

STAFF REPORT

SUBJECT: Regional Housing Needs Allocation

MEETING DATE: September 6, 2007

AGENDA ITEM: 4

STAFF CONTACT: Michael Powers, Brian Bresolin

RECOMMENDATION:

- A. Receive status report on consultation with Department of Housing and Community Development
- B. Discuss issues with statewide RHNA allocation and provide direction on next steps, e.g. further appeal, accept revisions (if granted by HCD), among other options.
- C. Assist SBCAG staff in evaluating potential changes in adopted and (conditionally) certified Housing Elements to accommodate preliminary RHNA allocation.

DISCUSSION:

Background

In late July SBCAG received a draft RHNA allocation from the Department of Housing and Community Development (HCD) of 13,112 households. On August 16 the SBCAG board authorized staff to seek a reduction in the RHNA allocation. Section 65584.01 of State law requires HCD to meet and consult with the regional agency regarding the assumptions and methodology to be used to develop the RHNA determination. At the August meeting TPAC recommended SBCAG request an extension of the August 10th comment deadline established by HCD in order to more fully review and respond to the HCD allocation. SBCAG requested an additional 45 days beyond the August 10th deadline.

The staff report provides a basis for requesting a reduction in the household forecast based on differences in assumptions about household formation and documents the basis for further reduction of the RHNA allocation based on conflicting state policies. TPAC members were forwarded an e-mail sent to HCD which includes these arguments in support of a reduced allocation based on our recently adopted RGF of 6,798 households. In addition, staff requests your assistance in improving our board members understanding of the implications of the HCD allocation. If our countywide RHNA allocation remains at 13,112 how well can local Housing Elements accommodate their share of this countywide allocation.

Member Agencies

Buellton ■ Carpinteria ■ Goleta ■ Guadalupe ■ Lompoc ■ Santa Barbara ■ Santa Maria ■ Solvang ■ Santa Barbara County

Household Formation

A comparison of the household population and household forecasts between DOF (they provided HCD with household estimates) and SBCAG's Regional Growth Forecast show similar household population forecasts; however, the household forecasts are significantly different. Household population is by definition the population in housing units and excludes group quarters while households are occupied housing units and exclude vacant units.

DOF uses household headship rates (i.e., the propensity of the population in a specific age group to form a household) in its conversion of household population into households while the RGF methodology uses household size to estimate housing need. Staff converted the household estimates by DOF into household size assumptions by dividing DOF household population by the number of households. These were then compared to the RGF household sizes that are used to convert the RGF household population into households. The higher the household size the lower the household forecast as fewer households are needed to house the household population.

In 2007 the countywide household size is 2.76 for DOF and 2.80 for RGF.

In 2014 the countywide household size is 2.67 for DOF and 2.80 for RGF.

The following two tables compare the DOF and the recently adopted and previous RGF households and household population estimates for 2007 and 2014. The DOF and RGF household population and households are close in 2007 but by 2014 the households differ by 8,000. The previous RGF provided for comparison purposes and also has a lower household forecast, but not significantly. Note that in our request to HCD we did not include the row of numbers in the tables that references our prior 2002 RGF but this could be a fallback position.

Comparison of DOF and Current RGF Household Forecast

	2007 Households	2014 Households	2007-2014 Change
DOF	147,226	159,805	12,579
2007 RGF*	145,080	151,878	6,798
2002 RGF*	148,069	159,318	11,249

*The RGF Household Forecast based on annualized 2005-2015 data.

*Previous RGF adopted in 2002.

Comparison of DOF and Current RGF Household Population Forecast

	2007 Household Population	2014 Household Population	2007-2014 Change
DOF	406,846	427,080	20,234
2007 RGF*	406,420	425,390	18,970
2002 RGF*	421,807	463,088	41,281

*The RGF Household Population Forecast based on annualized 2005-2015 data.

*Previous RGF adopted in 2002.

