

APPENDIX E:

**COMMENT LETTERS ON DRAFT RHNA
METHODOLOGY MENU AND SACOG RESPONSES**

From: David Taormino <david@taormino.org>
Sent: Wednesday, October 9, 2019 11:15 AM
To: Greg Chew <GChew@sacog.org>; Dov Kadin <DKadin@sacog.org>
Cc: Mike Webb <MWebb@cityofdavis.org>; Ashley Feeney <AFeeney@cityofdavis.org>;
 melanie_mathews@springlakedevelopment.org
Subject: RHNA for the City of Davis

EXTERNAL EMAIL: If unknown sender, **do not** click links/attachments.

Dear Mr. Chew & Mr. Kadin,

My questions/comments are related to the draft RHNA allocation for the City of Davis.

- (1) It's my understanding that according to the UCD Long Range Planning Document, the University anticipates hiring approximately 2,000 more faculty and staff in the RHNA timeline, 2021-2029. Where precisely is the housing allocation shown in Davis for these individuals? If 100% is reflected in the 2075 number then that assumes only 75 new non-UCD based individuals are anticipated to need housing in Davis. That doesn't make sense to me. Please explain. 1-1
- (2) Am I correct that with the 3 party MOU executed in 2018 by UCD, City of Davis and Yolo County that 100% of the need to construct student apartments is allocated to UCD which the allocation does not appear to be reflected in the draft. Please explain. 1-2
- (3) According to the draft, roughly 40% of Davis' housing allocation is for units designated for persons or family units whose income is essentially the Yolo County median. How is that justified especially in light of questions 1 & 2? Please explain SACOG's logic. 1-3
- (4) Does SACOG make a distinction between internally generated housing needs of a jurisdiction, e.g. UCD hires, and new local businesses versus allocating the housing needs of the broader region's growth not tied to a particular jurisdiction's growth, e.g. state government employees? Please explain. 1-4

I look forward to your responses.

Cordially,

Dave Taormino

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Howard Chan
City Manager

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October 30, 2019

David Sander, Board Chair
SACOG
1415 L Street, Suite 300
Sacramento, CA 95814

RE: Draft Regional Housing Needs Allocation Methodology Menu

Dear Chair Sander:

The City of Sacramento (City) has been actively engaged with the Sacramento Area Council of Governments (SACOG) over the last year to develop the Draft Regional Housing Needs Allocation (RHNA) Methodology Menu. We appreciate the opportunity to provide comments on the Draft RHNA Methodology Menu during the 60-day comment period.

2-1

The City is supportive of SACOG staff's recommendation of Menu Option C (Reduced Emphasis on Regional Income Parity). Menu Option C furthers RHNA objectives while recognizing potential overlap between the regional income parity and the affirmatively furthering fair housing adjustment factors.

The California Department of Housing and Community Development (HCD) assigned the SACOG Region a RHNA of 152,718 housing units for the 2021-2029 Housing Element planning period. While the City of Sacramento currently accounts for approximately 20% of the region's population, SACOG's draft 2020 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) allocates nearly one-third (29.85%) of the six-county SACOG region's growth to the City of Sacramento. The MTP/SCS growth projection is the basis for each jurisdiction's RHNA, therefore the City's 2021-2029 RHNA is 45,580 housing units. This equates to 5,700 units annually — a 240% increase of the 2,375 housing units that received building permits this past year *during record growth*.

2-2

If the SACOG Board adopts Menu Option C, the City would need to accommodate 16,769 lower-income units in an eight-year period. For the City to achieve this lower-income RHNA, 2,096 lower-income units would need to be permitted annually. In 2018, the City issued only 80 building permits for lower-income housing units.

The City is committed to being a regional leader in increasing the availability of housing for all income levels and is initiating many actions to streamline the approval and construction of housing units. The Sacramento City Council approved a framework for the Catalytic Housing Bond in June 2019. Once established, the bond is anticipated to generate \$100 million for affordable housing gap financing. However, at least \$1.6 billion in local affordable housing gap financing would need to be secured to construct the City's lower-income unit obligation. With annual statewide subsidies still down \$500 million on average again this RHNA cycle due to the loss of redevelopment affordable housing set-aside funds, the near stagnancy of federal subsidies amidst higher housing costs, and the increased demand and low availability of construction labor force, this subsidy need continues to be a challenge despite aggressive local efforts.

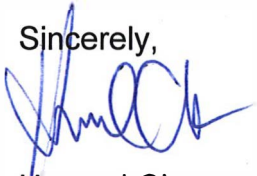
The City intends to accommodate much of the projected growth in our infill areas, along commercial corridors and near transit. Among the greatest challenges to supporting infill development, transit-oriented development, and affordable housing is making the necessary investments in infrastructure to support this development. Many of these areas are located along aging corridors that need significant system upgrades to safely accommodate transit, pedestrians, and cyclists, as well as inadequate underground utilities to support the anticipated increase in housing units. The cost of upgrading infrastructure continues to be a major barrier to constructing housing. In order to make infill and affordable housing development more feasible, the City offers a number of incentives to reduce or waive development impact fees. Unlike greenfield development, infill development is not able to fully offset its impacts on existing infrastructure and provide for upgrades.

It is important to acknowledge that there is currently a lack of State and regional funding tools for the City to accommodate 45,580 housing units — 30% of the six-county region's anticipated growth. To make notable progress in achieving the City's RHNA, a greater share of available regional funding along with new funding sources will be required.

The City is supportive of SACOG's continued advocacy for State funding for programs to accelerate infill development such as Green Means Go. Assembly Bill 101 established the Local Government Planning Supports Grant Program to provide regions and jurisdictions with one-time funding to establish priorities that increase housing planning and accelerate housing production. It is anticipated that SACOG will receive a regional allocation of \$6.9 million. As SACOG begins dialogue regarding the process and timeline for allocating these funds to its member jurisdictions, the City looks forward to discussing how this funding can be used as a first-step to support the City of Sacramento's large responsibility of accommodating nearly one-third of the region's future housing need. In addition, the City looks forward to opportunities to discuss how the regional funding programs that SACOG manages can be adjusted to provide for greater funding support and reliability to better support existing and future needs in the City of Sacramento, as it is the focus of SACOG's regional growth objectives.

We look forward to continued coordination and collaboration as the RHNA and the 2021-2029 Housing Element update progresses. If you'd like to follow-up on our comments, please contact Matt Hertel, Senior Planner, at 916-808-7158 or mhertel@cityofsacramento.org.

Sincerely,



Howard Chan
City Manager

cc: Rick Jennings, SACOG Board Member
Jay Schenirer, SACOG Board Member
James Corless, Executive Director
Greg Chew, Senior Planner



October 31, 2019

Sent via email to: RHNA@sacog.org

Subject: Comments on SACOG’s Draft RHNA Methodology Menu for implementing the Cycle 6 RHNA Regional Determination

House Sacramento appreciates the opportunity to comment on SACOG’s draft Regional Housing Needs Allocation (RHNA) Methodology Menu for implementing the Cycle 6 RHNA determination.

House Sacramento is an organization that advocates for building inclusively affordable communities in the Sacramento area. We formed in order to represent renters, young people, and other communities disproportionately harmed by NIMBYism and California’s long standing culture of opposition to developing adequate housing supply.

We first want to take a moment to recognize the work done by SACOG staff and the SACOG board on developing a good faith, realistic, and bold plan to meet the housing needs of the region heading into the next decade. Compared to other Councils of Government, SACOG should be appreciated as a leader in this area.

153,512 units. That is huge, in more ways than one! That number represents over a 40% increase in planned units for the SACOG region from the last RHNA Cycle. Even before the RHNA allocation methodology is discussed, House Sacramento would like to express support for SACOG working with the California Housing & Community Development Department to arrive at a Cycle 6 Regional Determination number that represents sustainable growth in the region and an important step towards ending the housing crisis. This allocation demonstrates the leadership of our regional government, and we strongly support the RHNA allocation SACOG has agreed to accommodate. This Determination, combined with projected growth patterns based around a progressive, sustainable Metropolitan Transportation Plan / Sustainable Communities Strategy (MTP/SCS), is arguably the most important part of the RHNA process, and SACOG hit it out of the park.

Briefly, House Sacramento would like to recognize that no matter how the household income types are allocated, there are certain jurisdictions that will receive a large share of the Cycle 6 RHNA, namely the City of Sacramento and unincorporated Sacramento County. SACOG should do what it can to help those jurisdictions plan for sustainable growth, including distributing

proportional transportation funding so the residents of these new units can be mobile and car-free, and promoting dense, infill, and transit-oriented new communities instead of greenfield development.

3-1
Cont.

Finally, let's get to the topic at hand: the draft methodology menu itself. It proposes four staff options for allocating the Regional Determination to each jurisdiction in the region. The menu of options proposes that any chosen methodology should further goals outlined in state law, specifically:

1. Increasing housing supply and mix of housing types
2. Promoting infill, equity, and environment
3. Ensuring jobs housing balance and fit
4. Promoting regional income parity
5. Affirmatively furthering fair housing

The draft menu states that the first and second objectives are inherently met by the initial overall RHNA Determination coupled with a progressive MTP/SCS. This is a reasonable claim, and House Sacramento hopes to engage in the development of the 2020 MTP/SCS to guarantee this. However, the RHNA methodology itself determines whether the last three objectives are met, based on the relative allocation of lower income units to each SACOG jurisdiction.

We understand that SACOG staff is recommending Option C, which "employs a moderate impact regional income parity adjustment, a high impact affirmatively furthering fair housing adjustment, and a high impact jobs housing fit adjustment." We understand this choice, but based on the need to achieve the three objectives in legislation and the current regional and statewide housing crisis, **House Sacramento recommends SACOG select Option A, which allows a high impact from all three adjustment factors.** In fact, we also support raising the adjustment cap on the jobs-housing factor to 25% to correct for major imbalances in the region between low-wage jobs and land zoned for multifamily homes.

