

SIERRA PLANNING ORGANIZATION
Nevada County and Sierra County

2014-2019
REGIONAL HOUSING NEED PLAN



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**Regional Housing Need Allocation Plan
January 1, 2014 through June 30, 2019**

FOREWORD

This document comprises the methodology and plan adopted by the Sierra Planning Organization (SPO) Board on June 26, 2013 to comply with State Housing Law in distributing to each local government of Nevada and Sierra Counties a share of the regional housing need determined by the State Department of Housing and Community Development (HCD) for the 2014-2019 housing element planning period. Each local government within Nevada and Sierra Counties is required to plan to accommodate its share of Regional Housing Need Allocation (RHNA), pursuant to this plan, by updating the jurisdiction's Housing Element by June 30, 2014. Jurisdictions are required to submit the Housing Element to the Department of Housing and Community Development to review for compliance with State Housing Law.

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Introduction and Overview of Housing Need and Statutory Requirements

The California Legislature, in enacting State Housing Law (Article 10.6 of the Government Code), declared that the provision of adequate housing is an issue of statewide concern. California's process to address its housing needs is a three-step procedure that first begins with the State Department of Housing and Community Development (HCD) determining a projection (5.5 year planning period) of regional housing need that is allocated to each local government and commonly referred to as the Regional Housing Need Allocation (RHNA). The RHNA encompasses four income categories based on Census data of area median income (AMI) at the county level as follows: very-low (up to 50% of AMI), low (up to 80% of AMI), moderate (up to 120% of AMI), and above-moderate income (above 120% of AMI). The second step requires the Council of Governments to develop a regional housing needs allocation methodology and plan to distribute a share of housing need, for each income category, to each local government that, in total and by income category, is equal to the regional determination made by HCD. The third step requires each local government to update the Housing Element of its General Plan to adequately identify a land inventory and program actions to encourage and facilitate new housing construction to fully address all RHNA income categories. The RHNA is a minimum projection of additional housing needed to accommodate household growth of each income level by the end of the planning period; it is not a prediction, production quota, or building permit limitation for new residential construction.

The Housing Element is one of seven elements of the General Plan and is generally required to be updated every five years. The Housing Element due date for Nevada and Sierra county jurisdictions is June 30, 2014.

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The Housing Element statutory due date is the date that establishes RHNA due dates. The State (HCD), approximately two years before the due date for housing element updates, consults with regional councils of governments before finalizing the regional housing need. Councils of Governments are required to adopt a final Regional Housing Needs Plan at least one year before housing elements are due. SPO is required to adopt its final plan before June 30, 2013 to enable local governments to complete and submit the update of their housing elements to HCD by June 30, 2014. The Housing Element is the only element of the General Plan that is subject to review and certification by HCD for compliance with State Housing Law. Certain State-administered loan and grant programs for local governments require a compliant housing element. A noncompliant housing element can place a local government at risk of legal challenge. There have been instances in which a resident, property owner, or aggrieved party, including a public agency, has sued to enforce the requirements for the adoption of an adequate General Plan in which courts have imposed various remedies to compel compliance.

State Planning and Zoning Law requires every city and county to prepare and adopt a long-term comprehensive General Plan for the development of the respective jurisdiction. The General Plan is a policy document designed to guide the physical development of the jurisdiction in a manner consistent with its physical, social, economic, and environmental goals. The plan provides a framework of policies and programs with which local decision-makers may direct the growth of the community.

In addition, Senate Bill 375 (Chapter 728, Statutes of 2008) further strengthened the existing coordination of housing and transportation planning, and amended the RHNA schedule and methodology and, among other things, strengthened rezoning requirements.

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HCD 5th Regional Housing Need Determination

On June 30, 2012, following a June 8, 2012 consultation meeting with SPO staff and local governments and subsequent correspondence with SPO on the RHNA process and draft numbers, HCD finalized and released the Regional Housing Need Determination for the Nevada and Sierra Counties region. The income category, percent of need, and number of housing units that SPO is required to allocate among the counties and cities for local governments to plan for are:

Income Category	Percent	Regional Housing Need
Very-Low	23.1%	425
Low	16.5%	305
Moderate	18.7%	345
Above-Moderate	41.7%	770
Total	100.0%	1,845

HCD's letter of determination (Appendix 1) provides details on how the regional housing need was determined based on State Department of Finance estimates and projections of population and households and other data. Due to significant differences in housing markets and Department of Finance projected population growth between the Nevada and Sierra counties, HCD determined the housing needs at the county level, and then determined SPOs' regional housing need by aggregating Nevada and Sierra county housing needs.

Requirement for Councils of Governments to Develop a Methodology and Plan
Councils of Governments, per Government Code 65584.04 (refer to Appendix 4), are required to develop a methodology for distributing a share of the RHNA, for each income category, to every local government. Before receipt of HCD's June 2012 Determination, SPO and representatives of each local government first met with representatives from HCD on June 8, 2012 to discuss RHNA requirements and process timelines.

