



Final Regional Housing Needs Allocation (RHNA) Plan: Merced County Region

CYCLE 6 (JUNE 30TH, 2023 - JANUARY 31ST, 2032)

**Adopted Per Resolution 2022/11-17-02
November 17, 2022**

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EXECUTIVE SUMMARY

This document summarizes the Merced County Association of Governments' (MCAG) adopted Regional Housing Needs Allocation (RHNA) Methodology and the process used to arrive at that methodology. It includes summaries of public input solicited to date, adjustment factors considered by the MCAG RHNA Steering Committee, and an analysis of the methodology adopted to allocate housing needs among MCAG's member jurisdictions. It contains a review of public comments received regarding the adopted methodology and responses to those comments. It concludes by documenting the allocation of housing need, including how it complies with State statute and its review and approval by the California Department of Housing and Community Development (HCD).

0.1 PROCESS

The Regional Housing Needs Allocation (RHNA) is a state-mandated process that ensures local governments have enough zoned capacity to accommodate future housing need for households at all income levels. MCAG's RHNA process can be broadly thought of in four steps:

1. **Regional Determination:** The California Department of Housing and Community Development (HCD) worked with California's Department of Finance (DoF) to calculate the region's housing need for the next

eight years. This is called the region's Determination of Need. MCAG received its final Determination of Need for Cycle 6 (June 30th, 2023 - January 31st 2032) in December 2021. MCAG's final Determination of Need is 22,620 housing units.

2. **RHNA Framework and Proposed Methodology Recommendation:** After receiving a Determination of Need from HCD, MCAG initiated discussions with the public and representatives from local jurisdictions (i.e., city and county governments). These discussions sought to collaboratively develop a proposed methodology for allocating the region's housing need among all jurisdictions. The RHNA Steering Committee, an advisory group of public and jurisdictional representatives assembled to provide input on MCAG's RHNA process, voted to recommend a proposed methodology option to MCAG's Governing Board on May 18th, 2022.
3. **Public Comment and Release of a Draft RHNA Methodology:** Once a proposed methodology was authorized by MCAG's Governing Board for circulation, the public reviewed and commented on the methodology. MCAG then reviewed and responded to comments received and released the methodology to HCD for formal review. HCD issued its findings

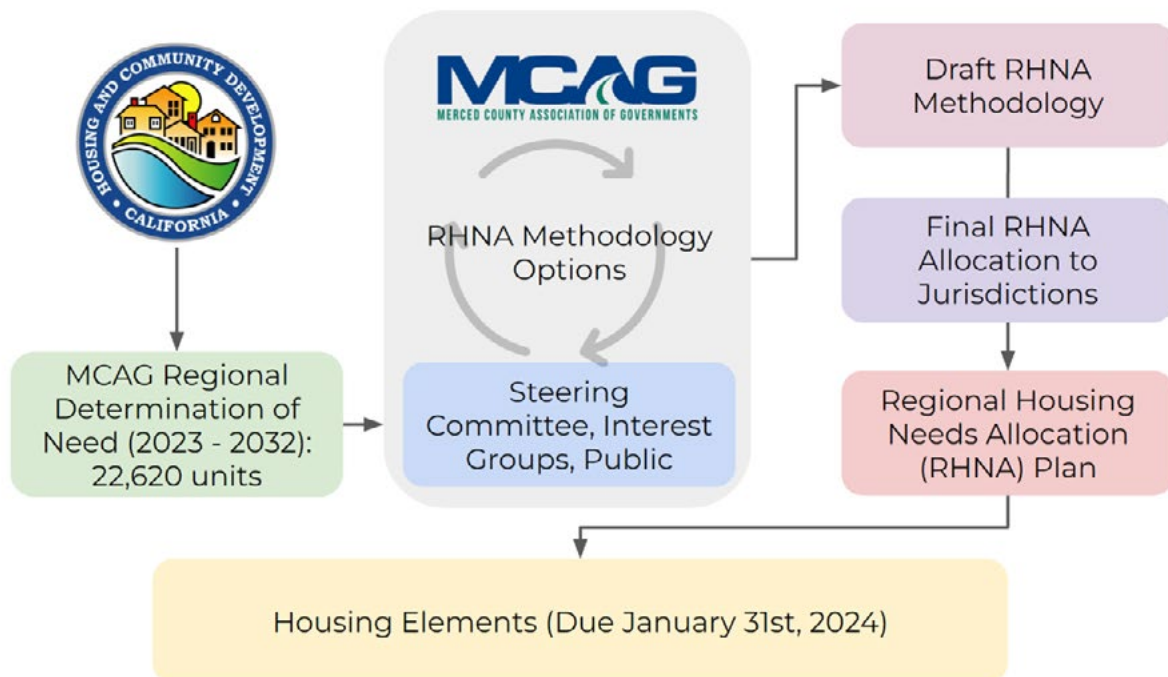


Figure 1. RHNA Process Diagram (May 18th, 2022 RHNA Steering Committee Meeting)

of this review on September 14th, 2022 and found that the draft RHNA Methodology furthered all statutory RHNA objectives.

4. Finalizing the Regional Housing

Needs Allocation and Plan: Once the methodology was certified by HCD, MCAG's Governing Board adopted the methodology on September 15th, 2022. Finally, the adopted methodology and resulting allocation of regional housing needs were documented in the Regional Housing Needs Allocation (RHNA) Plan which was released for a 45-day jurisdictional appeals period on September 16th, 2022. Following the conclusion of the appeals period, during which no appeals were received, the MCAG Governing Board adopted the

Final RHNA Plan on November 17, 2022.

0.2 IMPLICATIONS FOR LOCAL GOVERNMENTS

The RHNA Methodology described in this document assigns housing need for four income categories relative to Merced County's area median income (AMI): very low (<50 percent of AMI), low (50-80 percent of AMI), moderate (80-120 percent of AMI), and above moderate (120+ percent of AMI), for which MCAG's jurisdictional partners must plan for. Once the methodology is adopted, jurisdictions have until February 2024 to adopt housing elements that demonstrate how they will accommodate their respective allocations through zoned land within their city limits.

In addition to demonstrating enough zoned capacity to accommodate the total number of allocated units, each jurisdiction must also demonstrate adequate capacity zoned at 20 units per acre or more for units affordable to households earning at or below 80 percent AMI.

This requirement is based on the assumption that affordable housing becomes easier to build if it can be built at higher densities (at least 20 units per acre). Jurisdictions that do not have enough zoned capacity to accommodate their total RHNA, and the proportion that must be affordable to low and very low-income households, must identify and rezone sites by January 31st, 2024.

0.3 ADOPTED RHNA METHODOLOGY

The Adopted RHNA Methodology (“the Methodology”) was unanimously recommended by the RHNA Steering Committee on May 18th, 2022 and adopted by MCAG’s Governing Board on September 15th, 2022. It is the product of six months of collaboration by the RHNA Steering Committee, a diverse group comprised of housing advocates and jurisdictional representatives. It was developed to further five critical RHNA objectives, discussed in section 2 of this document. The Methodology is made up of three steps:

Step 1 – Baseline Total Housing Need:

In step 1, total RHNA for all income levels was allocated among MCAG’s 7 jurisdictions using each jurisdiction’s share of forecasted 2015 - 2035 household growth from the 2018 RTP/SCS preferred land use scenario¹. Then, the regional average split for moderate and above-moderate income housing need (58.6 percent) and low and very low-income housing need (41.4 percent) was applied to each jurisdiction’s total allocation.

1. Allocations from the 2022 RTP/SCS were not yet available during the methodology development process, thus 2018 allocations were used instead.

STEP 1: Total housing need allocated based on baseline data

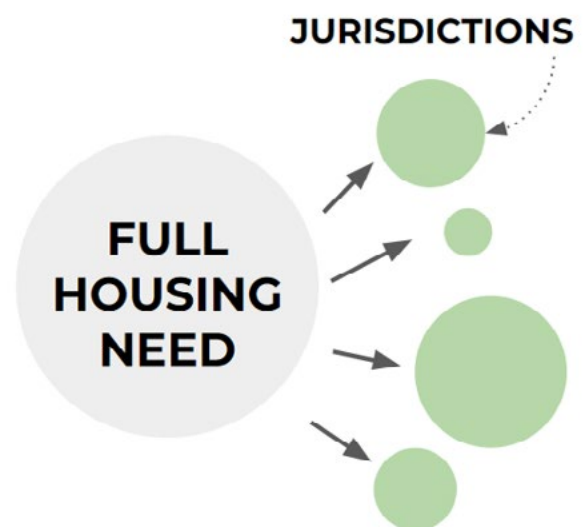


Figure 2: Step 1 of the RHNA Methodology:
Baseline Total Housing Need

Step 2 – Adjust Total Housing Need: In step 2, total housing need is adjusted based on adjustment factors. Additional data was used to adjust jurisdictions' baseline shares of the regional housing need up or down. Data used to make adjustments are referred to as adjustment factors. As described in the following section, several adjustment factors for total housing need were initially explored, then narrowed down.

STEP 2:

Total housing need adjusted based on adjustment factors

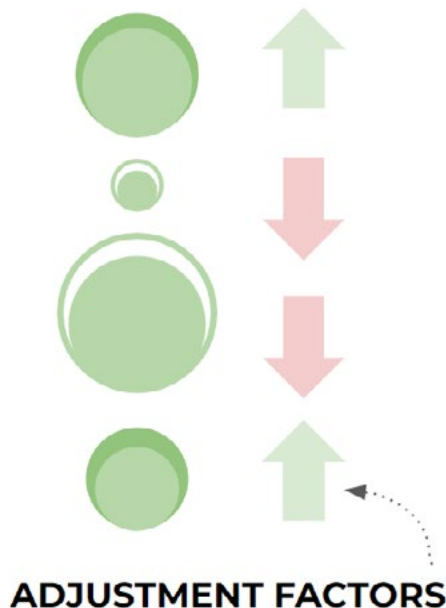


Figure 3: Step 2 of the RHNA Methodology:
Adjust Total Housing Need

Step 3 – Allocate Housing Need by Income Group: In step 3, the proportion of below-moderate income housing need is adjusted. Once total need is adjusted, it is broken into four income categories so that all jurisdictions receive the same percentage (i.e. the countywide percentage) of housing need for each income category. Additional adjustment factors are then used as the basis for adjusting each jurisdiction's proportion of below-moderate income housing need up or down.

STEP 3:

Below-moderate-income need is adjusted based on adjustment factors

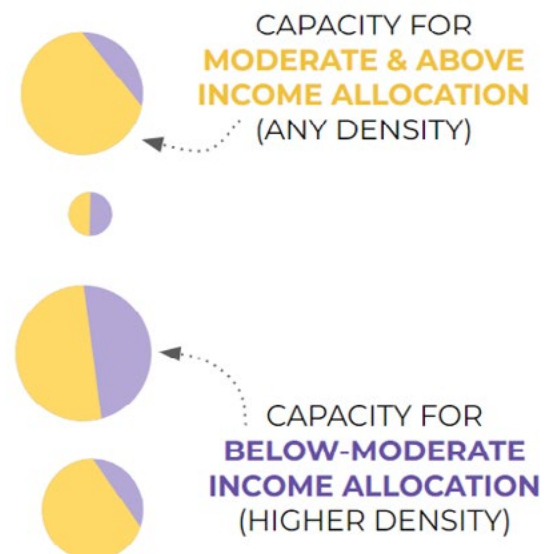


Figure 4: Step 3 of the RHNA Methodology:
Allocate Housing Need by Income Group

Table 1: Cycle 6 (2023 – 2032) Final Adopted RHNA Summary Table

Jurisdiction	Lower Income Units				Higher Income Units		Total RHNA
	Very Low	Low	Very Low + Low	% of Total RHNA (VL + L)	Moderate	Above	
Atwater	768	526	1,294	42.9%	508	1,215	3,017
Dos Palos	56	39	95	36.4%	49	117	261
Gustine	77	53	130	37.5%	64	152	346
Livingston	311	213	524	47.8%	169	404	1,097
Los Banos	719	493	1,212	38.7%	566	1,354	3,132
Merced	2,543	1,742	4,285	40.7%	1,838	4,394	10,517
Unincorporated County	1,042	714	1,756	41.3%	736	1,758	4,250
Total	5,516	3,780	9,296	41.1%	3,930	9,394	22,620

0.4 PROJECT SCHEDULE

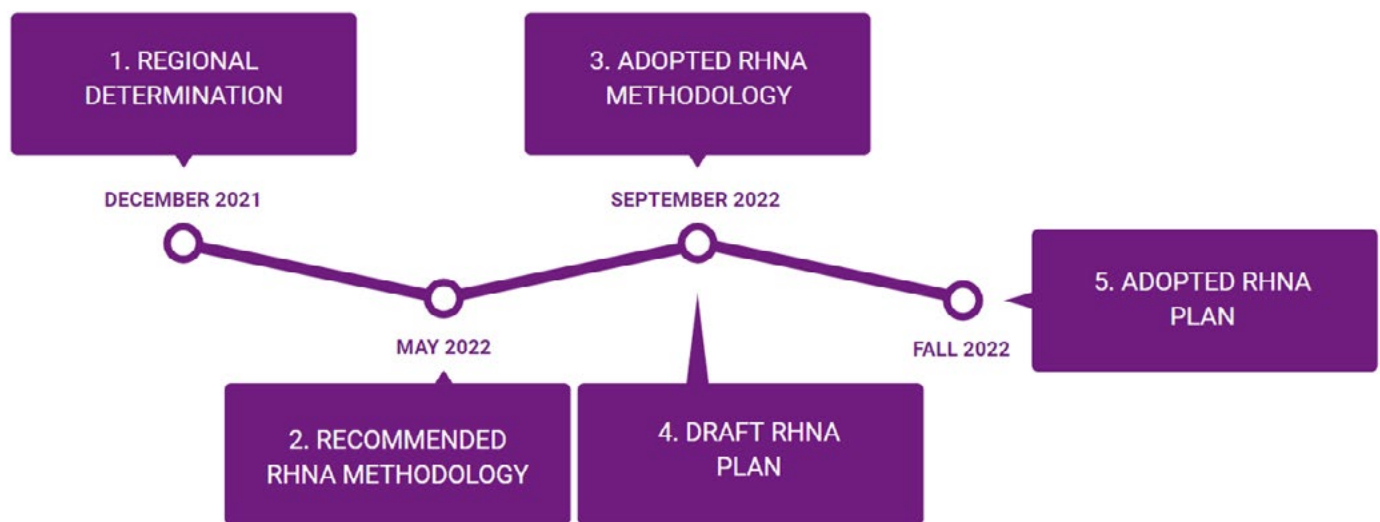


Figure 5: Simplified RHNA Project Schedule

0.5 KEY TERMS

RHNA Determination of Housing Need: HCD issued an overall region-wide housing need called the RHNA Determination. The RHNA Determination is the total housing units the region's jurisdictions must plan for between June 30th, 2023 and January 31st, 2032.

RHNA Methodology: MCAG prepared a RHNA Methodology to allocate the region's RHNA to each of its seven jurisdictions. This methodology must reflect certain objectives of State law and be consistent with the RTP/SCS. This methodology was adopted by the MCAG Governing Board on September 15th, 2022.

RHNA Jurisdictional Allocations: Each jurisdiction's share of the RHNA and the proportion that must be targeted at above and below-moderate income households.

Regional Housing Needs Allocation (RHNA) Plan: The RHNA Plan (this document) describes the RHNA process and officially assigns allocations to each jurisdiction.

Housing Elements: Each jurisdiction in the Merced region must adopt a housing element that accommodates their assigned RHNA jurisdictional allocation. Housing elements must be adopted by January 31st 2024.

RHNA Objective: Five state-mandated guiding principles which the adopted methodology must "further".

