



June 5, 2019

Honorable Peggy Huang, Chair  
Honorable Stacy Berry, Vice Chair  
Community, Economic and Human Development Policy Community  
Southern California Association of Governments  
900 Wilshire Boulevard, Suite 1700  
Los Angeles, California 90017

**Subject: Draft Regional Housing Needs Assessment (RHNA) Consultation Package to the California Department of Housing and Community Development (HCD)**

Honorable Chair Huang and Honorable Committee Members:

The City of Newport Beach appreciates the opportunity to provide written comments to the Southern California Association of Governments (SCAG) regarding the June 6, 2019 CEHD Agenda Item on the RHNA Consultation package to HCD. The City appreciates SCAG staff's efforts and the Committee members who sacrifice their time to participate in this important effort. The City remains committed to doing its part in addressing this housing crisis in compliance with Housing Element law (Government Code Sections 65580-65598.8).

It should be noted that in 2006, the City comprehensively updated its General Plan and identified several new residential housing opportunity areas. These opportunities were created as infill and replacement of previously permitted retail and office development capacity, with a realistic development capacity of approximately 3,200 new dwelling units. In 2011, the Airport Area was identified as the City's primary housing opportunity area to address the City's lower-income housing needs and a Residential Overlay was adopted to incentivize residential development that includes a minimum of 30% of the units affordable to lower-income households. Since then, the City has approved over 2,100 new multi-family dwelling units, including 91 very low-income units and 78 low-income units. While the City has been able to continue to build housing units to meet existing and projected need, available land within the sites inventory has been significantly reduced since the last RHNA cycle by changes to Housing Element Law. Extremely high land values in the City exacerbates the difficulty in developing housing affordable to lower-income households due to the high financial subsidies needed to make projects financially feasible. Therefore, the City of Newport Beach is concerned about the proposed methodology that SCAG is proposing for the 6<sup>th</sup> RHNA cycle that is above and beyond the projected growth in the Regional Transportation Plan/ Sustainable Communities Strategy (RTP/SCS) and will greatly impact the City's ability to remain compliant with state housing laws. Therefore, the City respectfully requests

that the Subcommittee carefully consider the following comments related to the proposed consultation package to HCD and the proposed RHNA Methodology.

- 1) Existing need already accounted in RTP/SCS - The City of Newport Beach encourages SCAG to propose a total regional determination of 429,926 for the 6<sup>th</sup> RHNA cycle, consistent with the RTP/SCS. The RTP/SCS growth forecast includes input from local jurisdictions that already incorporates existing need and future projected need. As such, all numbers, tables, and discussion regarding existing need as a separate calculation should be removed from discussion, since by adding a separate existing need, the proposed RHNA methodology would result in double counting the need.
- 2) Applying adjustment factors overestimates need - Beyond double counting the existing need as mentioned above, the additive approach of vacancy, overcrowding, and cost burden factors are additionally inappropriate due to the level of overlap between them. Although we commend SCAG staff for recognizing that cost burden may be an inappropriate factor to apply, the application of the remaining factors are still closely related and would result in overestimating unmet housing needs.
- 3) Phasing of existing need imperative beyond a single RHNA cycle - Although the City strongly disagrees with the proposed methodology of calculating existing housing needs, if HCD determines this calculation to be appropriate, it is imperative that this existing need be spread across the 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> cycles of RHNA. It is unrealistic to assume that years of unmet housing needs “back log” can be addressed in an 8-year planning cycle. Housing construction typically lags behind RHNA targets, with affordable housing projects taking significantly longer to finance and develop. Spreading past unmet need across multiple cycles would allow jurisdictions to realistically plan and address for this additional growth that has not been included in the RTP/SCS. Additionally, it will allow jurisdictions to make a good-faith effort to accommodate this unmet need.
- 4) Consultation package should recognize that disaggregation of the proposed existing unmet housing need based on population results in a social equity factor being applied twice - Establishing existing housing needs for the region based on adjustment factors related to vacancy and overcrowding, and then redistributing the need based on a jurisdictions percentage of the region’s population will have the effect of disproportionately increasing housing need assessments to jurisdictions that experience higher vacancy rates and lower rates of overcrowding and cost burden, such as Newport Beach. Alternatively, jurisdictions that historically experienced lower vacancies and higher rates of overcrowding and cost burden, factors upon which unmet existing need is being calculated, will benefit from a lower proportionate assessment of this existing unmet need. While Newport Beach understands that each jurisdiction must do its part to address the housing crisis and jurisdictions that are already overly burdened by these factors cannot be expected to take on the sole responsibility of addressing unmet housing needs, redistributing the unmet existing housing need based on population inherently implements a form of social equity. Therefore, the need for a subsequent social equity adjustment at the final RHNA allocation process may be unnecessary and as it will apply a social equity factor twice in the process.

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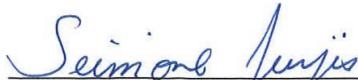
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5) Over estimating existing housing needs, when combined with new housing element law, may result in an unattainable RHNA and sets up local jurisdictions for failure -

Combining an over estimation of existing need to a jurisdiction's RHNA with new State housing element law requirements adopted in 2017 that limit a jurisdiction's ability to "count" sites towards RHNA, may lead to widespread noncompliance throughout the State. Despite the City of Newport Beach's efforts to identify a surplus of adequate sites in past housing element cycles, AB1397 will significantly increase the difficulty for jurisdictions to illustrate the adequacy of sites. Furthermore, SB 166 will require a jurisdiction to continually identify additional low-income housing sites when a developer chooses to develop market-rate housing on a site identified as being able to accommodate low-income housing.

The City of Newport Beach appreciates your consideration of the comments provided in this letter. The City of Newport Beach shares SCAG's goal to develop and adopt a RHNA methodology that represents the best in regional planning, developed collaboratively with local jurisdictions and stakeholders in a manner that is credible and defensible at all levels, and can be realistically implemented in an equitable manner. The City looks forward to working with SCAG to achieve this goal.

Sincerely,

  
Seimone Jurjis, PE, CBO  
Community Development Director

cc: City Council  
Grace Leung, City Manager  
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Marnie Primmer, Orange County Council of Governments Executive Director