

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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November 23, 2010

Mr. Gary L. Gallegos
Executive Director
San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 95101-4231

Dear Mr. Gallegos:

RE: Regional Housing Need Determination

This letter provides the San Diego Association of Governments (SANDAG) its Regional Housing Need Determination. Pursuant to State housing element law (Government Code Section 65584, et seq.), the Department of Housing and Community Development (Department) is required to provide the determination of SANDAG's existing and projected housing need.

As you know, recent legislation amended State laws impacting regional housing and transportation planning. SB 375 (Chapter 728, Statutes of 2008) strengthened coordination of housing and transportation planning and requires Metropolitan Planning Organizations (MPOs) to prepare a sustainable communities strategy to achieve greenhouse gas emission reductions. Among other things, SB 575 (Chapter 354, Statutes of 2009) included amendments establishing the due date for San Diego local governments to update the fifth revision of their housing elements. In assessing SANDAG's regional housing need, the Department considered the importance of these legislative amendments in connection with the critical role housing plays in creating sustainable communities and providing jobs.

In determining SANDAG's regional housing need, the Department and SANDAG staff completed an extensive consultation process. On June 21, 2010, the Department met with the following SANDAG staff: Mr. Muggs Stoll, Ms. Coleen Clementson, Ms. Susan Baldwin, and Ms. Beth Jarosz. The Department, along with Ms. Baldwin and Ms. Jarosz, also consulted with Ms. Mary Heim, State Department of Finance (DOF) Deputy Director of the Demographic Research Unit. Consultations between June and November included data generation and review by SANDAG, DOF, and the Department.

Attachment 1 displays the minimum regional housing need allocation (RHNA) of 161,980 total units among four income categories for SANDAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Government Code Section 65584.01. As you know, SANDAG is responsible for adopting a methodology and RHNA Plan for the *projection* period beginning January 2010 and

ending December 2020. Within 30 days from adopting the Plan, SANDAG must submit the Plan to the Department for approval. Local governments are required to update their Housing Element for the *planning* period beginning January 2013 and ending December 2020 to accommodate the share of RHNA for each income category.

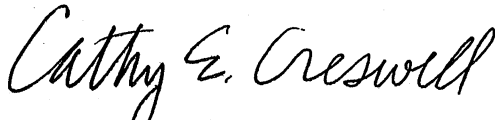
Pursuant to Government Code Section 65584, the methodology to prepare SANDAG's RHNA plan must be consistent with the following objectives:

- (1) increasing the housing supply and mix of housing types, tenure, and affordability;
- (2) promoting infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns;
- (3) promoting an improved intraregional relationship between jobs and housing;
- (4) balancing the distribution of households by income category.

The Department commends SANDAG for its leadership and efforts in fulfilling its important role in advancing the State's housing, transportation, and environmental goals. SANDAG is also recognized for successfully undertaking the challenging task of being the first MPO in the State to begin implementing SB 375 including efforts to develop its RHNA and sustainable communities strategy. The Department especially thanks Ms. Baldwin and Ms. Jarosz for their significant efforts and assistance. The Department looks forward to its continued partnership with SANDAG and its member jurisdictions and assisting SANDAG in its planning efforts to accommodate the region's share of housing need.

If the Department can provide any additional assistance, or if you, or your staff, have any questions, please contact Glen Campora, Assistant Deputy Director, at (916) 445-4728.

Sincerely,



Cathy E. Creswell
Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION

SANDAG GOVERNMENTS: JANUARY 2010 through DECEMBER 2020

| <u>Income Category</u> | <u>Percent</u> | <u>Housing Unit Need</u> |
|------------------------|----------------|--------------------------|
| Very-Low | 22.5% | 36,450 |
| Low | 17.1% | 27,700 |
| Moderate | 18.9% | 30,610 |
| Above-Moderate | 41.5% | 67,220 |
| Total | 100.0% | 161,980 |

Notes:

Housing Need Determination:

Refer to Attachment 2 for a description and explanation of methodology.

The Department and SANDAG staff acknowledge important differences between the "projection" methodology specified in statute to determine housing need versus the "forecasting" methodology SANDAG used for its 2050 Growth Forecast. The planning objective of the RHNA is to accommodate housing "capacity" for projected household growth. However, among the objectives of SANDAG's Growth Forecast is to estimate housing "production" based on policy considerations (including potential constraints) and assumptions regarding variables such as housing prices, resource limitations and market trends, etc. Differences in estimates of the number of housing units can occur from applying different methodologies.