RHNA Factor: 12 factors that must be considered during the development of the adopted methodology.

Methodology Adjustment Factor: data-driven rationale for adjusting each jurisdiction's share of below-moderate RHNA above or below the regional average. Must further a RHNA objective.

0.6 OUTLINE OF THIS DOCUMENT

Section 1: Introduction to the Cycle 6 RHNA

The introduction provides an overview of the Housing Element Law as it relates to RHNA and summarizes the RHNA process.

Section 2: RHNA Objectives and Factors

Section 2 describes each RHNA Objective and Factor and how each was "furthered" or "considered" as part of the adopted RHNA Methodology.

Section 3: Regional RHNA Determination

This section summarizes the Regional Determination of Housing Need provided to MCAG by HCD in December 2021.

Section 4: Adopted RHNA Methodology

This section provides a detailed description of the adopted RHNA Methodology and allocations of housing need for each jurisdiction.

Section 5: Appendices

Included in the appendices are a variety of supporting documents including a summary of the RHNA Methodology options considered during the methodology development process, HCD's findings with respect to the draft RHNA Methodology, and comments received on the draft RHNA Methodology.

1 INTRODUCTION TO THE CYCLE 6 RHNA

1.1 WHAT IS RHNA?

California's Regional Housing Needs Allocation (RHNA) process assesses each region's total housing need for the next eight years and directs local jurisdictions (i.e. cities and counties) to collaborate on a plan to distribute that need amongst themselves. Housing need is allocated to jurisdictions at four income levels: above moderate income (120 percent Area Median Income [AMI] or higher), moderate income (80-120 percent AMI), low income (50-80 percent AMI), and very low income (less than 50 percent AMI).

The purpose of the RHNA process is twofold:

1. To allocate a share of the region's housing need such that each jurisdiction plays a role in meeting the overall need and knows the clear, quantified amount it must accommodate.
2. To guide where housing is built throughout the region, moving away from a development pattern reflective of local zoning constraints and toward a growth pattern reflective of regional and state equity, environmental, and socioeconomic objectives.

1.2 IMPLICATIONS FOR LOCAL GOVERNMENTS

The RHNA process has several implications for local jurisdictions. As a result of the RHNA process, each jurisdiction in the Merced Region

must update its Housing Element by February 2024 and demonstrate sufficient buildable capacity within its zoning to accommodate its assigned share of regional housing need for the 8.6-year period spanning June 30th, 2023 through January 31st, 2032.

While the RHNA process affects zoning, it does not directly mandate or fund the construction of the assigned housing need. It is the intent of Housing Element law that the RHNA process prompt jurisdictions to prepare for their full housing need via zoning, as well as through adjacent actions such as SB35 permit streamlining for affordable housing or analyzing construction feasibility during the Housing Element stage.

Because the RHNA process assigns housing need by income category, jurisdictions must also design their Housing Elements to accommodate various income groups. RHNA requirements assume that housing affordable to low-income and very-low-income households is most financially feasible to build at medium and high densities.

Thus, housing element law, specifically AB 1398, dictates that jurisdictions' Housing Elements must accommodate housing need for low-income and very-low-income households at zoned densities of 20 units per acre or greater. Jurisdictions that lack sufficient housing capacity to meet their share of regional need must identify sites and rezone them within the first three years of the RHNA planning horizon.

1.3 THE RHNA PROCESS

The RHNA process began in January 2022 when MCAG staff briefed the RHNA Steering Committee on the Cycle 6 RHNA process. HCD provided a final RHNA Determination on December 1st, 2021 of 22,620 housing units for the 8.6-year RHNA period (see Appendix B for HCD letter to MCAG dated December 1, 2021).

State law requires MCAG to develop and adopt a methodology for allocating a portion of the RHNA Determination to each jurisdiction within the Merced Region. On May 18th, 2022, the RHNA Steering Committee voted unanimously to recommend a proposed RHNA methodology (discussed in Section 4) to the MCAG Governing Board.

MCAG staff and consultants documented the preferred methodology and all other methodology options and released a Proposed RHNA Methodology Framework Memorandum for a 35 day public comment period starting June 21st, 2022, which concluded on July 26th, 2022 and included a public hearing during the July 21st, 2022 meeting of MCAG's Governing Board.

Public comment was addressed and integrated into the draft RHNA Methodology Framework Memorandum which was formally reviewed by HCD. On September 14th, 2022, HCD issued its Review of the draft Regional Housing Need Allocation (RHNA) Methodology (see Appendix C) with a determination that the adopted RHNA Methodology furthered all statutory objectives.

Following HCD review of the draft RHNA Methodology, the MCAG Governing Board adopted the RHNA Methodology on

September 15th, 2022. Based on the Adopted RHNA Methodology, MCAG released the draft allocations of housing need for each jurisdiction as a part of the draft RHNA Plan for a 45-day jurisdictional appeals period. The appeals period gives each jurisdiction an opportunity to provide comments on the allocations described in the draft RHNA Plan. The public review and comment period for the MCAG draft RHNA Plan ran for 45 days from September 16th, 2022 to October 31st, 2022.

State law asserts that if any jurisdiction proposes a revision to the draft RHNA Allocations, MCAG, "shall accept the proposed revision, modify its earlier determination, or indicate, based upon available data and accepted planning methodology, why the proposed revision is inconsistent with the regional housing need." Jurisdictions may only propose revisions if certain conditions are met. These conditions include failure of MCAG to consider local RHNA planning factors through a jurisdictional survey, failure to distribute housing need in accordance with the Draft RHNA Methodology, or significant and unforeseen changes to any jurisdictions' circumstances.

After the 45-day appeals period, no appeals were filed, nor were any revisions requested by any jurisdiction within the Merced region.

The MCAG Governing Board conducted a public hearing and adopted the Final RHNA Plan (this document) on November 17th, 2022.

Following the adoption of the Final RHNA Plan, each jurisdiction must then update its Housing Element to demonstrate that it is meeting State law requirements.

Jurisdictions within Merced County are required to adopt and submit Housing Elements to HCD for final review and certification on or before January 31st, 2023.

1.4 SB 375: LEGAL REQUIREMENTS

The Sustainable Communities and Climate Protection Act of 2008 (SB 375) was passed to support the State's climate action goals, as identified in Assembly Bill 32 (AB 32), to reduce greenhouse gas (GHG) emissions through coordinated transportation and land use planning. The bill mandates each of California's Metropolitan Planning Organizations (MPOs) to prepare a Sustainable Communities Strategy as a part of its Regional Transportation Plan. The SCS contains land use, housing, and transportation strategies that, if implemented, would allow the region to meet its GHG reduction targets.

In the past, the RHNA was undertaken independently from the RTP. SB 375 requires that the RHNA and RTP/SCS processes be aligned to better integrate housing, land use, and transportation planning. The law recognizes the importance of planning for housing and land use in creating sustainable communities where residents of all income levels have access to jobs, services, and housing using transit, walking and bicycling.

In addition to the RHNA requirements of housing element law (Government Code Section 65584), SB 375 requires MCAG to address the region's housing needs in the SCS of the RTP and will:

- Consider the State housing goals (Government Code Section 65080 (b)(2)(B)(vi));
- Identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period for the RTP (out to 2046 for the 2022 RTP/SCS) taking into account net migration into the region, population growth, household formation, and employment growth (Government Code Section 65080 (b)(2)(B)(ii); and
- Identify areas within the region sufficient to house the regional housing needs for the region (Government Code Section 65080 (b)(2)(B)(iii)).

1.4.1 RHNA – RTP/SCS Consistency

As part of the RHNA Methodology development process, MCAG staff and consultants closely coordinated work on the 2022 RTP/SCS and the Cycle 6 RHNA. Throughout the scenario development process for the RTP/SCS, every opportunity was taken to ensure consistency of the RTP/SCS preferred land use allocation with the RHNA process. This was accomplished by working with the RTP team to share relevant data, engaging in joint RTP/SCS and RHNA meetings with jurisdiction representatives, and developing RHNA-specific survey questions as part of public outreach conducted for the RTP/SCS process.

RHNA Survey Question: MCAG staff and consultants developed a RHNA-focused survey question as part of an RTP/SCS survey instrument, and the use of RTP/SCS data to inform the baseline allocation of total housing need to jurisdictions. Figure 6 shows how responses to this question shed light on participants' desire for more diverse housing types in areas with existing infrastructure.

Joint RTP/SCS and RHNA Meetings: Another example of RHNA/RTP consistency included in the scenario development process was frequent communication between MCAG's RTP/SCS and RHNA consultant teams. Members of the RHNA team participated in two RTP/SCS workshops to gather input and facilitate housing-focused discussions.

1.5 REGIONAL HOUSING NEED

The RHNA has two statutorily-required components that must be addressed by MCAG and its member jurisdictions:

1. In December 2021, MCAG received a Determination of Housing Need from HCD of 22,620 housing units for the 8.6-year period beginning June 30th, 2023 through January 31st, 2032.
2. This determination is further segmented into four income categories as follows:
 - Very Low Income (less than 50 percent of AMI)
 - Low Income (50-80 percent of AMI)
 - Moderate Income (80-120 percent of AMI)
 - Above-Moderate Income (above 120 percent of AMI)

Q: Merced County's population is growing. Which ideas for Merced County do you support most?

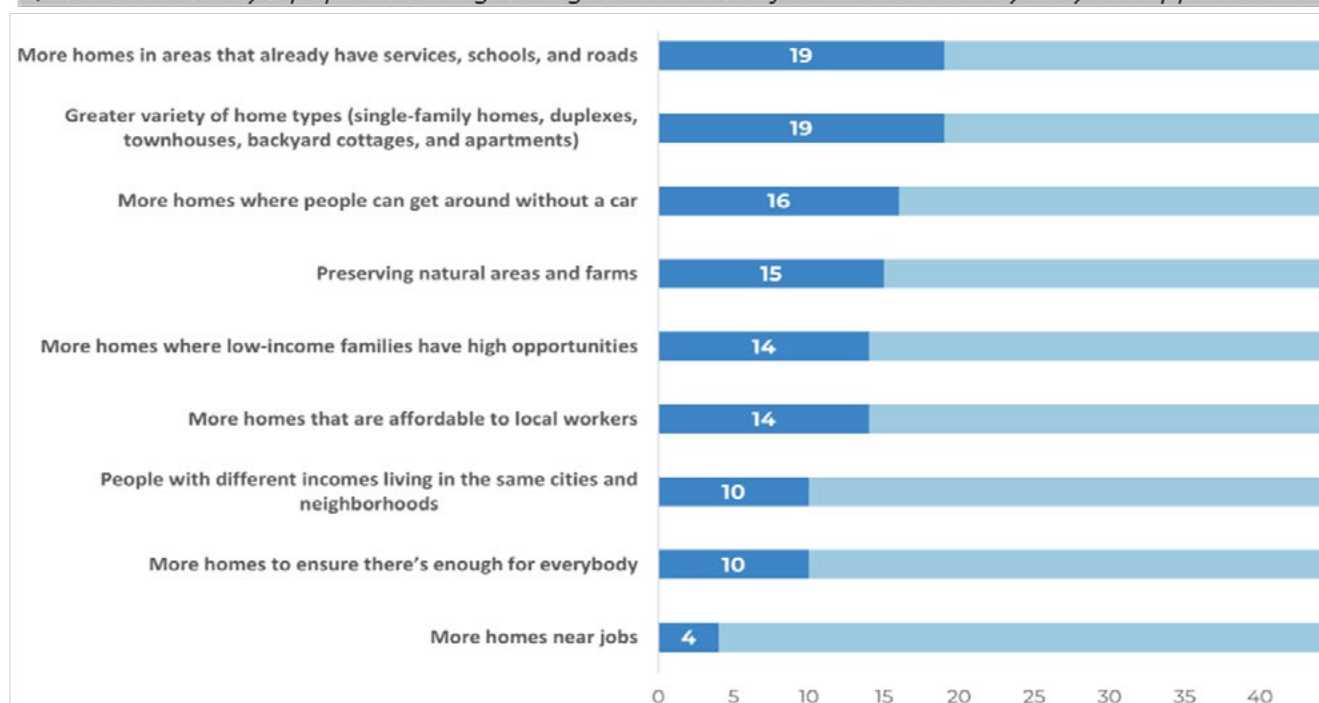


Figure 6: RHNA - RTP/SCS Survey Question

2 RHNA OBJECTIVES AND FACTORS

2.1 RHNA OBJECTIVES AND FACTORS

In developing its RHNA Methodology, statute requires MCAG to “further” certain objectives and “consider” certain factors. There are 5 RHNA Objectives that the RHNA Methodology must “further”. These objectives are intended to provide a guiding framework for the methodology development process and the adopted methodology must clearly demonstrate how each objective is incorporated. There are 12 RHNA Factors which must be considered and evaluated to the extent that relevant data is available. The extent to which these factors are directly incorporated into the methodology is at the discretion of MCAG staff. The RHNA Objectives and Factors are discussed in sections 2.2 and 2.3, respectively.

2.2 RHNA OBJECTIVES (§65584.D)

State Statute requires that MCAG’s RHNA Methodology “further” the following five objectives. In practice, that means the RHNA Methodology must advance these objectives directly and ensure that each is clearly reflected in how the methodology allocates housing need. The following section provides additional details about each RHNA Objective and how each was “furthered” by the RHNA Methodology.

RHNA OBJECTIVES (§65584.D)

- **Guiding framework for RHNA methodology**
- **MCAG must demonstrate how methodology “furthers” each of the five objectives**
- **“Furthering” means proactive inclusion of each objective**

RHNA FACTORS §65584.04(E)

- **12 RHNA factors provide context for the RHNA methodology**
- **Data gathered through surveys and consultations with jurisdictions**
- **RHNA methodology must “consider” each factor**

Figure 7: Relationship Between RHNA Factors and RHNA Objectives

Objective 1: Increasing Housing Supply and Mix of Types

State Definition: “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.”

How the Adopted Methodology Furthers the Objective: Per statutory direction, the RHNA methodology ensures that each jurisdiction is assigned housing need at a variety of income levels so that no jurisdiction is exempt from zoning for lower income housing need.

Before making any adjustments based on available data, the methodology assigns each jurisdiction higher density, below-moderate-income housing need at an equivalent rate. This alone, without adjustment factors, likely pushes jurisdictions with predominantly single-family housing to move toward housing mix and income integration.

The outcomes of the methodology also further this objective:

- Livingston and Los Banos—the jurisdictions with the highest median gross rent in the region—receive greater shares of total housing need than their current shares of the region’s households. This responds to supply constraints that help create high rents. Conversely, Dos Palos—which has the lowest median gross rent in the region—receives less total RHNA than its share of the region’s households.

- Livingston—the region’s only jurisdiction with both a high prevalence of high opportunity areas (per California Tax Credit Allocation Committee (TCAC) data) and less multifamily housing than average—is allocated more below-moderate-income housing need, promoting both multifamily and affordable housing in that jurisdiction.

Objective 2: Promoting Infill, Equity, and Environment

State Definition: “Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region’s greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.”

How the Adopted Methodology Furthers the Objective: The methodology directly incorporates three adjustment factors that directly address this objective: percent of land within a jurisdiction’s Sphere of Influence (SOI) that is high-quality agricultural land, percent of a jurisdiction’s population within a quarter mile of a transit stop, and a factor measuring the balance of housing to jobs accessible within a 15-minute drive.

The agricultural land adjustment factor increases the total RHNA assigned to jurisdictions with limited high-quality farmland, helping preserve farmland where it exists. The transit access factor increases the below-moderate-income RHNA assigned to jurisdictions with good transit access, promoting equitable access to a key

mobility service and low-emissions mode of transportation. And the jobs-housing-balance adjustment factor increases the total housing need assigned to jurisdictions with limited housing but lots of jobs within a 15-minute drive, promoting housing where short commutes are most possible, thereby reducing vehicle miles traveled and related emissions.

