STATE OF CALIFORNIA -BUSINESS, TRANSPORTATION AND HOUSING AGENCY EDMUND G. BROWN JR., *Governor*

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June 30, 2012

Ms. Kim Hunter, Director
203 W. 4th Street
Alturas, CA 96101

Dear Ms. Hunter:

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

This letter transmits the Department's countywide Final Determination of Regional Housing Need for Modoc County. Also, transmitted is the Regional Housing Need Plan that the Department is required to provide, pursuant to Government Code Section 65584.06, to counties not represented by councils of governments (COGs).

As you may know, Senate Bill 375 (Chapter 728, Statutes of 2008) further strengthened the existing coordination of housing and transportation planning, and amended the RHNA schedule and methodology. In finalizing and distributing the regional housing need allocation (RHNA), by income category, to every local government in the county, the Department shared its proposed methodology, assumptions and draft figures for local government representatives to review and comment. While the Department did not receive comments requiring a change in finalizing the RHNA distribution, it received correspondence from local government representatives indicating acceptance of the proposed distribution shown in the attached Regional Housing Need Plan (refer to Attachment 3).

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 the County's regional housing need, the Department considered the critical role housing plays in developing sustainable communities and supporting employment growth. The Department determined the County's regional housing need to be 15 units for the 5.5-year projection period from January 1, 2014 through June 30, 2019. This RHNA reflects the Department's consideration of potential for recent household formation trends to generate housing demand at a changing 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 the county's regional housing needs, the Department and local governments' representatives completed the consultation process specified in statute through a meeting in Redding on June 6, 2012, telephone conferences and correspondence conducted between May and June 2012 with you representing both local governments, the County of Modoc and the City of Alturas. The Department also consulted with Ms. Mary Heim, demographic expert, and retired Chief of DOF's Demographic Research Unit.

In finalizing the 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.

Assumptions also included 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.

The Attachments to this letter describe details of the Department's methodology and the RHNA income category distribution in allocating 15 housing units among all the county's local governments. HCD must provide each locality a RHNA share of very-low and low-income units that at least equals the total for each of these income categories shown in Attachment 1 and also distribute all of the housing need for moderate and 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. The RHNA is not to be used within local general plans as a maximum amount or cap of residential development to plan for or approve.

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. 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 .

Any city planning to accommodate a portion of the 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).

As specified in Section 65584.06(c), a city or county may, within 90 days from the date of this letter, request to revise the distribution of its share of regional housing need. Such a request must comply with criteria set forth in the draft distribution and be based on comparable data available for all affected jurisdictions, accepted planning methodology, and adequate documentation. Subsequent to the Department's decision regarding the request to revise the distribution, a city or county is allowed 30 days to request HCD to conduct a public hearing to review the Department's distribution.

We look forward to a continued partnership with local governments in Modoc County 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,

Glen A. Campora

Glen A. Campora
Acting Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION: Modoc County
Projection Period: January 1, 2014 through June 30, 2019

Income Category	Percent	Regional Housing Need (rounded) [1]
Very-Low	21.5%	3
Low	19.1%	3
Moderate	16.1%	2
Above-Moderate	43.3%	7
Total	**100.0%** [2]	**15** [3]

(1) Per Government Code (GC) 65584.06 (a), for cities and counties without a COG, HCD shall determine and distribute the existing and projected housing need, in consultation with Department of Finance (DOF) and local governments in accordance with GC 65584. 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 applied against the total RHNA by HCD 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 15 allocation (see Attachment 2) reflects the county's projected minimum housing need (rounded), using household formation rates from 2010 Census and an adjustment (-14) 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 the county's RHNA Plan must address in total and also for very-low, low, and moderate income categories.

