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**SENATE COMMITTEE ON HOUSING**  
**Senator Nancy Skinner, Chair**  
**2023 - 2024 Regular**

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**Bill No:** SB 968 **Hearing Date:** 3/19/2024  
**Author:** Seyarto  
**Version:** 1/24/2024 Introduced  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Mehgie Tabar

**SUBJECT:** Planning and zoning: regional housing needs allocation

**DIGEST:** This bill permits councils of government (COGs), in developing regional housing needs allocation (RHNA), to consider prior overproduction of housing units from the previous cycle and count overproduced units as credit toward the next cycle, as specified.

**ANALYSIS:**

*Existing law:*

- 1) Requires every city and county to prepare and adopt a general plan, including a housing element, to guide the future growth of a community. The housing element must identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet the housing needs of all income segments of the community, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.
- 2) Provides that each community's fair share of housing be determined through the RHNA process, which is composed of three main stages: (a) the Department of Finance and Department of Housing and Community Development (HCD) develop regional housing needs estimates; (b) COGs allocate housing within each region based on these estimates (where a COG does not exist, HCD makes the determinations); and (c) cities and counties incorporate their allocations into their housing elements.

**This bill:**

- 1) Permits COGs, in developing RHNA, to consider prior overproduction of housing units from the previous RHNA cycle and to count overproduced units as credit toward the future RHNA of that same income category in the next cycle.

- 2) Provides that the amount eligible to count as credit toward the next cycle is determined by each jurisdiction's most recent annual progress report, as specified.

**COMMENTS:**

- 1) *Author's Statement.* "It is disheartening to see the barriers to housing development in California. Cost of building is already outrageous with the long approval process and high labor costs, which hinders the progress we are ultimately after. Our working-class families have a hard time affording homes as it is. This law will make it a little bit easier for local governments that already meet their housing unit targets to stay in compliance and continue to meet the needs of their communities and requirements of the state government. We must address this urgent issue for the sake of our communities and economy."
- 2) *Housing Elements and RHNA.* Every city and county in California is required to develop a general plan that outlines the community's vision of future development through a series of policy statements and goals. A community's general plan lays the foundation for all future land use decisions, as these decisions must be consistent with the plan. General plans are comprised of several elements that address various land use topics. State law mandates seven elements: land use, circulation (*e.g.*, traffic), housing, conservation, open-space, noise, and safety.

Each community's general plan must include a housing element, which outlines a long-term plan for meeting the community's existing and projected housing needs. The housing element demonstrates how the community plans to accommodate its "fair share" of its region's housing needs. Following a staggered schedule, cities and counties located within the territory of a metropolitan planning organization (MPO) must revise their housing elements every eight years, and cities and counties in rural non-MPO regions must revise their housing elements every five years. These five- and eight-year periods are known as the housing element planning period.

Before each revision, each community is assigned its fair share of the region's housing need for four separate income categories (very low-, low-, moderate-, and above-moderate income households) through a two-step process known as RHNA. In the first step, HCD determines the aggregate housing need for the region during the planning period the housing element will cover. In the second

step, the COG for the region allocates the regional housing need to each city and county within the region.

