



Land Use, Housing & Air Quality Committee

April 30, 2007

Draft Regional Housing Needs Assessment Methodology

Issue: Whether to forward the draft RHNA methodology to the Board for release for public review.

Recommendation: That the Land Use, Housing & Air Quality Committee recommend that the Board release this methodology and open the public review process.

Discussion: SACOG staff has been developing a methodology for the Regional Housing Needs Allocations (RHNA), and is ready to forward one (referred to as “Methodology #2”) to the Committee for consideration on whether to submit to the Board. The RHNA distributes to each jurisdiction in the six-county Sacramento region – including the Tahoe Basin of El Dorado and Placer Counties – the number of housing units it must zone for during the RHNA cycle from January 1, 2006, through June 30, 2013. The attached FAQ provides background information about the RHNA, including some specific questions regarding Methodology #2.

SACOG staff has been developing the RHNA methodology since mid-2006 with extensive consultation of the Planners Committee, which is comprised of planning staff from SACOG’s 28 member cities and counties. Methodology #2 is essentially very similar to the methodology used for the 2000-2007 RHNA cycle. The proposed methodology for each jurisdiction’s overall allocation is based on the Metropolitan Transportation Plan (MTP) projections that SACOG developed in collaboration with each jurisdiction. The allocations by income distribution are also based on trending each jurisdiction towards a long-term regional average in each income category; Methodology #2 trends 50 years, whereas the 2000-07 RHNA used 30 years. Please see the attached document on Methodology #2 for a summary description and a detailed explanation.

The Planners Committee reviewed Methodology #2 in April. Although, generally speaking, there were no suggested changes to the overall allocation process, some issues were raised about the income category distribution. In essence, the 50-year trend goal (2000-2050) more gradually moves jurisdictions towards the regional mean, and some Planning Committee members suggested that some jurisdictions that have been providing a higher share of affordable units would continue to do so. A 35-year trend goal (2000-2035), however, would more rapidly change the composition of income distributions within a jurisdiction. Another concern is that the 30% ceiling for the low and very low-income categories meant some jurisdictions would have to assume the units because others reached the limit. Staff explored alternative methods to address this, and concluded nothing could better balance regional “fairness” than the current method. However, staff is proposing other means to address these issues: an incentive program for the reallocated 30% cap issue, and a voluntary trading system. Both items are being explored with the Planners Committee currently and are described in more detail in FAQs #14-16.

If the Committee forwards the methodology to the Board, and it accepts it, then the public review process would begin. Changes could still be made during the process if approved by the Board. The Board could not adopt the RHNA any earlier than at its February 2008 meeting. The draft schedule is attached.

Approved by:

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MM:GC:ts
Attachments

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Sacramento Area Council of Governments (SACOG)

**PROPOSED DRAFT METHODOLOGY #2 FOR
REGIONAL HOUSING NEEDS ALLOCATION (RHNA)**

(Draft April 30, 2007)

This document describes a methodology proposed by SACOG staff for the Regional Housing Needs Allocation from January 1, 2006 to June 30, 2013. For those readers who need some background on the RHNA, please see the FAQ sheet on the SACOG website: <http://www.sacog.org/rhnp/rhna.cfm>

SUMMARY OF PROPOSED METHODOLOGY #2

Here are the key points of this proposed methodology:

- The methodology takes each jurisdiction's draft percentage share of the growth forecasted by SACOG in cooperation with local jurisdictions for use in the Metropolitan Transportation Plan 2035 for the period from 2005 to 2013, and multiplies that percentage by the overall RHNA allocation mandated by HCD (169,476 minus the Tahoe Basin allocation). The resulting number is the total unit allocation for each jurisdiction. This is similar to the process used in 2001 in the last RHNA allocation except that the forecasts benefit from the sophisticated tools that were developed through the Blueprint Project.
- The distribution of the total unit allocation into income categories for each jurisdiction progresses along a trend line drawn from its year 2000 household income distribution, to the 2050 regional household income distribution, which is based on the 2050 housing unit forecasts from the Blueprint Project (approved by the SACOG Board in December 2004) and the income distributions prescribed by HCD. The 2013 point along that trend line indicates the amount of housing in each income category a jurisdiction must zone for in order to move towards the 2050 regional household income distribution. This is similar to the process used in 2001 in the last RHNA allocation except that it uses a 50-year rather than a 30-year trend line. Also, Comprehensive Housing Affordability Strategy (CHAS) data are used to determine current household income distribution in jurisdictions.