Income Categories:

Each category is defined by California Health and Safety Code (Section 50093, et seq.). Percent is derived based on Census reported household income brackets and county median income. Housing unit need is derived from multiplying income category percent against total.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION: SANDAG January 2010-December 2020

Methodology

| Projected Population, Households, and New Housing Unit Need: December 31, 2020 | | | | | |
|---|--|----------------------|--|-------------------|------------------|
| 1. | Population: December 31, 2020 (SANDAG's Estimate): | | | | 3,568,556 |
| 2. | <i>less: Group Quarter Population (SANDAG's Estimate)</i> | | | | -130,973 |
| 3. | Household (HH) Population: | | | | 3,437,583 |
| 4. | Projected Households (HHs): | HH Population | HH Formation or Headship Rate (DOF) | Households | |
| | Age Groups (DOF): | 3,437,583 | | 1,258,980 | |
| | Under 15 years | 710,371 | 0.00% | | |
| | 15 - 24 years | 427,306 | 14.5589% | 62,211 | |
| | 25 - 34 years | 495,193 | 41.9984% | 207,973 | |
| | 35 - 44 years | 422,529 | 50.1651% | 211,962 | |
| | 45 - 54 years | 425,138 | 53.5210% | 227,538 | |
| | 55 - 64 years | 433,523 | 54.8790% | 237,913 | |
| | 65 plus years | 523,523 | 59.4782% | 311,383 | |
| Projected Households (HHs): | | | | 1,258,980 | |
| 5. | <i>less: Existing Households at Beginning of Projection Period (January 1, 2010)</i> | | | | -1,103,320 |
| 6. | Household (HH) Growth: 11-Year Projection Period (New Housing Unit Need): | | | | 155,660 |
| 7. | Vacancy Allowance: | Owners | Renters | Total | |
| | Tenure Percentage | 55.4% | 44.6% | | |
| | New Unit Need | 86,304 | 69,356 | 155,660 | |
| | Vacancy Rate | 2.0% | 5.0% | | |
| | Vacancy Allowance | 1,726 | 3,468 | 5,194 | |
| 8. | Replacement Allowance: | 0.70% | | 160,853 | 1,126 |
| REGIONAL HOUSING NEED DETERMINATION (New Housing Unit Need): | | | | | 161,980 |

Explanation and Data Sources

1. Population: Population reflects SANDAG's January 1, 2021 projection from its 2050 Growth Forecast. Per Government Code 65584.01(b), HCD accepted SANDAG's projection upon determining it was within 3 percent of the population projected by State Department of Finance (DOF) for the same period.
2. Group Quarter Population: Figure is SANDAG's estimate of persons residing in group home/institution/military/dormitory quarters. As this population doesn't constitute a "household" population generating demand for a housing unit, the group quarter population is subtracted from total population to derive household population or the number of persons generating a housing need for a owner or renter unit.
3. Household (HH) Population: The population projected to reside in housing units after subtracting the group quarter population from total projected population.
4. Projected Households (HHs): Projected HHs are derived by applying (to HH population) estimated HH formation rates determined by DOF among displayed age groups. *HH formation or headship rates reflect the propensity of different population groups (by age, ethnicity, etc.) to form new households.*
5. Existing Households: This figure reflects DOF's estimate of "occupied" units at start of period of January 2010 (per DOF E-5 report released May 2010 by the Demographic Research Unit). Existing HHs (units) are subtracted from projected HHs at end of period (December 31, 2020) to derive household growth.
6. Household (HH) Growth: This figure reflects projected HH growth and need for new units.
7. Vacancy Allowance: An adjustment (unit increase) is made to facilitate availability among owner and renter units. Owner/Renter % is based on Census data. A smaller rate is applied to owner units due to less frequent movement. Information from different authoritative sources support an acceptable range of 1-4% for owner units and 4-8% for renter units depending on market conditions. The 2% owner rate was reduced from the 3% rate used in 2005. No change was made to the 5% renter rate.
8. Replacement Allowance: Rate (.7%) reflects housing losses localities annually reported to DOF each January for years 2000-2010.