (New York as comparable)**

**McKinsey’s Housing Gap for the four regions**

* California’s Employment Development Department (EDD) estimates employment by county through 2026. Using annualized growth (2016 to 2026) as a basis for future growth, 2030 employment is estimated for the four regions.

** The 17 million includes estimates of self employed, private household workers, farm and nonfarm employment. Occupations with employment below 100 in 2016 are excluded.
How it Works: A multi-agency collaborative effort has generated past state housing targets. However, in 2018, SB-828 annointed the Dept. of Housing and Community Development with final veto powers.

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>The Dept. of Finance (DOF) generates household forecasts by county based on population growth and headship rates. This is the step where overcrowding and cost-burdening are factored in.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>STEP 2</strong></td>
</tr>
<tr>
<td></td>
<td>The Dept. of Housing and Community Development (HCD) then takes the DOF household projections and adds in a healthy vacancy level (1.5% for owner-occupied, 5% for rental housing) to determine the number of housing units needed to comfortably accommodate the DOF household projections.</td>
</tr>
<tr>
<td></td>
<td><strong>STEP 3</strong></td>
</tr>
<tr>
<td></td>
<td>The regional agencies allocate housing targets to cities and counties in their jurisdiction. These allocations collectively meet their RHNA assessments, and are based on algorithms that may include employment, transit accessibility and local housing patterns.</td>
</tr>
<tr>
<td></td>
<td><strong>STEP 4</strong></td>
</tr>
<tr>
<td></td>
<td>Cities and Counties report annual progress on housing permits to the Dept. of Housing and Community Development (HCD)</td>
</tr>
</tbody>
</table>
SB-828 introduced errors in Step 2 (when the Dept. of Housing and Community Development made adjustments to the Dept. of Finance's household projections).

Southern California and the Bay Area were most impacted by the double counting. San Diego was not assessed for cost-burdening although it is more cost-burdened than the Bay Area. It was perhaps overlooked because its assessment cycle began in July, 2018, a few months before SB-828 passed into law.

The Department of Housing and Community and Development

1. Used a benchmark of 5% vacancy rate for BOTH owner-occupied and rental housing.

   Six SoCal Counties   =    +126,000
   Greater Bay Area   =    +59,000
   San Diego Area     =    +23,000
   Greater Sacramento =    +21,000

   +228,000 housing units

2. Assumed vacancies in household projections *

   Six SoCal Counties   =   -13,000
   Greater Bay Area    =   -4,000
   San Diego Area      =   -2,000
   Greater Sacramento  =   -3,000

   -22,000 housing units

3. Double counted overcrowding and cost-burdening

   Six SoCal Counties   =   +578,000
   Greater Bay Area    =   +104,000
   San Diego Area      =    +39,000
   Greater Sacramento  =    +13,000

   +734,000 housing units

* P-4 tables are created by the Department of Finance—Household Projection table 2020–2030 and their methodology is fully explained in 'read me' notes that accompany the table.

** Overcrowding measures the number of households with more than 1 person per room. Cost-burdening measures the number of households that spend more than 30% of the household income on housing. Cost-burdening is measured by five income levels—extremely low, very low, low, moderate, above moderate.
The Department of Housing and Community Development (HCD) have traditionally arrived at a number for pent-up demand or housing shortfall by comparing vacancy rates in owner-occupied and rental housing to healthy benchmarks (1.5% for owner-occupied* and 5% for rental housing). The largest of the four regions, six SoCal Counties (covering Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties) is considered in the example below**.

**EXISTING HOUSING: Six SoCal Counties**

<table>
<thead>
<tr>
<th>Occupied Housing Units</th>
<th>Vacant Housing Units</th>
<th>Existing Need</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home-owned (3.3 Million)</strong></td>
<td>Actual Vacancies (40,000)</td>
<td>1.2%</td>
</tr>
<tr>
<td></td>
<td>Healthy Benchmark (50,000)</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Rentals (3 Million)</strong></td>
<td>Actual Vacancies (111,000)</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>Healthy Benchmark (150,000)</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>Seasonal Vacancies (500,000)***</td>
<td></td>
</tr>
</tbody>
</table>

* Owner-occupied has a lower healthy vacancy rate because it is usually only vacant while a house is for sale

** All numbers are rounded to the nearest thousand.

*** Seasonal Vacancies represent second homes, corporate housing, and short-term rentals such as AirBnBs

(A-3)
The housing need also takes into account for future growth.

