

Regional Housing Needs Allocation Plan for Merced County

Adopted June 18, 2015

Prepared by



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ATTACHMENT 7

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Introduction and Final Allocation

Merced County Association of Governments (MCAG) is required to distribute the State determined regional housing needs for Merced County to the seven jurisdictions in the county. The Regional Housing Needs Allocation (RHNA) process is mandated by housing law, California Government Code Section 65584. This fifth RHNA cycle began on January 1, 2014 and will conclude on December 31, 2023. The RHNA plan, once adopted, allocates to each local government a share of regional housing need for use in updating their General Plan housing element. The housing element must accommodate the total RHNA for each of four income categories over the designated period.

The three steps in the RHNA process are:

1. California Housing and Community Development (HCD) determines the county-wide housing need, broken down by income category. This occurred December 30, 2013.
2. MCAG develops a methodology describing how to distribute the housing need to each of the jurisdictions in the region. There is a 60 day review period and public hearing. MCAG adopted a methodology on February 19, 2015.
3. MCAG prepares a RHNA Plan with an allocation based on the adopted methodology. This also has a 60 day review period and appeal periods if necessary. The final Plan was adopted, after a publicly noticed public hearing, on June 18, 2015.

The RHNA allocation and plan is required to be consistent with the following objectives:

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low- and very low-income households.
2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns.
3. Promoting an improved intraregional relationship between jobs and housing.
4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States Census.

Applying the methodology described later results in the following final RHNA allocations:

Jurisdiction	Very Low	Low	Moderate	Above Moderate	Total Allocation
Atwater	429	307	281	748	1,760
Dos Palos	71	27	47	124	292
Gustine	61	56	51	136	320
Livingston	249	178	163	435	1,023
Los Banos	604	431	396	1,049	2,473
Merced	1,351 1345	958 966	886	2,348	5,537
Merced County	1,085	775	711	1,885	4,445
Sums by Income	3,850	2,740	2,535	6,725	15,850
Percent of Total	24.3%	17.3%	16.0%	42.4%	

The Calculations are wrong for the City of Merced. The breakdown should be as shown above in red.

RHNA Determination (county-wide total)

The RHNA Determination is made by the state Housing and Community Development Department (HCD). HCD issued the determination to MCAG in a letter dated December 30, 2013 (see Appendix A). The letter describes the details of the determination. The total regional need is a minimum of 15,850 housing units. Total units by income categories are:

Income Category	Housing Unit Need	Percent
Very Low	3,850	24.3%
Low	2,740	17.3%
Moderate	2,535	16.0%
Above Moderate	6,725	42.4%
TOTAL	15,850	100%

RHNA Factors

10 factors are required to be included in developing the RHNA methodology. MCAG addressed these factors in the following ways:

1. Each member jurisdiction's existing and projected jobs and housing relationship.

The balance between jobs and housing for all jurisdictions was a component in the regional forecast process. The RTP projections represent where growth will likely occur so the RTP forecast was used as the basis for the overall RHNA distribution in the RHNA methodology. The regional growth forecast is available on the MCAG website.

2. The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following:

a. Lack of capacity for sewer or water service due to federal or state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.

The RHNA methodology addressed this factor through the RTP forecast, which incorporates the land use in local general plans and community plans. As required by State law, each jurisdiction's circulation and land use element must consider public utilities and facilities, which includes capacity for sewer and water service.

b. The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions.

The RHNA methodology addressed this factor through the RTP forecast and through the 15% downward adjustment to unincorporated Merced County, detailed below. This recognizes the opportunities for infill development and increased densities in existing communities and incorporated cities.

c. Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis.

The RHNA methodology addresses this factor through the RTP forecast. The RTP forecast is based on jurisdictions' General Plans and Zoning, which identify the portions of the County where growth cannot occur due to being protected via various mechanisms. In other words, the RTP forecast and the RHNA methodology assume no growth will occur on these protected lands.

d. County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated area.

The RHNA methodology addressed this factor through the RTP forecast. The RTP forecast took into consideration policies in the County's General Plan intended to protect agricultural land.

3. The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.

The RHNA methodology addressed this factor through the RTP forecast and through the 15% downward adjustment to unincorporated areas, detailed below. Both the RTP forecast and this adjustment reflect the proximity of housing in incorporated cities to public transportation and a greater variety of employment and service opportunities.

