

Meeting Date: 9/1/2015

Report Type: Public Hearing

Report ID: 2015-00668

Title: Mixed Income Housing Ordinance Update (LR15-002) [Noticed 08/21/2015; Passed for Publication 08/25/2015; Published 08/28/2015]

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass an Ordinance a) repealing and reenacting chapter 17.712 and b) adding section 17.808.260 to the Sacramento City Code, relating to residential projects contributing to the construction of affordable housing; 2) a Resolution establishing permit fees for new residential development; and 3) a Resolution adopting the Residential Nexus Analysis for the Housing Impact Fee authorized by Chapter 17.712 of the Sacramento City Code.

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Department: Community Development Dept

Division: Long Range Planning

Dept ID: 21001222

Attachments:

01-Description/Analysis

02-Background

03-Summary of Draft Ordinance

04-Summary of Changes since June 25

05-Resolution Adopting Nexus

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14-Current Mixed Income Housing Ordinance

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20-May 4, 2015 Technical Review Group Meeting
21-Affordable Housing Programs in the Sacramento Region
22-April 23, 2015 Email from Pastor Joy Johns, Sacramento ACT President
23-June 16, 2015 Letter from the Midtown Business Association
24-June 16, 2015 Letter from the Downtown Sacramento Partnership
25-June 15, 2015 Letter from the North Natomas Community Coalition
26-June 25, 2015 Letter from the River District
27-Aug. 11, 2015 Letter from the R Street Partnership
28-Aug. 11, 2015 Email from John Hodgson

City Attorney Review

Approved as to Form
Jeffrey Heeren
8/25/2015 4:00:51 PM

Approvals/Acknowledgements

Department Director or Designee: Ryan Devore - 8/25/2015 10:03:29 AM

Description/Analysis

Issue Detail: On December 17, 2013, the City Council updated the Housing Element of the City's General Plan. The new Housing Element includes a policy to expand the current Mixed Income Housing Ordinance (Chapter 17.712 of City Code) Citywide to require developers to contribute towards the production of affordable housing.

The City faces an increasing need for affordable housing due to steady reductions in state and federal resources since the 1990s. The new citywide ordinance must be flexible, market sensitive, and responsive to the challenges of sustainable infill development, while helping to create new local resources to leverage new affordable housing development.

Staff is requesting that the City Council approve the draft ordinance, the resolution establishing the fees, and the resolution approving the draft nexus, found in Attachments 5 through 12. A summary of the draft ordinance can be found in Attachment 3. The staff report also includes background information to inform the discussion, including frequently asked questions, which can be found in Attachment 16.

Policy Considerations: Development of the draft Mixed Income Housing Ordinance has been guided by the City's goals and policies as established in the 2013-2021 Housing Element of the General Plan. These policies include:

H-2.2.6 Update the Mixed Income Housing Ordinance. The City shall revise its Mixed-Income Housing Ordinance to promote affordable housing Citywide and to require developers to contribute towards production of housing affordable to lower- and moderate-income households.

Implementation Program:

1. The City shall revise its Mixed-Income Housing Ordinance to promote affordable housing citywide and will require: 1) an affordable housing impact fee for all new housing units, and 2) large, single-family subdivisions to provide housing for a variety of incomes and family types.
 - Implements Which Policy(ies): H-1.2.3, H-2.2.4, H-2.2.6
 - Responsible Department: Community Development
 - Objective: Adapt the current Mixed Income Ordinance to create new affordable housing opportunities and mixed income communities while being flexible, market sensitive, and responsive to the challenges of infill development.

H-1.3.5 Housing Type Distribution. The City shall promote an equitable distribution of housing types for all income groups throughout the City and promote mixed income neighborhoods rather than creating concentrations of below-market-rate housing in certain areas.

H-2.2.4 Funding for Affordable Housing. The City shall pursue and maximize the use of all appropriate state, federal, local and private funding for the development, preservation, and rehabilitation of housing affordable for extremely low-, very

low-, low-, and moderate-income households, while maintaining economic competitiveness in the region.

H-2.3.1 Avoiding Unnecessary Costs to Housing. The City shall ensure that its policies, regulations, and procedures do not add unnecessary costs to housing and do not act as an obstacle to new housing development.

H-1.2.1 Variety of Housing. The City shall encourage the development and revitalization of neighborhoods that include a variety of housing tenure, size and types, such as second units, carriage homes, lofts, live-work spaces, cottages, and manufactured/modular housing.

Economic Impacts: The economic impacts of the draft ordinance will depend on the nature of the fees and exactions required by the citywide ordinance. As currently drafted, the new Mixed Income Housing Ordinance is comparable to other similar programs in the Sacramento Region. A comparison table can be found in Attachment 21.

Environmental Considerations: The proposed ordinance would not have any significant effect on the environment and exempt pursuant to California Environmental Quality Act Guidelines Section 15061(b)(3). Implementation Program 1 in the 2013-2021 Housing Element calls for the City to revise its Mixed-Income Housing ordinance "...to create new affordable housing opportunities and mixed income communities while being flexible, market sensitive, and responsive to the challenges of infill development." Revising the ordinance as proposed is consistent with this implementation program and the 2013-2021 Housing Element.

Sustainability: A sustainable community includes housing for current and future households of all income levels. An updated Mixed Income Housing Ordinance will help to implement the City's Housing Element, which is designed to provide housing opportunities for all residents.

Commission/Committee Action: On June 25, 2015, the Planning and Design Commission voted unanimously to forward the draft ordinance, the resolution establishing the fees, and the resolution approving the draft nexus to the City Council for approval. The Commission recommended the following changes that have since been incorporated into the draft ordinance and resolution establishing the fees:

1. Require an annual report to the Planning and Design Commission and City Council that details the funds collected, plans to spend the money, progress on Housing Element Goals, where the fees came from, where the units are being built, and any recommendations for future changes to the ordinance.
2. Move conversions of nonresidential buildings to residential buildings to the \$0 fee rate category, and reevaluate this change in four years.

On August 11, 2015, the Law and Legislation Committee voted unanimously to forward the draft ordinance to the City Council for approval. Staff's responses to the Committee's questions are

documented in the Frequently Asked Questions (Attachment 16), specifically questions 3, 4, 5, and 18-20.

Rationale for Recommendation: The Mixed Income Housing Ordinance Update is a priority implementation program for the 2013-2021 Housing Element. The 15-year old ordinance needs to be modernized to reflect an infill growth model, limited local resources for affordable housing, and a new housing market that is still recovering and adapting to new demands and costs.

Financial Considerations: There are no direct financial considerations associated with this report.

Local Business Enterprise (LBE): The purchase of goods or services is not associated with this report.

Background

The issue of applying the Mixed Income Housing Ordinance citywide has been debated by the City Council for over 10 years as the City has developed new urban infill projects. The Mixed Income Housing Ordinance should be updated for the following reasons:

1. The current ordinance is inflexible, which restricts creative approaches to providing affordable housing.
2. Development under the current ordinance has not always resulted in mixed-income communities. Most of the affordable units are concentrated in large multi-family developments adjacent to single family homes affordable to above moderate-income families.
3. For-sale inclusionary units created by the ordinance have been difficult to market due to a narrow range of qualified buyers and eight percent have ended up in foreclosure.
4. The dissolution of Redevelopment has created a need to augment local affordable housing funding. The current ordinance's obligations exceed what the City can locally subsidize.
5. Fee revenue as proposed can be used to support affordable projects in areas throughout the City.
6. Infill development is difficult to do with a myriad of unforeseen costs. The new ordinance needs to be predictable and not create site design challenges.
7. There is a need to respond to the cyclical nature of the housing market.
8. A court case in 2009 (the Palmer Decision) calls into question the legality of requiring deed-restricted rental units.

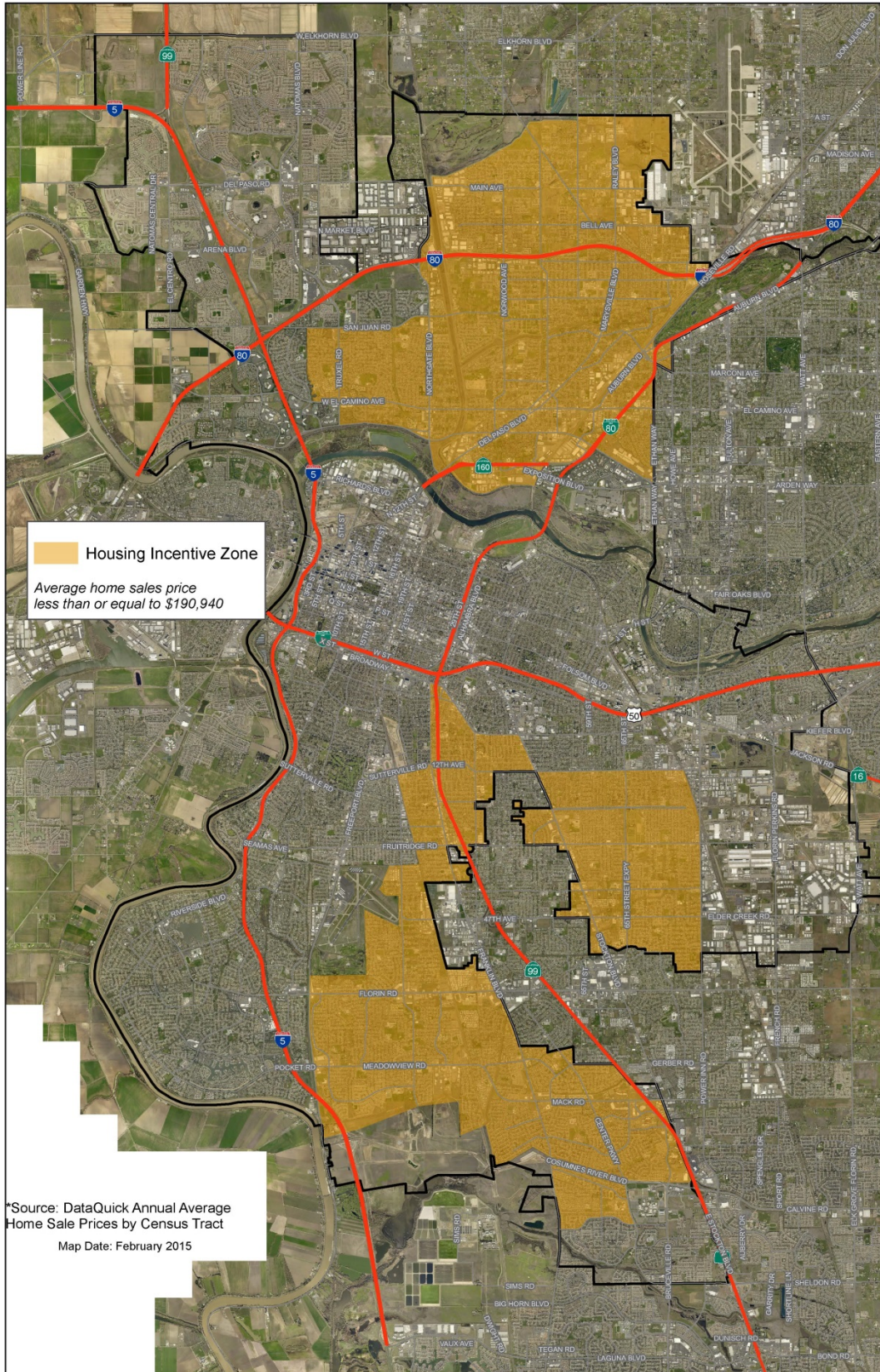
As part of the outreach for the 2013-2021 Housing Element, staff developed a framework for a new ordinance in July 2013. After receiving feedback from stakeholder outreach, Commission workshops, a twelve member technical review group and three community workshops, staff revised the framework in March 2014. Staff then conducted further stakeholder outreach which culminated in a November 2014 charrette (a meeting in which various stakeholders in a project attempt to resolve conflicts and develop solutions) with an expanded technical review group. A summary of the November charrette can be found in Attachment 19.

With input from over two years of outreach, staff has developed a draft Mixed Income Housing Ordinance for your review (summary of draft ordinance is Attachment 3 and list of frequently asked questions from our outreach is in Attachment 16).

Public outreach efforts for the current update of the Mixed Income Housing Ordinance began in 2012 and is summarized Attachment 17.

Summary of the Draft Mixed Income Housing Ordinance

1. Applies citywide.
2. All housing units pay a fee of \$2.58 per square foot, indexed annually.
3. 100+ acre projects may either:
 - a. Comply with an existing approved inclusionary housing plan, OR
 - b. Pay the fee AND develop a mixed income housing strategy to provide housing for a variety of incomes and family types that is consistent with Housing Element policy.
 - i. The mixed income housing strategy may provide for a fee credit for land dedication, construction of affordable dwelling units, or other mechanism which leads to the provision of affordable housing. To receive a fee credit, the following standards apply:
 - No multi-unit dwelling development consisting of more than 50% affordable units may be located within 400 feet of another multi-unit dwelling development with more than 50% affordable units.
 - The maximum amount of affordable units in any multi-unit dwelling produced per the ordinance shall be 150.
 - ii. The mixed income housing strategy may provide for a fee credit for lots to be dedicated to a self-help/sweat equity housing developer. The value of the finished lots can be credited toward the fee.
4. Exempt projects include:
 - a. Room additions.
 - b. Second residential units.
 - c. Developments with 10% regulated low income housing units.
 - d. A new single-family home built by an owner-builder on his or her property.
 - e. Projects with an in-force development agreement adopted prior to the current ordinance.
 - f. Mobilehome parks.
 - g. Development projects, not currently subject to the ordinance, which have received approval of site plan and design review and/or a tentative map prior to the effective date of the ordinance.
 - h. Multi-unit dwelling developments that have submitted an application for site plan and design review prior to the effective date of the ordinance.
 - i. Uninhabitable square footage (space without conditioned air).
 - j. Community rooms for residential developments.
5. Projects with a reduced or \$0 fee rate:
 - a. High density multi-unit dwellings (40 dwelling units an acre) - \$0.
 - b. High density single unit dwellings (20 dwelling units an acre) - \$0.
 - c. Conversion of nonresidential buildings to residential use - \$0.
 - d. Projects located in the Housing Development Incentive Zone - \$1.11.



**Summary of Changes
Since the June 25th Planning and Design Commission**

Proposed Ordinance:

1. Added a new section requiring an annual report to the City Council, Planning and Design Commission, and Sacramento Housing and Redevelopment Commission.
2. Removed exemption for conversion of a nonresidential use to a residential use.
3. Clarified that a major modification of an entitled project that is exempt from the fee, would be defined as a project that has increased or decreased the amount of proposed units by 10%.

Fee Resolution:

1. Created a \$0 fee for a conversion of a nonresidential use to a residential use. The fee amount will be reevaluated in four years.
2. Added a processing fee for the Mixed Income Housing Strategy.

RESOLUTION NO. 2015-

Adopted by the Sacramento City Council

XXXXX XX, 2015

ADOPTING THE RESIDENTIAL NEXUS ANALYSIS FOR THE HOUSING IMPACT FEE AUTHORIZED BY CHAPTER 17.712 OF THE SACRAMENTO CITY CODE

BACKGROUND

- A. On December 17, 2013 the City Council updated the Housing Element of the City's General Plan. The new Housing Element includes Policy H-2.2.6, which requires the City to expand the current Mixed Income Housing Ordinance (Chapter 17.712 of City Code) to promote affordable housing citywide and to require developers to contribute towards the production of affordable housing.
- B. The City contracted with Keyser Marston Associates to prepare a Residential Nexus Analysis for the Mixed Income Housing Ordinance ("Nexus Study") to quantify the impacts of new residential development on the need for affordable housing in the City. The Nexus Study was completed in July 2013 and updated in May 2015 and is attached to this resolution as Exhibit A.
- C. The Nexus Study concluded that the newly constructed units will represent new households and new income in Sacramento. These households will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Low compensation jobs translate to lower income households that cannot afford market rate units in Sacramento and therefore need affordable housing.
- D. On XXXXXXXX XX, 2015, the City Council conducted a public hearing and enacted Ordinance No. 2015-____, repealing and reenacting Chapter 17.712 of the Sacramento City Code, relating to mixed income housing.
- E. Section 17.712.050 to the Sacramento City Code authorizes a housing impact fee for all new residential units consistent with the May 2015 Residential Nexus Analysis developed by Keyser Marston Associates, Inc.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. Findings.

The City Council hereby finds as follows:

- (a) The recitals set forth above are true and correct and are incorporated herein by reference as findings.
- (b) The Nexus Study (1) reasonably identifies the purpose of the fees and their intended use; (2) establishes a reasonable relationship between the affordable housing for which such fees are imposed and the need for such affordable housing created by new residential development; and forms the basis for the further finding that the imposition of the housing impact fees described therein is necessary in order to protect the public health, safety, and welfare within the City and implement the City's Housing Element.
- (c) The Nexus Study may be revised over time under future circumstances in order to achieve the purposes and policies of the Housing Element.
- (d) The findings, conclusions and methodologies set forth in the Nexus Study are consistent with the Housing Element.

Section 2. The May 2015 Residential Nexus Analysis, developed by Keyser Marston Associates, Inc., is hereby approved and adopted.

Section 3. Exhibit A is part of this resolution.



KEYSER MARSTON ASSOCIATES

**RESIDENTIAL NEXUS ANALYSIS
Mixed Income Housing Ordinance
Sacramento, California**

Prepared for
City of Sacramento

Prepared by:
Keyser Marston Associates, Inc.

July 2013

Amended May 2015

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SUMMARY REPORT

The Summary Report provides a concise version of the major findings of the residential nexus analysis conducted to support an update to the Mixed Income Housing Program in the City of Sacramento. All of the material is contained in more detail in the appendix sections that follow.

The City of Sacramento Mixed Income Housing Ordinance was first adopted in 2000. Since adoption, the Ordinance has been amended several times, with the most significant revisions occurring on November 4, 2004 and January 18, 2005. The current program applies only to the City's "new growth areas." At its core, the program requires that 15% of new housing units must be affordable to very low and low income households. The ordinance does not currently allow developers to pay a fee in-lieu of providing units.

The City is conducting a full reexamination of its Mixed Income Housing Program in light of the significant changes that have occurred since it was last updated. In addition to a drastic decline in the overall housing market, the City has also entered into a new era with the elimination of redevelopment, which was a major source of funding for affordable housing in Sacramento. The City seeks to revise the ordinance in several fundamental ways, including expanding its coverage to include the entire city and changing the requirements to make it more flexible for developers while still achieving the Ordinance's objective to create affordable housing in the City.

In 2012, the City contracted with Keyser Marston Associates to conduct a residential nexus analysis and financial feasibility analysis. Much of the market survey work was conducted in late 2012 and early 2013 and the nexus analysis was prepared in 2013. In KMA's opinion, the basic analysis and findings of this analysis continue to accurately reflect the impacts of developing market rate housing in 2015. None of the conditions have been substantially altered and we believe that the analysis continues to be valid for the purposes for which it was prepared – to demonstrate the linkages between new market rate residential development and the demand for net new additional affordable housing.

A. MARKET SURVEY AND RESIDENTIAL PROTOTYPES

In collaboration with City staff, a total of eight market rate residential prototypes were selected for analysis – five ownership prototypes and three rental prototypes. The intent of the selected prototypes is to identify representative developments generally being built by the private marketplace in Sacramento in order to gain a general understanding of the economic opportunities and challenges of new residential development today.

The first five prototypes (all ownership prototypes) were utilized in the 2008/09 Mixed Income Housing Ordinance "Feasibility Analysis" performed for SHRA. These five ownership prototypes are again being utilized for KMA's assignment, to which the three rental prototypes have been added. The eight prototypes are as follows:

Residential Prototypes	Units	Density	Avg. Unit Size
<u>Ownership Prototypes</u>			
1) Suburban Infill Small SFR Project	16 units	5 du/acre	2,200 sq. ft.
2) Outer-edge Suburban Large SFR Project	103 units	5 du/acre	2,200 sq. ft.
3) Outer-edge Suburban Small Lot/ Cluster SFR	118 units	10 du/acre	1,600 sq. ft.
4) Suburban Infill Large Condo Project	135 units	30 du/acre	1,200 sq. ft.
5) Urban Infill Condo Project	92 units	84 du/acre	950 sq. ft.
<u>Rental Prototypes</u>			
6) Suburban Infill Small Apartment Project	25 units	30 du/acre	950 sq. ft.
7) Urban Infill Small Apartment Project	25 units	60 du/acre	850 sq. ft.
8) Urban Infill Larger Apartment Project	150 units	100 du/acre	850 sq. ft.

These prototypes were selected because they generally represent the range of project densities being built in Sacramento (or expected to be built when the market recovers) ranging from a low density single family prototype which is the predominant prototype in the outer-edge suburban areas of the city, to higher density condominium and apartment complexes, which are found in some parts of the Central City. The term “Suburban Infill” is meant to describe the older, more built-out neighborhoods of the city. These neighborhoods are generally suburban in character but are differentiated from the larger subdivisions characteristic of the “Outer-edge” or “greenfield” areas like North Natomas, and differentiated from the more urbanized and higher density “Urban Infill” areas (Central City).

The lower density prototypes are all Type V wood frame construction, while the higher density Central City prototypes would include concrete parking podiums and possibly steel frame construction. More detailed information about the prototypes is included in Appendix II.

B. RESIDENTIAL NEXUS ANALYSIS FINDINGS

KMA prepared a Residential Nexus Analysis as a support document in light of recent California Supreme Court Decisions which make it advisable for jurisdictions to demonstrate the relationships between the development of market rate residential units and the need for additional affordable housing. The *Palmer* case in particular precludes cities from requiring the inclusion of affordable units in rental projects unless there is a negotiated agreement with the city in which the city agrees to concessions. Cities may, however, require rental (and ownership) projects to pay an impact fee or negotiate for on-site units. This nexus analysis meets the requirements of the California Governmental Code for the implementation of an impact fee.

Following is an abbreviated version of the nexus analysis. For more information, the full report is contained in Appendix I.

1. *The Nexus Concept*

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households and new income in Sacramento. These households will consume goods and services, either through purchases of goods and services or by “consuming” governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Low compensation jobs translate to lower income households that cannot afford market rate units in Sacramento and therefore need affordable housing.

2. *Impact Methodology and Models Used*

The analysis is performed using two models. The IMPLAN model is an industry accepted, commercially available model developed over 30 years ago to quantify the impacts of changes in a local economy, including the employment impacts of changes in personal income. The IMPLAN model is “inputted” with net new personal income in Sacramento and moves through a series of adjustments to disposable income, a distribution of expenditures, and ultimately produces a quantification of jobs generated by industry. The KMA jobs housing nexus model, which was developed nearly 20 years ago to analyze the income structure of job growth, is used to determine the household income of new employee households, identifying how many are at lower income and housing affordability levels.

3. *The Sacramento Residential Prototypes*

The eight residential prototypes described at the outset of this Summary report are the starting point of the nexus analysis. In particular, the sales prices or rent levels of the prototype units are linked to household income and new expenditures in the city of Sacramento.

KMA conducted a review of the residential real estate market to assign sales prices and rents to the prototypes. The sales prices and rents reflect the current market. More information on this analysis is contained in Appendix II. The eight prototypes with current market rate sales prices or rent levels are:

Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Avg. Unit Size	2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF
Avg. No. of Bedrooms	4 BR	4 BR	3 BR	3 BR	2 BR
Avg. Sales Price	\$310,000	\$270,000	\$220,000	\$280,000	\$330,000

Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Avg. Unit Size	950 SF	850 SF	850 SF
Avg. No. of Bedrooms	2 BR	2 BR	2 BR
Avg. Rent	\$1,425/mo.	\$1,780/mo.	\$1,780/mo.

From the sales prices and rent levels, household income is determined using assumptions with respect to a share of income spent on housing and housing purchase terms. For ownership units, 35% of income is spent on housing (including mortgage payments, insurance, property taxes and maintenance), a relationship that is grounded in state housing policy and also reflective of current lending practices. Renters are assumed to spend 30% of their income on rent. As a result, gross household income associated with each of the prototypes is as follows:

Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Gross Household Income	\$83,000	\$74,000	\$61,000	\$73,000	\$84,000

Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Gross Household Income	\$57,000	\$71,000	\$71,000

The nexus analysis is conducted on 100-unit project modules for ease of presentation and to avoid awkward fractions.

4. IMPLAN Model Results

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in Sacramento County. The IMPLAN model first converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The model then distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

Jobs Generated per 100 Units, Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Gross Household Income	\$83,000	\$74,000	\$61,000	\$73,000	\$84,000
Total Jobs Generated, 100 units	62.1	56.5	46.5	55.7	62.9

Jobs Generated per 100 Units, Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Gross Household Income	\$57,000	\$71,000	\$71,000
Total Jobs Generated, 100 units	43.5	54.2	54.2

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (i.e. supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments (wholesalers, janitorial contractors, accounting firms, or any jobs down the service/supply chain from direct jobs), and jobs generated when the new employees spend their wages in the local economy and generate additional jobs.

In the full nexus report, jobs generated by the larger industry categories are indicated in the tables. Jobs in Eating and Drinking establishments represent the single greatest concentration. However if all retail categories were aggregated, even without the eating and drinking, they would be the single largest group of jobs. Medical related services represent another major job category.

5. Compensation Levels of Jobs and Household Income

The output of the IMPLAN model – the numbers of jobs by industry – are then “input” into the Keyser Marston Associates jobs housing nexus analysis model to quantify the compensation level of new jobs and the income of the worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches local wage distribution data to the occupations, using recent Sacramento County data from the California Employment Development Department (EDD). The KMA model also converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced.

The output of the model is the number of new worker households by income level (expressed in relation to the Area Median Income, or AMI) attributable to the new residential units and new households in Sacramento. The income limits used in the analysis are those published by the California Department of Housing and Community Development (HCD). Typically, HCD uses the U.S. Department of Housing and Urban Development’s income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income

limits for Sacramento, therefore, reflect the implementation of HCD's 'hold harmless' policy, which allows the 2012 income limits to remain in effect instead of the lower income limits.

Following are the numbers of worker households by income level associated with the eight Sacramento prototype units.

New Worker Households by Income Level per 100 Market Rate Units, Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Under 30% AMI	2.7	2.4	2.0	2.4	2.7
30% to 50% AMI	9.7	8.7	7.1	8.6	9.8
50% to 80% AMI	11.8	10.6	8.7	10.4	11.9
Total, Less than 80% AMI	24.2	21.6	17.8	21.4	24.5
Greater than 80% AMI	16.5	15.3	12.6	15.1	16.7
Total, New Households	40.7	37.0	30.5	36.5	41.2

New Worker Households by Income Level per 100 Market Rate Units, Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Under 30% AMI	1.9	2.3	2.3
30% to 50% AMI	6.7	8.3	8.3
50% to 80% AMI	8.1	10.1	10.1
Total, Less than 80% AMI	16.7	20.8	20.8
Greater than 80% AMI	11.8	14.7	14.7
Total, New Households	28.5	35.5	35.5

6. Impact Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a dollar amount on the cost of mitigating the affordable housing impacts. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need. Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level.

The Sacramento Mixed-Income Housing Program has as a goal the production of units affordable to Extremely Low, Very Low and Low Income Households. The City intends to assist in the production of rental units for households in these income categories. KMA prepared an estimate of total development cost (inclusive of land, all fees and permits, financing and other indirect costs) for typical affordable rental units. KMA drew this estimate from a review of development pro forma for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the new affordable rental units have 1.5 bedrooms and total development costs equal to \$223,000.

The affordability gap for rental units is the difference between the total development cost and the capitalized value of the affordable unit. To calculate the unit value, the net operating income (annual income less operating expenses) is capitalized at 6.75%. More information on the calculation of the affordability gaps can be found in Appendix II.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach, and one that the City has employed in other similar analyses.

The resulting affordability gaps are as follows:

- \$218,400 for households in the under 30% AMI category;
- \$173,000 for households in the 30% to 50% AMI category;
- \$105,000 for households in the 50% to 80% AMI category;

The affordability gap for each income tier is then linked to the number of affordable units required to calculate the Total Nexus Cost per market rate unit (or the total cost of mitigation attributable to the new unit). Specifically, the Total Nexus Cost per market rate unit is the result of the following calculation: the affordability gap times the number of affordable units demanded per market rate unit. The results per unit are:

Total Nexus Cost Per Market Rate Unit, Ownership Prototypes						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Extr. Low Income	\$218,400	\$5,900	\$5,300	\$4,300	\$5,200	\$6,000
Very Low Income	\$173,000	\$16,800	\$15,000	\$12,400	\$14,800	\$17,000
Low Income	\$105,000	\$12,400	\$11,100	\$9,200	\$11,000	\$12,500
Total Nexus Costs		\$35,100	\$31,400	\$25,900	\$31,000	\$35,500

Total Nexus Cost Per Market Rate Unit, Rental Prototypes				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Extr. Low Income	\$218,400	\$4,000	\$5,000	\$5,000
Very Low Income	\$173,000	\$11,600	\$14,400	\$14,400
Low Income	\$105,000	\$8,600	\$10,700	\$10,700
Total Nexus Costs		\$24,200	\$30,100	\$30,100

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft., Ownership Prototypes						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Prototype Size (Sq Ft)		2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF
Extr. Low Income	\$218,400	\$2.68	\$2.41	\$2.69	\$4.33	\$6.32
Very Low Income	\$173,000	\$7.64	\$6.82	\$7.75	\$12.33	\$17.89
Low Income	\$105,000	\$5.64	\$5.05	\$5.75	\$9.17	\$13.16
Total Nexus Costs		\$15.95	\$14.27	\$16.19	\$25.83	\$37.37

Total Nexus Cost Per Sq. Ft., Rental Prototypes				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Prototype Size (Sq Ft)		950 SF	850 SF	850 SF
Extr. Low Income	\$218,400	\$4.21	\$5.88	\$5.88
Very Low Income	\$173,000	\$12.21	\$16.94	\$16.94
Low Income	\$105,000	\$9.05	\$12.59	\$12.59
Total Nexus Costs		\$25.47	\$35.41	\$35.41

These costs express the total linkage or nexus costs for the eight prototype developments in the City of Sacramento. These total nexus costs represent the ceiling for any impact fee requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees may be set.**

APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

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INTRODUCTION AND OVERVIEW

Keyser Marston Associates (KMA) has prepared this residential nexus analysis for the City of Sacramento per a contractual agreement. This report has been prepared to support the City's Mixed-Income Housing Program as applied to ownership residential development projects and to quantify the maximum impact fees supported which may be applied to all residential projects including rentals. This residential nexus analysis addresses market rate residential projects and the various types of units that are subject to the Mixed-Income Housing Program, and quantifies the linkages between new market rate units and the demand for affordable housing generated by the residents of new units.

The Sacramento Context and Purpose of Report

The City of Sacramento Mixed Income Housing Ordinance was first adopted in 2000. Since adoption, the Ordinance has been amended several times, with the most significant revisions occurring on November 4, 2004 and January 18, 2005. The current program applies only to the City's "new growth areas." At its core, the program requires that 15% of new housing units must be affordable to very low and low income households. The general requirement is that 5% of units must be affordable to low and 10% to very low income households. The ordinance does not currently allow developers to pay a fee in-lieu of providing units.

The City is conducting a full reexamination of its Mixed Income Housing Program in light of the significant changes that have occurred since it was last updated. In addition to a drastic decline in the overall housing market, the City has also entered into a new era with the elimination of redevelopment, which was a major source of funding for affordable housing in Sacramento. The City seeks to revise the ordinance in several fundamental ways, including expanding its coverage to include the entire city and changing the requirements to make it more flexible for developers while still achieving the Ordinance's objective to create affordable housing in the City. The City contracted with Keyser Marston Associates to conduct a residential nexus analysis and a financial feasibility analysis.

This analysis will demonstrate the percentage of affordable units supported and will also quantify impact fee levels supported from a nexus perspective. The analysis will also enable the City to restructure the program as it applies to rental projects so that rental projects may be charged an impact fee.

The Nexus Concept

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households in Sacramento. These households represent new income in Sacramento that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs relate to lower

income households that cannot afford market rate units in Sacramento and therefore need affordable housing.

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of determining nexus support to the City of Sacramento Mixed-Income Housing Program affecting new residential construction. It has not been prepared as a document to guide policy design in the broader context. We caution against the use of this study, or any impact study for that matter, for purposes beyond the intended use. All impact studies are limited and imperfect, but can be helpful for understanding the externalities created by new development.

The nexus analysis presented in this report is an impact analysis only and the nexus amounts are not recommended fee levels. The analysis has been prepared solely to demonstrate support for inclusionary measures and impact fees from the nexus perspective.

Methodology and Models Used

The methodology or analysis procedure for this nexus analysis starts with the sales price (or rental rate) of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the disposable income of the new household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a house at a certain price. From that price, we estimate the gross income of the household (from mortgage rates and lending practices) and the disposable income of the household. The disposable income, on average, will be used to “purchase” or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in Sacramento.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees

spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in Sacramento. If purchasers or renters have relocated from elsewhere in the city, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if Sacramento were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

On an individual project basis, if existing units are removed to redevelop a site to higher density, then there could be a need for recognition of the existing households in that all new units might not represent net new households, depending on the program design and number of units removed relative to new units.

Since the analysis addresses net new households in Sacramento and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

Geographic Area of Impact

The analysis quantifies impacts occurring within Sacramento County. While much of the impact will occur within the City of Sacramento, some impacts will be experienced elsewhere in the County and beyond. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the KMA nexus analysis quantifies all the job impacts occurring within Sacramento County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See Notes on Specific Assumptions at the end of this Appendix for further discussion.

Disclaimers

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau: 2009-2011 American Community Survey, California Employment Development Department and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

A. MARKET RATE UNITS AND GROSS HOUSEHOLD INCOME

This section describes the prototypical market rate units that are subject to affordable housing requirements under the City of Sacramento's Mixed-Income Housing Program and the income of the purchaser and renter households. Household income is the input to the IMPLAN model described in Section B of this report. These are the starting points of the chain of linkages that connect new market rate units to incremental demand for affordable residential units.

This section provides a summary of the prototypes and household income. More description and supporting tables are provided in Appendix II.

Recent Housing Market Activity and Prototypical Units

To identify the residential prototypes, KMA undertook a market survey of projects covering all types of residential units developed in Sacramento in recent years. The survey was taken in the winter/spring of 2012 and 2013, a period when the housing market in Sacramento is still suffering from the severe conditions brought on by the Great Recession.

The results of the market survey and the selection of eight prototypes are summarized in the table on the following page. The main objective of the survey was to establish current sales prices or rents per unit and per square foot for the various residential project types recently developed, or expected to be developed in the future, in Sacramento. Table A-1 at the end of this section provides a more detailed summary of the eight market rate prototypes.

Total development costs were assembled for each of the eight prototype projects. The assumptions are based on data gathered from a variety of sources including third party market and cost data sources, KMA's experience with residential projects in other assignments, and discussions with Sacramento developers and other housing stakeholders recommended by City staff.

It is important to note that the prototypes analysis is intended to reflect average or typical residential projects in the Sacramento market rather than the economics for any specific project. It would be expected that the economics for specific projects would vary to some degree from the prototypes analysis contained herein.

In summary, the prototypes tested in the nexus analysis are as follows:

Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Avg. Unit Size	2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF
Avg. No. of Bedrooms	4 BR	4 BR	3 BR	3 BR	2 BR
Avg. Sales Price	\$310,000	\$270,000	\$220,000	\$280,000	\$330,000

Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Avg. Unit Size	950 SF	850 SF	850 SF
Avg. No. of Bedrooms	2 BR	2 BR	2 BR
Avg. Rent	\$1,425/mo.	\$1,780/mo.	\$1,780/mo.

Income of Housing Unit Purchasers or Renter

After the prototypes are established, the next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units. The gross household income of the purchasers or renters is the input to the IMPLAN model.

Ownership Units

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. The selected terms for the analysis are: 10% down payment, 30 year fixed rate mortgage, 5.0% interest rate. Tables A-2 through A-6 at the end of this section provide the details.

The single family detached units include as expenses an allowance for maintenance. The attached unit prototypes include as expenses monthly homeowners' association (HOA) dues, per industry practice. All ownership product types include an estimate of mortgage insurance, homeowners' insurance and property taxes as well. A key assumption is that housing costs run, on average, at about 35% of gross income. In the past, lending institutions have been willing to accept higher than 35% for all debt as a share of income, but most households have other forms of debt, such as auto loans, student loans, and credit card debt.

Apartment Units

The standard for relating annual rent to household income is 30%, excluding utilities. While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This is based on that fact that renters are also likely to have other debt, and that many do not choose to spend more than 30% of their income on rent, since, unlike an ownership situation, the unit is not viewed as an investment with value enhancement potential. The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in tables A-2 through A-9, and summarized below.

Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Gross Household Income	\$83,000	\$74,000	\$61,000	\$73,000	\$84,000

Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Gross Household Income	\$57,000	\$71,000	\$71,000

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Tables A-10 and A-11 summarize the conclusions of this section and calculate the total gross household income for the 100-unit building modules. This is the input into the IMPLAN model.

**APPENDIX I TABLE A-1
RESIDENTIAL PROTOTYPES
MIXED-INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA**

	Ownership Prototypes					Rental Prototypes		
	1	2	3	4	5	6	7	8
	Suburban Infill Small SFR Project	Outer-edge Suburban Large SFR Project	Outer-edge Suburban Small Lot/ Cluster SFR	Suburban Infill Large Condo Project	Urban Infill Condo Project	Suburban Infill Small Apt Project	Urban Infill Small Apt Project	Urban Infill Larger Apt Project
<i>Example Location</i>	<i>North Sac</i>	<i>North Natomas</i>	<i>North Natomas</i>	<i>South Area</i>	<i>Central City</i>	<i>East Sac</i>	<i>Central City</i>	<i>Central City</i>
Site Acres	3.1 acres	19.8 acres	11.2 acres	4.5 acres	1.1 acres	0.8 acres	0.4 acres	1.5 acres
Units	16 units	103 units	118 units	135 units	92 units	25 units	25 units	150 units
Density (units/acre)	5.2 du/acre	5.2 du/acre	10.5 du/acre	30.0 du/acre	83.6 du/acre	30.0 du/acre	60.0 du/acre	100.0 du/acre
Lot sq. ft.	5,000 lot sf	5,000 lot sf	2,500 lot sf	n/a lot sf	n/a lot sf	n/a lot sf	n/a lot sf	n/a lot sf
Avg Unit sq. ft.	2,200 sf	2,200 sf	1,600 sf	1,200 sf	950 sf	950 sf	850 sf	850 sf
Avg bedrooms	4 BR	4 BR	3 BR	3 BR	2 BR	2 BR	2 BR	2 BR
Parking Type	Garage	Garage	Garage	Garage	Podium	Surface	Podium	Podium
Dedicated spaces/unit	2.0 spaces	2.0 spaces	2.0 spaces	2.0 spaces	1.0 spaces	1.5 spaces	1.0 spaces	1.0 spaces
Market Sales Price/ Rent	\$310,000	\$270,000	\$220,000	\$280,000	\$330,000	\$1,425	\$1,780	\$1,780

**APPENDIX I TABLE A-2
 PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT
 SALES PRICE TO INCOME RATIO
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

**Prototype 1
 Suburban Infill Small
 Single Family Detached**

Sales Price	\$140 /SF	2,200 SF	\$310,000
Mortgage Payment			
Downpayment @ 10%		10%	\$31,000
Loan Amount			\$279,000
Interest Rate			5.0% ¹
Term of Mortgage			30 years
Annual Mortgage Payment			\$18,000
Other Costs			
Mortgage Insurance	0.5%	loan amount	\$1,400
Homeowner Insurance	0.3%	sale price	\$900
Maintenance	\$400	per month	\$4,800
Property Taxes	1.25%	of sales price	\$3,900
Total Annual Housing Cost			<hr/> \$29,000
% of Income Spent on Hsg			35%
Annual Household Income Required			\$83,000
Sales Price to Income Ratio			3.7

Notes

(1) Above current favorable rates but lower than longer term averages.

