

Requirements and Best Practices for Housing Element Updates: The Site Inventory
Abundant Housing LA
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Background

California has a statewide housing shortage of nearly 3.5 million homes, and households at all levels of income face a historically high rent burden throughout the state. Exclusionary zoning and longstanding constraints on denser housing production have led to an undersupply of medium and high density housing near jobs and transit, contributing to high rents and displacement of households across Southern California.

Over the past few years, new state laws (e.g. AB 686 (2018), SB 166 (2017), AB 1397 (2017), SB 828 (2018), SB 35 (2017), etc.) have strengthened the Regional Housing Needs Assessment (RHNA), a state-mandated process that sets a housing growth target for individual jurisdictions, and requires jurisdictions to update their housing elements in order to achieve the RHNA targets. These changes have led to historically high jurisdiction-level housing growth targets in the upcoming 6th Cycle Housing Element Planning Cycle, and have empowered the state Department of Housing and Community Development (HCD) to enforce appropriately high standards for housing element updates. As a result, the 6th Housing Element Planning Cycle has the potential to be transformative for our region and to relieve its housing crisis.

As jurisdictions start the housing element update process, Abundant Housing LA (AHLA) seeks to provide guidance on how jurisdictions should fulfill both the letter and the spirit of housing element law. Unfortunately, some jurisdictions are already seeking to skirt their obligation to sufficiently plan to meet their housing needs. AHLA will scrutinize jurisdictions' housing elements, submit comments to HCD as needed, and collaborate closely with nonprofits that bring legal action against jurisdictions that fail to comply with state housing laws.

To that end, we've prepared this report to explain both the key legal requirements and our recommended best practices for the housing element updates. These guidelines will inform how AHLA will review, assess, and comment on housing element updates. We believe that jurisdictions that follow these guidelines will succeed in designing housing element updates that expand the availability of housing at all income levels, reduce longstanding patterns of racial segregation and lack of equal access to high-resource areas, and promote climate-friendly living patterns that increase transit usage and reduce carbon emissions from transportation.

This report is focused on the **site inventory assessment** portion of the housing element update. HCD has provided detailed guidance on requirements and best practices for the site inventory assessment in its [Site Inventory Guidebook](#), and this report identifies the most impactful elements of housing element law and the Guidebook to help jurisdictions simplify their housing element process and implement policies that encourage significant housing production.

Housing element law also requires an analysis of constraints on housing development and a program to mitigate or remove these constraints. This is a substantial topic that merits its own Requirements and Best Practices analysis, and we will address it in a future report. Finally, while this report addresses the legal requirement to affirmatively further fair housing in the site

inventory assessment, it is worth noting that HCD will soon release a technical assistance memo offering more specifics on how to address AFFH requirements in the housing element.

Part 1 - General Principles for Site Inventory Assessment

[See HCD's Site Inventory Guidebook, June 2020](#) for citations and examples

The site inventory and assessment of capacity is the heart of the housing element. But the numerous, sometimes convoluted, requirements and factors for assessing capacity make it easy to lose sight of the [big picture](#). This report presents AHLA's view of the big picture, and explains what we'll be looking for when we review, comment on, and litigate housing elements.

The big picture is this: housing element law aims to bring about the production of the total RHNA target and, where feasible, the subsidiary targets in each income bin.¹ A further goal is to enable the development of relatively low-cost housing types in high-opportunity neighborhoods (Gov't Code 65583(c)(10)), which helps to address jurisdictions' requirement to affirmatively further fair housing (see Part 3). Ambiguities in the law should be worked out with these central objectives in view.

An accurate assessment of site capacity is necessary in order for the housing element to achieve the above central objectives. The site capacity estimate should account for the following **two factors**:

- What is the likelihood that the site will be developed during the planning period?
- If the site were to be developed during the planning period, how many net new units of housing are likely to be built on it?

