

of a feasible balance between jobs and housing within the region using the regional employment projections in the applicable regional transportation plan.

- 5) Requires HCD to develop the RHND for each region at least two years prior to the scheduled revision of the housing element, and requires the appropriate COG, or HCD for cities and counties without a COG, to adopt a final RHNA that allocates a share of the regional housing need to each city, county, or city and county at least one year prior to the scheduled revision for the region.
- 6) Requires each COG or delegate subregion, at least two years before a scheduled revision of the housing element, to develop, in consultation with HCD, a proposed methodology for distributing the RHNA to cities, counties, and cities and counties within the region or subregion.
- 7) Requires each COG or delegate subregion, at least one and one-half years before a scheduled revision of the housing element, to distribute a draft RHNA allocation plan to each local government in the region or subregion, and HCD, based on the methodology in 6) above, and publish the draft allocation on its website.
- 8) Requires each city and county to adopt a housing element, which must contain specified information, programs, and objectives, including:
 - a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs, including a quantification of the locality's existing and projected housing needs for all income levels; an inventory of land suitable and available for residential development; an analysis of potential and actual governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels; and a demonstration of local efforts to remove constraints that hinder the locality from meeting its share of the regional housing need, among other things;
 - b) A statement of the community's goals, quantified objectives, and policies relative to affirmatively furthering fair housing and to the maintenance, preservation, improvement, and development of housing; and
 - c) A program that sets forth a schedule of actions during the planning period, and timelines for implementation, that the local government is undertaking to implement the policies and achieve the goals and objectives of the housing element, including actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the local government's share of RHNA for each income level that could not be

accommodated on sites identified in the sites inventory without rezoning, among other things.

This bill:

- 1) Prohibits a city or county from filing an objection to the RHND in regions in which HCD is required to act as the COG and distribute the RHND.
- 2) Repeals provisions that allow HCD to use an alternative process to determine the existing and projected need for housing for a region.
- 3) Requires a COG or delegate subregion to solicit participation by household with special housing needs, as defined, in the development of the proposed methodology for distributing the RHNA.
- 4) Allows HCD to review a COG or delegate subregion's adopted methodology for distributing the RHNA and report its findings to the COG or delegate subregion within 45 days of adoption, rather than 90 days in existing law.
- 5) Allows a COG to distribute a draft RHNA allocation plan to each local government in the region or subregion and to HCD, and to publish the draft allocation on its website, upon adoption of the final methodology reviewed and adopted by HCD.
- 6) Requires HCD, in regions without a COG where HCD must distribute the RHND, to act in accordance with the process for determining the existing and projected need for housing for regions with a COG.
- 7) Requires, for purposes of RHND, the date of the next scheduled revision of the housing element to be deemed to be the estimated adoption date of the regional transportation plan (RTP) update described in the notice provided to the Department of Transportation plus 18 months, provided that the date is no more than eight years later than the deadline for adoption of the previous eight-year housing element.
- 8) Applies the provisions of this bill to all cities, including charter cities.

COMMENTS:

- 1) *Author's statement.* "SB 7 will strengthen the Regional Housing Needs Allocation (RHNA) process. RHNA is the state's primary tool for ensuring local governments are permitting enough housing to accommodate the state's population. SB 7 is based on recommendations from the Department of Housing and Community Development's RHNA evaluation report, which the department released earlier this year. Specifically, SB 7 will explicitly require

Councils of Government to engage people with special housing needs, including unhoused people, in the RHNA methodology development process. Additionally, SB 7 will make a number of clarifying and simplifying changes to RHNA statute. These changes will enhance the rigor of RHNA and reduce legal uncertainties for the parties involved. While minor and procedural, SB 7 will support the state's long-range commitment to end and prevent homelessness. I respectfully ask for your aye vote."

- 2) *Adoption and Implementation of Housing Elements.* One important tool in addressing the state's housing crisis is to ensure that all of the state's 539 cities and counties appropriately plan for new housing. Such planning is required through the housing element of each community's General Plan, which outlines a long-term plan for meeting the community's existing and projected housing needs. Cities and counties are required to update their housing elements every eight years in most of the high population parts of the state, and five years in areas with smaller populations. Localities must adopt a legally valid housing element by their statutory deadline for adoption. Failure to do so can result in certain escalating penalties, including exposure to the "builder's remedy" as well as public or private lawsuits, financial penalties, potential loss of permitting authority, or even court receivership.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its RHNA, which is a figure determined by HCD through a demographic analysis of housing needs, existing housing stock, and population projections in consultation with DOF and the COG. HCD establishes its determination of each COG's regional housing targets across the state for the next five- or eight-year planning cycle. Each COG (or in some areas, HCD acting directly as COG) then sub-allocates the RHNA to each local government within the COG's jurisdiction, and in turn each jurisdiction uses its housing element to show how it will accommodate that number of new housing units, split out by income level and with a focus on certain special needs housing types and on affirmatively furthering fair housing.

