



# **AGENDA**

## **REGULAR MEETING**

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### **CLAYTON CITY COUNCIL and CLAYTON SUCCESSOR & SUCCESSOR HOUSING AGENCIES**

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**TUESDAY, January 5, 2021**

**7:00 P.M.**

### **\*\*\* NEW LOCATION\*\*\***

*This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19 and the Governor's Executive Orders N-25-20 and N-29-20 that allow members of the City Council, City staff and the public to participate and conduct a meeting by teleconference, videoconference or both. In order to comply with public health orders, the requirement to provide a physical location for members of the public to participate in the meeting has been suspended.*

**Mayor:** Carl Wolfe  
**Vice Mayor:** Peter Cloven

#### **Council Members**

Jim Diaz  
Holly Tillman  
Jeff Wan

- A complete packet of information containing staff reports and exhibits related to each public item is available for public review on the City's website at [www.ci.clayton.ca.us](http://www.ci.clayton.ca.us)
- Agendas are posted at: 1) City Hall, 6000 Heritage Trail; 2) Library, 6125 Clayton Road; 3) Ohm's Bulletin Board, 1028 Diablo Street, Clayton; and 4) City Website at [www.ci.clayton.ca.us](http://www.ci.clayton.ca.us)
- Any writings or documents provided to a majority of the City Council after distribution of the Agenda Packet and regarding any public item on this Agenda is available for review on the City's website at [www.ci.clayton.ca.us](http://www.ci.clayton.ca.us)
- If you have a physical impairment that requires special accommodations to participate, please call the City Clerk's office at least 72 hours in advance of the meeting at (925) 673-7300.

## Instructions for Virtual City Council Meeting – January 5

To protect our residents, officials, and staff, and aligned with the Governor’s executive order to Shelter-at-Home, this meeting is being conducted utilizing teleconferencing means consistent with State order that that allows the public to address the local legislative body electronically.

To follow or participate in the meeting:

1. **Videoconference:** to follow the meeting on-line, click here to register:

[https://us02web.zoom.us/webinar/register/WN\\_8HF1fp4OTkOe8pBgW7LSHQ](https://us02web.zoom.us/webinar/register/WN_8HF1fp4OTkOe8pBgW7LSHQ)

After clicking on the URL, please take a few seconds to submit your first and last name, and e-mail address then click “Register”, which will approve your registration and a new URL to join the meeting will appear.

**Phone-in:** Once registered, you will receive an e-mail with instructions to join the meeting telephonically, and then dial Telephone: 877 853 5257 (Toll Free)

2. using the *Webinar ID* and *Password* found in the e-mail.

**E-mail Public Comments:** If preferred, please e-mail public comments to the City Clerk, Ms. Calderon at [icalderon@ci.clayton.ca.us](mailto:icalderon@ci.clayton.ca.us) by 5 PM on the day of the City Council meeting. All E-mail Public Comments will be forwarded to the entire City Council.

For those who choose to attend the meeting via videoconferencing or telephone shall have 3 minutes for public comments.

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### Location:

Videoconferencing Meeting (this meeting via teleconferencing is open to the public)

To join this virtual meeting on-line click here:

[https://us02web.zoom.us/webinar/register/WN\\_8HF1fp4OTkOe8pBgW7LSHQ](https://us02web.zoom.us/webinar/register/WN_8HF1fp4OTkOe8pBgW7LSHQ)

To join on telephone, you must register in the URL above, which sends an e-mail to your inbox, and then dial (877) 853-5257 using the *Webinar ID* and *Password* found in the e-mail.

**\* CITY COUNCIL \***  
**January 5, 2021**

1. **CALL TO ORDER AND ROLL CALL** – Mayor Wolfe.

2. **PLEDGE OF ALLEGIANCE** – led by Councilmember Diaz.

3. **CONSENT CALENDAR**

*Consent Calendar items are typically routine in nature and are considered for approval by one single motion of the City Council. Members of the Council, Audience, or Staff wishing an item removed from the Consent Calendar for purpose of public comment, question, discussion or alternative action may request so through the Mayor.*

(a) Approve the minutes of the City Council's regular meeting of December 15, 2020.  
(City Clerk) ([View Here](#))

4. **RECOGNITIONS AND PRESENTATIONS** – None.

5. **REPORTS**

- (a) Planning Commission – Report of December 22, 2020 meeting.
- (b) Trails and Landscaping Committee – No meeting held.
- (c) City Manager/Staff
- (d) City Council - Reports from Council liaisons to Regional Committees, Commissions and Boards.

6. **PUBLIC COMMENT ON NON - AGENDA ITEMS**

*Members of the public may address the City Council on items within the Council's jurisdiction, (which are not on the agenda) at this time. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the Mayor's discretion. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Council may respond to statements made or questions asked, or may at its discretion request Staff to report back at a future meeting concerning the matter.*

*Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed when each item is considered by the City Council.*

7. **PUBLIC HEARINGS** – None.

**8. ACTION ITEMS**

- (a) City Council request to discuss drafting a letter to California State Department of Housing and Community Development (HCD) and to the Association of Bay Area Government (ABAG) regarding the allocation of 441,176 Housing Units. (Community Development Director) ([View Here](#))
- (b) Housing legislation and impact to City report. (Community Development Director) ([View Here](#))

**9. COUNCIL ITEMS – limited to Council requests and directives for future meetings.**

**10. CLOSED SESSION – None.**

**11. ADJOURNMENT**

The next regularly scheduled meeting of the City Council will be January 19, 2021.

# # # # #

**\* CLAYTON SUCCESSOR and SUCCESSOR HOUSING  
AGENCIES \***

**January 5, 2021**

**1. CALL TO ORDER AND ROLL CALL – Chairman Wolfe.**

**2. CONSENT CALENDAR**

*Consent Calendar items are typically routine in nature and are considered for approval by the Board with one single motion. Members of the Board, Audience or Staff wishing an item pulled from the Consent Calendar for purpose of public comment, question or discussion may request so through the Chair.*

- (a) Approve the minutes of the regular meeting of December 18, 2018.(Secretary)  
([View Here](#))
- (b) Adopt a Resolution to Approve and Adopt the Recognized Obligation Payment Schedule for the Year Ending June 30, 2022 (ROPS 2021-2022), Pursuant to the Dissolution Act. (Finance Director) ([View Here](#))

**3. PUBLIC COMMENT ON NON - AGENDA ITEMS**

*Members of the public may address the Board on items within the Board's jurisdiction, (which are not on the agenda) at this time. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the Chair's discretion. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Board may respond to statements made or questions asked, or may at its discretion request Staff to report back at a future meeting concerning the matter.*

*Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed when each item is considered by the Board.*

**4. PUBLIC HEARINGS – None.**

**5. ACTION ITEMS – None.**

**6. BOARD ITEMS – limited to requests and directives for future meetings.**

**7. ADJOURNMENT – the next regular Successor Agency meeting will be scheduled as needed.**

# # # # #

**MINUTES  
OF THE  
REGULAR MEETING  
CLAYTON CITY COUNCIL**

**TUESDAY, December 15, 2020**

1. **CALL TO ORDER THE CITY COUNCIL** – The meeting was recalled to order at 7:00 p.m. by Mayor Wolfe on a virtual web meeting and telephonically (877) 853-5257. Councilmembers present: Mayor Wolfe, Vice Mayor Cloven, and Councilmembers Diaz, Tillman, and Wan. Councilmembers absent: None. Staff present: City Manager Reina Schwartz, Community Development Director Matthew Feske, Assistant to the City Manager Laura Hoffmeister, City Attorney Mala Subramanian, and City Clerk/HR Manager Janet Calderon.

2. **PLEDGE OF ALLEGIANCE** – led by Councilmember Diaz.

3. **CONSENT CALENDAR**

Councilmember Diaz requested a future item in establishing a procedure for purchasing gifts for outgoing Councilmembers.

Councilmember Wan also requested the City Attorney to research the limitations on the use of Public Funds for such items.

**It was moved by Vice Mayor Cloven, seconded by Councilmember Wan, to approve the Consent Calendar items 3(a) – 3(e) as submitted. (Passed 5-0; vote).**

- (a) Information Only – No Action Requested.
1. Notification by Contra Costa Water District (CCWD) of its public hearing on January 6, 2021 to consider annual rate increase of up to 3.75%. (Assistant to the City Manager)
  2. Contra Costa County Library's announcement of its holiday closures for operation of the Clayton Community Library in 2021. (Assistant to the City Manager)
- (b) Approved the minutes of the City Council's regular meeting of December 1, 2020. (City Clerk)
- (c) Approved the Financial Demands and Obligations of the City. (Finance)
- (d) Adopted Resolution No. 59-2020 the Public Records Retention Schedule. (City Clerk)
- (e) Confirmed Mayoral Reappointment of Peggie Howell to the Board of Trustees Contra Costa Mosquito and Vector Control District as Clayton's representative for the term January 1, 2021 to December 31, 2022.

Mayor Wolfe welcomed new City Manager Reina Schwartz.

City Manager Schwartz stated she is delighted to serve the City Council and the City of Clayton.

4. **RECOGNITIONS AND PRESENTATIONS** – None.

5. **REPORTS**

- (a) Planning Commission – Commissioner Bassam Altwal stated at the Commission's meeting of December 8, 2020, there was a Public Hearing to Review and Consider the Eighteen Residential-Lot Planned Development Project Initial Study/Mitigated Negative Declaration, Zoning Map Amendment, Vesting Tentative Residential Subdivision Map, Development Plan, and Tree Removal Permit located on Mitchell Canyon Road. The Planning Commission recommended approval 3-1 to the City Council.

- (b) Trails and Landscaping Committee – No meeting held.

- (c) City Manager/Staff

City Manager Reina Schwartz announced County Connection will be holding a Public Hearing in January regarding a possible reduction in service. Clayton City Hall remote services closures will take place December 24, 2020 through January 1, 2021. Offices are currently closed to in-person services due to COVID stay at home directives.

- (d) City Council - Reports from Council liaisons to Regional Committees, Commissions and Boards.

Councilmember Diaz attended the virtual Contra Costa County Mayors' Conference, and the East Bay Regional Communications Services Authority Board meeting. Councilmember Diaz read twenty-nine (29) letters from concerned citizens regarding the recent Clayton City Council reorganization.

Councilmember Tillman attended the virtual Clayton Business and Community Association meeting, is collaborating with local youth in the area who will be putting on a series of forums in 2021 where she was asked to participate; emailed and called constituents.

Councilmember Wan thanked the Clayton community for their support and requested to move past the issue of the Clayton City Council reorganization.

Vice Mayor Cloven attended the virtual Contra Costa County Mayors' Conference, attended a virtual meeting of Transportation Partnership and Cooperation for Central Contra Costa (TRANSPAC), spoke with various representatives throughout California regarding local control, and announced upcoming trainings he will be attending for his new role on the Clayton City Council.

Mayor Wolfe attended the virtual Annual Tree Lighting, attended the Contra Costa County Mayors' Conference, attended the virtual meeting of Transportation Partnership and Cooperation for Central Contra Costa (TRANSPAC), attended the virtual League of California Cities mixer, attended the virtual East Contra Costa County Habitat Conservancy, met with various City staff members, City Council members and legal counsel, emailed constituents, and announced upcoming trainings he will be attending as Clayton Mayor.

Keith Haydon Clayton's representative Central Contra Costa Transit Authority (CCCTA) [aka: County Connection] confirmed County Connection will be holding a Public Hearing on January 5 to discuss possible reduction of service based on a reduction of funding sources.

## **6. PUBLIC COMMENT ON NON - AGENDA ITEMS**

Debbie DeSousa expressed her disappointment with Mayor Wolfe, Vice Mayor Cloven, and Councilmember Tillman with the recent Clayton City Council reorganization and felt there may have been a Brown Act violation.

Mayor Wolfe confirmed there was not a Brown Act violation in regards to the City Council reorganization.

Jenny Lewis expressed her concerns regarding *Clayton Municipal Code* Section 17.95.020; 17.95.030(b) regarding cannabis.

City Attorney Mala Subramanian advised the Ordinance is in compliance, prohibiting commercial uses, allowing for personal use up to 6 plants.

Ed Miller noticed the protest today at Vice Mayor Cloven's home and was disappointed to see this in Clayton. He also wanted to recognize Councilmember Wan's civility.

Frank Gavidia expressed his support of Councilmember Wan's decision. He has also noted he was passed over on the Planning Commission when he should have been routed to Vice Chair.

Bassam Altwal expressed his concern with Councilmember Wan and Councilmember Diaz. He also expressed his support of Mayor Wolfe, Vice Mayor Cloven and Councilmember Tillman.

Jay Gordon expressed his concerns at Kelok and Kelok Circle and the recently painted red curb with a portion of it being repainted white.

Assistant to the City Manager clarified there was a miscommunication on the length the red curb should be painted; however, it was corrected with the white paint.

Gary Hood, 1301 Easley Drive, expressed his concern regarding the recent Clayton City Council reorganization.

Aaron Levy welcomed City Manager Schwartz, and expressed his concern with the protest that took place earlier today at Vice Mayor Cloven's home. He requested all the City Councilmembers to condemn this type of behavior.

Scott Denslow welcomed City Manager Schwartz. He expressed his concern with the protest that took place earlier today at Vice Mayor Cloven's home.

AJ Chippero welcomed City Manager Schwartz. He expressed his concern with the protest that took place earlier today at Vice Mayor Cloven's home.

Terri Denslow noted being a City Councilmember or Planning Commissioner is largely a volunteer opportunity. She is hopeful that City Councilmembers and Planning Commissioners can find a way to work together.



Mayor Wolfe closed public comment.

7. **PUBLIC HEARINGS** – None.

8. **ACTION ITEMS**

- (a) Considering adoption of a Resolution authorizing the execution of an Energy Services Contract with Climatec, LLC Regarding the Construction of Energy Conservation Measures; and authorizing the City Manager to execute the agreement in a form acceptable to the City Attorney. (City Manager)

City Manager Reina Schwartz requested this item be continued to January 2021.

This item was continued to January 2021.

- (b) Adopt a Resolution authorizing the City Manager to file an application with the California Department of Parks and Recreation's Office of Grants and Local Services (OGAL) to receive funding from the Prop 68 Recreational Infrastructure Revenue Enhancement (RIRE) Program and execute the grant agreement and all other documents necessary to secure the Prop 68 Recreational Infrastructure Revenue Enhancement (RIRE) Program Funds in the amount of \$250,000. (Community Development Director)

Community Development Director Matthew Feske presented the report.

Following questions by City Council, Mayor Wolfe opened the item to public comment; no comments were offered.

**It was moved by Councilmember Wan, seconded by Councilmember Diaz, to Adopt Resolution No. 60-2020 Approving Application(s) for Recreational Infrastructure Revenue Enhancement Program Grant Funds. (Passed 5-0; vote).**

- (c) Discuss and provide direction to staff or the project(s) for the application for the Per Capita Grant (Prop 68). (Community Development Director)

Community Development Director Matthew Feske presented the report.

Following questions by City Council, Mayor Wolfe opened the item to public comment.

Howard Geller offered a suggestion of using the grant funds to install a stage and shade structure at The Grove park to be used for the annual Concerts in The Grove series.

