



CITY OF NEWPORT BEACH

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September 4, 2019

Mr. Kome Ajise, Executive Director
Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

Subject: Support of SCAG Objection to HCD 6th RHNA Cycle Allocation

Dear Mr Ajise:

The City of Newport Beach supports SCAG staff's recommendation to file an Objection to the state Department of Housing and Community Development's (HCD) determination of 1,344,740 units. As noted in the staff report for Agenda Item 2, HCD did not comply with provisions of Government Code Section 65584.01 and utilizes data and analysis that is unreasonable. In addition to the facts raised in the staff report, the City respectfully requests that the Regional Council and CEHD Committee consider the following additional comments:

- The total RHNA allocation of 1,344,740 units is more than three times the total SCAG RHNA of 412,137 for the 5th cycle. We recognize that the 5th RHNA was affected by conditions brought about by the recession, such as "credit" for unusually high vacancy rates in some areas. However, the 6th RHNA is also nearly double the 4th cycle allocation of 699,368, which was adopted in 2007 prior to the onset of the recession.
- According to HCD's August 22, 2019, letter, only 551,499 units (41 percent) of the total allocation is attributable to the projected growth in households while more than 580,000 units are based on "existing need" factors of overcrowding and cost burden. SCAG's RHNA Subcommittee had lengthy discussions regarding a fair method of addressing existing need, including the appropriateness of assigning RHNA totals that would eliminate existing need that developed over decades in a single planning cycle. Just as it would be unreasonable for the equity adjustment to attempt to fully equalize jurisdictions' income distributions in a single-RHNA cycle, it would also be unreasonable to allocate the region's entire existing need in a single cycle.
- Under recent changes to RHNA law, existing needs such as overcrowding and cost burden are mentioned as "factors" to be considered along with several others (Government Code Sec. 65584.01(b)). State law is silent on the relative weight to be assigned to existing need and projected need.

The “RHNA objectives” are set forth in Sec. 65584(d). Not one of the five stated objectives is related to overcrowding, and yet 34 percent of HCD’s allocation is attributable to overcrowding.

In Sec. 65584.01(c) we find this mandate: “The region’s existing and projected housing need shall reflect the achievement of a feasible balance between jobs and housing within the region using the regional employment projections in the applicable regional transportation plan.” This mandate bears no relationship to existing need factors such as overcrowding and cost burden.

Given the lack of policy direction provided by the State Legislature on the prioritization of existing need, it seems difficult to justify a RHNA allocation in which overcrowding and cost burden represent 580,000 units, or 43 percent of the total RHNA.

- HCD’s allocation of 459,917 additional units as an overcrowding adjustment (line 6 of Attachment 2 to HCD’s 9/22/2019 letter) amounts to double-counting households thereby artificially inflating the total RHNA allocation. The number of projected households in 2029 (line 4) represents the total number of housing units needed to accommodate all households in the SCAG region in 2029, not just the additional households created during the eight-year projection period. As such, this projected number of occupied housing units is sufficient to fully address the housing needs of doubled-up households that contribute to overcrowding. Furthermore, some portion of overcrowded units is a function of household size, not households doubling up. The Census definition of overcrowding is more than one person per room. The appropriate solution to households living in units that are considered to be too small according to the Census definition is larger housing unit size, not more total units.
- HCD’s vacancy adjustment of +178,896 units (line 5) is based upon a “healthy vacancy rate” of 5 percent. State law establishes this 5 percent rate only for rental units, and the normal vacancy rate for owner-occupied units is typically much lower than rental units. HCD’s allocation ignores this difference, which results in a substantially higher vacancy adjustment than is reasonable.
- Under SB 375, consistent planning assumptions must be used for transportation and housing planning, and those planning assumptions must be based upon local general plans. Vastly inflated RHNA allocations as compared to the RTP/SCS growth forecast will force local jurisdictions to amend their general plans to designate more land for housing at higher densities, resulting in inconsistencies between local plans and the regional growth forecast, undermining the legislative intent of SB 375.
- In 2011 the State legislature dissolved local redevelopment agencies, resulting in the loss of \$1 billion per year in affordable housing funds. It is well-recognized that lower-income housing requires huge financial subsidies, and insufficient public funds are available to produce the number of affordable housing units needed. While the State

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has eliminated a significant source of affordable housing funding, other changes to State housing law such as SB 35 penalize local jurisdictions that do not achieve their RHNA housing allocations. HCD's inflated RHNA allocation is strikingly inappropriate at a time when State/local governmental cooperation is most needed to address the "housing crisis."

- With regard to the process for COGs to file an objection to HCD's determination, State law provides that "*The objection shall be based on and substantiate either of the following:*

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

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

It is noted that these criteria for objections mention population projections but not existing need. Again, the lack of specific reference by the Legislature to existing need in the objection criteria begs the question of whether a RHNA allocation that is inflated by 580,000 units represents a "reasonable application of the methodology."

The City of Newport Beach appreciates the efforts of SCAG to address local concerns and remains committed to doing its part in addressing the housing crisis in compliance with Housing Element law.

Sincerely,



Seimone Jurjis, PE/CBO
Community Development Director

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