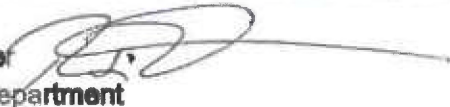



**CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE**


COUNCIL FILE NO.: 19-0773

DATE: October 24, 2019

TO: Honorable Members of the Planning and Land Use Management Committee

FROM: Rushmore Cervantes, General Manager 
Housing and Community Investment Department

Vincent P. Bertoni, AICP, Director of Planning 
Department of City Planning

Sharon M. Tso, Chief Legislative Analyst 
Office of the Chief Legislative Analyst

SUBJECT: Comments on the 6th Cycle Regional Housing Needs Assessment Methodology

SUMMARY

On October 2, 2019, the City Council adopted a Motion (Ryu - Bonin, C.F. 19-0773) that instructed the Housing and Community Investment Department (HCID), Department of City Planning (DCP), and Chief Legislative Analyst (CLA) (collectively "Departments") to report with information and recommendations regarding the Southern California Association of Government (SCAG) Regional Housing Needs Assessment (RHNA) process.

RHNA, a requirement under State Housing Law, is a process of allocating the housing units needed to address existing and unmet needs and accommodate projected household growth at all income levels during the housing element planning period (8 years). SCAG is currently developing the RHNA housing allocation plan for jurisdictions in the region, for the period of October 2021 through October 2029, known as the 6th Cycle RHNA Allocation (for purposes of this report, "RHNA Allocation Methodology"). Should the draft RHNA Allocation Methodology be approved as is, the City of Los Angeles would be required to plan for 450,745 housing units of the 1,341,827 required in the SCAG region.

The Motion requests that the Departments provide recommendations to ensure the City's unique needs are considered while SCAG finalizes its proposed allocation methodology and that the process will factor in a fair share distribution to ensure that all localities in the region receive equitable housing requirements. In addition, the Motion requests Departments to identify the projected costs and secure funding required to meet the City's RHNA allocations. Pursuant to the Council Motion, this report describes the Departments' primary concerns with the draft methodology and includes recommendations to address those concerns, and provides estimated costs to meet the City's RHNA goals. The first part of this report describes how Departments address the instructions in the Motion. The second part of the report describes the recommended response to SCAG. The report concludes with helpful background information on the RHNA Allocation process, as well as next steps.

RECOMMENDATIONS

That Council:

1. Adopt the attached Resolution (Attachment A) to support the Southern California Association of Governments (SCAG) Regional Housing Needs Assessment (RHNA) Allocation Methodology, if amended, and authorize the Department of City Planning (DCP) to submit to SCAG the City's comments on the draft RHNA Allocation Methodology;
2. Direct the DCP, in collaboration with the Housing and Community Investment Department (HCID), to apply for SB 2 and other planning grants available from the State to support housing creation, and report to Council prior to accepting the grant awards;
3. Direct DCP, in consultation with HCID, to report with an analysis of State legislative changes that may impact the ability of the City to accommodate its RHNA allocation;
4. Direct HCID to report with funding sources available to support affordable housing development and preservation for housing required under State law;
5. Instruct DCP to report with recommended changes to the Regional Transportation Plan/Sustainable Communities Strategy Growth Forecast to ensure that City and regional policy objectives are maximized; and
6. Instruct HCID, DCP, and CLA to monitor the RHNA allocation process and report on the final allocation.

RESPONSE TO COUNCIL MOTION

The following is an analysis of SCAG's proposed RHNA Allocation Methodology and the potential implications for the City of Los Angeles, in response to the key items requested in the Council Motion. Additional analysis and recommendations specifically related to the proposed methodology, as well as background, are provided later in this report.

Unique Needs and Fair Distribution in Allocation

The City has unique needs to consider during the RHNA process, largely related to its size and diversity. While there is an interest in the methodology's impact on the City's RHNA allocation, the City's comments have, thus far, not been in relation to reducing (or increasing) its own RHNA allocation. Public comments from Mayor Garcetti have focused on achieving shared regional policy objectives around access to jobs and transit, reduction of vehicle miles traveled, and social equity.

The City of Los Angeles has typically received a little more than 20 percent of the regional RHNA allocation, but is asked to meet more than 35 percent under the current proposed Allocation Methodology. Exurb areas in Riverside, San Bernardino, and Imperial Counties also received significantly higher draft allocations than jurisdictions with higher demand for housing and jobs accessibility such as Culver City, Beverly Hills, and Costa Mesa.

The draft methodology results in a large allocation for the City of Los Angeles due to a number of reasons. First, the largest factor in the draft methodology, forecasted household growth, is subject to local input factors that result in skewed figures. While households in the City of Los Angeles

are expected to grow 32 percent through 2045, other major urban centers are projected to grow in a range of 6 to 15 percent. In addition, the City ranks very high in the region on the other two main factors, transit and job accessibility, which account for 50 percent of the existing need formula (79th and 91st percentile in the region, respectively). However, as discussed in the recommendations, when these factors are adjusted for population share using the draft methodology, the City scores in the 100th percentile on both factors. The net result is that the City scores in the 100th percentile on all major elements of the methodology, which explains why the City's allocation is so high under the draft methodology.

