STATEMENT ON THE SUBJECT:
The City Council will receive an update on the City’s Regional Housing Needs Assessment (RHNA) allocation to the City of West Hollywood.

RECOMMENDATIONS:
Staff recommends the City Council:

1. Receive and file update on Regional Housing Needs Assessment (RHNA) allocation.
2. Provide direction as needed regarding the appeals process for draft final RHNA allocation.

BACKGROUND / ANALYSIS:
On September 4, 2020, the Southern California Association of Governments (SCAG) sent a letter (see Attachment A) to the City of West Hollywood confirming the Regional Housing Needs Assessment (RHNA) allocation for the City. The City’s allocation for the 6th cycle is 3,924 dwelling units, including 1,063 very-low income units, 687 low income units, 681 moderate income units, and 1,493 above-moderate income units. The methodology adopted by SCAG to determine this allocation is provided in Attachment B. The next step in the process to confirm the RHNA allocation is the appeals period, which is currently underway and ends October 26, 2020. For reference, the appeals procedures are provided in Attachment C, appeals FAQ in Attachment D and appeals timeline in Attachment E. Should the Council direct staff to file an appeal, staff will draft an appeal document and submit to SCAG prior to the October 26, 2020 deadline.

State law mandates that each regional government in the State of California develop a plan for maintaining and increasing housing. For the Southern California Region, the metropolitan planning agency is the Southern California Association of Governments (SCAG). SCAG is responsible for allocating housing production goals within the six-county Southern California Region, including all jurisdictions in Los Angeles County. SCAG has conducted a Regional
Housing Needs Assessment (RHNA) to determine the amount of housing needed in the region in the eight-year planning cycle overall, and then methodically distributed that need amongst all jurisdictions. The City of West Hollywood allocation was determined as a component of the total number of new housing units allocated to the Westside Cities Subregion (Cities of Beverly Hills, Culver City, Santa Monica, West Hollywood).

The RHNA is a projection of current and future housing needs across all income levels for each jurisdiction during a specified eight-year planning period. The current planning period (5th Cycle) is October 15, 2013 through June 30, 2021. SCAG is currently developing the 6th cycle of the RHNA, which covers the planning period of June 30, 2021 through October 15, 2029. Planning for and accommodating the construction of the number of housing units allocated through the RHNA is mandated by State Housing Law and implemented through updates of a jurisdiction's local Housing Element of the General Plan. Interestingly, the RHNA planning period is not the same as the Housing Element planning period. Units permitted or entitled between June 30 and October 15, 2020 are credited toward both 5th and 6th cycles of RHNA, as RHNA periods overlap.

For each RHNA planning cycle, SCAG develops a RHNA distribution methodology. The City Council has received updates throughout SCAG's development process. A summary of the updates is provided later in this report.

On September 3, 2020, the SCAG Regional Council reviewed and approved the final RHNA allocation plan for the 6th planning cycle. At this time, jurisdictions may appeal the number of units allocated, both to the jurisdiction, and/or the number of units allocated to other jurisdictions in the region. The process for appeal is outlined under Next Steps at the end of this report.

Once the appeal period for the final RHNA distribution plan is finalized, local jurisdictions begin planning for housing production at the range of income levels to meet the number of units allocated, while encouraging maintenance of existing affordable units. Jurisdictions accomplish this by first updating the Housing Element of the General Plan. Which will include information and actions for accommodating the RHNA housing units, and potentially identifying changes to the Zoning Code, if current zoning does not accommodate the number of units allocated. Once the Housing Element is updated, the jurisdiction then initiates and fulfills the programs and actions listed in the Housing Element implementation plan. Annually, each jurisdiction reports progress in implementing the Housing Element to the State, including a report on progress meeting the RHNA. This year, the City Council received the annual Housing Element progress report on March 16, 2020.