Mayor Wolfe closed public comment.

**It was moved by Councilmember Wan, seconded by Councilmember Diaz, to submit the application for the Per Capita Grant (Prop 68) funds to replace Clayton Community Playground Equipment. (Passed 5-0; vote).**

- (d) Select proposal from the responses from the Request for Proposal for Community Engagement for the downtown property by: (1) Authorize allocation from the "Rainy Day" funds in the amount of \$50,000; (2) Award contract to MIG; and (3) Authorize City Manager or her designee to prepare a Professional Service Agreement for the City

owned property located at Clayton Road, Oak Street, and Main Street vision input. APN 118-560-010.  
(Community Development Director)

Community Development Director Matthew Feske presented the report.

Following questions by City Council, Mayor Wolfe opened the item to public comment; no comments were offered.

By consensus of the City Council, it was determined to use Downtown Economic Development CIP Fund 10400 for this proposal.

**It was moved by Vice Mayor Cloven, seconded by Councilmember Tillman, to Adopt Resolution No. 61-2020 as amended, to Authorize the Allocation of \$50,000 from the; Downtown Economic Development CIP Fund 10400; Award a Contract to MIG to Provide Professional Services for Engaging the Community, which includes Community, which includes Community Meetings and Charrettes, in Visioning of the Downtown Property and Producing an Action Plan, Not to Exceed an Amount of \$50,000 Without City Council Authorization; and Authorize the City Manager or Her Designee to Prepare a Professional Services Agreement as Approved to Form by the City Attorney with MIG to Provide Professional Services for Engaging the Community, Which Includes Community Meetings and Charrettes, in Visioning of the Downtown Property and Producing an Action Plan in an Amount Not to Exceed \$50,000. (Passed 5-0; vote).**

- (e) Determination of Council Committee Assignments (Mayor)

Mayor Wolfe presented the report.

Following questions by City Council, Mayor Wolfe opened the item to public comment; no comments were offered.

**It was moved by Councilmember Tillman, seconded by Vice Mayor Cloven, to approve the Council Committee Assignments for 2021 as presented. (Passed 4-1; vote; Wan, No).**

## **9. COUNCIL ITEMS**

Councilmember Diaz requested a re-issue of the City Council Guidelines and Procedures.

Councilmember Wan requested a review of the Agenda Item order, requesting Public Comment on Non-Agenda Items to occur at the beginning of the meeting. He also requested a change in the *Clayton Municipal Code* regarding Residential Development Requirements of projects with 10 or more units.

## **10. CLOSED SESSION – None.**

## **11. ADJOURNMENT– on call by Mayor Pierce, the City Council adjourned its meeting at 9:40 p.m.**

The next regularly scheduled meeting of the City Council will be January 5, 2021.

# # # # #

Respectfully submitted,

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Janet Calderon, City Clerk

APPROVED BY THE CLAYTON CITY COUNCIL

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Carl Wolfe, Mayor

# # # # #



# AGENDA REPORT

**TO:** HONORABLE MAYOR AND COUNCIL MEMBERS

**FROM:** Reina Schwartz, City Manager

**BY:** Matthew Feske, Community Development Director

**DATE:** January 5, 2021

**SUBJECT:** City Council request to discuss drafting a letter to California State Department of Housing and Community Development (HCD) and to the Association of Bay Area Government (ABAG) regarding the allocation of 441,176 Housing Units

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## **RECOMMENDATION**

It is recommended that the City Council receive the information, take public input, and provide direction to staff.

## **DISCUSSION**

A recent request was made for the City Council to discuss drafting a letter to HCD and ABAG regarding the methodology used by HCD to arrive at the housing number allocated to ABAG of 441,176 housing units. Attached for discussion is a draft letter and the two reports that the draft letter references.

## **FISCAL IMPACTS**

There is no fiscal impact to sending the letter.

## **ATTACHMENTS**

- A. Draft Letter to State HCD and ABAG
- B. Embarcadero Institute September 2020
- C. Freddie Mac February 2020
- D. June 9 2020 HCD Numbers Assigned

# Exhibit A

[DATE]

Mr. Gustavo Velasquez,  
Director  
California Department of Housing and Community Development  
2020 West Camino Avenue  
Sacramento, California 95833

Ms. Therese McMillan,  
Executive Director  
Association of Bay Area Governments  
Bay Area Metro Center  
375 Beale Street, Suite 700  
San Francisco, California 94105

Dear Ms. McMillan and Mr. Gustavo Velasquez,

Subject: 6<sup>th</sup> Cycle Draft Regional Housing Needs Assessment for the  
Association of Bay Area Governments (ABAG);  
State HCD Allocation of 441,176 Housing Units

The Association of Bay Area Governments (ABAG) was issued a regional housing need of 441,176 units by the State Department of Housing and Community Development (State HCD) on June 9, 2020. Unfortunately, through double counting and significant over estimation, the methodology that this figure was based on was fatally flawed and as a result the 441K units allocated to ABAG should be reconsidered.

We have since learned of two provocative yet troubling reports that were released this year: a September 2020 report by the Embarcadero Institute, a Palo Alto non-profit public policy organization, entitled *"Double-Counting in the Latest Housing Needs Assessment,"* and a February 2020 Freddie Mac report entitled *"The Housing Supply Shortage: State of the States."* A copy of these two reports are attached.

The Embarcadero Institute report demonstrates how through double counting, State HCD significantly overestimated ABAG's regional housing need determination, in addition to the regional housing determinations for three other councils of governments. For the 6<sup>th</sup> cycle RHNA, ABAG was assigned more than 158K housing units, or greater than 55% above what the figure should be.

The conclusions of the Embarcadero Institute report are further supported by a February 2020 Freddie Mac report that also raises question on the true housing need for the State, let alone the ABAG region. The Freddie Mac report identifies that the housing shortage for the entire State of California is 820,000 units. This is far below the targeted 3.5M housing units that State HCD is targeting in their overall housing goals.

Clearly there are questions raised by these reports that deserve closer examination and a full and transparent discussion. Here at the City of Clayton, we fully recognize that we must all do our fair-share in providing housing for our existing and future residents. However, we also concur with the Embarcadero Institute report's finding that "The state's approach to determining the housing need must be defensible and reproducible if cities are to be held accountable."

We also do not want to merely challenge the RHNA methodology and trade our city's allocation with another city. The RHNA appeal process does exactly that, units are moved from one jurisdiction to another, but the total remains unchanged. No, the flaws of the State HCD warrant a challenge to the total allocation for ABAG.

Thus, we urge that the starting point for ABAG's regional housing need – the 441,000 regional housing need number – be re-examined by State HCD and validated as to its accuracy, in light of these two reports. If nothing is done, the impact to communities in the Bay Area could be severe. Artificially high RHNA figures that are unable to be met are counterproductive in that minimal housing will actually be built and the vast majority of actual new housing units will be market rate exacerbating housing shortages and the lack of affordable housing.

We also fully recognize that this request falls outside the traditional consultation process between ABAG and State HCD when ABAG's regional housing numbers were under discussion. However, we feel this new information, which was released after the June 2020 issuance of ABAG's regional housing determination, is critical for ABAG/State HCD to review and determine appropriate actions, as it directly affects the individual RHNA allocations for all the ABAG jurisdictions.

We thus seek ABAG's/State HCD's commitment to re-examine ABAG's housing number, in light of the analysis and findings of the Embarcadero Institute report and the Freddie Mac report and issue a statement of correction.

Respectfully,

# **Do the Math: The state has ordered more than 350 cities to prepare the way for more than 2 million homes by 2030. But what if the math is wrong?**

**Senate Bill 828, co-sponsored by the Bay Area Council and Silicon Valley Leadership Group, and authored by state Sen. Scott Wiener in 2018, has inadvertently doubled the “Regional Housing Needs Assessment” in California.**

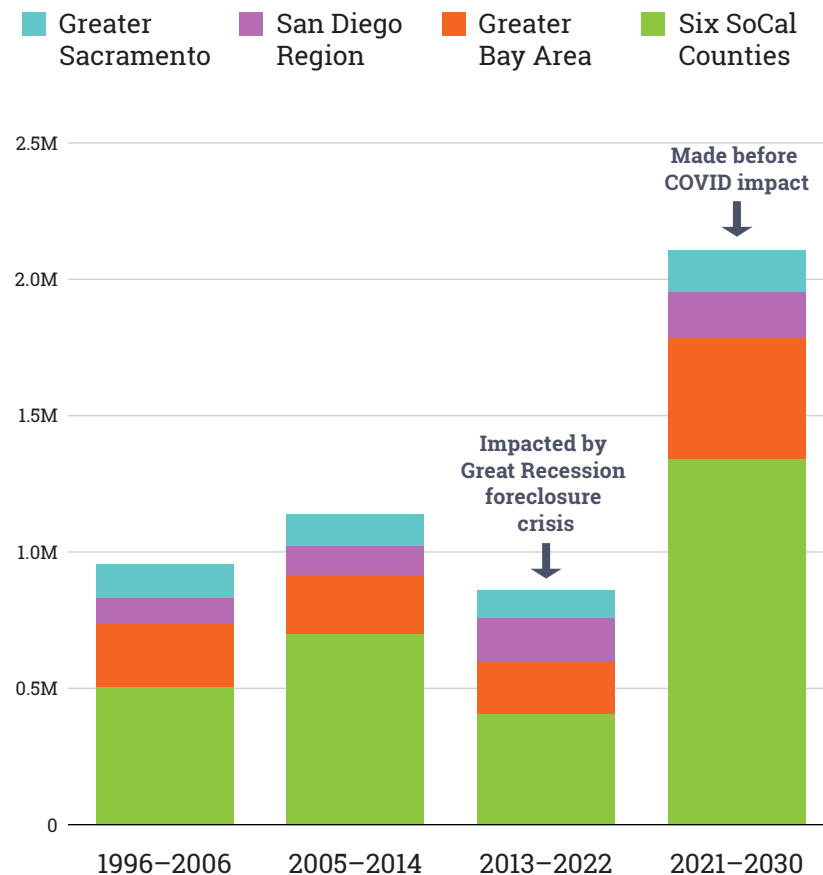
Use of an incorrect vacancy rate and double counting, inspired by SB-828, caused the state’s Department of Housing and Community Development (HCD) to exaggerate by more than 900,000 the units needed in SoCal, the Bay Area and the Sacramento area.

The state’s approach to determining the housing need must be defensible and reproducible if cities are to be held accountable. Inaccuracies on this scale mask the fact that cities and counties are surpassing the state’s market-rate housing targets, but falling far short in meeting affordable housing targets. The inaccuracies obscure the real problem and the associated solution to the housing crisis—the funding of affordable housing.

## Double counting (not surprisingly) doubled the assessed housing need for the four major planning regions.

Every five to eight years the Department of Housing and Community Development (HCD) supervises and publishes the results of a process referred to as the Regional Housing Needs Assessment (RHNA). Four regional planning agencies cover the 21 most urban counties and account for 80% of California's housing. All four regions saw a significant jump in the state's assessment of their housing need for the years 2021 to 2030.

### Housing Units Needed According to the State, (1996–2030)



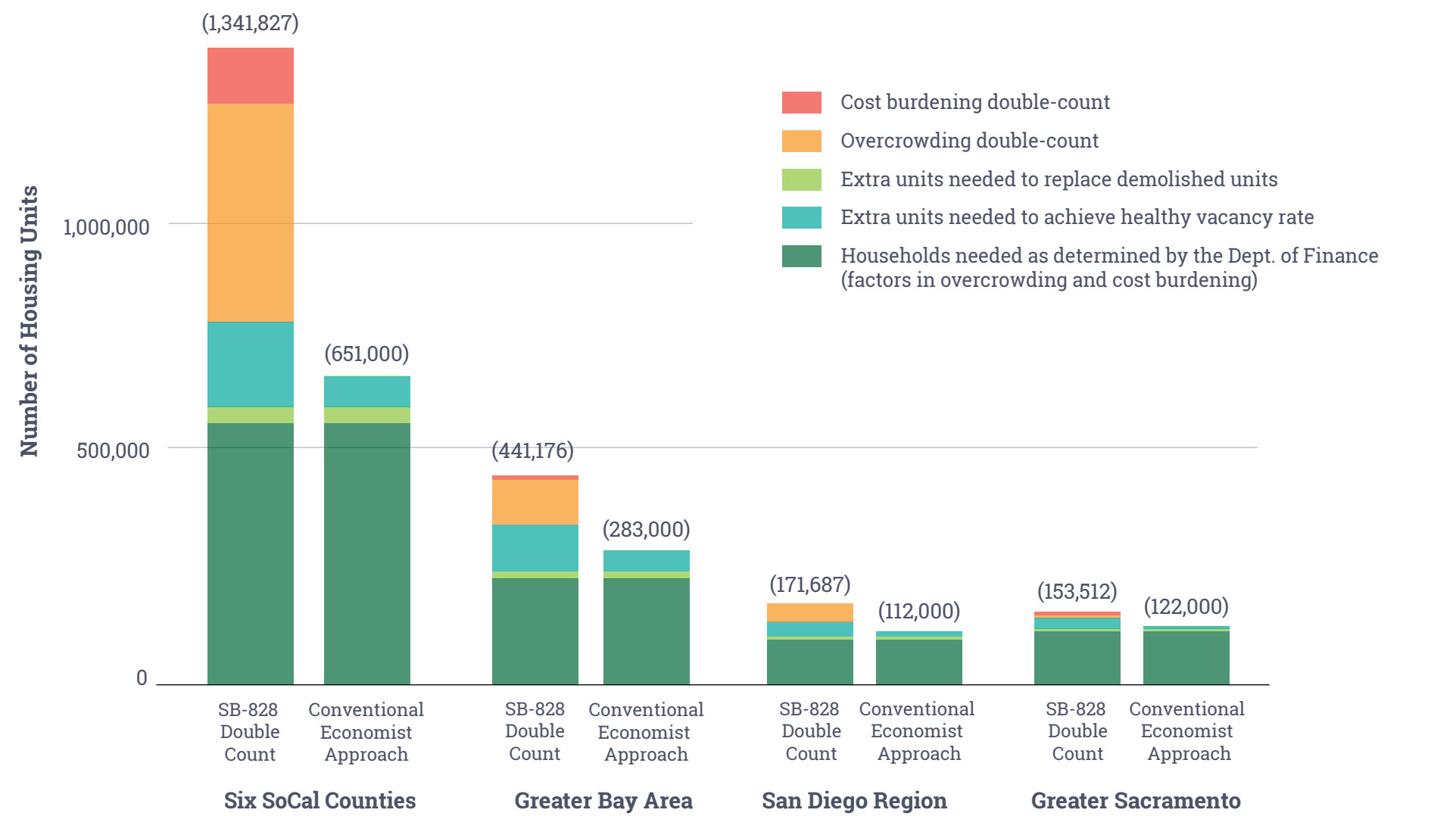
### Four Regions Contain 80% of the State's Housing





**The double count, an unintended consequence of Senate Bill 828, has exaggerated the housing need by more than 900,000 units in the four regions below.**

California plans for its housing needs in “cycles.” The four regions are on cycles that last roughly eight years with staggered start dates. In the 2021–2030 housing cycle, errors introduced by language in SB-828 nearly equal the entire 1.15M units of new housing required during the 2013–2022 “cycle.” As illustrated, Southern California and the Bay Area are the most impacted by the state’s methodology errors.



