

## TPAC STAFF REPORT

**SUBJECT:** Regional Housing Needs Allocation (RHNA) Methodology

**MEETING DATE:** November 5, 2020 **AGENDA ITEM:** 5

**STAFF CONTACT:** Mike Becker

**RECOMMENDATION:** Review and comment on draft RHNA methodologies.

### BACKGROUND:

SBCAG is currently in the process of carrying out its role in the 6<sup>th</sup> cycle of RHNA. RHNA can be generalized to occur in three phases:

1. The State's Department of Housing and Community Development (HCD), in consultation with SBCAG, develops the region's housing determination (the regionwide number of housing units);
2. SBCAG, consulting with the region's local governments and HCD develops a methodology for allocating the region's determination to each local government while satisfying five State objectives; and
3. Each local agency updates its housing element to accommodate its allocated number of housing units.

The first two phases are ongoing. To date, RHNA was discussed by the SBCAG Board of Directors during its June, July, and August 2020 meetings. RHNA was discussed by both the North County and South Coast Subregional Planning Committees during their October 2020 meetings. Additionally, SBCAG had developed an ad hoc RHNA Project Development Team that has met five times since February 2020. The final RHNA Project Development Team meeting was conducted on October 19<sup>th</sup>, 2020 and all future staff-level RHNA discussions will be conducted as part of Technical Planning Advisory Committee (TPAC) meetings. All meeting agendas, staff reports, and meeting materials are available for review on SBCAG's RHNA webpage: <http://www.sbcag.org/rhna.html>.

### DISCUSSION:

The purpose of this item is to review and comment on potential methodologies for allocating the number of housing units prescribed by HCD to each of the region's jurisdictions. Staff-level discussion thus far have indicated support for employment of a two-step formula. A two-step formula uses one set of factors to split the regionwide number of housing units to a number for the North County and a number for the South Coast. A second set of factors are then applied in the second step to allocate within the respective subregions.

As a regional methodology, or formula, is developed, it is important to consider that SBCAG is obligated to seek to advance five objectives defined in State housing law.

### RHNA Objectives (Govt. Code § 65584(d))

1. Increase the housing supply and the mix of housing types, tenure (rental or ownership), and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low- and very low-income households.
2. Promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets provided by the Air Resources Board pursuant to Section 65080.
3. Promote an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.
4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent American Community Survey.
5. Affirmatively furthering fair housing

Objectives 2 and 3 are addressed through the first step of a regional methodology. The region's Sustainable Communities Strategy (SCS) also requires consistency with RHNA. Though the third SCS, to be adopted in August 2021, has not yet been formally endorsed by the SBCAG Board, staff will recommend aligning the SCS with the region's current and prior SCS. This scenario allocates 57% of new residential growth in the South Coast subregion. The higher proportion directed to the South Coast is in response to the region's jobs-housing imbalance and the requirement through SB 375 (2008) to reduce greenhouse gas emissions from light-duty vehicles through strategies focused on transportation investment and land-use development patterns. The draft 6<sup>th</sup> cycle regional determination provided by HCD to SBCAG is significantly higher than that of the 5<sup>th</sup> cycle. In addition, the number of housing units surpasses the region's forecasted growth. This is largely the result of SB 828 (2018) that changed one factor and added two new factors to the formula HCD uses to develop the region's determination. These factors, vacancy rate, overcrowding, and cost burden, all seek to add housing units without necessarily increasing population – essentially, they seek to reduce existing negative conditions found in the region's housing market. SB 828's influence in the regional determination precludes a clean apples-to-apples consistency determination; however, the three first-step alternatives under discussion each allow for an argument that they are consistent with the assumptions of the region's SCS.

### First-Step Alternatives

The RHNA Project Development Team has explored methodologies over the last few months and three first-step alternatives remain for consideration.

Table 1: First-Step Alternatives

	<b>Alternative 1</b>	<b>Alternative 2</b>	<b>Alternative 3</b>
<b>Factors</b>	20% Existing Jobs, 20% 2000-2017 Job Growth, 20% Forecasted Job Growth, 40% Forecasted Household Growth	10% Existing Jobs, 30% 2000-2017 Job Growth, 30% Forecasted Job Growth, 30% Forecasted Household Growth	60% Existing Jobs, 40% Forecasted Job Growth
<b>North County</b>	44.0% or 12,886 units	45.5% or 13,346 units	40.1% or 11,764 units
<b>South Coast</b>	56.0% or 16,427 units	54.5% or 15,967 units	59.9% or 17,549 units

Note that the initial draft determination number provided by HCD, 29,313 units, are used in the calculations. It is unlikely that the final determination exactly matches this number, but the proportions would remain the same regardless of the number used.