The inclusion of these adjustment factors contributes to the following outcomes that further this objective:

- Jurisdictions with less transit access—Dos Palos, Gustine, and the Unincorporated area—receive downward adjustments in their housing need, resulting in lower allocations than those jurisdictions' shares of the region's households. Conversely, jurisdictions with greater transit access—like Merced and Atwater—receive increased housing need allocations.
- Jurisdictions with lower average daily VMT per household—Merced, Atwater, and Livingston—all receive upward adjustments to their total housing need allocations, resulting in greater percentage allocations than their current share of the region's households.

Objective 3: Ensuring Jobs-Housing Balance and Fit

State Definition: "Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction."

How the Adopted Methodology Furthers the Objective:

The methodology directly incorporates an adjustment factor related to jobs-housing balance. This factor identifies jurisdictions with limited housing but many jobs within a 15-minute drive, increasing the total housing need allocated to jurisdictions with such imbalances (and vice versa).

The inclusion of this adjustment factor contributes to the following outcomes that further this objective:

- Jurisdictions with limited affordable rental housing but access to many low-wage jobs within a 15-minute drive—primarily Atwater and Livingston—are allocated greater percentages of below-moderate-income housing need than those jurisdictions' current shares of the region's households.
- Jurisdictions with limited housing generally but access to many jobs within a 15-minute drive—Atwater, Livingston, and Merced—are allocated a higher percentage of total housing need than those jurisdiction's current shares of the region's households. The opposite holds true such that jurisdictions that currently display a better balance of housing and nearby jobs—such as Gustine and Dos Palos—receive lower allocations.

Objective 4: Promoting Regional Income Parity

State Definition: "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 American Community Survey.”

How the Adopted Methodology Furthers the

Objective: The methodology incorporates an adjustment factor to address regional income parity: percent of population below the poverty level. This factor raises the below-moderate-income housing need allocations of jurisdictions with lower than average poverty rates and vice versa.

By promoting housing for lower income residents in areas with less poverty, this factor aims to diversify the income mix of jurisdictions, promote income parity throughout the region, and counteract tendencies for neighborhoods and jurisdictions to form enclaves of wealth and poverty.

The inclusion of this adjustment factor contributes to the following outcomes that further this objective:

- Merced—the only area within the region with higher-than-average poverty—receives a downward adjustment to its below-moderate income housing need allocation relative to the baseline allocation.
- Los Banos and Atwater, two higher income jurisdictions, receive greater total and below-moderate-income housing need allocations, relative to their current shares of such households.
- Atwater, Livingston, and the Unincorporated area—which all exhibit poverty rates below the regional average

and contain TCAC high opportunity tracts—receive upward adjustments to their below-moderate-income housing need allocations relative to their baseline allocations.

Objective 5: Affirmatively Furthering Fair Housing

State Definition: “Affirmatively furthering fair housing’ means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.”

How the Adopted Methodology Furthers

the Objective: The methodology directly incorporates an adjustment factor in pursuit of affirmatively furthering fair housing: percent of a jurisdiction’s housing units that are in TCAC designated high opportunity areas. This factor raises the below-moderate-income housing need allocations of jurisdictions with higher than average percentages of their housing stock in high opportunity areas, signifying the strong presence of high opportunity neighborhoods.

By promoting housing for lower-income residents in jurisdictions with more high opportunity neighborhoods, this factor aims to increase access among low-income residents in areas where they and their families are most likely to succeed.

By using TCAC data, this factor also helps ensure that areas preferred for affordable housing funding have sufficient land zoned for higher densities to support new construction of affordable housing.

The inclusion of this adjustment factor contributes to the following outcomes that further this objective:

- Livingston and Atwater—jurisdictions with an above average prevalence of high opportunity neighborhoods—receive upward adjustments to their total and below-moderate-income housing need, resulting in allocations greater than those jurisdictions’ current share of the region’s households. Other jurisdictions with high opportunity neighborhoods, such as Merced, also receive upward adjustments to their total housing need.
- Gustine and Dos Palos—the two jurisdictions without high opportunity neighborhoods—receive downward adjustments to their total and below-moderate-income housing need, resulting in lower percentage allocations than those jurisdictions’ current shares of the region’s households.

2.3 RHNA FACTORS (§65584.04(E))

In addition to “furthering” the above objectives, the methodology must also “incorporate” the RHNA Factors below. This means the RHNA Factors must be explored and considered but that they are not required to be represented within the methodology or furthered quantitatively via its outcomes.

To successfully incorporate the RHNA factors, relevant secondary data was reviewed, and each jurisdiction was directly surveyed about the factors, per §65584.04.(b)(1). Consultation meetings were also held with representatives of each jurisdiction in which information was solicited regarding the RHNA Factors.

The following section covers each of the RHNA Factors and how they were considered during the RHNA Methodology development process.

Factor 1: Existing and Projected Jobs and Housing Relationship

State Definition: “Each member jurisdiction’s existing and projected jobs and housing relationship. This shall include an estimate based on readily available data on the number of low-wage jobs within the jurisdiction and how many housing units within the jurisdiction are affordable to low-wage workers as well as an estimate based on readily available data, of projected job growth and projected household growth by income level within each member jurisdiction during the planning period.” - §65584.04(e)

MCAG Consideration: Existing jobs-housing balance and fit (ratio of low wage jobs to low

income households) was reviewed for all jurisdictions. In addition, MCAG learned the following through local agency consultations: Jobs-housing balance in Merced County is related to proximity to regional job centers.

In Cities along the SR-99 corridor such as Atwater, Livingston, and Merced, jurisdictional staff said there are generally more jobs than affordable homes. Regardless of the balance of employment and housing in their jurisdictions, almost all cities in the county said that high rates of housing cost burden for residents impacts the imbalance of low-wage workers to homes affordable to low-wage workers.

Factor 2: Opportunities and Constraints to Development of Additional Housing

2a: Capacity for Water and Sewer Service

State Definition: “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.” - §65584.04(e)

MCAG Consideration: Many jurisdictions cited infrastructure capacity, particularly sewer and water, as one of their chief concerns heading into this RHNA Cycle. This issue is complicated by two facts: first, that sewer and water districts do not align perfectly with jurisdictional boundaries; second, that water use is significantly regulated by the state via the Sustainable Groundwater Management

Act (SGMA) and subject to regional decision making by coalitions of jurisdictions tasked with water basin stewardship, called Groundwater Sustainability Agencies (GSAs). To inform MCAG’s understanding of these issues, data from the California SGMA dashboard was consulted.

2b: Availability of Land Suitable for Urban Development

State Definition: “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 determination of available land suitable for urban development may exclude lands where the Federal Emergency Management Agency (FEMA) or the Department of Water Resources (DWR) has determined that the flood management infrastructure designed to protect that land is not adequate to avoid the risk of flooding.” - §65584.04(e)

MCAG Consideration: MCAG considered a range of data that could indicate environmental constraints or hazards that could preclude urban development. These included FEMA flood maps as well as wetland, water, steep slope and environmental hazard data from the DWR.

2c: Lands Preserved or Protected from Urban Development

State Definition: “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, including land zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of that jurisdiction that prohibits or restricts conversion to non-agricultural uses.” - §65584.04(e)

MCAG Consideration: MCAG considered a range of data to establish areas that may be precluded from development due to existing preservation agreements. These included the Farmland Monitoring and Mapping Program (FMMP) and California Conservation Easement Database (CCED).

2d: County Policies to Preserve Prime Agricultural Land

State Definition: “County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated and land within an unincorporated area zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of that jurisdiction that prohibits or restricts its conversion to non-agricultural uses.” - §65584.04(e)

MCAG Consideration: Jurisdictional boundary changes consider the location of prime agricultural land. Merced County’s Local

Agency Formation Commission’s (LAFCO) Agricultural Preservation Policy also uses “set aside” programs to protect some farmland when other agricultural areas are developed. According to one respondent, the County has a 1-to-1 farmland set aside policy administered by LAFCO. These set asides constrain farmland conversion to housing.

Factor 3: Opportunities to Maximize the Use of Public Transportation and Existing Transportation Infrastructure

State Definition: “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.” - §65584.04(e)

MCAG Consideration: Transit service in Merced County is limited. Generally, most local agencies viewed existing bus transit service as either too sparse or infrequent to be a major driver for the location of new development. The Transit Joint Powers Authority for Merced County (TJPAMC) runs fixed routes between the City of Merced, the City of Atwater, and the unincorporated community of Winton. The City of Merced has more transit than other jurisdictions, with some services running every 30 minutes during daytime hours.

Commuter routes serve the City of Livingston, the City of Los Banos, the unincorporated communities of Delhi, Planada, and Le Grand, and the City of Turlock in neighboring Stanislaus County. Paratransit and micro buses also serve the City of Gustine, the City of Dos Palos, and the City of Los Banos. While the availability of some bus service on select

corridors presents opportunities for transit oriented development, broadly a lack of transit service, particularly in rural areas, acts as a constraint.

Factor 4: County-City Agreements to Promote Growth in Incorporated Areas and Prevent Conversion of Agricultural Land

State Definition: “Agreements between a county and cities in a county to direct growth toward incorporated areas of the county and land within an unincorporated area zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of the jurisdiction that prohibits or restricts conversion to non-agricultural uses.” - §65584.04(e)

MCAG Consideration: Although some cities—such as Dos Palos and Gustine—said there are few infill opportunities within city limits, others are taking steps to encourage infill development. The City of Livingston expressed excitement and momentum behind ADU construction.

The City of Los Banos wants to preserve farmland on the outskirts of the city limits and instead direct any expansion to infill development and other areas of their SOI without prime farmland. To aid in this effort, they created a streamlined development approval process at the City for infill developments.

The City of Merced has also taken steps to encourage infill development. For example, the city offers facility fee reduction programs

for small and infill housing, CEQA exemptions for qualifying projects, and have created a library of “off the shelf” ADU, duplex, and triplex buildings with development pre-approval.

Factor 5: Losses of Units in Income-Assisted (I.E. Subsidized) Housing Developments

State Definition: “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.” - §65584.04(e)

MCAG Consideration: Of all jurisdictions within Merced County, only the County indicated in its survey response that it has experienced a loss of assisted housing developments within the past 10 years. Most jurisdictions are not anticipating losses (e.g. Merced, Los Banos), but instead are interested in expanding the amount of affordable housing they can provide.

Factor 6: Housing Cost Burden Rates

State Definition: “The percentage of existing households at each of the income levels listed in subdivision (e) of Section 65584 that are paying more than 30 percent and more than 50 percent of their income in rent.”

MCAG Consideration: HCD provided MCAG with housing cost burden rates for the Merced County region. HCD found that Merced County had higher rates of cost burden than its peer regions and the nation as a whole, an indication of the broader housing crisis affecting all of California.

Factor 7: Overcrowding Rates

State Definition: “The rate of overcrowding.” - §65584.04(e)

MCAG Consideration: As with rates of housing cost burden, HCD provided rates of overcrowding in the Merced region. For MCAG, the region’s overcrowding rate (8.75 percent) is higher than the national average (3.35 percent).

Factor 8: Housing Needs of Farmworkers

State Definition: “The housing needs of farmworkers.” - §65584.04(e)

MCAG Consideration: Like many Central Valley counties, Merced County contains significant prime agricultural lands and agricultural lands of statewide or local significance. In fact, 57 percent of jurisdictions say there is a need for farmworker housing over the course of a typical year.

In jurisdictions where planners perceive an unmet need for farmworker housing, the most common reasons cited are a lack of funding sources and low development capacity for local affordable housing. United States Department of Agriculture Rural Multifamily Housing Rental properties exist in all unincorporated jurisdictions except Atwater, plus the unincorporated communities of Delhi, Le Grand, and Planada.

Factor 9: Housing Needs of College Students

State Definition: “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.” - §65584.04(e)

MCAG Consideration: UC Merced is the largest university in the County and has been a major growth area in recent years. It is the newest UC campus, established in 2005, and now enrolls over 8,000 students. This has created significant student housing need centered in the City of Merced, reflected in a much more active housing pipeline than other jurisdictions in the region (roughly 2,500 units built since 2017 and 4,000 additional units in its pipeline).

In response, under AB-3312 passed by the state legislature, the City of Merced has gained permission to annex over the next 12 months a portion of the UC Merced campus, which is currently within jurisdiction of the County, and areas between the campus and City within the next two years. The plan is to locate growth between the existing City limits and the university campus, focusing on housing and amenities for students. This in turn should reduce demand pressure in other areas of the City currently brought on by the need for student housing. The County stated it will entitle that area for the City prior to annexation, describing the potential for over 3,000 housing units.

Merced County is also home to two campuses of Merced Community College, but they do not generate substantial additional housing needs. One campus is in the City of Merced and the other is located in the City of Los Banos. Students enrolled at these campuses typically live in Merced County and are obtaining credits to transfer to larger colleges. However, the Los Banos campus aspires to offer more vocational training that focuses on healthcare and industry and would attract people to live in Los Banos to complete education needs for higher wage jobs.

Factor 10: Housing Needs of Individuals and Families Experiencing Homelessness

State Definition: “The housing needs of individuals and families experiencing homelessness.” - §65584.04(e)

MCAG Consideration: The Merced City and County Continuum of Care conducts a yearly point-in-time count for houseless populations living within the entire County. Overall, as of the 2021 point in time count, there are an estimated 835 houseless individuals living within the county, with over half of that population in the City of Merced itself. This is up nearly 200 individuals from the 2020 count. Smaller jurisdictions carry a smaller burden, but gaps appear between the data and perception. For instance, the City of Dos Palos estimated fewer than five houseless individuals living in their jurisdiction. Yet, the 2021 point in time count tallied 26 houseless individuals. This may speak to the lack of visibility for sheltered yet still houseless individuals.

Factor 11: Loss of Housing Units Due to Governor-Declared Emergencies

State Definition: “The loss of units during a state of emergency that was declared by the Governor pursuant to the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2), during the planning period immediately preceding the relevant revision pursuant to Section 65588 that have yet to be rebuilt or replaced at the time of the analysis.” - §65584.04(e)

MCAG Consideration: No jurisdictions indicated a loss of housing due to state-declared emergencies.

Factor 12: Greenhouse Gas Emissions Targets from the State Air Resources Board

State Definition: “The region’s greenhouse gas emissions targets provided by the State Air Resources Board pursuant to Section 65080.” - §65584.04(e)

MCAG Consideration: Jurisdictions in the region are using a variety of approaches to reduce greenhouse gas emissions while supporting housing growth.

Throughout the county, jurisdictions described efforts and support for:

- Preserving farmland (e.g. Gustine, Dos Palos, Livingston, Atwater), such as a 1-to-1 set aside for farmland development, administered by LAFCO.
- Promoting infill rather than continued urban sprawl (e.g. Merced County, Merced, Los Banos, Livingston)
- Encouraging mixed use development (near unanimous support)

These represent potential consensus areas the RHNA could leverage to attempt to allocate housing need to lower the length of vehicle trips and reduce greenhouse gas emissions.

Two cities in particular, Merced and Livingston, have unique opportunities for infill, mixed use, transit oriented development through their ACE Rail expansion stations. Livingston shared a well-defined vision in the form of a Specific Plan to develop a dense, mixed-use, and transit-oriented center around its station.

Beyond those broad themes and transit oriented development opportunities, jurisdictions cited a few other approaches.

Four of seven jurisdictions indicated they have used energy efficiency standards for new construction to support reduced emissions. Likewise a few jurisdictions indicated they had adopted non-automobile transportation plans: Los Banos with its Bike and Pedestrian Master Plan, and Merced with its citywide Bike Plan.

