



**BOARD OF DIRECTORS
JULY 9, 2010**

**AGENDA ITEM NO. 10-07-4
ACTION REQUESTED - DISCUSSION**

**REGIONAL HOUSING NEEDS ASSESSMENT
AND THE UPCOMING HOUSING ELEMENT CYCLE**

File Number 3100000

Introduction

SANDAG is beginning the Regional Housing Needs Assessment (RHNA) for the next (fifth) housing element cycle. This responsibility is assigned to SANDAG by state housing element law, and SANDAG undertakes this process prior to each housing element cycle as described in the statutory excerpts in Attachment 1.

Recent legislation, Senate Bill 375 (SB 375) (Steinberg, 2008) and SB 575 (Steinberg, 2009), affect the RHNA and fifth housing element cycle in several ways. The main differences for this cycle include the timing of the RHNA process, required coordination/consistency with the Regional Transportation Plan (RTP) and its Sustainable Communities Strategy (SCS) per SB 375, and the length of the housing element cycle. The fifth cycle for the San Diego region will cover an eight-year time period from January 1, 2013, to December 31, 2020. Past housing elements covered a five-year cycle.

Attachment 2 of this report is a timeline for the RHNA process as it relates to the development of the 2050 RTP and its SCS. Staff will give a presentation regarding the history of housing element law, related statewide housing issues, the relationship of the RHNA to the Regional Comprehensive Plan (RCP), and challenges and opportunities presented by the RHNA process.

Discussion

State Housing Element Law and Regional Comprehensive Plan Objectives

State housing element law (Government Code Section 65584 (d)) states that the RHNA shall be consistent with the four following objectives. These objectives are consistent with the SANDAG RCP and Smart Growth Concept Map and include:

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

Consistency Between RHNA and SCS

SB 375 requires that the RHNA be consistent with the development pattern of the SCS, that the SCS show that it accommodates the RHNA, and that the SCS land use pattern, and therefore the RHNA, assist the region in meeting the greenhouse gas (GHG) reduction targets that will be set by the California Air Resources Board (CARB). The CARB established draft GHG targets on June 24, 2010, and plans to issue final GHG targets by September 30, 2010. SANDAG will need to develop the RHNA and the SCS in such a way that they assist the region in meeting these GHG targets.

Role of SANDAG Working Groups in RHNA Process

In its charter, the Regional Planning Technical Working Group (TWG) – composed of the planning directors of the 18 cities and County of San Diego – is given the responsibility of reporting to the Regional Planning Committee on the RHNA. The Regional Housing Working Group (RHWG) advises the Regional Planning Committee on regional housing-related issues. Because of their common responsibilities, the TWG and RHWG will meet jointly to discuss and formulate recommendations to the Regional Planning Committee on the RHNA process, allocation methodology, and allocations. The first joint meeting of the two working groups occurred on June 8, 2010.

At that meeting, comments from working group members were focused on factors to be used in developing the RHNA. Interest was expressed in considering the following factors as the RHNA is developed:

- Subregional allocations
- Rural vs. urban areas
- Jobs/housing fit (as discussed in the Regional Targets Advisory Committee (RTAC) report)
- Transportation and housing costs
- Reducing GHG emissions
- Social equity and environmental justice
- Employment capacity
- Constraints to development such as airport influence areas, habitat, etc.
- Fair housing

The two working groups will meet again on Thursday, July 8, to further discuss the factors to be used in the development of the RHNA methodology.

Regional Planning Committee

The Regional Planning Committee discussed the RHNA schedule and RHNA objectives contained in state housing element law on April 2, 2010. Comments from members of the Committee included:

- Expression of interest in providing for socio-economically balanced communities that include housing for households in all four income categories (very low-, low-, moderate-, and above moderate-income);
- Expression of interest in considering state legislation that would allow counting (to a greater degree than currently allowed) affordable units that have been acquired, rehabilitated, and rent restricted (often referred to as “acq/rehab” units) in the identification of adequate sites section of the housing element and that would reflect the SANDAG RCP;

- A question regarding whether granny flats/second units can be used in the identification of adequate sites (state law allows such units to be counted); and
- A question regarding what affect the Palmer v. City of Los Angeles (2009 California Court of Appeals) decision will have on inclusionary housing. Based on this court decision, local jurisdiction inclusionary housing requirements may not be able to be applied to rental units unless the units are subsidized through a direct financial contribution or receive a density bonus incentive, because of preemption by a state law known as the Costa-Hawkins Rental Housing Act. This case is causing jurisdictions to consider changes to their inclusionary housing ordinances and could result in the construction of fewer affordable units.

