

November 8, 2019

Greg Chew
Sacramento Area Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

Subject: Regional Housing Needs Allocation

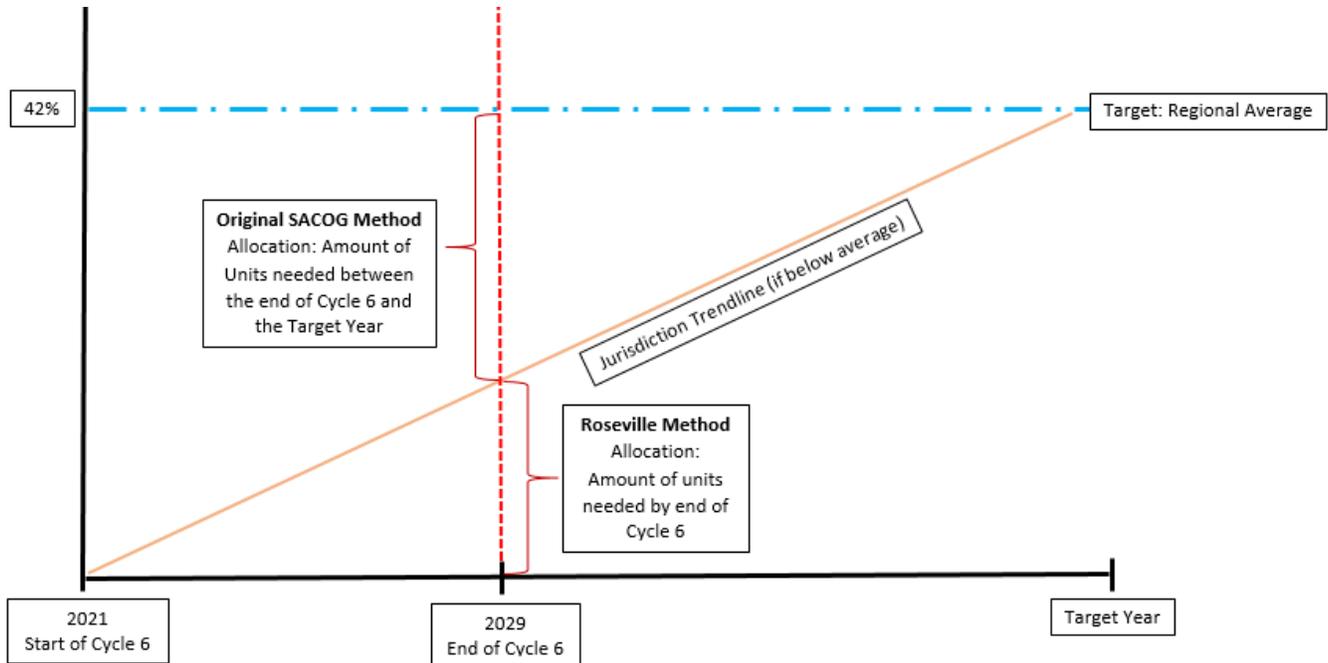
Thank you for the opportunity to participate in the Regional Housing Needs Allocation (RHNA) process. City staff attended all of the RHNA meetings, participated in good faith, and shared the City's concerns as well as suggested solutions early and often. Unfortunately, the City's concerns have not been resolved. The City recognizes and appreciates that Sacramento Area Council of Governments (SACOG) staff has limited control over certain matters. Regardless, the City's overarching concern is fundamental: the allocation and methodologies being proposed are infeasible to implement, and will likely result in non-compliant Housing Elements in the region.

The City's concerns are described in detail below, but our concerns focus on four fundamental issues:

- The selected weights and caps are arbitrary, and no explanation of the reason for their selection has been provided. The City believes the selected weights and caps should be fully discussed and justified.
- The method used to map "high opportunity" areas for the Affirmatively Furthering Fair Housing criterion does not take into account proximity to transit, services, or healthcare, even though these are critical for the success of affordable housing sites.
- For the Jobs Housing Balance criterion, the data includes teenagers and persons who are partnered with high-wage job holders, not just the number of low wage jobs held by heads of household or other persons responsible for paying rent. The City is concerned this results in an over-allocation of units.
- Preliminary analysis shows the City does not currently have enough High Density Residential land to accommodate the projected RHNA allocation for lower income units, and even the most optimistic plans to increase our capacity will remain up to 900 units short of our allocation. The City believes the allocation from HCD and the methodologies proposed by SACOG staff result in unreasonably high numbers.

