COUNTY OF SACRAMENTO
CALIFORNIA

For the Agenda of:
January 14, 2014
Timed: 2:00 PM

To: Board of Supervisors

From: Department of Community Development

Subject: PLNP2013-00179. Affordable Housing Ordinance Workshop.

Supervisorial District(s): All

Contact: Cindy Storelli, Principal Planner, 874-5345

Overview

The County is committed to providing affordable workforce housing for lower income households. Work Force Housing (WFH) is generally understood to mean affordable housing for households with earned income that is insufficient to secure quality housing in reasonable proximity to the workplace. As specifically defined, very low income households earn less than 50 percent of the area median income (AMI), low-income households earn between 51 and 80 percent and extremely low income households do not exceed 30 percent of the AMI.

The newly adopted Housing Element of the Sacramento County General Plan includes a strategy to review and revise the Affordable Housing Ordinance (Ordinance) contained in Sacramento County Code. Staff is proposing changes to the current Affordable Housing Ordinance for the following reasons:

1. A high percentage of single family homes are not currently paying any impact fee so the burden for affordable housing development is not being spread to everyone.
2. The new Ordinance incorporates mechanisms to reduce the clustering of affordable housing projects that has occurred in Sacramento County by encouraging more affordable single family home ownership, rehabilitation of existing affordable multifamily product and to invest in extremely low income units.
3. The existing Ordinance is complicated and difficult to achieve compliance particularly for smaller developments which tend to be infill.
4. The current Ordinance prevents the County from being competitive with other jurisdictions in the region.
5. The new Ordinance sets aside 10 percent of the fees collected to produce Extremely Low Income (ELI) units.

This workshop is proposed to review two different approaches to a revised Ordinance. One proposed Ordinance maintains an inclusionary requirement and the second proposed Ordinance is a fee for all new units. Both Ordinances would allow the County to strike a balance between producing new affordable housing while setting a reasonable requirement for new development. The existing Ordinance has the highest obligation to provide affordable housing in this region. Staff expects that either of the proposed Ordinances will continue to set a higher standard obligation. Both Ordinances exempt owner-builders from paying the fee.

In the proposed Inclusionary Ordinance, all projects in infill areas and projects that were approved prior to or concurrently with the adoption of the existing Ordinance that have under 750 units will be able to pay an affordability fee of $2.50 per habitable square footage. New master plans will be able to meet the requirements of the proposed inclusionary Ordinance in a variety of ways, including construction of new units, dedication of land and payment of a fee, or by producing an equivalent number of affordable units. Determining which of the options for larger projects will be via a development agreement or similar agreement. Recent State Court decisions related to nexus and inclusionary zoning have been reviewed by County Counsel in the context of any changes recommended in the proposed Ordinance. Specifically, in light of the Palmer decision, County Counsel recommended use of a development agreement to require inclusionary units. In the fee-only version of the Ordinance, all units would be subject to a fee, however, master plan areas can request a fee credit if they wish to build units or dedicate land via the development agreement process. To address the Patterson decision, a Residential Nexus Analysis was prepared as part of the process. Both proposed Ordinances contain a finding that the Board, when adopting the Ordinance, determined that the nexus analysis is appropriate for the County to implement an impact fee.

Both versions of the Ordinance would reduce the clustering of affordable units by balancing inclusionary opportunities in the master plan areas, infill areas and rehabilitation of existing units throughout the County. The simplicity of the proposed Ordinances mean that there will be less Affordable Housing Plans (for example, each new master plan will have only one agreement in the inclusionary option and no Affordable Housing Plans in the fee-only option). More funds are projected to be generated than in the current Ordinance as more units will pay a fee, and either of the proposed Ordinances will encourage infill development by allowing the new fee to be assessed on a per square footage basis meaning that smaller, infill developments will pay less than the current fees today.

SHRA will administer the housing projects and programs on behalf of the County. Either new Ordinance requires that the Board of Supervisors direct use of the funds during the Board's annual budget process. Additionally, the new Ordinance would allow for the County and SHRA to receive administrative costs related to implementation of the program. This process will be further identified in the procedures to be developed prior to the 2014-15 budget cycle.

Review and revisions to the Ordinance create the ability to generate more funding for gap financing to facilitate projects that produce homeownership opportunities, rehabilitation of existing blighted units, and funds for extremely low income households. Additionally, staff will discuss ways to make recommendations to legislators for amendments to State Law regarding RHNA in order to allow full credit to jurisdictions that remodel market rate units and make them affordable. Either of the proposed Ordinances is easier to understand and implement and provide more flexibility than the current ordinance. These Ordinances will allow the County to:

1. Be more competitive and participate in the housing recovery, although the fee, as proposed, is still higher than all others who charge a fee in the region.
2. Produce more affordable housing as 92 percent of the current building permits under 100 units did not pay a fee.
3. Encourage smaller infill development by placing a cap on the fee.

Recommendations

1. Receive and File the Residential Nexus Analysis dated August 2013; and

2. Direct staff to prepare an Affordable Housing Ordinance based on discussions at the workshop.

Measures/Evaluation
Adoption of the Affordable Housing Ordinance implements a key strategy of the 2013 Housing Element.

Fiscal Impact
The adoption of the Ordinance will set the fees to be collected on certain residential building permits. No additional action will be required.

BACKGROUND

The County has two programs to collect funds to produce affordable housing. In June 1990, the County began collecting a fee on new retail office and industrial uses to contribute to the provision of workforce housing. This program is referred to as the Housing Trust Fund. In 2004, the County adopted an affordable housing ordinance which requires developers of new homes to contribute to workforce housing for low income workers. This Ordinance is referred to as the Affordable Housing or the Inclusionary Ordinance (Ordinance). The Ordinance was subsequently amended several times to address various issues. The current Ordinance requires that 15 percent of a project's total units to be affordable:

- Three percent affordable to extremely low income households;
- Six percent affordable to very low income families; and
- Six percent affordable to low income families.

In order to comply with the Ordinance, the obligation on a development project is to construct only the units affordable to the low or very low income households. When the lower income units are constructed as rental units, 10 percent of the units must be for very low income households, and five percent for low income households. When the lower income units are constructed as for-sale unit, 15 percent of the units must be for low income households. Projects with less than 100 units pay an in-lieu (i.e. in-lieu of land) and affordability fee, while projects of over 100 units either dedicate land and pay the affordability fee, or construct rental or for-sale affordable units on or off site equal to 15 percent of the total units.

The state of California requires cities and counties to identify programs in their Housing Element to facilitate the provision of housing for low income households. An ordinance is one of the tools that a local government can use to support the provision of affordable housing. There is no legal requirement to have an ordinance or to charge fees for this purpose.

The original obligation on private development at 15 percent is higher than other surrounding jurisdictions in the Sacramento region. In addition, the Ordinance only applies to those units that are part of an entitlement project (five or more units) and therefore, many infill projects in the County are not currently required to pay the fee or contribute to the production of affordable units. In the existing Ordinance, by applying the fee on a per unit basis, smaller units and larger units all paid the same fee. Examining the Ordinance provides an opportunity to consider applying the fee on a per square footage basis which, along with an overall cap on the fee, provides an incentive in the infill areas of the County where homes tend to be smaller in size. The proposed Ordinance will allow smaller entitlement projects, particularly in infill areas, to pay a reasonable fee and move forward those projects that may be struggling to make economic sense in today's development climate. Other factors that have prompted the County to reevaluate the Ordinance include the recent State Palmer and Patterson court decisions; the recent economic downturn; and, the complexity of implementing the current Ordinance.

During the update of the Housing Element, the County indicated that changes to the Ordinance would be processed separate from, but concurrent to, the Element update. The Element was adopted on October 8, 2013 with policy direction that the County remains committed to producing housing that is affordable to low income workers. The first key implementation of the Element is to bring forth amendments to the Ordinance. A draft Ordinance was presented during workshops at both the County Planning Commission and the Sacramento Housing and Redevelopment Commission meetings in November. The transmittal from the Planning Commission (Attachment 1) and a resolution adopted by the Housing and Redevelopment Commission (Attachment 2) summarize the comments and issues discussed during those two commission workshops.

DISCUSSION

Since the County Planning Commission meeting there has been continued discussion with the stakeholders regarding the proposed Ordinance. It became clear that there is not a clear direction for amendment to the Ordinance. Therefore, this workshop at the Board of Supervisors will allow issues to be identified and for the Board of Supervisors to have the opportunity to give staff direction on the type of affordable housing ordinance that should be adopted for the County of Sacramento.

The proposed Ordinance that was presented to the Planning Commission and the Sacramento Housing and Redevelopment Commission (SHRC) was an eight percent inclusionary program. Since those meetings, other concepts and amendments have been suggested including a "fee-only" option. Each option is discussed herein. Sample ordinances (Attachments 3 and 4) show the program under each scenario. Attachment 3 is a sample inclusionary ordinance; Attachment 4 is a sample fee-only ordinance. Based upon Board direction, one of the Ordinances can then be produced in a final form for a future Board hearing.

Recent State Court Decisions: Two recent court decisions (Palmer/Sixth Street Properties, L.P. vs. the City of Los Angeles, and The Central California BIA vs. the City of Patterson) may have significant implications for all inclusionary housing ordinances in the State, including the County's Ordinance. Specifically, these decisions led to the County's consideration of a development agreement to require inclusionary zoning and for the preparation of the Residential Nexus Analysis.

Development Agreement: In the Palmer decision, the State Court of Appeals found that inclusionary ordinances violate the Costa-Hawkins Act when they require affordable housing in rental developments. As a result, inclusionary ordinances may be prohibited from limiting/restricting rental rates unless public assistance is provided to the project. A recent proposed bill, AB 1229 would have authorized the legislative body of a city or county to establish, as a condition of development, inclusionary housing requirements designating a percentage of new residential units to be affordable to low, very low, and/or extremely low-income households. This bill was couched as a "fix" to the Palmer/Sixth Street Properties, L.P. v. City of Los Angeles court case from 2009. However, Governor Brown recently vetoed AB 1229 and pronounced his opposition to inclusionary housing ordinances. With the veto of the bill, County Counsel has advised that the requirement of rental affordable units must be done via a development agreement or other agreement with the developers of the projects. For both options, any requirement for construction of rental units would require the County to negotiate, via a development agreement or other agreement, with master plan developers for the construction of units.

Residential Nexus Study: The Patterson decision suggests that inclusionary ordinances may be viewed as "exactions" that must be justified by nexus studies which show there is a reasonable relationship between the affordable housing requirement(s) and the impact of the development. Staff secured the services of a consultant to conduct a residential nexus study to demonstrate the effect of market-rate residential development on the demand for affordable housing. The Residential Nexus Analysis (Attachment 5) was completed by Keyser Marston Associates, Inc. in August 2013. The nexus analysis is summarized in the Planning Commission workshop staff report. Any Ordinance adopted by the Board will include a finding by the Board that the nexus analysis is appropriate for the County to implement an impact fee for newly constructed residential units.

Outreach: During the process of the Housing Element Update, the County formed an Affordable Housing Working Group (Working Group). This working group consisted of members of the Building Industry Association (BIA), Sacramento Housing Alliance (SHA), Sacramento Housing and Redevelopment Agency (SHRA), and County staff. The County staff stated clearly at the out-set of the process that the purpose of the meetings was to educate each other on the issues and concerns regarding affordable housing and to help inform the ultimate policy direction that staff would recommend to the Board of Supervisors. To that end, the fifteen meetings were invaluable to the staff in the preparation of the policy now adopted in the 2013 Housing Element and to prepare the framework for the amendments to the Ordinance. The issue of the provision of affordable housing was the focus of many workshops and stakeholder meetings held as part of the Housing Element update during the last two years. This also included a Planning Commission and two Board of Supervisors workshops on the Housing Element in the first quarter of 2013. The issue of the affordable housing was prominent in the discussions at those workshops. Staff discussed this Ordinance with both the County Planning Commission on November 18, 2013, and with the SHRC on November 20, 2013. Several additional meetings in December with the BIA and the affordable housing advocates were also held.

Additionally, the materials are posted on the Community Development website and emails have been sent to the subscribers of that website and to all members of the Community Planning Advisory Councils advising of the availability of the materials and the schedule for the workshops and public hearing. Staff also updated the County Planning Commission on the status of the Ordinance on December 16, 2013. The Commissioners appreciated staff's comments. The only question that arose was for staff to clarify the increase from eight to 10 percent in the proposed inclusionary ordinance.

Comments from Recent Commission Workshops: The two workshops at the County Planning Commission and the SHRC were well attended. Approximately 30 developers and community members attended one or both of the Commission meetings. The speakers at the workshops brought up issues and divergent opinions that ranged from the ordinance being a hurdle to development of market-rate units versus the current aggressive Ordinance will not impede development in Sacramento County. The development community would like to see a fee capped at $3,000. The housing advocates want to see the current Ordinance retained. The

SHRC would like the fees increased from their current level of $5,500 per unit to $10,000 per unit with no cap.

In particular, the developers in the Elverta and Vineyard area master plans don't believe that they can successfully implement the construction, or the land dedication and fee components of the proposed Ordinance due to the "fractured" ownership in those areas. While the preference would be to allow fees for all units, if there is a threshold for the fees, the developers believe that the threshold should be much higher than the proposed 750 units under the inclusionary option.

Housing advocates stressed that the lack of units constructed in the region cannot be blamed on the Ordinance. They further stated that the current Ordinance should be given a chance as the market is just beginning to rebound. They questioned whether the Regional Housing Needs Allocation, which shows that over 5,000 lower income units are needed in the County, can be achieved if the requirements are lowered.

SHRA has prepared Biennial Activities Reports since the adoption of the Ordinance in 2004 that summarize the housing produced from the current Ordinance (Attachment 6).

County Planning Commissioner Comments: The attached transmittal from the Planning Commission indicates many of the comments made by the Commissioners. The comments can be summarized into several categories:

> The proposed Ordinance should be flexible and easy to understand, and yet also provide some certainty for everyone that uses the ordinance. The Commissioners would like to see some criteria for the development agreements.
>
> Other sources of funding should be found, and the County should consider "reviewing" the ordinance in a few years as development growth occurs in the region.
>
> The County should consider a fee in more areas. Some concerns were raised for the areas where there is "fractured" ownership such as the Elverta Master Plan area.

Sacramento Housing and Redevelopment Commissioner Comments: The attached resolution adopted by the SHRC (9 to 0) summarizes the concerns raised by the Commission, including:

> SHRC is committed to furthering the SHRA mission to revitalize communities, provide affordable housing opportunities, and to serve as the Housing Authority of the City and County of Sacramento.
>
> They are opposed to the proposed Affordable Housing Ordinance due to the significant revisions to the current Ordinance.
>
> They support SHRA continuing to receive, and administer, any fees collected and accept land dedicated pursuant to the current Ordinance in order to prevent duplication of effort and create a one-stop for affordable housing developers. In addition, the Ordinance must include sufficient detail regarding land dedications to ensure that the dedicated sites are truly appropriate, financeable, and useable.
>
> They support reducing the affordable housing requirement that requires a percentage of all units produced be made affordable to low income families from 15 to 12 percent and increasing the size of developments eligible to pay a fee from 100 units to 250 units.
>
> SHRC would support revising the in-lieu fee to no longer be calculated on a per unit basis but on a square footage of construction, but increasing the fee to a range of $4 to $5 per square foot with no cap as that amount would be more in line with assumptions in the

Nexus study and will assist the County in meeting its Regional Housing Allocation numbers set by SACOG.

Alternative Ordinances: After reviewing all of the comments received from meetings and workshops, and including several letters and emails that have been received (Attachment 7), staff has prepared two alternative approaches to the Ordinance. This workshop will allow the Board to give direction as to which approach, if any, should be considered further. In each of these sample Ordinances, staff has identified thresholds, fee amounts, and caps on the fees. Any of these numbers can be easily modified pursuant to Board direction.

Inclusionary Ordinance: The proposed Ordinance is considered an inclusionary ordinance because the program requires that affordable units be constructed or land dedicated for construction. A sample of this proposed Inclusionary Ordinance, which is a hybrid of the existing inclusionary Ordinance, is attached. The benefits of this approach include:

1. A high percentage of single family homes are not currently paying any impact fee so the burden for affordable housing development is not being spread to everyone.
2. The new Ordinance incorporates mechanisms to reduce the clustering of affordable housing projects that has occurred in Sacramento County by encouraging more affordable single family home ownership, rehabilitation of existing affordable multifamily product and to invest in extremely low income units.
3. The existing Ordinance is complicated and difficult to achieve compliance particularly for smaller developments which tend to be infill.
4. The current Ordinance prevents the County from being competitive with other jurisdictions in the region.
5. The new Ordinance sets aside 10 percent of the fees collected to produce Extremely Low Income (ELI) units.

The framework for such an ordinance would be:

- *Threshold Established at 750 units*.

  Projects under 750 units could pay an affordability fee. Paying a fee on smaller projects has always made sense. The current Ordinance uses a threshold of 100 units. Developers have requested that the County consider raising this threshold for a number of years. For the smallest of the medium sized projects, especially those in the approximately 200 unit range, the construction or land dedication options in the current Ordinance have been problematic. Most projects were larger than 100 units, and therefore, used the option to construct single family homes for compliance with the Ordinance, and as housing prices dropped, the price of a deed-restricted home at a "low income" level was about the same as the price of the market-rate homes in the subdivisions. Buyers were not interested in the deed-restricted homes, and developers were unable to sell those homes. The County was supportive of looking at an amendment with the question really being, what is the right threshold; however, when it became clear that the entire Ordinance would be reviewed, the amendment to the Ordinance was put on hold until after the adoption of the Housing Element.

  In this Ordinance, one of the key decision points is the size of the threshold. With a 10 percent requirement, the 750 unit threshold is the right number. This size project will generate the need for land dedication or construction of projects on at least three acres of land, depending on the density of the project. The newly adopted Housing Element contains a strategy that requires that multi-family parcels in master plan areas be between three and 10 acres in size. The strategy supports the threshold to be at least 750 units when considering a 10 percent program. Development interests would like a much larger threshold or a fee-out option for all units. The housing advocates believe that a threshold at 750 units is too high and will not result in a true "inclusionary" program. If the current threshold is changed, SHA indicated in a letter to the County dated December 18, 2013 (part of Attachment 7) that a threshold of 300 units could be supported.

