

California's Housing Future 2040

The Next Regional Housing Needs Allocation (RHNA)

California Department of Housing and Community Development



Executive Summary



April 2024

California's Housing Future 2040: The Next RHNA

[Health and Safety Code Section 50515.05](#) directed the California Department of Housing and Community Development (HCD/Department), in collaboration with the Governor's Office of Planning and Research (OPR), and after engaging in stakeholder participation, to develop recommendations to improve the Regional Housing Needs Allocation (RHNA) process and methodology that promotes and streamlines housing development and substantially addresses California's housing shortage. The California's Housing Future 2040 report fulfills HCD's obligation to submit a report to the Legislature with HCD's findings and recommendations.

The California's Housing Future 2040: The Next RHNA initiative includes the changes that HCD believes are necessary to ensure that the RHNA methodology and process appropriately plans for the homes that will be needed across the state by the year 2040. Since 2017, the California State Legislature and HCD have made a number of impactful statutory and administrative changes that have greatly increased the effectiveness of RHNA in the 6th cycle. Furthermore, since 2019, the Newsom administration has taken a series of

landmark steps, including investing more than \$5.2 billion in housing and increasing local government accountability, with the end goal to support housing development across the state. As a result of these changes, the 6th cycle of RHNA has been successful in laying the groundwork to unlock a variety of housing opportunities across California. However, even with the successes of the 6th RHNA cycle, HCD continues to seek opportunities to improve the RHNA process to better account for the housing needs of all existing and future Californians and to ensure government partners are accountable to these goals.

The California's Housing Future 2040: The Next RHNA initiative includes the changes that HCD believes are necessary to ensure that the RHNA methodology and process appropriately plans for the homes that will be needed across the state by the year 2040.

From March to July 2023, HCD solicited ideas and feedback from stakeholders for ways to improve the RHNA methodology and process. To ensure HCD received feedback from a wide range of stakeholders, the California's Housing Future 2040 stakeholder engagement initiative employed a variety of engagement strategies.

Stakeholder Engagement High-Level Statistics:

- 4 Sounding Board Meetings
- 32 Listening Sessions
- 356 Survey Responses
- 10 Presentations
- 38 Public Comments Submitted to the CAHousingFuture2040@hcd.ca.gov Inbox

These engagement strategies included a webinar, a public survey, a Sounding Board of 30 technical experts, one-on-one listening sessions with key partner organizations and subject matter experts, and a public email inbox. The feedback received from stakeholders directly informed the recommendations and process changes found within this report.

Organized by Recommendations to the Legislature, Policy Considerations for the Legislature, and HCD Future Implementation Efforts, the report contains a range of recommendations for statutory changes, planned adjustments to HCD's process under existing



authority, and additional commitments to provide technical assistance. The matrix below provides a high-level overview of these recommendations, policy considerations, and HCD future implementation efforts.

California's Housing Future 2040: The Next RHNA recommends targeted actions for lawmakers to implement prior to the beginning of the 7th cycle in order to improve the efficacy and efficiency of our statewide housing planning process. HCD believes that the changes outlined in this report will facilitate the state's progress as it strives to ensure that every Californian has a safe, stable, and affordable home with access to opportunity.

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If the housing needs of all Californians is not sufficiently planned for, we will weaken our collective strength and jeopardize the economic and social health of our state. This report offers a pathway for the state to improve addressing our housing need—for current and future generations of Californians.



Recommendation Matrix

| | RECOMMENDATIONS FOR STATUTORY CHANGES | POLICY CONSIDERATIONS THAT MAY NEED STATUTORY CHANGES | HCD PROCESS CHANGES UNDER EXISTING AUTHORITY | HCD-PROVIDED TECHNICAL ASSISTANCE CHANGES |
|---|--|---|---|--|
| RECOMMENDATIONS TO THE LEGISLATURE | | | | |
| Topic #1: Account for the Housing Needs of People Experiencing Homelessness | <ul style="list-style-type: none"> ▪ Create extremely low-income (ELI) & acutely low-income (ALI) income categories ▪ Add a homelessness determination factor and use data best practices published by HCD to calculate ▪ Allocate the homelessness adjustment to the lowest income category ▪ Remove requirement to quantify existing and projected ELI households during the housing element process | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ See HCD Implementation Effort #5 |

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| RECOMMENDATIONS TO THE LEGISLATURE | | | | |
| Topic #2: Tie the Regional Housing Need Determination (RHND) More Closely to the Department of Finance Household Projections | <ul style="list-style-type: none"> Amend Government Code Section 65584.01 (a) to refer to household projections instead of population projections and to remove the back-and-forth consultation process | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A |