In addition, the City of Los Angeles is an exceedingly diverse jurisdiction, including land uses and geographies that range from urban downtowns to rural equine-keeping areas. While the City is able to decide how to allocate the RHNA growth across its diverse communities through its land use and zoning controls, the allocation emphasizes the median values for transit and jobs accessibility factors and therefore may not adequately consider the needs of the City's considerable rural, hillside and fire prone terrain.

The recommended changes to the methodology outlined in Attachment B would better ensure that Los Angeles receives a fair and equitable portion of the RHNA allocation while also supporting the shared regional vision of reducing greenhouse gas emissions, decreasing socioeconomic segregation, and improving access to opportunity (e.g. economic mobility, educational attainment, etc.).

Costs to Comply with the RHNA Allocation and Funding Needs

In addition to instructing staff to review and comment on the RHNA methodology, the Motion instructed staff to identify costs that may be borne by the City to meet the projected RHNA allocation. The City would incur costs associated with the implementation of the RHNA obligation in two ways. First, the City may be obligated to change zoning and land use designations in order to have enough suitable sites to meet the increased RHNA allocation. Second, the City will have to address the funding needed to build enough units, particularly for affordable housing, to meet the RHNA targets.

Zoning changes could likely be accommodated under existing budgetary plans for community plan updates and other zoning amendments. This report estimates that \$22.3 billion in City subsidies, in addition to significant additional State and Federal investment, would be needed to fund the approximately 258,313 affordable units allocated to the City under the draft RHNA Allocation Methodology (information below). Recommendations 2 through 5 in this report would direct staff to report with the resources and legislative and policy changes needed to better address RHNA targets.

Cost of Zoning and Land Use Updates to Meet the Required RHNA Allocation

If additional zoning capacity is required, many planning efforts are scheduled to be completed in the allowable three years after adoption of the Housing Element in October 2021. The City Council has funded DCP to update all 35 of its Community Plans by 2024 and DCP has funding for other significant rezoning efforts such as Transit Neighborhood Plans (largely funded by Metro). In addition, new citywide policies such as the ability to build more Accessory Dwelling Units (ADUs), and third Junior ADUs on residential properties, will also impact the calculations. One potential added cost may be the preparation of an Environmental Impact Report (EIR), as needed, to analyze the potential environmental impacts associated with the adoption of the Housing Element.

Finally, it is important to highlight that there are considerable new State resources available for housing-related planning efforts. Governor Newsom's July 2019 budget announced \$250 million in funding available for planning for more housing, and SB 2 (2018) included a similar amount. In addition, DCP anticipates applying for the maximum allowable award through the first round of the SB 2 Planning Grant program, which is due by November 30, 2019. Additional funding rounds should be available next year to assist with additional planning efforts.

Cost of Housing Production Needed to Meet RHNA Targets

More challenging is the estimated cost to actually build the 450,744 housing units (192,432 above moderate income or "market rate" for purposes of this report / 258,313 Affordable) needed under the draft allocation (Attachment C). While RHNA law focuses on zoning for adequate sites to meet the RHNA, and not housing production, the City may be subject to certain streamlining measures under SB 35 (2017) if the production targets are not met.

The draft RHNA Allocation Methodology would result in a construction goal of approximately 56,343 housing units per year over the eight-year cycle, consisting of 24,054 market rate units and 32,289 affordable units. As reported in the City's annual RHNA production report (Attachment D), over the past five years approximately 16,000 housing units have been constructed in the City annually, with an average of 1,500 affordable units per year.

The City is not involved in the financing of market rate housing, so the costs associated with meeting the proposed market rate target (about 192,000 units) would be need to be borne entirely by the private sector. This leaves the remaining 258,313 units of Very Low, Low, and Moderate Income housing to be created either through public financing or regulatory measures such as affordable housing incentive programs. Public financing results from tax revenues or tax credits provided by governmental agencies. Regulatory measures largely place the costs for affordable housing development on the project developer in exchange for certain benefits, such as the right to build more units or relief from parking requirements. Both approaches to support the production of affordable housing are described in more detail below.

- Land Use Incentives: Privately-Funded Affordable Housing

Local examples of regulatory measures used in Los Angeles include the City's Density Bonus program, Transit Oriented Communities (TOC) Affordable Housing Incentive program, and local "base and bonus" type incentive programs are increasingly being incorporated in documents such as Community Planning Implementation Overlays (CPIOs).

Affordable housing units produced by land use incentives depend upon market rate production. In order to meet the market rate RHNA goal of 192,432 units, the City of Los Angeles would need to produce over 24,054 units per year (25 percent higher than the number of market-rate units produced in 2018 when the City reached a 29-year housing production high). Assuming the City can fully meet this market-rate housing goal, and affordable production in mixed-income projects remains roughly consistent with past trends, only a small fraction of the lower-income RHNA allocation could be provided through land use incentives. The majority of affordable units would need to have a local subsidy.

- Public Financing: City-Subsidized Affordable Housing

Approximately 254,000 affordable units would require public subsidy. The cost of construction for housing units varies significantly depending upon the type of construction

employed for a project, land costs, labor availability, steel and lumber tariffs, tax law, zoning, development impact fees and other federal, State and local policies. Due to this complexity, it is not possible to develop anything other than a very rough estimate as to the total cost of subsidizing the construction cost of the affordable units allocated to the City.