# Senate Bill 828 was drafted absent a detailed understanding of the Department of Finance's methodology for developing household forecasts, and absent an understanding of the difference between rental and home-owner vacancies. These misunderstandings have unwittingly ensured a series of double counts.

## SB-828 MISTAKENLY ASSUMED:

1. SB-828 wrongly assumed 'existing housing need' was not evaluated as part of California's previous Regional Housing Need Assessments, or RHNA. There was an assumption that only future need had been taken into account in past assessments. (In fact, as detailed in The Reality section, the state's existing housing need was fully evaluated in previous RHNA assessment cycles).

2. SB-828 wrongly assumed a 5% vacancy rate in owner-occupied housing is healthy (as explained in the column on the right, 5% vacancy in owner-occupied homes is never desirable, and contradicts Government Code 65584.01(b)(1)(E) which specifies that a 5% vacancy rate applies only to the rental housing market).

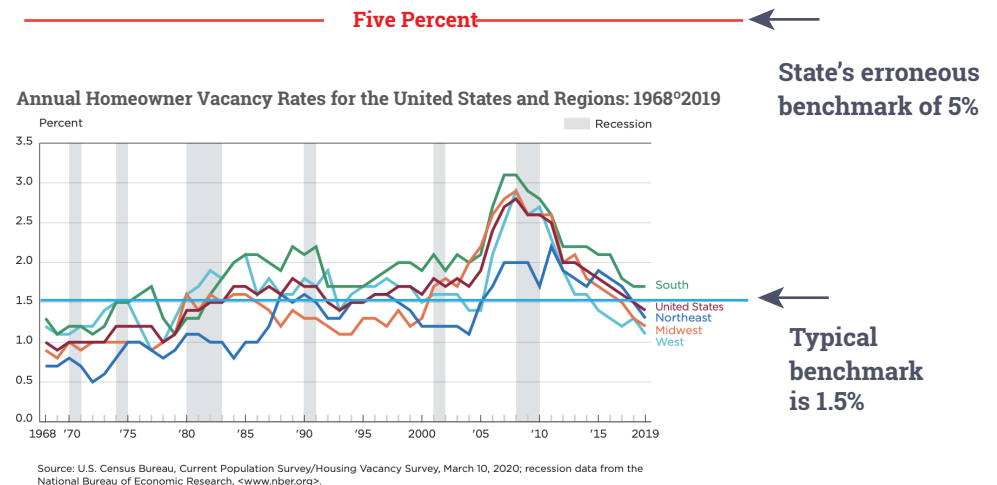
3. SB-828 wrongly assumed overcrowding and cost-burdening had not been considered in Department of Finance projections of housing need. The bill sought to redress what it mistakenly thought had been left out by requiring regional planning agencies to report overcrowding and cost-burdening data to the Dept. of Housing and Community Development (as explained in the right column).

## THE REALITY IS:

1. Existing housing need has long been incorporated in California's planning cycles. It has been evaluated by comparing existing vacancy rates with widely accepted benchmarks for healthy market vacancies (rental and owner-occupied). The difference between actual and benchmark is the measure of housing need/surplus in a housing market. Confusion about the inclusion of "existing need" may have arisen because vacancy rates at the time of the last assessment of housing need ("the 5th cycle") were unusually high (higher than the healthy benchmarks) due to the foreclosure crisis of 2007–2010, and in fact, the vacancy rates suggested a surplus of housing. So, in the 5th cycle the vacancy adjustment had the effect of lowering the total housing need. Correctly seeing the foreclosure crisis as temporary, the state Department of Finance did not apply the full weight of the surplus, but instead assumed a percentage of the vacant housing would be absorbed by the time the 5th cycle began. The adjustment appears in the 5th cycle determinations, not as 'Existing Housing Need' but rather as "Adjustment for Absorption of Existing Excess Vacant Units."

2. While 5% is a healthy benchmark for rental vacancies, it is unhealthy for owner-occupied housing (which typically represents half of existing housing). Homeowner vacancy in the U.S. has hovered around 1.5% since the '70s, briefly reaching 3% during the foreclosure crisis. However, 5% is well outside any healthy norm, and thus does not appear on the Census chart (to the right) showing Annual Homeowner Vacancy Rates for the United States and Regions: 1968–2019.

3. Unknown to the authors of SB-828, the Department of Finance (DOF) has for years factored overcrowding and cost-burdening into their household projections. These projections are developed by multiplying estimated population by the headship rate (the proportion of the population who will be head of a household). The Department of Finance (DOF) in conjunction with the Department of Housing and Community Development (HCD) has documented its deliberate decision to use higher headship rates to reflect optimal conditions and intentionally "alleviate the burdens of high housing cost and overcrowding." Unfortunately, SB-828 has caused the state to double count these important numbers.



# The forced double-counting errors are significant.\*

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## 1. Incorrect use of a 5% benchmark vacancy rate for owner-occupied housing.

The vacancy rate was incorrectly used for both existing and projected owner-occupied households.

**+ 229,000**  
housing units

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## 2. Current vacancies were assumed to exist in household projections.

This error is unrelated to SB-828, but is an accounting error introduced by HCD methodology.

**- 22,000**  
housing units

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## 3. Overcrowding and cost-burdening were double counted.\*\*

In addition to the household projection methodology outlined by the Department of Finance (shown to account for overcrowding and cost-burdening), the matter is also mentioned in meeting notes available on the Association of Bay Area Government's (ABAG) website.\*\*\*

Quote from ABAG's Housing Methodology Committee Agenda Packet for the 4th RHNA Cycle, July 2006

"There was also a lot of discussion about the headship rates used by HCD/DOF. Several people commented that headship rates in the Bay Area are generally lower than the State's estimates because the region's high housing costs limit household formation. In response, Mr. Fassinger noted that HCD uses these higher headship rates because the RHNA process is intended to alleviate the burdens of high housing cost and overcrowding."

Despite this, overcrowding and cost-burdening were counted a second time as adjustment factors required by SB-828.

**+ 734,000**  
housing units

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**TOTAL: + 941,000**  
housing units

\* All errors are rounded to the nearest thousand.

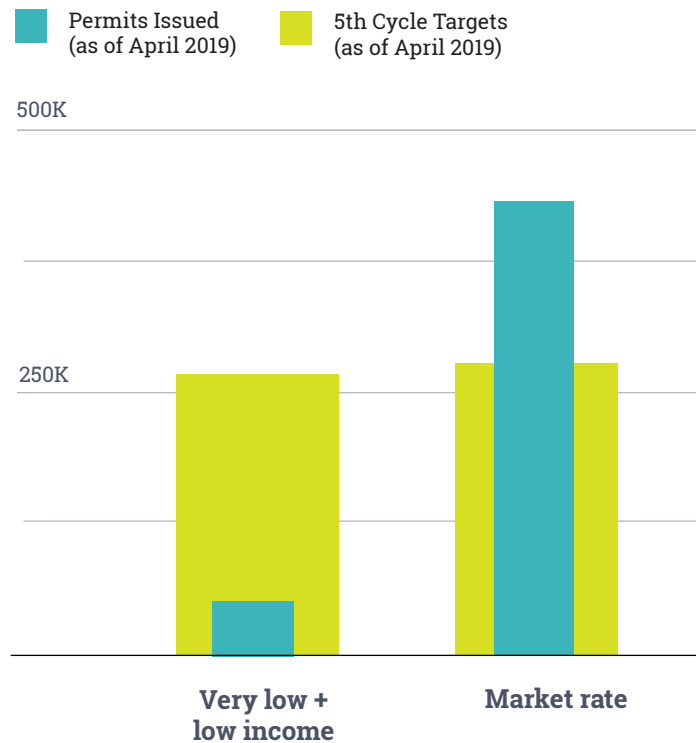
\*\* Overcrowding measures the number of households with more than 1 person per room. Cost-burdening measures the number of households that spend more than 30% of the household income on housing. Cost-burdening is measured by five income levels – extremely low, very low, low, moderate, above moderate

\*\*\* P-4 tables are created by the Department of Finance—Household Projection table 2020–2030 and their methodology is fully explained in 'read me' notes that accompany the table.

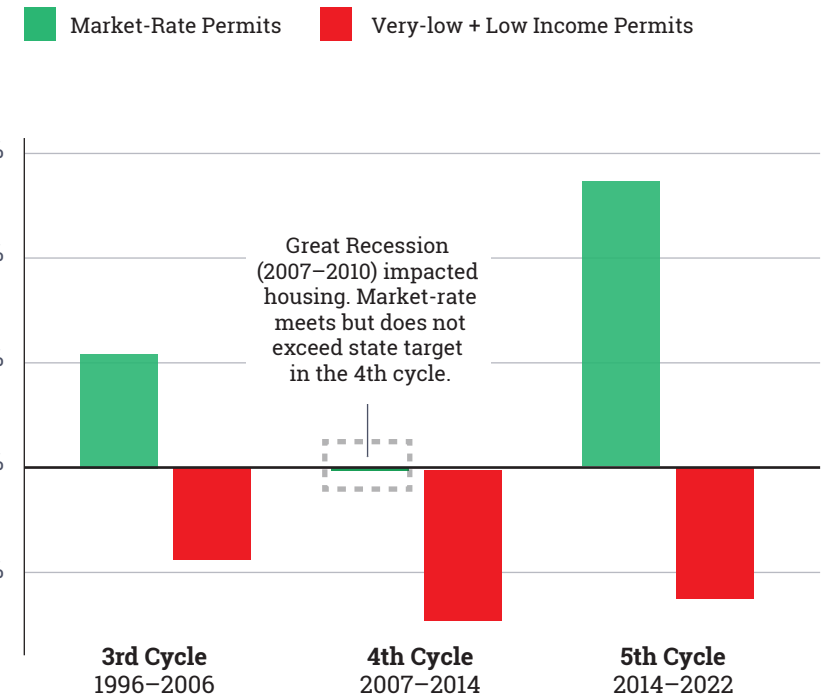
# The state's exaggerated targets unfortunately mask the real story: Decades of overachieving in market-rate housing has not reduced housing costs for lower income households.

The state has shown, with decades of data, that it cannot dictate to the market. The market is going to take care of itself. The state's responsibility is to take care of those left behind in the market's wake. Based on housing permit progress reports published by the Dept. of Housing and Community Development in July 2020, cities and counties in the four most populous regions continue to strongly outperform on the state's assigned market-rate housing targets, but fail to achieve even 20% of their low-income housing target. In the Bay Area where permit records have been kept since 1997, there is evidence that this housing permit imbalance has propagated through decades of housing cycles.

## Permit Progress in the 5th Cycle (2013-2022)\* (all 4 regions)



## Affordable Housing Languishes as Market-Rate Housing Overachieves (Bay Area only)\*



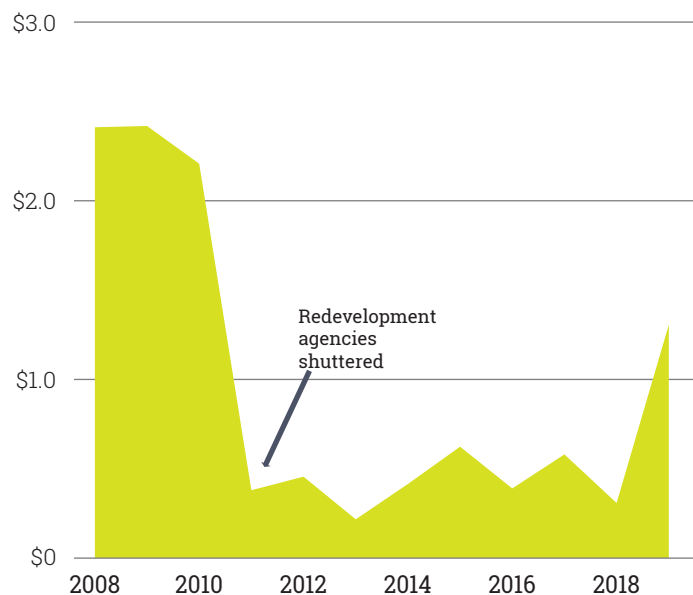
\* Based on permit progress reports published by the Dept of Housing and Community Development and updated July 2020, reporting progress through April 2019.

\*\* Only the Bay Area is shown because other regions have not kept detailed records of permit progress through the 3rd and 4th cycles.

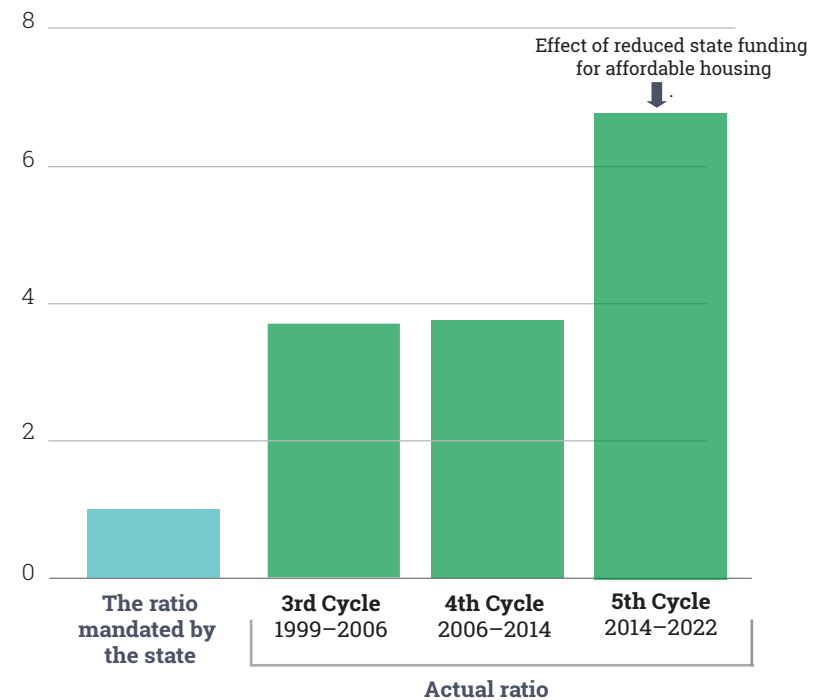
## It's clear. Market-rate housing doesn't need state incentives. Affordable housing needs state funding.

Cities are charged by the state to build one market-rate home for every one affordable home. But state laws, such as the density bonus law, incentivize developers to build market-rate units at a far higher rate than affordable units. As a result, California has been building four market-rate units for every one affordable unit for decades. And with the near-collapse of legislative funding for low-income housing in 2011, that ratio has grown to seven to eight market-rate units to each affordable unit. Yet we need one-to-one. This worsening situation can't be fixed by zoning or incentives which are the focus of many recent housing bills and only reinforce or worsen the ever-higher market-rate housing ratios. From the data it appears that the shortage of housing resulted not from a failure by cities to issue housing permits, but rather a failure by the state to fund and support affordable housing. Future legislative efforts should take note.

