

Attachment B

RHNA Methodology Correspondence



CITY OF NEWPORT BEACH

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March 3, 2020

Mayor

Will O'Neill

Mayor Pro Tem

Brad Avery

Council Members

Joy Brenner

Diane Brooks Dixon

Marshall "Duffy" Duffield

Jeff Herdman

Kevin Muldoon

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

RE: March 5, 2020, Community, Economic and Human Development (CEHD) Policy Committee and Regional Council Meetings Related to Regional Housing Needs Assessment (RHNA) Allocation Methodology

Dear Mr. Ajise:

The City of Newport Beach (City) appreciates the opportunity to provide written comments regarding the Regional Housing Needs Assessment (RHNA) methodology being considered for the 6th RHNA cycle. Like many other jurisdictions and stakeholders, the City has been heavily engaged and has participated in the numerous meetings held by the Southern California Association of Governments (SCAG) regarding the development of the Draft RHNA allocation methodology. Through much of the development process, SCAG staff has listened to recommendations and input provided by various jurisdictions, housing experts, and housing advocates to develop a fair and equitable RHNA methodology. The months of effort and public input resulted in a methodology recommended by SCAG staff and supported by the RHNA Subcommittee, as well as the Community, Economic and Human Development (CEHD) Committee. This recommended methodology incorporated a reasonable factor of household growth (50%) and appropriately responded to changes in State law to factor in job accessibility (25%) and proximity to transit (25%) within the existing need portion of the allocations. However, to our dismay, with very little warning and no reasonable opportunity for any detailed analysis and thoughtful public input, the Regional Council inappropriately approved a substitute motion on November 7, 2019, removing the household growth factor and significantly modifying the Draft RHNA methodology to shift approximately 75,000 additional housing units into Orange County. **Therefore, the City of Newport Beach respectfully requests that SCAG consider the following comments and incorporate the City of Cerritos proposal dated**

February 4, 2020, which recommends that household growth forecasts be reintroduced back into the calculations for the existing need as follows:

- **household growth (33.3%);**
- **job accessibility (33.3%); and**
- **population within high quality transit areas (33.3%).**

1. Reinstate household growth as a factor of existing need

As stated in previous comment letters, local input and projected household growth is part of the very foundation of SCAG's planning efforts and furthermore is required by State law.

State law 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)]

Incorporating local input of projected household growth would ensure greater consistency between RHNA and the Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) (Connect SoCal) as required by State law. However, the draft RHNA allocation would not be consistent with the development patterns projected in the Connect SoCal Plan. For Newport Beach, approximately 2,900 households are projected to be formed through 2045, yet the current draft RHNA allocation assigns 4,832 new units to be constructed in the City in the next eight-year planning period.

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. Newport Beach is an attractive city for residents and visitors alike, but subject to various legal and geographic constraints. Though relatively small compared to sprawling bedroom communities, Newport Beach:

- (1) neighbors an international airport;
- (2) oversees the largest recreational boating harbor west of the Mississippi River;
- (3) contains substantial Environmentally Sensitive Habitat Areas, as well as wetlands;
- (4) borders state lands that have been recently described as high-risk fire zones;
- (5) is home to a number of State parks and beaches; and
- (6) has a vacant landfill bordering a tolled highway system.

The above list is not comprehensive, but paints a complex picture of the challenges that are overlooked with the elimination of local input.

Furthermore, these environmental concerns are all governed by comprehensive state and federal laws and regulations with differing objectives that will constrain the City's ability to comply with state housing laws and achieve RHNA allocations. For example, in 2008, the City approved the Banning Ranch project, which would have allowed for the development of 1,375 residential units, including an Affordable Housing Implementation Plan, and 252 acres of permanent open space. However, the California Coastal Commission denied the project and the property remains fenced off. This places Newport Beach – and cities like it – in a perilous position of trying to comply with the housing allocations when other State and Federal agencies have competing programmatic agendas.

Finally, as SCAG staff has correctly noted in every 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' proximity to jobs or population within transit-rich areas without consideration for local development constraints would render the local planning factors survey completely meaningless and would be contrary to State law.

