



June 3, 2019

Honorable Peggy Huang, Chair  
RHNA Subcommittee  
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) and Proposed RHNA Methodology Components**

Honorable Chair Huang and Honorable Members of the RHNA Subcommittee:

The City of Newport Beach appreciates the opportunity to provide written comments to the Southern California Association of Governments (SCAG) on Item No. 5 and No. 6 of your June 3, 2019, meeting agenda. The City appreciates SCAG staff's efforts and the RHNA Subcommittee 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.

Comments on Agenda Item 5 (RHNA Consultation Package to HCD)

The City fully supports the comments raised in the Orange County Council of Governments (OCCOG) letter regarding the RHNA consultation package to HCD. In particular, the City of Newport Beach encourages SCAG to propose a regional determination of 429,926 for the 6<sup>th</sup> RHNA cycle, consistent with the RTP/SCS. The approach identified in the June 3, 2019, SCAG staff report to the RHNA Subcommittee to address *existing housing need* through certain adjustment factors such as vacancy, overcrowding, and cost burden is inappropriate for the following reasons:

- 1) Existing need already accounted in 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) 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 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. 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 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 should not be increased from the past practice of 110% and should arguably be removed.
- 4) 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.

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 combination of these requirements would create a de-facto, State-mandated inclusionary requirement necessitating State funding.

Comments on Agenda Item 6 (Proposed RHNA Distribution Methodology)

Although this item is described as informational only, SCAG staff is requesting input and direction from the RHNA Subcommittee on the staff recommended approaches for distributing existing and projected need to jurisdictions along with the social equity adjustments. The City of Newport Beach respectfully requests the Subcommittee to consider the following comments and provide SCAG staff direction to address these concerns.

6) Multiple adjustments for Social Equity - As mentioned in Comment 3 above, if a separate existing need calculation is developed based on the adjustment factors of vacancy and overcrowding, and subsequently redistributed to jurisdictions based on population, a social equity adjustment is already included through this redistribution. As such, no additional social equity adjustment should be applied.

Furthermore, the application of a new proposed 150% social equity adjustment is inappropriate for the following reasons:

- As previously stated, the redistribution of existing need based on population already accounts for social equity adjustment.
- As illustrated in Attachment 1 of the staff report, 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. Therefore, the application of 150% adjustment factor is excessive in the case of Newport Beach, and when combined with the fact that Newport Beach would be disproportionately assigned an existing need based on factors of vacancy and overcrowding that are not identified as a problem locally. The increased adjustment factor is simply unwarranted.

- The application of a 110% social equity adjustment factor in past RHNA cycles is a historically accepted practice that has been manageable for jurisdictions to zone and provide adequate sites to meet increased lower-income housing need.

7) Insufficient data to analyze proposed 30% distribution for High Quality Transit Area (HQTA)

Insufficient data has been provided to thoroughly analyze the effect of the proposed 30% distribution based on population with HQTAs. Although the current staff report now includes a weblink to SCAG's Open Data platform, there is a vast amount of documents and data available for review and it is not clear how to find jurisdiction-specific information. SCAG should provide each jurisdictions population in an excel table, similar to a table provided in Attachment 1, and jurisdiction-specific maps to allow transparent availability to the data.

8) HQTA maps may have significant errors that need to be addressed

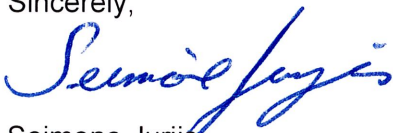
In reviewing both the 2014 and 2040 SCAG HQTA maps, it appears that the Catalina Flyer dock located in the City's historic Balboa Village is identified as a HQTA, when in reality, the ferry provides once-a-day recreational transportation to Catalina Island and does not connect to any significant bus and transit routes. The goal of encouraging growth around HQTAs will not be realized at this ferry location and assigning Newport Beach additional housing needs as a result is unwarranted.

9) Elimination of above-moderate income housing category from existing need allocation is not appropriate.

SCAG staff's current proposal to redistribute the existing need solely to lower- and moderate-income categories is not consistent with past practice, further increases the intensity of social equity adjustments being applied to jurisdictions, and will further set up jurisdictions for failure when attempting to development a compliant Housing Element as mentioned in Comment 6 above.

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,



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cc: City Council  
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