- *The affordability fee would be established at $2.50 per habitable square footage with a cap of $5,500 per unit.*

  The proposed fee of $2.50 per square foot is not intended to be equivalent to a 10 percent program. Rather, the funds collected, under this option, will be used to the best advantage as gap funding with all other available funding and financing opportunities that exist at the time the funds are expended on equivalent affordable units. Some of the comments received have suggested that the fee is too high, others that fee is too low. The $2.50 fee means that a typical 2,200-square-foot house would pay a fee that is equivalent to the current fee of $5,500. At $2.50, the fee still generates an amount that is higher than other fees in the region. For example, in the City of Elk Grove, the fee for single family units is $2,800 plus an administrative fee per unit. In the City of Folsom, the fee is based on one percent of the sales price of the least expensive home; for example, a subdivision with the lowest home selling for $550,000 would generate a fee of $5,500 per unit for the entire subdivision. Raising the fee to $4 or $5 per square foot, as suggested by the SHR Commission and SHA, would increase the fee for a 2,200-square-foot home to between $8,800 and $11,000. Such a fee level would be significantly higher than other fees in the region.

  The number of units paying the proposed fee will be higher under the proposed Ordinance. In the current Ordinance, projects between 5 and 20 units pay a smaller fee. In this proposal, smaller units will pay a smaller total fee, but the fee will be applied to all new residential units; therefore, more units will be subject to the fee than under the current Ordinance. While that number is hard to quantify, units not part of subdivisions (so units on one to four lots), are not subject to the current Ordinance but would be subject to the proposed Ordinance. Since 2005, 92 percent of the single family projects under 100 units have not paid the fee. The number has varied each year. This is due to a number of factors, including the fact that many smaller projects built during the early years of the Ordinance were approved prior to the Ordinance adoption, and therefore not subject to the fees. Other units were not subject to the fee as the projects were four units or less, and not subject to the Ordinance. Under the new ordinance, 100 percent of the units not in master plans, and in development projects under 750 units would pay a fee, unless otherwise exempted (see discussion on owner-builder units).

  There has been some criticism, by developers, of the cap of $5,500. Homes of 4,000 square feet or more benefit from the cap. SHA commented that those larger units could afford to pay a higher fee. SHA indicated in their letter that they would prefer to see a cap of $7,500 per unit and that a $1,000 surcharge could be placed on homes over 3,500 square feet.

- *Projects of 750 or larger or within a master plan area would be required to construct units or dedicate land and pay a fee, or produce affordable housing equivalent to the construct option.*

The proposed inclusionary Ordinance includes a different approach for Florin Vineyard Gap, North Vineyard Station, Vineyard Springs and Elverta master plans. These master plans were developed prior to or concurrently with the original adoption of the existing 2004 ordinance and therefore the affordable housing plans were not done comprehensively for the entire plan area but rather on a project-by-project basis. The proposed Ordinance would allow projects in these master plan areas to have the ability to "fee-out" if the project is less than 750 units, unlike the other master plan areas that do not have the "fee-out" option. Even at a 750-unit threshold, some master plan developers are concerned that they will be at a competitive disadvantage with other new communities in the region. For example, in the Vineyard area, subdivisions under 750 units on the south side of Florin Road would be paying a fee only, but north of that, in the pending Jackson Highway area master plans, the entire master plan will be subject to the construction or land dedication and fee options. However, master plan developments also benefit from development agreements with as much as 30-year entitlements for which many jurisdictions charge a separate fee. Also, most of these developments will be able to dedicate land and pay a half fee which is not overly burdensome.

The housing advocates are concerned that such a high threshold will reduce the inclusionary aspect of the Ordinance. The attached chart and map shows the potential number of units subject to the inclusionary requirements (Attachment 8) of this framework. The chart shows that the number of units subject to the inclusionary requirements will be approximately 60 percent of all future units in the County.

Questions have also been raised about the phrase "produce affordable housing equivalent to the construct option." The County is committed to providing housing for lower income households through multiple inclusionary opportunities. In addition to the construction or the land dedication and fee options in the larger master plans, the use of a modified program and the funds collected from the fees paid on the smaller projects will allow the County to take problem properties that are a burden on some neighborhoods and, by rehabilitation, turn these properties into neighborhood assets. The County's Neighborhood Livability Initiative (NLI) will be bolstered by the opportunity to rehabilitate some units through the affordable housing program. This is especially important because it is expected that the construction option will mostly generate rental units. The equivalent production option is a way to provide more homeownership opportunities for lower income households throughout the County, and not just concentrate all new low income households in the new communities, such as was done in the Natomas area of the City of Sacramento.

- *Construction would be based on 10 percent; six percent for low income households and four percent for very low income households.*

The draft Inclusionary Ordinance requires a 10 percent requirement, including six percent of units for low income households, and four percent for very low income households. If the percentage is lowered from 15 percent, SHA would like to see that percentage be 12 percent with at least three percent for ELI units. In lowering the percentage from 15 to 10 percent, the County is striving to strike a balance between continuing to provide for affordable housing, and remaining competitive with other jurisdictions in this region. While it is difficult to compare programs between jurisdictions, no other program has as rigorous of a program at 15 percent, nor has an ELI component. In some cases, the programs are entirely based on paying a fee. Attachment 9 is a summary of the programs in the surrounding region. Even with the reduction of the requirement to 10 percent, the County's requirements are the highest in the region.

- *Land dedication would be of a sufficient size to accommodate affordable units equivalent to 10 percent of the market-rate units. The fee for projects that dedicate land would be half of the affordability fee, or $1.25 per square foot.*

  Land dedication and a payment of a fee are similar to the current Ordinance. This option would allow for land to be dedicated to the County for a future affordable project. The fees charged to the market-rate units would be half the fee charged for those projects that use the "fee-out" option. SHA would like to see that the land dedicated has a finished lot.

- *The program would apply to all market-rate newly constructed residential units, with exemptions for the conversion of nonresidential to residential, mobile homes, owner-builder units, and market-rate units that are part of a mixed income project with at least 20 percent of the units affordable.*

  The Ordinance lists several "exemptions" to the requirements. During this past year, 19 building permits have been issued for "owner-builders" to construct their own homes. The County would like to exempt these homeowners from the requirements of the Ordinance. In 2012, 18 percent of the single family units were considered owner-builder.

- *Ten percent of the funds collected would be used to produce units for ELI households.*

  The current Ordinance does not obligate the developers to produce units for ELI. The three percent obligation is on the "County". The proposed Inclusionary Ordinance sets aside at least 10 percent of funds collected for ELI. While it is recognized that this could be a small amount (approximately half a million for every 1000 units built), over time these funds could be used to produce some units for ELI households. The trade-off for committing more funds for ELI would mean that fewer units for low and very low income households could be built with the funds collected, which is in contradiction to the County's commitment to provide workforce housing specified in the Nexus Analysis.

- *Five percent of the units would be accessible units.*

  The Ordinance will require that five percent of the affordable units be accessible to persons with disabilities.

Fee-Only Ordinance: A second option is a fee-only version of the ordinance. A sample of this Ordinance is attached. The benefits of this approach include:

1. It allows for a level playing field for all new development in the County.
2. This approach is the simplest version of an Ordinance.
3. The certainty of this approach helps move forward the still fragile building industry.
4. It allows for simplified compliance in the master plan areas, especially for those that have multiple small properties owned independently (resolves the "fractured" ownership issue raised at the Planning Commission).
5. The fee amount is set at a level that can produce a percentage of all units at affordable income levels (see chart later in this report).

6. The option for developers in master plan areas to get a fee credit if affordable units are produced on-site or land for affordable units is dedicated as part of the master plan approval and development agreement negotiations.

The framework for this ordinance would be:

- *This program would apply to all market-rate newly constructed residential units, including all units in master plan areas, with exemptions for the conversion of nonresidential to residential, mobile homes, owner-builder units, and market-rate units that are part of a mixed income project with at least 20 percent of the units affordable.*

  Similar to an inclusionary ordinance, the program would apply to all newly constructed units, and there would be the same type of "exemptions", including the one for owner-builders.

- *Master Plan areas, and other large projects, would have the option to construct or dedicate land as a credit to the fee as negotiated in a development agreement.*

  The draft "fee-out" Ordinance would provide an opportunity for the County, via a development agreement or other form of agreement, to work with developers, most likely in the larger master plans, to construct affordable units on site, or alternatively to dedicate land as credits against the fees that would be charged. Even though this Ordinance is not "inclusionary", this option would allow for an inclusionary component. The County is committed to working with master plan developers, in the approval of those projects, to construct or to dedicate land for affordable housing units.

- *The affordability fee would be established at $2.50 per habitable square footage with a cap of $7,500 per unit to generate fees to produce 10 percent of all units for affordable households.*

  The intent of staff is to use the fees in the following strategic ways:

  - Staff will work with SHRA to acquire sites in the master plan areas during the negotiations of the development agreement so that there will be inclusionary opportunities. The Ordinance will allow for fee credits for items such as land or the construction of units.

  - Staff will work with SHRA and developers of affordable projects to provide gap funding in the most strategic way to maximize the affordability and amount of units produced.

  - Some of the funds will be targeted in the NLI areas to produce new units and to rehabilitate existing units.

  The following chart shows how the funds collected would equate to a percentage of units produced. The fees charged, and the cap placed on the units is a bit higher than in the Inclusionary Ordinance in order to try and achieve a 10 percent program. The assumptions include:

  - A fee per habitable square footage with a cap. The attached sample ordinance uses a $2.50 fee with a cap of $7,500. A chart has been prepared that shows two other options with a fee that ranges from $2 to $3 per square foot, and a cap that ranges from $6,000 to $9,000.

  - The average home size in the western United States (US), based on the US Census is a median of 2,100 square feet or an average of 2,400 square feet.

- The affordability gap of $46,000 to $71,000 is explained in the attached memo from Keyser Marston (Attachment 10). For the purposes of our analysis, a $60,000 funding gap is assumed. The chart below illustrates fees generated from a 2,400-square-foot home under three scenarios: eight, 10 and 12 percent. During the last nine years since the current Ordinance was in place, an average of 800 single family and multifamily units have been built in Sacramento County each year, with a low of 300 units and a one year high of 1,300 units. Last fiscal year, 600 permits were issued (Attachment 11). The chart indicates the funding that could be generated for every 1,000 units, which is a reasonable assumption in the near term.

  The cap is based on a 3,000-square-foot unit and the funds generated are based on the average home size of 2,400 square feet. The chart assumes an average of a $60,000 funding gap (the mid-point of the funding gap determined by the nexus study). Since that gap is an average estimate, the chart shows an estimate of how the County might be able to achieve the eight, ten or twelve percent programs. By comparison, a fee of $2.50 per square foot and a cap of $5,500, as in the inclusionary Ordinance, using the same methodology would result in about 8.3 percent for those projects that pay a fee and a 10 percent program for master plan developments.

	Eight Percent	Ten Percent	Twelve Percent
Avg Home Size	2,400 square feet (average)	2,400 square feet (average)	2,400 square feet (average)
Fee per Square Footage	$2	$2.50	$3
Fee per Unit based on square footage	$4,800	$6,000	$7,200
Cap per Unit (based on 3,000-square-foot home)	$6,000	$7,500	$9,000
Funds from every 1000 units (assume average home size)	4.8M	6.0M	7.2M
Units produced assuming $60,000 funding gap	80	100	120
% of affordable units produced	8%	10%	12%

- *Ten percent of the funds collected would be used to produce units for ELI households.*

Similar to the inclusionary Ordinance, the fee-only Ordinance sets aside at least 10 percent of funds collected for ELI. In this version of the Ordinance, the fund should have more money since nearly all projects will be paying a fee. Again, over time these funds could be used to produce some units for ELI households. The amount spent for ELI will impact the overall funds available for low and very low income units thereby affecting the percentages listed above in the chart. The trade-off for more funds used for ELI would mean fewer units for low and very low income households.

Conclusion and Next Steps: Staff has indicated two different approaches for a revised Affordable Housing Ordinance. One approach is “inclusionary” and the other is “fee-only”. The fee-only approach discussed herein describes three different fee amounts resulting in different percentages of programs. The inclusionary Ordinance is a hybrid of fee-out for the smaller projects and it requires the master plan areas to include affordable housing units mixed in with the market-rate units. This Ordinance may require master plan areas to have a slightly higher obligation than smaller developments. In exchange, these developments could receive up to 30-year entitlements. The fee-only Ordinance levels the playing field as all new residential development has the same obligation. The County would be responsible for making sure that the units are inclusionary by using the funds to purchase land for affordable housing development, investing in rehab, and providing funding for ELI households.

Staff is seeking direction on the Ordinance. First is a determination of whether an inclusionary ordinance or a fee-only ordinance is desired. After that is decided, the ultimate percentage goal for the program, the amount of the fee, and the level of the "cap" need to be resolved before a final Ordinance can be drafted. The "sample" Ordinances attached to this report can be easily modified based upon the direction and desires of the Board.

MEASURES/EVALUATION

Adoption of the Affordable Housing Ordinance implements a key strategy of the 2013 Housing Element.

FISCAL IMPACT

The adoption of the Ordinance will set the fee to be collected on certain residential building permits. No additional action will be required.

Respectfully submitted,

APPROVED:
BRADLEY J. HUDSON
County Executive

____
LORI A. MOSS, Director
Department of Community Development

BY: ________________________________
ROBERT B. LEONARD
Chief Deputy County Executive

Attachments:

ATT 1 - Planning Commission Transmittal

ATT 2 - Resolution of the Sacramento Housing and Redevelopment Commission

ATT 3 - Ordinance of the Sacramento County Code Relating to Affordable Housing (inclusionary ordinance)

ATT 4 - Ordinance of the Sacramento County Code Relating to Affordable Housing (alternative fee only)

ATT 5 - Nexus Study

ATT 6 - Information from SHRA Biennial Activities Reports

ATT 7 - Letters Regarding the Proposed Ordinance

ATT 8 - Potential Residential Unit Capacity

ATT 9 - AHP Survey of Other Jurisdictions

ATT 10 - Keyser Marston Memo on Affordability Gap

ATT 11 - Building Permits Issued by Year

COUNTY OF SACRAMENTO
INTER-OFFICE CORRESPONDENCE

November 21, 2013

TO: BOARD OF SUPERVISORS

FROM: FLORENCE EVANS, Secretary
County Planning Commission

SUBJECT: **PLNP2013-00179. Workshop on the Affordable Housing Ordinance which includes repealing the existing Ordinance related to Affordable Housing, and adding a new Ordinance relating to Affordable Housing, to the Sacramento County Code. The Board of Supervisors is the approving authority for this Ordinance. The County Planning Commission will forward a summary of comments received at the workshop to the Board of Supervisors.**

The County Planning Commission, meeting in regular session on November 18, 2013, received comments from the Commissioners and the community. The following comments were provided:

- There is a need to provide affordable housing with the understanding that all parties should have a stake in the process including County governance;
- Irrespective of what process is used, the issue is the County needs to provide affordable housing and the process should be streamlined;
- The new ordinance should have flexibility and be easy to understand;
- It is not clear if the revised ordinance will allow the County to do more or less affordable housing;
- The County should include a review period of the Ordinance to consider adjusting the eight percent as growth happens in the region;
- All parties need to provide the Board with facts vs. anecdotal comments;
- It is difficult to provide comments to the Board because there are more questions than answers;
- There is a need to provide certainty to the developers;
- Would like to understand the developer's ability to pay;
- Would like to see criteria for the Development Agreements;
- Concerned about the fractional ownership in some master plan areas (Elverta and Vineyard);
- Not comfortable with the cap of $5,500. Larger homes should pay more;
- Concerned that Sacramento Housing Redevelopment Agency (SHRA) is not identified as having a role in the ordinance;
- The Building Industry Association (BIA) and SHRA should work together to come up with a plan before the Board hearing in December;

- With the loss of redevelopment funds, other sources of funding should be identified;
- Would like to see some funds directed towards housing for veterans; and
- There is a need to evaluate the governing structure of the Planning Commission in order to allow the Commission to have a better role in the process to work out issues prior to moving forward to the Board of Supervisors.

The above comments received will be provided to the Board of Supervisors on December 10, 2013 at 2:00 p.m.

FE:kr

cc: In-house

RESOLUTION NO. SHRC-13-22

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

OPPOSITION TO THE NEWLY PROPOSED COUNTY AFFORDABLE HOUSING ORDINANCE TO BE SET FORTH IN SECTION 22.35.101 THROUGH 22.35.180 OF CHAPTER 22.35 TITLE 22 OF THE SACRAMENTO COUNTY CODE

ON DATE OF

November 20, 2013

WHEREAS, the Sacramento Housing and Redevelopment Agency (SHRA) was formed by the City and County of Sacramento in 1973 to eliminate duplicate staffing efforts, to manage and administer federal housing and community development programs on behalf of the City and County, and to provide a competitive advantage to the City and County when seeking federal and other housing and community development funding opportunities. The consolidation of multiple departments from different jurisdictions achieves close coordination of housing and community development programs at no cost to the City or County general funds.

WHEREAS, the County Board of Supervisors approved an ordinance creating the Sacramento Housing and Redevelopment Commission (SHRC) on September 30, 1974 (SCC # 185 chapter 2.29) and consistent with that ordinance and the bylaws adopted by the Sacramento Housing and Redevelopment Commission as amended on September 21, 2005, the SHRC is to: investigate living, dwelling and housing conditions and the means and methods of improving such conditions, and the problem of providing dwelling accommodations for persons of low-income, and cooperate with the City, County, State and the federal government or any other political subdivision of the State in action taken in connection with such problems.

WHEREAS, SHRA has since its creation administered all housing and community development funds for the City and County of Sacramento and administers the County Housing Trust Fund (HTF) and Affordable Housing Ordinances.

WHEREAS, the County the Housing Trust Fund adopted in 1990 and the Affordable Housing Ordinance adopted in 2004 were created to encourage the development of affordable housing in both infill and new growth areas.