2.4 PROHIBITED CONSIDERATIONS §65584.04.(g)

State statute indicates that certain criteria cannot be used to justify a reduction in a jurisdiction's share of the regional housing need. Those criteria include:

1. "Any ordinance, policy, voter-approved measure, or standard of a city or county that directly or indirectly limits the number of residential building permits issued by a city or county."
2. "Prior underproduction of housing in a city or county from the previous regional housing need allocation."
3. "Stable population numbers in a city or county from the previous regional housing needs cycle."



Above: Zoning for more multifamily development in areas with relatively little multifamily housing is an important component of MCAG's Adopted RHNA Methodology.

3 DETERMINATION OF NEED

3.1 TOTAL AND INCOME-BASED DETERMINATION OF NEED

As discussed in section 2, MCAG received a regional housing need determination of 22,620. This includes sub-allocations by the four income categories discussed previously. HCD first provided a draft RHNA Determination to MCAG the Summer of 2021. Staff worked with HCD over the next several months to refine the determination for the region which was finalized in on December 1st, 2021. The figure below shows the determination in its final form as it was received from HCD.

HCD Regional Housing Need Determination

MCAG: June 30, 2023 through January 31, 2032

<u>Income Category</u>	<u>Percent</u>	<u>Housing Unit Need</u>
Very-Low*	24.4%	5,516
Low	16.7%	3,780
Moderate	17.4%	3,930
Above-Moderate	41.5%	9,394
Total	100.0%	22,620
* Extremely-Low	13.1%	Included in Very-Low Category

Income Distribution:

Income categories are prescribed by California Health and Safety Code (Section 50093, et. seq.). Percents are derived based on Census/ACS reported household income brackets and county median income.

Figure 8: Determination of Need, Source: HCD

3.2 COMPONENTS OF DETERMINATION OF NEED

MCAG's determination is based on five factors: projected population growth, rates of vacancy, rates of overcrowding, replacement, and housing cost burden. HCD's determination begins with population growth to establish the number of households that will need to be housed over the 8.6-year RHNA period. They then layer upon this, a series of adjustments that account for the other factors (vacancy rates, overcrowding, etc.). The dwelling unit need associated with each of these factors is summarized in the figure below and each factor is described in greater detail in the following subsections.

Methodology

MCAG: PROJECTION PERIOD (8.6 years) HCD Determined Population, Households, & Housing Unit Need		
Reference No.	Step Taken to Calculate Regional Housing Need	Amount
1.	Population: December 31 (DOF June 30 2031 projection adjusted + 7 months to January 31, 2032)	336,815
2.	<i>- Group Quarters Population: December 31 (DOF June 30 2031 projection adjusted + 7 months to January 31, 2031)</i>	-8,300
3.	Household (HH) Population	328,515
4.	Projected Households	100,485
5.	+ Vacancy Adjustment (2.87%)	+2,888
6.	+ Overcrowding Adjustment (5.4%)	+5,423
7.	+ Replacement Adjustment (.5%)	+502
8.	<i>- Occupied Units (HHs) estimated June 30, 2023</i>	-87,431
9.	+ Cost-burden Adjustment	+753
Total	6th Cycle Regional Housing Need Assessment (RHNA)	22,620

Figure 9: Components of Determination of Housing Need, Source: HCD

3.2.1 Forecasted Population Growth

The California Department of Finance (DoF) prepares demographic forecasts for each region in the state. HCD's determination of need for the Merced region starts with household forecasts developed by the DoF for the 8.6 year period covering MCAG's RHNA cycle.

It should be noted that per California State statute 65884.01.a, the demographic forecast developed for the RTP/SCS may be used instead of the DoF forecast if certain conditions are met. Due to timing issues, the updated RTP/SCS forecast was not available when the HCD determination of need was finalized, thus the DoF forecast was used by default.

3.2.2 Vacancy Rate Adjustment

HCD assumes “healthy” housing markets to exhibit vacancy rates of at least five percent. Using HCD’s preferred method for calculating vacancy rates from the Census Bureau’s 5-year American Community Survey (ACS) occupancy data, Merced County’s 2019 vacancy rate was observed to be 2.13 percent. As Merced County’s vacancy rate is well below what HCD would consider “healthy”, an adjustment of 2.87 percent was made to MCAG’s determination of need, resulting in an additional 2,888 needed dwelling units.

3.2.3 Overcrowding Adjustment

HCD applies adjustments to regions that exceed the national overcrowding rate of 3.35 percent. Rates of overcrowding in the Merced region are estimated by the 5-year ACS to be 8.75 percent, more than double the national average. As such, HCD applied an overcrowding adjustment of 5.4 percent, resulting in an additional 5,423 needed dwelling units.

3.2.4 Replacement Adjustment

HCD applies a replacement adjustment of between .5 percent and five percent to account for housing obsolescence. This is based on the current 10-year average of demolitions tracked by the region in annual reports to the DoF. For MCAG, this average is .4 percent; thus the minimum of .5 percent was applied, resulting in an additional 502 needed dwelling units.

3.2.5 Cost Burden Adjustment

HCD applies an adjustment to the projected need by comparing the difference in cost-burden by income group for the region to the cost-burden by income group for the nation. The cost burden rate for lower income households in the Merced region is 6.09 percent higher than national average, resulting in 534 needed dwelling units for low-income households. Similarly, the cost burden rate for moderate and above-moderate income households is 1.67 percent higher than the national average, resulting in a 219 unit increase in moderate and above-moderate housing need.



Above: There are many barriers that must be overcome when building housing. The RHNA process tries to ensure that local development regulations are not one of those barriers.

4 ADOPTED RHNA METHODOLOGY

4.1 STAKEHOLDER INPUT

The adopted RHNA Methodology detailed in this document incorporates input from local jurisdictions and members of the public. The main method of receiving input was through the RHNA Steering Committee, which was formed to guide the development of the RHNA methodology. Members include a representative from each of MCAG's seven local member agencies as well as several at-large representatives of various regional interests including Merced County Continuum of Care, California Rural Legal Assistance (CRLA), the Leadership Counsel for Justice and Accountability (withdrew partway through the process due to lack of capacity), DR Horton, the Merced Bicycle Coalition, and the Central Valley Coalition for Affordable Housing.

The following actions were taken to gather input from the region's stakeholders:

- A planning factors survey was administered for jurisdictions to provide information on the RHNA statutory objectives and factors, including affirmatively furthering fair housing (January 2022 – February 2022)
- 12 consultation meetings were held between MCAG and representatives from each of its member jurisdictions as well as at-large RHNA Steering Committee members to discuss the survey and RHNA factors (February 2022 – March 2022)
- Five meetings with the RHNA Steering Committee in which the RHNA process and methodological options were discussed and ultimately voted on (January 2022 – May 2022). These RHNA Steering Committee meetings were open to the public for comment and questions.
- Two drop-in "office hours" where RHNA Steering Committee representatives could ask questions and discuss RHNA methodology approaches.
- Attendance at one RTP/SCS workshop to discuss integration between the RHNA and the RTP/SCS and gather input on potential adjustment factors
- An Excel spreadsheet tool was distributed among Steering Committee members to explore methodology options for allocating housing need throughout the region.
- A public hearing was held on July 21st, 2022 to gather comments on the Proposed RHNA Methodology Framework Memorandum.
- Public hearings were held on September 15th and November 17th, 2022 to formally adopt the RHNA Methodology and the RHNA Plan.
- A 45-day public comment period was initiated on September 16th, 2022 to provide jurisdictions time to appeal their allocations.

4.2 METHODOLOGY OVERVIEW

MCAG's RHNA Methodology framework is separated into three steps:

Step 1. Baseline total housing need is allocated to each jurisdiction.

First, each jurisdiction is allocated a baseline share of the region's housing need equivalent to the jurisdiction's percentage share of regional household growth from 2015 to 2035, as allocated in the preferred land use scenario from the 2018 RTP/SCS.

Step 2. Total housing need is adjusted based on adjustment factors.

Next, additional data was used to adjust jurisdictions' baseline shares of the regional housing need up or down. Data used to make adjustments are referred to as adjustment

factors. As described in the following section, several adjustment factors for total housing need were initially explored, then narrowed down.

Step 3: The proportion of below-moderate income housing need is adjusted.

Once total need is adjusted, it is broken into four income categories so that all jurisdictions receive the same percentage (i.e. the countywide percentage) of housing need for each income category. Additional adjustment factors are then used as the basis for adjusting each jurisdiction's proportion of below-moderate income housing need up or down. Ultimately, the selected adjustment factors in steps 2 and 3 were required to further the five RHNA objectives.

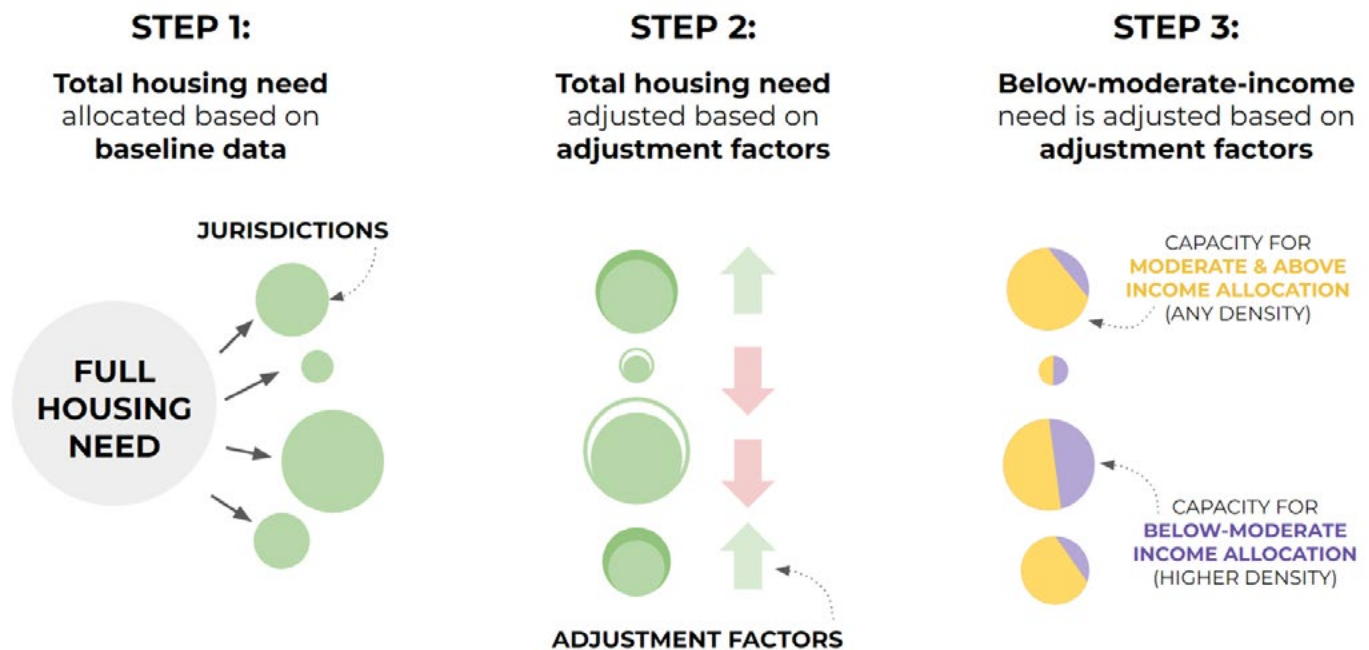


Figure 10: Overview of RHNA Methodology Steps

4.3 ADJUSTMENT FACTORS

Adjustment factors are a critical element of the RHNA Methodology Framework because they are how a methodology “furthers” each of the five RHNA Objectives mentioned previously. The RHNA Steering Committee considered a variety of adjustment factors related to the five objectives based on a series of agreed-upon “guiding principles”. In total, 12 adjustment factors were considered by the RHNA Steering Committee. These adjustment factors, their data source, and the RHNA objective they are intended to further, are summarized in the table below.

Table 2: Considered RHNA Adjustment Factors

Adjustment Factor Options	Source	RHNA Objective
% Prime Ag Lands & Natural Areas	CA Farmland Mapping and Monitoring Project	Infill, Equity, and Environment
Housing Allocation in “Integrated Planning” RTP Scenario	CA Dept of Conservation / The Nature Conservancy	Infill, Equity, and Environment
% of Population Within ¼ Mile of a Bus Stop	MCAG Bus Service Data	Infill, Equity, and Environment
% of Existing Housing Comprised of Multifamily Homes	US Census American Community Survey	Housing Supply and Mix
Single Family Home Price % Increases	Zillow Home Value Index	Housing Supply and Mix
Percent of Existing Dwelling Units in “High” or “Highest” Opportunity Areas	TCAC Opportunity Area Maps (2022)	Affirmatively Further Fair Housing
Ratio of Nearby Jobs to Housing	US Census Longitudinal Employer Household Dynamics	Jobs Housing Balance
Ratio of Nearby Low-Wage Jobs to Affordable Housing	US Census Longitudinal Employer Household Dynamics	Jobs-Housing Balance
Daily VMT per Household	Bureau of Transportation Statistics (LATCH Estimates)	Infill, Equity, and Environment
Average Walk Distance to Retail	UrbanFootprint Walk Access Module	Infill, Equity, and Environment
Median Household Income	US Census American Community Survey	Regional Income Parity
% Below Poverty Limit Households	US Census American Community Survey	Regional Income Parity

Through five meetings and two drop-in office hours, the RHNA Steering Committee refined the above list of 12 factors to seven preferred adjustment factors that furthered all five statutory RHNA objectives. The following table summarizes the seven preferred adjustment factors, the RHNA objective they further, and the methodology step in which each was applied. How each of these adjustment factors were calculated is discussed in Appendix D. These preferred adjustment factors were combined to create two total RHNA packages and three below-moderate-income RHNA packages for a total of six methodology options. These were then combined with the baseline allocation in Step 1 to create six potential allocations.

4.4 STEP 1: BASELINE TOTAL RHNA CALCULATION

Description: Baseline total housing need provides a starting point for allocating the region's Determination of Need of 22,620 units. Each jurisdiction is allocated its share of 8.6-year RHNA based on the percentage of household growth they were allocated in the preferred scenario from the 2018 RTP/SCS.

Rationale: The rationale for using this method to allocate total RHNA was to reflect growth patterns that are consistent with regional transportation investments and reduce VMT. The allocation seeks to further the Housing Supply and Mix objective and the Infill, Equity, and Environment objective.

Table 3: Selected RHNA Adjustment Factors

Adjustment Factor Options	RHNA Objective	RHNA Step
% Prime Ag Lands & Natural Areas	Infill, Equity, and Environment	Total RHNA (Step 2)
Housing Allocation in "Integrated Planning" RTP Scenario	Infill, Equity, and Environment	Total RHNA (Step 2)
Ratio of Nearby Jobs to Housing	Jobs Housing Balance	Total RHNA (Step 2)
% of Population Within ¼ Mile of a Bus Stop	Infill, Equity, and Environment	Below-Moderate-Income RHNA (Step 3)
% of Existing Housing Comprised of Multifamily Homes	Housing Supply and Mix	Below-Moderate-Income RHNA (Step 3)
Percent of Existing Dwelling Units in "High" or "Highest" Opportunity Areas	Affirmatively Further Fair Housing	Below-Moderate-Income RHNA (Step 3)
% Below Poverty Limit Households	Regional Income Parity	Below-Moderate-Income RHNA (Step 3)

Table 4: Baseline Total RHNA Calculations (Step 1)

Jurisdiction	2018 RTP/SCS Household Allocation Preferred Scenario (2015 - 2035)		Baseline Total RHNA Allocation
	Net New Households (2015 - 2035)	Share of Net New Households (2015 - 2035)	
Atwater	3,509	12.2%	2,759
Dos Palos	406	1.4%	319
Gustine	714	2.5%	561
Livingston	1,297	4.5%	1,020
Los Banos	4,695	16.3%	3,692
Merced	11,394	39.6%	8,960
Unincorporated County	6,750	23.5%	5,308
Total	28,765	100.0%	22,620

4.5 STEP 2: TOTAL HOUSING NEED ADJUSTMENTS

In Step 2, three adjustment factor packages were developed to adjust baseline total housing need from Step 1. Each package included two adjustment factors targeted at furthering two RHNA objectives: “#1: Infill, Equity and Environment” and “#3: Jobs Housing Balance”. The packages combined adjustment factors including jobs-housing balance, jobs-housing fit, prime agricultural land, and share of housing allocated to each jurisdiction in the “Integrated Planning Scenario” developed as part of the Resilient Merced project during the 2018 RTP/SCS cycle.

