

Mixed Income Housing Ordinance Review

PRELIMINARY RECOMMENDATIONS

CITY COUNCIL

DECEMBER 5, 2023

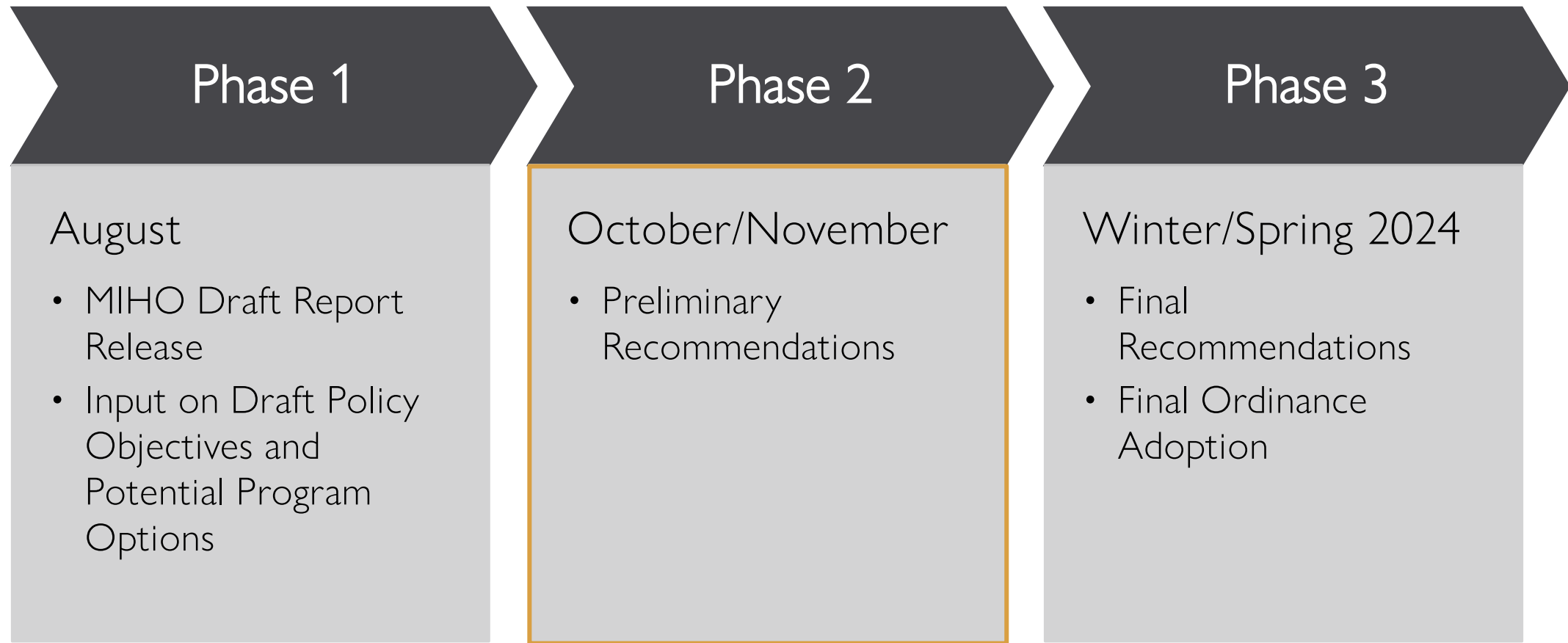
Project Overview and Purpose

Purpose of Mixed Income Housing Ordinance

- Aid in the provision of affordable housing options in the City

Housing Element Program H1. Review Mixed Income Housing Ordinance

- Evaluate the effectiveness of the Mixed Income Housing Ordinance (MIHO)
- Consider ordinance changes with the goal of increasing the amount of affordable housing while not posing a constraint to overall housing production