With that in mind, to meet the estimated 254,000 unit affordable housing target at an average total construction cost of \$500,000 per unit would require \$127 billion in public and private financial resources. For units that require a subsidy, the City's policy sets a limit on the City's maximum subsidy per unit. At the average subsidy of \$120,000 per unit, a total City financial contribution of \$30.5 billion would be needed to support the 254,000 affordable units. Therefore approximately \$3.8 billion in City funds per year and \$12 billion per year in private, State and federal funding would be needed to ensure full project financing.

Currently, the City makes available an average of \$30 million annually in federal subsidies to support new construction and preservation of affordable housing. The City's local funding resources are expected to be bolstered by the recently-adopted Affordable Housing Linkage Fee, which is projected to raise an average of \$100 million annually; however, given the phase-in period and grandfathering provisions, it is still too soon to accurately predict what portion of the anticipated \$3.8 billion needed in City funds could be generated from this source.

Advocate for Funding

It is clear that new sources of funding for affordable housing would be needed to meet the City's RHNA production targets. New State funding, including the Permanent Local Housing Allocation funded by SB 2, the Infill Infrastructure Grant (IIG), and the California Housing Finance Agency's Mixed-Income Loan Fund are expected to become available soon. The City is actively involved in shaping new State-funding programs to ensure that the City receives its fair share and in seeking new sources of funding for affordable housing development.

COMMENTS AND RECOMMENDATIONS ON SCAG METHODOLOGY

Concerns with the draft RHNA Allocation Methodology

Staff have identified several key concerns with SCAG's proposed RHNA Allocation Methodology, summarized below. Additional technical information relating to these concerns is provided in Attachment B.

- 1. Household Growth Factor Used to Determine Existing Need.** As discussed in detail in Attachment B, the draft methodology relies too heavily on the household growth factor, which is itself based primarily on flawed factors such as current zoning and past growth rates. This results in growth being allocated in a way that exacerbates regional inequalities, promotes higher rates of housing production in areas further from available jobs and transit, and unfairly "rewards" areas that have largely excluded multifamily housing from their jurisdictions for years, thereby further perpetuating unsustainable growth patterns. As a result, the draft methodology focuses significantly more growth on the City of Los Angeles, compared to prior methodologies and earlier options, and does not ensure that neighboring jobs rich cities produce their fair share of housing.

2. **Jobs Accessibility Factor does not Adequately Address Jobs/Housing Mismatch.** The current SCAG draft methodology incorporates job access based on each jurisdiction's share of jobs accessible within a 30-minute drive commute, weighted to the jurisdiction's 2045 population size. As detailed in Attachment B, this formulation perpetuates a mismatch between jobs and housing within jurisdictions and, as a result, will result in increased vehicle miles traveled (VMT) and exacerbate socioeconomic segregation. State law requires that the RHNA Allocation Methodology promote a better regional jobs/housing relationship and, to the extent feasible, include factors related to the location of low wage jobs and affordable housing.

3. **Transit Access Factor Weights Allocation Away From Jurisdictions that Have Failed to Accommodate Growth near High Quality Transit.** The proposed SCAG methodology defines transit access as the percentage of the total population living within a high quality transit area. As detailed in Attachment B, this definition of transit access does little to rectify the primary concern relating to jurisdictions that have high transit access but low population. Weighting the transit factor to current population "rewards" cities that have kept population away from regional transit stops and corridors.

4. **Social Equity Adjustment Inadequately Addresses Regional Inequities.** The existing social equity adjustment in the draft methodology redistributes the RHNA *within a jurisdiction* by adjusting the jurisdiction's allocation among each income category. This adjustment does not adequately address inequities within the SCAG Region.

Proposed Changes to the Draft RHNA Allocation Methodology

This report includes a Resolution (Attachment A) to authorize DCP to submit comments on the SCAG draft RHNA Allocation Methodology, with recommendations to delete the Household Growth factor from the existing need component of the methodology and revise the Job Accessibility, Transit, and Social Equity factors to better address the concerns described above. Below is a summary of the recommendations. The technical basis for these recommended changes to the methodology is described in Attachment B.

1. **The Existing Need Component of the Methodology Should Not Include a Household Growth Factor.** The existing need factor (accounting for more than 800,000 units) should focus on areas that have had high demand but failed to produce adequate housing. Retaining the need factor would continue to exacerbate the problem further by basing half of the calculation on a flawed factor. Removing the household growth factor from the *existing need* component would amplify the jobs and transit factors, support compliance with State law, and result in more actual housing production in the region, which should be the overarching goal.

2. **Modify Job Accessibility Factor to Focus on Low Wage Workers and Jobs/Housing Balance.** The methodology should incorporate a better way to explicitly promote housing in jurisdictions with a severe jobs/housing imbalance and incorporate a measure of low wage jobs and affordable housing in compliance with State law and to advance shared regional objectives.

3. **Transit Access.** Instead of defining "transit access" as the percentage of a jurisdiction's total population living within a high quality transit area (HQTA), the methodology should instead define transit access according to the total acreage or land area that is located within half a mile of a high quality transit stop.

4. **Social Equity and Affirmatively Furthering Fair Housing.** The social equity adjustment in the RHNA Methodology should redistribute RHNA allocations across different jurisdictions rather than within them. This redistribution could be incorporated into the methodology in a variety of ways. For example, in addition to reallocating the residual need away from areas with 50% of the population in disadvantaged areas (as is currently proposed), the calculation should proactively allocate the residuals to areas designated as “high” or “very high resource” as defined by the California Tax Credit Allocation Committee (TCAC).

