

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

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June 14, 2012

Mr. Jon Clark, Executive Director
Butte County Association of Governments
2580 Sierra Sunrise Terrace, Suite 100
Chico, CA 95928-8441

Dear Mr. Clark:

RE: Regional Housing Need Determination for the Fifth Housing Element Update

This letter provides the Butte County Association of Governments (BCAG) its fifth cycle regional housing need assessment (RHNA) determination for the projection period January 1, 2014 through June 15, 2022. The Department of Housing and Community Development (Department) is required to determine BCAG's existing and projected housing need pursuant to State housing law (Government Code Section 65584, et. seq.).

As you know, Senate Bill 375 (Chapter 728, Statutes of 2008) further strengthened the existing coordination of housing and transportation planning by requiring Metropolitan Planning Organizations (MPO) to develop and incorporate a new sustainable community strategy (SCS) in the Regional Transportation Plan (RTP) to achieve greenhouse gas emission reductions and ensure the SCS accommodates the RHNA. SB 375 also amended the RHNA schedule and methodology and, among other things, strengthened rezoning requirements.

Since only partial demographic data was available from Census 2010 and the Department of Finance (DOF), the Department's RHNA determination also utilized American Community Survey (ACS) data. In assessing BCAG's regional housing need, the Department considered the critical role housing plays in developing sustainable communities and supporting employment growth. The Department determined BCAG's regional housing need to be 10,320 units for the 8.45-year projection period from January 1, 2014 through June 15, 2022. This RHNA reflects the Department's consideration of BCAG's changing socio-economic base and potential for recent household formation trends to generate housing demand at a changing and more diverse pace.

In determining the regional housing need, consideration was also given to the extraordinary uncertainty regarding national, State, local economies and housing markets. As a result, for this RHNA cycle only, the Department made an adjustment to account for abnormal vacancies and unique market conditions due to prolonged recessionary conditions, high unemployment, and unprecedented foreclosures.

In assessing BCAG's regional housing needs, the Department and BCAG's representative completed the consultation process specified in statute through correspondence, meetings and conference calls conducted between April and June 2012. Consultation with BCAG's representative involved Mr. Brian Lasagna, Senior Planner. The Department also consulted with Ms. Mary Heim, demographic expert, and retired Chief of DOF's Demographic Research Unit.

In finalizing BCAG's RHNA, the Department applied methodology and assumptions regarding the following factors (Government Code Section 65584.01(c)(1)):

- anticipated household growth associated with projected population increases;
- household size data and trends in household size;
- rate of household formation, or headship rates, based on age, gender, ethnicity, or other established demographic measures;
- vacancy rates in existing housing stock, and for healthy housing market functioning and regional mobility, as well as housing replacement needs;
- other characteristics of the composition of the projected population; and
- the relationship between jobs and housing, including any imbalance between jobs and housing.

Data, assumptions, and draft forecasts of population, employment and housing, as well as information about the relationship between jobs and housing provided by BCAG in regards to the above factors were considered. Assumptions made about the rate with which existing vacant "for sale" and "for rent" housing units may be absorbed for occupancy by the beginning of the projection period in 2014 were also considered.

The Attachments to this letter describe details of the Department's methodology and RHNA income category distribution for BCAG to allocate 10,320 housing units among all its local governments. As you know, BCAG must provide each locality a RHNA share of very-low, low-, and moderate-income units that at least equals the total for each of these income categories shown in Attachment 1 and also distribute housing need for above-moderate income households. The RHNA represents the *minimum* amount of residential development capacity a jurisdiction must plan to accommodate through zoning and appropriate development strategies. RHNA is not to be used within local general plans as a maximum amount or cap of residential development to plan for or approve.

BCAG's RHNA projection period (also described in the attachments) was determined pursuant to Government Code Section 65588(e)(6) based on BCAG's *estimated* RTP adoption date of December 13, 2012. Please note that if the actual RTP adoption date differs from the estimated date, it could change the housing element due date, and implicitly the housing element planning period. However, such changes would not impact RHNA as there is no statutory provision to amend the housing need projection period and the Department's final RHNA Determination.

The housing element due date schedule is updated periodically on the Department's website at: http://www.hcd.ca.gov/hpd/hrc/plan/he/he_due_dates_updated042412.pdf.

BCAG is responsible for developing a RHNA distribution methodology and adopting a RHNA Plan for the period of January 1, 2014 through June 15, 2022. Housing element law (Government Code Section 65584, et. seq.) requires BCAG's methodology and RHNA Plan to be consistent with the following objectives:

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

Pursuant to Government Code Section 65584.05(h), BCAG is required to submit its RHNA Plan to the Department for approval within three days of adopting the RHNA Plan. Once the Department has approved the RHNA Plan, BCAG is to distribute to all its local government members their income category shares of new housing need to be addressed in their updated housing elements covering 2014 - 2022.

In updating their housing elements, local governments may only take RHNA credit for units permitted since the January 1, 2014 start date of the RHNA projection period. Localities are also required to describe how units were credited to different income categories based on actual or projected sale price or rent level data.