California Housing and Community Development (HCD) is responsible for determining the regional housing needs assessment (segmented by income levels) for each region’s planning body known as “council of governments” (COG). HCD starts with demographic population information from the California Department of Finance and uses a formula to calculate a figure for each region/COG. Each COG uses its own demographic figures to calculate what it believes the regional housing need is. Each COG then coordinates with HCD, taking into account factors not captured in the calculations to arrive at a final figure. This final figure is the regional housing needs assessment. HCD assigned SCAG with 1,341,827 units for the 6th RHNA cycle for the region. This is much larger than the previous cycle in part because the 5th cycle baseline was during the housing market crash in the late 2000s, and new state law requires that the RHNA adds in an existing need component due to overcrowding and cost burden conditions.

Concurrently with HCD’s final allocation of the RHNA, the Regional Council reviewed and adopted a methodology developed by SCAG to distribute the units provided in the RHNA throughout the Southern California region.

The following are the statutory objectives for RHNA, as outlined in California Government Code
Section 65584(d):

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, which means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means 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.

6) Pending the adoption of state legislation SB 182: Reducing development pressure within very high fire risk areas.

During the last quarter of 2018, SCAG initiated a consultation process to collect input from different communities as part of the 6th cycle of the Regional Housing Needs Assessment (RHNA) process as mandated by State law. In 2019, SCAG developed three options for methodologies to distribute that regional need. In addition to furthering the five objectives pursuant to Government Code 65585(d), there are several guiding principles that SCAG staff has developed to use as the basis for developing the distribution methodology for the RHNA. These principles are based on the input and guidance provided by the SCAG Regional Council’s RHNA Subcommittee during its discussions that occurred between February 2019 and June 2019.

1. The housing crisis is a result of housing building not keeping up with growth over the last several decades. The RHNA allocation for all jurisdictions is expected to be higher than the 5th RHNA cycle.

2. Each jurisdiction must receive a fair share of their regional housing need. This includes a fair share of planning for enough housing for all income levels, and consideration of factors that indicate areas that have high and low concentration of access to opportunity.

3. It is important to emphasize the linkage to other regional planning principles to develop more efficient land use patterns, reduce greenhouse gas emissions, and improve overall quality of life.

The City of West Hollywood provided comments on the proposed methodologies to SCAG in a letter dated September 13, 2019, provided in Attachment F. One key comment the City noted was that the City had already met and exceeded its RHNA allocation for the previous cycle, and overproduction in the current cycle should considered against the allocated units in the next cycle.
SCAG was required to develop the final RHNA methodology to distribute the 6th cycle RHNA to each jurisdiction in the Southern California region, for 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 in detail in Attachment B, and provide it to HCD for statutory review. On January 13, 2020, HCD completed its review of the draft methodology and found that it furthers the five statutory objectives of RHNA and on March 4, 2020, SCAG’s Regional Council voted to approve the Final RHNA Methodology. It should be noted that the methodology does not consider overproduction of units during the last cycle.

THE METHODOLOGY
The final methodology adopted by the SCAG Regional Council for distributing the 6th Cycle RHNA uses the following factors to determine distribution:

- **Existing Housing Need**: The number of dwelling units needed to address overcrowding, share of cost-burden households, existing vacancy rates below fair market rates.
- **Projected Housing Need**: Projected household growth, future vacancy, need for replacement housing units.
- **High Quality Transit Area (HQTA)**: Those areas within one-half mile of a major transit stop or high-quality transit corridor. The entirety of West Hollywood is within the HQTA, as is most of the LA Basin, however West Hollywood represents less than 0.2% of the SCAG area within a HQTA.
- **Local Input**: Opportunities and constraints to growth (agricultural land, land use strategies to reduce greenhouse gas emissions, etc.) provided by a local jurisdiction.
- **Job Accessibility**: Calculated using a jurisdiction’s share of regional jobs accessible within a 30-minute drive.
- **Social Equity Adjustment**: Adjusts by way of comparison of a jurisdiction’s distribution for each income category to the overall county distribution.

