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REPORT TO COUNCIL

SUBJECT

Regional Housing Needs Allocation (RHNA) Subregion Participation

BACKGROUND

The Regional Housing Needs Allocation (RHNA) is the process by which the State of California Department of Housing and Community Development (HCD), in coordination with the jurisdiction's Council of Governments (COG), determines a city's share of the regional housing need. Pursuant to State law, the Association of Bay Area Governments (ABAG) is the COG assigned the task to allocate and distribute the RHNA for the counties and cities in the entire nine county Bay Area region. The regional housing need is determined by estimating both the existing need and the projected need for housing. The City's Housing Element must contain enough capacity to meet the determined housing allocation during each eight-year planning cycle. State law enables the formation of subregions where a portion of ABAG's role in the RHNA process is delegated.

In March 2016, a subcommittee was formed by the Cities Association of Santa Clara County (Cities Association) to develop a framework and processes necessary to form and implement a subregion within Santa Clara County for the next RHNA cycle (2023-2031), and to review potential options for further regional response to housing related issues. On October 11, 2018, the Cities Association Board of Directors adopted the framework and voted to begin formation of the RHNA subregion; in order to participate, the county and any interested cities must adopt a resolution indicating interest and commitment to the subregion. As of December 10, 2018 seven cities (Los Altos Hills, Los Gatos, Monte Sereno, Mountain View, Morgan Hill, Palo Alto, and Santa Clara) have adopted resolutions of intent to support the formation of a subregion.

EXISTING POLICY

Goal HE-1: Adequate Housing. *Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.*

Policy HE-1.1: Encourage diversity in the type, size, price, and tenure of residential development in Sunnyvale, including single family homes, townhomes, apartments, mixed use housing, transit oriented development and live work housing.

Policy HE-1.3: Utilize the Below Market Rate housing requirements as a tool to integrate affordable units within market rate developments, and increase the availability of affordable housing throughout the community.

ENVIRONMENTAL REVIEW

Choosing to participate in the RHNA subregion does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Any future development shall be subject to the CEQA requirements.

DISCUSSION

Sunnyvale has long been a regional leader in addressing housing issues, enacting its Below Market Rate (BMR) ordinance in 1980, followed by its Housing Mitigation Program in 1983. Housing is one of the most difficult challenges facing cities in Silicon Valley. The need for more affordable housing is critical: its symptoms surface in the shape of congested highways, the number of homeless people, an exodus of young people and retirees from the area, and challenges faced by local businesses in attracting new employees.

In the last Housing Element planning cycle, Sunnyvale issued building permits for approximately 80% of its total below market rate RHNA, and over 100% of its total market rate housing RHNA. Sunnyvale continuously creates and implements comprehensive housing programs and policies.

What is a RHNA Subregion?

The California Department of Housing and Community Development (HCD), as permitted by the Housing Element Law, allows certain combinations of local governments to form a subregion to implement the RHNA process and determine the allocation of housing units within its jurisdictions, instead of the COG. State law allows for the formation of a subregion by two or more contiguous cities and a county; the subregion can then develop its own methodology, issue draft allocations and conduct the revision and appeals process, while meeting its statutory requirements per State law. The subregion can also facilitate and approve trades between jurisdictions as long as the overall numbers and ratio required income levels are maintained.

The Cities Association subcommittee and task force developed a series of informational materials to help guide cities towards a better understanding of the purpose of a subregion. These documents include: 1) Overview of a Subregion; 2) Pros and Cons of RHNA Subregion Formation; 3) Guiding Principles (May 2018); 4) Draft Resolution of Intent to Support Formation of a Housing Subregion; and, 5) By-laws of the Santa Clara County Subregional RHNA Process (Attachments 1-5 respectively). Highlights of these documents are presented below.

Pros and Cons for Subregion Formation (Attachment 2)

1. The most significant pros of creating a subregion include the following:
 - a. Creates flexibility and allows cities to trade for housing units.
 - b. Increases local control and allows for alignment between local and regional needs.
 - c. Creates a forum for collaboration.
 - d. Creates awareness.

