

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

1800 Third Street, Suite 430
P. O. Box 952053
Sacramento, CA 94252-2053
(916) 323-3177
FAX (916) 327-2643

ATTACHMENT C

September 14, 2006

Mr. Mike McKeever, Executive Director
Sacramento Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

Dear Mr. McKeever:

RE: Regional Housing Needs Determination

This letter transmits the Regional Housing Needs Determination (RHND) for the six-county region of the Sacramento Area Council of Governments (SACOG) upon the conclusion of the consultation process with your organization as part of its important role in advancing the State's housing policies. Pursuant to State housing element law (Government Code Section 65584 – 65584.01), the Department of Housing and Community Development (Department) is required to provide SACOG its determination of the region's existing and projected housing needs for the pending planning period.

The enclosed determination reflects the minimum housing need for the region to enable SACOG to prepare its new Regional Housing Needs Plan in accordance with Government Code Sections 65584.04-05. This plan must be prepared to update the housing elements of each general plan within the region (see Attachment I). Housing elements are required to be updated by June 30, 2008 to accommodate each local government's share of the regional housing need pursuant to Government Code Section 65588(e)(3).

The Department has conducted outreach on this regional housing needs assessment process since late spring of this year. This included meetings held with SACOG staff on June 20 and August 4, 2006, coordinated by Mr. Greg Chew of your staff. At these meetings, the Department briefed SACOG staff on statutory requirements, as recently amended effective in 2005 and also presented for SACOG staff's review, a draft RHND describing the methodology and assumptions used. Discussion of statutory changes included new requirements relating to development of the allocation methodology and factors to be considered by SACOG. Subsequent to these meetings, Department staff responded to inquiries from SACOG staff and completed the consultation process on September 12, 2006.

The RHND for the Sacramento region has been calculated from a baseline of January 2006 through June 2013, the end of the housing element planning period. This determination projects the minimum housing need to be accommodated in the region over this period; however, planning for housing need above the minimum determination would be appropriate. When updating housing elements, credit may be taken for housing units permitted since the January 2006 baseline.

The Regional Housing Needs Plan (RHNP) developed by SACOG is required to be consistent with the following objectives, as set forth in more detail in statute (Section 65584(d)):

- (1) Increasing the housing supply and the mix of housing types, tenure, and affordability;
- (2) promoting infill development and socioeconomic equity, protection of environmental and agricultural resources, and encouragement of efficient development patterns;
- (3) promoting an improved intraregional relationship between jobs and housing; and
- (4) balancing the distribution of households by income category.

The Department is available to further discuss development and implementation of SACOG's RHNP and assist counties and cities in addressing local housing needs. If you should have any questions, please contact Glen Campora, Housing Policy Specialist, at (916) 327-2640.

Sincerely,



Cathy E. Creswell
Deputy Director

Enclosures

Attachment 1**Regional Housing Need Determination****SACOG Six-County Region****For the Period January 2006 through June 30, 2013**

| <u>Income Category</u> | <u>Housing Unit Need</u> | <u>Percent</u> |
|------------------------|------------------------------|----------------|
| Very Low | 38,013 | 22.4 |
| Low | 28,518 | 16.8 |
| Moderate | 32,974 | 19.5 |
| Above Moderate | <u>69,971</u> | <u>41.3</u> |
| Total | 169,476 | 100% |

**Explanation of SACOG Six-County Regional Housing Need Determination
For the Period January 1, 2006 through June 30, 2013**

Methodology, Assumptions, and Data Sources Used to Project Housing Unit Need:

1. Household (HH) growth (baseline: 828,778 "occupied housing units" 1/1/2006): estimate by California Department of Finance (DOF) in its E-5 report (Population and Housing Estimates for Cities, Counties and the State, 2001-2006, with 2000 Benchmark, May 2006). Population projections for 7/1/2013 are based on DOF's P-3 report (Population Projections by Race/Ethnicity, Gender and Age for California and Its Counties 2000-2050, May 2004). DOF 2013 projected HHs are derived using the cohort-component method by applying age- and ethnicity-specific HH formation ratios from Census 2000 to the projected population. Projected change in population (418,490) reflects the change between January 1, 2006 (2,230,030: DOF, P-3 report) through June 30, 2013 (2,648,520 derived from averaging DOF's 2,663,363 and SACOG's 2,633,676 projections). Projected change in HH growth (163,976) also reflects the change between January 1, 2006 (828,778: DOF, E-5 report) through June 30, 2013 (992,754: derived as next explained). Projected 2013 HH growth was derived by averaging DOF and SACOG 2013 population projections and applying (dividing) HH formation ratios in DOF's 2013 projected HH population change (HH formation ratios in DOF's and SACOG's projections were not significantly different). This HH growth reflects lower formation ratios compared to those of the 1990 Census which would have projected HH growth of 206,390 and total housing need of 213,311.
2. Homeowner and Renter households (HHs): allocation based on Census 2000 proportion of owner-occupied HHs held constant through projection period (61.2% was derived after applying an individual county's homeownership percentage against the county's household growth). Renter HHs reflect the difference in subtracting homeowner HHs from projected HH growth.
3. Vacancy allowance: rates of 1.8% (owner) and 5.0% (renter) reflect adjustments from standard targets of 2.0% and 6.0%, respectively, for current conditions. Standard targets identified by Office of Planning and Research, Economic Practices Manual (1984:37).
4. Replacement allowance: empirical demolition rate per housing unit averages .0405% per year for 2000 through 2005 based on DOF demolition permit data. This number was adjusted to .08% per year to account for missing permits and use conversions not involving demolition. This figure was multiplied by 7.5 (to derive percentage replacement over the entire planning period) to yield the .30% replacement allowance rate.
5. Income category allocation: each income category represents the summation of calculations made for each county by multiplying a county's total housing need by the proportion of HHs in each income category based on the county's median income (Census 2000) and California's income definitions (Health and Safety Code Sections 50079.5 and 50105, et.seq.).

Housing Unit Need Projection:

| | | |
|--|----------|---------|
| Household growth, Census 2000 headship rates (1) | | 163,976 |
| Homeowner HHs (2) | 61.2% | 100,360 |
| Homeowner HH vacancy allowance (3) | 1.8% | 1,806 |
| Renter HHs | 38.8% | 63,616 |
| Renter HHs vacancy allowance (3) | 5.0% | 3,181 |
| | Subtotal | 168,963 |
| Replacement allowance (4) | 0.3% | 513 |
| | Total | 169,476 |