

AGENDA REPORT

Agenda Item Approvals: City Manager Attorney Finance

SAN CLEMENTE CITY COUNCIL MEETING Meeting Date: September 3, 2019

Department:

Community Development Department

Prepared By:

Gabriel Perez, City Planner

Subject:

CITY OF SAN CLEMENTE COMMENT LETTER TO THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG) REGARDING THE 6TH REGIONAL HOUSING NEEDS ALLOCATION

(RHNA) CYCLE

Fiscal Impact: None

Summary:

The purpose of this item is to inform the City Council of the Southern California Association of Governments (SCAG) proposed methodologies for the 6th Cycle Regional Housing Needs Assessment (RHNA) allocations and request the City Council authorize the City Manager to submit a comment letter to SCAG opposing the

proposed methodologies.

Background:

The Regional Housing Needs Assessment (RHNA) is mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. The RHNA quantifies the need for housing within each jurisdiction during specified planning periods based on the existing and projected housing need determined by the Department of Housing and Community Development. SCAG is required to development a proposed RHNA methodology to distribute existing and projected housing need.

Discussion:

SCAG is in the process of developing the 6th cycle RHNA allocation plan which will cover the planning period October 2021 through October 2029. SCAG has proposed three different methods to distribute housing need for the public to consider. Comment letters are due September 13, 2019. The three RHNA methodology options, including RHNA estimates for the City of San Clemente, are as follows:

- Option 1: Allocates housing need due to projected growth based on local jurisdictions' local input household growth, plus adjustments for vacancy and replacement need. Existing need is allocated based on a local jurisdiction's share of the region's population (70%), its share of the region's population in high-quality transit areas (HQTAs, 20%), and recent new housing unit permitting relative to the regional average (10%). The RHNA allocation to the City of San Clemente under this option is estimated at 2,762 housing units.
- Option 2: Allocates all housing need based on local jurisdictions' share of the region's total population (80%) and share of the region's population in HQTAs (20%). This option does not include local input. The RHNA allocation to the City of San Clemente under this option is estimated at 3,760 housing units.
- Option 3: Allocates all housing need based on local jurisdictions' share of regional population growth based on local input. Adjustments for vacancy and replacement

need are also added in option 3. The RHNA allocation to the City of San Clemente under this option is estimated at 1,361 housing units.

The Orange County Council of Governments (OCCOG) has concerns about the proposed RHNA methodologies and submitted a comment letter to SCAG. Staff shares these concerns and requests the City Council authorize the City Manager to submit a comment letter (Attachment 1) expressing concerns about the RHNA methodologies and support for the comment letter submitted from OCCOG (Attachment 2).

SCAG will finalize a methodology in Fall 2019, draft a RHNA allocation in Winter 2020, and finalize a RHNA allocation in October 2020.

Environmental

Review:

Not applicable.

Recommended

Action:

STAFF RECOMMENDS THAT THE CITY COUNCIL AUTHORIZE THE CITY MANAGER TO SUBMIT COMMENT LETTER TO SCAG REGARDING THE 6TH RHNA CYCLE.

Attachments:

- 1. Draft Comment letter to SCAG
- 2. OCCOG Comment Letter (without attachments)
- 3. RHNA Methodology Public Hearing PowerPoint Presentation

Notification:

Not applicable.



City of San Clemente City Manager

James Makshanoff, City Manager

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makshanoffj@san-clemente.org

September 4, 2019

Mr. Kome Ajise
Executive Director, Southern California Association of Governments
Attention: RHNA
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017
SENT VIA EMAIL: housing@scag.ca.gov

Dear Mr. Ajise,

Thank you for the opportunity to comment on the Proposed Regional Housing Needs Assessment (RHNA) Methodologies. The City of San Clemente appreciates the work and coordination the Southern California Association of Governments (SCAG) completed thus far for the 6th cycle RHNA allocations. The City of San Clemente is committed to increasing housing production and providing affordable housing options to address local needs. The City implements an inclusionary housing program and recently adopted an affordable housing overlay district to incentivize affordable housing production in the City's Mixed Use and Neighborhood Commercial zoning districts.

Between 1980 and 2010, San Clemente's population growth rates were higher than those rates experienced in Orange County. In addition, housing growth in San Clemente increased 26% between 2000 and 2010 which far outpaced the growth in Orange County. Population and housing growth rates have leveled off and SCAG forecasts the very little population growth.

San Clemente is a coastal community and largely built out with limited development opportunities. San Clemente's 2017 Midterm Housing Element Update found a limited number of parcels have development potential and would yield only 634 units. Coupled with a severe lack of resources to develop affordable housing, San Clemente would not be able to produce the 1,300 to 4,000 additional housing units projected for the 6th cycle RHNA allocations, which is between 2 - 5 times the allocation in the 5th cycle depending on the methodology option considered. As an example, the proposed methodology option 1 would direct San Clemente to produce 2,751 new housing units, including 1,013 very-low units.

