

### **Mixed Income Housing Ordinance Revised Recommendations**

The following recommendations have been updated based on input from stakeholder engagement received in February 2024. Revisions can be seen in [red track changes](#).

#### **Compliance Option 1: Onsite Affordable Unit Provision**

<b>Rental</b>
7% @80% Area Median Income
<a href="#">5% @60% Area Median Income</a>

<b>For Sale</b>
7% @100% Area Median Income

Projects choosing to comply with the ordinance via on-site affordable unit provision must comply with the following:

- Affordable rental units must have a minimum term of 30 years.
- Projects must calculate the affordable unit requirement as:
  - a percentage of units, or
  - a percentage of livable square footage
- For-sale affordable homes can be made affordable through the use of a shared appreciation note<sup>1</sup> or through use of scaled equity over time.

#### **Compliance Option 2: In-lieu Fee Payment**

<b>Market Area (see page 4)</b>	<b>Rental</b>	<b>For-Sale</b>
Central City	\$10/SF	\$10/SF
Inner South & East and West of I-5	\$7/SF	\$10/SF
Southern Neighborhoods	\$3.54/SF	\$6/SF
North Sacramento and South Natomas	\$3.54/SF	\$5/SF
North Natomas	\$3.54/SF	\$7/SF

- a. [Phase-in of in-lieu fees: In-lieu fees will be phased in based on the schedules identified on pages 2-3](#)
- b. [Reduced fee rate for transit-proximate developments: Projects within a 1/2-mile walking distance from the center of an existing light rail station platform or high-frequency transit stop will pay a 25% reduction in the applicable fee rate based on the schedules identified on pages 2-3](#)

#### **Compliance Option 3: Land Dedication**

(See page 6)

<sup>1</sup> <https://www.treasurer.ca.gov/publications/ca-dream-for-all-report.pdf> (Page 24)

## Exempt Projects

Exempt projects include:

1. Projects adding 10 or fewer primary dwelling units (not including any Accessory Dwelling Units).
2. Projects with an in-force development agreement adopted prior to the current ordinance

## ***In-Lieu Fee ~~Phase-In~~Market Based Adjustments***

- January 1, 2025: Step 1 goes into effect
- July 1, 20XX: July 1 following the calendar year in which 2,500 or more market rate unit building permits (excluding deed-restricted affordable and ADU housing units) are issued, building permits for 2,500 market rate unit building permits (excluding deed-restricted affordable and ADU housing units) are pulled, Step 2 goes into effect the fee is increased by one step, not to exceed Step 3 rate.
- July 1, 20XX: July 1 following the calendar year in which 1,250 or less market rate unit building permits (excluding deed-restricted affordable and ADU housing units) are issued, the fee is decreased by one step, not to be less than Step 1 rate.

### **Rental: Non High-Frequency Transit-Proximate Developments**

Market Area (see page 4)	Step 1 Rate Per SF (current HIF Rate)	Step 2 Rate Per SF (50% increase between \$3.54 and final rate)	Final Fee Step 3 Rate Per SF
Central City	\$3.54	\$6.77	\$10
Inner South & East and West of I-5	\$3.54	\$5.27	\$7
Southern Neighborhoods	\$3.54	\$3.54	\$3.54
North Sacramento and South Natomas	\$3.54	\$3.54	\$3.54
North Natomas	\$3.54	\$3.54	\$3.54

*Note: Fee amounts do not account for annual CCI escalation that occurs each fiscal year.*

