



September 13, 2019

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

Subject: Comments on Proposed 6th Cycle RHNA Methodology

Dear Mr Ajise:

The City of Newport Beach appreciates the opportunity to provide written comments to SCAG regarding the draft Regional Housing Needs Assessment (RHNA) methodologies being considered for the 6th RHNA cycle. The City also recognizes the efforts of SCAG staff and the RHNA Subcommittee, CEHD Committee, and Regional Council members who devoted 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) and respectfully requests that SCAG carefully consider the following comments related to the RHNA methodology options.

Overall, the City of Newport Beach supports Option 3, with recommended modifications below, as it is the only option based on local input grounded in the Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) process. Options 1 and 2 fail to consider limitations local agencies may have in being able to accommodate additional housing and allocation of housing largely based on population without regard to local input.

Opposition to Option 1

- **Redistribution of existing need would result in allocations and percent shares of income categories that are inconsistent with those provided in HCD's Regional Determination.** As noted in the Center for Demographic Research letter of August 23 ,2019 (Comments 3 and 4), we agree with redistribution of existing need above-moderate units to the very-low, low and moderate income categories is not consistent with the 6th cycle methodology adopted in other regions throughout the state and should be eliminated from SCAG's RHNA methodology. This redistribution proposal would result in allocations and percent shares of income categories that are inconsistent with those provided in HCD's Regional Determination.

- **For Newport Beach, existing need represents more than 90% of the total need in Option 1.** Option 1 is based upon local input for *projected need*, but *existing need* is based primarily (70%) on the jurisdiction's share of total regional population. This method of allocating existing need fails to acknowledge the fact that cities have different levels of vacancy, overcrowding and cost-burden, which are the primary components of existing need, or that cities have vastly different amounts of land (either vacant or underutilized) suitable for housing development.
- **Disaggregation of the existing regional "unmet" housing need based on a jurisdiction's population is inequitable and penalizes jurisdictions that have not contributed to the factors that are attributable to that "unmet" regional need.** Attachment 1 of the SCAG RHNA Subcommittee June 3, 2019, staff report, identifies each jurisdiction in the region and four factors that have contributed to the unmet housing needs. *In this attachment, the City of Newport Beach is not highlighted as having a pronounced problem in any of the four factors identified as contributing to the unmet existing housing need.* In particular, Newport Beach has issued building permits for new single-family and multi-family construction above the regional average. Additionally, Newport Beach maintains rates of overcrowding and cost-burden significantly below the regional average. Yet, as noted in the bullet above, utilizing Option 1, the *existing need* component assigned to Newport Beach is 9 times the *projected needs* for the City.
- **Disaggregation of the existing 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, overcrowding, and cost burden, and then redistributing the need based on a jurisdiction's 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. 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 will apply a social equity factor twice in the process. If disaggregation of existing need is approved based on population, then the final social equity adjustment (such as the currently proposed 150% adjustment) should not be removed.

Opposition to Option 2

- **Option 2 would completely disregard local input in determining RHNA allocations and would be inconsistent with both State law and long-standing SCAG practice.** Several comments submitted argue that local input should not be a

primary factor, or considered, in the RHNA methodology. However, local input is part of the very foundation of SCAG's planning efforts and furthermore is required by State law.

SB 375 of 2008, the landmark climate change legislation, integrated regional planning for transportation and housing, and includes the following key provisions:

Each metropolitan planning organization shall prepare a sustainable communities strategy ... including the requirement to utilize the most recent planning assumptions considering local general plans and other factors. The sustainable communities strategy shall ... identify the general location of uses, residential densities, and building intensities within the region, ... identify areas ... within the region sufficient to house an eight-year projection of the regional housing need for the region pursuant to Section 65584, ... set forth a forecasted development pattern for the region, which, when integrated with the transportation network, and other transportation measures and policies, will reduce the greenhouse gas emissions ... to achieve, ... the greenhouse gas emission reduction targets approved by the state. [Government Code Sec. 65080(b)(2)(B)]

State law also requires that the determination of regional housing need:

"... shall be based upon population projections produced by the Department of Finance and regional population forecasts used in preparing regional transportation plans, in consultation with each council of governments. [65584.01(b)]

As noted in the first excerpt, the population forecast upon which the RTP/SCS is based utilizes planning assumptions grounded in local general plans. Therefore, it is clear that any RHNA methodology that does not consider local input would be contrary to the intent of the State Legislature.