	5th Cycle			
Category		Option 1	Option 2	Option 3
Very Low	134	1017	1029	372
Low	95	758	625	226
Moderate	108	817	720	261
Above Moderate	244	170	1386	502
Total	581	2762	3760	1361
Total Increase from 5th Cycle		375%	547%	134%

We would like offer the following comments and concerns regarding SCAG's Proposed RHNA Methodologies:

- Housing and Transportation. The HQTAs from the Regional Transportation Plan/Sustainable Communities Strategy may not account for eliminated bus routes. In addition, the HQTAs do not consider the very low potential to produce housing units and employment centers in cities like San Clemente. Our HQTAs have limited development potential, are physically constrained, and/or are historic.
- Funding. The allocation process lacks the support of funding sources to enable San Clemente and other municipalities to produce the required housing units. The provision of affordable housing requires significant financial investment.

In addition to the San Clemente specific comments above, we would like to echo the comments in the letter from the Orange County Council of Governments, including:

- Local input is critical to creating a feasible allocation and should be included in the methodology selected by SCAG.
- SCAG should reconsider redistributing the existing need above moderate units to the very low, low, and moderate income unit allocations.
- Housing and Transportation. Although the intent to connect housing and transportation is an important planning effort, the proposed methodologies do not guarantee or incentivize the HQTA population share units to be built in HQTA areas. Without the assurance that these units would be built in the HQTA areas, the housing and transportation disconnect could be further exacerbated.

The City continues to support and implement programs to increase housing production, including affordable housing. However, the 6th cycle proposed methodologies would put the City in a position in which we would be out of compliance with State law. After considering the options proposed by SCAG, San Clemente believes Option 3 to be the least objectionable option given Option 3's use of local input.

Thank you for the opportunity to comment and we look forward to working with SCAG as we move forward on the 6th cycle RHNA allocation process.

Sincerely,

James Makshanoff City Manager



August 22, 2019

Kome Ajise
Executive Director
Southern California Association of Governments
900 Wilshire Blvd., Suite 1700
Los Angeles, CA 90017
SENT VIA EMAIL: housing@scag.ca.gov

SUBJECT: PROPOSED REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) ALLOCATION METHODOLOGY

Dear Mr. Ajise:

On behalf of the Orange County Council of Governments (OCCOG), I extend our thanks for the Southern California Association of Government's decision to release multiple methodologies for consideration by the public as part of the 2020 Regional Housing Needs Assessment (RHNA) cycle.

OCCOG is comprised of 34 diverse local jurisdictions, much like the region overall, and we understand that no one methodology will provide optimal results for all. Thus, we seek to work with SCAG to develop an allocation methodology that is equitable, addresses the requirements of RHNA, and results in our member jurisdictions being able to have their housing elements certified by the Department of Housing and Community Development (HCD) within the timeframe required by law. A methodology that does not respect local input, fails to understand the constraints imposed on local jurisdictions in this RHNA cycle for siting new housing, or results in a RHNA allocation that is unattainable by jurisdictions, jeopardizes our region's ability to address the housing crisis head on.

We therefore respectfully submit these comments, with the intent to surface issues and unintended consequences from a local jurisdiction perspective, that SCAG may not be aware of, with the methodologies as currently proposed.

1. OCCOG believes local input should underpin the selected RHNA methodology allocation option

Local input has always been a foundational component of SCAG's RHNA planning process, and for good reason. Local input provides a real-world perspective of local housing opportunities and constraints at an individual, jurisdiction level; a perspective that is not present in a one-size-fits-all proposed RHNA allocation factor, such as a jurisdiction's share of the regional population. Local input provides the backbone, linking the RHNA to the RTP/SCS by supporting the Sustainable Communities Strategy in identifying areas within the region sufficient to house an eight-year projection of the regional housing need, as called forth with the adoption of SB 375.

We support the bottoms-up approach SCAG used to derive local input over a 1.5-year long process in which SCAG solicited input from all 197 local jurisdictions on population, housing and employment for 2016-2045; parcel level General Plan land uses, existing 2016 land uses, and zoning; and the extensive surveys collecting information on policies and best



practices incorporated into local planning. This information is also utilized by the local transportation commissions in their planning and programming of major transportation and infrastructure projects and SCAG in its regional planning. By utilizing local input, the Regional Transportation Plan/Sustainable Communities Strategy, known as Connect SoCal, integrates transportation and land use planning.