Methodology Concerns

Regional Income Parity: Fundamentally, this methodology consists of calculating the regional average percentage of low-income households in the SACOG region, establishing a target year by which jurisdictions should be consistent with the average, and finding the number of units which would need to be added or subtracted from a jurisdiction in order to achieve the average. The calculation first proposed by SACOG staff, and used in previous Cycles, selected a distant target year of 2060 (since last cycle had been 2050). However, instead of assigning the number of units needed within the housing cycle, the methodology took all of the growth from the end of Cycle 6 through 2060 and put those units back into Cycle 6 (herein the "original SACOG method"). Roseville recommended allocating the units which would be needed by the end of the current Housing Element Cycle in order to maintain the desired trendline (herein the "Roseville method"). The difference between these methodologies is represented graphically below.



SACOG staff agreed to present Roseville’s methodology to the jurisdictions, and ultimately included it as the calculation proposed to the SACOG Board, using a target year of 2035 (to match the MTP planning period). The weighting applied to the methodology resulted in numbers that are nearly identical to the original SACOG method (herein the “proposed method”). This is shown in the table below, using Roseville’s allocation as the example. Note that a 100% weight means that 100% of the calculation results are used, and so is the same as saying the results are not weighted.

Original SACOG Method		Proposed Method		Roseville Method	
High (100% weight)	Moderate (60% weight)	High (140% weight)	Moderate (85% weight)	High (100% weight)	Moderate (60% weight)
406 units	244 units	409 units	248 units	292 units	175 units

As shown, the results of the original SACOG method and the proposed method are effectively identical, even though the calculation methodologies are entirely different. Roseville is opposed to this approach, because it does not rely on the actual calculation to determine the results. In the case of Regional Income Parity, Roseville urges the SACOG Board to use the calculation with 100% weighting as the “high” option, because it represents 100% of the *actual unit increases or decreases which would be needed*. Consistent with the other methodologies, the “moderate” option would then have a lower weighting applied to reduce its impact.

Affirmatively Furthering Fair Housing (Fair Housing): While the Regional Income Parity calculation uses well-defined data sets to determine the actual number of units needed to achieve regional parity, this is not the case for the Fair Housing calculation, because there is no explicit or direct way to define or measure “fair housing.” SACOG has proposed to use a variety of proxy metrics to address this criterion, by correlating factors such as high school graduation rates, school test scores, unemployment, and poverty. Conceptually, areas which are high opportunity (good schools, low poverty, etc) would be allocated more units and areas which are low opportunity would see a reduction in the allocation. Roseville agrees with this approach, but has significant concerns about the way it is implemented.

The method used to map “high opportunity” areas has two flaws of concern to Roseville. First, the data sets used to determine “high opportunity” areas do not take into account proximity to transit, services, or healthcare. As a result, the entirety of Roseville’s western edge is considered “high opportunity,” even though the nearest grocery store is several miles away, transit is absent or infrequent, and the nearest hospitals are on the eastern side of

the City. Particularly when talking about low-income households, proximity to transit and services is critical. It is inappropriate to exclude these factors when determining which areas are high opportunity for low income units. SACOG staff has responded to this concern by stating that eventually transit and services will come to these areas. However, the City would remind SACOG that these vacant areas of the City represent 20–25 years of growth capacity, and the units at the existing City edge have been waiting upwards of 10 years for a grocery store to be developed nearby. Meanwhile, the housing cycle we are planning for is 8 years.

The second flaw relates to the fact that newly developing and future development areas have low poverty, a lack of negative school test scores, low pollution burdens, and other “high opportunity” factors simply because there is a lack of data. Brand new subdivisions and schools won’t have high poverty or a history of low test scores, but they may develop such data over time. Roseville (and other communities) have seen this happen many times. This issue of low data availability leading to automatic positive results can’t be directly addressed, but can be offset by including data on proximity to transit and services in the data set. Areas with low proximity to transit and services will coincide with newly developing or undeveloped areas.