Furthermore, any RHNA methodology that does not consider local conditions, as expressed in local General Plans, would ignore more than a half-century of State and Federal planning policy requiring comprehensive planning. Local General Plans and their development policies and assumptions must reflect a wide range of issues including sensitive environmental resources such as endangered species habitat, public safety hazards such as wildland fire zones, flood zones and geotechnical hazards, and infrastructure constraints such as water supply and the availability of wastewater treatment systems.

Finally, as SCAG staff has correctly noted in each RHNA staff report, State law required SCAG to conduct a survey of "local planning factors" to identify local conditions and explain how each of the factors are incorporated into the proposed methodology. A simple mathematical calculation of local housing allocations based only on jurisdictions' total population or population within transit-rich areas without consideration for local development constraints would render the local planning factors survey completely futile and be contrary to State law.

Since Option 2 would completely disregard local input in determining RHNA

allocations, it would be inconsistent with both State law and long-standing SCAG practice.

Support for Option 3 with Modifications

- **Population vs. household growth share.** Option 3 would allocate housing need based upon jurisdictions' shares of projected population growth rather than household growth. However, housing need is more closely correlated with households than population; therefore, it is more appropriate to use projected household growth in the RHNA methodology.
- **Replacement need should be based on net units lost, not on a per site basis.** Both Options 1 and 3 apply a *replacement need* component to the calculation for units demolished that were not replaced on the same site. This has the effect of requiring units demolished and not replaced on the same site to be replaced in the next planning period on a different site. What this methodology fails to address is that replacement may have already occurred on other sites in the same planning period as the demolition. In Newport Beach, new housing development has exceeded the prior RHNA allocation by more than the replacement need; therefore, the City recommends that the calculation of replacement need be based on total housing permits regardless of whether those units were built on the same sites where the demolition occurred.

General Comments

- **No alternative methodologies without additional public review.** The City recommends that SCAG not adopt an alternative RHNA methodology to Options 1, 2, or 3 until after HCD provides a final regional determination and additional public review time is afforded so that jurisdictions and the public will have the opportunity to fully assess how the alternative methodology will impact individual jurisdictions.
- **Local input should be used as the floor for any RHNA Allocation of projected need.** As noted in the Orange County Council of Governments (OCCOG) letter dated August 22, 2019, each jurisdiction has 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 construction of 8,000 units, but the selected RHNA methodology only gives that jurisdiction 5,000 units, there should be an adjustment provided for the remaining 3,000 units to the jurisdiction, rather than distribute the 3,000 units to other jurisdictions. This respects local input, and ensures equity for other jurisdictions not to be overburdened.
- **Overestimating housing needs, when combined with new housing element law, may result in an unattainable RHNA and sets up local jurisdictions for failure.** It is essential that SCAG officials recognize the significance of the RHNA allocations to cities and counties. Combining an over estimation of existing need to a jurisdiction's RHNA with new State housing element law requirements, adopted in

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2017 that limit a jurisdiction's ability to "count" sites towards RHNA, may lead to widespread noncompliance throughout the State. The State Legislature has adopted new laws making it more difficult for sites to qualify for RHNA "credit," and HCD is proposing a RHNA allocation that is more than three times higher than the current Housing Element cycle. 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 to accommodate low-income housing. The combination of these requirements would create a de-facto, State-mandated inclusionary requirement necessitating State funding.

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
Jaime Murillo, Principal Planner
Marnie Primmer, Orange County Council of Governments Executive Director