BACKGROUND

The purpose of RHNA is to ensure all jurisdictions in the State adequately plan for their housing needs. Each city and county must demonstrate, as part of the Housing Element process every eight years, that it has adequate sites zoned for housing to accommodate the RHNA allocation. The Housing Element is part of the City’s General Plan. All cities must accommodate their expected growth and therefore provide sites for new housing development. A certain amount of the sites must be zoned at certain density levels in order to qualify to meet the lower-income portion of the jurisdiction’s RHNA allocation. If a city does not have sufficient zoned capacity for the required amount of housing, the Housing Element must include a program to rezone within three years to meet the target. The State has recently increased enforcement capabilities when a jurisdiction does not comply with the rezoning requirement.

The draft RHNA Allocation Methodology must comply with five statutory objectives pursuant to State law (Government Code Section 65585(d)):

1. Equitably increase the supply and mix of housing types, tenure and affordability in all cities and counties;
2. Promote infill development, socioeconomic equity, environmental and agricultural resource protection, and greenhouse gas reduction;
3. Promote an improved interregional relationship between jobs and housing, particularly for low wage workers;
4. Distribute housing need at all income levels in a balanced and equitable manner; and
5. Affirmatively further fair housing by reducing segregation and increasing access to opportunity.

While RHNA was originally intended solely as a zoning and planning tool, in recent years the allocation has also become relevant to the actual production of housing. The State has recently considered and implemented legislation that affect jurisdictions not meeting RHNA goals. For example, under SB 35 (2017), if a City is not on track to meet its RHNA goals, a new by-right streamlining process becomes available to housing developments that meet objective zoning standards as well as certain requirements regarding affordable housing, prevailing wage, and other criteria. AB 1505 established greater State oversight over inclusionary housing policies in jurisdictions that have lower than projected housing production. Further, the proposed AB 1568 (McCarty) would have prohibited a city or county in violation of Housing Element law from applying

for certain State grant funds. In addition, the Governor's 2019-2020 Budget initially proposed withholding transportation funding from cities that do not have a compliant Housing Element.

The RHNA Process

The RHNA process begins with a regional determination figure (the total number allocated to the entire SCAG region) issued by the Department of Housing and Community Development (HCD), followed by an allocation to each jurisdiction within the region (specific number of units allocated to each jurisdiction).

SCAG proposes a regional determination number and the methodology to allocate that number across the region, but the regional determination is ultimately determined by HCD. In the past, the regional determination figure was based solely on *projected* housing need during an eight year planning period. However, recent changes to State law added a requirement that *existing* housing need must be incorporated in the regional determination by considering housing need indicators such as vacancy rates, jobs/housing balance, cost burden, and overcrowding.

On October 15, 2019, HCD issued a final determination that the SCAG region will need to plan for 1,341,827 new homes over the next eight years. The 1,341,827 total regional allocation has been split by SCAG into "projected need" (about 506,000 units) and "existing need" (about 836,000 units). The new existing need component is the primary reason the RHNA allocation is much larger than in past cycles.

The allocation component of the RHNA process, which is the subject of the Motion, requires that SCAG develop a methodology for how to distribute the regional determination among all member jurisdictions. This draft RHNA Allocation Methodology must comply with State law and further the goals and objectives of RHNA listed above. SCAG's draft RHNA Allocation Methodology is described in detail below.

SCAG's Draft RHNA Allocation Methodology

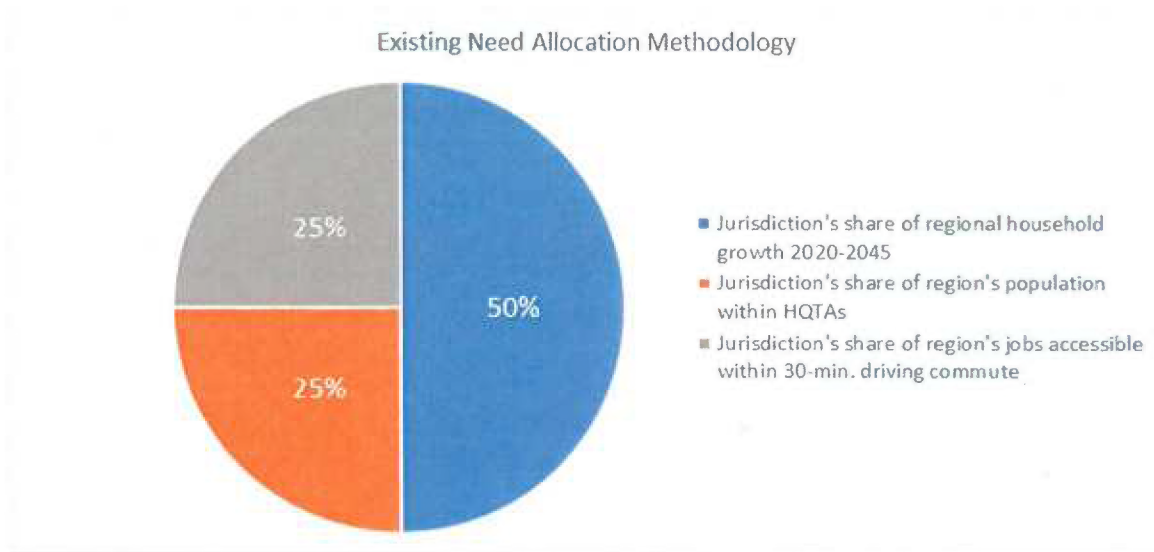
On August 1, 2019, SCAG released three proposed RHNA allocation methodologies to distribute the total regional housing need figure throughout the SCAG region. Based on comments received during the public comment period, SCAG staff developed a 4th draft RHNA methodology that took elements from the prior three options and added new components. This draft methodology was approved by the RHNA Subcommittee by a 4-3 tiebreaker vote. It will be voted on by the full SCAG Regional Council on November 7, 2019 (see Next Steps section below). All fifteen City Council members and the Mayor of Los Angeles have a vote on the eight-six (86) member SCAG Regional Council, which acts as the governing board for the organization.