3-2

The draft menu states, "while above moderate-income RHNA can be accommodated on single family zoned sites, the lower income categories (very low- and low- income) can only be accommodated on sites zoned for higher densities (typically 20 or 30 units per acre)." This means that each jurisdiction must revise its housing element and zoning code by 2024 in order to accommodate more of these housing types. We encourage SACOG jurisdictions to utilize the Housing Policy Toolkit developed by SACOG staff to complete this critical final step. House Sacramento will be monitoring jurisdictions' efforts toward this goal, and encouraging the modification of zoning in the region so it supports dense, transit-oriented, infill development. Finally, after a methodology is chosen, the next step of jurisdictions coming into compliance with RHNA and housing element law is incredibly important, and House Sacramento will not tolerate jurisdictions being out of compliance.

Again, House Sacramento appreciates the opportunity to comment on SACOG's draft RHNA methodology menu. We thank SACOG staff and board for being leaders in state housing policy

and for all the hard work on this initiative. Please contact me by mail at ansel@housesac.org with any further questions.

Best,



Ansel Lundberg
Co-Chair, House Sacramento

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November 6, 2019

Greg Chew, Senior Planner
Sacramento Area Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

RE: REGIONAL HOUSING NEEDS ALLOCATION METHODOLOGY COMMENTS

Dear Mr. Chew,

This letter provides the City's comments on the proposed Regional Housing Needs Allocation (RHNA) methodologies for the period covering October 31, 2021 to October 31, 2029. The SACOG Board approved the release for public comment of four methodologies on September 19, 2019.

The City recognizes the difficulty of developing methodologies in what is essentially a zero-sum game, particularly in light of the new State requirements to include such factors as affirmatively furthering fair housing and jobs/housing balance. We appreciate the efforts of SACOG staff to review potential data sources for the new factors and to factor in comments from local government staff in the selection of those data sources.

It should be noted that many of the factors present significant overlap in their objectives, particularly between regional income parity and affirmatively furthering fair housing (AFFH). While the income parity factor seeks to ensure that all jurisdictions are moving toward an equal share of lower-income housing, the AFFH factor seeks to ensure more low-income housing is located in higher opportunity areas. Because higher opportunity areas tend to be higher-income jurisdictions with relatively fewer low-income housing units, in essence these factors each adjust for the same goal. This is also true of the jobs/housing fit factor, although arguably to a lesser extent.

4-1

Therefore, the City's position is that **Methodology B** best represents a realistic path toward achieving regional income parity, while also honoring a need to advance fair housing and jobs/housing balance goals while not double or triple counting the factors. The City believes the fairest way to adjust for this obvious overlap is to weight all three the factors at the moderate level.

The City's second choice is Methodology D. While this methodology emphasizes the jobs/housing balance factor, it does adjust the regional income parity and AFFH factors to a moderate level, reducing some of the overlap.

4-2

It is important to note that while the objective of RHNA is to develop viable resources for meeting low-income housing needs, the reality is that strategies like zoning, density bonuses, and application review

4-3

Greg Chew, SACOG
November 6, 2019

incentives for affordable housing will not in and of themselves promote or achieve the needed housing. Unless our region sees substantial new financial investment in affordable housing, few of the allocated units are likely to be built. We support efforts by SACOG and others to work in securing new funding for affordable housing.

4-3
Cont.

We appreciate SACOG's consideration of our comments and look forward to working with you and your staff throughout the RHNA process. Please feel free to contact Sarah Bontrager, Housing and Public Services Manager, at 916-627-3209 or sbontrager@elkgrovecity.org if you have any questions about our comments.

Sincerely,



Jason Behrmann
City Manager

November 8, 2019

Greg Chew
Sacramento Area Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

Subject: Regional Housing Needs Allocation

Thank you for the opportunity to participate in the Regional Housing Needs Allocation (RHNA) process. City staff attended all of the RHNA meetings, participated in good faith, and shared the City's concerns as well as suggested solutions early and often. Unfortunately, the City's concerns have not been resolved. The City recognizes and appreciates that Sacramento Area Council of Governments (SACOG) staff has limited control over certain matters. Regardless, the City's overarching concern is fundamental: the allocation and methodologies being proposed are infeasible to implement, and will likely result in non-compliant Housing Elements in the region.

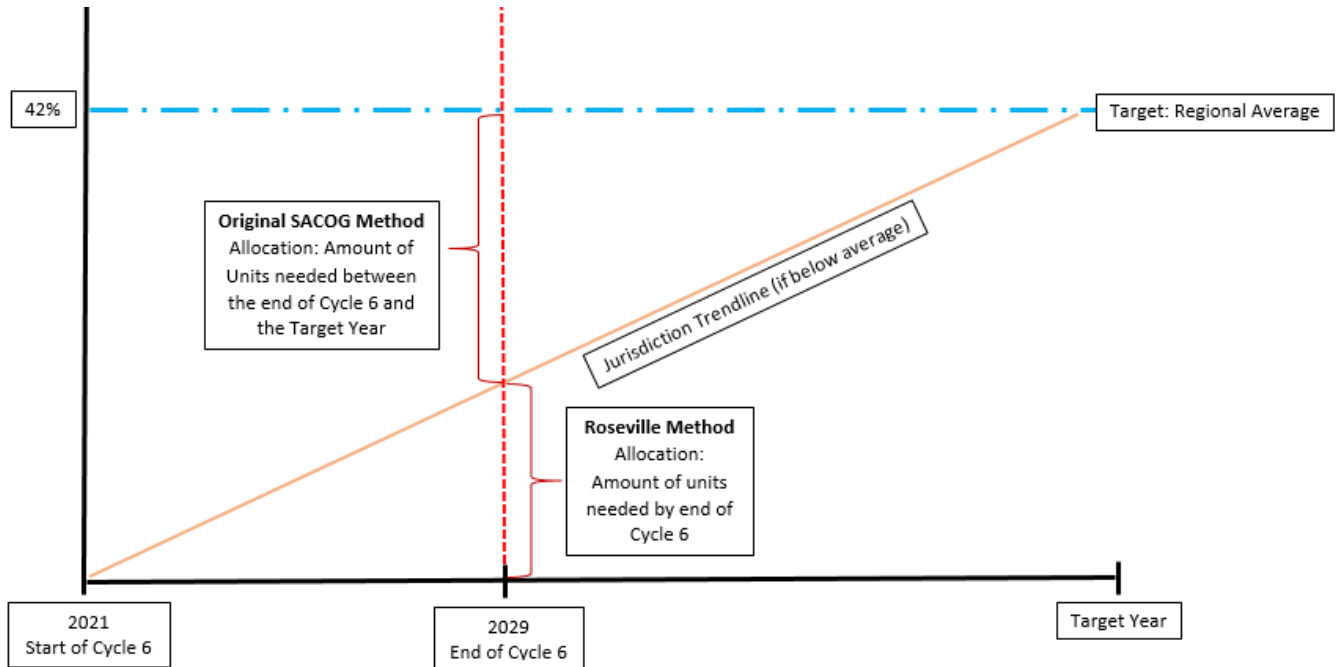
The City's concerns are described in detail below, but our concerns focus on four fundamental issues:

- The selected weights and caps are arbitrary, and no explanation of the reason for their selection has been provided. The City believes the selected weights and caps should be fully discussed and justified.
- The method used to map "high opportunity" areas for the Affirmatively Furthering Fair Housing criterion does not take into account proximity to transit, services, or healthcare, even though these are critical for the success of affordable housing sites.
- For the Jobs Housing Balance criterion, the data includes teenagers and persons who are partnered with high-wage job holders, not just the number of low wage jobs held by heads of household or other persons responsible for paying rent. The City is concerned this results in an over-allocation of units.
- Preliminary analysis shows the City does not currently have enough High Density Residential land to accommodate the projected RHNA allocation for lower income units, and even the most optimistic plans to increase our capacity will remain up to 900 units short of our allocation. The City believes the allocation from HCD and the methodologies proposed by SACOG staff result in unreasonably high numbers.

Methodology Concerns

Regional Income Parity: Fundamentally, this methodology consists of calculating the regional average percentage of low-income households in the SACOG region, establishing a target year by which jurisdictions should be consistent with the average, and finding the number of units which would need to be added or subtracted from a jurisdiction in order to achieve the average. The calculation first proposed by SACOG staff, and used in previous Cycles, selected a distant target year of 2060 (since last cycle had been 2050). However, instead of assigning the number of units needed within the housing cycle, the methodology took all of the growth from the end of Cycle 6 through 2060 and put those units back into Cycle 6 (herein the "original SACOG method"). Roseville recommended allocating the units which would be needed by the end of the current Housing Element Cycle in order to maintain the desired trendline (herein the "Roseville method"). The difference between these methodologies is represented graphically below.

5-1



5-1
Cont.

SACOG staff agreed to present Roseville's methodology to the jurisdictions, and ultimately included it as the calculation proposed to the SACOG Board, using a target year of 2035 (to match the MTP planning period). The weighting applied to the methodology resulted in numbers that are nearly identical to the original SACOG method (herein the "proposed method"). This is shown in the table below, using Roseville's allocation as the example. Note that a 100% weight means that 100% of the calculation results are used, and so is the same as saying the results are not weighted.

