



SOUTH BAY CITIES
COUNCIL OF GOVERNMENTS

Regional Housing Needs Assessment (RHNA)

FRAMEWORK, ASSUMPTIONS, ISSUES AND OUTCOMES

Presentation to South Bay Cities Council of Governments

By Marc L. Verville 08-25-2022

© 2022, Marc L. Verville. All rights reserved. No portion of this material may be copied or distributed without author's written permission.

What We'll Cover in this Presentation

- RHNA Overview: Construct, Assumptions, Issues and Observations
- RHNA Overview: Statutory Objectives
- RHNA “Needs Analysis” Composition – 6th Cycle SBCCOG Target Overview
- RHNA Unit Distribution – SCAG’s Reallocation of 6th Cycle in Oct / Nov 2019
- RHNA **5th Cycle** Overview – Excess SBCCOG Market Rate Unit Outcomes
- RHNA **6th Cycle** Overview – Excess SBCCOG Market Rate Unit Outcomes
- Implications of Default RHNA Inclusionary Affordable Framework

RHNA Overview

- The RHNA income-based housing unit quantities reflect **policy objectives that do not reference land use market economics**
- **Housing “need”** has been predominately defined independent of any population growth (i.e. “Existing Need”)
 - Largely insulates development mandates from stagnant or declining populations
- **Relaxation of zoning restrictions and approval streamlining are policies executed within traditional land use market economics**
 - RHNA’s **unfunded affordable housing mandates grossly understate the required market rate unit additions** that are far in excess of any stated market rate mandate
 - Incentivize opposite outcomes of the 4th RHNA Statutory objective of income diversity
- **RHNA’s market-driven outcomes cannot align with non-market policy objectives**
- There is no definition on what constitutes, or ends, the state-declared “housing crisis,” setting up perpetual state involvement in housing
 - **RHNA’s design enables virtually unlimited market-rate construction**

Key RHNA Assumption Misalignments

- **Land use economics imbedded in RHNA mis-identify the operative supply variable as “housing units” rather than land**
 - Real estate value is entirely driven by location, which is the key characteristic of land
- **Housing Units must be treated as interchangeable in order to justify densification**
 - Do not reflect strong consumer preferences for detached single family units driven by family and financial stability objectives
- **Pursuing an urban containment strategy precludes addition of “new land” supplies and related transportation initiatives that have traditionally provided affordable access to owned family housing**
- **The exaggerated assumed levels of urban mass transit utility are justifying parking elimination in new multi-family developments, permanently denying equitable access to jobs and eventual transit electrification for lower socio-economic groups**
 - ***Creates outcomes in direct contradiction to Affirmatively Furthering Fair Housing (AFFH) goals***

RHNA Objectives Overview

SCAG's RHNA Unit Distribution

SCAG is required to develop a final RHNA methodology to distribute existing and projected housing need for the 6th cycle RHNA for each jurisdiction, which will cover the planning period October 2021 through October 2029.

- **Following extensive feedback from stakeholders** during the proposed methodology comment period and an extensive policy discussion, SCAG's Regional Council voted to approve the Draft RHNA Methodology on **November 7, 2019**, as described below, and provide it to the State Department of Housing and Community Development (HCD) for their statutory review.
- On January 13, 2020, **HCD completed its review** of the draft methodology and found that it **furtheres the five statutory objectives of RHNA**
- On March 4, 2020, **SCAG's Regional Council voted to approve** the Final RHNA Methodology.

Source: *Final RHNA Allocation Methodology 03-05-2020*

<https://scag.ca.gov/sites/main/files/file-attachments/scag-final-rhna-methodology-030520.pdf?1602189316>

The Five Statutory Objectives of RHNA Unaccompanied by Economic Enablers

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, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.
3. **Promoting an improved intraregional relationship between jobs and housing**, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.
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 American Community Survey.
5. **Affirmatively furthering fair housing**

Source:

Final RHNA Allocation Methodology 03-05-2020 ref: Government Code Section 65584.04(a)

<https://scaq.ca.gov/sites/main/files/file-attachments/scaq-final-rhna-methodology-030520.pdf?1602189316>

Affirmatively Furthering Fair Housing (AFFH)

1. Taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation
2. Foster inclusive communities **free from barriers that restrict access to opportunity** based on protected characteristics
3. Taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws

Source: *Final RHNA Allocation Methodology 03-05-2020*

<https://scaq.ca.gov/sites/main/files/file-attachments/scag-final-rhna-methodology-030520.pdf?1602189316>

SBCCOG “Needs Analysis” 6th Cycle Target Overview

Overall Framework for SCAG Unit Determination Methodology

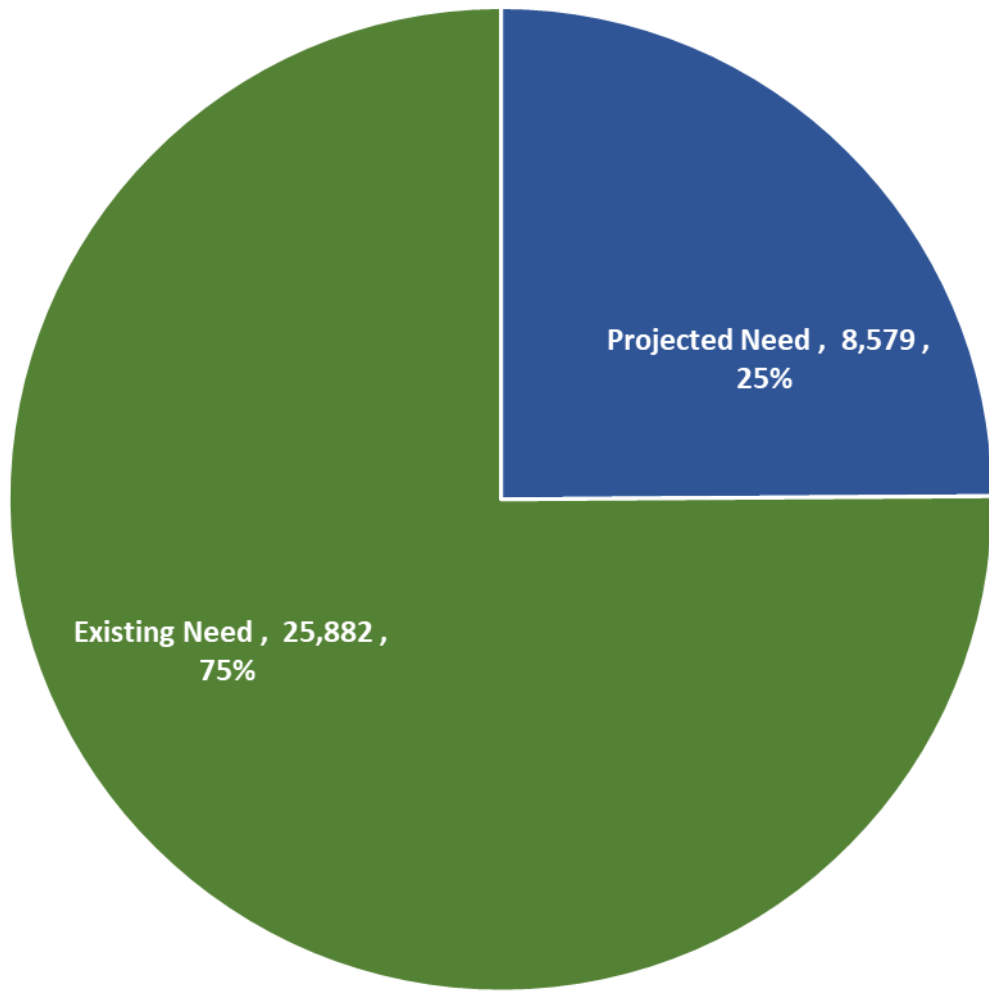
Projected need	Existing need	Income categories
Household growth 2020-2030	Transit accessibility (HQTA population 2045)	150% social equity adjustment minimum
Future vacancy need	Job accessibility	0-30% additional adjustment for areas with lowest or highest resource concentration
Replacement need	Residual distribution within the county	