DETAILED DESCRIPTION OF METHODOLOGY #2

Two Allocation Types

There are two main components in any RHNA process to determining each jurisdiction's allocation:

- 1. Overall Allocation:** SACOG receives from the California State Housing and Community Development Department (HCD) a total housing unit number for the 6-county SACOG region plus the Tahoe Regional Planning Area. SACOG then must distribute this regional number among each of the 29 jurisdictions in the region. Each jurisdiction receives a total new housing allocation for the period from Jan 1, 2006 to June 30, 2013.
- 2. Income Category Distributions:** SACOG also receives from HCD a household income distribution of the total regional housing unit number. Four income categories make up this distribution and as defined by state law, are as follows: very low, low, moderate, and above moderate. The total housing unit number SACOG allocates to each jurisdiction must be further allocated into the four household income categories.

1. Overall Allocation

The basis of the total new housing units for each jurisdiction (i.e. the "overall" number) will be the Metropolitan Transportation Plan (MTP) land use allocation for the MTP interim year period 2005-2013 (this set of numbers is currently in draft state¹). Although this set of numbers is based on a slightly longer growth period and represents a slightly different amount of growth than the HCD target allocation, it does reflect the rate and general magnitudes of growth expected to occur in the region's cities and counties by 2013. There is an important difference between the MTP allocation and the RHNA allocations. The housing unit growth for the MTP is the number of units expected to be built during this time period. The RHNA allocation is the number of units for which zoning capacity must be provided by the jurisdictions.

The following method is proposed for adjusting the MTP 2005-2013 housing unit growth projection to a 2006-2013 Regional Housing Needs Allocation:

- 1) Determine Percentage of Regional Growth: The MTP 2005-2013 allocation for each jurisdiction is divided by the total number of new housing units projected for the region between 2005 and 2013. This percentage represents the jurisdiction's share of the projected regional

¹ "Draft state" assumes SACOG will vet the draft allocation with cities and counties and that these numbers will likely move around somewhat during that review. For the MTP schedule, these interim year allocations must be approved by the SACOG Board in May 2007.

growth. The MTP allocation process is described in Appendix A.

- 2) Multiply percent of regional growth by HCD's Regional Allocation: The regional growth percentage is then multiplied by the overall HCD target allocation (the difference of 169,476 minus the Tahoe Basin allocations). The resulting number is each jurisdiction's total housing unit number. Collectively, all jurisdictions' allocations, including those in the Tahoe Basin, will add to 169,476 units.

2. Allocation by Income Category

In the previous RHNA cycle (from the 2001 to June 30, 2007) the methodology to determine income distribution for each jurisdiction was a "forced trend." That methodology assumed that all jurisdictions moved toward the regional average for each of the four income categories over a thirty-year period (during the 2001 cycle that period was 1990 to 2020). This meant that each jurisdiction had a trend line reaching the regional average distribution by the end of the thirty years.

For this RHNA cycle, SACOG staff is proposing to update that methodology with our current projections and the 2000 census. Starting from a base-year income distribution, each jurisdiction will approach HCD's regional average household income distribution over a **50-year** time period (2000-2050). This period is recommended because it fits into the MTP projection period and allows for a significant period of time to move towards regional parity. The following details the steps in that formula:

