

San Luis Obispo Council of Governments

Regional Housing Needs Plan



January 2003

SAN LUIS OBISPO COUNCIL OF GOVERNMENTS

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EXECUTIVE SUMMARY

The Regional Housing Needs Plan (RHNP) prepared by San Luis Obispo Council of Governments (SLOCOG) establishes numerical targets for the development of housing units in the state-mandated Housing Element update that each of the seven incorporated cities and the County of San Luis Obispo are to accomplish during 2003. HCD has established a regional housing needs allocation of 18,035 for the SLOCOG region. The law requires that SLOCOG address housing needs in the county through the RHNP which is designed to meet guidelines set forth by the California State Department of Housing and Community Development (HCD) in compliance with State housing law (Government Code Sections 65583 and 65584).

SLOCOG recognizes the importance of creating more housing opportunities for area residents, especially those at the lower end of the income-earning spectrum. The area's housing market has witnessed unprecedented increases in home sale prices and rental rates. Income earnings have not risen at near these rates and strong job growth and immigration have provided added complexities. The County is faced with serious concerns in terms of maintaining the vibrant economy and valued labor force, while protecting natural resources, environmentally sensitive areas, premium agricultural lands, open spaces and at the same time limiting traffic congestion and protecting and improving air quality. Cities and the County are faced with creating ways to foster housing development without overloading infrastructure and the ability to provide services. Doing so may be the greatest challenge to the region in the next decade if we are to maintain and seek to improve the quality-of-life and the area's environment.

In attempting to address the need for affordable housing, SLOCOG has worked closely with a housing advisory committee, local housing advocates, city and county planners, environmental groups, Local Agency Formation Commission (LAFCO), and HCD in an effort to gain needed input for the following plan.

The key component of the plan is a series of tables that enumerate housing unit allocations by income categories to SLOCOG member agencies. These tables can be found on page 6 of the RHNP. The seven incorporated cities and the County are required to integrate the housing unit distribution numbers identified in the RHNP in the update the Housing Elements of their General Plan in order to accommodate their "fair share" of the anticipated future housing demand. This effort will challenge many of these communities as they seek to respect prior planning efforts, resource and regulatory constraints and potential local opposition to increased densities, rezoning proposals, and/or expansion of existing community boundaries.

The RHNP is intended to assure that adequate sites and zoning exist to address anticipated housing demand during the planning period. The targets also help to ensure that the availability of sites exists to accommodate the housing need of a range of socioeconomic segments of a community. They are not housing unit quotas that jurisdictions must achieve within the time frame of their next housing element update. One of the few tools available to local jurisdictions to influence the development of affordable housing is the power to regulate land use. Breaking down development barriers, such as exclusively low-density zoning and exclusionary growth controls is a major goal of state housing law.

Also included in the RHNP is background information to the planning process; a schedule of implementation; state law guiding the process; and, a detailed account of the correspondences between HCD and SLOCOG as SLOCOG attempted to negotiate with HCD in order to achieve a regional allocation suitable to the area.

SLOCOG Principles for Developing Housing Policy

Jobs / Housing Balance

People should have a reasonable opportunity to live close to where they work and each urban area should strive to achieve a better balance between housing and jobs; projects that are appropriately sited and seek to improve that balance should be encouraged through redesigned and efficient planning and development processes.

Permit Streamlining

Local, state and federal agencies should eliminate redundant policies and practices that are found to be obstacles to the production of appropriately located affordable housing, consistent with sound infill development opportunities and environmentally sensitive areas.

Mixed-Use Development

Support appropriately located mixed-use projects that encourage efficient transportation services and walkable communities.

Urban Limits

Urban areas should be efficiently developed within their respective boundaries. Support should be provided to agencies for the redevelopment of underutilized areas that can provide additional housing or employment opportunities that minimize the demands placed upon outlying agricultural or open space areas.

Wildlife/Environmental Sensitivity

Preserve and restore natural areas and open spaces in conjunction with efforts to provide appropriate housing and economic development in a manner that respects significant wildlife habitat, conserves land and preserves natural resources.

Social Equity: Housing for All Incomes and Age Levels

The long-term health of our economy and quality of life depends on maintaining a diverse population composed of a balance of income and age groups. A mixed housing stock addressing the range of housing options within communities provides the opportunity for diversity of age, lifestyle and incomes for residents.

Higher Density/Multi-Family Design

Good design is critical to community acceptance of higher density projects. Provide support for the development of design guidelines that presents attractive higher density affordable housing, which promotes responsible, efficient, and compact development to facilitate the preservation of open space.

Financing Mechanisms

Support the Affordable Housing Trust Fund as a vehicle to secure needed funds to assist in developing housing and to qualify for state matching funds. Affordable or workforce housing receiving public subsidies should be subject to restrictions that keep the housing affordable for an extended period of time or return some portion of the incremental gain in value for reinvestment in additional housing opportunities.

Regional Cooperation

Agencies (federal, state and local) should work cooperatively to address the housing and development needs of the community as a whole in a manner that recognizes the common needs of the populace and the impacts to the environment.

INTRODUCTION

A. Background

The Regional Housing Needs Plan (RHNP) is a required part of a statewide process intended to address housing issues related to future growth. The RHNP is the document that identifies the allocation to cities and counties of their “fair share” of the region’s current unmet needs as well as future projected housing needs by household income group. The RHNP identifies and quantifies both existing and anticipated housing needs for each jurisdiction over the seven and a half-year period between January 2001 and July 2008. After the San Luis Obispo Council of Governments (SLOCOG) adopts the document each jurisdiction is then required to update the Housing Element component of their General Plan by December 31, 2003 to address how and where they will attempt to meet that need. The RHNP is subject to approval by the State Department of Housing and Community Development (HCD) and is detailed under the California Government Code, Section 65584 (See Appendix D).

