RC AGENDA ITEM 2
CEHD AGENDA ITEM 2

SUPPLEMENTAL REPORT

Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700, Los Angeles, California 90017
September 5, 2019

To: Community Economic & Human Development Committee (CEHD)
Regional Council (RC)

EXECUTIVE DIRECTOR'S APPROVAL

Kome Ajise

From: Kome Ajise, Executive Director, Executive Management, 213-236-1835, Ajise@scag.ca.gov

Subject: SCAG OBJECTION TO HCD 6TH CYCLE REGIONAL HOUSING NEEDS DETERMINATION

RECOMMENDED ACTION:
Authorize the Executive Director to file an Objection to HCD on regional housing need determination pursuant to Government Code Section 65584.01 (c).

STRATEGIC PLAN:
This item supports the following Strategic Plan Goal 1: Produce innovative solutions that improve the quality of life for Southern Californians. 2: Advance Southern California's policy interests and planning priorities through regional, statewide, and national engagement and advocacy.

EXECUTIVE SUMMARY:
On August 22, 2019, the state Department of Housing and Community Development (HCD) transmitted their Regional Housing Needs Assessment (RHNA) determination of 1,344,740 units for the SCAG region. This number reflects the number of housing units that local jurisdictions in the region must plan for during the period from October 2021 to October 2029 and is split across four (4) income categories. Per statute, SCAG has 30 days to file an objection with HCD. HCD's determination was issued after a consultation process during which SCAG and HCD shared data and analysis which form the basis of determining regional housing need. While SCAG staff agrees that we have a dire need for housing production in the region, ultimately, HCD's determination does not reflect SCAG's Growth Forecast, data inputs, or analysis which was developed collaboratively during the consultation process. SCAG staff recommends an objection in order to arrive at a more 'reasonable' determination of regional housing needs in keeping with the SCAG's regional planning basis and the importance of collaboration in alleviating the state's housing crisis. Staff believes the regional housing need determination should be consistent with the Regional Transportation Plan and the region's population, housing and employment projections that are the basis of our State and federal mandates for regional planning.

BACKGROUND:

On August 22, 2019, the state Department of Housing and Community Development (HCD) transmitted their Regional Housing Needs Assessment (RHNA) determination of 1,344,740 units for the SCAG region. This number reflects the number of housing units that local jurisdictions in the region must plan for during the period from October 2021 to October 2029 and is split across four income categories:

- Very Low: 350,998
- Low: 206,338
- Moderate: 225,152
- Above Moderate: 562,252

Since spring 2019, SCAG staff, under guidance from SCAG's RHNA Subcommittee, have outlined a framework to guide the development of the consultation process between SCAG and HCD which included the following goals:

- Follow the 2020 Connect SoCal RTP/SCS Integrated Growth Forecasting process, procedure, methodology, and results including local review and input
- Provide a robust analysis of housing needs in the SCAG region using the best available data and technical methodology and meet the requirements of the law
- Research the appropriate factors and causes associated with "existing housing needs"
- Develop policy responses for a long-term, robust, stable supply of sites and zoning for housing construction

Per state statute, SCAG has 30 days after receipt of the RHNA determination to accept or to file an objection. HCD would be required to make a final written determination within 45 days after receiving an objection. Specifically, per Government Code Section 65584.01(c)(2)(A) and (B):

(2) The objection shall be based on and substantiate either of the following:
(A) The department failed to base its determination on the population projection for the region established pursuant to subdivision (a), and shall identify the population projection which the council of governments believes should instead be used for the determination and explain the basis for its rationale.
(B) The regional housing need determined by the department is not a reasonable application of the methodology and assumptions determined pursuant to subdivision (b). The objection shall include a proposed alternative determination of its regional housing need based upon the determinations made in subdivision (b), including analysis of why the proposed alternative would be a more reasonable application of the methodology and assumptions determined pursuant to subdivision (b).

Staff recommends an objection based on (A) and (B) above. Analysis of SCAG's proposed alternative follows, and is based on:

- Use of SCAG's population forecast

- Use of comparable regions
- Improved vacancy rate comparison
- Additional considerations

Use of SCAG's Population Forecast

First, 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. 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). 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).

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(a)(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

Thirdly, HCD 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.[1]

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 6th 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

[1] See Nelson, AC. (2004), *Planner's Estimating Guide Projecting Land-Use and Facility Needs*. Planners Press, American Planning Association, Chicago. P. 25.

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.

Summary

Overall, HCD did not use the appropriate population forecasts for their determination of the SCAG region's housing needs and did not conduct a reasonable application of the methodology and assumptions pursuant to statute. While SCAG staff provided substantial data and technical assistance during the consultation process, these efforts were not reflected in HCD's final determination of housing needs.