**APPENDIX I TABLE A-3
 PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR
 SALES PRICE TO INCOME RATIO
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

			Prototype 2 Outer-Edge Suburban Large Single Family
			<hr/>
Sales Price	\$120 /SF	2,200 SF	\$270,000
Mortgage Payment			
Downpayment @ 10%		10%	\$27,000
Loan Amount			\$243,000
Interest Rate			5.0% ¹
Term of Mortgage			30 years
Annual Mortgage Payment			\$15,700
Other Costs			
Mortgage Insurance	0.5%	loan amount	\$1,200
Homeowner Insurance	0.3%	sale price	\$800
Maintenance	\$400	per month	\$4,800
Property Taxes	1.25%	of sales price	\$3,400
Total Annual Housing Cost			<hr/> \$25,900
% of Income Spent on Hsg			35%
Annual Household Income Required			\$74,000
Sales Price to Income Ratio			3.6

Notes

(1) Above current favorable rates but lower than longer term averages.

**APPENDIX I TABLE A-4
 PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR
 SALES PRICE TO INCOME RATIO
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

**Prototype 3
 Outer-Edge Suburban Small Lot/
 Cluster Single Family**

Sales Price	\$140 /SF	1,600 SF	\$220,000
Mortgage Payment			
Downpayment @ 10%		10%	\$22,000
Loan Amount			\$198,000
Interest Rate			5.0% ¹
Term of Mortgage			30 years
Annual Mortgage Payment			\$12,800
Other Costs			
Mortgage Insurance	0.5% loan amount		\$1,000
Homeowner Insurance	0.3% sale price		\$700
Maintenance	\$325 per month		\$3,900
Property Taxes	1.25% of sales price		\$2,800
Total Annual Housing Cost			\$21,200
% of Income Spent on Hsg			35%
Annual Household Income Required			\$61,000
Sales Price to Income Ratio			3.6

Notes

(1) Above current favorable rates but lower than longer term averages.

**APPENDIX I TABLE A-5
 PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO
 SALES PRICE TO INCOME RATIO
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

			Prototype 4 Suburban Infill Large Condominium
Sales Price	\$230 /SF	1,200 SF	\$280,000
Mortgage Payment			
Downpayment @ 10%		10%	\$28,000
Loan Amount			\$252,000
Interest Rate ⁽¹⁾			5.0% ¹
Term of Mortgage			30 years
Annual Mortgage Payment			\$16,200
Other Costs			
Mortgage Insurance	0.50% loan amount		\$1,300
Homeowner Insurance	0.30% sale price		\$800
HOA Dues / Maintenance	\$300 per month		\$3,600
Property Taxes	1.25% of sales price		\$3,500
Total Annual Housing Cost			<hr/> \$25,400
% of Income Spent on Hsg			35%
Annual Income Required			\$73,000
Sales Price to Income Ratio			3.8

Notes

(1) Above current favorable rates but lower than longer term averages.

**APPENDIX I TABLE A-6
 PROTOTYPE 5: URBAN INFILL CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

			Prototype 5 Urban Infill Condominium
Sales Price	\$347 /SF	950 SF	\$330,000
Mortgage Payment			
Downpayment @ 10%		10%	\$33,000
Loan Amount			\$297,000
Interest Rate ⁽¹⁾			5.0% ¹
Term of Mortgage			30 years
Annual Mortgage Payment			\$19,100
Other Costs			
Mortgage Insurance	0.50% loan amount		\$1,485
Homeowner Insurance	0.30% sale price		\$1,000
HOA Dues / Maintenance	\$300 per month		\$3,600
Property Taxes	1.25% of sales price		\$4,100
Total Annual Housing Cost			\$29,285
% of Income Spent on Hsg			35%
Annual Income Required			\$84,000
Sales Price to Income Ratio			3.9

Notes

(1) Above current favorable rates but lower than longer term averages.

APPENDIX I TABLE A-7
PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX
RENT TO INCOME RATIO
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

Prototype 6
Suburban Infill Small
Apartment Complex

Market Rent			
Monthly	\$1.50 /SF	950 SF	\$1,425
Annual			\$17,100
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$57,000
Annual Rent to Income Ratio			3.3

APPENDIX I TABLE A-8
PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX
RENT TO INCOME RATIO
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

Prototype 7
Urban Infill Small
Apartment Complex

Market Rent			
Monthly	\$2.10 /SF	850 SF	\$1,783
Annual			\$21,390
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$71,000
Annual Rent to Income Ratio			3.3

APPENDIX I TABLE A-9
PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
ANNUAL RENT TO INCOME RATIO
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

Prototype 8
Urban Infill Large
Apartment Complex

Market Rent			
Monthly	\$2.10 /SF	850 SF	\$1,783
Annual			\$21,390
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$71,000
Annual Rent to Income Ratio			3.3

**APPENDIX I TABLE A-10
FOR SALE PROTOTYPES SUMMARY
SALES PRICE TO INCOME SUMMARY
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT			
Units			100 Units
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	\$310,000	\$140	\$31,000,000
Sales Price to Income Ratio	3.7		3.7
Gross Household Income	\$83,000		\$8,300,000
PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR			
Units			100 Units
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	\$270,000	\$120	\$27,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	\$74,000		\$7,400,000
PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR			
Units			100 Units
Building Sq.Ft. (net salable area)	1,600		160,000
Sales Price	\$220,000	\$140	\$22,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	\$61,000		\$6,100,000
PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO			
Units			100 Units
Building Sq.Ft. (net salable area)	1,200		120,000
Sales Price	\$280,000	\$230	\$28,000,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	\$73,000		\$7,300,000
PROTOTYPE 5: URBAN INFILL CONDOMINIUM			
Units			100 Units
Building Sq.Ft. (net salable area)	950		95,000
Sales Price	\$330,000	\$347	\$33,000,000
Sales Price to Income Ratio	3.9285714		3.928571429
Gross Household Income	\$84,000		\$8,400,000

Source: See Appendix I Tables A-2 through A-6.

**APPENDIX I TABLE A-11
 NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX			
Units			100 Units
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	\$1,425	\$1.50 /SF	\$143,000
Annual	\$17,100	\$18.00 /SF	\$1,710,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$57,000		\$5,700,000
PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX			
Units			100 Units
Building Sq.Ft. (net rentable area)	850		85,000
Rent			
Monthly	\$1,783	\$2.10 /SF	\$178,000
Annual	\$21,390	\$25.20 /SF	\$2,139,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$71,000		\$7,100,000
PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX			
Units			100 Units
Building Sq.Ft. (net rentable area)	850		85,000
Rent			
Monthly	\$1,783	\$2.10 /SF	\$178,000
Annual	\$21,390	\$25.20 /SF	\$2,139,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$71,000		\$7,100,000

Source: Appendix I Tables A-7 through A-9.

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B. THE IMPLAN MODEL

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMPact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN model is an economic analysis software package now commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts for a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is generated by tracking changes in purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 400 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for Sacramento County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. A significant portion of these jobs will be located in Sacramento or nearby. In addition, the employment impacts will extend throughout the County and beyond based on where jobs are located that serve Sacramento residents. In fact, Sacramento is part of the larger regional economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in the nexus analysis, only the impacts that occur within Sacramento County are included in the analysis.

Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in Sacramento County. Employment generated by the household income of residents is analyzed in modules of 100 residential units to simplify communication of the results and avoid awkward fractions. The IMPLAN model first converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The model then distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

Jobs Generated per 100 Units, Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Gross Household Income	\$83,000	\$74,000	\$61,000	\$73,000	\$84,000
Total Jobs Generated, 100 units	62.1	56.5	46.5	55.7	62.9

Jobs Generated per 100 Units, Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Gross Household Income	\$57,000	\$71,000	\$71,000
Total Jobs Generated, 100 units	43.5	54.2	54.2

Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. Expenditure patterns vary by income level, and the IMPLAN results are calculated according to the income bracket. In the case of the Sacramento prototypes, the suburban infill small single family and the urban infill condo are in one income bracket while the rest of the prototypes are in a lower income bracket. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated within the County are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care and real estate.

The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

**APPENDIX I TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

Per 100 Market Rate Units

	%	%	%	%	
PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	%	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	%
	%	%	%	%	%

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Gross Income of New Residents (in 100 Market Rate Units) ¹	\$8,300,000	\$7,400,000	\$6,100,000	\$7,300,000		
Employment Generated by Industry ²						
Food services and drinking places	7.4	12%	6.6	5.4	6.5	12%
Real estate establishments	3.1	5%	3.1	2.5	3.0	5%
Private hospitals	2.4	4%	2.9	2.4	2.8	5%
Offices of physicians, dentists, and other health practitioners	3.2	5%	2.8	2.3	2.8	5%
Nursing and residential care facilities	1.4	2%	1.8	1.5	1.8	3%
Retail Stores - General merchandise	2.5	4%	1.8	1.5	1.8	3%
Wholesale trade businesses	1.9	3%	1.8	1.5	1.7	3%
Securities, commodity contracts, investments, and related activities	2.1	3%	1.7	1.4	1.7	3%
Retail Stores - Food and beverage	2.2	4%	1.6	1.3	1.6	3%
Nondepository credit intermediation and related activities	1.6	3%	1.5	1.2	1.5	3%
Private household operations	1.7	3%	1.3	1.1	1.3	2%
Individual and family services	1.1	2%	1.3	1.1	1.3	2%
Employment services	1.2	2%	1.1	0.9	1.1	2%
Retail Stores - Motor vehicle and parts	1.4	2%	1.0	0.9	1.0	2%
Other private educational services	0.7	1%	1.0	0.8	1.0	2%
Retail Nonstores - Direct and electronic sales	1.2	2%	0.9	0.8	0.9	2%
Civic, social, professional, and similar organizations	0.9	1%	0.9	0.8	0.9	2%
Retail Stores - Clothing and clothing accessories	1.2	2%	0.9	0.7	0.8	2%
Services to buildings and dwellings	0.9	1%	0.8	0.7	0.8	1%
Retail Stores - Miscellaneous	1.1	2%	0.8	0.7	0.8	1%
Personal care services	0.8	1%	0.8	0.6	0.8	1%
Child day care services	0.7	1%	0.8	0.6	0.8	1%
Legal services	0.8	1%	0.8	0.6	0.7	1%
Insurance carriers	0.8	1%	0.7	0.6	0.7	1%
Private elementary and secondary schools	0.7	1%	0.7	0.6	0.7	1%
Medical and diagnostic labs and outpatient and other ambulatory care	0.9	1%	0.7	0.6	0.7	1%
Monetary authorities and depository credit intermediation activities	0.7	1%	0.6	0.5	0.6	1%
Retail Stores - Health and personal care	0.8	1%	0.6	0.5	0.6	1%
Grantmaking, giving, and social advocacy organizations	0.5	1%	0.6	0.5	0.6	1%
Community food, housing, and other relief services, including rehabili	0.2	0%	0.6	0.5	0.6	1%
Automotive repair and maintenance, except car washes	0.6	1%	0.6	0.5	0.6	1%
Retail Stores - Building material and garden supply	0.7	1%	0.5	0.4	0.5	1%
All Other	14.5	23%	12.7	10.4	12.5	22%
Total Employment Generated	62.1	100%	56.5	46.5	55.7	100%

¹ The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Appendix I Tables A-10 and A-11 for estimates of the gross income of residents of the prototypical 100 unit buildings. The model produces results by income category. For this analysis, there are two household income categories: \$75,000 - \$100,000 (Prototypes 1 and 5) and \$50,000 - \$75,000 (Prototypes 2, 3, 4, 6, 7, and 8). Expenditures patterns, and therefore, occupation distribution, varies by income category.

² For Industries representing more than 1% of total employment for any of the two IMPLAN income categories (see note 1).

**APPENDIX I TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

Per 100 Market Rate Units

PROTOTYPE 5: URBAN INFILL CONDOMINIUM	% of Jobs	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX	% of Jobs
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Page 2 of 2

Gross Income of New Residents (in 100 Market Rate Units) ¹	\$8,400,000	\$5,700,000	\$7,100,000	\$7,100,000		
Employment Generated by Industry ²						
Food services and drinking places	7.5	12%	5.1	6.3	6.3	12%
Real estate establishments	3.2	5%	2.4	3.0	3.0	5%
Private hospitals	2.4	4%	2.2	2.8	2.8	5%
Offices of physicians, dentists, and other health practitioners	3.2	5%	2.2	2.7	2.7	5%
Nursing and residential care facilities	1.4	2%	1.4	1.8	1.8	3%
Retail Stores - General merchandise	2.5	4%	1.4	1.7	1.7	3%
Wholesale trade businesses	2.0	3%	1.4	1.7	1.7	3%
Securities, commodity contracts, investments, and related activities	2.1	3%	1.3	1.7	1.7	3%
Retail Stores - Food and beverage	2.2	4%	1.2	1.6	1.6	3%
Nondepository credit intermediation and related activities	1.7	3%	1.2	1.4	1.4	3%
Private household operations	1.7	3%	1.0	1.3	1.3	2%
Individual and family services	1.2	2%	1.0	1.2	1.2	2%
Employment services	1.2	2%	0.8	1.1	1.1	2%
Retail Stores - Motor vehicle and parts	1.4	2%	0.8	1.0	1.0	2%
Other private educational services	0.7	1%	0.7	0.9	0.9	2%
Retail Nonstores - Direct and electronic sales	1.3	2%	0.7	0.9	0.9	2%
Civic, social, professional, and similar organizations	0.9	1%	0.7	0.9	0.9	2%
Retail Stores - Clothing and clothing accessories	1.2	2%	0.7	0.8	0.8	2%
Services to buildings and dwellings	0.9	1%	0.6	0.8	0.8	1%
Retail Stores - Miscellaneous	1.1	2%	0.6	0.8	0.8	1%
Personal care services	0.8	1%	0.6	0.8	0.8	1%
Child day care services	0.7	1%	0.6	0.7	0.7	1%
Legal services	0.8	1%	0.6	0.7	0.7	1%
Insurance carriers	0.9	1%	0.6	0.7	0.7	1%
Private elementary and secondary schools	0.7	1%	0.6	0.7	0.7	1%
Medical and diagnostic labs and outpatient and other ambulatory care s	0.9	1%	0.6	0.7	0.7	1%
Monetary authorities and depository credit intermediation activities	0.7	1%	0.5	0.6	0.6	1%
Retail Stores - Health and personal care	0.8	1%	0.5	0.6	0.6	1%
Grantmaking, giving, and social advocacy organizations	0.5	1%	0.5	0.6	0.6	1%
Community food, housing, and other relief services, including rehabilitat	0.2	0%	0.5	0.6	0.6	1%
Automotive repair and maintenance, except car washes	0.6	1%	0.4	0.6	0.6	1%
Retail Stores - Building material and garden supply	0.7	1%	0.4	0.5	0.5	1%
All Other	14.6	23%	9.8	12.2	12.2	22%
Total Employment Generated	62.9	100%	43.5	54.2	54.2	100%

¹ The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Appendix I Tables A-10 and A-11 for estimates of the gross income of residents of the prototypical 100 unit buildings. The model produces results by income category. For this analysis, there are two household income categories: \$75,000 - \$100,000 (Prototypes 1 and 5) and \$50,000 - \$75,000 (Prototypes 2, 3, 4, 6, 7, and 8). Expenditures patterns, and therefore, occupation distribution, varies by income category.

² For Industries representing more than 1% of total employment for any of the two IMPLAN income categories (see note 1).

C. THE KMA JOBS HOUSING NEXUS MODEL

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower income housing units required in each of three income categories, for each of the eight residential prototype units.

Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable households per 100 market rate units.

The analysis addresses the affordable unit demand associated with single family detached, single family attached and rental units in Sacramento County. The table below shows the 2013 Sacramento County Area Median Income (AMI), as well as the income limits for the three categories that were evaluated: 30%, 50% and 80% of AMI. The income definitions used in the analysis are those published by the California Department of Housing and Community Development (HCD). Typically, HCD uses the U.S. Department of Housing and Urban Development's income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income limits for Sacramento, therefore, reflect the implementation of HCD's 'hold harmless' policy, which allows the 2012 income limits to remain in effect instead of the lower income limits.

The income categories are consistent with those included in the City's Mixed-Income Housing Program.

2013 Income Limits for Sacramento County						
	Household Size (Persons)					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6 +</i>
30% of Median	\$16,000	\$18,300	\$20,600	\$22,850	\$24,700	\$26,550
50% of Median	\$26,650	\$30,450	\$34,250	\$38,050	\$41,100	\$44,150
80% of Median	\$42,650	\$48,750	\$54,850	\$60,900	\$65,800	\$70,650
Area Median Income	\$53,250	\$60,900	\$68,500	\$76,100	\$82,200	\$88,300

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

The tables at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

Step 1 – Estimate of Total New Employees

Table C-1 commences with the total number of employees associated with the new market rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B).

Step 2 – Adjustment from Employees to Employee Households

This step (Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.53 workers per worker household (from the U. S. Census Bureau 2009-2011 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.53 to determine the number of worker households. Average workers related to all households is a lower ratio because all households are counted in the denominator, not just worker households; using average workers per total households would produce greater demand for housing units. The 1.53 ratio covers all workers, full and part time.

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2011 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit North American Industry Classification System Code (NAICS) used in the OES. Each IMPLAN industry sector is associated with one or more NAICS codes, with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes was distributed among the matching codes based on the distribution of employment among those industries at the national level. Employment for IMPLAN sectors where matching NAICS codes were only at the two- or three-digit level of detail was distributed using a similar approach, among all of the corresponding four-digit NAICS codes falling under the broader two- or three-digit categories.

National-level employment totals for each industry within the OES were pro-rated to match the employment distribution projected using the IMPLAN model, which varies by income category. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees, by income category. Table C-2 presents a summary of the results for the suburban infill small single family and the urban infill condo households. Table C-3 presents a summary for the other prototypes.

As shown on Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (18-19%), sales (15-17%), and food preparation and serving (13%). Step 3 of Table C-1 indicates both the percentage of total employee households and the number of employee households by occupation associated with 100-unit market rate units.

Step 4 – Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupation is translated to income based on recent Sacramento County wage and salary information from the California Employment Development Department. The wage and salary information summarized in Tables C-4 (for suburban infill small single family and the urban infill condo households) and C-5 (for all other households) provided the income inputs to the model. This step in the analysis calculates the number of employee households that fall into each income category for each household size.

Individual *employee* income data was used to calculate the number of *households* that fall into the income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Tables C-2 or C-3 are assumed to have the same income distribution as the major occupation categories as a whole.

Step 5 – Estimate of Household Size Distribution

In this step, household size distribution was input into the model in order to estimate the income and household size combinations that meet the income definitions for Sacramento County. The household size distribution utilized in the analysis is that of worker households in Sacramento County derived using American Community Survey (ACS) data. The model employs a distribution of the number of workers per household by household size. For example, four-person worker households can have one, two, three, or four workers in the household. The model uses ACS data to develop a distribution of the number of the workers per worker household, by household size.

Step 6 – Estimate of Households that Meet Size and Income Criteria

For this step KMA built a cross-matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group a probability factor was

calculated for each income level and household size/number of workers combination, and multiplied by the number of households. Table C-6 shows the result after completing Steps 4, 5, and 6. The calculated number of households that meet size and income criteria shown are for the under 30% of AMI category generated by 100 market rate prototype units. The methodology was repeated for each income tier, resulting in a total count of worker households per 100 units.

Summary Findings

Table C-7 indicates the results of the analysis for the residential prototype units. The table presents the number of households generated in each affordability category and the total number over 80% of Area Median Income.

According to Table C-7, approximately 60% of new worker households generated by the expenditures of new residents have incomes below 80% of AMI, including 7% earning less than 30% of AMI. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

The findings in Table C-7 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

New Worker Households by Income Level per 100 Market Rate Units, Ownership Prototypes					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Under 30% AMI	2.7	2.4	2.0	2.4	2.7
30% to 50% AMI	9.7	8.7	7.1	8.6	9.8
50% to 80% AMI	11.8	10.6	8.7	10.4	11.9
Total, Less than 80% AMI	24.2	21.6	17.8	21.4	24.5
Greater than 80% AMI	16.5	15.3	12.6	15.1	16.7
Total, New Households	40.7	37.0	30.5	36.5	41.2

New Worker Households by Income Level per 100 Market Rate Units, Rental Prototypes			
	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Under 30% AMI	1.9	2.3	2.3
30% to 50% AMI	6.7	8.3	8.3
50% to 80% AMI	8.1	10.1	10.1
Total, Less than 80% AMI	16.7	20.8	20.8
Greater than 80% AMI	11.8	14.7	14.7
Total, New Households	28.5	35.5	35.5

Inclusionary Percentages Supported

The analysis findings identify how many lower income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to a project of 125 units; 25 affordable units out of 125 units equals 20%).

The inset table below presents the results of the analysis, drawn from Table C-8. Each tier is cumulative, or inclusive of the tiers above. It is recalled that a Court decision (*Palmer*) precludes jurisdictions from requiring affordable on-site units that limit initial rents and on-going rent levels. Instead cities may require an impact fee. Therefore, the inclusionary percentages supported by rental units are not calculated.

Cumulative Inclusionary Percentage Supported by Nexus Analysis, Ownership Units					
	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Extremely Low Income	2.6%	2.3%	1.9%	2.3%	2.7%
Very Low Income	11.0%	10.0%	8.4%	9.8%	11.2%
Low Income	19.5%	17.8%	15.1%	17.6%	19.7%

The findings of the analysis are presented for each of the ownership prototypes. The analysis supports maximum inclusionary percentages between 15.1% and 19.7%, depending on the prototype.

The nexus analysis presented in this report is an impact analysis only and the percentages shown above are not recommended inclusionary levels. The analysis has been prepared solely to demonstrate support for inclusionary measures and impact fees from the nexus perspective.

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**APPENDIX I TABLE C-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA**

Per 100 Market Rate Units	PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
Step 1 - Employees ¹	62.1	56.5	46.5	55.7	62.9	43.5	54.2	54.2
Step 2 - Adjustment for Number of Households (1.53) ²	40.7	37.0	30.5	36.5	41.2	28.5	35.5	35.5
Step 3 - Occupation Distribution ³								
Management Occupations	4.5%	4.6%	4.6%	4.6%	4.5%	4.6%	4.6%	4.6%
Business and Financial Operations	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Computer and Mathematical	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Architecture and Engineering	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Community and Social Services	1.5%	1.9%	1.9%	1.9%	1.5%	1.9%	1.9%	1.9%
Legal	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Education, Training, and Library	2.4%	3.0%	3.0%	3.0%	2.4%	3.0%	3.0%	3.0%
Arts, Design, Entertainment, Sports, and Media	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Healthcare Practitioners and Technical	6.5%	7.1%	7.1%	7.1%	6.5%	7.1%	7.1%	7.1%
Healthcare Support	3.6%	4.1%	4.1%	4.1%	3.6%	4.1%	4.1%	4.1%
Protective Service	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Food Preparation and Serving Related	12.9%	12.8%	12.8%	12.8%	12.9%	12.8%	12.8%	12.8%
Building and Grounds Cleaning and Maint.	5.4%	5.3%	5.3%	5.3%	5.4%	5.3%	5.3%	5.3%
Personal Care and Service	4.3%	4.9%	4.9%	4.9%	4.3%	4.9%	4.9%	4.9%
Sales and Related	16.6%	14.6%	14.6%	14.6%	16.6%	14.6%	14.6%	14.6%
Office and Administrative Support	18.8%	18.4%	18.4%	18.4%	18.8%	18.4%	18.4%	18.4%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Installation, Maintenance, and Repair	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Production	1.8%	1.7%	1.7%	1.7%	1.8%	1.7%	1.7%	1.7%
Transportation and Material Moving	<u>5.5%</u>	<u>5.2%</u>	<u>5.2%</u>	<u>5.2%</u>	<u>5.5%</u>	<u>5.2%</u>	<u>5.2%</u>	<u>5.2%</u>
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.8	1.7	1.4	1.7	1.8	1.3	1.6	1.6
Business and Financial Operations	2.2	2.0	1.6	2.0	2.2	1.5	1.9	1.9
Computer and Mathematical	0.7	0.6	0.5	0.6	0.7	0.5	0.6	0.6
Architecture and Engineering	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1
Life, Physical, and Social Science	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Community and Social Services	0.6	0.7	0.6	0.7	0.6	0.5	0.7	0.7
Legal	0.4	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Education, Training, and Library	1.0	1.1	0.9	1.1	1.0	0.9	1.1	1.1
Arts, Design, Entertainment, Sports, and Media	0.6	0.6	0.5	0.6	0.6	0.5	0.6	0.6
Healthcare Practitioners and Technical	2.7	2.6	2.2	2.6	2.7	2.0	2.5	2.5
Healthcare Support	1.5	1.5	1.3	1.5	1.5	1.2	1.5	1.5
Protective Service	0.5	0.4	0.4	0.4	0.5	0.3	0.4	0.4
Food Preparation and Serving Related	5.3	4.7	3.9	4.6	5.3	3.6	4.5	4.5
Building and Grounds Cleaning and Maint.	2.2	2.0	1.6	1.9	2.2	1.5	1.9	1.9
Personal Care and Service	1.7	1.8	1.5	1.8	1.8	1.4	1.7	1.7
Sales and Related	6.8	5.4	4.4	5.3	6.8	4.1	5.2	5.2
Office and Administrative Support	7.6	6.8	5.6	6.7	7.7	5.2	6.5	6.5
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.3	0.3	0.2	0.3	0.3	0.2	0.3	0.3
Installation, Maintenance, and Repair	1.6	1.5	1.2	1.4	1.7	1.1	1.4	1.4
Production	0.7	0.6	0.5	0.6	0.7	0.5	0.6	0.6
Transportation and Material Moving	<u>2.2</u>	<u>1.9</u>	<u>1.6</u>	<u>1.9</u>	<u>2.2</u>	<u>1.5</u>	<u>1.8</u>	<u>1.8</u>
Totals	40.7	37.0	30.5	36.5	41.2	28.5	35.5	35.5

Notes:

¹ Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Sacramento County. Estimates vary by household income level. For this analysis, there are two household income categories: \$75,000 - \$100,000 (Prototypes 1 and 5) and \$50,000 - \$75,000 (Prototypes 2, 3, 4, 6, 7, and 8). Expenditures patterns, and therefore, occupation distribution, varies by income category.

² Adjustment from number of workers to number of households based on ratio of 1.53 workers per worker household derived from the U.S. Census American Community Survey 2009 to 2011.

³ See Tables C-2 through C-5 for additional information on Major Occupation Categories.

Keyser Marston Associates, Inc.

\\Sf-fs2wp\18\18996\027\Sacramento Nexus model; c-1 HH & Occupations; 7/1/2013; dd

**APPENDIX I TABLE C-2
 WORKER OCCUPATION DISTRIBUTION, 2011
 SERVICES TO HOUSEHOLDS EARNING \$75,000 - \$100,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

Major Occupations (2% or more)	Worker Occupation Distribution ¹ Services to Households Earning \$75,000 - \$100,000 / Year
Management Occupations	4.3%
Business and Financial Operations Occupations	5.2%
Education, Training, and Library Occupations	2.3%
Healthcare Practitioners and Technical Occupations	6.3%
Healthcare Support Occupations	3.5%
Food Preparation and Serving Related Occupations	12.5%
Building and Grounds Cleaning and Maintenance Occupations	5.2%
Personal Care and Service Occupations	4.1%
Sales and Related Occupations	16.0%
Office and Administrative Support Occupations	18.1%
Installation, Maintenance, and Repair Occupations	3.9%
Transportation and Material Moving Occupations	5.3%
All Other Worker Occupations - Services to Households Earning \$75,000 - \$100,000 / Year	<u>13.2%</u>
TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

**APPENDIX I TABLE C-3
 WORKER OCCUPATION DISTRIBUTION, 2011
 SERVICES TO HOUSEHOLDS EARNING \$50,000 - \$75,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

Major Occupations (2% or more)	Worker Occupation Distribution ¹ Services to Households Earning \$50,000 - \$75,000 / Year
Management Occupations	4.5%
Business and Financial Operations Occupations	5.2%
Education, Training, and Library Occupations	3.0%
Healthcare Practitioners and Technical Occupations	6.9%
Healthcare Support Occupations	4.0%
Food Preparation and Serving Related Occupations	12.4%
Building and Grounds Cleaning and Maintenance Occupations	5.1%
Personal Care and Service Occupations	4.7%
Sales and Related Occupations	14.1%
Office and Administrative Support Occupations	17.8%
Installation, Maintenance, and Repair Occupations	3.8%
Transportation and Material Moving Occupations	5.0%
All Other Worker Occupations - Services to Households Earning \$50,000 - \$75,000 / Year	<u>13.5%</u>
TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

APPENDIX I TABLE C-4
 AVERAGE ANNUAL WORKER COMPENSATION, 2012
 EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$75,000 - \$100,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA

EMPLOYMENT GENERATED BY HOUSEHOLDS
 EARNING \$75,000 - \$100,000 / YEAR

Occupation ³	% of Total		
	2012 Avg. Compensation ¹	Occupation Group ²	% of Total Workers
Page 1 of 3			
<i>Management Occupations</i>			
General and Operations Managers	\$121,400	32.2%	1.4%
Sales Managers	\$112,100	6.0%	0.3%
Financial Managers	\$111,300	10.0%	0.4%
Food Service Managers	\$49,600	4.5%	0.2%
Medical and Health Services Managers	\$118,000	5.1%	0.2%
Property, Real Estate, and Community Association Managers	\$73,000	10.0%	0.4%
All other Management Occupations (Avg. All Categories)	<u>\$106,900</u>	<u>32.1%</u>	<u>1.4%</u>
	Weighted Mean Annual Wage	100.0%	4.3%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$62,900	4.7%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	\$63,700	6.2%	0.3%
Management Analysts	\$83,100	6.1%	0.3%
Market Research Analysts and Marketing Specialists*	\$81,200	4.9%	0.3%
Business Operations Specialists, All Other*	\$70,600	10.8%	0.6%
Accountants and Auditors	\$66,800	16.2%	0.8%
Financial Analysts	\$80,600	7.2%	0.4%
Personal Financial Advisors	\$80,000	9.2%	0.5%
Loan Officers	\$74,100	9.6%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$73,000</u>	<u>25.2%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	100.0%	5.2%
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$66,400	4.3%	0.1%
Preschool Teachers, Except Special Education	\$29,300	17.1%	0.4%
Elementary School Teachers, Except Special Education	\$66,900	8.8%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	\$65,500	6.1%	0.1%
Self-Enrichment Education Teachers	\$39,200	9.4%	0.2%
Teachers and Instructors, All Other*	\$45,300	10.6%	0.2%
Teacher Assistants	\$30,900	17.0%	0.4%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$43,000</u>	<u>26.7%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	100.0%	2.3%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$124,500	4.8%	0.3%
Physicians and Surgeons, All Other	\$181,000	4.6%	0.3%
Registered Nurses*	\$100,500	31.3%	2.0%
Pharmacy Technicians	\$40,300	6.5%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$55,000	8.7%	0.5%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$95,000</u>	<u>44.1%</u>	<u>2.8%</u>
	Weighted Mean Annual Wage	100.0%	6.3%

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
 Keyser Marston Associates, Inc.

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APPENDIX I TABLE C-4
 AVERAGE ANNUAL WORKER COMPENSATION, 2012
 EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$75,000 - \$100,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA

EMPLOYMENT GENERATED BY HOUSEHOLDS
 EARNING \$75,000 - \$100,000 / YEAR

Occupation ³	2012 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
Page 2 of 3			
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$23,700	22.1%	0.8%
Nursing Aides, Orderlies, and Attendants*	\$32,400	29.4%	1.0%
Dental Assistants	\$38,200	11.0%	0.4%
Medical Assistants	\$33,100	18.3%	0.6%
Healthcare Support Workers, All Other*	\$36,400	4.8%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$31,300</u>	<u>14.5%</u>	<u>0.5%</u>
	Weighted Mean Annual Wage	100.0%	3.5%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$31,200	6.9%	0.9%
Cooks, Fast Food	\$19,000	4.9%	0.6%
Cooks, Restaurant	\$24,000	8.8%	1.1%
Food Preparation Workers	\$22,100	6.5%	0.8%
Bartenders	\$22,500	4.9%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	\$20,600	26.0%	3.2%
Waiters and Waitresses	\$21,400	21.3%	2.7%
Dishwashers	\$19,600	4.5%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$22,100</u>	<u>16.1%</u>	<u>2.0%</u>
	Weighted Mean Annual Wage	100.0%	12.5%
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$27,700	52.5%	2.7%
Maids and Housekeeping Cleaners	\$24,600	11.1%	0.6%
Landscaping and Groundskeeping Workers	\$28,100	25.6%	1.3%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$27,400</u>	<u>10.9%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	100.0%	5.2%
<i>Personal Care and Service Occupations</i>			
Nonfarm Animal Caretakers	\$21,300	5.2%	0.2%
Amusement and Recreation Attendants	\$20,000	6.2%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	\$26,400	17.4%	0.7%
Childcare Workers	\$22,600	15.1%	0.6%
Personal Care Aides	\$22,300	22.4%	0.9%
Fitness Trainers and Aerobics Instructors	\$38,100	5.8%	0.2%
Recreation Workers	\$24,500	5.2%	0.2%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$24,400</u>	<u>22.6%</u>	<u>0.9%</u>
	Weighted Mean Annual Wage	100.0%	4.1%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$41,500	9.3%	1.5%
Cashiers	\$24,100	24.0%	3.9%
Retail Salespersons	\$26,100	35.6%	5.7%
Securities, Commodities, and Financial Services Sales Agents	\$83,500	5.6%	0.9%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	\$67,900	4.3%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$33,700</u>	<u>21.1%</u>	<u>3.4%</u>
	Weighted Mean Annual Wage	100.0%	16.0%

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
 Keyser Marston Associates, Inc.

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APPENDIX I TABLE C-4
 AVERAGE ANNUAL WORKER COMPENSATION, 2012
 EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$75,000 - \$100,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA

Occupation ³	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$75,000 - \$100,000 / YEAR		
	2012 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
Page 3 of 3			
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$62,400	6.7%	1.2%
Bookkeeping, Accounting, and Auditing Clerks	\$41,800	7.6%	1.4%
Customer Service Representatives	\$37,800	11.6%	2.1%
Receptionists and Information Clerks	\$29,000	6.0%	1.1%
Stock Clerks and Order Fillers	\$28,000	10.6%	1.9%
Executive Secretaries and Executive Administrative Assistants	\$50,500	4.2%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$37,700	8.5%	1.5%
Office Clerks, General	\$34,100	13.0%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$38,400</u>	<u>31.9%</u>	<u>5.8%</u>
	Weighted Mean Annual Wage	100.0%	18.1%
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$67,800	7.7%	0.3%
Automotive Body and Related Repairers	\$44,900	4.9%	0.2%
Automotive Service Technicians and Mechanics	\$45,900	19.2%	0.7%
Maintenance and Repair Workers, General	\$43,000	33.8%	1.3%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$46,900</u>	<u>34.5%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	100.0%	3.9%
<i>Transportation and Material Moving Occupations</i>			
Driver/Sales Workers	\$29,000	8.4%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$41,300	14.5%	0.8%
Light Truck or Delivery Services Drivers	\$36,600	11.8%	0.6%
Industrial Truck and Tractor Operators	\$37,100	4.2%	0.2%
Cleaners of Vehicles and Equipment	\$21,100	6.2%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$29,400	25.4%	1.3%
Packers and Packagers, Hand	\$26,300	8.7%	0.5%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$32,000</u>	<u>20.8%</u>	<u>1.1%</u>
	Weighted Mean Annual Wage	100.0%	5.3%
			86.8%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2011 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2011 Occupational Employment Survey data for Sacramento, updated by the California Employment Development Department to 2012 wage levels.

³ Including occupations representing 4% or more of the major occupation group

APPENDIX I TABLE C-5
 AVERAGE ANNUAL WORKER COMPENSATION, 2012
 EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$50,000 - \$75,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA

EMPLOYMENT GENERATED BY HOUSEHOLDS
 EARNING \$50,000 - \$75,000 / YEAR

Occupation ³	2012 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
Page 1 of 3			
<i>Management Occupations</i>			
General and Operations Managers	\$121,400	31.1%	1.4%
Sales Managers	\$112,100	5.4%	0.2%
Financial Managers	\$111,300	9.6%	0.4%
Food Service Managers	\$49,600	4.4%	0.2%
Medical and Health Services Managers	\$118,000	5.7%	0.3%
Property, Real Estate, and Community Association Managers	\$73,000	10.5%	0.5%
All other Management Occupations (Avg. All Categories)	<u>\$106,500</u>	<u>33.4%</u>	<u>1.5%</u>
	Weighted Mean Annual Wage	\$106,500	100.0%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$62,900	4.5%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	\$63,700	6.6%	0.3%
Management Analysts	\$83,100	6.2%	0.3%
Market Research Analysts and Marketing Specialists*	\$81,200	5.0%	0.3%
Business Operations Specialists, All Other*	\$70,600	11.4%	0.6%
Accountants and Auditors	\$66,800	16.4%	0.9%
Financial Analysts	\$80,600	6.7%	0.4%
Personal Financial Advisors	\$80,000	8.3%	0.4%
Loan Officers	\$74,100	9.6%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$72,800</u>	<u>25.4%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	\$72,800	100.0%
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$66,400	5.3%	0.2%
Preschool Teachers, Except Special Education	\$29,300	16.7%	0.5%
Elementary School Teachers, Except Special Education	\$66,900	7.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	\$65,500	5.5%	0.2%
Self-Enrichment Education Teachers	\$39,200	10.6%	0.3%
Teachers and Instructors, All Other*	\$45,300	11.5%	0.3%
Teacher Assistants	\$30,900	16.6%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$42,900</u>	<u>25.9%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	\$42,900	100.0%
<i>Healthcare Practitioners and Technical Occupations</i>			
Physicians and Surgeons, All Other	\$181,000	4.3%	0.3%
Registered Nurses*	\$100,500	34.2%	2.4%
Pharmacy Technicians	\$40,300	5.2%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$55,000	9.5%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$93,000</u>	<u>46.7%</u>	<u>3.2%</u>
	Weighted Mean Annual Wage	\$93,000	100.0%

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
 Keyser Marston Associates, Inc.
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APPENDIX I TABLE C-5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$50,000 - \$75,000 / YEAR
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

EMPLOYMENT GENERATED BY HOUSEHOLDS
EARNING \$50,000 - \$75,000 / YEAR

Occupation ³	2012 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
Page 2 of 3			
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$23,700	22.7%	0.9%
Nursing Aides, Orderlies, and Attendants*	\$32,400	34.4%	1.4%
Dental Assistants	\$38,200	9.2%	0.4%
Medical Assistants	\$33,100	15.7%	0.6%
Healthcare Support Workers, All Other*	\$36,400	4.5%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$31,100</u>	<u>13.5%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$31,100	100.0%	4.0%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$31,200	6.9%	0.9%
Cooks, Fast Food	\$19,000	4.9%	0.6%
Cooks, Restaurant	\$24,000	8.7%	1.1%
Food Preparation Workers	\$22,100	6.4%	0.8%
Bartenders	\$22,500	5.0%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	\$20,600	25.6%	3.2%
Waiters and Waitresses	\$21,400	21.2%	2.6%
Dishwashers	\$19,600	4.5%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$22,100</u>	<u>16.7%</u>	<u>2.1%</u>
Weighted Mean Annual Wage	\$22,100	100.0%	12.4%
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$27,700	51.6%	2.6%
Maids and Housekeeping Cleaners	\$24,600	12.4%	0.6%
Landscaping and Groundskeeping Workers	\$28,100	25.2%	1.3%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$27,400</u>	<u>10.7%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$27,400	100.0%	5.1%
<i>Personal Care and Service Occupations</i>			
Nonfarm Animal Caretakers	\$21,300	4.5%	0.2%
Amusement and Recreation Attendants	\$20,000	5.8%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	\$26,400	16.1%	0.8%
Childcare Workers	\$22,600	16.2%	0.8%
Personal Care Aides	\$22,300	22.9%	1.1%
Fitness Trainers and Aerobics Instructors	\$38,100	5.7%	0.3%
Recreation Workers	\$24,500	5.5%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$24,300</u>	<u>23.3%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$24,300	100.0%	4.7%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$41,500	8.8%	1.2%
Cashiers	\$24,100	23.1%	3.3%
Counter and Rental Clerks	\$31,100	4.6%	0.6%
Retail Salespersons	\$26,100	33.4%	4.7%
Securities, Commodities, and Financial Services Sales Agents	\$83,500	5.8%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	\$67,900	4.9%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$34,100</u>	<u>19.5%</u>	<u>2.7%</u>
Weighted Mean Annual Wage	\$34,100	100.0%	14.1%

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.

