

# California's Housing Future 2040

## The Next Regional Housing Needs Allocation (RHNA)

California Department of Housing and Community Development



April 2024

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Dear Members of the Legislature,

The California Department of Housing and Community Development (HCD) is pleased to submit this report, *California's Housing Future 2040: The Next Regional Housing Needs Allocation (RHNA)*, to the State Legislature pursuant to Assembly Bill 101 (2019).

Prepared by HCD staff and informed by extensive stakeholder engagement, the report demonstrates that the RHNA process is fundamentally sound but needs to be modified to unlock its intended outcomes and sufficiently plan for homes now through the end of the 7th cycle in 2040.

With half of California renters struggling to afford their housing, and record numbers experiencing homelessness, policymakers need tools that convey timely and accurate data to design and implement effective solutions to address these crises. Through the work of the California's Housing Future 2040 initiative, HCD has identified a mix of recommendations that would require statutory changes, as well as planned adjustments to HCD's processes under existing authority, to lay the groundwork for creating future homes.

Collectively, these RHNA modifications will more accurately account for the housing needs of existing and future residents, promote and streamline housing development, affirmatively further fair housing, advance the state's climate goals, and substantially address California's housing shortage. Furthermore, RHNA has always been a fair share housing strategy, and these recommendations will help address a number of the persistent discriminatory local land use and housing policies identified in the California Reparations Report.

This is critical work that needs to be done.



▲ Tomiquia Moss, Secretary of the California Business, Consumer Services and Housing Agency

Consider those who will be searching for housing in the year 2040. Today's toddlers will be going off to college in 2040 and starting to look for their first apartments. The 2024 high school graduates will be in their mid-thirties, an age when many hope to be first-time homeowners. Many of today's middle-aged adults will be newly retired and looking for homes to better suit their golden years in the Golden State. Implementing the recommendations found in this report is an important step toward laying the foundation to make sure we provide the number and variety of homes that are needed today, and for every Californian in the year 2040.

These recommendations build on the substantial progress we have made in the last five years to address California's housing need: sweeping legislation, state departments and local governments taking bold action to address the housing crisis, the emergence of a once-in-a-lifetime pandemic, and a more intentional focus on the need for racial equity all combining to significantly alter the state's approach, resulting in historic investments in housing and efforts to prevent and end homelessness.

But as California's Housing Future 2040: The Next Regional Housing Needs Allocation demonstrates, there is much more yet to do.

As I begin my tenure as Secretary of Business Consumer Services and Housing Agency (BCSH) under the leadership of Governor Gavin Newsom, I am centering values I hold dear: protecting vulnerable populations and promoting more inclusive communities through tenant protections, affordable housing preservation, thoughtful coordination, housing program design, and evaluation. I firmly agree with this administration's belief that we have the responsibility to reanimate the California Dream for All.

On behalf of BCSH and HCD, we stand ready to implement these RHNA recommendations, and are eager to work closely with the Legislature and stakeholders to ensure that every region across the state appropriately plans for the true housing needs of all existing and future Californians.

Sincerely,

Tomiquia Moss  
Secretary  
Business, Consumer Services and Housing Agency

# Introduction

[Health and Safety Code Section 50515.05](#) directed the California Department of Housing and Community Development (HCD/Department), in collaboration with the Governor's Office of Planning and Research (OPR), and after engaging in stakeholder participation, to develop recommendations to improve the Regional Housing Needs Allocation (RHNA) process and methodology that promotes and streamlines housing development and substantially addresses California's housing shortage. The California's Housing Future 2040 report fulfills HCD's obligation to submit a report to the Legislature with HCD's findings and recommendations.

**The California's Housing Future 2040: The Next RHNA** initiative includes the changes that HCD believes are necessary to ensure that the RHNA process appropriately plans for the homes that will be needed across the state by the year 2040. RHNA's staggered eight-year cycle will result in the last region in the state completing the upcoming 7th RHNA and housing element cycle in early 2040. This report includes recommendations that will help California identify and meet the state's housing needs.

California's housing crisis is a half century in the making. After decades of underproduction and land use constraints, supply is far behind need and housing and rental costs are soaring. As a result, millions of Californians must make hard decisions about paying for housing at the expense of food, health care, childcare, and transportation, directly impacting quality of life. One in three households in the state does not earn enough money to meet their basic needs.<sup>1</sup>

RHNA emerged as a housing fair share strategy in California during the Civil Rights movement in response to the national recognition that racial segregation was endemic to and greatly enabled by housing planning that served discriminatory interests. Since 1969, California has required that all local jurisdictions adequately plan to meet the housing needs of everyone in the community. While some progress has been made since 1969, achievement of this goal is incomplete, and the

1 Peter Manzo, Henry Gascon, Betsy Baum Block, and Dan Beeby. *Struggling to Move Up: The Real Cost Measure in California 2021* ([South Pasadena, CA: United Ways of California, 2021](#))

obligation to plan for the housing needs of all Californians in a manner that ensures access to opportunity is as important as ever. As the California Reparations Report outlines in the [Housing Segregation chapter](#)<sup>2</sup>, housing segregation and its effects have never been eliminated in the United States. The legacy of discriminatory local land use and housing policies has been more intractable than other forms of segregation and discrimination and will take significant dedicated efforts to unwind.

Since 2017, the California State Legislature and HCD have made a number of impactful statutory and administrative changes that have greatly increased the effectiveness of RHNA in the 6th cycle. Furthermore, since 2019, the Newsom administration has taken a series of landmark steps, including investing more than \$5.2 billion in housing and increasing local government accountability, with the end goal to support housing development across the state. As a result of these changes, the 6th cycle of RHNA has been successful in laying the groundwork to unlock a variety of housing opportunities across California. However, even with the successes of the 6th RHNA cycle, HCD continues to seek opportunities to improve the RHNA process to better account for the housing needs of all existing and future Californians and to ensure government partners are accountable to these goals.

If we do not sufficiently plan for the housing needs of all Californians, we will weaken our collective strength and jeopardize the economic and social health of our state. This report provides recommendations for how the state can improve how we plan for housing—for current and future generations of Californians.

Improving the RHNA process is foundational to realizing the impact of the state's other important housing policies, such as investment and streamlined review. HCD is excited to implement the recommendations included in this report alongside the Department's numerous other housing efforts.

2 California Task Force to Study and Develop Reparation Proposals for African Americans. The California Reparations Report ([California, 2023](#))

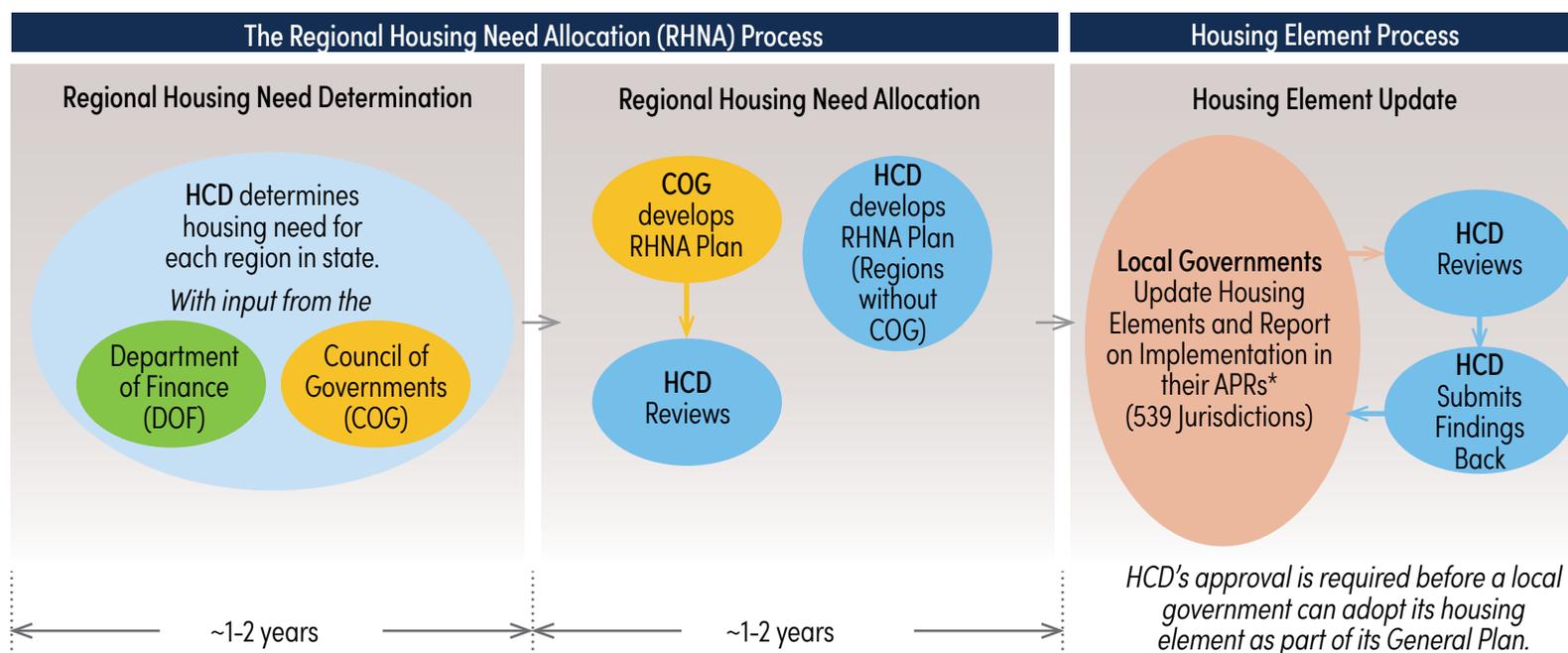
# Background of RHNA

## What is RHNA?

The RHNA process refers to the first two steps (Determination and Allocation) of a multi-step process that California governments utilize to plan for housing needs in each region of the state. Since 1969, California has required that all local governments (cities and counties) adequately plan to meet the housing needs of everyone in the community. This process starts with HCD

determining how much housing at a variety of affordability levels is needed for each region in the state. Then the regional governments develop a methodology to allocate that housing need to local governments. California's local governments then create housing plans (called housing elements) as part of their "general plan" (also required by the state) to show how the jurisdiction will meet local housing needs. HCD plays the critical role of reviewing every local government's

*California's Housing Planning Process*



housing element to determine whether it complies with state law and then submits written findings back to each local government. HCD's approval is required before a local government can adopt its housing element as part of its overall general plan. Over the housing element 8-year cycle, each local government must then prepare annual progress reports (APRs) on the jurisdiction's status and progress in implementing its housing element using forms and definitions adopted by HCD.

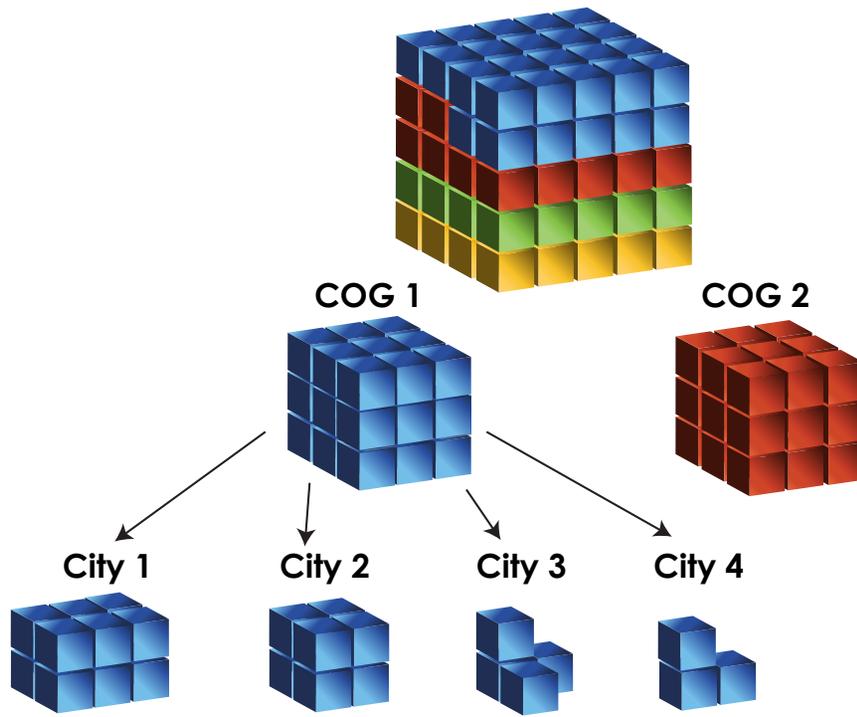
### Determination: Calculating the Housing Need in Each Region



HCD is responsible for determining the regional housing need for each region's planning body known as a "Council of Governments" (COG), with input from the Department of Finance (DOF). HCD and the COG consult and compare data related to demographic trends and housing conditions in the region. After this consultation, HCD issues the final regional housing need number for the region, which is broken out by income categories. The final housing need determination must be issued at least two years before the next housing element due date.

The determination is required to account for both the existing and projected housing need in each region. Accordingly, in addition to considering DOF data on future population and household growth, HCD also assesses whether additional housing is needed to serve the existing population. For instance, HCD considers data on overcrowding, cost burden, vacancy rates, and jobs-housing imbalances to account for pent-up demand when determining the regional housing need. HCD is also required to consider whether units have recently been lost due to a state of emergency declared by the Governor.

#### Statewide Housing Need



### ***Allocation: Distributing the Need to Cities and Counties***

Once HCD has issued the region's housing need determination figure (the amount of housing that must be planned for), the COG is responsible for allocating the housing need amongst all of the jurisdictions (cities/counties) within that region. The COG must develop a methodology for allocating the regional housing need and submit the methodology to HCD for review. Starting in the 6th cycle, HCD was given the authority to review the draft allocation methodology developed by each COG to determine whether it furthers the five statutory objectives. After the methodology is adopted by the COG, they must develop a Regional Housing Need Allocation Plan (RHNA Plan). The RHNA Plan must be adopted by the COG at least one year before the next housing element due date. Learn more: [Building Blocks: A Comprehensive Housing-Element Guide](#).

[Government Code Section 65584\(d\)](#) requires that the COG develop an allocation methodology that furthers five statutory objectives. Overall, the statutory objectives encourage the development of an allocation plan that promotes more economically and racially integrated communities by allocating housing to high-resource, job-rich areas, while also meeting the state's greenhouse

gas (GHG) reduction goals by encouraging infill development and the protection of environmental resources. Statute also lays out 13 factors that COGs are allowed to consider when creating the allocation methodology, as well as three criteria that cannot be considered. HCD is charged with developing the RHNA Plan for 20 predominantly rural counties across the state that do not have a COG.

### **Goals of RHNA**

Planning for sufficient housing at all levels of affordability for the state's population is at the core of RHNA, but this is not the only goal. In addition, the RHNA process is set up in a manner to also further state planning priorities such as climate, economic, and equity goals by planning for housing in locations close to job centers and areas of opportunity.

### **Anticipated Timing of the 7th cycle of RHNA**

This report contains recommendations for ways to improve the RHNA methodology and process for the 7th cycle of RHNA and beyond. RHNA operates with a staggered 8-year timeline, and the first COGs are forecasted to begin the 7th cycle RHNA in 2025, with a housing element planning period from 2027 to 2035. The last

COG is forecasted to begin the 7th cycle in 2030, with a housing element planning period from 2032 to 2040. As such, it is important that the recommendations contained in this report be effectuated prior to the beginning of the 7th cycle. Note: There are recommendations within this report that may impact this timeline.

Many rural regions of the state without a COG operate on a five-year rather than an eight-year planning period, and HCD acts as a COG for the purposes of RHNA. These five-year planning period non-COG regions received their 7th cycle determinations in 2023. Prior to delivering the five-year planning period determinations in 2023, HCD conducted research and analysis in response to stakeholder feedback and the audit recommendations discussed below. HCD piloted an adjusted determination process in 2023 that was based on the findings of this research and analysis, and then requested additional stakeholder feedback on this revised process during the California's Housing Future 2040 stakeholder meetings. Accordingly, HCD expects that the remaining 7th cycle determinations will build off the improvements piloted in 2023.

## HCD RHNA Audit Plan

In March 2022, the [California State Auditor published their report on the RHNA process](#)<sup>3</sup>.

The California State Auditor's report found few problems with HCD's methodology and no instances of double counting. In addition, the audit identified opportunities for process improvements to further promote fairness, accuracy, and transparency and to ensure that the Regional Housing Need Determination (RHND) does not undercount the housing need. Many of these opportunities for improvement have been addressed prior to or as part of HCD's California's Housing Future 2040 stakeholder engagement initiative and are discussed within this report. HCD values the findings of the California State Auditor's report, and undertook the following actions in a timely and comprehensive manner:

- Improved review documentation and created procedures to further ensure data errors are eliminated.
- Conducted research and public outreach to determine an equitable, fair, and transparent jobs/housing adjustment factor.
- Ensured data on units lost during a state

3 The California State Auditor. Regional Housing Needs Assessments: The Department of Housing and Community Development Must Improve Its Processes to Ensure That Communities Can Adequately Plan for Housing ([California, 2022](#))

of emergency is collected, verified, and applied in each determination.

- Conducted public outreach and performed a formal analysis of healthy vacancy rates and historical trends to inform adjustments using the vacancy rate factor.
- Ensured HCD's RHND letters describe, in detail, all factors required by GC 65584.01.

HCD acted quickly to implement the auditor's recommendations. In addition, HCD also committed to undertaking a variety of tasks associated with each recommendation, many of which have been completed prior to or as a part of the California's Housing Future 2040 initiative. These tasks are summarized below.

#### AUDITOR'S RECOMMENDATION #1

### *Quality Assurance/Quality Control Data Review*

To ensure that its needs assessments are accurate and do not contain unnecessary errors, in June 2022, HCD instituted a process to ensure its staff perform multiple reviews of data included in its assessments, including data that staff input and Councils of Governments submit. HCD created and now utilizes a review checklist that tracks

the submission and verification of data provided by the COG during the consultation phase. The review checklist prompts staff to confirm and verify the data submitted by the COG, as well as the source of the data and any applicable notes as to why the data was either accepted or rejected. The review documents also utilize application programming interfaces (APIs) to reduce reliance on copy and paste for certain data sources. The checklist also includes a space for manager review and approval.

#### AUDITOR'S RECOMMENDATION #2

### *Jobs Housing Factor and Units Lost*

To demonstrate that its needs assessments are complete and address all relevant factors, in September 2022, HCD established a formal process to document its consideration of all factors required by state law in its needs assessments. For instance, HCD has added explanatory notes describing how every factor required by state law is considered in the RHND letter template that is transmitted to the regional Councils of Government. HCD also incorporated steps into the review checklist described in Auditor's Recommendation 1 that now prompts HCD to confirm whether the COG has submitted data related to the jobs-

housing imbalance and state of emergency adjustment factors.

HCD also implemented a new jobs-housing balance adjustment in the non-COG 5-year 7th cycle determinations that seeks to ensure a healthy jobs-housing balance is achieved in each region. Above and beyond the recommendations of the Auditor, HCD used the California's Housing Future 2040 stakeholder process to further refine a jobs-housing balance approach that was part of the audit response. HCD sought feedback from stakeholders on how to better incorporate jobs-housing balance, and to identify data sources, methodology, and recommended targets. During this stakeholder engagement initiative, HCD asked stakeholders about jobs-housing balance as a part of the public survey, the Sounding Board, and listening sessions with relevant experts in the field of jobs-housing balance. In this report, HCD describes the Department's new jobs-housing balance methodology under HCD Implementation Effort #3 and will apply this methodology to future determinations. HCD shall use reasonable and good faith efforts to ensure that this methodology is transparent and uniformly applied.

### AUDITOR'S RECOMMENDATION #3

#### *Vacancy Rate*

In February 2023, HCD completed a formal analysis of healthy vacancy rates and historical trends to inform the vacancy rate adjustments in the RHND. HCD conducted research into academic studies published regarding historical and current vacancy rates, and how they may be used to calculate an accurate vacancy rate to use for the RHND. Those changes were implemented in the non-COG 5-year 7th cycle determinations. During the California's Housing Future 2040 stakeholder engagement initiative, HCD discussed these findings with experts which validated the efficacy of HCD's approach detailed in this report under HCD Implementation Effort #2. As described in HCD Implementation Effort #2, HCD will apply different targets for both owner and renter vacancy rates going forward based on the conclusions from the research and stakeholder recommendations.

**AUDITOR'S RECOMMENDATION #4**

***Comparable Region Analysis***

In June 2022, HCD established a formal set of criteria and factors that COGs may include in their comparable region analysis, which HCD will use when reviewing the appropriateness of a COG's proposed comparable regions. These criteria exclude factors that are either identical to or highly correlated with rates of overcrowded and cost burdened households to ensure proposals identify regions with healthy housing markets. To address a time-consuming process that can lead to a less accurate determination need, in this report HCD recommends removal of the comparable regions adjustment from the RHND process and replace it with a comparison to the national average (see Topic #4).

► Homes in Santa Monica, California.



## Scope & Structure of the Report

### Scope of Report

Per [Health and Safety Code Section 50515.5](#), codified through the enactment of [Assembly Bill No. 101 \(Chapter 159, Statutes of 2019\)](#), the recommendations found in this report are solely focused on the Determination and Allocation stages of the statewide housing planning process described in the Introduction: Background of RHNA section. That means that while HCD acknowledges that topics such as local governments' housing elements and APRs are deeply interrelated with RHNA, this report will generally not address those topics. Any feedback shared during the California's Housing Future 2040 stakeholder engagement period that touched on topics outside the scope of this report will be shared with the relevant HCD teams on an informational basis.

## Guiding Principles of California's Housing Future 2040

HCD centered the following guiding principles when developing the recommendations found in this report.

- Fully and accurately account for the pent-up housing demands of the existing population as well as the housing needs of future households.
- Ensure RHNA is a fair, transparent, objective, and streamlined process for identifying housing need.
  - » Fair in terms of advancing equity, racial justice and inclusion, and environmental justice in a manner that ensures all jurisdictions plan for their fair share of the region's housing need.
  - » Transparent in terms of open and accessible public processes, proactive engagement, and making materials available online.
  - » Objective in terms of maintaining a data-driven process.
  - » Streamlined in terms of ensuring a logical flow of steps with the most

efficient process available to accomplish meaningful outcomes.

- Strategically plan for the needs of households of all income levels while promoting infill development, the protection of natural resources, and efficient development patterns.
- Account for future climate risk with the goal of ensuring communities and vulnerable populations are not unduly exposed to climate risks, including but not limited to drought, flooding, sea level rise, and wildfire.
- Encourage increased development to substantially address California's housing shortage and affordability issues.
- Improve compliance and outcomes through incentives and enforcement.
- Enhance and protect RHNA's role in Affirmatively Furthering Fair Housing (AFFH) so that all cities plan for their fair share of growth and future planning does not further entrench segregated living patterns.

These guiding principles are addressed throughout the report and helped to inform both the recommendations for the Legislature as well as HCD's planned adjustments under existing authority.

## Structure of Report

The content of this report is organized into three sections:

1. Recommendations to the Legislature,
2. Policy Considerations for the Legislature, and
3. HCD Future Implementation Efforts

Within these sections, the report explores several different issues related to the Determination stage of the RHNA process, the Allocation stage of the RHNA process, or issue areas related to the overarching RHNA process. These topics are typically organized with the following subsections, where applicable:

- Topic Introduction and Statute Section Citation,
- High-level Summary of Stakeholder Feedback on this Topic,
- HCD-Provided Technical Assistance Updates (if applicable),
- Recommended Statutory Changes and/or HCD Future Implementation Efforts

**A high-level summary matrix of these recommendations can be found in the Appendix and the Executive Summary version of this report.**

# Stakeholder Engagement Summary

(Full Summary in Appendix)

[Health and Safety Code Section 50515.05](#) directed HCD to engage in stakeholder participation to develop the recommendations in this report. From March to July 2023, HCD solicited ideas and feedback from stakeholders for ways to improve the RHNA methodology and process – the recommendations found within this report were informed by this extensive stakeholder engagement.



## Overview of Stakeholder Engagement Strategy

To ensure HCD received feedback from a wide range of stakeholders, the California's Housing Future 2040 stakeholder engagement initiative employed a variety of engagement strategies. These engagement strategies included the following:

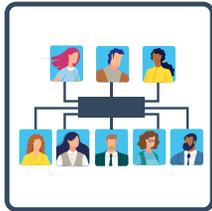


**Public Webinar:** On March 9, 2023, HCD launched the four-month intensive stakeholder engagement period with a public kick-off webinar that described the different manners in which stakeholders could participate in the initiative.



**Public Survey:** From March to May, HCD conducted a public survey that asked stakeholders to provide input and share ideas on topics identified as priorities for improving the RHNA process.

This survey was open for eight weeks and received 356 responses from a variety of types of stakeholders, with the two largest groups being local governments (39%) and private residents (10%). See the Full Stakeholder Engagement Summary in the Appendix of this report.



**Sounding Board:** HCD convened a Sounding Board of approximately 30 stakeholders for four meetings focused on a series of specific, technical questions where HCD sought issue specific feedback.

The Sounding Board was made up of technical experts who represented local and regional governments, academics, advocates, state government, and the Legislature. The Sounding Board was not a decision-making body. Please see the Full Stakeholder Engagement Summary in the Appendix for a full list of Sounding Board invitees.



**Listening Sessions:** HCD held approximately 32 one-on-one listening sessions with individual organizations or coalitions of experts, primarily state agency partners, to receive feedback on

topics that intersected with their area of focus. Please see the Full Stakeholder Engagement Summary in the Appendix for a list of organizations that HCD met with in one-on-one listening session.

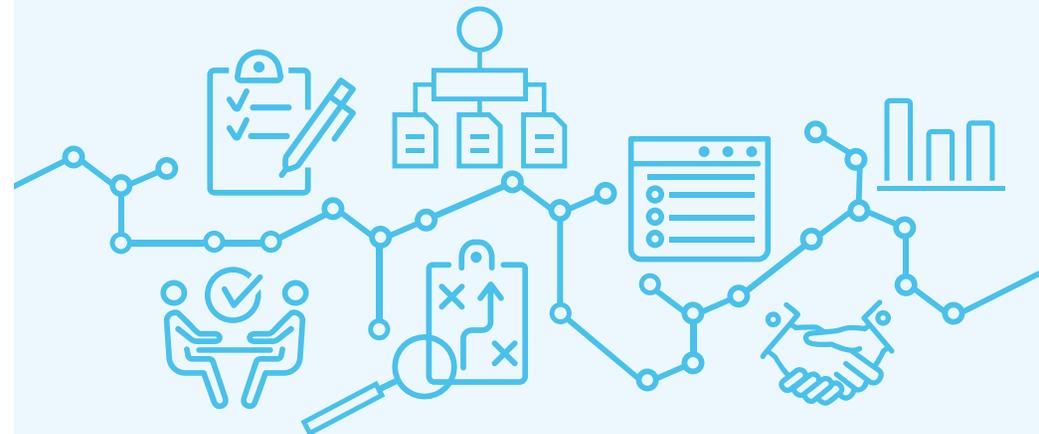


**Email Inbox:** In early March HCD launched a dedicated email inbox ([CAHousingFuture2040@hcd.ca.gov](mailto:CAHousingFuture2040@hcd.ca.gov)) to answer questions and receive any written comments from the public. The

last day to submit public comments was September 15, 2023.

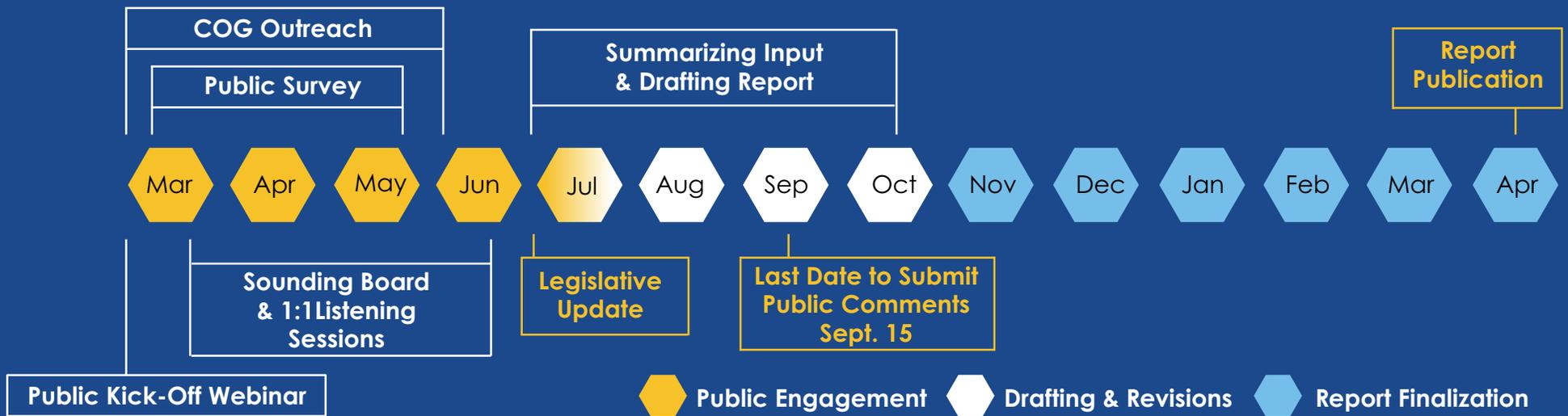
## Stakeholder Engagement High-Level Statistics:

- **4** Sounding Board meetings
- **32** Listening Sessions
- **356** Survey Responses
- **10** Presentations
- **38** Public Comments submitted to the [CAHousingFuture2040@hcd.ca.gov](mailto:CAHousingFuture2040@hcd.ca.gov) inbox



Depicted below is a timeline of the California's Housing Future 2040: The Next RHNA stakeholder engagement initiative and report development phases in 2023-2024.

## Timeline CALIFORNIA'S HOUSING FUTURE 2040 | THE NEXT RHNA



## High-level Themes from Stakeholder Feedback

Each topic section within this report includes a summary of stakeholder feedback relating to that particular topic. In addition, the Appendix of this report contains a full summary of the stakeholder engagement conducted as a part of the California's Housing Future 2040 initiative. Highlighted below are some very high-level takeaways and themes:

### Overall, stakeholders expressed the following:

- The urgent importance of meeting the housing need for all Californians.
- A desire for the RHNA process to be streamlined and simplified.
- HCD, DOF, and the COGs should ensure that their processes are transparent, accessible, and easy to understand.
- While out of the scope of California's Housing Future 2040, stakeholders are eager to provide input on ways to improve housing elements.

### Key Determination process feedback:

- The importance of accounting for cost burden and pent-up housing needs of the existing population.

- The importance of improving how HCD accounts for the housing needs of people experiencing homelessness.
- The importance of considering the differing housing needs and adjustments needed by income level.

### Key Allocation process feedback:

- The importance of encouraging new housing near community assets and daily destinations.
- Requests for additional technical assistance and objective guidance from HCD to better assist COGs in developing allocation methodologies that further the five statutory objectives.
- A desire to reexamine the list of allocation methodology factors and bases for appeals.
- Further consideration of how RHNA is planned for in unincorporated areas.
- Desire for further alignment between the RHNA and the Regional Transportation Plan (RTP)/Sustainable Communities Strategies (SCS) growth projections.

To learn more about what was shared by stakeholders, please see the full summary of stakeholder engagement in the Appendix of this report.

# Recommendations to the Legislature



**The California's Housing Future 2040: The Next RHNA Recommendation Report** is grounded in public policy analysis and research, built on the success of the 6th cycle of RHNA, and informed by meaningful feedback from a diverse group of stakeholders. This section of the report outlines HCD's recommendations for updates to state law to improve the RHNA methodology and process. These recommendations are organized by ten topics, and reflect insights from stakeholder engagement, academic research, and lessons learned from the 6th RHNA cycle. These recommended changes are important steps in streamlining and clarifying the RHNA process and are critical to ensuring the state plans for the housing needs of all Californians in a manner consistent with the statutory objectives of RHNA.

The report recommends certain statutory changes that further the goals of RHNA by simplifying the RHNA process. These recommended changes will streamline the RHNA process and increase alignment between RHNA and other statewide efforts, such as the RTP/SCS, improving how California addresses the housing and climate crises. The recommended changes will also strengthen the state's ability to ensure that the regional allocation methodologies are focused on furthering the statutory objectives of RHNA.

Furthermore, these recommended changes will help clarify components of the RHNA process, such as the appeals process, that have caused consternation in past RHNA cycles.

By simplifying the RHNA process, a wider range of stakeholders will be able to understand and participate in housing planning efforts, and outcomes will be more focused on the core goals of RHNA. In addition, this streamlining and clarification of the RHNA process will allow implementing staff at the state, regional, and local levels of government to focus more of their time and resources on supporting efforts to address the housing crisis. These simplifications include the

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***By simplifying the RHNA process, a wider range of stakeholders will be able to understand and participate in housing planning efforts, and outcomes will be more focused on the core goals of RHNA.***

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removal of time intensive, convoluted processes, such as the comparable regions process, that in the past have been leveraged to water down the goals of RHNA. This recommendation, along with other statutory changes, will reduce opportunities for governments to politically manipulate the RHNA process to receive lower housing need numbers.