4. The market demand for housing.

The RTP forecast (see Appendix A of the RTP) considered the market demand for housing and the RTP forecast was the basis for the RHNA methodology. In addition, HCD considered this factor in their determination for the housing need for the region.

5. Agreements between a county and cities in a county to direct growth toward incorporated areas of the county.

No such formal agreements exist. Note however that the General Plan of Merced County and the Local Agency Formation Commission (LAFCO) policies do encourage growth in existing communities, which includes but is not limited to incorporated areas.

6. The loss of units contained in assisted housing developments, as defined in paragraph (9) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions.

Based on the data available, there are no risks in the loss of units contained in assisted housing developments. State law requires housing elements to address the loss of assisted housing development for lower-income households. The Merced County Housing Element (2010) identified publicly-assisted rental housing in the unincorporated part of Merced County and evaluated the potential of such housing to convert to market rate units. Four complexes provide a total of 147 assisted rental housing units in the unincorporated part of Merced County:

Property	Location	Units with Subsidy	Bedrooms	Target Population	Subsidy	Loan Expiration
Almond Garden Apartments	Delhi	26	1,2	Very Low-, Low-Income	USDA Section 515	2043 for family housing, 2044 for senior housing
Magnolia Garden Apartments	Delhi	24	2	Very Low-, Low-Income	USDA Section 515	2033
Le Grand Apartments	Le Grand	34	1,2,3,4	Very Low-, Low-Income	USDA Section 515	N/D
Bear Creek Apartments	Planada	63	2,3,4	Very Low-, Low-Income	USDA Section 515	2039

7. High-housing cost burdens.

Based on HCD's RHNA Determination for the region for the projection period, 41.6% of all units are affordable (i.e., very low- and low income). These affordable units are the minimum required that need to be addressed in the RHNA Plan and the RHNA Plan meets this minimum. Note that the income categories of the RHNA are relative to the median income of the region.

8. The housing needs of farmworkers.

According to the 2012 Ag Census, in Merced County there are 1,253 farms, with an annual total of 17,265 hired workers. A breakdown by Days Worked is also provided:

Farmworkers by Days Worked

	Farms	Workers
Fewer than 150 Days	828	8,817
150 Days or More	811	8,448
<i>Farms with 10 or more Workers</i>	223	6,689

Source: USDA Census of Farmworkers, 2012. <http://www.agcensus.usda.gov/index.php>

This information is in the 5th Housing Element Data Package provided to the local jurisdictions and was used as a reference in preparing the methodology. The RTP forecast serves as the basis of the RHNA methodology and allocation share. The RTP forecast takes into account all residents and allocation of future growth in the region. Farmworker housing and related data is included in the Housing Element Data Package, and the housing needs of farmworkers are also addressed by local jurisdictions in their housing elements.

According to Merced County, in their 2010 Housing Element, the County Housing Authority manages four seasonal housing centers providing 260 units, and Self-Help Enterprises manages one facility in Planada. The facilities are available during the six-month harvest season (April – November) and are reserved only for farmworkers and their families. The centers include:

- Atwater/Livingston – 62 units;
- Merced – 50 units;
- Los Banos – 48 units; and
- Planada – 100 units (Housing Authority - 73 units, Self-Help Enterprises - 37 units)

9. The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.

The University of California at Merced is located within the County of Merced. A portion of the housing need of the University is accommodated on-site in student housing, and the rest is assumed to be distributed in the nearby cities of Merced and Atwater. The RHNA methodology addresses this through the RTP forecast which assumes higher growth in Merced and Atwater due to the effect of the University.

10. Any other factors adopted by the council of governments.

No other factors have been adopted by MCAG.

RHNA Methodology

Due to uncertainty in the expected rate of recovery in the local housing markets, MCAG is using a simple three-step approach in distributing the HCD RHNA determination to local jurisdictions.

First, projections for 2020 used in the 2014 Regional Transportation Plan were used to determine each jurisdiction's percentage of household population in the County. The RHNA for each jurisdiction will be derived by applying this percentage to the total countywide RHNA determination. This approach is consistent with the first and third statutory objectives, as well as market demand, to consider in distributing RHNA to each local government.