Source: *Final RHNA Allocation Methodology 03-05-2020*

<https://scag.ca.gov/sites/main/files/file-attachments/scag-final-rhna-methodology-030520.pdf?1602189316>

Justification of 34,461 Unit Total SBCCOG 6th Cycle Requirement

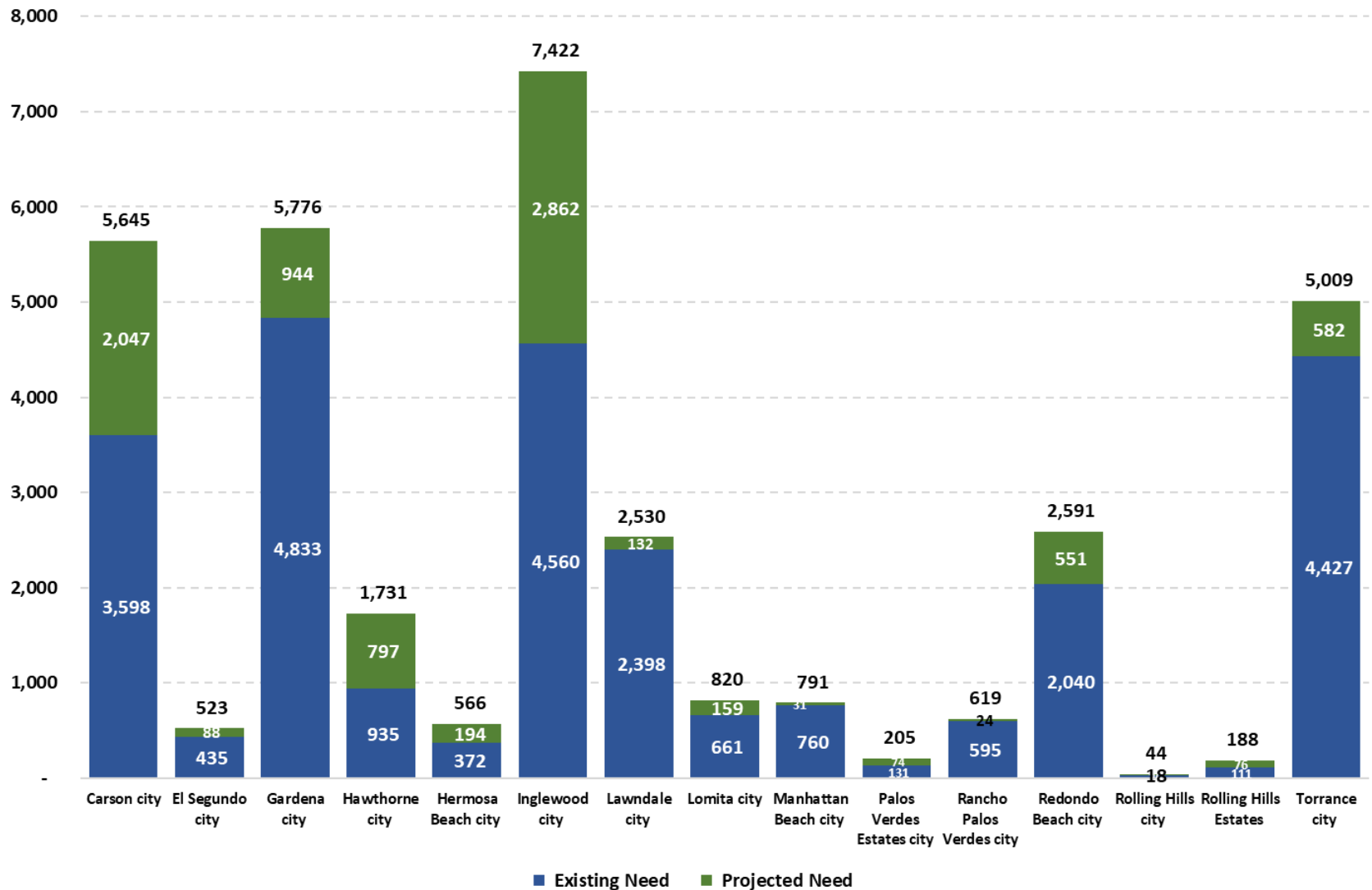
Total 34,460 Units as of 11-04-2019



Source: [SCAG Allocation Model Output 11-04-2019](https://www.scag.ca.gov/programs/Documents/RHNA/SCAG-RHNA-Methodology-Worksheet-Nov19-Adopted.xlsx)
<https://www.scag.ca.gov/programs/Documents/RHNA/SCAG-RHNA-Methodology-Worksheet-Nov19-Adopted.xlsx>