The RHNP recognizes the need to address the impacts of job-driven population growth and demographic change on a region’s housing supply. These impacts affect home prices, choices, availability, affordability, and maintenance level of the housing stock. The needs assessment process sets numeric “targets” that take into account housing demand and social goals, while complying with state housing law. The State Department of Housing and Community Development (HCD) provides a minimum baseline need to San Luis Obispo Council of Governments (SLOCOG), which in cooperation with local governments and public input, allocates the countywide housing need to local jurisdictions. The seven incorporated cities and the unincorporated county are then required to plan for, through updates of general plan housing and land-use elements, their SLOCOG determined share of the HCD allocation to the region. HCD methodology for calculating regional housing needs can be found in Appendix C.

The core of the RHNP is a series of tables which indicate, for each jurisdiction, the distribution of housing needs for each of four household income groups to be planned for by the ending date of the plan. These units are considered the basic new construction need to be addressed by individual city and county housing elements. Table 1 *Housing Unit Distribution – By Income Category* on page 5 of this plan lists the numbers for each jurisdiction.

B. Plan Intent

In addition to addressing local housing needs, the county and every city in the region have an obligation to address the housing needs of the entire region. Given the expansion of jobs into suburban areas, two-career households, changing or intensifying commute patterns, and the interdependent economy and society of the region, the housing needs of the region affect every community. State law recognizes the regional nature of the housing market, and requires every city and county to plan for its “fair share” of the region’s housing need (Government Code, Section 65583(a)(1)).

The major goal of the RHNP is to assure a fair distribution of housing among cities and counties, so that every community provides an opportunity for a mix of housing affordable to all economic segments. The housing allocation targets are not building requirements, but goals for each community to accommodate through appropriate planning policies and land use regulations. Allocation targets are intended to assure that adequate sites and zoning are made available to address anticipated housing demand during the planning period and that market forces are not inhibited in addressing the housing needs of all economic segments of a community. One of the few tools available to local jurisdictions to influence the development of affordable housing is the power to regulate land use. Under state law, existing zoning ordinances, policies, building standards, and other land use regulations cannot be used by local jurisdictions as a justification for a request to reduce their RHNP housing targets except for the preservation and protection of public health.

SLOCOG, under direction from state law and with input from a housing committee made up of jurisdictional representatives and housing interests, has determined each locality’s “fair share” of the region’s need for housing, and has divided that need into the required four income categories of housing affordability. Local housing needs may exceed this determination of a locality’s regional fair share. SLOCOG has estimated

the *minimum* regional need for housing. Communities are allowed to plan for and build a number of new housing units exceeding their minimum “fair share.” If possible, SLOCOG encourages communities to work together to be sure that one area’s excess can account for another’s shortfall.

Councils of Government are assigned the responsibility for RHNP preparation in part, because the State has an interest in having regional agencies that prepare regional transportation plans also prepare the RHNP. This helps to provide some consistency between the regional transportation planning process and regional housing allocations. Ideally, the same assumptions regarding regional population and housing growth are likely to be used as the basis for both the RHNA and the Regional Transportation Plan (RTP). The short term HCD Statewide forecasts are higher than the projections used for the 2001 RTP and also higher than the locally prepared jurisdictional and COG derived projections. Staff has worked with the State Department of Finance (DOF) and HCD to address these differences, yet it appears that DOF derived numbers have had the greatest influence on determining HCD allocations.

**Table 1
Housing Unit Distribution – By Income Category**

Units By Income Category					
	Very Low	Low	Moderate	Above Moderate	Totals
Arroyo Grande	310	223	259	400	1,192
Atascadero	345	254	304	456	1,359
Grover Beach	178	142	166	200	686
Morro Bay	185	122	129	162	599
Paso Robles	627	467	520	651	2,266
Pismo Beach	150	102	105	173	531
San Luis Obispo	1,484	844	870	1,185	4,383
County Unincorp.	1,029	778	929	4,284	7,020
	4,308	2,933	3,283	7,511	
			Total Units		18,035

C. Key Concepts

When using this plan, it is important to keep in mind what the intention of the RHNP is, and is not. There are four key concepts underlying the entire RHNP process that need to be clearly understood:

1. **The housing unit allocations contained in the plan, as distributed by income category for each jurisdiction, are primarily determined by four factors:**
 - A) **The jurisdiction’s employment base and population growth in relation to region-wide share of employment and anticipated population growth; and**
 - B) **The extent to which a jurisdiction’s current income distribution differs from that of the regional average.**
 - C) **The HCD determined Regional Housing Need.**
 - D) **The capacity of presently zoned land in the Unincorporated County area for residential development in the above moderate income category.**

The plan's fair share adjustment allocates future (construction) need by each income category in a manner that meets the state mandate to reduce the overconcentration of lower income households in one community versus another community. The allocation methodology derives future goals for each community based on SLOCOG's objective of achieving a more balanced region-wide income distribution in each jurisdiction in the next 20 years. The housing methodology committee input, along with staff recommendations, calls for a 50% shift toward the regional average for each jurisdiction. For example, those jurisdictions having a percentage of very low income households below the regional average for this income category will be allocated a higher percentage of very low income housing units than would a jurisdiction having a base year percentage of very low income households at or above the regional average.

The sole exception to this methodology is in the case of the county's unincorporated area. As a result of the existing land available for residential development in the county, a shift of 2000 units was made from the above moderate income category allocation from the seven cities, most of which were having extreme difficulties in accommodating their share of the regional need. Each city then received their proportional reduction in above moderate units only. The formula derived allocations for very low, low and moderate units remains unaffected for all jurisdictions. SLOCOG's analysis of this 2000 unit shift indicates that no concentration of low income is present, nor will it be encouraged by this shift. The primary reason is that the allocation formula creates for all jurisdictions, a 50% toward the regional average of their respective income distributions.

- 2. The allocations are intended to be used by jurisdictions when updating their housing elements as the basis for assuring that adequate sites and zoning are available to accommodate at least the number of units allocated. They are not housing unit quotas that jurisdictions must achieve within the time frame of their next housing element update.**

Many jurisdictions, as well as other groups having an interest in affordable housing issues, often treat the housing allocations as a numerical quota that must be achieved. This is not the intent of the process, nor is it what the California State Department of Housing and Community Development (HCD) is looking for when reviewing local housing elements. The State recognizes that the provision of affordable housing is largely market-driven, and that funding, subsidies and other incentives to provide affordable housing are very limited. One of the few major tools available to local jurisdictions to influence the development of affordable housing is the power to regulate land use. Thus, breaking down development barriers, such as exclusionary zoning and growth controls, are some of the major goals of State law in the housing arena.