- a. **Income Categories** -- HCD requires SACOG to develop a RHNA methodology based on four income categories that are developed using California Department of Finance Projections and 2000 Census data. HCD uses Median Household Income to define the four income categories, then assigns households in each jurisdiction to each income category. The four income categories are:
 - i. Very Low - Less than or equal to 50% of Median household income;
 - ii. Low - More than 50% but less than 80% of Median household income;
 - iii. Moderate - More than 80% but less than 120% of Median household income;
 - iv. Above Moderate - More than 120% of Median household income.
- b. **Proposed Income Distribution for Base Year (2006)** – SACOG staff proposes using household size-adjusted Comprehensive Housing Affordability Strategy (CHAS) data to determine current household income distribution in jurisdictions. The CHAS data are a special run of the 2000 Census data requested by HUD specifically for housing planners

to more accurately assess issues such as affordable housing. SACOG staff believes this dataset would provide the best picture of current income distribution for two reasons: it is more accurate in assessing income distribution because it takes into account household size and secondly, because it is based on Metropolitan Statistical Area (MSA) median incomes it provides a regional picture of income distribution. There are three MSAs within the SACOG 6-county region. Sutter and Yuba Counties are the Yuba City MSA; Yolo County is the Yolo MSA; and El Dorado, Placer and Sacramento are in the Sacramento MSA. The median household incomes for the three MSAs are: Yuba City MSA - \$34,658; Yolo PMSA - \$40,769; Sacramento PMSA - \$46,602. The differences in the median incomes are a necessary compromise to a fully regional analysis, but this method is still much better than a county-based analysis.

- c. **Jurisdiction household income distribution moves towards HCD-defined regional household income distribution** – SACOG staff replicated the part of the 2001 RHNA Method described above that allocated housing units by income type to each jurisdiction and then moves each jurisdiction's income distribution from its current (2000 Census) distribution towards the regional income distribution over a period of time (2000-2050).
- d. **Floor/Ceiling Adjustment to jurisdiction-level income distribution – These adjustments are carried over from the last RHNA cycle.** A minimum of 4% in all categories and a maximum of 30% of housing units in the very low and low-income categories will be applied to each jurisdiction's income distribution. The minimum is to ensure that at least some units are allocated in all categories as required by state law. The maximum is intended to mitigate against unrealistically large changes in community character over the relatively short RHNA time period. After this adjustment is applied to relevant jurisdictions, any housing units added or removed from the very low or low categories within the jurisdiction will roll into or from the above moderate category. The distribution for the city of South Lake Tahoe is over the 30%, as requested by the city staff.
- e. **Adjustment factor to meet Targets in RHNA Income Categories** – After the floor and ceiling adjustments have been made to the income allocations, any regional surplus or deficit of housing units in each of the income categories is corrected by applying an adjustment factor (positive or negative) to the housing unit number of each jurisdiction that is not constrained by a floor or ceiling to match the HCD regional income targets.

POLICY OBJECTIVES OF METHODOLOGY #2

The methodology seeks to increase housing supply and the mix of housing types, tenure and affordability by allocating distributions in each income category. For each income category, each jurisdiction's allocation is trended towards the long-range regional mean, thus removing imbalances of incomes distributions within the region. For allocations in each category, jurisdictions must zone accordingly for different levels of density, thus making different product types available. Higher density zoning offers the option of providing more affordable units.

Infill is encouraged because vacant lands are increasingly more difficult to develop, and the market is changing to a higher proportion of movement into the region's urban core areas. As infill and higher density development is more prevalent, land is more efficiently utilized. SACOG has provided a great deal of incentives, planning assistance and educational activities to jurisdictions to help promote infill development.

Jobs/housing balance is an inherent policy objective in the MTP's projected growth, which, in turn, is reflected in the RHNA methodology. The growth assumptions in the MTP reflect the region's desire to reduce imbalances by the commitment of most jurisdictions to regional planning goals. By removing imbalances, there is a higher probability that people will live closer to where they work, thus reducing vehicle miles traveled, which is the ultimate goal of the MTP.

The methodology addresses balancing all jurisdictions in each income category towards the regional average by use of the 50-year trend line from 2000-2050. Each jurisdiction is compared to where it was in terms of distribution of income categories in 2000 according to the US Census. A 50-year line is drawn to the regional averages for each category. Each jurisdiction's line is bisected at 2013, therefore providing the percent allocation that will lead each jurisdiction towards the 50-year regional average in each category.

APPENDIX A

**SUMMARY DESCRIPTION OF
METROPOLITAN TRANSPORTATION PLAN (MTP) 2005-2013
PROJECTIONS**

The basis of SACOG's RHNA methodology is the projections developed for the Metropolitan Transportation Plan (MTP).