The methodology applied different formulas to existing need and projected need. Projected need was based on household growth between 2020 and 2030 (as used in the Draft Connect SoCal Growth Forecast, or “local input”), future vacancy need, and replacement need. Existing need, which was the remainder of regional need after projected need was calculated, was based on household growth (2030-2045), transit accessibility (based on 2045 HQTA population), and job accessibility. For a number of jurisdictions, the calculated existing and projected need resulted in higher numbers than projected household growth between 2020 and 2045, as reflected in the Draft Connect SoCal. The difference between the two was known as a “residual need.” The residual need was summed for the region and then redistributed to jurisdictions with both the highest transit accessibility and highest job accessibility, though jurisdictions identified as extremely disadvantaged were not allocated any residual need. The term extremely disadvantaged was applied to jurisdictions with at least 50 percent of their population within a lowest resource area (both high segregation & poverty and low resource), as identified by California Tax Credit Allocation Committee (TCAC) and HCD opportunity index scores.

The methodology did not account for recent building activity for which West Hollywood ranks in the 90th percentile for the region. West Hollywood’s population is just 0.19% of the total regional population across the SCAG region, but represents 0.52% of the regional population within an HQTA. This methodology likely results in the greatest greenhouse gas emission reduction, as it places housing near transit and jobs.
THE FINAL ALLOCATION NUMBERS
The City of West Hollywood was allocated a total of 3,924 dwelling units for the 6th cycle of RHNA, and now must develop policies and programs, and take action, to demonstrate the units can be built. The RHNA does not require the City to build the units; the City must ensure there are no governmental or other barriers preventing the units from being built by a private developer. Additionally, provided that the upcoming Housing Element update is certified by HCD, the units allocated to the City through the RHNA do not carry over into the next planning period. This being said, the total units which must be planned for in the City of West Hollywood for the year 2021-2029 period include 1,063 very low income units (27.1%), 687 low income units (17.%), 681 moderate income units (17.5%), and 1,493 above moderate income units (38.1%). A list of all SCAG jurisdictions allocations are provided for reference in Attachment G.

Currently, West Hollywood achieves affordable housing through inclusionary zoning requirements (on-site units, in-lieu fees, and commercial linkage fees), limiting subsequent rent increases after move in for the majority of renters, and by providing loans from the housing trust fund to non-profit housing providers to build 100% affordable housing projects. To ensure that the units allotted through the RHNA can be achieved in the upcoming eight-year planning cycle, the City will need to explore and create additional housing programs, such as the pilot programs currently being developed. Through the Housing Element update, additional programs will be identified and organized in an action plan to address any remaining capacity needs to achieve the RHNA allocation.

Delay in Timeline
At the May 7, 2020 meeting, the SCAG Regional Council took action to delay for up to 120 days to adopt Connect SoCal in its entirety. While the RHNA Appeals Procedures has been adopted by the Regional Council, the appeals process has been delayed due to the delay of the Connect SoCal adoption. This is because final data in the adopted Connect SoCal, adopted on September 3, 2020, provides the input for the Regional Council-adopted Final RHNA Allocation Methodology to develop the Draft RHNA Allocation for each local jurisdiction, the subject of potential appeals. Following adoption of Connect SoCal on September 3, 2020, the City received formal notification from SCAG on the draft RHNA allocation. The period to file appeals is expected to commence on the eighth day after the Regional Council adopts the Connect SoCal in its entirety. The appeals process will then follow the adopted RHNA Appeals Procedures with timelines updated to reflect the delay of the Connect SoCal Plan adoption.

NEXT STEPS
Now that the RHNA draft allocation was issued on September 3, 2020, the City may elect to appeal that RHNA allocation by the October 26, 2020 deadline. Additionally, the City may elect to appeal other cities’ RHNA allocations, which is a new addition to the process this cycle. RHNA appeals hearings will occur in December 2020 and January 2021. At that time, any reduction for one city may result in an increase for other cities. The final RHNA allocation should be adopted by February 2021. Once the RHNA numbers are finalized, the City will have until October 2021 to update its Housing Element to show how the City will meet its RHNA numbers. The City is currently working on the update to the Housing Element with Veronica Tam & Associates, Inc. and Rincon and Associates.

