



# StanCOG Cycle 6 RHNA HCD Consultation Package

## 1 OVERVIEW

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The purpose of this memo is to provide HCD with demographic and housing-market inputs it may use in its final determination of Stanislaus County's regional housing need. In doing so, this memo will meet the requirements of California State statute 65584.01.b.1.

In this memo:

- We determine that state statute requires HCD to use StanCOG's regional forecast, prepared by the University of the Pacific (UOP) for Stanislaus County's upcoming RTP/SCS.
- We determine that UOP's household forecast exceeds the Department of Finance (DOF) forecast, driven by differences in the two forecasts' underlying assumptions and modeling techniques. We recommend applying some of DOF's assumptions (particularly its headship rates) to UOP's population forecast. This will ensure that any household-forecast inputs to the final determination of regional housing need aligns with the UOP population forecast.
- We identify Stanislaus County's peer regions and review vacancy, overcrowding, and cost-burden rates among those peers as a way of approximating healthy housing-market performance. We find:
  - Stanislaus County's 2019 vacancy rate is 1.6%, while peer markets achieve 3.2% average vacancy. HCD is firm about its preference to use a 5% vacancy assumption, and we do not request a variance from that.
  - Stanislaus County underperforms its peers and the nation on overcrowding. Roughly 3.6 percentage points more households are overcrowded in Stanislaus County than in peer markets and nationwide. Therefore, we recommend HCD continue using national benchmarks for overcrowding rates in its final determination of regional housing need.
  - Stanislaus County underperforms its peers and the nation on housing cost burden. The differences between the county's performance relative to peers and relative to the nation as a whole are very similar. Therefore, we recommend HCD continue using national benchmarks for cost burden in its final determination of regional housing need.
  - Stanislaus County lost 13 housing units during a state declared emergency pursuant to the California Emergency Services Act during the planning period immediately preceding the relevant RHNA revision. These 13 lost units fall within HCD's 0.5% housing unit replacement rate assumption. Therefore, we recommend HCD simply retain its existing replacement rate assumption.

## 2 COMPARISON OF DEPARTMENT OF FINANCE AND UNIVERSITY OF THE PACIFIC POPULATION AND HOUSEHOLD FORECASTS

### 2.1 POPULATION

The University of the Pacific (UOP) developed a population forecast for Stanislaus County in 2021 to be used in the preparation of StanCOG’s upcoming regional transportation plan. UOP forecasts that the county’s population will grow from roughly 560,000 in 2020 to over 610,000 by 2031, the end of the 6th RHNA cycle. It forecasts faster growth in the early 2020s than the California Department of Finance (DOF) forecast, but slower growth in the late 2020s.

California State statute 65884.01.a states, “If the total regional population forecast for the projection year, developed by the council of governments and used for the preparation of the regional transportation plan, is within a range of 1.5 percent of the total regional population forecast for the projection year by the Department of Finance, then the population forecast developed by the council of governments shall be the basis from which the department determines the existing and projected need for housing in the region.” UOP’s population forecast meets that criteria, remaining within 1.5% of DOF’s forecast throughout the forecast period through 2031.

#### Recommendation

*To maintain consistency with the 2022 RTP/SCS and state statute, we request that HCD use the University of the Pacific population forecast rather than the DOF population forecast as an input to StanCOG’s determination of housing need.*