Other recommendations acknowledge the diversity of housing needs and housing solutions, and would allow for additional types of housing, such as suite-style student housing, to be credited in housing elements and on the APR. The recommendations also seek to improve how RHNA accounts for the needs of people experiencing homelessness. Lastly, additional recommendations in the report focus on better aligning processes, such as the local data survey requirement, to be in line with data best practices and the limitations of self-reported data. Collectively, these recommendations will provide meaningful improvements to the RHNA process and will support the state as it plans for the amount, affordability levels, and location of homes needed for all existing and future Californians.

► San Diego, California.





## Determination-Related Recommendations to the Legislature

The recommendations in this section relate to the Determination stage, where HCD determines how much housing at a variety of affordability levels is needed for each region in the state. The goal of these recommendations is to improve HCD's assessment of housing need, including, but not limited to, addressing homelessness, understanding low-income need, and process streamlining.

### TOPIC #1

## Account for the Housing Needs of People Experiencing Homelessness

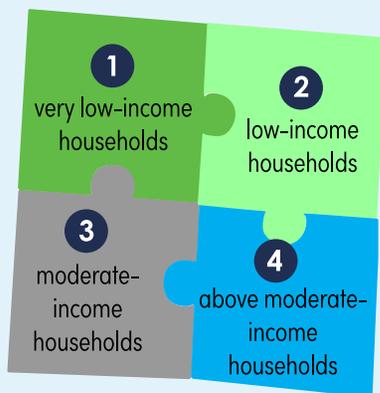
### Introduction

The RHND process does not currently include special consideration for people experiencing homelessness. The basis of the determination is a demographic projection based on people that live in households. While the household population statistics may include some individuals experiencing homelessness, many are not included, specifically those experiencing unsheltered homelessness, and therefore the housing needs of this population are not fully captured. As HCD calculates housing needs for regions across the state, it is important

**The Regional Housing Need Determination (RHND)**

The RHND is currently composed of

**4** different housing need determinations:



that all individuals experiencing homelessness are considered in the RHNA process.

**Summary of Stakeholder Feedback**

The integration of homelessness considerations into the RHND was strongly endorsed. Stakeholders shared that while the housing element process plans for the emergency shelter needs of people experiencing homelessness, it is vital to also plan for the long-term permanent housing needs of this population. Other stakeholder comments highlighted the regional nature of homelessness, which makes its inclusion in the determination more sensible than using it as an allocation methodology factor. This approach acknowledges the interconnectedness of

housing policies and homelessness, aligning with broader efforts to comprehensively address housing challenges.

Stakeholder feedback included a proposal to enhance the RHND by segmenting it into more specific lower income categories. This segmentation could empower jurisdictions to tailor their housing programs to cater to the unique needs of the lowest income households. Participants also suggested the addition of an income category for individuals with no income, thereby further refining the RHNA process to address different economic segments of the population more accurately. This feedback aligns with responses HCD received across feedback mechanisms, including the survey question centered on this topic.

Additionally, stakeholders offered their perspective on some of the available data sources for determining the housing need of people experiencing homelessness. Three data sources were discussed at length: The Department of Education’s (DOE) Coordinated School Health and California Basic Educational Data, United States Department of Housing and Urban Development (HUD) Point-in-Time (PIT) count, and California’s Homeless Data Integration System (HDIS) data. Each data source differs in terms of

their origin, purpose, and the specific data they provide. Below is a breakdown of the differences between these datasets:

1. **Coordinated School Health and California Basic Educational Data:**

- **Origin:** Collected by school districts for Department of Education reporting.
- **Purpose:** Tracking and supporting homeless students in the education system.
- **Data:** Includes homeless student numbers, demographics, academic performance, and living situations.
- **Pros:** Focused on homeless students, comprehensive info.
- **Cons:** Limited to children, relies on school data.

2. **HUD Point-in-Time Count:**

- **Origin:** Conducted by local communities with HUD.
- **Purpose:** Snapshot of homelessness, informing policy and services.
- **Data:** Homeless count by demographics, sheltered/unsheltered status.
- **Pros:** Nationwide, provides annual snapshot.

- **Cons:** Limited to one day, may miss hidden populations.

3. **CA HDIS Data:**

- **Origin:** Collected by Continuums of Care (CoCs) in California.
- **Purpose:** Track services, inform resource allocation and policy.
- **Data:** Individuals served by homeless service providers, services, demographics.
- **Pros:** Service-focused, helps assess intervention effectiveness.
- **Cons:** Regional, variations in reporting, potential duplicate counts.

In summary, DOE data focuses on homeless students, HUD PIT Count provides an annual snapshot of homelessness, and CA HDIS tracks service utilization in California. Each has benefits and limitations, including age focus, timing, and regional variations.

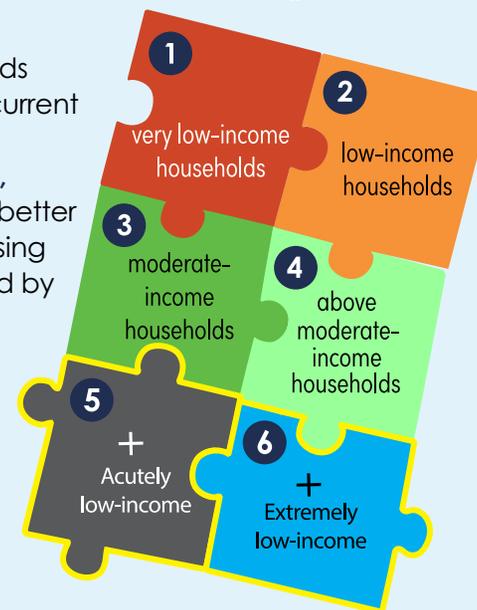
Stakeholders also expressed widespread support for the addition of income categories below the traditional “very low-income” designation. These new categories could include extremely low-income (ELI) and “acutely low-income,” (ALI) aligning with specific definitions outlined in Health and Safety Code sections [50106](#) and [50063.5](#), respectively. This expansion of income categories is seen as a positive step toward addressing the unique needs of the most economically vulnerable segments of the population. Importantly, it would shed light on these underserved groups, enabling tailored programs and policies to provide the necessary support and resources for those facing extreme financial hardship. Ultimately, this approach seeks to create a more comprehensive and equitable strategy for addressing housing challenges across all income levels.

## Recommendations for Statutory Changes

The following recommendations are focused on improving the calculation of housing needs for individuals experiencing homelessness within the framework of [Government Code sections 65584](#) and [65584.01](#). These recommendations, combined with the Topic #3 recommendation regarding group quarters, would set the baseline that jurisdictions would be measured against to ensure that every locality is doing their part to address the needs of Californians experiencing homelessness.

### HCD Recommendation: Two Additional Income Categories

HCD recommends expanding the current determination categories to **six**, so localities can better address the housing challenges faced by vulnerable and economically disadvantaged communities.



First, **HCD recommends the creation of additional income categories** specifically tailored for ELI households, as defined in [Health and Safety Code Section 50106](#) and ALI households, as defined in [Health and Safety Code Section 50063.5](#). The introduction of these categories will prepare regions and local governments to develop targeted programs and strategies that cater to the needs of homeless individuals and those at risk of homelessness. Specialized ELI and ALI categories within the RHNA framework has the potential to foster a more comprehensive approach to addressing homelessness. This change will daylight the portion of housing need that stems from homelessness and will create a more accurate homelessness need baseline for permanent housing.

Californians in these lowest income categories are most at risk of experiencing homelessness, and including these RHNA categories will help make local governments more accountable to taking actions that serve the needs of these families and individuals. At right are snapshots of people who live on these incomes.

#### **An ALI household:**

*An adult living alone in Los Angeles County who lives with a disability that prevents them from working, and who relies on an SSI check for financial support. This person might be bouncing between living with a family member and living in an emergency shelter. They certainly can not afford to rent their own apartment with the \$10,000 received this year from their SSI payments.*

#### **An ELI household:**

*A couple who live with their two young children in their car in Fresno County. The parents both work in retail earning minimum wage with inconsistent hours, and their income varies significantly month-to-month. The children are in 4th and 2nd grade, and love to play soccer and draw. The family has been saving up for a security deposit to rent an apartment, but they were recently setback when one of them injured their back and needed surgery. When healthy, the family earns \$27,000 a year.*

HCD would work to ensure that local governments are held accountable for taking actions to address this homelessness need baseline. For more information on the RHNA income categories, please see the section later in this report titled “Policy Consideration #1.”

Second, **HCD recommends the addition of a factor to Government Code section 65584.01 that requires the COG to submit data related to how**

**many people are experiencing homelessness in the region.** HCD plans to provide guidance regarding homelessness data best practices. Data provided by the COG should align with these best practices and should not be lower than the data sources recommended by HCD. HCD will use publicly available data absent data provided by the COG.

## HOMEKEY PROPERTIES



- ▶ Casa Azul in Santa Cruz, California, is a former home renovated into seven separate living spaces as part of the Homekey Program. Photo courtesy of Housing Matters.



- ▶ The Kearny Mesa Apartments in San Diego, California is a former hotel that was transformed into permanent housing as part of the Homekey Program. Photo courtesy of San Diego Housing Commission.

Third, **HCD recommends allocating the adjustment derived from this homelessness data to the lowest income category included in the determination stage.** Combining the best data sources available will help create a more accurate understanding of homelessness need throughout California. This approach ensures that the additional resources are directed toward those with the greatest housing need among the population experiencing homelessness.

Finally, HCD recommends amending [Government Code Section 65583\(a\)\(1\)](#) to **remove the requirement to quantify the existing and projected need for ELI households during the housing element process.** HCD's above recommendations would accomplish this during the RHNA process and the need for the locality to conduct their own quantification would no longer be necessary.

### HCD-Provided Technical Assistance Changes

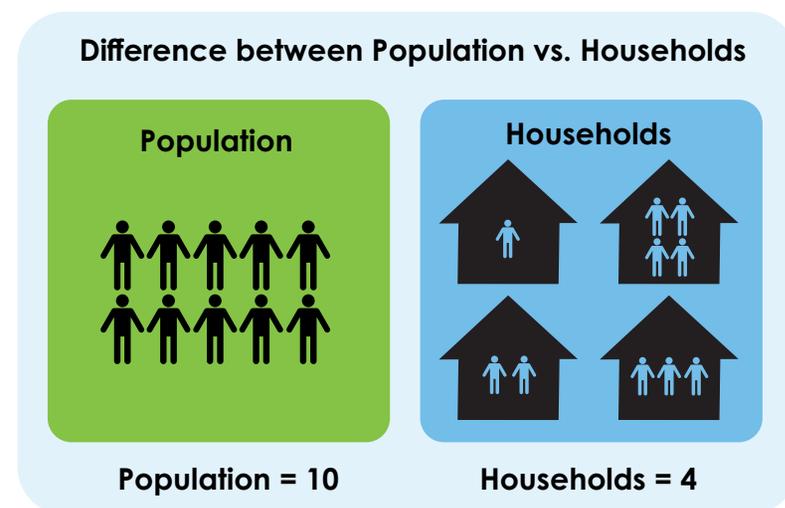
HCD will provide a description of the homelessness adjustment as part of the technical assistance materials intended to make the RHNA process transparent described in HCD Implementation Effort #5.

## TOPIC #2

### Tie the RHND More Closely to the DOF Household Projections

#### Introduction

Current statute requires that HCD base its determination of housing need on the *population projections* developed by COGs if the regional projections are reasonably similar to DOF's population projections. Specifically, [Government Code Section 65584.01\(a\)](#) requires that the determination be based on the COG's population projections if the projections are within 1.5% of DOF's projections. This requirement allows for the



use of regionally tailored projections as long as they are based on an objective and methodologically sound demographic analysis, as evidenced by alignment with DOF projections.

However, statute does not provide specific guidance on which total *household projection* should be used when the total household projections developed by the COG and DOF differ. Currently, statute directs COGs to share data with HCD on projected household growth and formation rates, and it gives HCD the authority to accept or reject this information, but it does not lay out a clear process for determining under what circumstances the COG's total household projections should be used.

The total household projection arguably has a larger impact on the size of the determination than the total population projection, given that the population projections are converted into household projections before they are incorporated into the RHND. For example, DOF may estimate that 100 people will live in a region in 10-years based on assumptions made about future births, deaths, in-migration, and out-migration. DOF will then need to make an assumption regarding the rate that households will form in the region, i.e., how many of these 100 people will head a single or multi-person household. If DOF assumes a formation rate of

2.5, the final household estimate would be 40. If DOF assumes a formation rate of 3.5, the final household estimate would be 30 (which would result in a lower estimate of future housing need). As such, the assumptions used to estimate the *household projection* have a significant impact on the size of the RHND, and these assumptions can also vary widely.

### Summary of Stakeholder Feedback

This is an issue that HCD identified through the RHNA implementation process. Stakeholder



► An aerial photo of Creekside Place Apartments, Chico, California. Photo courtesy of The Housing Authority of the County of Butte (HACB).

feedback was not received on this issue. DOF was consulted on this recommendation.

### Recommendations for Statutory Changes

**HCD recommends that statute be amended to include specific guidance on which total household projections should be used in the methodology.** Specifically, HCD recommends that [Government Code Section 65584.01\(a\)](#) should refer to household projections instead of population projections. It is reasonable to replace the reference to population projections in 65584.01(a) because household projections are based on population projections. That is, by comparing the household projections developed by DOF and the COG, HCD will be able to ensure that both the assumptions that underpin the COG's population projections and the assumptions that underpin the household projections are reasonable.

Demographers consulted were supportive of this approach but noted that a wider range of household projections may need to be considered (compared to the 1.5% range currently in statute), given that household projections are based on a more complex set of assumptions and tend to vary by a wider degree. To determine the correct range, DOF provided

HCD with data on its household projections from 1990-2023, including low and high estimates. HCD then calculated the average difference between the low and high estimates for each county. The median range of variation was about 4.25%. Accordingly, HCD recommends increasing the range of acceptable variation to 4.25%

**HCD recommends amending statute to remove the back-and-forth consultation process described in Government Code Section 65584.01(a)** that directs HCD to discuss with COGs why their projections differ from DOF's and come to agreement on what projection should be used in the RHND. This consultation process could result in an inconsistent application of the determination methodology across regions. To simplify the determination process and increase transparency, HCD recommends instead simply requiring that HCD use DOF's household projections if the COG's projections vary by more than 4.25%. (Note: this approach may need to be adjusted if the state pursues changes to the process that Metropolitan Planning Organizations (MPOs) use to develop their household growth projections—see recommendations under Topic #10).

**TOPIC #3**

## Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in APRs

### Introduction

The RHNA process has traditionally been used to plan for the needs of individuals that live

in housing units rather than group quarters. Accordingly, when HCD determines the regional housing need, the Department subtracts the group quarters population from the total population so as to only count the population living in households. Similarly, HCD only gives credit to newly constructed housing units, rather than group quarters, on the APRs that track a jurisdiction's progress towards meeting its RHNA.

Overall, there are several reasons why it makes sense for the RHNA process to focus on the needs of those living in housing units, rather than group quarters. For one, the construction of group quarters should – in many cases – be driven by the special needs of certain subpopulations (such those in need of skilled nursing or long-term psychiatric care) rather than overall demographic trends. At the same time, some group quarters represent an essential form of housing that the state has an interest in incentivizing. Additionally, certain populations live in group quarters temporarily but remain in need of a long-term housing unit. Creating a more nuanced process for determining which group quarters are counted in the RHND can help ensure that the state is fully accounting for the housing need and leveraging the RHNA process to incentivize key housing types.

### Summary of Stakeholder Feedback

Stakeholders encouraged HCD to reconsider the process used to determine what populations are included in the RHND and what types of units are counted towards meeting the RHNA in order to improve consistency and to accurately account for need. For example, DOF staff noted that some housing developments are not straightforward to categorize (such as senior living communities that include both independent senior housing units and skilled nursing care), and that developing a consistent process for deciding what populations are counted in the RHND could help streamline the determination. Other stakeholders noted that certain populations that live in group quarters, as defined by the Census, are still in need of long-term housing units and should be included in the determination of housing need (such as those living in emergency shelters). Lastly, some stakeholders encouraged HCD to give credit to certain types of group quarters that the state has an interest in incentivizing, such as student housing. Stakeholders also expressed interest in using the RHNA process to incentivize the development of certain types of group homes, especially those that serve seniors.

### DOF/HCD Future Implementation Efforts Under Existing Authority

#### **Give credit to certain group quarters on the APR.**

HCD plans to give credit to a wider range of housing types on the APR in the 7th cycle and beyond to incentivize housing types that are in short-supply and are key to meeting the needs of certain populations. Specifically, HCD plans to give jurisdictions credit on the APR for suite-style college/university housing built for students (but not dormitories that squarely meet the group quarter definition). Doing so will not only help incentivize the construction of student housing but will also add clarity to the determination process, given that some suite-style student housing buildings blur the definition of a group quarter versus housing unit (especially those built through public/private partnerships). To maintain alignment within the RHND process, for the 7th cycle and beyond, DOF will also need to include the student housing population living in suite-style quarters in the RHND and existing student housing in the count of “occupied” units.

Stakeholders also expressed interest in using the RHNA process to incentivize the development of certain types of group homes, especially those that serve seniors. HCD recognizes that group homes represent an essential housing resource

that is in short-supply and can offer stable, long-term housing options for vulnerable populations. At the same time, there are practical challenges to counting group homes in the RHNA process. For one, the term group home is not used consistently across contexts and communicating to jurisdictions what types of buildings would and would not count could be challenging. Additionally, many group homes are not generated through new construction but through the conversion of single-family homes, and therefore would still not be eligible for inclusion on the APR. Given these challenges, HCD does not recommend including group homes in the RHNA process.

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*HCD recommends that DOF include individuals living in emergency shelters and unsheltered locations such as cars, recreational vehicles, and tent encampments in the RHND.*

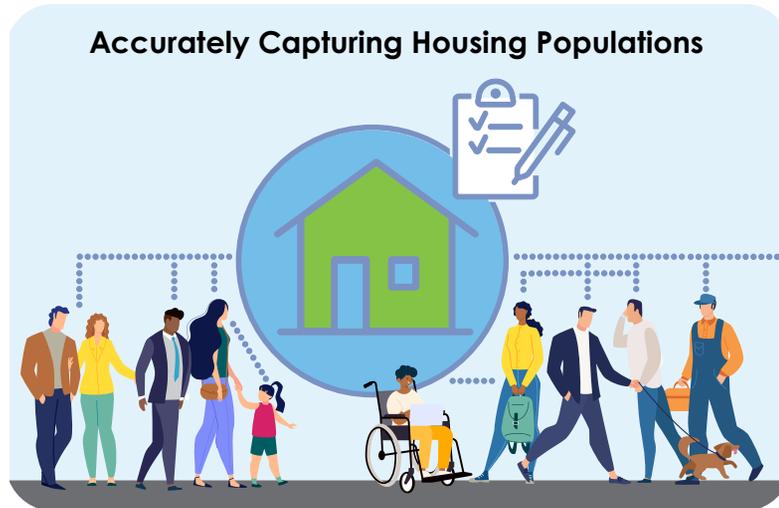
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**Include certain group quarters populations in the RHND.** HCD also recommends that DOF ensure the RHND fully encompasses the need for housing in California by including some group quarters populations in the projected household need. This is based on the recognition that some group quarters do not offer suitable, long-term housing and do not

replace the need for a housing unit. Specifically, HCD recommends that DOF include individuals living in emergency shelters and unsheltered locations such as cars, recreational vehicles, and tent encampments in the RHND. HCD also recommends DOF include adults living in residential treatment centers, given that these facilities represent short-term housing that does not replace a long-term housing unit.

**Create consistent rules for categorizing housing that blurs the line between a housing unit and group quarter.** Lastly, HCD recommends that DOF use a

clear rule for categorizing developments that may include both group quarters and housing units. As mentioned above, some senior living communities include both independent senior housing units and skilled nursing care but are largely categorized as group quarters by the Census. When evaluating the group quarter population in each region during the determination process, DOF should include senior living communities where at least 40% of the units are independent senior apartments, rather than skilled nursing care quarters (to ensure a significant portion of these housing units are accounted for). This rule will help ensure the senior housing population is counted consistently across regions during the determination process, despite data constraints.



Overall, the goal of these implementation efforts are to 1) streamline the housing need determination by creating a process for categorizing group quarter populations/units that is easy to implement; 2) promote fairness by creating consistent rules that can be applied evenly to regions across the state; 3) ensure the RHND fully captures housing needs in California; and 4) incentivize certain housing types that are in short supply and are key to meeting the needs of certain populations.

## Recommendations for Statutory Changes

### **Amend statute to allow jurisdictions credit for certain group quarters in the housing element.**

Given that the regional housing need is calculated for a period of time that starts before the housing element is due, [Government Code Section 65583.1\(d\)](#) allows jurisdictions to get credit in the housing element for housing units built between the start of the projection period and the housing element deadline. To promote consistency with our planned implementation efforts described above to credit certain types of group quarters on the APR, HCD recommends amending Government Code section 65583.1(d) to clarify that jurisdictions can also count certain types of group quarters that are reflected in the RHND, as determined by HCD. Providing HCD the authority to determine which types of group quarters can be counted will ensure that jurisdictions do not receive credit for building temporary housing, such as emergency shelters, given that HCD plans to include this population in the RHND. Additionally, it will also provide flexibility if HCD chooses to reconsider what group quarters to credit in the future, especially in response to future changes to the Census' group quarters definition.

HCD also recommends amending [Government Code Section 65400\(H\)\(i\)](#) to clarify that jurisdictions can report certain group quarters (as determined by HCD) on the APR, such as suite-style student housing. This section of statute specifically directs jurisdictions to include in the APR housing “units” that have been issued an “entitlement, building permit, or a certificate of occupancy.” Given that suite-style student housing is not considered a “housing unit” by the Census and may be built on campus without a permit from the local jurisdiction, statute should explicitly clarify that jurisdictions are allowed to count certain types of student housing quarters, as determined by HCD, that are built within the jurisdiction’s boundaries on the APR, even if they do not receive a permit from the jurisdiction. Additionally, statutory changes may also be required to [Government Code Section 65913.4](#) to clarify that certain types of group quarters, as determined by HCD, can be counted when determining the jurisdiction’s SB 35 status.

► Altrudy Senior Apartments, Yorba Linda, California. Photo courtesy of C&C Development and Orange Housing Development Corporation.

## HCD-Provided Technical Assistance Changes

HCD plans to release guidance on how to count group quarters in the housing element on the APR. To implement the recommendations above, HCD plans to release guidance clarifying what process jurisdictions should use to report certain group quarters on the APR and in the housing element, including how their affordability levels should be determined. Additionally, if the above-mentioned statutory changes are made, HCD will also need to update its SB 35 guidance to reflect the inclusion of certain group quarters.



## TOPIC #4

## Replace the Comparable Regions Option with a Comparison to the National Average

### Introduction

[Government Code Section 65584.01\(b\)\(1\)](#) allows HCD to base cost burdened and overcrowded adjustments on the difference between the region's rates and those of comparable regions in the United States, and it allows COGs to determine which regions are comparable. For COGs that do not identify comparable regions, their rates of cost burdened and overcrowded households are compared to the national average. These comparable regions and their rates of cost burdened and overcrowded households then factor into HCD's calculations of the overcrowded and cost burdened adjustment rates as HCD determines the existing and projected housing need in that region.

In the 6th cycle, COGs often used comparable regions that had higher cost burdened and overcrowded rates than the national average. As a result, determinations were lower than if the COG and HCD had utilized the national average comparison. The California State Auditor

stated that – in the 6th Cycle – regions selected by Councils of Government were inconsistent because HCD did not have a formal process for reviewing and accepting Comparable Regions Analyses. The California State Auditor thus recommended that HCD develop a formal process for establishing comparable regions. HCD has since met the auditor's recommendation by establishing a formal process with robust criteria.

► Aerial view of Brea, California.



### Summary of Stakeholder Feedback

Stakeholders argued that California regions often do not have appropriate comparable regions. For example, the Southern California Association of Governments (SCAG) region is unique with its large geographic size and population. In addition, given the prevalence of unhealthy rates of cost burdened and overcrowded households throughout the country, it is particularly difficult to find comparable regions with healthy housing markets. While some stakeholders were not convinced the national average was an appropriate benchmark, few saw any other alternatives without creating a sophisticated economic model that determines how to achieve a reasonable level of cost burdened and overcrowded households. The average of the 10 biggest metro areas was discussed as an alternative but these areas are also likely characterized by unhealthy housing markets. Stakeholders also urged HCD to simplify the process and remove politics as much as possible, arguing that the comparable regions analysis option adds additional complexity and introduces opportunities for regions to game the RHNA process.

### Recommendations for Statutory Changes

**HCD recommends the removal of references to comparable regions in Government Code Section 65584.01(b)(C) and (H).** HCD's analysis found that – despite the significant staff time associated with developing and reviewing Comparable Regions Analyses – the process resulted in fairly small adjustments to the RHNDs overall. Further, it is challenging for regions to identify regions that are truly comparable and also have a healthy housing market. As such, even if HCD develops clear criteria for reviewing these analyses, it is unclear whether the regions selected will truly reflect the intention of the statute. Removal of the comparable regions analysis also ensures consistency across regions and reduces the risk of political manipulation to lower the assessed need. Instead, HCD recommends a comparison to the national average to calculate cost burdened and overcrowded adjustments.



### HCD Future Implementation Efforts Under Existing Authority in the Absence of Legislative Action

In the absence of legislative change, HCD would use the formal process that was developed to address the audit. HCD conducted robust analysis to identify three criteria to determine whether it will accept or reject a COG's Comparable Regions Analysis. Those criteria are:

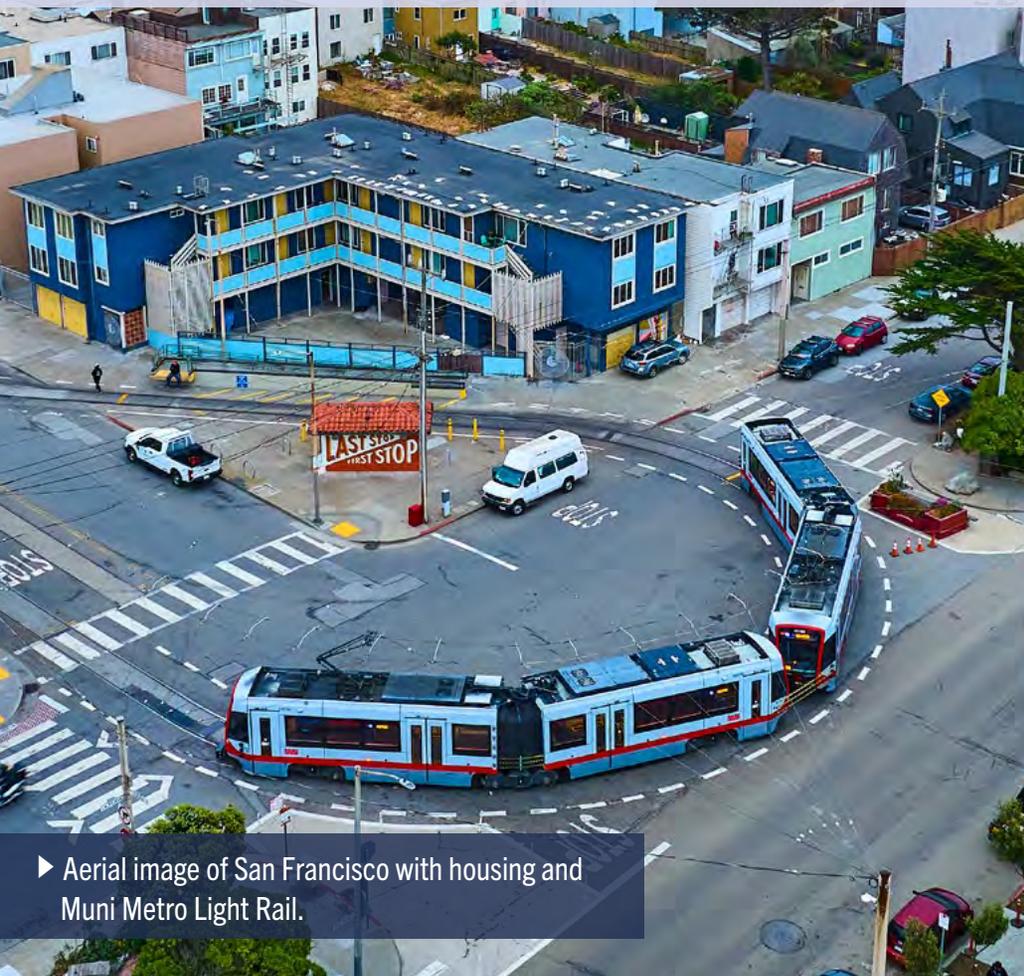
1. The Comparable Regions Analysis should be based on at least six other regions.
2. The analysis cannot use variables that are highly correlated with either cost burdened or overcrowded.
3. Comparable regions will be rejected if they have one of the following characteristics:
  - a. An extremely high rate of overcrowded households (7.13% or above)
  - b. An extremely high rate of cost burdened households (39.61% or above)
  - c. A slower than average expansion of its housing supply since 2000 (less than 20.41%).

Once a COG has finalized its Comparable Regions Analysis, it would submit a memo to HCD documenting the methodology used to select the comparable regions. The memo would also include a table listing the criteria used to select the comparable regions and how each comparable region performs across each variable. Further, this table would report the cost burdened and overcrowded rates for each region, as well as the growth in their housing supply since 2000 using the most recent five-year ACS data.



## Allocation-Related Recommendations to the Legislature

The recommendations in this section relate to the Allocation stage of the RHNA process described in the Introduction: Background of RHNA section.



► Aerial image of San Francisco with housing and Muni Metro Light Rail.

### TOPIC #5

## Further and Balance the Five Statutory Objectives of RHNA

### Introduction

[Government Code section 65584\(d\)](#) requires each COG to develop a methodology for allocating the housing need among jurisdictions that furthers five objectives:

1. Increasing the supply and mix of housing types in an equitable manner
2. Promoting infill development, the protection of environmental resources, and the achievement of the region's GHG emission reduction targets
3. Promoting an improved relationship between jobs and housing, including jobs housing fit
4. Allocating more lower income housing to high income areas, and vice versa
5. AFFH

Starting in the 6th cycle, HCD was given the authority to review the draft allocation methodology developed by each COG to determine whether it furthers the five statutory objectives. However, if HCD finds that the

methodology does not further the objectives, COGs have the authority to choose whether to revise the methodology or adopt the methodology without revisions ([Government Code Section 65584.04\(i\)](#)). This statutory process raises the risk that a COG may adopt an allocation methodology that does not further the statutory objectives.

### Summary of Stakeholder Feedback

Stakeholders noted that developing an allocation methodology that simultaneously furthers each of the five statutory objectives can be challenging. Stakeholders mentioned that – in addition to furthering the five objectives – COGs are also required to consider 13 methodology factors (described in [Government Code Section 65584.04\(e\)](#), see Topic #6), which can sometimes conflict with the objectives. Stakeholders expressed interest in receiving additional written guidance from HCD laying out objective benchmarks that HCD will use to evaluate each methodology, as well as instruction on how to balance competing considerations. Some stakeholders also expressed support for altering the methodology review process currently outlined in statute, while others wanted to limit HCD's oversight.

### Recommendations for Statutory Changes

Pursue statutory amendments to ensure allocation methodologies further the statutory objectives. To ensure that each COG develops an allocation methodology that furthers the five statutory objectives, including one that affirmatively furthers fair housing, HCD recommends that statute be amended. HCD recommends revising the current process that COGs follow if HCD finds that the methodology does not further the objectives. Instead of allowing COGs to decide whether to adjust the methodology, **HCD recommends statute is revised to require that COGs:**

1. Develop a revised methodology in consultation with HCD within 45 days, if HCD finds the draft allocation methodology does not further the objectives, and
2. Obtain approval from HCD that the revised methodology furthers the objectives before adopting the methodology.

While stakeholder feedback was mixed on whether it was necessary to give HCD more oversight over the methodology development process, HCD believes that increased authority is key to ensuring that all allocation methodologies further the statutory objectives, including AFFH.

## HCD-Provided Technical Assistance Changes

To address stakeholder feedback, HCD plans to release a technical assistance memo that will offer additional, up-front guidance on how to develop a methodology that furthers the statutory objectives. This memo will include the objective benchmarks that HCD plans to use when evaluating each methodology. When developing these benchmarks, HCD will consider how to provide flexibility across regions, given that balancing the statutory objectives can be more difficult in some regions of the state.

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*To address stakeholder feedback, HCD plans to release a technical assistance memo that will offer additional, up-front guidance on how to develop a methodology that furthers the statutory objectives.*

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As suggested by stakeholders, this guidance memo will also provide suggestions for datasets HCD recommends incorporating into the allocation methodology to further each of the statutory objectives. The guidance memo will share best practices for developing effective allocation methodologies, including strategies for balancing AFFH and Vehicle Miles Traveled

(VMT) reduction goals, and promoting a better jobs housing balance. Lastly, the memo will include guidance on how to balance competing statutory requirements, such as the extent to which the methodology should prioritize furthering the statutory objectives versus considering the allocation factors. HCD believes that, with this guidance, COGs will be able to more efficiently and effectively develop allocation methodologies that further the statutory objectives.