Original SACOG Method		Proposed Method		Roseville Method	
High (100% weight)	Moderate (60% weight)	High (140% weight)	Moderate (85% weight)	High (100% weight)	Moderate (60% weight)
406 units	244 units	409 units	248 units	292 units	175 units

As shown, the results of the original SACOG method and the proposed method are effectively identical, even though the calculation methodologies are entirely different. Roseville is opposed to this approach, because it does not rely on the actual calculation to determine the results. In the case of Regional Income Parity, Roseville urges the SACOG Board to use the calculation with 100% weighting as the "high" option, because it represents 100% of the *actual unit increases or decreases which would be needed*. Consistent with the other methodologies, the "moderate" option would then have a lower weighting applied to reduce its impact.

Affirmatively Furthering Fair Housing (Fair Housing): While the Regional Income Parity calculation uses well-defined data sets to determine the actual number of units needed to achieve regional parity, this is not the case for the Fair Housing calculation, because there is no explicit or direct way to define or measure "fair housing." SACOG has proposed to use a variety of proxy metrics to address this criterion, by correlating factors such as high school graduation rates, school test scores, unemployment, and poverty. Conceptually, areas which are high opportunity (good schools, low poverty, etc) would be allocated more units and areas which are low opportunity would see a reduction in the allocation. Roseville agrees with this approach, but has significant concerns about the way it is implemented.

5-2

The method used to map "high opportunity" areas has two flaws of concern to Roseville. First, the data sets used to determine "high opportunity" areas do not take into account proximity to transit, services, or healthcare. As a result, the entirety of Roseville's western edge is considered "high opportunity," even though the nearest grocery store is several miles away, transit is absent or infrequent, and the nearest hospitals are on the eastern side of

the City. Particularly when talking about low-income households, proximity to transit and services is critical. It is inappropriate to exclude these factors when determining which areas are high opportunity for low income units. SACOG staff has responded to this concern by stating that eventually transit and services will come to these areas. However, the City would remind SACOG that these vacant areas of the City represent 20–25 years of growth capacity, and the units at the existing City edge have been waiting upwards of 10 years for a grocery store to be developed nearby. Meanwhile, the housing cycle we are planning for is 8 years.

The second flaw relates to the fact that newly developing and future development areas have low poverty, a lack of negative school test scores, low pollution burdens, and other “high opportunity” factors simply because there is a lack of data. Brand new subdivisions and schools won’t have high poverty or a history of low test scores, but they may develop such data over time. Roseville (and other communities) have seen this happen many times. This issue of low data availability leading to automatic positive results can’t be directly addressed, but can be offset by including data on proximity to transit and services in the data set. Areas with low proximity to transit and services will coincide with newly developing or undeveloped areas.

5-2
Cont.

Finally, the City has concerns about the weighting and capping methodologies being employed, as discussed later in this letter.

Jobs/Housing Balance (Jobs/Housing): The City’s concerns with this factor are similar to our concerns with the Fair Housing calculation. There is no explicit or direct way to define or measure a “low-wage job” or units affordable to “low wage workers.” Most critically, available data sets have not been cross-referenced with demographic information or household characteristics. This means that in addition to capturing the number of low wage jobs held by heads of household or other persons responsible for paying rent—our target for RHNA purposes—that data also includes teenagers and persons who are partnered with high-wage job holders. Roseville has a regional mall and other uses which typically employ workers under 18—more so than many other jurisdictions. Roseville is deeply concerned that the data over-allocates units to the City, and strongly urges SACOG to examine whether some adjustment to this data can be made to account for demographic data. For example, if a jurisdiction has a lower- or higher-than-average share of persons under the age of 18, the proportion of low wage jobs could be adjusted.

5-3

The City has concerns about the weighting and capping methodologies being employed, as discussed below.

Weighting and Capping Insufficiently Explained

As discussed above, all of the calculation methodologies presented by SACOG staff apply weighting and capping. The selected weights and caps have a substantial impact on the resultant allocation. The SACOG staff report offers two lines of explanation (Attachment A, Page 11):

The menu employs weighting and caps to emphasize and deemphasize the resulting impact of unweighted variances described in the adjustment factor tables above. Given the fact that the unweighted variances are widely different measurements, such weighting/capping is necessary to ensure any one adjustment is not dramatically overshadowing the other two.

Roseville does not see a need to use weighting or capping for the “High” Regional Parity option, because the unadjusted results are based on the actual need. However, Roseville understands there is a need to make some adjustment to Fair Housing and Jobs/Housing, because these use imperfect proxy data, and the unadjusted results are very disproportionate. Using the Roseville method for Regional Income Parity, the variances range from -11% to 12%, which is a balanced and data-based result. However, the unadjusted variance range for Fair Housing is -37% to 63%, and the differences within the Jobs/Housing factor are even more substantial, with the unadjusted variance ranging from -170% to 740%. If left unadjusted, some jurisdictions would receive the majority of their allocation from a single factor, and the allocation would exceed their total RHNA allocation. For example, Folsom would receive over 19,000 low income units (their total allocation is 6,363 units). These results demonstrate the problems inherent within the calculation methodologies, as described earlier in this letter. The calculation issues require some means of adjusting the totals to achieve proportionate results.

5-4

While some adjustment is needed, the selected weights and caps are arbitrary, and no explanation of the reason for their selection has been provided. The City believes the selected weights and caps should be fully discussed and justified.

5-4
Cont.

Over-Allocation of Units: SACOG

The City's initial allocation—the affordable base—is 4,913 units. The methodologies proposed by SACOG would adjust the City's final affordable base requirement to between 5,800 units and 6,300 units. Although the City's adequate sites analysis won't be completed for some time, preliminary analysis indicates that optimistically, the City's existing inventory includes approximately 3,900 units. Therefore, the City would need to find additional land for between 1,900 and 2,400 units. *This is a substantial increase in units*, and suggests to the City that the proposed weights and caps are not reasonable. As described in the Options for Compliance section of this letter, the City believes achievement of the allocation is unreasonable based on the fact that the City already has 20–25 years of unbuilt supply. The City urges the SACOG Board to direct SACOG staff to revise the proposed methodologies.

5-5

Options for Compliance

Existing Specific Plans: The City has several approved Specific Plan areas with undeveloped land: the Amoruso, Creekview, and Sierra Vista Specific Plans and the Campus Oaks Master Plan. However, all of these planning areas are encumbered by active Development Agreements which are not set to expire for several decades. Development Agreements are binding contracts which, among other things, guarantee development rights. The only way to change land use designations in these areas would be to negotiate with property owners to voluntarily rezone property. The City has had preliminary discussions on this topic with multiple developers holding large areas of land interest. The response has not been favorable, as high density housing has the least return on investment. Although staff will continue to pursue this option, staff has low expectations of achieving success.

New Corridor Plans: Staff has begun investigating ways in which additional units can be gained from the developed areas of the City, either through redevelopment or the development of long-vacant infill sites. The City will be applying for SB 2 grant funding to develop new corridor plans along Douglas Boulevard, Harding Boulevard, Sunrise Boulevard, and Atlantic Street, and preliminary estimates suggest the potential to add up to 400 hundred units from this effort.

Removing or Increasing Density Limitations in the Infill Area: While the City's General Plan land use designations provide for a range of housing densities in each of the residential land use categories, the City's land use maps include fixed densities for each land use polygon (e.g. High Density Residential-15). The City has taken this approach in order to support detailed environmental and facility master planning for the Specific Plan areas, which allows streamlining of later development. However, the City is investigating the possibility of removing or increasing the density limitations within the Infill area of the City, where there are no active Development Agreements. This task would require substantial technical analysis and potential infrastructure upgrades to support this increase. To receive credit for these properties, the City would need to show "realistic and demonstrated potential" for redevelopment, so it is unknown how many units the City could be credited. The City has prepared an extremely optimistic assessment of redevelopment potential showing that as many as 1,000 units could be gained. The City would expect the credited amount to be lower.

5-6

Conclusion: Given the above constraints, staff does not think it is possible to accommodate the RHNA allocation. Even the most optimistic evaluation shows we can achieve an approximate 1,400-unit increase, which is below the 1,900 to 2,400 units required based on the current SACOG methodologies.

Over-Allocation of Units: HCD

Although not directly within the control of SACOG staff, the City thinks it's important to underscore the fact that many of the problems we're grappling with are the result of the over-allocation of units by the California Department of Housing and Community Development (HCD). This is evidenced by the conflicts between the

5-7

Metropolitan Transportation Plan (MTP) and HCD housing projections. HCD has allocated 153,512 units to the SACOG region for the eight-year planning period of 2021–2029. The City's allocation for this period is 12,066 units, which is calculated based on the City's percentage of MTP growth (7.9%). However, the MTP growth projections show total City growth between 2016 and 2035 will be 17,460 units, which represents only 7,351 units during any given eight-year period. *Therefore, the RHNA allocation assigns the City nearly 5,000 more units than the MTP projects will develop within the planning period.*

It is also notable that this growth rate within the MTP/SCS is consistent with the City's data on historic average and projected future growth rates. In order to successfully build 12,066 units within an eight year period, the City would need to final building permits for over 1,500 units per year, which is not achievable based on historic, current, or predicted future market conditions. This is demonstrated by Attachment 1 of this letter, which provides annual (fiscal year) building permit data for the last five years. According to this data, in the last five years the City has finalized an average of 893 building permits per year, and the highest single year was 1,172 permits. In the City's data, there is visible year-on-year growth in the housing market during the period, as the economy continued to improve. However, key organizations that track the housing market (UCLA Anderson Forecast, California Association of Realtors, and others) are predicting a cooling in the market. While another deep recession is not predicted, the housing market is predicted to plateau and then decline. Based on the number of building permits issued and finalized to date, the City is predicting that fiscal year 2019/2020 will produce approximately 900 units. Therefore, the data shows that 1,500 units per year is well above either historic or predicted future levels of development.

5-7
Cont.

