#74

Regional Housing Needs Allocation (RHNA)

EXECUTIVE SUMMARY
(Draft May 18, 2007)

This document provides a very brief summary of the Regional Housing Needs Allocation (RHNA), and where SACOG is in the process of developing and adopting it.

State Requirements: The state-mandated RHNA process requires SACOG to develop a methodology that allocates to each jurisdiction in the six-county Sacramento region – including the Tahoe Basin of El Dorado and Placer Counties – the number of housing units it must zone for during the RHNA cycle from January 1, 2006, through June 30, 2013. Each jurisdiction receives one "overall" allocation, and four allocations by "income distribution". The income distribution allocation is the number of units within each of four state law-defined economic categories (these four categories must add up to the overall allocation). By June 30, 2008, each jurisdiction must adopt its Housing Element that describes how it will meet these five allocation numbers. The California Dept. of Housing and Community Development will review these elements for compliance. The attached FAQ provides more background information about the RHNA.

RHNA Methodology: SACOG staff has been developing the RHNA methodology since mid-2006 with extensive consultation of the Planners Committee, which is comprised of planning staff from SACOG's 28 member cities and counties. Methodology #2 is essentially very similar to the methodology used for the 2000-2007 RHNA cycle. The proposed methodology for each jurisdiction's overall allocation is based on the Metropolitan Transportation Plan (MTP) projections that SACOG developed in collaboration with each jurisdiction. The allocations by income distribution are also based on trending each jurisdiction towards a long-term regional average in each income category; Methodology #2 proposes a 50-year trend line (2000-2050) as opposed to a 35-year horizon based on the MTP horizon year (a 30-year line was used in the 2000-2007 RHNA). (Methodology #2 is explained in detail in the Methodology #2 Narrative, and its corresponding calculations are also shown in the associated tables).

Issues Raised on Income Distribution Methodology: The Planners Committee did not have suggested changes or comments on the "overall" allocation of Methodology #2. However, three issues were raised regarding the income distribution methodology:

- "Issue A" is if a shorter horizon is used, such as a 35-year trend line (from 2000-2035), some jurisdictions would have to significantly change the composition of their income distributions in a very short time period from 2006 to 2013.
- "Issue B" is that a 50-year trend line results in those jurisdictions that have been providing a higher share of affordable units in the past continuing to do so. Some perceive that those jurisdictions that have had a relatively lower proportion of affordable units in the past would only gradually elevate their share of low and very low-income units.

"Issue C" relates to the impact of imposing a 30% ceiling. As in the methodology used in the adopted 2000-2007 RHNA, Methodology #2 imposes a cap so that no jurisdiction receives an allocation of more than 30% of its total allocation in each of the two lowest economic income categories (called the "very low" and "low"). Jurisdictions that do not hit a 30% ceiling pick up more of these units because some jurisdictions reach the 30% limit and cannot accept more units, even if their individual trend line is higher than 30%.

Non-Methodological Means to Address Issues: Issue A is directly addressed in Methodology #2; Issues B and C are not. SACOG examined a number of methodological alternatives and variations to address all three issues and could not find one that it felt could be regionally balanced and equitable. However, the SACOG Board directed staff to further develop two non-methodological means that would address Issues B and C, as described below:

- RHNA Incentive Program: First, a dedicated funding program could be established modeled after the Housing Incentive Program (HIP) program from the Metropolitan Transportation Commission (MTC) in the Bay Area, which gives financial incentives (approximately $2000-$3000 per built residential unit) to local jurisdictions to be used for transportation projects that support the MTC's transportation program. Likewise, the SACOG program could provide financial incentives to those jurisdictions receiving units that are reallocated because of Issues B and C. SACOG staff calculated that approximately 1800 units are reallocated because of these two issues. The program would pay jurisdictions direct funding for the reallocated low and very low-income units that are BUILT. The program would be administered as part of the Community Design Program.

- RHNA Trading System: A second means that is being forwarded to the Board to address Issues B and C is to allow for a trading system within the affordable categories. Jurisdictions could trade a number of units within the low and very low-income categories to jurisdictions willing to accept them. They would determine the terms of the trade. There are restrictions proposed by staff and required in state law that are addressed in FAQ #16.

Process Update: The SACOG Board released Methodology #2 for public review. If the Board releases this methodology at the May 17 meeting, the earliest it could adopt the Regional Housing Needs Plan is February, 2008 (see schedule). Changes could still be made to the methodology and associated calculations during the process if approved by the Board. The calculations may also change because of federal requirements in the Tahoe Basin and FEMA review of flood levees (see FAQ #17 for a more detailed explanation).

Draft Schedule for RHNA for SACOG

(Updated June 13, 2007)

2007

May 17	SACOG Board officially released proposed methodology (a.k.a., Methodology #2) and initiated the public hearing process
June 21	Public hearing on proposed draft RHNA methodology
July 19	Board to consider approval of proposed methodology and release of draft RHNA
Sept 19	Deadline for requests for revision
Oct. 18	SACOG to accept or reject requests for revision
Nov. 15	SACOG Board to accept or reject revisions and to set date to file appeals
Dec. 14	Appeals due
Dec. 20	Notify appellants of hearing

2008

Jan. 17	SACOG Board to hold public hearing on appeals
Feb. 21	Public Hearing and RHNA adoption
June 30	All jurisdictions must adopt Housing Elements

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
FREQUENTLY ASKED QUESTIONS
Regional Housing Needs Allocation
(Updated May 18, 2007)

This document serves as a frequently asked question (FAQ) sheet for the update of the Regional Housing Needs Allocation (RHNA). This FAQ sheet will be updated occasionally, so please check the SACOG website for updates. This version was updated following the May 17 SACOG Board meeting, when that body released Methodology #2 for public review.

This FAQ sheet is divided into three sections:

(1) Basic Background Information
(2) RHNA Timeline and Process
(3) Methodology, Draft Allocations and Implications.

