

MEMORANDUM

March 18, 2022

From: Michael Becker, Director of Planning
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To: SBCAG Board of Directors

RE: California State Audit of the Department of Housing and Community Development's Regional Housing Needs Assessment (RHNA) Process

Dear Chair Williams and Directors:

On March 17, 2022, the California State Auditor released [audit 2021-125](#). The audit was undertaken at the direction of the Joint Legislative Audit Committee to evaluate the Regional Housing Needs Assessment process by the State's Department of Housing and Community Development (HCD). Santa Barbara County (SBCAG region), Sacramento and Amador County were evaluated as part of the HCD audit report. Overall, the audit determined that HCD did not ensure that HCD's needs assessments were accurate. Specific to the SBCAG region, the audit determined that Santa Barbara County received a smaller allocation of housing units than the auditor determined were justified through state housing law. A summary of the California State Auditor findings relevant to Santa Barbara County is outlined in detail below. Please direct any media inquiries for HCD to Alicia.Murillo@hcd.ca.gov or Monica.Hernandez@hcd.ca.gov and to Lauren Bianchi Klemann, LBianchiKlemann@sbacag.org for SBCAG.

Here are some additional key points as it relates to SBCAG:

- None of the findings are anticipated to impact the SBCAG region and current RHNA allocations for 2023 to 2031.
- The audit makes no findings critical of SBCAG and it is not an audit of SBCAG. The agency followed the RHNA process as directed by State law and HCD. SBCAG was not interviewed as part of the audit process.
- Not all findings are directly related to SBCAG region. The audit report made a variety of recommendations identifying areas in which HCD needs to improve its RHNA process.
- SBCAG will monitor the impact of these recommendations on future RHNA cycles. The next cycle for Santa Barbara County is anticipated to begin in 2029.
- HCD's responses can be found via this [link](#), which are mostly aligned with the summary of the California State Auditor findings outlined below.

The SBCAG region's 6th Cycle RHNA allocation was 24,856 units. This allocation was significantly higher than any prior allocation. For reference, the 5th Cycle allocation was 11,030 units. The audit found that HCD should have provided a larger allocation to the SBCAG region, about an additional 5,000 housing units. RHNA represents a floor and not a ceiling. SBCAG recognizes the shared responsibility of the region's local agencies to plan to accommodate their share of the regional housing unit allocation, but that does not preclude any jurisdiction from exceeding its share. Documents related to SBCAG's RHNA process are available on the SBCAG website: [Regional Housing Needs Assessment - SBCAG](#).

A summary of the California State Auditor findings relevant to Santa Barbara County:

Member Agencies

Buellton ■ Carpinteria ■ Goleta ■ Guadalupe ■ Lompoc ■ Santa Barbara ■ Santa Maria ■ Solvang ■ Santa Barbara County

FINDING: CENSUS DATA USAGE

The audit found that HCD, in calculating the region's housing allocation, used a one-year sample of Census data when it should have used a five-year average. Had HCD used a five-year average the SBCAG allocation would have been higher by 1,338 housing units.

FINDING: REPLACEMENT UNITS

The auditor claims HCD did not fully account for housing lost as a result of the Thomas Fire or resulting Montecito 1/9 Debris Flow. SBCAG's allocation included 804 units as the Replacement Adjustment – units necessary to replace units destroyed or demolished for one reason or another. The audit notes "more than 1,000 housing units" were destroyed in the Thomas Fire and resulting 1/9 Debris Flow.

While the audit acknowledges the Thomas Fire involved both Santa Barbara and Ventura counties, an incorrect assumption by the auditor may have been made to assume losses in Santa Barbara County represented a larger share of the overall number of units destroyed. Regardless, any adjustment based on actual losses in Santa Barbara County would have resulted in a negligible difference in the final allocation.

FINDING: COMPARABLE REGIONS

The state's implementation of Senate Bill 828, 2018 (SB828) added overcrowding and cost burden factors to the regional allocation methodology. SB828 also allows for regions to provide HCD with a comparable region's analysis so these two factors are applied in an approach more unique to each region. SBCAG provided several iterations of this analysis to HCD and ultimately reached a final agreement with HCD staff. The final comparable region's analysis completed by SBCAG reduced the region's need by 2,563 housing units. The auditor claims HCD should not have accepted SBCAG's comparable region's analysis due to the comparable regions also experience cost burden and overcrowding. Had HCD not accepted any comparable region's analysis, SBCAG's allocation would have been higher by 2,563 housing units.

FINDING: VACANCY ADJUSTMENT

Each region's allocation is adjusted to ensure a healthy vacancy rate. In prior RHNA cycles the rates used were five percent for rental units and two percent for owner-occupied units. Essentially, the number of housing units a region requires must consider some are vacant. SB828 enabled HCD to use up to five percent for both rental and owner-occupied units. While SBCAG staff questioned this method, HCD indicated it was not a debatable topic. The auditor found that HCD lacked justification for the use of five percent for owner-occupied units. The audit does not say the five percent is wrong, rather it faults HCD for not doing research to justify its use. SBCAG's allocation included 4,030 units related the vacancy adjustment. Some number housing units less than the 4,030 may have resulted if HCD could not justify the use of five percent for owner-occupied units.

CC: Technical Planning Advisory Committee Members