We call these the **likelihood of development** (pg. 20, Guidebook) and **net new units if developed** (pg. 21, Guidebook) factors. The portion of the jurisdiction's RHNA target that a site will realistically accommodate during the planning period is:

(likelihood of development) x (net new units if developed) = realistic capacity.²

In past planning cycles, the likelihood of development factor was not expressly considered, and jurisdictions consistently fell short of their targets. Not accounting for the likelihood factor in a housing plan is like failing to account for the probability of enrollment in a college admissions plan. When UCLA wants a first-year class of 6,000 students, it admits 14,000 high school seniors, knowing that many who are offered admission will decline.

Similarly, not every owner of a suitably zoned site will accept the "offer" to develop it during the planning period. In fact, the median city is on track to develop [only 25% of the nominal site capacity](#) of its 5th cycle housing element.

¹ [Elmendorf et al. "Making It Work: Legal Foundations for Administrative Reform of California's Housing Framework"](#)

² The example calculation of realistic capacity on pg. 21-22 of the Guidebook is instructive here.

Recent amendments to the housing element law, including AB 1397 and SB 6, position HCD to require discounting of the **net new units if development** factor by the likelihood of development factor. The Guidebook directs attention to the likelihood of development factor on pg. 20-22 and pg. 25.

Part 2 - Capacity Assessment for Vacant Sites: Minimum Zoned Density Method

[See HCD's Site Inventory Guidebook](#), pg. 19 for citations and examples

The housing element law provides jurisdictions with a “safe harbor” for counting vacant, residentially zoned sites at their **minimum** zoned density. Although it’s not clear that this provision excuses jurisdictions from accounting for the site’s likelihood of development, the Guidebook interprets the safe harbor in this way. AHLA will accept this interpretation.

Principal requirements for legal compliance

A housing element that uses the minimum zoned density safe harbor must ensure that “overlay zones, zoning allowing nonresidential uses, or other factors potentially impacting the minimum density” will not preclude development of the site at that density (pg. 19). The only way to provide this guarantee is to declare in the housing element a “fundamental, mandatory, and clear” policy of allowing inventory sites to be developed at the density ascribed to them in the housing element. The housing element is a component of the general plan, and under background principles of state law, any “fundamental, mandatory and clear” policy of the plan supersedes contrary municipal ordinances and regulations, and is judicially enforceable.

Recommended best practices

We counsel against use of the “minimum zoned density” safe harbor, as it may be highly unrealistic. It both ignores the possibility that the site won’t be developed at all during the planning period, and the possibility that the site will be developed at a density exceeding the minimum. That said, if a jurisdiction does use the “minimum zoned density” safe harbor, the housing element should certainly declare a “fundamental, mandatory and clear” policy of allowing development at the stipulated minimum density.

Part 3 - Capacity Assessment for Vacant and Nonvacant Sites: Factors Method

[See HCD's Site Inventory Guidebook](#), pg. 19-26 for citations and examples

For vacant sites, the alternative to relying on the “minimum zoned density” safe harbor is to assess capacity using what the Guidebook calls the “factors” or “Step 2” method (pg. 19). The statute lists a number of overlapping factors to be considered, such as “realistic capacity,” “current or planned availability and accessibility of sufficient water, sewer, and dry utilities,” “typical densities of existing or approved residential developments,” and “land use controls and site improvement requirements.” (Gov’t Code 65583.2(c)(2); Guidebook pg. 19).

The statute is confusing because the various factors are all subsumed by the concept of **realistic capacity** (i.e. **likelihood of development** multiplied by **net new units if developed**), which is itself listed as one of the factors (pg. 20)). For example, if a site doesn't have current or planned access to utilities, the site is very unlikely to be developed during the planning period, and hence has little realistic capacity.