WHEREAS, since 1991 the Board of Supervisors has approved the expenditure of over $35 million in HTF and Affordable Housing Ordinances fees leading to the creation of 2,575 units for low income residents and an ELI buy-down for 41 units allowing rents to be affordable to extremely low-income residents. In addition, SHRA has approved over 258 Affordable Housing Plans which, when implemented, will produce over 6350 affordable housing units.

WHEREAS, the County desires to reduce barriers to the creation of housing while allowing for overall increased flexibility in the mechanisms and strategies to improve actual affordable housing production.

WHEREAS, the Affordable Housing Ordinance is a key mechanism by which the housing needs of the County's lower income residents are addressed. .

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1. The Sacramento Housing and Redevelopment Commission is committed to furthering the Sacramento Housing and Redevelopment Agency's mission to revitalize communities, provide affordable housing opportunities, and to serve as the Housing Authority of the City and County of Sacramento.

Section 2. The Sacramento Housing and Redevelopment Commission is opposed to the newly proposed Affordable Housing Ordinance to be set forth in Section 22.35.010 through 22.35180 of the Chapter 22.35 Title 22 of the Sacramento County Code, which would repeal and replace the existing Affordable Housing Ordinance with significant revisions.

Section 3. As the Board of Supervisors considers possible revisions to, or a replacement of, the existing Affordable Housing Ordinance, the Sacramento Housing and Redevelopment Commission supports:

- SHRA continuing to receive, and administer, any fees collected and accept land dedicated pursuant to the ordinance in order to prevent duplication of effort and create a one-stop for affordable housing developers. In addition, the ordinance must include sufficient detail regarding land dedications to ensure that the dedicated sites are truly appropriate, financeable, and useable.

- Lessening the burden on the production of market rate housing by reducing the affordable housing requirement that requires a percentage of all units produced be made affordable to low income families from 15% to 12%.

- Promoting infill development and increasing the overall funding to produce affordable housing by revising the in-lieu fee to no longer be calculated on a per unit basis but on a square footage of construction at a range of $4.00 to $5.00 per sq foot with no cap. This revision to the in-lieu fee calculation, is more in line with assumptions in the Nexus study and will assist the County in meeting its Regional Housing Allocation numbers set by SACOG.

- Providing more flexibility to developers by increasing the size of developments eligible to pay a fee from 100 units to 250 units.

CHAIR

ATTEST:

CLERK

V:\Legal\Housing Development\Housing trust fund\SHRC inclusionary housing ordinance reso.doc

SCC NO. _______

AN ORDINANCE OF THE SACRAMENTO COUNTY CODE RELATING TO AFFORDABLE HOUSING

The Board of Supervisors of the County of Sacramento, State of California, ordains as follows:

SECTION 1. Sections 22.35.010 through 22.35.180 of Chapter 22.35, Title 22, of the Sacramento County Code are repealed.

SECTION 2. Sections 22.35.010 through 22.35.160 are added to Chapter 22.35, Title 22, of the Sacramento County Code to read as follows:

22.35.010 Purpose.

A. It is a public purpose of the County and a policy of the State to achieve a diverse and balanced community with housing available for households of all income levels. The County is committed to implementing policies and regulatory actions that will increase the supply of housing affordable to low, very low and extremely low income households. Because of a variety of factors and economic circumstances, including, but not limited to, increasing development costs, new residential development does not always provide housing for these economic groups. Further, the consumption of the remaining supply of suitable and available land exacerbates the County's on-going efforts to encourage and facilitate the production of housing that is affordable to persons of all income levels, including low, very low and extremely low income households.

B. Housing Element Policy HE-5.2 (E3) provides that the County will review and amend as appropriate its Affordable Housing Ordinance to consider its effectiveness in producing affordable housing, its impact on the production of market rate housing, the current and projected future need for affordable housing in the County and the market's ability to meet that need, and options to streamline and/or clarify the Ordinance.

C. The Legislature of the State of California has found that the lack of affordable housing is a critical problem which threatens the economic, environmental and social quality of life in California.

D. To implement Policy HE-5-2 (E3), to carry out the policies of the State of California, to achieve the benefits of economic diversity for the residents of the County and to assist in making affordable housing available in the County for all income levels, it is essential that new residential development contain housing opportunities to households of low, very low and extremely low income, and that the County provide a regulatory and incentive framework which provides opportunities for development of a supply and mix of new housing to meet the future housing needs of all income segments of the community.

E. The Board of Supervisors finds and determines that the above purposes can be reasonably met by requiring that ten (10) percent of all units in a new residential development project are affordable, as provided in Section 22.35.030. The Board of Supervisors further finds and determines that there is a reasonable relationship between the construction of a development project that does not meet Section 22.35.030's ten (10) percent requirement, and the affordability fees option that certain development projects may pay as an alternative to meeting that requirement, since those fees will be used to pay for off-site affordable housing in lieu of the on-site affordable housing.

F. The Board of Supervisors finds and determines that the Residential Nexus Analysis prepared by Keyser Marston Associates, Inc. in August 2013 meets the requirements of Government Code for the implementation of an impact fee in that newly constructed units represent new households and new income in Sacramento County. 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 the County and therefore need affordable housing. The affordability fee established herein is below the ceiling identified in the Residential Nexus Analysis which ranges from $13.36 per square foot to $24.20 per square foot depending on the unit type for eight prototype developments in the County for the impact fee requirement placed on market rate development.

G. The Board of Supervisors finds and determines that, based upon the above purposes and findings, there is a reasonable relationship between the need for affordable housing and the type of development projects which may meet their affordable obligation pursuant to this Chapter by payment of affordability fees.

22.35.020 Definitions.

"Adjacent" means contiguous at any point, or separated only by a public or private street, road, or other public or private right of way.

"Affordability fee" means the fee required by Section 22.35.070.

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

"Affordable housing component" means the affordable housing units included in or provided by a development project as specified in this Chapter.

"Affordable housing plan" means the plan described in Section 22.35.110 setting forth the elements of a development project's affordable housing component and the manner in which the affordable housing component will be implemented.

"Affordable housing price" means a sales price at which low income or very low income households can qualify for the purchase of for-sale affordable units. Qualification shall be based on no more than thirty-five (35) percent of income at eighty (80) percent, and fifty (50) percent of the median income applicable to Sacramento County, respectively for low income and very low income households, being applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable.

"Affordable housing unit" or "affordable unit" means an ownership or rental dwelling unit developed as a part of the affordable housing component.

"Affordable obligation" means the obligation set forth in Section 22.35.030.

"Affordable rent" means: (1) for a unit whose occupancy is restricted to low income households, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of eighty (80) percent of the median income applicable to Sacramento County; (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 thirty (30) percent of fifty (50) percent of the median income applicable to Sacramento County; or, when applied to units produced pursuant to the State of California Multifamily Housing Program, means a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of thirty-five (35) percent of the median income applicable to Sacramento County. In all cases 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.

"Buy-down program" is a program whereby the County subsidizes the difference in price between a very low income unit and an extremely low income unit.

"Construct" means to build or cause to be built.

"County" means the County of Sacramento.

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

"Development project" means any real estate development project in the unincorporated County that includes at least one dwelling unit. Projects at one location developed by the same owner or developer undertaken in phases, stages or otherwise developed in distinct sections shall be considered a single development project for purposes of this Section. "Development project" includes units and acreage associated with the affordable housing component

"Director" means the Director of Community Development or his or her designee.

"Dwelling unit" means a residential unit within a development project.

"ELI" means extremely low income.

"Extremely low income household" means a household whose income does not exceed thirty (30) percent 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, or, when applied to units produced pursuant to the State of California Multifamily Housing Program, means a household whose income does not exceed thirty-five (35) percent 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.

"Low income household" means a household whose income does not exceed eighty (80) percent 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.

"Master plan" means a development project approved pursuant to the 2030 General Plan Policies LU-119 and LU-120 when outside the Urban Policy Area, or Policy LU-121 when inside the Urban Policy Area.

"Mobilehome park" has the same meaning as set forth in Zoning Code Section 130-126 or any successor section.

"Multifamily" means residential units planned, approved, or built on land planned or zoned for other than single-family residential.

"Newly constructed" means the habitable square footage of any primary residential unit that has not been previously occupied for any purpose, as set forth in Section 1107A, 14-N of the 2010 California Building Code, California Code of Regulations Title 24 Part 2, Volume 1 of 2. For the purposes of this Chapter, exceptions from this definition include accessory dwelling units, remodel or enlargement, or restoration of a dwelling unit which has been damaged or partially destroyed due to fire, flood, or earthquake.

"One location" means all adjacent land owned or controlled by the same owner or developer, a related owner, or more than one owner in a single application, 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.

"Very low income household" means a household whose income does not exceed fifty (50) percent 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.

22.35.030 Standard Affordable Housing Component.

Development projects shall include or provide for an affordable housing component as set forth in this Chapter.

A. Development projects which are not located in a master plan area and contain less than 750 dwelling units in one location shall:

1. Pay an affordability fee on all newly constructed market rate units pursuant to Section 22.35.070(A)(1); or

2. Enter into a development agreement or other form of agreement with the County which:

a. Requires that not less than ten (10) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: six (6) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income;

b. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to ten (10) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

c. Allows for a modified application of Section 22.35.030(A)(2)(a), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(A)(2)(a).

B. Development projects which are included in a master plan area or contain at least 750 dwelling units in one location shall enter into a development agreement with the County which:

1. Requires that not less than ten (10) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: six (6) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income; or;

2. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to ten (10) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

3. Allows for a modified application of Section 22.35.030(B)(1), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(B)(1).

C. Development projects which have an approved affordable housing plan may comply with that affordable housing plan in lieu of complying with Section 22.35.030(A) or (B).

D. Development projects located in the Easton Place Land Use Master Plan, Glenborough at Easton, Cordova Hills Special Planning Area, Mather Field Special Planning Area, and Mather Field Specific Plan shall:

1. Comply with the development project's approved affordable housing plan; if one exists, or

2. Enter into a development agreement or other form of agreement with the County which:

a. Requires that not less than ten (10) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: six (6) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income; or

b. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to ten (10) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

c. Allows for a modified application of Section 22.35.030(D)(2)(a), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(D)(2)(a).

E. Development projects with a tentative subdivision map which was approved prior to the effective date of this ordinance and which contains density bonus units allowed pursuant to the repealed version of this Chapter may build according to that subdivision map, even if the developer chooses to enter into a new agreement pursuant to Section 22.35.030(A), (B), or (D)(2).

F. Nothing in this ordinance shall preclude a development agreement entered into pursuant to this Section from requiring the construction of dwelling units offered for sale at an affordable housing price.

22.35.040 Exempted Development Projects.

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

A. Conversion of nonresidential buildings to residential use;

B. Mobilehome parks;

C. Market rate and affordable units in a mixed-income development on a newly created multifamily site located on-site built at a density of 17 units per acre or more where at least twenty (20) percent of the units are affordable to low income renters or buyers;

D. New single-family residential structures built by an owner-builder on his or her property, provided that (1) the new home is not intended for sale within two years of completion of construction; (2) the owner has not utilized the exemption set forth in this Section 22.35.040 within two years of applying for a building permit for the new structure; and (3) the owner personally performs the work, or the owner directly contracts with a contractor to complete the project.

22.35.050 Concurrence.

The affordable housing plan shall include a phasing plan that provides for the timely development of the affordable housing component as the residential project is built out. The phasing plan shall provide for the development of the affordable units concurrently with the market rate units. The affordable housing plan may deviate from this requirement due to the phasing of infrastructure improvements or other development conditions impacting phasing, but, unless otherwise specified in a development agreement entered into pursuant to Section 22.35.030, no building permits shall be issued for more than seventy-five (75) percent of the market rate units prior to the issuance of permits for one hundred (100) percent of the affordable units

22.35.060 Buy-Down Program for Extremely Low Income Units.

When the development agreement and/or the affordable housing plan requires construction of affordable units, the County shall be offered the right to buy down affordable units. At least twenty (20) percent of the affordable units meeting the affordable housing obligation shall be available for buy-down by the County. At least ten (10) percent of the affordability fees collected shall be used by the County to buy-down or produce units for ELI households.

22.35.070 Affordability Fees.

A. If the developer is required by this Chapter to pay an affordability fee, the following fees shall be paid:

1. Development projects which are not located in a master plan area or contain less than 750 dwelling units in one location shall pay an affordability fee equal to $2.50 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

2. Development projects which are located in a master plan area or contain at least 750 dwelling units in one location, when required by Section 22.35.030(B), shall pay an affordability fee equal to $1.25 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

3. Development projects located in the, Easton Place Land Use Master Plan, Glenborough at Easton, Cordova Hills Special Planning Area, Mather Field Special Planning Area, and Mather Field Specific Plan which have not elected to comply with the development project's approved affordable housing plan, when required by Section 22.35.030(D), shall pay an affordability fee equal to $1.25 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

B. The affordability fee shall be paid concurrently with the payment of building permit fees for the development project in accordance with the fee schedule in effect at the time of building permit application.

C. The affordability fee, including the maximum amount of the fee, shall be adjusted annually based on the Building Cost Index 20-City Average published by Engineer News-Record/McGraw Hill. County shall publish the fee schedule annually in program guidelines.

D. At least ten (10) percent of the affordability fees collected pursuant to this Section shall be used to buy down or produce ELI units pursuant to Section 22.35.060.

22.35.080 Unit Size, Location and Quality.

A. Developments approved pursuant to this Chapter shall be conditioned to accommodate diverse family sizes by including units with different numbers of bedrooms, as determined by the approval authority, upon recommendation by the Director.

B. Multifamily buildings may contain any proportion of affordable units. However, no multifamily development consisting of more than fifty (50) percent affordable units may be located adjacent to another multifamily development with more than fifty (50) percent affordable units.

C. Quality. Affordable units shall be visually compatible with the market rate units. External building materials and finishes, front yard landscaping and amenities shall be of the same type and quality for affordable units as for market rate units.

22.35.090 Accessibility.

A minimum of five (5) percent of the dwelling units (but not less than one (1) unit) in a multifamily project constructed to meet an affordable housing obligation shall be made accessible for persons with disabilities.

22.35.100 Affordability.

An affordable housing plan submitted in conjunction with an application for any development subject to this Chapter which includes construction of affordable units shall ensure the following:

A. Rental. Rental affordable units shall remain affordable for a period of no less than fifty-five (55) years from recordation of the notice of completion for the rental units.

B. For-Sale. For-sale affordable units shall remain affordable for a period of not less than thirty (30) years from the first sale of an individual property and from the date of any resale to an income-eligible buyer made at a time the affordable unit is subject to affordability restrictions under this Chapter.

22.35.110 Occupancy Requirement.

Any person who rents or owns an affordable unit shall occupy that unit as his or her principal residence.

22.35.120 Affordable Housing Plan.

An affordable housing plan shall be submitted as part of the application for a master plan subject to this Chapter. The plan shall contain all the information required by regulations to be promulgated by the County.

22.35.130 Establishment and Administration of Fund for Affordability Fees.

A. There is hereby created by the Office of the County Auditor-Controller in the County Treasury a special interest-bearing trust fund entitled the Fund for Affordability Fees. All fees collected pursuant to Section 22.35.070 and interest shall be placed in said fund and shall be expended solely to purchase land for affordable housing, produce affordable dwelling units, buy down or produce ELI units pursuant to Section 22.35.060, or to cover County's and Sacramento Housing and Redevelopment Agency's reasonable administrative costs associated with implementation of this Chapter.

B. The Fund for Affordability Fees shall be administered consistent with this Chapter and the guidelines prepared pursuant to Section 22.35.140.

C. The Board of Supervisors shall establish priorities for the use of the Fund during the annual General Plan review and in the subsequent County budget.

D. The Department of Community Development and Sacramento Housing and Redevelopment Agency shall report biennially on the performance of the affordable housing program, including the number of units produced and the amount of funds collected. The report shall also include the levels of affordability in units constructed pursuant to this Chapter.

22.35.140 Guidelines.

The Director and Sacramento Housing and Redevelopment Agency shall prepare and implement guidelines to ensure compliance with this Chapter.

22.35.150 Waiver.

At the time a development project is heard by the appropriate approval authority, the developer may request a determination that the requirements of this Chapter, taken together with all applicable incentives, as applied to the residential project through the affordable housing plan, would deny the owner any economically viable use of the subject property for residential uses. The developer has the burden of providing economic information and other evidence necessary to establish that application of the provisions of this Chapter would deny the owner any economically viable use of the subject property for residential uses. The approval authority shall make the determination, which, if the approval authority is not the Board of Supervisors, may be appealed in the same manner as any other decision of the applicable approval authority. In making the recommendation or determination, the decision maker shall assume each of the following: (A) incorporation of the affordable housing component in the residential project; (B) application of any incentives; (C) incorporation into the residential project of the most cost-efficient product type for the affordable units; and (D) external funding where reasonably likely to occur. If it is determined that the application of the provisions of this Chapter would deny the owner any economically viable use of the subject property for residential uses, conditions of approval shall be modified to reduce the obligations in the affordable housing component to the extent and only to the extent necessary to avoid such a result. Absent such a determination the requirements of this Chapter remain applicable.

22.35.160 Severability.

The Board of Supervisors of the County of Sacramento declares that should any section, paragraph, sentence, or word of this Chapter be declared for any reason to be invalid, it is the intent of the Board of Supervisors that it would have passed all other portions of this Chapter, independent of the provision declared invalid.

SECTION 3. This ordinance was introduced and the title thereof read at the regular meeting of the Board of Supervisors on _________________, and on ___________________, further reading was waived by the unanimous vote of the Supervisors present.

This ordinance shall take effect and be in full force on and after thirty (30) days from the date of its passage, and before the expiration of fifteen (15) days from the date of its passage it shall be published once with the names of the members of the Board of Supervisors voting for and against the same, said publication to be made in a newspaper of general circulation published in the County of Sacramento.

On a motion by Supervisor ____________________, seconded by Supervisor _____________________, the foregoing ordinance was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California, this ____ day of ______________ 2014, by the following vote:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

____
Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST:___________________________
Clerk, Board of Supervisors

499795

SCC NO. _______

AN ORDINANCE OF THE SACRAMENTO COUNTY CODE RELATING TO AFFORDABLE HOUSING

The Board of Supervisors of the County of Sacramento, State of California, ordains as follows:

SECTION 1. Sections 22.35.010 through 22.35.180 of Chapter 22.35, Title 22, of the Sacramento County Code are repealed.