- 3. The regional allocations only address a portion of each jurisdiction's local housing needs under the provisions of State housing law.**

The primary goal of the RHNP is to quantify each jurisdiction's responsibility for accommodating its fair share of the regional housing need. The RHNP does not address all of the local housing needs of each jurisdiction, just the share of the regional new housing construction need. Other local needs must also be addressed in each jurisdiction's housing element, such as housing overpayment and overcrowding, housing preservation, and the housing needs of farmworkers, students and other special-needs groups. Local needs may be greater than the regional need for one or more income categories. For example, higher than projected replacement housing needs, the loss of affordable rental housing, or local employment trends not anticipated by SLOCOG may create new housing construction needs greater than the regional allocations.

Jurisdictions should try to ensure that adequate sites and zoning are available to accommodate whichever need is the greatest within each household income category. In addition, localities should provide more definition of their need numbers by determining housing needs by type of dwelling unit and the housing requirements of special needs groups. The RHNP indirectly deals with housing affordability by providing a starting point from which jurisdictions can ensure that adequate sites and zoning are available to accommodate their regional allocations for very low and low-income

households. The RHNP does not directly assess housing affordability within each jurisdiction, however. For example, the RHNP does not address the rent or mortgage payment that is affordable to households in each of the four income categories. Again, the responsibility for assessing local housing affordability rests with each jurisdiction as part of its housing element.

4. Under state law, existing zoning ordinances, policies, building standards and other land use regulations cannot be used by local jurisdictions as a justification to reduce their RHNP housing allocation targets.

Government Code Section 65584 (d) of regional housing allocation law states that:

“(1) Except as provided in paragraph (2), any ordinance, policy, or standard of a city or county that directly limits, by number, the building permits that may be issued for residential construction, or limits for a set period of time the number of buildable lots that may be developed for residential purposes, shall not be a justification for a determination or a reduction in the share of a city or county of the regional housing need.

(2) Paragraph (1) does not apply to any city or county that imposes a moratorium on residential construction for a specified period of time in order to preserve and protect the public health and safety. If a moratorium is in effect, the city or county shall, prior to a revision pursuant to subdivision (c), adopt findings that specifically describe the threat to the public health and safety and the reasons why construction of the number of units specified as its share of the regional housing need would prevent the mitigation of that threat.”

A 1987 Attorney General Opinion (Opinion 87-206, see Appendix E), concluded that the availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality, but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions. Councils of Governments, therefore, cannot accept reductions in a local jurisdiction’s RHNP housing allocation targets based upon existing land use regulations that limit the availability of suitable sites to accommodate its fair share allocation targets.

State law requires SLOCOG to follow a set of guidelines in preparing its regional housing need determination. Guidelines come from two primary sources: (1) HCD who sets a housing need planning target for the region, and (2) State law, which provides guidelines on how to allocate the region’s housing need among jurisdictions (Government Code, Sections 65584).

SCHEDULE

The following table shows an outline of the RHNP process and the steps involved in the development of the regional housing needs plan. By December 2002, at the end of the RHNP process, the SLOCOG Board is required to adopt the regional plan or HCD will design and adopt a plan for the region. The final adopted Plan will then be used by the local jurisdictions in their Housing Element update process. Local housing elements must be adopted and certified by the end of 2003.

The following dates mark the major RHNA process milestones:

- | | |
|----------------------------------|--|
| •November, 2001 | Initial Allocation of Regional Need by HCD |
| •December, 2001 – February, 2002 | Regional Review of HCD assignment |
| •March - July, 2002 | Preparation of Draft RHNP |
| •June – December, 2002 | Public and local review |
| •December 2002 | RHNA adoption |
| •December 2002 to Dec. 2003 | The Housing Element preparation period for jurisdictions |
| •January 2001 to December 2003 | Interim Planning Period* |

*Jurisdictions may take credit for housing units approved or constructed during this interim planning period, and apply the credit to their housing elements.

**Figure 1
RHNA Work Plan Outline
And Timeline Steps 1-10**

2001						2002					2003		
Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
1													
2	2	2				2							
3	3						4						
						5	6						
									8	7 8			
											9		
													10
													11

- Step 1** November–December 2001\January 2002, Consultation between HCD and SLOCOG regarding draft allocation figures.
- Step 2** December–January 28, HCD issues determination to of regional need to COG.**
- Step 3** Fall 2001, representatives of Local Housing Committee (LHC) review allocation methodology and other elements of RHNP.
- Step 4** SLOCOG accepts HCD estimate of countywide housing need.
- Step 5** Preliminary Draft RHNA methodologies circulated for comment among Local Housing Committee members.
- Step 6** SLOCOG authorizes release of draft plan for comment and forwards to HCD for review. HCD has 30 days, SLOCOG and local agencies have 90 days. Public input begins at this point with several workshops.
- Step 7** End of 90-day comment /appeal period by local jurisdictions.
- Step 8** Review of comments and appeals by SOCOG staff and Housing Methodology Committee.
- Step 9** Revised final RHNA responding to HCD and SLOCOG jurisdictions comments and/or appeals considered and adopted by SLOCOG. [Within 60 Days of step 6 (90 day appeal), SLOCOG acts on proposed revisions by members].
- Step 10** Within 60 days SLOCOG can hear any appeals on final RHNP (includes a 30 day notice to local agencies). Any revisions adopted into final RHNP.
- Step 11** Final RHNP made available and forwarded to HCD.

**This gap in the timeline is explained by the negotiations between HCD and SLOCOG regarding the RHNP estimate. On June 10, 2002, HCD responded to SLOCOG's March 14th (second) appeal for a reduced allocation by stating that SLOCOG request for a further reduction is denied and the 18,892 "low" allocation would stand. The letter detailing the reasons behind the HCD position can be found in Appendix B-5. The last round of negotiations resulted in a final allocation of 18,035, Appendix B-6.

