

Regional Housing Needs Allocation Overview

The purpose of this document¹ is to provide an overview of the Regional Housing Needs Allocation (RHNA) process in California, which assigns each city and county a share of the additional housing units needed to accommodate projected household growth at all income levels. The RHNA process starts with the Department of Housing and Community Development (HCD) working with individual councils of governments (COGs) to determine how much housing at a variety of affordability levels is needed for each region in the state. Then the COG develops a methodology to allocate the housing need to each city and county, which must adopt housing elements that show how the jurisdiction will meet the assigned housing need.

There are two steps in the RHNA: the Determination and Allocation. The Determination (or RHND) is the process of establishing the housing need for a region over an eight-year planning period (or five-year period in some rural counties). The Regional Housing Need Allocation involves the assignment (or allocation) of the Determination to each city and county within the region. The RHNA acronym, however, is sometimes used as shorthand for the entire process (e.g., “Madera’s RHNA number is 5,000”). In addition, RHNA is also referred to by cycle, or the number of times HCD has assigned a RHNA to a COG with an eight-year RHNA planning period. The next cycle will be the Seventh Cycle.

In the San Joaquin Valley, this process is undertaken by the designated council of governments in Kern, Kings, Tulare, Fresno, Merced, Stanislaus, and San Joaquin Counties (in Madera County, the assignment to the cities and counties is done by state).

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RHNA Mandates Accommodation, Not Production

The RHNA is sometimes mischaracterized as a *production* mandate. But HCD is clear that the RHNA is not a “prediction of building permit, construction, or housing activity” but rather the “additional housing units needed to accommodate projected household growth of all income levels.”² Local agencies do not usually construct housing; nor can they require owners to build housing on their property within a RHNA period. Instead, local agencies accommodate housing by providing that sufficient zoning with programs that will support the agencies assigned RHNA number. Thus, RHNA is a housing *accommodation* mandate.

How the RHNA Works with the Regional Transportation Plan

A related planning effort undertaken by COGs that serve as Metropolitan Planning Organizations (MPOs) is the Regional Transportation Plan (RTP), which includes a Sustainable Communities Strategy (SCS). The RTP is a 20-year plan for transportation investments required by federal law that is updated every four years.³ The SCS is a set of policies within the RTP that achieve a state required reduction greenhouse gas (GHG) emissions from cars and light trucks.⁴ Yet RHNA and the RTP/SCS are intertwined. The timing of the housing element approval is 18 months after the adoption of the RTP/SCS;⁵ and the RTP/SCS must identify areas sufficient to house all economic segments of the population over the period of the plan, including the RHNA.⁶

The RHNA and the RTP/SCS share similar goals. Both promote sustainable growth, reduction in GHG emissions, and equity. They also aim to align housing and transportation policies to accommodate growth and minimize urban sprawl. RHNA mandates that local agencies plan for sufficient housing across income levels, while the RTP-SCS integrates mobility with land use to create transportation-efficient communities.

But they also measure different things. The RHNA assigns a housing goal based on need. The availability of resources is not considered when the determinations are made. The RTP/SCS, on the other hand, includes a forecasted development plan that predicts construction activity⁷ to plan transportation investments based on policy and available resources. Thus, the RHNA calculates total need and the RTP/SCS predicts actual construction activity. Timing also differs. The SCS is adopted 18 months before HCD approves the housing element. But because a new RTP is adopted every four years, a second RTP is adopted 30 months afterward, which provides COG-

² HCD, *RHNA Reform Overview Presentation*, Slide 4. <https://calcog.org/wp-content/uploads/2024/12/CALCOG-RHNA-Webinar-121724.pdf> (presented on December 17, 2024).

³ 49 U.S. Code § 5303

⁴ Cal Gov't Code § 65080.

⁵ Cal Gov't Code § 65588(e).

⁶ Cal Gov't Code § 65080(b)(2)(B)(ii)-(iii).

⁷ According to HCD, RHNA is not a prediction of permit or construction activity. See note 2, above.

MPOs the opportunity to update their forecasted development patterns to account for the housing elements approved by HCD.

RHNA is Exempt from CEQA.

RHNA determinations made by HCD, a COG, or a city or county are exempt from CEQA.⁸ But the RTP/SCS undergoes a full CEQA analysis.