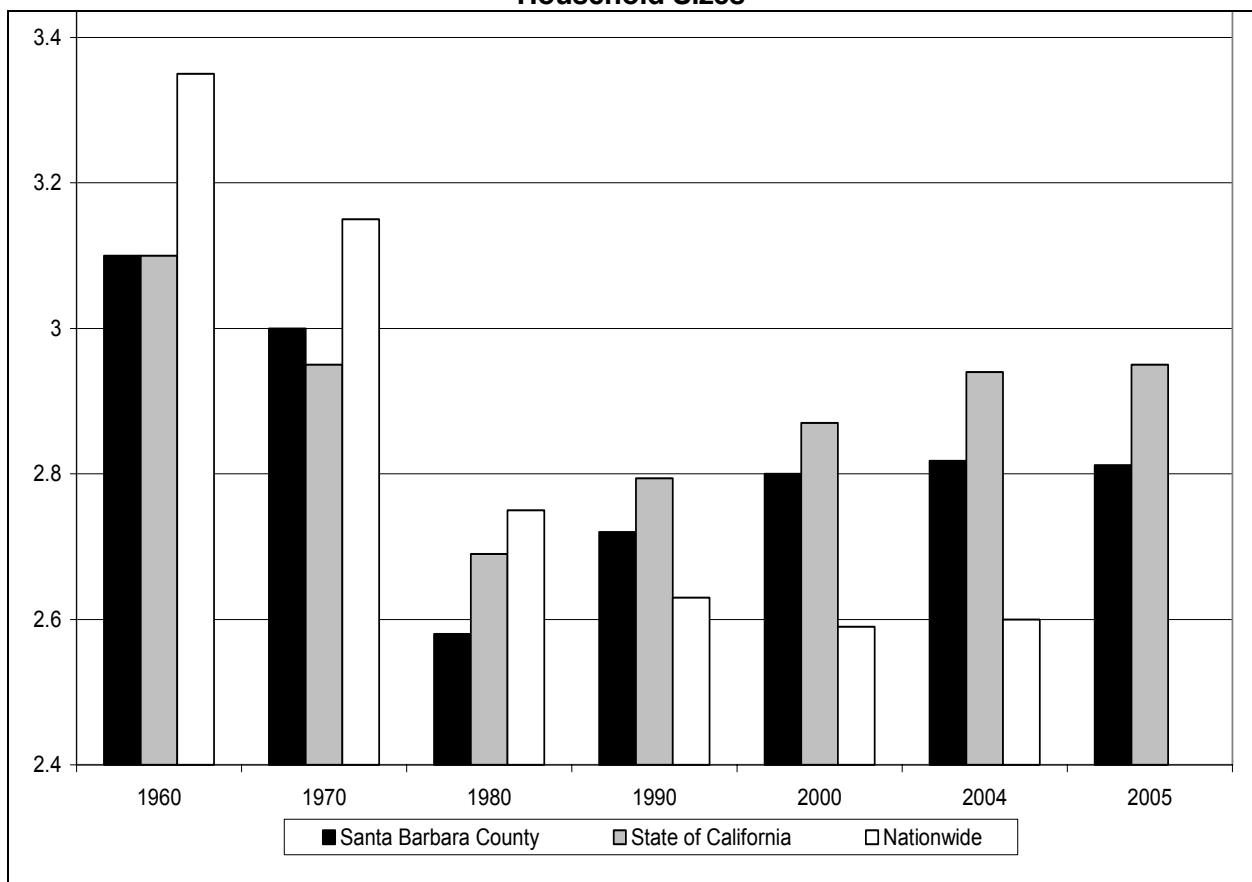
Following state and national trends, household size in Santa Barbara County declined from 3.0 in 1970 to 2.62 in 1980. However, from 1980 to 2000 this trend was reversed for Santa Barbara

County as household size increased from 2.6 in 1980 to 2.72 in 1990 and 2.8 in 2000 (see attached figure).

The most current 2005 estimates from the Department of Finance show little change between 2004 and 2005 for Santa Barbara County and only a slight increase for the State of California.

The 2004 American Community Survey tabulations estimate a national household size of 2.6, approximately the same as in 2000 while the 2005 ACS shows a 2.78 average household size. If we are to assume the ACS household size is the more accurate than the DOF 2.67, the household size estimates by DOF and used in the RHNA calculations is too low and results in a higher household forecast and resulting RHNA allocation.

Historic 1960-2000 and 2004, 2005 Household Sizes



Source: Historical Census tabulations, Department of Finance estimates for 2004, 2005 State and County estimate. American Community Survey for 2004 National estimate.

A forecast of a reduced rate of household formation is also supported by examining household growth and change over time. Based on census data, household growth in Santa Barbara County has generally declined for each decade over the last thirty years. The RGF assumes this trend will continue and then stabilize. Lower rates of household formation are likely due to

the aging of the baby boomers with relatively fewer newer households entering the housing market than before. While factors such as the growth in the Hispanic households, divorce, influx of retirement age households into the Central Coast housing market are growth factors the relative growth in households will be less than it was in the past. Therefore the annualized rate of household growth estimated by DOF is high in comparison to these overall trends in declining household formation.

