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September 12, 2019

Honorable Peggy Huang, Chair
Regional Housing Needs Assessment Subcommittee
Southern California Association of Governments
900 Wilshire Boulevard, Suite 1700
Los Angeles, California 90017

Subject: Regional Housing Needs Assessment (RHNA) Methodology Options

Honorable Chair Huang and Honorable Members of the Regional Housing Needs Assessment (RHNA) Subcommittee:

The City of Aliso Viejo appreciates the RHNA Subcommittee, CEHD Policy Committee, Regional Council, and SCAG staff for attempting to establish an equitable RHNA that complies with new state housing law and addresses the state's housing crisis. The City also appreciates the Regional Council's decision to release three RHNA methodology options for consideration during this public comment period.

The City remains committed to doing its part in helping with this challenge and has acted in good faith throughout the 5th RHNA cycle providing appropriate zoning tools to accommodate its RHNA obligation. During the 5th RHNA cycle, 839 housing units were constructed in the City, including 83 very low income units, 335 low income units, 386 moderate income units, and 35 above moderate income housing units.

After careful review of the three methodology options, we offer the following comments:

- It is critical that local data be utilized to develop the RHNA methodology. Every jurisdiction has its own unique characteristics and a one-size-fits-all approach to RHNA could result in severe legal and financial consequences for jurisdictions that do not have sufficient capacity for additional housing development equal to their RHNA allocations.

Because of Aliso Viejo's success during the past two RHNA cycles facilitating housing production, most of which has been in the low- and moderate-income categories, it is increasingly difficult to find eligible undeveloped or underutilized land in the City. Aliso Viejo is a "planned community" that did not commence development until about 1980, and almost none of our commercial or industrial development is more than 30 years old. Therefore, the "recycling" of older commercial developments that is seen in older

communities is not happening here in Aliso Viejo. For this reason, vacant land is critical to housing production, and almost no vacant developable land now remains.

The City is extremely concerned with any RHNA methodology that ignores local input. Representatives of 197 local jurisdictions within the SCAG region have spent over a year and countless hours reviewing, analyzing, and commenting on various datasets, maps, and surveys through the Bottom-Up Local Input and Envisioning Process for the 2020 Regional Transportation Plan and Sustainable Communities Strategy and RHNA.

Government Code Section 65584.04(e) specifically 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.” Therefore, ignoring local input in the RHNA methodology would not only be inappropriate, but would be contrary to State housing law.

- The City recommends SCAG not adopt a RHNA methodology until after HCD provides the total housing needs for the next housing cycle. Adoption of a methodology prior to the adoption of a regional determination would not allow local and regional agencies and the public to properly assess potential impacts.

Below please find further comments regarding the three calculation methods provided by SCAG.

OPTION 1

Option 1 methodology uses local input to determine a jurisdiction’s projected housing need; however, the existing need is primarily calculated based on a jurisdiction’s existing population. This methodology assumes that the existing need (i.e., overcrowding rates, vacancy rates, and cost-burdened households) is consistent across all jurisdictions. Factual data shows this is incorrect. A methodology to establish 70% of a jurisdiction’s existing housing need based solely on existing population is a flawed methodology. This analysis is inequitable and is contrary to the RHNA objective found in Government Code Section 65584(d)(1). This option would be more appropriate if it were based on population growth rates similar to Option 3.

Another concern with Option 1 is the removal of the social equity adjustment factor as it would limit future development of moderate income units. This would reduce the number of units low income residents can move into as their socioeconomic situation improves. Furthermore, this social equity adjustment factor would not comply with Government Code Section 65584(d)(4) in that it would actually allocate greater proportions of housing need to lower income categories within jurisdictions that already have a disproportionately high share of households in that income category.