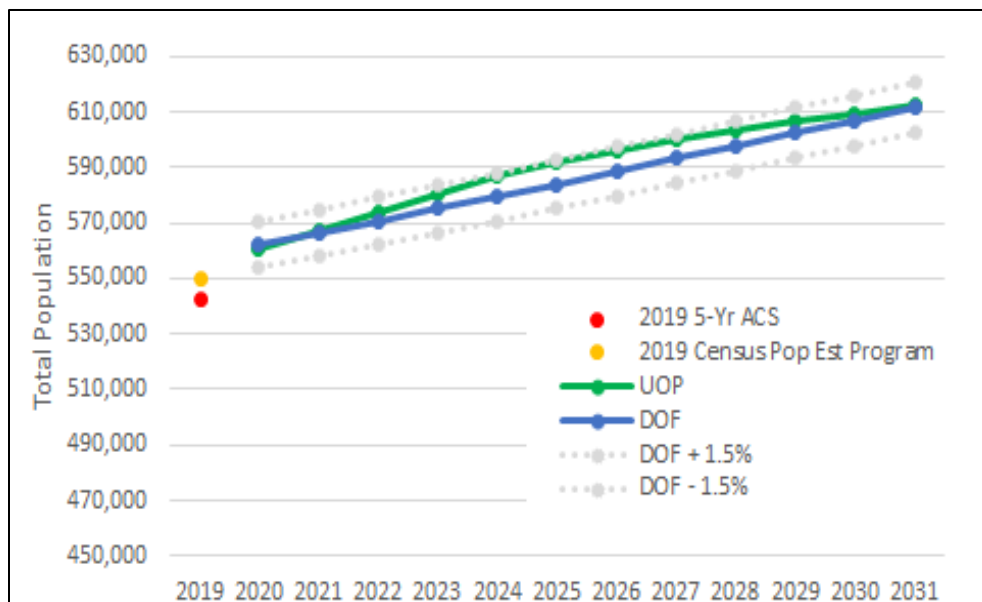


Figure 1. Population forecast comparison chart

Sources: CA DOF population forecast for Stanislaus County; University of the Pacific’s population forecast for Stanislaus County; US Census Bureau’s 2019 population estimate; 2019 5-year ACS population estimate for Stanislaus County.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
DOF Pop. Forecast	562,303	566,399	570,756	575,044	579,488	584,055	588,535	593,163	597,785	602,394	606,900	611,531
UOP Pop. Forecast	560,580	567,329	573,525	580,488	586,755	592,113	596,430	600,004	603,301	606,511	609,577	612,611

Table 1. Population forecast comparison table

Sources: CA DOF population forecast for Stanislaus County; University of the Pacific’s population forecast for Stanislaus County

## HOUSEHOLDS

UOP’s household forecast exceeds DOF’s household forecast throughout the forecast period, surpassing even  $\pm 1.5\%$  margins. Differences in the forecasts’ underlying assumptions cause this divergence, as explored below.