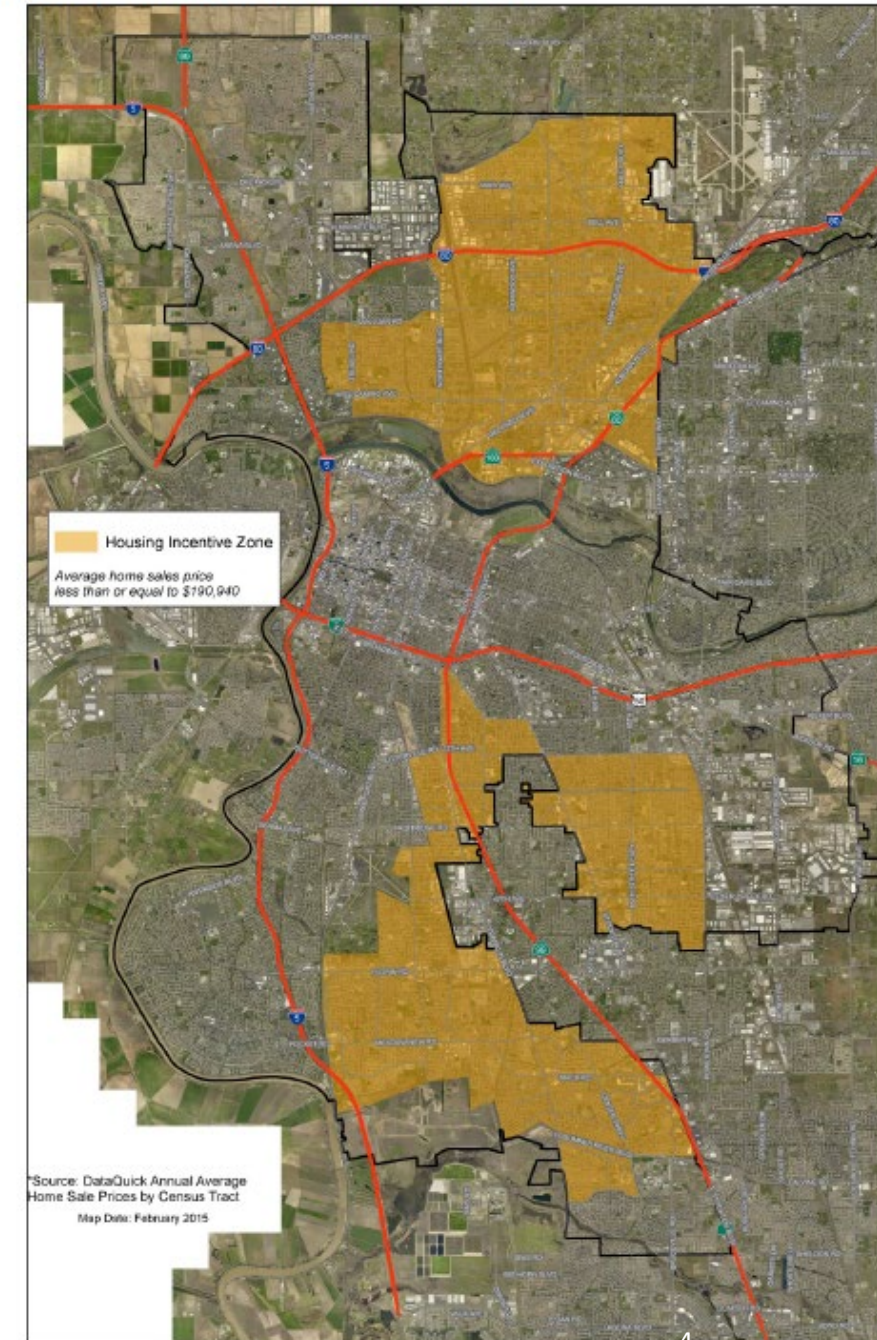


Where Are We Now?

