DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT
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January 22, 2014

Ms. Terri King
Executive Director
Kings County Association of Governments
339 West D Street, Suite B
Leemore, CA 93245

Dear Ms. King,

RE: Kings County 5th Cycle Regional Housing Need Determination

This letter provides Kings County Association of Governments (Kings CAG) its 5th cycle regional housing need assessment (RHNA) determination for the approximate10-year projection period between January 1, 2014 and January 31, 2024. The Department of Housing and Community Development (Department) is required to determine Kings CAG's existing and projected housing need pursuant to State housing law, Government Code (GC) Section 65584, et. seq..

As you know, Senate Bill 375 (SB 375, Chapter 728, Statutes of 2008) further strengthened the coordination of regional housing and transportation planning. Metropolitan Planning Organizations (MPOs) are now required to develop and incorporate a new sustainable community strategy (SCS) in their Regional Transportation Plans (RTP) to achieve greenhouse gas emission reductions and accommodate the region's housing need. SB 375 amended the RHNA schedule and methodology requiring local governments to update their housing elements no later than 18 months from the date Kings CAG adopts the RTP.

The Department has prepared Kings CAG's RHNA determination based on Kings CAG's estimated RTP adoption date of July 23, 2014. Please note that in the event the RTP is adopted on a different date, the RHNA and projection period will not change, but the housing element planning period and element due date will change accordingly. The Department must be notified of any change to the RTP adoption date and will reflect RTP adoption date changes on its website at: http://www.hcd.ca.gov/hpd/hrc/plan/he/web_he_duedate.pdf.

For your information, GC Section 65584.01(d)(1) allows 30 days from the date of this letter to file an objection and proposed alternative to the Department's determination (Attachment 1). An objection and proposed alternative must be based on demographic and methodology factors set forth in the statute.

The Department determined Kings CAG's regional housing need to be 10,220 for the projection period, from January 1, 2014 to January 31, 2024. In assessing Kings CAG's regional housing need, the Department considered the critical role housing plays in developing sustainable communities and supporting employment growth.

The Department further considered Kings CAG's growth forecast, socio-economic base and potential for household formation trends to generate housing demand at a changing pace. 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.

The Department and representatives of Kings CAG completed the consultation process specified in statute through correspondence and conference calls conducted between May 2013 and January 2014. The Department appreciates the assistance provided throughout the consultation process by you and Ms. Chris Lehn, Regional Planner. The Department also received assistance from Mr. Walter Schwarm, demographics expert with the Department of Finance's Demographic Research Unit.

In completing Kings CAG's RHNA, the Department applied methodology and assumptions regarding the following factors (GC 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
- relationship and any imbalance between jobs and housing.

Data, assumptions, and draft forecasts of population, employment and housing provided by Kings CAG in regards to the above factors were considered. Assumptions regarding the rate with which existing vacant housing units may be absorbed by the start of the projection period in 2014 was determined based on consultation with Kings CAG.

Attachments 1 and 2 to this letter describe details of the Department's methodology and RHNA income category for Kings CAG to distribute the 10,220 regional housing unit need among all its local governments. Each locality must receive a RHNA share of very-low and low-income units. The distribution of RHNA for lower income, moderate-income, and above-moderate income categories in the aggregate cannot be less than the total for each of these income categories shown in Attachment 1.

Upon receipt of the Department's final RHNA determination, Kings CAG is responsible for developing a RHNA distribution methodology and adopting a RHNA Plan for the projection period of January 1, 2014 through January 31, 2024. The RHNA represents the *minimum* amount of residential development capacity all jurisdictions must plan to accommodate through zoning and appropriate planning 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.

Housing element law (GC Section 65584, et. seq.) requires Kings CAG'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 GC Section 65584.05(h), Kings CAG is required to submit its RHNA Plan to the Department for approval within three days of adopting the RHNA Plan. Upon approval by the Department of the RHNA Plan, Kings CAG must distribute to all its local government members their income category shares of new housing needs to be addressed in their housing element updates covering the 2016 - 2024 planning period.

When updating their housing elements, local governments may take RHNA credit for units approved (entitled or 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 its 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 to avoid other rezoning pursuant to GC sections 65583(c)(1)(A), and 65583(f).

Regarding transfers of housing need among local governments, Assembly Bill 242 (Chapter 11, Statutes of 2008) amended provisions of GC Section 65584.07. Once Kings CAG has adopted its RHNA Plan, transfers meeting specified conditions may only occur from the county to cities within the county. Transfers after the due date of the housing element are restricted to city 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 (Kings CAG). The Department must be notified of all transfers; jurisdictions affected by RHNA transfers must amend their housing element within the timeframe specified in the statute.

The Department commends Kings CAG's commitment and efforts to meet the objectives of SB 375 and especially appreciates the assistance provided by Ms. Chris Lehn. We look forward to a continued partnership with Kings CAG and its member jurisdictions in planning to accommodate the region's housing need. If you need assistance or have any question, please contact me or Anda Draghici, HPD Senior Specialist, at (916) 263-2911.

Sincerely,

Glen A. Campora

Glen A. Campora
Assistant Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION: Kings CAG
Projection Period: January 1, 2014 through January 31, 2024

Income Category	Percent	Regional Housing Need (rounded) [1]
Very-Low	22.7%	2,320
Low	17.0%	1,735
Moderate	17.9%	1,830
Above-Moderate	42.4%	4,335
Total	**100.0%** [2]	**10,220** [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 20 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 decided by Kings CAG 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 2007-2011 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) The10,220 allocation (see Attachment 2) reflects Kings CAG's projected minimum housing need (rounded) and an adjustment (-66) for existing excess vacant units in estimating 80% of vacant units will not be absorbed before 2014. This column represents the minimum housing need that Kings CAG's RHNA Plan must address in total and also for very-low, low, and moderate income categories.

