



City of Mission Viejo

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SENT VIA EMAIL: housing@scag.ca.gov

September 11, 2019

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

Dear Mr. Ajise:

Subject: City of Mission Viejo Comments: SCAG Draft Regional Housing Needs Assessment Allocation Methodology Options

The City of Mission Viejo respectfully submits comments on the Southern California Association of Government's three proposed options for allocating the region's housing need to each of the individual jurisdictions. The City appreciates that SCAG has developed three options for consideration, and further welcomes that from the public comments received, SCAG will consider adjustments to the existing options, as well as consider new or hybrid options.

The City's comments are presented in the enclosed attachment. Said comments include overarching comments that are applicable to all the methodology options, in addition to technical and policy concerns for specific options and attendant recommendations for addressing the identified technical issues. The City's comments are also supportive of the August 22, 2019 transmittal by the Orange County Council of Governments on the RHNA methodology options.

In framing the comments presented in the attachment, the City of Mission Viejo also presents and emphasizes two key points that are integral to the success of this region to address housing need. They are as follows:

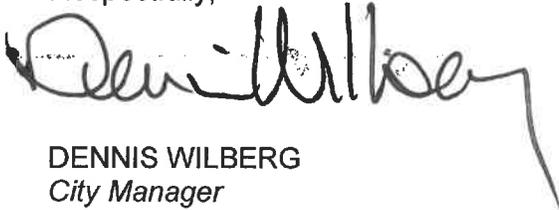
- 1) Allocation options that emphasize "one-size-fits all" formulas to allocate RHNA set the region for failure. Determining a fair share of housing need – based, for example, solely on a local jurisdiction's existing population share – assumes that any city with the same amount of population has the identical capability, land and resources to satisfy the same degree of housing need. This is not the case. An emphasis on such an approach is not sensitive to local conditions and characteristics that have direct bearing on the ability to find eligible sites to accommodate housing need.
- 2) Thus, for the concern noted above, the use of Local Input is vital to the success of SCAG's RHNA, and should therefore be incorporated into any preferred SCAG RHNA methodology recommendation for allocating the region's regional housing need to individual local jurisdictions. Local Input reflects each local jurisdiction's best assessment of how and where its community will grow over the next 25 years, which is not captured through the sole use of one-size-fits-all formulaic factors.



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The City of Mission Viejo expresses its appreciation to the SCAG RHNA Subcommittee, the SCAG CEHD policy committee, SCAG's Regional Council, and SCAG staff, for tackling a difficult and mandated planning process that has been further complicated with new requirements from recent housing legislation. The City of Mission Viejo looks forward to working with you on a successful, 6th cycle RHNA planning process.

Respectfully,



DENNIS WILBERG
City Manager

Attachment: City of Mission Comments: Draft SCAG RHNA Allocation Methodology Options

C: City of Mission Viejo City Council
Elaine Lister, City of Mission Viejo Community Development Director
Larry Longenecker, City of Mission Viejo Planning Manager
Marnie O'Brien Primmer, OCCOG Executive Director