**TOPIC #6**

## Revise the Allocation Methodology Factors to Increase Clarity and Improve Outcomes

### Introduction

When developing a methodology for allocating RHNA between jurisdictions, COGs are required to consider 13 factors in addition to furthering the five statutory objectives. These factors are listed in [Government Code Section 65584.04\(e\)](#) and cover a range of issues, including housing opportunities and constraints, jobs housing balance, RTP consistency, transportation infrastructure, GHG emission reduction goals, overcrowding, and cost burden. Before developing a draft allocation methodology, COGs are required to survey member jurisdictions to gather information on each of these factors. Additionally, jurisdictions are allowed to appeal the draft allocation if they believe the COG failed to adequately consider any of the information that was submitted via the survey on any of the 13 allocation factors.

### Summary of Stakeholder Feedback

Stakeholders expressed concern that the allocation factors listed in [Government Code Section 65584.04\(e\)](#) are difficult to interpret

and cause confusion during the allocation process. Stakeholders also noted that some of the factors appear redundant, and others seem to conflict with the statutory objectives. Some stakeholders expressed support for adding an AFFH-related factor that could help regions develop methodologies that more fully consider AFFH issues. Additionally, stakeholders noted that the housing opportunities and constraints factor does not explicitly direct COGs to consider all relevant constraints, such as economic or physical constraints to development. Stakeholders argued that conducting a more sophisticated analysis of housing opportunities and constraints, especially related to market demand for housing, could ensure that more RHNA is allocated to areas where it will lead to more housing production. Other stakeholders noted that while there is value in considering housing constraints when they will impede development, there's also a risk that regional governments will apply the factors too liberally and direct RHNA away from places that are developable and align with the state's planning priorities.

## Recommendations for Statutory Changes

**HCD recommends making a series of changes to the allocation factors listed in Government Code Section 65584.04(e) that would increase clarity, reduce redundancy, and promote a more holistic and accurate consideration of housing opportunities and constraints.**

- **HCD recommends clarifying that COGs should use datasets related to the statutory objectives listed in Section 65584(d) as source information for the methodology** (right now statute only suggests that the allocation factor survey responses be used as source material for the methodology). Additionally, **HCD recommends clarifying that COGs may consider the factors listed in Section 65584.04(e) when developing the methodology as long as doing so does not undermine the statutory objectives.** These statutory amendments would help clarify that a COG's primary goal should be developing a methodology that furthers the statutory objectives, and that considering the allocation factors is optional and only appropriate if doing so does not undermine the statutory objectives.
- **HCD recommends removing factors from Section 65584.04(e) that are already**

**covered by the statutory objectives and are therefore redundant.** As mentioned above,

HCD recommends clarifying in statute that COGs may use datasets related to any of the statutory objectives listed in 65584(d) as source material for the methodology.

Accordingly, it is not necessary to also include the statutory objectives in the list of additional factors that can be considered in the methodology. For instance, HCD recommends removing factor 12, which requires the COG to consider the region's GHG emission targets provided by the California Air Resources Board. This factor is already covered by the second statutory objective, which requires the COG to develop a methodology that allows the region to meet its GHG emission reduction targets. Shortening the list of factors to exclude those already covered by the statutory objectives will increase the readability and clarity of this section of statute, especially for those with less familiarity with the process.

- **HCD recommends removing factors that conflict with the statutory objectives.** For example, factor five directs COGs to consider the location of subsidized units that have converted to market rate housing.

Given that the affordable housing portfolio is disproportionately located in lower income communities, allocating more RHNA (and more lower-income RHNA) to communities with more at-risk units would run counter to AFFH goals. Other conflicting factors that should be removed include cost burden (factor six), overcrowding (factor seven), and individuals experiencing homelessness (factor 10). These last three factors are important to consider during the RHNA process broadly but are more appropriate for evaluation during the need determination process given their regional nature.

- **HCD recommends that the analysis of housing opportunities and constraints be based on a state-wide model that would be developed by HCD using authoritative datasets, as available.** This would both decrease the administrative burden on COGs, while also encouraging a more precise consideration of housing opportunities and constraints. **HCD also recommends revising the language in statute around housing opportunities and**

**constraints to add more clarity around the types of constraints that should and should not be considered during the allocation process.** Specifically, HCD recommends clarifying the following in statute:

- » The consideration of opportunities for new housing development should include consideration of opportunities for infill development and the development of underutilized land.
- » The consideration of constraints – including physical, legal, economic, and infrastructure constraints – should only include those that preclude new housing development and are not imposed by the local government, except as provided<sup>4</sup>. The list of constraints that can be considered should be expanded to include physical and economic constraints in addition to legal and infrastructure constraints. This would help to direct more RHNA to places

4 Government Code Section 65584.04(e) currently allows regions to consider three locally imposed restrictions: 1) agreements between a city and county to direct growth towards incorporated areas, 2) county policies to preserve primate agriculture within unincorporated areas, and 3) land that is designated for agricultural protection or preservation that is subject to a local ballot measure. HCD recommends keeping these three exceptions, given that they align with the second statutory objective to protect environmental and agricultural resources.

where increasing the zoned capacity will result in more housing production.

- » The consideration of constraints should not include existing zoning ordinances and land use restrictions. More specifically, HCD recommends removing language that directs COGs to consider the potential for increased residential development under alternate zoning ordinances. This statutory language lacks clarity and offers no benchmark by which HCD could determine whether the alternate zoning ordinances are reasonable. It also runs counter to the goal of restricting consideration of constraints to those outside of a jurisdiction's control.

Making these changes to the housing opportunities and constraints factor will promote a more holistic and accurate assessment of the housing constraints that severely restrict new development, while also ensuring that COGs fully consider opportunities for development in higher resource areas with significant pent-up demand.

- **HCD recommends revising the factor related to the impacts of climate change to clarify that consideration of environmental hazards should only include hazards that cannot be mitigated and would pose a severe threat of loss of life.** This would help ensure that regions focus on identifying the highest-risk areas during the allocation process, given that every area of the state will be impacted by climate change in some way. Further, HCD recommends expanding the list of specific hazards that can be considered to clarify that the consideration of hazards should include those that may disproportionately impact lower income communities, such as extreme heat.
- **HCD recommends adding a new factor allowing regions to consider the concentration of hazardous pollution sources in historically underserved communities,** which could be evaluated using disadvantaged communities CalEnviroScreen data.

## HCD-Provided Technical Assistance Changes

As mentioned above, HCD plans to release a technical assistance memo that will offer additional, up-front guidance on how to develop a methodology that furthers the statutory objectives. This memo will include guidance on how to balance furthering the statutory objectives versus considering the allocation factors. Also mentioned above, HCD recommends that the analysis of housing opportunities and constraints be based on a state-wide model developed by HCD using authoritative datasets, as available.

### TOPIC #7

## Revise the Local Data Survey Requirements

### Introduction

[Government Code Section 65584.04](#) requires that COGs survey jurisdictions prior to developing a proposed methodology for allocating the regional housing need to cities and counties. The survey must collect information regarding each of the allocation factors listed in section 65584.04(e). The survey must also collect information on fair housing issues, strategies, and actions that local

jurisdictions plan to pursue. The COG is required to collect survey responses in a format that is comparable throughout the region and use the data collected, to the extent possible, as source information for the methodology. COGs are also required to summarize the results of the fair housing survey and share an electronic report that outlines fair housing issues, strategies, and actions being pursued by local jurisdictions. The proposed methodology must include a summary of how the information collected in these surveys has been used to develop the proposed methodology.

### Summary of Stakeholder Feedback

Stakeholders raised multiple concerns about the current survey process outlined in statute. First, stakeholders noted that surveying each jurisdiction on all of the factors requires a significant amount of work – both for COGs, which must distribute, collect, analyze, and summarize the survey, as well as for local jurisdictions that fill out the survey. Second, stakeholders noted that, despite the large amount of staff time dedicated to collecting the survey results, the information collected is rarely used as intended as source material for the methodology. COGs rarely receive a 100% response rate, which means the data collected is incomplete and cannot be used to consistently distribute the RHNA. Second, COGs

emphasized that there are serious equity issues associated with distributing RHNA based on locally generated data. COGs and other stakeholders, including survey respondents, expressed support for streamlining the survey process to reduce administrative burden for local and regional staff.

### Recommendations for Statutory Changes

**HCD recommends removing the requirement in statute that COGs survey member jurisdictions on the allocation methodology factors and fair housing issues.** This recommendation is based on the recognition that, in practice, COGs use large-scale, authoritative datasets as source material for their methodologies, not the survey responses submitted by local jurisdictions. For instance, to develop an allocation that furthers AFFH goals, many COGs use the Tax Credit Allocation Committee (TCAC)/HCD Opportunity Map to allocate more RHNA to higher resource jurisdictions. To promote a better jobs housing balance, many COGs use LEHD data to allocate more housing to areas with a higher imbalance between jobs and housing. Removing the survey requirement would save staff time for local and regional governments and would better align the statutory requirements with the process used in practice.

At the same time, HCD recognizes that it is important for local staff to have an opportunity to provide feedback on the data used as source material for the methodology. As such, **HCD recommends adding a requirement that COGs share the datasets they plan to use within their methodology with relevant local jurisdictions.**

Member jurisdictions should have 21 days to review the data and inform the COG if they identify any inaccuracies. This will ensure that local jurisdictions have an opportunity to review the data that will be used to allocate RHNA and confirm it accurately reflects local conditions. Additionally, it is important to note that member jurisdictions have multiple opportunities to provide feedback on the overarching design of the methodology outside of the survey. Current statute requires public participation during the development of the methodology, and many COGs form committees made up of local jurisdictions that meet regularly over the course of six to twelve months to develop the methodology. Statute also requires that COGs hold at least one public hearing to receive oral and written comments on the proposed methodology. Accordingly, even if the current survey process is removed, member jurisdictions will still have sufficient opportunities to provide local input on the methodology's design.

**HCD also recommends altering the statutory requirements related to the consideration of fair housing issues.** According to statute, the goal of requiring that COGs survey local jurisdictions on fair housing issues is to allow the COG to develop a methodology based on the information collected. However, the self-reported fair housing information collected through the survey is rarely used to inform the allocation methodology, and arguably does not offer a complete nor accurate view of local fair housing issues. At the same time, HCD recognizes it is useful for regions to reflect on regional fair housing issues and identify strategies or actions that can overcome these barriers during the allocation process. As such, HCD recommends that the statutory requirement be adjusted to instead require that the proposed methodology posted on the COG's website include a discussion of significant AFFH barriers that exist at the regional level, and strategies or actions that can be used to overcome them. This assessment of fair housing issues could also be used to inform other planning processes, like the RTP.

## HCD-Provided Technical Assistance Changes

**HCD also plans to provide guidance on an optional survey process.** While HCD recommends that the statutory requirement to survey member jurisdictions be removed, HCD recognizes there may be situations where surveying local jurisdictions could generate helpful information. While large-scale, authoritative public datasets exist on many of the items included in the statutory objectives and allocation factors, this is not the case in every situation. For example, while statewide data exists on the presence of environmental hazards, like wildfires, HCD does not have data that assesses the extent to which risk levels have been reduced due to mitigation efforts, such as evacuation route capacity expansion projects. As such, HCD plans to develop guidance on what types of information COGs may want to request from local jurisdictions to help inform the methodology development process. Administering this survey will be optional, and HCD will provide a survey template that COGs can send to member jurisdictions as is, so as to make the survey process as easy as possible to implement for the COGs that choose to do so.

**TOPIC #8****Refine the Appeals Process to Increase Clarity and Efficiency****Introduction**

[Government Code Section 65584.05](#) describes the appeals process, which begins with a 45-day period for local governments to appeal theirs or another jurisdiction's allocated share of regional housing need. To appeal, jurisdictions must provide comparable data and adequate documentation. The appeal must also demonstrate how the revision furthers the objectives outlined in subdivision (d) of Section 65584. The allowable bases for appeal include inadequately considering submitted survey information, failing to determine shares in line with the methodology developed pursuant to section 65584.04, and significant, unforeseen changes in circumstances affecting the jurisdiction(s). HCD may also appeal an allocation.

Once the appeals filing period ends, the COG or delegate subregion notifies all other local governments within the region and HCD of the appeals and makes all submitted materials publicly available online. During this time, local governments and HCD can provide comments on

the appeals. A public hearing is then conducted to consider the appeals and comments.

Within 45 days after the public hearing, the COG or delegate subregion makes a final determination on each appeal. After appeals are heard, the proposed final allocation plan is issued, and any adjustments to allocations are made based on the results of the appeals process.

**Summary of Stakeholder Feedback**

During the stakeholder feedback conversation, several ideas were discussed that would refine the appeals process. Recurring themes included suggestions for separating the appeals process from the factors survey, prohibiting frivolous or unfounded appeals, and clarifying the "change in circumstance" appeals provision. The suggestion to implement objective and transparent standards or thresholds for appeals was widely supported. This move towards clarity and fairness in the appeals process was considered crucial.

There was support for reframing the appeals as a correction process to shift focus towards rectifying errors, aligned with the broader goal of accurate and equitable allocation. Linked to this was a recommendation to potentially detach appeals from the jurisdictional survey, allowing for a more objective evaluation. In addition, the

concept of appealing based on a “change of circumstances” drew attention, with the stipulation that such changes must disproportionately affect the jurisdiction to warrant an appeal.

Some stakeholders suggested that appeals of the methodology should precede the final review of the methodology by HCD, thus reducing redundancy and aligning the sequence more logically. Although, other stakeholders noted that jurisdictions already have significant opportunities to provide input on the overall methodology design prior to HCD's review. It was also noted that heightened HCD oversight over appeals might inadvertently create conflicts, as HCD itself could be motivated to submit an appeal.

The duration of appeals hearings was another aspect discussed, particularly in the context of larger regions. Many stakeholders felt that additional time for hearings could be beneficial, allowing for more comprehensive discussions and evaluations. Furthermore, some respondents indicated a desire to broaden the criteria for appeals, emphasizing the importance of inclusivity and flexibility in the process.

Most agreed that the appeals process is integral as a representation of due process and should be preserved. This encapsulates the overarching

sentiment that the ability to appeal contributes to the fairness and transparency of the decision-making framework.

### **Recommendations for Statutory Changes** **HCD recommends statutory changes regarding the appeals process as follows:**

- **Clarify that the change in circumstance appeals criteria is only applicable when the change in question disproportionately impacts the jurisdiction that is the subject of the appeal.** This is based on the fact that granted appeals will result in a jurisdiction's RHNA being reallocated to the rest of the region, which does not seem sensible if the change in circumstance also impacts other jurisdictions in the region.
- **Revise the basis for appeal related to information submitted via the survey requirement** addressed under Topic #7.

## HCD Process Changes Under Existing Authority

To enhance COGs' review and evaluation process for appeals, **HCD may, in certain cases, conduct a quantitative assessment of the actual impact of an appeal on the statutory objectives.** This quantitative analysis could provide valuable insights to COG boards as they make decisions regarding the approval or rejection of appeals. By incorporating quantitative analysis into any comments HCD provides, stakeholders can objectively measure how each appeal may affect the attainment of statutory objectives. This approach could enable decision-makers to quantify the potential benefits or drawbacks of allowing specific appeals, offering

a more data-driven basis for support or opposition. It also promotes transparency and accountability by providing clear evidence of how appeals may contribute to or hinder the overarching statutory goals. In essence, this would ensure that appeals are thoroughly assessed for their alignment with statutory objectives.

## HCD-Provided Technical Assistance Changes

HCD will provide technical assistance related to the appeals process in the memo described in Topic #5 of this report. The memo will provide guidance on how to evaluate the furthering of statutory objectives during the appeals process and provide clarity on appeal criteria.

▶ The Starling, Alameda, California. Photo courtesy of Eden Housing.



## TOPIC #9

## Promote Equitable Public Participation During the Allocation Methodology Development Process

### Introduction

Statute includes requirements that promote equitable public participation during the RHNA process. For instance, [Government Code Section 65584.04\(d\)](#) includes several requirements for public participation during the methodology development process, including a requirement that COGs make a diligent effort to achieve public participation of all economic segments and protected classes. Additionally, there are several sections of statute that require that COGs post information online, including the proposed, draft, and adopted allocation methodologies. Lastly, statute includes several requirements for public hearings, including a public hearing on the proposed methodology and any appeals filed.

### Summary of Stakeholder Feedback

Stakeholders noted that – given how complex the RHNA process is – the public participation requirements in statute do not always result in a process that is truly accessible to the public. For instance, stakeholders noted that if regions hold

public hearings but do not provide sufficient background context or do not present the RHNA material clearly, it can be hard for the public to provide meaningful feedback on the RHNA methodology. Stakeholders also noted that the number of outside organizations included in the RHNA methodology development process can vary widely by region, and that some regions would benefit from more engagement from a wider range of social equity groups. Stakeholders raised up ABAG as an example of a COG that did an exceptionally good job describing the RHNA process to stakeholders in an accessible manner.

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*Stakeholders also noted that the number of outside organizations included in the RHNA methodology development process can vary widely by region, and that some regions would benefit from more engagement from a wider range of social equity groups.*

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**Recommendations for Statutory Changes**  
HCD recommends that [Government Code Section 65584.04\(d\)](#) be amended to require that COGs also make a diligent effort to achieve participation of households with special needs, as defined by

[Section 65583\(a\)\(7\)](#). This change would require that COGs work to achieve the participation of those that are elderly or disabled, farmworkers, and people experiencing homelessness, among others. Given that these populations may have special needs that should be given consideration during the allocation methodology development process, adding this requirement to statute will help ensure COGs develop an allocation methodology that fully considers the needs of all local residents.

### HCD-Provided Technical Assistance Changes

**HCD also plans to provide guidance to COGs on how to design an accessible public participation process.** As part of this guidance, HCD will

develop interactive tools and infographics that explain the allocation methodology process, which COGs can use to communicate with stakeholders. For instance, HCD plans to develop a statewide dashboard visualizing how the regional housing need would be allocated regionally depending on what factors are used and how much each factor is weighted. By generating these materials, HCD hopes to support COGs in better communicating complex concepts and processes to stakeholders to make the process more accessible. Additionally, HCD also plans to share best practices around stakeholder outreach, including the types of organizations and populations that should be included.



- ▶ Lotus Living Tiny Homes Project, El Centro, California, consists of 26 tiny homes for students facing homelessness after their tenure in foster care. Photo courtesy of the Imperial Valley College (IVC), and the IVC Foundation.

## Process-Related Recommendations to the Legislature

The recommendations in this section relate to process-related aspects of the RHNA process.



### TOPIC #10

## Improve RHNA and RTP/SCS Alignment

### Determination

#### Introduction

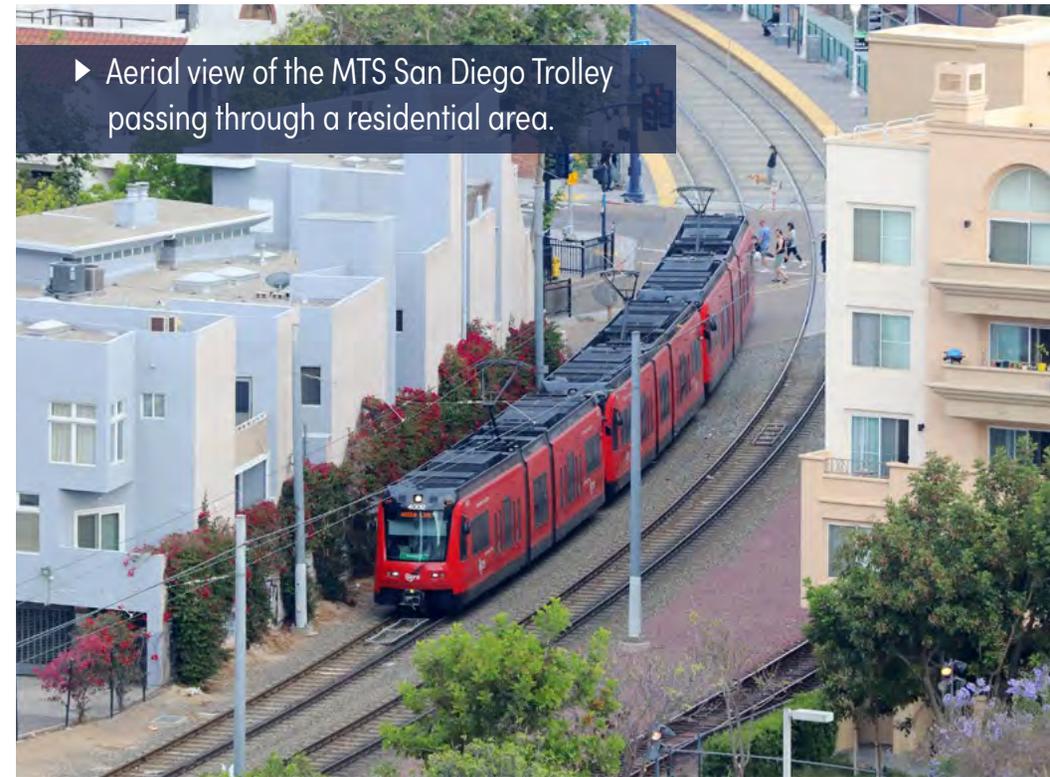
[SB 375 \(2008\)](#) sought to better align California's housing and transportation planning processes by tying together the RHNA and RTP/SCS processes, which both engage regional and local governments in the development of a vision for future growth. The goal of alignment is to reduce GHG emissions from motor vehicle trips, recognizing that land use patterns have a significant impact on VMT. However, there are opportunities for further alignment.

The RHNA and RTP/SCS planning processes are both based on an estimate of future household growth. However, the two estimates of household growth can vary significantly for a few reasons:

1. The RHNA is required to capture the needs of both the projected and existing population, whereas the RTP/SCS often only captures the needs of the projected population; and

2. The two plans cover different time horizons. While the RHNA covers an eight-year planning period, the RTP/SCS usually covers a 30- to 40-year period. However, even though the RTP/SCS covers a significantly longer period, in some cases, the estimate of household growth in the RHNA exceeds the estimate of household growth in the RTP/SCS.

The two processes are subject to somewhat different statutory requirements related to estimating future household growth. In the RHNA process, the estimate of household growth must consider a wide range of factors listed in Government Code sections [65584.01\(a\)](#) and [65584.01\(b\)](#). Overall, these factors are intended to holistically consider both the needs of the projected population as well as the housing needs of the existing population (which is captured by considering cost burden, overcrowding, and other indicators of pent-up housing demand). On the other hand, the RTP/SCS household growth estimate is required to “identify areas...sufficient to house all the population of the region, including all economic segments” by taking into account “net migration into the region, population growth, household formation and employment growth” ([Government Code Section 65080\(b\)\(2\)\(B\)\(ii\)](#)).



### Summary of Stakeholder Feedback

Many stakeholders, including survey respondents, expressed a strong desire to better align the RTP/SCS and RHNA processes generally, including the growth projections that underpin both processes. Stakeholders explained that the projections included in the RTP/SCS and RHNA can also differ due to timing constraints. While [Government Code Section 65080\(b\)\(2\)\(B\)\(iii\)](#) does require that

the RTP/SCS incorporate the eight-year RHND in the RTP/SCS, during concurrent updates of the RTP/SCS and RHNA, MPOs sometimes receive the RHND after their RTP/SCS forecasted development pattern is finalized. Accordingly, many MPOs expressed interest in receiving their RHND earlier in the RTP/SCS update process.

### Recommendations for Statutory Changes

**HCD recommends moving up the date by which the RHND must be provided by one year.** Right



► View of Metro buses with apartments in the background, North Hollywood, California.

now, Government Code Section 65584(b) requires that HCD provide the RHND at least two years prior to the housing element due date, which is usually about six months prior to the RTP/SCS adoption date. At this point, MPOs may have already finalized the forecasted development pattern included in the RTP/SCS. If HCD instead is required to deliver the RHND for RTP/SCS three years prior to the housing element due date, more MPOs should be able to include the RHND as an input in the concurrent RTP/SCS update, which would help promote consistency between the two projections.

**HCD also recommends that Government Code Section 65080(b)(2)(B)(ii) be amended to clarify that the RTP/SCS household projection should include both the needs of the projected population and the needs of the existing population.** This would promote consistency between the RTP/SCS and RHNA planning processes. Additionally, this would also ensure that the RTP/SCS is fully considering the amount of household growth needed for every Californian to have an affordable home, and that the RTP/SCS includes a realistic plan for meeting GHG emissions given this needed household growth.

## Allocation

### Introduction

In addition to being based on different projections of overall growth, the RTP/SCS and RHNA processes sometimes allocate this growth among cities in an inconsistent manner. This is due to differences in the statutory requirements that each process is required to follow.

The RTP/SCS and RHNA are each required to meet different policy goals when developing a projected growth pattern. For instance, the RHNA is required to further all five statutory objectives, which include promoting infill development and the protection of environmental resources, AFFH, promoting a better jobs/housing balance, fostering economic integration, and allowing the region to meet its GHG reduction goals. On the other hand, the RTP/SCS is more narrowly required to develop a realistic growth pattern that will also allow the region to meet its GHG reduction goals. As such, the regional growth forecasts included in the RTP/SCS do not always further all five statutory objectives.

The RTP/SCS and RHNA are also required to consider different inputs when projecting future growth patterns. Because the RTP/SCS is supposed to contain a somewhat realistic growth pattern,

MPOs are required to use the most up-to-date planning assumptions, including general plans. On the other hand, [Government Code Section 65584.04\(e\)\(2\)\(B\)](#) prohibits COGs from considering the “existing zoning ordinances and land use restrictions of a locality” when allocating the RHNA. These inconsistencies can make it challenging for COGs to develop allocation methodologies that are consistent with the RTP/SCS.

At the same time, statute also requires that the allocation methodology be consistent with the RTP/SCS. [Government Code Section 65584.04\(m\)](#) (1) specifically states that “the allocation plan shall allocate housing units within the region consistent with the development pattern included in the sustainable communities strategy.” To comply with this requirement, many COGs start with a baseline allocation that is proportional to each jurisdiction’s share of projected household growth in the RTP/SCS regional growth forecast. However, there is not a parallel requirement that the RTP/SCS regional growth forecast be consistent with the RHNA. Given the different statutory requirements that guide each process, this requirement can make it challenging for COGs to develop allocation methodologies that both further the statutory objectives and are consistent with the RTP/SCS.

## Summary of Stakeholder Feedback

Stakeholders generally expressed support for further aligning the RTP/SCS and RHNA processes to ensure that transportation and housing planning efforts are effectively coordinated. Some MPOs noted that, in practice, their RTP/SCS plans already incorporate additional policy objectives – beyond GHG emission reduction – that are aligned with RHNA’s statutory objectives. However, MPOs also noted that developing an RTP/SCS that complies with all state and federal requirements is already quite challenging and layering additional requirements on top of those that already exist could hinder an MPO’s ability to develop a compliant RTP/SCS.

## Recommendations for Statutory Changes

**HCD recommends that [Government Code Section 65080\(b\)\(2\)\(B\)\(vii\)](#) be amended to clarify that the RTP/SCS forecasted growth pattern must also be consistent with RHNA, and as such, should further the five statutory objectives of RHNA. This would require that MPOs develop a forecasted development pattern that not only reduces GHG emissions, but also affirmatively furthers fair housing and promotes other statutory objectives of RHNA.** Accordingly, this will better ensure that when the RTP/SCS is used as an input in the

allocation formula, it results in an allocation that furthers the statutory objectives.

**Further, HCD recommends that [Government Code Section 65584.04\(m\)](#) be amended to clarify what should occur if the RTP/SCS forecasted development pattern does not further the statutory objectives of RHNA.** Current statute requires that the RHNA be consistent with the development pattern in the RTP/SCS, but it does not define what consistency means. HCD recommends clarifying that consistency means the RHNA is based on the development pattern included in the RTP/SCS, i.e., that the RTP/SCS forecasted development pattern is used as an input in the allocation formula. However, if HCD finds that the draft allocation methodology does not further the statutory objectives, the COG should revise the methodology in consultation with HCD, which may require reducing the weighting of the RTP/SCS forecasted growth pattern in the allocation formula. This amendment would retain a strong connection between the RTP/SCS and the RHNA growth patterns, while also ensuring that the COG is able to develop an allocation methodology that furthers the statutory objectives.

## Policy Considerations for the Legislature

In addition to the ten HCD recommendations discussed in this report, three additional topics arose during the California's Housing Future 2040 initiative that merit further exploration by the Legislature. HCD does not have recommendations for these topics, but rather presents findings for further policy consideration. Changes related to these topics may require adjustments to statute.

The three policy considerations in this section cover a range of topics that are broadly focused on possible adjustments to clarify statute and more accurately plan for the housing needs of all segments of the population. These policy considerations illuminate possible ways to better capture moderate income housing needs, allocate RHNA units that stem from a loss of homes during a state of emergency declaration, and streamline or simplify statute to alleviate confusion and better align processes.

## Determination-Related Policy Consideration for the Legislature

### POLICY CONSIDERATION #1

### Adjust the Income Distribution to Better Address the Housing Needs of All Regions

#### Introduction

An important component of the RHNA process is the consideration of housing needs for all economic segments of the region. The RHND is currently composed of four different housing need determinations, one for very low-income households, one for low-income households, one for moderate-income households, and one for above moderate-income households. The consideration of different economic segments of the housing need is meant to encourage and facilitate the development of a variety of housing types. Moreover, an over-arching objective of the RHNA process, described in [Government Code Section 65584\(d\)](#), is to balance the household income distribution throughout the region, so that

an area with a higher share of a particular income category would receive a lower allocation of the housing need in that category.

[Government Code Section 65584\(f\)](#) contains definitions of the four income groups, which are consistent with Health and Safety Code definitions. To determine the housing need for each required income category, HCD utilizes household income data from the American Community Survey (ACS). HCD takes the median household income provided in the most recent 5-year ACS, then multiplies it by the appropriate percentage (50%, 80%, 120%) to establish income limits. HCD then uses ACS data on household income to estimate how many households are in each income category established in the prior step. HCD breaks the total regional housing need into the four income categories based on this income category distribution. HCD also calculates and provides to COGs the number of households that are considered extremely low-income (ELI). This ELI number is currently provided for informational purposes only.

### Summary of Stakeholder Feedback

In the process of gathering stakeholder feedback, consensus emerged that a more substantial share of the Regional Housing Need Determination

should be dedicated to addressing the housing needs of lower-income individuals and families. This feedback underscores the pressing need to prioritize affordability and accessibility in housing policy. Stakeholders expressed that by increasing the allocation for lower-income categories, localities can better address the housing challenges faced by vulnerable and economically disadvantaged communities. The consideration of factors like high housing costs is pivotal in determining the RHND.

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*In the process of gathering stakeholder feedback, consensus emerged that a more substantial share of the Regional Housing Need Determination should be dedicated to addressing the housing needs of lower-income individuals and families.*

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To ensure a fair and equitable distribution of the regional housing need, HCD explored the possibility of adjusting income categories based on data related to overcrowding, cost burden, and other adjustments. However, this approach posed challenges related to potential double counting, as these households were already included in the initial income data. Additionally,

it required complex data analysis that might not be practical in all cases. For example, determining the income breakdown for each adjustment would be difficult and could necessitate a different methodology for each adjustment. Given the multitude of adjustments HCD applies to the housing need determination, the resulting methodology would be overly complex and difficult to communicate to stakeholders. An exception to this, which proved more straightforward, was adjusting for homelessness. These adjustments could be directly applied to lower-income categories without the risk of double counting, as homeless individuals are typically not accounted for in traditional household counts.

### **HCD Future Implementation Efforts Under Existing Authority**

HCD plans to implement several changes to its income category definitions used in the RHNA process to align more closely with the criteria outlined in [Government Code Section 65584\(f\)](#). These modifications aim to enhance consistency and accuracy in determining income limits for housing-related purposes.

**HCD intends to use income limits that are published by HCD in accordance with [Health and Safety Code Section 50093](#)** rather than the limits

described above (50%, 80%, 120%). This aligns with the statutory definitions specified in Government Code section 65584(f). These income limits published by HCD incorporate data from HUD. In calculating income limits, HUD conducts statistical analysis and adjusts income limits due to factors such as elevated housing costs. The planned changes are expected to yield several effects, aiming to enhance the accuracy and fairness of income categorizations for housing-related purposes. These effects encompass the following key points:

- First, adopting HCD-published income limits is anticipated to result in a shift that places a larger portion of the population into lower income categories, particularly in regions characterized by high housing costs. This adjustment aligns with the feedback received by HCD during listening sessions, where stakeholders frequently emphasized the importance of factoring housing costs into housing needs determinations. Additionally, it reflects the desire to allocate a greater portion of the RHNA to the lower income categories to address pressing housing affordability challenges.
- Second, the utilization of the most recent HCD-published income limits ensures

that the income data used for housing assessments remains current and relevant. These limits will also undergo adjustments to account for inflation, further enhancing their accuracy and applicability. Furthermore, it is important to note that the degree of change in the lower income percentage will vary from county to county. To illustrate this variation, consider two contrasting examples. In Los Angeles County, where high housing cost adjustments are prevalent, the impact on the lower income percentage is expected to be pronounced. Conversely, in Fresno County, where there are no high housing cost adjustments, the change in the lower income percentage may be less significant. These county-specific variations reflect the diversity of housing market conditions across the state and underscore the need for tailored approaches to address housing affordability challenges effectively.