Santa Barbara County Household Growth, 1970 - 2015

Year	Census Households	New RGF (est.)	Old RGF (est.)	DOF (est.)	Annualized Ave. Growth
1970	82,540				
1980	109,559				2,701
1990	129,816				2,206
2000	136,622				681
2005		143,138			1,303
2010		147,961			964
2015		152,849			977
2005			146,663		1,808
2010			154,053		1,478
2015			160,724		1,334
2007				147,226	
2014				159,805	1,797

Note: Annualized growth based on comparison to previous base year for a five or ten year growth period.

Under state law, HCD is required to make its determination of the RHNA allocation based upon population projections produced by the Department of Finance and regional population forecasts in consultation with each Council of Governments. If the total population forecast for the planning period (2007-2014) developed by the COG is within 3% of the population forecast prepared by the DOF, then the forecast developed by the COG shall be used as the basis for determining the existing and projected housing need for the region (G.C. Section 65584.01). The difference between the DOF population projection for 2014 (427,080) and the RGF projection developed by SBCAG (425,390) is about 0.4%--well under the 3% threshold established in statute.

SBCAG believes that HCD has failed to follow state law in making its RHNA determination—both with respect to consulting with SBCAG and the requirement to use the region’s forecast as the basis for making the determination. Instead, HCD has used the DOF forecast which projects a household growth that is significantly higher than SBCAG’s (12,579 vs. 6,798). Per the process defined in statute, SBCAG has provided HCD a copy of the RGF adopted by the SBCAG board last month which includes the region’s population and household forecasts and the data, assumptions and methodology used to develop these forecasts and has requested that HCD use the RGF as the basis for making its RHNA allocation.

Conflicting State Policies

.Local agencies are struggling with conflicting state and federal policies in addressing regional housing needs. TPAC members should consider and provide direction to staff on these conflicting state policies which could be emphasized in our consultation with HCD about our RHNA allocation. While regional housing needs are significant, the ability of local agencies to address these is constrained by state policies. Examples of these constraints are provided below.

SBCAG believes local agencies should be given credit in addressing the enrollment increase and/or and physical expansion, of UCSB and Community Colleges within the county. At 20,000 students, and associated staff and faculty, UCSB significantly impacts the county's housing market. Local agencies are charged with addressing these growth pressures without adequate state support. UCSB has recently released its Long Range Development Plan that anticipates zoning for and developing a significant amount of student, faculty and staff housing. Approximately 1,600 are considered housing units, not group quarters, and therefore should be considered as a benefit to the local jurisdictions by subtracting them from the overall countywide housing need.

Vandenberg Air Force Base is also anticipating the development of housing by privatization through outsourcing the construction and management of the rental units. These units will be rented to military personnel and their dependants for the "base assistance for housing" (BAS) and could qualify for very low or low income rentals. The base is planning and zoning for approximately 988 rental units. The zoning for these units should be recognized in the RHNA allocation by reducing the requirements of local jurisdictions by a similar amount.

The household forecast reflects demand generated by the development of Indian Gaming operations by the Santa Ynez Band of Chumash Indians. This demand is based on actions on tribal land, facilitated by direct state action, not under local land use control. The agreement between the Governors office and tribal representatives allowing the expansion of gaming and use of slot machines is creating additional housing demand. An estimated 1,500 workers are required to operate the facility with an annual payroll of 62 million dollars. While there are many positive benefits of this development, these workers, their families and the spending from visitors to the facility and the surrounding Santa Ynez Valley, will cause a direct and induced demand for housing none of which is mitigated by housing on the reservation itself. Other communities are affected as well. For example, as many as 400 commuters housed in the nearby Lompoc valley travel each day to work at the Chumash casino and hotel. The estimate of countywide housing need should be lower or adjusted to account for this inequity. Since the State of California took the responsibility for gaming, it must also address the housing impacts or negotiate an agreement with the tribe to address housing impacts since they do not participate in the RHNA process

A large portion of the population in Santa Barbara County falls within the State Coastal Zone. To achieve the number of units in the preliminary allocation, jurisdictions may have to apply to the State Coastal Commission to amend their Local Coastal Plan. In many cases, where other high priority uses under the Coastal Act occur, such as environmentally sensitive areas or agricultural uses, proposed amendments may be in direct conflict with existing State law. **(TPAC members to provide an example here)**

SBCAG believes the state should permit local agencies to count the units that are rejected by the California Coastal Commission, as contributing to a local agencies fair share of regional need. If local agencies show a good faith effort and have been held up by conflicting state policies the local agency should be able to receive credits for their efforts to produce affordable housing. **(TPAC members to provide an example here)**

In addition, SBCAG believes that the state should allow unauthorized housing to be credited to the overall need. Housing that is not currently on the official address list for local jurisdictions provides in some cases a significant source of housing otherwise not accounted for in the HCD allocation. **(TPAC members to provide an example here)**

The state should be more aware of the impacts of environmental preservation goals on local jurisdictions ability to address regional housing needs with changes to local land use plans. Farmland preservation limits the ability of some jurisdictions to expand their local boundaries to accommodate new growth. **(TPAC members to provide an example here)**

The Attorney General of the State of California has initiated lawsuits against many local and regional agencies in efforts to reduce greenhouse gas formulation. This litigious atmosphere has dampened the potential for new development to produce new housing and inhibits the ability of local and regional agencies to produce the infrastructure to support new housing.