GEOGRAPHY

The local jurisdictions addressed in the RHNA process include the seven incorporated cities and the unincorporated area of the county. The following map shows the geographical relationship between these areas.

Figure 2
Map of San Luis Obispo County



COUNTYWIDE ESTIMATE OF REGIONAL HOUSING NEEDS

The Department of Housing and Community Development (HCD) is responsible for assigning regions around the state with a share of the estimated statewide housing need. In the case of the SLOCOG region, which is coterminous with the County of San Luis Obispo, inclusive of the seven cities, the planning period is January 2001 to July 2008. The assignment of the regional total of units (22,460 – low estimate) was initially provided by HCD in early November 2001 during a meeting HCD had with SLOCOG staff. After SLOCOG review, a response letter was sent to HCD that provided a local perspective on their State growth assumptions and requested the initial allocation be substantially reduced, based on a variety of factors (Appendix B-2). Initially, SLOCOG and the local jurisdictions requested a reduction from 22,460 units to 10,360 citing: equity issues in relationship to allocations to surrounding counties, dubious economic forecasts, resource constraints, observed growth rates, local population projections, and ability to provide such a rapid increase in housing stock over such a short period. In response, HCD partially reduced the initial allocation of 22,460 to 18,892, providing the RHNA numbers as of their February response letter (Appendix B-3). However, the basis for reduction by HCD did not acknowledge any of the reasons cited by the SLOCOG appeal.

In March of 2002, SLOCOG continued to negotiate with HCD with the sentiment that the reduced number was still well beyond the local jurisdictions capacity to provide housing. On March 14, 2002, SLOCOG sent another letter to HCD (Appendix B-4) requesting a reduction of 5000 units based upon replacement need data, and migration issues related to equity and components of demographic change. On June 10, 2002, SLOCOG received a fax from HCD denying this request (Appendix B-5).

The change in the regional housing need estimate is described below and summarized in the following table. HCD estimated and allocated the region's share of statewide need to San Luis Obispo County using three major factors.

1. The January 2001 to July 2008 household growth (18,892 units) foreseen by HCD is based on the State Department of Finance forecasts that do not integrate local land use, zoning or other state regulatory policies. SLOCOG and local forecasts of 2001 addresses some of these constraints and results in a lower household growth. However, the lower SLOCOG household forecast was not accepted by HCD and HCD used the higher Department of Finance forecast.
2. Vacant owner and renter units allowing for residential choice was revised by HCD. Initially, the HCD vacancy rate requirement target of 6% was based on a statewide average. SLOCOG argued that this was an unrealistic target as it is historically higher than San Luis Obispo County jurisdictions have experienced over the last 30 years. As a result, the vacancy requirement was reduced, to reflect a rate based on local historic trends.
3. Units potentially needed to replace housing units lost due to conversion, demolition, or natural disaster was determined by HCD to be 1,587 units. HCD uses a statewide average housing unit loss rate of .002% annually and applies it to all housing markets in the state. There is a lack of local data to determine the extent of lost units. Local jurisdictions noted that many demolished units are replaced with one or more units thus increasing the overall housing supply. HCD responded that lost units are often not formally tracked and the .002% is likely lower than that experienced in the housing market. Therefore, HCD did not alter their original estimate of units lost due to conversion, demolition, or natural disaster, despite the fact that local jurisdictional surveys determined that the likely housing stock loss was closer to 587 units for the period than HCD's 1,587.

HCD did make an adjustment for a discrepancy in reported group quarters vs. household data reported by SLOCOG. HCD did not lower the requested allocation based on SLOCOG's arguments about competing state policies, e.g., housing growth and coastal preservation, which affect the ability of local jurisdictions to meet state housing targets.

HCD originally proposed the countywide housing need estimate between 18,892 and 26,569 housing units over the period between January, 2001 and July, 2008. Additional detail on the factors that go into this calculation can be found in the Appendices B-2 and C. Based upon data submitted to HCD by SLOCOG staff, HCD make a reduction in the regional housing needs to 18,035 in June of 2002.

STATE ALLOCATION CRITERIA

Once the regional allocation is adopted the next step in the RHNA process is to allocate the countywide estimate of need to local jurisdictions.

State law requires SLOCOG to follow a set of guidelines in preparing its RHNP. Guidelines come from two primary sources:

- (1) HCD, which sets a housing need planning target for the region; and,
- (2) State law, which provides guidelines on how to allocate the region's housing need among jurisdictions (Government Code, Sections 65584 et. seq.)

HCD is responsible for providing the region with its share of the estimated statewide housing need for the period of January 1, 2001 through July 1, 2008. HCD sets forth the region's housing need based on employment and population growth projections and changes in the housing stock (See HCD letter attached as Appendix B-2). SLOCOG is required to take into account planning considerations when housing needs are allocated among jurisdictions (Government Code, Section 65584, Appendix D). State law does not specifically define each "planning consideration," but allows SLOCOG to determine how to address each issue in the regional housing plan.

The amounts and characteristics of lands adjacent to each city and unincorporated communities are such that none of the jurisdictions will be limited in their abilities to meet their respective share of regional housing need.

The planning considerations to be included in the analysis are:

- Market demand for housing
- Employment opportunities
- Availability of suitable sites and public facilities
- Commuting patterns
- Type and tenure of housing
- Loss of assisted multifamily units
- Reduction of impaction
- Special housing needs

Market Demand: Anticipated employment and population growth are major determinants of housing need in the region. These factors, together with demographic measures that predict household formation, are considered as part of the estimation of market demand contributing to the RHNP. This consideration is accomplished primarily through the growth forecasting process, which measures demographic and economic trends that create new jobs and population, and consequently housing need. The SLOCOG forecast uses an employment, and population forecast to determine growth over the RHNP time period. These forecasts were submitted to HCD for consideration.

Employment Opportunities: SLOCOG considers regional, and local employment patterns as they relate to housing need through the growth forecasting process, as described above in the section, *Market Demand*. Local policies or events not anticipated in the regional forecast could affect local housing demand or need, however.