\\sf-fs2\wp\18\18996\027\50-75K Sacramento; C5 Compensation; 7/1/2013; dd

**APPENDIX I TABLE C-5
 AVERAGE ANNUAL WORKER COMPENSATION, 2012
 EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$50,000 - \$75,000 / YEAR
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

Occupation ³	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$50,000 - \$75,000 / YEAR		
	2012 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
Page 3 of 3			
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$62,400	6.6%	1.2%
Bookkeeping, Accounting, and Auditing Clerks	\$41,800	7.7%	1.4%
Customer Service Representatives	\$37,800	11.3%	2.0%
Receptionists and Information Clerks	\$29,000	6.3%	1.1%
Stock Clerks and Order Fillers	\$28,000	9.1%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$50,500	4.5%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$37,700	9.1%	1.6%
Office Clerks, General	\$34,100	13.5%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$38,600</u>	<u>31.9%</u>	<u>5.7%</u>
	Weighted Mean Annual Wage	100.0%	17.8%
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$67,800	7.7%	0.3%
Automotive Body and Related Repairers	\$44,900	4.8%	0.2%
Automotive Service Technicians and Mechanics	\$45,900	17.8%	0.7%
Maintenance and Repair Workers, General	\$43,000	36.9%	1.4%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$46,800</u>	<u>32.8%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	100.0%	3.8%
<i>Transportation and Material Moving Occupations</i>			
Driver/Sales Workers	\$29,000	8.2%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$41,300	14.2%	0.7%
Light Truck or Delivery Services Drivers	\$36,600	11.3%	0.6%
Industrial Truck and Tractor Operators	\$37,100	4.1%	0.2%
Cleaners of Vehicles and Equipment	\$21,100	6.1%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$29,400	25.0%	1.3%
Packers and Packagers, Hand	\$26,300	8.2%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$32,000</u>	<u>22.8%</u>	<u>1.1%</u>
	Weighted Mean Annual Wage	100.0%	5.0%
			86.5%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2011 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2011 Occupational Employment Survey data for Sacramento, updated by the California Employment Development Department to 2012 wage levels.

³ Including occupations representing 4% or more of the major occupation group

**APPENDIX I TABLE C-6
EXTREMELY LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA**

PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
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Step 4, 5, & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories

Management	-	-	-	-	-	-	-	-
Business and Financial Operations	-	-	-	-	-	-	-	-
Computer and Mathematical	-	-	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-
Education Training and Library	0.04	0.05	0.04	0.05	0.04	0.04	0.05	0.05
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-	-	-
Healthcare Practitioners and Technical	-	-	-	-	-	-	-	-
Healthcare Support	0.05	0.05	0.04	0.05	0.05	0.04	0.05	0.05
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	1.06	0.95	0.79	0.94	1.07	0.73	0.91	0.91
Building Grounds and Maintenance	0.19	0.17	0.14	0.17	0.19	0.13	0.16	0.16
Personal Care and Service	0.21	0.22	0.18	0.21	0.21	0.17	0.21	0.21
Sales and Related	0.56	0.45	0.37	0.44	0.57	0.34	0.43	0.43
Office and Admin	0.11	0.09	0.07	0.08	0.11	0.07	0.08	0.08
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Production	-	-	-	-	-	-	-	-
Transportation and Material Moving	0.13	0.11	0.09	0.11	0.13	0.08	0.10	0.10
Extremely Low Income Households - Major Occupations	2.35	2.08	1.72	2.05	2.37	1.60	2.00	2.00
Extremely Low Inc. Households¹ - all other occupations	0.36	0.32	0.27	0.32	0.36	0.25	0.31	0.31
Total Extremely Low Income Households¹	2.70	2.41	1.98	2.37	2.74	1.85	2.31	2.31

¹ Includes households earning from zero through 30% of Sacramento County Area Median Income.

² See Tables C-2 and C-3 for additional information on Major Occupation Categories.

APPENDIX I TABLE C-7
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS

	PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
Number of New Households¹								
Under 30% Area Median Income	2.7	2.4	2.0	2.4	2.7	1.9	2.3	2.3
30% to 50% Area Median Income	9.7	8.7	7.1	8.6	9.8	6.7	8.3	8.3
50% to 80% Area Median Income	11.8	10.6	8.7	10.4	11.9	8.1	10.1	10.1
Subtotal through 80% of Median	24.2	21.6	17.8	21.4	24.5	16.7	20.8	20.8
Over 80% Area Median Income	16.5	15.3	12.6	15.1	16.7	11.8	14.7	14.7
Total Employee Households	40.7	37.0	30.5	36.5	41.2	28.5	35.5	35.5
Percent of New Households¹								
Under 30% Area Median Income	7%	7%	7%	7%	7%	7%	7%	7%
30% to 50% Area Median Income	24%	23%	23%	23%	24%	23%	23%	23%
50% to 80% Area Median Income	29%	29%	29%	29%	29%	29%	29%	29%
Subtotal through 80% of Median	59%	59%	59%	59%	59%	59%	59%	59%
Over 80% Area Median Income	41%	41%	41%	41%	41%	41%	41%	41%
Total Employee Households	100%	100%	100%	100%	100%	100%	100%	100%

Notes

¹ Households of retail, education, healthcare and other workers that serve residents of new market rate units.

**APPENDIX I TABLE C-8
 MAXIMUM INCLUSIONARY REQUIREMENT SUPPORTED
 MIXED INCOME HOUSING ORDINANCE UPDATE
 CITY OF SACRAMENTO, CA**

MAXIMUM SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM
Supported Inclusionary Requirement Per 100 Market Rate Units - Cumulative Through ¹					
30% OF MEDIAN INCOME	2.7 Units	2.4 Units	2.0 Units	2.4 Units	2.7 Units
50% OF MEDIAN INCOME	12.4 Units	11.1 Units	9.1 Units	10.9 Units	12.5 Units
80% OF MEDIAN INCOME	24.2 Units	21.6 Units	17.8 Units	21.4 Units	24.5 Units
Supported Inclusionary Percentage - Cumulative Through ²					
30% OF MEDIAN INCOME	2.6%	2.3%	1.9%	2.3%	2.7%
50% OF MEDIAN INCOME	11.0%	10.0%	8.4%	9.8%	11.2%
80% OF MEDIAN INCOME	19.5%	17.8%	15.1%	17.6%	19.7%

Notes:

¹ See Appendix 1, Table C-7.

² Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

D. MITIGATION COSTS

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the market rate units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the “total nexus cost.” This is done for each of the prototype units.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Sacramento, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the three categories of area median income: Extremely Low (under 30% of median), Very Low (30% to 50% of median), and Low (50% to 80%). A detailed description of calculation of affordability gaps is contained in Appendix II. A brief summary is included below.

City Assisted Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The Sacramento Mixed-Income Housing Program has as a goal the production of units affordable to Extremely Low, Very Low and Low Income Households. The City intends to assist in the production of rental units for households in these income categories.

KMA prepared an estimate of total development cost (inclusive of land, all fees and permits, financing and other indirect costs) for typical affordable rental units. KMA drew this estimate from a review of development pro forma for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the new affordable rental units have 1.5 bedrooms and total development costs equal to \$223,000.

For many new developments, particularly City-assisted developments, total development costs could be higher than those estimated here. The conservative estimate of development costs results in a lower supportable nexus amount.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach, and one that the City has employed in other similar analyses.

Affordability Gap

The affordability gap is the difference between the cost of developing a residential unit and the amount a household can afford to pay for the unit. For rental units, the Affordability Gap is the difference between the Total Development Cost and the Unit Value, which is the capitalized value of the project's net operating income. Appendix II includes a full discussion of the affordable rent levels, the calculation of unit value supported by the restricted rent levels, and affordability gaps.

To calculate Net Operating Income, gross rent is adjusted for vacancy rates during turnover, and then operating costs are netted out. Operating costs cover management, property taxes, and certain other expenses. Net operating income is then capitalized at 6.75% to estimate the Supported Unit Value. This value is then subtracted from Total Development Costs to calculate the gap.

The resulting affordability gaps are as follows:

- \$218,400 for households in the under 30% AMI category;
- \$173,000 for households in the 30% to 50% AMI category;
- \$105,000 for households in the 50% to 80% AMI category;

Total Linkage Costs

The last step in the linkage fee analysis marries the findings on the numbers of households in each of the lower income ranges associated with the eight prototypes to the affordability gaps, or the costs of delivering housing to them in Sacramento.

Table D-1 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The "Nexus Cost per Market Rate Unit" shows the results of the following calculation: the affordability gap times the number of affordable units demanded per market rate unit. (Demand for affordable units for each of the income ranges is drawn from Table C-7 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

The total nexus costs for each of the prototypes are as follows:

Total Nexus Cost Per Market Rate Unit, Ownership Prototypes						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Extr. Low Income	\$218,400	\$5,900	\$5,300	\$4,300	\$5,200	\$6,000
Very Low Income	\$173,000	\$16,800	\$15,000	\$12,400	\$14,800	\$17,000
Low Income	\$105,000	\$12,400	\$11,100	\$9,200	\$11,000	\$12,500
Total Nexus Costs		\$35,100	\$31,400	\$25,900	\$31,000	\$35,500

Total Nexus Cost Per Market Rate Unit, Rental Prototypes				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Extr. Low Income	\$218,400	\$4,000	\$5,000	\$5,000
Very Low Income	\$173,000	\$11,600	\$14,400	\$14,400
Low Income	\$105,000	\$8,600	\$10,700	\$10,700
Total Nexus Costs		\$24,200	\$30,100	\$30,100

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft., Ownership Prototypes						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Prototype Size (Sq Ft)		2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF
Extr. Low Income	\$218,400	\$2.68	\$2.41	\$2.69	\$4.33	\$6.32
Very Low Income	\$173,000	\$7.64	\$6.82	\$7.75	\$12.33	\$17.89
Low Income	\$105,000	\$5.64	\$5.05	\$5.75	\$9.17	\$13.16
Total Nexus Costs		\$15.95	\$14.27	\$16.19	\$25.83	\$37.37

Total Nexus Cost Per Sq. Ft., Rental Prototypes				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Prototype Size (Sq Ft)		950 SF	850 SF	850 SF
Extr. Low Income	\$218,400	\$4.21	\$5.88	\$5.88
Very Low Income	\$173,000	\$12.21	\$16.94	\$16.94
Low Income	\$105,000	\$9.05	\$12.59	\$12.59
Total Nexus Costs		\$25.47	\$35.41	\$35.41

These costs express the total linkage or nexus costs for the eight prototype developments in the City of Sacramento. These total nexus costs represent the ceiling for any requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees or other requirements may be set.**

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APPENDIX I TABLE D-1
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
MIXED INCOME HOUSING ORDINANCE UPDATE
CITY OF SACRAMENTO, CA

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit							
Affordability Gap ¹		PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
Household Income Level									
Under 30% Area Median Income	\$218,400	\$5,900	\$5,300	\$4,300	\$5,200	\$6,000	\$4,000	\$5,000	\$5,000
30% to 50% Area Median Income	\$173,000	\$16,800	\$15,000	\$12,400	\$14,800	\$17,000	\$11,600	\$14,400	\$14,400
50% to 80% Area Median Income	\$105,000	\$12,400	\$11,100	\$9,200	\$11,000	\$12,500	\$8,600	\$10,700	\$10,700
Total Supported Fee / Nexus		\$35,100	\$31,400	\$25,900	\$31,000	\$35,500	\$24,200	\$30,100	\$30,100

TOTAL NEXUS COST PER SQUARE FOOT

		Nexus Cost Per Square Foot							
Affordability Gap ¹		PROTOTYPE 1: SUBURBAN INFILL SMALL SFR PROJECT	PROTOTYPE 2: OUTER-EDGE SUBURBAN LARGE SFR	PROTOTYPE 3: OUTER-EDGE SUBURBAN SMALL LOT/ CLUSTER SFR	PROTOTYPE 4: SUBURBAN INFILL LARGE CONDO	PROTOTYPE 5: URBAN INFILL CONDOMINIUM	PROTOTYPE 6: SUBURBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 7: URBAN INFILL SMALL APARTMENT COMPLEX	PROTOTYPE 8: URBAN INFILL LARGE APARTMENT COMPLEX
Unit Size (SF)		2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF	950 SF	850 SF	850 SF
Household Income Level									
Under 30% Area Median Income	\$218,400	\$2.68	\$2.41	\$2.69	\$4.33	\$6.32	\$4.21	\$5.88	\$5.88
30% to 50% Area Median Income	\$173,000	\$7.64	\$6.82	\$7.75	\$12.33	\$17.89	\$12.21	\$16.94	\$16.94
50% to 80% Area Median Income	\$105,000	\$5.64	\$5.05	\$5.75	\$9.17	\$13.16	\$9.05	\$12.59	\$12.59
Total Supported Fee / Nexus		\$15.95	\$14.27	\$16.19	\$25.83	\$37.37	\$25.47	\$35.41	\$35.41

¹ Household earning less than 80% of Area Median Income are presumed to receive assistance for rental housing.

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ADDENDUM: NOTES ON SPECIFIC ASSUMPTIONS

Geographic Area of Impact

The analysis quantifies impacts occurring within Sacramento County. While many of the impacts will occur within the city, some impacts will be experienced elsewhere in Sacramento County and beyond. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the nexus analysis quantifies all the jobs impacts occurring within Sacramento County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important.

For clarification, counting all impacts associated with new housing units does not result in double counting, even if all jurisdictions were to adopt similar programs. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region, there is much commuting among jurisdictions, and cities house each others' workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once.

With rental projects there is an additional issue of whether additional sources of assistance should be assumed in the analysis. Most rental projects built for lower income households have in recent years been developed using federal tax credits, state low interest financing from bond funds, and other resources. There is a difficulty in assuming that all projects for the lower income households will be developed using these outside sources, because these sources are not reliably available. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach and one that the City has employed in other similar analyses.

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that a jurisdiction will be responsible for delivering affordable units to mitigate impacts. The nexus analysis has established that units will be needed at one or more different affordability levels and, per local policy, the type of unit to be delivered depends on the income/affordability level. In Sacramento, the City will assist in the development of rental units.

The units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is

delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. In some communities where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

If the affordability gap is the difference between total development cost and the affordable sales price, the question sometimes arises as to how total development cost is defined. KMA defines total development costs as including land costs, construction costs, site improvements, architectural and engineering, financing and all other indirect costs, and an allowance for an industry profit (non-profit developers receive a development fee instead).

In a healthy and stable economy, when projects are feasible, the sales price is therefore the same as the total development cost inclusive of profit. In some economic cycles sales prices might enable larger than standard profits, as was the case in the 2002 to 2004 period, for example, when sales prices escalated ahead of construction and land costs, and sales prices were achieved that enabled higher than standard profit margins. In other market cycles, such as the 2009 to today, sales prices are so depressed that they are not high enough to cover total development costs and there is no profit. Projects are not feasible during these periods.

Excess Capacity of Labor Force

At the time this analysis has been conducted, the nation, regional and local economy are all experiencing a severe recession. Unemployment in California averages almost 10%. In this context, the question has been raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs.

In response, an impact analysis of this nature is a one time impact requirement to address impacts generated over the life of the project. The current recession is a temporary condition; a healthy economy will return and the impacts will be experienced. In addition, because the nexus analysis is based on reduced housing prices, the impacts analyzed are less than would have been shown had the analysis been prepared when housing prices were at their peak, and the economy was healthier.

Finally, the economic cycle self adjusts. Development of new residential units is not likely to occur until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, current conditions will have likely improved.

The Burden of Paying for Affordable Housing

Sacramento's inclusionary program does not place all burdens for the creation of affordable housing on new residential construction. The burden of affordable housing is borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally there are other federal grant and loan programs administered by the Department of Housing and Urban Development and other federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the state money is funded by voter approved bond measures paid for by all Californians.

Local governments play a large role in affordable housing. In addition, private sector lenders play an important role, some voluntarily and others less so with the requirements of the Community Reinvestment Act. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. Based on past experience, the inclusionary program will fund only a small percentage of the affordable housing needed in the City of Sacramento.

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APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE

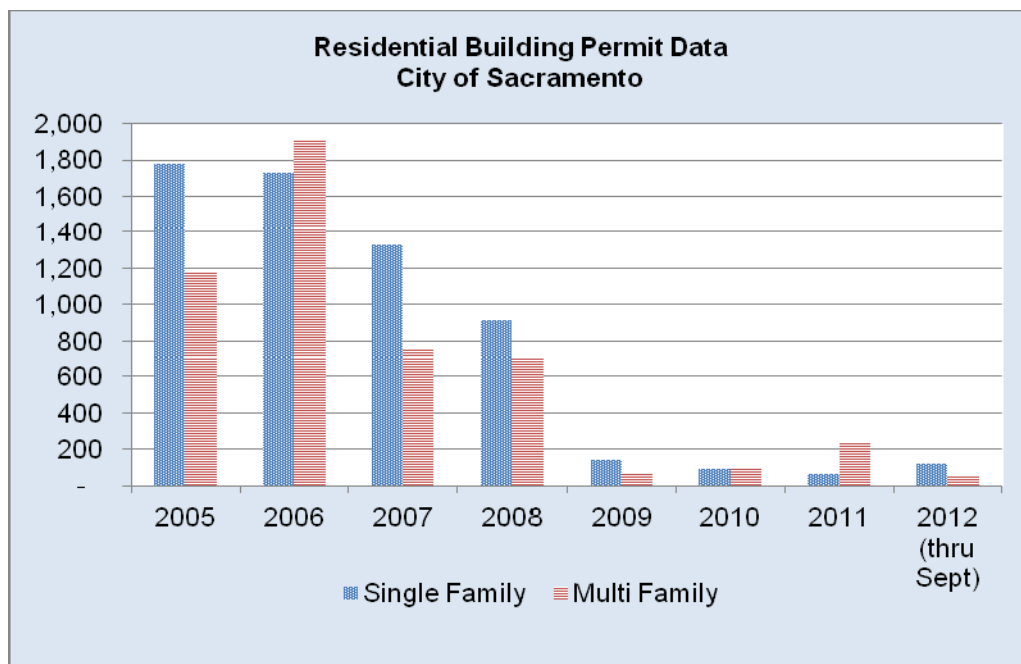
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This Appendix II section provides the building blocks for the values used in other sections of this report, by establishing both market values and affordable values for various types of residential units or projects potentially developed in the City of Sacramento.

As noted in the report introduction, the surveys for this analysis were conducted in late 2012 and early 2013. Keyser Marston Associates believes that the analysis and findings continue to represent the linkage between market rate residential development and the need for additional affordable housing in 2015, when the revised Mixed Income Housing Program is being presented for adoption. While market conditions have improved somewhat since the material summarized in this appendix was prepared, the conditions have not altered so substantially so as to invalidate any of the findings based on the information provided herein.

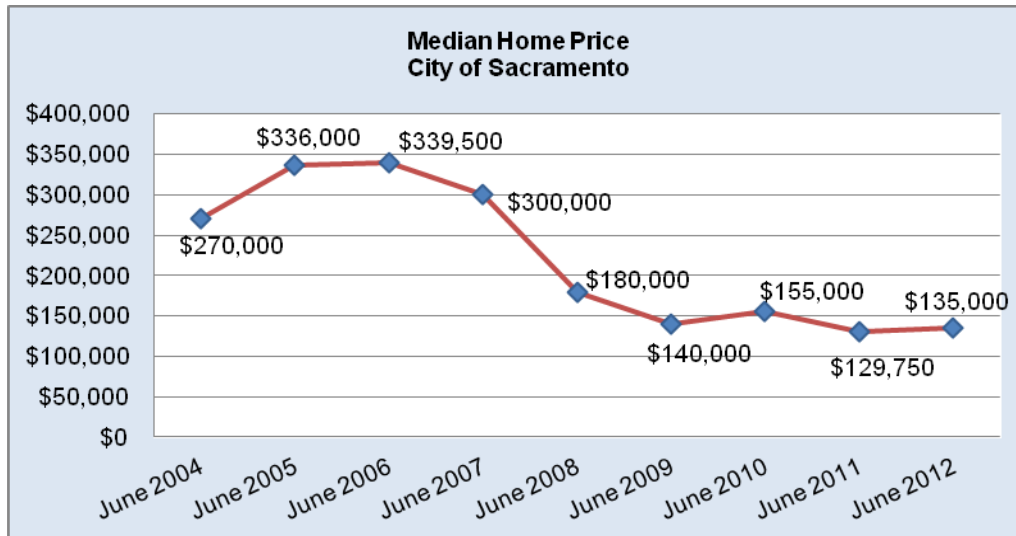
A. MARKET OVERVIEW

As has been the case in most localities throughout the State of California, the city of Sacramento has experienced a steep decline in both home values and construction activity since the onset of the recession. As shown in the following chart, building permit activity has declined precipitously between 2005 and 2012.



Source: Construction Industry Research Board

The median sale home price in Sacramento (single family and condominiums combined) has declined by about 60% - from \$340,000 in June 2006 to \$130,000 in June 2011 (there was a slight uptick in pricing in 2010 resulting from a temporary federal homebuyer tax credit).



Source: Dataquick

Median home prices can sometimes be a misleading indicator of actual changes in home values because median prices are affected by the mix of homes being sold. For example, the homes that were purchased with sub-prime mortgages tended to be weighted toward the lower end of the price range, and many of these homes were sold or foreclosed upon during the recession. However, data from the Case-Shiller Index, which eliminates the issue of housing mix by focusing solely on repeat sales of the same homes, indicated a similar percentage decline in home prices as the median home prices shown above. For example, in the Sacramento MSA, the Case-Shiller Index indicated a nearly 50% decline in home values from Q1 2006 to Q1 2009, tapering to a 6% decline from Q2 2009 to Q2 2012. In either case, it is clear that the Sacramento housing market has been significantly weakened by the area's recessionary conditions.

Of significance, the median priced home in Sacramento has dropped to levels that are well within affordable prices for Low Income households (up to 80% of AMI), although it is recognized that it remains very difficult for many Low Income households to come up with the down payment and to secure the mortgage financing necessary to buy a home. In addition it is difficult for homebuyers to compete against the many investors in the market who are willing to purchase homes with cash and without many of the common homebuyer contingencies. The fact that market rate home prices in Sacramento are, in some cases, below the restricted affordable prices will present some challenges for successfully marketing and selling affordably priced homes, which is an issue that will be addressed later when revisions to the city's current program are discussed.

Maximum Affordable Home Prices	2-Bedroom	3-Bedroom	4-Bedroom
Very Low Income	\$98,000	\$113,700	\$126,200
Low Income	\$182,500	\$207,300	\$227,400

Source: SHRA and KMA; assumes HOA dues equal to \$300 per month.

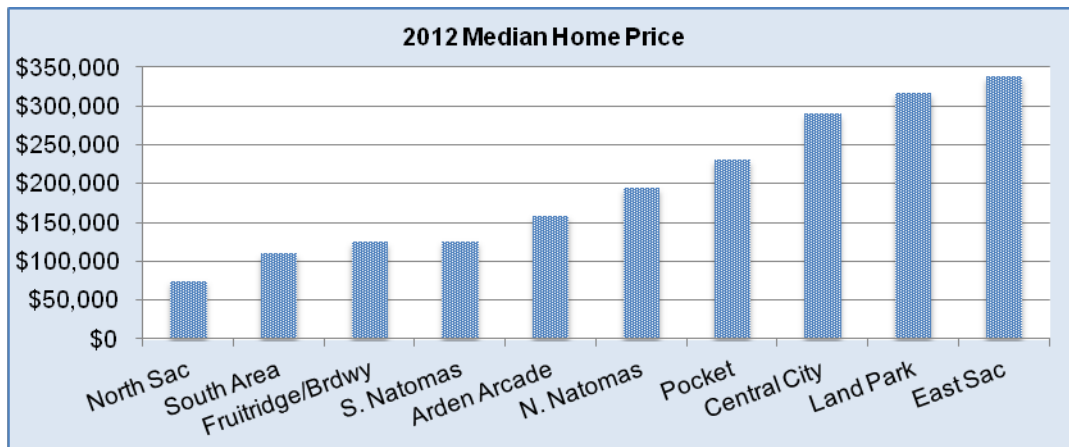
Current Trends/Outlook

Residential market conditions improved in 2012 with the median home price moving up slightly to \$135,000. Additionally, a recent report by the Gregory Group indicated that home inventories (available homes for sale) in the Sacramento region are decreasing, which is having the effect of pushing home prices higher. In September, the National Association of Home Builders added Sacramento to their list of improving housing markets based on increased employment, home prices, and building permits.

In another encouraging sign, several economists and market participants including Beacon Economics and the National Association of Realtors, believe that a variety of regulatory and policy factors will help prevent the remaining shadow inventory of homes in the foreclosure process from swamping the market and undermining the housing recovery. Nonetheless, the housing recovery is expected to be a measured one, with the pace of recovery ultimately depending upon a number of factors such as continued improvement in the U.S. and regional economies, consumer confidence, and the ability of federal policy makers to keep mortgage interest rates at or near record lows.

Intra-City Variation

As a large metropolitan area, home values within the city of Sacramento vary significantly from one area to another. In general terms, home values in the Central City area and some of the more established and conveniently located neighborhoods close to the Central City tend to be higher than the newer subdivisions in the outer edge suburban areas and the more socio-economically challenged infill areas of the city. The following chart indicates the 2012 median home prices in each of the city's Community Plan Areas (a map of Sacramento's Community Plan Areas is included in Appendix II Table 1 at the end of this section).

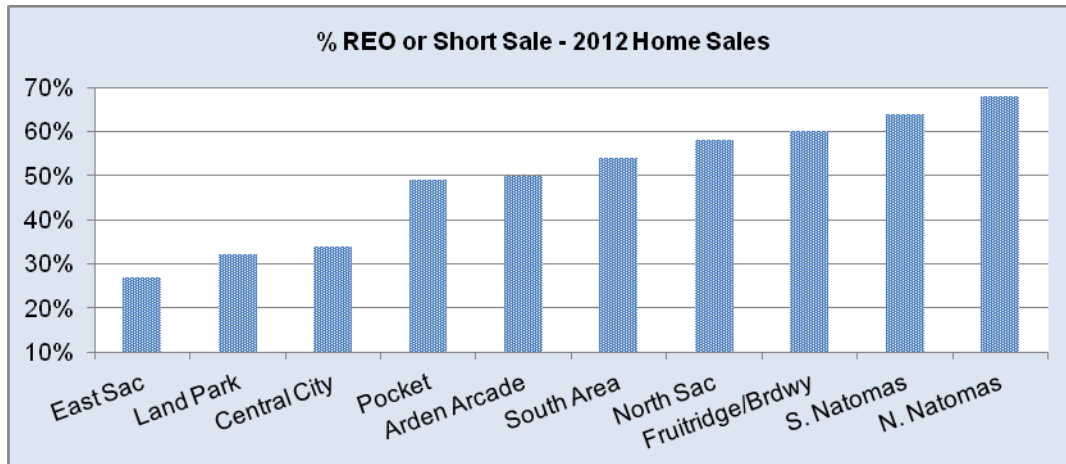


Source: Dataquick based on data through October 2012.

Note: Source data is based on zip codes, which do not conform exactly with Sacramento Community Plan Area boundaries.

REO's & Short-Sales

The median home prices in Sacramento are heavily influenced by the number of short sales and bank real estate owned (REO) sales. As shown in the following chart, a significant percentage of 2012 sales in the city of Sacramento were REO or short sales, ranging from slightly below 30% in East Sacramento to slightly below 70% in North Natomas.



Source: Dataquick based on data through October 2012.

The large magnitude of foreclosure-related sales continues to significantly drag down median home prices, which has the effect of distorting home prices that can be achieved in non-distressed sale situations. Nationwide home sales data indicates that homes in foreclosure or bank-owned were selling for about one-third less than non-foreclosure homes as of August 2012¹.

New Home Projects and Pricing

Focusing next on newly built homes, KMA researched asking prices of newly constructed homes currently on the market in Sacramento. Market research firm Hanley Wood identified ten single family home developments currently being marketed for sale in the city of Sacramento and one attached condominium development.

¹ Source: Inman News (August 30, 2012).

Newly Built Residential Projects	Community Plan Area	Home Size Range*	Price Range*	Price PSF*
<u>Attached Condos</u>				
1) Pavilions	Arden Arcade**	2,006 – 2,537	\$499k–\$545k	\$215-\$249
<u>Single Family Detached</u>				
1) Tapestri Square	Central City	1,320 – 2,900	\$599k-\$795k	\$272-\$274
2) Wilhaggin Terrace	Arden Arcade**	2,253	\$400k	\$178
3) Islands at Riverlake	Pocket	2,284	\$372k	\$163
4) Vineyard Point	Fruitridge/Bwy	1,268-2,811	\$208k-\$317k	\$113-\$164
5) Wickford Square	South Area	1,200-2,200	\$140k-\$229k	\$104-\$125
6) Villa Terrassa	South Area	1,041-1,784	\$155k-\$216k	\$121-\$149
7) East 34 th	Fruitridge/Bwy	1,335	\$195k	\$146
8) Park Place East	Fruitridge/Bwy	1,335-1,407	N/Av	N/Av
9) Hampton Station	South Area	1,033-2,036	\$149k-204k	\$100-\$144
10) Del Paso Nuevo	North Sac	768-2,370	\$99k-\$205k	\$86-\$129

Source: Hanley Wood, project websites, KMA. See Appendix II Table 2 for additional details.

*Only includes models that are currently available and with a listed home price.

**Not technically in the City; in the unincorporated area but similar to the City.

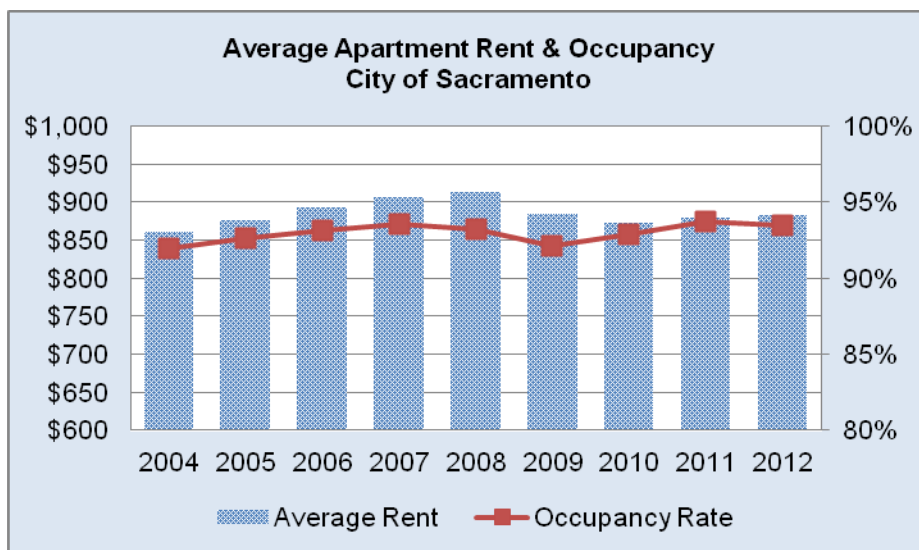
As can be seen, there is a wide range of prices depending on the project's location in Sacramento. The project with the highest asking prices, both in absolute and per square foot terms, is Tapestri Square located at 20th and T Streets in Midtown (Central City). The lowest prices are the Del Paso Nuevo project in North Sacramento, and while half of these units are deed restricted affordable to Low Income households, the asking prices are actually significantly below the Low Income prices that are permitted to be charged (as shown on the earlier table in this memo). As another example of the wide price range, at Hampton Station (South Area) a roughly 2,000 sq. ft. home is selling for \$100 per sq. ft. while a roughly 2,200 sq. ft. home at Wilhaggin Terrace (Arden Arcade) is selling for \$178 per sq. ft. For more detailed information about the projects in the above table, see Appendix II Table 2. KMA also researched home prices in nearby areas outside the city's boundaries, which is also included in Appendix II Table 3.

It is notable that there is only one attached residential project currently being marketed for sale, the 60-unit Pavilions project in Arden Arcade. Several higher density condominium projects that were completed in the midst of the recession have halted sales and units are instead being rented. As one example, the 92-unit L Street Lofts sold 25 units before the bank took the project back from the developer in 2008. The 67 remaining unsold units were sold to a southern California developer earlier this year who is now renting the units with the intent of making them available for sale when the condo market improves.²

² Sacramento Business Journal (May 25, 2012).

Rental Housing Market

The rental housing market in Sacramento tends to be older building stock and primarily weighted to Class C product. Of the 198 Sacramento apartment projects tracked by market research firm RealFacts, over 85% were built in the 1980s or earlier and only 16 are considered Class A. Unlike the ownership housing market, the Sacramento rental housing market did not experience a major downturn during the recent recession. Rather, the rental housing market has maintained relatively stable rents and occupancy rates, as summarized in the following chart. The average apartment rent declined only about 5% from its high in 2008 to its low in 2010. The occupancy rate ranged from a low of 92% in 2009 to almost 94% currently. An occupancy rate of $\pm 95\%$ is generally considered healthy in a normal market.



Source: RealFacts (October 2012)

KMA has conducted a survey of newer apartment developments in the city of Sacramento (i.e. built between 2003 and 2012). Of these properties, the rough range of rents is as follows (additional information is contained in Appendix II Table 4):

Newer Sacramento Apartment Developments	Rent/Unit	Rent/Sq. Ft.
<u>Central City</u>		
Studio	\$1,100 - \$1,300	\$2.00 - \$2.50
1-Bedroom	\$1,500 - \$1,600	\$1.90 - \$2.00
2-Bedroom	\$1,700 - \$2,500	\$1.60 - \$2.00
<u>Suburban Areas</u>		
1-Bedroom	\$1,000 - \$1,200	\$1.10 - \$1.50
2-Bedroom	\$1,100 - \$1,500	\$1.10 - \$1.20
3-Bedroom	\$1,500 - \$1,600	\$1.00 - \$1.15

Source: KMA Survey (October 2012)

Sales of existing apartment developments in the Sacramento region have generally been of older Class C product, mirroring the predominance of older properties in the market. These sales transacted with cap rates in the 6% to 7% range. Higher quality, Class A product is in high demand by investors, but owners of these properties have been reluctant to put their properties on the market for lack of quality alternative investments. The few Class A properties that have sold recently have done so with cap rates closer to the 5% range.³

Unlike other housing markets like San Francisco, which are benefitting from strong growth in tech employment, the rental housing market in Sacramento has not experienced substantially increased rents. As a result, there are few new apartment projects nearing construction other than subsidized affordable housing projects and the East End Gateway projects under the jurisdiction of CADA. At this point, rents have not increased to a level that makes new construction of most apartment projects financially feasible.

B. MARKET RATE RESIDENTIAL PROTOTYPES

In collaboration with City staff, a total of eight market rate residential prototypes were selected for analysis – five ownership prototypes and three rental prototypes. The intent of the selected prototypes is to identify representative developments generally being built by the private marketplace in Sacramento in order to gain a general understanding of the economic opportunities and challenges of new residential development today.

The first five prototypes (all ownership prototypes) were utilized in the 2008/09 Mixed Income Housing Ordinance “Feasibility Analysis” performed for SHRA. These five ownership prototypes are again being utilized for KMA’s assignment, to which the three rental prototypes have been added. The eight prototypes are as follows:

Residential Prototypes	Units	Density	Avg. Unit Size
<u>Ownership Prototypes</u>			
1) Suburban Infill Small SFR Project	16 units	5 du/acre	2,200 sq. ft.
2) Outer-edge Suburban Large SFR Project	103 units	5 du/acre	2,200 sq. ft.
3) Outer-edge Suburban Small Lot/ Cluster SFR	118 units	10 du/acre	1,600 sq. ft.
4) Suburban Infill Large Condo Project	135 units	30 du/acre	1,200 sq. ft.
5) Urban Infill Condo Project	92 units	84 du/acre	950 sq. ft.
<u>Rental Prototypes</u>			
6) Suburban Infill Small Apartment Project	25 units	30 du/acre	950 sq. ft.
7) Urban Infill Small Apartment Project	25 units	60 du/acre	850 sq. ft.
8) Urban Infill Larger Apartment Project	150 units	100 du/acre	850 sq. ft.

These prototypes were selected because they generally represent the range of project densities being built in Sacramento (or expected to be built when the market recovers) ranging from a low

³ Cassidy Turley (3rd Quarter 2012).

density single family prototype which is the predominant prototype in the outer-edge suburban areas of the city, to higher density condominium and apartment complexes, which are found in some parts of the Central City. The lower density prototypes are all Type V wood frame construction, while the higher density Central City prototypes would include concrete parking podiums and possibly steel frame construction. More detailed information about the prototypes is included in Appendix II Table 5.

Since the purpose of the analysis is to examine the impact that the city's Mixed Income Housing ordinance has on market rate development projects that would be impacted by the city's affordable housing requirements, these are all 100% market rate projects. There are no prototypes that are intended to reflect 100% deed-restricted affordable housing projects. A separate analysis will address the economics of deed-restricted affordable projects, including the amount of public subsidies that are typically required to make these projects feasible.

C. FINANCIAL FEASIBILITY ANALYSIS

The purpose of the financial feasibility analysis is to gain an understanding of the economic opportunities and challenges of developing new market rate residential projects in the city of Sacramento today and how the possible modifications to the city's Mixed Income Housing Ordinance might impact project economics.