Incorporating the request from the City of Cerritos to reintroduce a component of household growth forecasts back into the calculations for the existing need at a reduced rate of 33.3%, instead of the SCAG staff's original recommended methodology of 50%, is a compromise that the City of Newport Beach fully supports. This would constitute a minor revision to the RHNA methodology that remains substantially consistent with HCD's January 13, 2020, review of the methodology. As supported in the SCAG staff-recommended RHNA methodology staff report for the November 7, 2019, Regional Council meeting, the reintroduction of household growth into the existing need would further the five objectives of state housing law.

2. Redistributed units from residual need calculation should be redistributed region wide as opposed to remaining within county

Orange County has five jurisdictions defined as the “extremely disadvantaged communities” (DACs), meaning they have over 50% of their population located in very low resource areas. As a result of their DAC designations, the draft RHNA allocation methodology caps their RHNA allocation to the jurisdiction's projected 2045 household growth to limit growth in very low resource jurisdictions. Despite the DAC jurisdictions proximity to transit and jobs, the “residual” share of their existing need above projected household growth is then redistributed to other Orange County cities. It is recommended that redistribution occur across the SCAG region for the following reasons:

- Each of the five DACs have jobs accessible via 30-minute commute that are located outside boundaries of Orange County. Therefore, county boundaries should not be a factor in redistribution.
- The existing need projection for the region is stated to be the result of low vacancies, high overcrowding rates, and high cost burdens across the State. As such, each jurisdiction in the region, not just the counties, must do its part to address the housing crisis.

3. SCAG should continue objections to Department of Housing and Community Development's (HCD) faulty regional determination of 1,341,827 housing units

The City of Newport Beach supports Orange County Council of Government's (OCCOG's) February 18, 2020, request to SCAG to continue to oppose the regional determination provided by the HCD. SCAG should continue to assert that HCD did not follow statute when allocating the regional determination:

"If the total regional population forecast for the projection year, developed by the council of governments and used for the preparation of the regional transportation plan, is within a range of 1.5 percent of the total regional population forecast for the projection year by the Department of Finance, then the population forecast developed by the council of governments shall be the basis from which the department determines the existing and projected need for housing in the region...." ... [Gov. Code § 65584.01(a)]

This sets a dangerous precedent not only for SCAG, but also for other metropolitan planning organizations across the State to have their projections cast aside capriciously in pursuit of political agendas not based in fact but in hyperbole. Additionally, as you are likely aware, the State Department of Finance recently updated its population projections, which show a significant decrease since their previous forecast. Furthermore, Governor Newsom has stated that his commitment to building 3.5 million homes by 2025 was a "stretch goal" and that the state would soon be releasing a more pragmatic estimate of the housing needs by region. The regional determination of 1.34 million housing units is therefore not only unsupported by statute, it is not a feasible allocation given recent housing projections. Combined with an inequitable RHNA methodology, we are fearful that local jurisdictions are being set up for failure to comply with state housing law.

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.

We request that the CEHD Policy Committee and Regional Council consider these recommendations prior to the adoption of the Final RHNA methodology. We recognize that there are time constraints established by State law; however, the

RHNA will have significant impacts on jurisdictions over the next decade and beyond. Therefore, it is imperative that the RHNA be finalized in a way that is equitable, realistic and achievable to help ensure tangible results in responding to the housing crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "Will O'Neill", written in a cursive style.