### Policy Considerations for the Legislature

The change outlined above under HCD's existing authority is poised to have a notable impact on moderate income categories, particularly in regions where high housing cost adjustments have

been applied to lower income limits. It is important to highlight several key aspects of these changes:

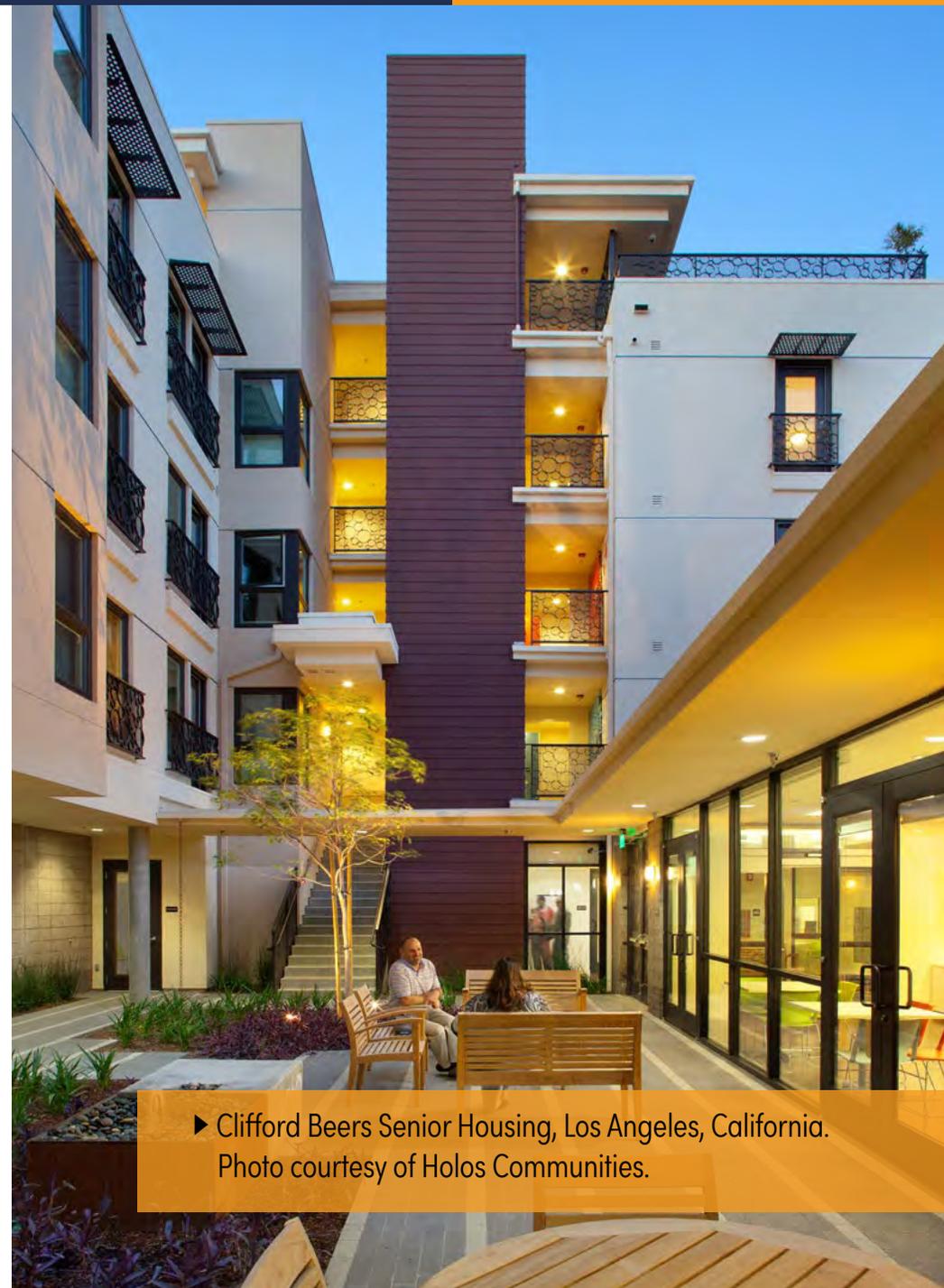
- Under HCD's planned approach, moderate income categories may undergo a reduction in size. This effect is particularly pronounced in areas where high housing cost adjustments have been incorporated into lower income limits.
- Notably, HUD does not calculate or provide specific moderate-income limits. Instead, HCD is tasked with calculating these limits as 120% of the median income for all counties.

**Therefore, the Legislature may wish to consider amending [Government Code Section 65584\(f\)](#) to grant HCD the authority to establish higher income limits in instances where conditions such as high housing costs are present.** This change would primarily affect the moderate-income limit and would allow HCD to implement high housing-cost adjustments if warranted.

To calculate the revised limit for the moderate income category, HCD could use the same [methodology utilized by HUD to calculate the high housing cost adjustment for very low and low-income categories](#), but with a slight modification to the coefficient to tailor the formula to the moderate income category.

Using 2023 data for Los Angeles County, the table below shows the current 120% area median income (AMI) calculation of the moderate-income limit, as well as the potential high-cost calculation of the moderate-income level category. Using the high-cost method results in more housing units allocated to the moderate-income category compared to the above moderate category in high-cost areas.

	2023 MODERATE INCOME LIMIT USING THE STANDARD 120% AMI	2023 MODERATE INCOME LIMIT USING THE RECOMMENDED HUD HIGH-COST FORMULA
Los Angeles County	\$117,850	\$155,400
% of RHNA in Mod/Above Mod category	6.7%/37.0%	17.9%/25.9%



► Clifford Beers Senior Housing, Los Angeles, California. Photo courtesy of Holos Communities.

### Combined Impact of the Process Changes Under HCD’s Existing Authority and the Potential Statutory Changes

To better understand the combined impact of HCD's planned changes under existing authority for calculating the income categories and the potential changes for the Legislature's consideration, see the two examples below. These examples include both HCD's use of the HCD income limits to determine the income categorization distribution, as well as the potential policy consideration to change the calculation of the moderate-income category using the high-cost adjustment. These examples were created using the most recent 2023 HCD income limits, and are not predictive of what the 7th cycle determination will be for these counties.

#### New possible method, Los Angeles County:

VERY LOW INCOME (VLI)	LOW INCOME (LI)	MODERATE (MOD)	ABOVE MOD
37.5%	18.7%	17.9%	25.9%

#### Current method, Los Angeles County

VLI	LI	MOD	ABOVE MOD
26.0%	14.7%	16.8%	42.5%

#### New possible method, Fresno County:

VLI	LI	MOD	ABOVE MOD
29.7%	16.6%	18.5%	35.2%

#### Current method, Fresno County:

VLI	LI	MOD	ABOVE MOD
25.9%	15.5%	16.6%	42.0%

Both counties see increases in the amount of lower income RHNA they receive under the new scenarios discussed, but Los Angeles County sees a larger increase in lower income RHNA. Both Fresno County and Los Angeles County see a modest increase in moderate income RHNA.

## HCD-Provided Technical Assistance Changes

HCD will provide a description of the income category determination as part of the technical assistance materials intended to make the RHND process more transparent described in HCD Implementation Effort #5. HCD will also make relevant data sources and calculation methods available on the RHNA webpage.



► Sonrisa, Sacramento, California. Photo courtesy of Capitol Area Community Development Corporation (CACDC).

## Allocation-Related Policy Consideration for the Legislature



- Laurel at Perennial Place, located in Santa Rosa, California, is a new community which replaced the Journey's End Trailer Park, destroyed from the Tubbs Fire. Photo courtesy of Burbank Housing.

### POLICY CONSIDERATION #2

## Explore Assigning Units Lost During a State of Emergency Declaration to the Overall Allocation

### Introduction

[Government Code Section 65584.04\(e\)\(11\)](#) requires HCD and COGs to consider units lost in a Governor-declared state of emergency during the planning period immediately preceding the relevant RHNA period if those units have not been rebuilt or replaced at the time of the analysis.

When acting as a COG in the 7th Cycle in 2023, HCD used data provided by the California Governor's Office of Emergency Services (Cal OES) and CAL FIRE to adjust for units lost due to a declared state of emergency. To estimate the percentage of units lost that were originally occupied, HCD used 5-year ACS data to calculate the percentage of units in the region that are temporarily occupied by persons with a usual residence elsewhere. HCD then multiplied the occupancy rate by the units lost due to a state of emergency.

- ▶ Barbara is a new resident of Laurel at Perennial Place in Santa Rosa, California. Barbara lost her home in the 2017 Tubbs Fire at the Journey's End Trailer Park. Photo courtesy of California HCD.



After the Paradise Fire in Butte County, BCAG was given an 8,803-unit increase to its RHND. The COG then directly assigned those units to the Town of Paradise and the unincorporated county – the two jurisdictions that lost housing to the Camp Fire – based on their proportion of homes lost in the fire. This raised questions about reallocating RHNA to jurisdictions with a continuing risk of losing homes to fires, as well as the need to plan for additional

housing in nearby jurisdictions that absorbed displaced households. In the context of disasters, it is always a helpful reminder that RHNA is not a cap on (re)building and does not prevent jurisdictions from planning for housing beyond their allocation but is rather a signal of where additional zoned capacity may be needed.

### Summary of Stakeholder Feedback

Stakeholders expressed a need to consider the risk of repeat disasters and the importance of incentivizing new housing in infill areas away from high-risk areas, particularly jurisdictions and unincorporated areas that may be entirely in a high-risk area. However, other stakeholders flagged that most cities have partial fire risk areas and non-fire risk areas. Stakeholders cautioned against painting with a “wide brush” at the state, regional, and even jurisdictional level when considering hazard risk.

In addition, stakeholders also noted that research shows that many people who are displaced after disasters often find housing in neighboring jurisdictions, as well as other locations far from the disaster event. This can strain the housing stock of neighboring jurisdictions – like Chico in the example of the Camp Fire – and illustrates that there is a need to plan for additional housing in other parts of the region after a disaster.

## Policy Considerations for the Legislature

In response to stakeholder feedback, **the Legislature may wish to consider exploring possible statutory changes that would require units lost in a state of emergency to be included in the overall allocation.** If such a change were effectuated, units lost during a state of emergency declaration would be allocated according to the COG's allocation methodology rather than directly applied to jurisdictions that lost units. This could reallocate housing units in ways that further the five objectives of RHNA and better align

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*Stakeholders also noted that research shows that many people who are displaced after disasters often find housing in neighboring jurisdictions, as well as other locations far from the disaster event. This can strain the housing stock of neighboring jurisdictions.*

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with state planning priorities, such as locating housing units near jobs and amenities and lowering VMT. In addition, this would acknowledge that jurisdictions throughout a region need to plan for additional housing capacity after a disaster event.

## Process-Related Policy Consideration for the Legislature

### POLICY CONSIDERATION #3

## Explore Ways to Clarify the RHNA Process and Simplify Language in Statute

### Introduction

In determining and allocating the regional housing need, the importance of an efficient and well-structured process cannot be overstated. The process is a critical component of achieving equitable distribution of housing needs, fostering collaboration among a large group of stakeholders, and ensuring that the process effectively meets legislative objectives.

As policymakers and planners continue to grapple with the challenges of addressing housing shortages and promoting sustainable communities, there is greater evidence of the potential benefits of process-related changes aimed at clarifying and simplifying the language within statutes.

A clear and straightforward process serves multiple purposes. First, it enhances transparency and understanding among the various entities and stakeholders involved, from COGs and local governments to planning and housing departments to the broader public. A statute that is easy to comprehend reduces the likelihood of misinterpretations, disputes, and unintended consequences. Simplified language allows all parties to fully grasp the stages of the allocation process, their respective roles, and the expectations they need to meet. Simplified language also allows all parties to save time they may have otherwise spent trying to understand the process. In addition, this clarity fosters a more collaborative environment, where all participants are equipped with the tools to engage constructively.

### High-level Summary of Stakeholder Feedback

Stakeholders repeatedly shared in listening sessions, Sounding Board meetings, and survey responses that the RHNA process and statute should be simplified to be easier to understand and easier to communicate to the public. Even senior RHNA experts and COG staff shared experiences where they found the language

in statute to be obtuse and had to spend significant amounts of time going through and parsing how the statute functions each RHNA cycle. Furthermore, stakeholders shared that the timelines laid out in statute can be confusing or difficult to meet, and that this can sometimes lead to redundancy in the RHNA process.

- ▶ Cedar Lane Permanent Supportive Housing, Yuba City, California. Photo courtesy of Sutter Regional Housing Authority (RHA).





## Policy Considerations for the Legislature

To address the concerns raised by stakeholders, HCD suggests the following topics where the Legislature may wish to explore possible statutory changes to improve clarity, efficiency, and effectiveness of the RHNA process. These topics include the following.

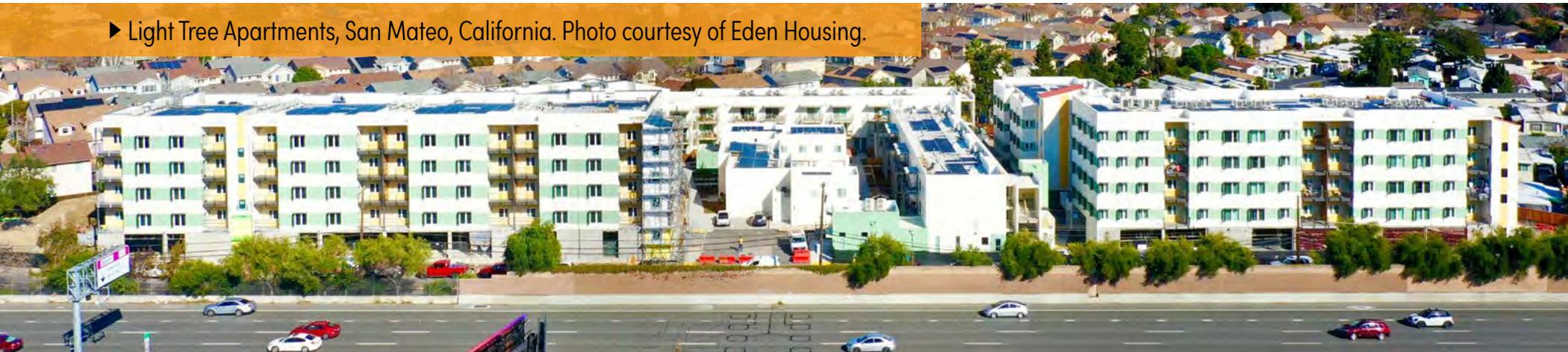
**1. Streamline Methodology Factors:** Simplifying the methodology factors will lead to a more straightforward allocation process. By identifying and removing unnecessary complexities, the allocation of regional housing needs could become more transparent and easier to understand (See recommendations under Topic #6).

**2. Shorten Timeframes:** Shortening timeframes for certain required steps will help to meet deadlines. For example, while HCD's review of the adopted allocation methodology is optional, HCD could complete a review of an adopted methodology in 45 days, rather than the 90 days currently allocated to that process. A shorter review of the adopted methodology could help speed up the overall timeframe related to the release and adoption of the allocation plan.

**3. Combine Steps for Efficiency:** Combining steps in the allocation process would eliminate redundancies. For example, HCD suggests adding language explicitly permitting COGs to distribute the draft RHNA plan at the same meeting that the methodology is adopted, provided the methodology that is adopted is substantially the same as the draft that HCD reviewed and found furthers statutory objectives. Further, if no appeals are filed for the draft allocation plan, HCD suggests allowing the COG to adopt the draft allocation plan without first releasing a proposed final allocation plan. These changes could reduce the number of times COGs need to convene their boards for approval. Moreover, it would provide additional clarity to COG staff as they manage the allocation process.

**4. Consider Removing Unused or Rarely Utilized Sections of Statute:** For example, HCD did not encounter utilization of the process described in [section 65584.02](#) during the 6th cycle. This process seeks alignment with the timing of Regional Transportation Improvement Plans (RTIP) and establishes a planning period of between five and six years. Given the complexity of the RHNA process, the Legislature should consider if providing an alternative process to Government Code [Section 65584.01](#) in section [65584.02](#) is necessary.

► Light Tree Apartments, San Mateo, California. Photo courtesy of Eden Housing.



**5. Better Align the Housing Element Planning Period and RHNA Projection Period:** When the length of the RHNA projection period is based on the estimated RTP adoption date, this can cause a mismatch between the planning and projection period if the RTP adoption date is different than the estimated RTP adoption date. HCD suggests adding the following language to the last sentence of Government Code [Section 65588\(e\)\(5\)](#), as this will help better align the planning and projection period. For the purposes of determining the existing and projected need for housing within a region pursuant to sections 65584 to 65584.07, inclusive, the date of the next scheduled revision of the housing element shall be deemed to be the estimated adoption date of the RTP update described in the notice provided to Caltrans plus 18 months, provided that the deadline for adoption is no more than eight years later than the deadline for adoption of the previous eight-year housing element.

**6. Clarify Non-COG Determination Process:** The current statute is largely silent on how HCD should develop the regional housing need for regions not represented by a COG. Government Code [Section 65584.06](#) describes the allocation process for non-COG regions, but only refers to [section 65584](#) for determining the regional housing need. In practice, HCD uses the same calculation methodology for all regions, therefore including a reference in [65584.06](#) that the determination for non-COG regions must be made pursuant to [section 65584](#) and [section 65584.01](#) (where applicable) would enshrine our current process in statute.

### HCD-Provided Technical Assistance Changes

As discussed in Topic #5, HCD plans to develop a guidance memo that will outline the overall goals and steps COGs are supposed to follow in the RHNA process. This memo could provide a clear roadmap for stakeholders and help ensure consistency in approach and understanding among COGs, local governments, and housing departments.

# HCD Future Implementation Efforts

This section of the report outlines planned administrative changes to be adopted under existing HCD statutory authority. Throughout the California's Housing Future 2040 stakeholder engagement initiative, HCD heard feedback and ideas from a wide range of stakeholders regarding the implementation of topics that fall under existing state law. This feedback, combined with lessons learned from the 6th cycle, have directly informed adjustments that HCD plans to make to how the department implements existing RHNA-related law to improve RHNA outcomes. HCD shares these planned administrative changes to offer a fuller picture of 7th cycle RHNA methodology and process enhancements. Staff plan to provide additional detailed guidance regarding these planned adjustments to COGs and other stakeholders leading up to the commencement of the 7th cycle.

HCD's efforts to improve the implementation of RHNA under existing authority centers around three main goals: 1) creating a housing need number that accounts for the amount, affordability levels, and location of homes needed for all existing and future Californians, 2) improving the effectiveness of the RHNA process at meeting state goals, and 3) providing improved transparency and technical assistance to stakeholders throughout the RHNA process.

## Determination-Related HCD Implementation Efforts

Given HCD's large role in the Determination stage of the RHNA process, several HCD's planned adjustments for the 7th cycle will impact the RHND. HCD is charged with determining how much housing at a variety of affordability levels is needed for each region in the state. The goal of the determination-changes outlined in this section is to improve the accuracy of HCD's assessment of housing need. This includes, but is not limited to, accounting for housing needs that stem from pent-up demand, better understanding low-income housing needs, ensuring a more accurate estimate of where housing is needed in relation to jobs, and aligning implementation efforts with best practices from academic research. HCD also plans to implement changes to its procedures that will allow for greater transparency and sharing of information regarding the determination stage of the RHNA process.

### HCD IMPLEMENTATION EFFORT #1

## Apply the Cost Burdened & Overcrowded Determination Adjustment Factors to Existing Households

### Introduction

Considering rates of cost burdened and overcrowded households is important when determining the regional housing need as they reflect the extent to which households – particularly lower income households – are impacted by a tight housing market. High rates of cost burdened households suggest there is an insufficient supply of affordable housing units, leading households to spend a greater share of their income (30% or more) on housing costs. High overcrowded rates indicate that Californians are sharing rooms to alleviate costs. Assessing both rates help HCD estimate the housing needs of existing households more accurately.

When determining the housing need for the region, [Government Code Section 65584.01\(b\)\(1\)\(C\)](#) currently requires COGs to submit, and HCD to consider, data on the percentage

of households that are overcrowded and the overcrowding rate for a comparable housing market. [Government Code Section 65584.01\(b\)\(1\)\(H\)](#) requires COGs to submit and HCD to consider the percentage of households that are cost burdened, as well as the rate of housing cost burden in a healthy housing market.

To consider overcrowded households in the 6th cycle, HCD applied an adjustment to both the projected and existing households based on the amount the region's overcrowding rate exceeded the comparable region's rate. In the absence of a comparable region, the adjustment was based on the amount the region's overcrowded rate exceeded the national average. To consider cost burdened households in the 6th cycle, HCD applied an adjustment solely to the projected need by comparing the difference in cost burdened households by income group for the region to the cost burdened households by income group for the comparable region, or the national average, if no comparable region was provided.

### Summary of Stakeholder Feedback

Stakeholders encouraged HCD to use both the cost burdened and overcrowded rates to estimate the housing need of the existing population. Stakeholders emphasized that cost

burdened rates are one of the key indicators of pent-up demand, and accordingly should be applied to the existing population during the determination process. At the same time, while stakeholders agreed that cost burdened and overcrowded rates are important to consider when assessing the housing need, they also recognized that complex economic modeling would be needed to determine the exact number of units required to "correct" high rates of both. Further, some stakeholders expressed interest in using the adjustments to achieve "zero" cost burdened and overcrowded households, rather than setting a goal of achieving average rates of both.

### HCD Process Changes Under Existing Authority

**Moving forward, HCD plans to apply the cost burden and overcrowding adjustment to the existing population, rather than the projected population.** HCD recognizes that both cost burdened and overcrowded rates are important signals of pent-up demand for housing. To accurately measure the housing needs of the existing population, it is important that both the cost burdened and overcrowded adjustments be applied to the existing population. Further,

HCD plans to stop applying the cost burdened and overcrowded adjustment to the projected population, given that the other determination adjustments are theoretically designed to ensure that – if the RHND were fully built – future households would not experience cost burden and overcrowding.

HCD has explored several options for applying the cost burdened and overcrowded adjustments to the existing population. For instance, as stakeholders suggested, HCD explored the option of assigning one additional RHNA unit for every severely cost burdened household and one additional RHNA unit for every severely overcrowded household, with the theoretical goal of achieving “zero” for both. However, HCD recognizes that many households experience both overcrowd and cost burden, and therefore this approach could significantly overcount the need. As such, without access to a complex economic model that would calculate the exact number of new units needed to alleviate cost burdened and overcrowded in each region, HCD believes that basing the adjustments on the national average is most reasonable.

## HCD IMPLEMENTATION EFFORT #2

### Improve the Precision of the Vacancy Rate Determination Adjustment Factor

#### Introduction

Vacancy rates are important in the RHND process as they indicate the balance between housing supply and demand, reflect affordability and market conditions, and inform housing market stability. Low vacancy rates suggest a tight housing market with potential affordability challenges, indicating that supply has not caught up with pent-up demand, while high vacancy rates may indicate underutilized properties or oversupply. Vacancy rates help HCD and COGs assess market conditions, determine the housing need of both existing and projected households, and allocate housing need figures more accurately.

[Government Code Section 65584.01\(b\)\(1\)\(E\)](#) requires COGs to submit, and HCD to consider, data on vacancy rates of the existing housing stock and vacancy rates for a healthy functioning housing market. It also states that rental vacancy rates for a healthy functioning housing market shall not be less than 5%.

HCD's practice for the 6th cycle was to apply the 5% healthy functioning housing market adjustment to both owner and renter-occupied housing in the total projected households at the end of the projection period. HCD took the difference between the 5% rate and the region's total vacancy rate and added that difference to the projected households. If the vacancy rate was greater than 5%, no vacancy rate adjustment was applied. See the example below.

TOTAL PROJECTED HOUSEHOLDS	REGION TOTAL VACANCY RATE	HEALTHY FUNCTIONING MARKET STANDARD	DIFFERENCE (5%-2%)	VACANCY RATE ADJUSTMENT
100,000	2%	5%	3%	+3000

Note: For the purposes of this discussion, vacancy rates mean the for-sale and for-rent vacancy rates. Seasonal uses and other categories are not included in the vacancy rate calculation.

HCD's 6th cycle 5% policy rate for both renter and owner-occupied housing was reasonable and had support from stakeholders. It implemented a healthy housing market benchmark for both housing tenure types and accounted for pent-up housing demand in both renter and owner markets.

### Summary of Stakeholder Feedback

Stakeholder feedback on vacancy rate adjustments centered on refining the approach to address regional housing needs. Stakeholders recommended applying separate vacancy rates by tenure to reflect differences in owner and renter-occupied housing markets. Furthermore, some stakeholders also felt that the vacancy rate should be applied differently to the existing housing need number and projected housing need number, in order to account for existing vacancies. Stakeholders also raised concerns regarding the use of historical rates, suggesting a shift towards a "policy rate" due to past affordability issues. A policy rate acknowledges that historical rates have not been reflective of a healthy housing market standard and is intended to achieve that healthy standard going forward.

## HCD Process Changes Under Existing Authority

**HCD plans to alter the vacancy rate calculation to account for differences in healthy functioning housing markets for renter and owner-occupied housing.** In addition, HCD also plans to alter the vacancy rate calculation to account for differences in calculating the adjustment for the existing housing stock, which has units that are currently for-rent and for-sale, and the projected housing stock, which is based on projected households and does not project any units to be for-sale or for-rent. HCD believes existing statute permits applying the vacancy rate adjustment in this manner.

HCD research, as well as stakeholder feedback received during HCD listening sessions and sounding board discussions, has led HCD to the following approach<sup>5,6,7</sup>. HCD's standard for healthy market functioning for an owner-occupied housing market is recommended to be no less than 2%, while the healthy functioning market rate for renter housing is recommended to be no less than 6% for regions that are not

represented by a COG, and 7% for regions that are represented by a COG.

HCD's decision to establish specific standard vacancy rates for both owner housing and rental housing is well-supported by the research findings from various sources, primarily Barry Bluestone and the Lincoln Institute of Land Policy. These sources have provided insights that validate the rationale behind HCD's new vacancy rate standards.

1. **Barry Bluestone's Research:** Barry Bluestone's (Professor Emeritus, Northeastern University) research highlights the importance of vacancy rates in stabilizing housing costs. According to his findings, rental vacancy rates between 6-7% and owner vacancy rates of 2% represent healthy ranges that lead to housing cost stabilization. Bluestone's analysis, which involves regression analysis and historical trends, emphasizes that rental vacancy rates of around 6-7% contribute to rent stabilization. Similarly, owner vacancy rates at 2% stabilize home prices. These findings directly support HCD's decision to set a 2% standard

5 Bluestone, Barry. How Vacancy Rate Points to an Unaffordable Housing Market (2016)

6 Bluestone, Barry. 2nd edition of The Urban Experience

7 Mallach, Alan. The Empty Housing Next Door (2018)

vacancy rate for owner housing and a 7% standard vacancy rate for rental housing in metropolitan areas.

2. **Lincoln Institute of Land Policy Report:** The Lincoln Institute of Land Policy's report further corroborates the relationship between vacancy rates and housing stability. The report suggests that a combined reasonable vacancy rate for both rental and owner housing falls between 4-7.99%. It underscores that rental vacancy rates around 7-8% and owner vacancy rates of 1.3-2% are indicative of healthy levels. The report's conclusion aligns with HCD's planned use of a 7% standard vacancy rate for rental housing in metropolitan areas and a 2% standard vacancy rate for owner housing.
3. **Differentiated Standards for Metropolitan and Non-Metropolitan Areas:** The use of a 6% standard vacancy rate for rental housing in non-metropolitan areas stems from research on regional variations in housing markets. Bluestone's analysis and the Lincoln Institute's report both acknowledge that vacancy rates can differ based on market characteristics and local factors. HCD's decision to set a slightly lower

standard vacancy rate for rental housing in non-metropolitan areas, at 6%, reflects this understanding and is in line with the research on varying market dynamics.

4. **Historical Trends and Market Stabilization:** The historical trends in vacancy rates provide additional support for HCD's standards. The research notes that California's vacancy rates have consistently been below the national average. This observation underscores the need for specific standards that address the unique housing market conditions in California. The research's emphasis on stabilization within certain vacancy rate ranges further strengthens HCD's approach to setting standards that aim to prevent housing market volatility.

The synthesis of findings from the research, consideration of regional variations, and historical trends provides robust support for HCD's decision to establish a 2% standard vacancy rate for owner housing, a 7% standard vacancy rate for rental housing in metropolitan areas, and a 6% standard vacancy rate for rental housing in non-metropolitan areas. These standards align with research-backed healthy vacancy rate ranges that contribute to housing cost stabilization

and reflect California's unique housing market dynamics. To see an example of how this adjustment to the vacancy rate calculation may work, please see the Vacancy Rate Calculation Example in the Appendix.

### HCD-Provided Technical Assistance Changes

HCD plans to provide a brief memo describing the vacancy adjustment methodology, as well as a summary of the literature that supports the new healthy functioning market vacancy rates.



► Santana Row, a residential/retail development in San Jose, California.

### HCD IMPLEMENTATION EFFORT #3

## Refine the Jobs/Housing Determination Adjustment Factor

### Introduction

An acute imbalance between the number of jobs and the number of housing units in a given area is often cited as a sign of unmet housing need. During the housing need determination process, [Government Code Section 65584.01\(b\)\(1\)\(G\)](#) currently requires COGs to submit, and HCD to consider, data regarding the relationship between jobs and housing, including any imbalance between jobs and housing. Additionally, [Government Code Section 65584.01\(c\)\(1\)](#) requires that a region's existing and projected housing need shall reflect a feasible balance between jobs and housing within the region using employment projections in the applicable RTP.

In March 2022, the California State Auditor found that HCD failed to adequately consider the jobs/housing balance factor. As a result, HCD developed two jobs/housing adjustments for the 7th cycle.

**Adjustment #1:** The first jobs/housing adjustment uses Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics to calculate the net number of workers commuting in and out of a region. If there is a net inflow of workers, HCD then divides the number of workers by the healthy jobs housing balance standard of 1.5 to calculate the number of housing units that would be needed to accommodate those workers within that region. As a note, HCD is continuing to consider a different healthy standard than 1.5 jobs for every housing unit, primarily an option based on the national average jobs/housing ratio. This is discussed in the “For Further HCD Exploration” section below.

**Adjustment #2:** After applying all other adjustments, HCD then compares the 7th cycle RHND and the region’s total occupied housing units to employment projections to determine whether a feasible jobs/housing balance was achieved. If the region does not have employment projections as part of an RTP/SCS, HCD uses [projections developed by Caltrans](#) for use in RTPs<sup>8</sup>. If the projected jobs/housing balance is above 1.5, the RHND is increased by the number of housing units necessary to achieve that balance

8 Caltrans. [Long-Term Socio-Economic Forecasts by County](#)

► Aerial view of the Mission Bay neighborhood in San Francisco, California.



The tables below are examples of HCD's current jobs/housing adjustments in three regions: Association of Bay Area Governments (ABAG), Kern COG, and SCAG. ABAG and SCAG were chosen to demonstrate the adjustments in two unique major multi-county COGs. SCAG covers a larger geographic area while ABAG represents nine counties rather than SCAG's six counties. Kern COG was chosen to demonstrate the adjustments in a more rural region. First is the job flow adjustment with LEHD data. The second table is an example of the projected jobs/housing adjustment. Jobs projections are prorated from each respective COG's RTP/SCS employment forecasts. Note that the examples below were created with current data and these examples are not predictive of actual 7th cycle adjustments.

JOB/HOUSING FACTOR ADJUSTMENT #1: REGIONAL INFLOW/ OUTFLOW	PRIMARY JOBS IN REGION	EMPLOYED RESIDENTS IN REGION	INFLOW OR OUTFLOW OF WORKERS	ADJUSTMENT (INFLOW/ 1.5 )
ABAG	3,670,261	3,428,762	241,499	160,999
Kern	264,085	279,205	(15,120)	0
SCAG	7,368,660	7,360,547	8,113	5,409

JOB/HOUSING ADJUSTMENT #2: PROJECTED JOBS/ HOUSING BALANCE	PROJECTED JOBS AT END OF PLANNING PERIOD	PROJECTED HOUSING UNITS + 6TH CYCLE RHND	JOBS / HOUSING RATIO (NO ADJUSTMENT IF BELOW 1.5)	RHNA ADJUSTMENT? (YES OR NO)
ABAG	4,373,600	3,502,180	1.25	No
Kern	364,700	359,972	1.01	No
SCAG	9,133,138	8,327,635	1.10	No

## Summary of Stakeholder Feedback

During the California's Housing Future 2040 stakeholder engagement initiative, stakeholders encouraged HCD to explore several topics related to jobs/housing balance. This included the impacts of remote work, gig work, high rates of retirees in a region, and international commuters.

Stakeholders also encouraged HCD to consider jobs/housing at different income categories. For example, assessing the balance between the number of lower income jobs and the number of more affordable housing units, often referred to as "jobs/housing fit." Stakeholders argued that using the comparison of all jobs to all housing as a metric can obscure issues faced by those most in need.

HCD was also encouraged to consider super commuters by income. More specifically, stakeholders were concerned that an outflow of higher income workers in a region could hide an inflow of lower income workers. That inflow of lower income workers could signify a shortage of affordable housing. However, the super commuter metric has potential gaps, as super commuters exist within the state's largest counties/regions.