The removal of the above moderate income category will also have numerous significant unintended consequences within jurisdictions, especially when recent housing law is taken into consideration, including, but not limited to the following:

- AB 1397 significantly restricts what sites are eligible to be used for planning purposes by requiring that the land must have realistic capacity for housing development. In other words, a jurisdiction could rezone every single developed parcel of land for high-density housing and still not have enough eligible properties for its RHNA obligation because those parcels don't have the realistic capacity for redevelopment. In order to get its updated housing element approved, a jurisdiction will have to demonstrate to HCD where those housing units can be constructed.
- SB 166 requires that jurisdictions continually update their housing elements as new permits are issued to ensure that their housing elements always identify enough sites for potential development to meet their assigned goals for housing in the different income categories (also referred to as "no net loss"). This will result in most jurisdictions having to rezone additional properties above and beyond their RHNA obligation for affordable housing purposes to ensure that there will be sufficient eligible sites in cases where development on a site identified in the Housing Element as suitable for lower-income housing includes few (if any) affordable units. It is widely recognized that lower-income housing requires very large financial subsidies, and insufficient funding is available to meet the region's lower-income RHNA. Furthermore, it is common for private developers to propose projects that are lower than the maximum densities allowed due to land development economics, physical constraints, market preference, etc.
- SB 35 states that if a jurisdiction has not constructed its pro-rata share of above moderate housing from its RHNA obligation, the jurisdiction is required to approve by right any housing development that includes 10% affordability. Combined with the previously mentioned housing laws, if a property owner desires to develop a parcel at less than the maximum density allowed in the zone and proposes 10% affordability within the project, the jurisdiction would be obligated to approve the development and would then have to find additional eligible housing sites with realistic capacity for development to accommodate the shortfall from the development not constructing at maximum density.
- Finally, if jurisdictions are unable to identify sufficient housing sites, AB 101/SB 102 would impose significant fines (ranging from \$10,000 - \$600,000 per month) on jurisdictions that cannot demonstrate to HCD's satisfaction that they have sufficient sites to meet their RHNA obligation.

Within this option, the City does support the concept of planning for housing in High Quality Transit Areas (HQTAs), as this meets the RHNA objectives found in Government Code 65584(d)(2) and (3).

OPTION 2

The City is adamantly opposed to Option 2 as it completely ignores the local input process and bases housing need solely on a jurisdiction's population. Since there is no direct correlation between current population and housing need, this flawed methodology would assign larger jurisdictions with a higher housing need simply because the jurisdiction has a large existing population. Furthermore, this option would unfairly punish jurisdictions

that do not have a sufficient number of housing sites that would qualify under AB 1397. A jurisdiction's inability to identify enough housing sites within its housing element raises the same concerns discussed under Option 1.

Option 2 also does not account for the unique conditions and circumstances within each jurisdiction and is contrary to Government Code 65584(d)(2) in that it does not take into consideration protecting environmental and agricultural resources, encouraging efficient development patterns, nor addressing ways to achieve the region's greenhouse gas reduction targets. Therefore, Option 2 will likely result in the greatest number of appeals to the RHNA.

Option 2 is also contrary to Government Code 65584(d)(3) in that it does not improve the intraregional relationship between jobs and housing and would require more housing in larger jurisdictions regardless of whether there is already an imbalance between jobs and housing. Moreover, the State legislature determined that "insufficient housing in job centers hinders the state's environmental quality and runs counter to the state's environmental goals" [see Government Code Section 65584(a)(3)].

Finally, even with the lowest regional determination from HCD, Option 2 would place unattainable RHNA obligations upon the City for a variety of factors that were previously outlined as areas of concern in our RHNA Methodology Local Planning Factor Survey (see attached). Pursuant to Government Code Section 65584.04(e), there are 12 factors that should be used in developing the RHNA methodology. This option essentially ignores all 12 planning factors.

OPTION 3

The City supports the concept of using population growth rates as a component of the RHNA methodology as this preserves the integrity of the local input process. The City would also support including other local planning factors such as planning for housing near existing and projected HQTAs and job centers as outlined in Government Code Section 65584.04(e), and accounting for recent building activity. Option 1 includes principles that meet the RHNA objectives outlined in Government Code Section 65584.

The City believes that Option 3 most appropriately utilizes local input among the three options; however, this option could be enhanced by including a component that encourages growth in HQTAs and job centers and recognizes the efforts of jurisdictions that have been building housing. If SCAG proposes a new methodology or some hybrid of the proposed methodologies, the City requests that SCAG provide sufficient time for public comment and review prior to a final decision by the Regional Council.

The City of Aliso Viejo implores SCAG to preserve the integrity of the local input process in establishing any RHNA methodology. Ignoring local input would be disastrous to many jurisdictions throughout the region and will result in many jurisdictions being unable to obtain a certified housing element.