Current Mixed Income Housing Ordinance

- Citywide housing impact fee program
- Exemptions:
 - High density development
 - Projects with 10%+ affordable
- Generates Approx. \$1 Million/Year in fees
- Mixed Income Housing Strategy required for 100+ acre sites
- Average annual affordable production = 122 units/yr

Figure 1 – Map of Housing Incentive Zones



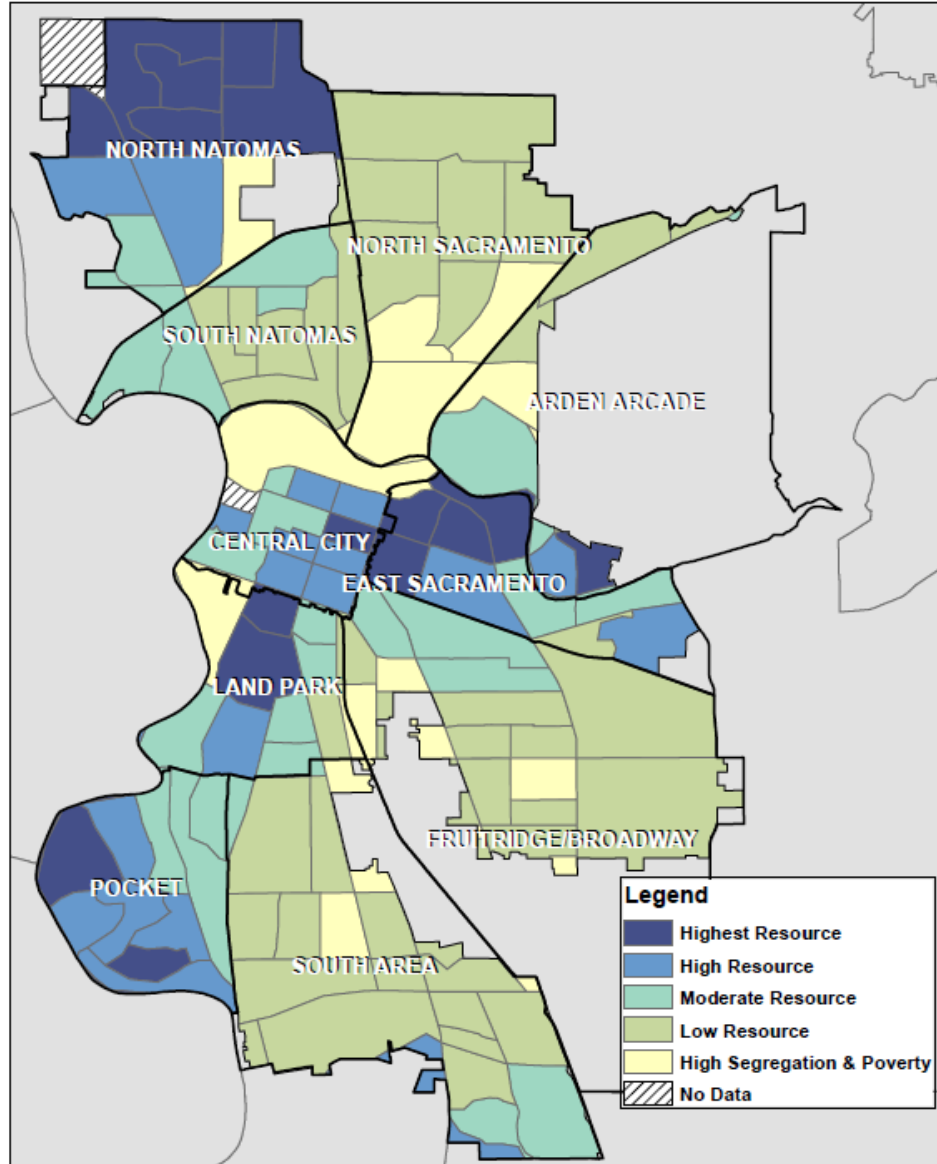
PROGRAM STRUCTURE		IN-LIEU FEE AMOUNT(S)
West Sacramento	10% onsite requirement, in-lieu fee with approval	\$7,551 /market rate unit.
Roseville	10% onsite requirement, limited allowance of in-lieu fee payment	\$278,849 /affordable unit
Folsom	10% onsite requirement, in-lieu fee option. (for sale only)	1% of lowest priced for sale units * total units. (Typically, \$6,000 - \$10,000 per market rate unit)
Davis	15% rental and 5-20% for sale onsite requirement, in-lieu fee with approval.	\$78,150 /affordable unit
Portland	20% onsite requirement w/ fee option.	\$23 - \$27 /SF
Denver	8-15% inclusionary requirement w/ fee option	\$250,000- \$478,000 /affordable unit
San Jose	15% inclusionary w/fee option	Rental: \$19.68/SF - \$45.26/SF For-Sale: \$26.32/SF