Any city planning to accommodate a portion of RHNA on sites within a city's Sphere of Influence (SOI) needs to include an annexation program in the housing element. The annexation program needs to demonstrate SOI sites can be annexed early enough in the planning period to make adequate sites available before triggering penalties pursuant to Government Code sections 65583(c)(1)(A), and 65583(f).

Regarding transfers of housing need among local governments, AB 242 (Chapter 11, Statutes of 2008) amended certain provisions of Government Code Section 65584.07. RHNA transfers agreed between local governments may occur until adoption of the RHNA Plan. After BCAG has adopted its RHNA Plan and before the housing element due date, transfers meeting specified conditions may only occur from a county to cities within the county. Transfers after the due date of the housing element are restricted to annexations and incorporations and must be completed within specified timeframes. The numbers of units by income to be transferred are determined either based on mutual agreement between affected local governments, or, when no agreement is reached, by the entity responsible for allocating housing need (BCAG). The Department must be notified of all transfers; jurisdictions affected by RHNA transfers must amend their housing element within a specified timeframe.

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The Department commends BCAG's efforts to meet the objectives of SB 375 and appreciates the assistance provided by Mr. Brian Lasagna during the RHNA consultation process.

We look forward to a continued partnership with BCAG and its member jurisdictions in planning efforts to accommodate the region's housing need. If you have any questions or need additional assistance, please contact me or Anda Draghici, Senior Housing Policy Specialist, at (916) 445-4728.

Sincerely,

A handwritten signature in black ink, appearing to read "Glen A. Campora". The signature is written in a cursive style with a large initial "G".

Glen A. Campora
Assistant Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION: BCAG Projection Period: January 1, 2014 through June 15, 2022

Income Category	Percent	Regional Housing Need (rounded) ⁽¹⁾
Very-Low	24.2%	2,495
Low	16.7%	1,720
Moderate	16.6%	1,710
Above-Moderate	42.5%	4,395
Total	100.0% ⁽²⁾	10,320 ⁽³⁾

(1) The statutory objective regarding RHNA requires HCD, in consultation with Department of Finance (DOF) and councils of governments (COGs), to determine projected household growth and housing need based on DOF population projections and COG regional population forecasts and requires regional and local jurisdictions to plan to accommodate capacity for all of the projected RHNA. The Legislature recognizes that different assumptions and variances in methodologies can be used that can result in different population projections. Projection of housing need developed by DOF and HCD for RHNA purposes does not consider local government constraints.

For this RHNA cycle only (due to unique conditions not expected to recur to impact future RHNA cycles), the housing need was adjusted downward to account for an estimated 80 percent absorption level of unprecedented high vacancies in existing stock due to extraordinary conditions including high foreclosures and economic uncertainties.

(2) The income category percentages reflect the minimum percentage to apply against the total RHNA by BCAG in determining housing need for very-low, low, and moderate income households. Each category is defined by Health and Safety Code (Section 50093, et seq.). Percentages are derived from the 2006-2010 American Community Survey's number of households by income, over 12 month periods. Housing unit need under each income category is derived from multiplying the portion of households per income category against the total RHNA determination.

(3) The 10,320 allocation (see Attachment 2) reflects BCAG's projected minimum housing need (rounded), using household formation rates from 2010 Census and an adjustment (-230) for existing excess vacant units in estimating 20% of vacant units will not be absorbed before 2014. This column represents the minimum housing need that BCAG's RHNA Plan must address in total and also for very-low, low, and moderate income categories.

ATTACHMENT 2
HCD REGIONAL HOUSING NEED DETERMINATION: BCAG

Draft HCD Determined Population, Households, & New Housing Need: January 1, 2014-June 15, 2022 (8.45 years)				
1	Population: June 15, 2022 (DOF Interim)			250,947
2	<i>less: Group Quarters Population DOF E5 2012 estimate</i>			4,942
3	Household (HH) Population June 15, 2022			246,005
	Household Formation Groups	2022 HH Population	HH Formation or Headship Rate (2010 Census)	2022 Households
	All Age Groups (DOF)	246,005		100,931
	Under 15	44781		0
	15 - 24 years	36888	22.26%	8,213
	25 - 34 years	32488	45.21%	14,689
	35 - 44 years	31934	52.59%	16,793
	45 - 54 years	28113	55.00%	15,463
	55 - 64 years	27840	59.10%	16,452
	65 -74 years	26304	63.59%	16,728
	75 - 84 years	13528	70.61%	9,552
	84+	4130	73.63%	3,041
4	Projected Households-June 15, 2022			100,931
5	<i>less: Households at Beginning of Projection Period (January, 2014)</i>			90,809
6	Household Growth: 8.45 Year Projection Period			10,122
7	Vacancy Allowance	Owner	Renter	Total
	Tenure Percentage per 2010 Census	58.20%	41.80%	
	HH Growth by Tenure	5,891	4,231	10,122
	Healthy Vacancy Rate	2.00%	5.00%	
	Vacancy Allowance	118	212	329
8	Replacement Allowance (minimum)	0.96%		10,451
				10,550
9	<i>less: Adjustment for Absorption of Existing Excess Vacant Units</i>			
	Estimate 80% Absorbed, 20% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(3,781)	3,004	-778
	Total 2012 Housing Stock	96,527		
	Existing Vacant Unit (Others) Adjustment	2.30%	1.93%	
	Total Adjusted Existing Vacant Units (Others)	(2,220)	1,863	-357
	Estimated Units Not Absorbed by 2014	20%		-1,135
				-230
DRAFT Calculation of REGIONAL HOUSING NEED DETERMINATION				10,320