City of Mission Viejo Comments
Draft SCAG RHNA Allocation Methodology Options

Comment #	Topic	City of Mission Viejo Comment and Recommendation
1	Option 1: Residential Units Permitted	<p><u>Overview:</u> RHNA Methodology Option #1 assigns 10% of a local jurisdiction’s Existing RHNA Housing Need on a jurisdiction’s relative share of regional building activity. Based upon a review of the table in the RHNA Methodology appendix: “Number of Residential Units Permitted, Construction Industry Research Board and SCAG Local Profiles” (pages 59 – 64), and the output of the SCAG RHNA calculator, 2nd release, a local jurisdiction’s share of the 6th cycle RHNA – based on the number of residential units it has permitted – is calculated by:</p> <ol style="list-style-type: none"> 1) taking a jurisdiction’s total number of residential units permitted from 2006 to 2018; 2) dividing that number of residential units permitted by the city’s 2019 population, to establish a local jurisdiction’s specific “permit per population” factor; 3) adding all the residential units permitted, for all the jurisdictions in the region, and establishing a regional sum of all residential units permitted from 2006 to 2018, which is then divided by the total regional population, to establish a regional “permit per population factor”; 4) calculating how many units each jurisdiction <u>should</u> have permitted, based upon applying the region-wide “permit per population factor” to the local jurisdiction’s population, and comparing that value against how many residential units were actually permitted by the jurisdiction, to produce a number of units that were “undersupplied” by each applicable jurisdiction; 5) calculating the total regional undersupply of residential units derived from Step 4 above, by summing each applicable jurisdiction’s “undersupply”; and then assigning, for each jurisdiction, a percentage share of that regional undersupply. 6) For those jurisdictions that permitted more residential units than “expected” for its population size, their respective percentage undersupply share would be zero, and this subset of local jurisdictions would not be assigned any additional Existing Need RHNA units from the Option 1 Building Activity factor. 7) For those jurisdictions that permitted less units than “expected” for its population size, this subset of local jurisdictions would have additional Existing Need RHNA for the Option 1 Building Activity factor, based on taking their respective percentage shares of the regional undersupply, as listed in the table noted above, and multiplying that share factor to the regional number of units assigned for Regional Building Permit activity (10% of the Regional Existing Need). 8) This number (a local jurisdiction’s undersupply share multiplied by the number of regional residential units assigned to the Regional Building Activity, which represents 10% of the regional Existing Need), would then be added to the local jurisdiction’s Existing Need RHNA. <p>Based on the proposed methodology process identified above, if a local jurisdiction issued fewer residential permits per population than the regional average during this 12-year timeframe, then the jurisdiction would be assigned more Existing Need RHNA to make up for its share of the regional undersupply of residential units, which (the regional undersupply) comprises 10% of the regional Existing Need.</p> <p>Based on the referenced table above, approximately 138 jurisdictions out of a total of 197 jurisdictions, would be penalized by the application of a Regional Building Activity factor to the Option 1 Existing Need.</p>

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Comment #	Topic	City of Mission Viejo Comment and Recommendation
1	Option 1: Residential Units Permitted, continued	<p><u>Comment:</u></p> <p>This approach has several deficiencies and limitations:</p> <ol style="list-style-type: none"> 1) By default application, this approach sets forth a new policy and regional performance standard – the number of residential permits issued per population as compared to a regional average – and further judges a local jurisdiction’s past production of residential building permits by penalizing (adding) more RHNA to a jurisdiction’s future, 6th cycle RHNA, if a jurisdiction underperformed in permitting as many units, per population, as was achieved on average in the region. Such a regional performance target has never been adopted by SCAG’s governing board, nor has the derived regional target (0.026 residential permits per population) undergone any detailed analysis and robust testing to determine if it is an appropriate regional target for building activity performance. It is strictly a mathematical output of the number of residential permits issued in the region, divided by the total population in the region. 2) The referenced table further uses terminology such as “expected” permits for population size and “permit undersupply,” which infer that the jurisdiction failed to meet a regional target goal of permitting a specific number of units per population, and should therefore make up this underperformance by adding more units to the 6th cycle RHNA allocation based on its share of the regional undersupply. Again, as noted above, such a regional performance target for housing, has never been adopted by SCAG’s governing board nor undergone any robust discussion and expert panel analysis. <p>In conclusion, the City of Mission Viejo expresses concern over SCAG’s use of a rubric for assigning a portion of a jurisdiction’s future 6th cycle Existing Need RHNA, based upon a performance standard (0.026 permits per population: page 64) that has not been vetted or approved by SCAG as a valid and reasonable measure of past residential building permit activity.</p> <p>If residential building permit delivery is an important consideration and factor to be included in the RHNA allocation methodology, as has been expressed by some members of the SCAG RHNA Subcommittee and stakeholders, the City of Mission Viejo would propose, as a replacement, the use of a jurisdiction’s total RHNA allocation from the 4th and 5th RHNA cycles (representing the 2006 to 2018 year timeframe in the draft methodology), with the building permit factor based on comparing the number of residential units permitted during the 4th and 5th RHNA cycles, against the jurisdiction’s total number of residential units that was adopted and allocated for SCAG’s 4th and 5th RHNA cycles.</p> <p>The City of Mission Viejo recognizes that there may be some expressed concerns with this approach, as several jurisdictions in the 5th cycle were afforded one-time vacancy credits to its RHNA allocation that resulted in single digit RHNA allocations (Note: the City of Mission Viejo did not receive any such vacancy credits in the 5th RHNA cycle). Nonetheless, a jurisdiction’s delivery of residential building permits, when compared to its RHNA allocation, is already recognized by housing statute as a performance measure that quantifies progress in meeting RHNA housing need. RHNA allocations are further recognized in local jurisdiction General Plan Housing Elements. The City of Mission Viejo would maintain that comparing residential permits issued, against total 4th and 5th RHNA unit allocations, has greater defensibility for use as a performance measure than the use of a jurisdiction’s residential permits issued per population, when determining a local jurisdiction’s share of regional residential unit undersupply.</p>