Case Study Jurisdiction Requirements

MIHO Draft Report Findings: Financial Feasibility Analysis

- Results under current market conditions (Winter/Spring 2023):
 - **On-site affordable unit requirements or substantially increased affordable housing fees are a challenge for both for-sale and rental projects**
- Results under more favorable recent conditions (Spring/Summer 2022):
 - **For-sale projects are in a better position to sustain an on-site requirement**, especially projects on large sites able to set aside a site for a 100% affordable project.
 - Rental projects are challenged to support an on-site affordability requirement in most submarkets, **but do support removal of \$0 HIF rate, and a higher housing fee in some locations.**

City of Sacramento TCAC Opportunity Areas



Policy Objectives

1. Increase affordable housing production
2. Ensure long-term affordability
3. Affirmatively Further Fair Housing
4. Anti-displacement
5. Mixed income developments/communities
6. Do not pose a constraint to overall housing production



MIHO Preliminary Recommendations

Preliminary Recommendations: Ordinance Structure



- Citywide on-site affordability requirement with in-lieu fee option
 - In-lieu fees vary by market area
 - In-lieu fee rates phased in (tied to housing production)
- Incentives for on-site units
- Larger projects have higher on-site requirement

Proposed On-Site Requirements

Rental

Option A	12% at 70% AMI rents
Option B	10% at 60% AMI rents
Option C	8% at 50% AMI rents
Option D	Alternative mix that provides the same or greater affordability

For-Sale

Option A	10% at 80% AMI prices
Option B	10% affordable rental units at an average of 60% AMI or below
Option C	Alternative mix that provides the same or greater affordability