Availability of Suitable Sites and Public Facilities: State law requires SLOCOG to consider the availability of suitable sites and public facilities in the regional needs determination. According to the California Attorney General (Opinion 87-206, see Appendix E), the availability of suitable sites must be based on existing zoning ordinances and land use restrictions of a locality and *on the potential for increased residential development under alternative zoning and land use restrictions*. State law also prohibits the RHNP to be based on growth control measures, except to preserve public health and welfare (Government Code, Section 65584). SLOCOG incorporates this concept through its housing projections, which form the primary basis for the regional housing needs determination. Furthermore, the availability of suitable sites was an integral part of SLOCOG's decision to shift 2000 above-moderate units to the county.

Commuting Patterns: SLOCOG must also take into consideration the commuting patterns of workers so that future housing is not placed in areas that lack the potential for sufficient infrastructure. SLOCOG's regional needs determination considers commuting patterns through its job-housing balance adjustment. In particular, household growth by income and housing type will influence trip generation (number), distribution (origin and destination), modal choice (auto, transit, carpool, etc), assignment (which route is taken), and congestion for the regional arterial and highway network. Jurisdictions that have had above average job growth are being asked to accommodate more housing (proportionally) than areas where housing has outpaced job creation. The ultimate goal is to help reduce the propensity for workers to live in areas far from their jobs by providing additional housing in employment rich areas.

Type and Tenure: In order to fulfill the region's housing need, type and tenure (owner or renter occupied households) must be considered. A Vacancy Need adjustment factor is built into the SLOCOG allocation formula to ensure that there is a vacancy balance among jurisdictions. Varying segments of the population such as single persons, families with children, and retirees, require different housing types. Housing tenure such as rental and owner, and a variety of housing types such as single family and multi-family, are all required for a healthy housing market. The housing need allocation by income category, in general, encourages the development of a variety of housing types: high density for lower income, senior housing etc. This level of detail is best addressed in housing elements, reflecting needs of the local housing market more accurately than could be done on a regional basis.

Loss of Assisted Units: The RHNP determination should also take into consideration the loss of housing units in assisted developments that convert to non low-income use due to subsidy expiration or termination of use restrictions etc. Assisted developments include multifamily rental households that receive government assistance under an array of federal, state, and local programs. HCD has provided a list of Housing and Urban Development (HUD) assisted multiple family units to be assessed for being at-risk of losing funds. That list can be found in the appendices pages 24-27.

Avoidance of Further Impaction: The RHNP allocation requires that jurisdictions with high concentrations of low-income households attempt to avoid further impaction. Therefore, the allocation of future lower income households is *decreased* in those jurisdictions that have a higher proportion of very low or low-income households than the countywide average. Conversely, the allocation of future lower income households is *increased* in those jurisdictions that have a lower proportion of very-low and low-income households than the countywide average. This assists in balancing the responsibility for addressing the housing needs of all economic segments of the community throughout low, middle, and higher income communities. SLOCOG achieves this objective by shifting the income categories for housing need 50% toward the regional average.

Special Housing Needs: The special housing needs of persons with unique housing situations, including farm workers, fixed income, and homeless and others should also be taken into consideration. An assessment of farm workers and those who overpay for housing from previous census periods is included in the RHNA allocation to address some of these issues. Unfortunately, there is a data limitation in identifying the location and extent of persons with other special needs and they may best be addressed in the local housing elements.

In addition, jurisdictions can find information on housing overcrowding and overpayment for use in updating their housing elements from the Department of Housing and Urban Development (HUD), through their Comprehensive Housing Affordability Strategy (CHAS) program. CHAS data can be downloaded from the following web site: <http://webprod.aspensys.com/housing/chas/state.asp>

APPEALS CRITERIA AND PROCESS

Under State law, jurisdictions are given an opportunity to comment on, and propose revisions to, their share of the RHNP within 90 days of adoption. According to the government code, any revision must meet the test of accepted methodology, readily available data, and be consistent with State-identified criteria for the RHNP.

Accordingly, appeals will not be considered by SLOCOG unless they meet the following criteria:

1. The appeal must be received within 90 days of SLOCOG Board adoption of the Draft RHNP. SLOCOG strongly encourages jurisdictions intending to appeal to submit well in advance of the deadline.
2. The appealing jurisdiction must provide evidence that:
 - a) The RHNP methodology was incorrectly applied in determining the jurisdiction's allocation targets; or
 - b) SLOCOG used incorrect or faulty numbers in determining their allocation targets (i.e., different numbers than the regional growth projections adopted by the SLOCOG Board on 3/15/01).
3. Appeals must be submitted by an authorized signatory; including:
 - Mayor
 - Chair of County Board of Supervisors
 - City Manager or Administrator
 - County Chief Administrative Officer
4. A contact person must be identified. This person should be able to respond to SLOCOG staff regarding the documentation pertinent to the appeal.

As stated previously, under State law, existing zoning ordinances, policies, building standards and other land use regulations cannot be used by local jurisdictions as a justification for a request to reduce their RHNP housing allocation targets. The only exception is in cases where a moratorium on residential construction is legally imposed for a specified period of time to preserve and protect the public health and safety that would constrain the projected housing need.

Following the end of the 90-day revision request period, SLOCOG is required to take action on any requested revision within 60 days. The SLOCOG Board will hear all appeals. SLOCOG staff will make a recommendation to the Board on the technical merits of the appeal. SLOCOG may accept the proposed revision, modify its earlier determination, or indicate, based upon available data and accepted planning methodology, why the proposed revision is inconsistent with the regional housing need.

If the SLOCOG Board does not accept the proposed revision, then the requesting jurisdiction has 30 days to request a public hearing to review the housing allocation targets in question. SLOCOG then has 30 days to notify the requesting jurisdiction of at least one public hearing. The date established for such hearing must be within 30 days following this notification.

If, as a result of this process, SLOCOG accepts a proposed revision or modifies its earlier determination, the city or county shall use that share. If SLOCOG grants a revised allocation, it must still ensure that the current total regional housing need, as allocated by HCD, is maintained. This means that if one jurisdiction's allocation changes, one or more other allocations must also change to insure the total regional allocation and distribution by income group remains the same. If SLOCOG determines that the proposed revision is inconsistent with the regional housing need, the city or county shall use the share that was originally determined by SLOCOG.