### **Rental: High-Frequency Transit-Proximate Developments**

Market Area (see page 4)	Step 1 Rate Per SF (75% of current HIF Rate)	Step 2 Rate Per SF (50% increase between \$2.66 and final rate)	Step 3 Rate Per SF
<u>Central City</u>	<u>\$2.66</u>	<u>\$5.08</u>	<u>\$7.50</u>
<u>Inner South &amp; East and West of I-5</u>	<u>\$2.66</u>	<u>\$3.95</u>	<u>\$5.25</u>
<u>Southern Neighborhoods</u>	<u>\$2.66</u>	<u>\$2.66</u>	<u>\$2.66</u>
<u>North Sacramento and South Natomas</u>	<u>\$2.66</u>	<u>\$2.66</u>	<u>\$2.66</u>
<u>North Natomas</u>	<u>\$2.66</u>	<u>\$2.66</u>	<u>\$2.66</u>

*Note: Fee amounts do not account for annual CCI escalation that occurs each fiscal year.*

**For-Sale: Non High-Frequency Transit-Proximate Developments**

Market Area (see page 4)	Step 1 Rate Per SF (current HIF Rate)	Step 2 Rate Per SF (50% increase between \$3.54 and final rate)	Final Fee Step 3 Rate Per SF
Central City	\$3.54	\$6.77	\$10
Inner South & East and West of I-5	\$3.54	\$6.77	\$10
Southern Neighborhoods	\$3.54	\$4.77	\$6
North Sacramento and South Natomas	\$3.54	\$4.27	\$5
North Natomas	\$3.54	\$5.27	\$7

Note: Fee amounts do not account for annual CCI escalation that occurs each fiscal year.

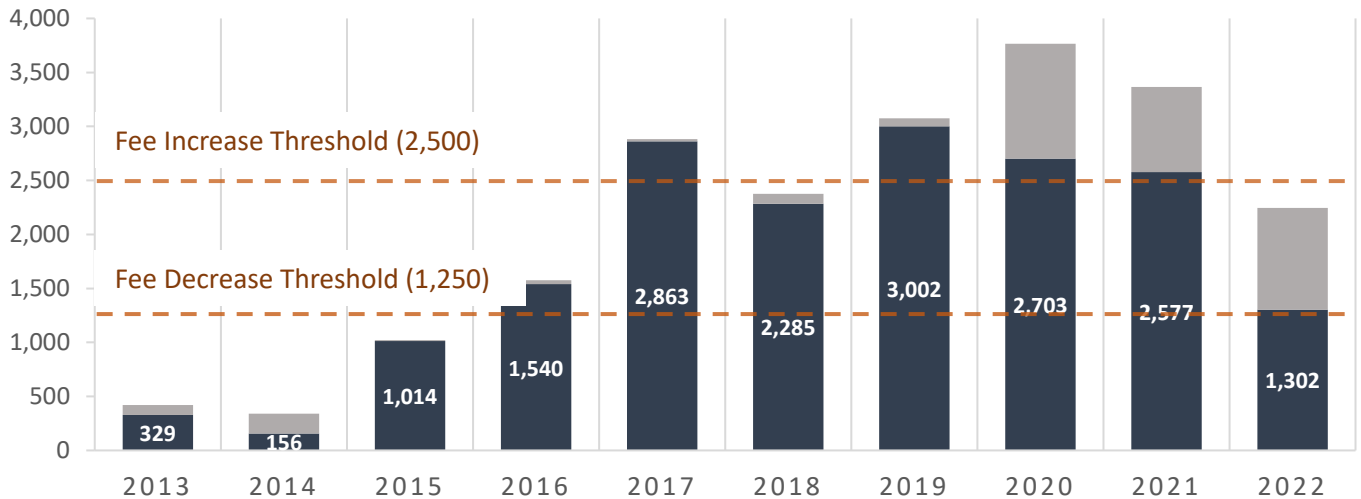
**For-Sale: High-Frequency Transit-Proximate Developments**

Market Area (see page 4)	Step 1 Rate Per SF (current HIF Rate)	Step 2 Rate Per SF (50% increase between \$2.66 and final rate)	Final Fee Step 3 Rate Per SF
Central City	\$2.66	\$5.08	\$7.50
Inner South & East and West of I-5	\$2.66	\$5.08	\$7.50
Southern Neighborhoods	\$2.66	\$3.58	\$4.50
North Sacramento and South Natomas	\$2.66	\$3.20	\$3.75
North Natomas	\$2.66	\$3.95	\$5.25

Note: Fee amounts do not account for annual CCI escalation that occurs each fiscal year.