**State Funds for Affordable Housing, 2008–2019\***  
\$ Billion



**Market-Rate to Low-Income Housing Permits in the Bay Area has grown from a ratio of 4 : 1 to 7 : 1**  
(Bay Area only)\*\*



\* "The Defunding of Affordable Housing in California", Embarcadero Institute, update June 2020 [www.embarcaderoinstitute.com/reports/](http://www.embarcaderoinstitute.com/reports/)

\*\* Only Bay Area is shown because other regions have not kept detailed records of permit progress through the 3rd and 4th cycles. Data is from ABAG's permit progress reports for 3rd and 4th cycle and Dept. of Housing and Community Development's 5th cycle Annual Progress Report.

## Finally, since penalties are incurred for failing to reach state targets for housing permits, the methodology for developing these numbers must be transparent, rigorous and defensible.

Non-performance in an income category triggers a streamlined approval process per Senate Bill 35 (2017). These exaggerated 6th cycle targets will make it impossible for cities and counties to attain even their market-rate targets, ensuring market-rate housing will qualify for incentives and bonuses meant for low income housing. **Yet again low-income housing will lose out.** The state needs to correct the errors in the latest housing assesement, and settle on a consistent, defensible approach going forward.

### At Least Four Different Methodologies Have Been Used Simultaneously by the State to Discuss Housing Need: We Only Need One

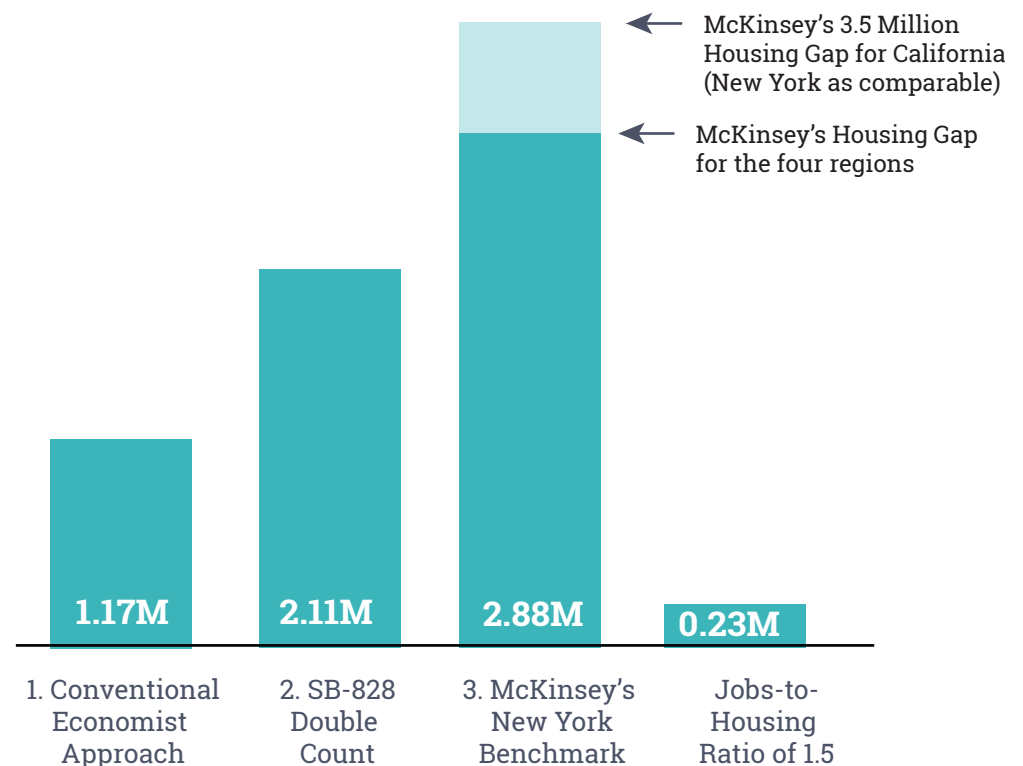
**1. The Conventional Economist Approach:** uses goldilocks (not too big, not too small, just right) benchmarks for vacancies - 1.5% for owner-occupied and 5% for rental housing.

**2. SB-828 Double Count:** incorrectly uses a benchmark of 5% vacancy for owner-occupied housing. It also double counts overcrowding and cost-burdening

**3. McKinsey's New York Benchmark:** the over-simplified approach generated an exaggerated housing gap of 3.5 Million for California. McKinsey multiplied California's population by New York's housing per capita to get 3.5M. New York is not a proper benchmark for California and NY's higher housing per capita is more reflective of NY's declining population rather than a healthy benchmark for housing

**4. Jobs-to-housing ratio of 1.5:** according to state planning agencies 1.5 is the optimal benchmark. Employment in the four regions is estimated to grow to 17 million by 2030 (job growth estimates prepared before COVID).<sup>\*\*</sup>

### Forecast 2030 Housing Need for the Four Regions



\* California's Employment Development Department (EDD) estimates employment by county through 2026. Using annualized growth (2016 to 2026) as a basis for future growth 2030 employment is estimated for the four regions.

\*\* The 17 million includes estimates of self employed, private household workers, farm and nonfarm employment. Occupations with employment below 100 in 2016 are excluded.

**How it Works :** A multi-agency collaborative effort has generated past state housing targets. However, in 2018, SB-828 annointed the Dept. of Housing and Community Development with final veto powers.

### STEP 1

The Dept. of Finance (DOF) generates household forecasts by county based on population growth and headship rates. This is the step where overcrowding and cost-burdening are factored in .

Dept. of Finance (DOF)



### STEP 2

The Dept. of Housing and Community Development (HCD) then takes the DOF household projections and adds in a healthy vacancy level (1.5% for owner-occupied, 5% for rental housing) to determine the number of housing units needed to comfortably accommodate the DOF household projections.

Dept. of Housing and Community Development (HCD)



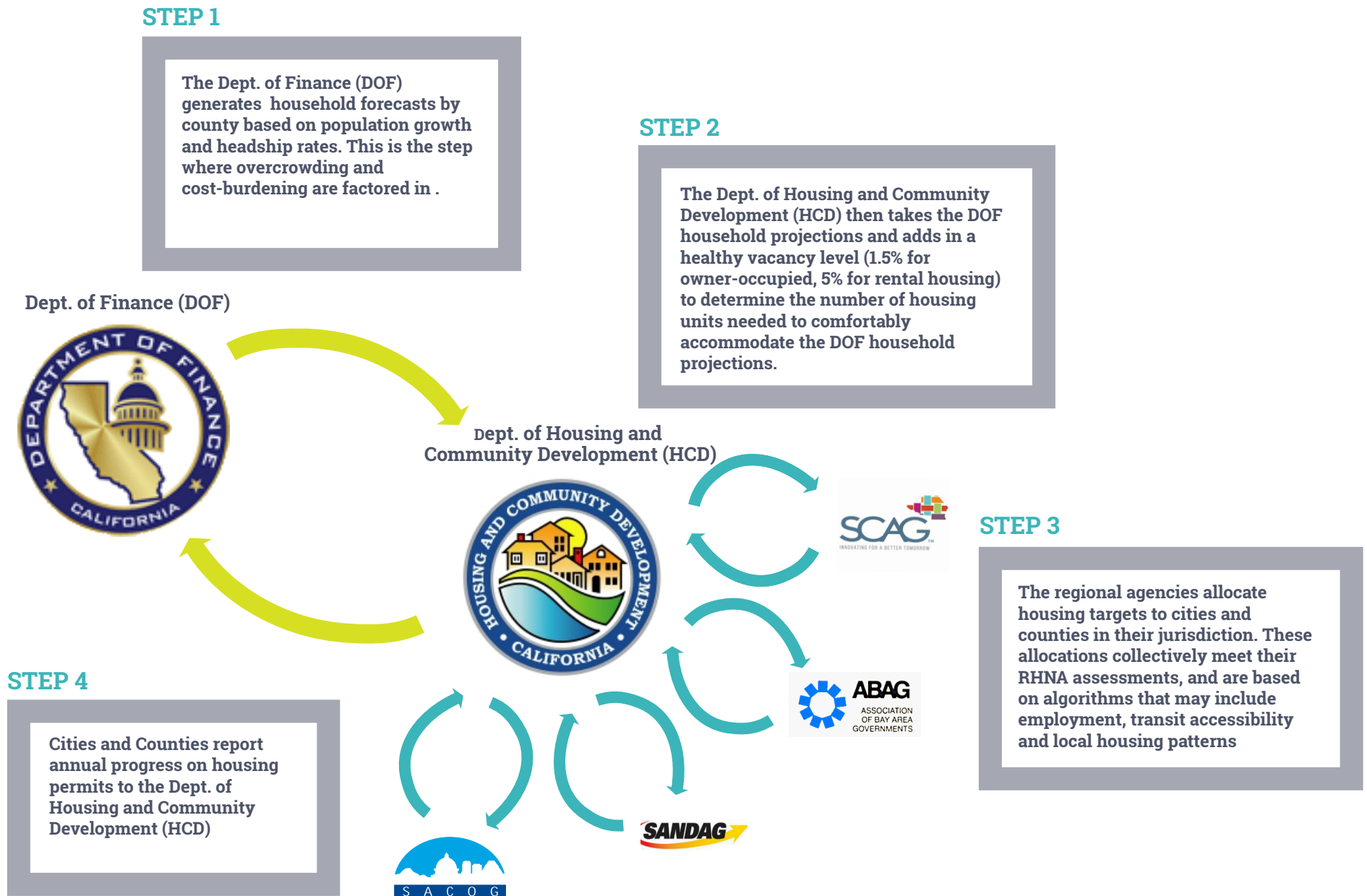
### STEP 3

The regional agencies allocate housing targets to cities and counties in their jurisdiction. These allocations collectively meet their RHNA assessments, and are based on algorithms that may include employment, transit accessibility and local housing patterns



### STEP 4

Cities and Counties report annual progress on housing permits to the Dept. of Housing and Community Development (HCD)



## SB-828 introduced errors in Step 2 (when the Dept. of Housing and Community Development made adjustments to the Dept. of Finance's household projections).

Southern California and the Bay Area were most impacted by the double counting. San Diego was not assessed for cost-burdening although it is more cost-burdened than the Bay Area. It was perhaps overlooked because its assessment cycle began in July, 2018, a few months before SB-828 passed into law.

### The Department of Housing and Community and Development

#### 1. Used a benchmark of 5% vacancy rate for BOTH owner-occupied and rental housing.

Six SoCal Counties	=	+126,000	<b>+ 228,000</b> housing units
Greater Bay Area	=	+59,000	
San Diego Area	=	+23,000	
Greater Sacramento	=	+21,000	

#### 2. Assumed vacancies in household projections \*

Six SoCal Counties	=	-13,000	<b>- 22,000</b> housing units
Greater Bay Area	=	-4,000	
San Diego Area	=	-2,000	
Greater Sacramento	=	-3,000	

#### 3. Double counted overcrowding and cost-burdening

Six SoCal Counties	=	+578,000	<b>+ 734,000</b> housing units
Greater Bay Area	=	+104,000	
San Diego Area	=	+39,000	
Greater Sacramento	=	+13,000	

\* P-4 tables are created by the Department of Finance—Household Projection table 2020–2030 and their methodology is fully explained in 'read me' notes that accompany the table

\*\* Overcrowding measures the number of households with more than 1 person per room. Cost-burdening measures the number of households that spend more than 30% of the household income on housing. Cost-burdening is measured by five income levels—extremely low, very low, low, moderate, above moderate.



Detailed explanation of the errors using SoCal Counties as an example: First—the correct approach.

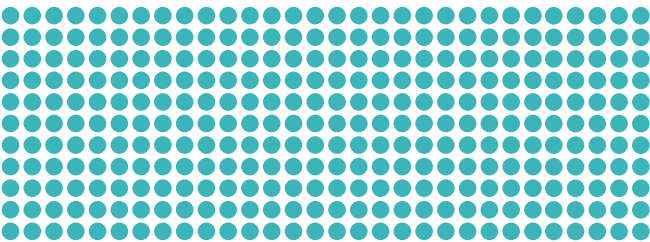
The Department of Housing and Community Development (HCD) have traditionally arrived at a number for pent-up demand or housing shortfall by comparing vacancy rates in owner-occupied and rental housing to healthy benchmarks (1.5% for owner-occupied\* and 5% for rental housing). The largest of the four regions, six SoCal Counties (covering Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties) is considered in the example below\*\*.

EXISTING HOUSING: Six SoCal Counties

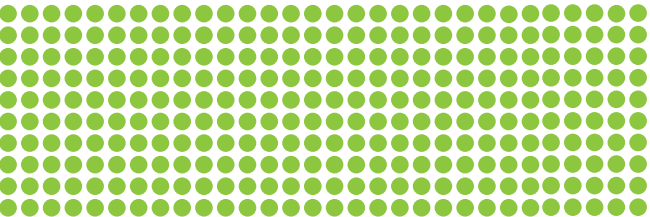
1 circle = 10,000 households

Occupied Housing Units

Home-owned (3.3 Million)



Rentals (3 Million)



Vacant Housing Units

Actual Vacancies (40,000)



1.2%

Healthy Benchmark (50,000)



1.5%

Existing Need

 (10,000)



Actual Vacancies (111,000)



3.7%

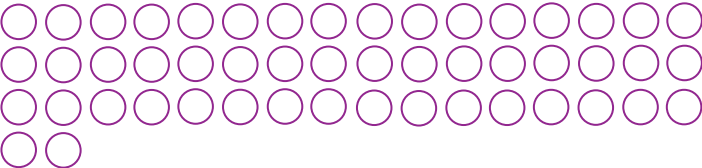
Healthy Benchmark (150,000)



5.0%

 (39,000)

Seasonal Vacancies (500,000)\*\*\*



\* Owner-occupied has a lower healthy vacancy rate because it is usually only vacant while a house is for sale  
\*\* All numbers are rounded to the nearest thousand.  
\*\*\* Seasonal Vacancies represent second homes, coprorate housing, and short-term rentals such as AlrBnBs

# The housing need also takes into account for future growth.

The Dept. of Finance (DOF) supplies the Dept. of Housing and Community Development (HCD) with an estimate of additional households (HH) needed by the end of the cycle. The DOF forecast the 2030 population and using an optimal household formation rate determine the number of households needed to comfortably house that population\*. The DOF also supply the HCD with the number of existing households at the start of the cycle. The HCD adds to the base number of additional households needed, factoring in vacancies for a healthy market, and adding a replacement adjustment (also supplied by the DOF)\*\*.

## PROJECTED HOUSING NEED: Six SoCal Counties

1 circle = 10,000 households



\* Households represent occupied housing units. The number of housing units is always higher as at any given time than the number of households because some housing will be vacant or unutilized. The DOF is responsible for the base projection because they manage population projections for the state, and determine those by analyzing births, deaths and net migration.