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| RECOMMENDATIONS TO THE LEGISLATURE | | | | |
| Topic #3: Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in the Annual Progress Reports | <ul style="list-style-type: none"> Allow jurisdictions to claim credit for certain group quarters in the housing element | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Give credit to certain group quarters on the annual progress report (APR) Include certain group quarters populations in the RHND Create consistent rules for categorizing housing that blurs the line between a housing unit and group quarter | <ul style="list-style-type: none"> HCD to release guidance on how to count group quarters in the housing element and on the APR |

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| Topic #4: Replace the Comparable Regions Option with a Comparison to the National Average | <ul style="list-style-type: none"> Remove references to comparable regions in Government Code Section 65584.01 (b)(C) and (H) and replace with a comparison to the national average | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> In the absence of legislative change, HCD to provide guidance and establish parameters around the comparable regions process |

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| Topic #5: Further and Balance the Five Statutory Objectives of RHNA | <ul style="list-style-type: none"> Revise the current process that Council of Governments (COGs) follow if HCD finds that the methodology does not further the statutory objectives. Instead of allowing COGs to decide whether or not to adjust the methodology, HCD recommends statute is revised to require that COGs develop a revised methodology in consultation with HCD and to obtain approval from HCD that the revised methodology furthers the objectives before adopting the methodology. | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> HCD to release a memo with additional up-front guidance on how to develop a methodology that furthers the statutory objectives |

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| RECOMMENDATIONS TO THE LEGISLATURE | | | | |
| Topic #6: Revise the Allocation Methodology Factors to Increase Clarity and Improve Outcomes | <ul style="list-style-type: none"> Clarify that COGs should use datasets related to the statutory objectives as source information for the methodology & that COGs may only consider factors as long as doing so does not undermine the statutory objectives Remove factors that are redundant with statutory objectives Remove factors that conflict with statutory objectives Base the analysis of housing opportunities and constraints on a state-wide model developed by HCD using authoritative datasets | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> HCD to create a statewide model for analyzing housing opportunities and constraints using authoritative data |

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| Topic #6 - Continued | <ul style="list-style-type: none"> ▪ Revise the language in statute to add more clarity around the types of constraints that should and should not be considered during the allocation process ▪ Clarify that the consideration of environmental hazards should only include hazards that cannot be mitigated and pose severe threat of loss of life ▪ Add a new factor that allows regions to consider the concentration of hazardous pollution sources in historically underserved communities | | | |

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| <p>Topic #7: Revise the Local Data Survey Requirements</p> | <ul style="list-style-type: none"> ▪ Remove requirement that COGs survey member jurisdictions on the allocation methodology factors and fair housing issues ▪ Replace survey with a requirement that COGs share datasets they plan to use within their methodology with local jurisdictions. Jurisdictions to have 21 days to review and inform COG of any inaccuracies ▪ Require the proposed methodology posted on the COG's website include a discussion of significant Affirmatively Furthering Fair Housing (AFFH) barriers that exist at the regional level, and strategies or actions that can be used to overcome them | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ For COGs that wish to continue to administer a survey, HCD to develop a survey template and guidance on the types of information COGs may want to request from local jurisdictions to help inform the methodology development process |

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| Topic #8: Refine the Appeals Process to Increase Clarity and Efficiency | <ul style="list-style-type: none"> Clarify that the change in circumstance appeals criteria is only applicable when the change in question disproportionately impacts the jurisdiction that is the subject of the appeal Revise the basis for appeal related to information submitted via the survey requirement addressed under Topic #7 | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> HCD may in certain cases conduct a quantitative assessment of the actual impact of an appeal on the statutory objectives and provide this information to COGs | <ul style="list-style-type: none"> HCD to provide technical assistance related to the appeals process in the guidance memo described under Topic #5 |

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| Topic #9: Promote Equitable Public Participation During the Allocation Methodology Development Process | <ul style="list-style-type: none"> Require that COGs also make a diligent effort to achieve participation of households with special needs | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> HCD to provide guidance to COGs on how to design an accessible public participation process |

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| Topic #10: Improve Regional Housing Need Allocation (RHNA) and Regional Transportation Plan (RTP)/Sustainable Communities Strategy (SCS) Alignment | <ul style="list-style-type: none"> ▪ Move up the date by which HCD must provide the RHND ▪ Clarify that the RTP/SCS household projection should include both the needs of the projected population and the needs of the existing population ▪ Clarify that the RTP/SCS forecasted growth pattern must be consistent with RHNA and further the five statutory objectives of RHNA | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A |

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| Topic #10: Continued | <ul style="list-style-type: none"> Clarify what should occur if the RTP/SCS forecasted development pattern does not further the statutory objectives of RHNA. Clarify that the RTP/SCS development pattern should be used as an input in the allocation formula, however, the weighting of this input should be reduced if the development pattern does not further the statutory objectives of RHNA. | | | |