In addition, future residential growth in areas within the county will be dependent on the availability of state water. Local agencies must not be penalized by the inability of the state water project to deliver on its existing and future contractual commitments.

TPAC members should identify any other state related impediments to growth.

Assessing Implications of Existing State RHNA Allocation

SBCAG staff also requests your assistance in improving our board members understanding of the implications of the HCD allocation. If our countywide RHNA allocation remains at 13,112 how well can local Housing Elements accommodate their share of this countywide allocation. As you recall at our last meeting staff distributed a hypothetical table that allocated the countywide housing need to local agencies using the same formula as last time. Staff distributed a copy of the table at the last meeting and is attached to this report. For purposes of discussion be prepared to indicate if your agency accommodate this need or not? Are we close or a long ways off in coming to terms on this overall countywide number? If we are to reject the HCD allocation do we have a substantive argument based on the ability of local housing plans to accommodate this need?

For comparison purposes only, the following two tables show the existing (adopted in 2002) 17,500 RHNA distribution by income levels to a **hypothetical** distribution using the same proportions for the 13,122 housing need.

2002 RHNA Allocation

Jurisdiction	Total Units	Very Low Income	Low Income	Moderate Income	Above Moderate Income
Guadalupe	83	20	14	19	30
Santa Maria	4,837	1,161	822	1,209	1,645
Lompoc	890	214	151	209	316
Buellton	536	129	91	88	228
Solvang	325	78	55	49	143
Goleta	2,388	573	406	334	1,074
Santa Barbara	2,333	560	397	397	980
Carpinteria	75	18	13	14	31
Unincorp. Total	6,064	1,455	1,031	1,013	2,566
South Coast Unincorp.	1,181	284	201	130	567
S. Ynez Unincorp.	725	174	123	65	362
Lompoc Unincorp.	1,122	269	191	236	426
Santa Maria Unincorp.	3,014	723	512	576	1,203
Cuyama Unincorp.	22	5	4	6	7
Total County	17,531	4,207	2,980	3,331	7,012

HYPOTHETICAL Allocation Using 2002 RHNA Distribution Proportions

Jurisdiction	Total Units	Very Low Income	Low Income	Moderate Income	Above Moderate Income
Guadalupe	62	15	10	14	22
Santa Maria	3,621	869	615	905	1,231
Lompoc	666	160	113	156	237
Buellton	401	97	68	66	171
Solvang	243	58	41	37	107
Goleta	1,787	429	304	250	804
Santa Barbara	1,746	419	297	297	734
Carpinteria	56	13	10	10	23
Unincorp. Total	4,539	1,089	772	758	1,921
South Coast Unincorp.	884	213	150	97	424
S. Ynez Unincorp.	543	130	92	49	271
Lompoc Unincorp.	840	201	143	177	319
Santa Maria Unincorp.	2,256	541	383	431	900
Cuyama Unincorp.	16	4	3	4	5
Total County	13,122	3,149	2,231	2,493	5,249

The following table compares the Hypothetical RHNA allocation with the land use capacity as documented in the Draft Regional Growth Forecast. For the most part this hypothetical allocation is capable of being accommodated in the existing buildout capacity. The lower income allocations however could require higher density zoned areas and the capacity for this is unknown.

**Comparison of Residential Unit Capacity at Buildout
and HYPOTHETICAL RHNA Allocation**

Jurisdiction	RHNA Total Units	Residential Unit Buildout
Guadalupe	62	1,389
Santa Maria	3,621	9,000
Lompoc	666	2,992
Buellton	401	1,803
Solvang	243	546
Goleta	1,787	2,619
Santa Barbara	1,746	1,843
Carpinteria	56	853
Unincorp. Total	4,539	9,400
South Coast Unincorp.	884	3,038
S. Ynez Unincorp.	543	470
Lompoc Unincorp.	840	1,892
Santa Maria Unincorp.	2,256	4,000
Cuyama Unincorp.	16	N/A
Total County	13,122	30,600