Will O'Neill
Mayor

CC. City Council Members
Grace Leung, City Manager
Seimone Jurjis, Community Development Director



CITY OF NEWPORT BEACH

100 Civic Center Drive
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February 21, 2020

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Kevin Muldoon

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

RE: February 24, 2020, Regional Housing Needs Assessment (RHNA) Subcommittee, Comments Regarding Agenda Item 1 – Recommended Final RHNA Methodology

Dear Mr. Ajise:

The City of Newport Beach (City) appreciates the opportunity to provide written comments regarding the Regional Housing Needs Assessment (RHNA) methodology being considered for the 6th RHNA cycle. Like many other jurisdictions and stakeholders, the City has been heavily engaged and has participated in the numerous meetings held by the Southern California Association of Governments (SCAG) regarding the development of the Draft RHNA allocation methodology. Through much of the development process, SCAG staff has listened to recommendations and input provided by various jurisdictions, housing experts, and housing advocates to develop a fair and equitable RHNA methodology. The months of effort and public input resulted in a methodology recommended by SCAG staff and supported by the RHNA Subcommittee, as well as the Community, Economic and Human Development (CEHD) Committee. This recommended methodology incorporated a reasonable factor of household growth (50%) and appropriately responded to changes in State law to factor in job accessibility (25%) and proximity to transit (25%) within the existing need portion of the allocations. However, to our dismay, with very little warning and no reasonable opportunity for any detailed analysis and thoughtful public input, the Regional Council inappropriately approved a substitute motion on November 7, 2019, removing the household growth factor and significantly modifying the Draft RHNA methodology to shift approximately 75,000 additional housing units into Orange County. **Therefore, the City of Newport Beach respectfully requests that SCAG consider the following comments and incorporate the City of Cerritos proposal dated February 4, 2020, which recommends that household growth**

forecasts be reintroduced back into the calculations for the existing need as follows:

- household growth (33.3%);
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1. Reinstate household growth as a factor of existing need

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State law requires that the determination of regional housing need:

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Incorporating local input of projected household growth would ensure greater consistency between RHNA and the Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) (Connect SoCal) as required by State law. However, the draft RHNA allocation would not be consistent with the development patterns projected in the Connect SoCal Plan. For Newport Beach, approximately 2,900 households are projected to be formed through 2045, yet the current draft RHNA allocation assigns 4,832 new units to be constructed in the City in the next eight-year planning period.

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. Newport Beach is an attractive city for residents and visitors alike, but subject to various legal and geographic constraints. Though relatively small compared to sprawling bedroom communities, Newport Beach:

- (1) neighbors an international airport;
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Furthermore, these environmental concerns are all governed by comprehensive state and federal laws and regulations with differing objectives that will constrain the City's ability to comply with state housing laws and achieve RHNA allocations. For example, in 2008, the City approved the Banning Ranch project, which would have allowed for the development of 1,375 residential units, including an Affordable Housing Implementation Plan, and 252 acres of permanent open space. However, the California Coastal Commission denied the project and the property remains fenced off. This places Newport Beach – and cities like it – in a perilous position of trying to comply with the housing allocations when other State and Federal agencies have competing programmatic agendas.

Finally, as SCAG staff has correctly noted in every 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' proximity to jobs or population within transit-rich areas without consideration for local development constraints would render the local planning factors survey completely meaningless and would be contrary to State law.

Incorporating the request from the City of Cerritos to reintroduce a component of household growth forecasts back into the calculations for the existing need at a reduced rate of 33.3%, instead of the SCAG staff's original recommended methodology of 50%, is a compromise that the City of Newport Beach fully supports. This would constitute a minor revision to the RHNA methodology that remains substantially consistent with HCD's January 13, 2020, review of the methodology. As supported in the SCAG staff-recommended RHNA methodology staff report for the November 7, 2019, Regional Council meeting, the reintroduction of household growth into the existing need would further the five objectives of state housing law.

2. Redistributed units from residual need calculation should be redistributed region wide as opposed to remaining within county

Orange County has five jurisdictions defined as the “extremely disadvantaged communities” (DACs), meaning they have over 50% of their population located in very low resource areas. As a result of their DAC designations, the draft RHNA allocation methodology caps their RHNA allocation to the jurisdiction's projected 2045 household growth to limit growth in very low resource jurisdictions. Despite the DAC jurisdictions proximity to transit and jobs, the “residual” share of their existing need above projected household growth is then redistributed to other Orange County cities. It is recommended that redistribution occur across the SCAG region for the following reasons:

- Each of the five DACs have jobs accessible via 30-minute commute that are located outside boundaries of Orange County. Therefore, county boundaries should not be a factor in redistribution.
- The existing need projection for the region is stated to be the result of low vacancies, high overcrowding rates, and high cost burdens across the State. As such, each jurisdiction in the region, not just the counties, must do its part to address the housing crisis.

