

Capitola City Council

Agenda Report



Meeting: May 26, 2022

From: Community Development Department

Subject: Regional Housing Needs Allocation

Recommended Action: Accept staff presentation on Regional Housing Needs Allocation and direct the Mayor to send the attached comment letter to the Association of Monterey Bay Area Governments Board of Directors.

Background: On April 22, 2022, AMBAG released the [Draft 6th Cycle \(2023-2031\) RHNA Plan](#) which initiated a 45-day appeal period allowing a member jurisdiction or the California Department of Housing and Community Development (HCD) to appeal the allocation. The public review/appeal period ends on June 6, 2022.

The next Housing Element update is due to HCD by December 2023. On May 12, 2022, the City Council authorized a contract with RRM Design to update Capitola's Housing Element. A focus of the Housing Element update is to identify sites to accommodate the City's Regional Housing Needs Allocation (RHNA).

Discussion: Since 1969, the State of California has required all cities and counties plan to meet the housing needs of the community. Cities comply with this requirement by updating their housing elements on regular cycles defined by the state. The housing element is part of the City's General Plan which is the long-range planning document delineating how the city will evolve and develop in the future.

A city's housing needs are determined through a process called the Regional Housing Needs Allocation (RHNA). First HCD determines the amount of housing needed in each region of the state over the six-year planning period Capitola participates in the Association of Monterey Bay Area Government (AMBAG) region, which includes all jurisdictions in Santa Cruz Monterey and San Benito counties. AMBAG is then required to develop a RHNA methodology to distribute the regional housing allocation to local jurisdictions.

Once each jurisdiction is allocated their RHNA units, the jurisdictions are required to update their housing elements and identify sites to accommodate the units. If the RHNA units cannot be accommodated under the current zoning, the housing element must identify areas to rezone to accommodate all the units assigned to the jurisdiction.

Housing law establishes factors to use in the RHNA allocation methodology. The 12 RHNA factors for consideration when creating a distribution methodology include:

1. Jobs and Housing Relationship
2. Opportunities and constraints on additional housing development, including capacity for sewer and water service, availability of land suitable for development, lands preserved or protected from development, and county policies to preserve prime agricultural land
3. Opportunities to maximize transit and existing transportation infrastructure
4. Policies directing growth toward incorporated areas
5. Loss of units contained in assisted housing developments
6. High housing cost burdens
7. Rate of Overcrowding
8. Housing needs of farmworkers
9. Housing needs of University of California and California State University students
10. Loss of units during an emergency
11. Senate Bill 375 Greenhouse Gas Reduction Targets
12. Other factors adopted by Council of Governments (COGs)

AMBAG is currently in the planning phase for the 6th Cycle (2023-2031) RHNA period. The 6th Cycle significantly increased the amount of housing each region must accommodate. This increase was due to recent legislative changes (Senate Bill 828 (2018), Assembly Bill 1771 (2018), and Assembly Bill 686 (2018)), which altered HCD RHNA determinations in the following ways:

- Adjusts RHNA upwards by:
 - Setting a target “healthy” vacancy rate of no less than 5%
 - Accounting for existing overcrowding and redistributing overcrowding into new housing units
 - Comparing the difference in cost- burden, by income group, for the region to the cost burden by income group for comparable regions, and adjusting the very-low and low income housing need upwards accordingly;
- Prohibits the use of previous underproduction of housing or stable population growth to reduce housing development goals
- Requires RHNA methodologies to promote fair housing and reduce income and racial segregation when allocating housing of various income types

AMBAG was assigned 10,043 units during the prior cycle; this time AMBAG was assigned 33,274 units. Similar increases are typical throughout the State of California.

Since April of 2021, AMBAG has been working on potential options for a RHNA allocation methodology. Draft methodologies were presented to the AMBAG board on November 10 and December 8, 2021, and January 12, 2022.