The intent is to evaluate the economics as they apply to the eight aforementioned residential prototypes, recognizing that the economics of specific projects even within the same prototype can vary significantly based on a variety of factors. For example, the pricing of homes in "infill" areas of the city will vary widely from Land Park or the Pocket, which are generally on the higher end, to North Sacramento or South Area, which are generally on the lower end. Land values also will vary significantly from one part of the city to another, with the highest land sale prices being achieved in the Central City area. However, the dearth of recent comparable land sale data at this time makes it especially difficult to analyze land values in a fine grained fashion, particularly among the city's many infill residential neighborhoods.

The need to replace or upgrade offsite infrastructure represents a significant cost in some infill areas to a greater degree than others. Fees and permits costs is also a variable in that the outer suburban edge or "new growth areas" of the city generally have higher impact fees in order to help finance the cost of area-wide infrastructure while most of the infill areas do not. As a consequence, the economics of residential projects in Sacramento are wide ranging, and therefore it is not possible to say what the economics of a "typical" prototype project are on a general level. For purposes of informing the overall assignment however, KMA has modeled the economics of each of the prototypes by estimating a "mid-point" condition with respect to both prices and development costs. By doing so, it is understood that there will be some projects that will look somewhat better and some that will look somewhat worse than what is shown.

The assumptions used in the financial feasibility analysis were based on data gathered from a variety of sources including third party market and cost data sources, KMA's experience with residential projects in other assignments, and discussions with Sacramento developers and other housing stakeholders recommended by City staff. The following are the individuals KMA spoke with for the financial feasibility assessment:

1. Rachel Green, St. Anton Partners
2. John Griffin, Griffin Industries
3. John Mansfield, Keusder-Mansfield Homes
4. David Nybo, formerly Signature Properties
5. Gregory Thatch, Law Offices of Gregory Thatch
6. Ron Vrilakas, Vrilakas Architects

It is recognized that given the still challenging real estate market conditions, there is relatively little residential development occurring in Sacramento today, and some of the eight prototypes in this analysis are essentially not being built at all. For example, there is no residential development occurring in the outer-edge suburban areas of North Natomas (due to a flood-related building moratorium imposed by FEMA) or in Delta Shores (due to poor market conditions more generally), and there are also no urban infill condominiums (ownership) being built. Most of the new residential product on the market today is single family detached homes of small to medium size, roughly in the range of 1,200 to 2,500 sq. ft. and in the suburban infill areas of the city.

Summary of Financial Feasibility

The following table summarizes the outcome of the financial feasibility analysis. What it indicates is that the estimated mid-point price and development cost for all eight prototypes does not yield a financially feasible project. For the Outer-edge Suburban Large SFR Project prototype, the achievable sale price based on today's market is actually less than the costs of development (including land acquisition), resulting in a negative return for the developer. For the other ownership prototypes, the development returns are not sufficient to justify the costs (should be at least 10% as further discussed later in this section). For the rental prototypes, the estimated value of the project at completion is either less than the costs of development or the returns are substandard (more detailed information on the financial feasibility assumptions is contained in Appendix II Table 6).

Summary of Project Returns	Sale Price/ Apt Value	(Less) Costs	Project Return	% of Costs
<u>Ownership Prototypes</u>				
1) Suburban Infill Small SFR Project	\$310,000	(\$305,200)	\$4,800	1.6%
2) Outer-edge Suburban Large SFR Project	\$270,000	(\$276,800)	(\$6,800)	-2.5%
3) Outer-edge Suburban Small Lot/ Cluster SFR	\$220,000	(\$220,000)	\$0	0%
4) Suburban Infill Large Condo Project	\$280,000	(\$268,800)	\$11,200	4.2%
5) Urban Infill Condo Project	\$330,000	(\$310,500)	\$19,500	6.3%
<u>Rental Prototypes</u>				
6) Suburban Infill Small Apartment Project	\$196,400	(\$191,600)	\$4,800	2.5%
7) Urban Infill Small Apartment Project	\$252,700	(\$253,400)	(\$700)	-0.3%
8) Urban Infill Larger Apartment Project	\$250,900	(\$257,400)	(\$6,500)	-2.5%

As indicated above, the Suburban Infill ownership prototypes (#1 and #4) are more feasible than the master planned outer-edge suburban prototypes. The continued high inventory of foreclosure sales particularly in the outer-edge suburban areas is having the effect of constraining price improvement until the inventory is significantly reduced. The Urban Infill Condo prototype (#5) actually generates the highest theoretical return (though still substandard for financial feasibility) however financing for large, higher density condo projects is extremely difficult to obtain even in the strongest of markets today, thus rendering this prototype virtually unbuildable in today's market. In this residential market, developers prefer to build homes in small phase increments ("sell as you go") in order to reduce the risk of holding high unsold inventories.

For the rental prototypes, the Suburban Infill apartments are the most feasible although in general rents are still not at a point that supports new development. The Urban Infill apartment prototypes are challenging due to the high land and construction costs. It is noted that, in general terms, both sale prices and construction costs are lower today than the assumptions that were used in the previously mentioned 2008/09 "Feasibility Analysis" study performed for SHRA.

Required developer returns vary depending upon a variety of factors including the product type, project size, cost of capital, general market outlook, and overall risk profile of the project. For purposes of this initial feasibility analysis, we are assuming returns would need to be at least 10% of total development costs for the typical residential project. In order to achieve a return of 10% of total costs, sale prices and rental rates would need to increase in the range of 5% to 15% from today's values for financial feasibility, assuming development costs remain flat. Should development costs increase going forward, which will likely be the case to some degree, market prices and rents would need to increase even further.

Notwithstanding the conclusions of this preliminary prototype analysis, there are in fact new residential projects that are proceeding in today's market. There are several reasons why this

might be the case: (1) higher achievable prices than the mid-point analysis based on superior location; (2) lower land acquisition costs (for example if land was acquired many years ago or if land costs are treated as “sunk costs” by developers); or (3) lower offsite infrastructure requirements.

In conclusion, it is clear that residential market conditions in Sacramento today are such that only a limited number of projects are financially feasible (or close enough to be feasible for developers to proceed in order to remain active and keep their crews employed). Furthermore, with most market observers expecting only a measured housing recovery, the economic challenges facing new project development is a condition, to one degree or another, that will likely last for some time to come.

D. AFFORDABLE UNITS AND AFFORDABILITY GAPS

A key component of the nexus analysis is the size of the gap between what households can afford and the cost of producing new housing in Sacramento, known as the “affordability gap.” In this section, we document the calculation of the affordability gaps used in the nexus analysis.

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The Sacramento Mixed-Income Housing Program has as a goal the production of units affordable to Extremely Low, Very Low and Low Income Households. The City intends to assist in the production of rental units for households in these income categories. KMA reviewed development pro formas for recent affordable rental developments assisted by the Sacramento Housing and Redevelopment Agency (SHRA) and concluded that, on average, the new affordable rentals have 1.5 bedrooms.

Affordable Rent Levels

Affordable rent levels are a function of the income level for which the unit is aimed to be affordable; affordable rent levels are estimated by KMA in accordance with the City’s Mixed-Income Housing Program.

Affordable rent is based on 30% of household income available for rent and utilities. KMA calculated the gross rents based on the 2013 California Housing and Community Development Department’s (HCD) income limits, and used SHRA’s estimated utility allowance. Typically, HCD uses the U.S. Department of Housing and Urban Development’s income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income limits for Sacramento, therefore, reflect the implementation of HCD’s ‘hold harmless’ policy, which allows the 2012 income limits to remain in effect instead of the lower income limits. Projects receiving federal assistance would have to meet the more strict HUD income limits.

Because the prototype has an average unit size of 1.5 bedrooms, KMA estimated the rent as an average of the affordable one-bedroom rent and the affordable two-bedroom rent and the utility allowance as the average of one and two-bedroom allowances. A one-bedroom unit is assumed to house a two-person household and a two-bedroom unit is assumed to house a three-person household, consistent with most local and state programs. In the table below, the affordable rents for the Extremely Low Income category are calculated.

Sample Calculation of Affordable Rents, Extremely Low Income Households			
	1 Bedroom	2 Bedroom	1.5 Bedroom
Area Median Income (AMI)	\$60,900	\$68,500	\$64,700
Extremely Low Income Limit (30% of AMI)	\$18,270	\$20,550	\$19,410
Gross Rent (30% of Monthly Household Income)	\$457	\$514	\$485
Utility Allowance	\$(52)	\$(70)	\$(61)
Affordable Rent Net of Utilities	\$405	\$444	\$424

Affordable rents for the three income limits adjusted for the utility allowance are presented below:

Affordable Rents by Income Level		
Extremely Low Income	1.5 bedroom unit	\$424 per month
Very Low Income	1.5 bedroom unit	\$748 per month
Low Income	1.5 bedroom unit	\$1,234 per month

For more information on the calculation of these rents, see Appendix II Table 7. The rent levels as defined above (by unit size and income category) govern what the building owner may charge for a particular unit.

E. AFFORDABILITY GAPS

In a nexus study, the affordability gap is the amount of subsidy dollars required to bridge the difference between total development costs and the unit value of the rental units. The unit value of an affordable rental unit is calculated by capitalizing the net operating income generated by the unit.

Development Costs

For the purposes of the nexus analysis, KMA prepared an estimate of total development cost for typical affordable rental units. Total development costs include land, direct construction, all fees and permits, financing and other indirect costs, including profit. KMA drew this estimate from a review of development pro forma for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the new affordable rental units have 1.5 bedrooms and total development costs equal to \$223,000.

For many new developments, particularly City assisted developments, total development costs could be higher than those estimated here. The conservative estimate of development costs results in a lower supportable nexus amount.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound a legitimate approach, and one that the City has employed in other similar analyses.

Unit Values

To calculate the value of the restricted units, KMA first estimated the Net Operating Income generated by the units. The first step is to convert monthly gross rent to an annual gross rent by multiplying by 12. Annual gross rent is then adjusted for vacancy rates during turnover, and then operating costs are netted out. Lost income due to vacancy is estimated at 5% of gross rents. Operating costs cover management, property taxes, and certain other expenses. Based on KMA’s experience reviewing operating budgets for affordable apartment projects proposed or built in Sacramento, the operating expenses are estimated at \$4,800 per unit per year excluding property taxes. Property taxes are estimated at 1.25% of the unit’s capitalized value. Net Operating Income is calculated by netting out vacancy, operating costs and property taxes from the gross income generated by the unit. NOI is then capitalized at 6.75% to estimate the value of the restricted units. The results are summarized below and shown in Appendix II Table 7.

Supported Unit Values		
	<i>Net Operating Income</i>	<i>Unit Value</i>
Extremely Low Income	\$313 per year	\$4,600
Very Low Income	\$3,366 per year	\$50,000
Low Income	\$7,960 per year	\$118,000

As shown in the table above, the rents generated by Extremely Low Income units barely cover the operating expenses associated with the units. Very Low and Low Income units generate a small amount of income in excess of operating expenses. However, neither unit generates enough capitalized value to cover total development costs of the unit. The resulting gap between unit value and development costs is referred to as the Affordability Gap.

Affordability Gap

The affordability gap conclusions are presented in Appendix II Table 7 and summarized below.

Affordability Gaps			
<i>Income Level</i>	<i>Unit Value</i>	<i>Development Cost</i>	<i>Affordability Gap</i>
Extremely Low Income	\$4,600		\$218,400
Very Low Income	\$50,000	\$223,000	\$173,000
Low Income	\$118,000		\$105,000

These affordability gaps represent the mitigation cost to the City per affordable unit, by income level. They are entered into the nexus analysis to calculate the maximum supported impact fees.

APPENDIX II Table 1

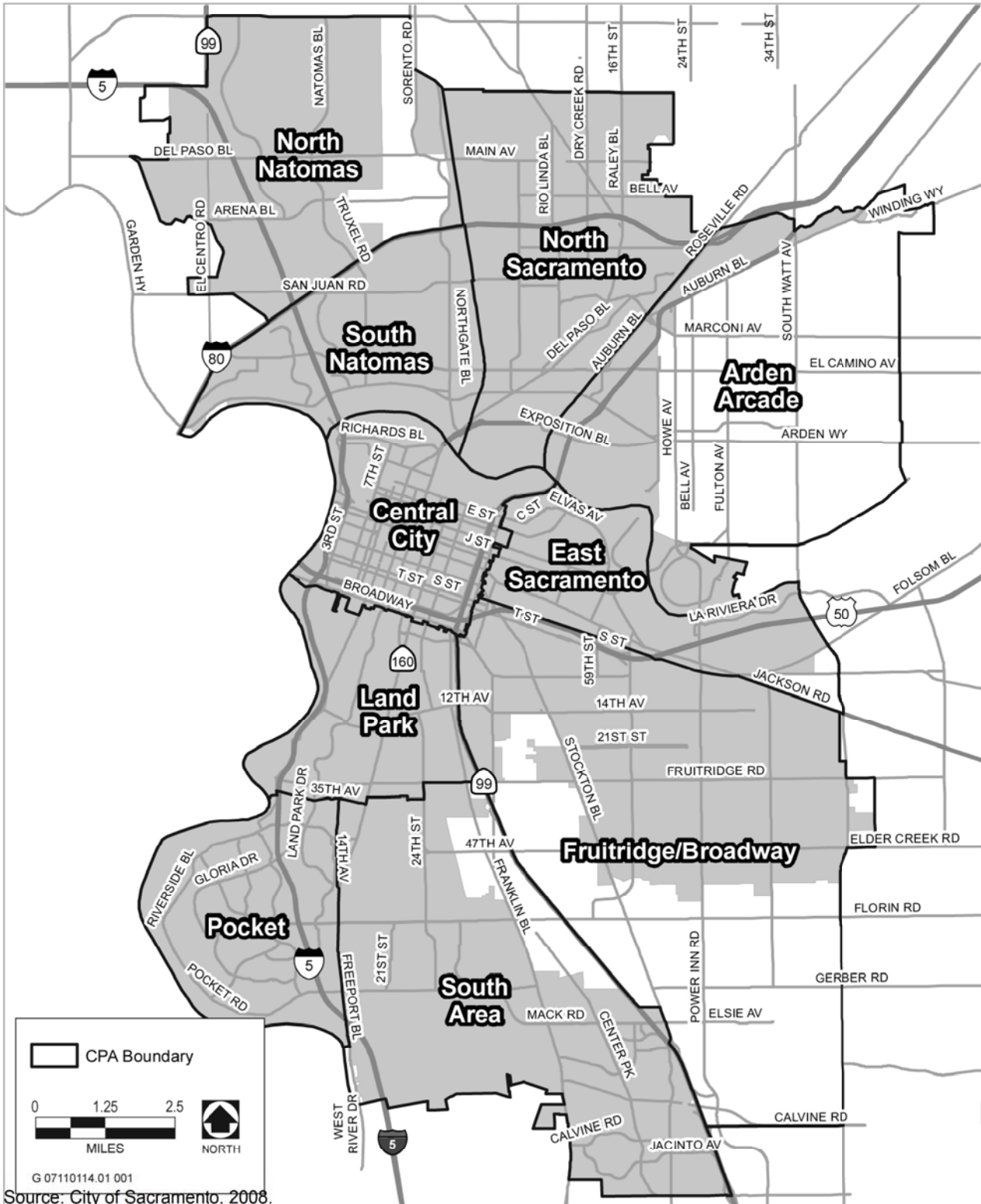


Figure H 3-3: Community Plan Areas

APPENDIX II Table 2
Asking Prices of New Residential Projects (as of December 2012)
Mixed Income Housing Update
City of Sacramento

	BR	BA	Sq. Ft.	Base Price	\$/SF	Notes
I. Attached Residential						
<i>Pavilions*</i>						
Lucca	3	3	2,006	\$499,000	\$249	- Location: 2430 Pavilions Place Lane (Arden Arcade)
Volterra	3	3	2,277	\$499,000	\$219	- 60 units
Cortona	3	4	2,367	\$555,000	\$234	- Complex includes clubhouse & pool
Siena	4	3	2,537	\$545,000	\$215	
II. Single Family Detached						
<i>Tapestri Square</i>						
Brookfield	2	2	1,320	Sold Out		- Location: 2010 20th Street at T Street (Midtown)
Highland	3	2.5	2,200	\$599,000	\$272	- 58 Brownstone-style units
Madison	3	2.5	2,900	\$795,000	\$274	
<i>Wilhaggin Terrace*</i>						
Residence 1	3	3	2,253	\$399,990	\$178	- Location: 912 Baytree Place (Arden Arcade)
Residence 2	5	4	3,110	N/Av		- Developer: Warmington
Residence 3	3	3	2,420	N/Av		- 10 units
Residence 4	4	3	3,140	N/Av		- Most units sold in the \$400,000's
<i>Islands at Riverlake</i>						
Iris	3	2	1,428	N/Av		- Location: 8002 Linda Isle Lane (Pocket)
Taro	3	2	1,500	N/Av		- Developer: Regis Homes
Orchid	3	3	2,034	N/Av		
Papyrus	3	2.5	2,284	\$372,327	\$163	
Jasmine	3	3	2,318	N/Av		
<i>Gables/Gardens at Vineyard Point</i>						
The Ascot	3	2	1,268	\$208,490	\$164	- Location: 9582 Blue Mountain Way (Fruitridge/Broadway)
The Bristol	3	2	1,428	\$221,490	\$155	- Developer: Lennar
The Carlyle	3	2.5	1,876	\$249,490	\$133	
The Montiero	5	3	2,567	\$292,490	\$114	
The Boracay	4	2	1,794	\$257,690	\$144	
The Claremont	4	3	2,295	\$280,990	\$122	
The Montiero	5	3	2,567	\$299,490	\$117	
The Versatillion	5	3	2,811	\$316,990	\$113	
<i>Wickford Square</i>						
The Portchester	4	2.5	1,850	\$215,000	\$116	- Location: 5012 Wuthering Avenue (South Area)
The Whittington	4	2.5	2,200	\$229,000	\$104	- Developer: S360 Development
The Pembroke	3	2.5	1,550	\$194,000	\$125	
The Brancaster	3	2.5	1,850	\$209,000	\$113	
The Windsor	3	2.5	1,400	\$174,999	\$125	
The Newport	2	2.5	1,200	\$139,999	\$117	
<i>Villa Terrassa</i>						
Aria	3	2	1,041	\$154,999	\$149	- Location: 7836 Abramo Walk (South Area)
Serena	3	2.5	1,413	\$189,999	\$134	- Developer: S360 Development
Carmina	3	2.5	1,575	\$199,999	\$127	
Rosetta	4	2.5	1,784	\$215,999	\$121	

*These projects are in Arden Arcade which is in the unincorporated County area, but close to the City and under similar market conditions

APPENDIX II Table 2
Asking Prices of New Residential Projects (as of December 2012)
Mixed Income Housing Update
City of Sacramento

	BR	BA	Sq. Ft.	Base Price	\$/SF	Notes
<i>East 34th</i>						
Model 1	3	2.5	1,335	\$195,000	\$146	- Location: 3434 Trio Lane (Fruitridge/Broadway)
<i>Park Place East</i>						
Residence 1335	3	2.5	1,335	N/Av		- Location: 2123 34th Street (Fruitridge/Broadway)
Residence 1407	3	2.5	1,407	N/Av		- Developer: New Faze Development
<i>Hampton Station</i>						
Plan 7 Heritage	3	2	1,033	\$148,990	\$144	- Location: 7527 Wainscott Way (South Area)
Plan 8 Arlington	3	2.5	1,258	N/Av		- Developer: Woodside Homes
Plan 2 Huntington	3	2.5	1,693	N/Av		
Plan 5 Empire	4	2.5	2,036	\$203,990	\$100	
<i>Park at Del Paso Nuevo</i>						
Residence 1	2	1	768	\$99,000	\$129	- Location: 533 Hayes Ave (North Sacramento)
Residence 1A	2	1	768	\$99,000	\$129	- Developer: New American Communities
Residence 2	3	2.5	1,253	\$139,000	\$111	- Some units are deed-restricted affordable
Residence 3	3	2.5	2,034	\$180,000	\$88	
Residence 4	5	2.5	2,370	\$205,000	\$86	

Source: Hanley Wood; project websites; sales offices

APPENDIX II Table 3
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento) (As of December 2012)
Mixed Income Housing Update
City of Sacramento

	BR	BA	Sq. Ft.	Base Price	\$/SF	Notes
<u>South Sacramento County</u>						
<i><u>Aria at Madeira</u></i>						
The Melody	4	2	2,038	\$324,990	\$159	Location: 8005 Cellana Dr, Elk Grove
The Concerto	4	3	2,507	\$348,990	\$139	Developer: Lennar
The Harmony	3	3	2,410	\$352,990	\$146	70 Lots including 3 models
The Verismo	4	3	2,767	\$368,990	\$133	
The Legacy	3	3.5	2,785	\$375,990	\$135	
<i><u>Gardner Square</u></i>						
The Teddy L	4	2	2,186	\$269,990	\$124	Location: 9716 Babylon Dr, Elk Grove
The Janessa	4	2.5	2,740	\$309,990	\$113	Developer: Centex Homes
The Boz	4	3	2,886	\$323,990	\$112	SOLD OUT
The Prize	5	3	3,214	\$349,990	\$109	
<i><u>Glenbrooke</u></i>						
The Gianna	2	2	1,257	\$212,990	\$169	Location: 9985 Westminster Way, Elk Grove
The Randall	2	2	1,371	\$222,990	\$163	Developer: Del Webb
The Aidan	2	2	1,343	\$227,990	\$170	Retirement Community
The Maggie	3	2	1,569	\$263,990	\$168	
The Colby	3	2	1,644	\$266,990	\$162	
The Sanders	3	2	1,859	\$278,990	\$150	
The Julie Marie	2	2	2,066	\$324,990	\$157	
The Williams	2	2.5	2,252	\$339,990	\$151	
<i><u>Mirabela at Madeira</u></i>						
Meridien	3	2	1,561	\$300,000	\$192	Location: 9827 Joebar Cr, Elk Grove
Amadora	4	2	1,904	\$311,000	\$163	Developer: Taylor Morrison
Santana	4	2.5	2,062	\$321,000	\$156	
Marquesa	4	3	2,293	\$341,000	\$149	
Alameda	3	2.5	2,301	\$351,000	\$153	
Bandeira	3	3	2,568	\$361,000	\$141	
Marina	4	3	2,860	\$376,000	\$131	
<i><u>Providence/Jmc Homes</u></i>						
Jamestown	3	2.5	2,247	N/Av		Location: 9936 Winkle Cr, Elk Grove
Bristol	5	3	2,731	\$439,990	\$161	Developer: JMC Homes
Greenwich	5	3	3,227	N/Av		79 Total Lots
Charlestown	5	4.5	3,435	\$485,990	\$141	
Wickford	5	4	3,957	\$549,990	\$139	
<i><u>Ranch at Madeira</u></i>						
The Coronado	3	2	1,801	\$349,990	\$194	Location: 7020 Cordially Way, Elk Grove
The Dakota	4	3	2,234	\$369,990	\$166	Developer: JMC Homes
The Shenandoah	5	4	2,537	N/Av		
The Southfork	5	3	2,813	\$409,990	\$146	
<i><u>Ranch at Sheldon Hills</u></i>						
The Scottsdale	5	2.5	3,257	N/Av		Location: 11870 Trailrider Ct., Elk Grove
The Tucson	5	3.5	4,398	\$584,900	\$133	Developer: JMC Homes
<i><u>Rancho Verde</u></i>						
Cielo - Plan 1	3	2	1,657	\$259,000	\$156	Location: 10409 Fossil Way, Elk Grove
Cielo - Plan 2	3	2	1,768	\$269,000	\$152	Developer: Taylor Morrison
Cielo - Plan 3	4	2.5	1,940	\$279,000	\$144	
Cielo - Plan 4	4	3.5	2,168	\$292,000	\$135	
Vista - Plan 5	3	3	2,004	\$304,000	\$152	
Vista - Plan 6	3	3	2,194	\$314,000	\$143	
Vista - Plan 7	4	3	2,451	\$324,000	\$132	
Vista - Plan 8	5	3.5	2,920	\$352,000	\$121	

APPENDIX II Table 3

Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento) (As of December 2012)

Mixed Income Housing Update

City of Sacramento

	BR	BA	Sq. Ft.	Base Price	\$/SF	Notes
<u>Destinations at Vineyard Point</u>						
The Catalina	2	2	996	\$173,990	\$175	Location: 7501 Chevelle Way, Sacramento
The Mendocino	2	2	1,057	\$182,990	\$173	Lennar Homes
The Pebble Beach	2	2	1,199	\$187,990	\$157	Retirement Community
The Sedona	2	2	1,117	\$191,990	\$172	
The Napa Valley	3	2	1,314	\$208,990	\$159	
<u>Rockwood Estates at Vineyard Point</u>						
Plan 2597 Modeled	5	2	2,597	N/Av		Location: 9578 Cherry Grove Cr, Sacramento
Plan 1774	3	2	1,774	N/Av		Developer: KB Home
Plan 1996 Modeled	4	2	1,996	N/Av		
Plan 1604	4	2	1,604	\$243,500	\$152	
Plan 2269 Modeled	4	2	2,269	\$261,000	\$115	
Plan 2308	5	3	2,308	\$270,500	\$117	
<u>Sandalwood/Kb Home</u>						
Plan 1659	4	2.5	1,659	N/Av		Location: 8895 Cobble Crest Dr, Sacramento
Plan 2078	5	3	2,078	N/Av		Developer: KB Home
Plan 2308 Modeled	5	3	2,308	N/Av		
Plan 1703 Modeled	4	2.5	1,703	N/Av		
Plan 1445	3	2.5	1,445	\$193,500	\$134	
Plan 1654	4	2.5	1,654	\$216,500	\$131	
<u>Northeast Sacramento County</u>						
<u>Woodlands</u>						
RESIDENCE 2 - Audubon	3	2.5	2,366	N/Av		Location: 4022 Braxton Ln, Fair Oaks
RESIDENCE 2X - Thoreau	3	2.5	2,328	N/Av		Developer: True Life Communities
<u>Enclave / Gentry Homes</u>						
Enclave Plan One	3	3.5	2,720	Homes start		Location: Close to Old Town Folsom
Enclave Plan Two	4	3.5	2,800	at \$500,000		Developer: Gentry Homes
Enclave Plan Three	4	3.5	3,000			10 Homes
Enclave Plan Four	4	3.5	3,250			
<u>Hideaway At Treehouse</u>						
Plan 4	3	2.5	1,332	\$253,500	\$190	Location: 900 Bullion Ln, Folsom
Plan 5	3	2.5	1,319	\$257,500	\$195	Developer: KB Home
Plan 1 Modeled	3	2.5	1,690	\$305,500	\$181	
Plan 2 Modeled	4	3	1,878	\$318,500	\$170	
Plan 3 Modeled	4	2.5	1,941	\$328,500	\$169	
<u>New Riata at Empire Ranch</u>						
The Caviata	3	2	1,777	\$461,950	\$260	Location: 661 Burlond Ct, Folsom
The Remuda	3	2	1,919	\$476,950	\$249	Developer: Elliott Homes
The Parada	4	2	2,943	\$486,950	\$165	
The Roderia	5	3	3,043	\$561,950	\$185	
The Alamar	4	3	2,735	\$560,950	\$205	
The Mirada	5	3.5	3,246	\$619,950	\$191	
<u>Parkside Signature Homes</u>						
The Blue Oak	3	2.5	1,633	Priced from the		Location: 306 Barnhill Dr, Folsom
The Cottonwood	4	2.5	1,856	mid \$300,000s		Developer: Signature Homes
The Alder	4	3	2,009			
<u>Trails at Folsom</u>						
Residence 1	3	3	1,874			Location: 1768 Parkway Dr, Folsom
Residence 2	4	3	1,997			Developer: The New Home Company
Residence 3	4	3	2,203			

APPENDIX II Table 3
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento) (As of December 2012)
Mixed Income Housing Update
City of Sacramento

	BR	BA	Sq. Ft.	Base Price	\$/SF	Notes
<u><i>Brentwood Villas</i></u>						
The Amber II	2	2	1,331	\$215,900	\$162	Location: 9025 Pecor Way, Orangevale
The Gardenia II	3	3	1,526	\$232,900	\$153	Developer: Tim Lewis Communities
The Cherry Blossom II	3	2.5	1,624	\$234,900	\$145	SOLD OUT
The Jasmine II	3	2.5	1,996	\$257,900	\$129	
<u><i>Cresleigh Almondwood</i></u>						
The Camellia	3	2.5	2,338	From the high		Location: 5805 Almond Ave, Orangevale
The Holly	4	3	2,535	\$300,000s		Developer: Cresleigh Homes
The Hawthorne	4	3.5	2,968			38 Total homes
The Laurel	5	3.5	3,183			
<u><i>Bella Brisas at Sunridge Park</i></u>						
4000 Avila	3	2	1,451			Location: 12378 Canyonlands Dr, Rancho Cordova
4011 Laguna	3	2	1,646			Developer: Woodside Homes
4015 Newport	4	2	1,832			120 houses incl. model
4022 Coronado	4	3	2,092			SOLD OUT
<u><i>Cazadero at Kavala Ranch</i></u>						
The Boracay	4	2	1,794	\$259,990	\$145	Location: 11886 Elk View Way, Rancho Cordova
The Claremont	4	3	2,295	\$282,990	\$123	Developer: Lennar Homes
The Montiero	5	3	2,567	\$300,990	\$117	
The Versatillion	5	4	2,811	\$319,990	\$114	
<u><i>Copper Ridge at Kavala Ranch</i></u>						
Eagle Peak	3	2	1,841	\$235,900	\$128	Location: 12089 Runswick Ct, Rancho Cordova
Kingston Peak II	3	2.5	2,817	\$284,900	\$101	Developer: Tim Lewis Communities
Mission Peak II	5	4	2,840	\$294,400	\$104	
Castle Peak	3	2	1,629	\$209,900	\$129	
<u><i>Eclipse at Sunridge Park</i></u>						
5001 Sunset	4	3	1,983	\$291,990	\$147	Location: 12409 Kibbie Lake Way, Rancho Cordova
5002 Star	4	2	2,256	N/Av		Developer: Woodside Homes
5003 Crescent	5	3.5	2,687	\$342,990	\$128	
<u><i>Mariposa at Sunridge Park</i></u>						
Plan 4 Hanford	4	2	2,245	\$318,990	\$142	Location: 12409 Kibbie Lake Way, Rancho Cordova
Plan 1 Kentfield	4	2	2,597	N/Av		Developer: Woodside Homes
Plan 2 Brookshire	5	3	2,983	\$372,990	\$125	
<u><i>Rio Del Sol</i></u>						
Residence One	3	2	1,768	\$233,500	\$132	Location: 12367 El Portal Way, Rancho Cordova
Residence Two	3	2	1,946	\$263,500	\$135	Developer: K. Hovanian Homes
Residence Three	3	2	2,100	\$273,500	\$130	64 Total houses
<u><i>Sky View at Sunridge Park</i></u>						
Starlight	3	2	1,667	\$225,990	\$136	Location: 12317 Edyth Lake Way, Rancho Cordova
Sunset	4	2	1,856	\$239,990	\$129	Developer: Beazer Homes
Horizon	4	3	2,249	\$276,490	\$123	

Source: Hanley Wood, project websites

APPENDIX II Table 4
Asking Rents for Newer Apartment Projects (Built between 2003 & 2012)
Mixed Income Housing Update
City of Sacramento

	Sq. Ft.	Rent Range	Rent PSF	Notes
Fremont Mews				
Studio	495	\$1,100	\$2.22	Location: 1400 P Street (Central City)
1 Bedroom/1 Bath	705	\$1,425	\$2.02	119 units
2 Bedroom/1 Bath	1,008	\$1,795	\$1.78	Built in 2005
2 Bedroom/2 Bath	1,008	\$1,795	\$1.78	
Alexan Midtown				
Studio	616	\$1,200	\$1.95	Location: 3111 South Street (Central City)
Studio	648	\$1,325	\$2.04	275 units
1 Bedroom/1 Bath	739	\$1,560	\$2.11	Built in 2010
1 Bedroom/1 Bath	747	\$1,575	\$2.11	
1 Bedroom/1 Bath	761	\$1,560	\$2.05	
1 Bedroom/1 Bath	794	\$1,525	\$1.92	
1 Bedroom/1 Bath	823	\$1,625	\$1.97	
1 Bedroom/1 Bath	842	\$1,575	\$1.87	
1 Bedroom/1 Bath	844	\$1,585	\$1.88	
1 Bedroom/1 Bath	904	\$1,625	\$1.80	
2 Bedroom/2 Bath	1,064	\$1,725	\$1.62	
2 Bedroom/2 Bath	1,148	\$2,100	\$1.83	
2 Bedroom/2 Bath	1,115	\$1,995	\$1.79	
2 Bedroom/2 Bath	1,171	\$1,859	\$1.59	
2 Bedroom/2 Bath	1,235	\$2,610	\$2.11	
2 Bedroom/2 Bath	1,354	\$2,900	\$2.14	
800 J Lofts				
Studio	547	\$1,120	\$2.05	Location: 800 J Street (Central City)
Studio	632	\$1,220	\$1.93	225 units
1 Bedroom/1 Bath	772	\$1,409	\$1.83	Built in 2006
1 Bedroom/1 Bath	851	\$1,600	\$1.88	
1 Bedroom/1 Bath	899	\$1,686	\$1.88	
2 Bedroom/2 Bath	944	\$1,530	\$1.62	
2 Bedroom/2 Bath	970	\$1,699	\$1.75	
2 Bedroom/2 Bath	1,100	\$2,048	\$1.86	
2 Bedroom/2 Bath	1,362	\$2,609	\$1.92	
1801 L Apartments				
1 Bedroom/1 Bath	712	\$1,425	\$2.00	176 units
2 Bedroom/2 Bath	1,025	\$1,875 - \$2,025	\$1.83 - \$1.98	Built in 2006
2 Bedroom/2 Bath	1,084	\$1,875	\$1.73	
Penthouse 3 Bed/3 Bath	1,920	\$3,000	\$1.56	
Ashton Parc				
1 Bedroom/1 Bath	790	\$1,125 - \$1,135	\$1.42 - \$1.44	Location: 2201 Arena Boulevard (North Natomas)
1 Bedroom/1 Bath	932	\$1,195 - \$1,205	\$1.28 - \$1.29	168 units
2 Bedroom/2 Bath	1,136	\$1,350 - \$1,375	\$1.19 - \$1.21	Built in 2008
2 Bedroom/2 Bath	1,240	\$1,450 - \$1,475	\$1.17 - \$1.19	
Medici				
1 Bedroom/1 Bath	815	\$1,025	\$1.26	Location: 4450 El Centro Road (North Natomas)
1 Bedroom/1 Bath	975	\$1,135	\$1.16	216 units
1 Bedroom/1 Bath	984	\$1,170	\$1.19	Built in 2005
1 Bedroom/1 Bath	1,083	\$1,215	\$1.12	
2 Bedroom/2 Bath	1,164	\$1,305	\$1.12	
2 Bedroom/2 Bath	1,214	\$1,365	\$1.12	
2 Bedroom/1 Bath	1,064	\$1,195	\$1.12	
3 Bedroom/2 Bath	1,401	\$1,575	\$1.12	

APPENDIX II Table 4
Asking Rents for Newer Apartment Projects (Built between 2003 & 2012)
Mixed Income Housing Update
City of Sacramento

	Sq. Ft.	Rent Range	Rent PSF	Notes
Natomas Park				
1 Bedroom/1 Bath	702	\$650 - \$825	\$0.93 - \$1.18	Location: 1850 Club Center Drive (North Natomas) 212 units Built in 2004
2 Bedroom/2 Bath	990	\$782 - \$999	\$0.79 - \$1.01	
3 Bedroom/2 Bath	1,271	\$904 - \$1,275	\$0.71 - \$1.00	
Lofts (The)				
1 Bedroom/1 Bath	780	\$995	\$1.28	Location: 3351 Duckhorn Drive (North Natomas) 149 units Built in 2004
1 Bedroom/1 Bath	812	\$1,010 - \$1,023	\$1.24 - \$1.26	
1 Bedroom/1 Bath	879	\$1,125	\$1.28	
1 Bedroom/1 Bath	1,182	\$1,299	\$1.10	
2 Bedroom/2 Bath	1,256	\$1,162 - \$1,450	\$0.93 - \$1.15	
2 Bedroom/2 Bath	1,478	\$1,349 - \$1,595	\$0.91 - \$1.08	
Homecoming At Creekside				
1 Bedroom/1 Bath	729	\$1,140	\$1.56	Location: 4800 Kokomo Drive (North Natomas) 450 units Built in 2004
1 Bedroom/1 Bath	764	\$1,060	\$1.39	
1 Bedroom/1 Bath	764	\$1,010	\$1.32	
1 Bedroom/1 Bath	808	\$1,190	\$1.47	
1 Bedroom/1 Bath	843	\$1,105	\$1.31	
1 Bedroom/1 Bath	861	\$1,275	\$1.48	
1 Bedroom/1 Bath	861	\$1,225	\$1.42	
2 Bedroom/2.5 Bath	1,092	\$1,300	\$1.19	
2 Bedroom/2 Bath	1,201	\$1,360	\$1.13	
2 Bedroom/2 Bath	1,244	\$1,425	\$1.15	
2 Bedroom/2.5 Bath	1,309	\$1,470	\$1.12	
2 Bedroom/2.5 Bath	1,383	\$1,550	\$1.12	
3 Bedroom/2.5 Bath	1,499	\$1,650	\$1.10	
3 Bedroom/2.5 Bath	1,488	\$1,675	\$1.13	
3 Bedroom/3.5 Bath	1,614	\$1,680	\$1.04	
3 Bedroom/3 Bath	1,730	\$1,715	\$0.99	
Granite Point				
1 Bedroom/1 Bath	662	\$895 - \$985	\$1.35 - \$1.49	Location: 4500 Truxel Road (North Natomas) 384 units Built in 2003
1 Bedroom/1 Bath	805	\$920 - \$1,025	\$1.14 - \$1.27	
1 Bedroom/1 Bath	940	\$960 - \$1,065	\$1.02 - \$1.13	
1 Bedroom/1 Bath	975	\$970 - \$1,075	\$0.99 - \$1.10	
1 Bedroom/1 Bath	1,079	\$1,065 - \$1,170	\$0.99 - \$1.08	
2 Bedroom/1 Bath	1,051	\$1,110 - \$1,230	\$1.06 - \$1.17	
2 Bedroom/2 Bath	1,151	\$1,195 - \$1,315	\$1.04 - \$1.14	
2 Bedroom/2 Bath	1,196	\$1,215 - \$1,335	\$1.02 - \$1.12	
3 Bedroom/2 Bath	1,337	\$1,405 - \$1,525	\$1.05 - \$1.14	
Villagio				
1 Bedroom/1 Bath	751	\$936 - \$1,024	\$1.25 - \$1.36	Location: 4101 Innovator Drive (North Natomas) 272 units Built in 2003
1 Bedroom/1 Bath	751	\$1,070 - \$1,150	\$1.42 - \$1.53	
1 Bedroom/1 Bath	800	\$1,190 - \$1,215	\$1.49 - \$1.52	
2 Bedroom/2 Bath	1,129	\$1,325 - \$1,325	\$1.17 - \$1.17	
2 Bedroom/2 Bath	1,149	\$1,425 - \$1,525	\$1.24 - \$1.33	
Regatta				
1 Bedroom/1 Bath	739	\$1,000 - \$1,075	\$1.35 - \$1.45	Location: 2751 West River Drive (South Natomas) 146 units Built in 2004
1 Bedroom/1 Bath	773	\$1,025 - \$1,100	\$1.33 - \$1.42	
1 Bedroom/1 Bath	741	\$1,125 - \$1,225	\$1.52 - \$1.65	
2 Bedroom/2 Bath	998	\$1,175 - \$1,275	\$1.18 - \$1.28	
2 Bedroom/2 Bath	1,048	\$1,225 - \$1,325	\$1.17 - \$1.26	
2 Bedroom/2 Bath	1,048	\$1,325 - \$1,425	\$1.26 - \$1.36	
3 Bedroom/2 Bath	1,296	\$1,500 - \$1,600	\$1.16 - \$1.23	