POLICY FOR RHNP REDISTRIBUTION UPON ANNEXATION OR INCORPORATION

In the event of annexation or incorporation of new jurisdictions during the planning period of this RHNP, provision needs to be made for the redistribution of housing needs. The following policy establishes the conditions and process for any such redistribution:

1. Filing of Application for Annexation or Incorporation

Upon receipt of notice of filing from LAFCO of a proposed annexation or incorporation, the affected county will notify SLOCOG of the proposal and resulting need for a redistribution of housing needs between the county and applicant jurisdiction.

2. Discussion with Annexing/Incorporating City

During the course of the annexation/incorporation process, the affected county will negotiate in good faith between the annexing/incorporating city and the county the RHNP allocations to be redistributed. There cannot be a net reduction in the RHNP allocations within the county. This means that the total number of housing units by income category accepted by the applicant jurisdiction, plus the remaining number of units by income category attributable to the donor county, shall not be less than the original number of units by income category originally allocated to the county by the RHNP. Other than satisfying this requirement, the affected county and annexing/incorporating city may negotiate any redistribution of housing need that is mutually acceptable.

3. SLOCOG Mediation

If, after negotiating in good faith, both the affected county and annexing/incorporating city cannot reach a mutually acceptable redistribution of housing need, either jurisdiction may request that SLOCOG mediate the redistribution of housing need. The purpose of such mediation will not be for SLOCOG to actually redistribute the housing need between the two affected jurisdictions, but to achieve mutually acceptable redistribution through negotiation. If, after mediation by SLOCOG, the affected county and annexing/incorporating city still cannot reach a mutually acceptable redistribution of housing needs, the matter will be referred to HCD.

4. Annexation/Incorporation Conditions

The affected county and the annexing/incorporating city will jointly draft conditions covering the transfer of RHNP allocations from the county to the annexing/incorporating city. The affected county will request that the RHNP conditions are included in the LAFCO resolution approving the annexation/incorporation.

5. LAFCO Imposition of Conditions

LAFCO imposes the proposed RHNP conditions in the resolution approving the annexation and/or incorporation.

6. Transfer of RHNA Allocations

RHNP allocations will be transferred from the county to the city as specified in the LAFCO resolution.

7. Housing Elements

7a. County Housing Element

The county's Housing Element should describe assumptions, conditions, and implications of any change in RHNP assumptions resulting from an annexation/incorporation. Following the effective date of an approved annexation/incorporation, the county may amend its Housing Element to reflect the change in RHNP allocations.

7b. City Housing Element Amendment (annexation)

If the annexation and accompanying redistribution of RHNP allocations between affected jurisdictions occurs after the statutory housing element amendments have been adopted, any city general plan amendment accompanying an annexation must include amendment of the city's housing element to reflect that change.

7c. City Housing Element (incorporation)

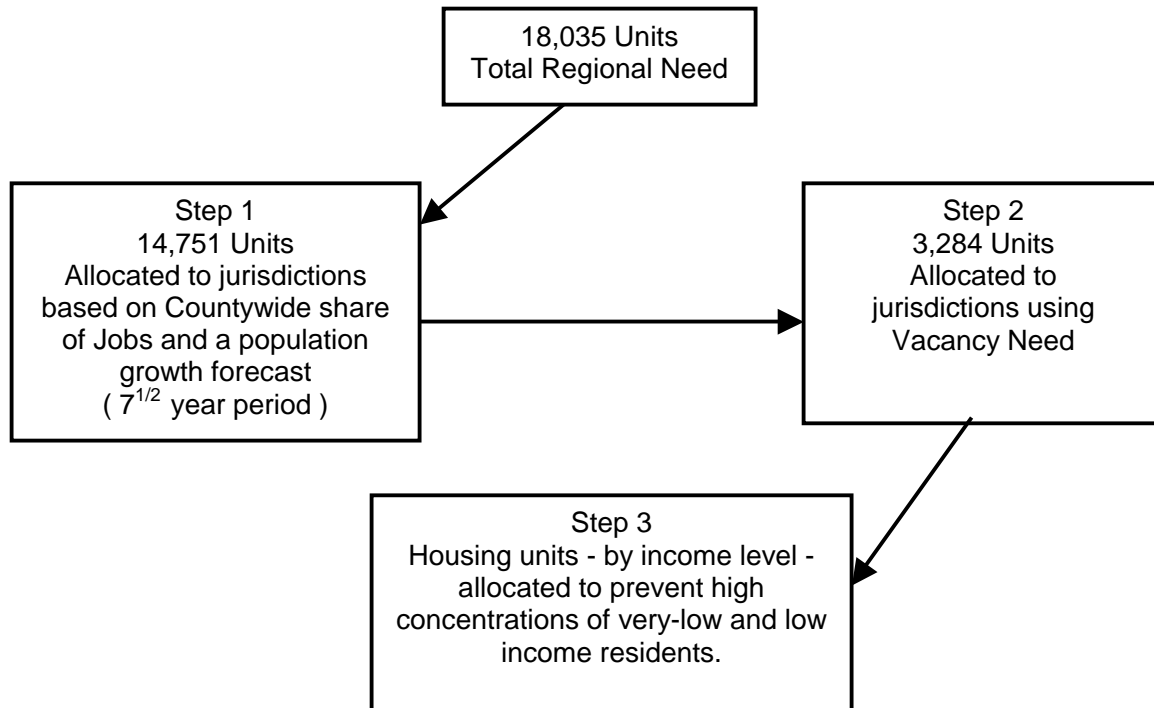
If the incorporation and accompanying redistribution of RHNP allocations between affected jurisdictions occurs after the statutory housing element amendments have been adopted, the new city will include the RHNP transfer in the housing element adopted for the new community.

8. State HCD Review

The transfer of RHNP allocations for annexations or incorporations pursuant to this policy is subject to the review and approval of HCD prior to the implementing action.