The Dept. of Finance (DOF) supplies the Dept. of Housing and Community Development (HCD) with an estimate of additional households (HH) needed by the end of the cycle. The DOF forecast the 2030 population and using an optimal household formation rate determine the number of households needed to comfortably house that population*. The DOF also supply the HCD with the number of existing households at the start of the cycle. The HCD adds to the base number of additional households needed, factoring in vacancies for a healthy market, and adding a replacement adjustment (also supplied by the DOF)**.

### PROJECTED HOUSING NEED: Six SoCal Counties

<table>
<thead>
<tr>
<th>Additional HH by 2030</th>
<th>Healthy Vacancy New Housing:</th>
<th>Existing Need</th>
<th>Replacement Adjustment:</th>
<th>Total Housing Need by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-owned (290,000)</td>
<td>1.5% (4,000)</td>
<td>(10,000)</td>
<td>(34,000)</td>
<td>651,000 housing units</td>
</tr>
<tr>
<td>Rentals (261,000)</td>
<td>5.0% (13,000)</td>
<td>(39,000)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Households represent occupied housing units. The number of housing units is always higher as at any given time than the number of households because some housing will be vacant or unutilized. The DOF is responsible for the base projection because they manage population projections for the state, and determine those by analyzing births, deaths and net migration.

** Replacement represents houses that may be demolished or replaced during the cycle*. 

1 circle = 10,000 households
However, the Dept. of Housing and Community Development has adopted an unusual methodology in evaluating existing need in the 6th housing cycle.

Instead of the typical 1.5% benchmark for owner-occupied housing, they used a 5% vacancy rate usually reserved for rental housing. A 5% vacancy in owner-occupied housing is indicative of a distressed housing market. At 5%, SoCal’s existing housing need is increased by 115,000 housing units. Existing need for rental housing is unchanged.

### EXISTING HOUSING: Six SoCal Counties

<table>
<thead>
<tr>
<th>Occupied Housing Units</th>
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</thead>
<tbody>
<tr>
<td><strong>Home-owned (3.3 Million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Vacancies (40,000)</td>
<td>1.2%</td>
<td>(125,000)</td>
</tr>
<tr>
<td>Healthy Benchmark (165,000)</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Rentals (3 Million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Vacancies (110,000)</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>Healthy Benchmark (149,000)</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Seasonal Vacancies (500,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(38,000)</td>
<td></td>
</tr>
</tbody>
</table>
The Dept. of Housing and Community Development have also taken an unusual approach in evaluating projected housing need.

Again, instead of using the separate benchmark of 1.5% for owner-occupied housing, 5% was used for all housing. It was also assumed that new projected households had existing vacancies. The full benchmark was not applied to new households. Instead, the difference between the benchmark and the current vacancy rate was applied. The replacement adjustment was applied as it has been in the past.

<table>
<thead>
<tr>
<th>Additional HH by 2030</th>
<th>Healthy Vacancy</th>
<th>Assumed Vacancy</th>
<th>Existing Need</th>
<th>Replacement Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-owned (290,000)</td>
<td>5% (15,000)</td>
<td>1.2% (3,000)</td>
<td></td>
<td>(34,000)</td>
</tr>
<tr>
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<td>3.7% (10,000)</td>
<td>(39,000)</td>
<td></td>
</tr>
</tbody>
</table>

1 circle = 10,000 households

763,000 housing units
Lastly, the Dept. of Housing and Community Development double counted by adding two new factors that had already been factored into household forecasts made by the Dept. of Finance (DOF).

Two new factors were introduced into the 6th assessment — overcrowding and cost burdening. These factors had already been rolled into the DOF’s household projections. The DOF explicitly recognized that regional household formation rates might be depressed (a symptom of overcrowding and cost-burdening) because of the affordable housing crisis. The household formation rate used by the DOF is higher than the actual rate experienced. As such it generates a higher housing target meant to relieve overcrowding and cost-burdening.