2. OCCOG supports using local input as the floor for any RHNA allocation of projected need

Each jurisdiction submitted projected housing development numbers to SCAG as part of the Connect SoCal process, which is linked with the RHNA process. The selected RHNA methodology therefore should ensure that any number assigned to a jurisdiction captures, at minimum, the number of units a jurisdiction identified through the local input process. For example, if a jurisdiction projected it would build 8,000 units, but the selected RHNA methodology only gives that jurisdiction 5,000 units, there should be an adjustment to provide that missing 3,000 units to the jurisdiction, rather than distribute the 3,000 to other jurisdictions. This respects local input, and ensures equity for other jurisdictions not to be overburdened.

3. SCAG should allow time for review of new factors or methodologies

While OCCOG appreciates the expanded public comment period for the methodology, SCAG has made it clear that the recommended methodology could be a combination of the proposed, or an entirely new methodology that is developed from public comments received. For any new factors or methodologies that are introduced as potential inputs or approaches for disaggregating the regional determination to jurisdictions, as a result of the public comment period ending September 13, 2019, we respectfully request adequate time, of no less than one week, be allocated to assess these new inputs and methods prior to any SCAG committee selecting a preferred methodology. This will ensure that SCAG member jurisdictions and other stakeholders have the ability to review the new methodology and provide input to SCAG that can help ascertain optimal outcomes and avoid technical flaws.

4. Adopt a RHNA methodology only after HCD provides the regional determination number.

Adopting a methodology prior to receipt of a regional determination would not allow the jurisdictions, SCAG, and the public to properly assess potential disparate and unintended effects on jurisdictions and those they serve throughout the region.

5. Align the definition of HQTAs with Cap and Trade for RHNA purposes

Page 7, Option 1 Step 1b: Share of Regional HQTA Population:

OCCOG supports improving the linkage between new, higher density housing and frequent, reliable transit service, and affirm this could also help the region in meeting mobility and air quality goals. However, we recognize that how the new housing numbers and associated income distribution is allocated to jurisdictions could raise concerns regarding the potential



over-concentration of particular income groups and/or the potential to displace existing residents. Additionally, HQTAs are not evenly distributed across the region.

Given the significant repercussions for cities and counties to site the units allocated, it is important that the process results in a distribution that is achievable. Thus, an allocation approach that emphasizes the factors that are critical for agencies being able to achieve ("build") the allocated housing units should be heavily-weighted in one or more of the alternatives—and hopefully in the selected approach.

OCCOG therefore encourages SCAG to align the criteria for RHNA allocations at major transit stops with the definition of a HQTA in the Affordable Housing and Sustainable Communities Program Round 4 FY 2017-2018 Program Guidelines to both avoid overlapping terms/definitions and to better provide potential funding by ensuring HQTA's are within already-defined areas.

"High Quality Transit" means a Qualifying Transit line with high frequencies AND permanent infrastructure as follows: (1) Frequency: High Quality Transit must have Peak Period headway frequency of every 15 minutes or less and service seven days a week. (2) Permanent Infrastructure: High Quality Transit must operate on a railway or be transit service with Bus Rapid Transit features that either fully or partially operate on a dedicated bus-only lane, or uses High Occupancy Vehicle (HOV) or High Occupancy Toll (HOT) lanes.

5. OCCOG opposes the reallocation of the "Above Moderate" category housing

Page 8, Option 1 Step 1d: Social Equity Adjustment for Existing Need:

OCCOG opposes the elimination of and redistribution of the Above Moderate category described in Option 1. Above Moderate units are the only housing type as a whole category that can be built without some form of subsidy, tax break or incentive provided to the builder. Without redevelopment funding and other financial tools in place, providing the needed subsidies has become ever more challenging for jurisdictions, even as we all face the challenge to build more housing at every socio-economic level to meet the needs of our communities. Jurisdictions must be able to find adequate sites for their allocated housing units in their housing element in order for it to be certified by HCD. Without a certified housing element, fines and other penalties can accrue to a jurisdiction, which then further reduces a jurisdiction's available resources to provide funding for very low- and low-income housing.

Our analysis of reassigning the Above Moderate units to the three lower-income categories, as proposed in Option 1, shows that it in fact further burdens those jurisdictions that are already impacted and have higher shares of lower-income units. In addition, by using the <u>relative</u> share of lower income categories, this further exacerbates those jurisdictions that already have higher concentrations of very-low income units and those that are already receiving higher allocations of lower-income units due to the social equity adjustments.



6. Utilize share of growth for household population not total population

Page 16 Option 3.

Per statute, once the region's growth forecast for total population is established, the population living in group quarters is removed from the subsequent calculations to establish the total regional housing need. Option 3 describes the use of the share of total population growth to allocate housing need. By definition, households are those housing units that are occupied by people and that population is called "household population". Group quarters population, by definition, are those people not living in households, i.e., those sheltered in facilities and structures that are not defined as housing units. Since the RHNA calculations are based off household population, if Option 3, or any other methodology that is selected utilizes the share of population growth, this should be changed to the share of household population growth. Another suggestion is to use the share of household growth instead of the share of total or household population growth.