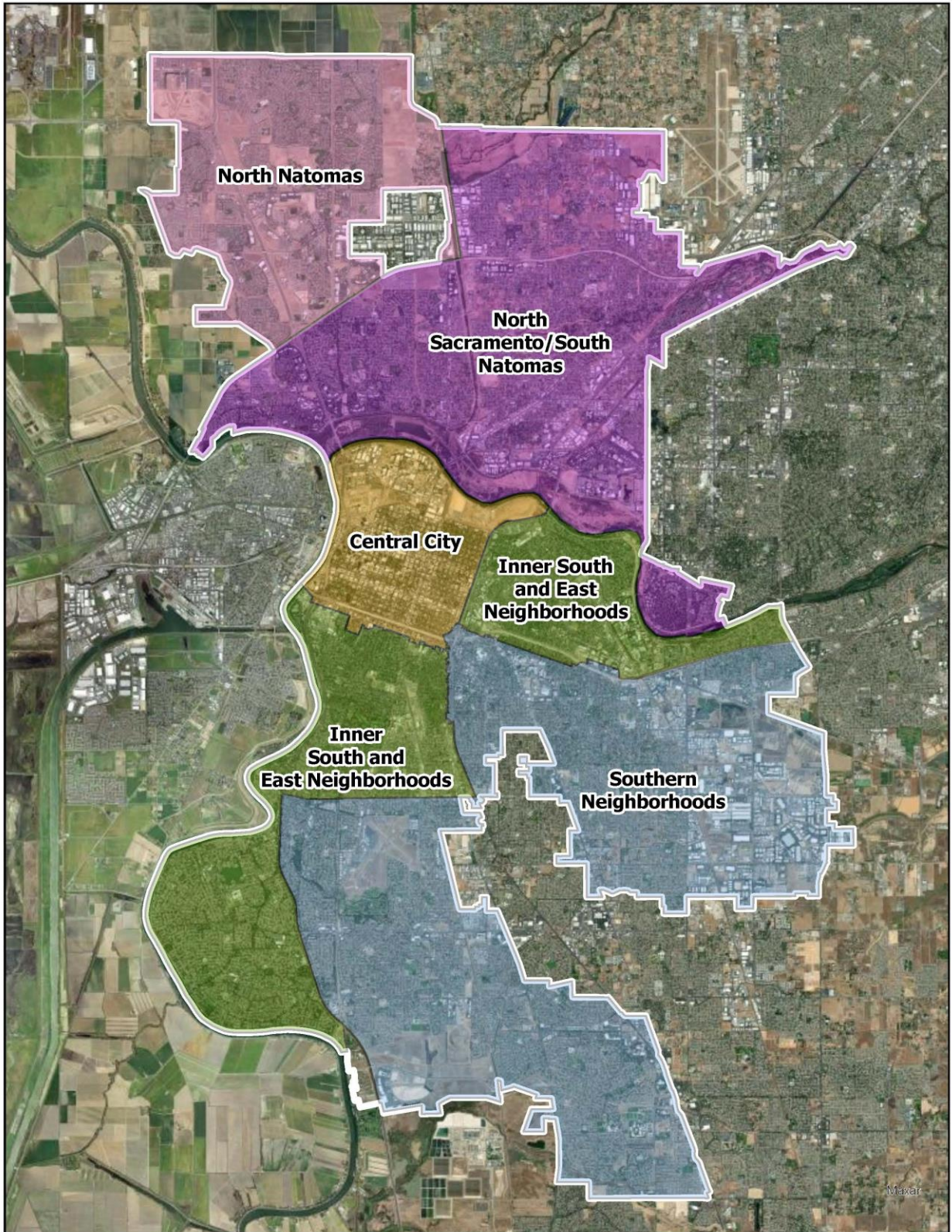
**CITY OF SACRAMENTO TOTAL HOUSING PRODUCTION (2013-2022)**