SCAG's draft methodology splits the 1.34 million regional figure into "projected need" and "existing need" components, each with its own formula. The smaller (506,000 units) "proposed need" figure is proposed to be allocated largely using the methodology used in prior RHNA cycles. Projected need is based on projected household growth for jurisdictions, in addition to a calculated future "healthy market vacancy need" and "housing replacement need." For projected household growth, SCAG's Connect SoCal demographic and economic Growth Forecast for the years 2020-2030 is used as the basis for calculating projected housing unit need for the region during the RHNA projection period of July 1, 2021 to October 1, 2029.

The larger component of the RHNA (836,000) is "existing need" which is based on the remainder of the regional determination after projected need (above) is subtracted. The draft RHNA

Allocation Methodology being considered assigns the following components to comprise existing need:

1. 50 percent of regional existing need to jurisdictions based on each jurisdiction's share of regional household growth between 2020 and 2045.
2. 25 percent of regional existing need based on a jurisdiction's share of the region's population within the HQTAs based on future 2045 HQTAs.
3. 25 percent of regional existing need based on a jurisdiction's share of the region's jobs that can be accessed within a 30-minute driving commute.



Notably, the largest component of the existing need calculation (50 percent) is the same as that used to account for most of the projected need figure - projected regional household growth. Concerns with over-reliance on this household growth factor, and the process used to generate this figure, is discussed in greater detail in Attachment B.

The draft RHNA Allocation Methodology caps the existing housing need total in local jurisdictions where the RHNA would be larger than its household growth between 2020 and 2045, as determined by the SCAG Growth Forecast used in the Connect SoCal 2020 RTP/SCS. When this occurs, the extra growth beyond these caps is considered as "residual" existing need. The total residual need (about 20% of existing need, or 160,000 units) is re-allocated to jurisdictions that have (i) above median job access, (ii) above median transit access, and (iii) have less than 50 percent of their population in disadvantaged areas.

Draft RHNA Allocation to the City of Los Angeles

According to the current recommended RHNA Allocation Methodology, the total estimated RHNA allocation for the City of Los Angeles would be 450,744 units (including 258,313 affordable units). The SCAG model further breaks down this number of units into each of four affordability categories prescribed by State law, as shown in Table 1 below. A detailed breakdown of the City's estimated RHNA allocation, based on the draft RHNA Allocation Methodology, is provided in Attachment C.

Table 1 City of Los Angeles Estimated RHNA Allocation (Current SCAG Recommended Methodology)		
Household Income Level	Number of Units	Percent of Total RHNA
Very-low income (<50% of AMI)	115,989	25.7%
Low income (50-80% of AMI)	68,257	15.1%
Moderate income (80-120% of AMI)	74,067	16.4%
Above moderate income (>120% of AMI)	192,432	42.7%
TOTAL	450,745*	100%
Source: SCAG Recommended DRAFT RHNA Methodology Estimate Tool (Updated 10/16/19) *Attachment C provides detail. Discrepancy due to rounding.		

Pursuant to the final determination from HCD, SCAG region is obligated to plan for 1.34 million housing units in the 6th Cycle RHNA. Based on the draft RHNA Allocation Methodology provided by SCAG, the City of Los Angeles would be allocated 34 percent of these units. The City represents about 20 percent of the region’s current population and was allocated about 20 percent of the regional figure in prior cycles. The 5th cycle RHNA allocation for the City was 82,000 units, meaning the draft allocation for the 6th cycle would be almost six times higher than the last cycle.

RHNA Implications for Los Angeles

As noted above, in order to satisfy State law, the City will need to demonstrate through the 2021 Housing Element that it has sufficient adequately zoned sites to accommodate the final RHNA allocation (currently 450,000 units). Forty-one percent of those sites are needed to meet the Low and Very Low (Lower) RHNA need and therefore are required to be zoned for at least 30 units / acre. Most of the City’s sites typically meet this definition.

However, DCP cannot yet ascertain whether rezoning will be necessary for the City to be able to demonstrate that it has adequate suitable sites to meet the RHNA allocation. If sufficient sites cannot be identified through the 2021 Housing Element process, the City would need to include a program to make zoning changes within three years that would accommodate the RHNA. Costs associated with revising the Housing Element and rezoning are discussed below.

The City’s RHNA allocation under the draft methodology is set at about 450,000 units, with earlier alternatives providing smaller figures ranging from 310,000 to 345,000 units. It may be possible that enough suitable sites can be identified through the Housing Element process to satisfy the higher 450,000 figure, considering the prior Housing Element identified more than 500,000 units of housing capacity before a series of “conversion factors” were applied to commercially-zoned sites (recognizing that not all sites will convert to housing). Significant residential capacity has also been unlocked since the last Housing Element through various DCP work programs including the TOC Program and the Community Plan Update program. However, State law has changed how suitable sites will be counted, making it further unclear whether any unscheduled rezoning will be necessary (see Recommendation 3).