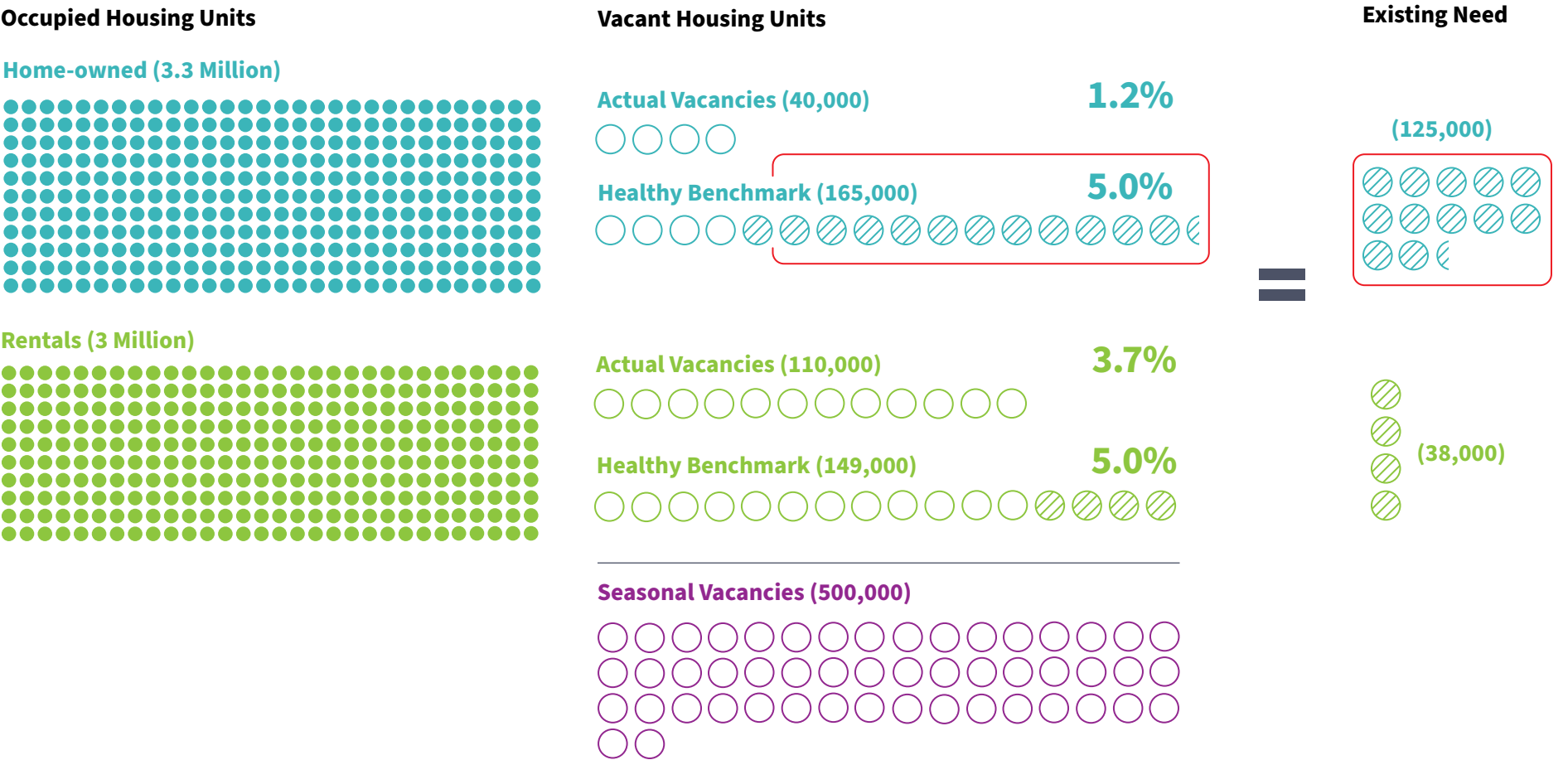
\*\* Replacement represents houses that may be demolished or replaced during the cycle\*.

However, the Dept. of Housing and Community Development has adopted an unusual methodology in evaluating existing need in the 6th housing cycle.

Instead of the typical 1.5% benchmark for owner-occupied housing, they used a 5% vacancy rate usually reserved for rental housing. A 5% vacancy in owner-occupied housing is indicative of a distressed housing market. At 5%, SoCal’s existing housing need is increased by 115,000 housing units. Existing need for rental housing is unchanged.

EXISTING HOUSING: Six SoCal Counties

1 circle = 10,000 households

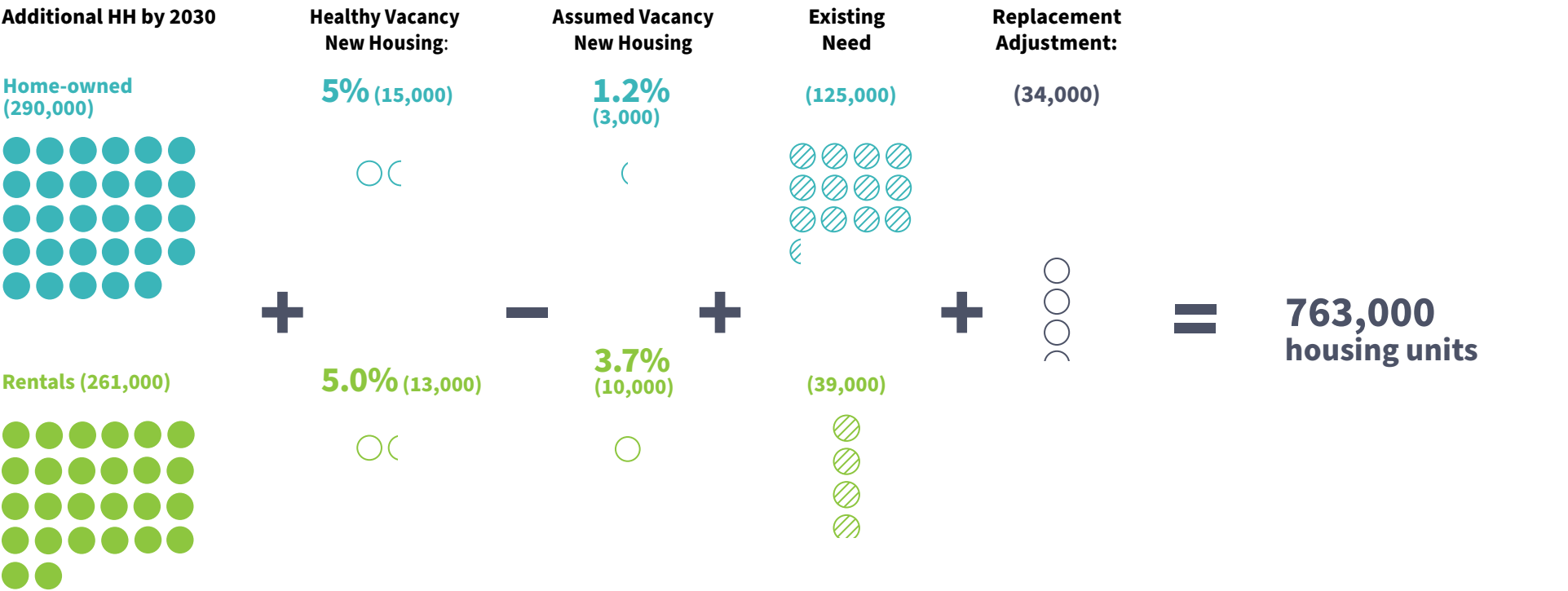


The Dept. of Housing and Community Development have also taken an unual approach in evaluating projected housing need.

Again, instead of using the separate benchmark of 1.5% for owner-occupied housing, 5% was used for all housing. It was also assumed that new projected households had existing vacancies. The full benchmark was not applied to new households. Instead, the difference between the benchmark and the current vacancy rate was applied. The replacement adjustment was applied as it has been in the past.

PROJECTED HOUSING NEED: Six SoCal Counties

1 circle = 10,000 households



Lastly, the Dept. of Housing and Community Development double counted by adding two new factors that had already been factored into household forecasts made by the Dept. of Finance (DOF).

Two new factors were introduced into the 6th assessment – overcrowding and cost burdening. These factors had already been rolled into the DOF’s household projections. The DOF explicitly recognized that regional household formation rates might be depressed (a symptom of overcrowding and cost-burdening) because of the affordable housing crisis. The household formation rate used by the DOF is higher than the actual rate experienced. As such it generates a higher housing target meant to relieve overcrowding and cost-burdening.

PROJECTED HOUSING NEED: Six SoCal Counties

1 circle = 10,000 households



\* In addition to double counting, HCD incorrectly calculated the overcrowding factor. They assumed that for every house that was overcrowded another house would be required to relieve overcrowding. The more accurate analysis would be to assess the number of extra people to be housed and divide by the average household size.

\*\* HCD only applied cost-burdening adjustments to future households not existing households. It is unclear why cost-burdening would only be considered an issue for future households, as the data is for current households.

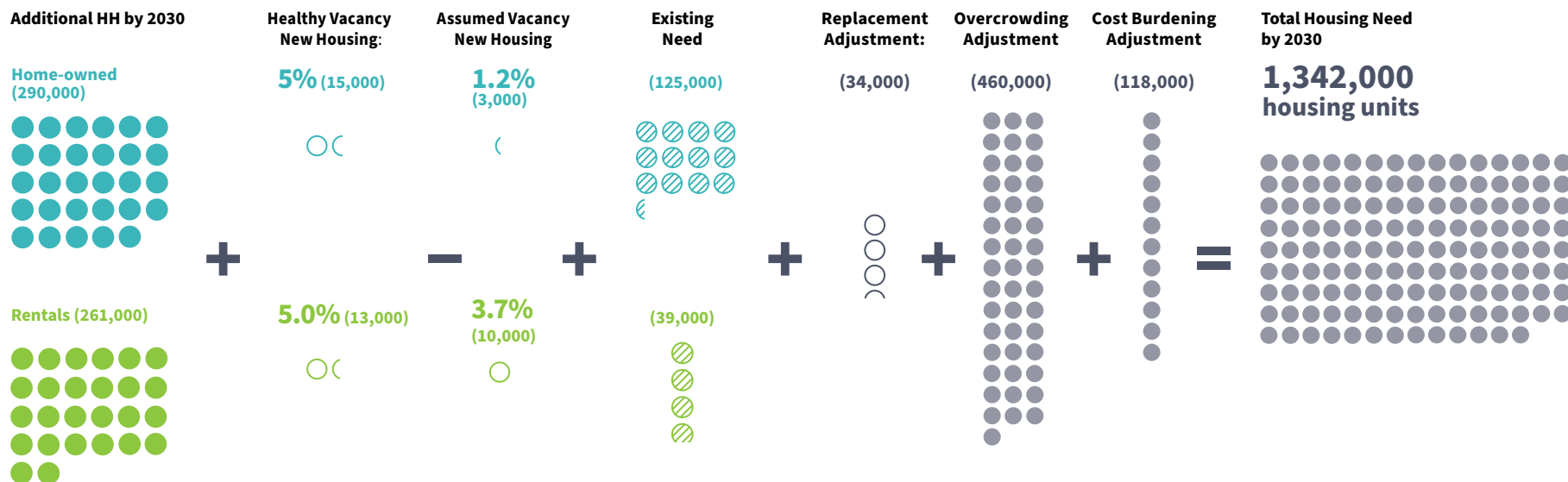
# The vacancy errors and double counting resulted in a doubling of the housing needs assessment for the six counties of SoCal.

## TYPICAL METHODOLOGY

1 circle = 10,000 households



## HCD 6TH CYCLE METHODOLOGY



Complete data tables: *RHNA Data and Models 6th cycle*, [www.embarcaderoinstitute.com](http://www.embarcaderoinstitute.com)

## **References used in the analysis :**

**Dept. of Housing and Community Development (HCD)** <https://www.hcd.ca.gov>

### **Regional Housing Needs Allocation and Housing Elements**

#### **Regional Housing Needs**

##### **Allocations for 6th Cycle Housing Elements:**

Association of Bay Area Governments Regional Housing Need Determination Plan for the Sixth Housing Element Update

Sacramento Area Council of Governments Regional Housing Need Determination for the Sixth Housing Element Update

Southern California Association of Governments Regional Housing Need Determination for the Sixth Housing Element Update

San Diego Association of Governments Regional Housing Need Determination and Plan for the Sixth Housing Element Update

##### **Allocations for 5th Cycle Housing Elements:**

Association of Bay Area Governments (February 24, 2012)

Sacramento Area Council of Governments (September 26, 2011)

San Diego Association of Governments (November 23, 2010)

Southern California Association of Governments (August 17, 2011)

#### **Annual Progress Reports**

Annual Progress Report APR: 5th Cycle Annual Progress Report Permit Summary (updated 7/30/2020)

### **Allocations for Earlier Cycles and Housing Element**

RHNA 2007-2014 - Housing Methodology Committee Agenda Packet 07-27-06

Regional Housing Needs Plan 2006 to 2013 SACOG February 2008

3rd and 4th Cycle RHNA allocations (data sent in personal communication with the Department of Housing and Community Development)

### **Department of Finance Methodology for Household Forecasts**

"Read Me" P4 Tables : Household Projections 2020 to 2030

Association of Bay Area Governments Digital Library: RHNA Documents, Regional Housing Need Allocation Documents

RHNA 2007-2014 - Housing Methodology Committee Agenda Packet 07-27-06, Regional Housing Need Allocation p 2

### **Other Housing Assessment Methodologies**

**"McKinsey & Company":** A TOOL KIT TO CLOSE CALIFORNIA'S HOUSING GAP: 3.5 MILLION HOMES BY 2025", October 2016

#### **Jobs to Housing**

Employment Development Department, State of California, Employment Projections : Long Term Projections

<https://www.labormarketinfo.edd.ca.gov/data/employment-projections.html>



FEBRUARY 2020

## The Housing Supply Shortage: State of the States

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The United States suffers from a severe housing shortage. In a recent study, [The Major Challenge of Inadequate U.S. Housing Supply](#), we estimated that 2.5 million additional housing units will be needed to make up this shortage. Our earlier study used national statistics, treating the United States as a single market. What happens when we look closer, basing the analysis at the state level?

When we account for state-level variations, the estimated housing deficit is even greater in some states because housing is a fixed asset. A surplus of housing in one area can do little to help faraway places. For example, vacant homes in Ohio make little difference to the housing markets in Texas. We estimate that there are currently 29 states that have a housing deficit, and when we consider only these states, the housing shortage grows from 2.5 million units to 3.3 million units.

Unsurprisingly, the states with the most severe housing shortage are the states that have recently attempted to loosen zoning policy regulations. States like California, Oregon, and others have undertaken policy action to address this issue. California, for example, has been working on chipping away at single-use zoning while Texas has passed a density bonus program, an ordinance which amends the city code by loosening site restrictions and promoting construction of more units in affordable and mixed-income housing developments. Oregon was one of the first states to pass legislation to eliminate exclusive single-family zoning in much of the state. The Minneapolis City Council voted to get rid of single-family zoning and started allowing residential structures with up to three dwelling units in every neighborhood. We took a deep dive into the supply/demand dynamics to analyze state-level variations.

We estimate that there are currently 29 states that have a housing deficit, and when we consider only these states, the housing shortage grows from 2.5 million units to 3.3 million units.





## Accounting for housing supply/demand conditions

To estimate housing supply, we rely on U.S. Census Bureau estimates of the total number of housing units in each state. These estimates include single-family homes, apartments, and manufactured housing. We compare supply to our estimates of housing demand. We first focus on static estimates of housing demand, and then we consider the impact of interstate migration.