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Comment #	Topic	City of Mission Viejo Comment and Recommendation
1	Option 1: Residential Units Permitted, continued	<p><u>Recommendation:</u></p> <p>If the use of a Building Activity factor is to be included in any RHNA allocation methodology,</p> <ul style="list-style-type: none"> a) Delete the use of a regional ratio of total residential units permitted per population, delete the use of a local jurisdiction’s expected number of residential permits based on its population size, and delete the application of assigning more Existing Need RHNA to a local jurisdiction based on a jurisdiction’s building permit performance in relation to an average regional ratio of total residential units permitted per population, in determining a local jurisdiction’s share of the regional undersupply of residential units; and, b) Replace Recommendation (a) above with the use of: a local jurisdiction’s residential building permits issued from 2006 to 2018; a local jurisdiction’s adopted SCAG 2006 and 2012 total RHNA allocations (number of total housing units assigned in the last two RHNA cycles, with the proviso that the 2012 RHNA numbers shall be pro-rated to acknowledge that the 2012 RHNA cycle has two remaining years in the cycle); and, use of the sum of the 2006 and pro-rated 2012 RHNA allocations, compared against the residential building permits issued during the 2006 and 2012 RHNA cycles, to calculate a jurisdiction’s Building Permit Activity RHNA allocation, based upon its share of the regional undersupply of residential building permit activity.
2	Option 1: New 3-Income Distribution for Existing RHNA Units	<p><u>Overview:</u></p> <p>In Option 1, a jurisdiction’s total Existing Need RHNA units is first factored with a 110% social equity adjustment to assign a resultant number of Existing Need units to the traditional four income categories of Very Low, Low, Moderate and Above Moderate. Then, after the 110% social equity adjustment is conducted across the four income categories, all the units in the Above Moderate category are to be eliminated, and those Above-Moderate units would instead be re-distributed to the Very Low, Low and Moderate income categories, based upon a proportional share factor. SCAG’s RHNA Methodology Data Appendix Table: “Redistribution of Above Moderate to Three Lower-income Categories with 110% Social Equity Adjustment” (pages 94 – 98) identifies, for each jurisdiction, the percentage of Existing Need units that would be assigned to the Very Low, Low and Moderate income categories (Columns N, O and P) and confirms the elimination of the Existing Need Above-Moderate units (Unlabeled Column “Q?”), based on the “New Three Income Distribution” methodology.</p> <p><u>Comment:</u></p> <p>The City of Mission Viejo previously expressed concern at SCAG RHNA Subcommittee meetings over the proposed elimination of the Above-Moderate Income units and its re-distribution to the Very Low, Low and Moderate income units in Option 1’s Existing Need RHNA allocation methodology. One of SCAG’s historical RHNA objectives has been to ensure that jurisdictions that have a disproportionately high share of lower income households within their communities, should receive a lower proportion of RHNA housing in the lower income categories, so that these communities do not have to continue to bear this burden. However, a review of the above referenced data appendix table illustrates the reverse. The new “Three Income Distribution” formula that is proposed in Option 1, further exacerbates, rather than improves, higher concentrations of lower-income units in impacted communities. Under this allocation methodology, jurisdictions in the SCAG region would be required to satisfy Very Low and Low Income (i.e, affordable) units in the order of 68% (lowest) to 75% (highest) of its total Existing Need RHNA.</p>