Figure 3
METHOD OF ALLOCATING REGIONAL HOUSING NEEDS TO LOCAL JURISDICTIONS

The countywide allocation of need is based on three primary steps. The following diagram provides a general description;



The total regional allocation = the housing unit growth from the SLOCOG Growth Forecast 2000 over the 7.5 year RHNA period + housing units allocated to adjust for jobs-housing balance. This allocation for each jurisdiction is then distributed by income level so an attempt is made to reduce the concentration for areas having a high proportion of low or very low income.

The **first step** is an allocation of housing growth based on the regional growth forecasts, which used the State of California's Employment Development Department (EDD) job data and the State Department of Finance (DOF) and US Bureau of the Census (Census) data. The forecast allocates approximately 14,751 of the 18,035 countywide housing need assigned by HCD. The forecast methodology responds to many of the planning factors, such as market demand for housing, employment opportunities, suitable sites, public facilities, and commuting patterns. See Appendix C.

The remaining 3,284 housing units are allocated in the **second step** (vacancy housing adjustment). This adjustment is based on vacancy rate to address both demand and mobility in the housing market. Weighting factors, or multipliers, are applied to provide emphasis on individual criteria. For example, employment is emphasized with a higher multiplier, so areas with the more employment growth since 1990 are allocated more housing. Areas with a higher vacancy rate should benefit as this factor is subtracted from the total.

The **third step** (income distribution adjustment) attempts to make adjustments to avoid further impact in the concentration of very-low and low-income residents. Areas with higher than average concentrations of very-low and low-income residents are assigned more moderate and above moderate-income households. Conversely, areas with more above-moderate income residents are assigned more low and very-low income households. The income levels vary throughout the county as the following table shows.

2000 above-moderate units were shifted to the Unincorporated County in the final assignment in recognition of the large number of undeveloped existing parcels the will be developed. (Note that the number of units assigned to the very-low, low, and moderate categories remained unchanged however their relative percentages within each jurisdiction did shift upward as a result).

	Very-Low	Low	Moderate	Above-Moderate
Arroyo Grande	26%	19%	22%	34%
Atascadero	25%	19%	22%	34%
Grover Beach	26%	21%	24%	29%
Morro Bay	31%	20%	22%	27%
Paso Robles	28%	21%	23%	29%
Pismo Beach	28%	19%	20%	33%
San Luis Obispo	34%	19%	20%	27%
County Unincorp.	15%	11%	13%	61%
Totals or Average	24%	16%	18%	42%

The purpose of this step is to try and moderate this discrepancy to some degree. The four income category definitions used in the RHNA process are based on definitions established by the U.S.

Table 2
Household Income Distribution

San Luis Obispo County					
Census 2000 Income Distributions for Households					
	Very Low	Low	Moderate	Above Moderate	totals
Arroyo Grande	20%	15%	18%	47%	100%
Atascadero	19%	15%	19%	47%	100%
Grover Beach	23%	19%	23%	35%	100%
Morro Bay	30%	19%	19%	32%	100%
Paso Robles	24%	19%	21%	36%	100%
Pismo Beach	24%	16%	15%	45%	100%
San Luis Obispo	35%	17%	16%	32%	100%
County Unincorp.	18%	15%	19%	48%	100%
Regional average	23%	16%	18%	43%	100%
50% Shift toward regional average					
Arroyo Grande	22%	16%	18%	45%	100%
Atascadero	21%	16%	19%	45%	100%
Grover Beach	22%	18%	21%	40%	100%
Morro Bay	27%	18%	19%	38%	100%
Paso Robles	24%	18%	20%	40%	100%
Pismo Beach	24%	16%	17%	44%	100%
San Luis Obispo	29%	17%	17%	38%	100%
County Unincorp.	21%	16%	19%	45%	100%
Regional average	23%	16%	18%	43%	100%

Department of Housing and Urban Development (HUD) and State of California for use in their assisted housing programs. Income limits are adjusted for household and family size so that larger families have higher income limits. The income categories are defined as follows:

"Area median," as defined in federal law and HUD regulations, is the higher of:

- 1) The metropolitan area or non-metropolitan county median family income (\$50,200 in SLO County – 2001); or
- 2) The statewide non-metropolitan median family income (\$38,600 for 2001).

The San Luis Obispo region's median family income is \$50,200 so therefor #1 applies in this area.

Very-Low Income – up to 50% of the area median family income with adjustments for unusually high or low area income or housing costs and household size.

Low Income – between the very low-income limit and 80% of the area median family income with adjustments for unusually high or low area income or housing costs and household size.

Moderate Income - between the low-income limit and 120% of the area median family income with adjustments for unusually high or low area income or housing costs and household size.

Above-Moderate Income – exceeding the moderate income limit adjusted for household size.

The 2000 Census income data at the place level is being incorporated into SLOCOG's RHNP. Income data is available for persons, families, and groups of unrelated persons living together. Per capita income data is not useful for this purpose since this information reflects income for an individual, including young children. Family income data is more useful, but ignores a large segment of the population that is living together, but unrelated by blood or marriage. Household income data is used because it reflects the largest population in the housing market.

The median household income in San Luis Obispo County in 2001 was \$50,200. Applying the income ranges to the median income results in the following distribution of household income groups:

Table 3
SAN LUIS OBISPO COUNTY Area Median Income (2001): \$50,200

STANDARD	Family Size							
	1	2	3	4	5	6	7	8
Very low income	17,550	20,100	22,600	25,100	27,100	29,100	31,100	33,150
Lower income	28,100	32,150	36,150	40,150	43,350	46,600	49,800	53,000
Median income	35,150	40,150	45,200	50,200	54,200	58,250	62,250	66,250
Moderate income	42,200	48,200	54,250	60,250	65,050	69,900	74,700	79,550

Higher income limits apply to families with more than eight persons. For all income groups, the income limits for families larger than eight persons are determined as follows: for each person in excess of eight, add eight percent of the four-person income limit base to the eight-person limit, and round the answer to the nearest \$50.