To create the adjustment packages, the unweighted variance from the base allocation for each factor was averaged and then applied to the base allocation. The result of these adjustments for each package are summarized in the table 5 on the following page. Technical documentation on how adjustment factor data affects baseline allocations is included in Appendix C. They are summarized in the figure below.

RHNA OBJECTIVE	PACKAGE 1	PACKAGE 2
Promote Infill, Equity, and Environment	High Quality Agricultural Land	Resilient Merced
Ensure Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance

Figure 11: Step 1 Adjustment Factor Packages

Table 5: Total Housing Need Adjustment Options (Step 2)

Jurisdiction	Allocation Based on 2018 RTP/SCS Household Allocation	Package 1: Prime Agriculture + Jobs-Housing Balance		Package 2: Integrated Planning Scenario + Jobs-Housing Balance	
		Adjusted Allocation	Percent Difference from Baseline	Adjusted Allocation	Percent Difference from Baseline
Atwater	2,759	3,017	9%	2,553	-7%
Dos Palos	319	261	-18%	252	-21%
Gustine	561	346	-38%	437	-22%
Livingston	1,020	1,097	8%	1,067	5%
Los Banos	3,692	3,132	-15%	3,129	-15%
Merced	8,960	10,517	17%	10,908	22%
Unincorporated County	5,308	4,250	-20%	4,274	-19%
Total	22,620	22,620	-	22,620	-

4.6 STEP 3: BELOW-MODERATE-INCOME ADJUSTMENT OPTIONS

In Step 3, the share of below-moderate-income housing need was varied from the region-wide average based on the application of the four “step 3” adjustment factors identified in table 3. The direction and magnitude of impact of each of these adjustment factors for each jurisdiction are summarized in the table 6 on the following page.

These adjustment factors were combined in various ways to create three below-moderate-income adjustment option packages. All three of these packages included the percent of each jurisdictions’ population below the poverty line and the percent of existing dwelling units areas of “high” or “highest” opportunity as defined by the 2022 Tax Credit Allocation Committee (TCAC) Opportunity Area Maps.

Two of the three below-moderate-income packages were further adjusted using the percentage of housing in each jurisdiction that is multifamily housing, and the share of existing households with fixed route transit access, respectively. The other package did not include an additional adjustment factor.

Starting with the baseline distribution of total housing need (Step 1), the two total housing need packages (Step 2) and the three below-moderate-income housing need packages (Step 3) were then combined to create six methodology options.

These methodology options are summarized in the figure 12 on the following page. As stated previously, technical documentation on how adjustment factor data affects allocations is in Appendix C.

Table 6 Below-Moderate-Income Adjustment Factors and Their Impacts (Step 3)

Jurisdiction	Access to Opportunity	Percent in Poverty	Level of Transit Service	Existing Multifamily Housing	
	% of Housing Units in High/ Highest Opportunity Areas	% of Population Below the Poverty Limit	% of Population Within 1/4 Mile of a Bus Stop	% of Existing Housing Comprised of Multifamily Homes	
Atwater	40%	21%	19%	21%	<div> <div>ADJUST: MORE LOWER-INCOME HOUSING NEED</div> <div>SMALL +/- ADJUSTMENT</div> <div>ADJUST: LESS LOWER-INCOME HOUSING NEED</div> </div>
Dos Palos	0%	15%	0%	6%	
Gustine	0%	13%	0%	11%	
Livingston	81%	16%	12%	11%	
Los Banos	20%	18%	7%	9%	
Merced	43%	29%	29%	29%	
Unincorporated County	43%	17%	6%	5%	

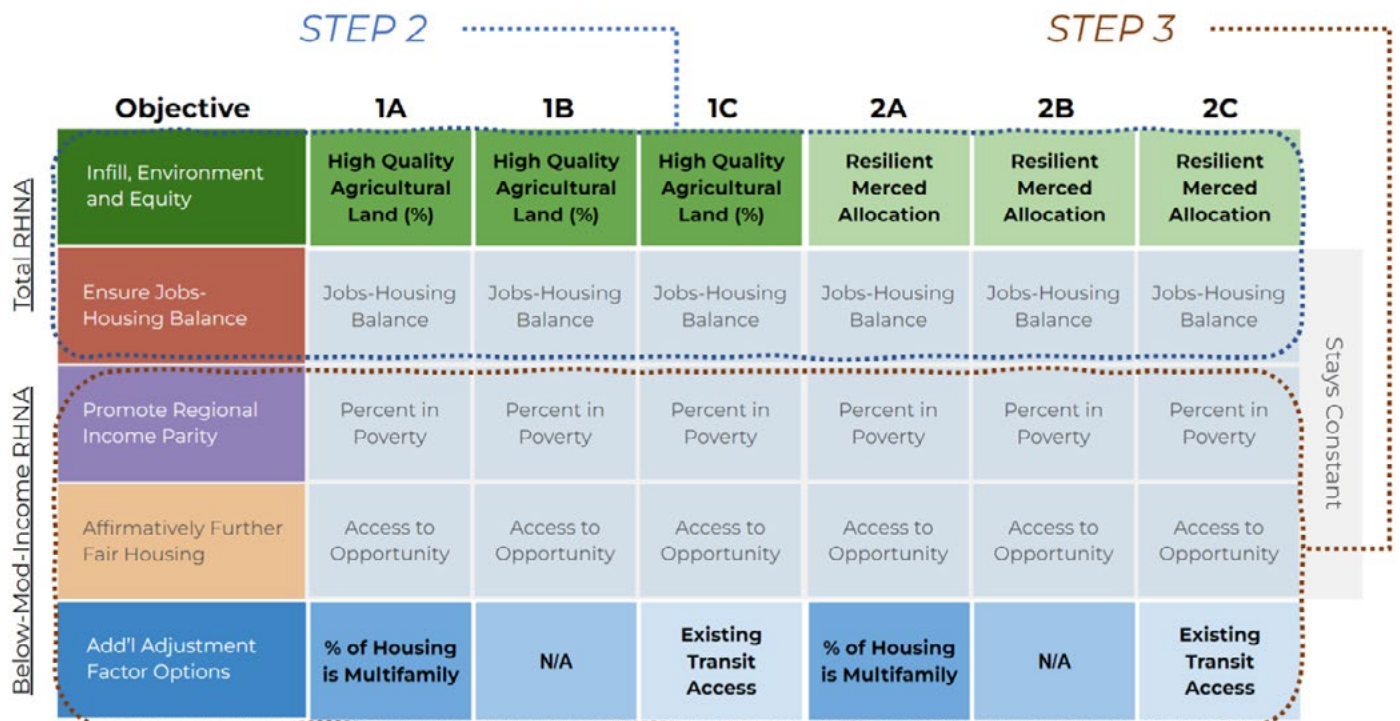


Figure 12: RHNA Methodology Options

4.7 THE ADOPTED RHNA METHODOLOGY

On May 18th, 2022 the RHNA Steering Committee voted to recommend RHNA Methodology Option 1C as the Proposed RHNA Methodology for the Merced Region. In unanimously recommending Option 1C, the Steering Committee highlighted three primary themes:

1. Recognize the Service Needs of Lowest-Income Residents: Methodology options A & B significantly reduce below-moderate-income housing allocated to Merced. For high-service-need individuals, housing in Merced near services and transit is of prime importance.

2. RTP Alignment Is Key: Alignment with other regional planning efforts is important. Similar themes appear in RTP Scenario 3 and the RHNA methodology options: promote infill, protect farmland, reduce VMT, promote transit access
3. Manage Water Infrastructure Issues: Methodology option 1C features reductions or stable housing allocations to areas with most severe infrastructure issues and least control (primarily Unincorporated area and Dos Palos, then Livingston, Los Banos, and Atwater).

RHNA Methodology Option 1C also furthers all five statutory RHNA objectives. The figure below summarizes how each objective is furthered by the adopted methodology.

RHNA Objective		How the Methodology Furthers the Objective
01	Increase Housing Supply, Mix of Types	Alignment with the RTP/SCS guarantees each jurisdiction receives share of housing for a range of income levels that supports regional growth principles.
02	Promote Infill, Equity, and Environment	Methodology furthers this objective by including considerations of high quality ag land, quality of transit service, and jobs accessible within a 15 minute drive.
03	Ensure Jobs-Housing Balance	Use of “Jobs-Housing Balance” factor means communities with biggest imbalance of jobs to housing are allocated more below-moderate housing need.
04	Promote Regional Income Parity	“Percent of Population Below Poverty Line” adjustment factor ensures cities with lower shares of low income residents receive more below-moderate income RHNA.
05	Affirmatively Further Fair Housing	Objective is furthered by use of “TCAC Opportunity Maps” to ensure jurisdictions with more high opportunity areas get more below-moderate income RHNA.

Figure 13: How the Adopted Methodology Furthers the RHNA Objectives

RTP/SCS Alignment: Section §65584.04. (m)(1) of housing element law instructs that “the allocation plan shall allocate housing units within the region consistent with the development pattern included in the sustainable communities strategy.” The draft methodology aligns with the Merced region’s RTP/SCS in two core ways.

First, the draft methodology uses the household growth allocation for through the Year 2035 from the 2018 RTP/SCS—the most recent RTP/SCS available as of the start of the 6th Cycle RHNA process—as its baseline housing need allocation—the point from which adjustments are made. This immediately brings the RHNA into alignment with the most recent RTP/SCS’s modeled housing development pattern.

Second, the draft methodology employs adjustment factors that align with the themes and outcomes supported by the 2022 preferred RTP/SCS Scenario (which was selected midway through the 6th Cycle RHNA planning process). The 2022 preferred RTP/SCS scenario promotes infill and farmland preservation, increased access to transit, and a shift in housing-mix emphasis from single-family toward multifamily housing.

Water Supply and Management Issues:

Many jurisdictions cited infrastructure capacity, as one of their chief concerns heading into this RHNA Cycle. This issue is complicated by two facts: first, that sewer and water districts do not align perfectly with jurisdictional boundaries; second, that water use is significantly regulated by the state via the Sustainable Groundwater Management Act (SGMA) and subject to regional decision

making by coalitions of jurisdictions tasked with water basin stewardship, called Groundwater Sustainability Agencies (GSAs).

The issue, as it relates to housing, is threefold:

1. Supply - Jurisdictions are limited in their groundwater draws by the plans GSAs make and administer. Moreover, the infrastructure for pumping, distributing, and collecting sewerage and water is both expensive and limited.
2. Quality - Naturally occurring and man-made contaminants in groundwater create a barrier to providing safe water service. Treatment infrastructure to abate contaminants is limited and expensive.
3. Control – Some jurisdictions do not have direct control over water service to their residents. Instead, that service is provided by a third-party water district. Such jurisdictions have limited ability to expand service, even if the GSA would permit it.

Throughout the RHNA process, information was provided to Steering Committee members about how the methodologies under consideration impact jurisdictions that lack local control over water issues. Methodology 1C responds to regional water issues through its use of non-water-related adjustment factors that result in lower housing need allocated to areas with the most severe infrastructure issues and least control. These include the Unincorporated area, which does not control water service to its residents, and Dos Palos, which is waiting on state funding for water treatment infrastructure.

Following the May 18th, 2022 vote by the

RHNA Steering Committee to support methodology option 1C, the Proposed RHNA Methodology was released for public comment on June 21st, 2022. After holding a public hearing on July 21st, 2022, MCAG staff forwarded RHNA Methodology Option 1C to HCD for review as the Draft RHNA Methodology for the Merced region.

HCD completed its review on September 14th, 2022 and issued its determination that RHNA Methodology Option 1C furthered all five RHNA objectives. The Methodology was adopted by MCAG's Governing Board on September 15th, 2022.

4.8 SUMMARY OF JURISDICTIONAL ALLOCATIONS

The Adopted RHNA Methodology considers all 12 of the statutorily required RHNA Factors (per §65584.04.(e)) and furthers all five of the RHNA Objectives per (§65584.D).

A complete summary of the adopted RHNA Methodology summarized for each jurisdiction and income group is included in table 7. A more detailed summary of how each adjustment factor impacted the summary table below can be found in tables 8 and 9 on the following page.

Table 7: Cycle 6 (2023 – 2032) Final Adopted RHNA Methodology Summary Table

Jurisdiction	Lower Income Units				Higher Income Units		Total RHNA
	Very Low	Low	Very Low + Low	% of Total RHNA (VL + L)	Moderate	Above	
Atwater	768	526	1,294	42.9%	508	1,215	3,017
Dos Palos	56	39	95	36.4%	49	117	261
Gustine	77	53	130	37.5%	64	152	346
Livingston	311	213	524	47.8%	169	404	1,097
Los Banos	719	493	1,212	38.7%	566	1,354	3,132
Merced	2,543	1,742	4,285	40.7%	1,838	4,394	10,517
Unincorporated County	1,042	714	1,756	41.3%	736	1,758	4,250
Total	5,516	3,780	9,296	41.1%	3,930	9,394	22,620

Table 8: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 1C

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	11.8%		1/2	5.9%	14.8%		1/2	7.4%	12.2%	2,759	13.3%	3,017	257
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.2%	261	(58)
Gustine	1.5%		1/2	0.7%	1.6%		1/2	0.8%	2.5%	561	1.5%	346	(215)
Livingston	4.7%		1/2	2.4%	5.0%		1/2	2.5%	4.5%	1,020	4.8%	1,097	77
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,132	(560)
Merced	46.4%		1/2	23.2%	46.6%		1/2	23.3%	39.6%	8,960	46.5%	10,517	1,557
Unincorporated County	17.5%		1/2	8.7%	20.1%		1/2	10.1%	23.5%	5,308	18.8%	4,250	(1,058)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table 9: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 1C

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Percent of Population within 1/4 Mile of Transit Stop				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation	*	Weight	= Weighted Adjustment (C)	Adjusted Allocation (%) Sum (A,B,C)	Adjusted Allocation (HUs)	Adjustment
Atwater	14.9%		1/3	5.0%	13.3%		1/3	4.4%	13.5%		1/3	4.5%	13.9%	1,294	54
Dos Palos	1.6%		1/3	0.5%	0.8%		1/3	0.3%	0.7%		1/3	0.2%	1.0%	95	(12)
Gustine	2.2%		1/3	0.7%	1.0%		1/3	0.3%	0.9%		1/3	0.3%	1.4%	130	(12)
Livingston	6.3%		1/3	2.1%	6.4%		1/3	2.1%	4.2%		1/3	1.4%	5.6%	524	73
Los Banos	17.1%		1/3	5.7%	11.6%		1/3	3.9%	10.5%		1/3	3.5%	13.0%	1,212	(75)
Merced	34.1%		1/3	11.4%	47.7%		1/3	15.9%	56.4%		1/3	18.8%	46.1%	4,285	(37)
Unincorporated County	23.8%		1/3	7.9%	19.2%		1/3	6.4%	13.7%		1/3	4.6%	18.9%	1,756	9
Total	100%		-	33%	100%		-	33%	100%		-	33%	100%	9,296	

5 APPENDICES

A. ACRONYM GLOSSARY

- MCAG: Merced County Association of Governments
- RHNA: Regional Housing Needs Allocation
- AMI: Area Median Income
- HCD: The California Department of Housing and Community Development
- DoF: California Department of Finance
- RTP/SCS: Regional Transportation Plan and Sustainable Communities Strategy
- GHG: Greenhouse Gases
- LAFCO: Local Agency Formation Commission
- AB: Assembly Bill
- SB: Senate Bill
- TJPAMC: Transit Joint Powers Authority for Merced County
- VMT: Vehicle Miles Traveled
- SOI: Sphere of Influence
- TCAC: California Tax Credit Allocation Committee
- TOD: Transit-Oriented Development
- ACE: Altamont Corridor Express Rail
- LATCH: Local Area Transportation Characteristics for Households
- ACS: US Census Bureau's American Community Survey
- LEHD: US Census Bureau's Longitudinal Employer-Household Dynamics Data
- WAC: LEHD's Worker Area Characteristics Data
- HUD: US Department of Housing and Urban Development
- REAP: Regional Early Action Planning

B. HCD REGIONAL HOUSING NEEDS DETERMINATION LETTER

STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

GAVIN NEWSOM, Governor

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

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December 1, 2021

Stacey Guzman, Executive Director
Merced County Association of Governments
369 West 18th Street
Merced, CA 95340

Dear Stacey Guzman:

RE: Final Regional Housing Need Determination

This letter provides the Merced County Association of Governments (MCAG) with its Final Regional Housing Need Determination. Pursuant to state housing element law (Government Code section 65584, et seq.), the Department of Housing and Community Development (HCD) is required to provide the determination of MCAG's existing and projected housing need. In assessing MCAG's regional housing need, HCD and MCAG staff completed a consultation process from July 2021 through November 2021 that included the methodology, data sources, and timeline for HCD's determination of the Regional Housing Need. To inform this process, HCD also consulted with Walter Schwarm and Doug Kuczynski of the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of **22,620** total units across four income categories. MCAG is to distribute the units amongst the region's local governments. Attachment 2 explains the methodology applied pursuant to Government Code section 65584.01. In determining MCAG's housing need, HCD considered all the information specified in state housing law (Government Code section 65584.01(c)).