The projected shares of 2020 household population are:

Jurisdiction	2020 Population	Percent Share	Step 1 Housing Need
Atwater	31,300	10.3%	1,639
Dos Palos	5,200	1.7%	272
Gustine	5,700	1.9%	298
Livingston	18,200	6.0%	953
Los Banos	44,000	14.5%	2,303
Merced	98,500	32.5%	5,156
Unincorporated County	99,900	33.0%	5,229
TOTAL	302,800	100%	15,850

Second, a downward adjustment of 15% for the unincorporated total will be made, to decrease the unincorporated share and direct growth toward incorporated areas. This addresses the second and third statutory objectives, protects agricultural resources, encourages efficient development patterns, and improves the relationship between jobs and housing.

After applying this adjustment the shares by jurisdiction are:

Jurisdiction	Step 1 Housing Need	Adjustment	Step 2 Housing Need
Atwater	1,639	+121	1,760
Dos Palos	272	+20	292
Gustine	298	+22	320
Livingston	953	+70	1,023
Los Banos	2,303	+170	2,473
Merced	5,156	+381	5,537
Unincorporated County	5,229	-784	4,445
TOTAL	15,850	0	15,850

The last step is the determination of RHNA by income category. Section 65584.(d)(4) says that the allocation shall be consistent with the objective of “allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census”.

According to the American Community Survey 2008-2012 5-year estimates, the percentages of households in each income category, for each jurisdiction, are as follows:

Income Category	County- wide	Unincor- porated	Atwater	Dos Palos	Gustine	Livingston	Los Banos	Merced
Very Low	24.3	24.4	24.2	21.0	30.8	20.9	22.3	28.4
Low	17.3	17.1	18.0	31.3	17.1	20.2	14.5	17.4
Moderate	16.0	16.4	18.7	15.4	19.9	19.4	16.4	15.4
Above Mod.	42.4	42.1	39.1	32.3	32.3	39.5	46.8	38.8

Comparing each jurisdictions' share by income category to the county-wide average reveals disproportionately high shares are present as shown by the yellow highlighted cells in the below table. A “Disproportionately high” share will be one where the percentage is more than 25% more than the county-wide average.

Income Category	County- wide	Unincor- porated	Atwater	Dos Palos	Gustine	Livingston	Los Banos	Merced
Very Low		100%	99%	87%	127%	86%	92%	117%
Low		99%	104%	181%	99%	117%	84%	101%
Moderate		103%	117%	96%	124%	121%	103%	96%
Above Mod.		99%	92%	76%	76%	93%	110%	91%

Gustine has 27% more households in the very low income category than the county-wide average, and Dos Palos has 81% more households in the low income category.

Therefore this RHNA methodology will use an income distribution of each jurisdiction's households that will be the countywide distribution, with two exceptions: Gustine's share of very low will be reduced by 21.26% (1 / 127%), a reduction of 17 households (from 78 to 61). Also, Dos Palos' share of low income will be reduced by 44.75% (1 / 181%), a reduction of 23 households (from 50 to 27). The reductions will

be spread proportionally amongst the remaining jurisdiction. This distribution meets the first and fourth statutory objectives for a mix of housing types and affordability and income category allocations based on countywide distribution of incomes.

The result of applying this methodology is shown on page 1 in the Introduction and Allocation.

Public Review / Approval Process

The draft methodology was released for a 60 day public review period beginning October 17, 2014 and ending December 16, 2014. The draft methodology was an item on MCAG's regular committees' agendas, including the Governing Board at its November 13, 2014 meeting.

A public hearing on the methodology was held November 20, 2014. No comments were received at the public hearing. One comment letter was received, from California Rural Legal Assistance. In response, the methodology was revised as follows:

- added a written explanation of the 10 "RHNA Factors" considered while developing the methodology
- added an adjustment to account for disproportionate shares by income category by jurisdiction

The methodology was approved by the MCAG Governing Board on February 19, 2015. MCAG provided notice of the adoption of the methodology and the Draft RHNA Plan to the local jurisdictions and to HCD.

Prior to the approval of the RHNA Plan, jurisdictions had a 60 day period to request a revision to their share. This period was from February 26, 2015 through April 28, 2015. No revision requests were received.

MCAG held a publicly noticed public hearing on June 18, 2015 at the Governing Board meeting. No comments were made.