APPEALS PROCESS

State Housing Element law allows three bases for appeals in the 6th RHNA cycle:
1. Local planning factors and information on affirmatively furthering fair housing (AFFH).
2. Application of final methodology
3. Change in circumstance. Statutory changes enacted since the 5th cycle appeals process prohibit the use of local ordinances, underproduction of housing based on the last RHNA cycle, and stable population growth as bases for appeals.

State law does not allow appeals to be granted based on the following:

1. Any other criteria other than the criteria listed above.
2. A local jurisdiction’s existing zoning ordinance and land use restrictions, including but not limited to, the contents of the local jurisdiction’s current general plan.
3. Any local ordinance, policy, voter-approved measure or standard limiting residential development.
4. Prior underproduction of housing in a jurisdiction from the previous regional housing need allocation.
5. Stable population numbers in a jurisdiction.

All appeals must include a statement arguing why the revision is necessary to further the objectives of RHNA law (see Government Code Section 65584). Staff conducted a thorough investigation of options for appeal during this RHNA cycle. The key factor relevant to the City of West Hollywood is that there was an overproduction of units in the last RHNA cycle. These units should have been factored into the methodology, but they were not. The existing need of units was determined on a regional level, and then distributed locally based on high quality transit and job proximity. However, this methodology has been adopted, and is not open to discussion or appeal. Interestingly, only the underproduction of units in the last cycle is specifically listed as a reason to not grant an appeal. This may be because so few localities actually met the last cycle’s numbers. So, overproduction may arguably be an appealable concern. Similarly, overproduction of housing in the last RHNA cycle could lead to concerns with the ability to further affirm fair housing in the future. The overproduction led to constraints in the market that could impact the ability to construct enough units in the future. Generally, the City promotes the production of housing, including affordable housing. So, an appeal would seems to be in opposition to this housing. The decision to file an appeal would not be based on that opposition but rather to ensure the program is applied in a fair and adequate manner, so that good actor such as the City of West Hollywood do not bear an imbalanced burden. However, one might argue that the City is equipped to handle such an increase in development, and that the proximity to jobs and transit makes West Hollywood an ideal candidate for such housing moving forward. Additionally, an appeal from the City of West Hollywood and/or other cities could result in the City of West Hollywood’s allocation to increase.

**RECENT CHANGES TO STATE LAW**

In the past few years, there have been a number of bills passed by the state legislature that allow certain projects to have an accelerated development review process when the subject city has not met their RHNA numbers for the last cycle. These laws are aimed at cities that not only don’t create new housing, but actively try to stop production of new housing within their jurisdictions. There are several regulations that allow certain development projects to have streamlined review for projects in residential zones that have certain levels of affordability and provide prevailing wages to construction workers, among other criteria. For municipalities that have not met their RHNA numbers per their HCD progress reports, these projects generally must be approved for the following eight-year cycle. This type of legislation takes away local control on development projects, and is, among other reasons, a key factor in ensuring a city meets its RHNA numbers. The City of West Hollywood has responded to changes in state law by amending the Municipal Code to reflect some of the changes to housing law.
PREVIOUS WEST HOLLYWOOD RHNA FIGURES AND ACCOMPLISHMENTS
The Housing Element includes an implementation plan of programs and actions the City will pursue to meet the community’s needs for housing, including programs and actions intended to meet regional housing needs identified through the RHNA. Objectives and accomplishments for the past two Housing Element planning cycles are provided below. Summaries of residential units achieved during each cycle is also presented.

State Housing Planning – 4th Cycle (2008-2014)
In the 2008-2014 time period, housing development in West Hollywood exceeded the RHNA for very low income housing and for above-moderate income housing. Housing production for low and moderate housing fell short of the RHNA minimum.