The response to this concern has been a statement that RHNA is a planning tool, and does not include a requirement to construct. While RHNA itself does not yet contain a construction mandate, there are multiple new regulations which require jurisdictions to produce RHNA housing, or face negative consequences. This includes Senate Bill 35, which removes local land use discretion for affordable housing projects as a consequence of failing to produce RHNA housing; Senate Bill 1333, which requires inventory sites to be developed at the density identified within the inventory (or the loss must be made up); and Assembly Bill 1397, which indicates that redevelopment sites included in a prior cycle and vacant sites included in two or more cycles which have not been developed are presumed inappropriate ("shall not be deemed adequate") for inclusion in the current cycle. As a consequence, there is a clear expectation that the housing allocated in the RHNA process should be produced. Given all of these factors, jurisdictions should not be allocated substantially more units than could feasibly be constructed within the planning period.

The City Produces Housing

Statewide data clearly shows that California is not producing enough housing to meet demand, particularly as it relates to affordable housing. RHNA is intended as a part of the solution to this problem, by assigning needed units to each jurisdiction, and requiring land use plans to accommodate those needed units. However, "need" is determined mainly based on existing growth patterns rather than on actual, documented need. Therefore, cities such as Roseville who are successfully producing housing every year are given substantially higher allocations than cities which produce little to no housing.

In enacting state legislation and discussing the state's housing crisis, the Governor and legislators have argued that a primary cause is local government acting as a barrier to the construction of housing in general and low-income housing in particular. This is not true of Roseville. During this past housing cycle, the City has approved every high density housing project which has been proposed even though all of them have generated neighborhood opposition—in one case leading to a lawsuit, which was successfully defended. In addition, the City has development streamlining options for high density residential projects, and the City has provided millions in gap funding to many affordable housing projects.

5-8

In just the past year, multiple projects which provide affordable housing have been approved or constructed within the City, including:

- The Lohse building – a 100% affordable housing project, which is a mixed use building with ground-floor retail space and 58 units, at a density of more than 60 units per acre, located at 623 Vernon Street. The City provided gap funding in the amount of \$5.76 million.
- Main Street Plaza – a 100% affordable housing project, which is two mixed-use buildings with ground floor retail and 65 units, at a density of more than 50 units per acre, located at the northeastern corner of Main Street and Washington Boulevard. The City provided gap funding in the amount of approximately \$3 million as well as land valued at \$875,000, and 30 project-based housing vouchers.
- Junction Station – a 100% affordable housing project, which is 80 units at a density of more than 50 units per acre, located at 120 Pacific Street. The City provided gap funding in the amount of \$4.36 million.
- Old Town Lofts – a 22-unit attached townhome project at a density of 25 units to the acre, located at 241 Nevada Street.
- Huntington Senior Apartments – a 76-unit senior apartment complex at a density of 23 units per acre, located at 1650 Huntington Drive.

All of the above housing projects were listed in this letter because they are infill projects within established neighborhoods and communities—exactly the kind of project that is needed, and which the state has argued local governments are not approving or supporting. Moreover, the City will not receive appropriate RHNA credit for the Lohse, Old Town Lofts, or Huntington Senior Apartments projects. All three of these projects either are or will be completed and occupied within Cycle 5, which ends on June 30, 2021, but none of these sites were identified as high density residential housing in the City's Cycle 5 Housing Element. Despite never having taken credit for these units, HCD will not give Cycle 6 credit for any housing built during Cycle 5. Legislation has enacted "net loss" provisions which require local governments to make up any units credited but not built when a site develops. SACOG and HCD should consider advocating for "net gain" provisions to allow jurisdictions to receive credit for producing housing which was neither included in the jurisdiction's housing inventory nor used to offset a net loss.

5-8
Cont.

In addition to the high density housing projects listed above, the City ensures that all new planning areas contain a balanced mix of housing, and provide their fair share of affordable housing and high density housing. Since adoption of the Housing Element at the start of Cycle 5, the City has approved two new planning areas: the Hewlett-Packard Campus Oaks Master Plan and the Amoruso Ranch Specific Plan. Combined, these new planning areas provide an additional 1,268 units of high density residential units for the City, but only 873 units can be counted toward Cycle 6, because many are currently under construction and will be completed within Cycle 5.

Conclusion

As evidenced by its continued growth, the City is committed to the planning and production of housing at all income levels and densities. Using the last housing cycle as a guide, the City ensured that any new planning area contained a mix of housing types and land use densities and ensured that at least 10% of new planned housing is affordable to low income households. This planning was successful; had the allocation this Cycle been similar to the previous Cycle, the City would already have enough high density housing in its inventory. However, the City is now presented with a low income housing allocation which is over 60% higher than the prior Cycle and is struggling to find a means of compliance. The City is deeply concerned that the allocation and methodologies being proposed are infeasible to implement, and will result in non-compliant Housing Elements in the region.

5-9

Should you have any questions regarding the comments provided in this letter, please feel free to contact me by phone at (916) 774-5272 or by email at lhocker@roseville.ca.us.

Sincerely,



Lauren Hocker
Senior Planner

Attachments

1. 5-year Building Permit data

cc: City Manager
Assistant City Manager
Development Services Director
Planning Manager

Attachment 1: Residential Building Permits (Final) 2014–2018

Calendar Year	Total Units
2014	572
2015	952
2016	822
2017	949
2018	1172



November 8, 2019

Mr. Greg Chew
Sacramento Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

RE: City of Davis Comments on Draft Regional Housing Needs Allocation Methodology

Dear Mr. Chew:

The City of Davis has reviewed the proposed Cycle 6 Draft Regional Housing Needs Allocation Methodology (“RHNA”) and offers the following comments specific to the 2,075 units proposed for allocation to the City of Davis.

The City has been making a concerted effort to provide additional housing opportunities at all affordability levels. The Davis City Council has approved a number of projects for construction of varying types with many units that by design provide for housing a greater number of residents than a typical dwelling unit. The City is seeing a shift in multifamily housing where rather than renting units, bedrooms and even beds are rented on an individual basis. This results in more people being housed in a unit and the composition of the units are often configured where units have a greater number of bedrooms than traditional multifamily units. The City respectfully requests the Sacramento Council of Governments (“SACOG”) and the California Department of Housing and Community Development (“HCD”) provide a prorated credit for multifamily units against the City of Davis RHNA recognizing that these units are providing housing for a greater population than traditional units.

By way of example, the 2010 Census found 2.55 persons per multifamily household whereas the average persons per household across three recently approved higher bedroom count multifamily projects is 4.68 persons per unit. These larger format units house more people and should be recognized at a higher ratio than a single unit. The City would appreciate an opportunity to engage in a discussion with SACOG to develop a mutually agreeable methodology and formula to recognize a fair and appropriate credit for these unique housing types. Here is an example of three recently approved relevant multifamily projects:

6-1

	Davis Live	Lincoln 40	Sterling
# of Units	71	130	160
# (%) of 1-bedroom units	0	0	22 (22/160) = 14%
# (%) of 2-bedroom units	0	17 (17 / 130) = 13%	30 (30/160) = 19%
# (%) of 3-bedroom units	1 (1 / 71 = 1%)	21 (21 / 130) = 16%	0
# (%) of 4-bedroom units	40 (40 / 71 = 56%)	84 (84 / 130) = 65%	82 (82/160) = 51%
# (%) of 5-bedroom units	30 (30 / 71 = 42%)	8 (8 / 130) = 6%	26 (26/160) = 16%
# of Bedrooms	313	473	540
# of Beds	440	708	540
Average Occupants per Unit*	6.2 AOU (71/440)	5.45 AOU (130/708)	3.38 AOU (160/540)

6-1
Cont.

In addition to consideration for larger format multifamily units being considered as greater than a single unit, City of Davis staff has been in discussions with SACOG and HCD staff regarding the development of a methodology for how to convert the City's deed-restricted affordable beds into affordable units that will count towards Davis' Regional Housing Needs Allocation (RHNA) obligation. . A memorandum delivered to HCD on October 21, 2019 outlining the request and methodology is included as an attachment.

6-2

The City of Davis appreciates consideration of our requests accounting for unique housing types and innovative approaches to providing affordable housing. Please contact me with any questions regarding this request.

Regards,



Ashley Feeney
Assistant City Manager

Attachment: Memorandum to California Department of Housing and Community Development dated October 21, 2019

Cc: Mike Webb, City Manager
Kelly Stachowicz, Assistant City Manager
Sherri Metzker, Principal Planner
Ginger Hashimoto, Management Analyst



MEMORANDUM

TO: Melinda Coy, Policy Specialist, California Department of Housing and Community Development
Tom Brinkhuis, Policy Analyst, California Department of Housing and Community Development

FROM: Mike Webb, City Manager, City of Davis
Kelly Stachowicz, Assistant City Manager, City of Davis
Ashley Feeney, Assistant City Manager, City of Davis

CC: Greg Chew, Senior Planner, Sacramento Area Council of Governments
Dov Kadin, Planner, Sacramento Area Council of Governments

DATE: October 21, 2019

RE: Conversion of Affordable Bed Rentals into Affordable Regional Needs Housing Allocation Unit Credit

BACKGROUND

In 2018, the City of Davis approved three housing projects, with a fourth currently under review, where the rental structure is by-the-bed. While rented by-the-bed, each unit will feature private bathrooms as well as a communal kitchen and living area. In addition, most units will come fully furnished with utilities included. As presented in the table below, each project included an affordable component comprised of deed-restricted beds ranging from low, very low, and extremely low-income levels.