SCAG's alternative proposed determination provides a more reasonable, current, balanced, and technically robust application of HCD's stated approach toward determining housing needs. It reflects the collaborative efforts of HCD, SCAG, and the local jurisdictions who reviewed SCAG's Growth Forecast. It includes elements of SCAG's original consultation package to HCD as well as updates based on improved analysis, a thoughtful understanding of the state and region's current housing priorities, and more accurately applies the intent of the statute. Depending on the manner and extent to which the above-referenced improvements are made to the regional determination,

SCAG's alternative proposed 6th cycle RHNA determination for purposes of an objection to HCD would range between 821,000 and 924,000 housing units.

It is in this collaborative spirit which SCAG proposes this alternative determination in order to provide as robust and reasonable a planning target as possible in order to affirmatively address the substantial challenge of meeting regional, and therefore state housing needs. Furthermore, SCAG is fully committed to leading on solving our current housing crisis, and therefore setting up to work with our local jurisdictions on activities and policies that will lead to actual housing unit construction. SCAG's alternative proposed 6th Cycle RHNA determination will require an annual housing production of 102,625 to 115500 units which is in excess of current total statewide rate. We will require very creative policy shifts and resources to assist our local jurisdictions to enable such a level of production across our region.

Based on the above, staff recommends that the Regional Council authorize SCAG's Executive Director to file an objection to HCD on the Regional Need Determination pursuant to Government Code Section 65584.01 Section (c)(2)(A) and (B).

FISCAL IMPACT:
Work associated with this item is included in the current FY 19-20 General Fund Budget (800.0160.03: RHNA).

ATTACHMENT(S):
1. 6thCycleRHNA_SCAGDetermination_08222019
2. PowerPoint Presentation: SCAG Opportunity for Response

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
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August 22, 2019

Kome Ajise, Executive Director
Southern California Association of Governments
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017

Dear Executive Director Ajise:

RE: Regional Housing Need Determination

This letter provides the Southern California Association of Governments (SCAG) its determination of the Regional Housing Need Determination. Pursuant to Government Code (Gov. Code) section 65584.01, the Department of Housing and Community Development (HCD) is required to provide the determination of SCAG's existing and projected housing need.

In assessing SCAG's regional housing need, HCD and SCAG staff completed an extensive consultation process starting in March 2017 through August 2019 covering the methodology, data sources, and timeline. HCD also consulted with Walter Schwarm of the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of **1,344,740** total units 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.

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, and 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 Government 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. Pursuant to Government Code section 65584.01(c)(1), HCD may accept or reject the information provided by the council of governments or modify its own assumptions based on this information.

The Department especially thanks Ping Chang, Ma'Ayn Johnson, Kevin Kane, and Sarah Jepson. The Department looks forward to its continued partnership with SCAG and its member jurisdictions and assisting SCAG in its planning efforts to accommodate the region's share of housing need.

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,

Megan Kirkeby
Assistant Deputy Director for Fair Housing

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION

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

Income Category	Percent	Housing Unit Need
Very-Low*	26.1%	350,998
Low	15.3%	206,338
Moderate	16.7%	225,152
Above-Moderate	41.8%	562,252
Total	**100.0%**	**1,344,740**
* 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

SCAG: June 30, 2021-October 15, 2029 (8.3 Years) HCD Determined Population, Households, & Housing Need					
1.	**Population: DOF 6/30/2029 projection adjusted +3.5 months to 10/15/2029**				20,455,355
2.	*- Group Quarters Population: DOF 6/30/2029 projection adjusted +3.5 months to 10/15/2029*				-363,635
3.	**Household (HH) Population: October 15, 2029**				20,079,930
	Household Formation Groups	**HCD Adjusted DOF Projected HH Population**	***DOF HH Formation Rates***	**HCD Adjusted DOF Projected Households**	
		20,079,930		6,801,760	
	under 15 years	3,292,955	n/a	n/a	
	15 – 24 years	2,735,490	6.45%	176,500	
	25 – 34 years	2,526,620	32.54%	822,045	
	35 – 44 years	2,460,805	44.23%	1,088,305	
	45 – 54 years	2,502,190	47.16%	1,180,075	
	55 – 64 years	2,399,180	50.82%	1,219,180	
	65 – 74 years	2,238,605	52.54%	1,176,130	
	75 – 84 years	1,379,335	57.96%	799,455	
	85+	544,750	62.43%	340,070	
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%)				120,418
6th Cycle Regional Housing Need Assessment (RHNA)					**1,344,740**

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 (70.83%-60.20%=10.63%) 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 (20.48%-11.20%=9.28%) 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 2011-2015 Comprehensive Housing Affordability Strategy (CHAS).