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<th>RHNA and Units Issued Building Permits (2008-2014)</th>
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<td>RHNA (2008-2014)</td>
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<td>Building Permits Issued</td>
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<td>Overage (Underage)</td>
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State Housing Planning – 5th Cycle (2014-2021)
In the current time period, housing production in West Hollywood has exceeded the RHNA minimum. However, in the previous cycle

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In the 2013-2021 Housing Element cycle, the City of West Hollywood was assigned a RHNA of 77 housing units to be developed in a span of 8 years. The City did not elect to appeal this very low allocation. As of 2018, the City met its assigned RHNA numbers in all affordability brackets, as shown with the number of building permits issued in each category of affordability. The RHNA, again, is a minimum number assigned by the state to meet regional housing goals. RHNA, is not a maximum for housing production. SCAG encourages jurisdictions to plan for housing above the RHNA minimum. The RHNA is a planning tool developed by the State of California to ensure all jurisdictions plan for anticipated regional population growth.

4th and 5th Cycle RHNA and Units Issued Building Permits (2008-2018)

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While in the current cycle, housing development did exceed the RHNA, in the previous cycle it had not. When considered over the two-cycle period (2008-2018), housing production in West Hollywood has met the combined RHNA allocation in all income categories except moderate income. Overall, less than 20 communities in the state have met their RHNA numbers in the
current 5th cycle thus far; West Hollywood leads these jurisdictions by having met the assigned RHNA numbers for all affordability levels.

RELATED HOUSING AGENDA ITEMS:
There are three other housing items on this City Council agenda, all interrelated in working to achieve the City’s housing goals. There is an item on the progress of the Housing Element update, including details on community engagement. This is in direct alignment with the RHNA allocation, as the Housing Element update is the next major step after the final RHNA allocation. There is a Zone Text Amendment to update requirements for 100% affordable housing projects in compliance with state law, with some changes to parking requirements. This will help facilitate the affordable unit mix necessary to achieve the RHNA allocation. There is also a policy discussion on underutilized lots in the City, which will play a role in achieving RHNA and Housing Element goals. Further, those lots will be incorporated into the City’s Sites Inventory for the Housing Element.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:
This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

● OSP-12: Actively Participate in Regional Issues.
● PSG-2: Affordable Housing.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

● G-1: Ensure that the community is active and engaged in the decision-making process.
● LU-1: Maintain a land use form and urban pattern that enhances quality of life and meets the community's vision for its future.

EVALUATION PROCESSES:
N/A

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:
N/A

COMMUNITY ENGAGEMENT:
SCAG conducted a comprehensive community engagement process in developing the 6th cycle RHNA methodology and finalization of the RHNA allocation plan. Additionally, while SCAG was conducted community outreach, the City held two community events on fulfilling the City’s housing programs during which the upcoming RHNA was discussed. The meetings took place February 5, 2020 at the West Hollywood Library, and February 19, 2020 at Plummer Park. In total, about 22 community members attended. The events were announced through the City’s website, press releases, and at the first City Council meeting in January. Invitations were emailed to all City Commissioners and Board Members. The winter 2018 rent stabilization newsletter included an article on the upcoming community conversations. These newsletters are mailed to all rent
stabilized addresses and landlords, including about 17,000 units and 1,900 landlords.

**OFFICE OF PRIMARY RESPONSIBILITY:**
CITY MANAGER’S DEPARTMENT / COMMUNITY & LEGISLATIVE AFFAIRS DIVISION; PLANNING & DEVELOPMENT SERVICES – LONG RANGE PLANNING; HUMAN SERVICES & RENT STABILIZATION - RENT STABILIZATION & HOUSING.

**FISCAL IMPACT:**
None
ATTACHMENTS:
Attachment A: Letter from SCAG dated September 4, 2020
Attachment B: Final RHNA Methodology
Attachment C: RHNA Appeals Procedures
Attachment D: Appeals FAQ
Attachment E: Appeals Process Timeline
Attachment F: Letter to SCAG dated September 13, 2019
Attachment G: Draft Allocations for all SCAG Jurisdictions