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Distribution of Final RHNA

This table reflects the final Regional Housing Need Allocation (RHNA) distribution for each local government based on the methodology discussed below.

Income category	Very-Low	Low	Moderate	Above-Moderate	Total	
SPO Region RHNA Determination	425	305	345	770		1,845
<i>Percentage of Total</i>	<i>23.1%</i>	<i>16.5%</i>	<i>18.7%</i>	<i>41.7%</i>		<i>100%</i>

Nevada County Jurisdiction	Very-Low	Low	Moderate	Above-Moderate	Total	
Grass Valley¹	122	88	100	220		530
<i>Percentage of Total</i>	<i>23.0%</i>	<i>16.4%</i>	<i>18.7%</i>	<i>41.7%</i>	<i>100.0%</i>	<i>29%</i>
Nevada City	19	14	16	36		85
<i>Percentage of Total</i>	<i>22.5%</i>	<i>16.9%</i>	<i>19.0%</i>	<i>42.8%</i>	<i>100.0%</i>	<i>5%</i>
Truckee	108	75	78	199		460
<i>Percentage of Total</i>	<i>23.5%</i>	<i>16.4%</i>	<i>17.0%</i>	<i>43.2%</i>	<i>100.0%</i>	<i>25%</i>
Unincorporated Nevada County¹	174	126	150	314		764
<i>Percentage of Total</i>	<i>22.8%</i>	<i>16.5%</i>	<i>19.6%</i>	<i>41.1%</i>	<i>100.0%</i>	<i>41%</i>
County TOTAL	423	303	344	769		1,839
Sierra County Jurisdiction	Very-Low	Low	Moderate	Above-Moderate	Total	
Loyalton	1	1	1	1		4
<i>Percentage of Total*</i>	<i>24.5%</i>	<i>18.1%</i>	<i>17.0%</i>	<i>40.4%</i>	<i>100.0%</i>	<i>73%</i>
Unincorporated Sierra County	1	1	0	0		2
<i>Percentage of Total*</i>	<i>23.0%</i>	<i>18.2%</i>	<i>19.0%</i>	<i>39.8%</i>	<i>100.0%</i>	<i>27%</i>
County TOTAL	2	2	1	1		6

*Percentages for Loyalton and Sierra County do not reflect the actual allocation distribution, but the income category percentages.

¹ Grass Valley and the Unincorporated Nevada County allocations reflect transfer of 172 units from the county to the city due to annexation per Loma Rica Ranch Transfer Agreement City Agreement #2012-07 and County Resolution 12-106. Pre-transfer RHNA allocations were 358 (19% of the county total) for Grass Valley, and 936 (51% of the county total) for the Unincorporated Nevada County.

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Purpose of Regional Housing Need Allocation Plan

The purpose of the RHNA Plan is to comply with State law (Government Code Section 65584, et. seq.) in allocating to each local government a share of regional housing need for use in updating the General Plan housing element. The housing element must accommodate the total RHNA for each of four (4) income categories (deemed very-low, low-, moderate, and above-moderate) over the designated housing element planning period (June 30, 2014 through June 30, 2019). These requirements were enacted into State housing law (Article 10.6 of the Government Code) upon the California legislature determining that the provision of adequate housing is an issue of statewide concern.

Pursuant to Section 65584(a), the California Department of Housing and Community Development (HCD) is required to determine the existing and projected need for housing within regions of the State. The Sierra Planning Organization (SPO), in its role of council of government for the two-county region consisting of Nevada and Sierra Counties, is required per Section 65584.05 to develop a RHNA Plan to distribute the final determination of regional housing need to each local government within its region. The RHNA, per Section 65584(d), must be consistent with all of the following objectives:

- (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, and the encouragement of efficient development patterns.
- (3) Promoting an improved intraregional relationship between jobs and housing.
- (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 decennial United States Census.

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The RHNA Determination as released by HCD is based on the projection of population and new household formation determined by the Demographic Research Unit of the Department of Finance. HCD applied a small percentage allowance to accommodate an additional number of vacant and replacement housing units needed, and a one-time downward adjustment, applicable to the 5th cycle only, to account for abnormal vacancies and unique market conditions due to prolonged recessionary conditions, high unemployment, and unprecedented foreclosures.

The resulting RHNA is a minimum projection of additional housing needed to accommodate household growth over the planning period; it is not a prediction, production quota, or building permit limitation for new residential construction.

To comply with State law in addressing the jurisdiction's RHNA, the updated housing element must identify adequate sites and program actions to accommodate the total RHNA for each income category. The housing elements are required to be updated by June 30, 2014 and submitted to HCD for determination of compliance with State law. In updating the housing element, jurisdictions may take credit for and subtract from their RHNA (by income category) new units permitted since the beginning of the RHNA projection period (January 1, 2014).