**PROJECTED HOUSING NEED: Six SoCal Counties**

From the Department of Finance

“The argument was that the Great Recession and the affordability crisis which impact recent trends in headship should not be allowed to solely dominate the projection, rather some return to underlying socio-cultural norms of homeownership/fewer roommates is a beneficial assumption”

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In addition to double counting, HCD incorrectly calculated the overcrowding factor. They assumed that for every house that was overcrowded another house would be required to relieve overcrowding. The more accurate analysis would be to assess the number of extra people to be housed and divide by the average household size.

**HCD only applied cost-burdening adjustments to future households not existing households. It is unclear why cost-burdening would only be considered an issue for future households, as the data is for current households.**
The vacancy errors and double counting resulted in a doubling of the housing needs assessment for the six counties of SoCal.

### TYPICAL METHODOLOGY

<table>
<thead>
<tr>
<th>Additional HH by 2030</th>
<th>Healthy Vacancy New Housing:</th>
<th>Existing Need</th>
<th>Replacement Adjustment:</th>
<th>Total Housing Need by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-owned (290,000)</td>
<td>1.5% (4,000)</td>
<td>(10,000)</td>
<td>(34,000)</td>
<td>651,000 housing units</td>
</tr>
<tr>
<td>Rentals (261,000)</td>
<td>5.0% (13,000)</td>
<td>(39,000)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### HCD 6TH CYCLE METHODOLOGY

<table>
<thead>
<tr>
<th>Additional HH by 2030</th>
<th>Healthy Vacancy New Housing:</th>
<th>Assumed Vacancy New Housing</th>
<th>Existing Need</th>
<th>Replacement Adjustment:</th>
<th>Overcrowding Adjustment</th>
<th>Cost Burdening Adjustment</th>
<th>Total Housing Need by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-owned (290,000)</td>
<td>5% (15,000)</td>
<td>1.2% (3,000)</td>
<td>(125,000)</td>
<td>(34,000)</td>
<td>(460,000)</td>
<td>(118,000)</td>
<td>1,342,000 housing units</td>
</tr>
<tr>
<td>Rentals (261,000)</td>
<td>5.0% (13,000)</td>
<td>3.7% (10,000)</td>
<td>(39,000)</td>
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</table>
Complete data tables:  *RHNA Data and Models 6th cycle*, www.embarcaderoinstitute.com

**References used in the analysis:**

**Dept. of Housing and Community Development (HCD) [www.hcd.ca.gov](http://www.hcd.ca.gov)**

**Regional Housing Needs Allocation and Housing Elements**

**Regional Housing Needs**

- **Allocations for 6th Cycle Housing Elements:**
  - Association of Bay Area Governments Regional Housing Need Determination Plan for the Sixth Housing Element Update
  - Sacramento Area Council of Governments Regional Housing Need Determination for the Sixth Housing Element Update
  - Southern California Association of Governments Regional Housing Need Determination for the Sixth Housing Element Update
  - San Diego Association of Governments Regional Housing Need Determination and Plan for the Sixth Housing Element Update

- **Allocations for 5th Cycle Housing Elements:**
  - Association of Bay Area Governments (February 24, 2012)
  - Sacramento Area Council of Governments (September 26, 2011)
  - San Diego Association of Governments (November 23, 2010)
  - Southern California Association of Governments (August 17, 2011)

**Annual Progress Reports**

- Annual Progress Report APR: 5th Cycle Annual Progress Report Permit Summary (updated 7/30/2020)

**Allocations for Earlier Cycles and Housing Element**

- RHNA 2007-2014 - Housing Methodology Committee Agenda Packet 07-27-06
- Regional Housing Needs Plan 2006 to 2013 SACOG February 2008
- 3rd and 4th Cycle RHNA allocations (data sent in personal communication with the Department of Housing and Community Development)