APPENDIX II Table 4
Asking Rents for Newer Apartment Projects (Built between 2003 & 2012)
Mixed Income Housing Update
City of Sacramento

	Sq. Ft.	Rent Range	Rent PSF	Notes
Broadstone At Strawberry Creek				
1 Bedroom/1 Bath	746	\$925	\$1.24	Location: 8282 Calvine Road (South Area) 264 units
1 Bedroom/1 Bath	822	\$1,160	\$1.41	
2 Bedroom/2 Bath	1,101	\$1,150	\$1.04	Built in 2005
2 Bedroom/2 Bath	1,126	\$1,195	\$1.06	
2 Bedroom/2 Bath	1,162	\$1,280	\$1.10	
3 Bedroom/2 Bath	1,331	\$1,420	\$1.07	
3 Bedroom/2 Bath	1,367	\$1,460	\$1.07	
Sycamore Terrace				
1 Bedroom/1 Bath	876	\$805	\$0.92	Location: 40 Park City Court (Pocket) 244 units
1 Bedroom/1 Bath	1,080	\$825	\$0.76	
1 Bedroom/1 Bath	827	\$830	\$1.00	Built in 2006
1 Bedroom/1 Bath	946	\$830	\$0.88	
2 Bedroom/2 Bath	1,223	\$935	\$0.76	
2 Bedroom/2 Bath	1,151	\$950	\$0.83	
2 Bedroom/2 Bath	1,372	\$995	\$0.73	
2 Bedroom/2 Bath	1,455	\$1,025	\$0.70	
2 Bedroom/2 Bath	1,217	\$1,090	\$0.90	
2 Bedroom/2 Bath	1,104	\$1,150	\$1.04	
3 Bedroom/2 Bath	1,630	\$1,110	\$0.68	
3 Bedroom/2 Bath	1,665	\$1,160	\$0.70	

Source: RealFacts, project websites, forrent.com

APPENDIX II Table 5
 Residential Prototypes
 Mixed-Income Housing Ordinance Update
 City of Sacramento

	Ownership Prototypes					Rental Prototypes		
	1	2	3	4	5	6	7	8
	Suburban Infill Small SFR Project	Outer-edge Suburban Large SFR Project	Outer-edge Suburban Small Lot/ Cluster SFR	Suburban Infill Large Condo Project	Urban Infill Condo Project	Suburban Infill Small Apt Project	Urban Infill Small Apt Project	Urban Infill Larger Apt Project
<i>Example Location</i>	North Sac	North Natomas	North Natomas	South Area	Central City	East Sac	Central City	Central City
Site Acres	3.1 acres	19.8 acres	11.2 acres	4.5 acres	1.1 acres	0.8 acres	0.4 acres	1.5 acres
Units	16 units	103 units	118 units	135 units	92 units	25 units	25 units	150 units
Density (units/acre)	5.2 du/acre	5.2 du/acre	10.5 du/acre	30.0 du/acre	83.6 du/acre	30.0 du/acre	60.0 du/acre	100.0 du/acre
Lot sq. ft.	5,000 lot sf	5,000 lot sf	2,500 lot sf	n/a lot sf	n/a lot sf	n/a lot sf	n/a lot sf	n/a lot sf
Avg Unit sq. ft.	2,200 sf	2,200 sf	1,600 sf	1,200 sf	950 sf	950 sf	850 sf	850 sf
Avg bedrooms	4 BR	4 BR	3 BR	3 BR	2 BR	2 BR	2 BR	2 BR
Parking Type	Garage	Garage	Garage	Garage	Podium	Surface	Podium	Podium
Dedicated spaces/unit	2.0 spaces	2.0 spaces	2.0 spaces	2.0 spaces	1.0 spaces	1.5 spaces	1.0 spaces	1.0 spaces
Example Projects <i>(Market Rate only)</i>	Iris Subdivision Del Paso Heights North Sac Alta Vista Meadows North Sac	Northborough Village II North Natomas Hampton Station South Sac	Natomas Central Ridgefield North Natomas	Copperstone Village Wolf Ranch Condos South Area Broadway Triangle Oak Park (rental & for-sale)	L Street Lofts Midtown	River View Apartments East Sac (proposed)		16th & N Project (CADA)

APPENDIX II Table 6
Preliminary Feasibility Analysis
Mixed-Income Housing Ordinance Update
City of Sacramento

	Ownership Prototypes										Rental Prototypes					
	1		2		3		4		5		6		7		8	
	Suburban Infill Small SFR Project		Outer-edge Suburban Large SFR Project		Outer-edge Suburban Small Lot/ Cluster SFR		Suburban Infill Large Condo Project		Urban Infill Condo Project		Suburban Infill Small Apt Project		Urban Infill Small Apt Project		Urban Infill Larger Apt Project	
Development Program																
Total Units	16 units		103 units		118 units		135 units		92 units		25 units		25 units		150 units	
Site Size	3.1 acres		19.8 acres		11.2 acres		4.5 acres		1.1 acres		0.8 acres		0.4 acres		1.5 acres	
Density	5.2 du/acre		5.2 du/acre		10.5 du/acre		30.0 du/acre		83.6 du/acre		30.0 du/acre		60.0 du/acre		100.0 du/acre	
Average Unit Size	2,200 sf		2,200 sf		1,600 sf		1,200 sf		950 sf		950 sf		850 sf		850 sf	
Average Number of Bedrooms	4 BR		4 BR		3 BR		3 BR		2 BR		2 BR		2 BR		2 BR	
Parking Spaces / Unit	2.0 spaces		2.0 spaces		2.0 spaces		2.0 spaces		1.0 spaces		1.5 spaces		1.0 spaces		1.0 spaces	
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Land *	\$23	\$50,000	\$5	\$10,000	\$3	\$5,000	\$8	\$10,000	\$26	\$25,000	\$11	\$10,000	\$41	\$35,000	\$24	\$20,000
On/Offsites	\$18	\$40,000	\$16	\$35,000	\$16	\$25,000	incl. below	incl. below	incl. below	incl. below	incl. below	incl. below	incl. below	incl. below	incl. below	incl. below
Construction	\$55	\$121,000	\$55	\$121,000	\$60	\$96,000	\$135	\$162,000	\$191	\$181,500	\$125	\$118,800	\$174	\$147,500	\$194	\$164,500
Fees & Permits	\$16	\$34,100	\$24	\$53,300	\$31	\$49,200	\$18	\$21,000	\$19	\$18,400	\$25	\$23,300	\$25	\$21,000	\$22	\$18,600
Other Soft Costs	\$22	\$48,300	\$21	\$46,800	\$23	\$36,300	\$50	\$59,900	\$71	\$67,200	\$31	\$29,700	\$43	\$36,900	\$48	\$41,100
Construction Financing	\$5	\$11,800	\$5	\$10,700	\$5	\$8,500	\$13	\$15,900	\$19	\$18,400	\$10	\$9,800	\$15	\$13,000	\$16	\$13,200
Total Development Costs	\$139	\$305,200	\$126	\$276,800	\$138	\$220,000	\$224	\$268,800	\$327	\$310,500	\$202	\$191,600	\$298	\$253,400	\$303	\$257,400
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units	\$141	\$310,000	\$123	\$270,000	\$138	\$220,000	\$233	\$280,000	\$347	\$330,000	\$1.42	\$16,200	\$2.00	\$20,400	\$2.00	\$20,400
Affordable Units	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0
Total Gross Sales	\$141	\$310,000	\$123	\$270,000	\$138	\$220,000	\$233	\$280,000	\$347	\$330,000	\$1.42	\$16,200	\$2.00	\$20,400	\$2.00	\$20,400
<Less> Sales Expense	included in costs		included in costs		included in costs		included in costs		included in costs		Exp	(\$5,400)	Exp	(\$6,500)	Exp	(\$6,600)
Sales Net of Sales Expenses	\$141	\$310,000	\$123	\$270,000	\$138	\$220,000	\$233	\$280,000	\$347	\$330,000	NOI	\$10,800	NOI	\$13,900	NOI	\$13,800
<Less> Development Costs	(\$139)	(\$305,200)	(\$126)	(\$276,800)	(\$138)	(\$220,000)	(\$224)	(\$268,800)	(\$327)	(\$310,500)	Cap	5.5%	Cap	5.5%	Cap	5.5%
Net Return ⁽¹⁾	\$2	\$4,800	(\$3)	(\$6,800)	\$0	\$0	\$9	\$11,200	\$21	\$19,500	Value	\$196,400	Value	\$252,700	Value	\$250,900
As % of Total Costs		1.6%		-2.5%		0.0%		4.2%		6.3%		\$4,800		(\$700)		(\$6,500)
As % of Gross Sales		1.5%		-2.5%		0.0%		4.0%		5.9%		(\$191,600)		(\$253,400)		(\$257,400)
* Land Value per Acre		\$258,065		\$52,020		\$52,679		\$300,000		\$2,090,909		\$300,000		\$2,100,000		\$2,000,000
Land Value per Sq. Ft.		\$5.92		\$1.19		\$1.21		\$6.89		\$48.00		\$6.89		\$48.21		\$45.91

⁽¹⁾ See report text for discussion of typical developer returns.

**Appendix II Table 7
Nexus Affordability Gaps
Mixed-Income Housing Ordinance Update
City of Sacramento**

	<u>Extremely Low Income (30% AMI)</u>	<u>Very Low Income (50% AMI)</u>	<u>Low Income (80% AMI)</u>
I. Affordable Rent¹			
Average Number of Bedrooms ²	1.5 Bedrooms	1.5 Bedrooms	1.5 Bedrooms
Average Household Size	2.5 Persons per HH	2.5 Persons per HH	2.5 Persons per HH
Household Income ³	\$19,410	\$32,350	\$51,800
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$485	\$809	\$1,295
(Less) Utility Allowance ⁴	(\$61)	(\$61)	(\$61)
Maximum Monthly Rent	\$424	\$748	\$1,234
II. Net Operating Income (NOI)			
	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Gross Scheduled Income (GSI)			
Monthly	\$424	\$748	\$1,234
Annual	\$5,091	\$8,973	\$14,808
Other Income	\$30	\$360	\$360
(Less) Vacancy	5%	(\$273)	(\$758)
Effective Gross Income (EGI)	\$5,178	\$8,866	\$14,410
(Less) Operating Expenses ⁵	(\$4,800)	(\$4,800)	(\$4,800)
(Less) Property Taxes	1.25%	(\$65)	(\$1,650)
Net Operating Income (NOI)	\$313	\$3,366	\$7,960
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)	\$313	\$3,366	\$7,960
II. Target Return on Investment	6.75%	6.75%	6.75%
III. Total Capitalized Value	\$4,600	\$50,000	\$118,000
IV. (Less) Total Development Costs ⁶	(\$223,000)	(\$223,000)	(\$223,000)
V. Affordability Gap	(\$218,400)	(\$173,000)	(\$105,000)

¹ KMA calculated the rents per SHRA's methodology.

² Based on a review of projects assisted by SHRA; represents a mix of studio, one-bedroom, two-bedroom and three-bedroom units.

³ 2013 income limits published by California Dept. of Housing and Community Development

⁴ SHRA

⁵ Includes replacement reserves. Based on recent SHRA-assisted projects.

⁶ Based on recent SHRA-assisted projects.

APPENDIX III: NON-DUPLICATION OF COMMERCIAL HOUSING TRUST FUND FEE

The City of Sacramento established its Housing Trust Fund Fee in 1989 to help mitigate the impacts of new jobs associated with the development of new commercial and industrial buildings on the demand for affordable housing in Sacramento. KMA conducted a Housing Trust Fund Nexus Analysis for the City in early 2006. The fee is charged on almost all new non-residential construction in the City.

To briefly summarize the Housing Trust Fund Nexus Analysis (which is a jobs-housing nexus analysis), the logic begins with jobs located in new workplace buildings such as office buildings, retail spaces and hotels. The nexus analysis identifies the number of new jobs and compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, divided into affordability tiers. The conclusion is the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Housing Trust Fund Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of Sacramento residents, such as expenditures for food, personal services, restaurant meals and entertainment. Many jobs counted in the residential nexus are not addressed in the jobs housing analysis at all. For example, government employees are counted in the residential nexus analysis but are not counted in the jobs housing analysis which is limited to private sector office buildings, hotel, commercial, manufacturing, research and development, and warehouse projects.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Housing Trust Fund fee are also counted for purposes of the residential nexus analysis. For example, a small retail store or restaurant might be located on the ground floor of a new condominium building and entirely dependent upon customers from the condominiums in the floors above. The commercial space on the ground floor pays the Housing Trust Fund fee and the condominiums are subject to the Mixed-Income Housing Ordinance. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to provide inclusionary units and/or fund construction of affordable units must not exceed 100% of the demand for affordable units generated by employees in the new commercial space.

Complete overlap between jobs counted in the Housing Trust Fund Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of circumstances. The following analysis demonstrates that the combined mitigation requirements do not exceed the nexus even if every job counted in the Residential Nexus Analysis is also counted in the Housing Trust Fund Nexus Analysis.

Housing Trust Fund Fee Requirement as a Percent of Nexus

The Housing Trust Fund Fee Nexus Analysis report was prepared by KMA in 2006. To evaluate the combined programs today, KMA updated the affordability gap figures to reflect 2013 development costs. The total updated nexus costs per square foot are summarized below. The total nexus cost is the maximum mitigation amount, or maximum fee that could be charged, supported by the analysis. The current fee charged by the City of Sacramento is indicated below and shown as a percent of the total updated nexus cost.

	Total Current Nexus Amount	Current Fee	Percent of Nexus
Office	\$53.71	\$2.25	4%
Hotel	\$109.16	\$2.14	2%
Commercial	\$146.79	\$1.80	1%
Manufacturing	\$38.12	\$1.41	4%
Warehouse/Office	\$12.16	\$0.82	7%
Warehouse	\$12.16	\$0.61	5%

*Note that fees in North Natomas are a little higher than the citywide fees.

The conclusion is that the current fee levels represent 1% to 7% of the nexus cost. So, the Housing Trust Fund fee mitigates approximately 1% to 7% of the cost to mitigate the need for affordable units generated by the new non-residential space.

Proposed Mixed Income Housing Program as a Percent of Nexus

The City of Sacramento proposes to revise the Mixed Income Housing Ordinance to a fee-based program that extends to the entire city. The proposed requirement is that projects would pay a fee of \$2.58 per square foot (with some exceptions). There are additional compliance options available to developers, but developers would only choose another option if it is less burdensome than the base requirement. For the purposes of this overlap analysis, therefore, we model the base requirement only. The table below compares the supported nexus amounts (from Appendix I Table D-1) with the proposed requirement for the prototypes.

Total Nexus Cost Per Sq. Ft., Ownership Prototypes					
<i>Income Category</i>	<i>Suburban Infill Small SFR</i>	<i>Outer-Edge Suburban Large SFR</i>	<i>Outer-Edge Suburban Small Lot SFR</i>	<i>Suburban Infill Large Condo</i>	<i>Urban Infill Condo</i>
Prototype Size (Sq Ft)	2,200 SF	2,200 SF	1,600 SF	1,200 SF	950 SF
Total Nexus Costs	\$15.95	\$14.27	\$16.19	\$25.83	\$37.37
Proposed Fee Level	\$2.58	\$2.58	\$2.58	\$2.58	\$2.58
Percent of Nexus	16%	18%	16%	10%	7%

Total Nexus Cost Per Sq. Ft., Rental Prototypes			
<i>Income Category</i>	<i>Suburban Infill Small Project Rental</i>	<i>Urban Infill Small Project Rental</i>	<i>Urban Infill Larger Project Rental</i>
Prototype Size (Sq Ft)	950 SF	850 SF	850 SF
Total Nexus Costs	\$25.47	\$35.41	\$35.41
Proposed Fee Level	\$2.58	\$2.58	\$2.58
Percent of Nexus	10%	7%	7%

The conclusion is that the proposed revisions to the Mixed Income Housing Ordinance would require 7% to 18% of the maximum supported by the analysis.

Combined Requirements within Nexus

The Housing Trust Fund fee represents 1% to 7% of the supported nexus amount and the Mixed Income Housing ordinance requirement is proposed at 7% to 18% of the supported nexus amount. Therefore, the combined affordable housing mitigations would not exceed the nexus even if there were 100% overlap in the jobs counted in the two nexus analyses.

To return to the example of a restaurant on the ground floor of a new condominium building, say there are a total of 30 new restaurant employees of which 20 are in lower income households. The 20 employees in lower income households are counted (or double counted) in both the Housing Trust Fund Fee and Residential Nexus analyses. If the Housing Trust Fund fee mitigates the affordable housing demand of 1.4 of the employees (7% x 20) and the Mixed Income Housing Ordinance mitigates the housing demand for another 3.6 employees (18% x 20), then together the two programs mitigate the housing demand of 5 out of 20 lower income employees. The combined requirements of the two programs satisfy the nexus test by not mitigating more than 100% of the housing demand. Extending this logic, the affordable housing demand mitigated by the Mixed Income Housing Ordinance and the Housing Trust Fund Fee as a percent of their respective nexus analyses can be added together to test whether the combined requirements would exceed 100% of nexus even if the two analyses counted (or double counted) all the same demand for affordable housing.

**APPENDIX III, TABLE 1
TOTAL JOBS HOUSING NEXUS COST - 2013 AFFORDABILITY GAPS
JOBS HOUSING NEXUS ANALYSIS
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

BEFORE COMMUTE ADJUSTMENT

INCOME CATEGORY

Household Income Level	Affordability Gap	Nexus Cost Per Sq. Ft.						HOSPITAL/ MEDICAL
		OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING		
Under 50% Median Income ¹	\$173,000	\$11.58	\$81.58	\$107.90	\$5.58	\$13.19	\$19.33	
50% to 80% Median Income ¹	\$105,000	<u>\$55.48</u>	<u>\$54.71</u>	<u>\$75.37</u>	<u>\$9.59</u>	<u>\$34.40</u>	<u>\$52.40</u>	
Total		\$67.06	\$136.29	\$183.28	\$15.18	\$47.59	\$71.73	

AFTER 80.10% Commute Adjustment

INCOME CATEGORY

Household Income Level	Affordability Gap	Nexus Cost Per Sq. Ft.						HOSPITAL/ MEDICAL
		OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING		
Under 50% Median Income ¹	\$173,000	\$9.28	\$65.34	\$86.42	\$4.47	\$10.56	\$15.48	
50% to 80% Median Income ¹	\$105,000	<u>\$44.43</u>	<u>\$43.82</u>	<u>\$60.37</u>	<u>\$7.68</u>	<u>\$27.55</u>	<u>\$41.97</u>	
Total		\$53.71	\$109.16	\$146.79	\$12.16	\$38.12	\$57.45	

¹ Assumes households are housed in rental units

ORDINANCE NO. 2015-

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE REPEALING CHAPTER 17.712 OF, AND ADDING CHAPTER 17.712 AND SECTION 17.808.260 TO, THE SACRAMENTO CITY CODE, RELATING TO MIXED INCOME HOUSING

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Chapter 17.712 of the Sacramento City Code is repealed.

SECTION 2.

Chapter 17.712 is added to the Sacramento City Code to read as follows:

Chapter 17.712 MIXED INCOME HOUSING

17.712.010 Purpose and intent.

This chapter is intended to require residential projects to contribute to the construction of affordable housing and to implement the policies of the housing element of the city's general plan.

17.712.020 Definitions.

The following definitions shall apply in this chapter:

"Affordable dwelling unit" means a dwelling unit rented at an affordable rent or sold at an affordable housing price.

"Affordable housing price" means a sales price at which low income households can qualify for the purchase of for-sale dwelling units. Qualification shall be based on no more than 35% of income being applied to housing expenses (mortgage principal and interest, taxes, insurance, and assessments).

"Affordable rent" means a monthly rent consisting of a maximum of one-twelfth of 30% of 80% of the median income applicable to Sacramento County, adjusted for household size appropriate to the unit, less a reasonable allowance for utilities. The

median income applicable to Sacramento County is determined annually by the United States Department of Housing and Urban Development.

“Developer” means any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities that seeks city approvals for all or part of a development project. Developer includes “owner.”

“Development agreement” means an agreement entered into between the city and a developer pursuant to chapter 18.16 and California Government Code section 65864.

“Development project” means any real estate development project that includes market rate residential dwelling units. Projects at one location undertaken in phases, stages, or distinct sections are considered a single development project.

“Executive director” means the executive director of the Sacramento Housing and Redevelopment Agency or designee.

“Inclusionary housing plan” means the plan setting forth the elements of a development project’s affordable dwelling units required by Ordinance No. 2000-039.

“Low income household” means a household whose income does not exceed 80% of median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to section 8 of the United States Housing Act of 1937.

“Market rate” means not restricted to an affordable housing price or affordable rent.

“Mitigation Fee Act” means chapter 5 (sections 66000 through 66025) of division 1 in title 7 of the California Government Code.

“Mixed income housing strategy” means an approved development plan that is consistent with Housing Element policy and may provide credit towards the housing impact fee through construction of affordable dwelling units, dedication of land to the city, or other mechanism.

“Nexus study” means a study, adopted by resolution of the city council, that analyzes the connection between projected residential development and the cost of addressing the need for affordable housing for lower income households created by the residential development.

“Owner” means a person, partnership, joint venture, association, corporation, or public or private entity that has sufficient proprietary interest in real property to commence, maintain, and operate a development project.

“Residential project” means the entirety of a residential development with market rate dwelling units in a development project.

“Self-help housing developer” means a not-for-profit organization that develops housing for sale to low income households at an affordable housing price. The organization may permit or require purchasers to participate in the construction of affordable dwelling units.

“SHRA” means the Sacramento Housing and Redevelopment Agency, a joint powers agency.

17.712.030 Affordable housing requirement.

- A. If a residential project does not exceed 100 gross acres in size, the owner shall pay a housing impact fee on all newly constructed market rate dwelling units pursuant to section 17.712.050.
- B. If the residential project exceeds 100 gross acres in size, the owner shall pay a housing impact fee on all newly constructed market rate dwelling units pursuant to section 17.712.050, and obtain city council approval of a mixed income housing strategy that demonstrates how the project provides housing for a variety of incomes and family types consistent with the housing element policy. The planning director shall review the proposed mixed income housing strategy in consultation with the executive director of SHRA. The planning director shall recommend approval, modification, or denial of the proposed mixed income housing strategy in conjunction with the development project’s earliest planning approvals, consistent with the provisions of section 17.808.260. The city council and planning and design commission shall consider the amount of regulated affordable housing in the vicinity.
 - 1. The mixed income housing strategy may provide for fee credits for land dedication to SHRA, construction of affordable dwelling units, or other mechanisms that lead to the provision of affordable housing.
 - a. Land dedication must be approved and accepted by the SHRA consistent with the guidelines prepared pursuant to section 17.712.090.
 - b. Multi-unit dwelling development projects constructed for fee credit under this subsection may contain any proportion of affordable dwelling units. However, no multi-unit dwelling development project consisting of more than 50% affordable

dwelling units and constructed for credit under this subsection may be located within 400 feet of another multi-unit dwelling development project with more than 50% affordable dwelling units.

- c. The maximum number of affordable dwelling units in any multi-unit dwelling development project constructed for credit under this subsection shall be 150.
2. The mixed income housing strategy may provide for a fee credit for donation of land to a self-help housing developer. Land donated must have all site improvements completed. The home must have a recorded affordability covenant that restricts resale to the satisfaction of the city and SHRA.
- C. A residential project subject to an inclusionary housing plan approved prior to the effective date of the ordinance adopting this chapter may either:
 1. Comply with the approved inclusionary housing plan; or
 2. Comply with the provisions of this chapter.
- D. Affordable dwelling units constructed pursuant to subsection B.1 of this section shall have a regulatory agreement recorded on title, requiring the units to remain affordable for a period of no less than 30 years. The agreements shall be monitored by SHRA and the owners shall be subject to monitoring fees as established by the guidelines authorized by section 17.712.090.

17.712.040 Exempted development projects.

The following development projects are exempt from this chapter and generate no affordable housing obligation:

- A. Mobilehome parks.
- B. Development projects in which at least 10% of the dwelling units are affordable dwelling units. The affordable dwelling units shall have a regulatory agreement recorded on title, requiring the units to remain affordable for a period of no less than 30 years. The agreement shall be monitored by SHRA and the owners shall be subject to a monitoring fee as established by the guidelines authorized by section 17.712.090.
- C. A new single-unit dwelling built by an owner-builder on his or her property if:

1. The owner does not intend to sell the dwelling within two years of completion of construction, and
 2. The owner has not utilized this exemption set forth in this subsection on another dwelling within two years of applying for a building permit for the new dwelling, and
 3. The owner personally performs the work, or the owner directly contracts with a contractor to perform the work.
- D. A secondary dwelling unit.
- E. A development project subject to a development agreement adopted prior to October 3, 2000 (adoption date of Ordinance No. 2000-039), provided the development agreement has not expired.
- F. A development project that obtained approval of site plan and design review or a tentative map prior to the effective date of the ordinance adopting this chapter, provided the project was exempt from the requirements of Ordinance No. 2000-039 at the time of application submittal. Subsequent modifications to or reapprovals of the approved site plan and design review or tentative map that do not increase or decrease the number of units by more than ten percent shall not affect a development project's exemption pursuant to this subsection.
- G. A multi-unit dwelling development project for which an application for site plan and design review or a tentative map had been submitted in accordance with section 17.800.010 prior to the effective date of this ordinance, provided the development project was exempt from the requirements of Ordinance No. 2000-039 at the time of application submittal.
- H. Uninhabitable square footage without conditioned air, such as garages, carports, open porches, open entryways, pool houses, storage, patio covers, and unfinished basements.
- I. Community rooms for residential developments.

17.712.050 Housing impact fees

- A. A housing impact fee is established and imposed on real property for which a residential project is proposed pursuant to the provisions of this chapter and as further described in the nexus study.
- B. The city council, by resolution, shall establish the specific amount of the housing impact fee for the various categories of housing type as identified in

the nexus study and as determined appropriate by the city council, and shall make the findings required by this section in establishing the amount of the fees. In addition, the city council, by resolution, may adopt additional provisions, policies, and procedures to implement and administer the provisions of this chapter. The amounts of fees and the policies and procedures adopted by resolution pursuant to this subsection shall be consistent with the purposes of this chapter and the nexus study.

- C. At the time it considers the amount of the fees established pursuant to this section, or at the time of amending the fees other than in making an automatic annual adjustment to the fees in the manner provided by subsection E, the city council shall adopt the amount of such fees if it makes the following findings in support of such fees:
1. A finding that such fees have been determined and calculated in the manner consistent with the nexus study; and
 2. The following additional findings required by the Mitigation Fee Act that demonstrate there is a nexus between the low income housing for which such fees are imposed and the need for such low income housing created by the residential development upon which the fees are imposed:
 - a. Findings that identify the purpose of the fees;
 - b. Findings that identify the use to which the fees are to be put;
 - c. Findings that demonstrate that there is a reasonable relationship between the use of the fees and the type of development project on which the fees are imposed;
 - d. Findings that demonstrate that there is a reasonable relationship between the need for low income housing and the type of residential development project on which the fees are to be imposed; and
 - e. Findings that demonstrate how there is a reasonable relationship between the amount of the fees and the cost of the low income housing attributable to the development project on which the fees are imposed.
 3. In making findings pursuant to this section and any other findings, the city council may consider all matters, whether offered orally or in writing, presented at the hearing or hearings conducted for the purpose

of establishing or amending the fees, and any and all oral and written material presented to the city council and planning and design commission in connection with the adoption, approval, or amendment of the nexus study.

- D. At the time of setting the amount of the fees established pursuant to this chapter, or at the time of amending such fees other than in making an automatic annual adjustment to the fees, the city council shall hold a public hearing on the proposed fees or proposed amendment of fees in the manner required by the Mitigation Fee Act.
- E. The fees established pursuant to this section shall be adjusted automatically to take into consideration inflation on July 1 of each year by a factor equal to the percentage increase, if any, in the construction cost index for San Francisco (based on 1913 U.S. average = 100) during the 12 months ending on the preceding March 1 as published by Engineer News Record/McGraw-Hill Construction Weekly, or any substitute index that the city council adopts by resolution. The planning director shall be responsible for calculating the adjustment, if any, to the fees and shall advise the city clerk of the amended fees.
- F. The effective date of any resolution adopted by the city council that establishes or amends the amount of the fees imposed under this chapter shall be determined in accordance with California Government Code section 66017.
- G. The methodologies set forth in the nexus study shall be used as the basis for setting the amount of the housing impact fees. Applicants for building or other development permits shall include plans and calculations prepared by the applicant or applicant's agent, specifying data necessary to calculate housing impact fees, including, without limitation, the square footage of each use, and other relevant data as may be required by the planning director, or his or her authorized designee(s). All fees due under this chapter shall be determined and calculated by the planning director, or his or her authorized designee(s).
- H. Unless exempt from payment under section 17.712.040, no building permit or building permit extension for a project described in section 17.712.030 shall be issued or granted unless and until the full amount of the housing impact fee has been paid to the city in accordance with the provisions of this chapter.

- I. The fees described in subsections A and B will be deemed “imposed” for purposes of the Mitigation Fee Act when the planning director gives the building-permit applicant a written notice that does both of the following:
 1. States the amount of the fees as final.
 2. Notifies the applicant that the 90 day period in which the applicant may protest has begun.

17.712.060 Protest of Fees

- A. The owner of property subject to the housing impact fees established by this chapter may protest the housing impact fees imposed on the project by filing a written protest notice with the planning director in the manner provided and within the times specified in the Mitigation Fee Act.
- B. Concurrently with filing the written protest notice, the owner must tender to the planning director the full amount of the fee under protest, together with payment of a non-refundable protest-filing fee in the amount established by resolution of the city council to offset the city’s costs of processing the protest and any appeal. The owner is liable for the city’s actual cost to process the protest, including the cost of any appeal to the city council, to the extent that the actual cost exceeds the filing fee. The city may deduct the excess amount from any refund found due and owing to the owner or may add it to the amount of the fee found to be due or owing from the owner.
- C. The planning director shall consider the protest at an informal hearing held within 60 days after the filing of the protest notice. The planning director shall issue a written decision on the protest and send a copy of the decision to the applicant by first-class mail, postage prepaid, within 15 days after the later of the following: the date of the informal hearing, or the date the planning director sets during the informal hearing for the applicant’s submission of any additional evidence the planning director determines to be necessary to the decision. The applicant’s failure to timely submit additional information requested by the planning director may result in denial of the protest. The planning director’s decision is final and not appealable, except as provided in subsections F and G.
- D. The planning director shall consider the following when determining whether to approve or deny a protest:
 1. The matters set forth in California Government Code section 66001, subdivisions (a) and (b).

2. The substance and nature of the evidence presented by the applicant.
 3. The facts, findings, and conclusions stated in the nexus study, including technical information, studies, audited construction costs, and reports contained within and supporting the nexus study, together with findings supporting the resolution setting the amount of the housing impact fee. The applicant must present comparable technical information, studies, and reports to demonstrate that the housing impact fee is inappropriate for the development project involved.
- E. If the protest is granted, and the housing impact fee is adjusted, any change in use within the particular development project involved in an application shall invalidate the adjustment of the housing impact fee if the change in use would render the adjustment inappropriate.
- F. The applicant may appeal the planning director's decision to the city council in accordance with chapter 1.24 by filing a notice of appeal with the city clerk within 10 days after the date the planning director mails the decision. In deciding the appeal, the city council or the appointed hearing examiner, as the case may be, shall consider the factors set forth in subsection D. The city clerk shall mail the city council's or hearing examiner's decision to the applicant by first-class mail, postage prepaid, within five days after the decision is rendered. The decision will be final and not appealable, except as provided in subsection G.
- G. The protest procedures in this section are administrative procedures that must be exhausted before the filing of any petition seeking judicial review. Such a petition must be filed under California Code of Civil Procedure section 1094.5 on or before the later of the following: the 90th day after the date on which the decision is mailed to the applicant, or the expiration of the 180-day limitation period provided by the Mitigation Fee Act.

17.712.070 Low income housing fund

- A. All fees collected pursuant to section 17.712.050 shall be placed in the citywide low income housing fund and shall be administered and used for the purposes described in chapter 17.708.
- B. Annual Evaluation. Commencing one year after the effective date of the ordinance adopting this chapter, and annually thereafter, the SHRA director and planning director shall report to the city council, the planning and design commission, and the Sacramento housing and redevelopment commission on the status of activities undertaken with the housing fund. The report shall include:

1. A statement of income, expenses, disbursements, and other uses of the fund;
2. Identification of projects generating fee revenue;
3. The current fee amount reflecting the automatic annual adjustment under section 17.712.050.E, if any;
4. The total number and location of low and very low income housing units constructed or assisted during that year and the amount of such assistance;
5. Plans for how the money will be spent;
6. Any recommended changes to this chapter necessary to carry out its purposes; or
7. Any recommended adjustments to the fee.

17.712.080 Housing quality

Affordable dwelling units constructed using housing impact fees paid pursuant to this chapter, or constructed through an inclusionary housing plan, or a mixed income housing strategy, shall be visually compatible with surrounding market rate dwelling units and accommodate diverse family sizes by including dwelling units with different numbers of bedrooms, as determined by the approval authority, upon recommendation of the executive director. External building materials and finishes, front yard landscaping, and amenities shall be of the same type and quality for affordable dwelling units as for market rate dwelling units.

17.712.090 Guidelines

The executive director of SHRA, in consultation with the planning director, shall prepare guidelines to ensure compliance with this chapter. The guidelines shall be adopted by resolution of the city council.

SECTION 3.

Section 17.808.260 is added to the Sacramento City Code to read as follows:

17.808.260 Mixed income housing strategy.

- A. Purpose. A mixed income housing strategy is a requirement contained in this title and is intended to ensure that large residential projects provide housing for a variety of incomes and family types that is consistent with housing element policy.

B. Approval authority.

1. Commission level—Recommendation. A mixed income housing strategy is subject to review at the commission level by the planning and design commission. At the conclusion of the hearing, the commission shall forward its recommendation to the city council or, if no motion to approve a recommendation receives enough votes to pass, shall forward to the city council a report of the votes taken on each motion on the request.
2. Council level—Approval. A mixed income housing strategy is subject to review and approval by the city council upon receipt of the recommendation or report from the planning and design commission.
3. Minor amendments. An amendment to an approved mixed income housing strategy that does not change the intensity of land uses by more than ten percent is subject to review and approval by the planning and design commission.

C. Decision and findings.

1. The approval authority may approve a mixed income housing strategy by resolution, based on the following findings of fact:
 - a. The mixed income housing strategy is consistent with the goals, policies, and other provisions of the general plan and its housing element; and
 - b. The mixed income housing strategy promotes the public health, safety, convenience, and welfare of the city.
2. The city council or planning and design commission may modify the mixed income housing strategy as it determines to be necessary or appropriate in order to make the required findings for approval.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

MAYOR

Attest:

City Clerk

Passed for Publication:

Published:

Effective:

RESOLUTION NO. 2015-

Adopted by the Sacramento City Council

XXXXX XX, 2015

**ESTABLISHING HOUSING IMPACT FEE AND
RELATED PROCESSING FEES AUTHORIZED
BY SACRAMENTO CITY CODE CHAPTER
17.712 FOR NEW RESIDENTIAL
DEVELOPMENT**

BACKGROUND

- A. On XXXXXXXX XX, 2015, the City Council enacted Ordinance No. 2015-____, repealing and reenacting Chapter 17.712 of the Sacramento City Code, relating to mixed income housing.
- B. Section 17.712.050 to the Sacramento City Code authorizes a housing impact fee for all new residential units consistent with the Residential Nexus Analysis developed by Keyser Marston Associates, Inc and updated in May 2015 (“Nexus Study”).
- C. The Nexus Study, approved and adopted by Resolution No. 2015-XXXX, establishes the need for affordable housing created by the development of new residential housing and provides a reasonable basis on which to establish development impact fees.
- D. A public hearing on adoption of this resolution was set as part of a regularly scheduled meeting of the Sacramento City Council for _____, 2015 at 6:00 p.m. in the Council Chamber located at City Hall, 915 I Street, First Floor, Sacramento, California 95814. The public hearing was also noticed pursuant to and in compliance with Government Code sections 66018 and 6062a, and was held as part of a regularly scheduled meeting of the City Council of the City.
- E. The proposed fees for new residential units under Section 17.712.050 are set forth in Exhibit A.
- F. The amount of the proposed fees shall be automatically adjusted on July 1st to take into consideration inflation consistent with section 17.712.050.C.

- G. All fees collected pursuant to section 17.712.050 shall be placed in the citywide low income housing fund and shall be administered and used for the purposes described in Ordinance 89-013, Ordinance 92-014, and Ordinance 2001-009 and shall be included in the annual evaluation required by those ordinances.
- H. Residential projects that are exempt from the fees are outlined in section 17.712.040.
- I. Higher density housing developments shall initially not be charged a fee because of the tenuous nature of that submarket. High density, market-rate housing has, up until 2015, predominantly required public subsidies and assistance and is critical to achieving the General Plan's goals for sustainable, transit-oriented, infill development.
- J. Market rate housing should be incentivized in areas of the City with concentrations of poverty and a weaker housing market. New housing in these areas should not be charged a housing fee impact fee that could constrain new housing opportunities and a mix of incomes in these areas.
- K. Fee amounts for high density residential projects shall be considered in four years (September 2019) to determine whether the housing market for these projects has been firmly established.
- L. Fee amounts for conversions of a nonresidential building to residential use shall be considered in four years (September 2019) to determine whether the housing market for these projects has been firmly established.
- M. Fee amounts and the location of the Housing Incentive Zones shall be reconsidered every four years, starting August 2019, to consider average home sales in the City as well as what constitutes an affordable mortgage for a low income family of four.
- N. City and SHRA staffs are authorized to use a percentage of the fee revenue to pay for the costs of implementing and maintaining the Mixed Income Housing Ordinance as set forth in Exhibit A.
- O. The proposed fee for protesting the Housing Impact Fee under 17.712.060 is set forth in Exhibit B.
- P. The proposed fee for appealing the Planning Director's decision on the protest of the Housing Impact Fee to the City Council under 17.712.060 is set forth in Exhibit C.

Q. The proposed fee for the Mixed Income Housing Strategy under 17.712.030 is set forth in Exhibit D.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. Findings.

