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# California State Senate

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CHAIR  
ELECTIONS & CONSTITUTIONAL  
AMENDMENTS  
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INSURANCE  
JOINT LEGISLATIVE AUDIT

May 12<sup>th</sup>, 2021

The Honorable Rudy Salas  
Chair, Joint Legislative Audit Committee  
Legislative Office Building  
1020 N Street, Room 107  
Sacramento CA, 95811

Dear Chairman Salas

I, along with my colleagues Senator Newman, Senator Portantino, Assemblymember Bauer-Kahan, and Assemblymember Muratsuchi, respectfully request the Joint Legislative Audit Committee (JLAC) to approve a state audit to examine the Department of Housing and Community Development's regional housing needs determination process.

As you know, our state is facing an unprecedented housing crisis. However, there is almost no transparency when it comes to determining each region's housing needs.

Currently, the Department of Housing and Community Development (HCD) is responsible for determining the regional housing needs assessment for each region's planning body, known as a "council of governments." The Department starts with demographic population information from the California Department of Finance (DOF) and uses a formula to calculate a figure for each region. This figure is then negotiated with each council of governments to arrive at a final assessment.

However, the public has almost no information on the formula that HCD uses to calculate these initial numbers. The result is confusion and mistrust amongst the regional planning bodies and the cities, which are responsible for the final allocation of the housing numbers.

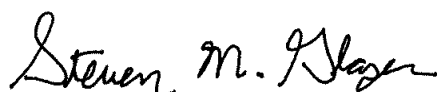
We need to ensure these housing needs are being assessed fairly and allocated where both physical and economic growth are possible. That is why we are asking for an audit of HCD, so that the public may better understand how their regional housing needs are being calculated.

An audit by the California State Auditor will provide independently developed and verified information related to the Department of Finance, and the Department of Housing and Community Development's roles in calculating housing needs, regional governments' roles in allocating housing needs, and local jurisdictions' roles in accommodating housing needs to facilitate development. The audit's scope will include, but not be limited to, the following activities

- (1) Review and evaluate the laws, rules, and regulations significant to the audit objectives.
- (2) Assess DOF's process for developing population projections used by HCD. Determine what changes DOF made to its projections in response to economic and demographic changes caused by the pandemic as well as new census information. Evaluate historical accuracy of DOF's population projections.
- (3) Evaluate HCD's process for developing regional housing needs determinations to ascertain if it complies with state law and results in appropriate calculations. Assess whether HCD properly used vacancy rates for rental markets and for the entire housing market.
- (4) Review a selection of three regional governments, including the Association of Bay Area Governments and the Southern California Association of Governments, to determine whether their processes for allocating housing needs to local jurisdictions are consistent and result in jurisdictions receiving an equitable portion of needed units.
- (5) Within the three selected regional governments, review a representative selection of local jurisdictions to determine whether they can reasonably identify sites sufficient to accommodate potential development of their needed housing units.
- (6) Evaluate the factors that impact whether actual development occurs that meets the selected local jurisdictions' housing needs, including:
  - (a) Jurisdictions' efforts to encourage housing development, such as outreach to developers or removal of barriers to development.
  - (b) Market conditions or other factors outside jurisdictions' control that limit the feasibility of development.
- (7) Review and assess any other issues that are significant to the audit.

Thank you for your time and consideration of this request. For more information or any questions, please contact Alexxis Frost at (916)934-8148.

Sincerely,



Sen. Steve Glazer



Sen. Josh Newman



Asm. Rebecca Bauer-Kahan



Sen. Anthony Portantino



Asm. Al Muratsuchi



Sen. Henry Stern