



September 5, 2019

Honorable Peggy Huang, Chair
Community, Economic and Human Development Policy Committee
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
900 Wilshire Blvd., Suite 1700
Los Angeles, CA 90017

Subject: 6th Cycle Regional Housing Needs Assessment (RHNA) Proposed Allocation Methodology

Honorable Chair Huang and Committee Members:

The City of Fountain Valley appreciates the opportunity to provide input to the Southern California Association of Governments (SCAG) regarding which proposed RHNA Allocation Methodology would most effectively, and fairly, determine each jurisdiction's share of the projected 6th Cycle RHNA allocation.

First, the City of Fountain Valley has continued to do its part in helping with the challenge of affordable housing. During the 5th RHNA cycle, the City of Fountain Valley has issued building permits for approximately 198 housing units. In addition, on June 12, 2019, the City approved a 50-unit affordable housing project, which the City has been diligently working on since 2015 and involved \$8.2 million in low-interest loans from the Housing Authority's Low-Moderate Income Housing Asset Fund to acquire the site and help fund development.

Second, the City commends SCAG and fully supports the objection to the Department of Housing and Community Development's (HCD) 6th cycle regional housing need determination of 1,344,740 units. The rationale behind the objection coincides with Fountain Valley's objective to maintain local control and to collaborate on regional issues. As is correctly noted in the objection letter, numerous long-standing and rigorously developed regional collaboration efforts, such as the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS) in response to federal and state requirements, would be ignored and jeopardized by HCD's regional determination. The City also supports SCAG's alternative 6th cycle regional housing need determination of 924,000 units.

After careful study of the three methodology options, the City of Fountain Valley provides the following recommendations, which are summarized below with a greater level of detail in the

analysis section that follows.

SUMMARY RECOMMENDATIONS

1. Select Option 3, which is based upon local input, is consistent with state law, and is holistic.
2. Adhere to the recommendations of the Orange County Council of Government (OCCOG) letter dated August 22, 2019, (Attached) except as noted in items #3 and #4 below.
3. Do not utilize the proposed High Quality Transit Area Allocation (HQTA) methodology. There is no link between the placement of units and transit proximity and it does not result in efficient land use patterns.
4. Do not use Regional Building Permit Activity as a factor for allocating units as its base assumption is unfounded and unnecessarily punitive.
5. Use local input as the floor for any RHNA allocation of projected need.

ANALYSIS

1. Select Option 3 based on local input.

Failing to utilize local input in the RHNA methodology would be contrary to state housing law. Government Code Section 65584.04(e) states that "to the extent that sufficient data is available from local governments...each council of governments...shall include the following factors to develop the methodology that allocates regional housing needs."

In addition, this methodology is born out of years of detailed coordination efforts that take a holistic approach to regional growth. As detailed in the OCCOG RHNA Methodology Comment letter dated August 22, 2019 (Attached), *"We support the bottoms-up approach SCAG used to derive local input over a 1.5-year long process in which SCAG solicited input from all 197 local jurisdictions on population, housing and employment for 2016-2045; parcel level General Plan land uses, existing 2016 land uses, and zoning; and the extensive surveys collecting information on policies and best practices incorporated into local planning. This information is also utilized by the local transportation commissions in their planning and programming of major transportation and infrastructure projects and SCAG in its regional planning. By utilizing local input, the Regional Transportation Plan/Sustainable Communities Strategy, known as Connect SoCal, integrates transportation and land use planning."*

2. Adhere to the recommendations of the OCCOG letter dated August 22, 2019 (Attached), except as noted below in items #3 and #4.

Consistent with the theme of regional collaboration, OCCOG's RHNA Methodology Letter was crafted by and largely expresses the opinions of cities in this area. Fountain Valley differs slightly from OCCOG as noted below in items #3 and #4.

3. Do not utilize the proposed HQTA methodology as a factor for allocating units.

The assumption that the proposed HQTAs as a means of distributing the RHNA allocation results in a more transit-efficient land use pattern is incorrect. There is no requirement that any units allocated by this methodology be located in a HQTAs. In short, there is no link between the ultimate placement of units and transit proximity. Units assigned by this methodology may be located anywhere within the jurisdiction as long as the chosen sites meet state requirements. In the end, units may be located miles away from transit. Unless there is a requirement that units allocated through the proposed methodology be located within a HQTAs, there is no correlation to efficient land use patterns or transit and the proposed methodology is simply a way to assign more units to one jurisdiction over another.