MCAG is responsible for adopting a methodology for RHNA and RHNA Plan for the projection period beginning June 30, 2023 and ending January 31, 2032. Pursuant to Government Code section 65584(d), the methodology to prepare MCAG's RHNA plan must further the following objectives:

- (1) Increasing the housing supply and mix of housing types, tenure, and affordability.
- (2) Promoting infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns
- (3) Promoting an improved intraregional relationship between jobs and housing
- (4) Balancing disproportionate household income distributions

Stacey Guzman, Executive Director
Page 2

(5) Affirmatively furthering fair housing

Pursuant to Government Code section 65584.04(d), to the extent data is available, MCAG shall include the factors listed in Government Code section 65584.04(d)(1-13) to develop its RHNA plan. Also, pursuant to Government Code section 65584.04(f), MCAG must explain in writing how each of these factors was incorporated into the RHNA plan methodology and how the methodology furthers the statutory objectives described above.

HCD encourages all MCAG's local governments to consider the many affordable housing and community development resources available to local governments. HCD's programs can be found at <https://www.hcd.ca.gov/grants-funding/nofas.shtml>.

HCD commends MCAG leadership in fulfilling their important role in advancing the state's housing, transportation, and environmental goals. HCD looks forward to continued partnership with MCAG and member jurisdictions and assisting MCAG in planning efforts to accommodate the region's share of housing need.

If HCD can provide any additional assistance, or if you, or your staff, have any questions, please contact Tom Brinkhuis, Senior Housing Policy Specialist at (916) 776-7707 or tom.brinkhuis@hcd.ca.gov.

Sincerely,



Tyrone Buckley
Assistant Deputy Director of Fair Housing

Enclosures

ATTACHMENT 1

HCD REGIONAL HOUSING NEED DETERMINATION MCAG: June 30, 2023 through January 31, 2032

<u>Income Category</u>	<u>Percent</u>	<u>Housing Unit Need</u>
Very-Low*	24.4%	5,516
Low	16.7%	3,780
Moderate	17.4%	3,930
Above-Moderate	41.5%	9,394
Total	100.0%	22,620
* Extremely-Low	13.1%	Included in Very-Low Category

Income Distribution:

Income categories are prescribed by California Health and Safety Code (Section 50093, et. seq.). Percents are derived based on Census/ACS reported household income brackets and county median income.

ATTACHMENT 2

HCD REGIONAL HOUSING NEED DETERMINATION: June 30, 2023 through January 31, 2032

Methodology

MCAG: PROJECTION PERIOD (8.6 years) HCD Determined Population, Households, & Housing Unit Need		
Reference No.	Step Taken to Calculate Regional Housing Need	Amount
1.	Population: December 31 (DOF June 30 2031 projection adjusted + 7 months to January 31, 2032)	336,815
2.	- <i>Group Quarters Population: December 31 (DOF June 30 2031 projection adjusted + 7 months to January 31, 2031)</i>	-8,300
3.	Household (HH) Population	328,515
4.	Projected Households	100,485
5.	+ Vacancy Adjustment (2.87%)	+2,888
6.	+ Overcrowding Adjustment (5.4%)	+5,423
7.	+ Replacement Adjustment (.5%)	+502
8.	- <i>Occupied Units (HHs) estimated June 30, 2023</i>	-87,431
9.	+ Cost-burden Adjustment	+753
Total	6th Cycle Regional Housing Need Assessment (RHNA)	22,620

Detailed background data for this chart available upon request.

Explanation and Data Sources

- 1-4. Population, Group Quarters, Household Population, & Projected Households:
Pursuant to Gov. Code Section 65584.01, projections were extrapolated from DOF projections. Population reflects total persons. Group Quarter Population reflects persons in a dormitory, group home, institute, military, etc. that do not require residential housing. Household Population reflects persons requiring residential housing. Projected Households reflect the propensity of persons within the Household Population to form households at different rates based on American Community Survey (ACS) trends.
5. Vacancy Adjustment: HCD applies a vacancy adjustment based on the difference between a standard 5% vacancy rate and region's current "for rent and sale" vacancy percentage to determine healthy market vacancies to facilitate housing availability and resident mobility. The adjustment is the difference between standard 5% vacancy rate and region's current vacancy rate (**2.13%**) is based on the 2015-2019 ACS data. For MCAG that difference is **2.87%**.
6. Overcrowding Adjustment: In regions where overcrowding is greater than the U.S. overcrowding rate of 3.35%, HCD applies an adjustment based on the amount the regions overcrowding rate exceeds the U.S. overcrowding rate. Data is from the 2015-2019 ACS. For MCAG, the region's overcrowding rate (**8.75%**) is higher than the national average (3.35%), resulting in a **5.4%** adjustment.
7. Replacement Adjustment: HCD applies a replacement adjustment from between .5% and 5% to the total housing stock based on the current 10-year average of demolitions in the region's local government annual reports to Department of Finance

(DOF). For MCAG the 10-year average is **.4%**, therefore a **.5%** adjustment was applied.

8. Occupied Units: This figure reflects DOF's estimate of occupied units at the start of the projection period (June 30, 2023).
9. Cost Burden Adjustment: HCD applies an adjustment to the projected need by comparing the difference in cost-burden by income group for the region to the cost-burden by income group for the nation. The cost burden rate for lower income households in MCAG is **6.09%** higher than the cost burden rate for lower income households in the nation, resulting in a **534** unit increase to the lower income RHNA. The cost burden rate for moderate and above-moderate income households is **1.67%** higher than the cost burden rate for those households in the nation, resulting in a **219** unit increase to the moderate and above moderate RHNA.

C. HCD REVIEW OF DRAFT RHNA METHODOLOGY

STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

GAVIN NEWSOM, Governor

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

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www.hcd.ca.gov



September 13, 2022

Stacie Guzman, Executive Director
Merced County Association of Governments
369 West 18th Street
Merced, CA 95340

Dear Stacie Guzman:

RE: Review of Draft Regional Housing Need Allocation Methodology

Thank you for submitting the draft Merced County Association of Government's (MCAG) Sixth Cycle Regional Housing Need Allocation (RHNA) Methodology. Pursuant to Government Code Section 65584.04(i), the California Department of Housing and Community Development (HCD) is required to review draft RHNA methodologies to determine whether a methodology furthers the statutory objectives described in Government Code Section 65584(d).

The draft RHNA methodology begins with the total regional determination provided by HCD of 22,620 units. The methodology then provides a base allocation according to each jurisdiction's share of forecasted regional household growth through 2035 in MCAG's 2018 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS).

Next, the methodology uses two equally weighted factors to adjust the total RHNA for each jurisdiction:

- Percent Prime Agricultural Lands & Natural Areas – This factor allocates more RHNA to jurisdictions with lower percentages of land that is high quality agricultural land using the Department of Conservation's Farmland Mapping and Monitoring Project.
- Ratio of Nearby Jobs to Housing – This factor allocates more RHNA to jurisdictions with higher ratios of jobs within a 15-minute car commute to housing units based on American Community Survey (ACS) and Longitudinal Employer Household Dynamics Workplace Area Characteristics (LEHD WAC) data.

To establish allocations across RHNA's four income categories, the methodology starts by allocating below-moderate-income units equally across jurisdictions based on HCD's regional determination. Then, the methodology uses three equally weighted factors to adjust each jurisdiction's below-moderate-income need:

- Percent of Population within ¼ Mile of a Bus Stop – This factor allocates more lower income RHNA to jurisdictions with higher shares of their population being served by fixed route transit service based on Merced Transit Agency jurisdiction-level data.

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- Percent of Existing Housing Units in Higher Opportunity Areas – This factor allocates more lower income RHNA to jurisdictions with larger shares of higher resourced areas based on TCAC/HCD Opportunity Map and ACS data.
- Percent of Population Below Poverty Limit – This factor allocates more lower income RHNA to jurisdictions with lower shares of their population below the Federal poverty limit according to ACS data.

HCD has completed its review of the methodology and finds that the draft MCAG RHNA Methodology furthers the statutory objectives described in Government Code 65584(d).¹ MCAG's draft methodology directs more RHNA into jurisdictions with higher resources and housing costs, better jobs access, and jurisdictions with a higher imbalance between low-wage jobs and affordable units. HCD commends MCAG for including factors in the draft methodology linked to the statutory objectives such as jobs-housing balance, transit access, and access to opportunity.

Below is a summary of findings related to each statutory objective described within Government Code Section 65584(d):

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.

On a per household basis, the methodology allocates more total RHNA and lower income RHNA to higher income jurisdictions². Jurisdictions with higher rents and home values also receive more RHNA on a per household basis.

2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.

–continued on next page–

¹ While HCD finds this methodology furthers statutory objectives, applying this methodology to another region or cycle may not necessarily further the statutory objectives as housing conditions and circumstances may differ.

² HCD originally reviewed American Community Survey (ACS) data on the number of households earning below 80 percent Area Median Income (AMI) to evaluate the income level of Merced County jurisdictions. However, the margins of error for several cities in Merced County (Livingston, Gustine, and Dos Palos) are so large that it is unclear whether they have more or less higher income households than the county as a whole. Accordingly, HCD relied on a mixture of TCAC/HCD Opportunity Map data as well as local input from MCAG staff and housing advocates on the RHNA Steering Committee to categorize Merced County jurisdictions as higher income versus lower income. In the analysis outlined above, HCD has assumed Atwater, Livingston, Low Banos, and the Unincorporated County have more higher income households and that Merced, Gustine, and Dos Palos have fewer higher income households than the county as a whole.

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The draft methodology encourages more efficient development by using the regional growth forecast to determine each jurisdiction's base allocation, as well as by including a jobs-housing balance factor. Jurisdictions with access to more jobs via a 30-minute commute receive more RHNA per household. Jurisdictions with access to more jobs via a 45-minute transit commute and lower average VMT also receive more RHNA per household and larger total RHNA allocations.

3. Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.

The draft methodology allocates more total RHNA and lower income RHNA – relative to household share – to jurisdictions with lower income jobs-housing fit ratios over 1.15 (1.15 low-wage jobs for every affordable housing unit). Further, jurisdictions with the highest total jobs and housing imbalances receive the most total RHNA on a per household basis.

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 American Community Survey.

Higher income jurisdictions³ receive larger allocations of low- and very low-income units as a percentage of their total RHNA. For lower income jurisdictions, the average lower income allocation is 38 percent of total RHNA. The average lower income RHNA allocation for higher income jurisdictions is 43 percent.

5. Affirmatively furthering fair housing, which means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.

Jurisdictions with more access to opportunity receive larger total RHNA and lower income allocations on a per household basis. More specifically, jurisdictions with at least 46 percent high/highest resource areas receive a share of lower income RHNA that is, on average, 127 percent of their share of households, compared to 66 percent for other

–continued on next page–

³ See previous note.

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jurisdictions. Further, jurisdictions with more low-resource and high-segregation/poverty areas receive smaller total RHNA and lower income allocations on a per household basis

HCD appreciates the active role of Stacie Guzman, Natalia Austin, and Mauricio Torres in providing data and input throughout the draft MCAG RHNA methodology development and review period. HCD also thanks Paul Runge for their significant efforts and assistance.

HCD looks forward to continuing our partnership with MCAG to help its member jurisdictions meet and exceed the planning and production of the region's housing need. Support opportunities available for the MCAG region this cycle include, but are not limited to:

- Regional Early Action Planning (REAP) 2.0 – \$600 million of state and federal investment to advance implementation of adopted regional plans. REAP 2.0 funding may be used for planning and implementation that accelerates infill housing development and reduces per capita vehicle miles traveled. <https://hcd.ca.gov/grants-funding/active-funding/reap2.shtml>.
- Prohousing Designation Program – Ongoing awards distributed over-the-counter to local jurisdictions with compliant Housing Elements and prohousing policies. Those awarded receive additional points or preference when applying to housing and non-housing funding programs including the Affordable Housing & Sustainable Communities (AHSC), Infill Infrastructure Grant (IIG), and Transformative Climate Communities (TCC).
- HCD also encourages all Merced County local governments to consider the many other affordable housing and community development resources available to local governments, including the Permanent Local Housing Allocation program. HCD's programs can be found at <https://www.hcd.ca.gov/grants-funding/nofas.shtml>.

If HCD can provide any additional assistance, or if you, or your staff, have any questions, please contact Annelise Osterberg, Housing Policy Specialist at (916) 776-7540 or annelise.osterberg@hcd.ca.gov.

Sincerely,



Tyrone Buckley
Assistant Deputy Director of Fair Housing

D. RHNA METHODOLOGY OPTIONS

As part of the RHNA process, 12 adjustment factors were explored to develop 6 distinct RHNA methodology options. They were developed as follows.

First, the adjustment factors were refined from the initial set of 12 to a final set of 7. Then, two adjustment factor packages were developed to allocate total RHNA (regardless of income) to the region's jurisdictions and three adjustment factor packages were created to further subdivide each jurisdictions' total RHNA into above and below-moderate income groups. Together, these above and below-moderate adjustment factor packages were combined to create 6 methodology options which were then vetted in partnership with the MCAG RHNA Steering Committee, MCAG staff, and the public.

As figure D1 below shows, the 6 methodology options are divided into two groups based on which total RHNA adjustment factor package was applied (group 1 vs group 2). Then, within each group, the three below-moderate income adjustment factor packages (A, B, C) are applied.

Tables D1 - D12 on the following pages summarize the adjustment factors and weights used for each step in the methodology process for each methodology option. Detailed calculations and data sources are further summarized in Appendix E: RHNA Methodology Calculations.