Finally, the City has concerns about the weighting and capping methodologies being employed, as discussed later in this letter.

Jobs/Housing Balance (Jobs/Housing): The City’s concerns with this factor are similar to our concerns with the Fair Housing calculation. There is no explicit or direct way to define or measure a “low-wage job” or units affordable to “low wage workers.” Most critically, available data sets have not been cross-referenced with demographic information or household characteristics. This means that in addition to capturing the number of low wage jobs held by heads of household or other persons responsible for paying rent—our target for RHNA purposes—that data also includes teenagers and persons who are partnered with high-wage job holders. Roseville has a regional mall and other uses which typically employ workers under 18—more so than many other jurisdictions. Roseville is deeply concerned that the data over-allocates units to the City, and strongly urges SACOG to examine whether some adjustment to this data can be made to account for demographic data. For example, if a jurisdiction has a lower- or higher-than-average share of persons under the age of 18, the proportion of low wage jobs could be adjusted.

The City has concerns about the weighting and capping methodologies being employed, as discussed below.

Weighting and Capping Insufficiently Explained

As discussed above, all of the calculation methodologies presented by SACOG staff apply weighting and capping. The selected weights and caps have a substantial impact on the resultant allocation. The SACOG staff report offers two lines of explanation (Attachment A, Page 11):

The menu employs weighting and caps to emphasize and deemphasize the resulting impact of unweighted variances described in the adjustment factor tables above. Given the fact that the unweighted variances are widely different measurements, such weighting/capping is necessary to ensure any one adjustment is not dramatically overshadowing the other two.

Roseville does not see a need to use weighting or capping for the “High” Regional Parity option, because the unadjusted results are based on the actual need. However, Roseville understands there is a need to make some adjustment to Fair Housing and Jobs/Housing, because these use imperfect proxy data, and the unadjusted results are very disproportionate. Using the Roseville method for Regional Income Parity, the variances range from -11% to 12%, which is a balanced and data-based result. However, the unadjusted variance range for Fair Housing is -37% to 63%, and the differences within the Jobs/Housing factor are even more substantial, with the unadjusted variance ranging from -170% to 740%. If left unadjusted, some jurisdictions would receive the majority of their allocation from a single factor, and the allocation would exceed their total RHNA allocation. For example, Folsom would receive over 19,000 low income units (their total allocation is 6,363 units). These results demonstrate the problems inherent within the calculation methodologies, as described earlier in this letter. The calculation issues require some means of adjusting the totals to achieve proportionate results.

While some adjustment is needed, the selected weights and caps are arbitrary, and no explanation of the reason for their selection has been provided. The City believes the selected weights and caps should be fully discussed and justified.

Over-Allocation of Units: SACOG

The City's initial allocation—the affordable base—is 4,913 units. The methodologies proposed by SACOG would adjust the City's final affordable base requirement to between 5,800 units and 6,300 units. Although the City's adequate sites analysis won't be completed for some time, preliminary analysis indicates that optimistically, the City's existing inventory includes approximately 3,900 units. Therefore, the City would need to find additional land for between 1,900 and 2,400 units. *This is a substantial increase in units*, and suggests to the City that the proposed weights and caps are not reasonable. As described in the Options for Compliance section of this letter, the City believes achievement of the allocation is unreasonable based on the fact that the City already has 20–25 years of unbuilt supply. The City urges the SACOG Board to direct SACOG staff to revise the proposed methodologies.

Options for Compliance

Existing Specific Plans: The City has several approved Specific Plan areas with undeveloped land: the Amoruso, Creekview, and Sierra Vista Specific Plans and the Campus Oaks Master Plan. However, all of these planning areas are encumbered by active Development Agreements which are not set to expire for several decades. Development Agreements are binding contracts which, among other things, guarantee development rights. The only way to change land use designations in these areas would be to negotiate with property owners to voluntarily rezone property. The City has had preliminary discussions on this topic with multiple developers holding large areas of land interest. The response has not been favorable, as high density housing has the least return on investment. Although staff will continue to pursue this option, staff has low expectations of achieving success.