Appendix A

5th Cycle Regional Housing Need Determination

December 30, 2013 Letter from
Department of Housing and Community Development

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

2020 W. El Camino Ave
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www.hcd.ca.gov



December 30, 2013

Ms. Marjie Kirn
Executive Director
Merced County Association of Governments
369 W. 18th St.
Merced, CA 95340

Dear Ms. Kirn,

RE: 5th Cycle Regional Housing Need Determination for Housing Element Updates

This letter provides Merced County Association of Governments (MCAG) its 5th cycle regional housing need assessment (RHNA) determination for the projection period January 1, 2014 through December 31, 2023. The Department of Housing and Community Development (Department) is required to determine MCAG's existing and projected housing need pursuant to State housing law, Government Code (GC) Section 65584, et. seq..

As you know, Senate Bill 375 (Chapter 728, Statutes of 2008) further strengthened the existing coordination of regional housing and transportation planning. Metropolitan Planning Organizations (MPOs) are now required to develop and incorporate a new sustainable community strategy (SCS) in their Regional Transportation Plans (RTP) to achieve greenhouse gas emission reductions and accommodate the region's housing need. SB 375 amended the RHNA schedule and methodology requiring the due date for local governments to update their housing elements be no later than 18 months from the date MCAG adopts the RTP.

The Department has prepared MCAG's RHNA determination based on MCAG's estimated RTP adoption date of June 26, 2014. Please note that in the event the RTP is adopted on a different date, the RHNA and projection period will not change, but the housing element planning period and element due date will change accordingly. The Department must be notified of any change to the RTP adoption date and will reflect RTP adoption date changes on its website at: http://www.hcd.ca.gov/hpd/hrc/plan/he/web_he_duedate.pdf.

For your information, GC Section 65584.01(d)(1) allows 30 days from the date of this letter to file an objection and proposed alternative to the Department's determination (Attachment 1). An objection and proposed alternative must be based on demographic and methodology factors set forth in the statute.

The Department determined MCAG's regional housing need to be 15,850 for the 10-year projection period, from January 1, 2014 to December 31, 2023. In assessing MCAG's regional housing need, the Department considered the critical role housing plays in developing sustainable communities and supporting employment growth.

Housing element law (GC Section 65584, et. seq.) requires MCAG's methodology and RHNA Plan to be consistent with the following objectives:

- increasing the housing supply and mix of housing types, tenure, and affordability;
- promoting infill development and socio-economic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns;
- promoting an improved intraregional relationship between jobs and housing; and
- balancing the distribution of households by income category.

Pursuant to GC Section 65584.05(h), MCAG is required to submit its RHNA Plan to the Department for approval within three days of adopting the RHNA Plan. Upon approval by the Department of the RHNA Plan, MCAG is to distribute to all its local government members their income category shares of new housing needs to be addressed in their housing element updates covering the 2015 - 2023 planning period.

When updating their housing elements, local governments may only take RHNA credit for units approved (entitled or permitted) since the January 1, 2014 start date of the RHNA projection period. Localities are also required to describe how units were credited to different income categories based on actual or projected sale price or rent level data. Any city planning to accommodate a portion of RHNA on sites within its Sphere of Influence (SOI) needs to include an annexation program in the housing element. The annexation program needs to demonstrate SOI sites can be annexed early enough in the planning period to make adequate sites available to avoid other rezoning pursuant to GC sections 65583(c)(1)(A), and 65583(f).

Regarding transfers of housing need among local governments, AB 242 (Chapter 11, Statutes of 2008) amended provisions of GC Section 65584.07. RHNA transfers agreed between local governments may occur until adoption of the RHNA Plan. Once MCAG has adopted its RHNA Plan, RHNA transfers meeting specified conditions may only occur from the county to cities within the county. Transfers after the due date of the housing element are restricted to annexations and incorporations and must be completed within specified timeframes. The numbers of units by income to be transferred are determined either based on mutual agreement between affected local governments, or, when no agreement is reached, by the entity responsible for allocating housing need (MCAG). The Department must be notified of all transfers; jurisdictions affected by RHNA transfers must amend their housing element within the timeframe specified in the statute.

The Department commends MCAG's efforts to meet the objectives of SB 375 and especially appreciates the assistance provided by Mr. Matt Fell. We look forward to a continued partnership with MCAG and its member jurisdictions in planning efforts to accommodate the region's housing need. If you need assistance or have any question, please contact me or Anda Draghici, Housing Policy Senior Specialist, at (916) 263-2911.