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Comment #	Topic	City of Mission Viejo Comment and Recommendation
2	<p>Option 1:</p> <p>New 3-Income Distribution for Existing RHNA Units</p>	<p><u>Comment, continued:</u></p> <p>Page 9 of the RHNA methodology, and SCAG presentations on the RHNA methodology, identify that this approach (eliminating the Above-Moderate income units and re-distributing them to the Very Low, Low and Moderate Income units) was used as a proxy for addressing housing statute’s need to consider cost-burdened households in the 6th cycle RHNA. Under SCAG’s approach, cost burden would be addressed through the allocation process of Existing Need units to the lower income categories at the jurisdiction level, rather than through the addition of more units to the total regional housing need at the regional level.</p> <p>However, this approach was developed before SCAG received, from State HCD, the regional housing need determination for the SCAG region, dated 8/22/2019. Attachment 2 of the HCD Regional Housing Need Determination identifies that SCAG’s cost-burden adjustment is to be applied up-front to the region’s total housing need, with 120,418 additional units added to the region’s RHNA to address cost-burden, and further that the cost-burden units be assigned across all four income categories (Very Low, Low, Moderate and Above-Moderate).</p> <p>Thus, SCAG’s proposed Three Income Distribution approach is conflicting, redundant and duplicative with State HCD’s regional determination. It is conflicting, by requiring that cost burden be addressed in the allocation process, versus State HCD’s directive that cost-burden be addressed by adding more units to the region’s total regional housing need. It is conflicting, by requiring that the Above-Moderate Existing Need units be eliminated and said units re-distributed to the Very Low, Low and Moderate Income units, whereas State HCD’s cost-burden adjustment of the additional 120,418 units, identifies that the cost-burden units would be assigned across all four income categories, including the Above-Moderate income category. It is redundant and therefore should be eliminated, because State HCD has identified a distinct and separate method to address cost-burden from the local jurisdiction Three Income Distribution allocation method proposed by SCAG.</p> <p><u>Recommendation:</u></p> <ul style="list-style-type: none"> a) In Option 1, Step 1d: Social Equity Adjustment for Existing Need (page 8), eliminate the application of the Jurisdiction Existing Housing Need to only three categories (Very Low, Low and Moderate), after the 110% social equity adjustment, due to its conflict, redundancy and duplication with State HCD’s directive that cost burden be addressed through the addition of 120,418 units to the regional housing need, and across all four income categories; and, b) In Option 1, Step 1d: Social Equity Adjustment for Existing Need (page 8), allocate the Jurisdiction Existing Housing Need, after the SCAG recommended 110% social equity adjustment, across all four income categories (Very Low, Low, Moderate and Above Moderate), pursuant to the Existing Need distributions illustrated in the RHNA Methodology Data Appendix: Social Equity Adjustments table (pages 88 – 93), Columns I, J, K and L.