In addition, HCD was encouraged to explore the impact of part time work – particularly gig work such as Lyft, Grubhub, and Instacart – on potential jobs/housing considerations. However, HCD's

current adjustment controls for part time work by using LEHD's "primary job" classification, which counts the highest paying job for each worker for the year, ensuring there is only one job counted per worker.

## HCD Process Changes Under Existing Authority

**HCD plans to continue utilizing the two 7th cycle adjustments created in 2023, but the first adjustment will be refined to consider the income level of commuters.** Currently, HCD's first jobs/housing adjustment calculates the net inflow/outflow of all workers. Instead, HCD may calculate inflow/outflow separately using LEHD's three monthly income categories: \$1250 and below, \$1251 to \$3333, and \$3333 and over. For example, HCD could zero out the net outflow of workers in the highest income category by county. This would ensure that the net outflow of higher income workers does not cancel out the net inflow of lower income workers. The table below illustrates a hypothetical example. In the example, County #1 has an actual total jobs inflow of 600 (500+400-300). HCD's potential adjustment would not subtract the outflow of 300 workers in the \$3333+ category. The result, County #1 would have an inflow of 900 (500+400) workers which would then be added to the other counties and divided by the standard of 1.5.

POTENTIAL 7TH CYCLE JOBS/ HOUSING FACTOR: INFLOW/OUTFLOW BY INCOME	INFLOW/OUTFLOW OF WORKERS MAKING \$1250 AND BELOW PER MONTH	INFLOW/OUTFLOW OF WORKERS MAKING \$1250 – 3333 PER MONTH	INFLOW/OUTFLOW OF WORKERS MAKING \$3333 + PER MONTH	TOTAL	ADJUSTED
County #1	+500	+400	-300	600	900
County #2	+200	+100	+100	400	400
County #3	+400	-200	-300	-100	200
<b>Total Inflow</b>					<b>1,500</b>
<b>Total Adjustment (inflow / 1.5)</b>					<b>1,000</b>

HCD may continue to refine its jobs/housing adjustment approach going forward based on new research, information, and stakeholder feedback. HCD will share further guidance on this topic as part of pre-7th cycle technical assistance.

**For Further HCD Exploration**

The following are topics stakeholders urged HCD to consider. In the preparation of this report, HCD conducted preliminary analysis of each topic. HCD does not recommend new, specific actions at this time but will continue to monitor each topic as new research and data becomes available in the future.

**Demographic Shift:** Stakeholders – particularly demographers – urged HCD to consider the significant increase in California’s elderly population and how the share of retirees in a region could impact the jobs/housing balance. While this report does not contain any recommendations to address this topic, HCD will continue to work with DOF and other stakeholders to monitor how these demographic shifts will impact housing need, particularly in the context of any jobs housing balance considerations. While this demographic shift would not impact HCD’s adjustment based on the inflow and outflow of jobs, it potentially impacts

the healthy standard multiplier of 1.5. Assuming a significant number of households are occupied by retirees, more households will be needed to accommodate the workforce. This would bring the standard closer to one housing unit for every one job rather than one housing unit accommodating one and a half jobs. A significant retired population and its impact on the jobs housing balance could also impact HCD's jobs/housing projection adjustment, which is based on the comparison of projected jobs and projected households plus preliminary Regional Housing Needs Determinations.



► San Ysidro Port of Entry at the Mexico-United States border.

**International Commuters:** Stakeholders encouraged HCD to consider the number of US based workers commuting from Mexico. HCD recommends further exploration of options for refining the jobs/housing balance adjustment to consider international commuters, particularly the identification of a data source or analysis that more accurately estimates the number of Mexico-based workers who commute into the US. While HCD's current jobs inflow/outflow adjustment accounts for interregional work commutes, it does not account for international commuters. In 2019, roughly 77.2 million people crossed the border northbound either as occupants in privately owned vehicles, buses, or as pedestrians<sup>9</sup>. San Ysidro is the busiest US-Mexico border crossing with an average of 120,000 commuter vehicles and 63,000 pedestrians crossing daily<sup>10</sup>. A 2017 San Diego Association of Governments (SANDAG) survey of northbound trips found that 30% of personal vehicles and 34% of pedestrian crossings to San Diego County were for work<sup>11</sup>. This could represent an additional 55,000 workers in San Diego County. Similar data is available for Imperial County border crossings.

9 Bureau of Labor Statistics. [California-Baja California Border Master Plan](#)

10 The Outline. [The Border Commuters \(2017\)](#)

11 SANDAG. [Summary of At-Border Data Collection Results: Economic and Air Quality/Climate Impacts of Delays at the Border \(San Diego, 2017\)](#)

**Remote Work:** Several stakeholders and survey respondents mentioned remote work. Remote work increased significantly during the height of the COVID-19 pandemic. While work from home is an increasingly important consideration to jobs housing balance, HCD does not recommend any action beyond monitoring and further consultation with stakeholders. Though some workers have returned to the office, others have opted to continue working from home or hybrid work. Remote work makes it possible for employees to live in other cities, counties, or even states. According to 5-year ACS data, roughly 11% of employed Californians worked from home in 2021, compared to just under 6% in 2018. However, available data does not indicate where remote workers' jobs are located, making it difficult to assess whether the presence of remote workers is impacting HCD's jobs/housing adjustments or how the adjustments could be better refined. Given the lack of clarity on the impact of shifts in remote work patterns at this time, HCD does not recommend any action but will continue to monitor new academic findings on this topic.

- 12 United States Environmental Protection Agency. EnviroAtlas Fact Sheet ([2014](#))
- 13 L. Douglas Wilder School of Government and Public Affairs. Understanding the Jobs-Affordable Housing Balance in the Richmond Region ([Virginia, 2017](#))

**Healthy Jobs Housing Standard:** HCD currently uses 1.5 as the healthy jobs/housing standard. This standard was the result of a thorough review of planning literature. Some literature cited a healthy range between 1 and 1.5 with anything higher than 1.5 considered unbalanced or "jobs plus<sup>12,13</sup>." For Adjustment #1, the net inflow of jobs is divided by the healthy standard. For Adjustment #2, if a region has a projected jobs/housing balance above the healthy standard, the determination is increased by the number of units necessary to achieve the healthy standard. Per stakeholder recommendations, HCD will continue to explore and may consider different healthy standards such as a healthy standard based on the national average jobs/housing ratio.



► The Gardens on Hope, Santa Barbara, California.  
Photo courtesy of Mehosh Photography.

## HCD IMPLEMENTATION EFFORT #4

## Account for Housing Lost to Vacation Homes and Short-Term Rentals

### Introduction

Current statute does not directly require that HCD consider non-primary residences such as vacation homes, short-term rentals, second homes, etc. during the housing need determination process. However, HCD's current methodology for determining the housing need does include several components that account for the presence of these types of non-primary residences. For instance, HCD's methodology accounts for *existing* short-term rentals and second homes by only counting "occupied housing units" when estimating the current supply of housing. As such, HCD's determination methodology does not assume existing or future households will be able to live in existing structures that are currently unavailable for year-round occupancy. The presence of short-term rentals and vacation homes are also accounted for in the vacancy rate adjustment, which only counts units that are for rent, for sale, or recently rented/sold but not yet occupied.

Accordingly, a region with a large portion of short-term rentals or vacation homes will still receive an upward adjustment if they have a low percentage of vacant units available for year-round occupancy. However, HCD's methodology does not account for short-term rentals and second homes that will be developed in the future.



► A street view of townhouse communities in Long Beach, California.

## Summary of Stakeholder Feedback

Stakeholders recommended that HCD consider adjusting for units that will be lost to short-term rentals and vacation homes in the future through the replacement rate adjustment. [Government Code 65584.01\(b\)\(1\)\(E\)](#) directs HCD to consider “housing replacement needs” when determining a region’s housing need. HCD currently applies this adjustment by collecting data from the DOF on the 10-year average of demolitions in the region. However, stakeholders noted that, in practice, the loss of units to short-term rentals and vacation homes has the same impact as a demolition: it results in a decrease in the number of housing units available for year-round occupancy.

## HCD Process Changes Under Existing Authority

**HCD plans to alter its replacement rate adjustment in the 7th cycle and beyond to account for units that will be lost to short-term rentals and vacation homes.** HCD plans to model its adjustment on the methodology used in the [Oregon Housing Needs Analysis \(OHNA\)](#)<sup>14</sup>. This methodology uses Census data to calculate the change in short-term rentals and vacation homes compared to

the number of units produced over a set period of time. For instance, if 4% of new units produced over the last eight years were short-term rentals or vacation homes, and it was determined that the region needed 100 new housing units, HCD would assume that the region would need to build 104 units to make up for this loss. This adjustment will both account for the loss of existing units that are turned into short-term rentals or vacation homes, as well as new units that are built with this purpose.



▶ Lakefront homes at Lake Tahoe, California.

14 Oregon Department of Land Conservation and Development. Oregon Housing Needs Analysis Technical Report: Leading with Production ([Oregon, 2022](#))

**HCD IMPLEMENTATION EFFORT #5****Increase Transparency During the Determination Process****Introduction**

Statute does not contain specific provisions around transparency or public participation regarding the determination process. Currently, HCD posts the official determination letters which contain data used in the determination process as well as a description of the determination methodology. Nonetheless, increasing the transparency in the process of determining housing needs is important to ensure clarity, understanding, and equitable outcomes. This section focuses on planned changes aimed at increasing transparency throughout the housing need determination process.

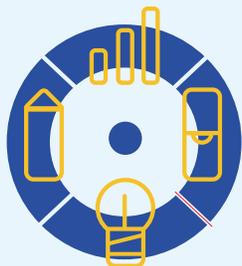
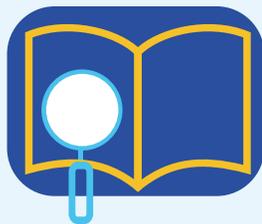
**Summary of Stakeholder Feedback**

Stakeholders have emphasized the necessity for HCD to increase transparency regarding the methodology and process utilized to determine regional housing needs. Some stakeholders have requested that HCD conduct meetings or informational sessions that walk jurisdictions through the determination methodology

to help them understand how the process works. Additionally, some stakeholders have suggested changes to simplify and streamline the documentation and resources provided to regional governments during the determination process. Stakeholders also highlighted challenges faced by smaller COGs in interpreting the provided information, while others indicated that larger COGs faced difficulties in navigating excessive amounts of data.



► Cedar Glen Apartments,  
Riverside, California  
Photo courtesy of  
Palm Communities.

**Methodology Walkthroughs****Interactive Tools****Enhanced Webpage****Definitions and Key Terms****RHNA Video****Publish Technical Assistance Documents**

## HCD Process Changes Under Existing Authority

As a result of this feedback, in the 7th cycle, HCD plans to implement procedural and informational enhancements to the current process to ensure greater clarity. These enhancements to the transparency of HCD's Determination process and technical assistance will include, but are not limited to the following:

**1. Methodology Walkthroughs:** HCD will hold meetings or sessions, as capacity allows, with COG staff and boards to provide detailed explanations of the methodology used for determining the housing need. HCD already holds sessions with COG staff, but moving forward, will also offer to present to COG boards during the consultation process. These sessions aim to increase the understanding of jurisdictions and stakeholders regarding the complex factors involved.

**2. Interactive Tools and Infographics:** As part of enhancing transparency, HCD will explore the creation of interactive tools and infographics that visually depict the housing need determination and allocation process. These tools can help jurisdictions grasp complex concepts more intuitively.

**3. Enhanced RHNA Webpage:** HCD will develop an improved RHNA webpage. This webpage will serve as a hub for resources, tools, and explanations related to the housing need determination and allocation process for all regions.

**4. Definitions and Key Terms:** The enhanced webpage will feature definitions and explanations of key terms relevant to housing need determination and allocation. This resource will aid jurisdictions in understanding technical terms and concepts.

**5. RHNA Video:** Similar to the Housing Element Explainer video, HCD will explore the possibility of creating a video explaining the RHNA process, pending availability of resources. This video would offer a concise overview of the process, enhancing accessibility and transparency for jurisdictions and stakeholders.

**6. Publish technical assistance documents** regarding the methodology development, as well as the status of methodology reviews.

In summary, these planned changes focus on increasing transparency throughout the housing need determination process. By offering detailed explanations, simplifying documentation, and creating interactive tools, HCD aims to enhance understanding and provide equitable access to information for all stakeholders involved. The emphasis on enhanced resources, clearer explanations, and visual aids aligns with the goal of fostering transparency and cooperation in the housing need determination process.



**HCD IMPLEMENTATION EFFORT #6****Adjust the Income Distribution to Better Address the Housing Needs of All Regions**

HCD plans to implement several changes to enhance consistency and accuracy in determining income limits for housing-related purposes. HCD intends to change its income category definitions used in the RHNA process to align more closely with the criteria outlined in [Government Code Section 65584\(f\)](#). HCD also intends to use income limits that are published by HCD in accordance with Health and Safety Code 50093. **For more information on this topic and HCD's planned changes to the RHNA Income Distribution, please see the section under Policy Considerations for the Legislature titled "Policy Consideration #1: Adjust the Income Distribution to Better Address the Housing Needs of All Regions ."**

**HCD IMPLEMENTATION EFFORT #7****Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in APRs**

HCD plans to make changes to how populations living in group quarters are treated in the Determination, including crediting a wider range of housing types in the APR and working with DOF to ensure the RHNA fully encompasses the need for housing in California. **For more information on this topic and HCD's planned changes to the treatment of group quarters in the RHNA process, please see the section under Determination-Related Recommendations for the Legislature titled "Topic #3: Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in APRs."**



## Allocation-Related HCD Implementation Efforts

In addition to the planned changes to the Determination process, HCD also plans to adjust its approach and technical assistance during the allocation stage. During the allocation stage, HCD provides technical assistance to COGs and ensures that the regional allocation methodologies further the five statutory objectives of RHNA. In addition, HCD acts as a COG for the rural parts of the state that do not have a COG. The goals of the allocation-related changes are to clarify requirements, provide improved technical assistance, and further the statutory objectives of RHNA.

### HCD IMPLEMENTATION EFFORT #8

## Reduce Allocation to Unincorporated Areas Outside of Population Centers

### Introduction

To align with California's state planning priorities and the statutory objectives of RHNA, HCD and COGs pay particular attention to the allocations to unincorporated county areas. For the 6th Cycle, HCD approved allocation methodologies with lower allocations for counties. In its analyses, HCD found that lower allocations to unincorporated areas furthered RHNA's objective to promote infill development and protect environmental resources ([Government Code Section 65584\(d\)\(2\)](#)) and better aligned with state planning priorities (see Topic #5). More specifically, counties often received a percentage of the regional RHNA that was lower than its percentage share of existing households. For example, a county with 20% of the region's households would receive 10-15% of the region's RHNA. Additionally, when acting as the COG, HCD typically reduced the unincorporated county allocations. This unincorporated county adjustment was increased with the 7th Cycle non-COG RHNDs in 2023, and HCD began considering the percentage of the

population that resides in census designated places (CDPs).

### Summary of Stakeholder Feedback

Despite these considerations, stakeholders argued that 6th cycle allocations were too high for unincorporated counties, particularly in the ABAG region. ABAG stated that one methodology for its diverse set of counties made unincorporated county considerations particularly difficult.

Stakeholders encouraged HCD and COGs to explore collecting more data on unincorporated areas through the survey mandated by Government Code Section 655484.04(b)(1). Stakeholders also urged HCD to provide COGs guidance to focus on CDP growth. Lastly, some stakeholders expressed interest in restrictions that would limit county allocations to CDPs.

### HCD Process Changes Under Existing Authority

HCD will continue to adjust county allocations for non-COG regions based on consultation with regional and local governments, starting with a 10% downward adjustment to county allocations. **HCD will also pursue allocating to counties based on the percentage of the county population that resides in CDPs.**

## HCD-Provided Technical Assistance Changes

As part of the technical assistance guidance memo mentioned in Topic #5, HCD will encourage COGs to allocate according to the county population that reside in CDPs rather than the unincorporated county's total population and number of households. HCD will continue to consult with local governments when acting as the COG.



► Archway Commons, Modesto, California.  
Photo courtesy of EAH Housing.

**HCD IMPLEMENTATION EFFORT #9****Improve Technical Assistance for the Subregion Process****Introduction**

The subregion process, outlined in [Government Code Section 65584.03](#), allows two or more cities and a county (or counties) to form a subregional entity for the purpose of allocating the subregion's existing and projected housing needs among its members. If a subregion is formed, the entity uses the same process the COGs must undertake to allocate the RHNA, described in [Government Code Section 65584.04](#), with the primary aim of furthering statutory objectives and addressing mutual challenges and opportunities for providing housing within the subregion. The allocation to the subregion by the COG must be in proportion to the distribution of households assumed for a comparable period in the RTP.

**Summary of Stakeholder Feedback**

Stakeholder feedback on the subregion process included both support as well as arguments to remove the process. Supporters of the subregion process noted that the process encourages local buy-in and engagement, as it allows local

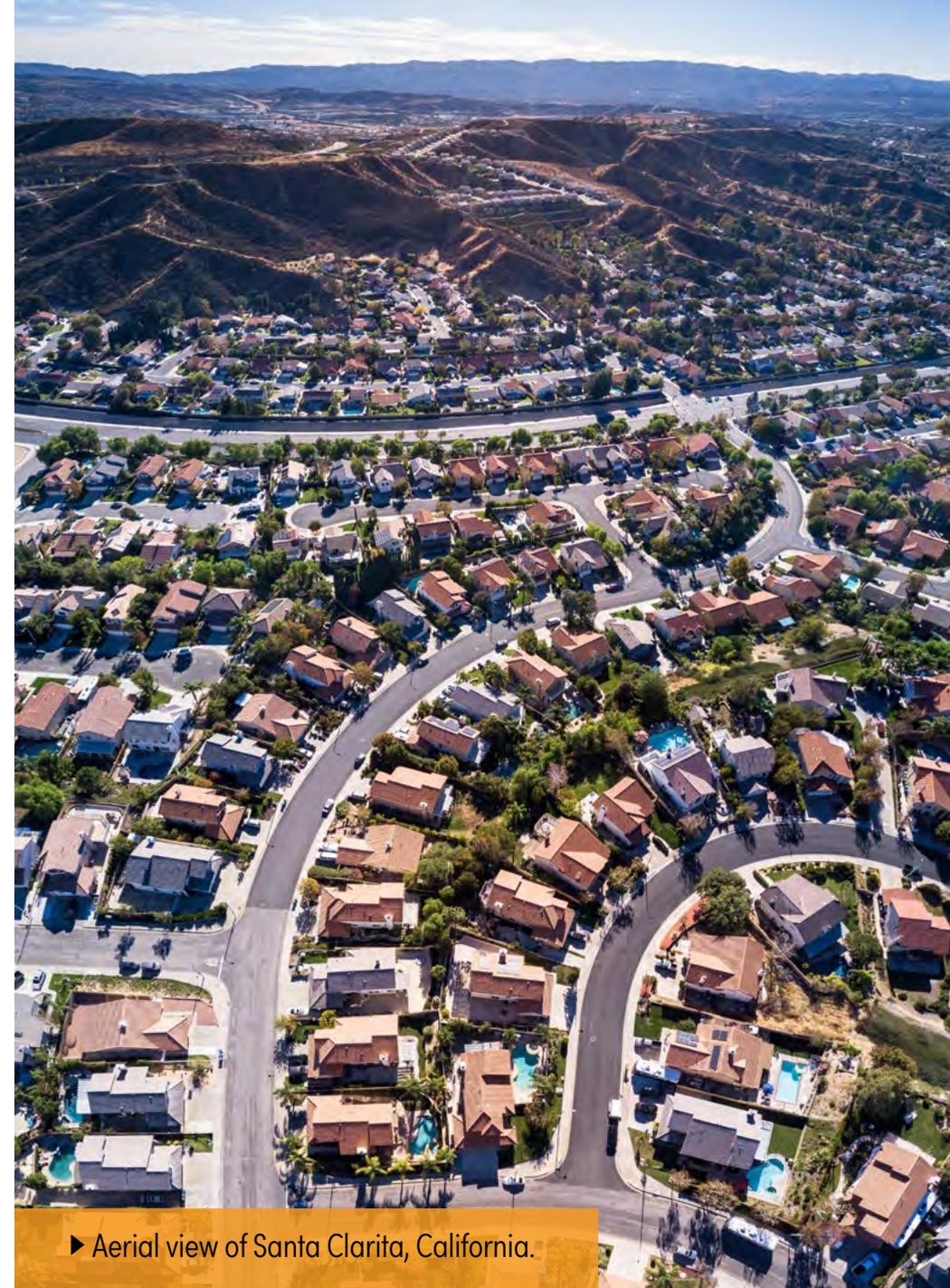
governments within each subregion to participate in the planning and implementation process. Even if a subregion is not formed, some stakeholders noted that the existence of the option to form a subregion can still encourage buy-in to the regional methodology approach.

Stakeholders also highlighted drawbacks of the subregions process, including that it adds an additional layer of administrative complexity to the RHNA process for COGs and HCD staff.

Additionally, stakeholders noted that local politics at the subregional level might undermine the overall goal of furthering statutory objectives, particularly toward AFFH. Moreover, the subregion provision has the potential to hinder the achievement of overarching regional housing goals in California. Instead of focusing on collaborative solutions to address the housing crisis holistically, the provision could encourage jurisdictions to prioritize their local interests. This could divert attention and resources away from the regional goal of ensuring sufficient and affordable housing for all residents. By perpetuating a fragmented approach, the subregion process could obstruct the state's ability to strategically tackle housing challenges on a regional scale.

## HCD-Provided Technical Assistance Changes

HCD must review each methodology to determine if it furthers the statutory objectives, whether it is a regional or subregional methodology. HCD is also required to consult with the subregion during the methodology review process. HCD plans to increase technical assistance to subregions by releasing a TA memo (described in Topic #5) that will provide subregions more guidance/support developing a methodology that furthers the objectives. Should a subregion form in a particular region, the memo can serve as an important technical assistance resource.



► Aerial view of Santa Clarita, California.

# Conclusion

California's Housing Future 2040: The Next RHNA recommends targeted actions for lawmakers to implement prior to 2025 to improve the efficacy and efficiency of our statewide housing planning process. HCD believes that the changes outlined in this report will facilitate the state's progress as it strives to ensure that every Californian has a safe, stable, and affordable home with access to opportunity. If the housing needs of all Californians are not sufficiently planned for, we will weaken our collective strength and jeopardize the economic and social health of our state. This report offers a pathway for the state to improve addressing our housing need—for current and future generations of Californians.





# Appendix



## Acknowledgements

HCD would like to extend its gratitude to:

- OPR and DOF staff for their time, partnership, and contributions to this initiative
- All Sounding Board participants for their ideas and perspectives
- Ron Milam, who provided facilitation support to the Sounding Board
- All the organizations and individuals that participated in listening sessions
- All of those who submitted survey responses, emailed public comments, or otherwise participated in presentations and discussions

## Acronyms

ABAG – Association of Bay Area Governments

ACS – American Community Survey (Census)

AFFH – Affirmatively Further Fair Housing

ALI – Acutely Low Income

APR – Annual Progress Report

BCAG – Butte County Association of Governments

CARB – California Air Resources Board

COG – Council of Government

DOE – Department of Education

DOF – State of California Department of Finance

ELI – Extremely Low Income

GC – Government Code

GHG – Greenhouse Gas

HCD – California Department of Housing and Community Development

HDIS Data – Homelessness Data Integration System

HIC – Housing Inventory Count

HUD – Federal Housing and Urban Development

Kern COG – Kern Council of Governments (Kern County)

LEHD – Longitudinal Employer-Household Dynamics

LI – Low Income

Mod - Moderate

MPO – Metropolitan Planning Organization

OPR – Governor's Office of Planning and Research

RHNA – Regional Housing Needs Assessment

RHND – Regional Housing Needs Determination

RTP – Regional Transportation Plan

SCAG – Southern California Association of Governments

SCS – Sustainable Communities Strategy

TCAC – Tax Credit Allocation Committee

VLI – Very Low Income

VMT – Vehicle Miles Traveled

## Key Terms and Definitions

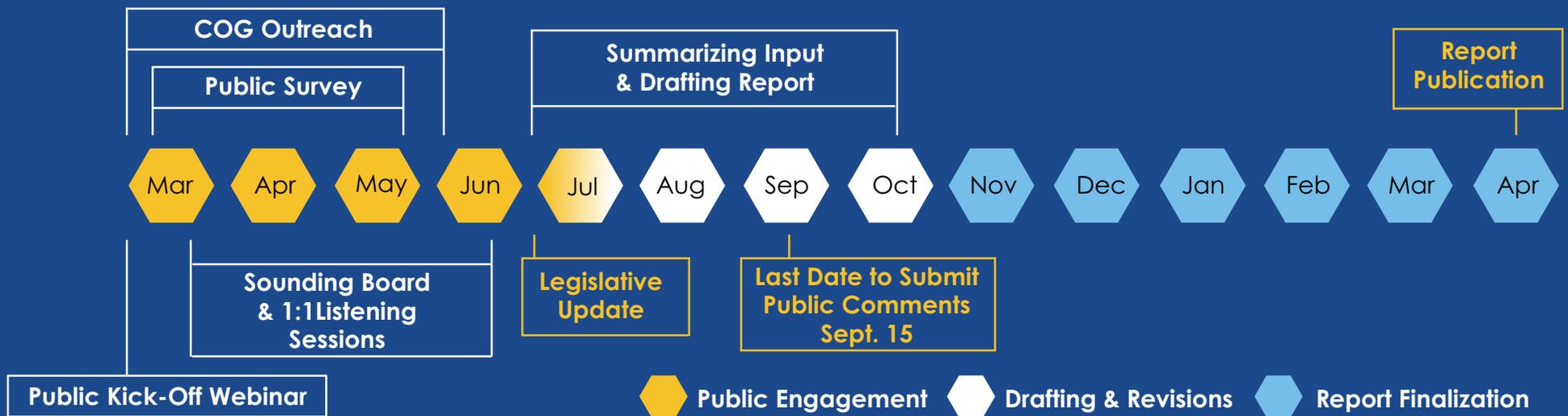
1. “Affirmatively Furthering Fair Housing”, pursuant to Government Code section 8899.50 means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, Affirmatively Furthering Fair Housing means taking meaningful actions that, taken together, address significant disparities in Housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with Civil Rights and Fair Housing Laws.
2. “Affordable Housing” means housing that is affordable (generally 30% of gross income) to Lower- and Moderate-Income households.
3. “Council of Governments” or “COG” means a single or multicounty council created by a joint powers agreement pursuant to Chapter 5 (commencing with section 6500) of Division 7 of Title 1 of the Government Code that is responsible for allocating regional housing needs pursuant to sections 65584, 65584.04, and 65584.05 of the Government Code.
4. “Department” means the California Department of Housing and Community Development.
5. “Housing” means any development that includes a house, an apartment, a mobile home, manufactured home, or trailer, a group of rooms, or a single room that is occupied as separate living quarters, or, if vacant, is intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building, and which have a direct access from the outside of the building or through a common hall.
  - a. Note: accessory dwelling units (ADU) and junior accessory dwelling units (JADU) pursuant to Government Code sections 65852.2 and 65852.22 meet the definition above.
6. “Housing Element” means the housing

- element of a community's general plan, as required pursuant to subdivision (c) of section 65302 of the Government Code and prepared in accordance with Article 10.6 (commencing with section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.
7. "Higher Resource Communities or Areas" means those areas designated as "highest resource" and "high resource" as defined by the most recent TCAC/HCD Opportunity Maps.
  8. "Jurisdiction" means a. any city, including a charter city, b. county, including a charter county, or c. city and county, including a charter city and county.
  9. "Lower-income Household" means individual households with either 1) household incomes at or below 80% of the statewide median income, or 2) household incomes at or below the threshold designated as low-income by the California Department of Housing and Community Development's State Income Limits adopted pursuant to Health and Safety Code Section 50093.
  10. "Moderate-income Households" means either 1) household incomes between 80-120% of the statewide median income, or 2) household incomes at or below the threshold designated as moderate-income by the California Department of Housing and Community Development's State Income Limits adopted pursuant to Health and Safety Code Section 50093.
  11. "Regional Housing Needs Assessment" means the existing and projected need for housing for each region, as determined by the Department pursuant to Section 65584.01 of the Government Code.
  12. "State Planning Priorities" means priorities that are intended to promote Infill development and equity, protect environmental and agricultural resources, and encourage efficient development patterns outside of Infill areas pursuant to Government Code section 65041.1.
  13. "Sustainable Communities Strategy" refers to the plan prepared by each MPO pursuant to paragraph (2) of subdivision (b) of Section 65080 of the Government Code.
  14. "Vehicle Miles Traveled" means a metric to evaluate the total miles of vehicles traveling on a roadway over a period of time.

## Stakeholder Engagement Summary

[Health and Safety Code Section 50515.05](#) directed HCD to engage in stakeholder participation to develop the recommendations found in this report. From March to July 2023, HCD solicited ideas and feedback from stakeholders for ways to improve the RHNA methodology and process. To ensure HCD received feedback from a wide range of stakeholders, the California's Housing Future 2040 stakeholder engagement initiative employed a variety of engagement strategies. These engagement strategies included: 1) a public webinar, 2) a Sounding Board of technical experts, 3) one-on-one listening sessions, 4) a public survey, and 5) a public email inbox. The following sections detail each of these engagement strategies and a summary of the input that was shared with HCD.

### Timeline CALIFORNIA'S HOUSING FUTURE 2040 | THE NEXT RHNA



## High-level Takeaways

Each topic section within this report includes a summary of stakeholder feedback relating to that particular topic. Highlighted below are some very high-level takeaways and themes:

### Overall, stakeholders expressed the following:

- The urgent importance of meeting the housing need for all Californians.
- A desire for the RHNA process to be streamlined and simplified. HCD, DOF, and the COGs should ensure that their processes are transparent, accessible, and easy to understand.
- While out of the scope of California's Housing Future 2040, stakeholders are eager to provide input on ways to improve housing elements.

### In regard to the Determination process:

- The importance of accounting for cost burden and pent-up housing needs of the existing population.
- The importance of improving how HCD accounts for the housing needs of people experiencing homelessness. The importance of considering the differing housing needs and adjustments needed by income level.

### And in regard to the Allocation process:

- The importance of encouraging new housing near community assets and daily destinations.
- Requests for additional technical assistance and objective guidance from HCD to better assist COGs in developing allocation methodologies that further the five statutory objectives.
- A desire to reexamine the list of allocation methodology factors and bases for appeals.
- Further consideration of how RHNA is planned for in unincorporated areas.
- Desire for further alignment between the RHNA and the Regional Transportation Plan (RTP)/Sustainable Communities Strategies (SCS) growth projections.

## Stakeholder Engagement High-Level Statistics:

- 4 Sounding Board Meetings
- 32 Listening Sessions
- 356 Survey Responses
- 10 Presentations
- 38 Public Comments Submitted to the [CAHousingFuture2040@hcd.ca.gov](mailto:CAHousingFuture2040@hcd.ca.gov) Inbox



## California's Housing Future 2040: The Next regional Housing Needs Allocation

STATE OF CALIFORNIA  
Housing and Community Development

### Public Webinar

On March 9, 2023, HCD launched the stakeholder engagement period with a public kick-off webinar with over 150 people in attendance. This public kick-off webinar provided an overview of the California's Housing Future 2040 initiative and described the different manners in which stakeholders could participate in the initiative. HCD detailed how the RHNA process currently works, the scope of the California's Housing Future 2040 initiative, and the topics where HCD was particularly looking for input. The [slides](#) from the presentation and a [recording of the webinar](#) can be found on [HCD's RHNA webpage](#).

- ▶ Two examples of Accessory Dwelling Units (ADUs), featured in California backyards.



## Sounding Board

Between May and June, HCD convened a Sounding Board of approximately 30 stakeholders for four meetings focused on a series of specific, technical questions where HCD sought issue specific feedback. The Sounding Board was made up of technical experts who represented local and regional governments, academics, advocates, state government, and the Legislature. The Sounding Board was not a decision-making body but was rather focused on hearing ideas and feedback from a cross section of stakeholders. HCD employed the help of an external professional facilitator to conduct the Sounding Board meetings.

The following organizations and individuals participated in the Sounding Board meetings:

- **Academic Representatives**

- » Ben Metcalf – Turner Center for Housing Innovation at the University of California at Berkeley
- » Chris Elmendorf – Professor of Law at the UC Davis School of Law
- » Dowell Myers – Professor of Policy, Planning, and Demography at the USC Sol School of Public Policy
- » Paavo Monkkonen – Professor of Urban Planning and Public Policy at the UCLA Luskin School of Public Affairs
- American Planning Association California Chapter (APA California)
- Assembly Housing Committee
- Association of Bay Area Governments (ABAG)
- California Air Resources Board (CARB)
- California Association of Councils of Governments (CALCOG)
- California Building Industry Association (CBIA)
- California Business, Consumer Services and Housing Agency (BCSH)
- California Rural Legal Assistance Foundation (CRLAF)
- California YIMBY
- Center for Continuing Study of the California Economy (CCSCE)
- Demographic Research Unit of the California Department of Finance (DOF)
- Fresno Council of Governments
- Governor's Office of Planning and Research (OPR)
- Kennedy Commission
- Leadership Counsel for Justice and Accountability
- League of California Cities (Cal Cities)
- Merced County Association of Governments (MCAG)
- Public Advocates
- Public Interest Law Project (PILP)
- Rural County Representatives of California (RCRC)
- Sacramento Area Council of Governments (SACOG)
- San Diego Association of Governments (SANDAG)
- Senate Housing Committee
- Southern California Association of Governments (SCAG)
- Urban Counties of California
- YIMBY Law

While the Sounding Board meetings were not open to the public, the agendas and background materials were posted online, and the public was welcome to submit written public comments regarding the meeting agenda items for HCD's consideration. HCD received approximately 10 public comments in regard to Sounding Board agenda items. While some feedback shared wide support from participants, the feedback below does not represent a consensus among Sounding Board attendees.

