



CALIFORNIA ALLIANCE OF LOCAL ELECTEDS

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California State Auditor releases scathing report on RHNA process Report finds housing goals are not supported by evidence

On March 17, Michael S. Tilden, the Acting California State Auditor, [issued a blistering critique of the Department of Housing and Community Development \(HCD\)](#) and its Regional Housing Needs Assessments (RHNA).

The Auditor found problems in the HCD methodology that may have inflated RHNA requirements by hundreds of thousands of housing units. The Auditor concludes that “The Department of Housing and Community Development must improve its processes to ensure that communities can adequately plan for housing.”

In his letter to the Governor and legislative leaders, the Auditor also states, “Overall, our audit determined that HCD does not ensure that its needs assessments are accurate and adequately supported. ...This insufficient oversight and lack of support for its considerations risks eroding public confidence that HCD is informing local governments of the appropriate amount of housing they will need.”

The California Alliance of Local Electeds (CALE), a statewide organization of local elected officials, called for the comprehensive review and supports the State Auditor’s findings. Says Susan Candell, a CALE member and councilmember from the city of Lafayette, “CALE advocated for this audit, and it’s critical that HCD and the legislature follow-up on the Auditor’s recommendations. Our constituents deserve a fair and accurate process.”

State Senator Steve Glazer (D-Orinda), a member of the Joint Committee on Legislative Audit and a former mayor of the city of Orinda, states “It is these types of mistakes that undermine community trust and confidence in housing requirements. We need more affordable housing, and we have to do better.”

Since 1969, California has required that all local governments create plans to meet the housing needs of their communities, a process called the regional housing needs assessment (RHNA).

Each eight-year RHNA cycle starts with population and household projections from the demographic unit at the Department of Finance (DOF). These projections are then handed off to HCD for their estimates of the number of housing units required to meet California's needs. The RHNA process was modified in 2018 by Senate Bill 828 (Wiener), which created several *ad hoc* adjustments that have led to the problems cited in the State Auditor's report.

Auditor findings on vacancy rates are consistent with Embarcadero Institute analysis

Unfortunately, the audit reviewed the RHNA plans from only eight counties, which together contain less than eight percent of California's population. Due to pending lawsuits the audit did not consider the RHNA plans of the two largest planning organizations, the Southern California Association of Governments (SCAG) and the Association of Bay Area Governments (ABAG). These two regions contain almost two-thirds (65.5 percent) of the state's population. This omission makes it difficult to grasp the scale of the problems created by HCD's errors.

However, the Embarcadero Institute, a Northern California think tank, [estimated that HCD's incorrect vacancy rates created an overcount of 200,000 housing units](#). Conceptual inconsistencies between DOF's household projections and HCD's housing unit projections created an additional overcount estimated at 700,000 housing units. Thus the RHNA requirement of 2.1 million new housing units may be contaminated by an overcount of 900,000 units.

The Auditor's report does not attempt to reconcile these differences because HCD's procedures are not clearly documented. Instead it has insisted that both DOF and HCD clarify and publish their methods and assumptions.

Auditor recommendations

The Auditor's report made strong recommendations and created a timeline for their completion. Several tasks must be undertaken between June 2022 and February 2023 including performing multiple reviews of data, establishing formal review procedures, reviewing the appropriateness of comparison regions, and conducting an analysis of healthy vacancy rates and their historical trends. The Department of Finance is tasked with reviewing its population projections based on 2020 census data and conducting a comprehensive review of assumptions about household formation rates.

Says CALE's Julie Testa, councilmember from the City of Pleasanton, "Unless HCD and DOF complete this work and correct their mistakes, there is no justification for punishing cities for failing to meet erroneous RHNA goals. The Legislature should suspend implementation of RNHA until the public is satisfied these problems have been resolved."

About CALE

The California Alliance of Local Electeds (CALE) brings together current and former local elected officials, community activists and other concerned residents. CALE believes that California's 482 municipalities are too geographically and culturally distinct to be subjected to one-size-fits-all rules from the state capitol. CALE believes that communities thrive when local democracy thrives.