August 22, 2019

Kome Ajise, Executive Director
Southern California Association of Governments
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017

Dear Executive Director Ajise:

RE: Regional Housing Need Determination

This letter provides the Southern California Association of Governments (SCAG) its determination of the Regional Housing Need Determination. Pursuant to Government Code (Gov. Code) section 65584.01, the Department of Housing and Community Development (HCD) is required to provide the determination of SCAG’s existing and projected housing need.

In assessing SCAG’s regional housing need, HCD and SCAG staff completed an extensive consultation process starting in March 2017 through August 2019 covering the methodology, data sources, and timeline. HCD also consulted with Walter Schwarm of the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of 1,344,740 total units among four income categories for SCAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Gov. Code section 65584.01.

As you know, SCAG is responsible for adopting a RHNA allocation methodology for the projection period beginning June 30, 2021 and ending October 15, 2029. Pursuant to Gov. Code section 65584(d), SCAG’s RHNA allocation methodology must further the following objectives:

(1) Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low- and very low income households.
(2) Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region’s greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.
(3) Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.
(4) Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent American Community Survey.

(5) Affirmatively furthering fair housing.

Pursuant to Gov. Code section 65584.04(e), to the extent data is available, SCAG shall include the factors listed in Gov. Code section 65584.04(e)(1-12) to develop its RHNA allocation methodology, and pursuant to Gov. Code section 65584.04(f), SCAG must explain in writing how each of these factors was incorporated into the RHNA allocation methodology and how the methodology furthers the statutory objectives described above. Pursuant to Government Code section 65584.04(h), SCAG must consult with HCD and submit its draft allocation methodology to HCD for review.

HCD appreciates the active role of SCAG staff in providing data and input throughout the consultation period. Pursuant to Government Code section 65584.01(c)(1), HCD may accept or reject the information provided by the council of governments or modify its own assumptions based on this information.

The Department especially thanks Ping Chang, Ma’Ayn Johnson, Kevin Kane, and Sarah Jepson. The Department looks forward to its continued partnership with SCAG and its member jurisdictions and assisting SCAG in its planning efforts to accommodate the region’s share of housing need.

If HCD can provide any additional assistance, or if you, or your staff, have any questions, please contact Megan Kirkeby, Assistant Deputy Director for Fair Housing, at megan.kirkeby@hcd.ca.gov.

Sincerely,

Megan Kirkeby
Assistant Deputy Director for Fair Housing
**ATTACHMENT 1**

**HCD REGIONAL HOUSING NEED DETERMINATION**

**SCAG: June 30, 2021 – October 15, 2029 (8.3 years)**

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Percent</th>
<th>Housing Unit Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very-Low*</td>
<td>26.1%</td>
<td>350,998</td>
</tr>
<tr>
<td>Low</td>
<td>15.3%</td>
<td>206,338</td>
</tr>
<tr>
<td>Moderate</td>
<td>16.7%</td>
<td>225,152</td>
</tr>
<tr>
<td>Above-Moderate</td>
<td>41.8%</td>
<td>562,252</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>1,344,740</strong></td>
</tr>
</tbody>
</table>

* Extremely-Low 14.5% Included in Very-Low Category

**Notes:**

*Income Distribution:* Income categories are prescribed by California Health and Safety Code (Section 50093, et.seq.). Percents are derived based on ACS reported household income brackets and regional median income, then adjusted based on the percent of cost-burdened households in the region compared with the percent of cost burdened households nationally.
ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION
SCAG: June 30, 2021 – October 15, 2029 (8.3 years)

Methodology

<table>
<thead>
<tr>
<th>Household Formation Groups</th>
<th>HCD Adjusted DOF Projected HH Population</th>
<th>DOF HH Formation Rates</th>
<th>HCD Adjusted DOF Projected Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 15 years</td>
<td>20,079,930</td>
<td>6,801,760</td>
<td></td>
</tr>
<tr>
<td>15 – 24 years</td>
<td>3,292,935</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>25 – 34 years</td>
<td>2,735,490</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>35 – 44 years</td>
<td>2,526,620</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>45 – 54 years</td>
<td>2,460,805</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>55 – 64 years</td>
<td>2,502,190</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>65 – 74 years</td>
<td>2,399,180</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>75 – 84 years</td>
<td>1,379,335</td>
<td>3,292,955</td>
<td></td>
</tr>
<tr>
<td>85+</td>
<td>544,750</td>
<td>62.43%</td>
<td></td>
</tr>
</tbody>
</table>

4. Projected Households (Occupied Unit Stock) 6,801,760
5. + Vacancy Adjustment (2.63%) 178,896
6. + Overcrowding Adjustment (6.76%) 459,917
7. + Replacement Adjustment (.50%) 34,010
8. - Occupied Units (HHs) estimated (June 30, 2021) -6,250,261
9. + Cost Burden Adjustment (Lower Income: 10.63%, Moderate and Above Moderate Income: 9.28%) 120,418
6th Cycle Regional Housing Need Assessment (RHNA) 1,344,740

Explanation and Data Sources

1-4. Population, Group Quarters, Household Population, & Projected Households: Pursuant to Government Code Section 65584.01, projections were extrapolated from Department of Finance (DOF) projections. Population reflects total persons. Group Quarters Population reflects persons in a dormitory, group home, institution, military, etc. that do not require residential housing. Household Population reflects persons requiring residential housing. Projected Households reflect the propensity of persons, by age-groups, to form households at different rates based on Census trends.

5. Vacancy Adjustment: HCD applies a vacancy adjustment based on the difference between a standard 5% vacancy rate and the region's current "for rent and sale" vacancy percentage to provide healthy market vacancies to facilitate housing availability and resident mobility. The adjustment is the difference between standard 5% and region's current vacancy rate (2.37%) based on the 2013-2017 5-year American Community Survey (ACS) data. For SCAG that difference is 2.63%.

6. Overcrowding Adjustment: In region’s where overcrowding is greater than the U.S. overcrowding rate of 3.35%, HCD applies an adjustment based on the amount the region's overcrowding rate (10.11%) exceeds the U.S. overcrowding rate (3.35%) based on the 2013-2017 5-year ACS data. For SCAG that difference is 6.76%.

Continued on next page
7. **Replacement Adjustment:** HCD applies a replacement adjustment between .5% & 5% to total housing stock based on the current 10-year average of demolitions in the region’s local government annual reports to Department of Finance (DOF). For SCAG, the 10-year average is .14%, and SCAG’s consultation package provided additional data on this input indicating it may be closer to .41%; in either data source the estimate is below the minimum replacement adjustment so the minimum adjustment factor of .5% is applied.

8. **Occupied Units:** Reflects DOF’s estimate of occupied units at the start of the projection period (June 30, 2021).

9. **Cost Burden Adjustment:** HCD applies an adjustment to the projected need by comparing the difference in cost-burden by income group for the region to the cost-burden by income group for the nation. The very-low and low income RHNA is increased by the percent difference (70.83%-60.20%=10.63%) between the region and the national average cost burden rate for households earning 80% of area median income and below, then this difference is applied to very low- and low-income RHNA proportionate to the share of the population these groups currently represent. The moderate and above-moderate income RHNA is increased by the percent difference (20.48%-11.20%=9.28%) between the region and the national average cost burden rate for households earning above 80% Area Median Income, then this difference is applied to moderate and above moderate income RHNA proportionate to the share of the population these groups currently represent. Data is from 2011-2015 Comprehensive Housing Affordability Strategy (CHAS).