Each time SACOG adopts an MTP it must first adopt a long-range growth forecast for the region and a land use allocation that specifies its best estimate of the most likely places where that growth will occur (i.e. how much and what type of growth will go to each city and county over the MTP planning period).

SACOG worked in collaboration with each jurisdiction on its growth projections for the MTP period 2005 to 2013. Each jurisdiction within the six-county area (excluding the Tahoe Basin) helped provide data on their growth projections for this timeframe. All jurisdictions were asked to take into account the key factors that affect growth during this period, including:

- Jobs and housing relationship
- Lack of capacity for sewer and water due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period;
- Availability of land suitability for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities;
- Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis;
- County policies to preserve prime agriculture lands within an unincorporated area;
- Distribution of household growth assumed for a comparable period in the regional transportation plan and opportunities to maximize the use of public transportation and existing transportation infrastructure;
- Market demand for housing;
- Loss of units contained in assisted housing developments;

- High housing cost burdens;
- Housing needs of farmworkers;
- Housing needs generated by a California State or UC campus; and
- Other factors that may affect growth

Local government planners used their direct knowledge of how these factors relate to their jurisdictions, and SACOG developed growth scenarios for each jurisdiction. Each jurisdiction then reviewed the MTP projection, offered modifications, and ultimately, the MTP projection was developed. SACOG discussed these growth factors again during its meetings with individual jurisdictions at the outset of the RHNA process.

(note: A summary table on how these factors were utilized for each jurisdiction will be distributed at the Land Use, Housing and Air Quality Committee on May 7. That table will be appended to the end of this document if and when this document is forwarded to the Board.)

In 2005, the SACOG Board of Directors adopted a long-range forecast of population, housing, and jobs at the outset of the 2035 MTP update and SACOG staff has developed a land use allocation for the MTP planning period of 2005-2035. The land use allocation was developed over two years (2005-2007) using the following information:

- Housing permit data collected from each jurisdiction to estimate existing conditions and identify a recent growth rate for each jurisdiction.
- Development activity information from each jurisdiction, including at a minimum, information on major projects (generally specific plans). When available, infrastructure constraint factors such as flood control, water supply, road capacity and sewer capacity were also considered in development of projections. This information was generally provided at the project or sub-jurisdictional level. In some cases, jurisdictions were able to provide parcel-by-parcel development activity information. In other cases, estimates of capacity were provided by sub-jurisdictional geographies.

Staff used the information provided on existing and anticipated growth in conjunction with the regional growth forecast to estimate how much growth was likely to occur in each jurisdiction by 2035. Local jurisdictions were asked to comment on draft allocations during the development of the 2035 data set.

As part of the development of the MTP projections, staff must also develop several land use allocation data sets for interim periods between 2005 and 2035. These interim years include 2008, 2011, 2013, 2014, 2017, 2018, 2020, and 2025. Like the 2035 dataset, these interim projections must represent the best estimate of the most likely places where growth will occur, within the context of a regional forecast of population, housing and jobs.

A 2005-2018 draft land use allocation was the first of these interim data sets to be developed. A 2005-2013 draft land use allocation was developed subsequently. The 2018 data set has been circulating for comment from cities and counties since October 2006 and the 2013 data set has been circulating for comment since February 2007. Both data sets were developed using the above-specified information plus the context of the 2035 projections.

An additional step of analysis was conducted to determine what areas of a jurisdiction were more likely to develop relative to other areas. This was done by analyzing the amount of 2035 growth in a jurisdiction by four categories: “infill,” “redevelopment,” “entitled greenfield” and “planned greenfield.”

- “Entitled Greenfield:” It was assumed that entitled greenfields, or areas where new development was recently approved and buildings are currently being constructed, would build out faster than any of the other four categories.
- “Infill:” Relative to this, infill, or growth that would occur on scattered vacant parcels within an existing urban area, was assumed to occur at a slower rate than entitled greenfield growth, unless recent building activity indicated otherwise.
- “Redevelopment:” Still slower than that, “redevelopment,” or development in areas where buildings currently exist but may be added to or replaced, was expected to occur even more slowly than infill. In most places where active redevelopment is not yet occurring, we did not assume any redevelopment occurs before 2018.
- “Planned greenfield:” This type of development was evaluated based on how far along each development was in the planning and entitlement process and relative to all other planned greenfield developments in the region. (Regional comparisons, or, cross-jurisdictional comparisons, are made in the event that local governments individually plan for growth that when summed as a region equal less than or more than the forecasted regional growth for that time period.)