2. The most significant cons of creating a subregion include the following:
 - a. No similar ‘role model’ county with large population differences between jurisdictions comparable to Santa Clara County.
 - b. Time, effort and resources which may end in same result as what the City would have

received from the State/ABAG.

- c. Lack of trust and clarity within the subregion.
- d. Trading and negotiating of housing units can result in unequal allocations.
- e. Costs associated with administering the subregion, publishing notices, legal issues that may arise, and additional staff time required which may end in the same result.

Features listed as pros, such as sharing information and techniques, are possible without the formation of a subregion. City managers, planning officials and housing officials already meet regularly to share information and discuss items of mutual interest; each agency could expand these efforts to assure that elected officials are kept informed of discussion topics. Features listed as cons, such as potential lack of trust (e.g. some cities not accepting housing) appear exaggerated as all cities must include housing for all incomes levels in the final RHNA in order to be consistent with state law.

Guiding Principles

The Guiding Principles (Attachment 3) of the subcommittee focus mainly on conforming with all State objectives, including that allocation among subregion participants is equitable; allocating housing growth around major transportation and employment centers; and to facilitate open dialog between jurisdictions.

By-Laws

The by-laws (Attachment 5) would serve to provide for the orderly conduct of all subregion affairs. Included in the by-laws is a discussion of the purpose of the subregion, establishing a Policy Committee ("PC") made up of Council members or Supervisor from participating jurisdictions, and clarifying the ability for a jurisdiction to remove itself from the subregion via resolution with written notice. Alternates and the appointment of officers to the PC are set out in the by-laws. Meetings, schedules and conduct of business in accordance with the Brown Act are included as well as how business will be conducted and decisions will be made by the PC.

The by-laws also provide for a technical advisory committee consisting of senior staff who are technical experts in the field of housing and land use, from each participating jurisdiction. The specific staff member can change based on the topics being discussed.

FISCAL IMPACT

There is no fiscal impact with opting out of a RHNA Santa Clara County subregion. Opting in to the RHNA subregion could result in unanticipated costs (unknown at this time). The subregion process could require additional time commitment from City staff compared with the traditional process of reviewing RHNA allocations and participation directly with ABAG. This time commitment would need to be absorbed into other operating programs, or augmented with supplemental funding.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Adopt a Resolution indicating intent to support formation of a housing subregion of Santa

Clara County and implement countywide housing production consistent with the Regional Housing Needs Allocation formula currently assigned by the Association of Bay Area Governments (ABAG) (Attachment 4).

2. Do not participate in the Santa Clara County subregion, and continue to receive the Regional Housing Needs Allocation directly from ABAG for future Housing Element planning cycles.

STAFF RECOMMENDATION

Alternative 2: Do not participate in the Santa Clara County subregion, and continue to receive the Regional Housing Needs Allocation directly from Association of Bay Area Governments for future Housing Element cycles.

While the staff agrees that creation of a RHNA subregion could be attractive to some cities, Sunnyvale believes that it is important to continue to provide a variety of housing options at a variety of affordability levels, expressed by several goals in the Housing Element. Factors involved in the formation of a RHNA subregion can be extremely complicated; and while County wide collaboration and a regional viewpoint on certain topics are supported by the City, staff does not find a subregion to be the best approach for Sunnyvale, potentially diverting attention from other ongoing efforts such as the Housing Strategy and update of area land-use plans.

Staff supports regular forums for sharing information on how agencies are addressing housing needs in their community.

Prepared by: Jenny Carloni, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Cities Association RHNA Subregion Overview
2. Pros and Cons of RHNA Subregion Formation
3. Guiding Principles (May 2018)
4. Draft Resolution of Intent to Support Formation of a Housing Subregion
5. By-laws of the Santa Clara County Subregional RHNA Process