BASIC BACKGROUND INFORMATION

1. What is the Regional Housing Needs Plan (RHNP) and Regional Housing Needs Allocation (RHNA)?

The Regional Housing Needs Plan (RHNP) is the plan document that allocates to SACOG cities and counties their "fair share" of the region's projected housing needs. The SACOG Board of Directors must adopt an update of the plan every five years. Each city and county in the RHNP will receive a Regional Housing Needs Allocation (RHNA) of total number of housing units that it must plan for within a 7.5 year time period. Within the total number of units, allocations are also made for the number of units within four economic categories: very low, low, moderate and above moderate incomes.

2. What is SACOG's role in the RHNP?

State law mandates that council of governments develop the RHNP. The Sacramento Area Council of Governments is lead agency in developing the RHNP for the six counties and 22 cities that it serves. The plan will also include the Tahoe Basin portions that within El Dorado and Placer counties, and city of South Lake Tahoe. It is SACOG's responsibility to coordinate with the California Department of Housing and Community Development (HCD) to determine a regional housing needs projection. Then SACOG will allocate the share each jurisdiction will receive.

3. What time period does the RHNP cover?

The update of the RHNP that SACOG is undertaking covers the 7.5 year period from January 1, 2006 through June 30, 2013. However, the allocations cover a five-year period for each jurisdiction's housing element.

4. **What is the overall housing needs allocation for the region?**

HCD issued a regional allocation of 169,476 to the six-county region from 2006-2013. This number was based on a compromise between the California's Department of Finance's projection and SACOG's Blueprint Project calculations. Subcategory allocations by economic category were also issued:

- Very low income (less than 50% median household income [MFI]): 38,013 or 22.4%
- Low Income (50 to 80% MFI) 28,518 or 16.8% of total allocation
- Moderate (80 to 120% MFI) 32,974 or 19.5%
- Above Moderate (above 120% MFI) 69,971 or 41.3%

RHNA TIMELINE AND PROCESS

5. **What is the overall timeline for the development of the RHNP?**

There are a number of requirements in state law that SACOG will need to perform before the SACOG Board of Directors can adopt the updated RHNP. Following a series of statutory procedures, February 2008 is the earliest the SACOG Board could adopt the RHNP. Cities and counties are directed by statute to have their individual Housing Elements adopted by June 30, 2008 (see FAQ#7 for further information). The individual steps and associated timeline are shown in the Draft RHNA Schedule (updated May 18, 2007).

6. **What is the current status of the RHNA?**

The SACOG Board at its May 17 meeting released Methodology #2 for public review and initiated the public review process. At the June 21 Board meeting, public comments may be made about the draft methodology. At the July 19 meeting, the Board will deliberate whether to approve the methodology. If approved, requests may be made for revisions up to September 19, and further revisions or appeals may be made throughout the remainder of 2008 at SACOG Board meetings.

7. **What is the timeline that local governments need to meet? Is there any extension for local governments' Housing Element deadline?**

State of California statutes direct that each of the 29 jurisdictions within SACOG's RHNP have its Housing Element revised by June 30, 2008. State law includes limited provisions for requesting an administrative extension for Housing Element revisions. As of this writing, HCD has informally indicated that it does NOT, in this instance, have the authority extend the date of the Housing Elements for the affected jurisdictions. SACOG continues to evaluate its arguments that it may formally submit to request for the extension. SACOG advises all jurisdictions to plan and prepare for their Housing Elements to be adopted by June 30, 2008.

8. **How have local governments and interested parties been involved or how can they get involved in the development of the RHNP?**

The SACOG Planners Committee meetings are the main forum for local government staff to hear and discuss updates in the RHNA process. The RHNA has been discussed at all of the Planners Committee meetings since mid-2006. This Committee is comprised of the Planning Directors and/or their assigned staff and is primarily a technical planning committee. This body also has served and will continue to serve as the main forum for discussions on the Blueprint Project. All are welcome to attend these meetings, but the chairs at the table are reserved first for Planning Directors or their designee. If you wish to receive email notice to the Planners Committee meetings, please email gchew@sacog.org.

In addition, SACOG staff invited all jurisdictions for meetings at the county level to discuss individual jurisdictional matters related to the RHNA. Jurisdictions have been very directly involved in developing the Metropolitan Transportation Plan (MTP) projections, which are the basis for the RHNA projections.

9. Can SACOG provide notice of meetings with other stakeholder groups to SACOG jurisdictions?

SACOG staff will inform local governments of updates to other stakeholder groups (e.g., development industry, affordable housing advocates, neighborhood groups) as it seems appropriate. Staff will use its judgment when to invite local governments to discuss the RHNP depending the purpose of the meeting, the audience and other factors.

10. Can SACOG provide an online forum for discussion so other jurisdictions can see what comments it is receiving?

Yes, anyone may go the SACOG webportal (http://www.sacog.org/cgi-bin/cgi-bin/yabb/YaBB.cgi?board=rhna) for an online discussion about any issue regarding the RHNA. SACOG jurisdictions and others may also provide written comments on the RHNA methodology for the public record.

METHODOLOGY #2 AND DRAFT ALLOCATIONS

To follow the questions in this section below, please be sure to view the most current versions of the documents on methodology and projections. All questions in this section refer to Methodology #2.

11. What are the fundamental differences between Methodology #1 and Methodology #2?

Generally speaking, the main problems with Methodology #1 (released on February 21, 2007) were that it was difficult to explain, it relied partially on a growth projection that was outside of the 2006-2013 RHNA period, and the income distribution categories resulted in some dramatic changes in a relatively short period of time for some jurisdictions. The Planners Committee generally agreed that Methodology #2 is superior to Methodology #1.

12. **What is the method for allocation in the proposed Methodology#2?**

The Regional Housing Needs Allocation (RHNA) has two steps as required by state law. The first step allocates a total number of housing units for which zoning capacity must be provided from January 1, 2006 through June 30, 2013. Step 1 is referred to as the "overall allocation". The second step allocates the same total number of units within four income categories; the sum of the housing units within the four categories must add up to the total overall number of units. Step 2 is referred to as the "income category distribution".

