



Staff Report

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Honorable Chair and Members of the Hermosa Beach Planning Commission

Regular Meeting of December 15, 2020

Information Only: Introduction of Housing Element 2021-2029 Update

BACKGROUND

Housing Element Requirements.

State law requires that each city adopt a General Plan to guide land use and development. Among the various “elements” of the General Plan is the Housing Element, which describes City policies and programs for maintaining and improving existing housing, and accommodating development of new housing to meet the City’s assigned share of regional growth under the Regional Housing Needs Assessment (“RHNA”).

PLAN Hermosa was adopted in 2017 and has a “time horizon” of 25 years. However, State law requires that the Housing Element be updated every 8 years. Housing Element planning periods are sometimes referred to as “cycles”. The City’s current Housing Element covers the planning period extending from 2013 to 2021, which is referred to as the “5th Housing Element cycle” in reference to the five required updates that have occurred since the comprehensive revision to State Housing Element law in 1980. Every city in the Southern California Association of Governments (“SCAG”) region is required to prepare a Housing Element update for the 6th planning cycle, which spans the 2021-2029 period, regardless of when the other elements of the General Plan were adopted. The due date for the 6th Housing Element update is October 15, 2021.

HCD Review and Certification.

The State legislature has delegated authority to the California Department of Housing and Community Development (“HCD”) to review Housing Elements and issue opinions regarding their compliance with State law. A finding of compliance by HCD is referred to as “certification” of the Housing Element. Certification is important to enhance cities’ eligibility for grant funds and to support local control of land use.

DISCUSSION

Regional Housing Needs Assessment (RHNA)

The most noteworthy change in Housing Element requirements for the 6th cycle is the significant

increase in housing needs identified in the RHNA compared to the prior cycle. On October 15, 2019 HCD issued its RHNA determination of 1,341,827 housing units for the SCAG region. This regional determination is more than three times the 5th cycle determination of 412,137 units. The primary reason for the increase in the 6th RHNA is the State's modification of the RHNA process in 2019 to include "existing need" due to overpayment and overcrowding. In past RHNA cycles, the allocations were based primarily on projected population growth, and existing needs were not part of the RHNA formula.

Following HCD's RHNA determination, SCAG prepared a methodology for distributing a share of the RHNA to each jurisdiction in the SCAG region consistent with criteria established in State law. In March 2020 SCAG's Regional Council adopted the RHNA methodology and draft RHNA allocations were published in September. Following a series of public hearings, SCAG is expected to adopt the final RHNA Plan in February 2021.

RHNA allocations are distributed among five income categories as shown in the following table.

Table 1. Household Income Categories

| Income Category | % of county median income |
|-----------------|---------------------------|
| Extremely low | Up to 30% |
| Very low | 31-50% |
| Low | 51-80% |
| Moderate | 81-120% |
| Above moderate | Over 120% |

Source: California Government Code Sec. 65584(f)

Affordable rents and purchase prices are based on the State guideline that households should not pay more than 30% of gross income for housing. Affordable housing costs for all jurisdictions in Los Angeles County that correspond to these income categories are shown in the following table.

Affordability figures are adjusted each year and are based on family size. Table 2 provides figures for a 4-person family in 2020.

Table 2. Income Categories and Affordable Housing Costs – Los Angeles County

| Income Category | Maximum Income | Maximum Affordable Rent | Maximum Affordable Price (est.) |
|-----------------|----------------|-------------------------|---------------------------------|
| Extremely low | \$33,800 | \$845 | * |
| Very low | \$56,300 | \$1,407 | * |
| Low | \$90,100 | \$2,252 | * |
| Moderate | \$92,750 | \$2,319 | \$375,000 |
| Above moderate | Over \$123,600 | Over \$3,090 | Over \$375,000 |

Assumptions:

- Based on a family of 4 and 2020 State income limits
 - 30% of gross income for rent or principal, interest, taxes & insurance plus utility allowance
 - 10% down payment, 3.75% interest, 1.25% taxes & insurance, \$300 HOA dues
 - * For-sale affordable housing is typically at the moderate-income level
- Source: Cal. HCD; JHD Planning LLC

Each California city is required to plan for new housing to accommodate a share of regional needs. The Regional Housing Needs Assessment (“RHNA”) is the process established in State law by which each city’s housing needs are assigned.

Prior to each Housing Element planning cycle the region’s total housing need is determined by the California Department of Housing and Community Development (“HCD”) based upon economic and demographic trends, existing housing problems such as overcrowding and overpayment, and additional housing needed to ensure reasonable vacancy rates and replace units lost due to demolition or natural disasters. The total housing need for the region is then distributed to cities and counties by SCAG based upon criteria established in State law.

In 2019 HCD determined that the total new housing need for the entire SCAG region in the 6th Housing Element cycle is 1,341,834 units. SCAG then prepares a RHNA plan that fully allocates the total RHNA to jurisdictions in the SCAG region. Table 3 shows the draft RHNA allocations for Hermosa Beach, Los Angeles County, and the entire SCAG region. SCAG expects to adopt the final RHNA plan in March 2022.

Table 3. Draft 6th Cycle RHNA – Hermosa Beach, Los Angeles County and SCAG Region

| | Hermosa Beach | Los Angeles County | SCAG Region |
|---|---------------|--------------------|-------------|
| RHNA allocation 2021-2029 (housing units) | 556 | 813,071 | 1,341,834 |

Source: SCAG, 9/3/2020

<http://www.scag.ca.gov/programs/Documents/RHNA/RHNA-Draft-Allocations-090320-Updated.pdf>

The RHNA distributes each jurisdiction’s total housing need by the income categories shown in Tables 1 and 2 above (the extremely-low and very-low categories are combined for RHNA purposes).

The draft 6th cycle RHNA allocation for Hermosa Beach by income category is shown in Table 4.

Table 4. Draft 6th RHNA by Income Category - Hermosa Beach

| Very Low | Low | Moderate | Above Moderate | Total |
|----------|-----|----------|----------------|-------|
| 231 | 127 | 105 | 93 | 556 |

Source: SCAG, 9/3/2020

SUMMARY

At this time, Staff is seeking to provide an introduction to the Housing Element 2021-2029 Update. The next step will be a Joint Planning Commission and City Council Study Session, which will also be a public outreach meeting to determine the City's Housing Needs to be held on Wednesday, February 3, 2021 at 6:00 p.m.

Respectfully Submitted by: Christy Teague, Senior Planner

Approved: Ken Robertson, Community Development Director

Attachments:

1. Frequently Asked Questions Hermosa Beach 2021-2029 Housing Element Update
2. Introduction of Housing Element 2021-2029 Update Presentation