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3	Jobs/Housing Balance	<p><u>Overview:</u></p> <p>At present, none of the three RHNA methodology options includes a consideration of a jurisdiction’s relationship between jobs (number of employees working in a jurisdiction), and the number of households (occupied housing units) in a jurisdiction. Public comments at the SCAG RHNA Subcommittee meetings and at the RHNA public hearings identify an interest by stakeholders to introduce a jobs/housing factor in SCAG’s RHNA allocation methodology. Application of a jobs/housing factor to SCAG’s RHNA methodology for the 6th cycle, would be the first time that this factor would be defined and applied to the region’s RHNA methodology.</p> <p><u>Comment:</u></p> <p>At present, the RHNA Methodology: Data Appendices include two data tables that identify the number of existing households within each local jurisdiction, and the number of total existing jobs within each jurisdiction [Data Appendices: “Household Income Distribution” table, pages 83 – 87, Total Households (Occupied Units) column; and, the “Industry Affiliation by Workplace, American Community Survey 2012-2016 5-year Estimates” table, pages 131 – 134, Employee column, respectively]. Should SCAG consider adding a jobs/housing element to the 6th cycle RHNA allocation methodology, data from these existing tables could be used to assess proposed relationships between a jurisdiction’s number of jobs and households, supplemented by defensible approaches and data to support any recommended county or regional healthy jobs/housing relationship that also recognize that short commute sheds can still cross jurisdictional boundaries.</p> <p><u>Recommendation:</u></p> <p>Should SCAG staff consider applying a jobs/housing factor to the RHNA allocation methodology, the City of Mission Viejo recommends the following considerations:</p> <ul style="list-style-type: none"> a) The factor be based on a relationship between a local jurisdiction’s total jobs and total households, with any such relationship (i.e., a jobs/housing ratio) be defensible, especially a recognition of two-income households versus out-dated, traditional, single-income households. b) If a healthy, jobs/housing ratio is proposed to be applied in the allocation methodology, that the allocation methodology include a data appendix table that calculates each jurisdiction’s existing jobs/housing ratio, based upon the data included in the two data appendices tables cited above that identifies the existing number of total jobs in each jurisdiction, and the existing number of total households in each jurisdiction, as contrasted against any proposed healthy jobs/housing ratio at the regional or county level. c) That the allocation of any additional RHNA units to a local jurisdiction, to achieve parity with any derived healthy jobs/housing ratio, be applied to jurisdictions that do not meet the regional or county healthy jobs/housing ratio. Any jurisdiction that meets or exceeds the regional or county healthy jobs/housing ratio shall be exempt from receiving additional RHNA units to address the undersupply in housing based on a jobs/housing balance.

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Comment #	Topic	City of Mission Viejo Comment and Recommendation
4	Option 2 RHNA Allocation Methodology	<p><u>Overview:</u></p> <p>SCAG’s draft RHNA allocation methodologies include an Option 2 allocation approach that bases a jurisdiction’s total RHNA on three factors:</p> <ol style="list-style-type: none"> 1) Assigning 80% of the regional need to jurisdictions, based on each jurisdiction’s share of the regional population; 2) Assigning the remaining 20% of the regional need to jurisdictions, based on each jurisdiction’s share of the regional population located within High Quality Transit Areas (HQTAs); and, 3) Applying a 150% social equity adjustment to factors 1 and 2 above. <p>Local input that SCAG has received from each jurisdiction on how the jurisdiction forecasts its future growth in population, households and jobs – as collected through the 2020 RTP/SCS growth forecasts – is excluded as a factor or consideration in Option 2’s allocation of regional need to the local jurisdiction.</p> <p><u>Comment:</u></p> <p>The advantage of Option 2 as a RHNA allocation methodology is that it is easy to calculate. This approach is a one-size-fits-all mathematical formula that is based solely on a jurisdiction’s share of the regional population (80% contribution) and a jurisdiction’s share of the regional population in HQTAs (20% contribution).</p> <p>Option 2, however, excludes any consideration of Local Input, and as such, fails to consider each local jurisdiction’s conditions and factors that impact a jurisdiction’s individual capability to site housing units. Local input has always been a foundational component of SCAG’s RHNA planning process, and provides a real-world perspective of local housing opportunities and constraints that is not reflected in a one-size-fits-all RHNA allocation factor such as population share.</p> <p>In excluding any consideration of Local Input, and relying solely on population-based factors to generate a jurisdiction’s RHNA allocation, Option 2 also has the unacceptable, unintended consequence of allowing some jurisdictions to receive a total RHNA allocation that is <u>lower</u> than what they identified in their Local Input growth forecasts, according to the output of SCAG’s RHNA Calculator, Version 2. This would subsequently result in other jurisdictions receiving higher RHNA allocations, in order to maintain equilibrium with the estimated population and households in the regional need determination. In any RHNA methodology option, each local jurisdiction should, at minimum, receive a RHNA allocation that fully reflects the amount of households it identified in SCAG’s growth forecast.</p> <p><u>Recommendation:</u></p> <ol style="list-style-type: none"> a) Exclude Option 2 from any consideration as a recommended RHNA allocation approach, due to the limitations noted above. b) In any RHNA allocation methodology option under consideration, each SCAG jurisdiction should, at minimum, receive a RHNA allocation that fully reflects the amount of households it identified in SCAG’s growth forecast during the RHNA planning period.