**SACRAMENTO AREA COUNCIL OF GOVERNMENTS
FREQUENTLY ASKED QUESTIONS
Regional Housing Needs Allocation**

(Updated April 30, 2007)

This document serves as a frequently asked question (FAQ) sheet for the update of the Regional Housing Needs Allocation (RHNA). This FAQ sheet will be updated occasionally, so please check this weblink for the most recent version. This version was updated following the April 18 Planners Committee meeting, when draft RHNA Methodology #2 and associated calculations were distributed.

This FAQ sheet is divided into three sections:

- (1) Basic Background Information
- (2) RHNA Timeline and Process
- (3) Methodology, Draft Allocations and Implications.

BASIC BACKGROUND INFORMATION

1. What is the Regional Housing Needs Plan (RHNP) and Regional Housing Needs Allocation (RHNA)?

The Regional Housing Needs Plan (RHNP) allocates to SACOG cities and counties their “fair share” of the region’s projected housing needs. The SACOG Board of Directors must adopt an update of the plan every five years. Each city and county in the RHNP will receive a Regional Housing Needs Allocation (RHNA) of total number of housing units that it must plan for within a 7.5 year time period. Within the total number of units, allocations are also made for the number of units within four economic categories: very low, low, moderate and above moderate incomes.

2. What is SACOG’s role in the RHNP?

State law mandates that council of governments develop the RHNP. The Sacramento Area Council of Governments is lead agency in developing the RHNP for the six counties and 22 cities that it serves. The plan will also include the Tahoe Basin portions that within El Dorado and Placer counties, and city of South Lake Tahoe. It is SACOG’s responsibility to coordinate with the California Department of Housing and Community Development (HCD) to determine a regional housing needs projection. Then SACOG will allocate the share each jurisdiction will receive.

3. What time period does the RHNP cover?

The update of the RHNP that SACOG is undertaking covers the 7.5 year period from January 1, 2006 through June 30, 2013. However, the allocations cover a five-year period for each jurisdiction’s housing element.

4. What is the overall housing needs allocation for the region?

HCD issued a regional allocation of 169,476 to the six-county region from 2006-2013. This number was based on a compromise between the California's Department of Finance's projection and SACOG's Blueprint Project calculations. Subcategory allocations by economic category were also issued:

- Very low income (less than 50% median household income [MFI]): 38,013 or 22.4%
- Low Income (50 to 80% MFI) 28,518 or 16.8% of total allocation
- Moderate (80 to 120% MFI) 32,974 or 19.5%
- Above Moderate (above 120% MFI) 69,971 or 41.3%

RHNA TIMELINE AND PROCESS

5. What is the overall timeline for the development of the RHNP?

There are a number of requirements in state law that SACOG will need to perform before the SACOG Board of Directors can adopt the updated RHNP. The SACOG staff is working with the Land Use, Housing and Air Quality Committee of the SACOG Board before it forwards a methodology for review by the Board of Directors. Staff has discussed this with the Land Use, Housing and Air Quality Committee on March 5 and April 9, and will return to the committee again on May 7. If the Committee decides to forward a preferred methodology after its May 7 meeting, then the Board will review it on May 17 and decide whether it will initiate the public review process. Following a series of statutory procedures, February 2008 is the earliest the SACOG Board could adopt the RHNP. Cities and counties are directed by statute to have their individual Housing Elements adopted by June 30, 2008 (see FAQ#7 for further information). The individual steps and associated timeline are shown in the Draft RHNA Schedule (updated April 20, 2007).

6. What is the current status of the RHNA?

SACOG staff released draft Methodology #2 and associated calculations to the SACOG Planners Committee on April 18. Methodology #2 replaced Methodology #1 as the staff's most current preferred method to determine the RHNAs. Local jurisdictions within the six counties are encouraged to provide comments to SACOG staff as soon as possible if they have concerns or questions about Methodology #2. The earlier the comments are received, the better chance they will be considered for possible implementation.