Consultation with California Department of Housing and Community Development

Prior to the determination by the California Department of Housing and Community Development (HCD) of the region's housing needs by income category for the next housing element cycle, SANDAG and HCD staff are required to consult with each other to exchange information about the assumptions and methodology (population projections, vacancy rates, household formation rates, etc.) used in the determination. HCD staff met with SANDAG staff on June 21, 2010, to continue the consultation that started during the formulation of the 2050 Regional Growth Forecast. Linda Wheaton from HCD and Mary Heim from the California Department of Finance both participated in the expert review meetings that took place during the development of the SANDAG 2050 forecast. SANDAG expects to receive its regional housing determination from HCD by the end of July.

Another issue that HCD and SANDAG staff discussed at the June 21 meeting was the requirement in SB 575 that SANDAG inform HCD of the adoption date for the 2050 RTP. Per SB 375, local jurisdiction housing elements are due within 18 months of adoption of the RTP. SANDAG staff is planning to inform HCD that the 2050 RTP is scheduled to be adopted on July 22, 2011 (at the regular Board of Directors meeting scheduled in July 2011). Based on that adoption date, local housing elements would be due no later than January 21, 2013. (If the RTP is adopted later than July 22, 2011, the due date for local housing elements also would be later.)

Next Steps

SANDAG staff will be keeping the Board of Directors informed and seeking its direction regularly during the RHNA process regarding the development of the RHNA methodology, the regional housing need determination from HCD, and the draft allocation numbers.

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Executive Director

- Attachments: 1. Excerpts from Housing Element Law (65584 and 65584.04) – Regional Housing Needs Assessment Objectives, Methodology, and Factors
2. Key Dates for Regional Housing Needs Assessment Fifth Housing Element Update

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**Excerpts from Housing Element Law (65584 and 65584.04)
Regional Housing Needs Assessment (RHNA)
Objectives, Methodology, and Factors**

65584. (a) (1) For the fourth and subsequent revisions of the housing element pursuant to Section 65588, the department shall determine the existing and projected need for housing for each region pursuant to this article. For purposes of subdivision (a) of Section 65583, the share of a city or county of the regional housing need shall include that share of the housing need of persons at all income levels within the area significantly affected by the general plan of the city or county.

(2) While it is the intent of the Legislature that cities, counties, and cities and counties should undertake all necessary actions to encourage, promote, and facilitate the development of housing to accommodate the entire regional housing need, it is recognized, however, that future housing production may not equal the regional housing need established for planning purposes.

“future housing production may not equal regional housing need ...”

(b) The department, in consultation with each council of governments, shall determine each region's existing and projected housing need pursuant to Section 65584.01 at least two years prior to the scheduled revision required pursuant to Section 65588. The appropriate council of governments, or for cities and counties without a council of governments, the department, shall adopt a final regional housing need plan that allocates a share of the regional housing need to each city, county, or city and county at least one year prior to the scheduled revision for the region required by Section 65588. The allocation plan prepared by a council of governments shall be prepared pursuant to Sections 65584.04 and 65584.05 with the advice of the department.

SANDAG/HCD RHNA consultation

(c) Notwithstanding any other provision of law, the due dates for the determinations of the department or for the councils of governments, respectively, regarding the regional housing need may be extended by the department by not more than 60 days if the extension will enable access to more recent critical population or housing data from a pending or recent release of the United States Census Bureau or the Department of Finance. If the due date for the determination of the department or the council of governments is extended for this reason, the department shall extend the corresponding housing element revision deadline pursuant to Section 65588 by not more than 60 days.