Second-Step Alternatives

The factors employed in the second step are realized more directly by each local government. Prior to the October 19<sup>th</sup> RHNA Project Development Team meeting much focus was on equally applying cost burden and overcrowding, 50% each, in the second step. However, during that meeting discussions of potential alternatives of the cost burden and overcrowding formula were raised. Attachment A provides nine separate second-step alternatives for review and comment. All calculations in Attachment A assume Alternative #3 for the first step. To correct for use of Alternative #1 or #2 in the first step, the following adjustments were applied.

Table 2: Second-Step Adjustment Factors for First-Step Alternatives #1 and #2

	<b>Alternative #1 Factor</b>	<b>Alternative #2 Factor</b>
<b>North County Jurisdictions</b>	1.0954	1.1345
<b>South Coast Jurisdictions</b>	0.9361	0.9099

Next Steps

SBCAG staff aims to seek a methodology recommendation from TPAC during its December 3, 2020 meeting. That recommendation would be taken to the SBCAG Board’s December 17, 2020 meeting for approval to submit the methodology to HCD for review.

In addition to the regional methodology, SBCAG will follow the same course for an income-level allocation methodology. Information on the income methodologies being considered can be found on SBCAG’s RHNA webpage under the October 19, 2020 RHNA Project Development Team meeting materials, [Regional Housing Needs Allocation - SBCAG](#) .

Should a general agreement not be reached during this TPAC meeting, SBCAG may propose special TPAC meetings to occur on the afternoons of November 12 and 19.

**ATTACHMENT:**

- A. Second-Step Alternatives

Attachment A: Second-Step Variations (all consider 60% 2017 jobs, 40% forecasted job growth first step, Alternative #3)

Second-Step Factors									
	50% Forecasted Growth in Households	40% Forecasted Growth in Households	100% Forecasted Growth in Households	34% Cost Burden	50% Forecasted Job Growth (2020-2030)	50% Existing Jobs	100% Overcrowding	100% Cost Burden	
<b>Alternative #3</b>									
	50% Cost Burden	25% Cost Burden	20% Cost Burden		33% Overcrowding	25% Cost Burden	25% Cost Burden		
	50% Overcrowding	25% Overcrowding	20% Overcrowding		33% Vacancy Rate	25% Overcrowding	25% Overcrowding		
Jurisdiction			20% Vacancy Rate						
<b>South Coast</b>	17,549	17,549	17,549	17,549	17,549	17,549	17,549	17,549	17,549
Carpinteria	1,063	1,062	1,099	1,057	1,109	1,003	951	1,258	1,015
Santa Barbara	9,435	9,198	9,139	8,460	9,338	9,489	9,519	9,443	9,433
Goleta	2,166	2,381	2,394	3,050	2,200	2,694	3,144	2,566	2,067
Unincorporated	4,885	4,908	4,917	4,981	4,901	4,363	3,934	4,281	5,034
<b>Lompoc Valley</b>	3,266	2,835	2,836	2,247	3,246	3,136	2,984	2,240	3,901
Lompoc	2,652	2,330	2,294	1,893	2,575	2,264	1,804	2,012	3,047
Unincorporated	615	505	541	354	671	872	1,180	228	854
<b>Santa Maria Valley</b>	7,749	8,161	8,143	8,722	7,739	7,394	6,975	8,917	7,027
Santa Maria	6,390	6,870	6,779	7,523	6,263	6,030	5,604	7,648	5,613
Guadalupe	508	457	456	388	502	377	221	565	472
Unincorporated	851	834	909	811	974	988	1,150	703	941
<b>Santa Ynez Valley</b>	749	768	785	794	779	1,233	1,805	608	836
Solvang	225	207	217	182	241	346	494	92	307
Buellton	194	251	264	328	220	268	360	210	184
Unincorporated	330	311	304	285	318	619	950	305	345
<b>County Total</b>	29,313	29,313	29,313	29,313	29,313	29,313	29,313	29,313	29,313
<b>Total Unincorporated</b>	6,680	6,557	6,627	6,432	6,864	6,843	7,214	6,954	7,267
<b>Total Incorporated</b>	22,633	22,756	22,686	22,881	22,449	22,470	22,099	22,359	22,046

\*Note that small amounts of rounding error may be present.