Public Participation Requirement

Pursuant to Government Code Section 65584.04(c), at least one public hearing must be conducted to receive oral and written comments on the proposed methodology before adoption of the allocation of regional housing need. To solicit public participation, a notice of the public hearing scheduled for June 19, 2013 was published in a newspaper of general circulation. The public and local government officials were informed that, upon SPO receipt of a written request, a copy of the draft proposed methodology would be provided. In addition, a

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request was made of each local government to notify persons and groups that are on their contact list to meet the public participation requirement in updating the Housing Element.

SPO Final Regional Housing Need Allocations

Prior to finalization of the region's total housing need and distribution of the RHNA (refer to Page 4), HCD completed a RHNA consultation process with SPO, including a joint meeting in Nevada City, on May 8, 2012, where representatives of all local governments within the two counties were invited. Prior to the meeting, the Department developed and made available its draft RHNA determination for the region, as well as for each county and a proposed sample methodology to distribute the RHNA, by income category, to each local government. Participants were provided a copy of HCD's proposed RHNA determination and an example of proposed local government distribution, and presented with explanations about what data, assumptions, and methodology were used in the determination and the proposed distribution of RHNA.

In addition, local government representatives were requested to provide comment and applicable information for the Department to consider in finalizing the RHNA determination.

RHNA Plan Methodology

Due to the significant differences between the two counties over the past decade, SPO obtained HCD assistance in calculating each county's projected household growth covering the RHNA projection period of January 1, 2014 to June 30, 2019.

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The following factors were considered in the methodology, pursuant to Government Code 65584.04(d):

1. Existing and projected jobs and housing relationship.
2. Opportunities and constraints to development of additional housing, including:
 - a. Lack of capacity for sewer and water due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period. As long as a jurisdiction is able to plan for additional sewer and/or water capacity, no special adjustments were considered in the RHNA methodology.
 - b. Availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions.
 - c. Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis.
 - d. County policies to preserve prime agriculture lands within an unincorporated area.
3. Distribution of household growth assumed for a comparable period in the regional transportation plan and opportunities to maximize the use of public transportation and existing transportation infrastructure.
4. Market demand for housing
5. Agreements between counties and cities to direct growth toward incorporated areas

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6. Loss of units contained in assisted housing developments (addressed through the replacement allowance and consulting the California Housing Partnership Corporation mapping tool for at-risk housing developments in the region.)
7. High housing cost burdens
8. Housing needs of farmworkers
9. Housing needs generated by the presence of a private university or a campus of the California State University or the University of California
10. Other factors as considered by the council of governments.

In assisting with determining household growth and the countywide RHNA for each county, HCD used a similar methodology and calculations for the entire region as described in its letter dated (see Attachment 2 of Appendix 1).

SPO then used a three-step approach in distributing each countywide RHNA to local governments within the counties.

First, Department of Finance May 2012 estimates (E-5 reports available on DOF's website) were used to determine each jurisdiction's percentage of household population in the County. The RHNA for each jurisdiction was derived by multiplying the jurisdiction's percentage of household population against the total countywide RHNA. This approach is consistent with the first and third aforementioned RHNA statutory objectives, as well as market demand, to consider in distributing RHNA to each local government.

Second, a policy adjustment of 25 percent was applied to the unincorporated RHNA total to decrease the unincorporated share and increase city shares. This adjustment addresses the second and third RHNA statutory objectives to protect agricultural resources, encourage efficient development patterns, and improve the relationship between jobs and housing.

Below is hypothetical example of results after completing first and second steps:

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	<u>HH Population</u>	<u>Share</u>	<u>RHNA</u>	<u>Adjustment</u>	<u>Total RHNA</u>
County	50,000	100%	2,000	-25%	2,000
City A	10,000	20%	400	+ 400 =	800
Unincorporated	40,000	80%	1,600 x (-25%) = - 400	=	1,200

The next step was the determination of RHNA by income category. To assist in meeting the first and fourth statutory objectives (mix of housing type and affordability and income category allocation based on the countywide distribution of household incomes), the income distributions of each jurisdiction’s households were compared to the countywide distribution. A “fair share” policy adjustment (20%) was applied to city income categories to move city percentages closer to county percentages as demonstrated in this hypothetical example.

County/ City	Very-Low Income %	Difference County-City	Fair Share Multiplier	Fair Share Adjustment	Adjusted Very- Low RHNA
County	22%	0	None	N/A	same
City A	41%	22% - 41% = = -19%	1.2	(-19%)*1.2 = = -23%	41%-23% = 18%

City’s Low-Income RHNA = City Total RHNA X 18% = 800 x 18% = 144 units

Lastly, the proposed allocations were made available to local governments representatives for comment and input, and discussed in detail during the RHNA.

Local governments met on June 8, 2012 and agreed on distributing the RHNA to each local government as included in this plan.