Sincerely,



Glen A. Campora
Assistant Deputy Director

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION: Merced CAG

Projection Period: January 1, 2014 through December 31, 2023

Income Category	Percent	Regional Housing Need (rounded) ⁽¹⁾
Very-Low	24.3%	3,850
Low	17.3%	2,740
Moderate	16.0%	2,535
Above-Moderate	42.4%	6,725
Total	100.0% ⁽²⁾	15,850 ⁽³⁾

- (1) The statutory objective regarding RHNA requires HCD, in consultation with Department of Finance (DOF) and councils of governments (COGs), to determine projected household growth and housing need based on DOF population projections and COG regional population forecasts and requires regional and local jurisdictions to plan to accommodate capacity for all of the projected RHNA. The Legislature recognizes that different assumptions and variances in methodologies can be used that can result in different population projections. Projection of housing need developed by DOF and HCD for RHNA purposes does not consider local government constraints.

For this RHNA cycle only (due to unique conditions not expected to recur to impact future RHNA cycles), the housing need was adjusted downward to account for an estimated 20 percent absorption level of unprecedented high vacancies in existing stock due to extraordinary conditions including high foreclosures and economic uncertainties.

- (2) The income category percentages reflect the minimum percentage to apply against the total RHNA decided by MCAG in determining housing need for very-low, low, and moderate income households. Each category is defined by Health and Safety Code (Section 50093, et seq.). Percentages are derived from the 2007-2011 American Community Survey's number of households by income, over 12 month periods. Housing unit need under each income category is derived from multiplying the portion of households per income category against the total RHNA determination.

- (3) The 15,850 allocation (see Attachment 2) reflects MCAG's projected minimum housing need (rounded) and an adjustment (-2,230) for existing excess vacant units in estimating 80% of vacant units will not be absorbed before the start of the projection period. This column represents the minimum housing need that MCAG's RHNA Plan must address in total and also for very-low, low, and moderate income categories.

Based on the region's estimated RTP adoption date of June 19, 2014 (subject to change):

5th Update of the Housing Element Due Date:

December 31, 2015

ATTACHMENT 2
HCD REGIONAL HOUSING NEED DETERMINATION: Merced CAG

1	Population: December 31, 2023 (DOF Projections)				323,927
2	<i>less: Group Quarters Population Census DOF</i>				8,342
3	Household (HH) Population December 31, 2023				315,585
	Household Formation Groups	2023 HH Population		2023 Households	
	All Age Groups (DOF)		<i>HH Formation or Headship Rate</i>		97,223
	Under 15	-	-	-	-
	15 - 24 years	54,141	8.10%	4,387	
	25 - 34 years	50,268	36.22%	18,210	
	35 - 44 years	41,563	47.40%	19,701	
	45 - 54 years	32,683	50.87%	16,627	
	55 - 64 years	30,700	53.12%	16,307	
	65 - 74 years	22,988	54.38%	12,500	
	75 - 84 years	12,149	56.87%	6,909	
	84+	4,555	56.73%	2,584	
4	Projected Households-December 31, 2023				97,223
5	<i>less: Households at Beginning of Projection Period (January, 2014, interpolated)</i>				79,698
6	Household Growth: 10 Year Projection Period				17,525
7	Vacancy Allowance	Owner	Renter	Total	
	Tenure Percentage per 2010 Census	54.46%	45.54%		
	HH Growth by Tenure	9,544	7,980	17,525	
	Healthy Vacancy Rate	1.50%	4.00%		
	Vacancy Allowance	143	319	462	462
8	Replacement Allowance (minimum)	0.54%		17,987	97
					18,084
9	<i>less: Adjustment for Absorption of Existing Excess Vacant Units</i>				
	Estimate 20% Absorbed, 80% Not Absorbed by 2014	Effective Vacant Units	Healthy Market Units	Differential	
	Derived (2010 Census, HH Growth, & Vacancy Rate)	(4,448)	2,081	-2367	
	Total 2012 Housing Stock	83,979			
	Existing Vacant Unit (Others) Adjustment	3.05%	2.63%		
	Total Adjusted Existing Vacant Units (Others)	(2,603)	2,183	-420	
	Estimated Total Vacant Units Not Absorbed by 2014	80%		-2,787	-2,230
	Merced CAG FINAL REGIONAL HOUSING NEED DETERMINATION				15,850