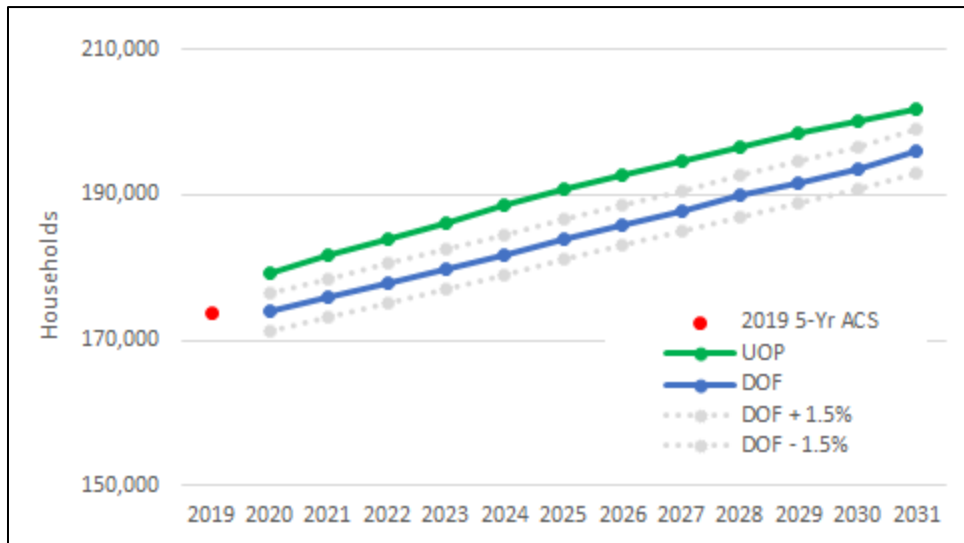


Figure 2. Household forecast comparison chart

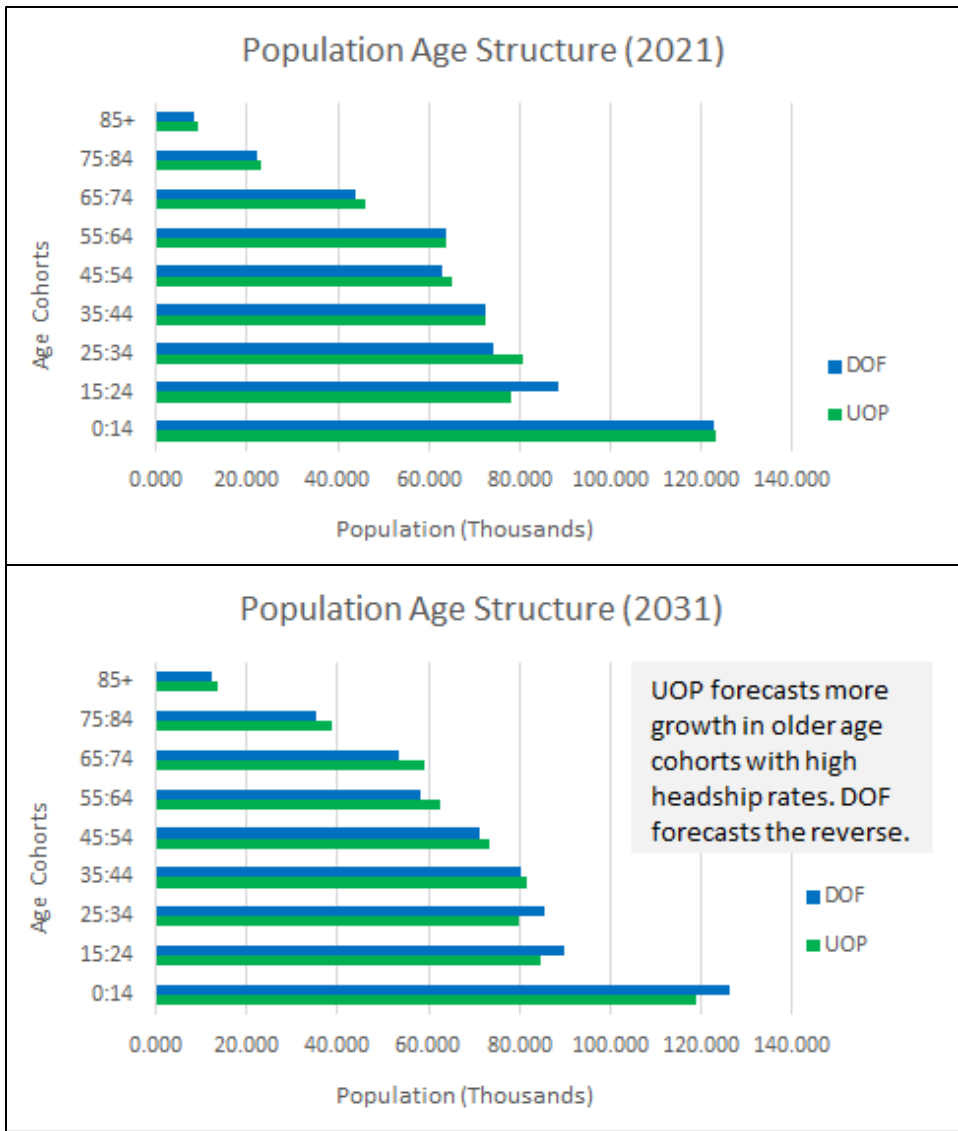
Sources: CA Department of Finance household forecast for Stanislaus County; University of the Pacific’s household forecast for Stanislaus County; US Census Bureau’s 2019 5-year ACS household estimate for Stanislaus County.