New Corridor Plans: Staff has begun investigating ways in which additional units can be gained from the developed areas of the City, either through redevelopment or the development of long-vacant infill sites. The City will be applying for SB 2 grant funding to develop new corridor plans along Douglas Boulevard, Harding Boulevard, Sunrise Boulevard, and Atlantic Street, and preliminary estimates suggest the potential to add up to 400 hundred units from this effort.

Removing or Increasing Density Limitations in the Infill Area: While the City's General Plan land use designations provide for a range of housing densities in each of the residential land use categories, the City's land use maps include fixed densities for each land use polygon (e.g. High Density Residential-15). The City has taken this approach in order to support detailed environmental and facility master planning for the Specific Plan areas, which allows streamlining of later development. However, the City is investigating the possibility of removing or increasing the density limitations within the Infill area of the City, where there are no active Development Agreements. This task would require substantial technical analysis and potential infrastructure upgrades to support this increase. To receive credit for these properties, the City would need to show "realistic and demonstrated potential" for redevelopment, so it is unknown how many units the City could be credited. The City has prepared an extremely optimistic assessment of redevelopment potential showing that as many as 1,000 units could be gained. The City would expect the credited amount to be lower.

Conclusion: Given the above constraints, staff does not think it is possible to accommodate the RHNA allocation. Even the most optimistic evaluation shows we can achieve an approximate 1,400-unit increase, which is below the 1,900 to 2,400 units required based on the current SACOG methodologies.

Over-Allocation of Units: HCD

Although not directly within the control of SACOG staff, the City thinks it's important to underscore the fact that many of the problems we're grappling with are the result of the over-allocation of units by the California Department of Housing and Community Development (HCD). This is evidenced by the conflicts between the

Metropolitan Transportation Plan (MTP) and HCD housing projections. HCD has allocated 153,512 units to the SACOG region for the eight-year planning period of 2021–2029. The City's allocation for this period is 12,066 units, which is calculated based on the City's percentage of MTP growth (7.9%). However, the MTP growth projections show total City growth between 2016 and 2035 will be 17,460 units, which represents only 7,351 units during any given eight-year period. *Therefore, the RHNA allocation assigns the City nearly 5,000 more units than the MTP projects will develop within the planning period.*

It is also notable that this growth rate within the MTP/SCS is consistent with the City's data on historic average and projected future growth rates. In order to successfully build 12,066 units within an eight year period, the City would need to final building permits for over 1,500 units per year, which is not achievable based on historic, current, or predicted future market conditions. This is demonstrated by Attachment 1 of this letter, which provides annual (fiscal year) building permit data for the last five years. According to this data, in the last five years the City has finalized an average of 893 building permits per year, and the highest single year was 1,172 permits. In the City's data, there is visible year-on-year growth in the housing market during the period, as the economy continued to improve. However, key organizations that track the housing market (UCLA Anderson Forecast, California Association of Realtors, and others) are predicting a cooling in the market. While another deep recession is not predicted, the housing market is predicted to plateau and then decline. Based on the number of building permits issued and finalized to date, the City is predicting that fiscal year 2019/2020 will produce approximately 900 units. Therefore, the data shows that 1,500 units per year is well above either historic or predicted future levels of development.

The response to this concern has been a statement that RHNA is a planning tool, and does not include a requirement to construct. While RHNA itself does not yet contain a construction mandate, there are multiple new regulations which require jurisdictions to produce RHNA housing, or face negative consequences. This includes Senate Bill 35, which removes local land use discretion for affordable housing projects as a consequence of failing to produce RHNA housing; Senate Bill 1333, which requires inventory sites to be developed at the density identified within the inventory (or the loss must be made up); and Assembly Bill 1397, which indicates that redevelopment sites included in a prior cycle and vacant sites included in two or more cycles which have not been developed are presumed inappropriate ("shall not be deemed adequate") for inclusion in the current cycle. As a consequence, there is a clear expectation that the housing allocated in the RHNA process should be produced. Given all of these factors, jurisdictions should not be allocated substantially more units than could feasibly be constructed within the planning period.

The City Produces Housing

Statewide data clearly shows that California is not producing enough housing to meet demand, particularly as it relates to affordable housing. RHNA is intended as a part of the solution to this problem, by assigning needed units to each jurisdiction, and requiring land use plans to accommodate those needed units. However, "need" is determined mainly based on existing growth patterns rather than on actual, documented need. Therefore, cities such as Roseville who are successfully producing housing every year are given substantially higher allocations than cities which produce little to no housing.