SECTION 2. Sections 22.35.010 through 22.35.110 are added to Chapter 22.35, Title 22, of the Sacramento County Code to read as follows:

22.35.010 Purpose.

A. It is a public purpose of the County and a policy of the State to achieve a diverse and balanced community with housing available for households of all income levels. The County is committed to implementing policies and regulatory actions that will increase the supply of housing affordable to low, very low and extremely low income households. Because of a variety of factors and economic circumstances, including, but not limited to, increasing development costs, new residential development does not always provide housing for these economic groups. Further, the consumption of the remaining supply of suitable and available land exacerbates the County's on-going efforts to encourage and facilitate the production of housing that is affordable to persons of all income levels, including low, very low and extremely low income households.

B. Housing Element Policy HE-5.2 (E3) provides that the County will review and amend as appropriate its Affordable Housing Ordinance to consider its effectiveness in producing affordable housing, its impact on the production of market rate housing, the current and projected future need for affordable housing in the County and the market's ability to meet that need, and options to streamline and/or clarify the Ordinance.

C. The Legislature of the State of California has found that the lack of affordable housing is a critical problem which threatens the economic, environmental and social quality of life in California.

D. To implement Policy HE-5-2 (E3), to carry out the policies of the State of California, to achieve the benefits of economic diversity for the residents of the County and to assist in making affordable housing available in the County for all income levels, it is essential that new residential development contain housing opportunities to households of low, very low and extremely low income, and that the County provide a regulatory framework which provides opportunities for development of a supply and mix of new housing to meet the future housing needs of all income segments of the community.

E. The Board of Supervisors finds and determines that the Residential Nexus Analysis prepared by Keyser Marston Associates, Inc. in August 2013 meets the requirements of Government Code for the implementation of an impact fee in that newly constructed units represent new households and new income in Sacramento County. 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 the County and therefore need affordable housing. The affordability fee established herein is below the ceiling identified in the Residential Nexus Analysis which ranges from $13.36 per square foot to $24.20 per square foot depending on the unit type for eight prototype developments in the County for the impact fee requirement placed on market rate development.

F. The Board of Supervisors finds and determines that, based upon the above purposes and findings, there is a reasonable relationship between the need for affordable housing and the type of development projects that may meet their affordable obligation pursuant to this Chapter by payment of affordability fees.

22.35.020 Definitions.

"Affordability fee" means the fee required by Section 22.35.050.

"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 affordable units. Qualification shall be based on no more than thirty-five (35) percent of income at eighty (80) percent, and fifty (50) percent of the median income applicable to Sacramento County, respectively for low income and very low income households, being applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable.

"Affordable housing unit" or "affordable unit" means an ownership or rental dwelling unit developed as a part of the affordable housing component.

"Affordable rent" means: (1) for a unit whose occupancy is restricted to low income households, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of eighty (80) percent of the median income applicable to Sacramento County; (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 thirty (30) percent of fifty (50) percent of the median income applicable to Sacramento County; or, when applied to units produced pursuant to the State of California Multifamily Housing Program, means a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of thirty-five (35) percent of the median income applicable to Sacramento County. In all cases 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.

"Buy-down" means the County will subsidize the difference in price between a very low income unit and an extremely low income unit.

"Construct" means to build or cause to be built.

"County" means the County of Sacramento.

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

"Development project" means any real estate development project in the unincorporated County that includes at least one dwelling unit. Projects at one location developed by the same owner or developer undertaken in phases, stages or otherwise developed in distinct sections shall be considered a single development project for purposes of this Section. "Development project" includes units and acreage associated with the affordable housing component

"Director" means the Director of Community Development or his or her designee.

"Dwelling unit" means a residential unit within a development project.

"ELI" means extremely low income.

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

"Mobilehome park" has the same meaning as set forth in Zoning Code Section 130-126 or any successor section.

"Multifamily" means residential units planned, approved, or built on land planned or zoned for other than single-family residential.

"Newly constructed" means the habitable square footage of any primary residential unit that has not been previously occupied for any purpose, as set forth in Section 1107A, 14-N of the 2010 California Building Code, California Code of Regulations Title 24 Part 2, Volume 1 of 2. For the purposes of this Chapter, exceptions from this definition include accessory dwelling units, remodel or enlargement, or restoration of a dwelling unit which has been damaged or partially destroyed due to fire, flood, or earthquake.

22.35.030 Standard Affordable Housing Component.

Development projects shall:

A. Pay an affordability fee on all newly constructed market rate units pursuant to Section 22.35.050(A); or

B. Comply with the development project's approved affordable housing plan; if one exists, or

C. Enter into a development agreement or other form of agreement with the County which provides for a fee credit for land dedication, construction of affordable dwelling units, or other mechanism which leads to the production of affordable housing, in an amount at least equivalent to the affordability fee established by Section 22.35.050(A).

D. Development projects with a tentative subdivision map which was approved prior to the effective date of this ordinance and which contains density bonus units allowed pursuant to the repealed version of this Chapter may build according to that subdivision map.

22.35.040 Exempted Development Projects.

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

A. Conversion of nonresidential buildings to residential use;

B. Mobilehome parks;

C. Market rate and affordable units in a mixed-income development on a newly created multifamily site located on-site built at a density of 17 units per acre or more where at least twenty (20) percent of the units are affordable to low income renters or buyers;

D. New single-family residential structures built by an owner-builder on his or her property, provided that (1) the new home is not intended for sale within two years of completion of construction; (2) the owner has not utilized the exemption set forth in this Section 22.35.040 within two years of applying for a building permit for the new structure; and (3) the owner personally performs the work, or the owner directly contracts with a contractor to complete the project.

22.35.050 Affordability Fees.

A. The affordability fee is an amount equal to $2.50 per habitable square foot of each market rate unit, up to a maximum of $7500 per market rate unit.

B. The affordability fee shall be paid concurrently with the payment of building permit fees for the development project in accordance with the fee schedule in effect at the time of building permit application.

C. The affordability fee, including the maximum amount of the fee, shall be adjusted annually based on the Building Cost Index 20-City Average published by Engineer News-Record/McGraw Hill. County shall publish the fee schedule annually in program guidelines.

D. At least ten (10) percent of the affordability fees collected pursuant to this Section shall be used to buy down or produce ELI units.

22.35.060 Establishment and Administration of Fund for Affordability Fees.

A. There is hereby created by the Office of the County Auditor-Controller in the County Treasury a special interest-bearing trust fund entitled the Fund for Affordability Fees. All fees collected pursuant to Section 22.35.050 and interest shall be placed in said fund and shall be expended solely to purchase land for affordable housing, produce affordable dwelling units, buy down or produce ELI units, or to cover County's and Sacramento Housing and Redevelopment Agency's reasonable administrative costs associated with implementation of this Chapter.

B. The Fund for Affordability Fees shall be administered consistent with this Chapter and the guidelines prepared pursuant to Section 22.35.100.

C. The Board of Supervisors shall establish priorities for the use of the Fund during the annual General Plan review and in the subsequent County budget.

D. The Department of Community Development and Sacramento Housing and Redevelopment Agency shall report biennially on the performance of the affordable housing program, including the number of units produced and the amount of funds collected. The report shall also include the levels of affordability in units constructed pursuant to this Chapter.

22.35.070 Quality.

Affordable units constructed using affordability fees paid pursuant to this Chapter shall be visually compatible with the market rate units. External building materials and finishes, front yard landscaping and amenities shall be of the same type and quality for affordable units as for market rate units.

22.35.080 Accessibility.

A minimum of five (5) percent of the dwelling units (but not less than one (1) unit) in a multifamily project constructed using affordability fees paid pursuant to this Chapter shall be made accessible for persons with disabilities.

22.35.090 Occupancy and Affordability Requirement.

A. Any person who rents or owns an affordable unit shall occupy that unit as his or her principal residence.

B. Rental affordable units shall remain affordable for a period of no less than fifty-five (55) years from recordation of the notice of completion for the rental units.

C. For-sale affordable units shall remain affordable for a period of not less than thirty (30) years from the first sale of an individual property and from the date of any resale to an income-eligible buyer made at a time the affordable unit is subject to affordability restrictions under this Chapter.

22.35.100 Guidelines.

The Director and Sacramento Housing and Redevelopment Agency shall prepare and implement guidelines to ensure compliance with this Chapter.

22.35.110 Severability.

The Board of Supervisors of the County of Sacramento declares that should any section, paragraph, sentence, or word of this Chapter be declared for any reason to be invalid, it is the intent of the Board of Supervisors that it would have passed all other portions of this Chapter, independent of the provision declared invalid.

SECTION 3. This ordinance was introduced and the title thereof read at the regular meeting of the Board of Supervisors on _________________, and on ___________________, further reading was waived by the unanimous vote of the Supervisors present.

This ordinance shall take effect and be in full force on and after thirty (30) days from the date of its passage, and before the expiration of fifteen (15) days from the date of its passage it shall be published once with the names of the members of the Board of

Supervisors voting for and against the same, said publication to be made in a newspaper of general circulation published in the County of Sacramento.

On a motion by Supervisor ____________________, seconded by Supervisor _____________________, the foregoing ordinance was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California, this ____ day of ______________ 2014 by the following vote:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

____
Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST:___________________________
Clerk, Board of Supervisors

499798

DRAFT

RESIDENTIAL NEXUS ANALYSIS
Affordable Housing Ordinance
Sacramento County, California

Prepared for
County of Sacramento

Prepared by:
Keyser Marston Associates, Inc.

August 2013

(This page intentionally left blank.)

Table of Contents

(This page intentionally left blank.)

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 Affordable Housing Ordinance in Sacramento County. All of the material is contained in more detail in the appendix sections that follow.

The Sacramento County Affordable Housing Ordinance was first adopted in 2004 with subsequent revisions in 2007. The program applies to the unincorporated areas of the County, and requires that 15% of new housing units must be affordable to very low and low income households. The ordinance allows projects with fewer than 100 units to pay a fee in-lieu of providing units and also provides a mechanism to fund housing units for Extremely Low Income Households.

As discussed in the County's Housing Element, three key factors have prompted a full review of the Affordable Housing Ordinance: 1) recent State Court decisions; 2) the economic downturn; and 3) the complexity of implementing the current ordinance. The County contracted with Keyser Marston Associates to conduct a residential nexus analysis, to be used as support for the County's revisions to the ordinance. This report provides the findings of the residential nexus analysis.

A. MARKET SURVEY AND RESIDENTIAL PROTOTYPES

In collaboration with County staff, a total of four market rate residential prototypes were selected for analysis – three ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative developments generally being built by the private market-place in the unincorporated areas of Sacramento County, in order to gain a general understanding of the economic opportunities and challenges of new residential development today.

The prototypes are summarized in the following table. There are four distinct building types and each building type has two price points – low and high – for a total of eight prototypes. The two price points represent the approximate range of prices in different areas of the unincorporated county. More detailed information about the prototypes is included in Appendix II Table 1.

Residential Prototypes	Density	Avg. Unit Size
For-Sale Prototypes*		
1) Lower Density Single Family Detached	5 du/acre	2,200 sq. ft.
2) Medium Density Single Family Detached	7 du/acre	1,800 sq. ft.
3) Higher Density Attached (condominiums)	20 du/acre	1,000 sq. ft.
Rental Prototype*		
4) 2- to 3-story Apartment Project	20 du/acre	950 sq. ft.

*Note: In the residential nexus analysis, two price points for each prototype are being analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

Since the purpose of the analysis is to examine the impact that the County's Affordable Housing Ordinance has on market rate development projects that would be impacted by the County's affordable housing requirements, these prototypes are all 100% market rate projects.

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 jurisdictions from requiring the inclusion of affordable units in rental projects unless there is a negotiated agreement with the city or county in which the local government agrees to concessions. Jurisdictions 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 County. 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 the County 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 County 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 County Residential Prototypes

The 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 county. In the residential nexus analysis, two price points for each prototype are analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

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 at the time of the survey, or early months of 2013. More information on this analysis is contained in Appendix II. The eight prototypes with current market rate sales prices or rent levels are:

Nexus Analysis Prototypes				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Avg. Unit Size	2,200 SF		1,800 SF	
Avg. No. of Bedrooms	4 BR		3 BR	
Avg. Sales Price	$260,000	$320,000	$235,000	$290,000

Nexus Analysis Prototypes, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Rent*	*Higher Rent*
Avg. Unit Size	1,000 SF		950 SF	
Avg. No. of Bedrooms	3 BR		2 BR	
Avg. Sales Price/Rent	$150,000	$225,000	$1,200/mo	$1,400/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:

Gross Household Income				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000

Gross Household Income, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000

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				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000
Total Jobs Generated, 100 units	54.9	63.6	48.1	56.9

Jobs Generated per 100 Units, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000
Total Jobs Generated, 100 units	34.0	45.0	38.9	42.7

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 County. 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 Sacramento County prototype units.

New Worker Households by Income Level per 100 Market Rate Units

	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	10.8	12.7	9.4	11.4
50% to 80% AMI	10.3	12.0	9.0	10.8
Total, Less than 80% AMI	21.1	24.7	18.4	22.1
Greater than 80% AMI	14.9	16.9	13.0	15.1
Total, New Households	36.0	41.7	31.5	37.2

New Worker Households by Income Level per 100 Market Rate Units, cont'd

	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	6.6	8.8	7.6	8.4
50% to 80% AMI	6.4	8.4	7.3	8.0
Total, Less than 80% AMI	13.1	17.3	14.9	16.4
Greater than 80% AMI	9.2	12.2	10.5	11.6
Total, New Households	22.3	29.5	25.5	28.0

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 County intends to use the impact fee revenues to assist in the production of rental units for households in the Very Low and Low 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 summaries of 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 always 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 County has employed in other similar analyses. The City of Sacramento employs this approach as well.

The resulting affordability gaps are as follows:

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

When the affordability gap conclusions for each income tier are linked to the number of affordable units required as a result of market rate development (as indicated in the inset table on the previous page) and divided by 100 units, the result is a Total Nexus Cost per new market rate residential unit. The results per unit are:

Total Nexus Cost Per Market Rate Unit					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Very Low Income	$173,000	$18,600	$22,000	$16,300	$19,600
Low Income	$105,000	$10,800	$12,700	$9,500	$11,300
Total Nexus Costs		**$29,400**	**$34,700**	**$25,800**	**$30,900**

Total Nexus Cost Per Market Rate Unit, cont'd					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Very Low Income	$173,000	$11,500	$15,300	$13,100	$14,500
Low Income	$105,000	$6,700	$8,900	$7,700	$8,400
Total Nexus Costs		**$18,200**	**$24,200**	**$20,800**	**$22,900**

Developments with fewer than 100 units are currently allowed to pay an in-lieu fee instead of providing affordable units within the project. The current fee is $5,600 per market rate unit. The fee is calculated by the County based on land costs and affordable subsidies. The maximum supported nexus cost far exceeds the recent fee level adopted by the County.

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.					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Prototype Size (Sq Ft)		2,200 SF		1,800 SF	
Very Low Income	$173,000	$8.45	$10.00	$9.06	$10.89
Low Income	$105,000	$4.91	$5.77	$5.28	$6.28
Total Nexus Costs		**$13.36**	**$15.77**	**$14.33**	**$17.17**

Total Nexus Cost Per Sq. Ft., cont'd.					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Prototype Size (Sq Ft)		1,000 SF		950 SF	
Very Low Income	$173,000	$11.50	$15.30	$13.79	$15.26
Low Income	$105,000	$6.70	$8.90	$8.11	$8.84
Total Nexus Costs		**$18.20**	**$24.20**	**$21.89**	**$24.11**

These costs express the total linkage or nexus costs for the eight prototype developments in Sacramento County. 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.**

(This page intentionally left blank.)

APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

(This page intentionally left blank.)

INTRODUCTION AND OVERVIEW

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

The Sacramento County Context and Purpose of Report

The Sacramento County Affordable Housing Ordinance was first adopted in 2004 with subsequent revisions in 2007. The program applies to the unincorporated areas of the County, and requires that 15% of new housing units must be affordable to very low and low income households. The ordinance allows projects with fewer than 100 units to pay a fee in-lieu of providing units and also provides a mechanism to fund housing units for Extremely Low Income Households.

As discussed in the County's Housing Element, three key factors have prompted a full review of the Affordable Housing Ordinance: 1) recent State Court decisions; 2) the economic downturn; and 3) the complexity of implementing the current ordinance. The County contracted with Keyser Marston Associates to conduct a residential nexus analysis which would be used as support for the County's revisions to the ordinance. This report provides the findings of the residential nexus 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 County 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 County. These households represent new income in the county 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 County 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 County of Sacramento Affordable Housing Ordinance 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 doings 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 County.

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 County. If purchasers or renters have relocated from elsewhere in the county, 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 County 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 all of Sacramento County and not just the unincorporated areas. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the County and outside of the County. 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 unincorporated county 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 Sacramento County's Affordable Housing Ordinance 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 unincorporated Sacramento County 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 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 unincorporated Sacramento County. Table A-1 at the end of this section provides a more detailed summary of the market rate prototypes. Note that four building types were identified and each building type has two price points, depending on the location within the county. Thus, in total, there are eight prototypes.

Total development costs were assembled for each of the 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.

It is important to note that the prototypes analysis is intended to reflect average or typical residential projects in the Sacramento County 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:

Nexus Analysis Prototypes				
	Lower Density SF		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Avg. Unit Size	2,200 SF		1,800 SF	
Avg. No. of Bedrooms	4 BR		3 BR	
Avg. Sales Price	$260,000	$320,000	$235,000	$290,000

Nexus Analysis Prototypes, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Rent*	*Higher Rent*
Avg. Unit Size	1,000 SF		950 SF	
Avg. No. of Bedrooms	3 BR		2 BR	
Avg. Sales Price/Rent	$150,000	$225,000	$1,200/mo	$1,400/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-7 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.