- (d) The regional housing needs allocation plan shall be consistent with all of the following objectives:
 - (1) Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in 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, and the encouragement of efficient development patterns.
 - (3) Promoting an improved intraregional relationship between jobs and housing.
 - (4) Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census.
- (e) For purposes of this section, "household income levels" are as determined by the department as of the most recent decennial census pursuant to the following code sections:
 - (1) Very low incomes as defined by Section 50105 of the Health and Safety Code.
 - (2) Lower incomes, as defined by Section 50079.5 of the Health and Safety Code.
 - (3) Moderate incomes, as defined by Section 50093 of the Health and Safety Code.
 - (4) Above moderate incomes are those exceeding the moderate income level of Section 50093 of the Health and Safety Code.
- (f) Notwithstanding any other provision of law, determinations made by the department, a council of governments, or a city or county pursuant to this section or Section 65584.01, 65584.02, 65584.03, 65584.04, 65584.05, 65584.06, or 65584.07 are exempt from the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

65584.04. (a) At least two years prior to a scheduled revision required by Section 65588, each council of governments, or delegate subregion as applicable, shall develop a proposed methodology for distributing the existing and projected regional housing need to cities, counties, and cities and counties within the region or within the subregion, where applicable pursuant to this section. The

methodology shall be consistent with the objectives listed in subdivision (d) of Section 65584.

(b) (1) No more than six months prior to the development of a proposed methodology for distributing the existing and projected housing need, each council of governments shall survey each of its member jurisdictions to request, at a minimum, information regarding the factors listed in subdivision (d) that will allow the development of a methodology based upon the factors established in subdivision (d).

RHNA allocation methodology data collection

(2) The council of governments shall seek to obtain the information in a manner and format that is comparable throughout the region and utilize readily available data to the extent possible.

(3) The information provided by a local government pursuant to this section shall be used, to the extent possible, by the council of governments, or delegate subregion as applicable, as source information for the methodology developed pursuant to this section. The survey shall state that none of the information received may be used as a basis for reducing the total housing need established for the region pursuant to Section 65584.01.

(4) If the council of governments fails to conduct a survey pursuant to this subdivision, a city, county, or city and county may submit information related to the items listed in subdivision (d) prior to the public comment period provided for in subdivision (c).

(c) Public participation and access shall be required in the development of the methodology and in the process of drafting and adoption of the allocation of the regional housing needs. Participation by organizations other than local jurisdictions and councils of governments shall be solicited in a diligent effort to achieve public participation of all economic segments of the community. The proposed methodology, along with any relevant underlying data and assumptions, and an explanation of how information about local government conditions gathered pursuant to subdivision (b) has been used to develop the proposed methodology, and how each of the factors listed in subdivision (d) is incorporated into the methodology, shall be distributed to all cities, counties, any subregions, and members of the public who have made a written request for the proposed methodology. The council of governments, or delegate subregion, as applicable, shall conduct at least one public hearing to receive oral and written comments on the proposed methodology.

Public participation in RHNA methodology and allocation

Public hearing on proposed RHNA methodology

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

Factors for use in RHNA methodology

(1) Each member jurisdiction's existing and projected jobs and housing relationship.

Jobs-housing balance

(2) The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following:

Opportunities and constraints to development

(A) Lack of capacity for sewer or water service due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.

Sewer and water service capacity

(B) The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions. The determination of available land suitable for urban development may exclude lands where the Federal Emergency Management Agency (FEMA) or the Department of Water Resources has determined that the flood management infrastructure designed to protect that land is not adequate to avoid the risk of flooding.

Vacant, underutilized, infill, and redevelopment land available for residential development

(C) Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis.

Land protected from urban development

(D) County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated area.

Prime agricultural land in unincorporated area

(3) The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.

Distribution of household growth in RTP

(4) The market demand for housing.

(5) Agreements between a county and cities in a county to direct growth toward incorporated areas of the county.

(6) The loss of units contained in assisted housing developments, as defined in paragraph (9) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions.

(7) High-housing cost burdens.

(8) The housing needs of farmworkers.

(9) The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.

(10) Any other factors adopted by the council of governments.

(e) The council of governments, or delegate subregion, as applicable, shall explain in writing how each of the factors described in subdivision (d) was incorporated into the methodology and how the methodology is consistent with subdivision (d) of Section 65584. The methodology may include numerical weighting.