In enacting state legislation and discussing the state's housing crisis, the Governor and legislators have argued that a primary cause is local government acting as a barrier to the construction of housing in general and low-income housing in particular. This is not true of Roseville. During this past housing cycle, the City has approved every high density housing project which has been proposed even though all of them have generated neighborhood opposition—in one case leading to a lawsuit, which was successfully defended. In addition, the City has development streamlining options for high density residential projects, and the City has provided millions in gap funding to many affordable housing projects.

In just the past year, multiple projects which provide affordable housing have been approved or constructed within the City, including:

- The Lohse building – a 100% affordable housing project, which is a mixed use building with ground-floor retail space and 58 units, at a density of more than 60 units per acre, located at 623 Vernon Street. The City provided gap funding in the amount of \$5.76 million.
- Main Street Plaza – a 100% affordable housing project, which is two mixed-use buildings with ground floor retail and 65 units, at a density of more than 50 units per acre, located at the northeastern corner of Main Street and Washington Boulevard. The City provided gap funding in the amount of approximately \$3 million as well as land valued at \$875,000, and 30 project-based housing vouchers.
- Junction Station – a 100% affordable housing project, which is 80 units at a density of more than 50 units per acre, located at 120 Pacific Street. The City provided gap funding in the amount of \$4.36 million.
- Old Town Lofts – a 22-unit attached townhome project at a density of 25 units to the acre, located at 241 Nevada Street.
- Huntington Senior Apartments – a 76-unit senior apartment complex at a density of 23 units per acre, located at 1650 Huntington Drive.

All of the above housing projects were listed in this letter because they are infill projects within established neighborhoods and communities—exactly the kind of project that is needed, and which the state has argued local governments are not approving or supporting. Moreover, the City will not receive appropriate RHNA credit for the Lohse, Old Town Lofts, or Huntington Senior Apartments projects. All three of these projects either are or will be completed and occupied within Cycle 5, which ends on June 30, 2021, but none of these sites were identified as high density residential housing in the City's Cycle 5 Housing Element. Despite never having taken credit for these units, HCD will not give Cycle 6 credit for any housing built during Cycle 5. Legislation has enacted “net loss” provisions which require local governments to make up any units credited but not built when a site develops. SACOG and HCD should consider advocating for “net gain” provisions to allow jurisdictions to receive credit for producing housing which was neither included in the jurisdiction's housing inventory nor used to offset a net loss.

In addition to the high density housing projects listed above, the City ensures that all new planning areas contain a balanced mix of housing, and provide their fair share of affordable housing and high density housing. Since adoption of the Housing Element at the start of Cycle 5, the City has approved two new planning areas: the Hewlett-Packard Campus Oaks Master Plan and the Amoruso Ranch Specific Plan. Combined, these new planning areas provide an additional 1,268 units of high density residential units for the City, but only 873 units can be counted toward Cycle 6, because many are currently under construction and will be completed within Cycle 5.

Conclusion

As evidenced by its continued growth, the City is committed to the planning and production of housing at all income levels and densities. Using the last housing cycle as a guide, the City ensured that any new planning area contained a mix of housing types and land use densities and ensured that at least 10% of new planned housing is affordable to low income households. This planning was successful; had the allocation this Cycle been similar to the previous Cycle, the City would already have enough high density housing in its inventory. However, the City is now presented with a low income housing allocation which is over 60% higher than the prior Cycle and is struggling to find a means of compliance. The City is deeply concerned that the allocation and methodologies being proposed are infeasible to implement, and will result in non-compliant Housing Elements in the region.

Should you have any questions regarding the comments provided in this letter, please feel free to contact me by phone at (916) 774-5272 or by email at lhocker@roseville.ca.us.

Sincerely,



Lauren Hocker
Senior Planner

Attachments

1. 5-year Building Permit data

cc: City Manager
Assistant City Manager
Development Services Director
Planning Manager

Attachment 1: Residential Building Permits (Final) 2014–2018

Calendar Year	Total Units
2014	572
2015	952
2016	822
2017	949
2018	1172