In preparation for the December 8, 2021, meeting, City staff submitted a public comment letter regarding the allocation formula with the request to remove the baseline of regional growth projections and replace it with land area adequate for development. Council Member Brown, the Chair of the AMBAG Board of Directors, provided comments during the December and January board meetings to reconsider the allocation methodology in alignment with staff’s December 6, 2022, letter.

At the January 12 meeting, AMBAG staff presented seven draft RHNA allocation methodologies, and ultimately selected “Option Z” by a 19-5 vote. HCD then reviewed and accepted that draft methodology. On April 13, 2022, the AMBAG Board approved the final RHNA methodology.

In Option Z, Capitola is allocated 1,336 units, which is 4% of the total units allocated to the region. Capitola’s population represents 1.4% of the total population for the region. Option Z was calculated by including the number of units in the regional growth forecast for four years, and then distributing the remaining units based on the following methodology: 15% jobs, 31% jobs/housing, 4% transit, 8% resilience, and 42% Affirmatively Furthering Fair Housing (AFFH). The AFFH baseline is based on percent of households in the region, rather than the original regional growth projections or Capitola’s prior suggestion of land area adequate for development.

Capitola’s allocation increased substantially due to our jobs/housing data and the AFFH contribution as Capitola was identified as a “high resource” jurisdiction with a racially concentrated area of affluence (RCAA). Jobs/Housing and AFFH were both weighted the highest within the formula.

On April 22, 2022, AMBAG released the [Draft 6th Cycle \(2023-2031\) RHNA Plan](#) which initiated a 45-day appeal period allowing a member jurisdiction or the HCD to appeal the allocation. The public review/appeal period ends on June 6, 2022.

As mandated by state law the scope of a RHNA appeal is limited to the following reasons:

1. AMBAG failed to adequately consider the information submitted as part of the local jurisdiction survey
2. AMBAG did not determine the jurisdiction’s allocation in accordance with its adopted methodology and in a manner that furthers, and does not undermine, the RHNA objectives identified in Government Code Section 65584(d)

3. A significant and unforeseen change in circumstances has occurred in the local jurisdiction, or jurisdictions, that merits a revision of the information submitted as part of the local jurisdiction survey

The AMBAG Board of Directors, the group that originally adopted the RHNA methodology, would consider a RHNA appeal, not the state. If Capitola were to appeal, Council Member Brown would be required to recuse herself as it affects Capitola. Also of note, the decision by the AMBAG board would be final and could not be challenged in a lawsuit since RHNA is legislation.

Staff researched recent RHNA appeals and found the likelihood of success is extremely low due to limited scope of an appeal. Among the 50+ appeals in the Southern California Association of Governments (SCAG) region, only two appeals were approved based on incorrect information used by SCAG in calculating the RHNA for these jurisdictions. Among the handful of appeals in Association of Bay Area Governments (ABAG), none were approved.

The City runs little risk if associated with an appeal; however, staff recommends against an appeal due to the following considerations. The benefit of appeal is that it provides a form of protest against the RHNA methodology. However, the appeal would only go as far as being heard by our regional partners and could not be litigated in court. Also, with six working days until the June 6 appeal deadline, time is extremely limited to draft an in-depth, comprehensive appeal of the complex formula.

The City launched its Housing Element update on May 12, 2022, which is being led by RRM Design. An appeal would not have an impact on the current timing of the housing element update.

Staff does recommend the City Council provide written comment to the AMBAG Board. Attachment A is a draft letter from Mayor Storey to the AMBAG Board of Directors. The focus of the letter is to highlight that the RHNA formula lacks consideration for the size of City and the areas appropriate for development, including redevelopment.

Fiscal Impact: An appeal would require assistance from housing experts within the RRM Design team. Up to \$10,000 in general plan funds should be allocated for assistance with drafting an appeal and presenting the appeal to the AMBAG board.

Attachments:

1. Draft Comment Letter to AMBAG regarding RHNA methodology

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Approved By: Jamie Goldstein, City Manager