For step 1, or the Overall Allocation, Methodology #2 takes each jurisdiction's draft percentage share of the growth forecasted by SACOG in cooperation with local jurisdictions for use in the
Metropolitan Transportation Plan 2035 for the period from 2005 to 2013, and multiplies that percentage by the overall RHNA allocation mandated by HCD (169,476 minus the Tahoe Basin allocation). The resulting number is the total unit allocation for each jurisdiction (or overall allocation). This is similar to the process used in 2001 in the last RHNA allocation except that the forecasts benefit from the sophisticated tools that were developed through the Blueprint Project.

In step 2, or the income category distribution, each jurisdiction progresses along a trend line drawn from its year 2000 household income distribution, to the 2050 regional household income distribution. This is based on the 2050 housing unit forecasts from the Blueprint Project (approved by the SACOG Board in December 2004) and the income distributions prescribed by HCD. The 2013 point along that trend line indicates the amount of housing in each income category a jurisdiction must zone for in order to move towards the 2050 regional household income distribution. This is similar to the process used in 2001 in the last RHNA allocation except that it uses a 50-year rather than a 30-year trend line. Also, Comprehensive Housing Affordability Strategy (CHAS) data are used to determine current household income distribution in jurisdictions.

The document Draft Methodology #2 provides more detailed information.

13. **How is the Tahoe Basin treated in the RHNA?**

There are three local jurisdictions in the Tahoe Basin that are within the six-county RHNA area – the city of South Lake Tahoe, and unincorporated Placer and El Dorado Counties. For clarifying purposes, all calculations for Placer and El Dorado County are separated into Tahoe Basin areas, and other areas.

The Tahoe Basin jurisdictions must be treated differently than the other 28 jurisdictions. The basin is subject to federal law and a bi-state (with Nevada) compact on growth allocations. Thus, the overall allocations for these three jurisdictions are determined by the Tahoe Regional Planning Agency, not Methodology #2.

14. In the April 18 Planners Committee meeting, some concerns were raised regarding the Methodology #2 income distribution recommendation. What were those concerns?

To recap, Methodology #2 has all jurisdictions (except for the Tahoe Basin) trending over 50 years towards the regional average in each income category. The 2000-07 RHNA cycle used a 30-year trend line. Three issues were raised in the April Planners Committee meeting and subsequent communications from local planning staff members:

"Issue A" is if a 35-year trendline (from 2000-2035) was used, some jurisdictions would have to significantly change the composition of their income distributions in a very short time period from 2006 to 2013. Methodology #2 directly addresses this issue by using a 50-year trendline (from 2000-2050).

"Issue B" is, based on other comments, that a 50-year trend line results in those jurisdictions that have been providing a higher share of affordable units in the past continuing to do so. And some perceive that those jurisdictions that have had a relatively lower proportion of affordable units in the past would only gradually elevate their share of low and very low-income units.

"Issue C" relates to the impact of imposing a 30% ceiling (for low and very low income categories). Jurisdictions that do not hit a 30% ceiling pick up more units because some jurisdictions reach the 30% limit and cannot accept more units, even if their individual trendline is higher than 30%. Those units that are not allocated to jurisdictions reaching the ceiling must be re-distributed to the other jurisdictions. SACOG calculated that to be about 1100 to 1200 units, or between 1.7% and 1.8% of all low and very low units in the 2006-2013 allocation.

15. The Planners Committee asked SACOG staff to look into different methods to address these three issues in #14. Was SACOG staff able to find an alternative that could address all three issues?

Staff developed a number of methodologies looking for ways to reach an equitable methodology using different variables. The staff believes that none of these alternatives could provide balance between those different concerns. After running several different scenarios, the existing Methodology #2 is the one that staff believes has the most regional equity.

However, the SACOG Board directed staff to further develop two other non-methodology-related means proposed by the SACOG staff that address these issues. They are described in the next question.

16. The SACOG Board conceptually approved and directed staff to more fully develop two staff-proposed non-methodological means to address the issues identified in #14. What are these two programs?

Two non-methodology-related ways to address Issues B and C are:

1) RHNA Incentive Program: To address Issues B and C, a dedicated funding program could be established. The program could be modeled after the Housing Incentive Program (HIP) program from the Metropolitan Transportation Commission (MTC) in the Bay Area, which gives financial incentives (approximately $2000 to $3000 per built residential unit) to local jurisdictions to be used for transportation projects that support the MTC's transportation program. Likewise, the SACOG program could provide financial incentives to jurisdictions that promote the Blueprint Principles as it relates to the RHNA; this means the jurisdictions that assume the some of the approximately 1800 units SACOG staff calculated that result from Issues B and C. The program would pay jurisdictions direct funding for the low and very low-income units that are BUILT that are "overages" many jurisdictions receive in Issue C. The funding program would be capped but dedicated to provide such incentives to these jurisdictions.

2) RHNA Trading System: A second means to address Issues B and C is to allow for a trading system within the affordable categories. Jurisdictions could trade the number of units within the low and very low-income categories to jurisdictions willing to accept them. They would determine the terms of the trade.

There would be two conditions that the SACOG staff and LUHAQ Committee recommends are placed on this:

a) the jurisdiction giving the units away could not go below the regional average in its housing unit allocation for the low and very low income categories combined, which is 39.2%; and
b) the jurisdiction willing to receive the units could not exceed to total number of higher density units in its 2035 MTP allocation. The Southern California Associations of Governments (SCAG) uses a similar system.

In addition, state law requires the following additional conditions placed on this trading system:

c) the transferring jurisdiction must have met, in the current or previous housing element cycle, at least 15% of its existing share of the region's affordable housing needs in the low and very low income category, and in no event can the jurisdiction transfer more than 500 dwelling units in a housing element cycle;
d) the jurisdiction must transfer its regional housing needs in the same proportion by income group as the jurisdiction has met its regional housing needs;
e) the transfer can only be between jurisdictions that are contiguously situated or between a receiving jurisdiction that is within 10 miles of the transferring jurisdiction, and if both jurisdictions are counties, they must be in the same housing market;
f) both jurisdictions must have adopted and be implementing a housing element; and

g) both jurisdictions must have provided HCD an annual report, as required by section 65400(b).

There are also requirements regarding the findings that both jurisdictions must make after public hearings on the transfer, and the submission of the written agreement between the jurisdictions to the COG and HCD. If the transferred units are not built within 3 years of the transfer, they may be reassigned to the transferring jurisdiction.

