CITY OF COSTA MESA
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September 12, 2019

Southern California Association of Governments
Regional Housing Needs Assessment Subcommittee
900 Wilshire Boulevard, Suite 1700
Los Angeles, CA 90017

Dear RHNA Subcommittee,

The City of Costa Mesa appreciates the time and effort provided by the Southern California Association of Governments (SCAG) Board, the SCAG Committees and Subcommittees, and SCAG staff in its tireless efforts to address means to improve the supply of housing in California. The City of Costa Mesa remains committed to doing its part now and in the future related to addressing this important issue in compliance with housing element laws (Government Code Sections 6580-65598.8). The City of Costa Mesa thanks SCAG for encouraging cities to provide their feedback; and, as such, the City does want to highlight concerns about certain portions of the methodologies that are being proposed for the 6th Regional Housing Needs Assessment (RHNA) cycle that are above and beyond the projected growth in the current Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) and will greatly impact the City's ability to remain compliant with state housing laws. The City of Costa Mesa respectfully offers the following points for consideration related to the three proposed distinct RHNA methodologies.

- The City requests that SCAG proceed with a methodology option which includes the highest level of local input.
- The City requests that the HQTA areas used for this evaluation only include those that are permanent, multi-modal, and provide frequent service (15 minute or less headway) 7 days per week.
- The City requests that overcrowding not be assessed. Should SCAG determine to use this highly questionable and misinterpreted variable, the City requests that SCAG utilize a more appropriate and fact-based ratio.
- The City requests that the vacancy adjustment use a total unrounded vacancy rate which includes all subtypes in the appropriate methodology options.
- The City requests that allotment be distributed to all income types for existing need in the appropriate methodology options.
- The City requests that the methodologies increase their social equity adjustment as long as the comparison is based on a municipality's comparison to the county average for each jurisdiction.

- The City requests that the ratio of building permits per population not be used for allocation purposes.
- City requests that density not be used as an input. However, should it be used, that SCAG thoughtfully remove properties which are not developable.

The implementation of these additional comments will assist SCAG in its regional engagement and transparency goals.

Local Input is Critical

It is important to address housing needs for the betterment of all communities; however, without proper participation and feedback from local governments, future housing growth numbers will become unattainable, meaningless or, worse yet, potentially unjust. Even for responsible jurisdictions like Costa Mesa, committed to housing growth, who initiate overlays, urban plans, and new ordinances like the City's small lot ordinance to encourage housing development throughout the City, an unattainable allotment will potentially handicap the review authority on housing projects by allowing any housing project to be streamlined whether it is good for the community or not. Any proposed methodology should include local input, which is the foundation for SCAG's Connect SoCal Plan. The inclusion of local input ensures that the RHNA allocation is consistent with the development pattern of the Sustainable Communities Strategy (SCS).

A regional determination by the Department of Housing and Community Development (HCD) should be no higher than the 429,926 units identified by SCAG. The City appreciates SCAG's appeal of the recent regional housing need determination of 1,344,740 total units from the HCD. If HCD's determination is not successfully appealed it should only be in coordination with a per unit increase in funding for jurisdictions to provide subsidies for developers to supply additional housing units for all income levels. Regardless, a higher number then estimated makes collaboration with local agencies even more important.

Otherwise, municipalities will have no way to achieve the units required by a higher allocation and streamlined residential projects could be built that displace residents, change the character or sense of place of the communities, and even undermine the expedited process and collaborative environment that SCAG has been attempting to foster since creation. **The City of Costa Mesa requests that that SCAG proceed with a methodology option which includes the highest level of local input.**

Definition of High-Quality Transit Corridors is too Broad

SCAG has stated that using High-Quality Transit Corridors (HQTAs) to concentrate a portion of RHNA-required housing will focus development disproportionately on lower-income neighborhoods. This was discussed in the Proposed Methodology report attached to the agenda for a public hearing on August 1, 2019. SCAG also

acknowledged that the application of a social equity ratio would not be able to sufficiently address all of the potential impacts of increased development. If the increase in housing development exacerbates social inequality in current low-income housing areas more than the benefits of transit-oriented development within that same area, then those areas within such an HQTA should not be used; despite the HQTA complying with the description of high-quality transit corridors from SB375. To ensure that social injustice problems like those listed below do not occur SCAG should be conservative and cautious in its approach to what qualifies as a major transit stop. Any location within an HQTA should have a significant enough transit presence to ensure that the benefits of developing additional housing near its transit stops are sufficient to justify the potential negative social impacts on the community.