- Deed-restricted Affordable Units and Accessory Dwelling Units
- Market Rate Units (Excluding Accessory Dwelling Units)

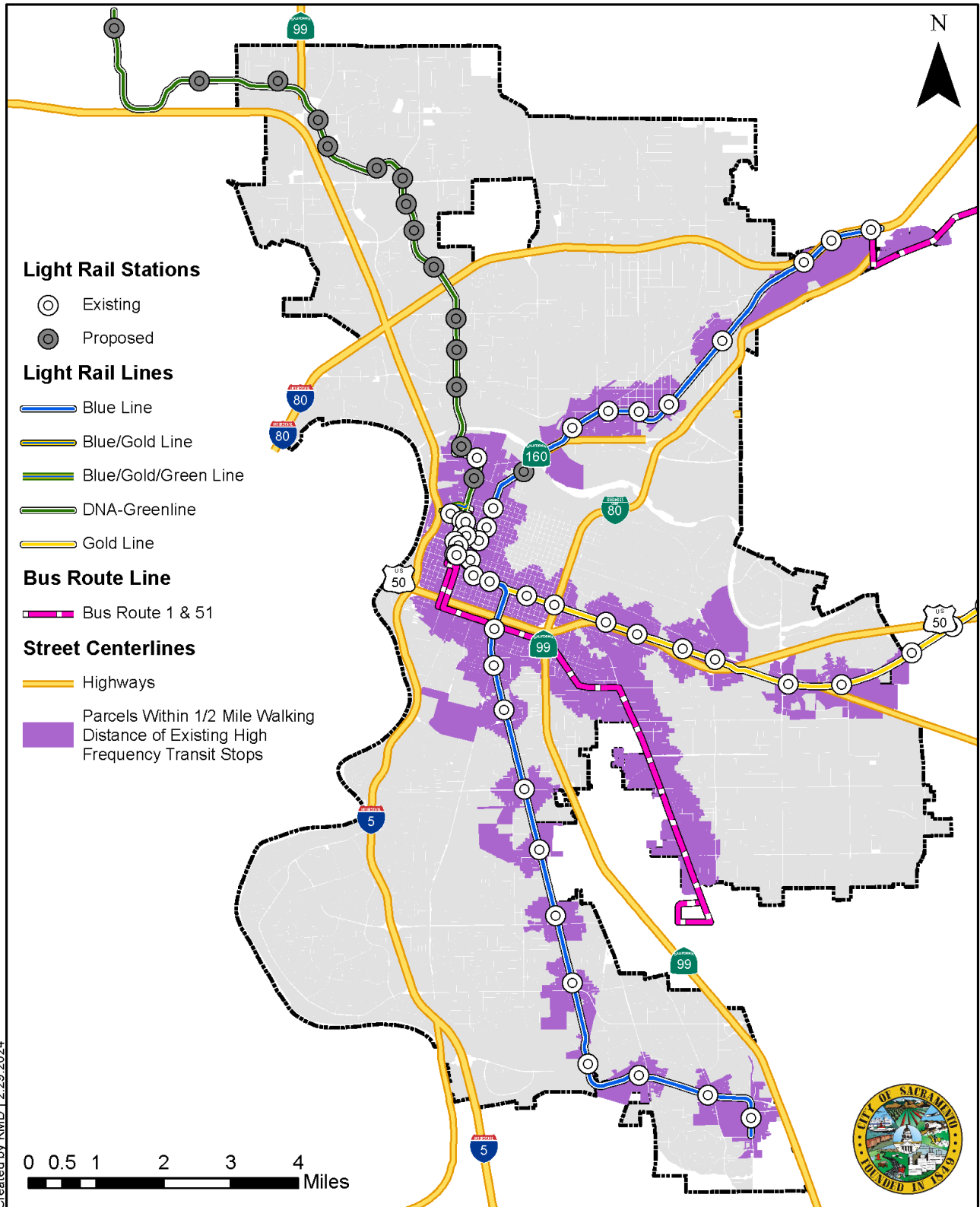




**MIHO Revised Recommendations Market Areas**



**Parcels Subject to Reduced Mixed Income Housing Ordinance In-Lieu Fee Rates**



*Note: Map and parcels are subject to change based on new high-frequency transit stops or new active transportation infrastructure.*



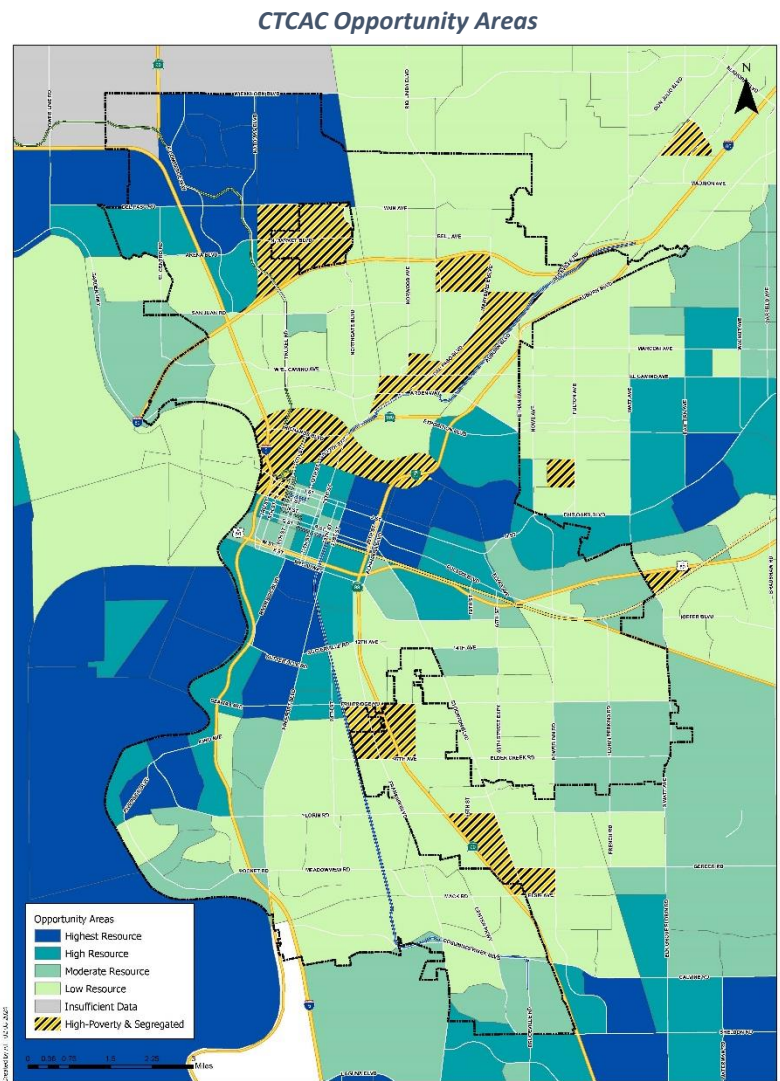
### Compliance Option 3: Land Dedication

Land dedication may be made to SHRA in-lieu of on-site affordable unit provision or fee payment.

#### The land must:

- Be within a half mile of the project site or located in a high resource<sup>2</sup> census tract
- Be within ½ mile of a high frequency transit stop
- Have appropriate zoning in place to support residential development of at least 30 du/a and be able to accommodate the required number of affordable units.
- Not have any site contamination issues.
- Be served by adequate infrastructure
- Have an appraised value equal to or exceeding the in-lieu fee that would be due, or if less, shall be credited toward the in-lieu fee to the extent of the appraised value.
- For large projects meeting the size thresholds described below, must be within the project site and with adequate development capacity to accommodate the required number of affordable units.
- Not contribute to existing concentrations of poverty.