**Department of Finance Methodology for Household Forecasts**

- "Read Me" P4 Tables: Household Projections 2020 to 2030
- Association of Bay Area Governments Digital Library: RHNA Documents, Regional Housing Need Allocation Documents
  - RHNA 2007-2014 - Housing Methodology Committee Agenda Packet 07-27-06, Regional Housing Need Allocation p 2

**Other Housing Assessment Methodologies**

- "McKinsey & Company: A TOOL KIT TO CLOSE CALIFORNIA'S HOUSING GAP: 3.5 MILLION HOMES BY 2025", October 2016

**Jobs to Housing**

- Employment Development Department, State of California, Employment Projections: Long Term Projections
  - [https://www.labormarketinfo.edd.ca.gov/data/employment-projections.html](https://www.labormarketinfo.edd.ca.gov/data/employment-projections.html)
Attachment 2
RHNA Allocation Methodology
SCAG RHNA Calculator
www.scag.ca.gov/RHNA - Scroll down to RHNA Draft Allocation Calculator

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<tr>
<td>SCAG 6TH CYCLE DRAFT RHNA ALLOCATION BASED ON FINAL RHNA METHODOLOGY</td>
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<tr>
<td>What is this? This spreadsheet tool provides input data as well as draft RHNA allocation for each local jurisdiction. Following the adoption of Connect SoCal (2020 RTP/SCS) by SCAG's Regional Council on 9/4/2020, draft allocations were formally issued to each local jurisdiction.</td>
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<td>Instructions. Select jurisdiction from dropdown menu. Green boxes will populate based on data in &quot;Metadata&quot; tab. For more information, please see <a href="http://www.scag.ca.gov/rhna">www.scag.ca.gov/rhna</a> or email <a href="mailto:housing@scag.ca.gov">housing@scag.ca.gov</a>.</td>
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<td>Total regional housing need: 1,341,827</td>
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</table>

Adelanto city statistics:

| Forecasts of household (HH) growth, RHNA period: |
| Percent of households who are renting: |
| Percent of households who are renting: |
| Housing unit loss from demolition (2009-18): |
| Adj. forecasted household growth, 2020-2045:* |
| # of regional jobs accessible in 30 mins (2045):** |
| Share of region's job accessibility | Regional Percentile |
| Share of region's HOQA population (2045) |
| Share of pop. in low/very low-resource tracts: |
| Share of pop. in very high-resource tracts: |
| Social equity adjustment: |

*Local input/growth forecast total adjusted by the difference between the RHNA determination and SCAG's regional 2020-2045 forecast (14%) |
**For the jurisdiction's median TAZ

For complete descriptions of values below, see "metadata" tab or www.scag.ca.gov/rhna

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<td>RHNA Allocation inputs for Adelanto city</td>
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<td>Forecasted household (HH) growth, RHNA period:</td>
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<td>Existing need due to job accessibility (50%)</td>
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<tr>
<td>Existing need due to HOQA pop. share (50%)</td>
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<td>Net residual factor for existing need*</td>
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<td>TOTAL EXISTING NEED</td>
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<td>TOTAL RHNA FOR ADELANTO CITY</td>
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</table>

*Negative values represent a lower-resource community with good job and/or transit access having its allocation capped. Positive values represent the amount being redistributed to higher-resource communities based on their job and/or transit access.
Overall Approach: Primary Allocation Factors

- Growth Forecast
- Transit Accessibility
- Job Accessibility
Overall Approach: Allocation Framework

Jurisdiction’s projected housing need + Jurisdiction’s “share” of the existing regional housing need = Jurisdiction’s Total Housing Need
Determining Projected Housing Need: Step 1

Jurisdiction's Forecasted Household Growth (RHNA Period) + Jurisdiction's Vacancy Adjustment + Jurisdiction's Replacement Need = Jurisdiction’s Total Projected Housing Need
Determining Existing Housing Need: Step 2a
Job Accessibility and Transit Accessibility

Regional Existing Need
836,857 Housing Units

Baseline Jurisdiction
Existing Need

Job Accessibility
50%

Population within HQTAs
50%

Transit Accessibility
Transit Accessibility

Share of Population within High Quality Transit Areas

High Quality Transit Area (2045)