The City strongly encourages SCAG to provide a presentation to the RHNA Subcommittee, CEHD Policy Committee, and the Regional Council regarding state housing law with which local jurisdictions are obligated to comply. It is imperative that these elected officials clearly understand how jurisdictions will be impacted by their potential inability to plan

for an unreasonable RHNA obligation. The City also strongly encourages SCAG to outline the appeals and redistribution process.

The City recognizes and appreciates the time and effort provided by everyone on this important and complex issue and for your consideration of these items. Please let us know if you need any additional clarification or have any questions by contacting Omar Dadabhoy, Community Development Director, at (949) 425-2527 or odadabhoy@AVCity.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Doyle', with a stylized flourish at the end.

David Doyle
City Manager

cc: SCAG Regional Housing Needs Assessment Subcommittee, housing@scag.ca.gov
Kome Ajise, SCAG Director of Planning, kajise@scag.ca.gov
Aliso Viejo City Council
Omar Dadabhoy, Community Development Director
Erica Roess, Senior Planner

Attachment: City of Aliso Viejo Planning Factors Survey

RHNA Methodology Local Planning Factor Survey

Jurisdiction	Aliso Viejo
County	Orange

Planning Factor	Impact on Jurisdiction
Existing and projected jobs and housing relationship, particularly low-wage jobs and affordable housing	<p>Aliso Viejo is "housing rich/jobs poor" as compared to the SCAG region:</p> <p>Aliso Viejo jobs/household ratios (source: SCAG 2016 RTP/SCS): 2012: 1.02 (SCAG region - 1.25) 2040: 1.08 (SCAG region - 1.34)</p> <p>Additional commercial & industrial development is needed to create more local employment opportunities for city residents, reduce trip lengths and GHG</p>
Lack of capacity for sewer or water service due to decisions made outside of the jurisdiction's control	No
Availability of land suitable for urban development	None

Lands protected from development under Federal or State programs	<p>Yes</p> <p>Aliso and Wood Canyons Wilderness Park.</p>
County policies to preserve agricultural land	<p>No</p>
Distribution of household growth assumed for regional transportation planning and opportunities to maximize use of public transportation	<p>Aliso Viejo is "housing rich/jobs poor" as compared to the SCAG region:</p> <p>Aliso Viejo jobs/household ratios (source: SCAG 2016 RTP/SCS): 2012: 1.02 (SCAG region - 1.25) 2040: 1.08 (SCAG region - 1.34)</p> <p>Additional commercial & industrial development is needed to create more local employment opportunities for city residents, reduce trip lengths and GHG. Additionally, there are currently no forms of public transportation operating in the City.</p>
Agreements between a county and cities to direct growth to incorporated areas of the county	<p>No</p>

Loss of low income units through contract expirations	No
[NEW] Percentage of households that pay more than 30% and more than 50% of their income on rent	Please refer to census data
[NEW] Rate of overcrowding	Please refer to census data
Farmworker housing needs	No major agriculture in Aliso Viejo; therefore, no significant need for farmworker housing

<p>Housing needs generated by the presence of a university campus within the jurisdiction</p>	<p>Yes; however there are 500 students and 500 dorm rooms on the Soka University Campus therefore student housing is contained on-site.</p>
<p>[NEW] Loss of units during a declared state of emergency that have yet to rebuilt at the time of this survey</p>	<p>No</p>
<p>[NEW] The region's greenhouse gas emission targets provided by the California Air Resources Board</p>	<p>Aliso Viejo is "housing rich/jobs poor" as compared to the SCAG region: Aliso Viejo jobs/household ratios (source: SCAG 2016 RTP/SCS): 2012: 1.02 (SCAG region - 1.25) 2040: 1.08 (SCAG region - 1.34) Additional commercial & industrial development is needed to create more local employment opportunities for city residents, reduce trip lengths and GHG</p>
<p>Other factors</p>	<ol style="list-style-type: none"> 1. Nearly all developable land has already been developed and remaining vacant land is almost entirely dedicated for public parkland or private deed-restricted open space and manufactured slopes. 2. Substantial portions of the city's western and southern areas are within the Very High Fire Hazard Severity Zone. 3. Most existing structures are relatively new and constructed at a density much greater than the County average; therefore, substantial redevelopment for housing is not feasible due to market factors.