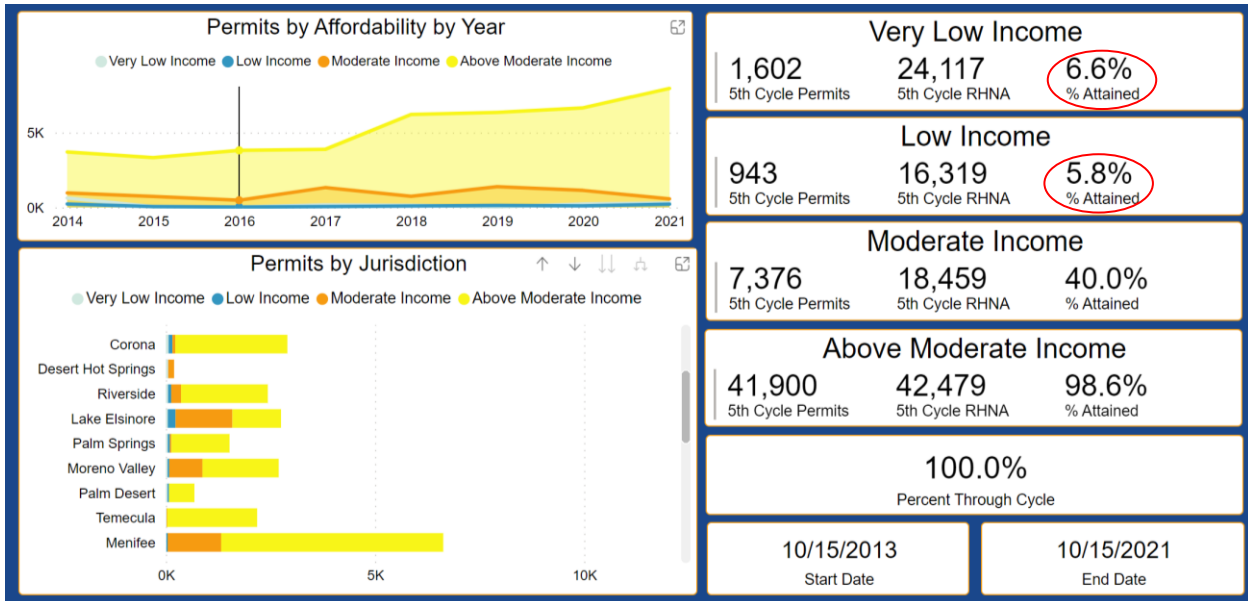
In general, a housing element must identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet its share of the RHNA, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development. Among other things, the element specifically must include an analysis of existing subsidized housing developments that are eligible to convert to market-rate rental housing upon the expiration of affordability restrictions, and identify all public resources.

As part of the process to identify adequate sites, a city or county first prepares an inventory of existing sites zoned for housing. When the inventory of existing sites is insufficient to accommodate the need for one or more income categories, the housing element must contain a program to rezone sites within the first year of the planning period.

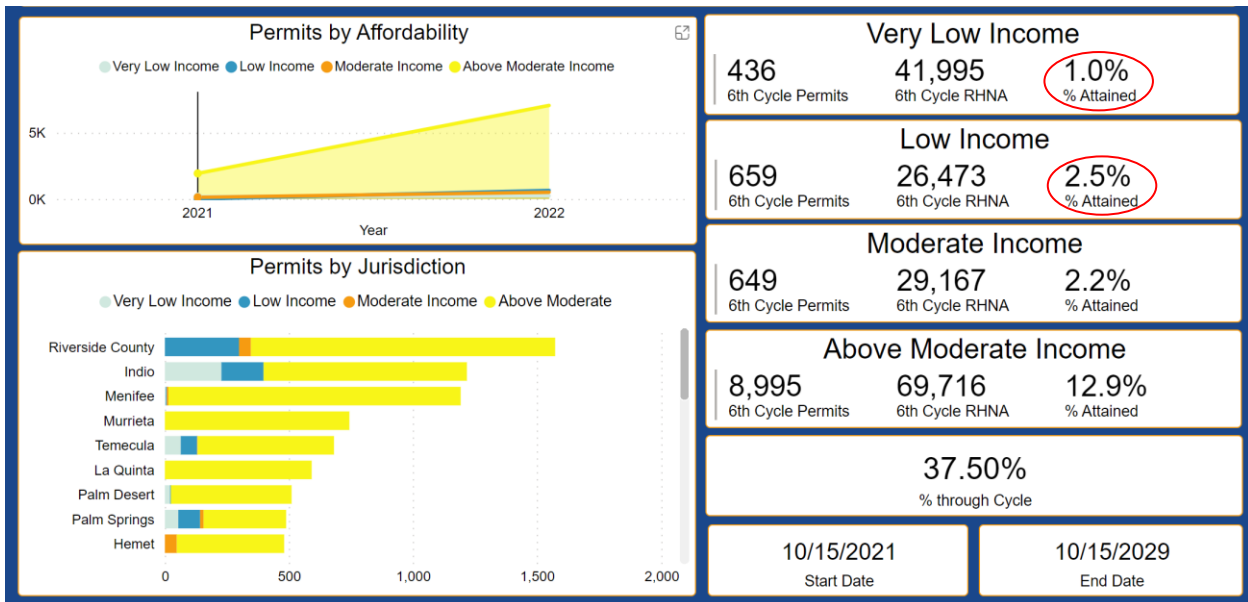
- 3) *Are housing needs being met statewide?* Cities and counties across California have struggled to meet their fair share of its region's housing needs, exacerbating the state's housing crisis. This failure to adequately address housing needs has perpetuated issues of affordability, homelessness, and sprawl. Many jurisdictions have prioritized local interests over broader regional needs, resulting in insufficient housing production and exclusionary zoning practices. This is one reason RHNA exists—to keep cities and counties accountable for providing their fair share of housing opportunities for all incomes levels.