Distribution of Total 6th Cycle Requirement by City

Needs Analysis 11-04-2019

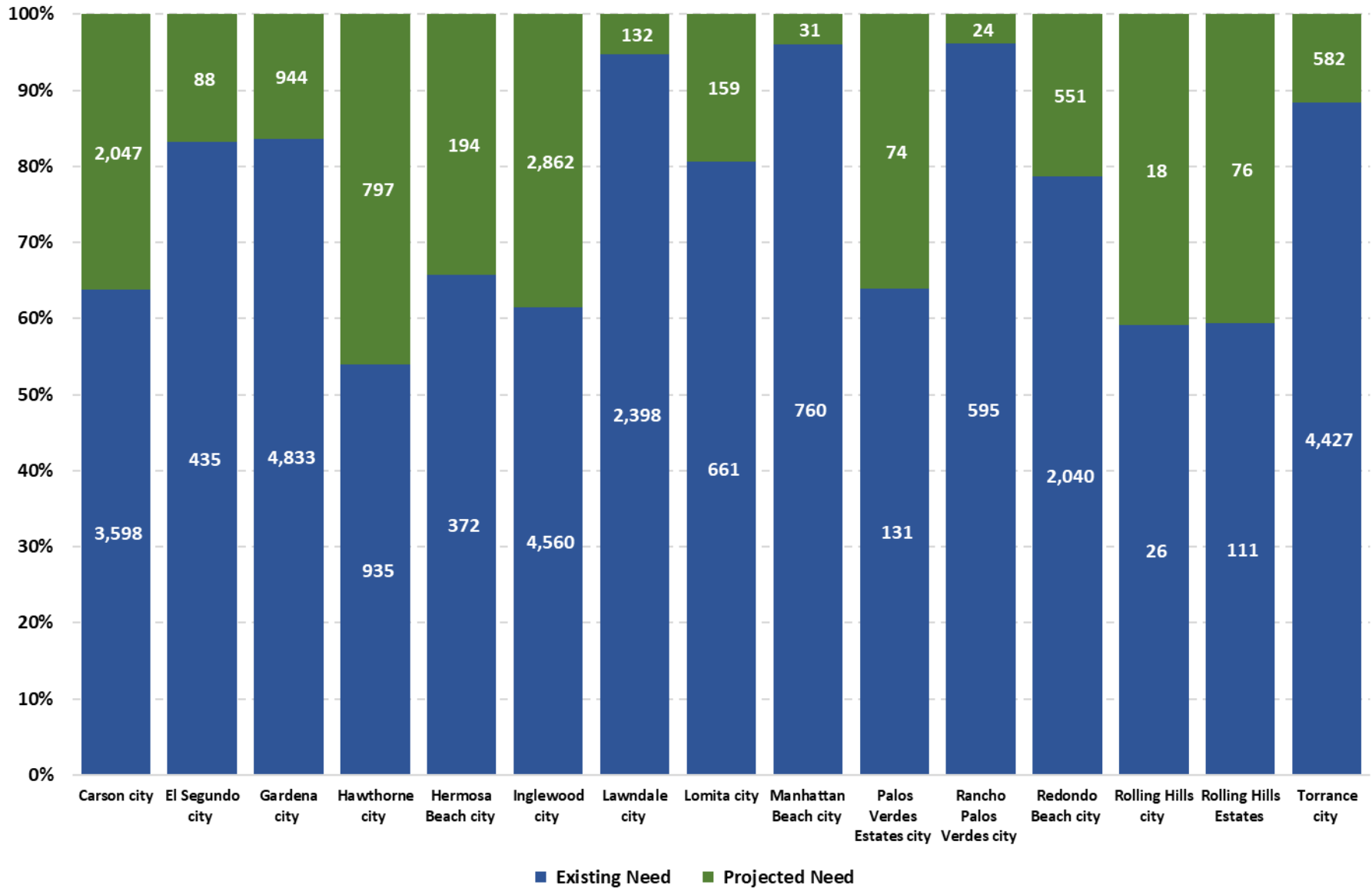


Source: SCAG Allocation Model Output 11-04-2019

<https://www.scag.ca.gov/programs/Documents/RHNA/SCAG-RHNA-Methodology-Worksheet-Nov19-Adopted.xlsx>

Normalized Distribution of Total 6th Cycle Requirement by City

Needs Analysis 11-04-2019



Key Takeaways

- **Regardless of actual population forecasts or outcomes, the highly malleable “Existing Need” model category will always provide a state imperative to relax zoning and eliminate Local Control**
- **Audits of State RHNA targets are NOT FOCUSED on the highly subjective modeling category of “Existing Need”**

SCAG Reallocation of 6th Cycle “Needs” In October / November 2019

SBCCOG Experienced a 38% Increase in Allocations from Initial October 2019 Draft to Final March 2021 Allocation

Entire change was executed in 3 week 2019 period

Changes in SCAG's 6th Cycle Allocations to SBCCOG									
Jurisdiction	10/16/2019 Totals	Δ 10-16 to 11-04-2019	Δ 11-04 to 11-08-2019	Δ 11-08 to 03-05-2020	Δ 03-05 to 09-30-2020	Δ 09-30 to 03-04-2021	03/04/2021 Totals	Total Change 10-16-2019 to 03-04-2021	Change Pcnt 10-16-2019 to 03-04-2021
Carson city	4,536	1,109	-	(39)	(1)	13	5,618	1,082	23.9%
El Segundo city	255	268	-	(32)	-	1	492	237	92.9%
Gardena city	3,641	2,135	-	(57)	2	14	5,735	2,094	57.5%
Hawthorne city	1,731	-	-	-	-	3	1,734	3	0.2%
Hermosa Beach city	334	232	-	(10)	-	2	558	224	67.1%
Inglewood city	7,422	-	-	-	-	17	7,439	17	0.2%
Lawndale city	973	1,557	-	(39)	-	6	2,497	1,524	156.6%
Lomita city	458	362	-	8	(1)	2	829	371	81.0%
Manhattan Beach city	103	688	-	(18)	-	1	774	671	651.5%
Palos Verdes Estate city	200	5	-	(7)	-	1	199	(1)	(0.5%)
Rancho Palos Verdes city	93	526	-	18	1	1	639	546	587.1%
Redondo Beach city	2,212	379	-	(108)	-	7	2,490	278	12.6%
Rolling Hills city	48	(4)	-	-	1	-	45	(3)	(6.3%)
Rolling Hills Estates	196	(8)	-	3	-	-	191	(5)	(2.6%)
Torrance city	2,563	2,446	-	(80)	(1)	11	4,939	2,376	92.7%
South Bay Cities COG Total	24,765	9,695	-	(361)	1	79	34,179	9,414	38.0%

34,460 / +39%

Source: Final RHNA Allocation Methodology 03-05-2020

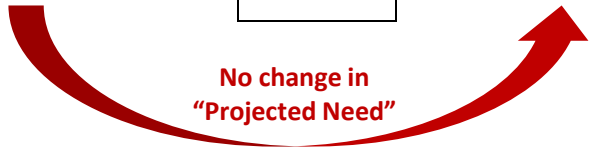
<https://scag.ca.gov/sites/main/files/file-attachments/scag-final-rhna-methodology-030520.pdf?1602189316>

© 2022, Marc L. Verville. All rights reserved. No portion of this material may be copied or distributed without author's written permission.

