



December 19, 2019

Doug McCauley, Acting Chair
California Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

Subject: SCAG's Draft RHNA Allocation Methodology

Dear Mr. McCauley:

The City of Fountain Valley urges the Department of Housing and Community Development (HCD) to reject the Draft Regional Housing Needs Assessment (RHNA) allocation methodology approved by the Southern California Association of Governments (SCAG) on November 7, 2019. The basis for this objection is that the proposed methodology:

1. Failed to meet the requirements for public engagement per GC 65584.04(d)
2. Does not result in fair-share distribution
3. Generates an allocation that is unrealistic without unprecedented reliance on ADUs

1) Failed to meet the requirements for public engagement per GC 65584.04(d)

The latest methodological change was unveiled and approved without adequate warning, public vetting, or discussion. Furthermore, the substitute methodology was approved against the recommendation of SCAG staff without full discussion allowed (except for a few key cities that supported the amendment). The adoption process did not permit the November 7, 2019, attendees or their staff any time to review and provide input. Certainly, the substitute methodology was not evaluated and vetted in any systematic manner like the methodology proposed by SCAG staff and relied upon by member cities.

2) Does not result in fair-share distribution

The purported rationale for shifting units from inland counties was to put people closer to jobs and transit. Accordingly, the methodology distributes existing need based upon 50% job

accessibility and 50% of share of population within a High Quality transit Area (HQTA). However, this rationale is distorted in the proposed methodology by the:

- a) **Income/social equity distribution.** This factor reallocates a portion of RHNA allocations from “extremely disadvantaged communities” (defined as jurisdictions where 50% or more of the population live in very low resource census tracts) to other jurisdictions. This methodology ignores the scale of jurisdictions and assigns a RHNA allocation for Fountain Valley that is 50% greater than that of Santa Ana, despite the following facts:
 - i) Fountain Valley is 1/3 of the physical size and contains 1/6 of the population of Santa Ana.
 - ii) Santa Ana has roughly the same number of households with incomes above \$100,000 (17,814) as the total number of households in Fountain Valley (18,527, 2017 ACS).
- b) **Transit access distribution.** This factor allocates projected need based on where residents are projected to live within an HQTA in 2045. Applications of this methodology appear to treat all transit areas equally and do not encourage job-rich jurisdictions to expand transit areas.
 - i) When SCAG increased the size of HQTAs from ¼-mile to ½-mile, it did not account for the potential within those expanded areas. In absolute and proportional terms, Santa Ana has far more land within HQTAs—nearly the entirety of Santa Ana is within an HQTA, both in the previous boundaries and the draft 2045 boundaries. Fountain Valley’s HQTA boundaries, however, are slated to dramatically expand, despite the predominant pattern of single family housing and a mile-square park sapping the potential for intensification along those corridors within Fountain Valley.
 - ii) Regardless of the location or amount of jobs within their boundaries, cities that are served by fewer transit lines receive fewer units. Much of the City of Irvine, for example, contains the same land use pattern as Fountain Valley, yet the HQTA boundaries capture comparatively little of the City—largely because there are fewer transit lines serving most of the City. This results in an inequity where cities that are near or even contain major jobs centers are allocated proportionally fewer units because of geography or the fact that bus lines have not yet been routed through their jurisdictions.
- c) **Job accessibility distribution.** This factor allocates growth based on the proximity to jobs—the amount of jobs and residents that would be within a 30-minute commute shed in 2045. The issue of a better jobs-to-housing balance in context of reducing commute distances and times is by its nature a regional matter in southern California. However, in this matter, SCAG’s methodology does not account for those jurisdictions who are already providing a balanced mix of jobs and housing. Instead, the applied

methodology requires some jurisdictions to accommodate and pay for job growth in other communities.

- i) Like population and housing, job growth in Fountain Valley has been level. The number of jobs actually decreased by 3,159 between 2007 and 2017 (to 31,745), and job growth is not expected to exceed 2007 levels in the future. The City of Fountain Valley contains 19,023 units and therefore has a jobs-to-housing ratio of 1.67 (generally considered very healthy).
- ii) In comparison, the city of El Segundo, with 7,433 units and 48,515 jobs (ratio of 6.5:1), receives a RHNA allocation of 523 units. In Santa Ana, the jobs-to-housing ratio is 2.1 (163,503 jobs and 78,052 units) and its current draft RHNA is 3,087 units.
- iii) The current draft methodology clearly fails to put housing where jobs are and forces cities like Fountain Valley to provide the housing for workers in these cities, while dramatically reducing the amount of land that could be used to generate the growth in jobs to help pay for the services and infrastructure needed for future housing.

3) Generates an allocation that is unrealistic without unprecedented reliance on ADUs

Finally, SCAG's current methodology will make it extremely difficult, if not impossible, for the City of Fountain Valley to maintain compliance with Housing Element law. This conclusion is based on the fact that there are 58 vacant acres in the City. There are few, if any, underutilized sites that may have a potential of recycling to residential. The City's industrial and retail markets are extremely healthy and there is a strong likelihood that, outside of the vacant sites, there will not be much more land that will be considered acceptable sites by HCD.

While it is understandable that jurisdictions may need to change their currently planned land use patterns to accommodate pent up demand, the required degree of change is not just unrealistic, but counterproductive. The required *average* density on all of the 58 acres to accommodate the current draft RHNA would be 70-90 units per acre. We know that the construction costs necessary to build such intense housing would make it even more expensive and therefore less likely to be affordable (even if funding were found to subsidize developers losing money on 40% of the units).

The only scenario in which this type of RHNA allocation can be achieved is if HCD allows cities to assume ADUs to accommodate nearly all of the City's lower income RHNA allocation, especially in light of new laws requiring jurisdictions to allow three units per single-family lot (none of which now need be owner-occupied).

In conclusion, we urge HCD to consider our input. This is not a ploy to avoid a reasonable fair share allocation. This is a plea for a more accurate and fair methodology and acknowledgement of new state ADU requirements. We understand how difficult it is to develop a methodology for the entire SCAG region without relying on broad assumptions and factors, but seek a

methodology that better aligns with the region's goals of placing growth next to viable transit lines and job centers---both now and in the future.

The City will make every attempt to submit a compliant housing element, but there is a strong likelihood that this will not be possible. If the result of this process is a non-compliant housing element, then the allocation process is a failure. Non-compliance is not the result that the City desires and we can only assume that it is not the result that SCAG or HCD desires.

In Fountain Valley, not a single permit for a residential project or an ADU has been denied in staff's memory. Regardless, the City will likely be in a position where it continues to approve every residential permit but could be penalized for not meeting its quota of housing. Again, this is a failure of the process and unrealistic allocations.

Please contact Brian James, City of Fountain Valley Planning and Building Director, at 714-593-4426 or brian.james@fountainvalley.ca.gov if you wish to discuss these concerns.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl Brothers".

Cheryl Brothers
Mayor

CC
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