### 2.1.1 Differences in Forecasted Population Age Structure

UOP provided its forecasted population counts by age cohort, allowing for a direct comparison of the UOP and DOF forecasts’ population age structures over time. UOP forecasts greater population growth among elderly age cohorts than DOF and smaller population growth among younger age cohorts than DOF. Because elderly people tend to have higher headship rates than young people, UOP’s prediction of accelerated elderly population growth raises its

household forecast, especially as the forecast period progresses. These different age structures stem from upstream differences in assumptions about birth, death, and migration rates.

Visual comparisons of UOP and DOF population age cohorts appear in the charts below. Also, at the request of representatives from HCD, we include a table of 2031 population age cohorts for the UOP forecast.



Figures 3 & 4. Population age structure comparison charts, 2021 and 2031.

Age Cohort	0 to 14	15 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 to 84	85+
UOP Pop. Forecast (2031)	118,764	84,769	79,872	81,737	73,527	62,709	59,033	38,620	13,581

Table 2. Stanislaus County population age cohorts on Dec. 31, 2031, via UOP. Requested by HCD representatives.

Sources: CA Department of Finance population forecast for Stanislaus County; University of the Pacific's population forecast for Stanislaus County

### 2.1.2 Differences in Average Household Size

UOP could not provide StanCOG with exact data on average household size because UOP does not break out counts of the group-quarters population over time. This prevents UOP from being able to calculate the average household size excluding the group-quarters population.

In light of this obstacle, we estimated UOP’s average household size by:

- Assuming a static group quarters population throughout the forecast period (based on existing ACS counts).
- Subtracting the group quarters population from the total population, yielding household population over time.
- Dividing the household population by the forecasted number of households.

We estimated that UOP’s average household size (3.1 people) in 2021 is roughly 0.1 persons per household lower than DOF’s average household size (3.2 people) in 2021. This difference appears small. However, considering that single point in time—2021, the start of the forecast period—we approximate that this difference increases UOP’s household forecast by roughly 5,000 households relative to DOF’s forecast. In other words, not controlling for other factors, the difference between DOF’s and UOP’s household-size assumptions alone likely account for much of the difference in the household forecasts at the start of the forecast period.

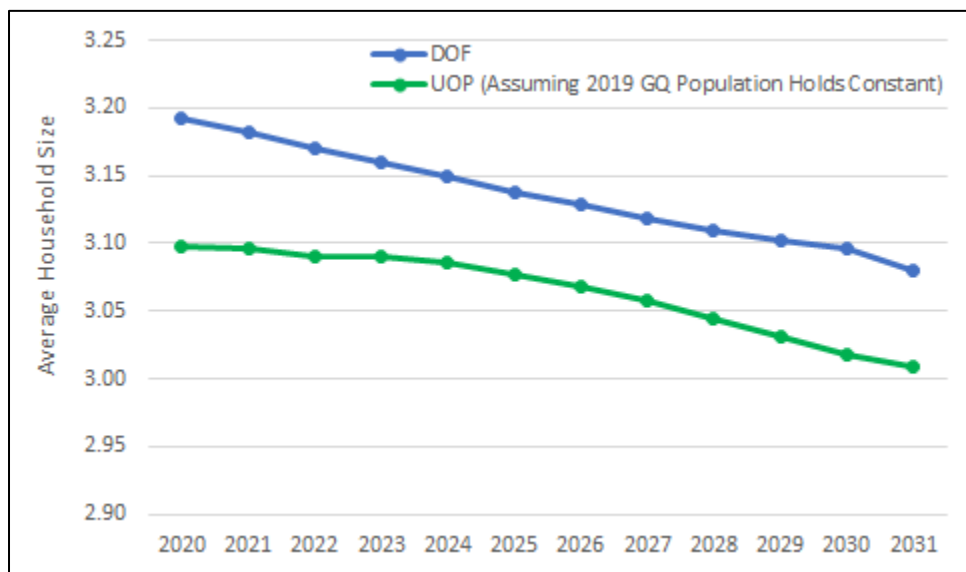


Figure 5. Persons per household comparison chart.