2019 SBCCOG Increase in Allocations Were Entirely Contained in “Existing Need”

- *A 60% change in the allocation key variable over 3 weeks*
- *Not indicative of a stable or objective process*

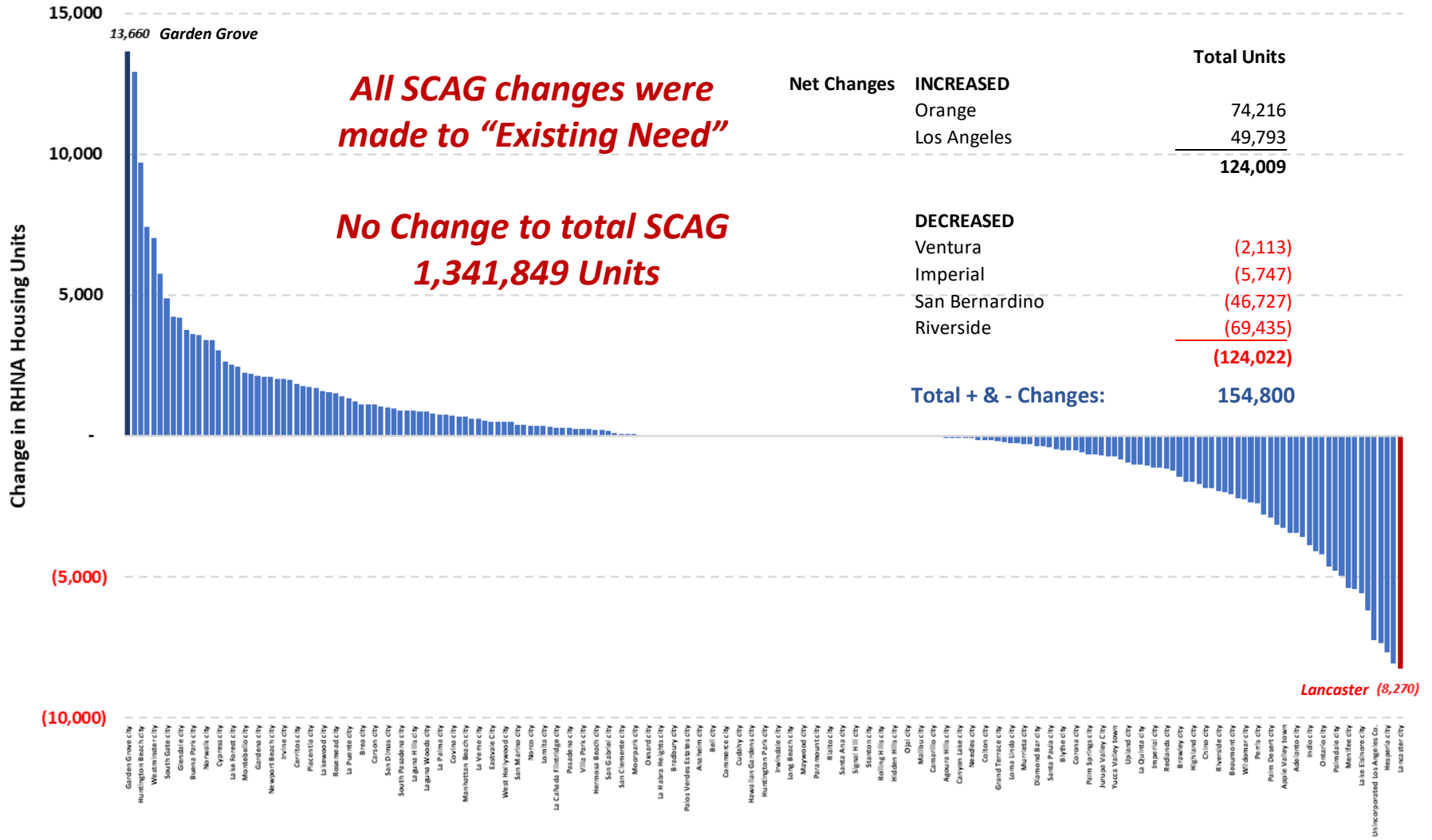
	SCAG Drafts						Change 10-16-2021 to 11-04-2021		
	10-16-2019			11-04-2019			Projected Need	Existing Need	
	Projected Need	Existing Need	Total	Projected Need	Existing Need	Total		Total	Percent
South Bay Cities COG									
Carson city	2,047	2,489	4,536	2,047	3,598	5,645	-	1,108	44.5%
El Segundo city	88	167	255	88	435	523	-	267	159.6%
Gardena city	944	2,697	3,641	944	4,833	5,776	-	2,136	79.2%
Hawthorne city	797	935	1,731	797	935	1,731	-	-	-
Hermosa Beach city	194	140	334	194	372	566	-	232	165.2%
Inglewood city	2,862	4,560	7,422	2,862	4,560	7,422	-	-	-
Lawndale city	132	841	973	132	2,398	2,530	-	1,557	185.1%
Lomita city	159	299	458	159	661	820	-	362	121.1%
Manhattan Beach city	31	71	103	31	760	791	-	689	963.7%
Palos Verdes Estates city	74	126	200	74	131	205	-	5	3.8%
Rancho Palos Verdes city	24	70	93	24	595	619	-	525	752.6%
Redondo Beach city	551	1,661	2,212	551	2,040	2,591	-	380	22.9%
Rolling Hills city	18	30	48	18	26	44	-	(4)	(13.4%)
Rolling Hills Estates city	76	119	196	76	111	188	-	(8)	(6.7%)
Torrance city	582	1,981	2,563	582	4,427	5,009	-	2,446	123.5%
Total SBCCOG	8,579	16,187	24,766	8,579	25,881	34,460	-	9,694	59.9%



No change in
“Projected Need”

SCAG 6th Cycle – Cities Change

4 Week Period 10-16-2019 to 11-04-2019



Cities - Only Every Other City Displayed

Source: SCAG RHNA Worksheet Comparisons: 10-16-2019 vs 11-04-2019 Drafts

SBCCOG RHNA 5th Cycle Overview

5th Cycle RHNA Overview CALIFORNIA

- California 5th Cycle RHNA Actuals Overview
 - Achieved 739,413 (61.8%) of the RHNA 1,195,729 Unit Total Target
 - Achieved 172,681 (25.0%) of the RHNA 691,595 Affordable Target
 - **Actual Affordable Inclusionary rate was 23.4% vs 57.8% Target Rate**