No Ongoing Funding for Executing the RHNA

Despite its foundational role in California’s housing policy framework, the state does not provide the funding to assure the RHNA is well implemented. Technically, local agencies are statutorily authorized to charge a fee on development to cover their share of the COG’s RHNA cost (and forward the fees they collect to the COG). But there are many pragmatic problems with this approach. For example, it’s uncertain how a local agency would set a proportional fee to cover the entire cost given that statewide construction numbers have traditionally fallen short of the total RHNA. In addition, adding a new fee is contrary to one of the underlying tenants of promoting housing: that fees should be kept low to encourage as much new housing as possible.

But the Sixth Cycle RHNA was an exception. The inclusion of the first Regional Early Action Plan (REAP) program provided \$125 million to COGs and counties in non-COG areas to develop the RHNA and provide technical assistance to local agencies. This was enough to cover the costs of RHNA and provide substantial funds to COGs to grant to grant to local agencies. However, that program was structured with one time funding available at a time of significant budget surplus. There is not a similar source for the Seventh Cycle RHNA that begins in 2025.

RHND: The Regional Determination

The regional “determination” accounts for the projected *future* and *existing* housing need. Future need is based on expected population and job growth in the region. Existing need is based on the number of additional housing units is needed to serve the current population due to conditions like overcrowding, cost burden (lack of supply), vacancy rates, and jobs-housing imbalances.

HCD develops the Determination on a region-by-region basis. A rolling schedule means that different regions of the state are going through the process at different timelines. This has the benefit of spreading the workload of approving housing elements. (Imagine if all the city and county housing elements came to HCD for approval at the same time).

Developing the Methodology

The determination begins with a population growth projection. HCD reviews projections produced by the Department of Finance (DOF) and regional forecasts used for regional

⁸ Cal Gov’t Code § 65584(g).

transportation plans. If the two projections are within 1.5 percent of one another, then HCD must use the COG's population. Otherwise HCD consults with the COG to discuss variances in methodology and seek agreement. If no agreement is reached, HCD may use or modify DOF's projection as it sees fit.⁹

The population figure must then be converted to households to determine the number of units needed to house the total expected population. This requires further consultation between HCD and the COG on factors such as household size, the rate of formation, and expected demographic changes. Finally, further consultation occurs over several adjustment factors generally related to unmet existing needs that include:

- Target vacancy rates defined for health for sale and rental housing markets (currently defined as no less than 5 percent)
- The rate of overcrowding, which is defined as having more than one person per room in each room in a dwelling.
- The share of cost burdened households, which is defined as households paying more than 30% of household income on housing costs.

After consultation, HCD makes a written explanation of the specific data assumptions that will be used in the methodology. HCD may accept or reject the COG's assumptions or modify its own methodology based on this information.

The final RHNA allocation is delivered as a total number of units for the region grouped into affordability categories. "Housing cost" commonly includes rent or mortgage payments, utilities (gas, electricity, water, sewer, garbage, recycling, green waste), property taxes, and insurance on owner-occupied housing. Housing is "affordable" if it is available at 30 percent or less of gross household income.¹⁰ (See graphic, next page). This figure is then applied to the Average Median Income (AMI) to determine the level of affordability on a county-by-county basis. HCD publishes annual tables of federal and State income limits for determining these maximums for a variety of programs.¹¹