ATTACHMENT 2
HCD REGIONAL HOUSING NEED DETERMINATION: Modoc County

	HCD Determined Population, Households, & New Housing Need: January 1, 2014-June 30, 2019 (5.5 years)				
1	**Population: June 30, 2019** (DOF Interim)				**9,926**
2	*less: Group Quarters Population Census 2010 estimate*				**324**
3	**Household (HH) Population June 30, 2019**				**9,602**
	Household Formation Groups	**2019 HH Population**	***HH Formation or Headship Rate (2010 Census)***	**2019 Households**	
	All Age Groups (DOF)	**9,602**		**4,096**	
	Under 15	**1,760**			
	15 - 24 years	**1,138**	**14.31%**	**163**	
	25 - 34 years	**1,093**	**45.38%**	**496**	
	35 - 44 years	**876**	**54.19%**	**475**	
	45 - 54 years	**1,272**	**56.75%**	**722**	
	55 - 64 years	**1,371**	**59.67%**	**818**	
	65 -74 years	**1,231**	**64.92%**	**799**	
	75 - 84 years	**619**	**70.85%**	**439**	
	84+	**241**	**76.60%**	**184**	
4	**Projected Households-June 30, 2019**				**4,096**
5	*less: Households at Beginning of Projection Period (January, 2014)*				4,071
6	**Household Growth: 5.5 Year Projection Period**				**25**
7	**Vacancy Allowance**	Owner	Renter	Total	
	Tenure Percentage per 2010 Census	**68.55%**	**31.45%**		
	HH Growth by Tenure	17	8	25	
	Healthy Vacancy Rate	2.00%	5.00%		
	Vacancy Allowance	1	1	2	2
8	**Replacement Allowance (minimum)**	0.50%		27	1
					28
9	*less: Adjustment for Absorption of Existing Excess Vacant Units*				
	Estimate 80% Absorbed, 20% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential	
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(194)	126	-69	
	Total 2012 Housing Stock	5,229			
	Existing Vacant Unit (Others) Adjustment	9.05%	9.07%		
	Total Adjusted Existing Vacant Units (Others)	(473)	474	1	
	Estimated Units (Others) Not Absorbed by 2014	20%		-69	-14
REGIONAL HOUSING NEED DETERMINATION					**15**

1 **Population:** Pursuant to Government Code Section 65584.01(b), 65584.06 and in consultation with local governments , June 30, 2019 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.

2 **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.

3 **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 2019 Households (HHs):** The June 2019 number of households is derived by applying (to 2019 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: Modoc County

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 the county). 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 (0.5%) 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 (5.5), 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 (- 14). In general, 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 9.07% 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. For Modoc County, an adjustment under the "other vacancy" category was not applicable, as the 2010 Census number of other vacant units was less then the number of "other vacant" units associated with a normal rate (no excess of "other vacant" units).

RHNA Projection Period January 1, 2014 to June 30, 2019: Pursuant to SB 375, the start of the RHNA *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 the county 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.

Housing Element Planning Period June 30, 2014 to June 30, 2019: The housing element *planning* period was determined pursuant to GC 65588(e)(3)(B) and 65588 (f)(1) as a 5-year period between the due date for one housing element and the due date for the next housing element.

ATTACHMENT 3

Modoc County Local Governments
Regional Housing Need Allocation Plan
January 1, 2014 through June 30, 2019

Distribution of Final RHNA

This table reflects the final Regional Housing Need Allocation (RHNA) distribution for each local government based on the methodology discussed below:

Regional Housing Need Allocation by Income Category

Jurisdiction	Very-Low	Low	Mode-rate	Above-Moderate	Total	
Alturas	**1**	**1**	**1**	**2**		**5**
Percentage of Total	*21.0%*	*19.2%*	*15.9%*	*43.9%*	*100.0%*	*33%*
Unincorporated	**2**	**2**	**1**	**5**		**10**
Percentage of Total	*22.2%*	*18.6%*	*14.1%*	*45%*	*100.0%*	*66%*
TOTAL	**3**	**3**	**2**	**7**		**15**

Purpose of Regional Housing Need Allocation Plan

The purpose of the RHNA Plan is to comply with State law (Government Code Section 65584, et. seq.) in allocating to each local government a share of regional housing need for use in updating the General Plan housing element. The housing element must accommodate the total RHNA for each of four (4) income categories (deemed very-low, low-, moderate, and above-moderate) over the designated planning period (June 2014 through June 2019). These requirements were enacted into State housing law (Article 10.6 of the Government Code) upon the California legislature determining that the provision of adequate housing is an issue of statewide concern.

The Department, pursuant to Section 65584(a), is required to determine the existing and projected need for housing within regions of the State. In addition, the Department (per Section 65584.06) is required to develop a plan to distribute the final determination of regional housing need to each local government not represented by a council of governments. The RHNA, per Section 65584(d), is required to be consistent with all of 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, and the encouragement of efficient development patterns.
(3) Promoting an improved intraregional relationship between jobs and housing.
(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 decennial United States Census.