Another section of the statute lists additional factors to be weighed in assessing the capacity of nonvacant sites. These include “the extent to which existing uses may constitute an impediment to additional residential development, ... past experience with converting existing uses to higher density residential development, the current market demand for the existing use, an analysis of any existing leases or other contracts ..., development trends, market conditions, and regulatory or other incentives or standards to encourage additional residential development.” (Gov't Code 65583.2(g), Guidebook pg. 24-26). All of these factors bear in one way or another on the two central questions identified in Part 1: **What is the site's likelihood of development during the planning period, and how many net new units will be built if it is developed?** Jurisdictions should estimate site inventory capacity in a way that directly addresses these two questions.

Principal requirements for legal compliance

The factors listed in Gov't Code 65583.2(c) and (g) should not be treated as a mechanical checklist, such that a housing element “complies” if it discusses every factor, and “fails to comply” if it doesn't. Rather, the housing element's analysis of vacant site capacity (using the factor method) and of nonvacant site capacity, should focus on whether the jurisdiction reasonably assessed both the **likelihood of development** and the **net new units if developed** of the sites in the inventory.³

Every housing element should **report the proportion of sites from the previous housing element's inventory that were developed** during the previous planning period. This proportion need not be used as a proxy for current inventory sites' likelihood of development, but it provides a starting point, especially “[i]f no information about the rate of development of similar parcels is available.” (Guidebook, pg. 21) A jurisdiction may find that current inventory parcels have a higher likelihood of development, possibly owing to new “market conditions” or “regulatory or other incentives” that the jurisdiction had enacted to facilitate the sites' development (Gov't Code 65583.2(g)). But if the housing element assumes a likelihood of development for a given site that is higher than the likelihood implied by past performance, the assumption requires justification (“The methodology analysis must describe how each of these adjustments was generated” (pg. 21)).

Again, jurisdictions must estimate and report both the **likelihood of development** and the **net new units if developed** of inventory sites. This requirement doesn't impose a single methodology for **how** jurisdictions should estimate these two factors. Rather, this requirement

³ During economic recessions, the rate of housing development usually falls. A housing element's assessment of development likelihood may properly focus on normal years, not recession or pandemic years.

improves accountability (e.g. makes it easier to compare capacity assessment methodologies across jurisdictions) while leaving jurisdictions flexibility to estimate the two factors in any reasonable manner.

For this reason, AHLA will scrutinize housing elements to ensure that jurisdictions provide both a “likelihood of development” and a “net new units if developed” number for every parcel in the inventory (excluding vacant sites counted at their minimum zoned density), as well as a reasonable justification for likelihood of development estimates that exceed the rate of development from the previous housing element’s inventory.

If the analysis of inventory sites’ capacity reveals a shortfall (relative to the RHNA) under current zoning, the housing element must include rezoning programs to make additional capacity available (Gov’t Code 65583(c)(1)). These rezoning programs should be described with enough specificity for site owners to determine how much they will be allowed to build. The Housing Accountability Act (HAA) disallows jurisdictions from denying or reducing the density of projects (with at least a 20% affordable set-aside) if the project is “consistent with the density specified in the housing element, even though it is inconsistent with ... the jurisdiction’s zoning ordinance.” (Gov’t Code 65589.5(d)). The HAA thus presupposes that housing elements will include site-specific plans for accommodating the RHNA, even if the plan necessitates greater density than the zoning code currently allows.

Recommended best practices

To ensure that inventory sites can actually be built to the intended density, AHLA recommends that jurisdictions declare a “fundamental, mandatory, and clear” policy of allowing development of the number of units anticipated in the housing element. The policy should also declare an average unit size that will be allowed on the site. These declarations would entitle developers to an exception from local ordinances and regulations that physically preclude development of inventory sites to the scale and density anticipated in the housing element. The declaration may provide for exceptions if development would have an adverse health or safety impact within the meaning of the Housing Accountability Act. (Gov’t Code 65589.5(j)).