Based on the region's estimated RTP adoption date of July 23, 2014 (subject to change):

5th Update of the Housing Element Due Date: January 31, 2016

ATTACHMENT 2
HCD REGIONAL HOUSING NEED DETERMINATION: Kings CAG

1	**2024 Population: January 31, 2024** (DOF Projections)				**188,396**
2	*less: 2024 Group Quarters Population (Average of DOF Projections and Kings CAG Forecast)*				**-26,789**
3	**2024 Household (HH) Population**				**161,607**
	Household Formation Groups	**HH Population**		**2024 HH**	
	All Age Groups (DOF)	**161,607**	***HH Formation or Headship Rate***	**52,421**	
	Under 15	**42,597**			
	15 - 24 years	**23,632**	**10.32%**	**2,438**	
	25 - 34 years	**22,365**	**39.82%**	**8,902**	
	35 - 44 years	**20,185**	**50.46%**	**10,181**	
	45 - 54 years	**14,205**	**52.45%**	**7,447**	
	55 - 64 years	**16,883**	**58.36%**	**9,849**	
	65 -74 years	**13,920**	**60.49%**	**8,418**	
	75 - 84 years	**5,836**	**65.73%**	**3,835**	
	84+	**1,985**	**68.15%**	**1,352**	
4	**2024 Projected Households-January 31, 2024**				**52,421**
5	*less: 2014 Households at Beginning of Projection Period (January, 2014, DOF Projection)*				-42,378
6	**Household Growth: 10.08 Year Projection Period**				**10,043**
7	*less: Projected Household Growth on Tribal Land: 10.08 Year Projection Period*				-103
					9,940
8	**Vacancy Allowance**	Owner	Renter	Total	
	Tenure Percentage per 2010 Census	**54.15%**	**45.85%**		
	HH Growth by Tenure	5,383	4,557	9,940	
	Healthy Vacancy Rate	1.50%	4.00%		
	Vacancy Allowance	81	182	263	263
9	**Replacement Allowance (minimum)**	0.80%		10,203	81
					10,284
10	***less: Adjustment for Absorption of Existing Excess Vacant Units (specific to this RHNA cycle only)***				
	Estimate 20% Absorbed, 80% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential	
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(1,535)	3,003	~~1468~~	
	Total 2012 Housing Stock	44,181			
	Existing Vacant Unit (Others) Adjustment	1.8%	1.6%		
	Total Adjusted Existing Vacant Units (Others)	(795)	713	-82	
	Estimated Vacant Units Not Absorbed by 2014	80%		-82	-66
KINGS CAG FINAL REGIONAL HOUSING NEED DETERMINATION					**10,220**

1 **2024 Population**: Pursuant to Government Code Section 65584.01(b), and in consultation with Kings CAG, the 2024 population projections used by the Department were provided by the Department of Finance.

2 **Group Quarter Population**: Figure is an estimate of persons residing either in a group home, institution, military, or dormitory calculated as a simple average between DOF's propjected group quarters and Kings CAG's forecast. 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.

3 **2024 Household (HH) Population**: The portion of population projected to reside in housing units after subtracting the group quarter population from total projected population.

4 **Projected 2024 Households (HHs)**: The January 31, 2024 number of households is derived by applying (to 2024 HH population by age and race/ethnicity) 2010 Census-based household headship rates, 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: Kings CAG

5 **Households at Beginning of Projection Period:** The baseline number of households at the beginning of the projection period (January 2014) was 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. As such, the 2014 household number reflects the January 1, 2014 DOF-projected number of households.

6 **Household (HH) Growth:** This figure reflects projected HH growth and need for new units within boundaries of the county.

7 **Adjustment for Projected Household (HH) Growth on Tribal Land:** In consultation with Kings CAG, an adjustment (decrease) accounts for Tribal responsibility to meet HH growth generated within Tribal boundaries, based on 2000 and 2010 Census data for Santa Rosa Rancheria.

8 **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.

9 **Replacement Allowance:** Rate (0.8%) reflects the housing losses that localities annually reported to DOF each January for years 2002-2011.

10 **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 20% 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 80% adjustment to account for units not absorbed, reflected in a downward adjustment of (- 66). Existing housing stock consists of two components: (1) housing units for sale and rent 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 "normal" rate considered to be at the level of 2000, at 1.6% of total housing units, as provided by the 2000 Census. For Kings County, the number of vacant units associated with the "healthy vacancy" rates was higher than the effective vacant units as provided by the 2010 Census, indicating no "excess" of for sale and for rent vacant units. As a result this portion of the vacancy adjustment applied was zero. For the "other" vacancy adjustment, the resulting adjustment was (-66). 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 total adjustment was below the differential, the adjustment was applied in calculating the RHNA determination.

RHNA Projection Period January 1, 2014 to January 31, 2024: 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 Kings County 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 end of the month.*

Housing Element Planning Period January 31, 2016 to January 31, 2024: 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 Kings CAG's Regional Transportation Plan, based on notice provided to HCD, with the date rounded to the end of month for projection purposes. The end of the planning period was calculated in accordance with GC 65588(e)(3)(A), 18 months after the estimated 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 July 23, 2014 , 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.