Gross Household Income				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000

Gross Household Income, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000

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 A1
RESIDENTIAL PROTOTYPES
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		Medium Density Single Family Detached		Higher Density Attached		2-3 Story Apartment Project	
Units (50-unit segments)	50	units	50	units	50	units	50	units
Density (units/acre)	5.0	du/acre	7.0	du/acre	20.0	du/acre [(1)]	20.0	du/acre
Site Acres	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Avg Unit sq. ft.	2,200	sf	1,800	sf	1,000	sf	950	sf
Avg bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Type	Garage		Garage		Garage		Surface	
Dedicated spaces/unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Price Range	Lower	Higher	Lower	Higher	Lower[(2)]	Higher[(2)]	Lower	Higher
Price	$260,000	$320,000	$235,000	$290,000	$150,000	$225,000	(Rent)	(Rent)
Per Sq. Ft.	$118	$145	$131	$161	$150	$225	$1.20	$1.40

[(1)] Range of 18-22 du/acre

[(2)] There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 21 of 98

APPENDIX I TABLE A2
PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 1A Lower Density Single Family Detached - Lower Price
Sales Price	$120 /SF	2,200 SF	$260,000
Mortgage Payment			
Downpayment @ 10%		10%	$26,000
Loan Amount			$234,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$15,100
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	$3,300
Total Annual Housing Cost			$25,200
% of Income Spent on Hsg			35%
Annual Household Income Required			**$72,000**
Sales Price to Income Ratio			3.6

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

APPENDIX I TABLE A3
PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 1B Lower Density Single Family Detached - Higher Price
Sales Price	$150 /SF	2,200 SF	$320,000
Mortgage Payment			
Downpayment @ 10%		10%	$32,000
Loan Amount			$288,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$18,600
Other Costs			
Mortgage Insurance	0.5%	loan amount	$1,400
Homeowner Insurance	0.3%	sale price	$1,000
Maintenance	$400	per month	$4,800
Property Taxes	1.25%	of sales price	$4,000
Total Annual Housing Cost			$29,800
% of Income Spent on Hsg			35%
Annual Household Income Required			**$85,000**
Sales Price to Income Ratio			3.8

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

APPENDIX I TABLE A4
PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 2A Medium Density Single Family Detached - Lower Price
Sales Price	$130 /SF	1,800 SF	$235,000
Mortgage Payment			
Downpayment @ 10%		10%	$23,500
Loan Amount			$211,500
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$13,600
Other Costs			
Mortgage Insurance	0.5%	loan amount	$1,100
Homeowner Insurance	0.3%	sale price	$700
Maintenance	$325	per month	$3,900
Property Taxes	1.25%	of sales price	$2,900
Total Annual Housing Cost			$22,200
% of Income Spent on Hsg			35%
Annual Household Income Required			**$63,000**
Sales Price to Income Ratio			3.7

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

APPENDIX I TABLE A5
PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 2B Medium Single Family Detached - Higher Price
Sales Price	$160 /SF	1,800 SF	$290,000
Mortgage Payment			
Downpayment @ 10%		10%	$29,000
Loan Amount			$261,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$16,800
Other Costs			
Mortgage Insurance	0.50%	loan amount	$1,300
Homeowner Insurance	0.30%	sale price	$900
HOA Dues / Maintenance	$325	per month	$3,900
Property Taxes	1.25%	of sales price	$3,600
Total Annual Housing Cost			$26,500
% of Income Spent on Hsg			35%
Annual Income Required			**$76,000**
Sales Price to Income Ratio			3.8

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

APPENDIX I TABLE A6
PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 3A Higher Density Attached - Lower Price
Sales Price	$150 /SF	1,000 SF	$150,000
Mortgage Payment			
Downpayment @ 10%		10%	$15,000
Loan Amount			$135,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$8,700
Other Costs			
Mortgage Insurance	0.50%	loan amount	$675
Homeowner Insurance	0.30%	sale price	$500
HOA Dues / Maintenance	$250	per month	$3,000
Property Taxes	1.25%	of sales price	$1,900
Total Annual Housing Cost			$14,775
% of Income Spent on Hsg			35%
Annual Income Required			**$42,000**
Sales Price to Income Ratio			3.6

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

APPENDIX I TABLE A7
PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 3B Higher Density Attached - Higher Price
Sales Price	$225 /SF	1,000 SF	$225,000
Mortgage Payment			
Downpayment @ 10%		10%	$22,500
Loan Amount			$202,500
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$13,000
Other Costs			
Mortgage Insurance	0.50%	loan amount	$1,013
Homeowner Insurance	0.30%	sale price	$700
HOA Dues / Maintenance	$250	per month	$3,000
Property Taxes	1.25%	of sales price	$2,800
Total Annual Housing Cost			$20,513
% of Income Spent on Hsg			35%
Annual Income Required			**$59,000**
Sales Price to Income Ratio			3.8

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

APPENDIX I TABLE A8
PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT
RENT TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 4A 2-3 Story Apartment Complex - Lower Rent
Market Rent			
Monthly	$1.26 /SF	950 SF	$1,200
Annual			$14,400
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			**$48,000**
Annual Rent to Income Ratio			3.3

APPENDIX I TABLE A9
PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
ANNUAL RENT TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 4B 2-3 Story Apartment Complex - Higher Rent
Market Rent			
Monthly	$1.47 /SF	950 SF	$1,400
Annual			$16,800
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			**$56,000**
Annual Rent to Income Ratio			3.3

APPENDIX I TABLE A10
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	$260,000	$120	$26,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	$72,000		**$7,200,000**
PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	$320,000	$150	$32,000,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$85,000		**$8,500,000**
PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,800		180,000
Sales Price	$235,000	$130	$23,500,000
Sales Price to Income Ratio	3.7		3.7
Gross Household Income	$63,000		**$6,300,000**
PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,800		180,000
Sales Price	$290,000	$160	$29,000,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$76,000		**$7,600,000**

Source: See Nexus Analysis Tables 1 through 4.

APPENDIX I TABLE A11
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,000		100,000
Sales Price	$150,000	$150	$15,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	$42,000		**$4,200,000**
PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,000		100,000
Sales Price	$225,000	$225	$22,500,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$59,000		**$5,900,000**
PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT			
Units			***100 Units***
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	$1,200	$1.26 /SF	$120,000
Annual	$14,400	$15.12 /SF	$1,440,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	$48,000		**$4,800,000**
PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT			
Units			***100 Units***
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	$1,400	$1.47 /SF	$140,000
Annual	$16,800	$17.64 /SF	$1,680,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	$56,000		**$5,600,000**

Source: Nexus Analysis Tables 5 through 8.

(This page intentionally left blank.)

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. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the county and outside of the county. 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. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries.

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				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000
Total Jobs Generated, 100 units	54.9	63.6	48.1	56.9

Jobs Generated per 100 Units, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000
Total Jobs Generated, 100 units	34.0	45.0	38.9	42.7

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. For this analysis, there are three household income categories: $75,000 - $100,000 (Lower Density SFR – higher price and Medium Density SFR – higher price), $50,000 - $75,000 (Lower Density SFR – lower price and Medium Density SFR – lower price, Higher Density Attached – higher price, and the higher rent apartment) and $35,000 - $50,000 (Higher Density Attached – lower price and the lower rent apartment). 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 B1
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

Per 100 Market Rate Units	1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	% of Jobs	1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER	% of Jobs	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	% of Jobs	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	% of Jobs	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	% of Jobs	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	% of Jobs	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	% of Jobs	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT	% of Jobs
Gross Income of New Residents (in 100 Market Rate Units) [1]	$7,200,000		$8,500,000		$6,300,000		$7,600,000		$4,200,000		$5,900,000		$4,800,000		$5,600,000	
Employment Generated by Industry [2]																
Food services and drinking places	6.4	12%	7.6	12%	5.6	12%	6.8	12%	3.6	11%	5.2	12%	4.1	11%	5.0	12%
Real estate establishments	3.0	5%	3.2	5%	2.6	5%	2.9	5%	1.9	6%	2.5	5%	2.2	6%	2.3	5%
Private hospitals	2.8	5%	2.5	4%	2.4	5%	2.2	4%	1.5	4%	2.3	5%	1.7	4%	2.2	5%
Offices of physicians, dentists, and other health practitioners	2.7	5%	3.3	5%	2.4	5%	2.9	5%	1.8	5%	2.2	5%	2.0	5%	2.1	5%
Nursing and residential care facilities	1.8	3%	1.4	2%	1.6	3%	1.3	2%	1.4	4%	1.5	3%	1.6	4%	1.4	3%
Retail Stores - General merchandise	1.8	3%	2.5	4%	1.6	3%	2.3	4%	1.1	3%	1.5	3%	1.3	3%	1.4	3%
Wholesale trade businesses	1.7	3%	2.0	3%	1.5	3%	1.8	3%	0.9	3%	1.4	3%	1.1	3%	1.3	3%
Securities, commodity contracts, investments, and related activities	1.7	3%	2.2	3%	1.5	3%	1.9	3%	1.0	3%	1.4	3%	1.2	3%	1.3	3%
Retail Stores - Food and beverage	1.6	3%	2.2	4%	1.4	3%	2.0	4%	1.0	3%	1.3	3%	1.1	3%	1.2	3%
Nondepository credit intermediation and related activities	1.5	3%	1.7	3%	1.3	3%	1.5	3%	0.8	2%	1.2	3%	1.0	2%	1.1	3%
Private household operations	1.3	2%	1.7	3%	1.1	2%	1.6	3%	0.9	3%	1.1	2%	1.1	3%	1.0	2%
Individual and family services	1.3	2%	1.2	2%	1.1	2%	1.0	2%	1.0	3%	1.0	2%	1.1	3%	1.0	2%
Employment services	1.1	2%	1.2	2%	0.9	2%	1.1	2%	0.7	2%	0.9	2%	0.8	2%	0.8	2%
Retail Stores - Motor vehicle and parts	1.0	2%	1.4	2%	0.9	2%	1.3	2%	0.6	2%	0.8	2%	0.7	2%	0.8	2%
Other private educational services	0.9	2%	0.7	1%	0.8	2%	0.6	1%	0.4	1%	0.8	2%	0.5	1%	0.7	2%
Retail Nonstores - Direct and electronic sales	0.9	2%	1.3	2%	0.8	2%	1.1	2%	0.6	2%	0.7	2%	0.7	2%	0.7	2%
Civic, social, professional, and similar organizations	0.9	2%	0.9	1%	0.8	2%	0.8	1%	0.5	2%	0.7	2%	0.6	2%	0.7	2%
Retail Stores - Clothing and clothing accessories	0.8	2%	1.2	2%	0.7	2%	1.1	2%	0.5	2%	0.7	2%	0.6	2%	0.6	2%
Services to buildings and dwellings	0.8	1%	0.9	1%	0.7	1%	0.8	1%	0.5	1%	0.7	1%	0.6	1%	0.6	1%
Retail Stores - Miscellaneous	0.8	1%	1.1	2%	0.7	1%	1.0	2%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Personal care services	0.8	1%	0.8	1%	0.7	1%	0.7	1%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Child day care services	0.8	1%	0.7	1%	0.7	1%	0.6	1%	0.5	2%	0.6	1%	0.6	2%	0.6	1%
Legal services	0.7	1%	0.8	1%	0.6	1%	0.8	1%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Insurance carriers	0.7	1%	0.9	1%	0.6	1%	0.8	1%	0.4	1%	0.6	1%	0.5	1%	0.6	1%
Private elementary and secondary schools	0.7	1%	0.7	1%	0.6	1%	0.7	1%	0.3	1%	0.6	1%	0.3	1%	0.6	1%
Medical and diagnostic labs and outpatient and other ambulatory care se	0.7	1%	0.9	1%	0.6	1%	0.8	1%	0.4	1%	0.6	1%	0.5	1%	0.5	1%
Monetary authorities and depository credit intermediation activities	0.6	1%	0.7	1%	0.5	1%	0.7	1%	0.4	1%	0.5	1%	0.4	1%	0.5	1%
Retail Stores - Health and personal care	0.6	1%	0.9	1%	0.5	1%	0.8	1%	0.4	1%	0.5	1%	0.4	1%	0.5	1%
Grantmaking, giving, and social advocacy organizations	0.6	1%	0.6	1%	0.5	1%	0.5	1%	0.4	1%	0.5	1%	0.5	1%	0.5	1%
Community food, housing, and other relief services, including rehabilitati	0.6	1%	0.2	0%	0.5	1%	0.2	0%	0.4	1%	0.5	1%	0.5	1%	0.5	1%
Automotive repair and maintenance, except car washes	0.6	1%	0.6	1%	0.5	1%	0.6	1%	0.3	1%	0.5	1%	0.4	1%	0.4	1%
Retail Stores - Building material and garden supply	0.5	1%	0.7	1%	0.5	1%	0.7	1%	0.3	1%	0.4	1%	0.4	1%	0.4	1%
All Other	12.3	22%	14.8	23%	10.8	22%	13.3	23%	7.6	22%	10.1	22%	8.7	22%	9.6	22%
Total Employment Generated	54.9	100%	63.6	100%	48.1	100%	56.9	100%	34.0	100%	45.0	100%	38.9	100%	42.7	100%

Notes:
1 The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Nexus Analysis Tables 9 and 10 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 three household income categories: $75,000 - $100,000 (Prototypes 1B and 2B), $50,000 - $75,000 (Prototypes 1A, 2A, 3B, and 4B) and $35,000 - $50,000 (Prototypes 3A and 4A). 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).

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 35 of 98

(This page intentionally left blank.)

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 income categories that were evaluated: 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 County, 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 County's Affordable Housing Ordinance.

2013 Income Limits for Sacramento County

	Household Size (Persons)					
	1	*2*	*3*	*4*	*5*	*6 +*
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 Lower Density SFR – higher price and Medium Density SFR – higher price. Table

C-3 presents the results for the Lower Density SFR – lower price, Medium Density SFR – lower price, Higher Density Attached – higher price, and the higher rent apartment) and Table C-4 presents the rest of the 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 (12-13%). 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-5, C-6 and C-7 (by household income) 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 through C-4 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-8 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 50% of AMI category generated by 100 market rate prototype units. The methodology was repeated for the other income tier, resulting in a total count of worker households per 100 units.

Summary Findings

Table C-9 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-9, approximately 60% of new worker households generated by the expenditures of new residents have incomes below 80% of AMI, including 30% earning less than 50% 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-9 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				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	10.8	12.7	9.4	11.4
50% to 80% AMI	10.3	12.0	9.0	10.8
Total, Less than 80% AMI	21.1	24.7	18.4	22.1
Greater than 80% AMI	14.9	16.9	13.0	15.1
Total, New Households	36.0	41.7	31.5	37.2

New Worker Households by Income Level per 100 Market Rate Units, cont'd				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	6.6	8.8	7.6	8.4
50% to 80% AMI	6.4	8.4	7.3	8.0
Total, Less than 80% AMI	13.1	17.3	14.9	16.4
Greater than 80% AMI	9.2	12.2	10.5	11.6
Total, New Households	22.3	29.5	25.5	28.0

Comparison of Analysis Results to Affordable Housing Ordinance

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-10. 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

	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	9.7%	11.3%	8.6%	10.2%	6.2%	8.1%
Low Income	17.4%	19.8%	15.6%	18.1%	11.6%	14.7%

The findings of the analysis are presented for each of the ownership prototypes. The analysis supports inclusionary percentages between 11.6% and 19.8%. The Higher Density Attached prototypes do not currently support a 15% requirement. This is due to the lower current sales prices for these units due to the economic downturn and the resulting drop in housing prices.

The onsite requirement contained in the current ordinance requires developers to set aside 10% of units to Very Low Income households and 5% of units to Low Income households. Only two prototypes, the Lower Density SFR – Higher Price and the Medium Density SFR – Higher Price, support a 10% Very Low inclusionary requirement at current prices.

Market Improvement Scenario

The analysis above presents the supported inclusionary percentages given current sales prices, which are still very low as a result of the economic downturn. Given that home prices are expected to continue to rise over the next several years, KMA also calculated the supported inclusionary percentages under a market improvement scenario. Per the County's direction, the nexus calculations were re-run under a scenario in which home prices increase between current prices and prices that might exist in 2017, the mid-point of the County's Housing Element planning period of 2013-2021. For purposes of this market improvement scenario, KMA utilized a market projection made by Real Estate Economics, a third party source of residential market data and analysis. According to Real Estate Economics, median home prices in the Sacramento-Arden-Arcade-Roseville MSA are projected to rise 21.7% between 2013 and 2017. KMA applied this 20% (rounded) growth factor to each prototype's current sales price and calculated the supported inclusionary percentage given the higher sales prices. The results are shown in the table below.

Market Improvement Scenario: Cumulative Inclusionary Percentage Supported by Nexus Analysis						
	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Estimated Sales Price in 2017	$312,000	$384,000	$282,000	$348,000	$180,000	$270,000
Very Low Income	11.0%	12.9%	10.0%	11.7%	7.2%	9.4%
Low Income	19.5%	22.4%	17.8%	20.6%	13.2%	16.8%

Under the Market Improvement Scenario, the Lower Density and Medium Density prototypes support the current onsite obligation (10% Very Low and 5% Low). The Higher Density Attached unit with the Higher Price supports a 15% obligation, but does not support a 10% Very Low obligation. Note that the lower priced Higher Density Attached product still does not meet the 15% threshold, even with a 20% increase in sales prices. As discussed in Appendix II, however, this product type suffered greatly during the recession, and KMA estimates that in order for development of these units to be feasible, a 45% increase in sales prices must occur (net of any increase in construction costs or land prices). See Appendix II for more information.

Conclusion

For ownership units, the analysis has demonstrated that the overall percentage requirement embodied in the current Sacramento Affordable Housing Ordinance is supported by the residential nexus analysis for most of the prototypes analyzed. The new households that buy new units in Sacramento generate impacts, through their expenditures on goods and services, which results in demand for additional affordable units in amounts higher than the current Affordable Housing Ordinance requires. The exception is the Higher Density Attached product, which was the product type most impacted by declining sale prices (see Appendix II for more discussion). If the supported inclusionary percentages for the two Higher Density Attached products are averaged together, the result given the improved market pricing is a total supported inclusionary percentage of 15%, which supports the current onsite requirement. The use of averages is an approach employed in other public policy applications, including impact fee analyses. The onsite requirement that developers set aside 10% of units for Very Low income households is not supported under current market conditions. It is expected that over the next five years, market sales prices should improve enough such that this requirement will be supported by all prototypes except the Higher Density Attached product.