The RHNA is based on the projection of population and new household formation determined by the Demographic Research Unit of the Department of Finance. The Department applied a small percentage allowance to accommodate an additional number of vacant and replacement housing units needed, and a one-time downward adjustment , applicable to the 5th cycle only, to account for abnormal vacancies and unique market conditions due to prolonged recessionary conditions, high unemployment, and unprecedented foreclosures.

The resulting RHNA is a minimum projection of additional housing needed to accommodate household growth over the planning period; it is not a prediction, production quota, or building permit limitation for new residential construction.

To comply with State law in addressing the jurisdiction's RHNA, the updated housing element must identify adequate sites and program actions to accommodate the total RHNA for each income category. Housing elements are required to be updated by June 30, 2014 and sent to the Department for determination of compliance with State law. In updating the housing element, jurisdictions may take credit for and subtract from their RHNA (by income category) new units permitted since the beginning of the RHNA projection period (January 1, 2014).

HCD Final Regional Housing Need Determination and Allocations

Prior to finalization of the countywide total housing need and distribution of the RHNA (refer to Page 4), the Department completed a RHNA consultation process. The Department invited each local government to attend the June 6, 2012 regional meeting the Department conducted in Redding, in order to consult with local government officials. Prior to the meeting, the Department developed and made available its draft methodology to distribute the RHNA, by income category, to each local government. Participants were provided a copy of HCD's proposed final countywide RHNA determination and local government distribution, and presented with explanations about what data, assumptions, and methodology were used in the determination and distribution of RHNA.

Modoc County Local Governments
Regional Housing Need Allocation Plan
January 1, 2014 through June 30, 2019

In addition, local government representatives were requested to provide comment and applicable information for the Department to consider in finalizing and distributing regional housing need pursuant to Section 65584.06(b) which reads:

> *The distribution of regional housing need shall, based upon available data and in consultation with the cities and counties, take into consideration market demand for housing, the distribution of household growth within the county assumed in the regional transportation plan where applicable, employment opportunities and commuting patterns, the availability of suitable sites and public facilities, agreements between a county and cities in a county to direct growth toward incorporated areas of the county, or other considerations as may be requested by the affected cities or counties and agreed to by the department. As part of the allocation of the regional housing need, the department shall provide each city and county with data describing the assumptions and methodology used in calculating its share of the regional housing need. Consideration of suitable housing sites or land suitable for urban development is not limited to existing zoning ordinances and land use restrictions of a locality, but shall include consideration of the potential for increased residential development under alternative zoning ordinances and land use restrictions.*

RHNA Plan Methodology

The Department used a three-step approach in distributing RHNA to local governments within the County.

First, Department of Finance May 2012 estimates (E-5 reports available on DOF's website) were used to determine each jurisdiction's percentage of household population in the County. The RHNA for each jurisdiction was derived by multiplying the jurisdiction's percentage of household population against the total countywide RHNA. This approach is consistent with the first and third aforementioned statutory objectives, as well as market demand, to consider in distributing RHNA to each local government.

Second, a policy adjustment of ten percent was applied to the unincorporated RHNA total to decrease the unincorporated share and increase city shares to address the second and third statutory objectives to protect agricultural resources, encourage efficient development patterns, and improve the relationship between jobs and housing.

ATTACHMENT 3

Modoc County Local Governments
Regional Housing Need Allocation Plan
January 1, 2014 through June 30, 2019

Below is hypothetical example of results after completing first and second steps:

	HH Population	Share	RHNA	Adjustment		Total RHNA
County	50,000	100%	2,000	-10%		2,000
City A	10,000	20%	400	+160	=	560
Unincorporated	40,000	80%	1,600 x (-5%) = - 160		=	1,440

The last step was the determination of RHNA by income category. To assist in meeting the first and fourth statutory objectives (mix of housing type and affordability and income category allocation based on the countywide distribution of household incomes), the income distributions of each jurisdiction's households were compared to the countywide distribution. A "fair share" policy adjustment (20%) was applied to city income categories to move city percentages closer to county percentages as demonstrated in this hypothetical example.

County/ City	Very-Low Income %	Difference County-City	Fair Share Multiplier	Fair Share Adjustment	Adjusted Very-Low RHNA
County	**22%**	0	None	N/A	**same**
City A	**41%**	22% - 41% = = -19%	1.2	(-19%)*1.2 = = -23%	41%-23% = **18%**

City's Low-Income RHNA = City Total RHNA X 18% = 560 x 18% = 101 units (rounded)