- (a) The City Council hereby finds as follows:
 - (i) The recitals set forth above are true and correct and are incorporated herein by reference as findings.
 - (ii) The City Council approved and adopted the Nexus Study by Resolution 2015-XXXXX following a public hearing on the matter, and the contents of the Nexus Study are incorporated herein.
- (b) As to the Housing Impact Fee authorized by Chapter 17.712, section 17.712.050 of Title 17 of the Sacramento City Code, the City Council makes the following additional findings:
 - (i) The purpose of the Housing Impact Fee is to assist in financing the City's efforts ensure better income integration in new neighborhoods, potentially better proximity of a wider range of housing to services and jobs, and an equitable distribution of affordable housing, throughout the city
 - (ii) The Housing Impact Fee collected pursuant to this resolution shall be used to finance low income housing and shall be administered and used for the purposes described in Ordinance 89-013, Ordinance 92-014, and Ordinance 2001-009 and shall be included in the annual evaluation required by those ordinances.
 - (iii) The development of new residential units in the City generate a need for more affordable housing, which has not been constructed and is required for consistency with the City's Housing Element, and to protect the public's health, safety, and general welfare.
 - (iv) The Nexus Study establishes a reasonable relationship between the need for affordable housing, and the impacts of new

residential housing in the City, for which the corresponding fee is charged.

- (v) There is a reasonable relationship between the specified use of the housing impact fees and the type of development for which the fee is charged, as described in the Nexus Study.
- (vi) The revised fees are consistent with the City's General Plan and the Housing Element, and the City Council has considered the effects of the fees with respect to the City's housing needs and the regional housing needs.

Section 2. The City of Sacramento's Fee and Charge Report is hereby amended, as set forth in Exhibit A to establish the fees authorized by Section 17.712.050 of the Sacramento City Code.

Section 3. The City of Sacramento's Fee and Charge Report is hereby amended, as set forth in Exhibits B and C to establish the fees authorized by Section 17.712.060 of the Sacramento City Code.

Section 4. The City of Sacramento's Fee and Charge Report is hereby amended, as set forth in Exhibit D to establish the fees authorized by Section 17.712.030 of the Sacramento City Code.

Section 5. Exhibits A, B, C, and D are part of this resolution.

Exhibit A

Fee Name: Housing Impact Fee (Sacramento City Code Section 17.712.050)

Current Fee: None

Proposed Fee:

Housing Type	Fee Amount (Per Square Foot)
Single-unit and duplex dwellings (less than 20 dwelling units per net acre)	\$2.58
High density single-unit and duplex dwellings (20 dwelling units per net acre or more*)	\$0.00
Multi-unit dwellings (less than 40 dwelling units per net acre)	\$2.58
High density multi-unit dwellings (40 dwelling units per net acre or more*)	\$0.00
Conversion of a nonresidential building to a residential use	\$0.00
Dwelling units in the Housing Incentive Zone (See Figure 1)	\$1.11

Net acre, for the purposes of this fee, means the total area of a site excluding portions that cannot be developed, such as public and private streets, and open space.

Administrative Costs:

Three percent of the fee revenue may be utilized by City staff to pay for the following costs:

1. Assessing and interpreting the correct fee amount to be paid by new residential development.
2. Periodically updating the Mixed Income Housing Ordinance and related fee resolutions.
3. Annually indexing the fee.
4. Periodically updating the Nexus Study.
5. Updating the City's Housing Element and other policy documents that relate to the Mixed Income Housing Ordinance.

Ten percent of the fee revenue may be utilized by SHRA staff to pay for the following costs:

1. Administration of the fee revenue for the production of affordable housing, including underwriting, financing and construction monitoring.
2. Development and maintenance of program guidelines for implementation of the Mixed Income Housing Ordinance.
3. Collaborate with the City staff when periodically updating the Mixed Income Housing Ordinance and related fee resolutions.
4. Participate in the periodical updates of the Nexus Study with the City staff.

5. Annual status reporting of the Housing Administration Programs to City staff when updating the City's Housing Element and other policy documents that relate to the Mixed Income Housing Ordinance.
6. Annual compliance monitoring of affordable housing developments for the duration of the affordability period.
7. Annual reporting of the activities undertaken with the Mixed Income Housing Ordinance.
8. Management of land dedicated per the Mixed Income Housing Ordinance.

Figure 1 – Map of Housing Incentive Zones

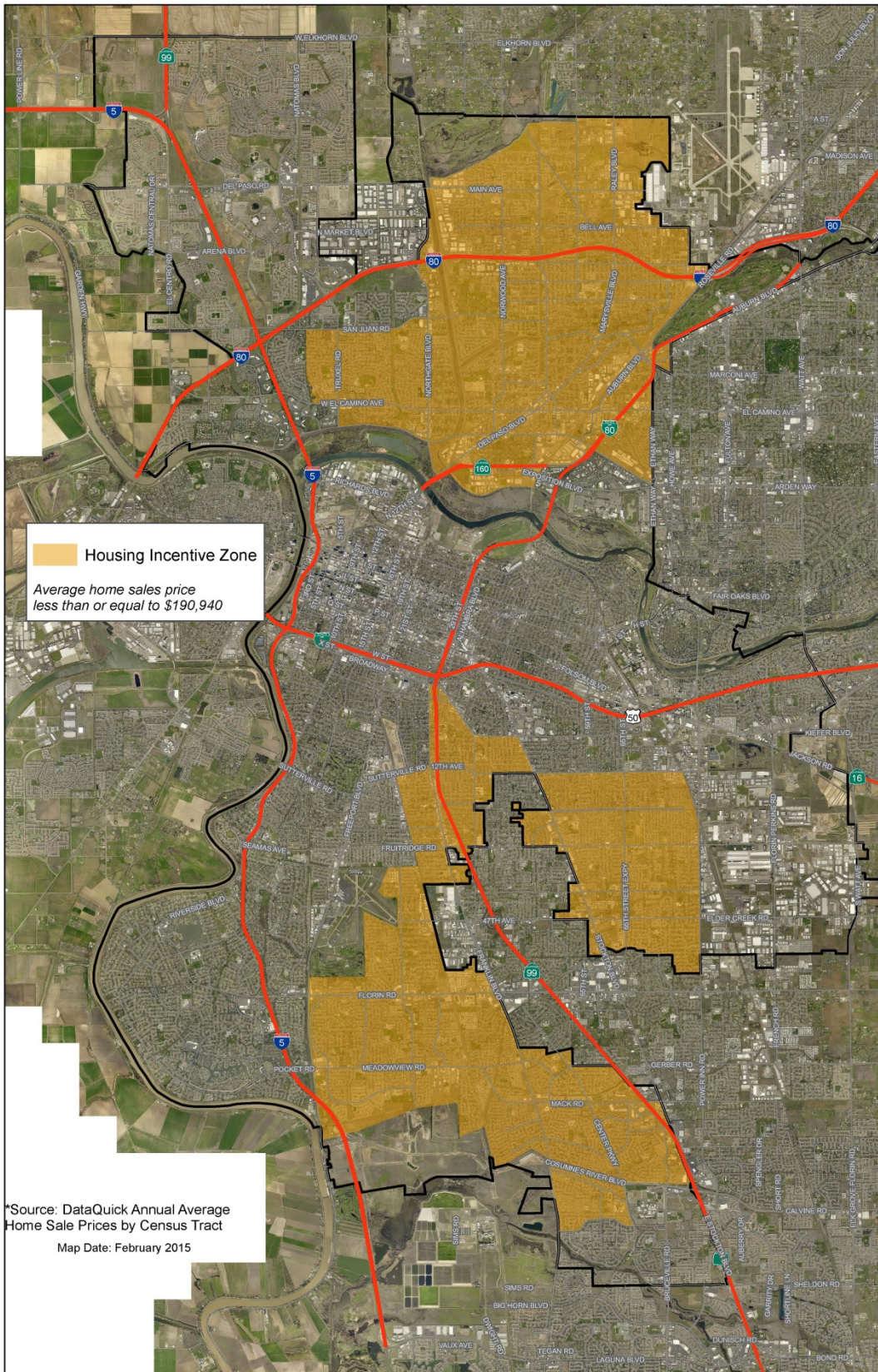


Exhibit B

Fee Name: Filing Fee for Protesting the Housing Impact Fee (Sacramento City Code Section 17.712.060)

Current Fee: None

Proposed Fee: Actual cost, with the initial deposit of \$1,130.

Justification: The fees recover 100% of estimated costs of considering and documenting the Planning Director's decision on the protest, all at the department's hourly rate of \$113. It is estimated that staff time for considering and holding a hearing on the protest will take 10 hours.

Proposition 26: These fees are not "taxes" under section 1, subdivision (e), in article XIII C of the California Constitution, as they are within the exception set out in subdivision (e)(3) of that section. The fees recoup not more than 100% of the Department's actual cost of issuing the permits and inspecting the sites. No fee waivers are provided, and the Department's costs are allocated equally to the persons who apply for permits and permit renewals.

Exhibit C

Fee Name: Appeal Fee for the Planning Director's Determination of the Housing Impact Fee (Sacramento City Code Section 17.712.060)

Current Fee: None

Proposed Fee: Actual cost, with the initial deposit of \$4,000

Justification: The fees recover 100% of estimated costs of processing the appeal of the Planning Director's decision, including document the nature of the protest and Planning Director's consideration in a staff report to Council, all at the department's hourly rate of \$113. It is estimated that staff time for preparing for and participating in a Council Hearing on the protest will take over 35 hours. This fee amount is consistent with appeal fees for other director and commission level determinations on planning entitlements.

Proposition 26: These fees are not "taxes" under section 1, subdivision (e), in article XIII C of the California Constitution, as they are within the exception set out in subdivision (e)(3) of that section. The fees recoup not more than 100% of the Department's actual cost of issuing the permits and inspecting the sites. No fee waivers are provided, and the Department's costs are allocated equally to the persons who apply for permits and permit renewals.

Exhibit D

Fee Name: Application Fee for the Mixed Income Housing Strategy (Sacramento City Code Section 17.712.030)

Current Fee: None

Proposed Fee: Actual cost, with the initial deposit of \$1,000

Justification: The fees recover 100% of estimated costs of processing the Mixed Income Housing Strategy, including the Planning Director's recommendation in a staff report to Council, all at the department's hourly rate of \$113.

Proposition 26: These fees are not "taxes" under section 1, subdivision (e), in article XIII C of the California Constitution, as they are within the exception set out in subdivision (e)(3) of that section. The fees recoup not more than 100% of the Department's actual cost of issuing the permits and inspecting the sites. No fee waivers are provided, and the Department's costs are allocated equally to the persons who apply for permits and permit renewals.

Summary of Current Mixed Income Housing Ordinance
(17.712 of the City of Sacramento's Planning and Development Code)

Application and Requirements

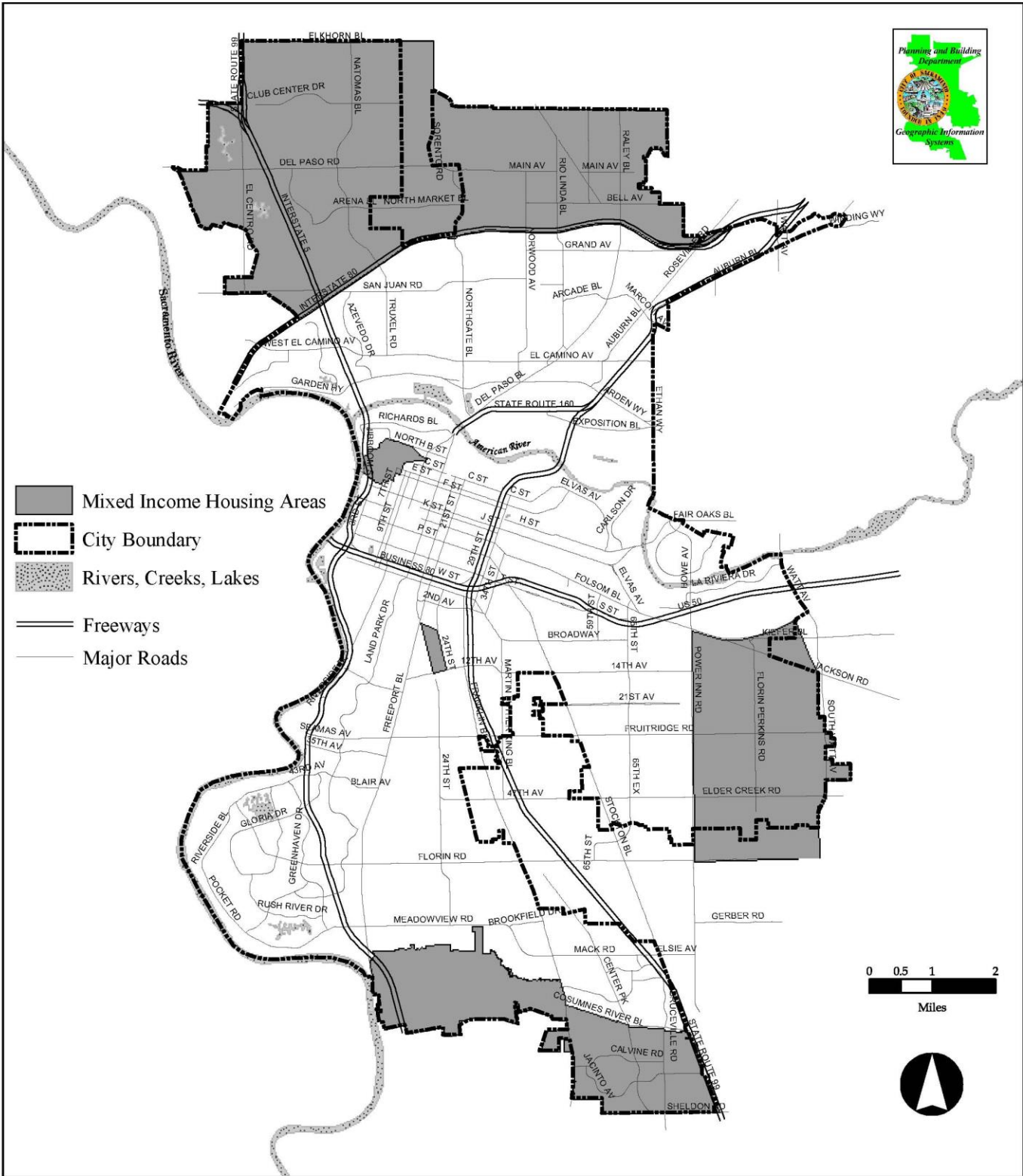
- Adopted on October 3, 2000.
- Ordinance applies in “new growth areas” as shown in the enclosed map.
- The ordinance does not apply to the following projects:
 - Residential projects of nine or fewer dwellings.
 - Rehabilitation of existing residential dwellings.
 - Market rate units produced as a density bonus.
 - Residential projects which have approved Development Agreements before June 20, 2000.
 - Residential projects made up entirely of mobile homes.
- Standard Obligation:
 - 5% low income units (affordable to 80% of area median income)
 - 10% very low income units (affordable to 50% of area median income)
- Exceptions to the standard obligation:
 - Exclusively single family developments of less than 5 acres may provide 15% low income units if all units are onsite and for-sale.
 - Stand-alone condominiums of 200 units or less, and not part of a larger PUD, may obtain a conditional use permit to provide 10% low and 5% very low income units.

Location of Inclusionary Housing Units

- Inclusionary housing units shall be built on the site of the development project and dispersed “to the maximum extent feasible.”
- Alternatives to on-site construction, with Planning Director approval:
 - Land dedication can be approved on-site or off-site to SHRA.
 - Off-site development: “Exclusively single family developments” which lack adequate land zoned for multifamily development may build their inclusionary units outside of the development project area but within the same new growth areas.
- Developments of 50% or more of inclusionary units may not be located adjacent to each other or another affordable housing development.

Phasing, Design, and Length of Affordability

- Inclusionary units must be built concurrently with the market rate units. Phasing of the units are detailed and approved in the Inclusionary Housing Agreement.
- Design of the inclusionary units must be compatible with design of total project and the units must provide mix of bedroom sizes.
- The SHRA multifamily development financing guidelines (size limitations, security standards, etc.) shall apply to inclusionary units.
- Minimum term of affordability for rental inclusionary units is 30 years.
- For-sale units have a 30 year deed restriction, which governs the home's resale.



AREAS SUBJECT TO MIXED INCOME HOUSING POLICY

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April 2003 | jh

Chapter 17.712 MIXED INCOME HOUSING

17.712.010 Purpose and intent.

This chapter is intended to provide that residential projects in new growth areas contain a defined percentage of housing affordable to low income and very low income households, to provide for a program of incentives and local public subsidy to assist in this effort, and to implement the mixed income policies of the housing element of the city's general plan. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.020 Definitions.

As used in this chapter,

“Affordable” means rented at an affordable rent or sold at an affordable housing price.

“Affordable housing price” means a sales price at which low income or very low income households can qualify for the purchase of for-sale inclusionary units. Qualification shall be based on no more than 35% of income being applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, and assessments.

“Affordable rent” means (1) for a unit whose occupancy is restricted to a low income household, a monthly rent consisting of a maximum of one-twelfth of 30% of 80% of the median income applicable to Sacramento County; and (2) for a unit whose occupancy is restricted to a very low income household, a monthly rent consisting of a maximum of one-twelfth of 30% of 50% of the median income applicable to Sacramento County. In each case the median income applicable to Sacramento County is as determined annually by the United States Department of Housing and Urban Development. Maximum rent is adjusted for household size appropriate to the unit, less a reasonable allowance for utilities.

“City” means the city of Sacramento.

“Developer” means any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities that seeks city's approvals for all or part of a development project. “Developer” includes “owner.”

“Development agreement” means an agreement entered into between the city and a developer pursuant to section 65864 of the [Government Code](#) and chapter [18.16](#) of this code.

“Development project” means any real estate development project in a new growth area that includes market rate residential units. Projects at one location undertaken in phases, stages or otherwise developed in distinct sections shall be considered a single development project for purposes of this section.

“Dwelling unit” means a residential unit within a development project.

“Exclusively single-unit dwelling” refers to a project that contains land zoned for single-unit dwellings, but insufficient land zoned for or permissive of multi-unit dwellings to accommodate the very low income portion of the inclusionary housing component on-site. Where land zoned for single-unit dwellings and land planned, zoned for or permissive of multi-unit dwellings residential use exist at one location as of the time of the first legislative entitlement for any

parcel or portion thereof, the totality of such land shall be considered in determining whether the subject project is exclusively single-unit dwellings.

“External subsidy” means any source of funds that is not local public funding, including federal or state grants, loans, bond funds, tax credits or other tax-based subsidy.

“First-time home buyer” means that neither the purchaser nor the purchaser’s spouse has owned a home during the past three years, or that the purchaser meets at least one of the following criteria:

1. The purchaser is a displaced homemaker, defined as a person who has not worked full-time for a number of years, worked primarily without remuneration to care for the home and family, is unemployed or underemployed, is experiencing difficulty in obtaining or upgrading employment, and, while a homemaker, owned a home with a previous spouse;
2. The purchaser is single (unmarried or legally separated), has one or more minor children of whom purchaser has custody, and, while previously married, owned a home with a previous spouse; or
3. The purchaser owns or owned as a principal residence during the past three years, a dwelling unit which structure is not permanently affixed to a permanent foundation in accordance with the city code, or is not and cannot be brought into compliance with city code for less than the cost of replacing the structure.

“Housing trust fund” means the fund created by the city, administered by the SHRA, and codified in chapter [17.708](#).

“Inclusionary housing agreement” or “agreement” means the agreement described in section [17.712.110](#) between a developer and the SHRA setting forth the manner in which the inclusionary housing component requirement of this chapter will be met in the development project.

“Inclusionary housing component” means the inclusionary housing units included in or provided by a development project as specified in this chapter.

“Inclusionary housing plan” means the plan described in section [17.712.110](#) setting forth the elements of a development project’s inclusionary housing component and the manner in which the inclusionary housing component will be implemented.

“Inclusionary housing unit” or “inclusionary unit” means an ownership or rental dwelling unit developed as a part of the inclusionary housing component of a development project as provided in this chapter.

“Inclusionary incentives” means the fee waivers or reductions, planning and building standards waivers or reductions, regulatory incentives or concessions, and local public funding provided by the city or SHRA to a development project to assist in the provision of the inclusionary housing component.

“Initial owner” means the first person or persons to purchase a new for-sale inclusionary unit for his, her or their primary residence.

“Legislative entitlements” means and includes general and community plan amendments, zonings and rezonings, planned unit development (PUD) schematic plans and amendments thereto, planned unit development guidelines and amendments thereto, and development agreements.

“Local public funding” means loans and grants from the housing trust fund, federal HOME Investment Partnership Program (“HOME” funds), redevelopment area tax increment housing set-aside funds, and other funds originating from or administered by the city, the SHRA, or the county of Sacramento.

“Low income household” means a household whose income does not exceed 80% of median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

“Major legislative entitlements” means all legislative entitlements and amendments to legislative entitlements which are not minor legislative entitlements.

“Minor legislative entitlements” means legislative entitlements or amendments to legislative entitlements which satisfy one or more of the following:

1. Entitlements that do not result in any of the following criteria as defined by the North Natomas community plan target average densities: a net loss of residential acreage; a net loss of acreage of land designated for high density residential (HDR) or medium density residential (MDR) development, unless the HDR total residential units replace the loss of MDR residential units; or a net loss of total residential units;
2. Entitlements that are the result of, and required by, amendments to public facilities or roadways designated in the North Natomas community plan; provided further that the entitlements are limited to addressing the amendments required by the city or other public agency;
3. Entitlements that are limited to amendments to a previously approved planned unit development (PUD) schematic plan, or PUD development guidelines, provided that the amendments do not result in a loss of more than five percent between the density of the proposed project and the density of the previously approved project.

“Market rate” means not restricted to an affordable housing price or affordable rent.

“Multi-unit dwellings” means residential units planned, approved, or built on land planned or zoned for other than single-unit dwellings.

“New growth areas” means (1) the newly developed communities identified on the map in Attachment A to this section; (2) major redevelopment opportunity areas, including the Sacramento Railyards special planning district and the Curtis Park West railyards site as identified on Attachment A; and (3) any future annexation areas of the city.

“Off-site” means outside of the boundaries of a development project.

“One location” means all adjacent land owned or controlled by the same owner or a related owner, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way.

“Owner” means and includes the person, persons, partnership, joint venture, association, corporation, or public or private entity having sufficient proprietary interest in real property to commence, maintain, and operate a development project.

“Percent” means a one-hundredth part. In applying percentages referred to in this chapter, any portion of a percent less than one-half shall be disregarded and any portion of a percent one-half or greater shall be rounded up to the next whole number.

“Project level approval” means and includes a tentative subdivision map, a conditional use permit, or other administrative or adjudicatory approval or determination in connection with a development project.

“Related owner” means a person or entity, including, but not limited to, partnerships, limited partnerships, and corporations, that has any of the following relationships with an owner: (1) they share the majority of members of their governing boards; (2) they share two or more officers; (3) they are owned or controlled by the same majority shareholder(s) or general partner(s); (4) they are in a parent-subsidary relationship; or (5) the person is a sibling, offspring or parent of an individual owner. For purposes of this section, a controlling interest means 50% or more of the voting power of a corporation, and a parent-subsidary relationship exists when one corporation owns, directly or indirectly, 50% or more of the voting power of another corporation. For purposes of this section, a person and any general partnership in which the person is a general partner, or a person and any corporation in which the person owns a controlling interest, shall be treated as one and the same.

“Residential projects” means the entirety of a residential development with market rate units in a development project subject to the requirement to provide an inclusionary housing component as specified in this chapter.

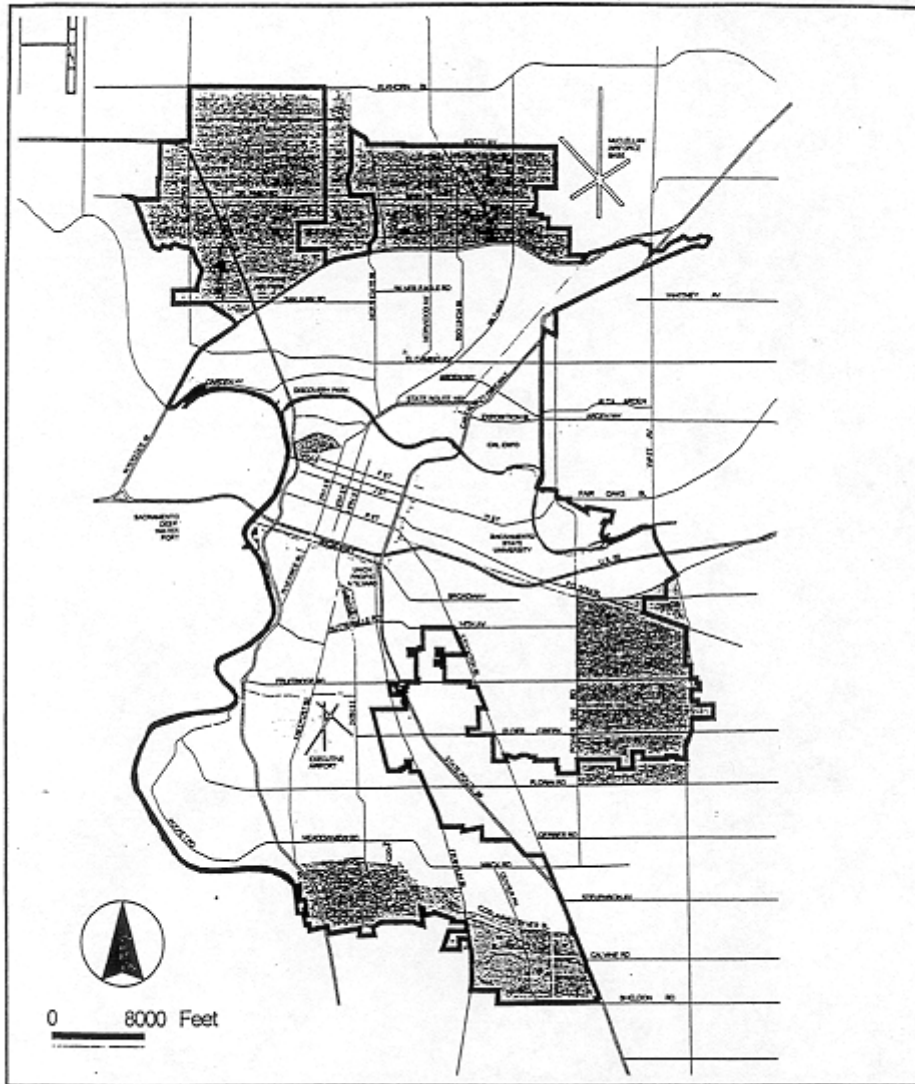
“SHRA” means the Sacramento Housing and Redevelopment Agency, a joint powers agency, and its city constituent entities, the Housing Authority of the City of Sacramento and the Redevelopment Agency of the City of Sacramento.

“Single-unit dwelling” means planned, approved or built-on land planned or zoned solely for a permitted residential density of one unit per parcel. Where such a planning or zoning single-unit dwelling designation also allows by right or as a conditional use duplexes, secondary dwelling units, or similar uses, the designation is nonetheless considered single-unit dwellings for purposes of the inclusionary housing component and the other provisions of this chapter.

“Very low income household” means a household whose income does not exceed 50% of the median income, adjusted for household size, applicable to Sacramento County, as published and periodically updated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

“Zoning code” means title 17 of this code as it may be amended from time to time.

Attachment A
MAP 10-1



(Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.030 Standard inclusionary housing component.

A. Inclusionary housing component required. All development projects not exempt under section 17.712.070 shall include or provide for an inclusionary housing component as set forth in this chapter.

B. Number and affordability of inclusionary units.

1. Not less than 15% of the development project's residential units shall be inclusionary units developed for, offered to, and leased or sold at an affordable rent or housing price to very low and low income households as follows: 10% of the dwelling units shall be affordable to and occupied by very low income households and 5% of the dwelling units shall be affordable to and occupied by low income households.

2. Notwithstanding the provisions of paragraph 1 of this subsection, the inclusionary housing component for exclusively single-unit dwelling development projects that are five gross acres or less in size, if met on site, may consist of for-sale inclusionary units developed for, offered for sale to, and sold at an affordable housing price to low income households as follows: 15% of the development project's residential units shall be affordable to and occupied by low income households.

C. Location of inclusionary units. Except as provided in section 17.712.060, inclusionary units shall be built on the site of the development project.

D. Timing of development. The inclusionary housing plan and inclusionary housing agreement shall include a phasing plan which provides for the timely development of the inclusionary units as the residential project is built out. The phasing plan shall provide for development of the inclusionary units concurrently with the market rate units, unless the phasing schedule approved in the inclusionary housing plan under section 17.712.110 provides otherwise.

E. Unit size. The inclusionary housing component shall accommodate diverse family sizes by including units with different numbers of bedrooms, as determined by the planning director, upon recommendation by the SHRA director.

F. Exterior appearance. Inclusionary units shall be visually compatible with the market rate units. External building materials and finishes shall be of the same type and quality for inclusionary units as for market rate units. Interior materials and finishes may vary pursuant to section 17.712.040.C.

G. Development standards. Except as provided in the inclusionary housing agreement pursuant to sections 17.712.040 and 17.712.110, inclusionary units shall comply with all applicable development standards. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.040 Incentives, assistance, and subsidies.

The developer of a development project with an inclusionary housing component required by this chapter may request that the city or SHRA provide inclusionary incentives as set forth in this section. The goal of these inclusionary incentives is to apply available incentives to qualifying projects in a manner that, to the extent feasible, offsets the cost of providing the inclusionary housing component. The planning director shall respond to that request at the time and in the

manner specified in this section, and shall make a determination as to a package of inclusionary incentives for the inclusionary units as provided in this section.

A. Fee waivers or deferrals. Upon application as provided herein, the city shall make available to a residential project developer a program of waiver, reduction or deferral of development fees, administrative and financing fees for inclusionary units. Such a program may include application, on behalf of a developer, to the California Housing Finance Agency to obtain school facility fee reimbursements for eligible projects and credit such funds to offset school fees paid by the project; and application to the county of Sacramento residential impact fee waiver and deferral program for waiver and/or deferral of regional sanitation impact fees.

B. Modification of planning and public works development standards. Upon application as provided herein, the city may modify for inclusionary units, to the extent feasible in light of the uses, design, and infrastructure needs of the development project as determined by the planning director, the zoning administrator, or planning and design commission, as applicable under the city zoning code: (1) applicable public works development standards contained in titles 12 and 16 of the city code, such as alternative standards relating to road widths, curbs and gutters, and parking; and (2) applicable planning standards contained elsewhere in this title such as minimum lot size, alternative housing types, and other minor deviations from development standards, lot coverage, locational and other requirements for approval of duplexes, halfplexes, and patio homes.

C. Interior finish reductions. Upon application as provided herein, the city may, to the maximum extent appropriate in light of project design elements as determined by the planning director, allow builders to finish out the interior of inclusionary units with less expensive finishes and appliances.

D. Streamlining and priority processing. The planning director may issue conditional use permits for residential projects that include an inclusionary housing component. The city shall develop further procedures for streamlining and priority processing which relieve inclusionary units of permit processing requirements to the maximum extent feasible consistent with the public health, safety and welfare.

E. Density bonus. The city shall make available to the residential project a density bonus as provided in state density bonus law, including [Government Code](#) section 65915, as it may be implemented hereinafter in city ordinance; provided, however, that the affordability requirements to qualify for a density bonus shall be those stated in sections [17.712.030.B.1](#) and 2 and the other provisions of this chapter. Dwelling units produced as part of such a density bonus shall not be subject to the inclusionary housing component requirement under this chapter.

F. Local public funding. The developer of the inclusionary component may apply to the SHRA for local public funding to assist in the financing and development of the inclusionary housing component. The application shall contain planning and financial information necessary to evaluate the eligibility and suitability of the project for local public funding and shall include timetables or proposals for external subsidy. Local public funding may serve to facilitate state allocation of tax credits, mortgage revenue bond funds, or state or federal assistance to the project (“external subsidy”); provided that the provision of such local

public funding requires that the developer diligently pursue such external subsidy and is not intended to substitute for such external subsidy. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.050 Construction of the inclusionary housing component to avoid overconcentration.

A. The following principles shall apply to the development of the inclusionary housing component whether on-site or off-site:

1. The inclusionary housing plan shall provide for the dispersal of buildings containing inclusionary units to the maximum extent feasible;
2. Multi-unit dwelling buildings may contain any proportion of inclusionary units. However, no multi-unit dwelling development consisting of more than 50% inclusionary units may be located adjacent to another multi-unit dwelling development with more than 50% inclusionary units, or adjacent to an affordable housing development.

B. For purposes of this section, an affordable housing development means a building containing more than eight units, or a cluster of such buildings under one ownership, consisting of more than 50% assisted units for low and very low income households receiving local public funding. When considering a request to amend an approved inclusionary housing plan under section 17.712.110.B.3 the decision maker may allow for variation from these principles, but only to the extent necessary, if an alternative configuration of inclusionary units is required by funding or financing considerations associated with the development of the inclusionary units or by the applicable residential land use designations within and adjacent to the residential project. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.060 Alternatives to the standard inclusionary housing component—Land dedication and off-site inclusionary housing.

A. Off-site inclusionary units. The inclusionary housing obligation of an exclusively single-unit dwelling project may be satisfied in whole or part by development of inclusionary units on another site located within the same new growth area and within the same community plan area as the exclusively single-family project.

1. Site suitability. The land proposed for off-site development must be suitable from the perspectives of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria.
2. Number of inclusionary units credited. The number of inclusionary units credited to the exclusively single-unit dwelling project will consist of the number of inclusionary units that can, with a reasonable degree of certainty, be developed on the off-site land, given: (a) the mix of inclusionary unit sizes and type of structure in the inclusionary housing plan; (b) densities permitted by applicable planning and zoning designations; and (c) site, infrastructure, environmental and other physical and planning constraints. In no event may the number of inclusionary units credited to the exclusively single-unit dwelling project for the off-site development exceed the exclusively single-unit dwelling project's total inclusionary obligation. In no event may

the off-site inclusionary units credited to any exclusively single-unit dwelling project be transferred to any other project or person.

3. The land selected for off-site inclusionary housing development shall be subject to the requirements of this chapter for its own inclusionary housing obligation unless exempt under section [17.712.070](#).

4. Participation by multiple developers. Two or more developers with an inclusionary housing obligation may request to participate in the same off-site development if the following conditions are met: (a) all the residential projects are in the same new growth area, and (b) each inclusionary housing unit may only be credited to one exclusively single-unit dwelling project.

5. Timing of development. Legislative entitlements and/or project-specific approvals for both the exclusively single-unit dwelling project and the inclusionary units on off-site land shall proceed concurrently, unless the phasing schedule in the approved inclusionary housing plan provides otherwise.

6. Implementation. As early as possible in the regulatory process, and in no case later than the negotiation of the inclusionary housing agreement as provided in section [17.712.110](#), the developer of the exclusively single-unit dwelling project must demonstrate ownership of the off-site location, or adequate control of the use of the off-site location through joint ownership, joint venture or contractual commitment with a third party to purchase the site and provide the inclusionary units. If necessary to ensure that inclusionary housing units are developed contemporaneously with the market rate units, the inclusionary housing plan may require the demonstration of off-site control to occur concurrently with the approval of the first legislative entitlement, or at any time thereafter.

B. Land dedication. The developer of any development project subject to this chapter may dedicate a portion of the land within the residential development site to SHRA at no cost to fulfill all or a portion of the inclusionary housing obligation for the development project. The developer of an exclusively single-unit dwelling project may dedicate land outside of its development project, but within the same new growth area and the same community plan area as the development project, to SHRA, at no cost, to fulfill all or a portion of the inclusionary housing obligation of the exclusively single-unit dwelling project.

1. Site suitability. The land proposed for dedication must be suitable from the perspectives of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria. In addition, the land proposed for dedication must have characteristics consistent with affordable housing financing program criteria and be deemed qualified for financing under these programs by SHRA.

2. Number of inclusionary units credited. The number of inclusionary units credited to the residential development project will consist of the number of inclusionary units which can, with a reasonable degree of certainty, be developed on the dedicated land, given: (a) the mix of inclusionary unit sizes and type of structure in the inclusionary housing plan; (b) densities permitted by applicable planning and zoning designations; and (c) site, infrastructure, environmental and other physical and planning constraints. In no event may the number of inclusionary units credited to the residential project for

the land dedication exceed the residential project's total inclusionary obligation. In no event may the inclusionary units credited to any residential project be transferred to any other project or person.

3. The land selected for off-site dedication shall be subject to this chapter for its own inclusionary housing obligation unless exempt under section 17.712.070. For purposes of this section, the number of inclusionary units attributable to the land proposed to be dedicated means 15% of the maximum allowable residential density of the land proposed to be dedicated.

4. Participation by multiple developers. Two or more developers with an inclusionary obligation may request to participate in the same off-site land dedication if the following conditions are met: (a) all the residential projects are in the same new growth area, and (b) each inclusionary housing unit may only be credited to one residential project.

5. Timing of development. The developer must identify the site proposed to be dedicated and the number of proposed units to be credited as part of the inclusionary housing plan required in section 17.712.110. Prior to the development project receiving legislative entitlements and/or project-specific approvals, the dedicated land shall be properly zoned and adequately served with necessary infrastructure, unless the phasing schedule in the inclusionary housing plan provides otherwise. As early as possible in the regulatory process, and in no case later than the negotiation of the inclusionary housing agreement as provided in section 17.712.110, the developer of the residential project must provide an irrevocable offer of dedication for the site to SHRA at no cost. If necessary to ensure that inclusionary housing units are developed contemporaneously with the market rate units, the housing plan may require the offer of dedication to be tendered concurrently with the approval of the first legislative entitlement, or any time thereafter. Upon acceptance of the offer of dedication, SHRA shall ensure the site is developed in a manner that will result, at a minimum, in the production of: (a) the number of inclusionary units credited to the site(s); and (b) the additional number of inclusionary units necessary to ensure that there is no net loss of inclusionary units caused by the development of the dedicated site as an affordable housing development while reducing or eliminating the requirement to construct inclusionary units on the site of the development project.

C. Approval of housing plans containing land dedication or off-site inclusionary housing.

1. Review and recommendation of the planning director. The planning director shall review the proposed inclusionary housing plan containing land dedication or off-site inclusionary housing and in so doing shall consult with the executive director of the SHRA. The planning director shall recommend approval, modification, or denial of the proposed inclusionary housing plan to the city council or planning and design commission, as provided in this section.

2. Standard for approval. An inclusionary housing plan containing land dedication or off-site inclusionary housing may be approved only if it provides a more cost-efficient solution when considering the amount of public subsidy to the inclusionary housing component than the standard approach set forth in section 17.712.030, or if the location of off-site development or land dedication would be superior to on-site

development from the perspective of access to transportation or other applicable residential planning criteria.

3. Approval by the city council. For development projects that require legislative entitlements, the inclusionary housing plan containing land dedication or off-site inclusionary housing shall be reviewed and approved in the same manner as the legislative entitlements. If the inclusionary housing plan containing land dedication or off-site inclusionary housing is approved, the relevant elements of the inclusionary housing plan shall be included in the applicable legislative approvals for both the residential development generating the requirement for the inclusionary housing component and, if applicable, the dedicated site or off-site development project where all or part of that requirement shall be met.