The tables below show just how few very low- and low-income units were permitted in various jurisdictions in Riverside County during the last cycle (*i.e.*, 5<sup>th</sup> Cycle from 2013 to 2021) and the current cycle (*i.e.*, 6<sup>th</sup> Cycle starting in 2021). While these are a snapshot from one county, similar trends can be seen across the state during the same time period.

**Table 1: RHNA Progress, Permits by Affordability, Riverside County, 5<sup>th</sup> Cycle**



**Table 2: RHNA Progress, Permits by Affordability, Riverside County, 6<sup>th</sup> Cycle**



Source: HCD's [Annual Progress Reports - Data Dashboard](#)

- 4) *RHNA is the bare minimum.* Although RHNA is supposed to be a floor, jurisdictions tend to treat it as a ceiling. Accordingly, it has been argued that a city or county is “disincentivized” to construct units beyond its current cycle RHNA allocation; instead, the city or county would prefer to wait until the next cycle so it can “roll over” the units and get credit toward that next cycle allocation.

This concern is moot—if units are completed during the 6th cycle, they are counted toward the 6th cycle allocation. For example, if construction begins in the last year of the 6th cycle, and is completed in the first year of the 7th cycle, those units would count toward 7th cycle.

Alternatively, if construction is completed during the 6th cycle, those units would be counted in the tally of “existing housing stock,” which is part of the calculation for the 7th cycle RHNA. A city or county would probably not find this as satisfying as knocking the units off the 7th cycle allocation, but it basically works out the same.

HCD has also noted that it would be awkward to have a rollover mechanism for individual jurisdictions because RHNA is calculated at the COG level.

**The committee may wish to consider the need for this bill when (1) RHNA is intended to be a minimum target, not the end goal, and (2) the law already permits units to “count” when they are constructed.**

- 5) *Opposition.* The California Home Builders Alliance (HBA), a coalition comprising trade associations, home builders, realtors, developers, employers, affordable housing infill builders, and advocacy organizations, writes in opposition to this bill. The HBA cites how drastically it would change the RHNA process and states “...we believe that until a city exceeds the amount of housing it is producing in every area and every category, we should not be giving anyone credits until we are meeting the needs of every category. There is no such thing as overproducing when there is a city-wide shortage at all levels.” Several YIMBY groups and housing advocates also oppose this bill for similar reasons, stating, “Until we reach our overall goals, the state cannot consider relaxing or changing the RHNA formulas that are on the books today.”

#### **RELATED LEGISLATION:**

**AB 1063 (Petrie-Norris, 2020)** — would have provided a number of exemptions to housing element law for certain jurisdictions, including a provision allowing a city or county that met its RHNA allocation in the prior planning period to meet up to 50% of its RHNA allocation in the next period through committed assistance, as specified. *This bill died in the Senate Housing Committee.*

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

**POSITIONS:** (Communicated to the committee before noon on Wednesday,

**March 13, 2024.)**

**SUPPORT:**

California Cities for Local Control  
Catalyst for Local Control  
Livable California  
8 Individuals

**OPPOSITION:**

Abundant Housing LA  
California Hispanic Chambers of Commerce  
California Housing Consortium  
California YIMBY  
Civicwell  
East Bay YIMBY  
Housing Action Coalition  
Housing Trust Silicon Valley  
How to ADU  
Midpen Housing  
Mountain View YIMBY  
Napa-Solano for Everyone  
Northern Neighbors  
Peninsula for Everyone  
People for Housing Orange County  
Progress Noe Valley  
San Diego Housing Federation  
San Francisco YIMBY  
San Luis Obispo YIMBY  
Santa Cruz YIMBY  
Santa Rosa YIMBY  
South Bay YIMBY  
Southside Forward  
SPUR  
Streets for People  
Urban Environmentalists  
Ventura County YIMBY  
YIMBY Action  
1 Individual

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