17. Are there situations that SACOG or its local governments have no control over that could change the RHNA numbers?

Yes, there are two situations that all parties should be aware of that could change the allocations and SACOG and its local governments have no ability to change.

First, the Tahoe Basin's growth allocations are guided by federal and bi-state regulations. Because those growth numbers are unknown at the time of the allocations using Methodology #2 were calculated, they may change before the SACOG Board adopts the RHNA. If those allocations change for the city of South Lake Tahoe, or the Tahoe Basin portions of El Dorado or Placer Counties, then the allocations for all other 28 jurisdictions must be recalculated.

Second, the Federal Emergency Management Agency is reviewing the suitability of flood levees throughout the region. If flood zone designations are changed and local jurisdictions receive a mandate to stop residential development in these areas, the SACOG will have to reallocate the entire RHNA, even if this happens after it is adopted.

18. The RHNA addressed planned units, and the MTP has built units. What's the difference?

The Metropolitan Transportation Plan (MTP) is required to show the most likely forecast of how the region will grow between now and 2035. Within the forecast, there are interim years that lead up to 2035. Each forecast year shows the placement of the number of units that are projected to be built by the end of that year. These estimates are based on local governments' General Plans and Specific Plans, and their anticipated changes to those plans in response to the Blueprint vision.

HCD requires cities and counties to show through their Housing Elements how they can accommodate their projected housing allocation by planning and zoning enough residential land. The RHNA does not necessarily mean that these zoned residential lands will be built by end of the RHNP period.

19. How are median incomes used for the income distributions?

The Median Income variable is used by HCD to determine the regional housing need distribution. This distribution dictates the percentage of the total number of housing units that must be zoned for in each category during the RHNA cycle. The four income categories are very low income – 50% of median income; low income – 50-80% median income; moderate income – 80-120% median income and above moderate 120%+ median income. SACOG explored three different methods for defining median income in the region and these are described in the next three questions below. Note that all three methods rely on data from the 2000 Census.

20. How did the California Department of Housing and Community Development (HCD) calculate its median incomes?

HCD used Department of Finance (DOF) estimates that are calculated with 2000 Census data using individual County level median household income to determine the percentage of households that were present in each of the four income categories in 2000. This is done by allocating each household in each county to one of the four income categories based on the household income regardless of household size, summing the households in each income category from each of the six counties and then calculating each income category's share of the total regional households. This is a rough rounding method that then applies those regional shares to the total RHNA allocation for the region.

21. If SACOG did not use HCD median incomes, how did it calculate current income distributions by jurisdiction?

SACOG staff used Comprehensive Housing Affordability Strategy (CHAS) data – a special run of the 2000 Census raw data requested nationally from HUD especially for housing planners that adjusts income levels according to household size which is a more refined way of determining which income category a household belongs in. Each individual jurisdiction's households are placed in each of the four income categories based on the median household income of the MSA within which that jurisdiction resides. The Yuba City MSA covers all jurisdictions within Yuba and Sutter counties, the Yolo MSA covers all jurisdictions within Yolo county and the Sacramento MSA covers all jurisdictions within El Dorado, Placer and Sacramento Counties. The share of households that fall within each income category in each jurisdiction is then compared to the regional share originally provided by HCD as our regional target. Because the cities of Elk Grove and Rancho Cordova were incorporated after the 2000 Census was conducted, the CHAS data does not have their specific city limit distributions available. The CHAS income splits were collected for the Elk Grove and Laguna CDPs for Elk Grove and the Rancho Cordova CDP for Rancho Cordova. In all other cases, the city limits as of 2000 were used.

22. Why did SACOG choose CHAS MSA median incomes?

The main reason that SACOG did not use County Median Income as determined by DOF (HCD's source) is due to the large discrepancy between County median incomes within our Region. Yuba County is the lowest at $30,460 while Placer County is the highest at $57,535. If County Median Income is used to determine household placement within each income category, a household in Yuba County earning less than 50% or $15,230 would be placed in the very low income category while a very low income household in

Placer County could earn almost double that amount as 50% of Placer County's threshold is $28,767.

SACOG did not use a 6-county regional median income based on all 6 counties income for that same reason – it would disproportionately affect the jurisdictions located within the highest and lowest income counties. For example, jurisdictions in Yuba County would have a larger share of households placed in the very low and low income categories while Placer County jurisdictions would have a much smaller share of very low and low income households.

Using the CHAS dataset with MSA median incomes provides us with a compromise. While the Yuba City MSA is still the lowest median income at $34,658 and the Sacramento MSA is the highest at $46,602, a more reasonable assessment of households by income can be conducted.

Once each jurisdiction's individual 'starting point' or household income distribution for each jurisdiction (percentages in each category) has been determined, that distribution becomes the 2000 base distribution. That base distribution is then placed on a trajectory with the goal of causing each jurisdiction to meet the HCD provided regional income splits over a period of time. (For this RHNA, SACOG used a 50-year period, from 2000-2050).

Sacramento Area Council of Governments (SACOG)

PUBLIC REVIEW DRAFT

DESCRIPTION OF METHODOLOGY #2
FOR
REGIONAL HOUSING NEEDS ALLOCATION (RHNA)
(Released May 18, 2007)

This document describes the methodology that the SACOG Board released for public comment on the Regional Housing Needs Allocation (RHNA). The RHNA period covers January 1, 2006 to June 30, 2013. For those readers who need some background on the RHNA, please see the FAQ sheet on the SACOG website: http://www.sacog.org/rhnp/rhna.cfm

SUMMARY OF PROPOSED METHODOLOGY #2

Here are the key points of this proposed methodology:

- The methodology takes each jurisdiction's draft percentage share of the growth forecasted by SACOG in cooperation with local jurisdictions for use in the Metropolitan Transportation Plan 2035 for the period from 2005 to 2013, and multiplies that percentage by the overall RHNA allocation mandated by HCD (169,476 minus the Tahoe Basin allocation). The resulting number is the total unit allocation for each jurisdiction. This is similar to the process used in 2001 in the last RHNA allocation except that the forecasts benefit from the sophisticated tools that were developed through the Blueprint Project.