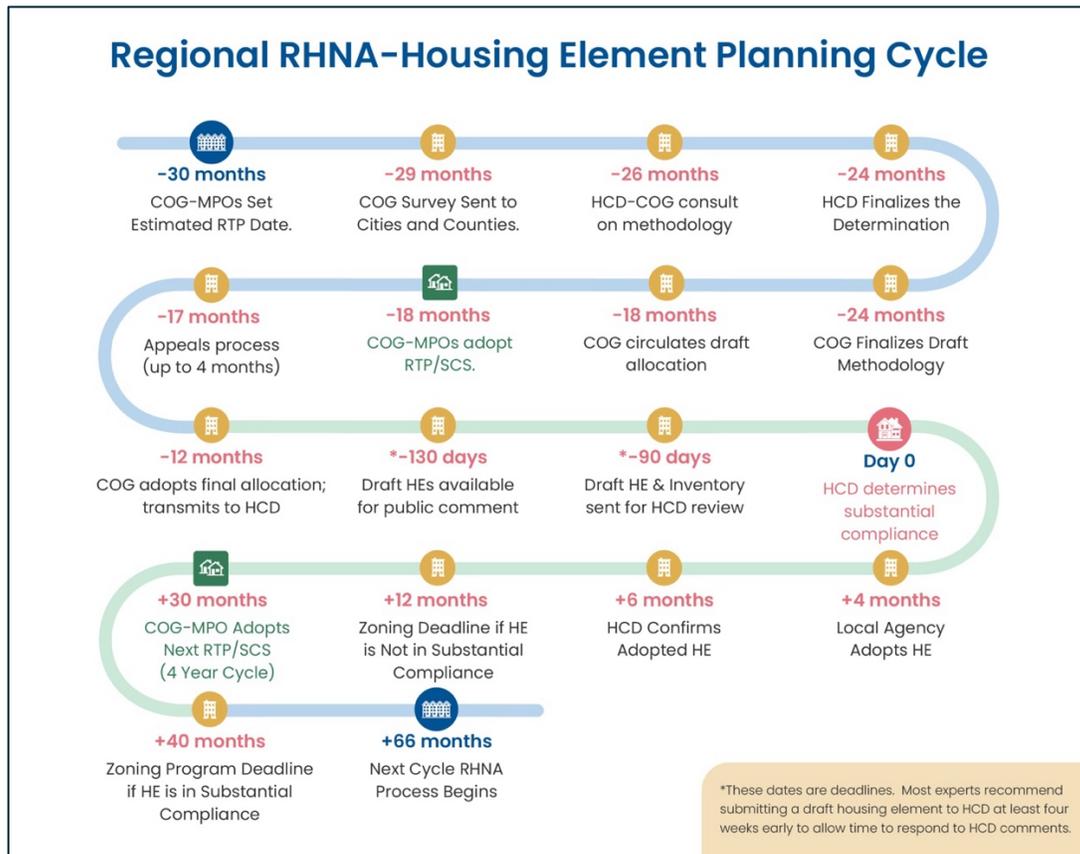
The Final Determination

HCD will then apply its methodology to calculate the region's actual housing need, which is broken out by income categories. The final housing need determination must be issued at least two years before the next housing element due date.

⁹ Cal Gov't Code § 65584.01(a)

¹⁰ Health & Safety Code § 50052.5. *See also*, Cal Gov't Code § 65582 (definitions apply to RHNA and Housing Elements).

¹¹ <https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits>



COG Objection to HCD’s Determination

A COG may challenge HCD’s final determination of total regional housing need, but only on the limited grounds that HCD failed to base its determination on the correct population projection or that the determination is not a reasonable application of HCD’s methodology and assumptions.¹² The challenge must also include an alternative RHND with an explanation of why it is a more accurate application of HCD’s methodology and assumptions. HCD has 45 days to consider the challenge and make a final determination. To date, no successful challenges have been made.

Formation of Subregions

Two or more cities and a county (or counties) may form a subregional agency that is eligible to receive a suballocation from the COG to distribute in the subregion.¹³ Such subregions take on the same responsibilities as the COG for their subregion. The entities must be geographically contiguous and requires approval by all the participating agencies and the COG.

¹² Cal Gov't Code § 65584.01(c).

¹³ Cal Gov't Code § 65884.03.

Regions Without COGs (Madera County)

Most of the state is covered by a council of governments that have opted to distribute the RHNA. But several rural regions do not have COGs.¹⁴ In these areas HCD does a truncated allocation reflective of the smaller allocation and small number of local agencies.¹⁵ HCD consult with each local agency and share data before issuing a draft allocation. Local agencies then have 90 days to propose a revision. HCD can take. Up to 60 days to accept the revision, modify the draft allocation, or indicate why the revision is not consistent with the RHNA. Then HCD issues the final determination, which may not be appealed.

Seven of the eight counties in the San Joaquin Valley have COGs that distribute the RHNA. The Madera County Transportation Commission is a transportation planning agency and a local transportation measure sales tax authority, but it is not a council of governments, and thus HCD does the allocation to cities and the county.

RHNA: The Allocation to Cities and Counties

Once the Determination (RHND) is established, the COG must allocate a portion of the total regional housing need to each city and county. This Regional Housing Need Allocation process is perhaps even more involved than developing the Determination. The COG must seek broad input in developing its methodology, including engaging the public, consulting with HCD, reviewing statutory objectives and factors, and conducting a survey.

Actual methodologies vary by region. They often include numerical weighting. COGs that serve as Metropolitan Planning Organizations (MPOs) often start by aligning the five primary objectives of the RHNA law with the key strategies in the Sustainable Communities Strategy within the Regional Transportation Plan (RTP/SCS) (SCS), which share the similar objectives of promoting infill, creating a jobs-housing balance, and fair balance of affordable housing.