- **SCENARIO: Achievement of 100% of 5th Cycle RHNA Affordable Target (691,595) at Actual Inclusionary Rate of 23.4%**
 - Results in 2,961,383 Total Units vs 1,195,729 Stated Total (**2.5x**)
 - Market Rate Units would have been 2,269,797, **4.5x of the RHNA 504,134 Target**
 - Virtually none of these “Units” would be single family homes, the “units” in highest demand

Sources:

- (a) A Home for Every Californian - 2022 Statewide Housing Plan
<https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136>
- (b) Report card shows how badly California is failing on affordable housing - 5th Cycle RHNA - LA Daily News 11-28-2021
<https://www.dailynews.com/2021/11/28/report-card-shows-how-badly-california-is-failing-on-affordable-housing/>
- (c) CA HCD Allocations for 5th Cycle Housing Elements
<https://www.hcd.ca.gov/community-development/rhna/index.shtml#6thcycle>

5th Cycle RHNA Overview

South Bay Cities COG

- SBCCOG 5th Cycle RHNA Actuals Overview
 - Achieved 4,369 (60.4%) of the RHNA 7,233 Unit Total Target
 - Achieved 684 (16.3%) of the RHNA 4,190 Affordable Target
 - **Actual Affordable Inclusionary rate was 15.7% vs 57.9% Target Rate**

- **SCENARIO: Achievement of 100% of 5th Cycle RHNA Affordable Target (4,190) at Actual Inclusionary Rate of 15.7%**
 - Results in 26,763 Total Units vs 7,233 Mandate Total (**3.7x**)
 - Market Rate Units would be 22,573, **7.4x the RHNA 3,043 Unit Market Rate Mandate**

5th Cycle ACTUAL RHNA Permit Performance

South Bay Cities COG

SBCCOG 5th Cycle - Permit Actuals							
	(a) (input)	(b) (input)	(c) (input)	(d) (a) + (b) + (c)	(e) (input)	(f) (d) + (e)	(g) (d) ÷ (f)
Jurisdiction	Very Low Income Households	Low Income Households	Moderate Income Households	Subtotal Affordable	Above Moderate Income Households	Total	Inclusion Rate
Carson city	39	57	130	226	343	569	39.7%
El Segundo city	4	2	-	6	58	64	9.4%
Gardena city	-	-	54	54	472	526	10.3%
Hawthorne city	9	127	55	191	670	861	22.2%
Hermosa Beach city	-	-	17	17	37	54	31.5%
Inglewood city	80	1	-	81	73	154	52.6%
Lawndale city	-	-	-	-	118	118	-
Lomita city	-	9	35	44	306	350	12.6%
Manhattan Beach city	-	-	-	-	419	419	-
Palos Verdes Estates city	2	1	1	4	45	49	8.2%
Rancho Palos Verde city	5	-	7	12	118	130	9.2%
Redondo Beach city	2	38	2	42	428	470	8.9%
Rolling Hills city	-	-	-	-	2	2	-
Rolling Hills Estates city	-	-	2	2	415	417	0.5%
Torrance city	-	-	5	5	181	186	2.7%
SBCCOG PERMIT Totals	141	235	308	684	3,685	4,369	15.7%
SBCCOG RHNA Target Totals	1,869	1,116	1,205	4,190	3,043	7,233	57.9%
SBCCOG RHNA Achievement Rate	7.5%	21.1%	25.6%	16.3%	121.1%	60.4%	n/a

SCAG 5th Issued Permits INPUT Source:

Report card shows how badly California is failing on affordable housing - 5th Cycle RHNA - LA Daily News 11-28-2021

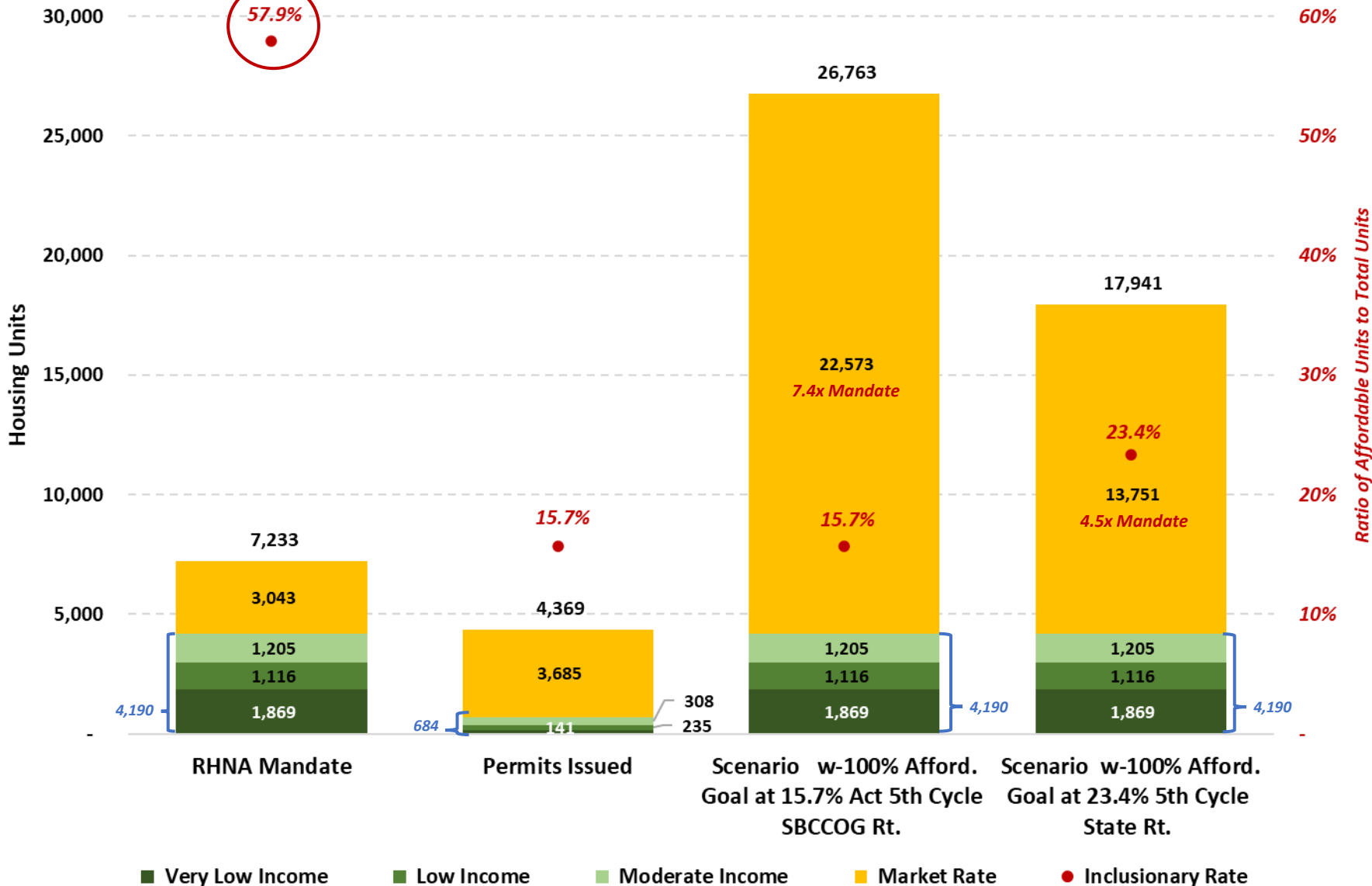
<https://www.dailynews.com/2021/11/28/report-card-shows-how-badly-california-is-failing-on-affordable-housing/>