Table 1: Summary of By-the-Bed Rental Projects with Deed-Restricted Affordable Beds

	Davis Live	Lincoln 40	Nishi
# of Units	71	130	700
# (%) of 2-bedroom units	0	17 (17 / 130) = 13%	TBD
# (%) of 3-bedroom units	1 (1 / 71 = 1%)	21 (21 / 130) = 16%	TBD
# (%) of 4-bedroom units	40 (40 / 71 = 56%)	84 (84 / 130) = 65%	0
# (%) of 5-bedroom units	30 (30 / 71 = 42%)	8 (8 / 130) = 6%	0
# of Bedrooms	313	473	TBD
# of Beds	440	708	2,200
# (%) of Affordable Beds*	66 (66/440 = 15%)	71 (71/708 = 10%)	330 (330/2,200 = 15%)
# (%) of Low Income Beds	22 (22/66 = 33%)	14 (14/71 = 20%)	0
# (%) of Very Low Income Beds	22 (22/66 = 33%)	57 (57/71 = 80%)	220 (220/330 = 67%)
# (%) of Extremely Low Income Beds	22 (22/66 = 33%)	0 (0%)	110 (110/330 = 33%)

*All affordable beds are deed restricted with no eligibility restrictions except for being income-qualified

PURPOSE

The purpose of this memorandum is to begin a dialogue between the City and the California Department of Housing and Community Development (HCD), with the goal of developing a mutually agreeable methodology for how to convert the City's deed-restricted affordable beds into affordable units that will count towards Davis' Regional Housing Needs Allocation (RHNA) obligation.

PROPOSED METHODOLOGY

Based on the Davis Live project, the City is proposing the below methodology, but looks forward to future discussions with HCD on how to refine the methodology. Please note, the City will use the term "City affordable" when referring to its deed-restricted affordable beds, but will use the term "statutory affordable" when referring to affordable RHNA unit credit.

1. Using HCD's 2019 income limits for Yolo County, calculate a monthly rent for each City affordable bed by:
 - a. Taking 30% of the 1-person household income limit at the low-, very low-, and extremely low-income levels
 - b. Dividing the amount by 12 months

Table 2: Monthly City Affordable Bed Rent

Affordable Bed Income Level	2019 Income Limit for 1-Person Household in Yolo County*	Monthly City Affordable Bed Rent** = 30% of the Income Limit/ 12 months
Low-Income Bed	\$49,250	\$1,231 = (\$49,250 x 30%) / 12
Very Low-Income Bed	\$30,800	\$770 = (\$30,800 x 30%) / 12
Extremely Low-Income Bed	\$18,450	\$461 = (\$18,450 x 30%) / 12

*Based on HCD's 2019 State Income Limits: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>

**All bed rentals include utilities

2. Using the by-the-bed rental rates for UC Davis' West Village project, obtain a monthly market bed rent comparison by:
 - a. Adding the rental rates
 - b. Dividing the sum by the number of rates

Please note, the City calculated a separate average for single occupancy and double up occupancy to utilize in Steps 5a and 5b.

Table 3: Monthly Market Bed Rent Comparison

West Village Unit Type	Monthly West Village Bed Rent*
Single Occupancy 1-Bedroom Viridian A	\$2,205
Single Occupancy 1-Bedroom Viridian B	\$2,305
Single Occupancy 2-Bedroom Viridian C	\$1,415
Single Occupancy 2-Bedroom Viridian D	\$1,415
Single Occupancy 2-Bedroom Solstice A	\$1,315
Single Occupancy 2-Bedroom Ramble A	\$1,315
Single Occupancy 3-Bedroom Viridian E	\$1,185
Single Occupancy 3-Bedroom Solstice B	\$1,185
Single Occupancy 3-Bedroom Solstice C	\$1,170
Single Occupancy 3-Bedroom Ramble B	\$1,185
Single Occupancy 3-Bedroom Ramble C	\$1,185
Single Occupancy 4-Bedroom Solstice D	\$1,160
Single Occupancy 4-Bedroom Ramble D	\$1,160
Single Occupancy Average	\$1,400 = (\$18,200 / 13)
Double Up Occupancy A	\$865
Double Up Occupancy B	\$765
Double Up Occupancy Average	\$815 = (\$1,630 / 2)
Monthly Market Bed Rent Average	\$1,322 = (\$19,830 / 15)

*Based on UC Davis' West Village project rental rates as of May 2019, which rents by-the-bed and does not include utilities: <https://www.ucdaviswestvillage.com/floorplans>

3. Calculate a monthly City affordable bed subsidy for the Davis Live project by:
 - a. Subtracting the monthly market bed rent average (Step 2) from the monthly City affordable bed rent at each income level (Step 1)
 - b. Multiplying the results by the number of proposed beds at each income level (Table 1)
 - c. Adding the results to arrive at a monthly City affordable bed subsidy

Table 4: Monthly City Affordable Bed Subsidy

Affordable Bed Income Level	Monthly City Bed Affordable Subsidy = Average Monthly Market Bed Rent – Monthly City Affordable Bed Rent x # of Beds
Low-Income Bed	\$2,002 = (\$1,322 - \$1,231) x 22
Very Low-Income Bed	\$12,144 = (\$1,322 - \$770) x 22
Extremely Low-Income Bed	\$18,942 = (\$1,322 - \$461) x 22
Monthly City Affordable Bed Subsidy	\$33,088 = (\$2,002 + \$12,144 + \$18,942)

4. To compare Davis Live's monthly City affordable bed subsidy to what HCD considers affordable RHNA unit credit, use HCD's 2019 income limits for Yolo County to calculate a monthly statutory affordable unit rent for each unit type by:
 - a. Taking the income limit listed for the appropriate household size (based on the number of bedrooms plus one)
 - b. Multiplying the appropriate income limit by 30%
 - c. Dividing the result by 12 months

Table 5: Monthly Statutory Affordable Unit Rent

Affordable Unit Income Level	2019 Income Limit for X-Person Household in Yolo County*	Monthly Statutory Affordable Unit Rent = 2019 Income Limit for X-Person Household in Yolo County x 30% / 12 Months
Low-Income 3-Bedroom Unit	\$70,300 (4-person household)	\$1,758 = (\$70,300 x 30%) / 12
Low-Income 4-Bedroom Unit	\$75,950 (5-person household)	\$1,899 = (\$75,950 x 30%) / 12
Low-Income 5-Bedroom Unit	\$81,550 (6-person household)	\$2,039 = (\$81,550 x 30%) / 12

*Based on HCD's 2019 State Income Limits: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>

5. Using the by-the-bed rental rates for UC Davis' West Village project, calculate a monthly statutory market unit rent comparison for each unit type by:
 - a. Multiplying the West Village average double up rent (from Step 2) for one bedroom in the unit by two
 - b. Multiplying the West Village average single occupancy rent (from Step 2) for the remainder of the bedrooms (number of bedrooms minus one to account for the double up bedroom from the calculation above)
 - c. Adding the results together to obtain a monthly market unit rent that is consistent with HCD's methodology of determining household size by taking the number of bedrooms in a unit plus one

Table 6: Monthly Statutory Market Unit Rent Comparison

Unit Type	West Village Double Up Bed Rent*	West Village Single Occupancy Bed Rent*	Monthly Market Unit Rent = West Village Double Up Bed Rent x 2 + West Village Single Occupancy Bed Rent x (# of Bedrooms - 1)
3-Bedroom Unit	\$815	\$1,400	\$4,430 = (\$815 x 2) + (\$1,400 x (3-1))
4-Bedroom Unit	\$815	\$1,400	\$5,830 = (\$815 x 2) + (\$1,400 x (4-1))
5-Bedroom Unit	\$815	\$1,400	\$7,230 (\$815 x 2) + (\$1,400 x (5-1))

*Based on UC Davis' West Village project rental rates as of May 2019, which rents by-the-bed: <https://www.ucdaviswestvillage.com/floorplans>

6. Obtain a monthly statutory affordable unit subsidy for Davis Live by:
 - a. Subtracting the monthly statutory market unit rent (Step 5) from the monthly statutory affordable unit rent (Step 4)
 - b. Multiplying the result by the percentage of proposed units (Table 1)
 - c. Adding the results to arrive at a monthly statutory affordable unit subsidy

Table 7: Monthly Statutory Affordable Unit Subsidy

Unit Type	Monthly Statutory Market Unit Rent	Monthly Statutory Affordable Unit Rent	Monthly Statutory Affordable Subsidy = (Monthly Statutory Market Unit Rent - Monthly Statutory Affordable Unit Rent) x % of Davis Live Bedrooms
3-Bedroom Unit	\$4,430	\$1,758	\$27 = (\$4,430 - \$1,758) x 1%
4-Bedroom Unit	\$5,830	\$1,899	\$2,201 = (\$5,830 - \$1,899) x 56%
5-Bedroom Unit	\$7,230	\$2,039	\$2,180 = (\$7,230 - \$2,039) x 42%
Monthly Statutory Affordable Unit Subsidy			\$4,408 = \$27 + \$2,201 + \$2,180

7. Obtain an affordable RHNA unit equivalency for Davis Live by:

- a. Dividing the monthly City affordable bed subsidy (Step 3) by the monthly statutory affordable unit subsidy (Step 6)

	Davis Live Affordable RHNA Unit Equivalency = Monthly City Affordable Bed Subsidy / Monthly Statutory Affordable Unit Subsidy
Davis Live Affordable RHNA Unit Equivalency	7.5 units = \$33,088 / \$4,408

Attachment C

Response to Comments on Draft RHNA Methodology Menu

SACOG received six comment letters between September 19, 2019 and November 8, 2019 regarding the 2021-2029 Draft RHNA Methodology Menu. This document responds to the comments and/or questions raised in the letters. Comment letters received after November 8, 2019, but before the November 21, 2019 Board Meeting will be provided to the Board, but will not include staff responses to comments. Copies of all comment letters and responses will be provided to the SACOG Board of Directors. The paraphrased comments and staff responses are summarized below. For the complete comment letters please see Attachment B.