Five Statutory Objectives and Thirteen Survey Factors

The RHNA allocation must further five state statutory objectives (see graphic below) and the COG must “consider including” an additional thirteen survey factors.¹⁶ The scope of the objectives and survey factors overlap. (HCD has recommended the elimination of duplicative and contradicting factors).¹⁷ Nevertheless, COGs must be able to describe how the final RHNA relates to each objective and factor. The COG may include additional factors if they can justify

¹⁴ These regions may form a COG if approved by the county and a majority of cities representing a majority of the population, and HCD determines they possess the capability to distribute the RHNA. See Cal Gov't Code § 65584.06(a).

¹⁵ See generally, Cal Gov't Code § 65584.06.

¹⁶ Cal Gov't Code § 65584(d) for five objectives and Cal Gov't Code § 65584.04(e) for thirteen factors.

¹⁷ See HCD, California Housing Future 2040 (2024)

Five Objectives and 13 Factors: The Abridged Versions

FIVE STATUTORY OBJECTIVES

1. Equitably increase the supply and mix of housing types, tenure, and affordability
2. Promote efficient development, infill, GHG reduction targets, and socioeconomic equity; protect environmental and agricultural resources
3. Promote jobs-housing relationships like balance between low-wage jobs and low-wage workers
4. Lower proportion the of units allocated to localities that have too high a share of households within a particular income category
5. Take meaningful actions to overcome patterns of segregation and foster inclusion free from barriers to opportunity based on protected characteristics

THIRTEEN FACTORS TO CONSIDER

- Existing and projected jobs-housing relationship
- Availability of suitable infrastructure and land
- Distribution of household growth in the RTP
- Agreements to direct growth more sustainably
- The loss of assisted housing developments
- Households paying more than 30 or 50 percent in rent
- The housing needs of farmworkers
- The rate of overcrowding
- Housing needs generated by colleges
- Housing needs the homelessness
- Units lost during a declared emergency
- The region's GHG emissions targets

why the added factor is necessary and how it furthers at least one of the five statutory objectives (unless it is necessary to address significant health and safety conditions).

One difference between the five objectives and thirteen factors is the extent to which they can be used to challenge a COG's draft methodology. When draft methodology is sent to HCD for review, their review is limited to whether the methodology furthers the five statutory objectives. It does not review how the draft allocation addressed the survey factors. On the other hand, a city or county may appeal the draft allocation for failure to consider information that relates to the thirteen survey factors (such appeals must also further the five statutory objectives).

City and County Survey

Six months prior to the publication of the draft distribution methodology, the COG must survey its member jurisdictions to request information relating to the 13 factors that may be used in developing the methodology.¹⁸ The COG can also use the survey to gather other information and data, including demographics, land availability, zoning, and development constraints. The COG may also include additional factors, but only if they can justify why the added factor is necessary and how it furthers at least one of the five statutory objectives (unless it is necessary to address significant health and safety conditions).

¹⁸ Cal Gov't Code § 65584.04(b).

The survey must also review and compile information that will allow the development of a methodology based upon the issues, strategies, and actions that are included in any Analysis of Impediments to Fair Housing Choice or an Assessment of Fair Housing.

There are significant limitations to what a COG can consider in developing its methodology.¹⁹ COGs may not consider policies, including voter-approved measures, that limit residential building permits. Moreover, COGs are prohibited from limiting their consideration of suitable housing sites to existing ordinances and land use restrictions. They must consider the potential for increased residential development under alternative zoning and land use restrictions.

Public Engagement

Public participation must inform the COG's RHNA distribution methodology.²⁰ Thus, COGs must seek perspective from organizations and groups within the region and input from economic segments and classes protected under the state's Fair Employment and Housing Act (FEHA). At a minimum, the COG must conduct three public hearings: one after the publication of the proposed allocation methodology; another after the deadline to file appeals of draft allocations; and a concluding one prior to adoption of the final allocation plan. In addition, all related documentation must be available online.