Additional parameters are to be established in implementation guidelines following ordinance adoption.



<sup>2</sup> <https://www.treasurer.ca.gov/ctcac/opportunity.asp>

**Incentives for On-Site Unit Provision (Compliance Option 1)**

- a. **State Density Bonus:** Projects providing on-site affordable units can qualify for State density bonus. Rental projects that elect to provide 5% Very Low Income units on-site and for-sale projects that elect to provide 10% Moderate Income units on-site qualify for a State density bonus along with the applicable incentives, concessions, and waivers.
  
- b. **Property Tax Exemption:** The City could facilitate eligibility for a welfare property tax exemption for rental inclusionary units under existing State law. To qualify, the developer entity generally must have a non-profit partner and receive financial assistance from a public agency. In-lieu fee funds could be utilized to provide a nominal amount of assistance to projects that propose on-site inclusionary units and that have a non-profit partner, thus allowing them to qualify for a welfare exemption. Only the inclusionary units would be exempt from property taxes (not the market rate units). The City would establish criteria for which projects / income levels are eligible. Use of the property tax exemption could offset the cost of projects restricting 7% of the project units at 80% Area Median Income by \$5-\$7 per square foot.

The approach of facilitating a property tax exemption could be characterized as fiscally neutral to the City (and other taxing agencies) because if the City were to instead collect an in-lieu fee and assist a 100% affordable project, units in the 100% affordable project would also be exempt from property taxes.

- c. **Housing Choice Voucher Use:** Rental projects may comply by renting to Housing Choice Voucher holders. The cost to projects of restricting 7% of the project units at 80% Area Median Income may be offset by a nominal amount up to an approximate \$10 per square foot depending on the location and share of affordable units occupied by Housing Choice Voucher holders.

**Large Projects**

Large scale development projects include projects with 750 or more units **and** a site size of 15 or more acres.

<b>Large-Scale Developments</b>	
Option A	15% for-sale affordable at 80% AMI prices
Option B	20% affordable rental units at an average of 60% AMI rents or below
Option C	A combination of the above two options
Option D	Alternative mix that provides the same or greater affordability

Land dedication may be made to SHRA within the project site for development of affordable housing, subject to approval and any conditions to be established in the Ordinance or adopted guidelines.