SANDAG shall explain how factors were used in RHNA

(f) Any ordinance, policy, voter-approved measure, or standard of a city or county that directly or indirectly limits the number of residential building permits issued by a city or county shall not be a justification for a determination or a reduction in the share of a city or county of the regional housing need.

Building permit limits shall not be justification for RHNA allocations

(g) In addition to the factors identified pursuant to subdivision (d), the council of governments, or delegate subregion, as applicable, shall identify any existing local, regional, or state incentives, such as a priority for funding or other incentives available to those local governments that are willing to accept a higher share than proposed in the draft allocation to those local governments by the council of governments or delegate subregion pursuant to Section 65584.05.

SANDAG shall identify incentives for acceptance of higher RHNA share

(h) Following the conclusion of the 60-day public comment period described in subdivision (c) on the proposed allocation methodology, and after making any revisions deemed appropriate by the council of governments, or delegate subregion, as applicable, as a result of comments received during the public comment period, each council of governments, or delegate subregion, as applicable, shall adopt a final regional, or subregional, housing need allocation methodology and provide notice of the adoption of the methodology to the jurisdictions within the region, or delegate subregion as applicable, and to the department.

60-day public comment period

(i) (1) It is the intent of the Legislature that housing planning be coordinated and integrated with the regional transportation plan. To achieve this goal, the allocation plan shall allocate housing units within the region consistent with the development pattern included in the sustainable communities strategy.

Coordination with RTP, consistency with SCS development pattern

(2) The final allocation plan shall ensure that the total regional housing need, by income category, as determined under Section 65584, is maintained, and that each jurisdiction in the region receive an allocation of units for low- and very low income households.

Each jurisdiction shall receive an allocation of units for lower-income households

(3) The resolution approving the final housing need allocation plan shall demonstrate that the plan is consistent with the sustainable communities strategy in the regional transportation plan.

**Key Dates for Regional Housing Needs Assessment (RHNA)
Fifth Housing Element Update
July 9, 2010**

Feb 2010	SANDAG Board accepts 2050 Regional Growth Forecast for planning purposes for use in preparing the 2050 Regional Transportation Plan (RTP), Sustainable Communities Strategy (SCS), and RHNA. (The California Department of Finance (DOF) and Department of Housing and Community Development (HCD) staff participated in SANDAG's forecast advisory group.)
January 1, 2010	Eleven-year RHNA projection period for fifth housing element cycle starts (January 1, 2010 – December 31, 2020)
May 1, 2010	DOF issues 2010 E-5 estimates used in RHNA consultation process; SANDAG and HCD continue consultation started during development of 2050 Regional Growth Forecast
May – Dec 2010	Regional Planning Technical Working Group (TWG) and Regional Housing Working Group (RHWG) develop RHNA methodology
June 10, 2010	Joint TWG/RHWG meeting to kick off RHNA methodology discussion: RHNA background, schedule, and principles
Jul 2010	HCD provides SANDAG with regional housing need determination for RHNA projection period: January 1, 2010 – December 31, 2020 (11 years) (The SANDAG 2050 Regional Growth Forecast projects an additional 127,000 housing units during the 11-year RHNA projection period.)
July 9, 2010	SANDAG Board of Directors holds policy meeting to discuss RHNA
July 23, 2010	SANDAG provides HCD and Caltrans date of expected adoption of 2050 RTP in writing as required by SB 575
Jul – Dec 2010	TWG and RHWG prepare draft jurisdiction/income RHNA allocations based on RHNA methodology
Feb 2011	Draft of RTP/SCS/RHNA accepted for distribution/public review
July 22, 2011	Final RTP/SCS/RHNA adopted
January 21, 2013	Due date for January 1, 2013 – December 31, 2020 (8 year) housing elements due within 18 months after RTP is adopted)*

*Housing elements are due every four years for:

1. Jurisdictions that did not adopt their fourth housing element revisions by January 1, 2009, and did not adopt the fourth revision by March 31, 2010, and complete any rezoning contained in the housing element program by June 30, 2010; and
2. Jurisdictions that do not adopt their housing element within 120 days from next housing element due date.