6th Cycle Regional Housing Needs Determination

State's Housing Need Totals and Opportunity for Response

Kevin Kane, PhD
Research & Analysis
September 5, 2019

www.scag.ca.gov

INNOVATING FOR A BETTER TOMORROW

Consultation Process with HCD

- Purpose: to assist HCD in determining the region's housing needs
- SCAG's framework for consultation process:
  1. Follow the 2020 Connect SoCal RTP/SCS Integrated Growth Forecasting process, procedure, methodology, and results including local review and input
  2. Provide a robust analysis of housing needs in the SCAG region using the best available data and technical methodology and meet the requirements of the law
  3. Research the appropriate factors and causes associated with "existing housing needs"
  4. Develop policy responses for a long-term, robust, stable supply of sites and zoning for housing construction
- SCAG provided:
  - Consultation package to HCD on June 10, 2019
  - Comprehensive data and analysis
  - Revised and updated data upon HCD's request
  - Technical collaboration with HCD, primarily focused on determining comparable regions

Regional determination received on August 22, 2019

HCD REGIONAL HOUSING NEED DETERMINATION

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

Income Category	Percent	Housing Unit Need
Very-Low*	26.1%	350,998
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Total	**100.0%**	**1,344,740**
* Extremely-Low	14.5%	Included in Very-Low Category

Process for an objection:

- SCAG has 30 days to object and provide an alternative determination
- HCD has 45 days to respond with a finding
- Per Government Code Section 65584.01(c)(2):

(2) The objection shall be based on and substantiate either of the following:

(A) The department failed to base its determination on the population projection for the region established pursuant to subdivision (a), and shall identify the population projection which the council of governments believes should instead be used for the determination and explain the basis for its rationale.

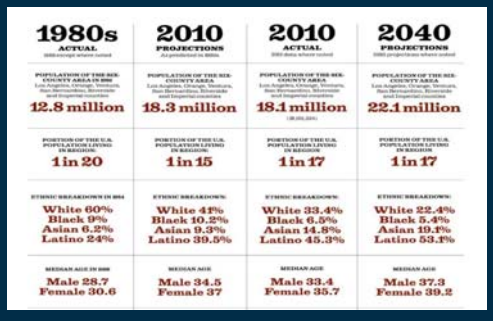
(B) The regional housing need determined by the department is not a reasonable application of the methodology and assumptions determined pursuant to subdivision (b). The objection shall include a proposed alternative determination of its regional housing need based upon the determinations made in subdivision (b), including analysis of why the proposed alternative would be a more reasonable application of the methodology and assumptions determined pursuant to subdivision (b).

Key Issues with HCD's Determination

1. Use of SCAG's population forecast required
2. Use of comparable regions to evaluate overcrowding and cost burden
3. Vacancy rate targets not substantiated
4. Replacement need standard arbitrary
5. Household growth on tribal land not considered
6. Improved cost burden measure possible
7. Determination chooses to use outdated data

Use of SCAG's Growth Forecast

- Statute specifies use of SCAG's RTP/SCS forecast if total population is within 1.5% of the state's forecast
- HCD did not use SCAG's population forecast
- SCAG priority: maximize consistency with Connect SoCal RTP/SCS
  - Regional balance between population, households, and employment



1980s ACTUAL	2010 PROJECTIONS	2010 ACTUAL	2040 PROJECTIONS
12.8 million	18.3 million	18.1 million	22.1 million
1 in 20	1 in 15	1 in 17	1 in 17
White 60% Black 9% Asian 6.2% Latino 24%	White 41% Black 10.2% Asian 9.3% Latino 39.5%	White 33.4% Black 6.5% Asian 14.8% Latino 45.3%	White 22.4% Black 5.4% Asian 19.1% Latino 53.1%
Male 28.7 Female 30.6	Male 34.5 Female 37	Male 33.4 Female 35.7	Male 37.3 Female 39.2

LA Times, June 18, 2015. "What Will Southern California Look Like in the Future?"

Comparable Regions to SCAG

- SB 88: Compare SCAG overcrowding & cost-burden rates to comparable regions
- Used by HCD for SACOG's regional determination, issued July 18, 2019
- *Is anything comparable to the nation's largest MPO?*
  - SCAG staff worked with HCD staff in August 2019 to develop a state-of-the-practice comparison based on several demographic and economic factors
- HCD's determination used national averages instead
  - Median US metro area by size: Fargo, ND

Metropolitan Statistical Areas for Comparison:
San Jose-Sunnyvale-Santa Clara, CA
New York-Newark-Jersey City, NY-NJ-PA
San Francisco-Oakland-Hayward, CA
Miami-Fort Lauderdale-West Palm Beach, FL
Seattle-Tacoma-Bellevue, WA
Chicago-Naperville-Elgin, IL-IN-WI
San Diego-Carlsbad, CA
Washington-Arlington-Alexandria, DC-VA-MD-WV
Houston-The Woodlands-Sugar Land, TX
Dallas-Fort Worth-Arlington, TX

Comparable regions to SCAG developed with input from HCD staff

Summary

- Recommendation: Authorize Executive Director to file an objection with HCD on the Regional Need Determination pursuant to Govt. Code Section 65584.01(c)(2).
- Depending on the manner and extent to which the above-referenced improvements may be made to the regional determination, SCAG's alternative proposed 6th cycle RHNA determination would range between 821,000 and 924,000 housing units.

CONNECT SoCal

Thank you

Kevin Kane
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www.scag.ca.gov

SCAG
INNOVATING FOR A BETTER TOMORROW