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| POLICY CONSIDERATIONS FOR THE LEGISLATURE | | | | |
| Policy Consideration #1: Adjust the Income Distribution to Better Address the Housing Needs of All Regions | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Consider granting the California Department of Housing and Community Development (HCD) the authority to establish higher income limits for the moderate income category | <ul style="list-style-type: none"> Use income limits published by HCD, which will have the impact of shifting a greater share of the RHNA to lower income categories | <ul style="list-style-type: none"> See HCD Implementation Effort #5 |
| Policy Consideration #2: Explore Assigning Units Lost During a Statement of Emergency Declaration to the Overall Allocation | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Explore allocating units lost in a state of emergency declaration in accordance with the COG's overall allocation methodology | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A |

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| <p>Policy Consideration #3: Explore Ways to Clarify the RHNA Process and Simplify Language in Statute</p> | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ Shorten timeframe of HCD's review of the COG's adopted methodology ▪ Add language that permits COGs to distribute the draft RHNA plan at the same meeting that methodology is adopted, provided the methodology that is adopted is substantially the same as the draft that HCD reviewed and approved ▪ Consider removing unused or rarely utilized sections of statute. For example, HCD did not encounter utilization of the process described in section 65584.02 during the 6th cycle ▪ Better align the housing element planning period and the RHNA projection period | <ul style="list-style-type: none"> ▪ See HCD Implementation Effort #5 | <ul style="list-style-type: none"> ▪ See Topic #5 |

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| HCD FUTURE IMPLEMENTATION EFFORTS | | | | |
| HCD Implementation Effort #1: Apply the Cost Burdened & Overcrowded Determination Adjustment Factors to Existing Households | ▪ N/A | ▪ N/A | ▪ Implement an adjustment based on the number of units required to reach the national average of cost burden & overcrowding | ▪ N/A |
| HCD Implementation Effort #2: Improve the Precision of the Vacancy Rate Determination Adjustment Factor | ▪ N/A | ▪ N/A | ▪ HCD to implement a 2% vacancy rate adjustment for owner-occupied housing and a 6-7% vacancy rate adjustment for renter-occupied housing | ▪ HCD to provide a brief memo describing the vacancy rate adjustment methodology |

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| HCD FUTURE IMPLEMENTATION EFFORTS | | | | |
| HCD Implementation Effort #3: Refine the Jobs/Housing Determination Adjustment Factor | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ HCD to utilize two jobs/housing adjustments: an interregional commuting adjustment and a healthy jobs/housing ratio adjustment | <ul style="list-style-type: none"> ▪ N/A |
| HCD Implementation Effort #4: Account for Housing Lost to Vacation Homes and Short-Term Rentals | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ Alter the replacement rate adjustment to account for units that will be lost to vacation homes and short-term rentals | <ul style="list-style-type: none"> ▪ N/A |

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| HCD FUTURE IMPLEMENTATION EFFORTS | | | | |
| HCD Implementation Effort #5: Increase Transparency During the Determination Process | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ HCD to offer methodology walkthroughs to COG boards during the consultation process ▪ HCD to create interactive tools & infographics that visually depict the RHNA process and housing needs | <ul style="list-style-type: none"> ▪ Enhance the RHNA webpage with technical assistance documents |
| HCD Implementation Effort #6: Adjust the Income Distribution to Better Address the Housing Needs of All Regions | <ul style="list-style-type: none"> ▪ N/A | <ul style="list-style-type: none"> ▪ See Policy Consideration # 1 | <ul style="list-style-type: none"> ▪ Use income limits published by HCD, which will have the impact of shifting a greater share of the RHNA to lower income categories | <ul style="list-style-type: none"> ▪ See HCD Implementation Effort #5 |

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| HCD FUTURE IMPLEMENTATION EFFORTS | | | | |
| HCD Implementation Effort #7: Adjust How Populations Living in Group Quarters are Treated in the Determination and Credit a Wider Range of Housing Types in the Annual Progress Reports | <ul style="list-style-type: none"> See Topic #3 | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Give credit to certain group quarters on the annual progress report (APR) Include certain group quarters populations in the RHND Create consistent rules for categorizing housing that blurs the line between a housing unit and group quarter | <ul style="list-style-type: none"> HCD to release guidance on how to count group quarters in the housing element and on the APR |

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| HCD FUTURE IMPLEMENTATION EFFORTS | | | | |
| HCD Implementation Effort #8: Reduce Allocation to Unincorporated Areas Outside of Population Centers | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> HCD to reduce county allocations for non-COG regions by allocating to counties based on the percentage of the county population that resides in Census-Designated places | <ul style="list-style-type: none"> As part of the guidance memo described under HCD Implementation Effort #5 HCD to encourage COGs to allocate to counties according to the county population that reside in Census-Designated Places |
| HCD Implementation Effort #9: Improve Technical Assistance for the Subregion Process | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> See HCD Implementation Effort #5 - Provide TA to Subregions to ensure the allocation methodologies further all statutory objectives |



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For inquiries, email:

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