Because development trends and market conditions are subject to change, AHLA recommends that housing elements provide for mid-cycle adjustments if inventory sites are developed at lower rates, or lesser densities, than the housing element anticipated. The mid-cycle adjustment could take the form of:

- An automatic density bonus on inventory sites
- An option for developers to elect ministerial permitting of projects on inventory sites
- A procedure for developers to obtain waivers of fee, exaction, or parking and design requirements that make it economically infeasible to develop inventory sites to the density the housing element anticipated

Part 4 - Site Selection and the Duty to Affirmatively Further Fair Housing

[See HCD's Site Inventory Guidebook, pg. 9, and HCD's AB 686 Summary of Requirements in Housing Element Law, April 2020](#) for citations and examples

High-income neighborhoods with good access to jobs, transit, schools, and parks tend to have very high housing costs. Racially motivated zoning [created many of these neighborhoods](#), and today's single-family zoning reinforces historical patterns of racial and income segregation, disproportionately harming Black and Latino communities.

AB 686 requires jurisdictions to analyze fair housing issues and to affirmatively further fair housing (AFFH) through their housing element. It's no longer permissible to allow relatively affordable housing to be built only in areas of socioeconomic disadvantage.

Below, we summarize AHLA's understanding of the AFFH requirements in relation to housing elements, specifically the site inventory and associated rezoning programs. HCD intends to release a technical assistance memo about AFFH requirements (Guidebook, pg. 9), and we will update our guidance after that memo is released.

Principal requirements for legal compliance

The new AFFH duty encompasses **analytic, programmatic, and procedural** requirements. Housing elements must analyze "available federal, state, and local data and knowledge to identify integration and segregation patterns and trends, racially or ethnically concentrated areas of poverty, disparities in access to opportunity, and disproportionate housing needs within the jurisdiction, including displacement risk." (Gov't Code 65583(c)(10)). The analysis must dig into causes as well as patterns (Gov't Code 65583(c)(10)(iii)).

AHLA will monitor housing elements to ensure that the fair housing analysis **acknowledges any publicly available data or reports about the history of overt racial or ethnic discrimination in the jurisdiction's housing and land development market**. This includes racial covenants, racially discriminatory lending, and the adoption of exclusionary zoning in response to actual or feared demographic change.

With respect to the site inventory and rezoning programs, a housing element must not concentrate opportunities for affordable housing development in areas of segregation or high poverty. Rather, "sites must be identified throughout the community in a manner that affirmatively furthers fair housing." (Guidebook, pg. 9). Additionally, the site inventory must not only include an analysis of site capacity to accommodate the RHNA target for each income level, "but also whether the identified sites serve the purpose of replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity" (pg. 6, AB 686 Summary).

The [TCAC/HCD Opportunity Area Maps](#), which characterize existing socioeconomic patterns at the census tract level, can be used to gauge compliance with this requirement. **AHLA will oppose housing elements that fail to accommodate at least a pro-rata portion of the lower-income RHNA in high-opportunity census tracts** (e.g. if 30% of a jurisdiction’s land area is located in high-opportunity tracts, then at least 30% of the lower-income RHNA should be allocated to such tracts.)

Regarding procedure, the jurisdiction “shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the program shall describe this effort.” (Gov’t Code 65583(c)(7)). Housing elements should not cater to the predominantly [wealthy, white, and homeownership populations that customarily dominate land-use policy forums](#).

Recommended best practices

Analysis: AHLA recommends that jurisdictions set up a public web portal to elicit studies and other information about the history of overt racial, ethnic, and socioeconomic discrimination in their community. This portal should go online at least one year prior to the target date for completing the draft housing element.