7. Remove land areas not compatible with residential uses from density calculation

Page 54 of Technical Appendix Table: Share of 2019 Population in 2016 HQTAs.

This table contains a calculation showing 'Density (Population per acre)' which is defined as "Acre size and density calculation is for total area within jurisdictional boundaries". Though density is not currently used as an input into any of the current methodologies and OCCOG is not supporting the use of density as an input, if SCAG ultimately incorporates density into the selected methodology, some land uses should be removed from the total area within the jurisdiction so the density calculation properly reflects population density in developable/useable areas. For example, areas and land uses that are permanently protected open space, such as Cleveland National Forest; military bases; flood channels; local parks and HOA open space; and other lands unsuitable or unavailable for residential uses, should not be included in the area denominator.

8. Allow for vetting and corrections to CIRB units permitted data

<u>Page 59 of Technical Appendix Table: Number of Residential Units Permitted.</u>
<u>Construction Industry Research Board (CIRB) and SCAG Local Profiles.</u>

The CIRB data used in Option 1 has not been vetted by all jurisdictions for accuracy. Though the information is reported to have also been contained in the SCAG Local Profiles, the charts displayed in the Local Profiles only report every other year's data. If the CIRB data is to be utilized, any corrections or amendments submitted to SCAG and/or CIRB should be incorporated into the RHNA Technical Data Appendix and RHNA calculations.

9. OCCOG supports the technical comments provided by The Center for Demographic Research.

OCCOG works closely with the Center for Demographic Research at California State University, Fullerton (CDR). CDR has provided detailed comments for SCAG's use in

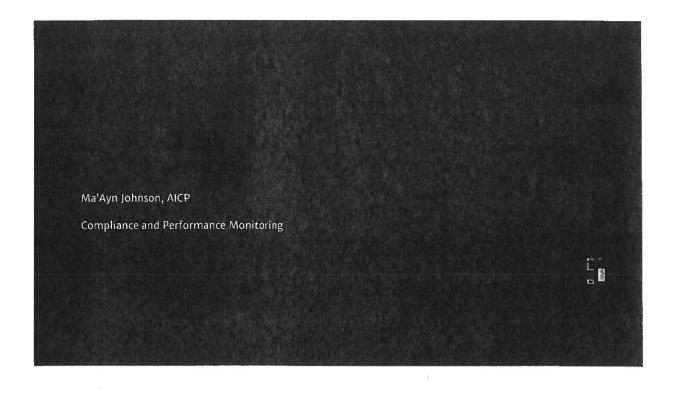


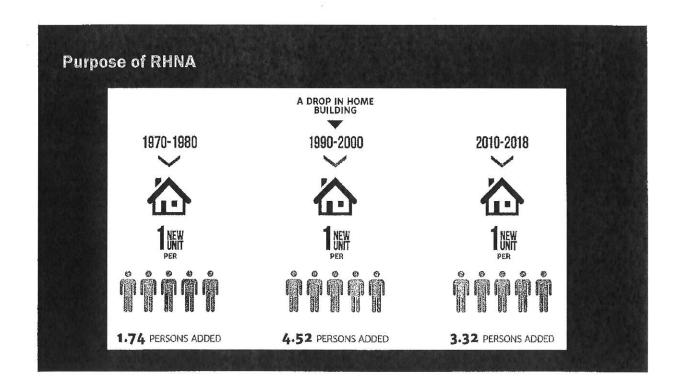
strengthening all three proposed methodologies. OCCOG stands behind the comments issued by CDR in the spirit of making the methodologies as accurate and flawless as possible before adoption.

Once again, OCCOG thanks you and the SCAG team for the partnership in developing an equitable RHNA methodology for our region that will lead to certified housing elements and ultimately to more housing options for Southern Californians. We stand ready to support you during the evaluation period and look forward to working together throughout the remainder of the 2020 RHNA cycle.