To receive credit toward actual production of the Very Low, Low, and Moderate income housing units allocated under RHNA as shown in Table 1, the City is required to prove that a unit qualifies under one of these income categories in order to meet these unit obligations under State law. Such proof includes either a deed restriction on a property or contractual obligation that limits total housing costs and incomes. Even if a unit is developed and is being rented at moderate income levels, without a deed restriction or contractual obligation that can be provided by the City, then it is considered to be an above moderate (market-rate) unit. Rent control and Section 8 vouchers do not qualify a unit for Very Low, Low, or Moderate Income housing classification toward the RHNA obligation under State law, unless otherwise income restricted. Although the City is not obligated under State law to produce these units, the City is nonetheless expected to make every effort to ensure that they are developed.

NEXT STEPS

SCAG's RHNA Subcommittee approved the SCAG staff recommended draft RHNA Allocation Methodology for further action through a tiebreaker vote. SCAG's Community, Economic & Human Development (CEHD) Committee approved the draft methodology at their meeting on October 22, 2019. The methodology will be considered for final approval by SCAG's Regional Council on November 7, 2019.

After the SCAG Regional Council approves a methodology, it will be submitted to HCD for their 60-day review period. After reviewing HCD comments, which are anticipated to be received by January 2020, SCAG staff will make needed modifications to satisfy State Housing Law, if any, and provide a recommended final RHNA methodology for adoption by RHNA Subcommittee, CEHD Committee, and Regional Council in February 2020. After the final RHNA Allocation Methodology is approved by HCD, SCAG will distribute a RHNA allocation to all member jurisdictions by October 2020, which every jurisdiction must use to inform their local housing element process.

This report includes a Resolution to authorize DCP and HCID to submit comments on the SCAG RHNA Allocation Methodology as described in this report. The City Council and Mayor have 16 of the 86 seats available on the SCAG Regional Council and can make a significant impact by voting on November 7, 2019.

CONCLUSION

In summary, RHNA is an important tool to ensure jurisdictions do their "fair share" when it comes to planning for regional housing needs. The draft RHNA Allocation Methodology developed by SCAG will have lasting impacts for the City of Los Angeles and every other jurisdiction in the region. As such, it is critical that the final methodology furthers the objectives of affirmatively furthering fair housing, reducing greenhouse gas emissions, and equitably allocating growth across the region.

Attachments:

- A. Resolution
- B. Technical Basis for Proposed Changes to RHNA Allocation Methodology
- C. Table: RHNA Allocation Inputs for City of Los Angeles
- D. City of Los Angeles 5th Cycle RHNA Progress
- E. Motion relative to the RHNA process (Ryu - Bonin, C.F. 19-0733)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies, proposed to or pending before a local, State or federal government body or agency, must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the draft Regional Housing Needs Assessment (RHNA) Allocation Methodology (Allocation Methodology) proposed by the Southern California Association of Governments (SCAG) will have lasting impacts for the City of Los Angeles and every other jurisdiction in the region and it is thus critical that the methodology adheres to State law and further the objectives of affirmatively furthering fair housing, reducing greenhouse gas emissions, and equitably allocating growth across the region; and

WHEREAS, the Allocation Methodology relies, in large part, on inputs from the growth forecast SCAG prepared for their draft SoCal Connect RTP/SCS for the majority of variables in the “Existing Need” segment of the allocation calculation, thereby allowing cities to provide input based on historical patterns of development to further reduce their housing growth forecasts and therefore lower their RHNA allocations, which violates the State requirement that municipalities cannot use prior underproduction of housing or stable populations to justify a smaller allocation; and

WHEREAS, State law requires that the Allocation Methodology address the existing and projected jobs/housing relationship, with particular emphasis on the interregional relationship between jobs and housing for low-wage workers, and the current definition of job accessibility used by SCAG refers only to single-occupancy vehicle (SOV) commute times and fails to distinguish between the types of housing and types of jobs provided by different jurisdictions; and

WHEREAS, SCAG assigns 25 percent of the larger component of the current Allocation Methodology (“existing need”) to a jurisdiction’s population living within a high quality transit area (HQTA), and using population rather than land area to define “transit accessibility” explicitly violates State law which prohibits the inclusion of factors based on jurisdictions’ prior underproduction of housing, in addition to punishing-- proactive jurisdictions like the City of Los Angeles while allowing transit rich jurisdictions that have refused to upzone the ability to perpetuate exclusionary zoning policies; and

WHEREAS, the Allocation Methodology adjusts for social equity to affirmatively further fair housing by adjusting the RHNA allocation within a jurisdiction, using a calculation that is largely based on local growth forecasts, and thus does not address the regional inequalities across jurisdictions and may promote displacement in lower-income areas; and

WHEREAS, these deficiencies in the Allocation Methodology must be addressed to meet the requirements of State law; and

WHEREAS, Council instructed the Housing and Community Investment Department (HCID), Department of City Planning (DCP), and Chief Legislative Analyst (CLA) (collectively “Departments”) to evaluate the Allocation Methodology and report back with any findings of importance;

WHEREAS, the Departments propose to submit the following comments to the draft RHNA Allocation Methodology on behalf of the City to the Southern California Association of Governments (SCAG):

- Remove the household growth factor from the existing need component.
- Incorporate a better way to explicitly promote housing in jurisdictions with a severe jobs/housing imbalance and incorporate a measure of low-wage jobs and affordable housing.
- Define transit access according to the total acreage or land area that is located within half a mile of a high quality transit stop.
- Revise the social equity adjustment to redistribute RHNA allocations across different jurisdictions rather than within them.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-20 State Legislative Program SUPPORT for the draft Regional Housing Needs Assessment (RHNA) Allocation Methodology proposed by SCAG IF AMENDED to incorporate the revisions described above and AUTHORIZE the Department of City Planning to submit to SCAG as the City of Los Angeles' comments.