  The distribution of the total unit allocation into income categories for each jurisdiction progresses along a trend line drawn from its year 2000 household income distribution, to the 2050 regional household income distribution, which is based on the 2050 housing unit forecasts from the Blueprint Project (approved by the SACOG Board in December 2004) and the income distributions prescribed by HCD. The 2013 point along that trend line indicates the amount of housing in each income category a jurisdiction must zone for in order to move towards the 2050 regional household income distribution. This is similar to the process used in 2001 in the last RHNA allocation except that it uses a 50-year rather than a 30-year trend line. Also, Comprehensive Housing Affordability Strategy (CHAS) data are used to determine current household income distribution in jurisdictions.

- Two "non-methodological" means of addressing regional equity are proposed: (1) a financial incentive program for jurisdictions that receive "reallocated units" due to the income distribution methodology; and (2) a trading system for any willing jurisdictions.

DETAILED DESCRIPTION OF METHODOLOGY #2

Two Allocation Types

There are two main components in any RHNA process to determining each jurisdiction's allocation:

1. **Overall Allocation:** SACOG receives from the California State Housing and Community Development Department (HCD) a total housing unit number for the 6-county SACOG region plus the Tahoe Regional Planning Area. SACOG then must distribute this regional number among each of the 29 jurisdictions in the region. Each jurisdiction receives a total new housing allocation for the period from Jan 1, 2006 to June 30, 2013.

2. **Income Category Distributions:** SACOG also receives from HCD a household income distribution of the total regional housing unit number. Four income categories make up this distribution and as defined by state law, are as follows: very low, low, moderate, and above moderate. The total housing unit number SACOG allocates to each jurisdiction must be further allocated into the four household income categories.

1. Overall Allocation

The basis of the total new housing units for each jurisdiction (i.e. the "overall" number) will be the Metropolitan Transportation Plan (MTP) land use allocation for the MTP interim year period 2005-2013 (this set of numbers is currently in draft state[1]). Although this set of numbers is based on a slightly longer growth period and represents a slightly different amount of growth than the HCD target allocation, it does reflect the rate and general magnitudes of growth expected to occur in the region's cities and counties by 2013. There is an important difference between the MTP allocation and the RHNA allocations. The housing unit growth for the MTP is the number of units expected to be built during this time period. The RHNA allocation is the number of units for which zoning capacity must be provided by the jurisdictions.

The following method is proposed for adjusting the MTP 2005-2013 housing unit growth projection to a 2006-2013 Regional Housing Needs Allocation:

1) <u>Determine Percentage of Regional Growth</u>: The MTP 2005-2013 allocation for each jurisdiction is divided by the total number of new housing units projected for the region between 2005 and 2013. This percentage represents the jurisdiction's share of the projected regional

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[1] "Draft state" assumes SACOG will vet the draft allocation with cities and counties and that these numbers will likely move around somewhat during that review. For the MTP schedule, these interim year allocations must be approved by the SACOG Board in May 2007.

growth. The MTP allocation process is described in Appendix A.

2) Multiply percent of regional growth by HCD's Regional Allocation: The regional growth percentage is then multiplied by the overall HCD target allocation (the difference of 169,476 minus the Tahoe Basin allocations). The resulting number is each jurisdiction's total housing unit number. Collectively, all jurisdictions' allocations, including those in the Tahoe Basin, will add to 169,476 units.

2. Allocation by Income Category

In the previous RHNA cycle (from the 2001 to June 30, 2007) the methodology to determine income distribution for each jurisdiction was a "forced trend." That methodology assumed that all jurisdictions moved toward the regional average for each of the four income categories over a thirty-year period (during the 2001 cycle that period was 1990 to 2020). This meant that each jurisdiction had a trend line reaching the regional average distribution by the end of the thirty years.

For this RHNA cycle, SACOG staff is proposing to update that methodology with our current projections and the 2000 census. Starting from a base-year income distribution, each jurisdiction will approach HCD's regional average household income distribution over a **50-year** time period (2000-2050). This period is recommended because it fits into the MTP projection period and allows for a significant period of time to move towards regional parity. The following details the steps in that formula:

a. **Income Categories** -- HCD requires SACOG to develop a RHNA methodology based on four income categories that are developed using California Department of Finance Projections and 2000 Census data. HCD uses Median Household Income to define the four income categories, then assigns households in each jurisdiction to each income category. The four income categories are:

   i. Very Low - Less than or equal to 50% of Median household income;
   ii. Low - More than 50% but less than 80% of Median household income;
   iii. Moderate - More than 80% but less than 120% of Median household income;
   iv. Above Moderate - More than 120% of Median household income.

b. **Proposed Income Distribution for Base Year (2006)** – SACOG staff proposes using household size-adjusted Comprehensive Housing Affordability Strategy (CHAS) data to determine current household income distribution in jurisdictions. The CHAS data are a special run of the 2000 Census data requested by HUD specifically for housing planners to more accurately assess issues such as affordable housing. SACOG staff believes this dataset would provide the best picture of current income distribution for two reasons: it is more accurate in assessing income distribution because it takes into account household size and secondly, because it is based on Metropolitan Statistical Area (MSA) median incomes it provides a regional picture of income distribution. There are three MSAs within the SACOG 6-county region. Sutter and Yuba Counties are the Yuba City MSA; Yolo County is the Yolo MSA; and El Dorado, Placer and Sacramento are in the Sacramento MSA. The median household incomes for the three MSAs are: Yuba City MSA - $34,658; Yolo PMSA - $40,769; Sacramento PMSA - $46,602. The differences in the median incomes are a necessary compromise to a fully regional analysis, but this method is still much better than a county-based analysis.

c. **Jurisdiction household income distribution moves towards HCD-defined regional household income distribution** – SACOG staff replicated the part of the 2001 RHNA Method described above that allocated housing units by income type to each jurisdiction and then moves each jurisdiction's income distribution from its current (2000 Census) distribution towards the regional income distribution over a period of time (2000-2050).