Sincerely,

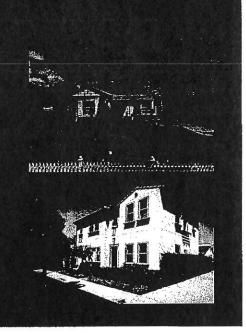
Marnie O. Primmer Executive Director Orange County Council of Governments





Objectives of RHNA

- To increase the housing supply and mix of housing types, tenure and affordability within each region in an equitable manner
- Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns



Objectives of RHNA

- 3) Promoting an improved intraregional relationship between jobs and housing
- 4) Allocating a lower proportion of housing need in income categories in jurisdictions that have a disproportionately high share in comparison to the county distribution
- 5) Affirmatively furthering fair housing

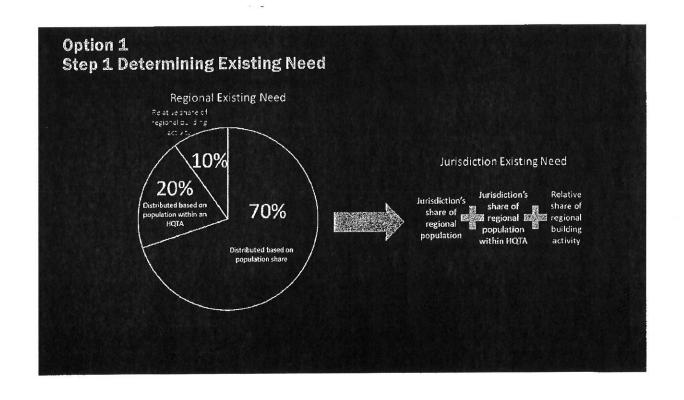


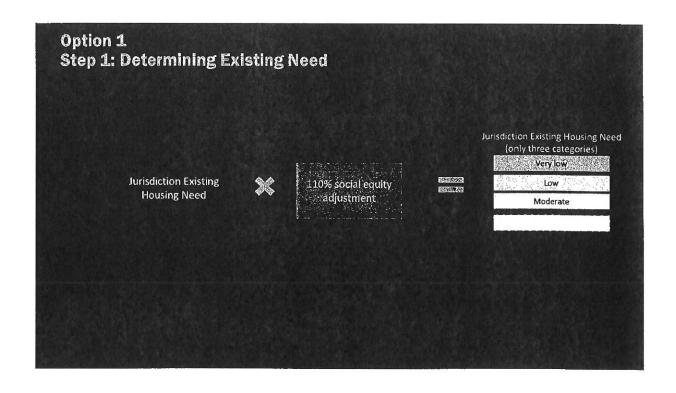


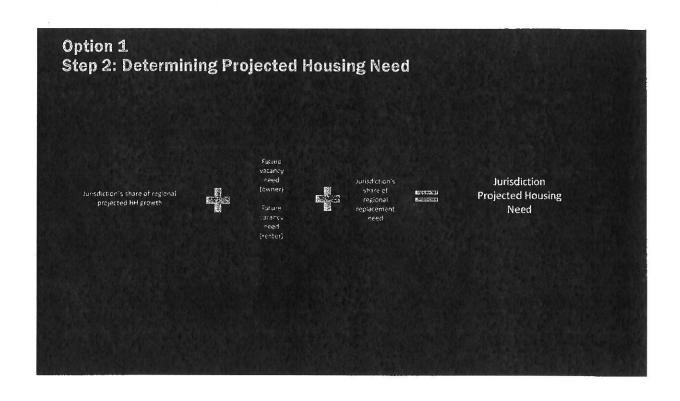
Proposed RHNA Methodology: Options

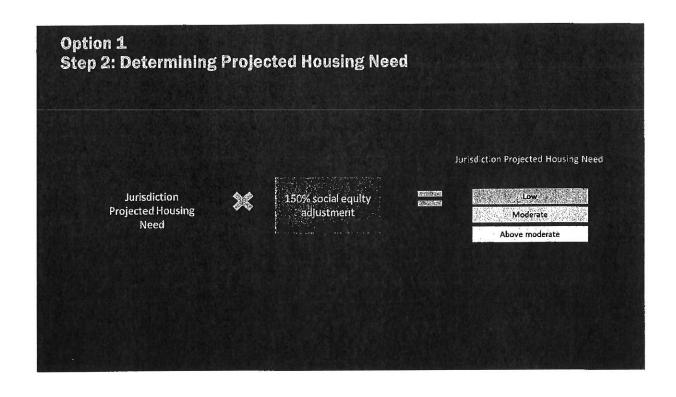
- Three options developed based on feedback from RHNA Subcommittee and stakeholders
- Each option applies different components
- One option will be recommended to the RHNA Subcommittee, CEHD, and Regional Council for submittal to HCD