- 2023 Population:** Pursuant to Government Code Section 65584.01(b), and in consultation with MCAG, the 2023 population projections used by the Department were provided by the Department of Finance Population Projections for December 2023.
- Group Quarter Population:** Figure is an estimate of persons residing either in a group home, institution, military, or dormitory using based on the average between the 2010 Census group quarters proportion in total population and MCAG's forecast Group quarter, as used in its RTP. As this population doesn't constitute a "household" population generating demand for a housing unit, the group quarter population is excluded from the calculation of the household population, and is not included in the housing need.
- 2023 Household (HH) Population:** The portion of population projected to reside in housing units after subtracting the group quarter population from total projected population. The composition by race/ethnicity for the household population was calculated as an average between DOF's and MCAG's (Planning Center forecast as used in its RTP) population projections' race/ethnicity compositions.
- Projected 2023 Households (HHs):** The December 2023 number of households is derived by applying (to 2023 HH population by age and race/ethnicity) household formation rates calculated by applying half of the 1990-2010 change to the 2010 Census - based household headship rates. HH formation or headship rates reflect the propensity of different population groups (age, racial and ethnic) to form households.

ATTACHMENT 2
HCD REGIONAL HOUSING NEED DETERMINATION: Merced CAG

- 5 **Households at Beginning of Projection Period:** The baseline number of households at the beginning of the projection period (January 2014) was projected, as a direct effect of amendment to Section 65588(e)(6) specifying the new projection period to start on either June 30 or December 31 whichever date most closely precedes the end of the current housing element period. As such, the 2014 household number reflects the January 1, 2014 DOF-projected number of households.
- 6 **Household (HH) Growth:** This figure reflects projected HH growth and need for (occupied) new units.
- 7 **Vacancy Allowance:** An allowance (unit increase) is made to facilitate availability and mobility among owner and renter units. Owner/Renter % is based on Census 2010 data. A smaller rate is applied to owner units due to less frequent mobility than for renter households. Information from a variety of authoritative sources supports an acceptable range of 1 to 4% for owner units and 4 to 8% for renter units depending on market conditions.
- 8 **Replacement Allowance:** Rate (0.54%) reflects the housing losses that localities annually reported to DOF each January for years 2002-2011.
- 9 **Adjustment for Absorption of Existing Excess Vacant Units:** For this RHNA cycle only (due to extraordinary uncertainty regarding conditions impacting the economy and housing market not expected to similarly impact future RHNA cycles), a new one-time adjustment was made to account for unprecedented high vacancies in existing stock due to unusual conditions including high foreclosures and economic uncertainties. An absorption rate of 20% of existing excess vacant units is assumed to occur in shrinking current excess vacant units before the start of the 2014 RHNA projection period. This results in applying a 80% adjustment to account for units not absorbed, reflected in a downward adjustment of (- 2,230). Existing housing stock consists of two components: (1) housing units for sale and rent in existing housing stock that are above the housing units required to maintain the healthy market condition, calculated as the number of units in housing stock (for sale + for rent + sold, not occupied+rented, not occupied + occupied units), (2) housing units in the "vacant units others" category of existing housing stock above the "normal" rate considered to be at the level of 2000, at 2.63% of total housing units, as provided by the 2000 Census. The Department used 2010 Census Demographic profile data (DP-1) and desirable "normal" vacancy rates by tenure, in conjunction with the region's household growth and proposed household formation rates. The vacancy adjustment is limited to not exceed the differential between the 2010 Census vacant units and the healthy market vacant units rate associated with the region's annual household growth. As the adjustment was below the differential, the adjustment was applied in calculating the RHNA determination.

RHNA Projection Period January 1, 2014 to December 31, 2023: Pursuant to SB 375, the start of the projection period (in effect January 1, 2014) was determined pursuant to GC 65588(e)(6), which requires the new projection period to start on June 30 or December 31 that most closely precedes the end of the current housing element period, which for Merced County region is June 30, 2014. The end of the projection period was determined pursuant to GC 65588(e)(5) to be the end of the housing element planning period. *Note: For projection purposes the end of the projection period is rounded to the end of the month.*

Housing Element Planning Period December 31, 2015 to December 31, 2023: Pursuant to SB 375, the start of the planning period was determined pursuant to GC 65588(e)(5), 18 months from the estimated adoption date of MCAG's Regional Transportation Plan, as notified to HCD, with the date rounded to the end of month for projection purposes. The end of the planning period was calculated pursuant to GC 65588(e)(3)(A), 18 months after the adoption of the second RTP, provided that it is not later than eight years from the adoption of the previous housing element. If the actual RTP adoption date differs from the estimated date of June 19, 2014, the RHNA determination and the projection period will not change, however the housing element due date, and implicitly, the housing element planning period would change accordingly.