It is critical that local jurisdictions adopt legally compliant housing elements on time in order to meet statewide housing goals and create the environment for the successful construction of desperately needed housing at all income levels. Unless communities plan for production and preservation of affordable housing, new housing will be slow or extremely difficult to build. Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Although not requiring the community to develop housing, housing element law requires the

community to plan for housing. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all that it can and not engage in exclusionary zoning practices.

- 3) *RHND/RHNA Methodology.* The RHND/RHNA process is used to determine how many new homes, and the affordability level of those homes, each local government must plan for in its housing element to cover the duration of the next eight-year planning cycle. The RHND is assigned at the COG level, while RHNA is allocated to subregions of the COG or directly to local governments. RHNA is assigned to four income categories: very low-income (0-50% of AMI), low-income (50-80% of AMI), moderate-income (80-120% of AMI), and above moderate-income (120% or more of AMI).

The cycle begins with HCD and the DOF projecting new RHND numbers every five or eight years, depending on the region. DOF produces population projections and the COG also develops projections during its RTP forecast. Then, 26 months before the housing element due date for the region, HCD must meet and consult with the COG and share the data assumptions and methodology that they will use to produce the RHND. The COG provides HCD with its own regional data on several criteria, including projected population increases; household size data; percentage of overcrowded households; the rate of household formation, or headship rates, based on age, gender, ethnicity, or other established demographic measures; vacancy rates; relationship between jobs and housing; percentage of households that are cost burdened; loss of units during a declared state of emergency that have yet to be rebuilt or replaced.

HCD can take this information and use it to modify its own methodology, if it agrees with the data the COG produced, or can reject it if there are other factors or data that HCD feels is better or more accurate. Then, after a consultation with the COG, HCD makes written determinations on the data it is using for each of the factors bulleted above, and provides that information in writing to the COG. HCD uses that data to produce the final RHND. The COG must then take the RHND and create an allocation methodology that distributes the housing need equitably amongst all the local governments in its region.

In past housing element cycles, RHNA had been criticized as being a political rather than a methodologically sound, data-driven process. In the past, jurisdictions with a higher share of wealthier, whiter residents were more likely to have received lower allocations of moderate- and lower-income housing, while more diverse and lower-income cities sometimes received higher

allocations of those categories. The Legislature made a number of changes to the RHND, RHNA, and housing element process over the past several years to strengthen the law and restrict the ability of jurisdictions to evade their housing obligations.

- 4) *HCD's recent RHNA report.* Earlier this year, HCD published *California's Housing Future 2040: The Next Regional Housing Needs Allocation (RHNA)* pursuant to statutory directive to develop recommendations to improve the RHNA process and methodology that promotes and streamlines housing development and substantially addresses California's housing shortage following a stakeholder engagement process.

This bill incorporates some of the recommendations proposed by the report, notably around improving clarity, efficiency, and effectiveness of the RHNA process.

- 5) *Gutted.* This bill was gut-and-amended in the Assembly on June 10, 2024 from a bill related to annual progress reports.
- 6) *Opposition.* The City of Palos Verdes Estates is opposed, alleging it will eliminate transparency and accountability. Some neighborhood homeowners groups oppose for similar reasons, as well as the fact that the bill was amended in June.

RELATED LEGISLATION:

AB 1771 (Bloom, Chapter 989, Statutes of 2018) — made a number of changes to increase the transparency and accountability of the RHNA allocation process.

SB 828 (Wiener, Chapter 974, Statutes of 2018) — made a number of changes to the RHND and RHNA process, including adding more specificity to certain information regarding overcrowding rates, vacancy rates, and adding a requirement to include data on the percentage of cost burdened households in the RHND.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

POSITIONS: (Communicated to the committee before 5 pm on Monday, August 26, 2024.)

SUPPORT:

Inner City Law Center (Sponsor)

OPPOSITION:

California Cities for Local Control
City of Palos Verdes Estates
Mission Street Neighbors
Sunnyvale United Neighbors

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