d. **Floor/Ceiling Adjustment to jurisdiction-level income distribution – These adjustments are carried over from the last RHNA cycle.** A minimum of 4% in all categories and a maximum of 30% of housing units in the very low and low-income categories will be applied to each jurisdiction's income distribution. The minimum is to ensure that at least some units are allocated in all categories as required by state law. The maximum is intended to mitigate against unrealistically large changes in community character over the relatively short RHNA time period. After this adjustment is applied to relevant jurisdictions, any housing units added or removed from the very low or low categories within the jurisdiction will roll into or from the above moderate category. The distribution for the city of South Lake Tahoe is over the 30%, as requested by the city staff.

e. **Adjustment factor to meet Targets in RHNA Income Categories** – After the floor and ceiling adjustments have been made to the income allocations, any regional surplus or deficit of housing units in each of the income categories is corrected by applying an adjustment factor (positive or negative) to the housing unit number of each jurisdiction that is not constrained by a floor or ceiling to match the HCD regional income targets.

NON-METHODOLOGICAL MEANS TO ADDRESS METHODOLOGICAL ISSUES

Local jurisdictions raised concerns about the impacts of the income distribution methodology. To recap, Methodology #2 has all jurisdictions (except for the Tahoe Basin) trending over 50 years towards the regional average in each income category. The 2000-07 RHNA cycle used a 30-year trend line. Local government planners raised three issues:

"Issue A" is if a 35-year trend line (from 2000-2035) was used, some jurisdictions would have to significantly change the composition of their income distributions in a very short time period from 2006 to 2013. Methodology #2 directly addresses this issue by using a 50-year trend line (from 2000-2050).

"Issue B" is, based on other comments, that a 50-year trend line results in those jurisdictions that have been providing a higher share of affordable units in the past continuing to do so. And some perceive that those jurisdictions that have had a relatively lower proportion of affordable units in the past would only gradually elevate their share of low and very low-income units.

"Issue C" relates to the impact of imposing a 30% ceiling (for low and very low income categories). Jurisdictions that do not hit a 30% ceiling pick up more units because some jurisdictions reach the 30% limit and cannot accept more units, even if their individual trend line is higher than 30%. Those units that are not allocated to jurisdictions reaching the ceiling must be re-distributed to the other jurisdictions.

The combined number of reallocated units as a result of Issues B and C is approximately 1800. This represents 2.7% of the region's low and very low income allocations.

The SACOG Board has directed staff to further develop two non-methodology-related ways to address Issues B and C. The two non-methodological means are described below:

1) **<u>RHNA Incentive Program</u>:** To address Issues B and C, a dedicated funding program could be established. The program could be modeled after the Housing Incentive Program (HIP) program from the Metropolitan Transportation Commission (MTC) in the Bay Area, which gives financial incentives (approximately $2000 to $3000 per built residential unit) to local jurisdictions to be used for transportation projects that support the MTC's transportation program. Likewise, the SACOG program could provide financial incentives to jurisdictions that promote the Blueprint Principles as it relates to the RHNA; this means the jurisdictions that assume the approximately 1800 reallocated units resulting from Issues B and C. The program would pay jurisdictions direct funding for the reallocated low and very low-income units that are BUILT that are many jurisdictions receive in Issue C. The funding program would be capped but dedicated to provide such incentives to these jurisdictions.

2) **RHNA Trading System**: A second means to address Issues B and C is to allow for a trading system within the affordable categories. Jurisdictions could trade the number of units within the low and very low-income categories to jurisdictions willing to accept them. They would determine the terms of the trade.

There would be two conditions that the SACOG staff and LUHAQ Committee recommends are placed on this:

a) the jurisdiction giving the units away could not go below the regional average in its housing unit allocation for the low and very low income categories combined, which is 39.2%; and
b) the jurisdiction willing to receive the units could not exceed to total number of higher density units in its 2035 MTP allocation. The Southern California Associations of Governments (SCAG) uses a similar system.

In addition, state law requires the following additional conditions placed on this trading system:

c) the transferring jurisdiction must have met, in the current or previous housing element cycle, at least 15% of its existing share of the region's affordable housing needs in the low and very low income category, and in no event can the jurisdiction transfer more than 500 dwelling units in a housing element cycle;
d) the jurisdiction must transfer its regional housing needs in the same proportion by income group as the jurisdiction has met its regional housing needs;
e) the transfer can only be between jurisdictions that are contiguously situated or between a receiving jurisdiction that is within 10 miles of the transferring jurisdiction, and if both jurisdictions are counties, they must be in the same housing market;
f) both jurisdictions must have adopted and be implementing a housing element; and
g) both jurisdictions must have provided HCD an annual report, as required by section 65400(b).

There are also requirements regarding the findings that both jurisdictions must make after public hearings on the transfer, and the submission of the written agreement between the jurisdictions to the COG and HCD. If the transferred units are not built within 3 years of the transfer, they may be reassigned to the transferring jurisdiction.

POLICY OBJECTIVES OF METHODOLOGY #2

The methodology seeks to increase housing supply and the mix of housing types, tenure and affordability by allocating distributions in each income category. For each income category, each jurisdiction's allocation is trended towards the long-range regional mean, thus removing imbalances of incomes distributions within the region. For allocations in each category, jurisdictions must zone accordingly for different levels of density, thus making different product types available. Higher density zoning offers the option of providing more affordable units.

Infill is encouraged because vacant lands are increasingly more difficult to develop, and the market is changing to a higher proportion of movement into the region's urban core areas. As infill and higher density development is more prevalent, land is more efficiently utilized. SACOG has provided a great deal of incentives, planning assistance and educational activities to jurisdictions to help promote infill development.

Jobs/housing balance is an inherent policy objective in the MTP's projected growth, which, in turn, is reflected in the RHNA methodology. The growth assumptions in the MTP reflect the region's desire to reduce imbalances by the commitment of most jurisdictions to regional planning goals. By removing imbalances, there is a higher probability that people will live closer to where they work, thus reducing vehicle miles traveled, which is the ultimate goal of the MTP.