Comment letters, in order of receipt:

1. David Taormino, Private Citizen
2. City of Sacramento
3. House Sacramento, Local Advocacy Group
4. City of Elk Grove
5. City of Roseville
6. City of Davis

Letter #1: Response to Letter from David Taormino, private citizen

Comment/Question 1-1: It's my understanding that according to the UCD Long Range Planning Document, the University anticipates hiring approximately 2,000 more faculty and staff in the RHNA timeline, 2021-2029. Where precisely is the housing allocation shown in Davis for these individuals? If 100% is reflected in the 2075 number then that assumes only 75 new non-UCD based individuals are anticipated to need housing in Davis. That doesn't make sense to me. Please explain.

Response 1-1: The RHNA Methodology is required to consider a variety of planning and public policy objectives. The process does not follow a simple formula that is directly proportional to the number of anticipated jobs that will be created in a jurisdiction. Part of the challenge of the RHNA process in the City of Davis is that the University of California Davis is located outside of the jurisdictional boundaries of the City of Davis and falls within unincorporated Yolo County. Additionally, Yolo County does not have land use authority on UC property and, thus, would have no discretion to make zoning changes associated with housing need on the UC Davis campus. Because UC Davis and other large institutions do not receive a separate RHNA number, RHNA is not an appropriate mechanism to plan for housing on UC Davis property. If SACOG were to allocate a large number of units to Yolo County they would have no discretion to change the zoning on campus and may be forced to upzone agricultural land away from where the housing needs are.

Despite UC Davis not being within the jurisdictional boundaries of the City, the presence of the university does have an indirect impact on the RHNA numbers. UC Davis is a growing jobs center and proximity to jobs as well as jobs/housing balance are market factors that are considered as a part of the MTP/SCS, which forms the basis for the total RHNA calculation. In addition, the MTP/SCS is required to achieve a GHG reduction target from the State by increasing the construction of housing close to jobs and reducing driving distances. UC Davis as a jobs center makes the city of Davis an attractive and strong

real estate market, which was a factor in developing the housing and job growth projections for the city of Davis.

Comment/Question 1-2: Am I correct that with the 3 party MOU executed in 2018 by UCD, City of Davis and Yolo County that 100% of the need to construct student apartments is allocated to UCD which the allocation does not appear to be reflected in the draft.

Response 1-2: The Draft RHNA Methodology Menu does not include commitments from the university in the allocations because UC Davis is not a jurisdiction that will receive an allocation under RHNA. As noted above, the University of California Davis is located outside of the jurisdictional boundaries of the City of Davis and falls within unincorporated Yolo County. Additionally, Yolo County does not have land use authority on UC property and, thus, would have no discretion to make zoning changes associated with housing need on the UC Davis campus.

Unrelated to the RHNA process, UC Davis completed and adopted in July 2018 a new housing plan as part of the UC Davis 2018 Long Range Development Plan (LRDP). The UC Davis 2018 LRDP is the governing land use and growth plan for the UC Davis campus and includes significant planning capacity for housing growth to exceed the projected enrollment growth. UC Davis has initial housing projects that are currently committed to provide housing for more than 6,100 students by 2025 and a guarantee to build on-campus housing for 100 percent of any new students in both on-campus residence halls and apartment projects.

Comment/Question 1-3: According to the draft, roughly 40% of Davis' housing allocation is for units designated for persons or family units whose income is essentially the Yolo County median. How is that justified especially in light of questions 1 & 2?

Response 1-3: SACOG received a regional determination from the State of 153,512 units, including 40.7% lower income units. SACOG must distribute all of the lower income units that we received from the State. The Draft RHNA Methodology Menu includes four options, including a staff recommended option, for allocating the RHNA by income category to each jurisdiction in the region. All options include three adjustment factors that will further each of the RHNA objectives required by State law. Davis, like all jurisdictions, starts with 40.7% lower income and then that proportion is adjusted up or down independently by the three adjustment factors. The City of Davis is receiving a small downward adjustment of lower income units as a part of the regional income parity adjustment factor, primarily due to the large student population within the City. The City of Davis is receiving a relatively large upward adjustment as a part of the AFFH adjustment factor because much of the City of Davis is located within high opportunity areas. The City of Davis is receiving a very small upward adjustment as a part of the jobs housing fit adjustment, largely due to the fact that the jobs housing fit ratio in the City is very similar to the regional average. After all the adjustment factors are added together, the City of Davis is receiving approximately 45% lower income units under the staff recommended Option C. This is higher than the regional average, but not as high as other jurisdictions.

Comment/Question 1-4: Does SACOG make a distinction between internally generated housing needs of a jurisdiction, e.g. UCD hires, and new local businesses versus allocating the housing needs of the broader region's growth not tied to a particular jurisdiction's growth, e.g. state government employees? Please explain.

Response 1-4: The regional housing and employment forecast developed as a part of the MTP/SCS is based on an economic forecast that is specific to the Sacramento region, but jurisdiction-agnostic in that it does not consider jurisdiction boundaries. Once the total number of regional jobs and housing unit growth is established, SACOG engages in a collaborative process with its member agencies to develop a process by which it forecasts growth throughout the region, by jurisdiction, based on regulatory, policy, and market factors. This process is detailed as a part of Appendix D of the 2020 MTP/SCS (available here: <https://www.sacog.org/2020-metropolitan-transportation-plansustainable-communities-strategy-update>).

The total units that SACOG must distribute as a part of RHNA is a separate process that is largely dictated by state housing law. The State Department of Housing and Community Development (HCD), in partnership with the Department of Finance, is responsible for providing SACOG with its RHNA determination. The Cycle 6 Final RHNA Determination letter from HCD can be found on the SACOG RHNA webpage here: <https://www.sacog.org/regional-housing-needs-allocation-rhna>.

SACOG then allocates the RHNA Determination using the 2016-2035 growth assumed in the MTP/SCS in each jurisdiction. In this way, the total number of units SACOG must distribute is outside its control, but the proportion of that growth that is distributed to each jurisdiction is based on the internally generated housing needs of a jurisdiction in so far as it relates to the policy, regulatory, and market factors considered as a part of the MTP/SCS and total RHNA Calculation. Other internally generated housing needs, such as those included in the statutory RHNA objectives, are considered as a part of the RHNA Methodology and the distribution of lower-income housing need. The Draft RHNA Methodology Menu includes three separate adjustment factors intended to further three RHNA objectives:

- **Regional Income Parity:** this adjustment factor is intended to move jurisdictions across the region towards a similar proportion of lower-income households over time by encouraging jurisdictions with low proportions of lower income households to zone for more affordable housing types
- **Affirmatively Furthering Fair Housing:** this adjustment factor is intended to open up high opportunity jurisdictions to all economic segments of the community by encouraging jurisdictions with large proportions of existing homes in high opportunity areas to zone for more affordable housing types
- **Jobs Housing Fit:** this adjustment factor is intended to house more low-wage workers near their jobs by encouraging jurisdictions with high ratios of low-wage workers to affordable housing units to zone for more affordable housing types

Since the total RHNA calculation is determined by the MTP/SCS growth proportion, these adjustment factors instead adjust the number of lower-income units assigned to each jurisdiction. As a result of these adjustments, each jurisdiction will receive a different proportion of lower-income units.

Letter #2: Response to Letter from the City of Sacramento

Comment/Question 2 -1: The City of Sacramento supports the staff recommendation of Option C.

Response 2 -1: Thank you for your comments. Option C incorporates the input heard from the public and local planners that there is potential overlap between the regional income parity and the affirmatively furthering fair housing adjustment factors.

Comment/Question 2-2: The City of Sacramento accounts for 20% of existing population but approximately 30% of the region's RHNA. This large responsibility will require resources and should be considered as a part of regional funding decisions.

Response 2-2: The Draft RHNA Methodology Menu options distribute allocations based on a variety of policy objectives set forth as a part of the SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) and RHNA law. These factors result in a growth distribution that does not necessarily directly align with the existing distribution of residents across the region. In this way, the RHNA process may lead to different planning outcomes than business as usual. SACOG recognizes that actually realizing these outcomes will require resources. While many resources are allocated at other scales of government, the SACOG Board does control the distribution of some transportation funding, and more recently, housing funding. We look forward to working directly with member agencies and the SACOG board to identify fair ways of considering the MTP/SCS and RHNA growth distributions as a part of future funding decisions.

Letter #3: Response to Letter from House Sacramento, a local advocacy group

Comment/Question 3-1: SACOG should assist jurisdictions who receive large shares of RHNA to plan for sustainable growth "including distributing proportional transportation funding...and promoting dense, infill, and transit-oriented new communities instead of greenfield development."

Response 3-1: The Draft RHNA Methodology Menu options distribute allocations based on a variety of policy objectives set forth as a part of the SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) and RHNA law. These factors result in a growth distribution that does not necessarily directly align with the existing distribution of residents across the region. In this way, the RHNA process may lead to different planning outcomes than business as usual. SACOG recognizes that actually realizing these outcomes will require resources. While many resources are allocated at other scales of government, the SACOG Board does control the distribution of some transportation, and more recently, housing funding. We look forward to working directly with member agencies to identify fair ways of considering the MTP/SCS and RHNA growth distributions as a part of future funding decisions.

Comment/Question 3-2: House Sacramento recommends methodology Option A, which includes a high impact for all three adjustment factors.