4. Approval by the planning and design commission. For projects that require only non-legislative, adjudicatory entitlements, the inclusionary housing plan containing land dedication or off-site inclusionary housing shall be subject to planning and design commission approval. If the inclusionary housing plan containing land dedication or off-site inclusionary housing is approved, the relevant elements of the inclusionary housing plan shall be included in the applicable non-legislative adjudicatory approvals, for both the residential development generating the requirement for the inclusionary housing component and, if applicable, the dedicated site or off-site development project where all or part of that requirement shall be met. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

[17.712.065 Alternative to the standard inclusionary housing component—Residential condominium projects.](#)

A. Conditional use permit required. The inclusionary housing obligation of a multi-unit dwelling condominium development project that is 200 units or less in size may be satisfied under this section upon approval of a planning and design commission conditional use permit under section [17.808.200](#). For purposes of this section, a multi-unit dwelling condominium development project means a multi-unit dwelling development project characterized by individual ownership of each dwelling unit and joint or common ownership of the common areas. Multi-unit dwelling condominium development does not include single-unit dwelling residential projects as defined in section [17.712.020](#).

B. Requirements. The inclusionary housing component approved under this section shall consist of on-site, for-sale inclusionary units developed for, offered for sale to, and sold at an affordable housing price to very low and low-income households as follows: 5% of the dwelling units shall be affordable to and occupied by very low-income households and 10% of the dwelling units shall be affordable to and occupied by low-income households.

C. Approval of housing plan for residential condominium projects—Required findings for conditional use permit.

1. Review and recommendation of the planning director. The planning director shall review the inclusionary housing plan proposed under this section and in so doing shall consult with the executive director of the SHRA. The planning director shall recommend approval, modification or denial of the proposed inclusionary housing plan to the city council or planning and design commission, as provided below.

2. Standard for approval and findings. In approving a conditional use permit for an inclusionary housing plan under this section, and in addition to the findings required by section [17.808.200](#), the decision-maker shall find the following:

- a. That the proposed inclusionary housing plan is consistent with the requirements of this section;
- b. That the proposed inclusionary housing plan is consistent with and in furtherance of the mixed-income housing policies of the housing element of the city's general plan; and
- c. That the proposed inclusionary housing plan provides a more cost-efficient solution when considering the amount of public subsidy to the inclusionary housing component than the standard approach set forth in section [17.712.030](#).

3. Approval by the city council. For development projects that require legislative entitlements, the conditional use permit and inclusionary housing plan proposed under this section shall be reviewed and approved in the same manner as the legislative entitlements. If the inclusionary housing plan is approved, the relevant elements of the inclusionary housing plan shall be included in the conditional use permit and legislative approvals.

4. Approval by the planning and design commission. For projects that require only non-legislative, adjudicatory entitlements, the conditional use permit and inclusionary housing plan proposed under this section shall be subject to planning and design commission approval. If the inclusionary housing plan is approved, the relevant elements of the inclusionary housing plan shall be included in the conditional use permit and applicable non-legislative adjudicatory approvals. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

[17.712.070 Exempted residential development.](#)

The following development projects are exempt from this chapter and generate no obligation to provide an inclusionary housing component:

- A. Development projects proposed to contain nine or fewer dwellings at one location;
- B. Development projects outside of a new growth area;
- C. Rehabilitation of existing residential dwellings;
- D. Units produced as a density bonus;
- E. Residential projects made up entirely of mobile homes as defined in chapter [17.108](#);
- F. Any residential project in the North Natomas community plan area which is the subject of a development agreement executed on or before June 20, 2000, unless subsequent to June 20, 2000 the residential project requires the approval of one or more legislative entitlements or amendments to legislative entitlements which are major rather than minor, in which case the residential project shall not be exempt from inclusion of the inclusionary housing component or from the other provisions of this chapter;

G. Residential projects in the North Natomas community plan area which had an approved development agreement on or before June 20, 2000 and which contemplated a particular type of development, as described in Exhibit B to its respective development agreement, shall be exempt from inclusion of the inclusionary housing component or the other provisions of this chapter even though one or more legislative entitlements are required; provided that the legislative entitlements or amendments to legislative entitlements are consistent with and necessary to develop the residential project described in Exhibit B. If legislative entitlements or amendments to legislative entitlements are required to develop a project different from the residential project described in Exhibit B, the revised residential project shall be subject to the requirement to provide the inclusionary housing component and the other the provisions of this chapter unless the legislative entitlements or amendments to legislative entitlement are minor;

H. Any residential project in the North Natomas community plan area which does not have a development agreement as of June 20, 2000, but which is the subject of a formal application on which the planning and design commission took final action on or before June 20, 2000, regardless of whether the planning and design commission's action was thereafter appealed; provided that the city council thereafter approves the project in substantially the same form as approved by the planning and design commission. If the city council denies the application as approved on or before June 20, 2000 by the planning and design commission, the development project shall comply with this chapter. If the city council approves the application but modifies the project in any substantial manner from the project approved by the planning and design commission, the project shall comply with the provisions of this chapter to the extent required by the council at the time of approval of the project. If changes in the residential project are proposed subsequent to the council's approval of the pending application, and the proposed changes require the approval of one or more legislative entitlements or amendments which are major rather than minor, the revised residential project shall be subject to the inclusionary housing component requirement and the other provisions of this chapter;

I. Any residential project for development of single-unit dwellings on subdivision lots created pursuant to a final map recorded on or before June 20, 2000 where the only remaining discretionary entitlements required to develop the project are one or more of the following nonlegislative entitlements: conditional use permit, variance, or site plan and design review. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.080 Duration of affordability for rental inclusionary units.

A. Rental inclusionary units shall remain affordable for a period of no less than 30 years from the recordation of the inclusionary housing agreement.

B. For-sale inclusionary units shall remain affordable for a period of not less than 30 years from the date of recordation of the inclusionary housing agreement and from the date of any resale to an income-eligible buyer made at a time the inclusionary unit is subject to affordability restrictions under this chapter. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.090 Affordability and resale of for-sale units.

A. Affordability. The owner of a development project subject to an inclusionary housing agreement shall sell the inclusionary housing units to income-eligible initial owners at an affordable price. The initial sale and any subsequent sale to an income-eligible purchaser shall be subject to the recordation by SHRA of legal documents to enforce the affordability, resale, and recapture requirements described in this section for a period of not less than 30 years. Legal documents may include an interest-bearing note, a deed of trust, and a regulatory agreement or other affordability covenant. To the extent possible, affordability and resale requirements shall be designed to be compatible with conventional mortgage financing programs, including secondary market requirements.

B. Resale procedure.

1. If the initial owner or any subsequent owner of a for-sale inclusionary unit intends to sell the unit at a time that the unit is subject to affordability restrictions, the owner shall notify SHRA in writing of the intent to sell, prior to initiating discussions with a real estate professional or taking any other steps to market the unit. Upon receipt of the notice from the owner, SHRA, or its assignee, shall have 120 days to either: (a) identify, qualify as income eligible, and refer to the seller an income-eligible buyer; or (b) give notice to the seller that SHRA, or its assignee, will acquire the unit. If SHRA, or its assignee, gives notice of intent to acquire the unit, it shall complete the transaction to purchase the property within 30 days from the date it provides the notice of intent.

2. If the owner receives either a referral of an income-eligible buyer or a notice of intent to acquire from SHRA, or its assignee, the owner shall sell the unit to the referred buyer or to SHRA, or its assignee, at the resale price established by SHRA as provided in subsection C of this section.

3. If, within the timeframes specified, SHRA, or its assignee: (a) does not refer an income-eligible buyer to owner; and (b) does not give notice of intent to acquire or does not complete the purchase of the unit, the inclusionary unit may be sold to a non-income eligible buyer. The sale to a non-income eligible buyer shall be subject to the recapture provisions of subsection C.2 of this section. Thereafter, affordability restrictions applicable to the unit shall terminate. SHRA shall apply all funds recaptured at resale to subsidize other inclusionary housing units.

C. Resale price. SHRA shall establish the resale price for inclusionary units as follows:

1. For income-eligible buyers, the resale price shall be based on the lesser of: (a) market value, as established by an appraiser approved by SHRA; or (b) the new affordable price as established by SHRA for the appropriate income level of the buyer. Should the resale price be less than the last affordable sales price, or should the resale price be insufficient to ensure that the seller receives his or her original investment in the unit as well as reasonable and customary closing costs, SHRA shall allow the resale price to be increased to cover these costs. SHRA may also allow a higher resale price for owners occupying the unit for a substantial period of time and making capital improvements to the unit.

2. For non-income eligible buyers, the resale price shall be based on the market value established by an appraisal approved by SHRA. The seller shall receive the amount of the resale price established by SHRA under subsection C.1 of this section. The remaining proceeds of the sale shall be paid to SHRA as recapture funds. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.100 Occupancy requirement.

A. Rental units. Any person who occupies a rental inclusionary unit shall occupy that unit as his or her principal residence.

B. For-sale units. An owner who purchases a for-sale inclusionary unit shall occupy that unit as his or her principal residence, and shall certify to the developer or seller of the unit that he or she is a first-time home buyer. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.110 Administration of the inclusionary housing component.

A. Proposed inclusionary housing plan. At the time of and as part of the application for the first legislative entitlement for a development project, or in the case of projects that do not require legislative entitlements, the first non-legislative adjudicatory entitlement, the developer of a development project shall present to the city a draft inclusionary housing plan which shall contain, at a level of detail appropriate to the entitlement, the number, unit mix, location, structure type, affordability, and phasing of inclusionary units. If land dedication or an off-site location is proposed, the draft plan shall include information necessary to establish site location, suitability, development constraints, and the number of inclusionary units credited.

B. Action on inclusionary housing plan.

1. Approval of inclusionary housing plan. The SHRA director shall review the proposed inclusionary housing plan and shall make recommendations to the planning director.

a. City council approval of inclusionary housing plan. For projects that require legislative entitlements, the inclusionary housing plan shall be noticed and heard by the city council in the same manner as the legislative entitlements.

b. Planning and design commission or zoning administrator approval of inclusionary housing plan. The inclusionary housing plan for development projects requiring only non-legislative, adjudicatory entitlements subject to planning and design commission or zoning administrator approval shall be noticed and heard in the same manner as the non-legislative, adjudicatory entitlements. The decision of the planning and design commission or zoning administrator approving or denying the inclusionary housing plan shall be subject to appeal to the city council pursuant to section 17.812.060. Notwithstanding any other provision of this code to the contrary, an appeal of the decision of the planning and design commission or zoning administrator on the housing plan for a project shall also constitute the appeal of the decision of the planning and design commission or zoning administrator on each adjudicatory entitlement

considered by the planning and design commission or zoning administrator for that project.

c. Planning director approval of inclusionary housing plan. The inclusionary housing plan for development projects requiring only staff-level adjudicatory entitlements shall be noticed and considered by the planning director in the same manner as a planning director's conditional use permit. The decision of the planning director approving or denying the inclusionary housing plan shall be subject to appeal to the planning and design commission pursuant to section 17.812.060. Notwithstanding section 17.812.060.A.2, the decision by the planning and design commission approving or denying the housing plan on appeal shall be subject to appeal to the city council pursuant to section 17.812.060. Notwithstanding any other provision of this code to the contrary, an appeal of the decision of the planning director or planning and design commission on the housing plan for a project shall also constitute the appeal of the decision of the planning director or planning and design commission on each adjudicatory entitlement considered by the planning director or planning and design commission for that project.

d. Notwithstanding paragraph 1.c of this subsection, inclusionary housing plans that include land dedication or off-site inclusionary housing shall be approved by the city council or planning and design commission in accordance with section 17.712.060.

2. Approval—When required. No entitlement for a development project shall be granted without an approved inclusionary housing plan. The elements of the inclusionary housing plan shall be incorporated into the terms and conditions of the applicable legislative entitlements and project-level approvals.

3. Amendment of inclusionary housing plan. An inclusionary housing plan may be amended as provided in this subsection prior or subsequent to the execution of the inclusionary housing agreement.

a. Findings required. Approval of an amendment to an inclusionary housing plan shall be subject to a finding that the amendment is necessary to facilitate the development, is consistent with the provisions of this chapter and will not inhibit the city's ability to enforce compliance with this chapter. If the amendment will change the phasing plan in such a way that the inclusionary units will not be developed concurrently with the market rate units, the amendment may be approved only if necessary to account for the different financing and funding environments, economies of scale, and infrastructure needs applicable to development of the market rate units.

b. Plans approved by the city council or planning and design commission. An amendment to an inclusionary housing plan that was originally approved by the council or planning and design commission, including all plans that contain land dedication or off-site inclusionary housing components, shall require hearing and approval by the planning and design commission in the same manner as a planning and design commission conditional use permit. In approving the

amendment, the planning and design commission shall make the findings stated in paragraph 3.a of this subsection.

c. Plans approved by the planning director. An amendment to an inclusionary housing plan that was originally approved by the planning director shall require hearing and approval by the planning director in the same manner as a planning director's conditional use permit. In approving the amendment, the planning director shall make the findings stated in paragraph 3.a of this subsection. The planning director may, at his or her discretion, elevate any request for amendment to the planning and design commission that would otherwise be heard by the planning director, and matters so elevated shall be treated in all respects as amendments subject to planning and design commission review in the first instance.

d. Minor amendments. Notwithstanding paragraphs 3.b and 3.c of this subsection, amendments to an inclusionary housing plan that are limited to modifications in total number and location of units and the unit size and mix necessary to reflect changes in the design of the underlying development project, including changes in unit size, on-site location and other similar changes, shall be approved by the planning director if the planning director finds that the amendment to the inclusionary housing plan conforms to the changes in the design of the development project. Approval of a minor amendment to an inclusionary housing plan by the planning director under this subsection shall not be subject to appeal.

e. Fee. The applicant for an amendment of an inclusionary housing plan shall pay a fee, as established by resolution of the city council, at the time the application is filed.

C. Inclusionary housing agreement.

1. Inclusionary housing agreements shall be prepared by SHRA.
2. Except as provided under paragraph 3 of this subsection, for development projects that require legislative entitlements, no project-level approval may be issued by the city without a recorded inclusionary housing agreement executed by the owner, the developer (if not owner) and the director of SHRA acting with the advice of the planning director.
3. A tentative subdivision map or tentative parcel map may be approved prior to execution or recordation of an inclusionary housing agreement if: (a) an inclusionary housing plan including a phasing plan has been approved; (b) the tentative subdivision map or tentative parcel map contains conditions that enforce the applicable phasing and other requirements of the housing plan; and (c) the legislative entitlements contain provisions that condition approval of conditional use permits, site plan and design review, or building permits on execution and recordation of and compliance with an inclusionary housing agreement.
4. Development projects that only require approval of one or more non-legislative, adjudicatory entitlements, including, but not limited to, a tentative subdivision or parcel map, conditional use permit, or site plan and design review shall include as a condition that no building permit, grading permit, final map, or other ministerial permit

necessary to develop the project shall issue unless and until an inclusionary housing agreement consistent with the requirements of this chapter has been executed and recorded, and the developer or owner has complied with the terms and conditions of that agreement.

5. Timing. For development projects that require legislative entitlements, the inclusionary housing agreement shall be negotiated concurrently with the processing of an application for the first project-level approval, except tentative subdivision maps and tentative parcel maps may issue prior to such negotiation pursuant to paragraph 3 of this subsection. For development projects that only require approval of one or more non-legislative, adjudicatory entitlements, the inclusionary housing agreement shall be negotiated prior to or concurrent with the processing of the first building permit for the project. At the request of the developer, and if developer makes the project development and financing details set forth in paragraphs 6 and 7 of this subsection available, the inclusionary housing agreement may be negotiated earlier in connection with the issuance of a legislative or non-legislative, adjudicatory entitlement.

6. Contents. The agreement shall be consistent with the inclusionary housing plan, and shall indicate ownership or rental project, the number and size of very low and low income units, the developer of the inclusionary units, the phasing and construction scheduling of the units, and any other information required by the SHRA relative to the inclusionary housing component. In the case of land dedication or off-site inclusionary housing, the agreement shall also contain the information required in section [17.712.060](#).

7. Information required from developer. The developer of the development project shall present to SHRA: (a) plans, schematics, and details of phasing of the residential project as a whole including the inclusionary housing component; (b) financial pro-forma for the inclusionary housing component with sufficient economic information to allow for evaluation of feasibility, financing and equity sources and requirements, and rates of return; (c) the name and address of the entity that will develop the inclusionary housing component if not developer; (d) in the case of land dedication, an executed irrevocable offer of dedication at no cost; (e) in the case of off-site location, the evidence of site control required in section [17.712.060](#); and (f) any other information reasonably required by SHRA in connection with the agreement.

8. If the SHRA or city fail to make available any of the inclusionary incentives agreed to in the inclusionary agreement, the residential project shall be relieved of the portion of the inclusionary obligation that represents the percentage of local public funding committed but not provided. If the local public funding component of the inclusionary incentives is delayed, SHRA may allow delay of the construction of some or all of the inclusionary units until the local public funding is available. Upon a decision by the city or SHRA that funding is not available for inclusionary units the planning director will initiate an amendment to the housing plan pursuant to subsection B.3 of this section.

9. Incorporation into project-level approvals and recordation. The developer obligations and the inclusionary incentives in the agreement shall be incorporated into the applicable project-level approvals. The executed agreement shall be recorded as

a covenant running with the land against the real property of the residential project and, in the case of off-site inclusionary units, against the real property on which such units are to be located.

D. Administration of affordability for inclusionary housing. The owner of rental inclusionary units shall be responsible for certifying the income of tenants to the SHRA at the time of initial rental and annually thereafter and that the unit is being rented at an affordable price. The owner of a for-sale inclusionary unit shall certify to the SHRA the income of the initial purchaser and shall certify to the SHRA that the initial purchaser is a first-time home buyer and that the unit is being sold at an affordable price. The owner of rental inclusionary units shall apply the same rental terms and conditions (except rent levels, deposits and income requirements) to tenants of inclusionary units as are applied to all other tenants, except as otherwise required to comply with government subsidy programs. Discrimination based on subsidies received by the prospective tenant is prohibited. The city and SHRA shall keep confidential the personal identifying information of the household members occupying an inclusionary unit. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.115 Guidelines.

A. The SHRA multifamily development financing guidelines and the SHRA single-family ownership financing guidelines shall apply to inclusionary housing developed under this chapter.

B. The executive director of SHRA and the planning director, individually or jointly, may adopt guidelines consistent with the terms contained in this chapter, as each may determine to be necessary or convenient for the implementation and administration of this chapter, which guidelines shall become effective upon approval by resolution of the housing authority of the city of Sacramento. The executive director and the planning director, individually or jointly, may adopt administrative procedures to implement the regulations adopted by housing authority resolution. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.120 Administrative fees.

The city council may by resolution establish reasonable fees and deposits for the administration of this chapter. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.130 Taking determination.

Commencing upon execution of the inclusionary housing agreement and within 15 days thereafter, a developer may request a determination that the requirements of this chapter, taken together with the inclusionary incentives, as applied to the residential project through the inclusionary housing agreement, would legally constitute a taking of property of the residential project without just compensation under the California or Federal Constitutions. If the developer and the SHRA have been unable to reach agreement on the terms of an inclusionary housing agreement, the applicable draft for purposes of the taking determination shall be the final draft proposed by the SHRA which the developer may execute under protest without recordation. The

developer has the burden of providing economic information and other evidence necessary to establish that application of the provisions of the inclusionary housing agreement to the residential project would constitute a taking of the property of the proposed residential project without just compensation. The SHRA director shall perform an independent evaluation, and make a recommendation to the planning director. The planning director shall make the determination, which may be appealed in the same manner as planning director decisions as provided in chapter 17.812 of this code; provided, however, that the decision of the planning director shall be subject to appeal to the city council. In making the taking recommendation or determination, the decision maker shall assume each of the following: (1) incorporation of the inclusionary housing component in the residential project; (2) application of the inclusionary incentives; (3) incorporation into the residential project of the most cost-efficient product type for the inclusionary units; and (4) external funding where reasonably likely to occur. If it is determined that the application of the provisions of this chapter through the inclusionary housing agreement would be a taking, the inclusionary housing plan and the inclusionary housing agreement shall be modified to reduce the obligations in the inclusionary housing component to the extent and only to the extent necessary to avoid a taking. If it is determined no taking would occur through application of the inclusionary housing agreement to the residential project, the requirements of this chapter remain applicable, and no project-level approval shall be issued unless the developer has executed and recorded the inclusionary housing agreement as proposed by the SHRA. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

17.712.140 Enforcement and penalties.

A. No legislative entitlement or, in the case of projects that do not require legislative entitlements, no non-legislative entitlement for any development project subject to this chapter shall be issued or valid without an inclusionary housing plan as required by this chapter.

B. No project-level approval shall issue for any development project subject to this chapter unless an inclusionary housing agreement has been executed and recorded, except tentative subdivision maps and tentative parcel maps may issue prior to such recordation pursuant to section 17.712.110.C, and no building permit or certificate of occupancy shall be issued until the inclusionary housing agreement has been recorded as required by this chapter.

C. The city may bring such civil and criminal enforcement actions as are provided for in the city code. (Ord. 2013-0020 § 1; Ord. 2013-0007 § 1)

Breakdown of Units Produced from Ordinance by Type and Affordability

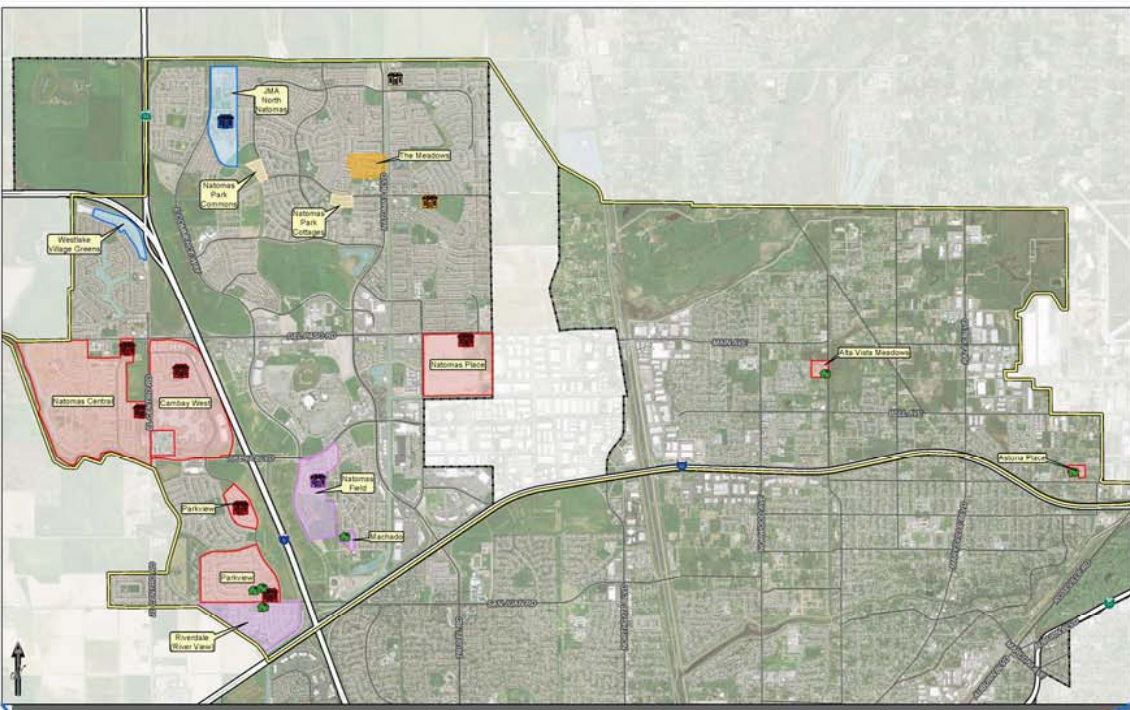
Inclusionary Housing Detail

	ELI	VLI	LI
Total Mixed Income	-	1032	473
14 Multifamily*		969	361
12 Single Family		63	112
11 Non Senior Multifamily		668	209
3 Senior Multifamily **		301	152

* Wolf Ranch Condos (24) and future
Curtis Park (90)

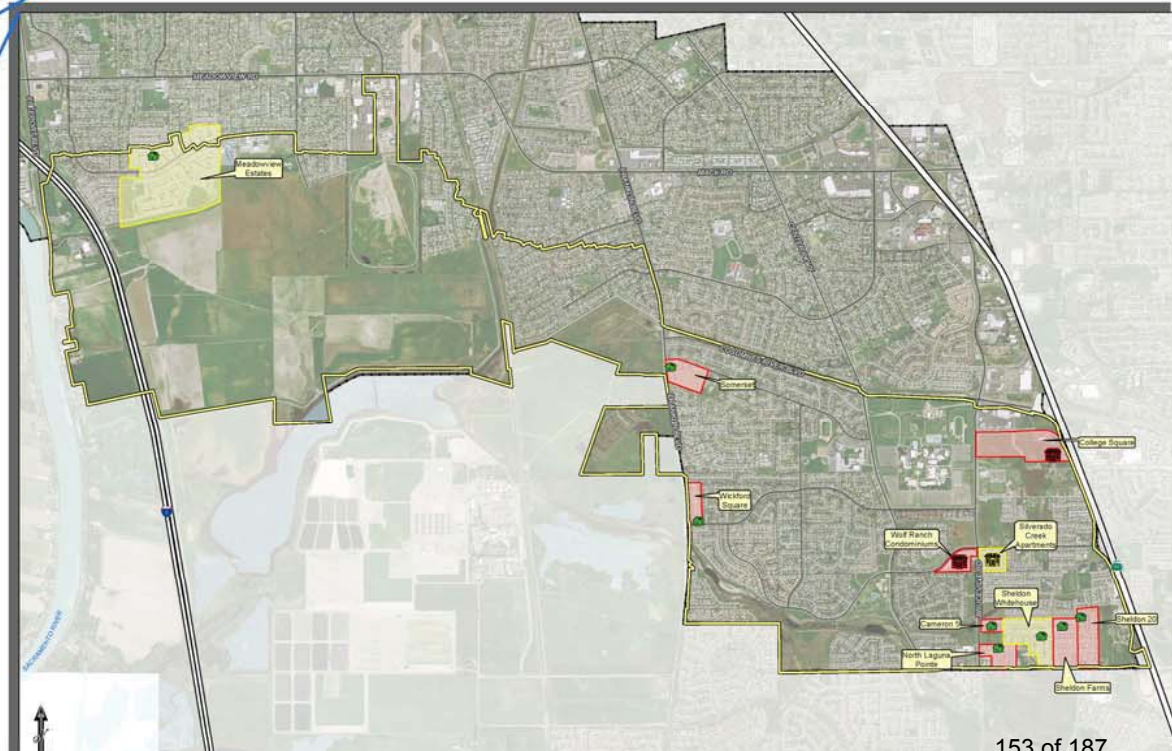
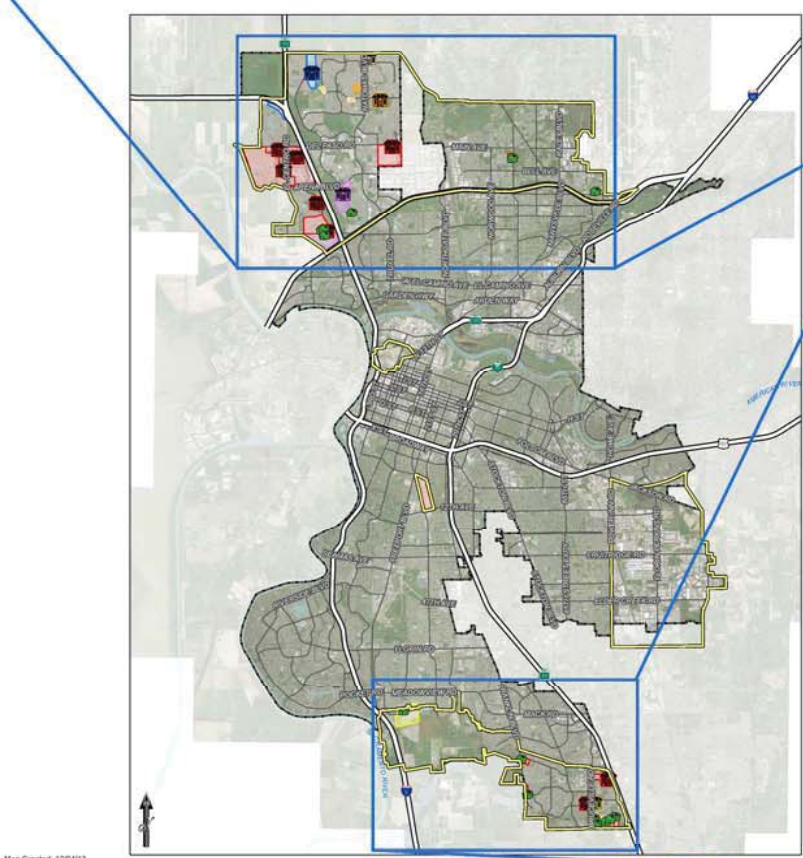
** Includes future Curtis Park (90)

Mixed Income Housing Ordinance Production



Legend

- City Boundary
- Mixed Income Ordinance
- Water
- Subdivision
- Subdivision
- Subdivision
- Subdivision
- Subdivision
- Subdivision
- Subdivision
- Highways
- Major Roads
- Single Family from a Single Subdivision
- Multi-Family from a Single Subdivision
- Westview Ranch Apartments
- Silverado Creek Apartments
- Northpointe Apartments
- Vintage at Natomas Field Apartments
- Natomas Park Apartments



Frequently Asked Questions

1. Why is the fee set at \$2.58 a square foot?

Housing Element policy directs the City to maximize the use of all appropriate State, Federal, local and private funding for the development of affordable housing while “maintaining economic competitiveness in the region” (H-2.2.4). Sacramento County’s affordable housing fee is \$2.58 and is the highest per square foot fee in the region. Staff recommends we match that fee.

2. How is the fee justified?

The fee is based on a residential nexus analysis which demonstrates how new market rate housing creates a need for more workforce affordable housing. The nexus analysis can be found in Attachment 6.

3. Where will the money go? How will the money be used?

The money will go into the City’s Housing Trust Fund, which is administered by SHRA. Since 1989, over \$25,000,000 from the Housing Trust Fund has helped to leverage funding for 3,409 units in 48 affordable housing developments.

SHRA’s Multifamily Lending Guidelines, adopted by the City Council, prioritize the use of locally controlled subsidies for affordable housing. The priorities are as follows:

1. Preservation of existing affordable housing units.
2. Recapitalization of existing affordable housing units.
3. Inclusionary housing.
4. Rehabilitation and new production.

4. What is the affordable housing need?

State Housing Element Law requires all cities and counties to plan for their fair share of the State’s growth and affordable housing needs. The Regional Housing Needs Allocation (RHNA) for 2013-2021 requires the City to plan an adequate supply of land, zoning and infrastructure for 8,411 new low, very low and extremely low income households. However, the State does not require that the City ensure these units are built.

Given the limitation in federal and state funding for subsidized housing, the Housing Element anticipates that 1,820 homes for low, very low and extremely low households will be constructed by 2021. This estimate was based on existing resources when the

Housing Element was adopted. The fee revenue from the new Mixed Income Housing Ordinance would augment these resources.

5. How will the Mixed Income Housing Ordinance contribute towards the need?

This ordinance has never been designed to meet all the City's affordable housing needs. Since 2000 the Mixed Income Housing Ordinance has produced roughly a quarter of the City's affordable housing.

The \$110 million in fee revenue anticipated to be generated from the ordinance over the next 20 years is expected to leverage 1,570 affordable homes. Without this local funding source, significantly less affordable housing in the City would be able to be built.

6. How much fee revenue is going to be generated?

Using SACOG's most recent draft MTP growth projections we anticipate the following fee revenue projections:

- **2015-2020:** \$11,781,000
- **2015-2025:** \$44,708,000
- **2015-2035:** \$110,534,000

The fee projections assume the reduced rates for developments in Housing Incentive Zones and \$0 fee rates for high density development from 2015-2035.

7. How many affordable housing units will the fee revenue pay for?

According to SHRA staff, the average publicly funded subsidy for new construction projects (with Mortgage Revenue Bonds/4% Tax Credits) within the County of Sacramento is currently \$70,316 per unit. If \$110,534,000 is generated from the new fee between 2015-2035, approximately 1,570 affordable homes could be leveraged with this critical local subsidy in combination with Federal and State resources.

8. How will this impact approved projects not currently subject to the ordinance?

Projects that are not currently subject to the ordinance that have already received approval of a tentative map or site plan and design review prior to adoption of the new Mixed Income Housing Ordinance will be exempt.

9. How many of these approved projects would be exempt?

It is estimated that 19 projects totaling 5,122 housing units would be exempt because they have approved entitlements. Examples of this projects include: The Creamery, The Mill (Northwest Land Park), McKinley Village, 700 K Street, and Township 9.

If these projects were not exempt, the total fee revenue that could be generated by these projects is estimated to be around \$12,000,000. Many of these approved projects would not pay the fee under the proposed ordinance either because of their high density

or because they have more than 10% affordable housing units. It should be also noted that planning approvals typically expire after three years, unless time extensions are granted.

10. Why is the City exempting multi-unit dwellings that have applied for site plan and design review prior to the effective date of the ordinance?

The market for new multi-unit dwellings is more challenging than for new single family homes. According to industry forecasters, the rents outside of downtown Sacramento are not high enough to cover the cost to construct. In addition, there are a significant amount of single family homes being rented out.¹ The purpose of this exemption is to not discourage the two proposed multi-unit dwelling developments from moving forward with their entitlement application because of an unanticipated new fee.

11. When will high density projects start paying the fee?

In four years the City will evaluate market conditions for production of high density housing developments and determine whether addition of this fee is feasible.

12. Will the new ordinance address homelessness?

Not directly. Per the nexus study, fee revenue from new residential development must be used for workforce housing. However, if very low and low income households can find secure households they will be less likely to fall into homelessness.

13. What is the Housing Incentive Zone? Why are you charging \$1.11 a square foot?

The Housing Incentive Zone encourages housing production in areas of the City where market-rate housing is already affordable. Average home sales in this zone (2013 and 2014) are less than or equal to \$190,940, which is the maximum mortgage a low income family of four can afford. Adding the full fee cost to an already challenged housing market could constrain market-rate housing production in these areas of the City.

14. How does the new ordinance compare with other jurisdictions?

A table comparing other affordable housing ordinances and fees that are applied to new residential development can be found in Attachment 21

15. What is a Mixed Income Housing Strategy?

¹ "Summary of Interviews with Industry Forecasters on Draft Projections through 2020," SACOG Strategic Planning Committee, January 14, 2015.

A Mixed Income Housing Strategy is a new planning entitlement required for developments over 100 acres that would be approved by the City Council. The strategy would need to show how the development will provide housing for a variety of incomes and family types. The developer would not be required to provide regulated affordable housing. Per the 2009 Palmer Decision, the City cannot require development to build regulated below-market rental housing units.

The ordinance would allow developers to propose, in a Mixed Income Housing Strategy, fee credits for land dedication, construction of affordable dwelling units, or other mechanisms that leads to the provision of affordable housing.

16. Can developments with approved inclusionary housing plans opt into the new ordinance?

Yes.

17. How many affordable housing units are required under the remaining approved inclusionary housing plans?

Inclusionary Housing Plans approved under the current ordinance identify approximately 3,300 housing units that would be affordable to low and very-low income households.

18. What else is the City going to do address the need? What can the City do to supplement the fee revenue collected from the Mixed Income Housing Ordinance?

As identified in the 2013-2021 Housing Element, the City and SHRA will be doing the following:

- Convene a working group made up of building industry and affordable housing experts to explore new funding sources for affordable housing. City staff shall make recommendations to the City Council based on insights from the working group meetings.
- Engage the Sacramento Area Council of Governments and other regional entities to develop a regional plan to pool local funding and staff capacity together in order to develop affordable, transit-oriented development in key locations in the region.
- Conduct a seminar with affordable housing developers to discuss priority sites as well as promote new development standards and programs that help facilitate affordable housing.
- Coordinate with the Sacramento Area Council of Governments, Sacramento County, SHRA and other agencies to develop funding sources and strategies to develop housing near transit.

- Aggressively pursue of Cap and Trade grants which can provide up to \$15,000,000 a year in Transit Oriented Affordable Housing funding.
- Maximize federal funding utilizing the new “promise zone” designation.
- Apply for up to \$60 million in federal grant funding to rehab and preserve our existing Public Housing portfolio.

These new initiatives are in addition to current programs that include:

- Developing permanent supportive housing to end chronic homelessness (427 units constructed to date)
- Preserving existing affordable housing units.
- Inspecting existing rental units to improve quality of housing.
- Rehabilitating blighted buildings and making them affordable.
- Creating affordable home ownership opportunities with downpayment assistance
- Providing grants for emergency repairs and accessibility modifications for low income and very low income residents.

19. What is the revenue lost from reducing fees in certain areas of the City? How would reducing the fee impact our ability to produce affordable housing?

Assuming the fee was to stay at \$1.11 a square foot in the Housing Incentive Zone, the fee revenue difference from \$2.58 to \$1.11 a square foot from 2015-2020 would be \$2,161,000.

Adding the full fee cost to an already challenged housing market could constrain market-rate housing production in these areas of the City. In reality, the reduced fee improves our ability to produce affordable housing because more homes would be built that would pay the fee.

20. Can language be included that states that when someone submits an application it locks in the fee?

If and when the City contemplates a one-time increase of the fee, beyond the automatic index, there will be considerations for pipeline projects similar to what has been contemplated for the proposed ordinance.