	Objective	1A	1B	1C	2A	2B	2C	
Total RHNA	Infill, Environment and Equity	High Quality Agricultural Land (%)	High Quality Agricultural Land (%)	High Quality Agricultural Land (%)	Resilient Merced Allocation	Resilient Merced Allocation	Resilient Merced Allocation	Stays Constant
	Ensure Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance	Jobs-Housing Balance	
Below-Mod-Income RHNA	Promote Regional Income Parity	Percent in Poverty	Percent in Poverty	Percent in Poverty	Percent in Poverty	Percent in Poverty	Percent in Poverty	
	Affirmatively Further Fair Housing	Access to Opportunity	Access to Opportunity	Access to Opportunity	Access to Opportunity	Access to Opportunity	Access to Opportunity	
	Add'l Adjustment Factor Options	% of Housing is Multifamily	N/A	Existing Transit Access	% of Housing is Multifamily	N/A	Existing Transit Access	

Figure D1: Overview of RHNA Methodology Options

OPT. 1A: HIGH QUALITY AG + JOBS-HOUSING BALANCE / POVERTY + OPPORTUNITY + % MULTIFAMILY

Table D1: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 1A

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	11.8%		1/2	5.9%	14.8%		1/2	7.4%	12.2%	2,759	13.3%	3,017	257
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.2%	261	(58)
Gustine	1.5%		1/2	0.7%	1.6%		1/2	0.8%	2.5%	561	1.5%	346	(215)
Livingston	4.7%		1/2	2.4%	5.0%		1/2	2.5%	4.5%	1,020	4.8%	1,097	77
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,132	(560)
Merced	46.4%		1/2	23.2%	46.6%		1/2	23.3%	39.6%	8,960	46.5%	10,517	1,557
Unincorporated County	17.5%		1/2	8.7%	20.1%		1/2	10.1%	23.5%	5,308	18.8%	4,250	(1,058)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D2: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 1A

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Multifamily As Percent of Existing Housing Units				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation	*	Weight	= Weighted Adjustment (C)	Adjusted Allocation (%) Sum (A,B,C)	Adjusted Allocation (HUs)	Adjustment
Atwater	14.9%		1/3	5.0%	13.3%		1/3	4.4%	12.4%		1/3	4.1%	13.5%	1,259	19
Dos Palos	1.6%		1/3	0.5%	0.8%		1/3	0.3%	1.6%		1/3	0.5%	1.3%	123	16
Gustine	2.2%		1/3	0.7%	1.0%		1/3	0.3%	1.9%		1/3	0.6%	1.7%	158	16
Livingston	6.3%		1/3	2.1%	6.4%		1/3	2.1%	5.9%		1/3	2.0%	6.2%	577	126
Los Banos	17.1%		1/3	5.7%	11.6%		1/3	3.9%	17.7%		1/3	5.9%	15.5%	1,437	150
Merced	34.1%		1/3	11.4%	47.7%		1/3	15.9%	33.6%		1/3	11.2%	38.5%	3,576	(746)
Unincorporated County	23.8%		1/3	7.9%	19.2%		1/3	6.4%	26.9%		1/3	9.0%	23.3%	2,166	419
Total	100%		-	33%	100%		-	33%	100%		-	33%	100%	9,296	

OPT. 1B: HIGH QUALITY AG + JOBS-HOUSING BALANCE / POVERTY + OPPORTUNITY

Table D3: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 1B

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	11.8%		1/2	5.9%	14.8%		1/2	7.4%	12.2%	2,759	13.3%	3,017	257
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.2%	261	(58)
Gustine	1.5%		1/2	0.7%	1.6%		1/2	0.8%	2.5%	561	1.5%	346	(215)
Livingston	4.7%		1/2	2.4%	5.0%		1/2	2.5%	4.5%	1,020	4.8%	1,097	77
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,132	(560)
Merced	46.4%		1/2	23.2%	46.6%		1/2	23.3%	39.6%	8,960	46.5%	10,517	1,557
Unincorporated County	17.5%		1/2	8.7%	20.1%		1/2	10.1%	23.5%	5,308	18.8%	4,250	(1,058)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D4: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 1B

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	14.9%		1/2	7.5%	13.3%		1/2	6.7%	14.1%	1,313	73
Dos Palos	1.6%		1/2	0.8%	0.8%		1/2	0.4%	1.2%	109	2
Gustine	2.2%		1/2	1.1%	1.0%		1/2	0.5%	1.6%	151	9
Livingston	6.3%		1/2	3.2%	6.4%		1/2	3.2%	6.4%	591	140
Los Banos	17.1%		1/2	8.5%	11.6%		1/2	5.8%	14.3%	1,331	44
Merced	34.1%		1/2	17.1%	47.7%		1/2	23.9%	40.9%	3,804	(518)
Unincorporated County	23.8%		1/2	11.9%	19.2%		1/2	9.6%	21.5%	1,997	250
Total	100%		-	50%	100%		-	50%	100%	9,296	

OPT. 1C: HIGH QUALITY AG + JOBS-HOUSING BAL. / POVERTY + OPPORTUNITY + TRANSIT (ADOPTED METHODOLOGY)

Table D5: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 1C

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	11.8%		1/2	5.9%	14.8%		1/2	7.4%	12.2%	2,759	13.3%	3,017	257
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.2%	261	(58)
Gustine	1.5%		1/2	0.7%	1.6%		1/2	0.8%	2.5%	561	1.5%	346	(215)
Livingston	4.7%		1/2	2.4%	5.0%		1/2	2.5%	4.5%	1,020	4.8%	1,097	77
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,132	(560)
Merced	46.4%		1/2	23.2%	46.6%		1/2	23.3%	39.6%	8,960	46.5%	10,517	1,557
Unincorporated County	17.5%		1/2	8.7%	20.1%		1/2	10.1%	23.5%	5,308	18.8%	4,250	(1,058)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D6: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 1C

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Percent of Population within 1/4 Mile of Transit Stop				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation	*	Weight	= Weighted Adjustment (C)	Adjusted Allocation (%) Sum (A,B,C)	Adjusted Allocation (HUs)	Adjustment
Atwater	14.9%		1/3	5.0%	13.3%		1/3	4.4%	13.5%		1/3	4.5%	13.9%	1,294	54
Dos Palos	1.6%		1/3	0.5%	0.8%		1/3	0.3%	0.7%		1/3	0.2%	1.0%	95	(12)
Gustine	2.2%		1/3	0.7%	1.0%		1/3	0.3%	0.9%		1/3	0.3%	1.4%	130	(12)
Livingston	6.3%		1/3	2.1%	6.4%		1/3	2.1%	4.2%		1/3	1.4%	5.6%	524	73
Los Banos	17.1%		1/3	5.7%	11.6%		1/3	3.9%	10.5%		1/3	3.5%	13.0%	1,212	(75)
Merced	34.1%		1/3	11.4%	47.7%		1/3	15.9%	56.4%		1/3	18.8%	46.1%	4,285	(37)
Unincorporated County	23.8%		1/3	7.9%	19.2%		1/3	6.4%	13.7%		1/3	4.6%	18.9%	1,756	9
Total	100%		-	33%	100%		-	33%	100%		-	33%	100%	9,296	

OPT. 2A: INTEGRATED PLANNING SCENARIO + JOBS-HOUSING BAL. / POVERTY + OPPORTUNITY + MULTIFAMILY

Table D7: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 2A

Jurisdiction	"Integrated Planning" Scenario Allocation				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	7.7%		1/2	3.9%	14.8%		1/2	7.4%	12.2%	2,759	11.3%	2,553	(207)
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.1%	252	(67)
Gustine	2.3%		1/2	1.1%	1.6%		1/2	0.8%	2.5%	561	1.9%	437	(124)
Livingston	4.5%		1/2	2.2%	5.0%		1/2	2.5%	4.5%	1,020	4.7%	1,067	47
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,129	(563)
Merced	49.9%		1/2	24.9%	46.6%		1/2	23.3%	39.6%	8,960	48.2%	10,908	1,948
Unincorporated County	17.7%		1/2	8.8%	20.1%		1/2	10.1%	23.5%	5,308	18.9%	4,274	(1,034)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D8: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 2A

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Multifamily As Percent of Existing Housing Units				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation	*	Weight	= Weighted Adjustment (C)	Adjusted Allocation (%) Sum (A,B,C)	Adjusted Allocation (HUs)	Adjustment
Atwater	12.7%		1/3	4.2%	11.3%		1/3	3.8%	10.5%		1/3	3.5%	11.5%	1,068	19
Dos Palos	1.5%		1/3	0.5%	0.7%		1/3	0.2%	1.6%		1/3	0.5%	1.3%	119	16
Gustine	2.8%		1/3	0.9%	1.3%		1/3	0.4%	2.4%		1/3	0.8%	2.2%	201	21
Livingston	6.2%		1/3	2.1%	6.2%		1/3	2.1%	5.8%		1/3	1.9%	6.1%	563	124
Los Banos	17.1%		1/3	5.7%	11.6%		1/3	3.9%	17.8%		1/3	5.9%	15.5%	1,441	155
Merced	35.6%		1/3	11.9%	49.6%		1/3	16.5%	34.9%		1/3	11.6%	40.0%	3,719	(764)
Unincorporated County	24.1%		1/3	8.0%	19.3%		1/3	6.4%	27.1%		1/3	9.0%	23.5%	2,185	429
Total	100%		-	33%	100%		-	33%	100%		-	33%	100%	9,296	

OPT. 2B: INTEGRATED PLANNING SCENARIO + JOBS-HOUSING BALANCE / POVERTY + OPPORTUNITY

Table D9: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 2B

Jurisdiction	"Integrated Planning" Scenario Allocation				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	7.7%		1/2	3.9%	14.8%		1/2	7.4%	12.2%	2,759	11.3%	2,553	(207)
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.1%	252	(67)
Gustine	2.3%		1/2	1.1%	1.6%		1/2	0.8%	2.5%	561	1.9%	437	(124)
Livingston	4.5%		1/2	2.2%	5.0%		1/2	2.5%	4.5%	1,020	4.7%	1,067	47
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,129	(563)
Merced	49.9%		1/2	24.9%	46.6%		1/2	23.3%	39.6%	8,960	48.2%	10,908	1,948
Unincorporated County	17.7%		1/2	8.8%	20.1%		1/2	10.1%	23.5%	5,308	18.9%	4,274	(1,034)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D10: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 2B

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	12.7%		1/2	4.2%	11.3%		1/2	3.8%	12.0%	1,114	65
Dos Palos	1.5%		1/2	0.5%	0.7%		1/2	0.2%	1.1%	106	2
Gustine	2.8%		1/2	0.9%	1.3%		1/2	0.4%	2.1%	192	12
Livingston	6.2%		1/2	2.1%	6.2%		1/2	2.1%	6.2%	577	139
Los Banos	17.1%		1/2	5.7%	11.6%		1/2	3.9%	14.4%	1,335	49
Merced	35.6%		1/2	11.9%	49.6%		1/2	16.5%	42.6%	3,957	(526)
Unincorporated County	24.1%		1/2	8.0%	19.3%		1/2	6.4%	21.7%	2,015	259
Total	100%		-	50%	100%		-	50%	100%	9,296	

OPT. 2C: INTEGRATED PLANNING SCENARIO + JOBS-HOUSING BALANCE / POVERTY + OPPORTUNITY + TRANSIT

Table D11: Weighting of Total Housing Need Adjustment Factors for the Adopted Methodology (Step 2) - Option 2C

Jurisdiction	"Integrated Planning" Scenario Allocation				Ratio of Jobs-Within-A-15-Minute-Drive to Housing				Summary of Total Allocation				
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Before Adjustments (%)	Before Adjustments (HUs)	Adjusted Allocation (%) Sum (A,B)	Adjusted Allocation (HUs)	Adjustment
Atwater	11.8%		1/2	5.9%	14.8%		1/2	7.4%	12.2%	2,759	13.3%	3,017	257
Dos Palos	1.4%		1/2	0.7%	0.9%		1/2	0.4%	1.4%	319	1.2%	261	(58)
Gustine	1.5%		1/2	0.7%	1.6%		1/2	0.8%	2.5%	561	1.5%	346	(215)
Livingston	4.7%		1/2	2.4%	5.0%		1/2	2.5%	4.5%	1,020	4.8%	1,097	77
Los Banos	16.6%		1/2	8.3%	11.1%		1/2	5.5%	16.3%	3,692	13.8%	3,132	(560)
Merced	46.4%		1/2	23.2%	46.6%		1/2	23.3%	39.6%	8,960	46.5%	10,517	1,557
Unincorporated County	17.5%		1/2	8.7%	20.1%		1/2	10.1%	23.5%	5,308	18.8%	4,250	(1,058)
Total	100%		-	50%	100%		-	50%	100%	22,620	100%	22,620	-

Table D12: Weighting of Below-Moderate-Income Need Adjustment Factors for the Adopted Methodology (Step 3) - Option 2C

Jurisdiction	Percent of Population Below the Poverty Line				Percent of Housing Units in TCAC High Opportunity Areas				Percent of Population within 1/4 Mile of Transit Stop				Summary of Below Moderate Income Allocation		
	Adjusted Allocation	*	Weight	= Weighted Adjustment (A)	Adjusted Allocation	*	Weight	= Weighted Adjustment (B)	Adjusted Allocation	*	Weight	= Weighted Adjustment (C)	Adjusted Allocation (%) Sum (A,B,C)	Adjusted Allocation (HUs)	Adjustment
Atwater	12.7%		1/3	4.2%	11.3%		1/3	3.8%	11.4%		1/3	3.8%	11.8%	1097	48
Dos Palos	1.5%		1/3	0.5%	0.7%		1/3	0.2%	0.7%		1/3	0.2%	1.0%	92	(12)
Gustine	2.8%		1/3	0.9%	1.3%		1/3	0.4%	1.2%		1/3	0.4%	1.8%	164	(15)
Livingston	6.2%		1/3	2.1%	6.2%		1/3	2.1%	4.1%		1/3	1.4%	5.5%	511	72
Los Banos	17.1%		1/3	5.7%	11.6%		1/3	3.9%	10.4%		1/3	3.5%	13.1%	1214	(72)
Merced	35.6%		1/3	11.9%	49.6%		1/3	16.5%	58.4%		1/3	19.5%	47.9%	4448	(35)
Unincorporated County	24.1%		1/3	8.0%	19.3%		1/3	6.4%	13.8%		1/3	4.6%	19.0%	1770	14
Total	100%		-	33%	100%		-	33%	100%		-	33%	100%	9,296	

E. RHNA METHODOLOGY CALCULATIONS

This section discusses the calculations the draft methodology employs to adjust jurisdictions' housing need allocations using adjustment factor data.

The purpose of adjustment factors is to raise or lower jurisdictions' total or below-moderate-income allocations to make the allocation more reflective of the RHNA Objectives. For example, using transit access as an adjustment factor lowers the below-moderate-income housing need allocations of jurisdictions with less transit access and vice versa. That helps the final allocation reflect the "Infill, Equity, and Environment" objective.

Adjustment factors affect allocations through the following series of calculations, shown in Tables E1 - E3 on the following page:

1. Start with a baseline allocation: the 2018 RTP/SCS household allocation (Column A).
2. Convert the raw data for the adjustment factor, in this case raw Median Household Income data (Column B), into a rescaled ranking from 0.67 to 1.33 (Column C). This is done by using the following formula:

$$0.667 + (1.334 - 0.667) * (\text{Maximum(Raw Adjustment Factor Data)} - \text{Particular Observation of the Adjustment Factor Data}) / (\text{Maximum(Raw Adjustment Factor Data)} - \text{Minimum(Raw Adjustment Factor Data)})$$

This formula sets the "floor" of the rescaled values at 0.67, then attributes up to an additional 0.67 in value depending on how large a particular observation in the

adjustment factor data is relative to the mathematical range of the adjustment factor data. Using this formula, the smallest observation is assigned a score of 0.667 and the largest observation in the adjustment factor data is assigned a score of 1.334. All other observations are assigned scores between 0.667 and 1.334.