Note: To assist in identifying transit priority project areas, SCAG identifies Major Transit Stops and High Quality Transit Corridors (HQTCs), and their surrounding areas in one-half mile radius distance, as specified in Section 21155(b)(3). Major transit stops and HQTCs are extracted from 2006 plan year data of the Draft Connect SoCal. SCAG's High Quality Transit Area (HQTA) is within one-half mile from Major Transit Stops and HQTCs and developed based on the language in SB375. Please note that this map may undergo changes as SCAG continues to update its transportation network as part of the Connect SoCal development process and SCAG shall not be responsible for local jurisdiction’s use of this map. Updates to this information will be forthcoming as information becomes available.

Source: SCAG, 2019
Job Accessibility

Share of Regional Jobs Accessible by Auto in 30 minutes
Determining Existing Housing Need: Step 2b Extremely Disadvantaged Communities (DAC)

- DACs are jurisdictions where more than 50% of the population lives in high segregation and poverty areas or low resource areas*
  - SCAG has identified 54 DACs (5 in Orange County)
- Total RHNA is capped for DACs at their 2045 projected growth
- Any additional RHNA over that cap are redistributed to non-DAC jurisdictions within the county of origin based on Step 2a
  - Total of 93,781 redistributed units

* As defined by the California Tax Credit Allocation Committee (TCAC)/HCD Opportunity Index Scores

Los Angeles (44,368)
Orange (44,442)
San Bernardino (4,202)
Ventura (770)
Imperial (0)
Riverside (0)
### Determining Existing Housing Need: Step 2b
### Extremely Disadvantaged Communities

<table>
<thead>
<tr>
<th>City</th>
<th>Baseline RHNA Assigned</th>
<th>Redistributed RHNA Units</th>
<th>Final RHNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>La Habra</td>
<td>2,684</td>
<td>1,881</td>
<td>803</td>
</tr>
<tr>
<td>Stanton</td>
<td>3,768</td>
<td>2,540</td>
<td>1,228</td>
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<tr>
<td>Orange</td>
<td>9,533</td>
<td>5,606</td>
<td>3,927</td>
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<tr>
<td>Anaheim</td>
<td>28,669</td>
<td>11,257</td>
<td>17,412</td>
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<tr>
<td>Santa Ana</td>
<td>26,256</td>
<td>23,168</td>
<td>3,087</td>
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</tbody>
</table>

Orange County Residual Total

- 44,442
Determining Existing Housing Need: Step 2c

Jurisdiction’s Share of the 2045 Regional Population in HQTA

+jurisdiction’s Share of 2045 Regional Jobs within 30-Minute Drive

+ Jurisdiction’s Share of the Residual Need Redistributed within County*

= Jurisdiction’s Total Existing Housing Need

* Labeled as “Net Residual Factor for Existing Need”

• Negative values represent a DAC with good job and/or transit access having its allocation capped

• Positive values represent this amount being redistributed from DACs to higher resourced communities based on their job and/or transit access
Determine Total Housing Need: Step 3

Jurisdiction’s projected housing need + Jurisdiction’s existing housing need = Jurisdiction’s Total Housing Need
Social Equity Adjustment: Step 4
What is Social Equity Adjustment?

HH Income Distribution

- City A existing distribution
- County distribution (benchmark)

Very low income:
- City A Existing Distribution: 36%
- County Existing Distribution/100% Adjustment: 25%
- 110% Adjustment: 24%
- 175% Adjustment: 17%

Low income:
- City A Existing Distribution: 25%
- County Existing Distribution/100% Adjustment: 17%
- 110% Adjustment: 17%
- 175% Adjustment: 20%

Moderate:
- City A Existing Distribution: 44%
- County Existing Distribution/100% Adjustment: 11%
- 110% Adjustment: 12%
- 175% Adjustment: 12%

Above moderate:
- City A Existing Distribution: 32%
- County Existing Distribution/100% Adjustment: 45%
- 110% Adjustment: 32%
- 175% Adjustment: 53%
Social Equity Adjustment: Step 4a
Determine Social Equity Adjustment