Technical Basis for Proposed Changes to Draft RHNA Allocation Methodology

Forecasted Household Growth

The current 6th RHNA cycle is the first time SCAG is required to consider existing housing need, in addition to projected need, in the RHNA allocation and methodology. The new requirement, enacted through SB 828 in 2018, is intended to recognize that the RHNA process must address the historic housing deficit that has accumulated across much of California to ensure adequate and affordable housing is available for all income groups.

The current proposed RHNA Allocation Methodology relies, in large part (about two-thirds), on inputs from the growth forecast SCAG prepared for the 2020 Regional Transportation Plan / Sustainable Communities Strategy (2020 RTP/SCS, or Connect SoCal). This factor formed the basis of past SCAG RHNA cycle methodologies. Prior methodologies directed the majority of the region's growth to areas further from jobs and transit (contributing to higher average vehicle miles traveled (VMT) in the region), and reinforced regional inequities stemming from land use decisions and provision of affordable housing.

The Connect SoCal process is a long-range regional plan that uses population projections and local input to balance planning priorities. The methodology used by SCAG to create the projected growth forecast models in Connect SoCal have multiple layers and its own complexity. However, based on the available information, it appears the forecasted growth is heavily adjusted according to caps based on a local jurisdiction's current zoned capacity for housing. Cities that have lower zoned capacity for multi-family housing are therefore assigned lower growth forecasts (and vice-versa). Furthermore, cities are also able to provide local input to further alter the housing growth forecasts and therefore have the potential to lower the RHNA allocation for their jurisdictions.

Over reliance on a projected growth figure tied to existing zoning capacity has the potential to run counter to RHNA goals that aim to support infill development, reduce VMT and greenhouse gas emissions, and protect sensitive environmental areas. For example, the current methodology would allocate an estimated 1,600 units to Culver City, which is a growing transit and job rich community neighboring Los Angeles, whereas the similarly populated but remote City of Coachella in the Sonoran Desert, which lies in the immediate vicinity of the San Andreas Fault, would be allocated over 15,000 units.

State law (including SB 375) requires that the RHNA allocation methodology be compatible with the 2020 RTP/SCS growth forecast. The RHNA methodology must also meet the other five (5) RHNA statutory requirements identified above (see Background). It does make sense to ensure the compatibility of the two plans and work toward consistency amongst the 2020 RTP/SCS and RHNA. However, until the growth forecast methodology is revised, the reliance on these factors should be minimized. In particular, the household growth factor should not be used to determine existing need (Recommendation 1).

Job Accessibility

State law requires that the RHNA Allocation Methodology address the existing and projected jobs/housing relationship, particularly the number of low-wage jobs relative to the number of housing units within a jurisdiction that are affordable to low-wage workers. The current definition of job accessibility used by SCAG in the proposed allocation methodology (30 minute driving

commute time) does not distinguish between the types of housing and types of jobs provided by different jurisdictions, and does not consider the types of jobs that may be accessible through other modes of transportation. Additionally, by not accounting for jurisdictional boundaries when defining “accessibility,” this methodology ignores the roles and responsibilities of local jurisdictions in accommodating both employment and housing growth. Job development is often a result of local, jurisdictional-level zoning and economic policies, and employment and tax revenue from those industries is typically not shared across jurisdictions. Jobs rich jurisdictions should be expected to accommodate their fair share of housing and residential services. It is particularly important that job-rich jurisdictions accommodate housing for low-wage workers in order to combat residential and economic segregation.

Transit Accessibility

As proposed in the draft methodology, SCAG defines transit accessibility as the population within a jurisdiction living within a High Quality Transit Area (HQTA). Using population rather than land area located within a HQTA to define “accessibility” appears to promote the inclusion of factors based on jurisdictions’ prior underproduction of housing. Many affluent areas have been able to maintain lower density zoning in HQTAs, whereas many lower-income communities typically have provided for higher rates of multifamily housing production in these areas. The City of Los Angeles has addressed this disparity through programs such as the Transit Oriented Communities (TOC) Program, which allows for significantly higher density bonuses for residential developments near transit that provide a minimum amount of affordable units. In recent years, efforts such as the City’s TOC Program have led to a dramatic increase in population living within an HQTA in the City of Los Angeles. Using a metric that relies on population size within an HQTA inequitably skews future growth towards proactive jurisdictions such as the City of Los Angeles, while actively reducing the number of housing units allocated to transit rich jurisdictions with lower density, zoning and population living near transit.