Response 3-2: Thank you for your comments. Option A (Similar Emphasis High) is intended to have a high, but similar impact across all three adjustment factors. This option results in the most variation in

lower income proportions across the region in that jurisdictions receive anywhere between 25% and 58% lower income units. Option C incorporates the input heard from the public and local planners that there is potential overlap between the regional income parity and the affirmatively furthering fair housing adjustment factors. While the adjustment factors must be applied separately, the household income and high opportunity metrics do correlate. For these reasons, the staff recommendation remains Option C, but any of the four options further the statutory RHNA objectives. The SACOG Board may elect to adopt any of the four menu options at the November 21 Board Meeting.

Letter #4: Response to Letter from the City of Elk Grove

Comment/Question Elk Grove 4-1: Many of the factors present significant overlap in their objectives, particularly between regional income parity and affirmatively furthering fair housing (AFFH). Because higher opportunity areas tend to be higher-income jurisdictions with relatively fewer low-income housing units, these factors each adjust for the same goal. This is true of the jobs housing fit adjustment factor, although arguably to a lesser extent. Therefore, Methodology B best represents a realistic path towards achieving regional income parity, while also honoring a need to advance fair housing and/or jobs/housing balance goals while not double or trip counting the factors.

Response Elk Grove 4-1: Thank you for your comments. Option B (Similar Emphasis Moderate) is intended to have a moderate, but similar impact across all three adjustment factors. This option results in the least variation in lower income proportions in the region. This means that in Option B, jurisdictions are typically closer to the regional average of 40.7% than the other options. In this way, Option B furthers the RHNA objectives the least out of the four options. While staff recognize the potential overlap between the regional income parity and AFFH adjustment factors, there is very little overlap between these factors and the jobs housing fit adjustment factor. Option C reduces the impact of the regional income parity adjustment factor to reduce the concerns of “double counting” but leaves the jobs housing fit adjustment factor as high impact. For these reasons, the staff recommendation remains Option C, but any of the four options further the statutory RHNA objectives. The SACOG Board may elect to adopt any of the four menu options at the November 21 Board Meeting.

Comment/Question Elk Grove 4-2: Methodology D is the second choice as it emphasizes the jobs/housing balance factor, it does adjust the regional income parity and AFFH factors to a moderate level, reducing some of the overlap.

Response Elk Grove 4-2: Option D, similar to Option C, addresses the potential overlap between the affirmatively furthering fair housing and regional income parity adjustment factors, but does so by moderating both factors. SACOG staff believes that either AFFH or regional income parity should have a high emphasis because the basis of RHNA is to balance out lower income households throughout the region. For these reasons, the staff recommendation remains Option C, but any of the four options further the statutory RHNA objectives. The SACOG Board may elect to adopt any of the four menu options at the November 21 Board Meeting.

Comment/Question Elk Grove 4-3: While the objective of RHNA is to develop viable resources for meeting low income housing, the reality is that strategies like zoning, density bonuses, and application review incentives for affordable housing will not in of themselves promote or achieve the needed housing.

Response 4-3: SACOG appreciates the reality that regulatory constraints like zoning are only one of the many reasons why a potential housing project does not get built. Appropriate zoning is a necessary but not sufficient condition to increase housing supply. SACOG recognizes the efforts the city of Elk Grove has taken to plan for affordable housing in its city. SACOG is committed to working with Elk Grove and other member agencies to not only zone for more affordable housing types, but to identify the other factors that impact the construction of affordable housing. To this end, SACOG is engaged in a variety of other planning initiatives, including, but not limited to, Civic Lab, Green Means Go, the SACOG Housing Policy Toolkit, and the Regional Early Action Planning program.

Letter #5: Response to Letter from the City of Roseville

Comment/Question 5-1: While, the Regional Income Parity Adjustment factor was adjusted to reflect the approach proposed by Roseville staff, Roseville is opposed to the weighting used in the high and moderate impact options. Roseville proposes using 100% weighting for the high impact version and 60% weighting for the moderate impact version.

Response 5-1: SACOG appreciates the City of Roseville being an active member of the housing planners group that has helped to craft the RHNA methodology over the past year. The regional income parity adjustment factor used in the Draft RHNA Methodology Menu takes a similar approach to previous RHNA cycles in that jurisdictions with a lower than average proportion of lower income households receive an upward adjustment of lower income RHNA units. As noted in the letter, SACOG staff amended the originally proposed method (which was used in Cycle 5) to reflect a similar, but alternative approach to the adjustment factor in direct response to the input received by Roseville staff.

The revised approach uses a trendline between each jurisdiction's existing proportion of lower-income households and a regional parity target in 2035. Rather than simply taking the difference between the existing proportion of lower income households and the regional average, the trendline provides a path for jurisdictions to be trending towards regional income parity over time. In terms of the resulting adjustments, the approach included in the Draft RHNA Methodology Menu is already less aggressive than the 2013-21 Cycle 5 RHNA methodology, regardless of whether it is high or moderate impact.

For reference, in the Cycle 5 RHNA Methodology, a similar regional income parity adjustment factor was applied to all jurisdictions. As a part of that adjustment, Roseville received a 14.4% upward adjustment of lower-income units. As a part of the 2021-2029 Cycle 6 RHNA Methodology, the high impact adjustment for Roseville (used in methodology Option A) is 8.3% and the moderate impact adjustment (used in methodology options B, C, and D) is 5.1%. As a result, despite the 47% increase in the region's overall number of units compared to Cycle 5, the staff-recommended Option C of Cycle 6 results in just over half the upward adjustment than was given last RHNA cycle for the same adjustment factor (248 in Cycle 6 and 484 in Cycle 5).

The comment proposes to further reduce the weighting in the regional income parity adjustment factor such that the staff recommended Option C would result in a 3.6% upward adjustment for the City of Roseville. A more detailed discussion of weighting is included in the response to comment 5-4, but SACOG is concerned that should the weighting be reduced this far, the methodology may not be meaningfully furthering the objective related to regional income parity and may jeopardize HCD's approval of the methodology.

Additionally, the comment letter notes that "In the case of Regional Income Parity, Roseville urges the SACOG Board to use the calculation with 100% weighting as the "high" option, because it represents 100% of the actual unit increases or decreases which would be needed." This is not accurate. The approach used in the Draft RHNA Methodology Menu is more akin to an adjustment based on an index of how wealthy a jurisdiction is. If SACOG were to calculate "100% of the actual unit increases or decreases which would be needed" for jurisdictions to achieve regional income parity by 2035, Roseville would receive a larger lower-income adjustment than any of the options proposed throughout the RHNA process and would be larger than the Roseville proposed alternative in the comment letter. If the City would like to discuss the math behind this possibility, SACOG is happy to provide additional information.

Comment/Question 5-2: The method used to map "high opportunity" areas for the Affirmatively Furthering Fair Housing criterion does not take into account proximity to transit, services, or healthcare, even though these are critical for the success of affordable housing sites.

Response 5-2: As a new state-required RHNA objective, affirmatively furthering fair housing (AFFH) is an inherently challenging notion to quantify and measure as a part of the RHNA methodology. In the Draft RHNA Methodology Menu, jurisdictions with a higher than average proportion of existing units in high opportunity areas receive an upward adjustment of lower income RHNA units as a part of the AFFH adjustment factor. The primary question with this approach is how to define high opportunity areas. SACOG staff proposed a variety of options and based on feedback from the housing planners and the public settled on using the Opportunity Area Maps created by the California Tax Credit Allocation Committee/HCD and vetted by the California Fair Housing Task Force. For the Draft RHNA Methodology Menu, high opportunity areas are defined as high or highest resource census tracts in the TCAC/HCD Opportunity Area Maps. These are areas that have high index scores for a variety of educational, environmental, and economic indicators.

The TCAC/HCD Opportunity maps are a vetted tool used by the State already. Affordable housing projects in high opportunity tracts are given bonus points as a part of the State's Low Income Housing Tax Credit program. These are neighborhoods, according to the California Fair Housing Task Force, "whose characteristics have been shown by research to support childhood development and economic mobility for low-income families."

During the SACOG housing planners meetings, staff from Roseville expressed concerns about tracts that were being categorized as high opportunity that were sparsely populated and had limited access to services. In an effort to address these concerns, SACOG staff removed all census tracts with a population density threshold of 250 people per square mile or less. In this way, large census tracts, with high

variation within the tract itself, are not considered High Opportunity, regardless of their TCAC/HCD index score.

The comment letter includes additional concerns about other high opportunity tracts that have limited access to transit and healthcare. SACOG agrees that these services are important for lower-income households. That said, the TCAC/HCD index scores focus more on the economic, environmental, and educational factors of opportunity. Additionally, there are potential fair housing concerns related to the history of where transit service exists, as some high opportunity neighborhoods preclude the densities needed for both affordable housing and transit service.

Comment/Question 5-3: For the Jobs Housing Balance criterion, the data includes teenagers and persons who are partnered with high-wage job holders, not just the number of low wage jobs held by heads of household or other persons responsible for paying rent. The City is concerned this results in an over-allocation of units.

Response 5-3: State law requires that SACOG improve the regional balance of jobs and housing, “including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.” While jobs/housing balance was always an objective in State statute, the inclusion of wages as a part of this RHNA cycle presents some difficult data challenges. In fact, when this new language was being discussed by the State legislature, SACOG actively advocated for flexibility due to the difficult data issues associated with collecting wage data.

As noted in the comment letter, jobs with wages less than \$2,300/month are calculated using Census Place of Work Public Use Microdata Sample (POW PUMS) data from the 6-county SACOG region to estimate the percentage of generalized Standard Occupational Classifications (SOCs) whose monthly wages are below \$2,300 in 2017 inflation adjusted dollars. These SOCs are converted to SACOG’s SACSIM Employment Categories using Census ACS data for occupation by industry. Finally, the number of low-wage jobs by jurisdiction are calculated by multiplying the percent of low-wage jobs in each category by each jurisdiction’s number of jobs in each employment category from SACOG’s 2016 employment inventory.