In addition, there is no acknowledgement that land within a HQTAs is available for development or has not already been built-out with an efficient and higher-density housing product. Lacking a connection to the physical realities of the HQTAs, the methodology ignores standard land use practice, does not acknowledge efforts communities have taken to achieve efficient land use patterns, and, as noted above, does not result in efficient land use patterns.

If efficient land use patterns and transit proximity are a desired goal, SCAG should pursue a strategy similar to the Association of Bay Area Governments (ABAG) where units are allocated in Priority Development Areas, which were identified – in advance – by each jurisdiction. Lacking this type of nuanced and thoughtful approach that actually links units to the actual proximity to transit, SCAG is not fulfilling the mandate to encourage efficient land use patterns.

To that end, the City would like SCAG to acknowledge that Option 3, which is based on local input, already factors in the proximity of units to transit and achieves land use efficiencies. Each city's general plans and zoning plans strive to create land use efficiencies and locate higher densities along its corridors and near job centers where. This is standard land use practice. As an example from our small community, please see the Crossing Specific Plan that was adopted in 2018 and allows 491 units where previously there were none for the purpose of creating the type of efficient land use patterns SCAG seeks and which needed no "encouragement" from SCAG.

At a minimum, SCAG should follow the guidance provided by OCCOG and "*align the criteria for RHNA allocations at major transit stops with the definition of a HQTAs in the Affordable Housing and Sustainable Communities Program Round 4 FY 2017-2018 Program Guidelines to both avoid overlapping terms/definitions and to better provide potential funding by ensuring HQTAs are within already-defined areas.*"

4. Do not use Regional Building Permit Activity as a factor for allocating units.

One cannot compare the building permit activity between communities and draw a meaningful conclusion. There is no basis to the assumption built into this methodology that building permits are issued at a standard per-person rate.

This proposed methodology compares apples to oranges and ignores the physical and market realities among communities. In essence, the proposed methodology creates a comparison between the building activities in the City of Irvine, which is 66 square miles and contains a former military base that is in the midst of developing thousands of units, to a city like Fountain Valley, which is nine square miles and has been built-out for decades. Cities with more developable area will issue more building permits.

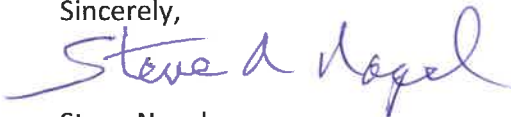
Similarly, there is no basis to the assumption that a certain number of building permits for new units are issued on a standard per-person rate. This metric has been made up, ignores physical and market realities, and implies that cities below the regional average are somehow “deficient” in issuing permits. Setting aside the implied insult contained in this methodology, please consider that this methodology could mean that a small jurisdiction, like Fountain Valley, which approved every building permit for a new unit and ADU submitted, could be penalized because it was below a fictitious regional average rate of permitting.

5. Use local input as the floor for any RHNA allocation of projected need.

As detailed in the attached OCCOG letter dated August 22, 2019, “each jurisdiction 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 it would build 8,000 units, but the selected RHNA methodology only gives that jurisdiction 5,000 units, there should be an adjustment to provide that missing 3,000 units to the jurisdiction, rather than distribute the 3,000 to other jurisdictions. This respects local input, and ensures equity for other jurisdictions not to be overburdened.”

We appreciate the extensive efforts of the SCAG Subcommittee and SCAG Staff in developing the three RHNA methodologies and look forward to the selection of a responsible, reasonable methodology that distributes the RHNA in a thoughtful manner to each jurisdiction. There is no easy answer to the housing crisis and choosing an equitable method is a difficult task, particularly when each jurisdiction is unique with its own different and distinctive housing needs.

Sincerely,

A handwritten signature in blue ink that reads "Steve Nagel". The signature is fluid and cursive, with the first letters of "Steve" and "Nagel" being capitalized and prominent.

Steve Nagel
Mayor
City of Fountain Valley