COUNTY OF HUMBOLDT

PLANNING AND BUILDING DEPARTMENT

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Attachment 2b

MEMORANDUM

Date: March 10, 2021

To: E-File for the 2020 Housing Element Annual Progress Report
Interested Parties

From: Michelle Nielsen, Senior Planner

Re: Methodology Memo on the preparation of data for Tables A and A2 of 2020 Housing Element Annual Progress Report

The methodology used must be objective, can be used consistently, and can be readily replicated over multiple years.

1. <u>No net increase in housing units</u>: In accordance with HCD technical assistance provided May 20, 2019, only permits and entitlements that result in a net housing unit change (increase or decrease) in the same calendar year are reported in the annual progress report.

2. <u>Estimating Tenure of Housing Units</u>. Jurisdictions are obligated to estimate the tenure of reported housing units, i.e., rental or owner-occupied. All housing units categorized as 2 to 4 and 5+ are reported as having a rental tenure. For demolished and destroyed units reported on Table A2 see separate discussion below under Item 5.

   Tenure for housing units categorized as SFD, SFA, ADU and MH, the following methodology was employed to estimate tenure. Staff consulted Table 5 of Humboldt County's 6th cycle data package that is compiled by HCD. Table 5 contains data stating within the unincorporated area of the county, 64% of housing units are owned, while 36% are rented. Staff uses a random number generator to apply the 64/36 percentage split to the housing units categorized as SFD, SFA, ADU and MH. The methodology also uses the steps outlined here: https://www.uwec.edu/kb/article/microsoft-excel-2007-getting-a-random-sample:

   A. Formula to generate a random sample from the data set: =IF([@[Unit Category]]="2 to 4","Exclude",RAND())
   B. Copy and paste random number result as a value
   C. Filtered data set to exclude records marked as "exclude"
   D. Sort data set, smallest to largest, by the random number result
   E. Apply the 64:36 ratio to the number of housing units (for 2020 this was 11 records)
   F. Categorize the records as either "O" or "R". For 2020, the first 11 records were categorized as "R", and the remaining 19 were categorized as "O".

G. Delete the random number column as it is no longer necessary. Now you can estimate the affordability of the data set in accordance with the method explained below.

3. <u>Methodology for Estimating Affordability for Ownership Housing Units.</u> The 2020 APR employs the same methodology used for the 2019 and 2020 APRs. This approach compares the estimated annual housing costs relative to the cited Health and Safe Code affordability limits. More specifically, Table V of the certified 2019 Housing Element reported the monthly housing costs for a typical 1,500 square foot ("SF") single family residence to be $2,778, or $1.85 per square foot, per month. The monthly housing costs of $1.85 per square foot per month was then used as the factor to estimate annual housing costs based on living space size of the residential units. The estimated annual housing cost was then compared to the housing cost affordability limits specified in <u>Health and Safe Code Section 50052.5(b)</u>. To account for the possibility that housing units of a smaller size may be occupied by a smaller household, staff assumed that housing units reported as 1,000 SF or smaller in size would be occupied by a two-person household, and housing units reported as greater than 1,000 SF would be occupied by a four-person household.

    The critical data point to successfully implement this method is the approximate living space size for each reported housing unit. In 2020, for unassisted ownership units, the maximum unit size that is estimated to be affordable to very low income households is 389 square feet, and a maximum of 544 square feet to be affordable for low income households.

4. <u>Methodology for Estimating Affordability for Rental Housing Units</u>. To begin with, for reporting year CY 2020, none of the reported multifamily units are receiving assistance or are subject to affordability restrictions by deed. Similar to the estimating methodology used for the 2018 and 2019 APRs, staff consulted HUD's FY 2020 Fair Market Rent ("FMR") for all bedroom sizes per their documentation found here: https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2020_code/2020summary.odn. Staff then estimated annual rental cost for the unit based on number of bedrooms. This resulting value was then compared with the annual rental cost limits specified in <u>Health and Safety Code §50053(b)</u>.

    The critical data point to successfully implement this method is the number of bedrooms for each reported housing unit. Using HUD's FY 2020 Fair Market Rent, only studio apartments are estimated to be affordable to very low income individuals. One bedroom and two bedroom rentals compute as affordable to low income households. Rental housing units that are three or more bedrooms are estimated to be affordable to moderate income households. Anecdotally, staff has heard that HUD's Fair Market Rent values may be lower than actual local market conditions.

5. <u>Tenure of Demolished and Destroyed Units</u>. Demolished or destroyed housing units reported in Table A2 are a small subset of the population. To assess tenure of these units, staff used Humboldt County Assessor's data. If the Assessor's office is reporting a homeowner's exemption ($7,000) on the subject parcel, then the tenure is reported "owner". Absent this value, tenure is reported as "rental".