fn: Santa Monica\Development\SoCal Assoc of Governments (SCAG)\5th Cycle - SCAG - Final\[5th Cycle - Final RHNA Plan 08-29-2012 highlighted.xlsx]SBCCOG

© 2022, Marc L. Verville. All rights reserved. No portion of this material may be copied or distributed without author's written permission.

SBCCOG RHNA 5th Cycle Overview

Market Rate Unit Excess Over Mandate



SBCCOG RHNA 6th Cycle Overview

6th Cycle RHNA Hypothetical South Bay Cities COG

- **SCENARIO: Achievement of 100% of 6th Cycle RHNA Affordable Target of 20,996 units at 5th Cycle Inclusionary Rate of 15.7% vs 61.4% 6th Cycle RHNA mandate**
 - Results in 134,110 total units vs 34,179 Stated Total Units (**3.9x**)
 - Market Rate Units would be 113,114, **8.6x** of the RHNA 13,183 Unit Market Rate Target
- **SCENARIO: Achievement of 100% of 6th Cycle RHNA Affordable Target of 20,996 units at California State 5th Cycle Inclusionary Rate of 23.4%**
 - Results in 89,904 total units vs 34,179 Stated Total Units (**2.6x**)
 - Market Rate Units would be 68,908, **5.2x** of the RHNA 13,183 Unit Market Rate Target

SBCCOG RHNA 6th Cycle Overview

March 4, 2021 Allocation

South Bay COG (SBCOG)

Jurisdiction

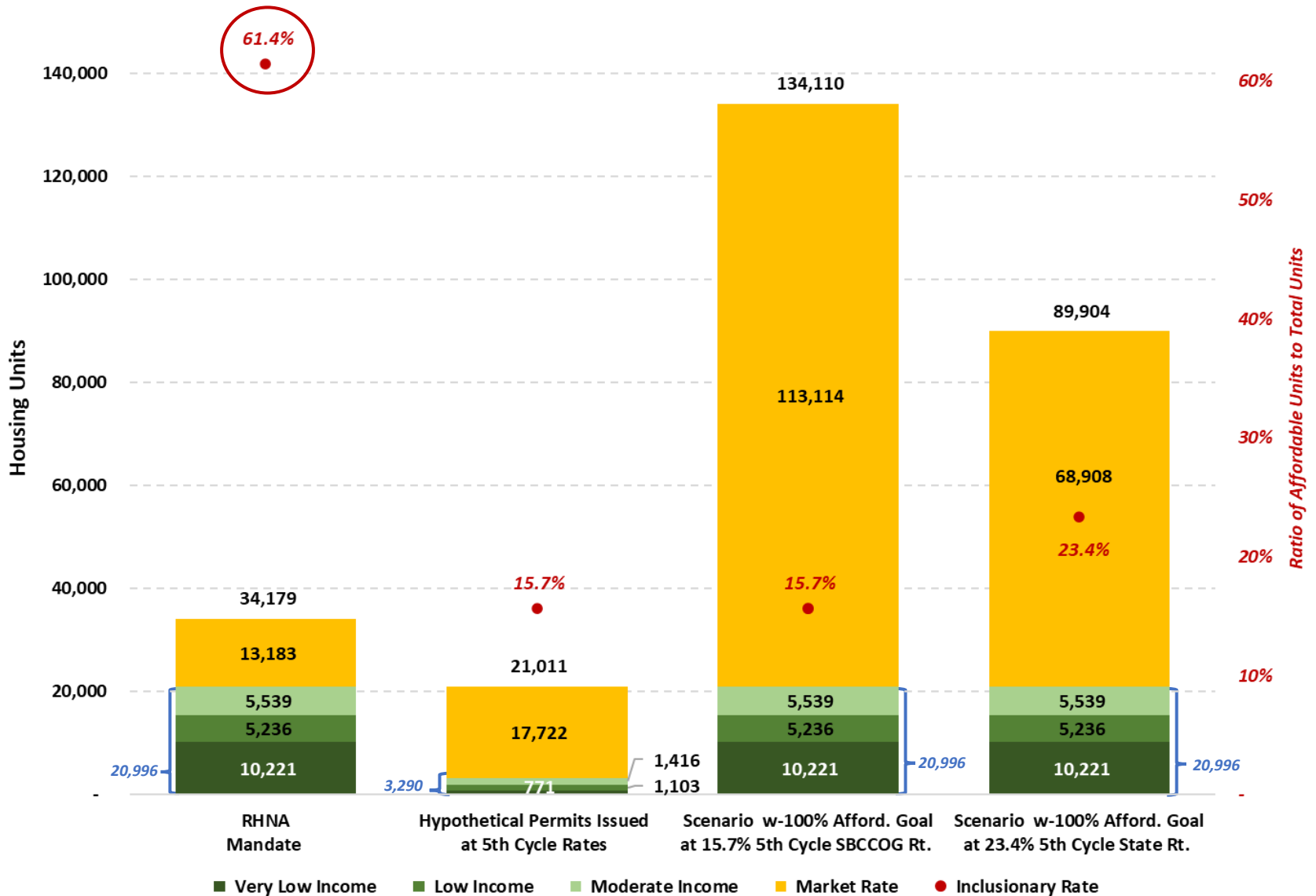
- Carson city
- El Segundo city
- Gardena city
- Hawthorne city
- Hermosa Beach city
- Inglewood city
- Lawndale city
- Lomita city
- Manhattan Beach city
- Palos Verdes Estate city
- Rancho Palos Verde city
- Redondo Beach city
- Rolling Hills city
- Rolling Hills Estates city
- Torrance city