Sources: CA Department of Finance population forecast for Stanislaus County; University of the Pacific’s population forecast for Stanislaus County; US Census Bureau’s 2019 5-year ACS group-quarters population estimate for Stanislaus County

### 2.1.3 Differences in Headship Rates

UOP could not provide exact data on its forecasted headship rates (i.e. household formation rates) for several reasons. UOP's REMI economic model forecasts households based on each individual person's likelihood of being a householder. This differs from DOF's approach of using age-race cohorts' headship rates to forecast the number of households. UOP provided us with what it termed "partial headship rates" by age-race cohort, but advised against comparing those post-hoc estimates with true headship rates. Once again, a key concern was the inability to separate the group quarters and household populations before estimating those headship rates.

We are unable to further address the incompatibility of UOP and DOF's headship rates to allow for further analysis. However, one way to still combine insights from the two forecasts and ensure consistency between the population and household data used in the final determination of regional housing need would be to apply DOF's known headship rates to UOP's population forecast.

#### **Recommendation**

***We request that HCD use California Department of Finance household formation rates applied to the University of the Pacific population forecast referenced above to generate total household growth assumptions for StanCOG's regional determination of housing need.***

## 2.2 COMPARISON OF STANISLAUS COUNTY AND PEER REGIONS: VACANCY RATES, OVERCROWDING, AND COST BURDEN

Comparing Stanislaus County's housing-market performance with that of peer regions sheds light on what performance is typical and healthy, and whether Stanislaus County is atypical in the housing outcomes its residents experience.

We selected Stanislaus County's peer regions by using the following criteria to narrow down US Census data on all US cities and counties:

- Non-California counties with similar total populations to Stanislaus County (between 200,000 to 800,000 people)
- That contain a major city of with a similar population to Modesto (between 50,000 to 350,000 people)
- That have an agriculture or natural-resources economic base (2-10% of jobs are in NAICS Code 11)
- That are not experiencing population decline

We identified the following peer cities. Most other peers that appear highly similar to Stanislaus County on these metrics are Californian counties in the Central Valley or Greater Bay Area (e.g. San Joaquin County, Yolo County, Sonoma County), which helps to validate this approach.

MAJOR CITY	COUNTY	COUNTY POP	CITY POP	NAICS 11 JOBS (%)
Modesto, CA	Stanislaus County	543,194	212,616	6.8%
Greeley, CO	Weld County	305,345	105,888	3.7%
Medford, OR	Jackson County	216,574	81,145	3.2%
Bellingham, WA	Whatcom County	220,821	88,764	3.4%
Nampa, ID	Canyon County	217,633	93,952	4.5%
Bradenton, FL	Manatee County	384,213	56,551	3.9%
Casa Grande, AZ	Pinal County	432,793	55,653	3.8%
Las Cruces, NM	Dona Ana County	216,069	102,102	3.4%

Table 3. Summary of Stanislaus County and peer regions.

Source: 2019 5-year ACS estimates and 2018 LEHD counts

## 2.3 VACANCY RATE

Using HCD’s preferred method for calculating vacancy rates from 5-year ACS occupancy data, Stanislaus County’s 2019 vacancy rate is 1.6%. The county’s peer regions achieve a slightly higher average vacancy rate of 3.2%. This finding masks considerable variation in vacancy rates over time and across geographies. The chart below shows that a subset of peer markets either currently achieve 5% or higher vacancy rates or did so within the past decade.