Table 4

Recommended Housing Allocation Formula Using HCD Allocation of 18,035 Units									
Member Agency	Share of County Jobs (j)	Weight Factor	Share of Pop Growth (p)	Weight Factor	Regional Housing Need (r)	Jurisdiction Need (n)	Vacancy Need Adjustment (v)	Total Projected Need (T)	Average Annual New Units
	$[j \times 0.6 + p \times 0.4] \times r - n + v = T$								
Arroyo Grande	8.95%	x 0.6	+ 5.5%	x 0.4	x 14,751	= 1,118	+ 322	= 1,440	192
Atascadero	9.12%	x 0.6	+ 8.7%	x 0.4	x 14,751	= 1,320	+ 322	= 1,642	219
Grover Beach	3.43%	x 0.6	+ 5.2%	x 0.4	x 14,751	= 610	+ 200	= 810	108
Morro Bay	3.88%	x 0.6	+ 2.8%	x 0.4	x 14,751	= 511	+ 188	= 700	93
Paso Robles	13.56%	x 0.6	+ 19.6%	x 0.4	x 14,751	= 2,356	+ 313	= 2,669	356
Pismo Beach	3.26%	x 0.6	+ 3.4%	x 0.4	x 14,751	= 490	+ 148	= 638	85
San Luis Obispo	39.15%	x 0.6	+ 14.3%	x 0.4	x 14,751	= 4,311	+ 806	= 5,117	682
County Unincorp.	18.65%	x 0.6	+ 40.4%	x 0.4	x 14,751	= 4,034	+ 986	= 5,020	669
Regional Total	100%		100%			14,751	+ 3284	= 18,035	2405

Units By Income Category				
Very Low	Low	Moderate	Above Moderate	Totals
310	223	259	648	1,440
345	254	304	739	1,642
178	142	166	324	810
185	122	129	262	700
627	467	520	1,054	2,669
150	102	105	281	638
1,484	844	870	1,919	5,117
1,029	778	929	2,284	5,020
4,308	2,933	3,283	7,511	18,035
Total Units				18,035

Table 5

Income Distribution by Households - Census 2000					
	Very low	Low	Moderate	Above Moderate	Totals
Arroyo Grande	20%	15%	18%	47%	100%
Atascadero	19%	15%	19%	47%	100%
Grover Beach	22%	19%	23%	36%	100%
Morro Bay	30%	19%	19%	32%	100%
Paso Robles	24%	19%	21%	36%	100%
Pismo Beach	24%	16%	15%	45%	100%
San Luis Obispo	35%	17%	16%	32%	100%
County Unincorporated	18%	15%	19%	48%	100%
Regional Total	23%	16%	18%	43%	100%

Table 6

Weighted Income Distribution by Households - Census 2000					
	Very low	Low	Moderate	Above Moderate	Totals
Arroyo Grande	22%	16%	18%	45%	100%
Atascadero	21%	16%	19%	45%	100%
Grover Beach	22%	18%	21%	40%	100%
Morro Bay	27%	18%	19%	38%	100%
Paso Robles	24%	18%	20%	40%	100%
Pismo Beach	24%	16%	17%	44%	100%
San Luis Obispo	29%	17%	17%	38%	100%
County Unincorp.	21%	16%	19%	46%	100%
Regional Total	23%	16%	18%	43%	100%

**Table 7
Adopted Member Agency Allocation**

Adopted Housing Allocation Formula Using HCD Allocation of 18,035 Units Adjusted Total Reflects 2000 Above-Moderate Units Assigned to the Unincorporated County									
Share of County Jobs (j)	Weight Factor	Share of Pop Growth (p)	Weight Factor	Regional Housing Need (r)	Jurisdiction Need (n)	Vacancy Need Adjustment	Total Unadjusted Projected Need (T)	2000 Above Moderate Units Shifted to the Unincorporated County Area	
$[j \times 0.6 + p \times 0.4] \times r = n + v = T$							Above-Moderate Adjustment	Adjusted Total Projected Need (T)	
Arroyo Grande	8.95% x 0.6	+ 5.5% x 0.4	x 14,751	= 1,118	+ 322	= 1,440	-248	1,192	
Atascadero	9.12% x 0.6	+ 8.7% x 0.4	x 14,751	= 1,300	+ 322	= 1,642	-283	1,359	
Grover Beach	3.43% x 0.6	+ 5.2% x 0.4	x 14,751	= 610	+ 300	= 910	-124	686	
Morro Bay	3.88% x 0.6	+ 2.8% x 0.4	x 14,751	= 511	+ 198	= 709	-108	599	
Paso Robles	13.56% x 0.6	+ 19.6% x 0.4	x 14,751	= 2,366	+ 313	= 2,669	-403	2,266	
Pismo Beach	3.26% x 0.6	+ 3.4% x 0.4	x 14,751	= 480	+ 148	= 628	-107	521	
San Luis Obispo	39.15% x 0.6	+ 14.3% x 0.4	x 14,751	= 4,311	+ 806	= 5,117	-734	4,383	
County Unincorp.	16.65% x 0.6	+ 40.4% x 0.4	x 14,751	= 4,034	+ 996	= 5,030	2,000	7,030	
Regional Total	100%	100%		14,751	+ 3284	=	18,035	0	18,035

Units By Income Category				
Very Low	Low	Moderate	Above Moderate	Totals
310	223	259	400	1,192
345	254	304	456	1,359
178	142	166	200	686
185	122	129	162	599
627	467	520	651	2,266
150	102	105	173	521
1,484	844	870	1,185	4,383
1,029	776	929	4,284	7,030
4,308	2,933	3,269	7,511	18,035
Total Units				18,035

Table 8

San Luis Obispo County					
Income Distributions for Households by Percentage					
	Very Low	Low	Moderate	Above Moderate	Totals
Arroyo Grande	25%	19%	22%	34%	100%
Atascadero	25%	19%	22%	34%	100%
Grover Beach	26%	21%	24%	29%	100%
Morro Bay	31%	20%	22%	27%	100%
Paso Robles	28%	21%	23%	29%	100%
Pismo Beach	28%	19%	20%	33%	100%
San Luis Obispo	34%	19%	20%	27%	100%
County Unincorp.	15%	11%	13%	61%	100%
Regional average	27%	19%	21%	34%	8%
2000 Census Countywide Average	23%	16%	18%	42%	