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

APPENDIX I TABLE C1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

Per 100 Market Rate Units	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Step 1 - Employees [1]	54.9	63.6	48.1	56.9	34.0	45.0	38.9	42.7
Step 2 - Adjustment for Number of Households (1.53) [2]	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0
Step 3 - Occupation Distribution								
Management Occupations	4.6%	4.5%	4.6%	4.5%	4.6%	4.6%	4.6%	4.6%
Business and Financial Operations	5.4%	5.4%	5.4%	5.4%	5.3%	5.4%	5.3%	5.4%
Computer and Mathematical	1.7%	1.7%	1.7%	1.7%	1.6%	1.7%	1.6%	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	1.9%	1.5%	1.9%	1.5%	2.1%	1.9%	2.1%	1.9%
Legal	0.9%	0.9%	0.9%	0.9%	1.0%	0.9%	1.0%	0.9%
Education, Training, and Library	3.0%	2.4%	3.0%	2.4%	2.6%	3.0%	2.6%	3.0%
Arts, Design, Entertainment, Sports, and Media	1.6%	1.6%	1.6%	1.6%	1.5%	1.6%	1.5%	1.6%
Healthcare Practitioners and Technical	7.1%	6.5%	7.1%	6.5%	7.0%	7.1%	7.0%	7.1%
Healthcare Support	4.1%	3.6%	4.1%	3.6%	4.5%	4.1%	4.5%	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	12.8%	12.9%	12.8%	12.9%	11.9%	12.8%	11.9%	12.8%
Building and Grounds Cleaning and Maint.	5.3%	5.4%	5.3%	5.4%	5.7%	5.3%	5.7%	5.3%
Personal Care and Service	4.9%	4.3%	4.9%	4.3%	5.3%	4.9%	5.3%	4.9%
Sales and Related	14.6%	16.6%	14.6%	16.6%	14.7%	14.6%	14.7%	14.6%
Office and Administrative Support	18.4%	18.8%	18.4%	18.8%	18.4%	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	1.7%	1.8%	1.7%	1.8%	1.8%	1.7%	1.8%	1.7%
Transportation and Material Moving	5.2%	5.5%	5.2%	5.5%	5.2%	5.2%	5.2%	5.2%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.7	1.9	1.5	1.7	1.0	1.4	1.2	1.3
Business and Financial Operations	1.9	2.2	1.7	2.0	1.2	1.6	1.3	1.5
Computer and Mathematical	0.6	0.7	0.5	0.6	0.4	0.5	0.4	0.5
Architecture and Engineering	0.1	0.2	0.1	0.1	0.1	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	0.7	0.6	0.6	0.6	0.5	0.6	0.5	0.5
Legal	0.3	0.4	0.3	0.3	0.2	0.3	0.3	0.3
Education, Training, and Library	1.1	1.0	1.0	0.9	0.6	0.9	0.7	0.9
Arts, Design, Entertainment, Sports, and Media	0.6	0.6	0.5	0.6	0.3	0.5	0.4	0.4
Healthcare Practitioners and Technical	2.6	2.7	2.2	2.4	1.6	2.1	1.8	2.0
Healthcare Support	1.5	1.5	1.3	1.3	1.0	1.2	1.1	1.2
Protective Service	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Food Preparation and Serving Related	4.6	5.4	4.0	4.8	2.6	3.8	3.0	3.6
Building and Grounds Cleaning and Maint.	1.9	2.2	1.7	2.0	1.3	1.6	1.4	1.5
Personal Care and Service	1.8	1.8	1.5	1.6	1.2	1.4	1.4	1.4
Sales and Related	5.2	6.9	4.6	6.2	3.3	4.3	3.7	4.1
Office and Administrative Support	6.6	7.8	5.8	7.0	4.1	5.4	4.7	5.1
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	0.3	0.3	0.2	0.2	0.2	0.2
Installation, Maintenance, and Repair	1.4	1.7	1.2	1.5	0.9	1.2	1.0	1.1
Production	0.6	0.8	0.5	0.7	0.4	0.5	0.5	0.5
Transportation and Material Moving	1.9	2.3	1.6	2.0	1.2	1.5	1.3	1.4
Totals	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0

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 three household income categories: $75,000 - $100,000 (Prototypes 1B and 2B), $50,000 - $75,000 (Prototypes 1A, 2A, 3B, and 4B) and $35,000 - $50,000 (Prototypes 3A and 4A).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 Appendix B tables for additional information on Major Occupation Categories.

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 43 of 98

APPENDIX I TABLE C2
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
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	*13.2%*
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 C3
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
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	*13.5%*
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 C4
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

Major Occupations (2% or more)		Worker Occupation Distribution[1] Services to Households Earning $35,000 - $50,000 / Year
Management Occupations	3.62	*4.5%*
Business and Financial Operations Occupations	4.13	*5.1%*
Community and Social Service Occupations	1.68	*2.1%*
Education, Training, and Library Occupations	2.05	*2.5%*
Healthcare Practitioners and Technical Occupations	5.50	*6.8%*
Healthcare Support Occupations	3.52	*4.3%*
Food Preparation and Serving Related Occupations	9.31	*11.5%*
Building and Grounds Cleaning and Maintenance Occupations	4.44	*5.5%*
Personal Care and Service Occupations	4.16	*5.1%*
Sales and Related Occupations	11.55	*14.2%*
Office and Administrative Support Occupations	14.44	*17.8%*
Installation, Maintenance, and Repair Occupations	3.14	*3.9%*
Transportation and Material Moving Occupations	4.11	*5.1%*
All Other Worker Occupations - Services to Households Earning $35,000 - $50,000 / Year	9.40	*11.6%*
INDUSTRY TOTAL	81.06	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 C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
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 1 of 3			
Management Occupations			
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)	$106,900	32.1%	1.4%
Weighted Mean Annual Wage	***$106,900***	**100.0%**	**4.3%**
Business and Financial Operations Occupations			
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)	$73,000	25.2%	1.3%
Weighted Mean Annual Wage	***$73,000***	**100.0%**	**5.2%**
Education, Training, and Library Occupations			
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)	$43,000	26.7%	0.6%
Weighted Mean Annual Wage	***$43,000***	**100.0%**	**2.3%**
Healthcare Practitioners and Technical Occupations			
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)	$95,000	44.1%	2.8%
Weighted Mean Annual Wage	***$95,000***	**100.0%**	**6.3%**

APPENDIX I TABLE C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
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			
Healthcare Support Occupations			
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)	$31,300	14.5%	0.5%
Weighted Mean Annual Wage	***$31,300***	**100.0%**	**3.5%**
Food Preparation and Serving Related Occupations			
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)	$22,100	16.1%	2.0%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**12.5%**
Building and Grounds Cleaning and Maintenance Occupations			
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)	$27,400	10.9%	0.6%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.2%**
Personal Care and Service Occupations			
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)	$24,400	22.6%	0.9%
Weighted Mean Annual Wage	***$24,400***	**100.0%**	**4.1%**
Sales and Related Occupations			
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)	$33,700	21.1%	3.4%
Weighted Mean Annual Wage	***$33,700***	**100.0%**	**16.0%**

APPENDIX I TABLE C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
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 3 of 3			
Office and Administrative Support Occupations			
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)	$38,400	31.9%	5.8%
Weighted Mean Annual Wage	***$38,400***	**100.0%**	**18.1%**
Installation, Maintenance, and Repair Occupations			
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)	$46,900	34.5%	1.3%
Weighted Mean Annual Wage	***$46,900***	**100.0%**	**3.9%**
Transportation and Material Moving Occupations			
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)	$32,000	20.8%	1.1%
Weighted Mean Annual Wage	***$32,000***	**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 C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
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			
Management Occupations			
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)	$106,500	33.4%	1.5%
Weighted Mean Annual Wage	***$106,500***	**100.0%**	**4.5%**
Business and Financial Operations Occupations			
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)	$72,800	25.4%	1.3%
Weighted Mean Annual Wage	***$72,800***	**100.0%**	**5.2%**
Education, Training, and Library Occupations			
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)	$42,900	25.9%	0.8%
Weighted Mean Annual Wage	***$42,900***	**100.0%**	**3.0%**
Healthcare Practitioners and Technical Occupations			
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)	$93,000	46.7%	3.2%
Weighted Mean Annual Wage	***$93,000***	**100.0%**	**6.9%**

APPENDIX I TABLE C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
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			
Healthcare Support Occupations			
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)	$31,100	13.5%	0.5%
Weighted Mean Annual Wage	***$31,100***	**100.0%**	**4.0%**
Food Preparation and Serving Related Occupations			
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)	$22,100	16.7%	2.1%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**12.4%**
Building and Grounds Cleaning and Maintenance Occupations			
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)	$27,400	10.7%	0.5%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.1%**
Personal Care and Service Occupations			
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)	$24,300	23.3%	1.1%
Weighted Mean Annual Wage	***$24,300***	**100.0%**	**4.7%**
Sales and Related Occupations			
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)	$34,100	19.5%	2.7%
Weighted Mean Annual Wage	***$34,100***	**100.0%**	**14.1%**

APPENDIX I TABLE C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
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 3 of 3			
Office and Administrative Support Occupations			
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)	$38,600	31.9%	5.7%
Weighted Mean Annual Wage	***$38,600***	**100.0%**	**17.8%**
Installation, Maintenance, and Repair Occupations			
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)	$46,800	32.8%	1.3%
Weighted Mean Annual Wage	***$46,800***	**100.0%**	**3.8%**
Transportation and Material Moving Occupations			
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)	$32,000	22.8%	1.1%
Weighted Mean Annual Wage	***$32,000***	**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 C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 1 of 3			
Management Occupations			
General and Operations Managers	$121,400	31.3%	1.4%
Sales Managers	$112,100	5.3%	0.2%
Financial Managers	$111,300	9.4%	0.4%
Food Service Managers	$49,600	4.0%	0.2%
Medical and Health Services Managers	$118,000	5.7%	0.3%
Property, Real Estate, and Community Association Managers	$73,000	11.0%	0.5%
All other Management Occupations (Avg. All Categories)	$106,600	33.3%	1.5%
Weighted Mean Annual Wage	***$106,600***	**100.0%**	**4.5%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$62,900	4.3%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	$63,700	6.7%	0.3%
Management Analysts	$83,100	6.1%	0.3%
Market Research Analysts and Marketing Specialists*	$81,200	5.0%	0.3%
Business Operations Specialists, All Other*	$70,600	11.6%	0.6%
Accountants and Auditors	$66,800	16.6%	0.8%
Financial Analysts	$80,600	6.7%	0.3%
Personal Financial Advisors	$80,000	8.4%	0.4%
Loan Officers	$74,100	9.3%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$72,800	25.3%	1.3%
Weighted Mean Annual Wage	***$72,800***	**100.0%**	**5.1%**
Community and Social Service Occupations			
Substance Abuse and Behavioral Disorder Counselors	$36,300	4.3%	0.1%
Educational, Guidance, School, and Vocational Counselors	$64,000	4.7%	0.1%
Mental Health Counselors	$51,600	6.9%	0.1%
Rehabilitation Counselors	$35,700	8.5%	0.2%
Child, Family, and School Social Workers	$42,400	12.6%	0.3%
Healthcare Social Workers	$59,900	6.8%	0.1%
Mental Health and Substance Abuse Social Workers	$44,500	6.8%	0.1%
Social and Human Service Assistants	$40,700	25.6%	0.5%
Community and Social Service Specialists, All Other*	$51,300	7.4%	0.2%
All Other Community and Social Service Occupations (Avg. All Categories)	$45,200	16.3%	0.3%
Weighted Mean Annual Wage	***$45,200***	**100.0%**	**2.1%**
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$66,400	4.7%	0.1%
Preschool Teachers, Except Special Education	$29,300	22.0%	0.6%
Elementary School Teachers, Except Special Education	$66,900	6.0%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$65,500	4.0%	0.1%
Self-Enrichment Education Teachers	$39,200	10.5%	0.3%
Teachers and Instructors, All Other*	$45,300	10.3%	0.3%
Teacher Assistants	$30,900	17.9%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$40,500	24.6%	0.6%
Weighted Mean Annual Wage	***$40,500***	**100.0%**	**2.5%**

APPENDIX I TABLE C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR		
Occupation [3]	2012 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Workers
Page 2 of 3			
Healthcare Practitioners and Technical Occupations			
Physicians and Surgeons, All Other	$181,000	4.3%	0.3%
Registered Nurses*	$100,500	33.0%	2.2%
Pharmacy Technicians	$40,300	5.3%	0.4%
Licensed Practical and Licensed Vocational Nurses	$55,000	10.6%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$92,000	46.8%	3.2%
Weighted Mean Annual Wage	***$92,000***	**100.0%**	**6.8%**
Healthcare Support Occupations			
Home Health Aides	$23,700	24.4%	1.1%
Nursing Aides, Orderlies, and Attendants*	$32,400	35.7%	1.6%
Dental Assistants	$38,200	8.7%	0.4%
Medical Assistants	$33,100	14.7%	0.6%
Healthcare Support Workers, All Other*	$36,400	4.1%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	$30,900	12.4%	0.5%
Weighted Mean Annual Wage	***$30,900***	**100.0%**	**4.3%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,200	6.9%	0.8%
Cooks, Fast Food	$19,000	4.8%	0.6%
Cooks, Restaurant	$24,000	8.6%	1.0%
Food Preparation Workers	$22,100	6.6%	0.8%
Bartenders	$22,500	5.0%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,600	25.4%	2.9%
Waiters and Waitresses	$21,400	21.0%	2.4%
Dishwashers	$19,600	4.5%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,100	17.2%	2.0%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**11.5%**
Building and Grounds Cleaning and Maintenance Occupations			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$27,700	51.1%	2.8%
Maids and Housekeeping Cleaners	$24,600	12.5%	0.7%
Landscaping and Groundskeeping Workers	$28,100	25.5%	1.4%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	$27,400	10.9%	0.6%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.5%**
Personal Care and Service Occupations			
Nonfarm Animal Caretakers	$21,300	4.3%	0.2%
Amusement and Recreation Attendants	$20,000	5.3%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	$26,400	15.4%	0.8%
Childcare Workers	$22,600	16.5%	0.8%
Personal Care Aides	$22,300	25.0%	1.3%
Fitness Trainers and Aerobics Instructors	$38,100	5.1%	0.3%
Recreation Workers	$24,500	5.5%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$24,200	22.9%	1.2%
Weighted Mean Annual Wage	***$24,200***	**100.0%**	**5.1%**

APPENDIX I TABLE C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 3 of 3			
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$41,500	9.0%	1.3%
Cashiers	$24,100	23.2%	3.3%
Counter and Rental Clerks	$31,100	4.6%	0.7%
Retail Salespersons	$26,100	34.0%	4.8%
Securities, Commodities, and Financial Services Sales Agents	$83,500	5.7%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	$67,900	4.4%	0.6%
All Other Sales and Related Occupations (Avg. All Categories)	$33,800	19.2%	2.7%
Weighted Mean Annual Wage	***$33,800***	**100.0%**	**14.2%**
Office and Administrative Support Occupations			
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	11.1%	2.0%
Receptionists and Information Clerks	$29,000	6.4%	1.1%
Stock Clerks and Order Fillers	$28,000	9.2%	1.6%
Executive Secretaries and Executive Administrative Assistants	$50,500	4.4%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$37,700	9.2%	1.6%
Office Clerks, General	$34,100	13.6%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,600	31.6%	5.6%
Weighted Mean Annual Wage	***$38,600***	**100.0%**	**17.8%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$67,800	7.7%	0.3%
Automotive Body and Related Repairers	$44,900	4.5%	0.2%
Automotive Service Technicians and Mechanics	$45,900	17.3%	0.7%
Maintenance and Repair Workers, General	$43,000	38.0%	1.5%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,700	32.4%	1.3%
Weighted Mean Annual Wage	***$46,700***	**100.0%**	**3.9%**
Transportation and Material Moving Occupations			
Driver/Sales Workers	$29,000	7.8%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$41,300	15.1%	0.8%
Light Truck or Delivery Services Drivers	$36,600	11.2%	0.6%
Industrial Truck and Tractor Operators	$37,100	4.1%	0.2%
Cleaners of Vehicles and Equipment	$21,100	5.9%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$29,400	24.8%	1.3%
Packers and Packagers, Hand	$26,300	8.2%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$32,200	22.9%	1.2%
Weighted Mean Annual Wage	***$32,200***	**100.0%**	**5.1%**
			88.4%

[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 C8
VERY LOW INCOME EMPLOYEE HOUSEHOLDS[1] GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED -	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Step 4, 5, & 6 - Very Low Income Households (under 50% AMI) within Major Occupation Categories								
Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business and Financial Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer and Mathematical	-	-	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	0.06	-	0.07	-
Legal	-	-	-	-	-	-	-	-
Education Training and Library	0.26	0.23	0.22	0.21	0.15	0.21	0.17	0.20
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Healthcare Support	0.50	0.49	0.43	0.44	0.34	0.41	0.39	0.39
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	2.77	3.25	2.43	2.91	1.60	2.27	1.83	2.16
Building Grounds and Maintenance	0.82	0.96	0.72	0.86	0.55	0.68	0.62	0.64
Personal Care and Service	0.94	0.95	0.82	0.85	0.64	0.77	0.73	0.73
Sales and Related	2.08	2.78	1.82	2.49	1.32	1.71	1.50	1.62
Office and Admin	1.22	1.47	1.06	1.31	0.76	1.00	0.87	0.95
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	0.13	0.15	0.11	0.13	0.08	0.11	0.09	0.10
Production	-	-	-	-	-	-	-	-
Transportation and Material Moving	0.59	0.72	0.52	0.65	0.37	0.48	0.42	0.46
Very Low Income Households - Major Occupations	9.33	11.02	8.16	9.86	5.87	7.64	6.71	7.25
Very Low Inc. Households[1] - all other occupations	1.45	1.68	1.27	1.50	0.77	1.19	0.88	1.13
Total Very Low Income Households[1]	**10.78**	**12.70**	**9.43**	**11.35**	**6.64**	**8.83**	**7.59**	**8.38**

[1] Includes households earning from zero through 50% of Sacramento County Area Median Income.