Submitting the Draft Methodology for Review

Following consultation with HCD, reviewing survey results, and hearing public comments, the COG publishes submit the draft allocation methodology to HCD for review. The COG must explain in writing how the methodology furthers the five objectives and how each of the 13 factors was incorporated into the methodology. This information, and any other supporting materials used in determining the methodology, are posted on the COG's website.²¹

HCD Review of Draft Allocation Methodology

HCD has 60 days to review the draft allocation methodology and report its written findings to the COG. If HCD determines the methodology is not consistent with the Five Objectives, the COG must either revise the methodology to further the objectives or include in its action adopting the methodology findings, supported by substantial evidence, as to how methodology furthers the objectives despite the findings of the department.²²

¹⁹ Cal Gov't Code § 65584.04(g).

²⁰ Cal Gov't Code § 65584.04(d).

²¹ Cal Gov't Code § 65584.04(h).

²² Cal Gov't Code § 65584.04(i).

SANDAG's Four Step RHNA Methodology

For the Sixth Cycle RHNA, the San Diego Association of Governments (SANDAG) had a RHND of 171,685 housing units. Below is the methodology developed by SANDAG after extensive public input to allocate housing units for low-, very-low-, moderate-, and above moderate-income households to all 19 local agencies in the region.

1. **Transit Access.** 65% of the region's assigned units will be allocated to agency's on the basis of access to transit, including rail stations, rapid bus stations, and major transit stops.
2. **Two Transit Subgroups.** Within the allocation based on transit access, 75% will be allocated to agencies with rail stations and rapid bus stations and 25% to agencies with major transit stops (15-minute intervals at peak commute hours).
3. **Job Locations.** The remaining 35% not allocated by transit access will be allocated to agencies based on the total number of jobs in their jurisdiction.
4. **Equity Adjustment.** To promote equity and address patterns of segregation, the methodology re-allocates units within income categories so that agencies with a low percentage of households in a particular category (compared to the regional average) will get a greater amount in that category.

SANDAG's *Methodology Document* includes definitions, data tables, and descriptions of how the methodology is consistent with the five RHNA objectives and corresponding factors.²³

The Draft Allocation (Finally)

After HCD reviews the draft methodology, the COG develops a RHNA Plan that allocates the units to each city and county in a way that is consistent with the adopted methodology. Given the detail included in the methodology, this is often a straightforward and rather quick process. But statute intends this occurs prior to the adoption of any regional transportation plan.²⁴

Once the methodology is accepted, the COG can proceed with applying the methodology to publish the actual allocation of housing at various income levels to each city and county. This must occur at least 18 months prior to the date that local agencies must submit their housing elements to HCD for review.²⁵ The draft allocation shall include underlying data and methodology and a statement of furthering the five.

²³ See <https://www.sandag.org/-/media/SANDAG/Documents/PDF/projects-and-programs/regional-initiatives/housing-land-use/regional-housing-needs-assessment/6th-cycle-regional-housing-needs-assessment-methodology-2019-11-22.pdf>.

²⁴ Cal Gov't Code § 65584.05.

²⁵ Cal Gov't Code § 65588(e).

Draft Allocation Appeals

Upon receipt of the Draft Allocation, local agencies, subregions, and HCD have 30 days to seek a revision of the share of the regional housing need proposed to be allocated to one or more local agencies.²⁶ Such appeals must be supported by adequate documentation and include a statement as to why the revision is necessary to further the five primary RHNA objectives. The appeal must also be consistent with the development pattern in the RTP. The specific basis for an appeal is limited to the following:

- The COG did not adequately consider the information related to 13 statutory factors.
- The COG failed to determine the RHNA in accordance with the adopted methodology and in a manner that does not undermine the statutory objectives.
- A significant and unforeseen change in circumstance has occurred in the jurisdiction (only the jurisdiction in question can file this type of appeal).

In addition, the appellant must make the case that a change to the draft allocation is necessary to further statutory objectives and consistent with the region's SCS. All appeals must be based on comparable data for all affected jurisdictions and accepted planning methodology.

After the close of the appeal period, other jurisdictions and HCD have 45 days to comment. The COG must hold a hearing to consider appeals and comments within 30 days. For larger regions, this may mean hearing multiple appeals simultaneously (SCAG considered 54 appeals in the 6th Cycle period). Finally, the COG must accept, reject, or modify each appeal no later than 45 days after the hearing. If the adjustments total 7 percent or less of the overall RHNA, the adjustments are distributed proportionally to all jurisdictions. If more, the COG must develop a methodology.

Final Approval

Once the appeal process concludes, the COG issues a proposed final RHNA allocation plan and must hold a public hearing within 45 days to adopt the plan. The COG must then submit the plan to HCD within three days of its adoption. HCD must confirm that the allocation plan allocates the entire regional housing need. The Final RHNA Plan needs to be adopted by the COG at least one year before the next housing element due date.