Programs: Particularly in communities with a history of discrimination and substantial racial or socioeconomic segregation, housing elements should go beyond the minimal duty not to further concentrate lower-income housing in disadvantaged areas. As the Guidebook explains (p. 9), jurisdictions should try to accommodate as much of the lower-income RHNA as possible on sites with:

- Proximity to transit
- Access to high performing schools and jobs
- Access to amenities, such as parks and services
- Access to health care facilities and grocery stores
- No need for environmental mitigation

A housing element must affirmatively “[a]ssist in the development of adequate housing to meet the needs of extremely low, very low, low, and moderate-income households” (Gov’t Code 65583(c)(2)). The AFFH program should use available public resources, including real estate transfer taxes, publicly owned land, and the potential for “super” density bonuses (in excess of those under state law) for projects with below-market-rate units. **Simply rezoning parcels to the density that state law deems suitable for affordable housing isn’t enough.**

Procedure: To overcome bias in patterns of public participation, jurisdictions should sample a random cross-section of the community (e.g., from voter or jury rolls), and elicit the respondents’ preferences and priorities regarding zoning and residential development. If response rates vary with demographic or geographic characteristics of respondents, the survey results should be reweighted accordingly so that they more accurately reflect the distribution of opinion within the community.

Additionally, when the jurisdiction takes public comment on its draft housing element, it should require commentators to provide their name and address. Comments from people whose name or address cannot be verified should be disregarded. Names should be matched to property tax records (to determine whether the commentator is a homeowner), and addresses should be matched to census tracts (to determine whether the commentator lives in a high-opportunity or low-opportunity neighborhood). If the pattern of participation proves to be demographically skewed, the jurisdiction should give less weight to the comments.

Part 5 - Findings Required if the Housing Element Assigns >50% of the Lower-Income RHNA Target to Nonvacant Sites

[See HCD's Site Inventory Guidebook](#), pg. 26-28 for citations and examples

If a housing element assigns more than 50% of the lower-income RHNA to nonvacant sites, the jurisdiction must make findings supported by “substantial evidence” that the sites’ existing uses are “likely to be discontinued during the planning period.” (Gov’t Code 65583.2(g)(2)).

This “findings requirement” should be approached with practical considerations in view. In communities where most sites have already been developed, there are real advantages to assigning the lower-income RHNA target to nonvacant sites. This tends to advance fair housing goals, as vacant sites in already-developed jurisdictions are likely to be concentrated in poor communities. Moreover, by spreading the RHNA target over a large number of sites, a jurisdiction hedges against the risk of unanticipated development barriers on any given site. Much as the prudent investor diversifies her portfolio of assets (rather than trying to pick a few “winning” stocks), the prudent jurisdiction plans to accommodate its RHNA target on a large and diverse portfolio of sites.

However, the Guidebook implies (pg. 26-28) that if a jurisdiction assigns more than 50% of its lower-income RHNA to nonvacant sites, the jurisdiction must make findings about the discontinuation of existing uses **for each individual site**. This becomes increasingly impractical as the number of sites grows. As such, it could discourage jurisdictions from pursuing prudent, diversified strategies for site capacity and fair housing compliance.

Principal requirements for legal compliance

It’s not yet clear what courts will deem sufficient to satisfy the “findings requirement”. To encourage diversification, AHFA endorses [Monkkonen et al.’s proposal](#) to interpret “likely to be discontinued” to mean “more likely to be discontinued than the development probability claimed for the site.” Since redevelopment **by definition** requires discontinuation of the current use, the findings requirement should be deemed satisfied if:

- The housing element discounts inventory sites’ “net new units if developed” by the likelihood of development, using factors supported by substantial evidence, and

- The aggregate realistic capacity of the housing element's lower-income inventory sites equals or exceeds the RHNA target.

In a recent [webinar](#), HCD presenters interpreted "likely to be discontinued" to mean "a greater than 50% chance of being discontinued." Though different from Monkkonen et al.'s approach, this interpretation is also reasonable. However, it may unnecessarily hinder the distribution of the lower-income RHNA to nonvacant sites, particularly if site-specific discontinuation-of-use findings are required.

Recommended best practices

To the extent that jurisdictions adopt the "greater than 50%" interpretation, AHLA encourages jurisdictions to use statistical methods to justify the requisite findings, at least for housing elements that rely on large numbers of nonvacant sites.