**Use of In-Lieu Fees to Affirmatively Further Fair Housing<sup>3</sup>:**

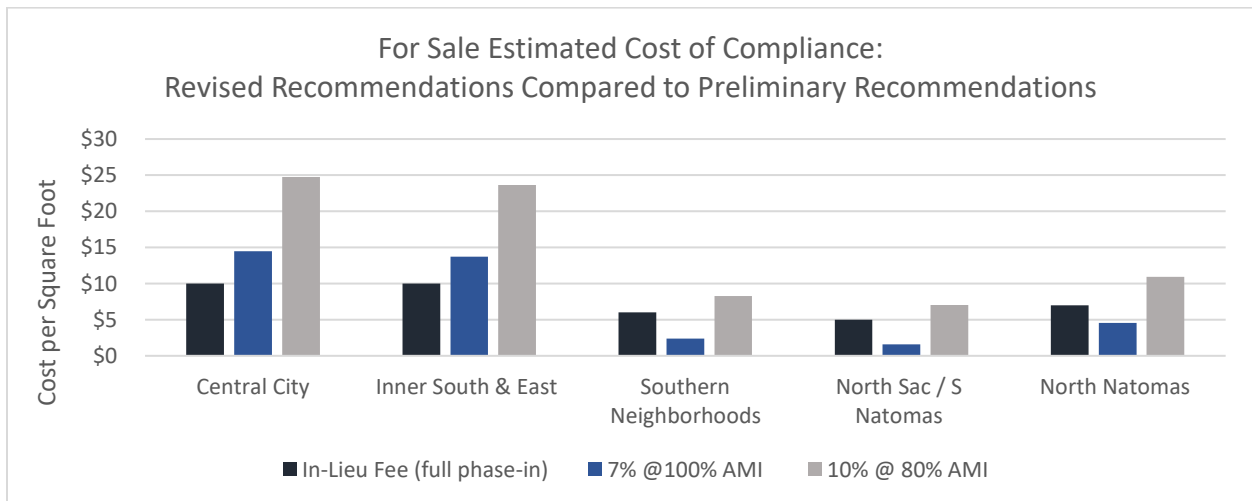
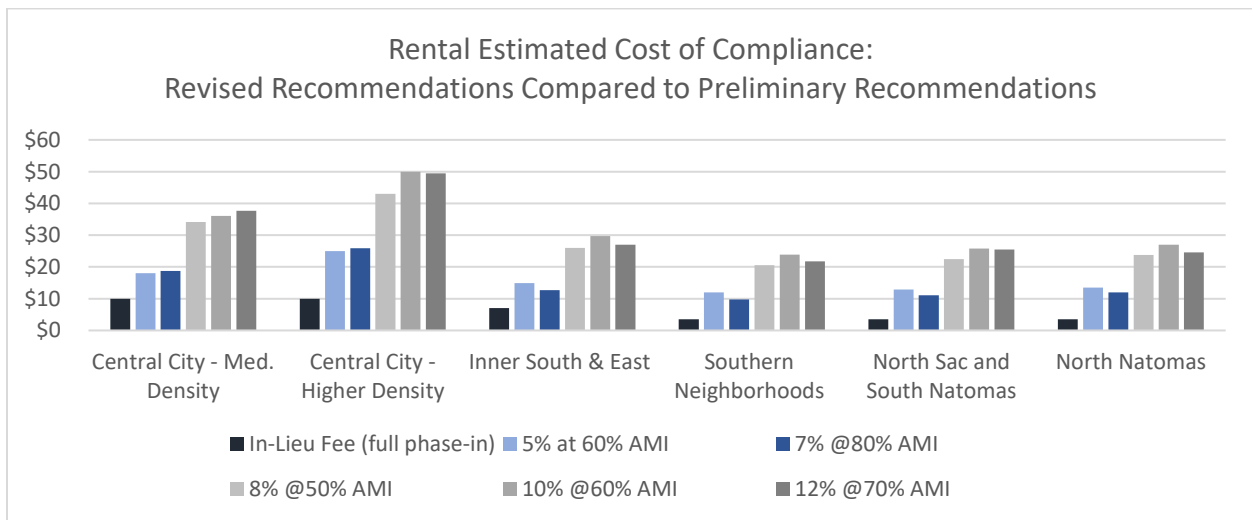
- Funds generated through in-lieu fees shall be prioritized for projects in higher opportunity areas to affirmatively further fair housing.

**Trigger To Revisit Ordinance<sup>4</sup>:**

- A provision shall be added to an accompanying ordinance resolution that commits the City to revisiting the Mixed Income Housing Ordinance if an alternative local affordable housing funding source is enacted that is projected to produce at least \$5 million annually.

**Comparing Preliminary Recommendations and Revised Recommendations**

The below graphs show a comparison of the estimated cost per square foot for projects to comply with the revised recommendations and the previously released preliminary recommendations<sup>5</sup>.



<sup>3</sup> New revision since March 1, 2024.

<sup>4</sup> New revision since March 1, 2024.

<sup>5</sup> <https://www.cityofsacramento.org/-/media/Corporate/Files/CDD/Planning/Housing/Mixed-Income-Housing-Ordinance-Preliminary-Recommendations-October-2023.pdf?la=en>