Our estimate of housing demand relies on two components. First, we need an estimate of long-term vacancy rates ( $v^*$ ). Second, we need an estimate of the target number of households ( $h^*$ ).<sup>1</sup> The estimates of  $v^*$  and  $h^*$  give an estimate of housing demand ( $k^*$ ) using the formula:

$$k^* = \frac{h^*}{1 - v^*} Eq(1)$$

### Vacancy rates

As we discussed in our earlier [study](#), for the housing market to function smoothly, year-round vacant units are needed. Vacancy rates are often used to track the vitality of the housing market. Too high of a vacancy rate reflects a moribund market, while too low of a rate means demand is outstripping supply. Our previous research estimated the average U.S. vacancy rate to be around 13%.

For long-term vacancy rates ( $v^*$ ), we use historical estimates of vacancy rates in each state as well as the share of the state in the housing stock to obtain the state weight. We compute the weighted average national vacancy rate for the U.S. and then estimate the deviation of the state vacancy rate from the average national vacancy rate (see **Appendix 1.1** for a detailed methodology). We use each state's average from 1970 to 2000 as the estimate for  $v^*$  because this was the period before the boom and the bust in the housing market began. Historical vacancy rates vary dramatically by state. States like Vermont and Maine tend to have high vacancy rates because a large fraction of the housing stock serves as vacation/second homes. On the other hand, states like California tend to have very low vacancy rates.

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<sup>1</sup> The target number of households is the number of unconstrained households that would have formed if households did not face any constraints related to housing costs.

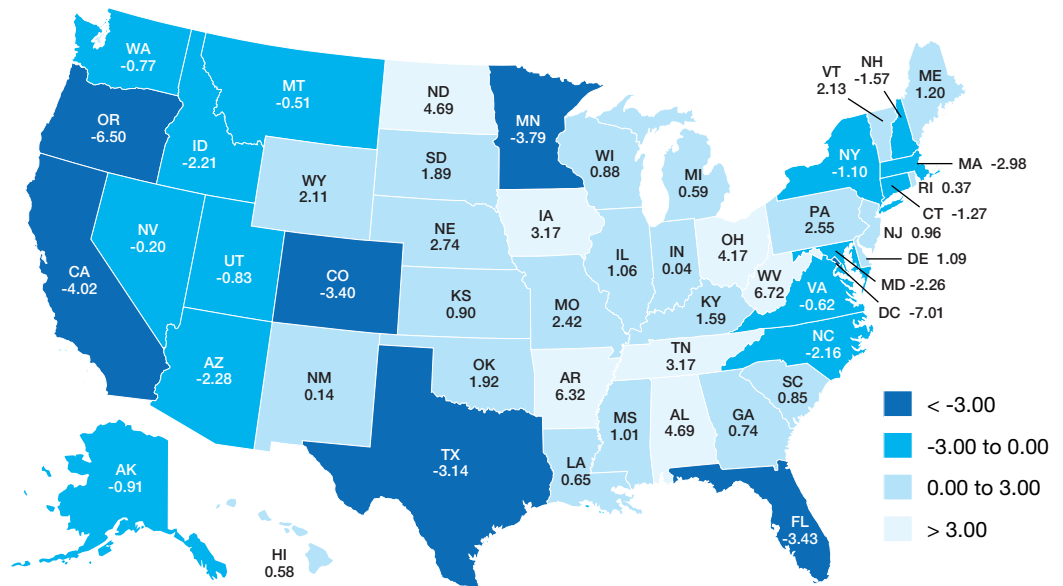


It is interesting to compare each state's long-term vacancy rate ( $v^*$ ) to recent estimates ( $v$ ). This measure estimates the number of housing units needed to close the gap between the current vacancy rate and long-term average rates. **Exhibit 1** shows the difference between the estimated vacancy rate in 2018 and the long-term vacancy rate for each state. States like Oregon, California, and Minnesota have much lower current vacancy rates compared to their historical averages, while states like West Virginia, Alabama, North Dakota, and Ohio have witnessed an increase in the vacancy rates as the populations of these states have decreased.

### Exhibit 1

#### Difference between 2018 vacancy rate and historical vacancy rate

States that are losing (gaining) population have high (low) vacancy rates.



Source: Author's calculations based on CPS, HVS, and Moody's Analytics estimated data.



## Target households

Our previous [research](#) has shown that high housing costs have constrained household formation. These high housing costs have hit the Millennial generation particularly hard. To overcome these cost barriers, some young adults have turned to shared living arrangements. Others have moved back home with parents. As a result, there are more than 400,000 missing households headed by 25- to 34-year-olds (households that would have formed except for higher housing costs).

While high housing costs have hit young adults hardest, they have affected all age groups. If housing costs were lower, more households would form. We use our model estimates of the number of households reduced due to unusually high housing costs and add them back. We do this for each age group (see **Appendix 1.2** for more details.)

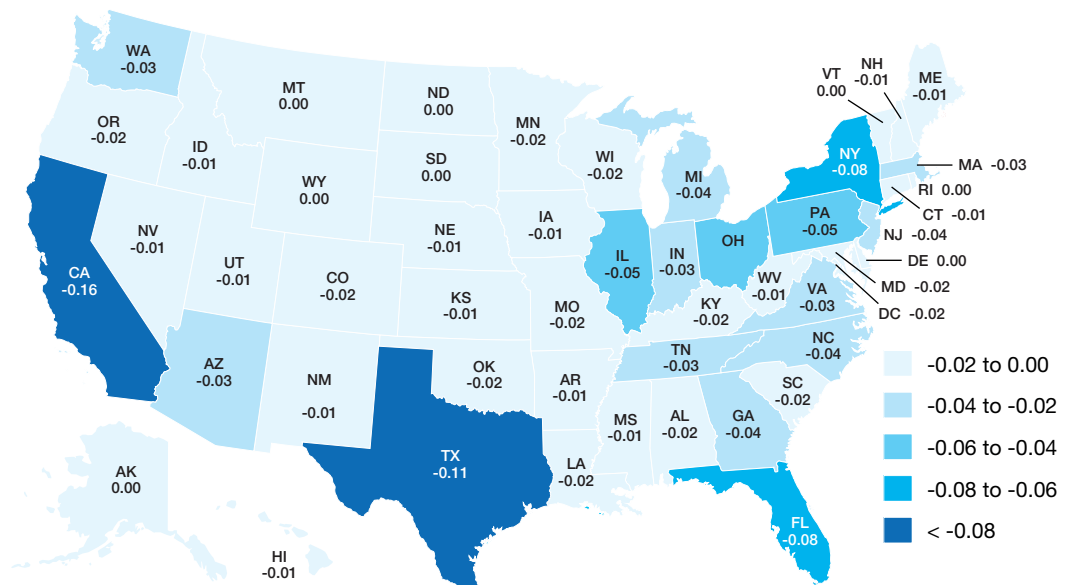
Due to different age profiles, the share of missing households varies by state.

**Exhibit 2** plots the share of missing households due to housing costs for each state. In general, states with relatively lower vacancy rates have proportionally more missing households.

### Exhibit 2

#### Missing households due to high housing costs (millions)

States with relatively lower (higher) vacancy rates have proportionally more (fewer) missing households.





## Static estimate of housing deficit

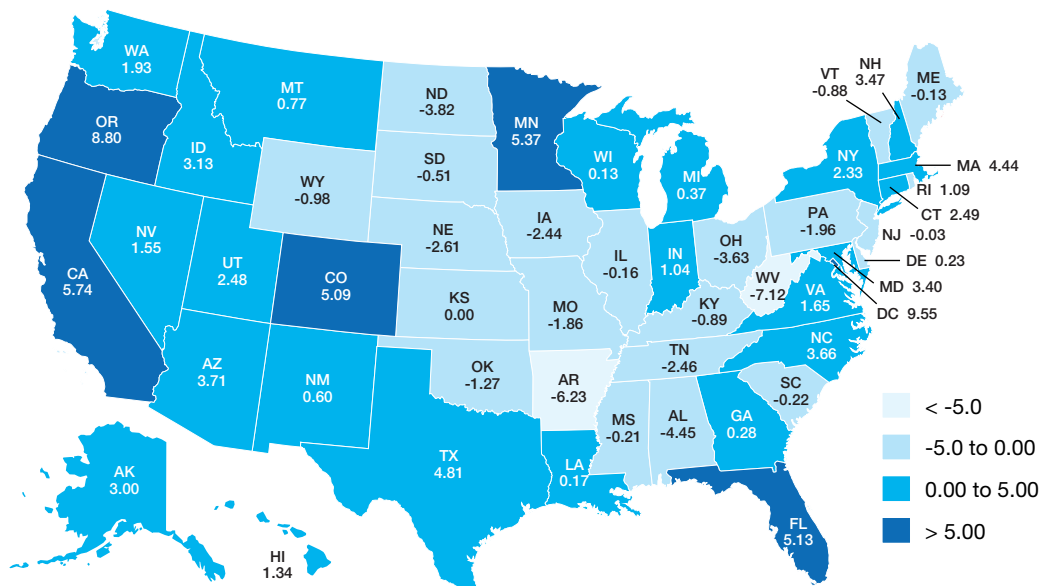
We combine our target vacancy rate and target households to estimate housing demand. Subtracting our estimated housing demand from the Census estimate of housing supply gives us the estimated housing deficit. **Exhibit 3** shows our results by state.

As a percent of the housing stock, the state housing supply deficit varies from -7 to 10%. Excluding the District of Columbia, Oregon has the largest deficit (nearly 9%) followed by California (nearly 6%).<sup>2</sup> Some states have a negative deficit, meaning they are oversupplied. According to our estimate, 21 states are oversupplied, the largest being West Virginia, at more than 7%.

### Exhibit 3

#### Housing stock deficit as proportion of a state's housing stock (static estimate not considering interstate migration flows)

A static view suggests that 29 states have a housing undersupply.



Source: Author's calculations.

<sup>2</sup> The District of Columbia had the highest deficit as a share of the existing housing stock at 9.7%.



## Impact of migration on the housing deficit of the states

While houses stay in place, people do not. Job growth attracts in-migrants, while a dearth of opportunity drives out-migration. High housing costs also contribute to migration patterns. When the rents get too high, people move away. This dynamic can impact our estimates.

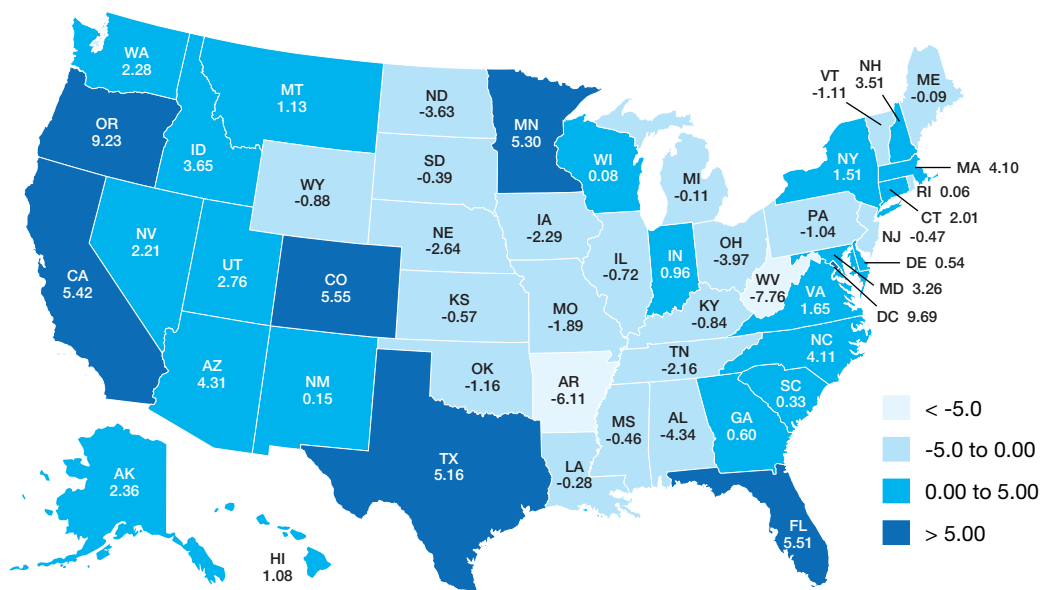
It's helpful to consider the case of California. Our estimates indicate that California has a shortage of 820,000 housing units. But history suggests that California's shortage may be overestimated if interstate migration is considered. For more than four decades, California's state population has grown, but this increase has been driven primarily by international migration. High housing costs have driven many U.S. citizens and households out of California, driving housing demand higher in their destination states.

A robust model of domestic migration flows between states is beyond the scope of this study. But we can approximate how migration may affect our estimates. We can use the historical average of state-to-state migration flows as a forecast of future flows. If the future interstate migration exactly matches past flows since 2001, we can create a rough, but useful approximation (**Exhibit 4**).<sup>3</sup>

### Exhibit 4

#### Housing stock deficit as proportion of state's housing stock (dynamic estimate considering interstate migration flows)

A dynamic view indicates that some states' deficit is overestimated, like California, while others' is underestimated, like Texas. Some states, like Michigan, move from a deficit to a surplus.



Source: Author's calculations.

<sup>3</sup> We used the average net migration flows between states from 2001 to 2017 for the past flows.



For example, when considering migration flows, the estimated housing demand in Michigan changes from deficit to surplus; Ohio's surplus increases; and Florida's deficit increases (see **Appendix 1.3** for details on our estimation method).

Given the severity of the problem, states have started addressing the issue of supply shortages by taking legislative action. Some of these states such as California, Oregon, Minnesota, and North Carolina have passed legislation to eliminate exclusive single-family zoning. Removing these zoning restrictions will provide builders with the flexibility to build a range of housing options which could help alleviate some of the shortage.

## Conclusion

A shortage of housing remains a major issue for the United States. Years of underbuilding has created a large deficit, particularly for states with strong economies that have attracted a lot of people from other states. The issue of undersupply will be further exacerbated as Millennials and younger generations enter the housing markets, especially as housing costs become more favorable.

Dynamic estimates suggest that contrary to expectations, it isn't only the larger states that have a higher housing supply shortage. Some of the smaller states, which have been attracting a lot of migrants from other states, also need to build more housing units to accommodate the needs of their growing population.



## Appendix

### 1.1 Vacancy rate calculations

We calculate the vacancy rate based on the historical vacancy rate. For this purpose, we obtain the historical vacancy rates by state from Moody's analytics for the period from 1970 to 2000<sup>4</sup> and estimate the average vacancy rate for this period for each state.

$$VR_i = \text{average}(VR_i) \text{ for } 1970-2000,$$

where  $i$  is the state.