3. SCAG should continue objections to Department of Housing and Community Development's (HCD) faulty regional determination of 1,341,827 housing units

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This sets a dangerous precedent not only for SCAG, but also for other metropolitan planning organizations across the State to have their projections cast aside capriciously in pursuit of political agendas not based in fact but in hyperbole. Additionally, as you are likely aware, the State Department of Finance recently updated its population projections, which show a significant decrease since their previous forecast. Furthermore, Governor Newsom has stated that his commitment to building 3.5 million homes by 2025 was a "stretch goal" and that the state would soon be releasing a more pragmatic estimate of the housing needs by region. The regional determination of 1.34 million housing units is therefore not only unsupported by statute, it is not a feasible allocation given recent housing projections. Combined with an inequitable RHNA methodology, we are fearful that local jurisdictions are being set up for failure to comply with state housing law.

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.

We request that the RHNA Subcommittee consider these recommendations prior to the adoption of the Final RHNA methodology. We recognize that there are time constraints established by State law; however, the RHNA will have significant

impacts on jurisdictions over the next decade and beyond. Therefore, it is imperative that the RHNA be finalized in a way that is equitable, realistic and achievable to help ensure tangible results in responding to the housing crisis.

Sincerely,

A handwritten signature in blue ink, appearing to read "Will O'Neill", is positioned above the printed name.

Will O'Neill
Mayor

CC. City Council Members
Grace Leung, City Manager
Seimone Jurjis, Community Development Director



November 6, 2019

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

Subject: November 7, 2019 Regional Council Agenda Item 4 - RHNA Methodology

Dear Mr. Ajise:

The City of Newport Beach offers the following comments regarding SCAG staff's RHNA methodology recommendations to the Regional Council:

1. Some participants continue to urge SCAG to eliminate or minimize the use of local input in the RHNA process. However, SCAG staff has correctly noted that it is a requirement by State statutes to consider local input, as reflected in the Connect SoCal RTP/SCS growth forecast, in the RHNA methodology.
2. The "substitute motion" alternative discussed in the Regional Council staff report would result in major changes to the RHNA distribution at the county and jurisdictional levels. For example, under the substitute alternative, the Newport Beach RHNA would increase from 2,751 units to 4,832 units. It would be highly inappropriate for the Regional Council to approve this alternative, or any substantial change to the staff recommendation, at the 11th hour without allowing additional time for analysis and comment.
3. We continue to be concerned that the additional social equity adjustment in "high resource areas" results in an unachievable RHNA that could set those cities up for failure. *For Newport Beach, the very-low- and low-income categories represent 50 percent of the total RHNA allocation.* The lack of sufficient affordable housing subsidy funds combined with initiatives by the State legislature to punish cities that do not achieve their RHNA allocations is a recipe for failure, and Sacramento continues to blame cities for "not building enough housing." SCAG staff has commented that most cities in the region have enough residential capacity to

accommodate the 2045 growth forecast; however, under Housing Element, law development capacity is stratified by income category and new State laws severely limit use of “underutilized” sites to accommodate the lower-income RHNA allocation. In fact, most housing development in the most highly urbanized areas of the region occurs on underutilized sites, and *some cities in the SCAG region have virtually no buildable vacant land*. This fact in combination with “no net loss” rules creates a major disconnect between the regional growth forecast, transportation planning, and housing capacity as determined by HCD during Housing Element reviews.

4. While we continue to share the concerns expressed by many other jurisdictions regarding the unrealistically high RHNA assigned by HCD, we encourage the Regional Council to adopt SCAG’s staff recommendation as a reasonable methodology given the constraints imposed by State housing mandates.

The City of Newport Beach appreciates your consideration of these comments and all the efforts of SCAG staff throughout the RHNA process.