	(a) (e) + (f)	(b) (input)	(c) (input)	(d) (input)	(e) (b) + (c) + (d)	(f) (input)	(g) (e) + (a)
	Total	Very-low income	Low income	Moderate income	Subtotal Affordable	Above- moderate income	Inclusion Rate
		<50% of AMI	50% to 80% of AMI	80% to 120% of AMI		>120% of AMI	
South Bay Cities COG Total	34,179	10,221	5,236	5,539	20,996	13,183	61.4%
RHNA 5th Cycle Inclusionary Rate		SBCCOG Actual Incl. Rate	(h)	(calc)	15.7%		
Implied TOTAL Units	134,110	(i)	(g) ÷ (h)		134,110		
Ratio of Effective Total Units to RHNA Mandate Total Units	3.92	(j)	(i) ÷ (g)				
Effective Market Rate Units		(k)	(i) - (g)		113,114	113,114	
Ratio of Effective Market Rate Units to RHNA Mandate Market Rate Units		(l)	(k) ÷ (g)			8.58	
RHNA 5th Cycle Inclusionary Rate		CA Actual Incl. Rate	(m)	(calc)	23.4%		
Implied TOTAL Units	89,904	(n)	(g) ÷ (m)		89,904		
Ratio of Effective Total Units to RHNA Mandate Total Units	2.63	(o)	(n) ÷ (g)				
Effective Market Rate Units		(p)	(n) - (g)		68,908	68,908	
Ratio of Effective Market Rate Units to RHNA Mandate Market Rate Units		(q)	(p) ÷ (g)			5.23	

Source:
 SCAG 6TH CYCLE FINAL RHNA ALLOCATION PLAN (pending HCD approval)
<https://scaq.ca.gov/sites/main/files/file-attachments/6th-cycle-rhna-proposed-final-allocation-plan.pdf?1614023284>
 C:\Santa Monica\Development\SoCal Assoc of Governments (SCAG)\6th Cycle - SCAG - Final\Final Allocations\SCAG 2021-03-04\6th Cycle RHNA Proposed Final Allocation Plan 03-04-2021.xlsx\SBCOG

SBCCOG RHNA 6th Cycle Overview

Market Rate Unit Excess Over Mandate



SBCCOG RHNA 6th Cycle Overview

Market Rate Overbuilding Population Scenarios

Infrastructure, water, open space and schools requirements do not reflect potential RHNA market outcomes and are omitted from Housing Elements and municipal budgeting management

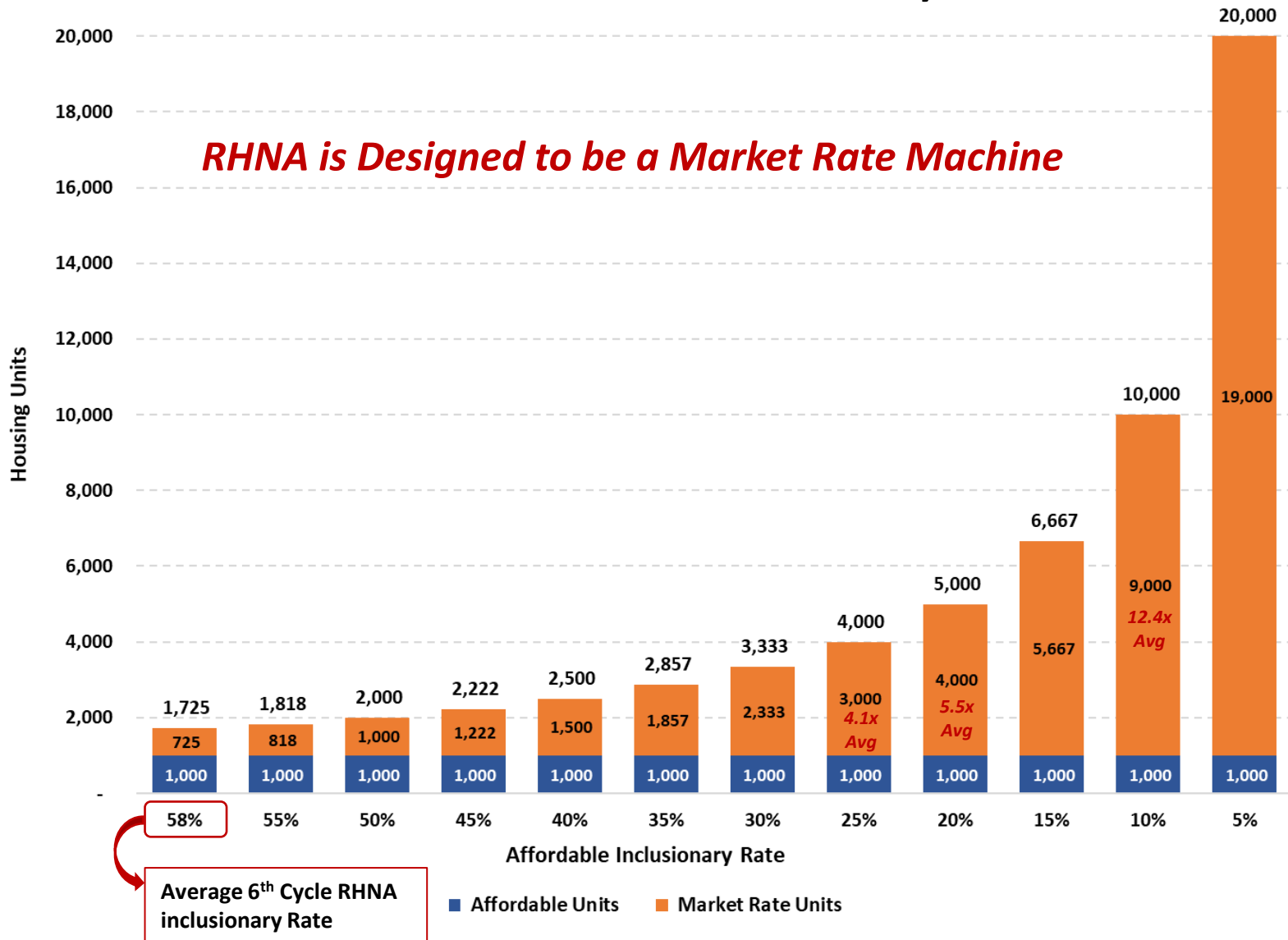
	U.S. Census 07-01-2021 Population	6th Cycle RHNA Scenarios		Total Hypothetical 5th Act Avg	Increase % Over 2021	Afford. Incl. Rates		
		Mandate at 2 PPL/Unit	Mkt Rt Incr. at 2 PPL/Unit			6th Cycle RHNA	5th Cycle Actual	5th Cycle Act Avg
RHNA Units	<i>n/a</i>	34,179	99,931	134,110	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
South Bay Cities COG								
Carson city	93,535	11,236	34,218	138,989	48.6%	63.3%	39.7%	15.7%
El Segundo city	16,898	984	3,628	21,510	27.3%	73.4%	9.4%	15.7%
Gardena city	59,702	11,470	28,644	99,816	67.2%	54.8%	10.3%	15.7%
Hawthorne city	86,091	3,468	8,004	97,563	13.3%	51.8%	22.2%	15.7%
Hermosa Beach city	19,314	1,116	4,824	25,254	30.8%	83.3%	31.5%	15.7%
Inglewood city	105,181	14,878	34,688	154,747	47.1%	52.2%	52.6%	15.7%
Lawndale city	31,121	4,994	13,070	49,185	58.0%	56.6%	15.7%	15.7%
Lomita city	20,428	1,658	4,614	26,700	30.7%	59.2%	12.6%	15.7%
Manhattan Beach city	34,668	1,548	6,654	42,870	23.7%	82.9%	15.7%	15.7%
Palos Verdes Estates city	13,052	398	1,824	15,274	17.0%	87.4%	8.2%	15.7%
Rancho Palos Verdes city	41,295	1,278	5,326	47,899	16.0%	80.9%	9.2%	15.7%
Redondo Beach city	69,781	4,980	19,726	94,487	35.4%	77.7%	8.9%	15.7%
Rolling Hills city	<i>n/a</i>	90	420	510	<i>n/a</i>	88.9%	15.7%	15.7%
Rolling Hills Estates city	8,160	382	1,688	10,230	25.4%	84.8%	0.5%	15.7%
Torrance city	143,600	9,878	32,534	186,012	29.5%	67.2%	2.7%	15.7%
Total SBCCOG	742,826	68,358	199,862	1,011,046	36.1%	61.4%	15.7%	15.7%
	100.0%	9.2%	26.9%	136.1%				