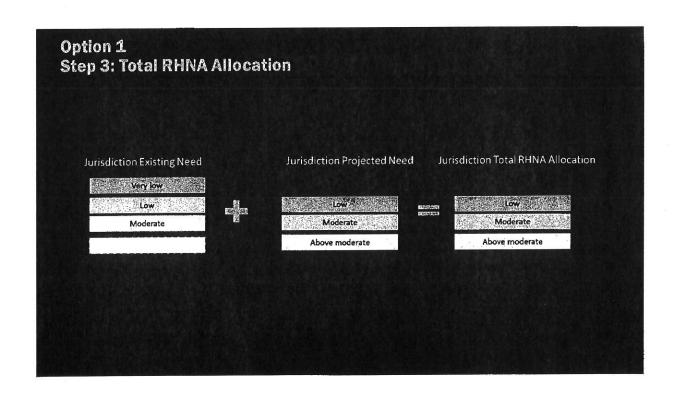
Proposed RHNA Methodology* Option 3 Option 2 Option 1 · Share of population Share of population Local input/Future vacancy need/Replacement need · Share of population within Share of population within high quality transit areas · Social equity adjustment high quality transit areas Share of regional undersupply · Social equity adjustment of building permits issued Local input/Future vacancy need/Replacement need · Social equity adjustment *Stakeholders are invited to share comments and propose other components or options

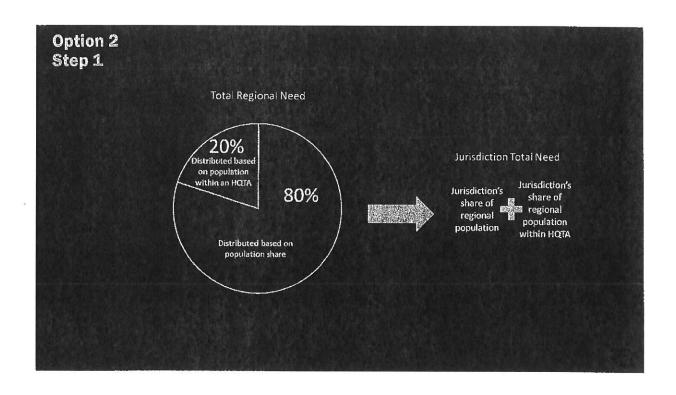


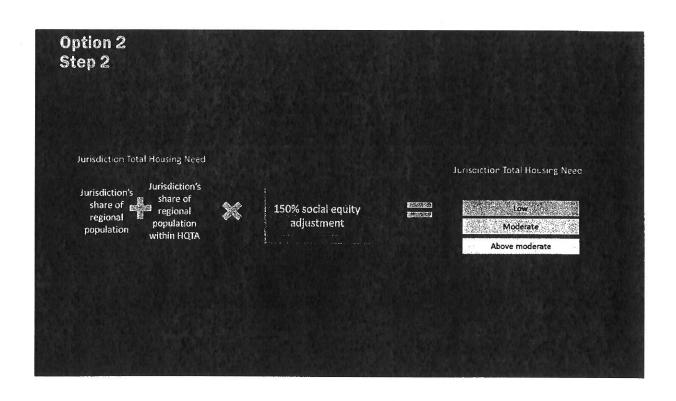


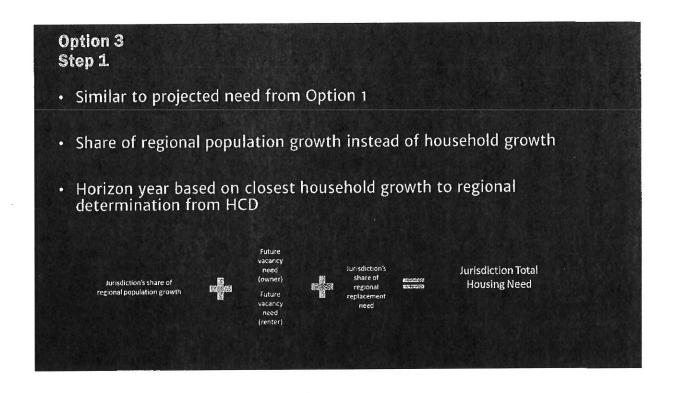


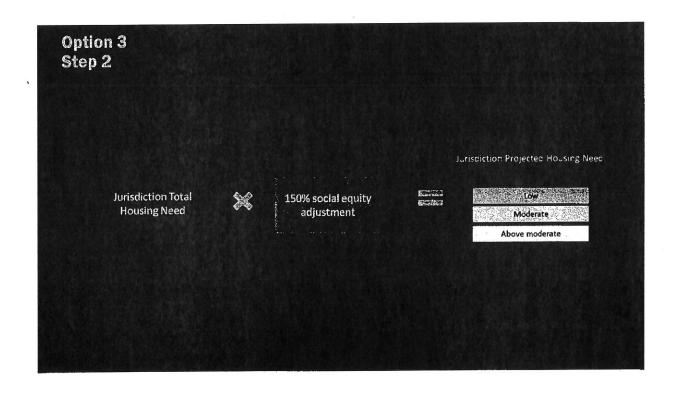












How do the options affect different jurisdictions?