## SOUNDING BOARD MEETING #1

### *Kick-Off and RHND-related Questions*

[\(Link to Agenda\)](#)

The first Sounding Board meeting discussed the RHND-related topics regarding homelessness, cost burden, jobs/housing, and comparable regions.

#### **Homelessness feedback:**

- Explore Department of Education data in addition to the PIT count
- Add ELI and ALI income categories to RHNA
- Support for adding a homelessness adjustment to the Determination
- The importance of planning for the permanent, long-term housing needs of people experiencing homelessness, and opposition to providing RHNA credit for short-term emergency shelter.

#### **Cost burden feedback:**

- Cost burden and overcrowding are salient issues for the current population and those adjustments should be applied to the existing population in the Determination
- Cost burden and overcrowding are salient issues for the current population and those adjustments should be applied to the existing population in the Determination
- Concern that if HCD only applies the cost burden adjustment to future projections, HCD is undercounting the housing need and not accounting for the way cost burden depresses future demand
- Mixed support for HCD determining a healthy cost burden rate

- Potential regional and local government distrust in an HCD created healthy cost burden rate
- How to account for overlap between households experiencing both overcrowding and cost burden
- Support for applying cost burden adjustment to existing population. Mixed support for also applying cost burden adjustment to projected population
- Support for setting a target that would eliminate excessive cost burden over 30% of a household's income
- The importance of breaking out housing needs and cost burden adjustment by income categories

### **Jobs/housing feedback:**

- Consider the inflow of binational commuters across the border from Mexico in San Diego and Imperial Counties
- Desire to see the jobs/housing adjustment applied by income levels rather than total inflow/outflow of workers
- COGs should utilize a jobs/housing standard in their allocation methodologies

▶ Aerial view of Garden Grove, California.



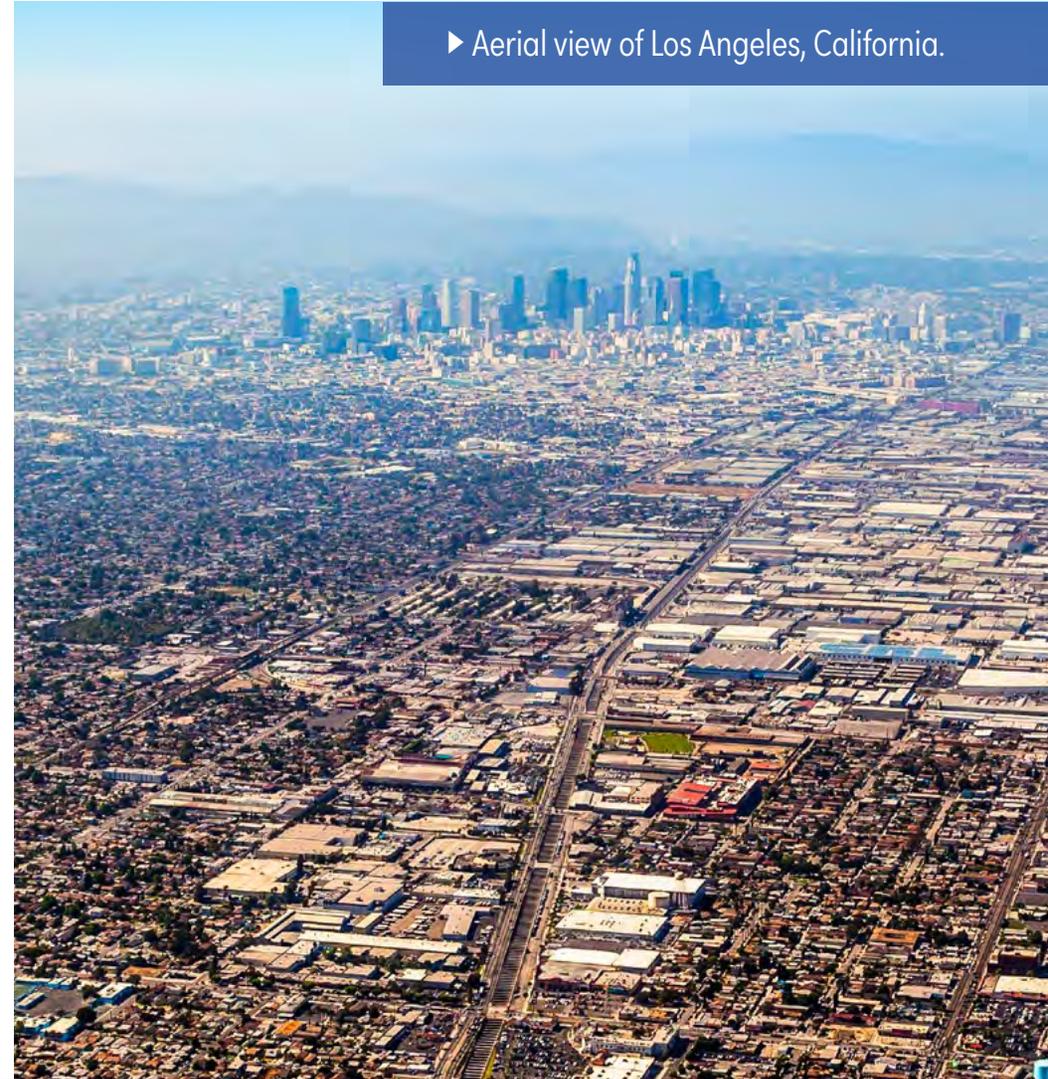
- Opposition to incorporating a jobs/housing adjustment reduction due to an outflow of workers to other regions
- Questions regarding the suitability of 1.5 jobs per household as a healthy metric given high rates of retirees in some regions
- Desire to better understand the impact of remote work trends on the topic of jobs/housing balance
- Support for inflow/outflow jobs/housing adjustment
- Weight jobs that require in-person work more heavily in jobs/housing calculations

### Comparable regions feedback:

- Consider the average of the 10 largest metro areas or an approach prepared by a panel of experts
- Concerns regarding HCD using a methodology that compares California communities to other parts of the country that are also experiencing a housing crisis; questions regarding the presence of any 'healthy housing markets' in the US at this time
- Mixed support for using national average rather than the political process of having COG boards determine comparable regions
- Base adjustment on development feasibility
- The comparable regions process creates more contention and ambiguity than benefit
- There is no 'neutral' correct answer – some of this is a political decision
- There is no comparable region to SCAG, but the national average also does not seem appropriate; request for third-party review of HCD's determination process, including comparable regions

While not in direct to response to the meeting questions, attendees also highlighted the need for additional consistency regarding the treatment of group quarters and the importance of applying an equity lens to all components of the RHNA process.

▶ Aerial view of Los Angeles, California.



**SOUNDING BOARD MEETING #2*****AFFH and Furthering Statutory Objectives of RHNA***

[\(Link to Agenda\)](#)

The second Sounding Board meeting discussed allocation-related topics regarding furthering all statutory objectives of RHNA, AFFH, and the allocation methodology factors.

**Furthering the five statutory objectives of RHNA feedback:**

- HCD should provide written guidance with benchmarks and sample methodologies; suggestion to make benchmarks available in advance and to offer multiple scenarios or paths to compliance
  - Housing should be allocated to where there is the greatest market demand
  - Balancing objectives is particularly tricky with allocations to unincorporated areas
  - HCD guidance should cover a variety of land use strategies to reduce GHG emissions, how to assess lower income distribution, and jobs/housing balance.
- High resource areas are where zoning presents the biggest barrier to development
  - If HCD creates benchmarks to guide COGs, these should include ranges to give regions some flexibility as an acknowledgement of the challenges of balancing objectives
  - Need for clarity when balancing objectives that may appear to be in conflict
  - Pre-approved data is helpful
  - Preference for creating benchmarks through an iterative process with COGs and local governments
  - Reliance on the regional growth forecast as the foundation for an allocation methodology can be a way to backdoor in factors that are supposed to be off-limits, like existing zoning capacity
  - Support for clarifying what happens when an allocation methodology does not further all statutory objectives

**AFFH feedback:**

- Apply AFFH as an overarching objective across all objectives
- Cities need more funding to build lower income housing, but rezoning is free and will lead to more housing now through things like inclusionary zoning
- Concerns over treatment of AFFH as a binary in the allocation process
- Consider the percentage of residential land that is zoned for single family zoning as an exclusionary zoning factor
- Allocate more RHNA to areas with less existing zoning capacity to encourage greater rezoning efforts
- Explore ways for making the public process more accessible
- Add an AFFH-related methodology factor
- TCAC/HCD Opportunity Map may not be the best tool for use in allocation methodology because it does not account for protected classes and was not built with land use purposes in mind. Racial segregation patterns should be considered.

**Allocation methodology factors feedback:**

- Adding more factors can lead to worse outcomes and distract from the statutory objectives; could make it harder for COGs and the public to understand the RHNA process
- Clarify the development capacity factor
- Consider infrastructure capacity
- Emphasize the market feasibility of development
- Information gathered from local jurisdiction surveys regarding the factors is oftentimes not usable, adds a lot of work, and introduces equity concerns
- Support for removing redundant factors or those that run counter to AFFH such as cost burden and overcrowding factors

**SOUNDING BOARD MEETING #3*****Housing + Transportation Planning Alignment & Climate Change***

[\(Link to Agenda\)](#)

The third Sounding Board meeting discussed allocation-related topics regarding housing and transportation planning alignment, environmental hazards, and the loss of units during a state of emergency.

**Housing and transportation planning alignment feedback:**

- Adding requirements to the RTP/SCS can add challenges to meeting climate goals
  - Consider expanding the RHNA time horizon to match the RTP/SCS time horizon
  - RHNA and RTP/SCS alignment makes more sense if they are based on feasibility rather than aspirational goals, with considerations for funding and development capacity
- Mixed opinions on how to clarify what it means for the RHNA to be consistent with the RTP/SCS
  - Mixed preferences for ordering of RHNA vs. RTP completion
  - Opposition to delinking the RTP/SCS forecasted development pattern from the RHNA
  - Provide the RHND earlier so it can be meaningfully incorporated into the RTP/SCS
  - The SCS is driven too much by the singular goal of GHG emission reduction and should be paired with other goals like equity or the statutory objectives of RHNA
  - There are a variety of ways that the COGs interpret and implement the RTP/SCS requirements

**Environmental Hazards feedback:**

- Building new homes in undeveloped areas with environmental hazard risks is more concerning than adding more housing in existing communities with hazard risks
- While allocations are made at the jurisdictional level, hazards do not follow jurisdictional boundaries and may only impact a portion of a community
- If allocations are to include environmental considerations, COGs need data and evidence that is not provided by the jurisdiction. COGs are not best positioned to determine legitimacy of infrastructure constraints, climate hazards, and sufficiency of mitigation efforts
- Lowering allocations in areas with high hazard risk would likely undermine AFFH goals
- Recommend being very conservative in the amount that environmental hazards can influence the allocation plan due to the risk of political manipulation. Every community in California faces some sort of environmental hazard risk. Only consider hazards at the allocation stage when 100% of a jurisdiction is in a high hazard risk zone.

**And on the topic of loss of units during a state of emergency, attendees shared the following:**

- Need to better understand post-disaster relocation trends
- Communities should have the option to rebuild if they want to, but the state should not require that units go back to the same place where a disaster occurred
- Reallocate based on risk levels or where market demand is highest in the state
- The least complicated reallocation strategy would be to add the units to the bigger regional allocation pot rather than creating a second process for reallocating units lost during a disaster

- ▶ West Capitol Apartments, a permanent supportive housing building in West Sacramento, California.. Photo courtesy of Hope Cooperative.



## SOUNDING BOARD MEETING #4

### *Group Quarters, Process Improvements, and Transparency*

[\(Link to Agenda\)](#)

The last Sounding Board meeting discussed topics regarding capturing the housing needs of populations living in group quarters, the subregion process, the appeals process, transparency, and other process improvements.

### Capturing the housing needs of populations living in group quarters feedback:

- Adding group quarters to the RHND may complicate the COGs' allocation methodology development process
- Group quarters should not be included in the RHND if they represent involuntary housing or circumstances where jurisdictions have no authority over the construction of the facility
- Mixed support for including group quarters in the RHND Should consider crediting group quarter types, like suite-style student housing, that functionally act like regular housing units
- Should consider populations living in emergency shelters as part of housing need

### The subregion process feedback:

- Mixed opinions on whether to keep or remove the subregion process
- Consider potential complications that if a subregion receives an allocation

- proportional with the RTP/SCS growth pattern, it may be inconsistent with the statutory objectives
- Consider the timing issue that a subregion has to receive the allocation 25 months before the housing element due date, which is before the COG has adopted the RHNA methodology
- The subregion process has the potential to undermine regional planning by avoiding the allocation methodology developed by the COG

#### **The appeals process feedback:**

- Explore the possibility of renaming appeals process to 'correction' process to more accurately characterize the scope of what is an allowable appeal
- HCD should not have additional oversight over the appeals process as HCD is eligible to submit an appeal
- HCD should provide a statewide summary of what is and is not a justifiable appeal to save COGs time and effort
- It is helpful when HCD provides comment letters on appeals received by COGs
- It would be helpful to have additional time to complete appeals hearings in large regions

- Narrow the appeals process to administrative errors in the application of the methodology, not the methodology itself. This would save time and result in similar outcomes. As it currently functions, the appeals process allows opportunities for political grandstanding at no cost to jurisdictions
- Refine the 'change of circumstance' basis for appeal to clarify that the change in question must disproportionately impact that jurisdiction
- Remove connection to the jurisdictional survey in the bases for appeal

#### **Transparency and other process improvements feedback:**

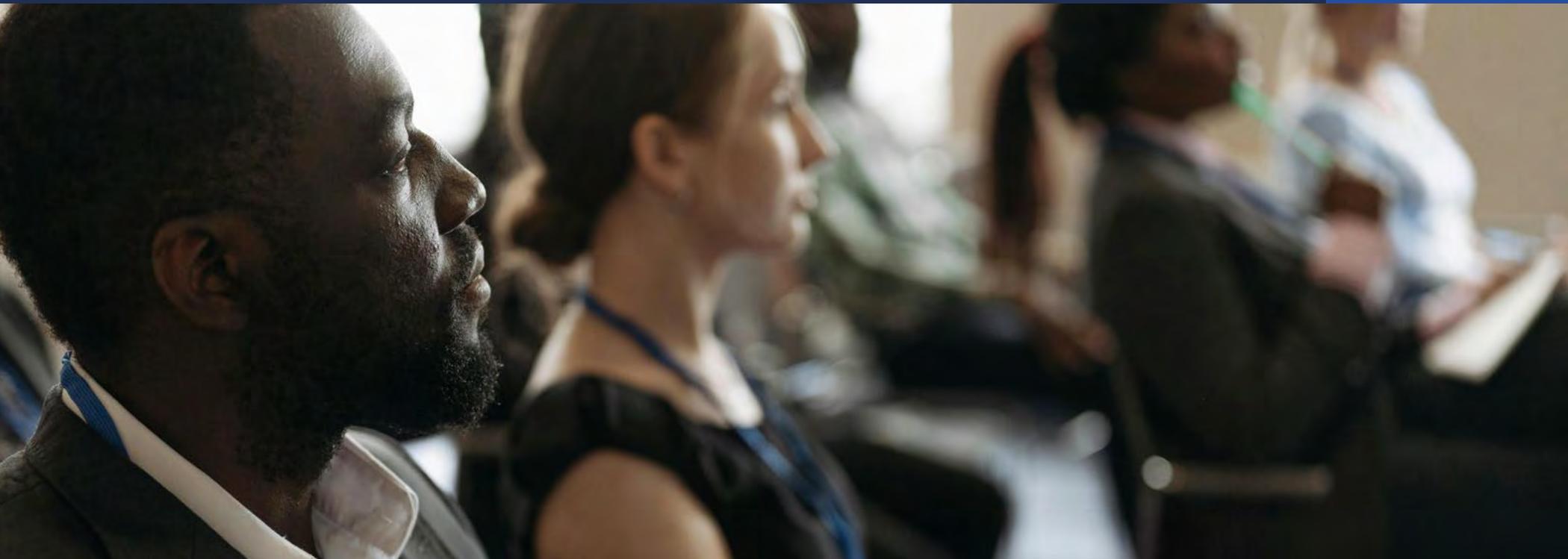
- An expanded timeline would ease the burden on COGs with small staffs who may be simultaneously updating the RTP/SCS if they are an MPO
- Provide clarity on the income categorization of the RHND
- HCD could communicate using a public message board rather than by private email
- HCD, DOF, and COGs should better explain their processes at each step in a manner that is accessible to the public. HCD should

include the narrative history and goals of RHNA in the determination letters.

- Mixed support for holding a public hearing or webinar during the Determination stage
- RHNA steering committees should involve participation from a wider range of social equity groups who can speak to the worst impacts of the housing crisis
- Simplifying the RHNA process would make it easier for the public to understand
- Using maps and visualization tools would help members of the public understand the allocation methodology factors, weighting, and trade-offs
- While not in direct response to one of the questions, attendees shared alternative ideas to the RHNA framework. The ideas included a preference of moving towards a model based on Prohousing Designations. The ideas also included a shift from RHNA to a model focused on zoning changes. In the proposed model, each jurisdiction would have a requirement for the percent of infill land that must be zoned for housing at certain density levels. The methodology would then toggle that percentage of land up or down based on objectives.

▶ A home in Palm Springs, California.





## Listening Sessions

From April to July, HCD held one-on-one and small group listening sessions with state agency partners and other stakeholders with technical expertise in topic areas that intersect with RHNA. These listening sessions were aimed at exploring specific questions, as well as receiving feedback and hearing ideas from the perspective of the organizations' areas of expertise.



**HCD held approximately 32 listening sessions, and met with the following organizations and individuals:**

- Abundant Housing LA
- Academics
  - » Chris Benner – Professor at UC Santa Cruz
  - » Ben Metcalf – Turner Center for Housing Innovation at UC Berkeley
  - » Chris Elmendorf – Professor of Law at the UC Davis School of Law
- Association of Bay Area Governments (ABAG)
- Board of Forestry and Fire Protection
- CAL FIRE
- California Air Resources Board (CARB)
- California Association of Councils of Governments (CALCOG)
- California Behavioral Health Planning Council's Housing and Homelessness Committee
- California Building Industry Association (CBIA)
- California Coalition for Rural Housing (CCRH)
- California Coastal Commission  
California Commission on Aging
- California Department of Aging
- California Department of Conservation
- California Department of Transportation (Caltrans)
- California Disability Community Action Network
- California Governor's Office of Emergency Services (Cal OES)
- California Interagency Council on Homelessness (Cal ICH)
- California State Transportation Agency (CalSTA)
- California State Water Resources Control Board
- California Transportation Commission (CTC)
- COGs

- Demographers
  - » Beth Jarosz – Population Reference Bureau
  - » Kevin Kane – SCAG
  - » Stephen Levy – Center for Continuing Study of the California Economy (CCSCE)
  - » Dowell Myers – Professor of Policy, Planning, and Demography at the USC Sol School of Public Affairs
  - » Walter Schwarm - DOF
- Department of Finance (DOF) Demographic Research Unit (DRU)
- ECONorthwest
- Housing California
- Housing Leadership Council of San Mateo County
- Humboldt Community Association of Governments' Community Economic Resilience Consortium (CERC)
- Joint CTC/CARB/HCD Meeting
- Justice in Aging
- LeadingAge California
- Oregon Department of Land Conservation and Development
- Othering and Belonging Institute at UC Berkeley
- Public Advocates
- Public Interest Advocates
- Public Interest Law Project
- San Luis Obispo Council of Governments (SLOCOG)
- Senator Catherine Blakespear
- Southern California Association of Governments (SCAG)
- State Housing and Transportation Workgroup
- Turner Center for Housing Innovation at UC Berkeley
- The Corporation for Supportive Housing (CSH)
- UC Davis Western Center for Agricultural Health and Safety

These listening sessions were illuminating, and stakeholders shared a wide variety of ideas and insights with HCD staff that informed the recommendations in this report. **To illustrate the breadth of these discussions, below is a sampling of the topics discussed in these listening sessions:**

- AFFH
- Allocation methodology development process, engagement, inputs, and weighting
- Allocations to unincorporated areas
- Appeals process
- Balancing the five statutory objectives of RHNA
- Comparable regions
- Considerations for housing needs in rural communities
- Considerations for promoting infill development and reducing VMT and GHG
- Demographic changes
- Development capacity and feasibility
- Environmental hazards, risk exposure, and risk mitigation
- Fair housing data and opportunity maps
- Farmland, open space, and natural resources data
- Farmworker data and housing needs
- Homelessness data sources
- Household formation rates and household projections
- Housing needs of an aging population
- Income categorization
- Jobs/Housing balance metrics, analyses, and data
- Local jurisdiction data surveys
- Populations living in group quarters and populations with special needs
- Post-disaster housing needs
- Refining and updating the allocation methodology factors
- RHNA and RTP/SCS alignment and timing
- Short-term rentals and second homes
- Technical assistance resources
- Vacancy rates
- Water resources, opportunities, and constraints

## Public Survey

From March to May, HCD conducted a public survey that asked stakeholders to provide input and share ideas on topics identified as priorities for improving the RHNA process. This survey was open for eight weeks and received 356 responses from a variety of types of stakeholders. The survey consisted of a total of 20 questions organized by the following topics:

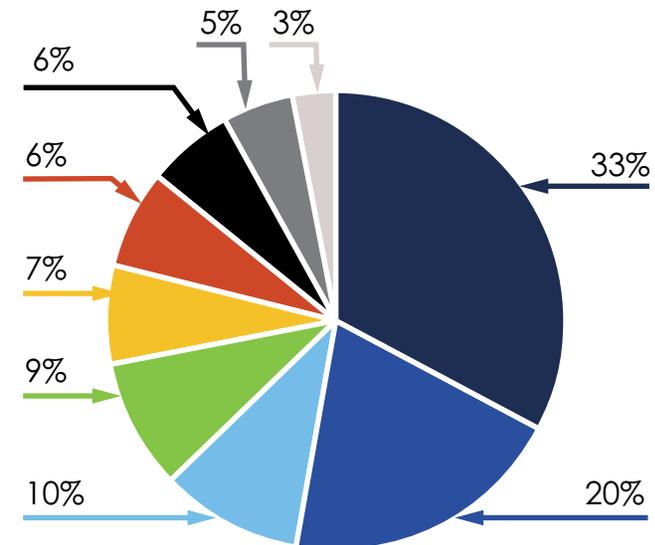
- **Populations Living in Group Quarters**
- **Allocation Methodology** – COG Process
- **Allocation Methodology** – AFFH
- **Allocation Methodology** – Aligning State Planning Goals
- **Planning for Housing in the Context of Climate-Related Environmental Hazards**

These questions were aimed at providing insight to HCD regarding topics identified as priorities for improving the RHNA process.

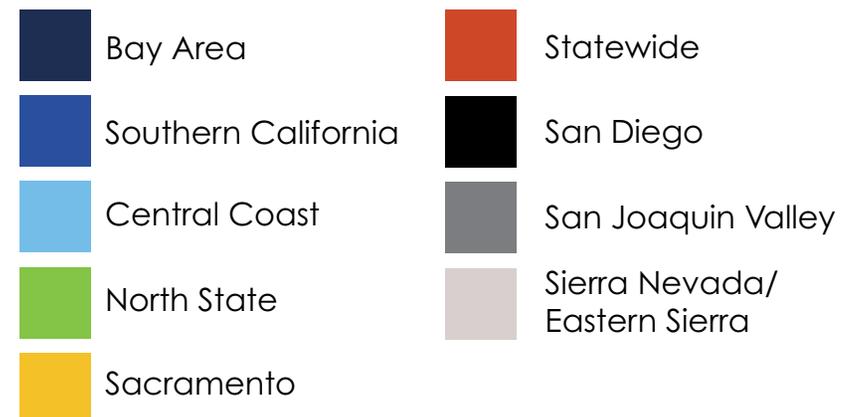
### Who completed the survey?

The survey received 356 responses from people and organizations throughout the state, with the largest representation from the Bay Area (33%) and Southern California (20%). Over 20 types of individuals or organizations completed the survey, with the three largest groups being local governments (39%), private residents (10%), and housing advocates (7%).

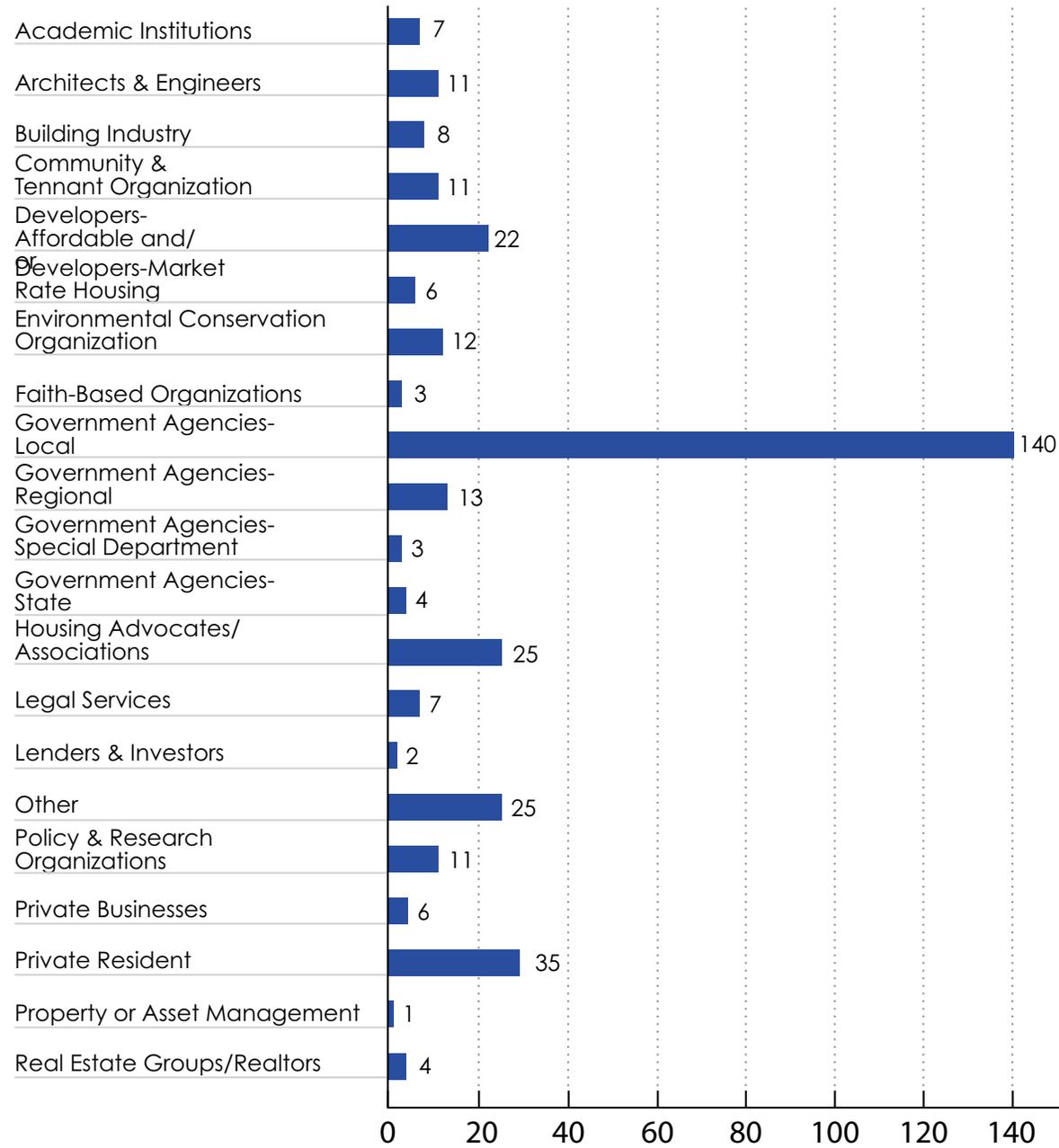
## What region does your organization work in?



### Locations



Organization Type



## Populations Living in Group Quarters

The survey asked four questions on the topic of Populations Living in Group Quarters. These questions directly informed a number of the Determination-Related recommendations found in this report.

The basis for the housing need determinations are demographic projections developed by the Department of Finance and regional Councils of Government (COG). The projections provide the number of future households living in the region. People who are forecast to live in both institutional and non-institutional group quarters are not included in the population of people forecast to live in households and are therefore not planned for during the RHNA process. Some group quarters facilities include emergency shelters, transitional housing, group living facilities for agricultural and non-agricultural workers, and student housing. Including some of the people who live in group quarters in the housing need determination could help provide additional housing opportunities for these population groups and could provide credit to local governments for permitting these types of facilities.



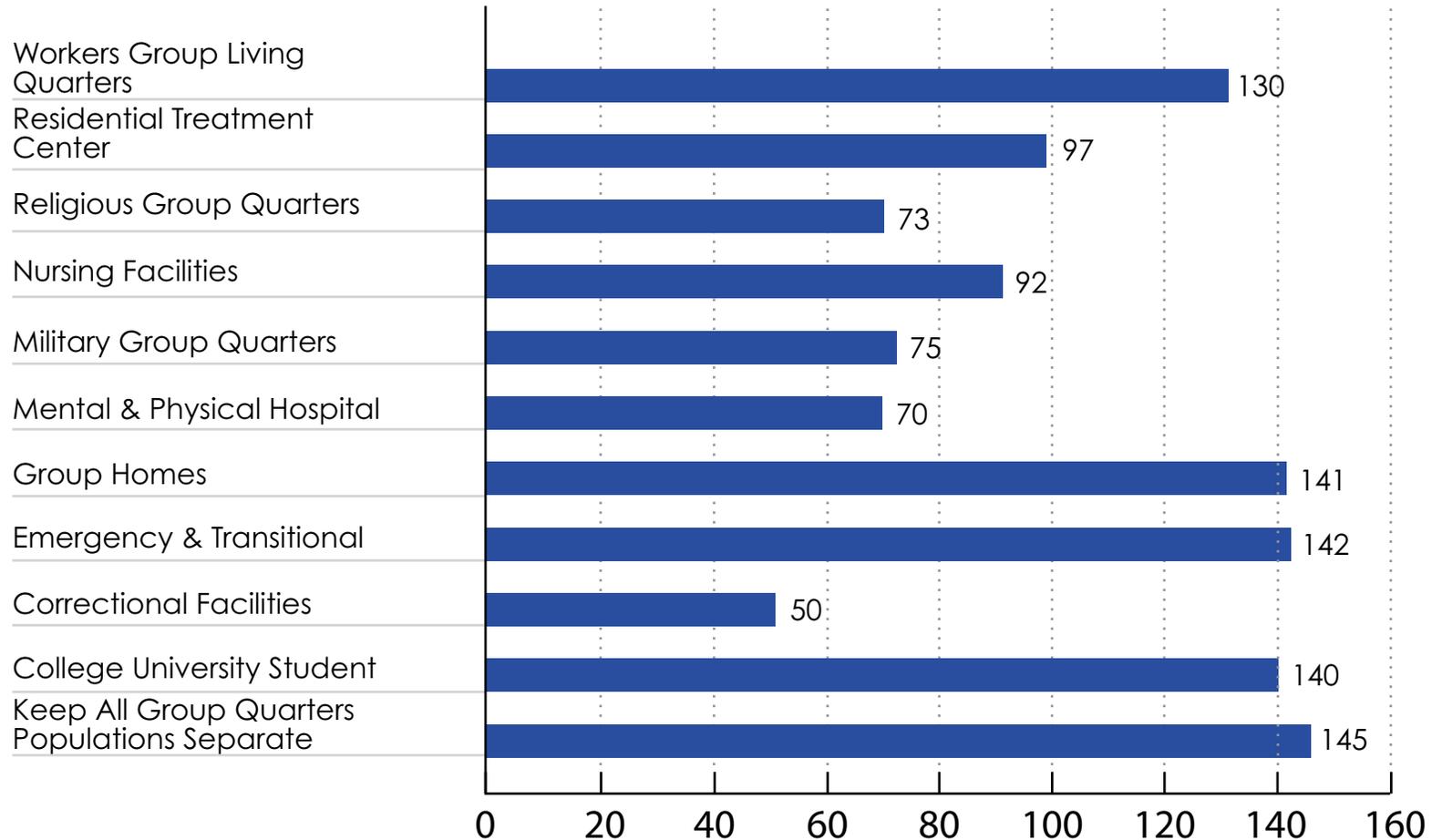
► Resident vegetable garden at Spring Lake Apartments, Woodland, California. Spring Lake Apartments serves farmworker households.

## Question Responses

59% of respondents shared that they would like to see at least one kind of group quarters included in the RHND, whereas 41% stated they would not like to change how group quarters are treated in the RHND. The types of group quarter populations that received the most support in the survey to be included in the RHND were 1) Emergency and Transitional Shelters (40%), Group Homes (40%), College/University Student Housing (39%), and Workers' Group Living Quarters (37%).