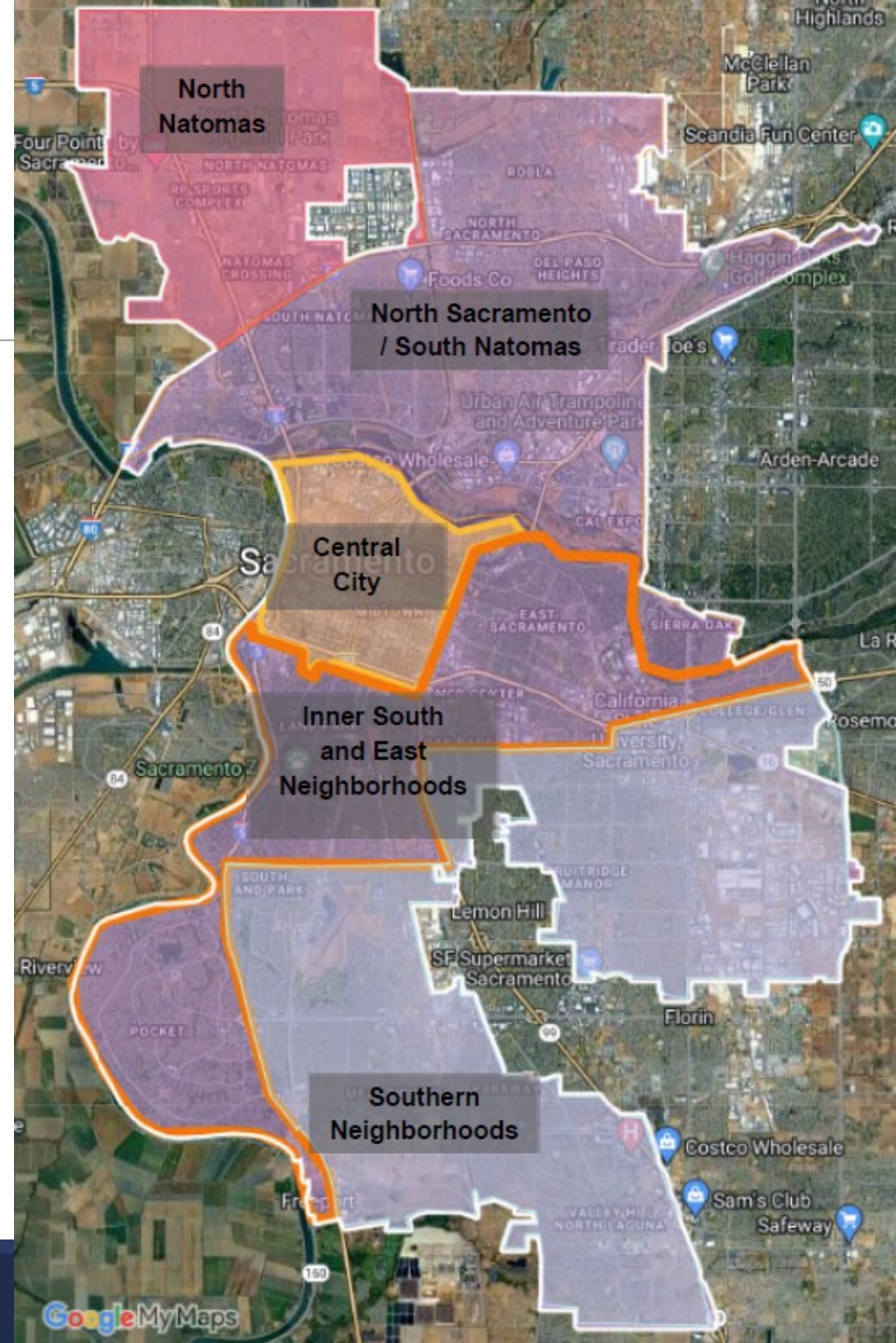
- Exempt projects:
- Projects adding **ten or fewer** primary dwelling units (not including any Accessory Dwelling Units).
 - Projects with an in-force development agreement adopted prior to the current ordinance.

Proposed In-Lieu Fees

Proposed In-Lieu Fee Recommendations (per square foot)

Market Area	Rental	For-Sale
Central City	\$10	\$10
Inner South & East and West of I-5	\$7	\$10
Southern Neighborhoods	\$3.54	\$6
North Sacramento and South Natomas	\$3.54	\$5
North Natomas	\$3.54	\$7

Note: These fee amounts do not account for the annual CCI escalation that occurs every fiscal year on July 1 once the Ordinance is in place.