City A and City B

City A

- Urbanized
- Within County X
- Most of population is within an HQTA
- Population: Appx. 65,000
- Higher concentration of lower income households than other parts of the county

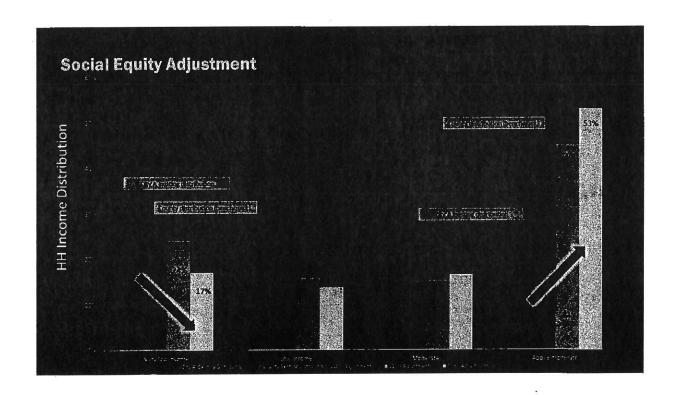
- · City B
 - Suburban community
 - Within County Y
 - No HQTAs within jurisdiction
 - Population: Appx 65,000
 - Higher concentration of high income households than other parts of the county

Option 1: Step 1 Existing Need

Example assumption: Regional existing need of 250,000

- 175,000 (70%) will be assigned based on population share
- 50,000 (20%) will be assigned based on population share within HQTA
- 25,000 (10%) will be assigned based on share of recent regional permit activity in comparison to population

City A	Existing need	City B	Existing need
+Share of regional population (0.35%)	606	+Share of regional population (0:35%)	606
+Share of regional population within HQTA (0.37%)	183	+Share of regional population within HQTA (0%)	0
+Share of permit activity in comparison to population (1.10%)	280	+Share of permit activity in comparison to population (0.30%)	88
=Total existing need	1,069	=Total existing need	694



Option 1: Step 1 Existing Need

City A

Income Category	Very low	Low	Moderate	Above moderate	Total
Current Distribution	30.1%	23.2%	17.6%	29.1%	100%
After 110% adjustment	24.8%	14.8%	16.7%	43.6%	100%
After 110% adjustment into 3 categories	44%	26.3%	29.7%		100%

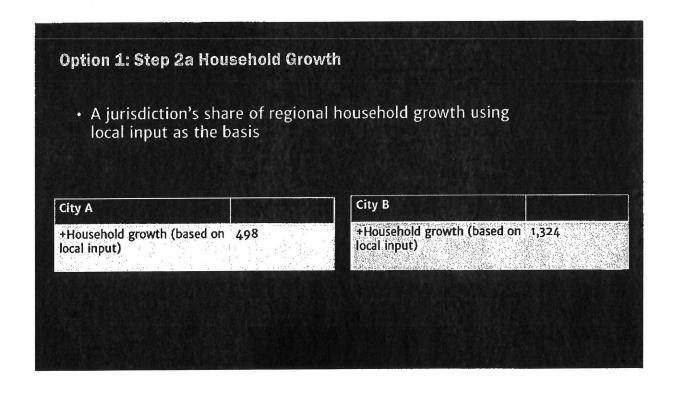
City B

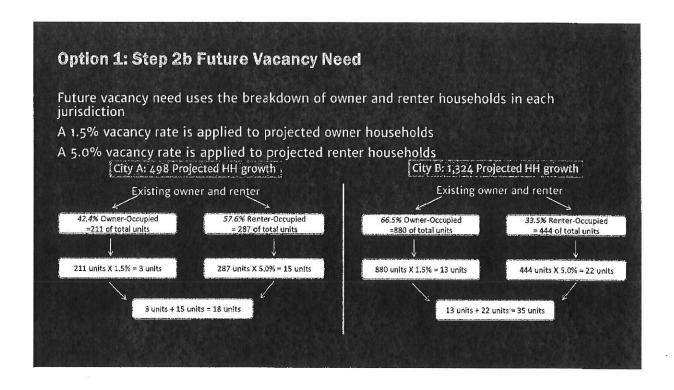
Income Category	Very low	Low	Moderate	Above moderate	Total
Current Distribution	15.8%	12.2%	16.8%	55.2%	100%
After 110% adjustment	24.5%	16.9%	18.5%	40.1%	100%
After 110% adjustment into 3 categories	40.9%	28.3%	30.8%		100%