For example, a jurisdiction or its Council of Governments could survey a random sample of owners of nonvacant sites, asking whether they intend to discontinue their current use during the next eight years. If 40% of the site owners answer affirmatively, the jurisdiction could assume that 40% of its nonvacant inventory sites satisfy the "existing uses are likely to be discontinued" condition. The housing element's nonvacant site capacity (for lower-income housing) would be deemed sufficient if the jurisdiction's lower-income RHNA could realistically be accommodated on 40% of such sites, chosen at random from the inventory. This is a way for jurisdictions to comply with the statutory findings requirement while employing a large, diversified portfolio of inventory sites.

Part 6 - Forecasts of ADU Development and Credits for Anticipated Production

See [HCD's Site Inventory Guidebook](#), pg. 30-32 for citations and examples

Local jurisdictions frequently use overly optimistic estimates of ADU capacity and future production to avoid necessary housing reform and rezoning. ADU development estimates must reflect actual on-the-ground conditions to ensure that they are realistic. This will maximize the likelihood that ADUs will be built to the level forecasted in the housing element update.

Principal requirements for legal compliance

Housing element law and the Guidebook allow jurisdictions to count anticipated ADU production on non-inventory sites toward the jurisdiction's RHNA target. The analysis of ADU capacity must be "based on the number of accessory dwelling units developed in the prior housing element planning period," and "other relevant factors." (Gov't Code 65583.1).

Fundamentally, the assessment of ADU capacity is no different from the assessment of capacity for any other type of housing. The ultimate question is: **what is the realistic housing production yield that can be anticipated during the planning period?** The answer depends

on the number of sites, the sites' likelihood of development, and the number of units likely to be built on each site in the event of development.

To that end, the Guidebook establishes two safe harbors for forecasting ADU production during the 6th Cycle (pg. 31). One option is to project forward the local trend in ADU construction since January 2018. The other, for use when no other data is available, assumes ADU production at five times the local rate of production prior to 2018. Jurisdictions are also permitted to use trends from regional production of ADUs, and include programs that aggressively promote and incentivize ADU and JADU construction.

The housing element "should also include a monitoring program that a) tracks ADU and JADU creation and affordability levels, and b) commits to a review at the planning cycle midpoint to evaluate if production estimates are being achieved." (pg. 31). "Depending on the finding of that review, amendments to the housing element may be necessary, including rezoning pursuant to Government Code 65583.2 (h) and (i)." (pg. 31). This provides a fail-safe in the event that ADU development falls short of forecasted production by the midpoint of the planning cycle.

Recommended best practices

Jurisdictions should clearly explain their methodology and data sources for forecasting ADU development. The data and models should be shared publicly online.

A housing element's provision for mid-cycle adjustment should be feasible to implement at the midpoint of the cycle. Rezoning is generally a multiyear process, often involving extensive CEQA review and litigation. Rezoning initiated at the midpoint may result in little (if any) new zoned capacity during the planning period.

AHLA therefore recommends that jurisdictions proactively plan for the possibility of an ADU shortfall by either:

- Providing in the housing element for by-right density bonuses on inventory sites, which would become automatically available mid-cycle if the ADU target is not met, or
- Completing a fallback rezoning during the first half of the cycle, which would take effect at mid-cycle if the ADU target is not met.

Given the choice between these two approaches, we recommend the first one. It is more transparent and predictable, and it also avoids wasting resources on a rezoning program that may never be adopted.

The density bonus should be large enough, and apply to enough parcels, to fully make up for any ADU production shortfall. For example, if the parcels designated for the bonus have realistic capacity under current zoning of 5,000 units (in the aggregate), and the ADU production shortfall during the first half of the cycle was 1,000 units, the "make up" density bonus would entitle developers to 20% (1,000 / 5,000) more density on each inventory site than the zoning

otherwise allows. To ensure that use of the bonus is economically feasible, no below-market-rate requirements should attach to it.