3. Multiply the 0.667 to 1.334 rankings (Column C) by the baseline allocation (Column A) to apply the adjustment to the baseline allocation, resulting in Column D. This column will not add up to 100%, meaning either more than 100% or less than 100% of the region's housing need is being allocated. In this case, the amount is 105%
4. Adjust Column D so it sums to 100% by dividing each jurisdiction's value for Column D by the sum of Column D. This yields Column E, the allocation adjusted for the adjustment factor in question.
5. This process is repeated for each adjustment factor, yielding Table 9 below.

By averaging the adjusted allocations in Table 9 for multiple adjustment factors and applying weights, we can arrive at a final, adjusted allocation that reflects multiple factors and furthers the RHNA Objectives. The methodologies proposed in this RHNA cycle all used equal weights, meaning a simple average of the adjusted allocation percentages for the three adjustment factors was used calculate the percentage of housing need allocated to each jurisdiction.

Table E1: Adjustment Factor Data Used in RHNA Methodologies

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)	"Resilient Merced" Infill & Farm Preservation Housing Allocation	Percent of Population Within 1/4 Mile of Transit Stop	Multifamily as Percent of Existing Housing Units	Ratio of Jobs-Within-A-15-Minute-Drive to Housing	Ratio of Low-Wage-Jobs-Within-A-15-Minute-Drive to Affordable Housing	Percent of Housing Units in TCAC High Opportunity Areas	Percent of Population Below Poverty Line
Atwater	46.6%	-5.6%	19.3%	20.9%	63.1	92.9	40.0%	20.7%
Dos Palos	37.9%	0.4%	0.0%	5.5%	1.9	3.0	0.0%	14.7%
Gustine	67.2%	-0.6%	0.0%	11.2%	5.9	9.7	0.0%	12.7%
Livingston	33.3%	1.0%	12.2%	11.1%	54.8	89.7	80.7%	16.4%
Los Banos	39.0%	1.5%	7.0%	9.2%	10.7	20.0	20.3%	18.0%
Merced	12.9%	6.8%	28.5%	28.8%	60.2	72.2	43.4%	29.3%
Unincorporated	64.2%	-3.5%	5.7%	4.7%	33.9	68.7	42.5%	17.1%
County Total	61.6%	0.0%	14.6%	15.2%	41.4	71.9	39.4%	21.2%

Table E2: Calculations Demonstrating How Adjustment Factor Data is Processed into an Adjusted Allocation

	A	B	C	D	E
	Total Allocation (e.g. If Determined by Percent of Forecasted Growth)	Percent of Population Within 1/4 Mile of Transit Stop (Raw Data)	Percent of Population Within 1/4 Mile of Transit Stop (Ranked .67 to 1.33)	Rankings Multiplied by Total Allocation (Col A * Col C)	Adjusted Allocation (Col D / Sum(Col D))
Jurisdiction					
Atwater	12.2%	19.3%	1.11	14%	12.9%
Dos Palos	1.4%	0.0%	0.67	1%	0.9%
Gustine	2.5%	0.0%	0.67	2%	1.6%
Livingston	4.5%	12.2%	0.95	4%	4.1%
Los Banos	16.3%	7.0%	0.83	14%	12.8%
Merced	39.6%	28.5%	1.33	53%	50.0%
Unincorporated	23.5%	5.7%	0.80	19%	17.8%
Sum	100%			105%	100%

Table E3: Adjusted Allocations for Each Adjustment Factor Resulting from Processing Steps Above

Jurisdiction	Amount of Nearby High Quality Agricultural Land (%)	"Resilient Merced" Infill & Farm Preservation Housing Allocation	Percent of Population Within 1/4 Mile of Transit Stop	Multifamily as Percent of Existing Housing Units	Ratio of Jobs-Within-A-15-Minute-Drive to Housing	Ratio of Low-Wage-Jobs-Within-A-15-Minute-Drive to Affordable Housing	Percent of Housing Units in TCAC High Opportunity Areas	Percent of Population Below Poverty Line
Atwater	11.8%	7.7%	12.9%	10.8%	14.8%	16.3%	12.3%	13.1%
Dos Palos	1.4%	1.4%	0.9%	1.9%	0.9%	0.9%	1.0%	1.9%
Gustine	1.5%	2.3%	1.6%	2.9%	1.6%	1.7%	1.7%	3.5%
Livingston	4.7%	4.5%	4.1%	5.2%	5.0%	5.8%	6.0%	5.6%
Los Banos	16.6%	16.6%	12.8%	19.9%	11.1%	12.3%	13.8%	19.4%
Merced	46.4%	49.9%	50.0%	27.2%	46.6%	39.8%	41.1%	27.9%
Unincorporated	17.5%	17.7%	17.8%	32.0%	20.1%	23.2%	24.2%	28.6%
County Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

RHNA Adjustment Factor Calculation Instructions

A spreadsheet software such as Excel and GIS platform such as R or ArcMap are required to complete the calculation steps described below.

1. Baseline Allocation (2018 RTP/SCS Household Allocation as of Modeled Year 2035)

Description

A jurisdiction's share of the region's anticipated household growths in through 2035, per the adopted 2018 RTP/SCS preferred scenario. This data was used to establish the baseline total housing need allocation. It was not used as an adjustment factor.

Source

MCAG 2018 RTP/SCS Preferred Scenario.

How to Calculate

- Gather the 2035 household allocation information from MCAG's 2018 RTP/SCS Report in Excel or similar.
- South Dos Palos' household allocation is reported combined with Dos Palos' household allocation in the RTP/SCS report. Begin by disambiguating that. Since South Dos Palos is forecasted to have 27% of those two jurisdictions' combined populations, subtract 27% from Dos Palos' household allocation. Assign the removed household allocation to the Unincorporated County, which is what South Dos Palos is within.
- Now that Dos Palos' allocation is fixed, divide each jurisdictions' household

allocation by the region's total households, yielding each jurisdiction's share of the region's households growth according to the 2018 RTP/SCS.

2. Percent of a Jurisdiction's SOI that is High Quality Agricultural Land

Description

Percentage of a jurisdiction's SOI land that is categorized as prime agricultural land or agricultural land of statewide significance by the Department of Conservations Farmland Mapping and Monitoring Project (FMMP).

Source

- FMMP important farmland finder data
- Jurisdiction sphere of influence shapefiles

How to Calculate

- In your preferred GIS platform, load FMMP important farmland polygons and jurisdiction's SOI polygons.
- Clip FMMP polygons to SOI polygons, so that each SOI has its own unique polygons representing its farmland of statewide significance, prime farmland, natural vegetation, water, and grazing land. For the unincorporated area, clip to the entire unincorporated area rather than a specific SOI polygon.
- Calculate the area in each SOI that is farmland of statewide significance or prime farmland
- Calculate the buildable area in each SOI by subtracting the following from total area: water, natural vegetation, or grazing land (which tends to be heavily sloped and unbuildable).

- Divide the farmland area by the net area calculated above, yielding the percentage of land that is high quality agricultural land.

3. Percent of Population within ¼ Mile of Transit

Description

Percentage of population in each jurisdiction served by any fixed route transit service.

Source

Merced Transit Agency jurisdiction-level data on population served by buses.

How to Calculate

No calculations required. The data was used as reported.

4. Integrated Planning” RTP Housing Allocation

Description

Difference between the percentage of housing allocated to each jurisdiction in the integrated planning scenario and the percentage of households in 2035 allocated to each jurisdiction in the 2018 RTP/SCS preferred scenario.

Sources

- MCAG 2018 RTP/SCS household allocation by jurisdiction for 2018 (see the baseline allocation calculations above).
- Integrated planning scenario documentation, available through the CA Department of Conservation and the Nature Conservancy.

How to Calculate

Subtract each jurisdiction’s share of housing units in the Integrated Planning Scenario from the 2018 RTP Household Allocation.

Table E4: Calculating the Difference Between the 2018 RTP and Integrated Planning Scenario Housing Allocations

Jurisdiction	2018 RTP Household Allocation	Integrated Planning Scenario Housing Unit Allocation	Difference
Atwater	12.2%	6.6%	-5.6%
Dos Palos	1.4%	1.8%	0.4%
Gustine	2.5%	1.9%	-0.6%
Livingston	4.5%	5.5%	1.0%
Los Banos	16.3%	17.8%	1.5%
Merced	39.6%	46.4%	6.8%
Unincorporated	23.5%	20.0%	-3.5%
County Total	100.0%	100.0%	0.0%

5. Jobs-Housing Balance

Description

Ratio of housing units to jobs accessible within a 15-minute drive.

Sources

- 2019 5-Year American Community Survey (ACS) Table B25001
- Longitudinal Employer Household Dynamics Workplace Area Characteristics (LEHD WAC) data for Merced County, all jobs (2019)

How to Calculate

- Download the ACS housing unit counts listed above at the block group level.
- Join the ACS data with Census block group polygons geometries using the GEOID identifiers.
- Download LEHD WAC data of counts of jobs from the LEHD website. Aggregate the blocks into their respective block groups.
- Perform a table join between the LEHD WAC data and Census block group polygons geometries using the GEOID
- Using a GIS platform, identify the Census block group centroids within each Census block group polygon.
- Spatially join the Census block group centroids to Census place polygons for the jurisdictions and the unincorporated county area. This effectively assigns the ACS block groups and their housing unit counts to each jurisdiction and the unincorporated area. Use a 1,000 foot buffer around place polygons to ensure centroids at the margins of a jurisdiction's boundaries are correctly joined.
- Calculate the percentage of each jurisdiction's housing units that are contained within each Census block group. If a block group contains 300 of a jurisdiction's 1,000 units, it has 30%. This data will be used for a weighted average calculation later.
- Use an isochrone creation service or package, such as the free and open source "openrouteservice" package in R, to calculate the 15-minute drive time isochrone from each Census block group centroid. This, in effect, identifies everywhere one can drive in 15 minutes from a block group.
- Spatially join block group centroids with jobs and housing counts to each isochrone and sum up the jobs in the block groups joined with each isochrone. This provides you with the count of jobs reachable in a 15-minute drive from each block group.
- Divide jobs accessible in each isochrone by housing units in the isochrone's originating block group. This provides a ratio of jobs-accessible within a 15 minute drive to housing units for each block group.
- For each jurisdiction's composite block groups, create a weighted average of the above calculated ratio using the percentage of each jurisdiction's housing units that fall within each Census block group, as calculated several steps above. This yields the typical ratio of jobs accessible within 15 minutes to housing units for each jurisdiction.

6. Population Below Poverty Limit

Description

Percentage of each jurisdiction's population that is below the federal poverty limit.

Source

2019 5-Year ACS Table for Poverty Status by Sex by Age (B17001)

How to Calculate

- Look up the Table B17001 for each jurisdiction.
- Divide the population in poverty by the total population to calculate the percent.
- Identify the unincorporated area population by summing the population in poverty for incorporated cities, then subtracting that sum from the countywide population in poverty. Divide that number by the total population of the unincorporated area

7. Existing Housing Units That Are Multifamily

Description

Percentage of each jurisdiction's housing units that are in structures with greater than one dwelling unit.

Source

2019 5-Year ACS Table for Units in Structure (B25024)

How to Calculate

- Look up the Table B25024 for each of the jurisdictions.
- Sum the housing units in structures with

more than one dwelling unit and divide that sum by the total number of housing units.

- Identify the unincorporated area housing units in structures with more than one unit by summing that datapoint for incorporated cities, then subtracting that sum from the countywide number of housing units in structures with more than one unit. Divide that number by the total housing units of the unincorporated area (identified using the same strategy as described above).

8. Access to Opportunity (Housing Units in TCAC High Opportunity Areas)

Description

Percentage of a jurisdiction's households that fall within Census tracts and block groups designated by TCAC as offering High or Highest opportunity levels.

Source

- TCAC Census tract and block group opportunity categories
- 2019 5-Year ACS Table B25001 for counts of housing units

How to Calculate

- In a GIS platform, table join TCAC Opportunity Category data and ACS housing unit counts with Census polygons using the GEOID. TCAC Opportunity data is given at both the Census tract and block group level, necessitating the use of both geometries simultaneously.
- Convert Census tract and block group polygons to Census tract and block group centroids to facilitate a spatial join.

- Spatially join the Census tract and block group centroids to Census place polygons for the jurisdictions and the unincorporated county area. This effectively assigns the ACS housing unit counts and TCAC Opportunity data to each jurisdiction and the unincorporated area. Use a 1000 foot buffer around place polygons to ensure centroids at the margins of a jurisdiction's boundaries are correctly joined.
- For each jurisdiction, sum the housing units for the centroids that were spatially joined to it. This yields each jurisdiction's total housing units as well as the housing units within any TCAC High and Highest opportunity tracts or block groups that approximately fall within that jurisdiction.
- For each jurisdiction, divide housing units in High or Highest opportunity areas by total housing units. This yields the percentage of a jurisdiction's housing units that are in High or Highest opportunity areas.

F. COMMENTS RECEIVED ON THE DRAFT RHNA METHODOLOGY

MCAG released the Proposed RHNA Methodology Framework Memorandum for public comment on June 21st, 2022. A public hearing was held during the July 21st meeting of the MCAG Governing Board to solicit additional public comment. The public comment period subsequently closed on July 26th, 2022. A summary of comments received during the public comment period, as well as responses to those comments, is included below.

Comment #1

Received: July 19th, 2022

Transmission Method: Email

Commenter: Judy Evans, Merced Resident

Merced is in a valley, in a high desert environment. When used and managed properly, it sustains itself, which it has done for many many years. The land was covered with grass, crops, and animals which cooled and fed the land. We used to have dense fog, created by the system going on between all of them, which cooled and watered the land, putting water back in the aquifers. Now we have concrete, which reflects the heat and keeps the water out of the land. I don't remember the last time I saw fog.

We have already exceeded the limit of tolerance in regard to building. As far as the lack of housing, isn't that from a lack of planning when we knew we would have an influx of people for the UC? Shouldn't that have been addressed BEFORE it became a crisis?

I know that people in governments want bigger and more of everything, but we need to just stop and look at the big picture. People moved to Merced to get out of the city and into a more calm, slower pace of life. This was the "country". The buses running now are empty. We don't need more people. It is bad for the environment, and unfair to those of us who plan to live here permanently. I am clearly against more buildings. Cities have a lot of people who come and go, never becoming part of the community. Merced is not a big city. Please don't try to make it one.

Judy Evans

Merced Resident

Response to Comment #1

Thank you for your interest in MCAG's Regional Housing Needs Allocation (RHNA) process. We understand and appreciate your concern for the region's environmental quality. We acknowledge that population growth has impacted the Merced region's landscape. While the region's jurisdictions have no control over population growth, they do have control over land use regulations. These regulations, which include zoning, can help accommodate population growth in a way that is equitable, affordable, and considerate of its environmental impact.

Environmental impacts were frequently considered during the development of the RHNA methodology options and in the selection of the Draft RHNA Methodology. Within the description of the Draft RHNA Methodology, you will see that it respects sustainable growth patterns through its consistency with the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS). In addition, the RHNA Methodology was evaluated in terms of its potential impact on water quality, supply, and management.

The RHNA process is mandated by the State of California's Housing Element Law. MCAG has little control over the region's total housing need, which is determined by the Department of Housing and Community Development (HCD) and the Department of Finance (DoF). The region's housing need is determined not only by projected population growth, but also by the dire housing conditions being experienced by the region's residents today. These include overcrowding of housing units and overpayment for housing. Ultimately, MCAG and its member jurisdictions are bound by Housing Element Law to distribute and accommodate the region's housing need in a way that is equitable and sustainable for the benefit of current and future residents.