Total RHNA Allocation

- Very low income
- Low income
- Moderate income
- Above moderate income

Minimum social equity adjustment: 150%

County median income will be used as benchmark for distribution

Increased adjustment (up to an addition 30%) for the very highest and very lowest resourced jurisdictions, as defined by the State
Social Equity Adjustment: Step 4a
Determine Social Equity Adjustment

Minimum 150%  +  AFFH Adjustment (0-30%)  =  Total social equity adjustment
Social Equity Adjustment: Step 4b
Apply Social Equity Adjustment to RHNA

Current Household Income Distribution

Social Equity Adjustment

Above Moderate
Moderate
Low
Very Low
RHNA Appeals Procedures
**RHNA Appeals Timeline**

**Filing period**
- **45 days**
- **September 11 – October 26, 2020**

**Comment period**
- **45 days**
- **October 26 – December 9, 2020**

**Public Hearing**
- **30 days**
- **December 10 – January 10, 2021**

*New!*

This deadline may be extended for 30 additional days to February 9, 2021, in order to ensure that a Final RHNA Allocation Plan can be considered by SCAG’s Regional Council at its February 4, 2021 meeting.
Who Can File an Appeal?

- Jurisdiction
- Other jurisdictions
- California Department of Housing and Community Development (HCD)
Bases for Appeal

*From Government Code Section 65584.05(b):*

1. Local planning factors and information on affirmatively furthering fair housing (AFFH)
2. Application of final methodology
3. Change in circumstance

Must include statement why the revision is necessary to further the objectives of RHNA law

- See Government Code Section 65584
1. SCAG failed to adequately consider the information submitted in a jurisdiction’s local planning factors:
   • Existing and projected jobs and housing relationship
   • Water/sewer service based on decisions by provider other than the jurisdiction
   • Open space protected by federal or State programs
   • Rate of overcrowding
   • Presence of a four-year college or university
   • Full listing in Government Code Section 65584.04(b) and (e)

Affirmatively furthering fair housing
2. SCAG failed to determine the share of the regional housing need in accordance with state housing law and the approved RHNA methodology

3. Change in circumstance
   • Can only be used by jurisdiction where change occurred
Bases for Appeal

• Appeals cannot be based on:
  • Any local ordinance, policy, voter approved measure, or standard limiting residential development
  • Prior underproduction of housing from the previous RHNA
  • Stable population numbers
Appeals Public Hearing: Day-of Procedure

**Initial Arguments**
- Appeal applicants
- Subject jurisdiction
- 5-minute limit

**Staff Response**
- 5-minute limit

**Rebuttal**
- Appeal applicants
- Subject jurisdiction
- 3-minute limit

**Questions and Determination**
- RHNA Appeals Board
Successful Appeals Reallocation Plan

• If fewer than 93,928 units (7% of total RHNA) are granted, they will be reallocated back proportionally to all jurisdictions based on share of “regional need” (your share of the total RHNA minus successful appeals)

• If more than 93,928 units are granted:
  • First 93,928 units are redistributed as described above
  • Any additional units will be reallocated using a methodology similar to adopted final methodology existing need formula above that amount
    • Proportional to county origination
    • 50% based on transit access
    • 50% based on job access
    • Disadvantaged communities exempt from reallocation amount above 93,928 units
Final RHNA Allocation

- Appeal decisions by the RHNA Appeals Board are final and not subject to review by CEHD and Regional Council.

- Reallocation of successful units cannot be appealed.

- All appeals will be included in the proposed final RHNA allocation.

- Public Hearing to adopt final RHNA allocation:
  - February 2021.
For more information:
Email: nfarnsworth@yorbalindaca.gov
www.scag.ca.gov/rhna
Email: housing@scag.ca.gov
Item B-3
Verbal updates on legislative issues will be presented by the City’s lobbyists.
3. State and Federal Legislative Updates

The City's state and federal lobbyists will provide a verbal update to the Liaisons on state and federal issues.

C. Adjournment

George Chavez, City Manager
Posted: October 9, 2020

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT WWW.BEVERLYHILLS.ORG

Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services.