

**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
- (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.