7. What is the timeline that local governments need to meet? Is there any extension for local governments' Housing Element deadline?

State of California statutes direct that each of the 29 jurisdictions within SACOG's RHNP have its Housing Element revised by June 30, 2008. State law limited provisions for requesting an administrative extension for Housing Element revisions. As of this writing, HCD has informally indicated that it does NOT, in this instance, have the

authority extend the date of the Housing Elements for the affected jurisdictions. SACOG continues to evaluate its arguments that it may formally submit to request for the extension. SACOG advises all jurisdictions to plan and prepare for their Housing Elements to be adopted by June 30, 2008.

8. How have local governments and interested parties been involved or how can they get involved in the development of the RHNP?

The SACOG Planners Committee meetings are the main forum for local government staff to hear and discuss updates in the RHNA process. This Committee is comprised of the Planning Directors and/or their assigned staff and is primarily a technical planning committee. This body also has served and will continue to serve as the main forum for discussions on the Blueprint Project. All are welcome to attend these meetings, but the chairs at the table are reserved first for Planning Directors or their designee. If you wish to receive email notice to the Planners Committee meetings, please email gchew@sacog.org.

9. Can SACOG provide notice of meetings with other stakeholder groups to SACOG jurisdictions?

SACOG staff will inform local governments of updates to other stakeholder groups (e.g., development industry, affordable housing advocates, neighborhood groups) as it seems appropriate. Staff will use its judgment when to invite local governments to discuss the RHNP depending the purpose of the meeting, the audience and other factors.

10. Can SACOG provide an online forum for discussion so other jurisdictions can see what comments it is receiving?

Yes, anyone may go the SACOG webportal (see weblink at beginning of FAQ) for an online discussion about any issue regarding the RHNA. SACOG jurisdictions and others may also provide written comments on the RHNA methodology for the public record. Comments will be forwarded to the SACOG Board of Directors.

METHODOLOGY #2 AND DRAFT ALLOCATIONS

To follow the questions in this section below, please be sure to view the most current versions of the documents on methodology and projections. All questions in this section refer to Methodology #2.

11. What is the method for allocation in the proposed Methodology#2?

The Regional Housing Needs Allocation (RHNA) has two steps as required by state law. The first step allocates a total number of housing units for which zoning capacity must be provided from January 1, 2006 through June 30, 2013. Step 1 is referred to as the “overall allocation”. The second step allocates the same total number of units within four income categories; the sum of the housing units within the four categories must add up to the total overall number of units. Step 2 is referred to as the “income category distribution”.

For step 1, or the Overall Allocation, Methodology #2 takes each jurisdiction's draft percentage share of the growth forecasted by SACOG in cooperation with local jurisdictions for use in the Metropolitan Transportation Plan 2035 for the period from 2005 to 2013, and multiplies that percentage by the overall RHNA allocation mandated by HCD (169,476 minus the Tahoe Basin allocation). The resulting number is the total unit allocation for each jurisdiction (or overall allocation). This is similar to the process used in 2001 in the last RHNA allocation except that the forecasts benefit from the sophisticated tools that were developed through the Blueprint Project.

In step 2, or the income category distribution, each jurisdiction progresses along a trend line drawn from its year 2000 household income distribution, to the 2050 regional household income distribution. This is based on the 2050 housing unit forecasts from the Blueprint Project (approved by the SACOG Board in December 2004) and the income distributions prescribed by HCD. The 2013 point along that trend line indicates the amount of housing in each income category a jurisdiction must zone for in order to move towards the 2050 regional household income distribution. This is similar to the process used in 2001 in the last RHNA allocation except that it uses a 50-year rather than a 30-year trend line. Also, Comprehensive Housing Affordability Strategy (CHAS) data are used to determine current household income distribution in jurisdictions.

The document Draft Methodology #2 provides more detailed information.

12. (Referring to the methodology and tables) What are the fundamental differences between Methodology #1 and Methodology #2?