We then obtain the housing stock information by state from the Housing Stock (HVS) ('000s) U.S. Census Bureau (BOC): Housing Vacancies and Homeownership–Table 8–Quarterly Estimates of the Housing Inventory. From these data, the share of the state in the total housing stock is calculated to get the state weights.

$$w_i = \frac{K_i}{\sum_i K_i}.$$

The sum product of the vacancy rate of the state and the state's weight in the housing stock gives us the U.S. average vacancy rate.

$$\text{U.S. average vacancy rate: } VR = \sum_i VR_i * w_i.$$

We then compute the difference between the state vacancy rate and the average U.S. vacancy rate to see how far away the state is from the U.S. average.

$$D_i = VR_i - VR.$$

This deviation for the states is then applied to the long-run vacancy rate for the United States (which we estimated earlier to be 13%) to get the state-wise vacancy rate.

$$\text{State-wise Vacancy Rate} = 13\% + D_i \text{ for each state.}$$

### 1.2 Estimating target households

We obtain the headship rates<sup>5</sup> for the year 2018 by state and by age for all the 50 states and District of Columbia.<sup>6</sup> We then estimate target households using this headship rate and adding back housing

4 Data is available from 1970:Q2 onward. We estimate the average for the period up to 2000:Q4. This corresponds to the period before the boom and bust in the housing market began.

5 Headship Rate = Number of Head of Households/Total Households.

6 Data source: Current Population Survey–Annual Social and Economic Supplement (CPS-ASEC) using the Integrated Public Use Microdata Series (IPUMS) (Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas and Matthew Sobek. IPUMS USA: Version 9.0 [dataset]. Minneapolis, MN: IPUMS, 2019.)



costs assuming that housing costs become more favorable for household formation. The target headship rate would be

$$hr_{i,j}^* = hr_{(i,2018)} + \alpha_{(\text{housing costs}, i)}$$

We then use this target headship rate and the population by five-year age buckets to compute the households in each state.

$$hh_i^* = \sum_j hr_{i,j}^* * pop_{i,j}$$

where  $i$  is the state and  $j$  is the five-year age buckets.

The product of headship rate and population by age gives the households by age group. Summing it up over all the ages gives the total households in the state.<sup>7</sup>

### 1.3 Domestic migration flows between states

For the estimate of the states' share of the deficit, we need to obtain the share of the migration flows between states by age. To get detailed age-wise distribution of population, we use the ACS data from 2001 to 2017. We obtain the population by age and by state for these years. We identify people who had a different state of residence from a year ago, which indicates that they migrated to a different state. We then get estimates of the in-migrants and out-migrants by state and age.

We then estimate the net domestic migrants for each state as the difference between the in-migrants and out-migrants.

$$NM_{i,j} = I_{i,j} - O_{i,j}$$

where  $i$  is the state,  $j$  is the five-year age buckets,  $I$  is the in-migrants, and  $O$  is the outmigrants.

To estimate the net outmigrants from states that have a  $NM < 0$ , we obtain the Moody's historical net domestic migration data. We then apply these shares by state and age to the net migration data for 2018 to obtain the number of people leaving a state by the five-year age bucket.

$$\Delta P_{i,j,out}^* = \frac{NM_{i,j}}{\sum_{i,j} NM_{i,j}} * P_{m,i}$$

where  $P_{i,j,out}^*$  is the total change in population (net out-migrants) for states that have net outmigration,

<sup>7</sup> These households would be based on the Current Population survey (CPS). To make them consistent with estimates of housing supply from HVS, we apply a multiplier to this gap that is proportional to the gap between the CPS-ASEC and HVS household counts. The CPS-ASEC household estimate for 2018 was 127.6 million. The HVS estimate for that year was 121.3 million. We deflate our target households by a factor equal to 121.3/127.6, or 0.95.





$NM_{i,j}$  is the net out-migrants by age group and state,

$\Sigma NM_{i,j}$  is the sum of the total out-migrants for the state, and

$P_{m,i}$  is the historical net domestic migration data from Moody.

The ratio of  $NM / \Sigma NM$  gives the share of the five-year age group in the total out-migrants from the state.

This pool of out-migrants ( $P_{i,j,out}^*$ ) is then divided among the in-migrating states, given that the net flows for the country are 0.

We distribute these migrants according to the share of the state in the total in-migrants as well as by the share of the age group in the total in-migrants to the state.

$$\Delta P_{i,j,in}^* = SI_i * SA_{i,j} * \Delta P_{i,j,out}^*$$

where  $\Delta P_{i,j,in}^*$  is the in-migrants to the state i from the outmigrants pool,

$SI$  is the share of the state in total in-migrants,

$SA$  is the share of the five-year age bucket in the total in-migrants, and

$\Delta P_{i,j,out}^*$  is the total out-migrants.

The population of each state is then adjusted according to the change in the population estimated above.

$$\begin{aligned} Population_i^* &= P_{i,j} + \Delta P_{i,j,out}^* \text{ if } NM < 0. \\ &= P_{i,j} + \Delta P_{i,j,in}^* \text{ if } NM > 0. \end{aligned}$$

The households are then computed based on this adjusted population for each state by applying the headship rates by age group. Then the housing stock is estimated as per equation (1).



## Economic & Housing Research **Insight**

### Prepared by the Economic & Housing Research group

Sam Khater, Chief Economist

Len Kiefer, Deputy Chief Economist

Venkataramana Yanamandra, Macro Housing Economics Senior

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

2020 W. El Camino Avenue, Suite 500  
Sacramento, CA 95833  
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www.hcd.ca.gov



June 9, 2020

Therese W. McMillan, Executive Director  
Association of Bay Area Governments  
375 Beale Street, Suite 700  
San Francisco, CA 94105

Dear Therese W. McMillan,

**RE: Final Regional Housing Need Determination**

This letter provides the Association of Bay Area Governments (ABAG) 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 ABAG's existing and projected housing need.

In assessing ABAG's regional housing need, HCD and ABAG staff completed an extensive consultation process from March 2019 through May 2020 covering the methodology, data sources, and timeline for HCD's determination of the Regional Housing Need. HCD also consulted with Walter Schwarm with the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of **441,176** total units among four income categories for ABAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Gov. Code section 65584.01. In determining ABAG's housing need, HCD considered all the information specified in state housing law (Gov. Code section 65584.01(c)).

As you know, ABAG is responsible for adopting a methodology for RHNA allocation and RHNA Plan for the projection period beginning June 30, 2022 and ending December 31, 2030. Pursuant to Gov. Code section 65584(d), the methodology to prepare ABAG'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 Gov. Code section 65584.04(d), to the extent data is available, ABAG shall include the factors listed in Gov. Code section 65584.04(d)(1-13) to develop its RHNA

plan, and pursuant to Gov. Code section 65584.04(f), ABAG 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. Pursuant to Gov. Code section 65584.04(h), ABAG must submit its draft methodology to HCD for review.

Increasing the availability of affordable homes, ending homelessness, and meeting other housing goals continues to be a priority for the State of California. To support these goals the 2019-20 Budget Act allocated \$250 million for all regions and jurisdictions for planning activities through the Regional Early Action Planning (REAP) and Local Early Action Planning (LEAP) Grant programs. ABAG has \$ 23,966,861 available through the REAP program and HCD applauds ABAG's efforts to engage early on how best to utilize these funds and HCD looks forward to continuing this collaboration. All ABAG jurisdictions are also eligible for LEAP grants and are encouraged to apply to support meeting and exceeding sixth cycle housing element goals. While the SB 2 Planning Grant deadline has passed, ongoing regionally tailored technical assistance is still available through that program.

In addition to these planning resources HCD encourages local governments to consider the many other affordable housing and community development resources available to local governments that can be found at <https://www.hcd.ca.gov/grants-funding/nofas.shtml>

HCD commends ABAG and its leadership in fulfilling its important role in advancing the state's housing, transportation, and environmental goals. ABAG is also recognized for its actions in proactively educating and engaging its board and committees on the RHNA process and the regional housing need, as well as creating tools to aid the public understanding in the process. HCD especially thanks Paul Fassinger, Gillian Adams, Aksel Olsen, Dave Vautin, Bobby Lu, Matt Maloney, and Elizabeth Bulgarin for their significant efforts and assistance. HCD looks forward to its continued partnership with ABAG and its member jurisdictions and assisting ABAG in its 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 Megan Kirkeby, Acting Deputy Director, at [megan.kirkeby@hcd.ca.gov](mailto:megan.kirkeby@hcd.ca.gov) or Tom Brinkhuis, Housing Policy Specialist at (916) 263-6651 or [tom.brinkhuis@hcd.ca.gov](mailto:tom.brinkhuis@hcd.ca.gov).

Sincerely,



Megan Kirkeby  
Acting Deputy Director

Enclosures

## ATTACHMENT 1

### HCD REGIONAL HOUSING NEED DETERMINATION ABAG: June 30, 2022 through December 31, 2030

<u>Income Category</u>	<u>Percent</u>	<u>Housing Unit Need</u>
Very-Low*	25.9%	114,442
Low	14.9%	65,892
Moderate	16.5%	72,712
Above-Moderate	42.6%	188,130
<b>Total</b>	<b>100.0%</b>	<b>441,176</b>
* Extremely-Low	15.5%	Included in Very-Low Category

Notes:

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, then adjusted based on the percent of cost-burdened households in the region compared with the percent of cost burdened households nationally.*

## ATTACHMENT 2

### HCD REGIONAL HOUSING NEED DETERMINATION: ABAG June 30, 2021 through December 31, 2030

#### Methodology

ABAG: PROJECTION PERIOD (8.5 years) HCD Determined Population, Households, & Housing Unit Need		
Reference No.	Step Taken to Calculate Regional Housing Need	Amount
1.	<b>Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)</b>	8,273,975
2.	- <i>Group Quarters Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)</i>	-169,755
3.	<b>Household (HH) Population</b>	8,159,280
4.	<b>Projected Households</b>	<b>3,023,735</b>
5.	+ Vacancy Adjustment (3.27%)	+98,799
6.	+ Overcrowding Adjustment (3.13%)	+94,605
7.	+ Replacement Adjustment (.50%)	+15,120
8.	- <i>Occupied Units (HHs) estimated June 30, 2022</i>	-2,800,185
9.	+ Cost-burden Adjustment	+9,102
<b>Total</b>	<b>6<sup>th</sup> Cycle Regional Housing Need Assessment (RHNA)</b>	<b>441,176</b>

Detailed background data for this chart is 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 (standard 5% maximum to total projected housing stock) and adjusts the percentage based on the region's current vacancy percentage to provide healthy market vacancies to facilitate housing availability and resident mobility. The adjustment is the difference between standard 5% vacancy rate and regions current vacancy rate based (**1.73%**) on the 2014-2018 ACS data. For ABAG that difference is **3.27%**.
6. Overcrowding Adjustment: In regions where overcrowding is greater than the comparable region's overcrowding rate, or in the absence of comparable region the national overcrowding rate. HCD applies an adjustment based on the amount the regions overcrowding rate (**6.73%**) exceeds the comparable region's rate (**3.60%**). For ABAG that difference is **3.13%**. Data is from the 2014-2018 ACS.
7. Replacement Adjustment: HCD applies a replacement adjustment between .5% and 5% to the total housing stock based on the current 10-year annual average percent of demolitions the region's local government annual reports to Department of Finance (DOF). For ABAG the 10-year annual average multiplied by the length of the projection period is .40%, and the minimum **.50%** adjustment is applied.

8. Occupied Units: This figure reflects DOF's estimate of occupied units at the start of the projection period (June 30, 2022).
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 comparable regions, as determined by ABAG. The very-low and low income RHNA is increased by the percent difference ( $66.64\% - 66.00\% = .64\%$ ) between the region and the comparable region cost burden rate for households earning 80% of area median income and below, then this difference is applied to very low- and low-income RHNA proportionate to the share of the population these groups currently represent. The moderate and above-moderate income RHNA is increased by the percent difference ( $16.25\% - 13.10\% = 3.15\%$ ) between the region and the comparable region cost burden rate for households earning above 80% Area Median Income, then this difference is applied to moderate and above moderate income RHNA proportionate to the share of the population these groups currently represent. Data is from 2012-2016 CHAS.



# AGENDA REPORT

**TO: HONORABLE MAYOR AND COUNCIL MEMBERS**

**FROM: Reina Schwartz, City Manager**

**BY: Matthew Feske, Community Development Director**

**DATE: January 5, 2021**

**SUBJECT: Housing legislation and impact to City report.**

---

## **RECOMMENDATION**

It is recommended that the City Council receive and file the public input and provide direction to staff for a future process regarding housing legislation and the impact to the City.

## **BACKGROUND**

The State of California has passed several laws regarding housing that take effect January 1, 2021. The laws include new laws, amendments, and additions to existing laws. This can be a source of confusion and frustration.

## **DISCUSSION**

At the December 1, 2020 City Council meeting, Vice Mayor Cloven requested that a future report be made providing an overview of housing and zoning law and changes and how it will impact Clayton.

The current landscape of housing and zoning laws and regulations is complex and continues to change rapidly including new requirements effective January 1, 2021. Staff regularly uses resources from Cal Cities (formerly known as the League of California Cities), the Contra Costa Public Managers Association and other groups to try to stay educated on these changing requirements. As such, staff could prepare a high-level overview of the current housing context and present it to the City Council, Planning Commission and public in the next couple of months.

Given the increased complexity, however, it may be worth soliciting some external expertise via the use of a consultant to develop and provide the overview requested. One option for



achieving this additional expertise would be to use grant funds (State HCD LEAP grant) already awarded to the City to hire a consultant to develop and deliver a more comprehensive update to the City Council, Planning Commission and community regarding land use and housing options and requirements. This process would likely take three to six months to fully complete from soliciting the consultant through preparing the information to presenting it.

The cost associated with the consulting services is estimated at \$25,000-\$40,000, of which staff would recommend City Council authorization to use the LEAP Grant Funds.

#### **OPTIONS FOR CONSIDERATION**

The following summarizes the options for consideration:

1. Direct staff to prepare a high-level report on the Housing legislation and impact to the City.
2. Direct staff to prepare the Request for Proposal for a consulting firm to develop and deliver a comprehensive report of the Housing legislation and impacts to the City and bring back to City Council to authorize the use of the LEAP Grant Funds, selection of the consultant, and authorize City Manager to prepare the professional Service Agreement.

#### **FISCAL IMPACT**

There would be no actual fiscal impact to the General Fund for either option. However, should the City Council decide to use a consulting firm, the cost of funding the consulting firm can be authorized from the LEAP Grant. The LEAP Grant is a reimbursement grant program and the city would have a temporary cost for initial payments and recovered temporary cost with reimbursement payments from the grant program.

**MINUTES  
OF THE  
REGULAR MEETING**

**CLAYTON SUCCESSOR and SUCCESSOR HOUSING AGENCIES**

**December 18, 2018**

1. **CALL TO ORDER & ROLL CALL** - the meeting was called to order at 10:05 p.m. by Chairman Catalano in Hoyer Hall of the Clayton Community Library, 6125 Clayton Road, Clayton, CA. Board Members present: Chairman Catalano, Vice Chair Pierce, Board Members Diaz, Wan and Wolfe. Board Members absent: None. Staff present: City Manager Gary Napper, City Attorney Mala Subramanian, and City Clerk/Secretary Janet Calderon.
  