Outreach Summary for the Mixed Income Housing Ordinance Update

2013-2021 Housing Element Update

Meeting(s)	Dates
Natomas Planning Committee	September 25, 2012
Habitat, Mercy Housing, Housing Advocates	September 28, 2012
North State BIA Staff	October 5, 2013
Planning and Design Commission Workshop	November 15, 2012
North State BIA Staff	December 14, 2012
Sacramento Housing Alliance Staff	February 21, 2013
North State BIA Staff	February 25, 2013
Natomas Planning Committee	March 4, 2013
Community Workshop	March 13, 2013
Planning and Design Commission Workshop	March 14, 2013
Bill Heartman	May 10, 2013
North State BIA Staff	May 14, 2013
North State BIA Board	May 19, 2013
Disability Advisory Commission	March 21, 2013
SHRA Commission	April 17, 2013
Adult and Aging Commission	April 24, 2013
Planning and Design Commission Workshop	May 23, 2013
SHRA Commission	May 29, 2013
Phil Angelides	June 11, 2013
North State BIA Board	June 18, 2013
Natomas Planning Committee	June 19, 2013
Sacramento Steps Forward	June 20, 2013
Downtown Partnership	June 27, 2013
Sacramento Housing Alliance Staff	July 16, 2013
Planning and Design Commission Workshop on Draft Housing Element	July 25, 2013
Planning and Design Commission Hearing to Approve	Aug. 15, 2013
Council Hearing to Approve	Sept 3, 2013
Planning and Design Commission Hearing to Adopt	Nov. 3, 2013
Council Hearing to Adopt	Dec. 17, 2013

Mixed Income Housing Ordinance Update

Meeting(s)	Dates
Technical Review Group Meeting	Dec. 11, 2013
Sacramento Area Congregation Together and Sacramento Housing Alliance.	Jan. 7, 2014
Technical Review Group Meeting	Jan. 15, 2014
Community Workshop – Lemon Hill at Mutual Housing	Jan. 23, 2014
Community Workshop – Hart Senior Center	Jan. 28, 2014
Community Workshop – South Natomas Center	Jan. 29, 2014
Community Workshop – Pannell Meadowview Center	Feb. 5, 2014
Scott Whyte, North State BIA	March 24, 2014
Mark Stivers, Senate Committee on Housing and Transportation	March 25, 2014
Greg Forest - Hefner, Stark & Marois	March 25, 2014
Chris Worden, Downtown Partnership and Kevin Greene, Chamber of Commerce	March 27, 2014
Sotiris Kolokotronis, Urban Capital Partners	April 9, 2014
Nick Avdis – Thomas Law Group	May 1, 2014
Phil Angelides, Aaron Sussman, Megan Norris - Riverview Capital Investments	May 8, 2014
Patti Kleinknect, River District	May 16, 2014
Jeanne LeDuc, Sacramento Housing and Redevelopment Commission	May 16, 2014
Darryl Rutherford, Sacramento Housing Alliance	May 19, 2014
Matt Keasling and Jim Wiley – Taylor and Wiley	May 20, 2014
Chris Worden (Downtown Partnership) and Ali Yousefi (CFY Development)	May 22, 2014
Scott Whyte, North State Building Industry Association	May 27, 2014
Natomas Park Planning Committee	June 11, 2014
Darryl Rutherford (Sacramento Housing Alliance) and Sotiris Kolokotronis (Urban Capital Partners)	July 7, 2014
Bill Heartman, Seris Regis Group	Aug. 7, 2014
Denton Kelly and Jay Heckenlively, LDK Ventures	Nov. 14, 2014
Charrette with Expanded Technical Review Group	Nov. 17, 2014
Emily Baime Michaels, Midtown Business Association	Jan. 15, 2015
Josh Wood, Sacramento Region Builders	March 18, 2015
Ryan Hooper, Offices of Gregory Thatch	March 18, 2015
Geoff Brown, USA Properties	March 23, 2015
Bill Heartman, Sares Regis Group	March 24, 2015
River District Board Meeting	April 8, 2015

Emilie Cameron, Sacramento Downtown Partnership	April 14, 2015
Sacramento Housing Alliance, Area Congregations Together (ACT), Alliance of Californians for Community Empowerment (ACCE)	April 22, 2015
Strategic Development Committee, Sacramento Downtown Partnership	April 23, 2015
Capital Area Development Authority Board	April 24, 2015
Midtown Business Association Board	April 29, 2015
Region Builders Board	May 7, 2015
North Natomas Community Coalition	May 13, 2015
Sacramento Housing and Redevelopment Commission	June 3, 2015
Planning and Design Commission Hearing	June 25, 2015
Sacramento Housing and Redevelopment Commission	August 5, 2015
Law and Legislation Committee Hearing	Aug. 11, 2015
City Council Hearing	Sept. 1, 2015

Input from Community Workshops

Community Workshop – Lemon Hill at Mutual Housing – 1/23/14

From Spanish/English speaking group:

- Retired and fast food workers are predominantly extremely low income
- Fees alone do not work for construction of housing. Elk Grove did not spend the fees that were collected for years. Now they are finally building housing.
- The current county requirement should be required citywide.
- Single parent families are in danger of becoming homeless without extremely low income housing.
- Self-help and Habitat for Humanity is very good.
- Affordable by design can be problematic because the housing is too small for families.

From Chinese/Vietnamese speaking group:

- Don't change anything about the ordinance.
- Best places for affordable housing is near bus routes and Asian stores.
- The housing should be located in walkable areas.

From Hmong speaking group:

- More low income families should participate and support the ordinance.
- More units should be affordable to very low and extremely low income households.
- 15-25% of new communities should have affordable housing.
- Housing should be located near hospitals, grocery stores and work places.
- More housing should have 3 to 6 bedrooms to support the large, multi-generational families.

Community Workshop – Hart Senior Center – 1/28/14

- Affordable housing should be mixed in w/new communities.
- The amount of homeless in midtown indicates a lack of affordable housing in the area.
- Extremely low income and very low income units need to be accessible.
- Inclusionary units need longer deed restrictions than 30 years.
- Skeptical that Affordable by design units will be sold/rented to low income.
 - Likely that moderate and above moderate income households, that have better credit will be able to live in those units.
- Do not relax the current requirements in New Growth Areas

- Partner with Habitat for Humanity and other sweat equity models. Allow land dedication for those organizations.
- Gentrification of infill areas is concerning.
- Have a higher fee in greenfield areas
- Avoid concentration of affordable housing in any one area.
- Do not charge fee for 2nd residential units. It will discourage something we want.

Community Workshop – South Natomas Center – 1/29/14

- \$3 fee is too high
- How is the fee for duplexes and halfplexes charged?
- There has been success with duplexes and halfplexes in the Green Haven Pocket area.
- Cluster housing products in North Natomas have had parking problems.
- For-sale affordable housing that have gone into foreclosure are very difficult to purchase.
- For-sale affordable housing cannot be rented.
- The prevailing interest rate factors into the resale price of the for-sale affordable home because the payment affordability considers principle, interest, HOA dues, and other factors. This means that even if the value of the home goes up the interest rate can restrict equity.

Community Workshop – Pannell Meadowview Center – 2/5/14

- Fee is too low.
- Allow low income people to build their own housing - Habitat for Humanity/Self Help Housing
- The higher the fee, the more attractive the option to build housing.
- The phasing in of the fee is concerning. It would take too much time to build up the fee revenue.
- The fee revenue should be used to rehab boarded and vacant homes as well as apartment complexes. Those units should be guaranteed affordable to low income.

November 2014 Charrette

On November 17, 2014 the City hosted a charrette to educate the participants, encourage common understanding of the various perspectives, and to identify any points of general consensus, and any commonly expressed areas of improvement. The meeting went from 10 am to 5 pm beginning with guest presentations on the economics of development (Tim Youmans, Tim Youmans Consulting) and the state of affordable housing (Rich Gross, Enterprise Community). After lunch Greg Chew (Senior Planner, SACOG) facilitated a discussion on the current draft framework.

The Charrette participants are as follows:

Charrette Participant List	
Sacramento Housing Alliance	Cathy Creswell
Mercy Housing	Stephan Daves
USA Properties	Geoff Brown
Area Congregations Together (ACT)	Sally Smith
North State Building Industry Association	Scott Whyte
Downtown Sacramento Partnership	Chris Worden
Petrovich Development Company	Phil Harvey
SHRA Commission	Jayne Raab
Riverview Capital Investments	Megan Norris
North Natomas Community Coalition	Lynn Lenzi
Offices of Gregory Thatch	Ryan Hooper
California Senate Transportation & Housing Committee	Mark Stivers
Sacramento Housing Alliance	Darryl Rutherford
Capitol Area Development Authority (CADA)	Wendy Saunders
Sares Regis Group	Bill Heartman

The discussion sessions were broken up into three parts. After all input was received, the participants were given three stickers to indicate their support of a suggestion. Below is a summary of suggestions that received a minimum of three stickers.

Charrette Input Summary

Session #1: Apply the Mixed Income Housing Ordinance Citywide with a fee of \$2.50 a square foot

- New growth areas should provide 15% affordable housing and infill areas should have a fee. ***** (11)
- Develop other city resources (boomerang funds, T.O. Tax, permit streamlining, fee deferrals) ***** (11)
- Index the fee based on the number of building permits ***** (8)
- Phase in the fee. ***** (6)
- Reduced fee for infill areas. **** (4)
- Citywide fee at \$2.50 per square foot. **** (4)

Session #2: Exempt projects that either do not create a need for new affordable housing, create affordable housing opportunities, preserve historic resources, or still have an unproven market.

- Exempt high density development (40 du/na). Reconsider after 5 years. ***** (15)
- Exempt existing approved tentative map projects in infill areas. ***** (9)
- Exempt entitled projects not already subject to the ordinance. *** (3)
- Project with 10% affordable units can be exempt however: ***** (6)
 - Ownership units must be affordable to 80% of area median income.
 - Rental units must be affordable to 50% of area median income.
- Support exemptions for room additions; 2nd residential units; single unit owner/builder; and development agreements prior to 2000. **** (4)

Session #3: Require 100 acre developments to create affordable housing options (including land dedication and affordable-by-design) for low income families. Allow dedication of land to self-help/sweat equity housing developers.

- Large projects with existing inclusionary housing plans cannot opt-in to new ordinance. ***** (21)
- Large projects with existing inclusionary housing plans can opt-in to the new ordinance. ***** (18)
- Large projects should be able to pay a fee like all other projects. ***** (16)
- Affordable-by-design minimum of 1,200 square feet is too small. ***** (5)

May 4, 2015 Technical Review Group Meeting

Comments Received:

May 4th Technical Review Group Participant List	
Sacramento Housing Alliance	Cathy Creswell
Mercy Housing	Stephan Daues
USA Properties	Geoff Brown
Area Congregations Together (ACT)	Sally Smith
North State Building Industry Association	Katie Donahue
Downtown Sacramento Partnership	Emilie Cameron
Petrovich Development Company	Phil Harvey
SHRA Commission	Jayne Raab
Riverview Capital Investments	Megan Norris
North Natomas Resident	John Parrinello
Offices of Gregory Thatch	Ryan Hooper
California Senate Transportation & Housing Committee	Mark Stivers
Sacramento Housing Alliance	Darryl Rutherford
Capitol Area Development Authority (CADA)	Wendy Saunders
Planning and Design Commission	David Nybo
Sares Regis Group	Bill Heartman

- Darryl Rutherford: Recommended that the adaptive reuse exemption be moved into the \$0 category that would be evaluated in 4 years.

Staff response: This change has been made.

- Stephan Daues and Mark Stivers: Recommended that the four year evaluation should have some type of predictable metric (i.e. # of building permits). How do we determine what a healthy market is?

Staff response: We are hesitant to commit to a specific metric. While there is value for being able to predict whether or not fees will be required for these projects, we do not want to be limited to a specific way of evaluating a healthy market. The City has yet to have a healthy housing market for urban infill development. It is difficult to determine what success looks like when we have yet to see it.

- Cathy Creswell: Recommended that there should be more of a policy vision for the Mixed Income Housing Strategy with specifics for creating mixed income communities.

Staff response: The Housing Element, which is updated every eight years, contains the policy vision. The remaining four to five 100+ acres developments should be evaluated by the City Council on a case by case basis.

- Mark Stivers: Wanted to know why do single family homes at 20 du/na have a \$0 fee rate? Are they more expensive? Land in central city is expensive but that can be negotiated in the purchase price.

Staff response: Like high-density multi-unit development, single-unit development at 20 du/na must not only contend with expensive land, but must also deal with older infrastructure and site design challenges. This initial \$0 fee rate incentivizes a housing type that is still establishing itself in the housing market.

- Geoff Brown: Stated that the maximum size limits will make the proposed affordable housing project for the Railyards not in line with the ordinance.
 - The separation requirement shouldn't apply to different populations (i.e. seniors and family)

Staff response: The size limitations will not prevent the proposed affordable development in the Railyards from being developed. However the project would not be eligible for fee credits as proposed.

- Cathy Creswell: Recommended that a project getting fee credits should not receive a city subsidy.

Staff response: This level of specificity can be addressed in the program guidelines that will be adopted by the City Council after the new Mixed Income Housing Ordinance is adopted.

- Stephan Daues: If a project is exempt because of approved entitlements and comes in for major changes is it still exempt?

Staff response: The draft ordinance now has a provision that would permit staff and director-level changes to the project. Any changes that require commission approval would make the project no longer exempt from the ordinance.

Affordable Housing Programs in the Sacramento Region

Jurisdiction	Residential Program	Nonresidential Fee Program
City of Sacramento (Existing)	<p>Inclusionary Requirement: Applies to new growth areas for projects of 10 or more units.</p> <p>Total of 15%</p> <ul style="list-style-type: none"> • 5% low • 10% very low <p>Land dedication is an option.</p>	<p>Office \$2.36 sq ft Hotel \$2.24 sq ft Research & Development \$2.00 sq ft Commercial \$1.88 sq ft Manufacturing \$1.48 sq ft Warehouse/Office \$0.86 sq ft Warehouse \$0.64 sq ft</p> <p>Fee is indexed annually.</p>
City of Sacramento (Proposed)	<p>Citywide fee of \$2.58 per square foot, indexed annually.</p> <ul style="list-style-type: none"> • \$0 fee for high density projects. • Reduced fee for project in area where market rate housing is already affordable. <p>100+ acre projects can receive credit toward fee for building affordable units, dedicating land or other mechanism.</p>	<p>Same as above.</p>
County of Sacramento	<p>Countywide fee of \$2.58 per square foot, indexed annually.</p> <p>Projects can receive credit toward fee for building affordable units, dedicating land or other mechanism through development agreement.</p>	<p>Office \$0.97 sq ft Hotel \$0.92 sq ft R&D \$0.82 sq ft Commercial \$0.77 sq ft Manufacturing \$0.61 sq ft Warehouse \$0.26 sq ft</p>
City of Citrus Heights	None	<p>Office \$0.97 sq ft Hotel \$0.92 sq ft R&D \$0.82 sq ft Commercial \$0.77 sq ft Manufacturing \$0.61 sq ft Warehouse \$0.26 sq ft</p>

<p>City of Davis</p>	<p>Inclusionary requirement: Single family ownership (on lots more than 5,000 sq. ft.)</p> <ul style="list-style-type: none"> • 25% moderate income <p>Single family ownership (on lots less than 5,000 sq.ft.)</p> <ul style="list-style-type: none"> • 15% moderate income <p>Single family ownership (attached)</p> <ul style="list-style-type: none"> • 10% moderate income <p>Rental Housing Developments (20+ units)</p> <ul style="list-style-type: none"> • 25% low income • 10% very low income <p>Rental Housing Developments (5-19 units)</p> <ul style="list-style-type: none"> • 15% low income • 10% very low income <p>Land dedication is an option.</p> <p>In-lieu fee of \$37,500 per unit.</p>	<p>None</p>
<p>City of Elk Grove</p>	<p>Citywide Fee Program: Single Unit Dwelling Units: \$2,800 + 3% Administration Fee</p> <p>Multifamily Units - \$1,680 + 3% Administration Fee</p> <p>Fee may be waived if developer agrees to donate land or provide deed restricted affordable units.</p>	<p>Office (no fee) Hotel \$1.75 sq ft Commercial/Retail \$0.59 sq ft Manufacturing \$0.67 sq ft Warehouse \$0.72 sq ft</p> <p>Fee is indexed annually</p>

<p>City of Folsom</p>	<p>Inclusionary Requirement: Total of 10% <ul style="list-style-type: none"> • 3% - very low • 7% - low Land dedication is an option.</p> <p>Fee Program: In-lieu fee calculated at 1.0% of the lowest priced for-sale unit in project.</p> <p>Custom lots at 0.5% of the least expensive homes. Other as proposed by the developer.</p>	<p>\$1.50 sq ft for all non-residential development</p>
<p>City of Galt</p>	<p>None</p>	<p>None</p>
<p>City of Rancho Cordova</p>	<p>Inclusionary Policy: Negotiated project by project. Housing Element contains various options.</p>	<p>Office \$0.97 sq ft Hotel \$0.92 sq ft R&D \$0.82 sq ft Commercial \$0.77 sq ft Manufacturing \$0.61 sq ft Warehouse \$0.26 sq ft</p>
<p>El Dorado County</p>	<p>No requirements on Developers – Incentive Programs Only</p>	<p>None</p>
<p>Placer County</p>	<p>Inclusionary Policy: 10% of units affordable in Specific Plans or Projects with General Plan Amendments</p> <p>OR</p> <p>Pay an In-Lieu Fee (No pre-determined amount – set by Planning Director).</p>	<p>None</p>

<p>City of Roseville</p>	<p>Inclusionary Policy: Implements 10% affordable housing goal w/development agreements (applies to specific plans).</p> <ul style="list-style-type: none"> • 4% - very low • 4% - low-income • 2% - moderate <p>(In projects in specific plan areas created after October, 2003).</p> <p>Fee Program (Negotiated): For Very Low Income Units, could pay in-lieu fee - \$60,000 per Affordable Unit.</p>	<p>None</p>
<p>Sutter County</p>	<p>Inclusionary Requirement: For Sale Projects:</p> <ul style="list-style-type: none"> • 5% - low- and moderate-income <p>Rental Projects:</p> <ul style="list-style-type: none"> • 5% - very low- and low-income <p>Land dedication is an option</p> <p>Fee Program: May pay an in-lieu fee to the Affordable Housing Trust fund. The amount shall be sufficient to provide for the development of the required affordable units.</p>	<p>None</p>

<p>City of West Sacramento</p>	<p>Inclusionary Requirement: For Sale Projects</p> <ul style="list-style-type: none"> • 10% - low income <p>Rental Projects</p> <ul style="list-style-type: none"> • 5% - very low income • 5% - low-income <p>Alternatives:</p> <ul style="list-style-type: none"> • In-lieu fee of \$5,640 • Acquisition rehabilitation • Preservation of at-risk units 	<p>None</p>
<p>City of Winters</p>	<p>Inclusionary Requirement: Total of 15%</p> <ul style="list-style-type: none"> • 6% - very low income • 9% - low- or moderate income <p>Land dedication allowed at City discretion</p> <p>Fee Program: At City discretion, may pay fee on small projects when City deems onsite construction or land dedication is infeasible.</p>	<p>None</p>
<p>City of Woodland</p>	<p>Inclusionary Requirement: For Sale Project</p> <ul style="list-style-type: none"> • 10% - low-income <p>Multi-Family Rental Project</p> <ul style="list-style-type: none"> • 20% - very low • 10% - low- Or • 25% - very low <p>Land dedication is an option.</p> <p>Fee Program: For detached for-sale projects fewer than 50 units, may pay an in-lieu fee to satisfy the affordable housing obligation.</p>	<p>None</p>

Greg Sandlund

From: Gabby Trejo <gabby@sacact.org>
Sent: Friday, April 24, 2015 11:13 AM
To: Mayor of the City of Sacramento, Kevin Johnson
Cc: Angelique Ashby; Allen Warren; Jeff S. Harris; Steve Hansen; Jay Schenirer; Lawrence R. Carr; John F. Shirey; Greg Sandlund; Tom Pace; Cassandra Jennings
Subject: Sacramento ACT-Housing Letter

April 23, 2015

To: Mayor Kevin Johnson

City Council members:

Angelique Ashby, Mayor ProTem, District 1

Allen Warren, Vice Mayor, District 2

Jeff Harris, District 3

Steve Hansen, District 4

Jay Schenirer, District 5

Eric Guerra, District 6

Rick Jennings, District 7

Larry Carr, District 8

RE: Mixed Income Housing Ordinance

Dear Mayor Johnson and Members of the Sacramento City Council,

Along with other affordable housing advocates, Sacramento ACT leaders met on April 22 with Tom Pace, Principal Planner and Greg Sandlund, Associate Planner for the City. We sincerely appreciate the opportunity to provide additional feedback on the current draft of the City's Mixed Income Housing Ordinance [*April 6, 2015 version*].

As you know, Sacramento ACT leaders have been active participants every step of the way for the approval of our Housing Element and our affordable housing ordinance. We have been members of the stakeholder group providing input on the proposed ordinance. We will definitely be present at the hearing on the 19th of May.

The purpose of this letter is to ask you to strengthen the proposed Mixed Income Housing Ordinance. We challenge you to not to back away from the City of Sacramento's commitment to increase the local supply of affordable housing.

Our city, in partnership with Sacramento Steps Forward, is making remarkable strides toward identifying the needs of our homeless population and directing those individuals and families toward available housing and other needed services. We believe in that work, and we appreciate the commitment made by the City of Sacramento to provide financial support for those efforts, which we believe will contribute greatly to the overall health, well-being and vibrancy of our city. *This is the city we are proud of!*

Unfortunately, it will be an embarrassing moral contradiction if we do not do better in addressing the unconscionably low supply of affordable housing for homeless and extremely low income residents. Individuals who struggle to survive from day to day need more than *empty promises* from their elected officials and community leaders.

To the lives of low income workers who perform the vital service work in our city, this ordinance represents more than words on paper. Affordable housing in close proximity to employment helps people maintain their dignity, their employment and their safety, not to mention its contribution to air quality in our region.

We support the following:

- That the ordinance will apply citywide;
- That the in-lieu fee will be indexed to the construction price index;

- To remove the conversion of non-residential buildings to residential use from the list of exempt projects and to include adaptive reuse of nonresidential buildings in the category of projects which have a reduced fee;
- That the construction of large multi-unit affordable housing projects adjacent to other similar projects will not be allowed, as this would only exacerbate the problem of existing 'pockets of poverty' in our city;
- That the City will continue to utilize Sacramento Housing and Redevelopment Agency as the body tasked with the administration of the housing trust funds.

Here are a few of our concerns:

- An ordinance worthy of our city will generate significant funds to build affordable housing (we are disappointed that the latest revision of the ordinance is a further reduction in the housing unit fee to \$2.58/sf from an already-unreasonably low \$3.00, identified in the 6/17/13 draft. We think a rate of \$3-4 per square foot is acceptable and will help generate needed funding for affordable housing.
- We do not support the proposed revision which would only require fees for projects of 100 acres or more. Just like you, we are fully aware that very few 100 acre developments remain in our city. From our standpoint, 50 acres is a much more reasonable threshold.

We ask the following:

- That upon approval, City staff be directed to come back to City Council at regular intervals (our preference would be every three years) with data and an analysis of how effectively this ordinance and its current provisions are addressing our affordable housing shortage, with the possibility of making needed revisions.

As leaders in Sacramento's active faith community, we look forward to continued work with city staff and our elected leaders to bring this discussion to a successful conclusion by passing a Mixed Income Housing Ordinance strong enough to generate a significant supply of new affordable housing and which makes sense in the context of the other positive steps currently underway to alleviate poverty in Sacramento.

Pastor Joy Johnson, Sacramento ACT President

Copies to:

John F. Shirey, City Manager

Tom Pace, Principal Planner

Greg Sandlund, Associate Planner

Gabby Trejo

Sacramento Area Congregations Together (ACT)

Cell:916-955-6264

gabby@sacact.org

www.sacact.org

www.piconetwork.org

*Faith is taking the first step even when you don't see the whole staircase. -**Martin Luther King, Jr.***



919 20th Street
Sacramento, CA 95811

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916.442.1535
info@mbasac.com
exploremidtown.org

June 16, 2015

Sacramento Planning & Design Commission
City of Sacramento, Community Development Department
300 Richards Blvd. 3rd Floor
Sacramento, CA 95811

RE: Mixed Income Housing Ordinance Update

Dear Commissioners:

On behalf of our Board and the Midtown Business Association, I urge you to approve the staff recommendation to update the Mixed Income Housing Ordinance. At our April Board Meeting and May Executive Committee meeting, our Board expressed our endorsement of the updates proposed by City Staff based on the following.

- (1) Based on our recent Affordable Housing Study, Midtown's housing developments with 15 units or more are more than 70% affordable;
- (2) Based on Downtown Sacramento Partnership's recent studies, potential Central City residents want more housing of various types than what is currently available;
- (3) We want to meet this need, and envision a Midtown rich with diverse residential opportunities including homeownership and rental opportunities for residents of various income levels;
- (4) To achieve this diverse inventory, our dense Central City requires infill mixed use development, which is significantly more costly than greenfield development;
- (5) These higher costs can allow properties to sit vacant or not meet their full development potential which in turn brings blight and crime to our community;
- (6) The updates proposed fit the Mayor's Housing Initiative, allow for urban development and bring our vision to life by providing both affordable and market rate housing, without unreasonably jeopardizing the fragile development environment in which we currently exist.

This is a critical time for the Central City. With signs of economic upturn, development and progress, this is your opportunity to support development policy that inspires housing for our community.

On behalf of the Midtown Business Association board of directors, we ask you approve the updated Ordinance and forward to City Council with the recommendation to adopt.

Sincerely,

A handwritten signature in black ink, appearing to read "Emily Baime Michaels", with a long horizontal flourish extending to the right.

Emily Baime Michaels
Executive Director

Cc: Council Member Steve Hansen, District 4
Greg Sandlund, Community Development Department

June 16, 2015

Sacramento Planning & Design Commission
City of Sacramento, Community Development Department
300 Richards Blvd. 3rd Floor
Sacramento, CA 95811

RE: SUPPORT – Mixed Income Housing Ordinance Updates

Dear Commissioners:

The Downtown Sacramento Partnership urges you to approve the staff recommendation to revise the Mixed Income Housing Ordinance. The updates you will consider come during a very important time for Sacramento. After a devastating economic downturn, our economic outlook is finally looking up.

Over the past decade, more than \$1 billion in public and private investments have been made in downtown Sacramento. As a result, several prominent projects are underway and new proposals promise to transform our urban landscape. Yet, while Sacramento has seen a slow and steady recovery, the City's revival is still a work in progress.

One of the most contentious issues still facing our region is how to provide a variety of housing options for its residents. Earlier this year, Mayor Kevin Johnson emphasized his goal to bring 10,000 new housing units to the Central City over the next 10 years. Today's residents increasingly want housing close to jobs, shopping, dining and services; they want to live downtown. Yet, often the costs associated with building housing downtown make residential projects very challenging, or worse, infeasible.

Supporting policies that foster investment to develop housing downtown is a priority of the Downtown Partnership. We applaud planning staff for their outreach and accessibility while working on updates to the Mixed Income Housing Ordinance. Staff took time to develop a thoughtful compromise that is flexible, market sensitive and responsive to the challenges of sustainable development. These updates will create greater consistency among the City of Sacramento and surrounding jurisdiction's planning and policies adopted in recent years and, most importantly, encourage the development of more housing in Sacramento – of all types for all incomes.

Specifically, we support exempting the conversion of nonresidential buildings to residential use. Promoting infill development, rehabilitation, and reuse is a major goal identified in the City's General Plan. Projects like the Warehouse Artist Lofts (WAL), 16 Powerhouse, the future Ice Blocks and others are revitalizing once dormant properties and providing in-demand new residential options in downtown. However, comparatively high land costs and required infrastructure improvements compounded by additional surprise costs usually discovered during

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980 9th Street, Suite 400
Sacramento, CA 95814

downtownsac.org

construction quickly make these projects very challenging. Maintaining an exemption for this type of development provides one less impediment for infill development.

Similarly, we also strongly support including a zero-fee rate for high-density multi-family and single-family projects. As outlined in the City's General Plan and Infill Strategy, high-density, multi-story development is a crucial part of Sacramento's Central City housing strategy. Unfortunately, this type of housing is also much more expensive to build. Setting the fee to zero will remove a hurdle and incentivize developers to build the diverse housing options desired by downtown residents and envisioned by the City.

Cities across the country are surpassing their downtown housing goals by offsetting cost barriers to urban development. In a time when Sacramento desperately needs an increased supply of housing, our City cannot afford to create costly new obstacles to development. This will only further exacerbate Sacramento's housing needs and impact our region's vitality.

On behalf of the Downtown Sacramento Partnership board of directors and business and property owners in the downtown core, we ask you approve the proposed updates to the Mixed Income Housing Ordinance and move them forward to City Council with a recommendation to adopt.

Sincerely,



Michael T. Ault
Executive Director
Downtown Sacramento Partnership

Cc: Council Member Steve Hansen, District 4
Greg Sandlund, Community Development Department

June 15, 2015

Dear Councilmembers and Commissioners,

Our *North Natomas Community Coalition* (NNCC) is a community group composed of residents from its namesake, North Natomas. The NNCC was created in response to unintended impacts caused largely by the City of Sacramento's 2000 Mixed Income Housing Ordinance for new growth areas. Between 2000 and 2010, housing development in the city, particularly in new growth areas, resulted in the addition of nearly 11,000 multifamily units in Sacramento. Approximately 5,200 of those were produced in North Natomas in the form of large apartment complexes. Most of the area's affordable/inclusionary dwelling units are concentrated in these complexes, which often lack convenient access to public transportation, services, and sustainable employment. As a result, Natomas development under the 2000 ordinance has generally not resulted in the idealized mixed-income communities envisioned 15+ years ago.

With those concerns in mind, we have reviewed Staff's May 1, 2015 draft update to the City of Sacramento Mixed Income Housing Ordinance (MIHO). In general, we support Staff's recommendations, with the following comments:

1. We fully support implementing the MIHO city-wide, instead of concentrating only on new growth areas.
2. We fully support in-lieu fees, which can be used to produce flexible, creative, affordable housing solutions in locations where they make sense: near jobs, public transit and services.
3. We support the City's efforts to encourage a variety of housing types within the ordinance, recognizing that a one-size-fits-all solution isn't practical.
4. We do not support allowing "any proportion of affordable units" in multi-unit dwelling buildings. As the attached news article conveys, a key factor in mixed-income housing success is ensuring no single project has more than 50% affordable units. Concentrating low-income residents in large multi-unit projects contradicts the philosophy of mixed-income communities. Therefore, we recommend capping the number of affordable units in a multi-unit dwelling building at 50% of the total number of units for that building.
5. We support Staff's concept of establishing a minimum distance between multi-unit dwelling developments; however, we feel 400 feet is not adequate separation for suburban communities like North Natomas. We would prefer a minimum distance of 0.25 mile (~1,300 feet) separating multi-unit dwelling developments in suburban communities.
6. This MIHO update does not address policy changes for existing inclusionary multi-unit developments. We request the following items be implemented into the City's and SHRA's affordable housing administration guidelines for multi-unit projects of 20 or more rent-controlled units:
 - a) On-site security should be mandatory. This has proven to be important in mitigating crime and nuisance activity in several Natomas apartment communities.
 - b) After-school programs are also an important service needed in all complexes. These help children improve skills and helps keep them focused on positive activities until working parents get home. School programs need to be coordinated with local schools so that programs help children with the subjects they are learning in school.

- c) Require complex manager(s) to live on-site. Law enforcement recognizes this strategy to be one of the most important factors for creating a stable, positive living environment in high-density communities.

Despite our concerns, we feel the draft update of the MIHO is an acceptable compromise over the City's existing ordinance. We therefore support Staff's recommendation. In particular, we believe a city-wide approach and use of an in-lieu fee option will result in unprecedented opportunities for affordable housing, while maintaining a healthy environment for Sacramento's growth and revitalization.

Sincerely,

Chris Paros

Chris Paros
Chairperson, North Natomas Community Coalition (NNCC)

Attachment on page 3

LEONARD PITTS JR.

SAC BEE 3/17/10

Community model shows how to succeed

NEW ORLEANS - Warren Buffett leads a troop of officials, reporters and a guy with a boom mike into the just-finished new apartment.



Leonard Pitts Jr. is a columnist for the Miami Herald.

Five years ago, after the levees failed, this area was 10 feet underwater. Now, on this bitterly cold March morning, it is a construction zone ringed by chain-link fences, and one of the richest men in America wanders around what will eventually be some family's home. Model furnishings have been placed just so. The smell of new is still in the rooms.

This is part of the inaugural meeting of the Purpose Built Communities network, to which civic leaders from around the country have come. And it is an attempt to export "What Works" as in my 2007-08 series of columns by that name, about programs that have shown success saving young people in crisis. One of the most ambitious of them was the East Lake Foundation in Atlanta, founded in 1995 by developer Tom Cousins.

Cousins achieved near-miracles - violent crime down 96 percent, 78 percent of kids passing the state math test after only 5 percent could do it before - in what had

It is not easy and it is not magic. It takes time, tears, toil and setback to grow hope in places where it has not grown before.

been one of the worst and most dangerous public housing projects in the country. There were many elements to that success: offering better schools, creating an early-learning center, building a YMCA, evicting felons.

But the centerpiece was that in the airy new apartment complex Cousins built to replace the housing project, half the units are held for middle-income families, the other half for poor, government-subsidized families. The idea being that middle-income people would, just in their daily doings,

model for their neighbors the habits and behaviors of a successful life.

It worked, spectacularly.

And Purpose Built Communities is the outgrowth. Founded by Cousins, Buffett and philanthropist Juliaa Robertson, it offers expertise, guidance and partnerships to those seeking to replicate East Lake's success in their own blighted communities. Its member network includes projects in Rome, Ga.; Jackson, Miss.; Indianapolis; and Memphis. There is no charge for its services.

Purpose Built Vice President Card Naughton says community leaders in other cities who want to learn more should visit www.purposebuiltcommunities.org. Or, she says: "Give me a call. It's that simple. Give me a call at (404) 591-1400 and we'll start the conversation. We can kind of coach you about how to build this initial organization, about who your partners can be, who can bring resources to the community and advocate for the community. And who those resources are 'within' the community, too."

It is not easy and it is not magic. It takes time, tears, toil and setback to grow hope in places where

it has not grown before. But do it, says Cousins, and "you will see the children that would've been lost in the normal process become stars, become bright."

"There is," says PBC President Chuck Knapp, "a difference between a project and a movement."

They want this to be a movement.

"Whenever you have something happen like East Lake," says Buffett, "people say, 'That's just because one guy had a passion for it, wouldn't stop and went through a brick wall, made it happen.' But the 'real' test is whether it's replicable. Once you do it beyond where the founders started it, it becomes evident to other communities: If the community cares enough about getting it done, it will get done."

And this, he says, "needs" to get done in dozens of communities. Not just one or two, not just five or six.

"When you've got East Lake with 95 percent of the kids now meeting grade level or above when 5 percent were doing it before ... you're turning out human beings who are going to get a chance to live up to their potential. And you can't ask for more than that."

Article excerpts:

- "Violent crime down 96 percent, 78 percent of kids passing the state math test after only 5 percent could do it before -..."
- "But the centerpiece was that in the airy new apartment complex...; half the units are held for middle-income families, the other half for poor, government-subsidized families. The idea being that middle-income people would, just in their daily doings, model for their neighbors the habits of a successful life. It worked spectacularly.
- "Purpose Built Communities...offers expertise, guidance and partnerships to those seeking to replicate East Lake's success."



June 25, 2015

Planning Commission
City of Sacramento
300 Richards Blvd.
Sacramento, CA 95811

Dear Commissioner:

On behalf of The River District business association, I'm writing to express support for updates as proposed Sacramento's Mixed Income Housing Ordinance. As our region grows, housing will be an important factor and such housing must be varied, including market rate and affordable options.

The City of Sacramento needs policies that will encourage more housing – of all types – for our residents. Too often, the costs associated with building housing make residential projects very challenging, or worse, infeasible.

Updates to the Mixed Income Housing Ordinance provide a compromise to create more sustainable development in Sacramento. These updates will create greater consistency among the City of Sacramento and surrounding jurisdiction's planning and policies adopted in recent years and, most importantly, encourage the development of more housing.

Specifically, we support:

- An affordable housing fee of \$2.58/sq. ft. that is competitive with Sacramento County
- Zero-fee rates for high-density multi-family projects over 40 units/acre and single family projects over 20 units/acre
- An exemption for projects converting non-residential to residential
- Additional exemptions that encourage creative projects

Sacramento needs strong development policies that will support our economy and not send development to suburban communities. I urge you to approve the Mixed Income Housing Ordinance as proposed and forward a recommendation to do the same to City Council.

Sincerely,

A handwritten signature in blue ink that reads "Patty Kleinknecht". The signature is written in a cursive, flowing style.

Patty Kleinknecht
Executive Director
The River District



August 11, 2015

Council Member Jay Schenirer
Chair, Law and Leg Committee
915 I Street
Sacramento, CA 95814

RE: Mixed Income Housing Ordinance

Dear Chair Schenirer

On behalf of the R Street Sacramento Partnership (RSSP), I am writing in support of the staff recommendation to update the Mixed Income Housing Ordinance that will be before you on August 11, 2015.

The RSSP is a Property and Business Improvement District (PBID) that provides programs aimed at increasing commercial and residential activity and revitalizing the R Street corridor. These services include enhanced landscape and streetscape maintenance, advocacy, economic development, promotion and special events. The RSSP represents 122 property owners and over 60 businesses within our boundaries. We currently have two residential projects located in our district, one of which is cost sensitive. However with the recent resurgence of the R Street corridor we anticipate many more residential units to come online along the R and S Street corridors in the coming years.

Our Board supports staff's recommendation primarily because our property owners wish to provide more housing of various types than what is currently available. In order to achieve a diverse housing inventory, we must provide opportunities for infill, mixed use projects to develop. We have seen on R Street properties sitting vacant, in some cases creating blight, because of the high costs to develop.

The RSSP supports responsible urban infill projects which create jobs and housing opportunities. We have had the opportunity of working with City staff on the drafting of this ordinance over the past couple years and we have appreciated the inclusiveness of their efforts. This revised policy is market sensitive and responsive to the challenges of creating quality infill development, for these reasons we support the policy moving forward.

We greatly appreciate your time and respectfully request your support.

Thank you,

A handwritten signature in blue ink that reads "Michelle Smira-Brattmiller".

Michelle Smira-Brattmiller
Administrator, R Street Sacramento Partnership

Cc: Council Member Steve Hansen, District 4
Planning Staff

Greg Sandlund

From: John Hodgson <jhodgson@thehodgsoncompany.com>
Sent: Monday, August 10, 2015 11:43 AM
To: Jay Schenirer
Cc: Angelique Ashby; Rick Jennings; Jeff S. Harris; Greg Sandlund
Subject: Support of the proposed Mixed Income Housing Ordinance - Law and Legislation Committee 8/11/2015 meeting

Councilmember Jay Schenirer
Chair, Law and Legislation Committee
915 I Street, 5th Floor
Sacramento, CA 95814

August 10, 2015

I'm writing in support of the proposed Mixed Income Housing Ordinance that comes before the Law and Legislation Committee tomorrow afternoon.

For a number of reasons I believe this proposed ordinance should be supported:

It is the result of a lengthy public outreach process and good faith negotiations among all interests.

It can provide a significant amount of funds to support affordable housing in the City of Sacramento. According to the City staff report this ordinance will generate nearly \$12 million in fees in the next five years and \$44 million over the next ten years.

The proposed fee of \$2.58/sq. ft. means an additional \$5876 in fees for the average size 2200 sq. ft. house. Homebuilders already face fees in the City of Sacramento in excess of \$60,000 per house and to impose higher fees means even more difficulty in building competitively priced homes. Although the \$2.58/sq. ft. will be the highest in the Sacramento area (the same as the recently enacted Sacramento County affordable housing fee) it seems to be a reasonable compromise.

This ordinance encourages housing in all areas of the City because home builders can now pay this fee and get on with the business of building houses.

The exemptions for higher density multi-family and single-family residential product will encourage infill development in Sacramento's urban core. It is very difficult to build in midtown and downtown because land costs are extremely high, infrastructure (roads, sewer, water, drainage, utilities) is aging and more expensive to build/repair and land is hard to find. We must encourage infill development to be able to provide a greater diversity of housing as well as be able to meet the Mayor's Housing Initiative goal of 10,000 units in the urban core in the next ten years.

A diverse group of businesses, individuals and organizations support this ordinance including the Downtown Sacramento Partnership, Midtown Business Association, R Street Partnership, RegionBuilders, Metro Chamber, River District and the North State Building Industry Association. You can see by the letters and emails from a variety of individuals and groups that this is widely supported by those involved in promoting and creating a vibrant and diverse community.

Thank you for your consideration of this matter.

John Hodgson

The Hodgson Company

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