No Court Challenge Available to Local Agencies

The RHNA appeals process is the only redress available to local governments. A COG plan that fully allocated the RHNA has “final authority” to determine the distribution of the region's existing and projected housing need.²⁷ Two court decisions have refused to hear a challenge to the distribution on the ground that the COG's decision was final.²⁸

²⁶ Cal Gov't Code § 65584.05.

²⁷ Cal Gov't Code § 65884.05(g).

²⁸ See *City of Irvine v. SCAF*, 175 Cal.App.4th 506 (2009) upheld in *City of Coronado v SANDAG*, 80 Cal.App.5th 21 (2022).

SIXTH CYCLE RHNA TOTALS BY REGION							
San Joaquin Valley Counties	MPO?	VLI	ELI %	LI	M	AB	Total
Fresno Council of Governments	Yes	15,592	14.0%	9,143	9,047	24,516	58,298
Kern Council of Governments	Yes	14,658	13.1%	9,328	9,299	24,365	57,650
Kings County Association of Governments	Yes	2,257	11.9%	1,672	1,753	3,747	9,429
Madera County Transportation Commission	Yes	2,811	12.7%	2,118	2,175	5,139	12,243
Merced County Ass'n of Governments	Yes	5,516	13.1%	3,780	3,930	9,394	22,620
San Joaquin Council of Governments	Yes	13,293	13.1%	8,344	9,231	21,851	52,719
Stanislaus Council of Governments	Yes	8,410	12.1%	5,821	6,132	13,981	34,344
Tulare County Ass'n of Governments	Yes	8,497	12.7%	5,238	5,424	14,055	33,214
Subtotal							280,517
Other Councils of Governments							
Association of Bay Area Governments	MTC	114,442	15.5%	65,892	72,712	188,130	441,176
Ass'n of Monterey Bay Area Governments	Yes	7,868	13.1%	5,146	6,167	14,093	33,274
Butte County Association of Governments	Yes	2,081	14.3%	1,290	3,202	8,933	15,506
Council of San Benito County Governments	No	1,110	10.3%	890	947	2,058	5,005
Fresno Council of Governments	Yes	15,592	14.0%	9,143	9,047	24,516	58,298
Humboldt County Ass'n of Governments	No	829	12.3%	532	613	1,416	3,390
Lake County/City Area Planning Council	No	460	12.3%	310	300	835	1,905
Mendocino Council of Governments	No	474	n/a	308	269	794	1,845
Sacramento Area Council of Governments	Yes	38,999	14.4%	23,503	26,993	64,017	153,512
San Diego Association of Governments	Yes	42,332	13.6%	26,627	29,734	72,992	171,685
San Luis Obispo Council of Governments	Yes	2,660	14.2%	1,675	1,940	4,535	10,810
Santa Barbara County Ass'n of Governments	Yes	5,799	13.2%	3,935	4,397	10,725	24,856
Southern California Ass'n of Governments	Yes	351,796	14.5%	206,807	223,957	559,267	1,341,827
Subtotal							2,263,089
RURAL REGIONS WITHOUT A COG							
Alpine County	No	1	18.8%	1	-	-	2
Amador County	No	189	11.6%	123	140	289	741
Calaveras County	No	325	11.8%	220	206	589	1,340
Colusa County	No	261	10.1%	211	255	508	1,235
Del Norte County	No	141	12.8%	97	82	255	575
Glenn County	No	184	15.8%	83	116	278	661
Inyo County	No	70	10.9%	60	60	133	323
Lassen County	No	34	14.0%	21	24	56	135
Mariposa County	No	51	13.0%	26	37	81	195
Modoc County	No	5	11.8%	3	4	8	20
Mono County	No	39	6.9%	46	55	100	240
Nevada County	No	834	11.3%	656	622	1,582	3,694
Plumas County	No	6	13.5%	4	2	8	20
Shasta County	No	885	12.2%	591	636	1,563	3,675
Sierra County	No	2	16.6%	2	-	2	6
Siskiyou County	No	10	12.5%	10	-	-	20
City of South Lake Tahoe	TRPA	70	11.1%	50	42	127	289
Tehama County	No	317	9.3%	258	256	619	1,450
Trinity County	No	1	11.4%	1	-	-	2
Tuolumne County	No	150	12.8%	113	107	270	640
Subtotal							15,265
Statewide Total							2,500,576