Sincerely,



Seimone Jurjis,
Community Development Director

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



October 21, 2019

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

Subject: Community, Economic and Human Development Committee
October 21, 2019, Agenda Item 1 - Recommended Draft RHNA Methodology

Dear Mr. Ajise:

As SCAG moves toward finalization of the RHNA methodology, the City of Newport Beach would like to offer the following recommendations.

1. Some housing advocacy organizations continue to urge SCAG to eliminate local input from consideration in the RHNA process. As your staff, subregional councils, and many jurisdictions have correctly noted, SCAG is required by State statutes to consider local input in developing the RHNA allocations, and any arguments to the contrary are a misrepresentation of the law.
2. We continue to be concerned that the additional social equity adjustment in "high resource areas" results in an unachievable RHNA that could set those cities up for failure. *For Newport Beach, the very-low- and low-income categories represent 50 percent of the total RHNA allocation.* The lack of sufficient affordable housing subsidy funds combined with initiatives by the State legislature to punish cities that do not achieve their RHNA allocations is a recipe for failure, and Sacramento continues to blame cities for "not building enough housing." SCAG staff has commented that most cities in the region have enough residential capacity to accommodate the 2045 growth forecast; however, under Housing Element law development capacity is stratified by income category and new State laws severely limit use of "underutilized" sites to accommodate the lower-income RHNA allocation. This fact in combination with "no net loss" rules creates a major "disconnect" between the regional growth forecast, transportation planning and housing capacity as determined by HCD during Housing Element reviews.

While we continue to have great concern regarding the unrealistically high RHNA assigned by HCD, the City of Newport Beach appreciates your consideration of the comments provided in this letter and all the efforts of SCAG staff throughout the RHNA process.

Sincerely,



Seimone Jurjis,
Community Development Director

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



CITY OF NEWPORT BEACH

100 Civic Center Drive
Newport Beach, California 92660

949 644-3200
newportbeachca.gov/communitydevelopment

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.

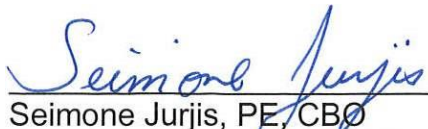
General Comments

- **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

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



CITY OF NEWPORT BEACH

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Newport Beach, California 92660

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June 5, 2019

Honorable Peggy Huang, Chair
Honorable Stacy Berry, Vice Chair
Community, Economic and Human Development Policy Community
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)

Honorable Chair Huang and Honorable Committee Members:

The City of Newport Beach appreciates the opportunity to provide written comments to the Southern California Association of Governments (SCAG) regarding the June 6, 2019 CEHD Agenda Item on the RHNA Consultation package to HCD. The City appreciates SCAG staff's efforts and the Committee 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 6th 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.

- 1) Existing need already accounted in RTP/SCS - The City of Newport Beach encourages SCAG to propose a total regional determination of 429,926 for the 6th RHNA cycle, consistent with the 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) 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 6th, 7th, and 8th 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.
- 4) 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 jurisdictions 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 may be unnecessary and as it will apply a social equity factor twice in the process.

Honorable Peggy Huang, Chair

June 5, 2019

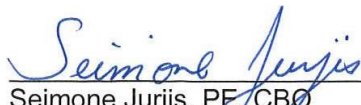
Page 3 of 3

- 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 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, Senior Planner
Marnie Primmer, Orange County Council of Governments Executive Director



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 6th 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 6th 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 adjustments 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 jurisdictions 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 6th, 7th, and 8th 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 (HQTAs)

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

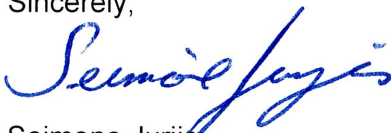
In reviewing both the 2014 and 2040 SCAG HQTA maps, it appears that the Catalina Flyer dock located in the City's historic Balboa Village is identified as a HQTA, when in reality, the ferry provides once-a-day recreational transportation to Catalina Island and does not connect to any significant bus 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,



Seimone Jurjis,
Community Development Director

cc: City Council
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