2. **CONSENT CALENDAR-** It was moved by Vice Chair Pierce, seconded by Board Member Wan, to approve the Consent Calendar as submitted (Passed; 5-0 vote).
  - (a) Approved the minutes of the regular public meeting of January 16, 2018.
  - (b) Adopted Resolution No. 02-2018SA approving the Successor Agency's Recognized Obligation Payment Schedule for the time period covering July 1, 2019 through June 30, 2020 (ROPS 2019-20) required by the CA Department of Finance (DOF).
  
3. **PUBLIC COMMENT ON NON-AGENDA ITEMS** - None.
  
4. **PUBLIC HEARINGS** – None.
  
5. **ACTION ITEMS** – None.
  
6. **BOARD ITEMS** – None.
  
7. ADJOURNMENT – on call by Chairman Catalano, the City Council adjourned its meeting at 10:06 p.m.

# # #

Respectfully submitted,

---

Janet Calderon, Secretary

Approved by the  
Clayton Successor and Successor Housing  
Agencies Board

---

Tuija Catalano, Chair



# STAFF REPORT

**TO: CITY OF CLAYTON SUCCESSOR AGENCY BOARD**

**FROM: PAUL RODRIGUES, FINANCE DIRECTOR**

**DATE: JANUARY 5, 2021**

**SUBJECT: ADOPT A RESOLUTION TO APPROVE AND ADOPT THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE YEAR ENDING JUNE 30, 2022 (ROPS 2021-2022), PURSUANT TO THE DISSOLUTION ACT**

---

## **RECOMMENDATION**

It is recommended the Successor Agency Board adopt the attached Resolution approving the 15<sup>th</sup> Recognized Obligation Payment Schedule (ROPS 2021-2022) covering the timeframe July 1, 2021 through June 30, 2022 pursuant to Section 31471(h) and 34177(l)(1) of the California Redevelopment Law – the Dissolution Act, [ABx1 26 and AB 1484].

## **BACKGROUND**

Under the Dissolution Act, “enforceable obligations” of the former redevelopment agency (e.g. Clayton Redevelopment Agency) include the following financial arrangements (the ROPS of a city or county):

- Bonds
- Loans
- Payments required by state or federal government
- Obligations to employees
- Judgments or settlements
- Binding and legally enforceable agreements entered into before AB1x26
- Contracts for Redevelopment Agency (RDA) administration, Successor Agency administration, and Oversight Board administration

The monies to fund payment of the requested ROPS enforceable obligations are issued by the Contra Costa County Auditor-Controller's Office (CAC) to Clayton's Redevelopment Obligation Retirement Fund. As its name implies, this fund replaces the former Redevelopment Agency's three Funds and functions as the repository for sufficient tax increment revenues in the amounts identified and approved in subsequent ROPS to effectively "retire" all former Clayton Redevelopment Agency debts and contractual obligations over a multi-year period. Once all identified and certified debts and obligations have been satisfied, the Successor Agency is then dissolved.

Pursuant to *California Health and Safety Code* section 34179(j), on and after July 1, 2018 in each county where more than one oversight board was created (including Contra Costa County), there shall be only one County Oversight Board staffed by the County Auditor-Controller. The Countywide Oversight Board of Contra Costa County is comprised of a seven member board consisting of one member from each of the following groups: County Board of Supervisors, Mayors Conference, Special Districts, the Superintendent of Schools, Community College District, a member of the public, and a former employee of a County public agency. Following this re-organization of the Oversight Board, commencing July 1, 2018 the Department of Finance (DOF) only recognizes actions taken by the newly established Countywide Oversight Board.

## **DISCUSSION**

### ***Prior Recognized Obligation Payment Schedule***

A DOF Determination Letter dated March 27, 2020 accepted the Clayton Oversight Board-approved ROPS 2020-2021. Following the DOF's approval this resulted in the Clayton Successor Agency receiving \$717,441 in June 2020 for enforceable obligations through the six month period ending December 31, 2020. Also, pursuant to the DOF's March 27, 2020 determination letter, the Clayton Successor Agency expects to receive \$142,308 in January 2021 for enforceable obligations through the six month period ending June 30, 2021.

### ***Current Recognized Obligation Payment Schedule***

Included herein, as Exhibit A to the Resolution is the 15<sup>th</sup> Recognized Obligation Payment Schedule (ROPS 2021-2022). Pursuant to *California Health & Safety Code* section 34177(o)(1), commencing with the ROPS 2016-2017 and thereafter, agencies were authorized to submit an annual ROPS to the DOF and the CAC by February 1, 2016 and each February 1<sup>st</sup> thereafter. Following the annual submission of an approved ROPS, the DOF has been directed to make its determination of approval by the following April 15<sup>th</sup>.

On this annual ROPS, the Successor Agency is requesting Redevelopment Property Tax Trust Fund (RPTTF) monies to pay for local obligations totaling \$504,508 and \$138,168 for the six-month periods ending December 31, 2021 and June 30, 2022, respectively. In addition to RPTTF, the Successor Agency is requesting authorization to use other unencumbered Successor Agency balances to make payments on enforceable obligations consistent with the law and the DOF's March 27, 2020 determination letter.

For the six-month period ending December 31, 2021 the Successor Agency is requesting authorization to make payments on the following enforceable obligations:

- Principal and interest on the 2014 Refunding Tax Allocation Bonds,
- Trustee and other professional service fees directly related to the bonds,
- Administrative costs under *California Health & Safety Code* section 34171(b).

Immediately thereafter, for the six-month period ending June 30, 2022, the Successor Agency is requesting authorization to make payments on the following enforceable obligations:

- Interest on the 2014 Refunding Tax Allocation Bonds, and
- Administrative costs under *California Health & Safety Code* section 34171(b).

### **FISCAL IMPACT**

Once approved by the DOF, ROPS 2021-2022 will be in place for the Successor Agency to make payments on agreements and other obligations of the former Redevelopment Agency for the period of time July 1, 2021 through June 30, 2022. Absent this approval the Successor Agency is not permitted to make such payments which would cause the Successor Agency to be in breach of legal bond covenants.

Attachments:

1. Successor Agency Resolution approving the ROPS 2021-2022 Resolution (3 pp.)
  - o Exhibit A: Recognized Obligation Payment Schedule (ROPS 2021-2022)

RESOLUTION NO. \_\_\_\_-2021

**A RESOLUTION APPROVING AND ADOPTING THE  
RECOGNIZED OBLIGATION PAYMENT SCHEDULE  
FOR THE TIME PERIOD OF JULY 01, 2021 THROUGH JUNE 30,  
2022 (ROPS 2021-2022), PURSUANT TO SECTION 31471(h)  
AND 34177(I)(1) OF THE CALIFORNIA REDEVELOPMENT LAW**

**THE CITY COUNCIL (AS SUCCESSOR AGENCY)  
City of Clayton, California**

**WHEREAS**, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; the "Redevelopment Law"), the City Council (the "City Council") of the City of Clayton (the "City") adopted in accordance with the California Community Redevelopment Law, City Ordinance No. 243 on July 20, 1987 adopting the Redevelopment Plan for the Clayton Redevelopment Project Area (the "Redevelopment Plan"), as amended from time to time; and

**WHEREAS**, the Redevelopment Agency of the City of Clayton (the "Agency") is responsible for implementing the Redevelopment Plan pursuant to said Redevelopment Law; and

**WHEREAS**, Assembly Bill X1 26 (the "Dissolution Act") and Assembly Bill X1 27 (the "Alternative Redevelopment Program Act") were enacted by the State of California on June 28, 2011, to significantly modify the Community Redevelopment Law and to end the existence of or modify continued operation of redevelopment agencies throughout the state (Health & Safety Code §33000, et seq.; the "Redevelopment Law"); and

**WHEREAS**, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional meaning all California redevelopment agencies, including the Clayton Redevelopment Agency, were terminated and automatically dissolved on February 1, 2012 pursuant to the Dissolution Act; and

**WHEREAS**, on January 17, 2012 by Resolution No. 03-2012, the Clayton City Council did exercise its priority right and took action to become the Successor Agency and the Successor Housing Agency of the former Clayton Redevelopment Agency; and

**WHEREAS**, November 24, 2020 the California Department of Finance (DOF) posted instructions for completing the Recognized Obligation Payment Schedule covering the time period of July 1, 2021 through June 30, 2022 (ROPS 2021-2022), including the requirement that the ROPS 2021-2022 must be approved by the Countywide Oversight Board and submitted electronically to the DOF by February 1, 2021; and

**WHEREAS**, pursuant to *California Health and Safety Code* section 34179(j), on and after July 1, 2018 in each county where more than one oversight board was created, there shall be only one County Oversight Board; and

**WHEREAS**, the Countywide Oversight Board shall be staffed by the County Auditor-Controller (CAC), by another county entity selected by the CAC, or by a city within the county that the CAC may select after consulting with the DOF; and

**WHEREAS**, commencing July 1, 2018 the DOF will only recognize actions taken by the Countywide Oversight Board; and

**WHEREAS**, the CAC instructed local Successor Agencies, including the City of Clayton Successor Agency, to prepare the ROPS 2021-2022 to be presented to the newly established Countywide Oversight Board for approval at a forthcoming meeting to be scheduled in January 2021; and

**WHEREAS**, the City of Clayton Successor Agency Board has reviewed and duly considered the Staff Report, the proposed ROPS 2021-2022, plus documents and other written evidence presented at the meeting.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of Clayton, California, and serving as the Successor Agency Board, does hereby find the above Recitals are true and correct and have served, together with the supporting documents, as the basis for the findings and approvals set forth below.

**BE IT FURTHER RESOLVED** that the Successor Agency Board does hereby approve and adopt the ROPS 2021-2022, attached hereto as "Exhibit A" and incorporated herein as if fully set forth in this Resolution.

**BE IT FURTHER RESOLVED** that the Successor Agency Board authorizes and directs its City Manager or the City Manager's designee to: (1) post the ROPS 2021-2022 (Exhibit A) on the City's website; (2) designate a City representative to submit the approved ROPS to the Countywide Oversight board for approval and to whom all questions related to the ROPS can be directed; (3) notify, by mail or electronic means, the County Auditor-Controller, the State Department of Finance, and the State Controller's Office of the Countywide Oversight Board's action to adopt the ROPS 2021-2022, and to provide those persons with the internet website location of the posted schedule and the contact information for the City's designated contact; and (4) to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and to implement the ROPS on behalf of the Successor Agency and City.



**BE IT FURTHER RESOLVED** that if any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Resolution or of Exhibit A, or any part thereof is for any reason held to be unconstitutional, invalid or ineffective, such decision shall not affect the validity or effectiveness of the remaining portions of this Resolution, Exhibit A or any part thereof. The Successor Agency Board hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase of this Resolution or of Exhibit A irrespective of the fact that one or more sections, subsections, subdivision, paragraphs, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective. To this end the provisions of this Resolution and of Exhibit A are declared to be severable.

**AND BE IT FURTHER RESOLVED** that this Resolution shall and does take immediate effect upon its adoption.

**PASSED, APPROVED AND ADOPTED** by the Successor Agency Board of Clayton, California at a regular public meeting thereof held on the 5<sup>th</sup> day of January 2021 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THE CITY COUNCIL OF CLAYTON, CA  
Serving as the Clayton Successor Agency Board

---

Carl "CW" Wolfe, Chair

ATTEST:

---

\_ Janet Calderon, Secretary

**Recognized Obligation Payment Schedule (ROPS 21-22) - Summary**  
**Filed for the July 1, 2021 through June 30, 2022 Period**

**Successor Agency:** Clayton

**County:** Contra Costa

<b>Current Period Requested Funding for Enforceable Obligations (ROPS Detail)</b>	<b>21-22A Total (July - December)</b>	<b>21-22B Total (January - June)</b>	<b>ROPS 21-22 Total</b>
<b>A Enforceable Obligations Funded as Follows (B+C+D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
<b>E Redevelopment Property Tax Trust Fund (RPTTF) (F+G)</b>	<b>\$ 504,508</b>	<b>\$ 138,168</b>	<b>\$ 642,676</b>
F RPTTF	379,508	13,168	392,676
G Administrative RPTTF	125,000	125,000	250,000
<b>H Current Period Enforceable Obligations (A+E)</b>	<b>\$ 504,508</b>	<b>\$ 138,168</b>	<b>\$ 642,676</b>

**Certification of Oversight Board Chairman:**

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

\_\_\_\_\_  
Name Title

/s/ \_\_\_\_\_  
Signature Date

**Clayton**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - ROPS Detail**  
**July 1, 2021 through June 30, 2022**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation	Retired	ROPS 21-22 Total	ROPS 21-22A (Jul - Dec)					21-22A Total	ROPS 21-22B (Jan - Jun)					21-22B Total
											Fund Sources						Fund Sources					
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	
								\$1,827,523		\$642,676	\$-	\$-	\$-	\$379,508	\$125,000	\$504,508	\$-	\$-	\$-	\$13,168	\$125,000	\$138,168
3	LMIHF Loan entered into on 5/19/10	SERAF/ ERAF	05/19/2010	06/30/2021	Successor Agency LMI Fund	Inter-loan for SERAF payment to State of CA	All	-	N	\$-	-	-	-	-	-	\$-	-	-	-	-	-	\$-
4	Fiscal Agent Fees (US Bank Trustee)	Fees	11/01/1996	08/01/2024	US Bank	Paying Agent Fees	All	2,200	N	\$2,200	-	-	-	2,200	-	\$2,200	-	-	-	-	-	\$-
7	Successor Agency Functions	Admin Costs	06/25/2014	08/01/2024	City of Clayton	Expenses for Successor Agency Operation	All	250,000	N	\$250,000	-	-	-	-	125,000	\$125,000	-	-	-	-	125,000	\$125,000
16	Refunding Tax Allocation Bonds 2014	Refunding Bonds Issued After 6/27/12	06/25/2014	08/01/2024	US Bank	Bonds issued to refund the 1996 and 1999 non-housing RDA Tax Allocation Bonds	All	1,575,323	N	\$390,476	-	-	-	377,308	-	\$377,308	-	-	-	13,168	-	\$13,168



**Clayton**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - Report of Cash Balances**  
**July 1, 2018 through June 30, 2019**  
 (Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.							
A	B	C	D	E	F	G	H
	ROPS 18-19 Cash Balances (07/01/18 - 06/30/19)	Fund Sources					Comments
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF	
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin	
1	Beginning Available Cash Balance (Actual 07/01/18) RPTTF amount should exclude "A" period distribution amount.	41,922		7,250	27,130		Beginning Balances per Amended 6/30/2018 Report of Cash Balances, previously submitted to Michael Barr, California Department of Finance, 11/03/2020.
2	Revenue/Income (Actual 06/30/19) RPTTF amount should tie to the ROPS 18-19 total distribution from the County Auditor-Controller	173			16,552	785,957	
3	Expenditures for ROPS 18-19 Enforceable Obligations (Actual 06/30/19)	42,095		7,250	5,119	785,957	
4	Retention of Available Cash Balance (Actual 06/30/19) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)						
5	ROPS 18-19 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 18-19 PPA form submitted to the CAC		No entry required				
6	Ending Actual Available Cash Balance (06/30/19) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$-	\$-	\$-	\$38,563	\$-	

**Clayton**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - Notes**  
**July 1, 2021 through June 30, 2022**

Item #	Notes/Comments
3	
4	
7	
16	