### **Recommendation**

*Peer regions currently exhibit a 3.2% average vacancy rate. However, we understand that HCD is unwilling to waver from its assumption of 5% as a proxy for a healthy housing market. As such, we are not requesting a change to the vacancy adjustments to Stanislaus County’s final determination of housing need.*



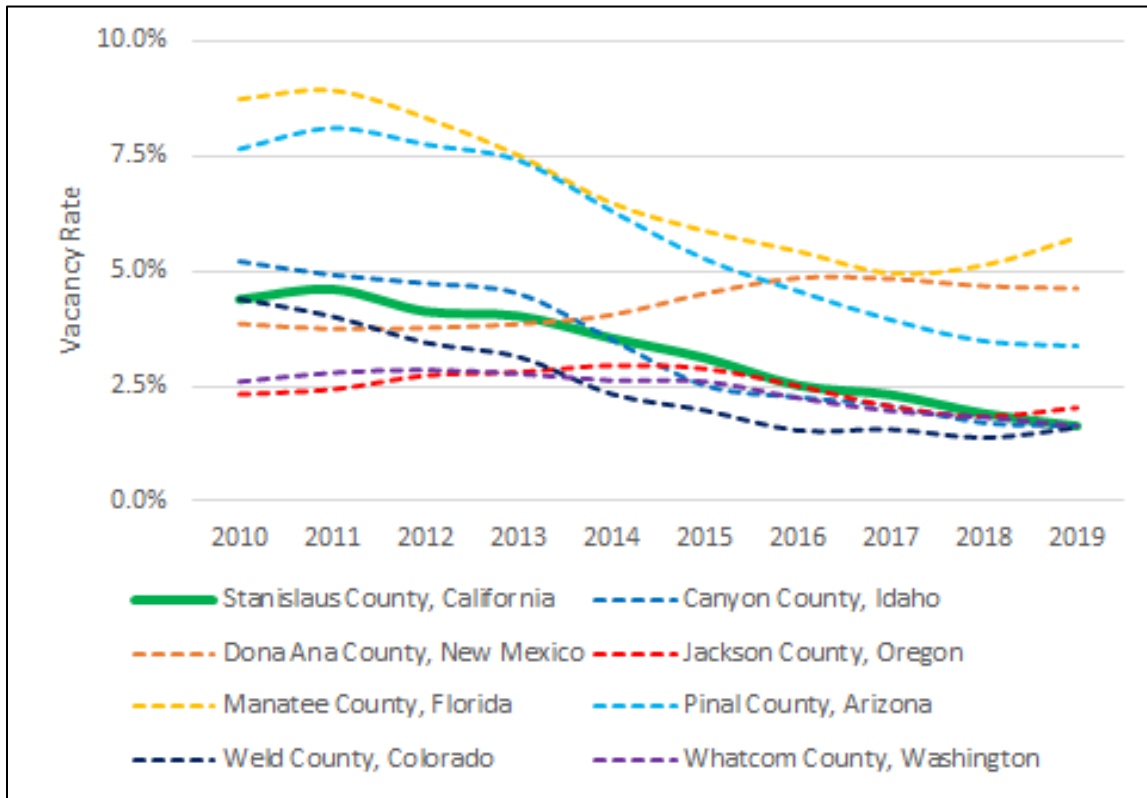


Figure 6. Vacancy rates over time for peer cities.

Source: 2010-2019 5-year ACS estimates. (Vacancy was estimated using the same categories and calculations as used in HCD’s Draft Determination, excluding a number of technically vacant properties from the numerator, for example, vacant seasonal homes.)

### 2.3.1 Overcrowding Rate

Stanislaus County performs worse than its peers when it comes to overcrowding. On average, 5.0% of low-income households in peer markets experience overcrowding. That number falls to 1.8% for moderate- and high-income households. These rates are lower than the rate of overcrowding experienced by Stanislaus County households: 9.3% for low-income households and 4.9% for moderate- and high-income categories. When we do not break the data down by income or tenure, we find that Stanislaus County’s overall overcrowding rate is 6.7%, whereas for peer markets it is 3.1%.