Social Equity Adjustment

As currently proposed, the SCAG methodology adjusts for social equity and affirmatively furthering fair housing by adjusting the RHNA allocation within a jurisdiction to accommodate either more above market or more low income housing. This approach redistributes a jurisdiction’s total allocation across income categories, but does not make any adjustments to the overall allocation. Adjusting the RHNA **within** a jurisdiction rather than **among** jurisdictions is counter to the goals of RHNA and fails to affirmatively further fair housing. Because the majority of the calculation for the regional allocation is based on local growth forecasts (see discussion above), lower income communities typically receive higher overall RHNA numbers, whereas higher income and wealthy communities typically receive lower overall RHNA numbers. Simply allowing that larger allocation in lower income jurisdictions to be redistributed to the above market rate income category does not address regional inequalities across jurisdictions.

Redistributing RHNA across jurisdictions would result in the greatest social equity adjustment and more appropriately meet affirmatively furthering fair housing requirements. This redistribution could be incorporated into the methodology in a variety of ways. For example, in addition to reallocating the residual need away from areas with 50% of the population in disadvantaged areas (as is currently proposed), the calculation should proactively allocate the residuals to areas designated as “high” or “very high resource” as defined by the California Tax Credit Allocation Committee (TCAC).

RHNA Allocation Inputs for the City of Los Angeles

Los Angeles city statistics:		<i>Regional Percentile:</i>
Forecasted household (HH) growth, RHNA period:	116832	100%
Percent of households who are renting:	63%	92%
Housing unit loss from demolition (2009-18):	13,148	100%
Adj. forecasted household growth, 2020-2045:*	369,703	-
Pct. of regional jobs accessible in 30 mins (2045):**	18.87%	79%
Share of region's job accessibility (pop-weighted):	32.18%	100%
Percent of jurisdiction's pop. in HQTAs (2045):	85.39%	91%
Share of region's HQTAs population (2045)	39.61%	100%
Share of pop. in low/very low-resource tracts:	42.89%	-
Share of pop. in very high-resource tracts:	16.81%	-
Proposed social equity adjustment:	150%	-

RHNA Allocation inputs for Los Angeles city	
Forecasted household (HH) growth, RHNA period:	116832
Vacancy Adjustment	4336
Replacement Need	13,148
TOTAL PROJECTED NEED:	134316
Existing need due to future HH growth (50%)	123540
Existing need due to job accessibility (25%)	67334
Existing need due to HQTAs pop. share (25%)	82864
Net residual factor for existing need	42689
TOTAL EXISTING NEED	316429
TOTAL RHNA FOR LOS ANGELES CITY	450744
Very-low income (<50% of AMI)	115989
Low income (50-80% of AMI)	68257
Moderate income (80-120% of AMI)	74067
Above moderate income (>120% of AMI)	192432

**5th Cycle Housing Element
City of Los Angeles Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability**

Income Level	RHNA Allocation by Income Level	2014	2015	2016	2017	2018	2019	2020	2021	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	20,427	856	893	718	697	1,101				4,265	16,162
Low	12,435	867	536	604	255	326				2,588	9,847
Moderate	13,728	47	45	143	27	168				430	13,298
Above Moderate	35,412	13,047	15,833	12,231	13,040	19,236				73,387	0
Total Units	82,002	14,817	17,307	13,696	14,019	20,831				80,670	39,307

PLANNING & LAND USE MANAGEMENT

MOTION

The affordable housing crisis in Los Angeles and neighboring counties requires urgent action by the City and the entire region. An unwavering and concerted effort by localities to plan for and commit to meeting the housing needs for households of all income levels is critical to successfully addressing this void that oftentimes contributes to homelessness. Pursuant to the State's "fair share" housing law, which requires cities and counties to plan and zone for needed housing, the Southern California Association of Governments (SCAG) is working to update its Regional Housing Needs Assessment (RHNA) allocation for 2021 through 2029.

In June 2019, SCAG submitted a RHNA Consultation Package for consideration by the State Department of Housing and Community Development (HCD) which recommends zoning for 430,289 units across the six county region through 2029. While these numbers are disputed by other parties, it is clear that there is a dire need for housing in the region. The City should play an active role as SCAG formulates its methodology and proposed allocation of units to be planned for in the City and other jurisdictions throughout the region, prior to the State establishing the final RHNA allocation. The methodology should factor in a social equity adjustment, among other factors, to ensure that growth is distributed in a manner that considers the unique nature of every community and contributes to each locality's success in meeting the region's diverse housing needs. In addition to helping shape RHNA policy, the City should equally advocate for commensurate State and federal funding to ensure that the region's localities can meet RHNA's planned growth.

I THEREFORE MOVE that Council instruct the Housing and Community Investment Department, Department of City Planning, and the Chief Legislative Analyst to report to Council with recommendations: (1) on a Southern California Association of Government's (SCAG) Regional Housing Needs Assessment (RHNA) process that ensures the City's unique needs are considered while SCAG develops and finalizes the methodology and proposed allocation; (2) on how to contribute to a RHNA allocation process that will factor in fair share distribution to ensure that all localities in the region receive equitable housing requirements that are reflective of expected future growth, the backlog of unmet housing requirements, and achieves an appropriate housing allocation mix; (3) to advocate for funding required to meet the RHNA allocations throughout the region; and (4) to report with the projected costs to meet the City's proposed allocation.

PRESENTED BY: David E. Ryu
DAVID E. RYU
Councilmember, 4th District

SECONDED BY: [Signature]

ORIGINAL

JUL 03 2019

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