This approach is not perfect, but represents a good faith effort to estimate the number of low-wage jobs in each jurisdiction. While the POW PUMS data provides a good picture of the number of low-wage jobs, there are limitations to SACOG’s ability to extract other data points, like the age of the worker or whether the worker is a head of household, out of it. The suggestion in the comment letter to make an adjustment based on whether a jurisdiction has a lower- or higher-than-average share of persons under the age of 18 presents additional challenges. For example, the data does not allow us to determine how many of those persons were working in low-wage jobs, which is the mechanism by which this share could impact the adjustment factor.

Comment/Question 5-4: The selected weights and caps are arbitrary, and no explanation of the reason for their selection has been provided. The City believes the selected weights and caps should be fully discussed and justified.

Response 5-4: As a part of the changes to State statute that occurred in 2018, SACOG is now required to “further” all five of the RHNA objectives. While two of those objectives are inherently addressed by the total RHNA calculation being based on the MTP/SCS, there are three objectives that must each be furthered through the methodology. SACOG has taken the approach of using three adjustment factors (Regional Income Parity, AFFH, and Jobs Housing Fit) in all methodology options as a means of furthering each of these objectives. All three adjustment factors use a jurisdiction-specific metric, compared against the regional average, to yield a variance. Lower-income adjustments are based on the difference, or variance, between the jurisdiction metric and the regional average.

The metrics used to measure regional income parity, AFFH, and Jobs Housing Fit are based on entirely different datasets and result in drastically different unweighted variances. As noted in the comment letter, the regional income parity adjustment factor yields unweighted variances between -11% to 12% while the jobs housing fit adjustment factor yields unweighted variances between -170% to 740%. As such, some form of weighting and caps are necessary to ensure that one adjustment factor does not dramatically overshadow the others and the impact of the adjustment factors can be comparable.

The Draft RHNA Methodology Menu employs weighting and caps to emphasize and deemphasize the resulting impact of unweighted variances such that no jurisdiction receives more than a 15 percent adjustment from any one adjustment factor. In the staff recommended Option C, the regional income parity adjustment factor is further moderated such that jurisdictions do not receive more than a 10 percent adjustment. In Option C, the resulting lower-income proportions range anywhere between 28.4% and 56.1%, with the regional average of 40.7%.

In Cycle 5 (2013-2021), the lower-income proportions ranged anywhere between 27.8% and 46.9%, with the regional average of 39.8%. In both Cycle 5 and Cycle 4 (2006-2013), SACOG instituted a floor of 8% and a cap of 60% lower-income units. While the weighting and caps included in the Cycle 6 Draft RHNA Methodology Menu result in slightly more variation in lower-income proportions than Cycle 5, they stay well within the cap of 60% lower-income used in Cycles 4 and 5. Additionally, increased variation is to be expected given the introduction of two new adjustment factors (affirmatively furthering fair housing and jobs housing fit) that were not included in previous cycles.

Comment/Question 5-5: The staff recommended methodology results in a substantial increase in lower-income units over last RHNA cycle. Preliminary analysis shows the City does not currently have enough High Density Residential land to accommodate the projected RHNA allocation for lower income units, and even the most optimistic plans to increase our capacity will remain up to 900 units short of our allocation.

Response 5-5: SACOG appreciates the scale of the increase of units in Roseville. Jurisdictions across the State will be in a similar situation to the City of Roseville. SACOG is committed to working with Roseville and HCD to identify a path forward to attain housing element compliance.

Comment/Question 5-6: Roseville has begun to identify paths forward to increase the lower-income capacity in the City, including opening up development agreements, new corridors plans, and increasing density limitations in infill areas. Based on preliminary analysis, these options can achieve capacity for an additional 1,400 lower-income units.

Response 5-6: SACOG is aware of the issue of development agreements and the lack of flexibility to change the development standards in these areas. We are also very excited to hear that Roseville is exploring a series of new corridor plans as a part of SB 2 planning grants as well as the possibility of removing or increasing density limitations in its infill area. Given the substantial increases in RHNA across the State, Roseville will not be the only jurisdiction with these conditions. SACOG is committed to working with Roseville and HCD over the coming year to identify what the options are for jurisdictions like Roseville that are trying to comply with state law and solve the housing crisis, but are struggling to identify sufficient sites under the letter of the law. It is not in the interest of HCD to deny housing element compliance to jurisdictions in this position and it is SACOG's intention to work with its member agencies to identify creative proposals for demonstrating housing capacity as a part of Cycle 6 of RHNA.

Comment/Question 5-7: While not in the control of SACOG, the regional determination of units provided by the State is unreasonably high and represents an unrealistic target. The commenter also expresses concerns surrounding new regulations that result in negative consequences if the units are not constructed.

Response 5-7: The disconnect between the higher RHNA numbers at the regional level and historical permitting numbers is noted. While the SACOG regional determination represents a 47% increase over last cycle, this increase is actually significantly less than the increase received by the Southern California Association of Governments (SCAG) or what is anticipated in the Bay Area next year. It is important to note that, as currently constructed, the most noteworthy consequences related to RHNA (financial penalties, litigation, funding eligibility) are based entirely on whether a jurisdiction can demonstrate sufficient zoning to accommodate its RHNA, which is within a jurisdiction's control. There is a recognition by the State that the actual construction of those units is in part dependent on factors outside the control of a local government. As noted in the comment letter, there *are* some provisions related to construction progress, but these provisions are largely related to streamlining affordable housing and do not result in the potential for financial penalties, litigation, funding eligibility.

Comment/Question 5-8: While local governments have been identified by the State as a potential barrier to new housing, this is not true in Roseville. The City approves all lower-income projects it receives applications for, has streamlined high density projects, and has provided millions in gap financing for affordable housing projects. The City identified five affordable projects in infill areas that will not receive "appropriate RHNA credit" because they will be occupied within Cycle 5 (2013-2021) and the sites were not counted in the Cycle 5 housing element. SACOG should advocate for "net gain" provisions that allow jurisdictions like Roseville to take credit for "producing housing which was neither included in the jurisdiction's housing inventory nor used to offset a net loss."

Response 5-8: SACOG would like to commend the City of Roseville for being a housing leader in the region. The City has demonstrated time and again that it says yes to new housing and is among the highest permitting jurisdictions in the Sacramento region. As the economic and employment center of Placer County, the housing growth happening in Roseville is critical to keeping pace with job growth and demand. The jobs/housing ratio in Roseville is currently 1.6, and with continued job growth, the MTP/SCS depends on jurisdictions like Roseville to continue producing attached and affordable housing.

While the projects referenced in the comment letter cannot be counted in Cycle 6 if the units are occupied by the time of the housing element update, they *can* be counted towards Roseville's progress towards Cycle 5 of RHNA. For example, if the units are built in 2019, they could be included in the 2019 annual progress report (due in April of 2020) and those units would be counted as construction progress for the purposes of SB 35 streamlining. If the projects are still under construction in 2021, they can be counted towards the next RHNA Cycle. In this way, Roseville will always be given credit for housing that is constructed—when the projects are actually occupied will determine the cycle to which the units are attributed. The fact that the sites on which these projects were developed were not included in the Cycle 5 housing element may actually benefit the City of Roseville because it means these projects are not removing potential sites from the Cycle 6 inventory. It also speaks to the potential untapped housing capacity of sites that were not included in the last cycle, but could be this cycle if they were rezoned.

Comment/Question 5-9: Given the 60% increase in lower-income RHNA over last cycle, the City is concerned that the allocation and methodologies being proposed are infeasible to implement, and will result in non-compliant housing elements in the region.

Response 5-9: Thank you for your comments and your input throughout the development of the Draft RHNA Methodology Menu. At the regional level, SACOG received 50% more lower-income units relative to last cycle. The 60% increase in lower-income units in Roseville is roughly in line with the increase of lower-income units across the rest of the region and is less than many of its peers, like Sacramento, West Sacramento, Folsom, Rocklin, and Davis. The increased allocation is a reflection of the increased regional number and the addition of the AFFH and jobs housing fit adjustment factors. These factors, which SACOG is required by law to further as a part of the RHNA methodology, are leading to an upward adjustment of lower-income units in wealthier, high opportunity, job-rich jurisdictions like Roseville. SACOG appreciates the undertaking that these numbers present and we are committed to helping our member agencies attain housing element compliance.

Letter #6: Response to Letter the City of Davis

Comment/Question 6-1: The City requests a prorated credit for multifamily units that have a higher number of bedrooms/beds towards RHNA. These projects “are providing housing for a greater population than traditional units” and, thus, should be treated differently under RHNA than a typical multifamily unit. In addition, the City requests a conversion factor for deed-restricted affordable beds and affordable units under RHNA.

Response 6-1: SACOG recognizing the unique housing challenges faced by Davis resulting from the proximity of a large, growing university. The willingness to pursue innovative housing product types and

strategies to respond to these challenges is commendable. Ultimately, SACOG does not have any authority over how the State Department of Housing and Community Development (HCD) counts permitted, under construction, or build housing projects towards RHNA in a jurisdiction's housing element or annual progress report. That said, SACOG is open to working with any of its member agencies to ensure that housing is fairly and appropriately counted by the State as a part of RHNA. SACOG has and will continue to facilitate a conversation between the City and HCD.

With respect to the conversion factor for deed-restricted affordable beds, SACOG agrees that the City should be able to count some proportion of its deed-restricted affordable beds towards the low-, very low-, and moderate-income RHNA categories. These beds are deed-restricted and effectively subsidized. SACOG is committed to working with the City and HCD to identify a compromise for ensuring the City gets some credit for the construction of subsidized affordable housing.