Appendix B

Public Notices and Memoranda

**NOTICE OF PUBLIC HEARING AND PUBLIC COMMENT PERIOD
FOR THE DRAFT METHODOLOGY FOR THE MERCED COUNTY
REGIONAL HOUSING NEEDS ALLOCATION (RHNA)**

NOTICE IS HEREBY GIVEN that the Merced County Association of Governments (MCAG) will hold a public hearing on November 20 at 3 p.m., at the Merced County Board of Supervisors Chambers, at 2222 M St., Merced CA, regarding the Regional Housing Needs Allocation – Draft Methodology (RHNA). The purpose of the public hearing is to receive public comments on the document. The methodology will be the basis of the final Allocation and RHNA Plan required by the state in order for local jurisdictions to prepare updated General Plan Housing Elements.

Individuals with disabilities may call MCAG (with 3 working-day advance notice) to request accommodations. Spanish translation services will be available at this hearing, upon request.

A 60-day public review and comment period will commence on October 17, 2014 and conclude on December 16, 2014. The draft document is available for review at the Merced County Association of Governments office, located at 369 West 18th St., Merced CA, and on the MCAG website at <http://mcagov.org/>.

Public comments are welcomed at the hearing, or may be submitted in writing by 5 p.m. on December 16, 2014, to Matt Fell at the address below. Contact: Matt Fell, Transportation Manager, 369 West 18th St., Merced, CA 95340. Phone: 209-723-3153. Email: matt.fell@mcagov.org

MEMORANDUM

DATE: February 26, 2015

TO: Interested Parties

FROM: Matt Fell, Transportation Planning Manager

SUBJECT: Adoption of Regional Housing Needs Allocation (RHNA) Methodology and Issuance of Draft Allocation

At its February 19, 2015 meeting, the MCAG Governing Board adopted the Regional Housing Needs Allocation (RHNA) Methodology and authorized providing the resulting draft allocations to the local jurisdictions. The draft allocations are:

Jurisdiction	Very Low	Low	Moderate	Above Moderate	Total Allocation
Atwater	429	307	281	748	1,760
Dos Palos	71	27	47	124	292
Gustine	61	56	51	136	320
Livingston	249	178	163	435	1,023
Los Banos	604	431	396	1,049	2,473
Merced	1,351	966	886	2,348	5,537
Merced County	1,085	775	711	1,885	4,445
Sums by Income	3,850	2,740	2,535	6,725	15,850
Percent of Total	24.3%	17.3%	16.0%	42.4%	

Attached is the draft RHNA Plan which includes the RHNA Determination from the Department of Housing and Community Development (HCD) and the adopted methodology which results in these allocations. Pursuant to Government Code Section 65584.05, a jurisdiction has 60 days from the date of issuance to request a revision of its share. Revision requests are due to MCAG by April 28, 2015.

If you have any questions or suggestions, please contact me at 209-723-3153 or matt.fell@mcagov.org

Attachment:
Regional Housing Needs Allocation Plan (Draft)

**NOTICE OF PUBLIC HEARING TO ADOPT
THE PROPOSED FINAL MERCED COUNTY
REGIONAL HOUSING NEEDS ALLOCATION PLAN**

NOTICE IS HEREBY GIVEN that the Merced County Association of Governments (MCAG) will hold a public hearing on June 18, 2015, at 3 p.m., at the Highway 59 Landfill, Administration Building, 7040 N. Hwy. 59, Merced, CA, to consider adoption of the proposed final Regional Housing Needs Allocation Plan (RHNA). This public hearing signals the end of MCAG's process to issue the RHNA Plan required by the State of California in order for local jurisdictions to prepare updated General Plan Housing Elements. The RHNA Plan has been prepared in accordance with Government Code Section 65580 et seq., and maintains a total regional housing need, by income category, within the range approved by the State Department of Housing and Community Development.

The proposed final Regional Housing Need Allocation Plan is available for review online at <http://www.mcagov.org> and at the MCAG offices at 369 West 18th St., Merced, CA 95340.

Individuals with disabilities may call MCAG (with 3 working-day advance notice) to request accommodations. Spanish translation services will be available at this hearing, upon request.