- Displacement of existing tenants
- Gentrification
- Degradation of cultural continuity
- Loss of social networks that families in low-income neighborhoods rely upon; and
- Measurable health impacts from increased construction

Therefore, the City of Costa Mesa recommends that SCAG take a serious look at which areas are identified as major transit stops per SB375 and apply a more conservative approach. Specifically, SCAG should limit the proportionate allotment only to major transit locations which are permanent, multi-modal, and provide a frequency of service interval of 15 minutes every day as opposed to just weekdays. This will help to ensure that qualifying HQTAs have a substantial amount of infrastructure already in place to account for the future growth and provide mobility to all socioeconomic levels throughout the region. SCAG should consider areas served by more permanent public transit infrastructure. Bus stops are currently included; however, in Orange County bus stops and routes can be and frequently are removed by OCTA due to lack of ridership. In such cases, the result would be higher density housing with no connectivity to public transit. The SCAG methodology should limit its consideration of qualifying HQTAs to those areas served by public transit infrastructure which allows for a variety of modes because this provides a greater ability to address the needs and preferences of the potential residents and adds to the potential longevity of the identified transit stop. SCAG should consider areas served by a more frequent service schedule because if the City supports building very low-income housing in an area with no consistent or frequent option of public transit on weekends, the result would be the further isolation of disadvantaged members of the community, thereby restricting their access to the benefits of the region and spoiling the very intent of transit-oriented development.

Viable Alternatives

Potential solutions could include:

1) Reducing the number of HQTAs to those areas that are within a half-mile of more permanent, multi-modal, transit stops that have a higher level of daily service.
2) Create a weighted ratio that assigns a higher share to HQTAs with substantial public transit which meets the description in the first option and a lower proportion to HQTAs which meet only the minimum definition of major transit stops under SB375; or alternatively, at a minimum, embrace the existing methodology completely by modifying the HQTA locations to include those areas anticipated to be included within the next 8 years and exclude those which have falling ridership numbers and therefore may be closed or removed.

The City of Costa Mesa requests that the HQTA areas used for this evaluation only include those that are permanent, multi-modal, and provide frequent service.

Overcrowding Metric has Inherent Error

While housing overcrowding can be associated with substandard living conditions, a planning target seeking to entirely eliminate cohabitation would remove a form of housing safety net. That is, the ability to occasionally have additional persons such as a family member or friend in a housing unit in order to guard against further housing insecurity, up to and including homelessness. There are also strong cultural and demographic drivers of living arrangements (such as multi-generational living). A region's foreign-born population share is amongst the strongest predictors of a region's household overcrowding measure, in part due to differing cultural norms regarding multi-generational housing. Also, multiple definitions of overcrowding exist, including a 1.5 persons/room standard ("severe overcrowding") and measures which use occupants per unit size. Despite this variety, however, state law defines overcrowding as a strict 1.0 person/room standard. Furthermore, definitions of a "room" may not be universally applied and may vary based on the housing design characteristics, the character of a region's housing stock, American Community Survey (ACS) guidelines, and ultimately the opinion of what constitutes a "room" by the sample of householders responding to the ACS. Lastly, municipalities which have a disproportionate amount of university students may have an artificially high overcrowding number but this has to do with college students choosing to live in group living arrangements which is a social choice and is, therefore, not a sign of overcrowded housing supply. As a City that hosts two colleges and universities (OCC & & Vanguard University) and is in close proximity to UC Irvine, Costa Mesa would be disproportionally and incorrectly impacted by this metric. **The City of Costa Mesa requests that overcrowding not be assessed and be excluded. Should SCAG determine to use this somewhat subjective and misinterpreted variable, the City requests that SCAG utilize a more appropriate and fact-based ratio or adjust ratios based on communities proximity to ratio altering uses like educational institutions.**

Vacancy Evaluation Should Include Total Vacancy Numbers

The total number of vacant units within each jurisdiction should be used to calculate the vacancy adjustment. SCAG is only using the sum of two subtypes of vacancy to analyze the need for additional vacancy information (For Rent and For Sale Only) but this disregards a large portion of the vacant housing stock within the community and excludes them based on their static description at the time of the ACS survey, which frequently changes and would likely change when market demand incentivizes owners to provide them as more traditional vacant units. Consider using all, or more than two, of the seven categories of vacant units to calculate the tenured vacancy rates (For Rent; Rented, Not Occupied; For Sale Only; Sold, Not Occupied; For Seasonal, Recreational, or Occasional Use; For Migrant Workers; Other Vacant). Since the raw data is available, in order to use the most accurate data possible during the RHNA process, unrounded vacancy rates for each jurisdiction should be calculated by using both tables DP04 and B25004 for use in the healthy market vacancy rate adjustments. **The City of Costa Mesa requests that the vacancy adjustment use a total unrounded vacancy rate, which includes all seven subtypes of available housing in the appropriate methodology options for the most accurate assessment possible.**

Distribution of Existing Need should be Over All Income Categories

The proposed redistribution of the existing need solely to lower- and moderate-income categories is not consistent with past practice and will set up jurisdictions for failure when attempting to develop a compliant Housing Element. It also is not accurate in the proportionate needs that each community has for all housing types. **The City of Costa Mesa requests that the proportion allocated to cities to address the Existing Need identified in the associated methodologies be distributed to all income types (Very-Low, Low, Moderate, and Above Moderate income).**

Costa Mesa Supports a Higher Social Equity if Measured Against the County Average