Part 7 - No Net Loss

See HCD's [Site Inventory Guidebook](#), pg. 22, and HCD's [No Net Loss Law Memo, November 2019](#) for citations and examples

California's No Net Loss law requires jurisdictions to maintain adequate site capacity throughout the planning period. Gov't Code 65863. SB 166 (2017) amended this law to require maintenance of site capacity **by income category**, not just in the aggregate.

Principal requirements for legal compliance

If a jurisdiction downzones a site inventory parcel, or approves a project with fewer units at the targeted affordability level than the housing element planned to accommodate on the site, then the jurisdiction must ensure that it has enough remaining inventory capacity to accommodate the remaining unmet RHNA target at that affordability level (Guidebook, pg. 22). If additional sites with adequate zoned capacity don't exist, the jurisdiction must rezone enough sites to accommodate the remaining unmet RHNA within 180 days. A failure to rezone within this window may result in decertification of the housing element and legal action.

Recommended best practices

Six months is a small window of time for rezoning, and likely sets the stage for a messy, rushed process that results in suboptimal housing policy and litigation risk. To avoid this situation, jurisdictions should take proactive steps when creating their housing element to ensure adequate site capacity throughout the planning period. AHLA endorses HCD's recommendation that jurisdictions "create a **buffer in the housing element inventory of at least 15-30%** more capacity than required, especially for capacity to accommodate the lower income RHNA." (Guidebook, pg. 22).

Part 8 - What If the RHNA Target is Not Realistic?

Having realistically assessed site capacity and potential ADU production, and having developed a housing element that meets AFFH and No Net Loss Law requirements, a jurisdiction may still conclude that the RHNA target itself is unachievable or unrealistic. What then?

We must distinguish two senses in which the RHNA target may be unrealistic. First, it could be practically impossible for the jurisdiction to achieve its targets by income bin without "expend[ing] local revenues for the construction of housing, housing subsidies, or land acquisition." (Gov't Code 65589.9(a)). Second, it could be practically impossible for the jurisdiction to provide sufficient capacity to achieve the aggregate target, without regard to affordability levels, owing to a lack of demand for housing, high-value existing uses, or construction costs that are high for reasons beyond the jurisdiction's control.

In the first scenario, the jurisdiction's problem is more apparent than real. This is because the law allows sites to be counted toward the lower-income target if they are zoned to allow certain densities (30 units per acre in metropolitan counties), regardless of whether market-rate units are more likely than subsidized units to be constructed on the sites (Gov't Code 65583.2(c); Guidebook, pg. 13). To achieve minimum legal compliance, the jurisdiction just needs to zone at the stipulated density and include a capacity buffer for ongoing compliance with No Net Loss law. The same goes for moderate-income housing. Statutory densities deemed adequate for lower-income housing are adequate for moderate-income housing too. (Of course, AHLA expects jurisdictions to both zone for **and** fund subsidized affordable housing. Local funding sources and other incentives, like density bonus programs, can ensure that lower-income housing is actually built; see pg. 8 of this memo.)

In the second scenario, where weak demand or unavoidably high construction costs make it impractical to provide sufficient site capacity, the jurisdiction may be able to achieve compliance by assigning its RHNA target to vacant sites and using HCD's safe harbor for counting vacant sites at their minimum zoned density, regardless of likelihood of development (Guidebook, pg. 19). Alternatively (and preferably) the jurisdiction could comply by committing through its housing element to aggressive rezoning and constraint removal programs, with the goal of creating as much realistic capacity as is feasible.

Concurrently, the jurisdiction would set "quantified objectives" for housing production in each income bin, commensurate with its rezoning and constraint removal programs. These quantified objectives may be smaller than the RHNA targets. (See Gov't Code 65583(b)(2): "[if] total housing needs ... exceed available resources and the community's ability to satisfy this need ..., the quantified objectives need not be identical to the total housing needs"). However, a jurisdiction should never set quantified objectives below its RHNA targets without exhausting all practicable options for increasing housing production during the planning period. AHLA will carefully monitor jurisdictions' use of the quantified objectives proviso.