Generally speaking, the main problems with Methodology #1 (released on February 21, 2007), were that it was difficult to explain, it relied partially on a growth projection that was outside of the 2006-2013 RHNA period, and the income distribution categories resulted in some dramatic changes in a relatively short period of time for some jurisdictions.

13. Does the 30% ceiling for Low and Very Low in the 2000-2007 RHNA as applied in the current Methodology #2 sufficiently achieve its intended purpose?

Some members of the Planners Committee said they thought the ceiling was not as effective as it should be and may lead to unintended consequences. Since the density threshold HCD uses in evaluating housing elements is the same for both very low and low income categories, some agreed that consideration should be given to applying a ceiling to the total of these two categories. If the SACOG staff can develop a method that it believes is more effective towards this goal, then it will forward that to the Planners Committee list serve for review and comment.

14. In the April 18 Planners Committee meeting, some concerns were raised regarding the Methodology #2 income distribution recommendation. What were those concerns?

To recap, Methodology #2 has all jurisdictions (except for the Tahoe Basin) trending over 50 years towards the regional average in each income category. The 2000-07 RHNA cycle used a 30-year trend line. Three issues were raised in the April Planners Committee meeting:

"Issue A" is if a 35-year trendline (from 2000-2035) was used, some jurisdictions would have to significantly change the composition of their income distributions in a very short time period from 2006 to 2013. For this reason, staff explained in the April meeting, Methodology #2 uses a 50-year trendline (from 2000-2050).

"Issue B" is, based on other comments, that a 50-year trend line results in those jurisdictions that have been providing a higher share of affordable units in the past continuing to do so. And some perceive that those jurisdictions that have had a relatively lower proportion of affordable units in the past would only gradually elevate their share of low and very low-income units.

"Issue C" relates to the impact of imposing a 30% ceiling (for low and very low income categories). Jurisdictions that do not hit a 30% ceiling pick up more units because some jurisdictions reach the 30% limit and cannot accept more units, even if their individual trendline is higher than 30%. Those units that are not allocated to jurisdictions reaching the ceiling must be re-distributed to the other jurisdictions. SACOG calculated that to be about 1100 to 1200 units, or between 1.7% and 1.8% of all low and very low units in the 2006-2013 allocation.

15. The Planners Committee asked SACOG staff to look into different methods to address these three issues in #14. Was SACOG staff able to find an alternative that could address all three issues?

Staff developed a number of methodologies looking for ways to reach an equitable methodology using different variables. The staff believes that none of these alternatives could provide balance between those different concerns. After running several different scenarios, the existing Methodology #2 is the one that staff believes has the most regional equity. As such, staff recommends that the Methodology #2 as discussed in the Planners Committee is the one that will be forwarded to the SACOG Land Use, Housing & Air Quality Committee.

However, two other non-methodology-related means could be used to help address these issues, described in the next questions.

16. What is SACOG staff currently proposing to the Planners Committee and the Land Use, Housing and Air Quality Committee to address the issues identified in #14?

SACOG staff is proposing two non-methodology-related ways to address those issues:

1) To address Issue B and Issue C, a dedicated funding program could be established. The program could be modeled after the Housing Incentive Program (HIP) program from the Metropolitan Transportation Commission (MTC) in the Bay Area, which gives financial incentives to local jurisdictions to be used for transportation projects that support the MTC's transportation program. MTC has \$3 million for this program. Likewise, the SACOG program could provide financial incentives to jurisdictions that promote the Blueprint Principles as it relates to the RHNA; this means the jurisdictions that assume the some of the 1100 to 1200 units described in Issue C. The program would pay jurisdictions direct funding for the low and very low-income units that are BUILT that are "overages" many jurisdictions receive in Issue C. The funding program would be capped but dedicated to provide such incentives to these jurisdictions.

2) A second means to address Issue B is to allow for a trading system within the affordable categories. Jurisdictions could trade the number of units within the low and very low-income categories to jurisdictions willing to accept them. They would determine the terms of the trade. There would be two conditions placed on this: (a) the jurisdiction giving the units away could not go below the regional average in its housing unit allocation for the low and very low income categories combined, which is 39.2%; and (b) the jurisdiction willing to receive the units could not exceed to total number of higher density units in its 2035 MTP allocation. The Southern California Associations of Governments (SCAG) uses a similar system.