To avoid perpetuating historical patterns of segregation in consideration of affirmatively furthering fair housing, the City supports a higher social equity adjustment (of 175 percent or 200 percent) in all options across all segments, so long as the basis of the adjustment is the county sub-region in which the jurisdiction is located. There are few cases in any of the proposed methodologies that cities get credit for existing conditions which are already exceeding the assigned thresholds. Credit should be considered for other variables that go into this methodology. For example, making sure that cities which have a disproportionately higher ratio of lower-income properties than other cities within their county should receive a credit for this existing condition and could be provided more flexibility on housing of all income types. This will result in a more equitable spatial distribution of the lower-income housing need and ensure that existing communities which have an above average amount of lower-income housing types are

not beset with additional low-income allotments which would further exacerbate spatial inequality. **The City of Costa Mesa requests that the methodologies increase their social equity adjustment as long as the comparison is based on a municipality's comparison to the county average for said jurisdiction.**

Building Permits per Population should not be Used

The use of building-permits-by-population ratio should not be included. This approach increases ambiguity because each City determines a slightly different threshold to count its "final" permit. The use of this ratio causes substantial measurement error because of the lack of accuracy since this dataset was never reviewed for a high level of accuracy by all cities within the SCAG region. This ratio is a questionable unit of analysis to measure supply provided by cities across the entire SCAG region because a single permit can, and frequently does, account for multiple dwelling units. The result being, total building permits are frequently not a one-to-one relationship with new dwelling units and therefore building permits have no practical relationship to the population, which would be served by new housing. This ratio does not pass a proportionate test since one would not say that two cities with the same number of permits and the same population are proportionate if one community is more urban, has less public transit, less land, newer developments, more valuable regional retail, etc. For one community the number of permits achieved maybe more significant than the other. This ratio provides a false unit of analysis that attempts to compare cities in a way which generates more uncertainty then assistance. **The City of Costa Mesa requests that the ratio of building permits per population not be used for allocation purposes and excluded from all methodologies.**

Remove Land Areas Not Compatible with Residential Uses from Density Calculation

Where density calculations are assessed for distribution of housing allocation, the total area of a jurisdictional boundary should not be used. Though density is not currently used as an input in any of the current methodologies and OCCOG is not supporting the use of density as an input, if SCAG ultimately incorporates density into the selected methodology, some land uses should be removed from the total area within the jurisdiction so the density calculation properly reflects population density in developable/usable areas. For example, areas and land uses that are permanently protected open space, military bases, flood channels, local parks, and active state property should not be counted. **The City of Costa Mesa requests that density not be used as an input. However, should it be used, the City requests that non-developable land be excluded from the calculation.**

Administrative Comments to Assist with Regional Engagement

One of SCAG's goals throughout the RHNA process has been transparency. To assist with this, the City of Costa Mesa agrees with several comments provided by the Center

for Demographic Research at CSU Fullerton. First, we strongly agree that a track changes document be provided that is based on the changes made since publication of the documents for the public comment period. Second, SCAG should provide the definition of "high resource areas" in the methodology document to help ensure transparency and accuracy. Third, please clarify whether the 2019 DOF population was developed at the SCAG TAZ level and is being used or if the RTP TAZ/local input data for year 2016 was used. Please republish the Proposed RHNA Allocation Methodology Technical Data Appendix and RHNA calculator after corrections are made. SCAG should always allow time for review of new factors or methodologies. The City also strongly encourages SCAG to outline the appeals and redistribution process. **The implementation of these additional comments will assist SCAG in its regional engagement and transparency goals.**

Conclusion

The RHNA process is of utmost importance to the State of California, the Six County SCAG region, the County of Orange and each city in the County, including the City of Costa Mesa. To that end, the City of Costa Mesa want to ensure all stake holders can engage in the public outreach process to ensure concerns are heard and hopefully addressed. At this stage of the process, the City supports option number 3 due to its substantial local input, streamlined methodology, and practical allotment of dwelling units.

Senate Bill (SB) 166 requires local jurisdictions to continually update their housing elements and General Plans to ensure their housing elements always identify sufficient sites for potential development to meet the assigned goals to house families and individuals in the different income categories. This is a challenge since local jurisdictions rely on private housing developers to build housing mostly based on local market conditions. Accordingly, local jurisdictions cannot fully control how or when a property is developed. Local jurisdictions with limited land capacity and high RHNA allocations will find it nearly impossible to comply with State law unless developers always build at the maximum density allowed on the site, which is not always financially feasible.

With the dissolution of redevelopment agencies, the available funding for affordable housing subsidies has diminished and cities and counties are struggling to meet their RHNA targets. Hopefully, recently enacted funding measures will spur the development of more affordable housing throughout California and result in RHNA targets that are more attainable. Nevertheless, the City of Costa Mesa remains committed to doing its part to address means to improve the supply of housing in California in compliance with Housing Element laws and appreciates the opportunity to provide comments as part of the RHNA process. Thank you for your consideration of the City's comments related to the proposed RHNA determination and methodologies. We stand ready to be partners in the development of RHNA allocations to meet our collective goals.

Sincerely,

LORI ANN FARRELL HARRISON
City Manager
City of Costa Mesa