



City of Hermosa Beach

Information Item

DATE: January 14, 2020
TO: Mayor and City Council
FROM: Ken Robertson, Community Development Director
SUBJECT: Update on Regional Housing Needs Assessment (RHNA) and Housing Element

Introduction

The Housing Element is a required component of the City's General Plan. State law requires that each city and county in the Southern California Association of Governments (SCAG) region adopt an update to its Housing Element for the 2021-2029 planning period no later than October 2021.

The Regional Housing Needs Assessment (RHNA) is one of the most important aspects of the Housing Element. The RHNA establishes the amount of new housing each city must plan for during the 8-year period. Under State law, the Housing Element must include an inventory of specific parcels where additional housing development could reasonably occur based upon zoning, development standards, existing site conditions and development trends.

Discussion

The State Legislature has delegated authority to the California Department of Housing and Community Development (HCD) to quantify new housing needs for the various regions throughout the state for each planning period. Last August HCD published a draft RHNA allocation of 1,344,740 housing units for the SCAG region for the 2021-2029 planning period. That allocation was more than three times SCAG's allocation of 412,137 units for the 5th planning cycle (2013-2021) and nearly double the 4th cycle RHNA (2006-2014). SCAG filed an "objection" to the draft RHNA allocation with HCD and in response, HCD approved a slightly lower final allocation of 1,341,827 units.

State law requires SCAG to adopt a "RHNA Plan" that allocates the regional total to cities and counties within the region, and on November 7th SCAG's Regional Council approved a draft RHNA Plan for submittal to HCD. The RHNA Plan is required by law to fully allocate the regional total RHNA allocation. HCD is currently reviewing the draft plan pursuant to State law.

Under SCAG's draft RHNA Plan, Hermosa Beach would be assigned a total RHNA allocation of 566 new housing units distributed among income categories as follows:

235 very low
129 low
107 moderate
95 above moderate



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Previous RHNA allocations to Hermosa Beach for the last two cycles were as follows:

5th cycle (2013-2021): 2 units
4th cycle (2006-2014): 562 units

If HCD approves SCAG's draft RHNA Plan, proposed final allocations are expected to be published by SCAG by early March. An appeals process will then commence with final adoption of the RHNA Plan by SCAG's Regional Council in October of this year. By law, the RHNA Plan must be adopted by SCAG at least a year before the Housing Element due date of October 15, 2021.

Consequences and Policy Options

RHNA allocations have significant land use implications for local jurisdictions because the Housing Element must demonstrate the availability of adequate sites with realistic capacity for housing development commensurate with the RHNA in each income category. If sufficient capacity for new housing development is not demonstrated, rezoning to create additional residential capacity is required in order to obtain HCD certification of the Housing Element. Jurisdictions with a State-certified Housing Element have greater opportunities for grant funding and reduced risk of litigation.

In the 4th Housing Element cycle, Hermosa Beach was required to rezone several commercial properties to allow residential and mixed-use development in order to satisfy RHNA requirements. However, under recent changes to Housing Element law, the criteria for "suitable sites" to satisfy RHNA obligations are unclear. Until HCD provides specific guidance on the new legal requirements and the City submits a draft Housing Element for HCD review, it is difficult to predict what specific zoning actions may be necessary to obtain Housing Element certification. In part because of SCAG's extraordinarily high RHNA allocation, HCD staff has indicated that accessory dwelling units (ADUs) will likely represent a much more important component of the inventory of potential housing sites to accommodate the RHNA. HCD has broad discretion to determine the amount of "RHNA credit" each jurisdiction receives for anticipated ADUs, and cities that encourage ADU development are more likely to receive more credit for ADUs in their Housing Element sites inventory.

Cities in the SCAG region have the following limited options to influence the RHNA allocations:

- Submit comments to HCD on SCAG's RHNA methodology. Individual jurisdictions or subregional councils of governments may choose to submit letters to HCD asking for a reduction in the total RHNA or modification to SCAG's methodology.
- File an appeal with SCAG requesting a reduced RHNA allocation. After HCD completes its review of SCAG's draft RHNA methodology and SCAG's Regional Council formally publishes the draft RHNA allocations, an appeals process will commence. RHNA appeals will be heard and acted upon by SCAG's RHNA Subcommittee.



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It is staff's opinion that the first option - submittal of comments to HCD - would likely not result in a reduction to the Hermosa Beach RHNA allocation for two reasons: 1) the total RHNA allocation for the SCAG region has been adopted in final form and no modifications can be made other than through judicial intervention; and 2) HCD is primarily concerned with maintaining the regional total RHNA allocation and defers to SCAG in determining how that total is distributed unless it can be clearly demonstrated that SCAG abused its discretion in determining the RHNA methodology.

The second option – filing a RHNA appeal with SCAG - is not yet ripe because SCAG has not published the final RHNA methodology. After the final methodology is adopted by the Regional Council, expected in February/March, staff will advise the City Council on available options at that time.

Conclusion

Like many urbanized beach communities, Hermosa Beach faces multiple constraints on new affordable housing development. The city is almost completely “built out” and new housing requires the replacement or conversion of existing residential buildings or redevelopment of commercially-zoned property, which would be inconsistent with the goals of PLAN Hermosa. Exceptionally high land cost and the lack of appropriately-sized vacant properties make affordable housing development difficult, even if large financial subsidies were available. In addition, Coastal Commission policies favor visitor-serving uses over residential development.

The State's extraordinarily high RHNA allocation to the SCAG region, combined with changes to State Housing Element law, will make the next Housing Element process far more challenging than in the past. The Legislature has granted HCD considerable discretion in determining whether a jurisdiction has demonstrated adequate sites to accommodate its RHNA allocation, and those jurisdictions that are viewed as “team players” in the effort to address the housing crisis are more likely to achieve Housing Element certification.