APPENDIX I TABLE C9
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS

Number of New Households[1]	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Under 50% Area Median Income	10.8	12.7	9.4	11.4	6.6	8.8	7.6	8.4
50% to 80% Area Median Income	10.3	12.0	9.0	10.8	6.4	8.4	7.3	8.0
Subtotal through 80% of Median	21.1	24.7	18.4	22.1	13.1	17.3	14.9	16.4
Over 80% Area Median Income	14.9	16.9	13.0	15.1	9.2	12.2	10.5	11.6
Total Employee Households	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0
Percent of New Households [1]								
Under 50% Area Median Income	30%	30%	30%	30%	30%	30%	30%	30%
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.

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 57 of 98

APPENDIX I TABLE C10
INCLUSIONARY REQUIREMENT SUPPORTED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE
Supported Inclusionary Requirement Per 100 Market Rate Units - Cumulative Through [1]						
50% OF MEDIAN INCOME	10.8 Units	12.7 Units	9.4 Units	11.4 Units	6.6 Units	8.8 Units
80% OF MEDIAN INCOME	21.1 Units	24.7 Units	18.4 Units	22.1 Units	13.1 Units	17.3 Units
Supported Inclusionary Percentage - Cumulative Through [2]						
50% OF MEDIAN INCOME	9.7%	11.3%	8.6%	10.2%	6.2%	8.1%
80% OF MEDIAN INCOME	17.4%	19.8%	15.6%	18.1%	11.6%	14.7%

Notes:

[1] See Nexus Analysis Table 14.

[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 County, known as the 'affordability gap.' Affordability gaps are calculated for each of the categories of area median income: Very Low (up 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.

County 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 County practices and policies. Sacramento County intends to assist in the production of rental units for households in the Very Low (less than 50% of median income) and Low (50 – 80% of median income) 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 County-assisted developments, total development costs could be higher than those estimated here. The conservative (or lower) 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 County has employed in other similar analyses.

For reference, KMA also produced an estimate of the affordability gaps assuming tax credit financing is available. See Appendix II for more information.

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:

- $173,000 for households in the under 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 County.

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-9 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

Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	$173,000	$18,600	$22,000	$16,300	$19,600
Low Income	$105,000	$10,800	$12,700	$9,500	$11,300
Total Nexus Costs		**$29,400**	**$34,700**	**$25,800**	**$30,900**

Total Nexus Cost Per Market Rate Unit, cont'd					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	$173,000	$11,500	$15,300	$13,100	$14,500
Low Income	$105,000	$6,700	$8,900	$7,700	$8,400
Total Nexus Costs		**$18,200**	**$24,200**	**$20,800**	**$22,900**

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.					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Prototype Size (Sq Ft)		2,200 SF		1,800 SF	
Very Low Income	$173,000	$8.45	$10.00	$9.06	$10.89
Low Income	$105,000	$4.91	$5.77	$5.28	$6.28
Total Nexus Costs		**$13.36**	**$15.77**	**$14.33**	**$17.17**

Total Nexus Cost Per Sq. Ft., cont'd.					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Prototype Size (Sq Ft)		1,000 SF	1,000 SF	950 SF	950 SF
Very Low Income	$173,000	$11.50	$15.30	$13.79	$15.26
Low Income	$105,000	$6.70	$8.90	$8.11	$8.84
Total Nexus Costs		**$18.20**	**$24.20**	**$21.89**	**$24.11**

These costs express the total linkage or nexus costs for the eight prototype developments in the County 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.**

APPENDIX I TABLE D1
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

TOTAL NEXUS COST PER MARKET RATE UNIT

	Affordability Gap [1]	Nexus Cost Per Market Rate Unit							
		LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Household Income Level									
Under 50% Area Median Income	$173,000	$18,600	$22,000	$16,300	$19,600	$11,500	$15,300	$13,100	$14,500
50% to 80% Area Median Income	$105,000	$10,800	$12,700	$9,500	$11,300	$6,700	$8,900	$7,700	$8,400
Total Supported Fee / Nexus		**$29,400**	**$34,700**	**$25,800**	**$30,900**	**$18,200**	**$24,200**	**$20,800**	**$22,900**

TOTAL NEXUS COST PER SQUARE FOOT

	Affordability Gap [1]	Nexus Cost Per Square Foot							
		LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Unit Size (SF)		2,200 SF	2,200 SF	1,800 SF	1,800 SF	1,000 SF	1,000 SF	950 SF	950 SF
Household Income Level									
Under 50% Area Median Income	$173,000	$8.45	$10.00	$9.06	$10.89	$11.50	$15.30	$13.79	$15.26
50% to 80% Area Median Income	$105,000	$4.91	$5.77	$5.28	$6.28	$6.70	$8.90	$8.11	$8.84
Total Supported Fee / Nexus		**$13.36**	**$15.77**	**$14.33**	**$17.17**	**$18.20**	**$24.20**	**$21.89**	**$24.11**

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

ADDENDUM: NOTES ON SPECIFIC ASSUMPTIONS

Geographic Area of Impact

The analysis quantifies impacts occurring throughout Sacramento County and not just in the unincorporated areas. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the county and outside of the county. 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 unincorporated county 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 County has employed in other similar analyses, including the analyses in support of the affordable housing impact fees for non-residential construction. It is also consistent with the approach employed by the City of Sacramento.

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 County, the County 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. A 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 County'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 Sacramento County.

(This page intentionally left blank.)

APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE

(This page intentionally left blank.)

INTRODUCTION

This Appendix 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 unincorporated Sacramento County.

It is noted that the market surveys and financial feasibility analyses were conducted in early 2013. By mid 2013 the market had experienced improvement, but is still depressed to the extent that none of the general conclusions in this analysis have been significantly altered.

A. MARKET RATE UNITS

In collaboration with County staff, four market rate residential prototypes were selected for analysis – three for-sale prototypes and one rental prototype. For each building prototype, two price points were selected, representing the approximate range of prices in the unincorporated county. The intent of the selected prototypes is to identify representative developments generally being built by the private marketplace in Sacramento County, or expected to be built as the market improves, in order to gain a general understanding of the economic opportunities and challenges of new residential construction.

The four prototypes are summarized in the following table. More detailed information about the prototypes is included in Appendix II Table 1.

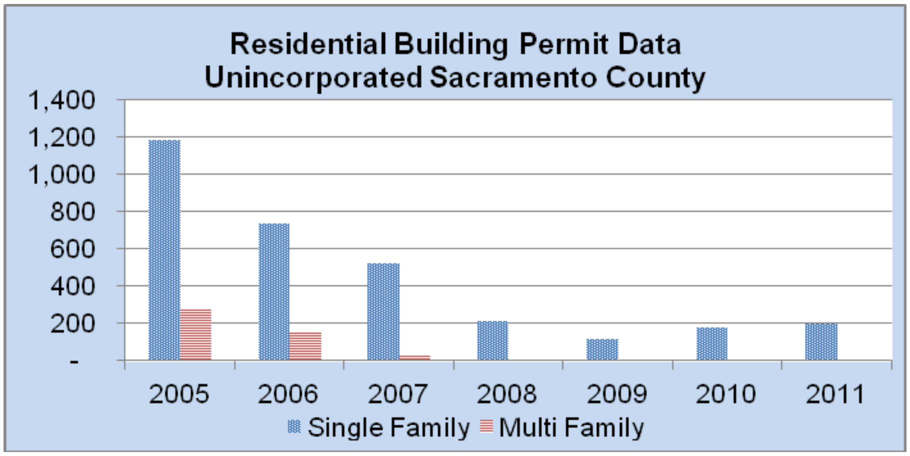
Residential Prototypes	Density	Avg. Unit Size
<u>For-Sale Prototypes*</u>		
1) Lower Density Single Family Detached	5 du/acre	2,200 sq. ft.
2) Medium Density Single Family Detached	7 du/acre	1,800 sq. ft.
3) Higher Density Attached (condominiums)	20 du/acre	1,000 sq. ft.
<u>Rental Prototype*</u>		
4) 2- to 3-story Apartment Project	20 du/acre	950 sq. ft.

*Note: In the residential nexus analysis, two price points for each prototype are being analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

Since the purpose of the analysis is to examine the impact that the County's Affordable Housing Ordinance has on market rate development projects that would be impacted by the County's affordable housing requirements, these prototypes are all 100% market rate projects.

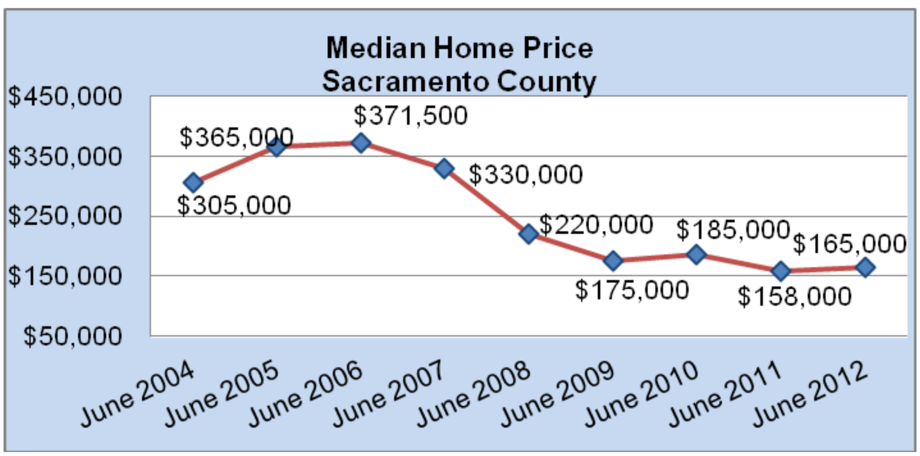
I. For Sale Residential Market Survey

As has been the case in most localities throughout the State of California, the unincorporated areas of Sacramento County have experienced a steep decline in both home values and construction activity since the onset of the recession. As shown in the following chart, residential building permit activity has declined precipitously between 2005 and 2011.



Source: Construction Industry Research Board

The median home price in Sacramento (single family and condominiums combined) has declined by almost 60% - from $371,500 in June 2006 to $158,000 in June 2011. There was a slight uptick in pricing in 2010 resulting from a temporary federal homebuyer tax credit. Home prices have generally been on an upward trajectory since 2011.



Source: California Association of Realtors, Dataquick

Of significance, many homes in Sacramento County have dropped to levels that are well within affordable prices for Low Income households (eligible to households earning up to 80% of AMI) and even Very Low Income households (up to 50% of AMI), although it is recognized that it remains very difficult for many Low Income and Very 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 deed restricted affordable prices will present some challenges for successfully marketing and selling affordably priced homes.

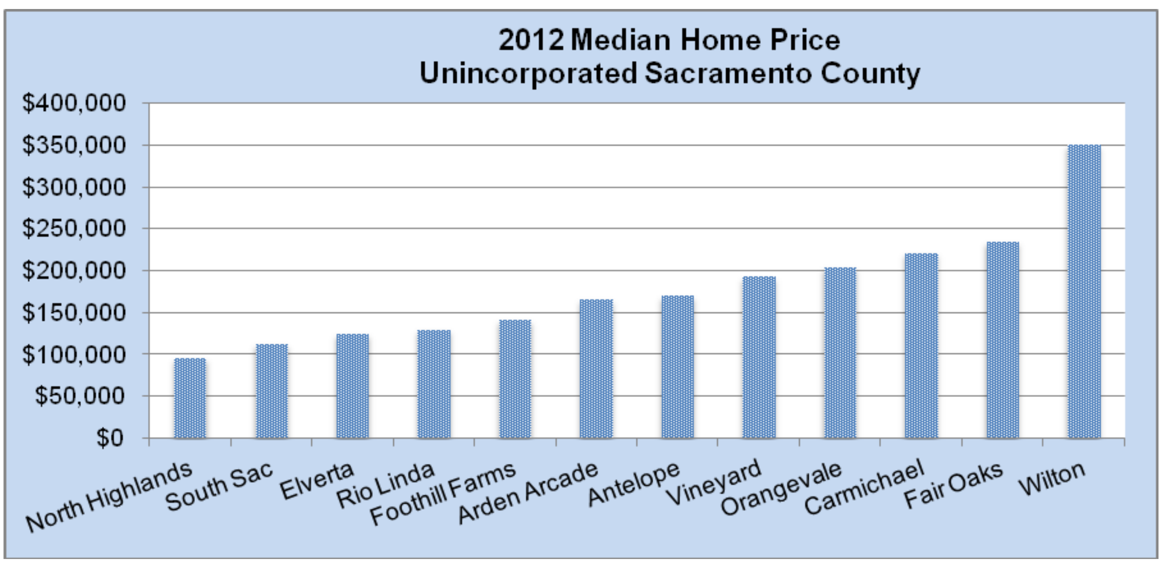
a) Current Trends/Outlook

Residential market conditions improved in 2012 with the June median home price moving up slightly to $165,000. 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.

b) Intra-County Variation

Given its large geographic area, home values within Sacramento County vary significantly from one area to another. The following chart indicates the 2012 median home prices in the community areas of the county.



Source: Dataquick
Note: Source data is based on zip codes, which do not conform exactly with community boundaries.

c) 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 Sacramento County were REO or short sales, ranging from just above 45% in North Highlands and Carmichael to just above 65% in Vineyard and Antelope.

Source: Dataquick

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 2012[1].

d) New Home Projects and Pricing

Focusing next on newly built homes, KMA researched asking prices of newly constructed homes currently on the market in unincorporated Sacramento County. Market research firm Hanley Wood identified just five single family home developments currently being marketed for sale in unincorporated Sacramento County. There were no attached condominiums on the market.

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

Newly Built Residential Projects	Community	Home Size Range*	Price Range*	Price PSF*
Single Family Detached				
1) Destinations	Vineyard	996 – 1,314	$174k-$209k	$157-$175
2) Rockwood Estates	Vineyard	1,604 – 2,308	$244k-$271k	$115-$152
3) Sandalwood	Vineyard	1,445 – 1,654	$194k-$217k	$131-$134
4) Brentwood Villas	Orangevale	1,331 – 1,996	$216k-$258k	$129-$162
5) Almondwood	Orangevale	2,338 – 3,183	From high $300k's	N/Av

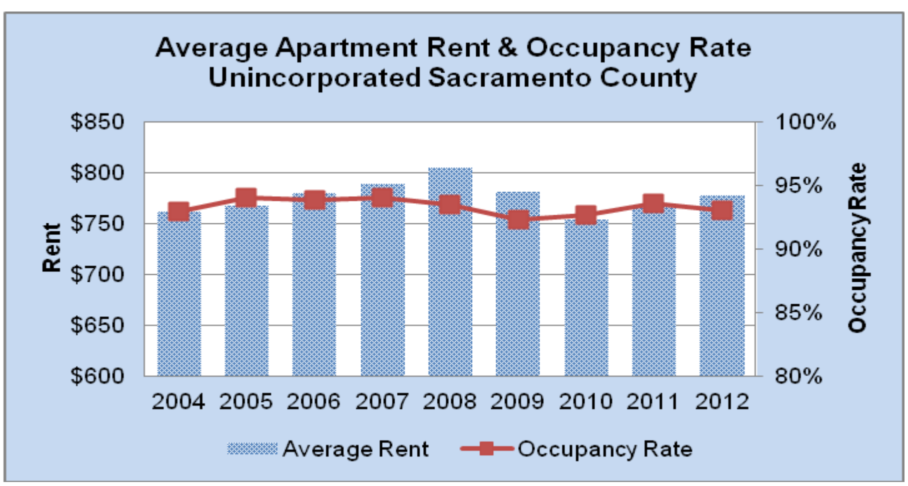
Source: Hanley Wood, project websites, KMA. See Appendix B for additional details.
*Only includes models that are currently available and with a listed home price.

Appendix II Table 2 contains the for-sale residential market survey. The survey includes the five projects identified above and, given the limited number of new projects in the unincorporated county, new projects also located in the cities of Elk Grove, Folsom, and Rancho Cordova.

II. Rental Housing Market

The rental housing market in Sacramento County tends to be older building stock. Of the 82 market rate apartment projects in the unincorporated county tracked by market research firm RealFacts, only one was built since 2000 (The Crest at Fair Oaks, 2004) and only nine were built since 1990. Only one project was considered a Class A property with the balance considered Class C. County staff identified two other apartment projects that were built since 2000 – Arlington Creek and Antelope Springs Townhouses, both located in Antelope.

Unlike the for-sale housing market, the 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 in the unincorporated county declined by only about 6% from its high in 2008 to its low in 2010. The occupancy rate ranged from a low of 92.3% in 2009 to 94% in 2005 and 2007. An occupancy rate of ±95% is generally considered healthy in a normal market.



Source: RealFacts

KMA surveyed the rents of the market rate apartment developments in the unincorporated county built since 1990. For these properties, the rough range of rents is as follows. Additional information is contained in Appendix II Table 3.

Unincorporated County Apartment Developments Built Since 1990	Rent Range/Unit (Average)	Rent Range/Sq. Ft. (Average)
1-Bedroom	$600 - $1,200 ($785)	$0.90 - $1.45 ($1.10)
2-Bedroom	$725 - $1,400 ($940)	$0.65 - $1.35 ($1.00)
3-Bedroom	$1,100 - $1,645 ($1,300)	$0.90 - $1.20 ($1.10)

Source: KMA Survey

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. According to a recent report from Cassidy Turley, these sales transacted with cap rates in the 7.5% range. Higher quality, Class A product (mostly in the incorporated cities of Sacramento County) is in high demand by investors, but owners of these properties have been reluctant to put their properties on the market due to a sense that, because of the still-recovering market, it will take some time before these properties achieve optimal pricing. The few Class A properties that have sold recently have done so with cap rates of 6% or less[2].

Unlike other housing markets like San Francisco, which are benefiting from strong growth in tech employment, the rental housing market in Sacramento County has not experienced substantially increased rents. As a result, there are no new market rate apartments in the development pipeline according to County Planning staff. At this point, rents have not increased to a level that makes new construction of apartment projects financially feasible, as further discussed below.