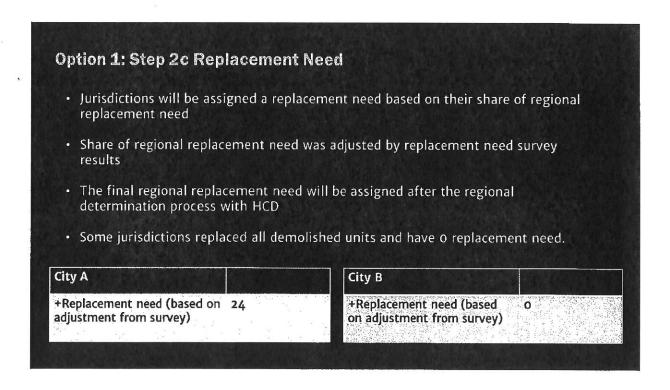
Option 1: Step 1 Existing Need

Existing housing need	City A	City B
ं रेबस्य (कार्य	459	318
Sign.	296	178
Metiante	315	198
ANOTHER TOTAL		American activities (Control of Control of C
्रिग् <i>र</i> ा∳	1,069	694

Option 1: Step 2 Projected Need Projected need will be determined by three factors: Household growth Jurisdiction Total Need Future vacancy need Future vacancy need (owner) • By owner and renter Jurisdiction's Jurisdiction's share of share of regional regional Replacement need replacement projected HH need HH growth Future vacancy need (renter)







City A		City B
+Projected household growth	498	+Projected household growth 1,324
+Future Vacancy Need	18	+Future Vacancy Need 35
+Replacement Need	24	±Replacement Need 0
=Projected housing need	540	=Projected housing need 1,359

. 6	Income category	City A existing HH income distribution	County X existing housing distribution	150% adjustment
A	Very low	30.1%	25.3%	22.9%
	Low	23.2%	15.6%	11.8%
	Moderate	17.6%	16.8%	16.4%
	Above moderate	29.1%	42.3%	48.9%
	Income category	City B existing HH income distribution	County Y existing housing distribution	150% adjustment
В	Very low	15.8%	23.7%	27.7%
	Low	12.2%	16.5%	18.6%
	Moderate	16.8%	18.3%	19.1%
	Above moderate	55.2%	41.5%	34.6%

Option 1: Step 3 Total RHNA Allocation

City A

	Very low	Low	Moderate	Above moderate	Total
Existing need	459	296	315		1,069
Projected need	130	60	83	266	540
Total RHNA	589	356	398	266	1,608

City B

	Very low	Low	Moderate	Above moderate	Total
Existing need	318	178	198		694
Projected need	396	245	242	477	1,359
Total RHNA	713	423	440	477	2,053

Option 2

Example assumption: Regional need of 675,000

- 540,000 (80%) will be assigned based on population share
- 135,000 (20%) will be assigned based on population share within HQTA

City A	Total need		
+Share of regional population (0.35%)	1,870		
+Share of regional population within HQTA (0.37%)	493		
=Total need	2,363		

City B	Total need
+Share of regional population (0.35%)	1,870
+Share of regional population within HQTA (0%)	0
=Total existing need	1,870

Social equity adjustment: 150%

Option 3

- Based on population growth for selected horizon year
- Horizon year is selected based on horizon growth closest to HCD determination
- Example assumption: HCD provides a total of 800,000

City A	Total need
+Share of regional population growth (0.14%)	910
+Future vacancy need	32
+Share of replacement need	24
=Total existing need	966

City B	Total need
+Share of regional population growth (0.76%)	4,950 %)
+Future vacancy need	132
+Share of replacement ne =Total existing need	eed 0
= rotal existing need	5,002

• Social equity adjustment: 150%

	Option 1	Option 2	Option 3
Existing need separate from projected need	Yes	No	No
Higher total of lower income categories	Yes	No	No
Emphasis on HQTA from regional total	On existing need only, 20%		No
Accounts for recent building activity	Yes	No	No
Social equity adjustment	110% for existing need 150% for projected need	150% for total need	150% for total need
Local input as a component	Yes	No	Yes

Full Proposed RHNA Methodology

- Step by step guide to calculate a draft RHNA allocation in proposed methodology packet
- Online tool available to estimate draft RHNA allocation based on each option at
- Full survey responses available at

Next Steps

- Proposed RHNA methodology public hearings
 - August 15, 6-8pm Los Angeles
 - August 20, 1-3pm Los Angeles
 - August 22, 1-3pm Orange County
 - · August 27, 6-8pm, Inland Empire
- Proposed RHNA methodology public information session
 - August 29, 1-3pm Santa Clarita

Next Steps

- RHNA Subcommittee Meeting to select a RHNA methodology
 - Tentative: October 7
- CEHD Special Meeting to select a RHNA methodology
 - Tentative: October 21
- Regional Council meeting to select a RHNA methodology
 - November 7
- Draft RHNA Methodology Review by HCD
 - · Fall 2019

Public Comments

- Comments on any of the options, components, factors or alternative options
- · Written and verbal comments can be provided at today's public hearing
- Comments can also be submitted to September 13, 2019 11:59 pm

by Friday,

SCAG staff will review all submitted comments and post them online

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For more information:
Email: housing@scag.ca.gov