#### Recommendation

*The difference between the rates of overcrowding in Stanislaus County and for its peers is equal to the difference between Stanislaus County and the nation as a whole. As such, we request that HCD **continue to use the 3.6% national benchmark** overcrowding rate used as an overcrowding adjustment in HCD’s draft determination of housing need for Stanislaus County.*



	Owners		Renters		Total (Includes both owners and renters)			Difference (Between total overcrowding in Stanislaus & comparison areas)	
	A	B	C	D	E	F	G	H	I
	Stanislaus County	Peer Regions	Stanislaus County	Peer Regions	Stanislaus County	Peer Regions	Nation (From HCD)	Stanislaus & Peers (E minus F)	Stanislaus & Nation (E minus G)
Low-Income Overcrowding	5.1%	3.0%	11.8%	7.1%	9.3%	5.0%	Not needed by HCD	4.3%	Not needed by HCD
Moderate- and High-Income Overcrowding	4.0%	1.3%	7.2%	3.7%	4.9%	1.8%		3.1%	
All Income Categories	4.2%	1.9%	9.9%	5.8%	6.7%	3.1%	3.1%*	3.6%	3.6%**

Table 4. Comparison table of overcrowding in Stanislaus County, peer regions, and nationwide

Source: 2013-2017 HUD CHAS for Stanislaus County and Peer Regions, Table 3

\* This value was calculated by subtracting Column I (which was provided by HCD) from Column E

\*\*This value was provided by HCD in its draft determination of Stanislaus County’s housing need

Note: This table’s percentages of overcrowded households do not include housing units that lack basic plumbing and kitchen facilities. This is an artifact of HUD’s data summarization method, rather than a decision by StanCOG data analysts.

### 2.3.2 Cost Burden Rate

Stanislaus County performs worse than both peer regions and the nation as a whole when it comes to housing cost burden. On average, low-income cost burden is 58.3% and moderate and high income cost burden is 10.1% among Stanislaus County’s peer regions. These rates are considerably less than the rates exhibited by Stanislaus County, where 72.7% of low income households are cost burdened and 14.0% of moderate- and high-income households are cost burdened.

**Recommendation**

*As shown in the table below, the difference between the cost burden rates in Stanislaus County and its peer regions is similar to the difference between cost burden rates in Stanislaus County and nationwide. The latter difference was used in the Overpayment Adjustment to StanCOG’s draft determination of housing need.*

*Given close agreement between the averages exhibited by peer regions and the national average, **we request that HCD continue to use the national benchmark** used to adjust for cost burden in HCD’s draft determination of housing need for Stanislaus County.*

	Owners		Renters		Total (Includes both owners & renters)			Difference (Between total cost burden in Stanislaus & comparison areas)	
	A	B	C	D	E	F	G	H	I
	Stanislaus County	Peer Regions	Stanislaus County	Peer Regions	Stanislaus County	Peer Regions	Nation (From HCD)	Stanislaus & Peers (E minus F)	Stanislaus & Nation (E minus G)
Low-Income Cost Burden	63.5%	49.7%	78.1%	67.8%	72.7%	58.3%	59.4%*	14.4%	13.3%**
Moderate- and High-Income Cost Burden	14.4%	9.8%	13.0%	11.1%	14.0%	10.1%	9.7%*	3.9%	4.3%**

*Table 5. Comparison table of cost burden in Stanislaus County, peer regions, and nationwide*

*Source: 2013-2017 HUD CHAS data for Stanislaus County and peer regions*

*\* These values were calculated by subtracting Column I (which was provided by HCD) from Column E*

*\*\*These values were provided by HCD in its draft determination of Stanislaus County’s housing need*

*Note: Low-income cost burden includes all households making 80% or less than the area’s median household income, moderate- and high-income cost burden is for remaining households earning above that income threshold.*

**2.4 OTHER RELEVANT DATA: LOSS OF HOUSING UNITS TO STATE DECLARE EMERGENCIES**

Stanislaus County lost 13 housing units during a state declared emergency 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 RHNA revision. To our knowledge, these units have yet to be rebuilt or replaced.

**Recommendation**

*The 13 lost housing units highlighted above is well within the 0.5% annual housing replacement rate currently used by HCD to estimate loss of housing through obsolescence and state declared emergencies. Thus, we request that HCD continue to use this replacement rate and that no additional replacement adjustments be made to StanCOG's regional determination of need.*