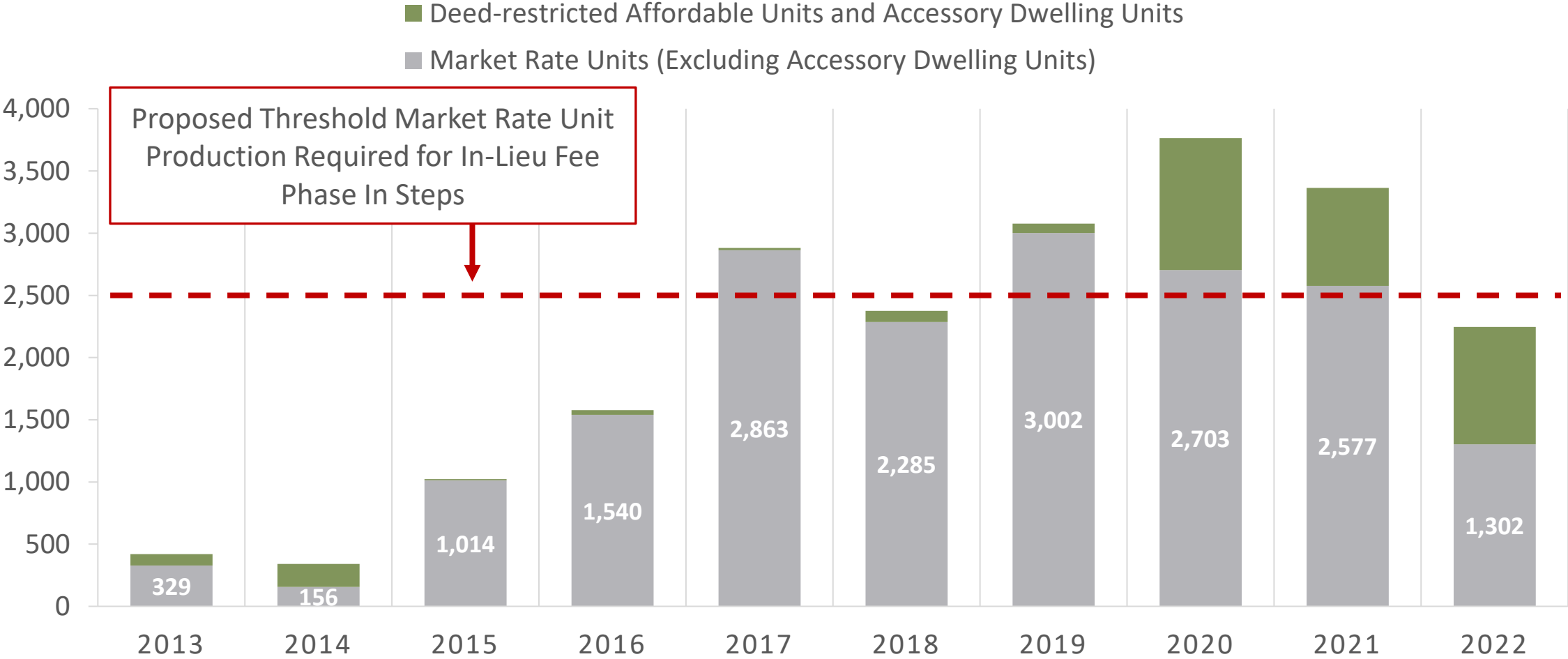


In-Lieu Fee Phase In

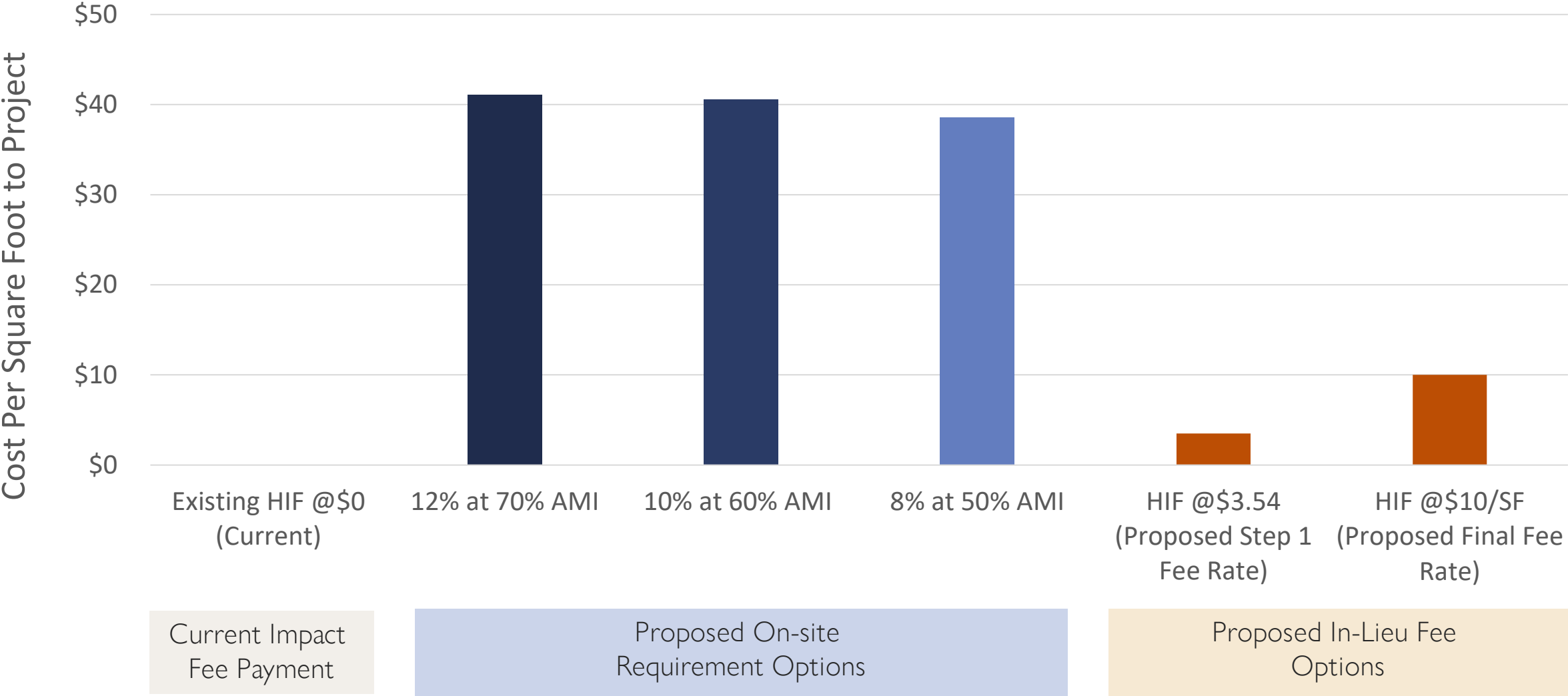
Rental In-Lieu Fee Phase In Schedule

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

CITY OF SACRAMENTO TOTAL HOUSING PRODUCTION (2013-2022)



Project Compliance Cost Examples: Central City High Density Project



Incentives for On-Site Units



REDUCTION OF
IMPACT FEES*



INFRASTRUCTURE
IMPROVEMENTS*



DENSITY BONUS

*REQUIRES ADDITIONAL CITY INVESTMENTS TO SUPPORT

Large Projects

- Large scale development projects include projects with 750 or more units **and** a site size of 15 or more acres.
- Land dedication is the only available alternative

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

Outreach

Housing Policy Working Group

Planning and Design Commission

Focus Groups

- North State BIA
- Sacramento Housing Alliance
- Sacramento Area Congregations Together
- Legal Services of Northern California
- Midtown Association
- Downtown Sacramento Partnership

Key Concerns Identified in Outreach:

In-lieu fee payment will likely be chosen over on-site affordable unit production without proper incentives

Current market infeasibility and impact of increased fees on new development

Policy Objective 3: Affirmatively
Furthering Fair Housing

+

Policy Objective 5: Mixed Income
Communities

Policy Objective 6: Do Not Pose
Constraints To Overall Housing
Production

Next Steps

- **Final Recommendations** in Early Winter 2024
- **Final Ordinance Adoption** in Spring 2024



Council Feedback and Questions

Thank you

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916-808-2027