- Population:** Pursuant to Government Code Section 65584.01(b), and in consultation with BCAG, the June 15, 2022 population projection was extrapolated based on Department of Finance (DOF) Interim Projections published in May 2012 for July 2020 and July 2015, and DOF's E5 estimate for January 2012.
- Group Quarter Population:** Figure is an estimate of persons residing either in a group home, institution, military, or dormitory using 2010 Census data for group quarters. As this population doesn't constitute a "household" population generating demand for a housing unit, the group quarter population is excluded from the calculation of the household population, and is not included in the housing need.
- Household (HH) Population:** The portion of population projected to reside in housing units after subtracting the group quarter population from total projected population.
- Projected 2022 Households (HHs):** The June 2022 number of households is derived by applying (to 2022 HH population) household formation rates calculated based on 2010 Census, as provided by DOF. HH formation or headship rates reflect the propensity of different population groups (age, racial and ethnic) to form households.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION: BCAG

- 5 **Households at Beginning of Projection Period:** The baseline number of households at the beginning of the projection period (January 2014) must be projected, as a direct effect of amendment to Section 65588(e)(6) specifying the new projection period to start on either June 30 or December 31 whichever date most closely precedes the end of the current housing element period (June 30, 2014 for BCAG). As such, the 2014 household number was calculated based on 2014 population as an interpolation between DOF's E5 2012 estimate of households and the DOF's 2015 projected population.
- 6 **Household (HH) Growth:** This figure reflects projected HH growth and need for new units.
- 7 **Vacancy Allowance:** An allowance (unit increase) is made to facilitate availability and mobility among owner and renter units. Owner/Renter % is based on Census 2010 data. A smaller rate is applied to owner units due to less frequent mobility than for renter households. Information from a variety of authoritative sources supports an acceptable range of 1 to 4% for owner units and 4 to 8% for renter units depending on market conditions.
- 8 **Replacement Allowance:** Rate (0.96%) reflects the average housing losses that localities annually reported to DOF each January for years 2002-2011 multiplied by the number of years in the projection period (8.45), or 0.5%, whichever is higher.
- 9 **Adjustment for Absorption of Existing Excess Vacant Units:** For this RHNA cycle only (due to extraordinary uncertainty regarding conditions impacting the economy and housing market not expected to similarly impact future RHNA cycles), a new one-time adjustment was made to account for unprecedented high vacancies in existing stock due to unusual conditions including high foreclosures and economic uncertainties. An absorption rate of 80% of existing excess vacant units is assumed to occur in shrinking current excess vacant units before the start of the 2014 RHNA projection period. This results in applying a 20% adjustment to account for units not absorbed, reflected in a downward adjustment of (- 230). Existing vacant units in housing stock consists of two components: (1) housing units for sale and rent in existing housing stock that are above the housing units required to maintain the healthy market condition, calculated as the number of units in housing stock (for sale + for rent + sold, not occupied+rented, not occupied + occupied units), (2) housing units in the "vacant units others" category of existing housing stock above the simple average of 1.93% calculated based on Census data from 2000 and 2010. The Department used 2010 Census Demographic profile data (DP-1) and desirable "normal" vacancy rates by tenure, in conjunction with the region's household growth and proposed household formation rates. The vacancy adjustment is limited to not exceed the differential between the 2010 Census vacant units and the healthy market vacant units rate associated with the region's annual household growth. As the adjustment was below the differential, the adjustment was applied in calculating the RHNA determination.

RHNA Projection Period January 1, 2014 to June 15, 2022: Pursuant to SB 375, the start of the *projection* period (in effect January 1, 2014) was determined pursuant to GC 65588(e)(6), which requires the new projection period to start on June 30 or December 31 that most closely precedes the end of the current housing element period, which for BCAG region is June 30, 2014. The end of the projection period was determined pursuant to GC 65588(e)(5) to be the end of the housing element planning period. *Note: For projection purposes the end of the projection period is rounded to the middle of the month.*

Housing Element Planning Period June 15, 2014 to June 15, 2022: Pursuant to SB 375, the start of the *planning* period was determined pursuant to GC 65588(e)(5), 18 months from the estimated adoption date of BCAG's Regional Transportation Plan of December 13, 2012, as notified by BCAG to HCD, with the date rounded to the end of month for projection purposes. The end of the planning period was calculated pursuant to GC 65588(e)(3)(A), 18 months after the adoption of the second RTP, provided that it is not later than eight years from the adoption of the previous housing element. If the actual RTP adoption date differs from the estimated date of December 13, 2012, the RHNA determination and the projection period will not change, however the housing element due date, and implicitly, the housing element planning period would change accordingly.