The methodology addresses balancing all jurisdictions in each income category towards the regional average by use of the 50-year trend line from 2000-2050. Each jurisdiction is compared to where it was in terms of distribution of income categories in 2000 according to the US Census. A 50-year line is drawn to the regional averages for each category. Each jurisdiction's line is bisected at 2013, therefore providing the percent allocation that will lead each jurisdiction towards the 50-year regional average in each category.

APPENDIX A

SUMMARY DESCRIPTION OF METROPOLITAN TRANSPORTATION PLAN (MTP) 2005-2013 PROJECTIONS

The basis of SACOG's RHNA methodology is the projections developed for the Metropolitan Transportation Plan (MTP).

Each time SACOG adopts an MTP it must first adopt a long-range growth forecast for the region and a land use allocation that specifies its best estimate of the most likely places where that growth will occur (i.e. how much and what type of growth will go to each city and county over the MTP planning period).

SACOG worked in collaboration with each jurisdiction on its growth projections for the MTP period 2005 to 2013. Each jurisdiction within the six-county area (excluding the Tahoe Basin) helped provide data on their growth projections for this timeframe. All jurisdictions were asked to take into account the key factors that affect growth during this period, including:

- Jobs and housing relationship

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

- Availability of land suitability for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities;

- 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;

- County policies to preserve prime agriculture lands within an unincorporated area;

- Distribution of household growth assumed for a comparable period in the regional transportation plan and opportunities to maximize the use of public transportation and existing transportation infrastructure;

- Market demand for housing;

- Loss of units contained in assisted housing developments;

- High housing cost burdens;
- Housing needs of farmworkers;
- Housing needs generated by a California State or UC campus; and
- Other factors that may affect growth

Local government planners used their direct knowledge of how these factors relate to their jurisdictions, and SACOG developed growth scenarios for each jurisdiction. Each jurisdiction then reviewed the MTP projection, offered modifications, and ultimately, the MTP projection was developed. SACOG discussed these growth factors again during its meetings with individual jurisdictions at the outset of the RHNA process.

In 2005, the SACOG Board of Directors adopted a long-range forecast of population, housing, and jobs at the outset of the 2035 MTP update and SACOG staff has developed a land use allocation for the MTP planning period of 2005-2035. The land use allocation was developed over two years (2005-2007) using the following information:

- Housing permit data collected from each jurisdiction to estimate existing conditions and identify a recent growth rate for each jurisdiction.
- Development activity information from each jurisdiction, including at a minimum, information on major projects (generally specific plans). When available, infrastructure constraint factors such as flood control, water supply, road capacity and sewer capacity were also considered in development of projections. This information was generally provided at the project or sub-jurisdictional level. In some cases, jurisdictions were able to provide parcel-by-parcel development activity information. In other cases, estimates of capacity were provided by sub-jurisdictional geographies.

Staff used the information provided on existing and anticipated growth in conjunction with the regional growth forecast to estimate how much growth was likely to occur in each jurisdiction by 2035. Local jurisdictions were asked to comment on draft allocations during the development of the 2035 data set.

As part of the development of the MTP projections, staff must also develop several land use allocation data sets for interim periods between 2005 and 2035. These interim years include 2008, 2011, 2013, 2014, 2017, 2018, 2020, and 2025. Like the 2035 dataset, these interim projections must represent the best estimate of the most likely places where growth will occur, within the context of a regional forecast of population, housing and jobs.

A 2005-2018 draft land use allocation was the first of these interim data sets to be developed. A 2005-2013 draft land use allocation was developed subsequently. The 2018 data set has been circulating for comment from cities and counties since October 2006 and the 2013 data set has been circulating for comment since February 2007. Both data sets were developed using the above-specified information plus the context of the 2035 projections.

An additional step of analysis was conducted to determine what areas of a jurisdiction were more likely to develop relative to other areas. This was done by analyzing the amount of 2035 growth in a jurisdiction by four categories: "infill," "redevelopment," "entitled greenfield" and "planned greenfield."

"Entitled Greenfield:" It was assumed that entitled greenfields, or areas where new development was recently approved and buildings are currently being constructed, would build out faster than any of the other four categories.

"Infill:" Relative to this, infill, or growth that would occur on scattered vacant parcels within an existing urban area, was assumed to occur at a slower rate than entitled greenfield growth, unless recent building activity indicated otherwise.

- "Redevelopment:" Still slower than that, "redevelopment," or development in areas where buildings currently exist but may be added to or replaced, was expected to occur even more slowly than infill. In most places where active redevelopment is not yet occurring, we did not assume any redevelopment occurs before 2018.

- "Planned greenfield:" This type of development was evaluated based on how far along each development was in the planning and entitlement process and relative to all other planned greenfield developments in the region. (Regional comparisons, or, cross-jurisdictional comparisons, are made in the event that local governments individually plan for growth that when summed as a region equal less than or more than the forecasted regional growth for that time period.)

Appendix B: RHNA Factors

In developing the proposed methodology establishing the Regional Housing Needs Allocation (RHNA), SACOG utilized available data on the following factors, as explained below:

- **Each jurisdiction's existing and projected jobs and housing relationship.**

SACOG reviewed the jobs and housing balance of all jurisdictions, except the Tahoe Basin. SACOG's Metropolitan Transportation Plan (MTP) projections consider areas where there are significant imbalances in jobs and housing today and the likelihood of those imbalances improving in the future given the recent market conditions and jurisdictions' local efforts to improve imbalances. Since the MTP projections must represent the most likely growth pattern to occur, it was used as the basis for the overall RHNA distributions.

- **Lack of capacity for sewer or water service due to federal or state law, regulations or regulatory actions, or supply and distribution decisions made by service providers other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.**

Some jurisdictions indicated that they would be running out of sewer and/or water capacity during the 2006-2013 RHNA cycle. However, the RHNA methodology proposed by SACOG staff did not cap a jurisdiction's overall allocation because of diminishing sewer or water capacity (Gov Code 65584.04 (A)(2)). As long as a jurisdiction can continue to plan for additional sewer and/or water capacity, no special adjustments were considered in the RHNA methodology. The only case where a jurisdiction is allowed an adjustment is where federal or state regulations prohibit a jurisdiction from providing necessary infrastructure for additional development. This only applies in the Tahoe Basin jurisdictions, which are excluded from this methodology for additional reasons described below.