17. The RHNA addressed planned units, and the MTP has built units. What's the difference?

The Metropolitan Transportation Plan (MTP) is required to show the most likely forecast of how the region will grow between now and 2035. Within the forecast, there are interim years that lead up to 2035. Each forecast year shows the placement of the number of units that are projected to be built by the end of that year. These estimates are based on local governments' General Plans and Specific Plans, and their anticipated changes to those plans in response to the Blueprint vision.

HCD requires cities and counties to show through their Housing Elements how they can accommodate their projected housing allocation by planning and zoning enough residential land. The RHNA does not necessarily mean that these zoned residential lands will be built by end of the RHNP period.

18. How are median incomes used for the income distributions?

The Median Income variable is used by HCD to determine the regional housing need distribution. This distribution dictates the percentage of the total number of housing units that must be zoned for in each category during the RHNA cycle. The four income categories are very low income – 50% of median income; low income – 50-80% median income; moderate income – 80-120% median income and above moderate 120%+ median income. SACOG explored three different methods for defining median income

in the region and these are described in the next three questions below. Note that all three methods rely on data from the 2000 Census.

19. How did the California Department of Housing and Community Development (HCD) calculate its median incomes?

HCD used Department of Finance (DOF) estimates that are calculated with 2000 Census data using individual County level median household income to determine the percentage of households that were present in each of the four income categories in 2000. This is done by allocating each household in each county to one of the four income categories based on the household income regardless of household size, summing the households in each income category from each of the six counties and then calculating each income category's share of the total regional households. This is a rough rounding method that then applies those regional shares to the total RHNA allocation for the region.

20. If SACOG did not use HCD median incomes, how did it calculate current income distributions by jurisdiction?

SACOG staff used Comprehensive Housing Affordability Strategy (CHAS) data – a special run of the 2000 Census raw data requested nationally from HUD especially for housing planners that adjusts income levels according to household size which is a more refined way of determining which income category a household belongs in. Each individual jurisdiction's households are placed in each of the four income categories based on the median household income of the MSA within which that jurisdiction resides. The Yuba City MSA covers all jurisdictions within Yuba and Sutter counties, the Yolo MSA covers all jurisdictions within Yolo county and the Sacramento MSA covers all jurisdictions within El Dorado, Placer and Sacramento Counties. The share of households that fall within each income category in each jurisdiction is then compared to the regional share originally provided by HCD as our regional target. Because the cities of Elk Grove and Rancho Cordova were incorporated after the 2000 Census was conducted, the CHAS data does not have their specific city limit distributions available. The CHAS income splits were collected for the Elk Grove and Laguna CDPs for Elk Grove and the Rancho Cordova CDP for Rancho Cordova. In all other cases, the city limits as of 2000 were used.

21. Why did SACOG choose CHAS MSA median incomes?

The main reason that SACOG did not use County Median Income as determined by DOF (HCD's source) is due to the large discrepancy between County median incomes within our Region. Yuba County is the lowest at \$30,460 while Placer County is the highest at \$57,535. If County Median Income is used to determine household placement within each income category, a household in Yuba County earning less than 50% or \$15,230 would be placed in the very low income category while a very low income household in Placer County could earn almost double that amount as 50% of Placer County's threshold is \$28,767.

SACOG did not use a 6-county regional median income based on all 6 counties income for that same reason – it would disproportionately affect the jurisdictions located within the highest and lowest income counties. For example, jurisdictions in Yuba County would have a larger share of households placed in the very low and low income categories while Placer County jurisdictions would have a much smaller share of very low and low income households.

Using the CHAS dataset with MSA median incomes provides us with a compromise. While the Yuba City MSA is still the lowest median income at \$34,658 and the Sacramento MSA is the highest at \$46,602, a more reasonable assessment of households by income can be conducted.

Once each jurisdiction's individual 'starting point' or household income distribution for each jurisdiction (percentages in each category) has been determined, that distribution becomes the 2000 base distribution. That base distribution is then placed on a trajectory with the goal of causing each jurisdiction to meet the HCD provided regional income splits over a period of time. (For this RHNA, SACOG used a 50-year period, from 2000-2050).