## Group Quarters Populations

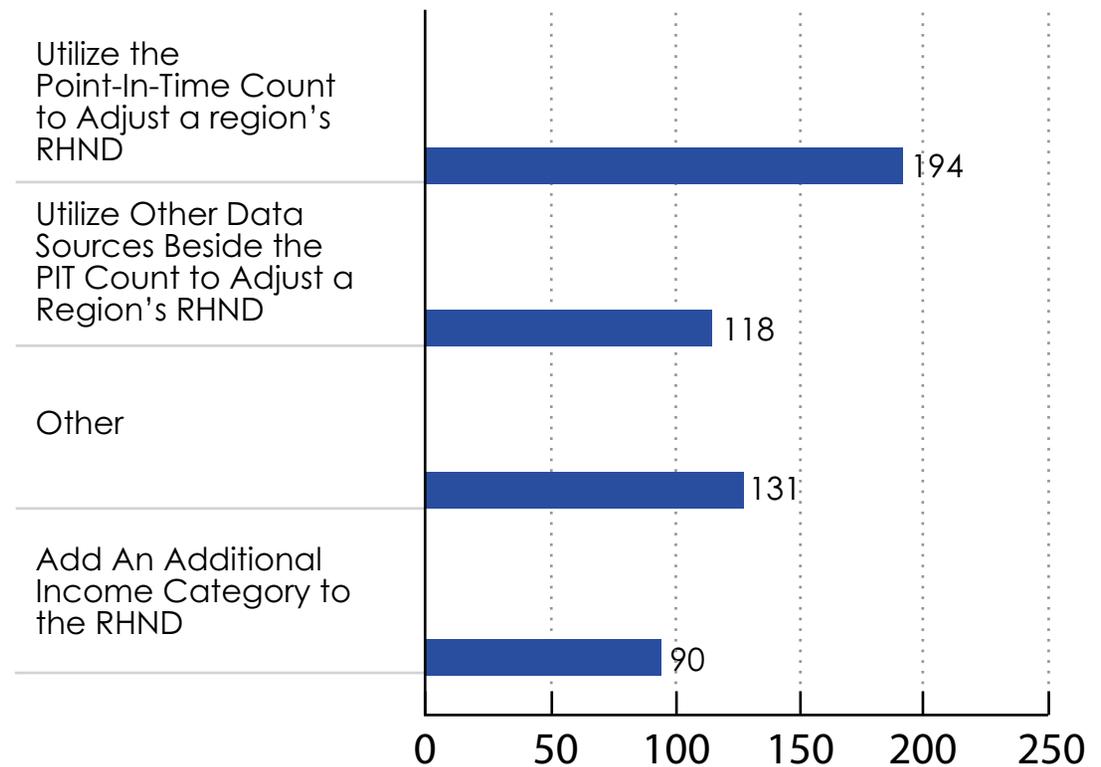
In past RHNA cycles, populations that live in group quarters were considered separately from populations projected to live in housing units as defined by the census. Should certain populations that live in group quarters be included in the Determination?



## People Experiencing Homelessness

When asked about how the RHND might be improved to reflect the housing needs more accurately of people experiencing homelessness, survey respondents showed support for utilizing the PIT count (54%). Other data sources or methodologies that were suggested by respondents included HDIS data, Department of Education data, and options for allowing COGs to provide an acceptable methodology or multiplier for enhancing the PIT count upwards to account for undercounts in the data. Survey respondents showed modest support for also creating additional income categories, i.e., acutely low income (29%).

How can the Regional Housing Needs Determination be improved to more accurately reflect the housing needs of people experiencing homelessness and to plan for sufficient shelter, transitional, and permanent housing options?

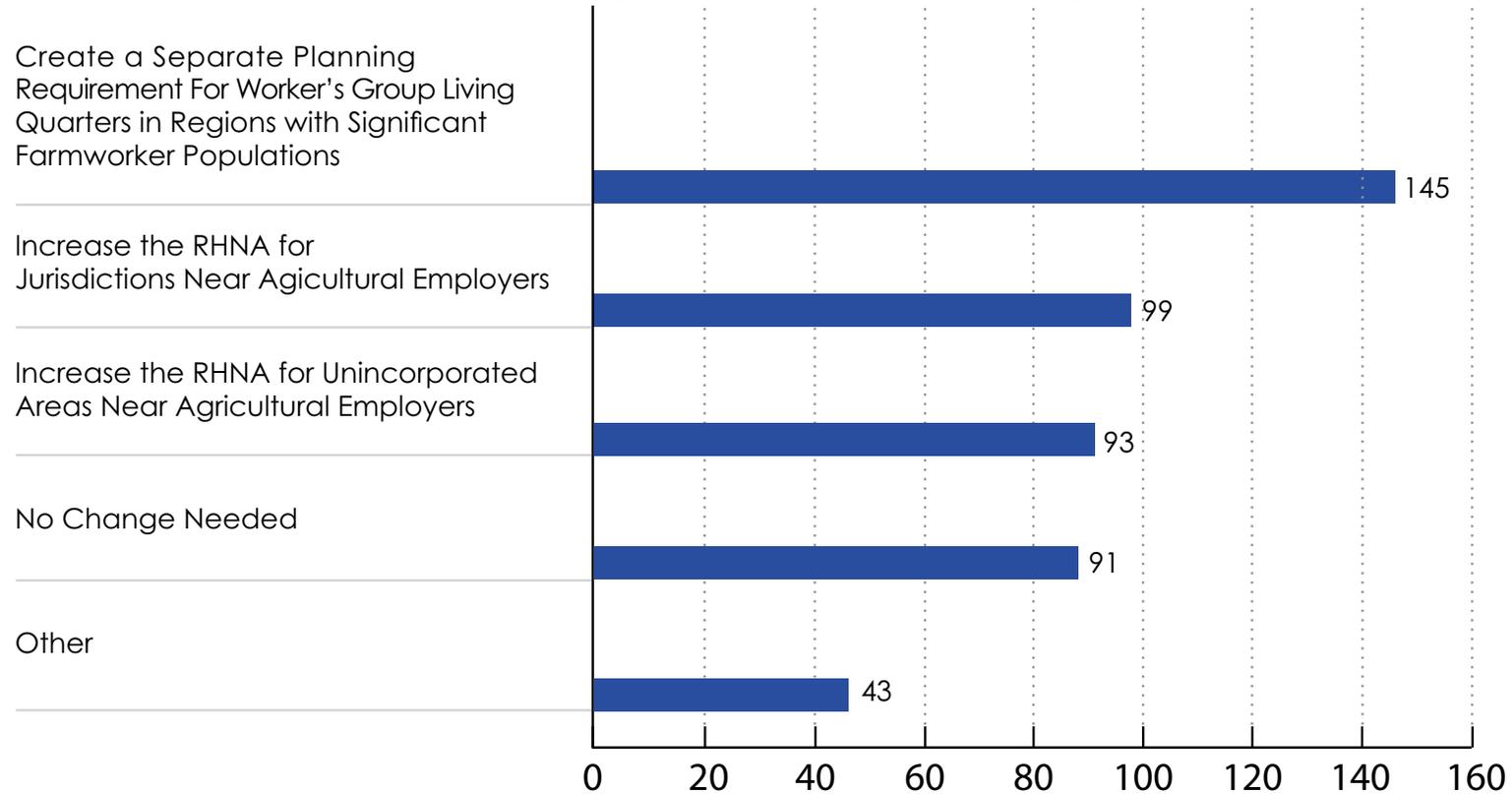


## Housing Needs of Farmworkers

The survey also directly asked respondents regarding how to better account for the housing needs of farmworkers in California. While some support was shown for creating a separate planning requirement for workers' group living quarters in regions with significant farmworker populations (42%), support was also shown for increasing the RHNA for jurisdictions (28%) and

unincorporated areas (26%) near agricultural employers. Comments in the "other" response option highlighted the need to promote integration of farmworker housing into nearby communities, to decouple farmworker housing from employers, and to develop best practices/guidance for regions or jurisdictions with a significant number of agricultural uses and farmworkers.

### Could the RHNA process be changed to better account for the housing needs of farmworkers?

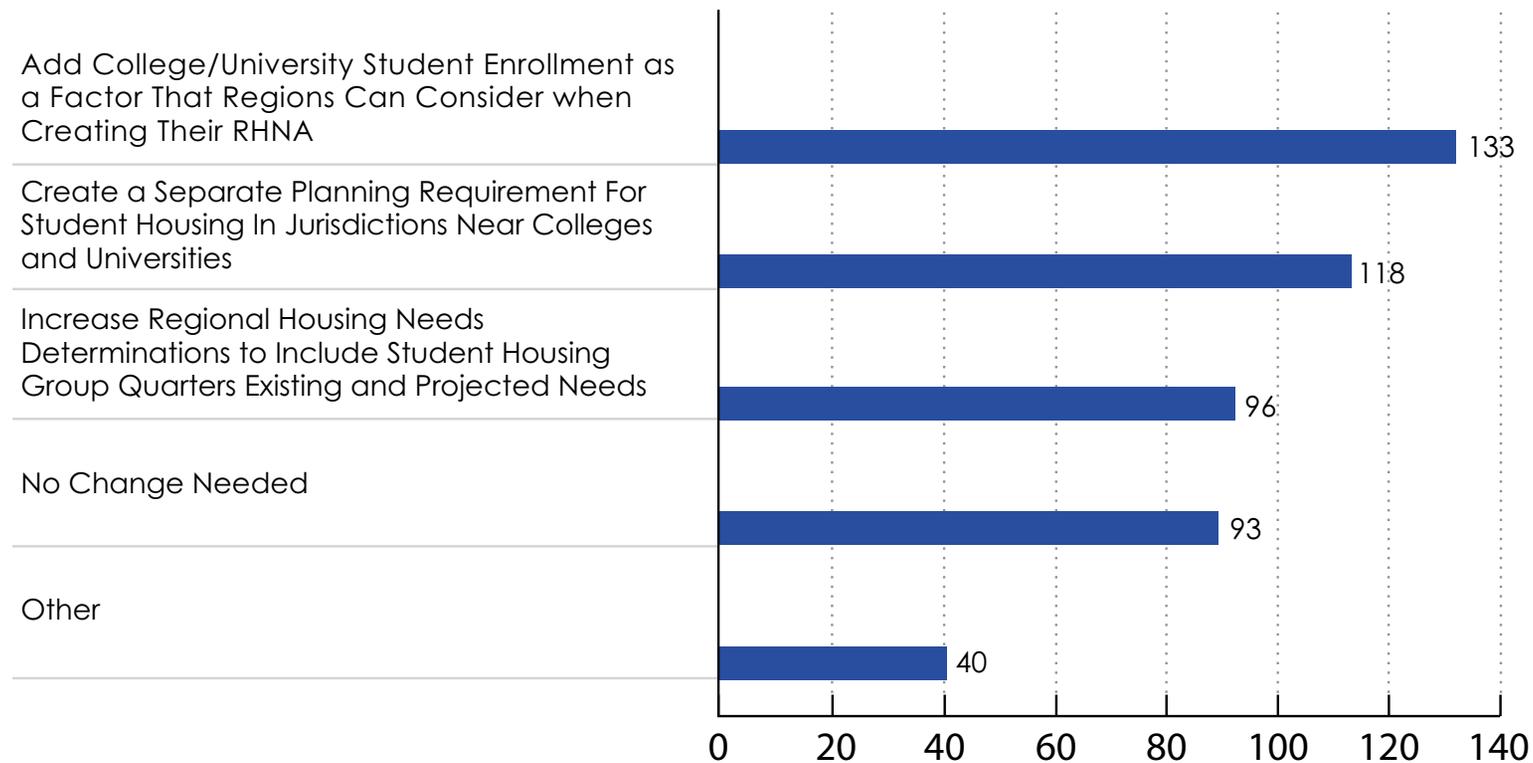


## Housing Needs of College/University Students

As the last group quarters-related question in the survey, respondents were asked if there were ways to better account for the housing needs of college/university students. Responses indicated support for considering college/university student enrollment as an allocation methodology factor (38%), creating a separate planning requirement for student housing (34%), and increasing the RHND to include student housing group quarters

(26%), whereas 26% stated that no change is needed. Comments in the “other” response option highlighted a preference for HCD and COGs to work with universities to create student housing needs assessments, as well as concerns over the responsibility of planning for student housing without land use authority over universities. Comments also indicated support for allowing credit on APRs for student housing.

Could the RHNA process be changed to better account for the housing needs of college/university students?



## Allocation Methodology – COG Process

The survey asked four questions on the topic of the Council of Government (COG) Process. These questions directly informed a number of the Allocation-Related recommendations found in this report.

HCD currently provides technical assistance to COGs throughout the methodology development process. HCD generally meets with each COG early in the process to provide a summary of the RHNA methodology development timeline and statutory requirements, as well as a high-level overview of what HCD looks for in its methodology review. HCD also offers to complete a preliminary review of the methodology before the COG submits its official draft to HCD. This allows COGs to consider HCD feedback while the COG board, staff, committee members, and stakeholders are still exploring a range of methodology design options. After the COG submits its official draft methodology to HCD, HCD staff provide written findings noting whether the methodology furthers the five statutory objectives.

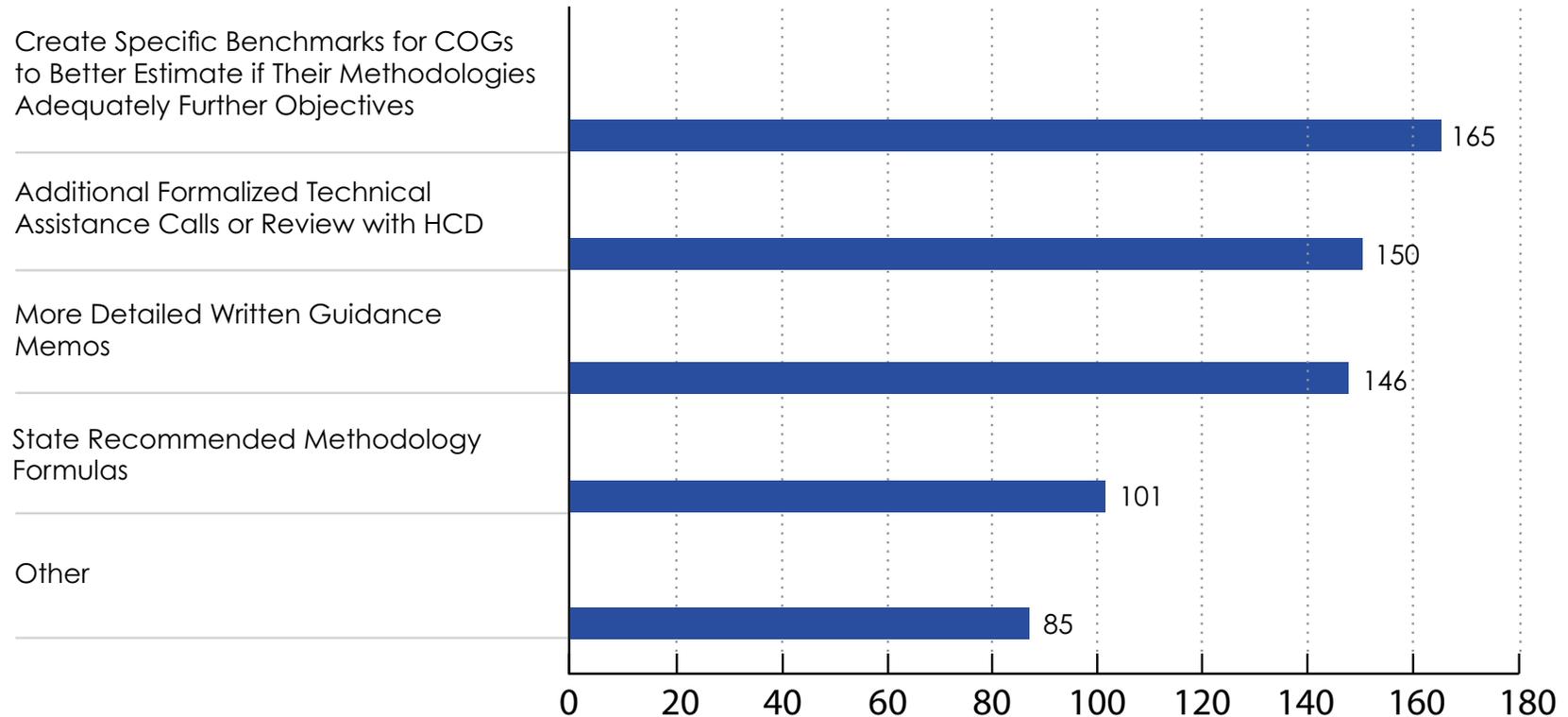
## Question Responses

To further improve HCD's technical assistance guidance to COGs and to help ensure that the COG allocation methodologies further the five statutory objectives, HCD asked a question regarding the types of approaches, resources, or tools that might be helpful. Survey respondents showed strong support for many of the ideas put forward in the survey, including the creation of benchmarks (46%), additional technical assistance calls or reviews (42%), guidance memos (40%), and state-recommended methodology formulas (26%).

Comments in the “other” response option highlighted a number of other suggestions. While many respondents requested additional objective guidance from HCD, with some even stating a preference for HCD to predetermine the allocation methodology for each region, others wanted flexible guidance tailored to local contexts with COG discretion. Other comments focused on suggestions regarding clarity of the timeline – with recommendations for COGs to receive the RHND earlier in the process and for HCD to provide region-specific timelines of interim and final milestones for each COG.

## Technical Assistance to Regional Governments

What types of approaches, resources, or tools would be helpful in communicating to regional governments how to further the statutory objectives of RHNA when developing RHNA methodologies?



## Data

In addition, HCD asked two questions on the topic of the local data surveys that COGs currently administer as they prepare their allocation methodology formulas. State statute identifies factors that a COG must consider in developing its RHNA methodology, to the extent sufficient data are available. COGs are required to survey their member jurisdictions in order to collect data on these statutory factors in order to develop their RHNA methodology. These surveys are intended to provide context on local conditions during the development of the RHNA methodology.

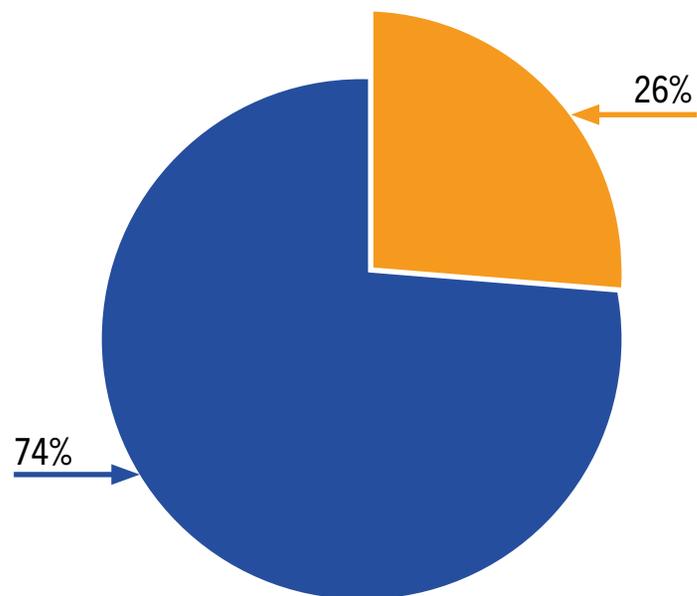
The survey responses indicated a preference for a mix of public datasets and self-reported land use data (74%) over the use of only public datasets (26%). Responses indicated support for a number

Should the state and COGs rely solely on public datasets, or should jurisdictions be able to provide self-reported land use data via surveys for the state and COGs' consideration during the determination and allocation processes?

- Only public datasets
- Public Datasets and Self-Reported Land Use Data

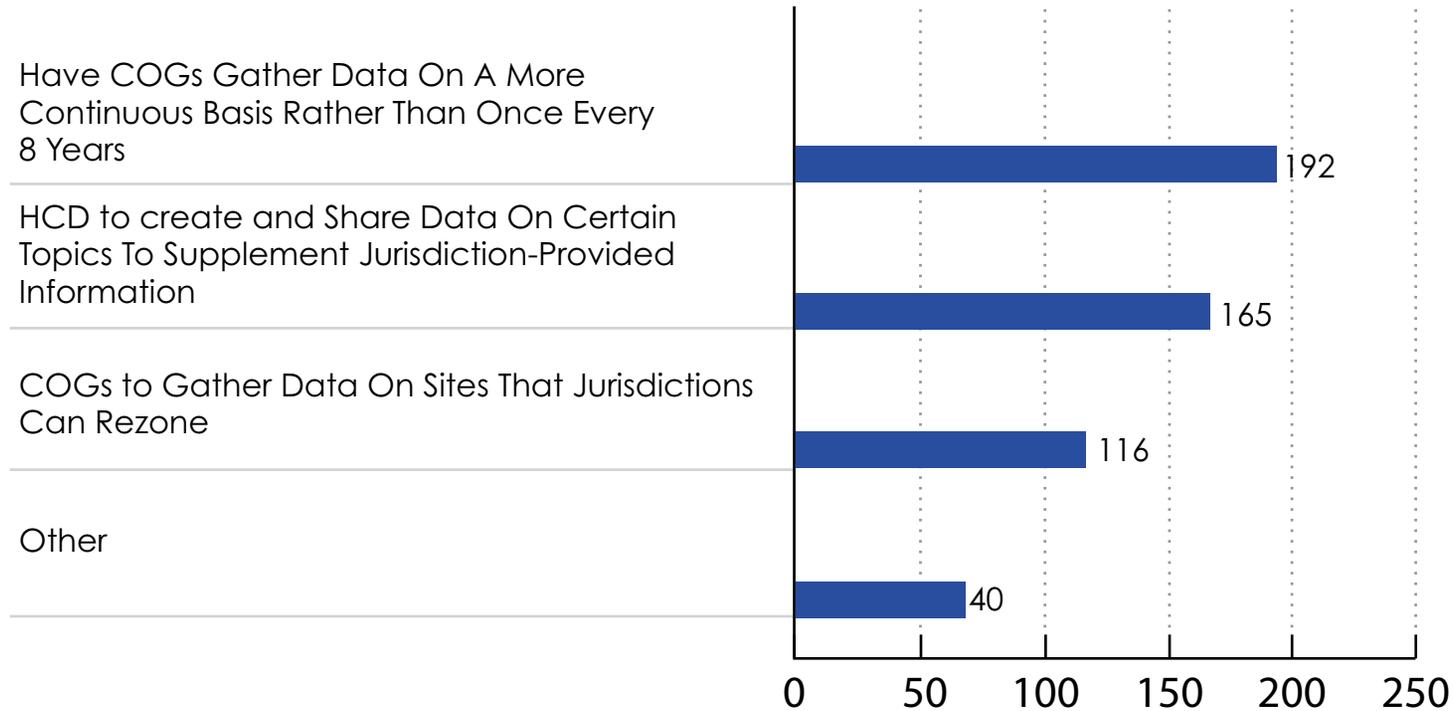
of strategies to make the local data surveys more meaningful, with 54% support for COGs gathering data on a more continuous basis, 46% support for HCD to gather data on certain topics to supplement local data, and 33% support for COGs to gather data on sites that jurisdictions could rezone.

Comments in the “other” response option highlighted support for technical guidance or standardized sources that are verifiable, as well as concerns that self-reported data from local governments are too biased. Others suggested that COGs should use public datasets and have local jurisdictions validate this data, as this would reduce the burden on local governments.



## How Can Data Collection Lead to Meaningful Inputs

If COGs are to collect self-reported land use data via surveys from local jurisdictions, what are some ways that the data collected can lead to more meaningful inputs in the creation of the RHNA methodology?



## Appeals Process

The survey also asked a question regarding ideas for ways in which the RHNA methodology appeals process could be improved going forward. Once a COG releases its draft RHNA Plan, Government Code Section 65584.05 provides local governments 45 days to appeal any jurisdiction's allocation. Local governments may also comment on appeals. If there are appeals, the COG must conduct a public hearing to consider those appeals and comments. If no appeals are filed, the draft allocation shall be issued as the proposed final allocation plan. There are three circumstances under which a jurisdiction may appeal: the COG failed to consider RHNA's statutory factors listed in subdivision (e) of 65584.04; the COG's draft plan fails to further RHNA's statutory objectives listed in subdivision (d) of section 65584; or a significant unforeseen change in circumstances occurred to the jurisdiction that merits revision pursuant to subdivision (e) of Section 65584.04.

The survey indicated varying degrees of support for the ideas put forward in the survey. 27% of respondents supported a narrowing of the circumstances under which a jurisdiction can appeal the RHNA methodology to only those that impact the methodology inputs. 23% of survey respondents expressed support for additional

**27%** of respondents supported a narrowing of the circumstances under which a jurisdiction can appeal the RHNA methodology to only those that impact the methodology inputs.

**23%** of survey respondents expressed support for additional HCD oversight over the appeals process.

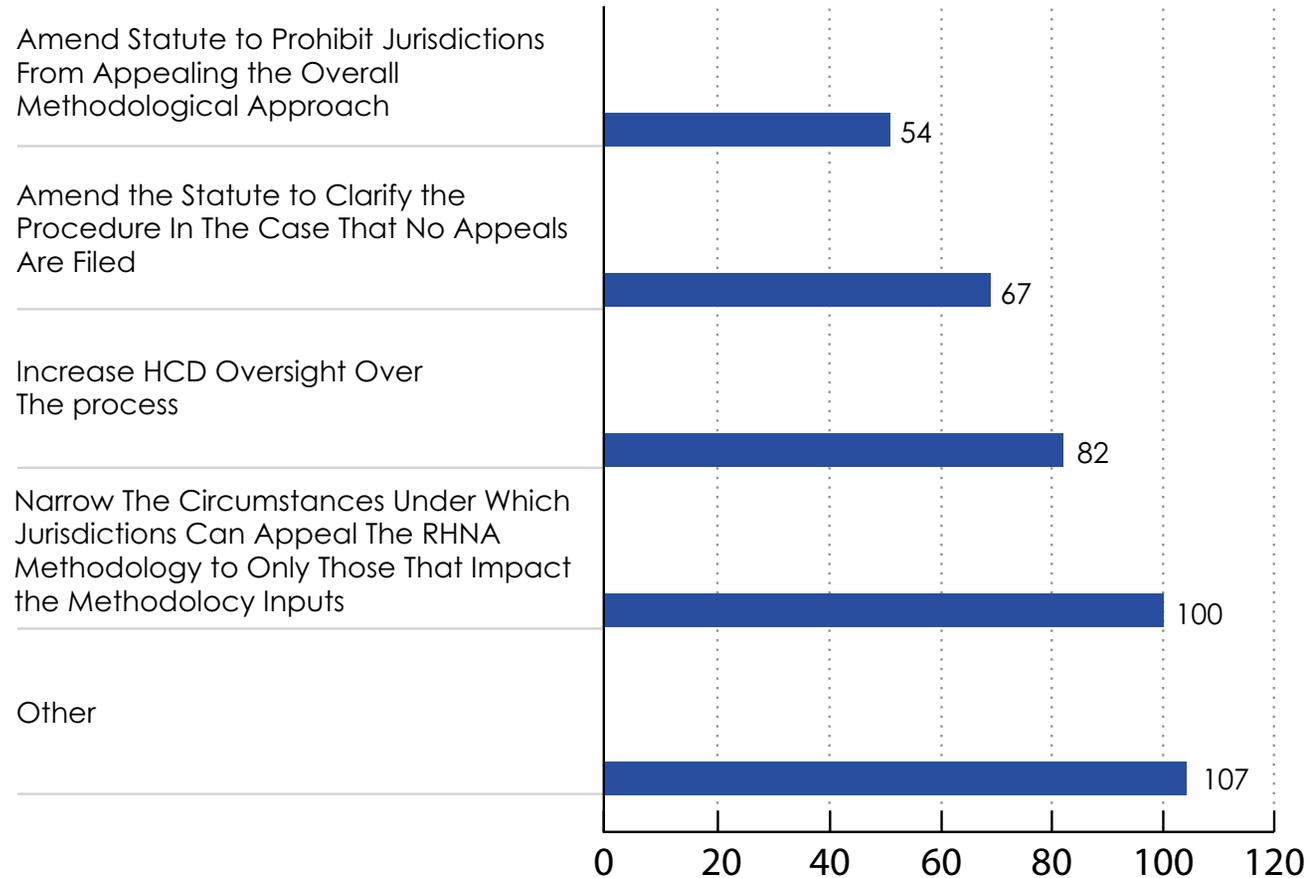
**19%** expressed support for clarifying the procedure in the case that no appeals are filed.

**15%** expressed support for amending statute to prohibit jurisdictions from appealing the overall methodological approach.

HCD oversight over the appeals process, 19% expressed support for clarifying the procedure in the case that no appeals are filed, and 15% expressed support for amending statute to prohibit jurisdictions from appealing the overall methodological approach.

## Appeal Process

What are some ways the RHNA methodology appeals process could be improved in the 7th cycle?



This question received a number of comments in the “other” response option (109 responses). Many of these other responses touched on the topic of the bases for appeal. These “other” ideas were mixed – some showed support for narrowing the bases for appeals to only objective standards and limiting subjective factors, while others expressed interest in loosening criteria to qualify for an appeal and to allow for more local control. Furthermore, others expressed interest in allowing appeals based on errors in the data and application of RHNA methodology or appeals based on environmental factors. Finally, some responses expressed interest in allowing appeals of the RHND and DOF projections, as well as interest in allowing a judicial appeal separate from or in conjunction with the COG administrative appeal.

Another set of “other” response options touched on who should decide if appeals of the allocation methodology are granted, with some expressing interest in appeals being decided by a panel of residents, while others expressing interest in having appeals decided by HCD. Other comments recommended the addition of consequences for filing frivolous appeals and expanding the timeframe for filing an appeal. Lastly, a number of responses indicated that there are no issues with the appeals process as it currently exists.



► Veteran’s Square, Pittsburg, California. Photo courtesy of Satellite Affordable Housing Associates (SAHA).



## Allocation Methodology – AFFH

The survey asked two questions on the topic of Affirmatively Furthering Fair Housing (AFFH). These questions informed a number of the recommendations found in this report. Since 1969, RHNA has required that all jurisdictions plan for their 'fair share' of housing so as to reduce segregation in California. More recently, AB 686 added statutory language clarifying that one of the main goals of RHNA is to Affirmatively Further Fair Housing. According to statute, Affirmatively Furthering Fair Housing means:

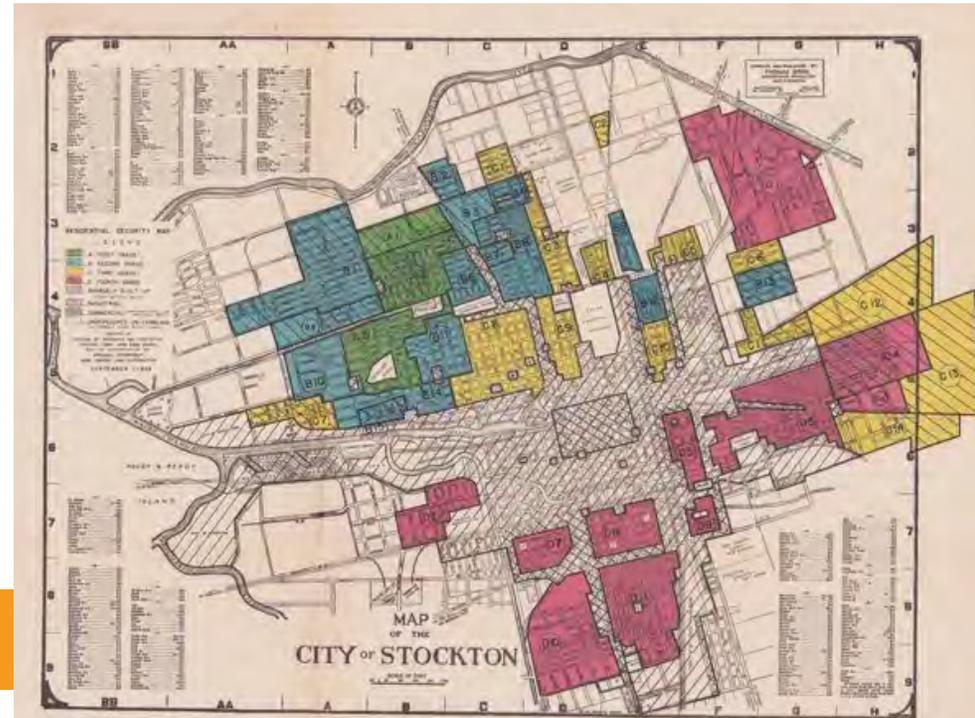
“Taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, Affirmatively Furthering Fair Housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.”

► Historic redlining map of Stockton, California, circa 1930s.

### The survey asked two open-ended questions:

1. What changes should, if any, be considered to strengthen RHNA's effectiveness at Affirmatively Furthering Fair Housing (AFFH), thereby ensuring quality housing options for all Californians?
2. Recognizing that RHNA is only one of many tools to further community development goals, are there ways in which to improve RHNA to further community development and anti-displacement goals?

The first question received 235 responses and the second question received 208 responses.