- **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 COG shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions.**

The amount of land available for development varies amongst jurisdictions. Some have relatively large amounts of vacant land available, while others have limited amounts of vacant land. Others have infill opportunities from underutilized properties. The 2013 MTP projections considered all jurisdictions' land supplies. Some jurisdictions that have relatively liberal accessory unit policies or other infill tools are acknowledged in the MTP projections. The MTP projections also reflect slow growth rates in jurisdictions that lack developable lands and lack redevelopment opportunities which are driven by market forces; a relatively faster growth rate is assumed for jurisdictions with ample land supply and a comparatively strong residential market.

Some jurisdictions noted that they have land set aside for environmental mitigation. These mitigations are reflected in the 2013 MTP allocations in terms of timing of development in specific plan areas. However, jurisdictions that choose to set aside some land from development are not precluded from the planning for potential development in other lands within its boundaries; therefore, jurisdictions are generally not subject to further reductions in their regional housing needs allocations based solely on their lack of developable lands.

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

The three jurisdictions within the Tahoe Basin (the city of South Lake Tahoe, and portions of Placer and El Dorado Counties) are heavily regulated by federal and state laws. The SACOG methodology defers to the one agency responsible for growth projections in this area – the Tahoe Regional Planning Agency (TRPA) – for growth allocations for the RHNA. However, projections for the RHNA period have not been provided by TRPA as of this writing, thus leaving SACOG staff to interpret projections without official review.

For the remaining 28 jurisdictions, lands must be officially designated as federal or state conservation lands before any adjustments to the RHNA methodology are considered (Gov Code 65584.04 (2C). Although discussions are taking place regarding federally designated habitat conservation lands, until these lands are designated as such the RHNA methodology must consider those lands eligible for potential residential development. Even if federal designations are given, a jurisdiction still has the ability to plan for residential development on other lands within its boundaries; if there are no more lands, then the RHNA will be adjusted.

Jurisdictions that choose to impose their own restrictions on developable lands are not exempt from the RHNA methodology. Jurisdictions with self-imposed restrictions may still allow other lands for residential development. Therefore, they will still be given an allocation according to the RHNA methodology.

- **County policies to preserve prime agricultural land within an unincorporated area.**

Some counties have policies that are intended to protect against the development of agricultural lands. The 2013 MTP allocations did not assume development of these identified agricultural lands.

Some jurisdictions also identified unincorporated agricultural lands that would be developed only upon annexation or incorporation. If the annexing jurisdiction agreed that agricultural land would only be developed upon annexation and no annexation application was in process, this land was not considered available for development for the 2013 MTP projection and RHNA.

- **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.**

As described in the explanation of the RHNA methodology, the foundation of the methodology is based on the SACOG's Metropolitan Transportation Plan (MTP) housing and employment projections. While the RHNA cycle covers from January 1, 2006, through June 30, 2013, the MTP covers the period from 2005 through 2035, with an interim projection from 2005 through 2013. The MTP 2005-2013 projections were developed by collaboration and coordination with each jurisdiction. To coordinate the two projection periods, SACOG took the percentage of the region's MTP growth for each jurisdiction, and multiplied it by the RHNA six-county allocation (minus the Tahoe Basin).

The Tahoe Basin is excluded from the MTP projection because it is not part of the federally-designated SACOG planning area. SACOG does not have any transportation planning authority within this basin, and therefore it is not part of the MTP.

- **The market demand for housing.**

Several jurisdictions commented that the market demand for housing has declined significantly compared to the first half of the decade. Although there are clear signs that this is the case, this slowdown affects all jurisdictions within the six counties and not any individuals significantly more than others. In addition, the 2013 MTP projection does take into account the relatively weak short-term market demand for housing. Therefore, no jurisdictions are given any special adjustments or treatment in this situation.

- **Agreements between cities and counties to direct growth toward incorporated areas of the county.**

Some cities and their counties have agreements in place to direct growth towards incorporated areas. Where such agreements exist, SACOG considered unincorporated areas of the county to be unavailable for development in establishing the 2013 MTP projections.

- **The loss of units contained in assisted housing developments that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions.**

No jurisdiction stated that this factor should effect the allocation.

- **High-housing costs burdens.**

Some jurisdictions stated that they have a higher concentration of low and very low income households within their jurisdictions. The RHNA methodology's income category distribution trends all jurisdictions towards a long-term regional average. By doing this, it removes extreme concentrations of a particular income category with just a few jurisdictions; instead, it moves all jurisdictions' distribution of income categories towards regional averages.

- **The housing needs of farm workers.**

Some jurisdictions stated that farm worker housing is not being developed, in large part because infrastructure does not reach potential development sites or because the cost of development is prohibitive in these areas which are typically remote and rural. The MTP projections assumed that new housing in general would be contiguous to incorporated areas with urban infrastructure.

- **The housing needs generated by a Cal. State or UC campus within a jurisdiction.**

The plans made by California State University or University of California campuses for student housing are modeled into the MTP projections.

- **Any other factors adopted by the COG.**

There are two situations that are outside the control of SACOG and local jurisdictions that may still affect the RHNA methodology and the associated allocations.

First, the Federal Emergency Management Agency (FEMA) is reviewing the flood levees and may re-designate and impose a federal moratorium on residential development. If during the RHNA update process a jurisdiction receives a FEMA designation that prohibits near-term development, the entire RHNA may need to be recalculated to redistribute the regional allocation among all jurisdictions, even after the Regional Housing Needs Plan is scheduled to be adopted in early 2008.

Second, as mentioned earlier, federal and state laws regulate development of residential units in the Tahoe Basin. The three jurisdictions in basin - the city of South Lake Tahoe, and the Tahoe Basin portions of unincorporated El Dorado and Placer Counties - have no control over the number of development applications they can process. The allocations for these jurisdictions may change independently of the RHNA methodology. If they do change, then the rest of the region will need to be reallocated. The maximum effect of a reallocation could not exceed the combined total current allocation for these three jurisdictions, which is 2,625 units, or 1.5% of all units.