- **Assumes 2 persons per unit**
- [2020 Santa Monica Census average was 1.78 people per unit](#)
- [2020 LA County Census average was 2.79 persons per unit](#)

268k Total Population Hypo Δ @ 15.7% Inclusionary Rate Average
520k Total Population Hypo Δ @ 8.1% Inclusionary Rate by City

Implications of the Default RHNA Inclusionary Affordable Framework

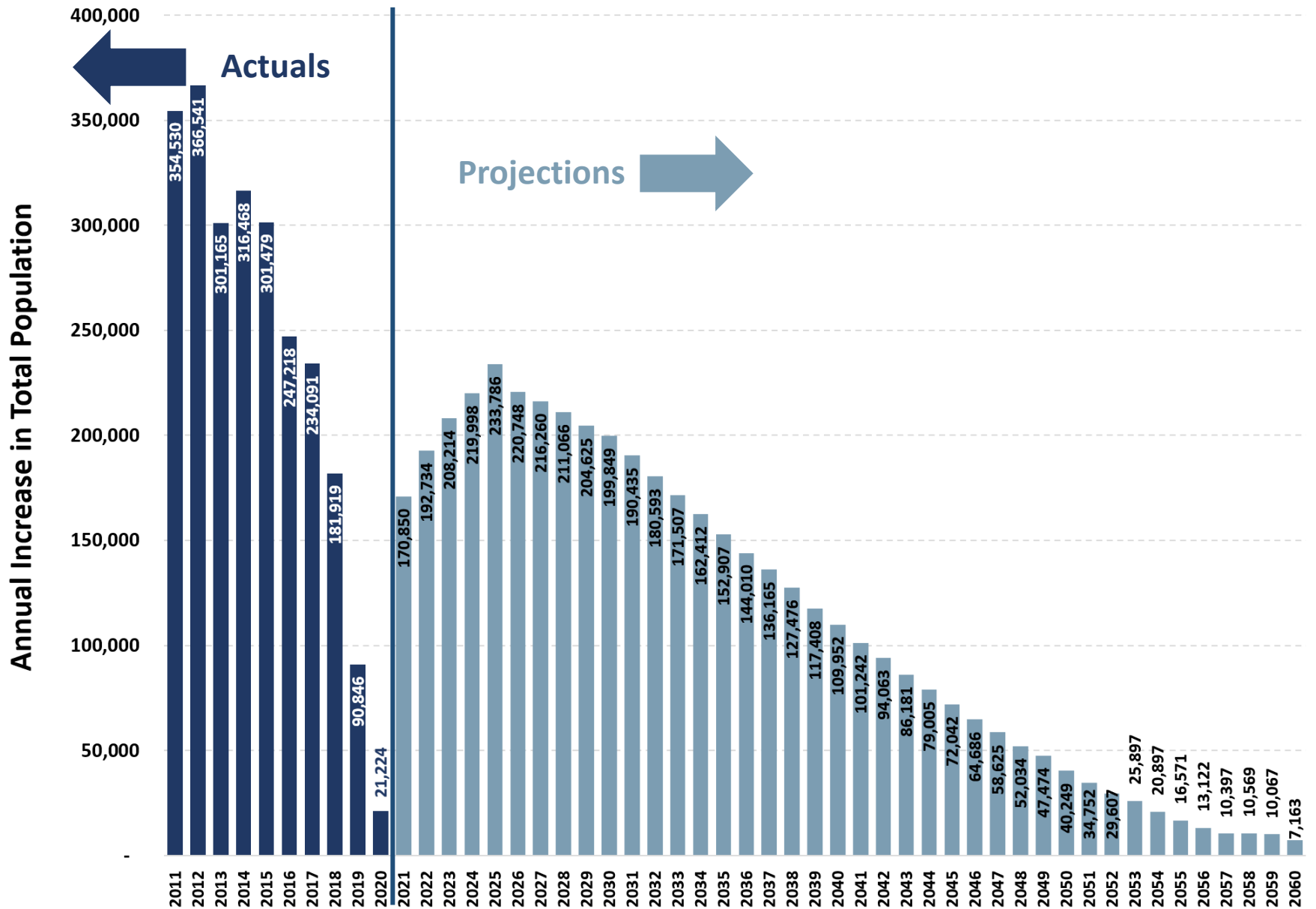
Total and Market Rate Unit Requirement to Achieve 1,000 Affordable Units at Stated Inclusionary Rates



Thank You!

Appendix

Annual Change in California Population



Data Source: California Department of Finance – July 2021

<https://www.dof.ca.gov/forecasting/demographics/projections/>

https://www.dof.ca.gov/forecasting/demographics/projections/documents/P1A_State_Total.xlsx

© 2022, Marc L. Verville. All rights reserved. No portion of this material may be copied or distributed without author's written permission.