### Question Responses:

Overall, survey respondents shared a number of different ideas and pieces of feedback that spanned a wide range of AFFH-related topics, many of which were outside the scope of RHNA and touched on topics such as housing elements, affordable housing funding, enforcement & monitoring of state housing laws, CEQA, incentives, tenant protections, and numerous others. At a high-level, RHNA-related feedback was mixed, and the following themes were repeated by multiple respondents:

- Cities that were previously bad actors on AFFH or implemented discriminatory policies should have to bear a larger share of the housing production burden and allocation
- Eliminate the AFFH requirement in RHNA
- No changes needed
- No one size fits all approach
- Reduce the share of RHNA that is market-rate units and increase the share that is lower income units

While responses to the first AFFH-related question were more mixed, responses to the second question largely agreed that beyond increasing the overall supply of housing to reduce housing

cost pressures, RHNA is ill-suited to address anti-displacement goals. Respondents largely suggested that anti-displacement efforts should be addressed outside of RHNA in places like housing element programs, funding programs, local initiatives, and others.

Below are other RHNA-related feedback themes that were regularly repeated in response to the AFFH questions:

- **Allocation Methodology**
  - » HCD should provide examples of factors that can be used to incorporate AFFH into the allocation methodology
  - » HCD should standardize methodologies and data across regions
  - » Higher income areas should not have lower allocations because of their high incomes and high cost of development
  - » Include displacement risk as a factor when creating allocation methodologies
  - » Increase the weight of jobs/housing fit when allocating regional housing need

- » More heavily weight availability of services and infrastructure when allocating regional housing need
- » Objective criteria are needed to determine how to allocate housing need in a manner that AFFHs and to balance across the statutory objectives of RHNA
- » Votes on RHNA-related decisions at the COG level should be weighted by population
- **APR Credits and Incentives for Production**
  - » 1:1 replacement of single-family homes should not count towards RHNA
  - » Account for units built or converted into short-term rentals
  - » Incentivize larger unit sizes
  - » Incorporate preservation and rehab requirements into the RHNA process. Expand credit for these on the APR
  - » Increase consideration for moderate income households and add requirement for moderate or affordable owner-occupied housing production
- Plan for the housing needs of people experiencing homelessness and populations with special needs
- **Environmental Hazards**
  - » Consider climate resilience as a component of AFFH
  - » Consider location of housing within jurisdiction vis-à-vis hazard risk
  - » Don't allow building in high hazard severity zones
  - » Incorporate environmental justice as a goal of RHNA
- **Geographic considerations and the use of the TCAC/HCD Opportunity Maps**
  - » Allocations need to be in locations close to services
  - » Allocations should be lower in unincorporated areas
  - » Avoid spatial consolidation of affordable housing
  - » Implement a lower income RHNA 'floor', where high resource jurisdictions are allocated a minimum number of lower income units.
  - » Overall, feelings towards the use of TCAC/HCD Opportunity Maps were

- » mixed – some advocate that reliance on opportunity maps for allocating housing need is good and weighting should be increased, while others feel that the opportunity maps are punitive in some areas of the state.
- » Restricting lower income allocations to high frequency transit corridors is incompatible with AFFH
- **Outreach**
  - » Ensure outreach efforts include populations that are typically discriminated against early in the allocation methodology development process
  - » Increase the levels of community engagement and education
  - » Produce materials to help explain AFFH in layperson language
  - » Provide more regular contact with HCD for COGs and local governments on ways to evaluate goals and methods for AFFH

## Allocation Methodology – Aligning State Planning Goals

The survey asked two questions on the topic of Aligning State Planning Goals. These questions informed a number of the recommendations found in this report. Existing law mandates that a RHNA allocation plan “shall allocate housing units within the region consistent with the development pattern included in the sustainable communities strategy (SCS).” SCSs are developed by COGs in conjunction with their Regional Transportation Plans (RTPs). Mandated by SB 375, SCSs are long-range plans intended to align transportation, housing, and land use decisions towards achieving greenhouse gas emissions reduction targets set by the California Air Resources Board (CARB). The goal of this alignment is to emphasize infill development, encourage development near existing infrastructure and services, and to enable alternative mobility options.

### The survey asked two open-ended questions:

1. Could the regional housing and transportation planning processes be improved to better align the housing and transportation planning outcomes? If so, how?
2. What are the best data sources to assess efficient travel patterns and jobs/housing fit across regions and why?

The first question received 219 responses and the second question received 158 responses.

### Question Responses:

Overall, survey responses indicated overwhelming support for further aligning the RHNA and RTP/SCS process and forecasted growth projections. Respondents highlighted the connected nature of housing and transportation planning and saw opportunities for better alignment. Similar to other questions, many of the ideas shared were outside the scope of RHNA and touched on topics such as funding and CEQA. Below is a high-level summary of RHNA-related themes and ideas that emerged from responses to the aligning state planning goals questions:

- **Allocation Methodology**

- » Consider location and access to schools
- » Consider the availability of infrastructure
- » Consider the health impacts of housing near transportation investments
- » Consider the impacts of remote work
- » Emphasize AFFH within the context of aligning state planning goals

- » Emphasize the addition of housing units to low VMT areas
- » Include jobs/housing balance measures in the allocation methodology
- » Increase RHNA and density in areas around transit or transportation, infill areas, and areas near jobs
- » Increase RHNA in areas where transportation investments are planned

- **Community Input**

- » Allow for jurisdictions to review data inputs
- » Emphasize the importance of community outreach
- » HCD and COGs should work to better understand local contexts

- **Coordination and Technical Assistance**

- » Coordinate housing and transportation investments
- » Increase the coordination and communication between HCD and other state departments such as CARB, Coastal Commission, and Caltrans

- » Provide technical assistance to COGs on how to further the statutory objectives of RHNA

- **Timing**

- » Change the timelines so that RTPs are complete before the RHNA process begins
- » Provide the RHND one-two years earlier so that it can be an input to the RTP growth projections

In response to the second question regarding the best data sources to assess efficient travel patterns and jobs/housing fit, the following data sources and methodologies received support from multiple survey respondents:

- Data from cell phones and map apps
- Travel time and pattern surveys
- Census mode share data
- LEHD
- Local data and surveys
- Land use models and travel demand models
- Proprietary data sources
- A comparison of the number of lower wage workers to the number of housing units affordable to those workers.

## Planning for Housing in the Context of Climate-Related Environmental Hazards

The survey asked three questions on the topic of the Planning for Housing in the Context of Climate-Related Environmental Hazards. These questions directly informed a number of the Allocation-Related recommendations found in this report.

State statute identifies 13 factors that COGs can consider when developing a RHNA allocation methodology. In 2022, AB 1445 added a factor focused on climate hazards, which allows COGs to consider “emergency evacuation route capacity, wildfire risk, sea level rise, and other impacts caused by climate change” when developing the allocation methodology (65584.04(e)(2)(E)). Furthermore, in 2017, AB 1771 added a new requirement that HCD consider units lost during a recent state of emergency, such as a fire or flood, when determining the housing need for each region. However, statute provides no guidance as to how these units should be distributed among jurisdictions in the region.

**The survey asked two open-ended questions:**

1. Are there ways in which the RHNA process can better take into consideration climate-related environmental hazards (e.g., wildfire risk, drought, extreme heat, inland flooding, extreme weather events, and sea level rise) and assess which areas have the highest risk exposure? If so, how?
2. In the context of climate change, are there ways in which the RHNA process can help communities develop in a manner that reduces environmental hazard exposure for residents, particularly for disadvantaged and historically underserved populations? If so, how?

The first question received 211 responses and the second question received 180 responses. In addition, the survey asked one multiple choice question regarding how housing units that are lost during a disaster should be allocated, which received 303 responses.

**Question Responses:**

Overall, survey responses were thoughtful on the importance of planning for housing in the context of climate change and respondents shared a variety of strategies for HCD's consideration. Similar to other questions, many of the ideas shared were outside the scope of RHNA and touched on topics such as funding and housing elements. Below is a high-level summary of RHNA-related themes and ideas that emerged from responses:

**Housing as a priority:** Many survey respondents shared that the highest priority should be focused on getting people housed rather than limiting housing planning based on environmental hazard exposure. These respondents warned against using disasters as an excuse to not build in affluent areas, as new construction is much safer than older homes and environmental hazards exist in every community in California. Furthermore, some respondents expressed a desire to see a prioritization of mitigation efforts and to see multifamily and single-family housing typologies treated the same in regard to hazards.

**Allocation Methodology:** On the topic of the RHNA methodology, many respondents expressed interest in targeting new growth to infill areas

to encourage walkable neighborhoods away from sprawl and high hazard areas. Respondents had mixed opinions on whether to weight environmental hazards in the allocation methodology – some respondents would like to see growth directed away from high-risk areas, particularly in non-infill areas, whereas others would prefer to see environmental hazards considered at the housing element level rather than the regional allocation level.

**Technical Assistance:** On the topic of technical assistance, respondents shared an interest in the state creating a statewide resource or map with all the environmental hazard types. Others expressed a desire for HCD to better coordinate with other state agencies on environmental hazards, and for HCD to provide examples of best practices on the topic of aligning RHNA and housing elements with environmental justice elements.

**Assessment of Risk:** To assess environmental hazard risk levels, most survey respondents pointed to existing data sources available on Cal-Adapt, CAL FIRE maps, FEMA flood maps, CalEnviroScreen, and others. In addition, some survey respondents pointed to local safety elements and environmental justice elements.

Lastly, some respondents suggested looking to data sources such as insurance company models and analyzing past disasters for insights.

**Proactive Disaster Planning:** Additionally, some respondents would like to see a proactive consideration of future disasters in the RHND and RHNA processes. Given the growing frequency of disasters in the context of climate change, these respondents would like to see HCD anticipate that some percentage of housing in high environmental risk areas will need to be relocated, rebuilt, or resettled in more climate appropriate locations.

**Allocating Units Lost During a Disaster:** In response to the last survey question, when asked how to allocate housing units that were lost during a disaster, survey respondents showed significant support for allocating a portion of the additional housing units to the jurisdiction that lost those housing units, as well as a portion of the additional housing units to other jurisdictions in the region with lower overall environmental hazard risk (43%). This is in line with a strategy to add those units to the overall regional allocation methodology, as the regional allocation methodology would add a portion of units to the jurisdiction that lost the housing units, and a portion of units to other



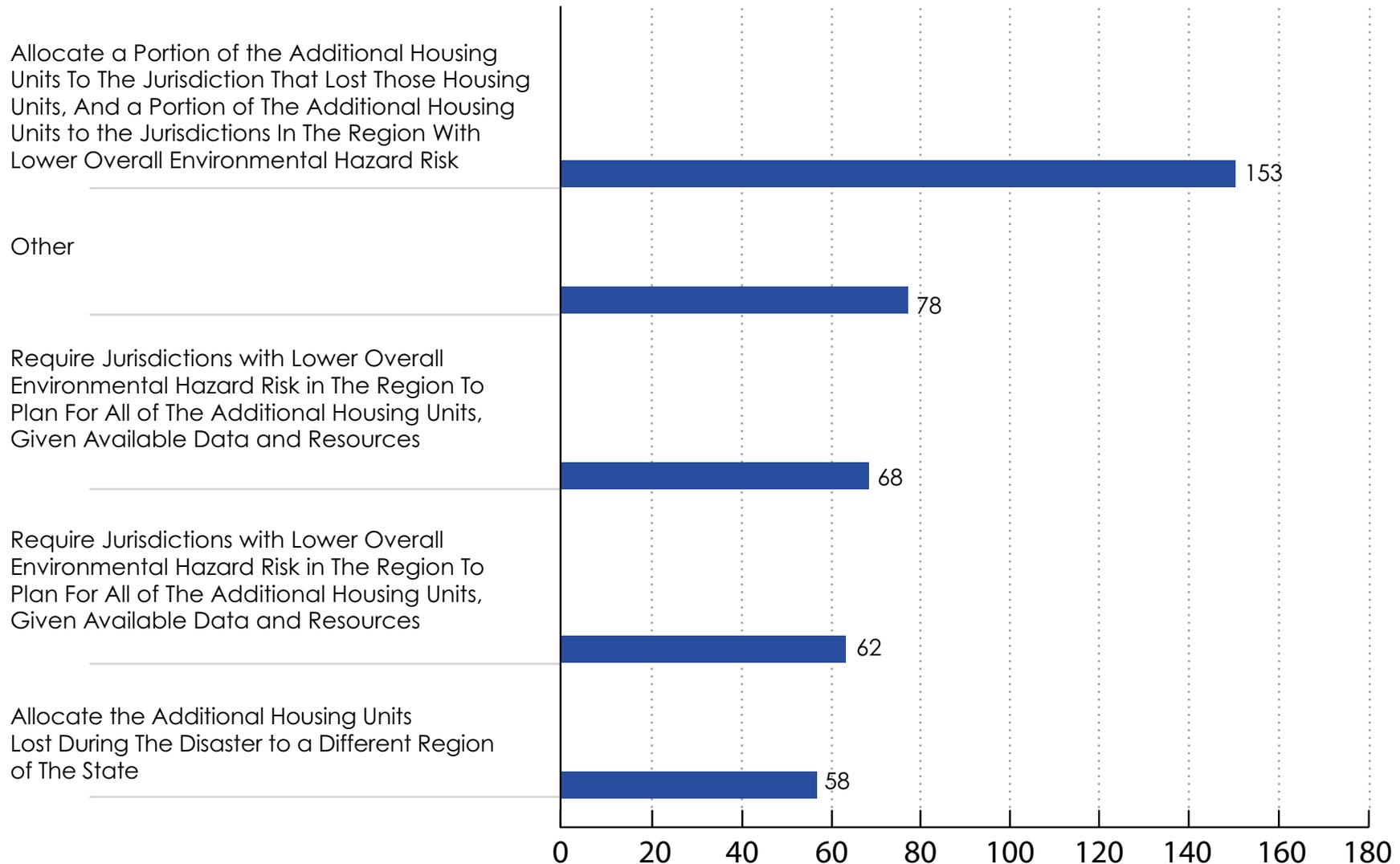
▶ Homes on Balboa Island, Newport Beach, California.

jurisdictions in the region in line with the statutory objectives of RHNA.

This question also received a modest number of comments in the “other” response option (78). These comments spanned a wide range of feedback – some people argued for removing the requirement to plan for housing units lost during a disaster, others argued that a one size fits all approach is not ideal and that each region should get to determine how to allocate these units, and some advocated for doubling the adjustment that accounts for the number the units lost during a disaster due to long post-disaster rebuilding timeframes. Furthermore, many respondents recommended that HCD and COGs consider environmental hazard risks and new approaches to rebuilding that address risk factors.

### Planning for Future Housing After a Disaster

When housing units are lost during a disaster, the Regional Housing Needs Determination in that region is increased to account for those lost units. Which of the following options should the state consider when planning for future housing after a disaster?



### Miscellaneous Comments

Lastly, there were a number of comments left throughout the survey that did not relate to the survey questions, but rather addressed overall pieces of feedback that respondents wanted to share with HCD.

#### **A number of local government and private resident respondents expressed the following:**

- A desire to see all of the RHNA requirements and processes disbanded
- A desire to see increased local control over the RHNA process
- Concerns regarding the availability of infrastructure
- Need for increased HCD transparency
- The RHND is too large and is unrealistic to achieve in an eight-year timeframe

#### **A number of advocate organizations expressed the following:**

- An interest in seeing stronger enforcement of housing elements and the Housing Accountability Act
- The importance of increasing the share of RHNA that is in the lower income category

#### **Across organization types, a number of respondents also expressed the following:**

- A desire to see the RHNA process and section of statute simplified
- High levels of interest in providing feedback on ways to improve housing elements
- Importance of improving the accuracy of the RHND
- Interest in accounting for state population outflows due to burdensome cost of living in California
- Interest in seeing additional parts of the housing development process exempt from CEQA
- Interest in seeing the state provide additional funding for lower-income RHNA development
- Request for better communication of RHNA and its importance to the public in lay-person language

## Email Inbox

In early March, HCD launched a dedicated email inbox (CAHousingFuture2040@hcd.ca.gov) to



answer questions and receive any written comments from the public. The last day to submit public comments was September 15, 2023. HCD received a total of approximately 38 public comments and questions to this inbox between the launch of the inbox and the public comment

deadline. Comments were submitted by the following types of organizations or individuals:

- Academics
- Advocates
- Colleges and Universities
- Demographers
- Industry Groups
- Local Governments
- Nonprofits
- Private Residents
- Regional Governments
- State Departments

The public comments covered a wide variety of topics, and HCD considered these comments as staff drafted the recommendations found in this report. The following bullet points showcase some of the topics that were the subject of the comment letters:

- AFFH
- Determination-Related Topics
  - » Comparable Regions
  - » Extension of existing housing need across multiple RHNA planning cycles
  - » Group Quarters
  - » Inclusion of student housing in the RHNA and APR
  - » Income categorization and separating ELI housing needs from VLI housing needs
  - » Jobs/Housing Balance
  - » Possibility of allowing COGs and jurisdictions to appeal the RHND
  - » Suitability of the size of the RHND
  - » Vacancy Rates
- Allocation-Related Topics
  - » Allocations to unincorporated areas

- » Appeals process
- » Clarification of the definition of a job center
- » Clarification of the use of allocation methodology factors
- » Consideration of environmental justice
- » Consideration of prior performance in achieving RHNA
- » Consideration of the impacts of remote work

- » Consideration of the local history of discriminatory land use practices and unequal community investments
- » Environmental hazards
- » Inclusion of housing costs and market feasibility as an allocation methodology factor
- » Increasing the transparency of the allocation methodology inputs
- » Opportunities for public comment
- Funding and Incentives
  - » Possibility of rewarding cities with grants for meeting RHNA goals
  - » REAP funding as a critical tool for implementing RHNA
  - » Tying RHNA to infrastructure availability and funding
  - » Tying state funding for affordable housing to RHNA
- HCD Processes
  - » Increasing the transparency of HCD's processes
  - » Introducing external oversight over HCD and DOF's RHNA-related work
  - » Requests for additional stakeholder engagement opportunities



► February 2020: A multifamily residential building under construction in Mountain View, California.

- » Requests for streamlining of RHNA and the housing element process
- Importance of ensuring RHNA leads to development of lower income housing
- Improvements to the housing element process
- Introducing an option to allow jurisdictions to trade and transfer RHNA units
- Opposition to RHNA as it currently exists
  - » Desire to completely overhaul the RHNA process
  - » Desire to eliminate the RHNA process
  - » Preference for more local control
- Technical Assistance and Coordination
  - » Increasing the levels of collaboration between state agencies
  - » Possibility of conducting research and sharing best practices on ways to better address the five statutory objectives of RHNA
  - » Suggestion that HCD should provide improved and objective guidance to COGs and local governments
- RHNA alignment with the RTP/SCS and the importance of providing the RHND earlier in the process

► Aerial view of Ventura, California.



The background features a close-up of hands using a blue calculator and a gold pen on a wooden desk. Overlaid on this are several semi-transparent graphics: a white line graph in the upper left, a white bar chart in the upper right, and a white line graph in the lower right. A semi-transparent orange box is centered over the calculator, containing the title text. A dark green semi-circle is visible in the bottom right corner.

Vacancy Rate  
Adjustment Calculation  
Example

## Vacancy Rate Adjustment Calculation Example

As described under HCD Implementation Effort #2, HCD plans to establish and apply a 2% standard vacancy rate for owner housing, a 7% standard vacancy rate for rental housing in metropolitan areas, and a 6% standard vacancy rate for rental housing in non-metropolitan areas. In applying these rates, HCD will calculate the distribution of owner-occupied and renter-occupied housing for the existing housing stock. HCD will use those rates for the total projected housing stock and apply the vacancy rates accordingly. See example below:

EXISTING HOUSEHOLDS	RENTER-OCCUPIED	OWNER-OCCUPIED	RENTER RATE	OWNER RATE
80,000	35,000	45,000	44%	56%

Once this is calculated, HCD can apply the owner and renter vacancy rate adjustment. The rental adjustment would be calculated as follows. (Assume household growth of 20,000 households by the end of the projection period.) The 7% healthy functioning rental housing market suggested for COG regions is applied in this example.

EXISTING RENTER HOUSEHOLDS	REGION'S RENTAL VACANCY RATE	DIFFERENCE (7% - 4%)	ADJUSTMENT TO EXISTING HOUSEHOLDS (35,000 * 3%)
35,000	4%	3%	+1050

PROJECTED RENTER HOUSEHOLDS (20,000 * 44%)	NO VACANT UNITS PROJECTED	DIFFERENCE (7% - 0%)	ADJUSTMENT TO PROJECTED HOUSEHOLDS (8,800 * 7%)
8,800	0%	(7% - 4%)	+616

The total rental vacancy rate adjustment in this scenario is the adjustment for the existing households (1050) plus the adjustment for the projected households (616), which is 1,666.

The owner vacancy adjustment would be calculated similarly. The 2% healthy functioning owner housing market standard is applied in this example.

<b>EXISTING OWNER HOUSEHOLDS</b>	<b>REGION'S RENTAL VACANCY RATE</b>	<b>DIFFERENCE (2% - 1%)</b>	<b>ADJUSTMENT TO EXISTING HOUSEHOLDS (45,000 * 1%)</b>
45,000	1%	1%	+450

<b>PROJECTED RENTER HOUSEHOLDS</b>	<b>NO VACANT UNITS PROJECTED</b>	<b>DIFFERENCE (2% - 0%)</b>	<b>ADJUSTMENT TO PROJECTED HOUSEHOLDS (11,200 * 2%)</b>
11,200	0%	2%	+224

The total owner vacancy rate adjustment in this scenario is the adjustment for the existing households (450) plus the adjustment for the projected households (224), which is 674.

Owner and renter vacancy rate adjustments are then added together to result in total vacancy rate adjustment, which in our example is 2,340 units.

PROJECTED HOUSEHOLDS GROWTH	EXISTING RENTER-OCCUPIED VACANCY RATE ADJUSTMENT	PROJECTED RENTER-OCCUPIED VACANCY RATE ADJUSTMENT	EXISTING OWNER-OCCUPIED VACANCY RATE ADJUSTMENT	PROJECTED OWNER-OCCUPIED VACANCY RATE ADJUSTMENT	RHND SUBTOTAL AFTER VACANCY RATE ADJUSTMENT
20,000	1,050	616	450	224	22,340

HCD has conducted analysis of the planned changes to determine what affect they would have had if this approach was used in the 6th cycle. The following show the resulting vacancy rate adjustment compared with the adjustment used for the 6th cycle.

	NEW VACANCY RATE ADJUSTMENT IF USED IN THE 6TH CYCLE	6TH CYCLE VACANCY RATE ADJUSTMENT	DIFFERENCE IN VACANCY RATE ADJUSTMENT	DIFFERENCE IN OVERALL RHND
ABAG	78,974	98,799	-20.1%	-4.5%
SCAG	150,731	178,896	-15.7%	-2.1%
KernCOG	3,378	5,140	-34.3%	-2.1%



Reccomendation  
Matrix

## Recommendation Matrix

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #1: Account for the Housing Needs of People Experiencing Homelessness	<ul style="list-style-type: none"> <li>▪ Create extremely low-income (ELI) &amp; acutely low-income (ALI) income categories</li> <li>▪ Add a homelessness determination factor and use data best practices published by HCD to calculate</li> <li>▪ Allocate the homelessness adjustment to the lowest income category</li> <li>▪ Remove requirement to quantify existing and projected ELI households during the housing element process</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ See HCD Implementation Effort #5</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #2: Tie the Regional Housing Need Determination (RHND) More Closely to the Department of Finance Household Projections	<ul style="list-style-type: none"> <li>Amend Government Code Section 65584.01 (a) to refer to household projections instead of population projections and to remove the back-and-forth consultation process</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
<p>Topic #3: Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in the Annual Progress Reports</p>	<ul style="list-style-type: none"> <li>Allow jurisdictions to claim credit for certain group quarters in the housing element</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Give credit to certain group quarters on the annual progress report (APR)</li> <li>Include certain group quarters populations in the RHND</li> <li>Create consistent rules for categorizing housing that blurs the line between a housing unit and group quarter</li> </ul>	<ul style="list-style-type: none"> <li>HCD to release guidance on how to count group quarters in the housing element and on the APR</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #4: Replace the Comparable Regions Option with a Comparison to the National Average	<ul style="list-style-type: none"> <li>Remove references to comparable regions in Government Code Section 65584.01 (b)(C) and (H) and replace with a comparison to the national average</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>In the absence of legislative change, HCD to provide guidance and establish parameters around the comparable regions process</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #5: Further and Balance the Five Statutory Objectives of RHNA	<ul style="list-style-type: none"> <li>Revise the current process that Council of Governments (COGs) follow if HCD finds that the methodology does not further the statutory objectives. Instead of allowing COGs to decide whether or not to adjust the methodology, HCD recommends statute is revised to require that COGs develop a revised methodology in consultation with HCD and to obtain approval from HCD that the revised methodology furthers the objectives before adopting the methodology.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to release a memo with additional up-front guidance on how to develop a methodology that furthers the statutory objectives</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #6: Revise the Allocation Methodology Factors to Increase Clarity and Improve Outcomes	<ul style="list-style-type: none"> <li>Clarify that COGs should use datasets related to the statutory objectives as source information for the methodology &amp; that COGs may only consider factors as long as doing so does not undermine the statutory objectives</li> <li>Remove factors that are redundant with statutory objectives</li> <li>Remove factors that conflict with statutory objectives</li> <li>Base the analysis of housing opportunities and constraints on a state-wide model developed by HCD using authoritative datasets</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to create a statewide model for analyzing housing opportunities and constraints using authoritative data</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #6 - Continued	<ul style="list-style-type: none"> <li>▪ Revise the language in statute to add more clarity around the types of constraints that should and should not be considered during the allocation process</li> <li>▪ Clarify that the consideration of environmental hazards should only include hazards that cannot be mitigated and pose severe threat of loss of life</li> <li>▪ Add a new factor that allows regions to consider the concentration of hazardous pollution sources in historically underserved communities</li> </ul>			

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #7: Revise the Local Data Survey Requirements	<ul style="list-style-type: none"> <li>Remove requirement that COGs survey member jurisdictions on the allocation methodology factors and fair housing issues</li> <li>Replace survey with a requirement that COGs share datasets they plan to use within their methodology with local jurisdictions. Jurisdictions to have 21 days to review and inform COG of any inaccuracies</li> <li>Require the proposed methodology posted on the COG's website include a discussion of significant Affirmatively Furthering Fair Housing (AFFH) barriers that exist at the regional level, and strategies or actions that can be used to overcome them</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>For COGs that wish to continue to administer a survey, HCD to develop a survey template and guidance on the types of information COGs may want to request from local jurisdictions to help inform the methodology development process</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS FOR THE LEGISLATURE</b>				
Topic #8: Refine the Appeals Process to Increase Clarity and Efficiency	<ul style="list-style-type: none"> <li>Clarify that the change in circumstance appeals criteria is only applicable when the change in question disproportionately impacts the jurisdiction that is the subject of the appeal</li> <li>Revise the basis for appeal related to information submitted via the survey requirement addressed under Topic #7</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD may in certain cases conduct a quantitative assessment of the actual impact of an appeal on the statutory objectives and provide this information to COGs</li> </ul>	<ul style="list-style-type: none"> <li>HCD to provide technical assistance related to the appeals process in the guidance memo described under Topic #5</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #9: Promote Equitable Public Participation During the Allocation Methodology Development Process	<ul style="list-style-type: none"> <li>Require that COGs also make a diligent effort to achieve participation of households with special needs</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to provide guidance to COGs on how to design an accessible public participation process</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #10: Improve Regional Housing Need Allocation (RHNA) and Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) Alignment	<ul style="list-style-type: none"> <li>▪ Move up the date by which HCD must provide the RHND</li> <li>▪ Clarify that the RTP/SCS household projection should include both the needs of the projected population and the needs of the existing population</li> <li>▪ Clarify that the RTP/SCS forecasted growth pattern must be consistent with RHNA and further the five statutory objectives of RHNA</li> </ul>	▪ N/A	▪ N/A	▪ N/A

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>RECOMMENDATIONS TO THE LEGISLATURE</b>				
Topic #10: Continued	<ul style="list-style-type: none"> <li>Clarify what should occur if the RTP/SCS forecasted development pattern does not further the statutory objectives of RHNA. Clarify that the RTP/SCS development pattern should be used as an input in the allocation formula, however, the weighting of this input should be reduced if the development pattern does not further the statutory objectives of RHNA.</li> </ul>			

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>POLICY CONSIDERATIONS FOR THE LEGISLATURE</b>				
Policy Consideration #1: Adjust the Income Distribution to Better Address the Housing Needs of All Regions	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consider granting the California Department of Housing and Community Development (HCD) the authority to establish higher income limits for the moderate income category</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use income limits published by HCD, which will have the impact of shifting a greater share of the RHNA to lower income categories</li> </ul>	<ul style="list-style-type: none"> <li>▪ See HCD Implementation Effort #5</li> </ul>
Policy Consideration #2: Explore Assigning Units Lost During a Statement of Emergency Declaration to the Overall Allocation	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Explore allocating units lost in a state of emergency declaration in accordance with the COG's overall allocation methodology</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>POLICY CONSIDERATIONS FOR THE LEGISLATURE</b>				
Policy Consideration #3: Explore Ways to Clarify the RHNA Process and Simplify Language in Statute	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Shorten timeframe of HCD's review of the COG's adopted methodology</li> <li>Add language that permits COGs to distribute the draft RHNA plan at the same meeting that methodology is adopted, provided the methodology that is adopted is substantially the same as the draft that HCD reviewed and approved</li> <li>Consider removing unused or rarely utilized sections of statute. For example, HCD did not encounter utilization of the process described in section 65584.02 during the 6th cycle</li> <li>Better align the housing element planning period and the RHNA projection period</li> </ul>	<ul style="list-style-type: none"> <li>See HCD Implementation Effort #5</li> </ul>	<ul style="list-style-type: none"> <li>See Topic #5</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>HCD FUTURE IMPLEMENTATION EFFORTS</b>				
HCD Implementation Effort #1: Apply the Cost Burdened & Overcrowded Determination Adjustment Factors to Existing Households	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Implement an adjustment based on the number of units required to reach the national average of cost burden &amp; overcrowding</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
HCD Implementation Effort #2: Improve the Precision of the Vacancy Rate Determination Adjustment Factor	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to implement a 2% vacancy rate adjustment for owner-occupied housing and a 6-7% vacancy rate adjustment for renter-occupied housing</li> </ul>	<ul style="list-style-type: none"> <li>HCD to provide a brief memo describing the vacancy rate adjustment methodology</li> </ul>

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<b>HCD FUTURE IMPLEMENTATION EFFORTS</b>				
HCD Implementation Effort #3: Refine the Jobs/Housing Determination Adjustment Factor	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ HCD to utilize two jobs/housing adjustments: an interregional commuting adjustment and a healthy jobs/housing ratio adjustment</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
HCD Implementation Effort #4: Account for Housing Lost to Vacation Homes and Short-Term Rentals	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Alter the replacement rate adjustment to account for units that will be lost to vacation homes and short-term rentals</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>

	RECOMMENDATIONS FOR STATUTORY CHANGES	POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES	HCD PROCESS CHANGES UNDER EXISTING AUTHORITY	HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES
<b>HCD FUTURE IMPLEMENTATION EFFORTS</b>				
HCD Implementation Effort #5: Increase Transparency During the Determination Process	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to offer methodology walkthroughs to COG boards during the consultation process</li> <li>HCD to create interactive tools &amp; infographics that visually depict the RHNA process and housing needs</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the RHNA webpage with technical assistance documents</li> </ul>
HCD Implementation Effort #6: Adjust the Income Distribution to Better Address the Housing Needs of All Regions	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>See Policy Consideration # 1</li> </ul>	<ul style="list-style-type: none"> <li>Use income limits published by HCD, which will have the impact of shifting a greater share of the RHNA to lower income categories</li> </ul>	<ul style="list-style-type: none"> <li>See HCD Implementation Effort #5</li> </ul>

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<b>HCD FUTURE IMPLEMENTATION EFFORTS</b>				
HCD Implementation Effort #7: Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in the Annual Progress Reports	<ul style="list-style-type: none"> <li>See Topic #3</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Give credit to certain group quarters on the annual progress report (APR)</li> <li>Include certain group quarters populations in the RHND</li> <li>Create consistent rules for categorizing housing that blurs the line between a housing unit and group quarter</li> </ul>	<ul style="list-style-type: none"> <li>HCD to release guidance on how to count group quarters in the housing element and on the APR</li> </ul>

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<b>HCD FUTURE IMPLEMENTATION EFFORTS</b>				
HCD Implementation Effort #8: Reduce Allocation to Unincorporated Areas Outside of Population Centers	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>HCD to reduce county allocations for non-COG regions by allocating to counties based on the percentage of the county population that resides in Census-Designated places</li> </ul>	<ul style="list-style-type: none"> <li>As part of the guidance memo described under HCD Implementation Effort #5 HCD to encourage COGs to allocate to counties according to the county population that reside in Census-Designated Places</li> </ul>
HCD Implementation Effort #9: Improve Technical Assistance for the Subregion Process	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>See HCD Implementation Effort #5 - Provide TA to Subregions to ensure the allocation methodologies further all statutory objectives</li> </ul>



**California Department of Housing  
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