III. 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 Sacramento County today and how the possible modifications to the County's Affordable Housing Ordinance might impact project economics.

The intent is to evaluate the economics as they apply to the four aforementioned residential prototypes, recognizing that the economics of specific projects even within the same prototype can vary significantly based on location within the county and a variety of other factors. In addition, it is noted that the dearth of recent comparable land sale data at this time makes it especially difficult to analyze land values. As a result, it is difficult to say what the economics of

[2] Cassidy Turley (4th Quarter 2012).

a "typical" prototype project are in the county. For purposes of informing our overall analysis 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 primary economic factors that will vary from project to project include sale prices, land costs, off-site improvements, and fees and permits costs.

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.

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 four prototypes in this analysis are essentially not being built at all. For example, there are no attached for-sale condominium projects being built nor are there market rate apartments being built.

a) 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 four prototypes does not yield a financially feasible project. For the Lower Density Single Family Detached and Higher Density Attached (condominium) prototypes, the achievable sale prices 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 Medium Density Single Family Detached prototype, the development return is not sufficient to justify the costs (should be at least 10% as further discussed below). The continued high inventory of foreclosure sales is having the effect of constraining price improvement and this will remain so until the inventory is significantly reduced.

The rental prototype is also infeasible in today's market, as the estimated value of the project at completion is less than the costs of development. More detailed information on the financial feasibility assumptions is contained in Appendix II Table 4.

Summary of Project Returns	Sale Price Range	Mid-Range Price/Value	(Less) Costs	Project Return	% of Costs
For-Sale Prototypes					
1) Lower Density SFD	$260k to $320k	$290k	($303k)	-$13k	-4%
2) Medium Density SFD	$235k to $290k	$262k	($251k)	+$11k	+4%
3) Higher Density Attached (condos)	$150k to $225k	$187k	($238k)	-$51k	-21%
Rental Prototype					
4) 2- to 3-story Apts	$1.20 to $1.40 psf rents	$156k/unit (based on $1.30 psf rent)	($199k)	-$43k	-21%

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 8% for the Medium Density Single Family Detached prototype, 20% for the Lower Density Single Family Detached prototype, and 25% for the Rental Apartment prototype. The sale price of the Higher Density Attached prototype (condominiums) would have to increase in the range of 45% for feasibility, however it is recognized that, of the four prototypes, this prototype exhibited the highest number of REO and short sales during the market downturn and therefore perhaps the most impacted by declining sale prices. As a final but important comment, construction costs and land values are also expected to rise along with improving market conditions and therefore residential sale prices will also need to keep pace with rising costs.

Notwithstanding the conclusions of this preliminary prototype analysis, there are in fact some new residential projects being built in today's market. There are several reasons why this might be the case: (1) higher achievable prices than the mind-point range expressed in KMA's analysis; (2) lower land acquisition costs (for example if land costs are treated as "sunk costs" by developers or if land is purchased from "distressed" sellers at highly discounted values); (3) lower offsite infrastructure requirements; or (4) home builders who will temporarily accept lower than typical profit margins in order to remain active and keep their construction crews employed.

It is clear that residential market conditions in Sacramento County are such that only a limited number of projects are financially feasible today. However, the market is now in the initial stages of a recovery with rising home prices and generally a more positive outlook by the development community. As the market continues its return to more healthy conditions, the financial feasibility numbers will likewise improve.

b) Implications for Affordable Housing Ordinance

The aforementioned financial feasibility analysis assumes the applicability of the current affordable housing fees totaling $5,500 per market rate unit. Any additional cost of incorporating affordable housing requirements into a project (whether it be higher fees, on-site affordable units, or off-site development/land dedication), will make financial feasibility more challenging in the near term. An additional problem is that many market rate housing projects are already priced below HUD/SHRA affordable levels, at least at the Low and Moderate Income levels. As a result, deed restricted units with similar pricing to market rate units will meet buyer resistance and not be marketable.

It is recognized that the imposition of affordable housing requirements creates financial feasibility challenges for some projects and therefore KMA recommends that the County consider current financial feasibility factors when modifications its Affordable Housing Ordinance are being evaluated. In addition, given that the housing market is still in the early stages of recovery, the County should continue to evaluate affordable housing requirements as they relate to improving market conditions.

B. 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 County, known as the “affordability gap.” In this section, we document the calculation of the affordability gaps used in the nexus analysis.

I. County 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 County practices and policies. Sacramento County intends to assist in the production of rental units for households in the Very Low (less than 50% of median income) and Low (50 – 80% of median income) income categories. KMA reviewed development pro formas for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA) and concluded that, on average, the new affordable rental units have 1.5 bedrooms.

II. 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 County’s Affordable 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 Very Low Income category are calculated.

Sample Calculation of Affordable Rents, Very Low Income Households			
	1 Bedroom	2 Bedroom	1.5 Bedroom
Area Median Income (AMI)	$60,900	$68,500	$64,700
Very Low Income Limit (50% of AMI)	$30,450	$34,250	$32,350
Gross Rent (30% of Monthly Household Income)	$761	$856	$809
Utility Allowance	$(52)	$ (70)	($61)
Affordable Rent Net of Utilities	$709	$786	$748

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

Affordable Rents by Income Level		
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 5. The rent levels as defined above (by unit size and income category) govern what the building owner may charge for a particular unit.

III. 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.

a) 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 total development costs equal to $223,000.

For many new developments, particularly County-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 County has employed in other similar analyses.

For reference, KMA also produced an estimate of the affordability gaps assuming tax credit financing is available. The estimate was based on projects assisted by SHRA, and represents a mix of 4% and 9% tax credit projects. The resulting affordability gaps are, of course, lower than when tax credit financing is not assumed. The lower affordability gap would result in lower total supported nexus costs. The affordability gaps assuming tax credits are shown in Appendix II Table 6.

b) 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 County, 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 5.

Supported Unit Values		
	Net Operating Income	*Unit Value*
Very Low Income	$3,366 per year	$50,000
Low Income	$7,960 per year	$118,000

As shown in the table above, 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.

c) Affordability Gaps

The affordability gap conclusions are presented in Appendix II Table 5 and summarized below.

Affordability Gaps			
Income Level	*Unit Value*	*Development Cost*	*Affordability Gap*
Very Low Income	$50,000	$223,000	$173,000
Low Income	$118,000		$105,000

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

Appendix II Table 1
Residential Prototypes
Affordable Housing Ordinance
County of Sacramento

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		Medium Density Single Family Detached		Higher Density Attached		2-3 Story Apartment Project	
Units (50-unit segments)	50	units	50	units	50	units	50	units
Density (units/acre)	5.0	du/acre	7.0	du/acre	20.0	du/acre [1]	20.0	du/acre
Site Acres	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Avg Unit sq. ft.	2,200	sf	1,800	sf	1,000	sf	950	sf
Avg bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Type	Garage		Garage		Garage		Surface	
Dedicated spaces/unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Price Range	Lower	Higher	Lower	Higher	Lower[2]	Higher[2]	Lower	Higher
Price	$260,000	$320,000	$235,000	$290,000	$150,000	$225,000	(Rent)	(Rent)
Per Sq. Ft.	$118	$145	$131	$161	$150	$225	$1.20	$1.40

[1] Range of 18-22 du/acre

[2] There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 81 of 98

Appendix II Table 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
South Sacramento County						
Aria at Madeira						
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	
Gardner Square						
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	
Glenbrooke						
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	
Mirabela at Madeira						
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	
Providence/Jmc Homes						
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	
Ranch at Madeira						
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	
Ranch at Sheldon Hills						
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
Rancho Verde						
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 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
Destinations at Vineyard Point						
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	
Rockwood Estates at Vineyard Point						
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	
Sandalwood/Kb Home						
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	
Northeast Sacramento County						
Woodlands						
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
Enclave / Gentry Homes						
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			
Hideaway At Treehouse						
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	
New Riata at Empire Ranch						
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 Rodera	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	
Parkside Signature Homes						
The Blue Oak	3	2.5	1,633	Priced from the		Location: 306 Barnhill Dr, Folsom
The Cottonwoord	4	2.5	1,856	mid $300,000s		Developer: Signature Homes
The Alder	4	3	2,009			
Trails at Folsom						
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 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
Brentwood Villas						
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	
Cresleigh Almondwood						
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			
Bella Brisas at Sunridge Park						
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
Cazadero at Kavala Ranch						
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	
Copper Ridge at Kavala Ranch						
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	
Eclipse at Sunridge Park						
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 Cresent	5	3.5	2,687	$342,990	$128	
Mariposa at Sunridge Park						
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	
Rio Del Sol						
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
Sky View at Sunridge Park						
Starlight	3	2	1,667	$225,990	$136	Location: 12317 Edyth Lake Way, Ranco 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 3
Asking Rents for Apartment Projects Built Between 1990-2012
Affordable Housing Ordinance
County of Sacramento

	Sq. Ft.	Rent Range		Rent PSF		Notes
Arlington Creek						
1 Bedroom/1 Bath	720	$775	$850	$1.08	$1.18	Location: 8131 Walerga Road, Antelope
2 Bedroom/2 Bath	990	$895	$1,025	$0.90	$1.04	Built in 2003
3 Bedroom/2 Bath	1,270	$1,089	$1,275	$0.86	$1.00	
Crest at Fair Oaks (The)						
1 Bedroom/1 Bath	700	$995	$1,025	$1.42	$1.46	Location: 10523 Fair Oaks Blvd, Fair Oaks
1 Bedroom/1 Bath	930	$1,235		$1.33		76 units
2 Bedroom/2 Bath	1,031	$1,295	$1,320	$1.26	$1.28	Built in 2004
2 Bedroom/2 Bath	1,075	$1,375	$1,425	$1.28	$1.33	
3 Bedroom/2 Bath	1,350	$1,520	$1,645	$1.13	$1.22	
Heritage Oaks						
1 Bedroom/1 Bath	687	$799		$1.16		Location: 4033 McClain Way, Carmichael
2 Bedroom/1 Bath	867	$949		$1.09		110 units
2 Bedroom/2 Bath	946	$995		$1.05		Built in 1990
Oakwood Apartments						
1 Bedroom/1 Bath	660	$600	$620	$0.91	$0.94	Location: 5018 Marconi Ave, Carmichael
1 Bedroom/1 Bath	714	$625		$0.88		139 units
2 Bedroom/1 Bath	869	$759		$0.87		Built in 1992
2 Bedroom/2 Bath	981	$800		$0.82		
2 Bedroom/2 Bath	1,025	$825		$0.80		
2 Bedroom/2 Bath	1,050	$850		$0.81		
2 Bedroom/2 Bath	1,201	$900		$0.75		
Willow Run						
1 Bedroom/1 Bath	740	$750	$820	$1.01	$1.11	Location: 5324 Marconi Ave, Carmichael
1 Bedroom/1 Bath	771	$770		$1.00		84 units
1 Bedroom/1 Bath	820	$795	$820	$0.97	$1.00	Built in 1990
2 Bedroom/2 Bath	924	$850	$995	$0.92	$1.08	
Antelope Ridge						
1 Bedroom/1 Bath	627	$800	$900	$1.28	$1.44	Location: 4400 Shandwick Dr, Antelope
2 Bedroom/2 Bath	819	$1,005	$1,105	$1.23	$1.35	288 units
2 Bedroom/2 Bath	899	$1,010	$1,110	$1.12	$1.23	Built in 1990
3 Bedroom/2 Bath	1,125	$1,240	$1,340	$1.10	$1.19	
Antelope Vista						
1 Bedroom/1 Bath	700	$730		$1.04		Location: 3600 Elverta Rd, Antelope
1 Bedroom/1 Bath	750	$730		$0.97		196 units
2 Bedroom/2 Bath	905	$890		$0.98		Built in 1991
2 Bedroom/2 Bath	1,000	$800		$0.80		
2 Bedroom/2 Bath	1,100	$730		$0.66		

Appendix II Table 3
Asking Rents for Apartment Projects Built Between 1990-2012
Affordable Housing Ordinance
County of Sacramento

	Sq. Ft.	Rent Range		Rent PSF		Notes
Legacy (The)						
1 Bedroom/1 Bath	701	$818		$1.17		Location: 8303 Walerga Rd, Antelope
2 Bedroom/2 Bath	978	$985		$1.01		190 units
2 Bedroom/2 Bath	1,014	$985		$0.97		Built in 1991
2 Bedroom/2 Bath	1,087	$1,134		$1.04		
Sunset Ridge						
1 Bedroom/1 Bath	641	$695	$725	$1.08	$1.13	Location: 3825 Little Rock Dr, Antelope
2 Bedroom/2 Bath	927	$895	$925	$0.97	$1.00	96 units
3 Bedroom/2 Bath	1,056	$1,150		$1.09		Built in 1990
Rosedown Apartments						
1 Bedroom/1 Bath	NA	$625	$699			Location: 6500 47th St, Sacramento
1 Bedroom/1 Bath	615	$625	$699	$1.02	$1.14	108 units
2 Bedroom/1.5 Bath	810	$725	$775	$0.90	$0.96	Built in 1991
2 Bedroom/2 Bath	820	$750		$0.91		
Antelope Springs Townhouses						
1 Bedroom/1 Bath		Rents not available; leasing office				Location: 3739 Black Eagle Drive, Antelope
2 Bedroom/2 Bath		could not be reached				Built in 2004
3 Bedroom/2 Bath						

Source
Forrent.com and individual apartment websites where available, April 2013

Appendix II Table 4
Financial Feasibility Analysis
Affordable Housing Ordinance
County of Sacramento

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		Medium Density Single Family Detached		Higher Density Attached		2-3 Story Apartment Project	
Development Program								
Site Size	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Total Units	50	units	50	units	50	units	50	units
Density	5.0	du/acre	7.0	du/acre	20.0	du/acre	20.0	du/acre
Average Unit Size	2,200	sf	1,800	sf	1,000	sf	950	sf
Average Number of Bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Spaces / Unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land	$16	$34,800	$14	$24,900	$9	$8,700	$9	$8,700
On/Offsites	$14	$30,000	$11	$20,000		incl. below		incl. below
Construction	$55	$121,000	$60	$108,000	$135	$135,000	$125	$118,800
Fees & Permits [1]	$25	$55,000	$25	$45,000	$25	$25,000	$28	$26,600
Affordable Housing Fees	$3	$5,500	$3	$5,500	$6	$5,500	$6	$5,500
Other Soft Costs	$21	$45,300	$21	$38,400	$50	$50,000	$31	$29,700
Construction Financing	$5	$11,800	$5	$9,700	$14	$14,100	$11	$10,200
Total Development Costs	$138	$303,400	$140	$251,500	$238	$238,300	$210	$199,500
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (mid-range price)	$132	$290,000	$146	$262,500	$188	$187,500	$1.24	$14,100
Affordable Units	$0	$0	$0	$0	$0	$0	$0.00	$0
Total Gross Sales	$132	$290,000	$146	$262,500	$188	$187,500	$1.24	$14,100
<Less> Sales Expense		included in costs		included in costs		included in costs	Exp	($5,500)
Sales Net of Sales Expenses	$132	$290,000	$146	$262,500	$188	$187,500	NOI	$8,600
							Cap	5.5%
<Less> Development Costs	($138)	($303,400)	($140)	($251,500)	($238)	($238,300)	Value	$156,400
								($199,500)
Net Return [3]	($6)	($13,400)	$6	$11,000	($51)	($50,800)		($43,100)
As % of Total Costs		*-4.4%*		*4.4%*		*-21.3%*		*-21.6%*
As % of Gross Sales		*-4.6%*		*4.2%*		*-27.1%*		

[1] Fees & Permits costs vary by location within Sacramento County. The estimated Fees & Permits costs are averages based on estimates for the South Sacramento, Carmichael, East Antelope, and North Vineyard Station areas (source: County Housing Element).
[2] There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.
[3] See report text for discussion of typical developer returns.

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 87 of 98

Appendix II Table 5
Nexus Affordability Gaps
Affordable Housing Ordinance
County of Sacramento

		50% AMI	*80% AMI*
I. Affordable Rent			
Average Number of Bedrooms		1.5 Bedrooms	1.5 Bedrooms
Average Household Size		2.5 Persons per HH	2.5 Persons per HH
Household Income		$32,350	$51,800
Income Allocation to Housing		30%	30%
Monthly Housing Cost		$809	$1,295
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent		$748	$1,234
II. Net Operating Income (NOI)		Per Unit	Per Unit
Gross Scheduled Income (GSI)			
Monthly		$748	$1,234
Annual		$8,973	$14,808
Other Income	$30	$360	$360
(Less) Vacancy	5%	($467)	($758)
Effective Gross Income (EGI)		$8,866	$14,410
(Less) Operating Expenses[2]		($4,800)	($4,800)
(Less) Property Taxes	1.25%	($700)	($1,650)
Net Operating Income (NOI)		$3,366	$7,960
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)		$3,366	$7,960
II. Target Return on Investment		6.75%	6.75%
III. Total Capitalized Value		$50,000	$118,000
IV. (Less) Total Development Costs		($223,000)	($223,000)
V. Affordability Gap		**($173,000)**	**($105,000)**

[1] SHRA Affordability Calculations.
[2] Includes replacement reserves. Based on recent SHRA-assisted projects.

Appendix II Table 6
Nexus Affordability Gaps with Tax Credit Financing
Affordable Housing Ordinance
County of Sacramento

		50% AMI	*60% AMI*
I. Affordable Rent			
Average Number of Bedrooms		1.5 Bedrooms	1.5 Bedrooms
Average Household Size		2.5 Persons per HH	2.5 Persons per HH
Household Income		$32,350	$38,820
Income Allocation to Housing		30%	30%
Monthly Housing Cost		$809	$971
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per County		$748	$910
Maximum Rent per CTCAC		$746	$895
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per CTCAC		$685	$834
II. Net Operating Income (NOI)		Per Unit	Per Unit
Gross Scheduled Income (GSI)			
Monthly		$685	$834
Annual		$8,214	$10,008
Other Income	$30	$360	$360
(Less) Vacancy	5%	($429)	($518)
Effective Gross Income (EGI)		$8,145	$9,850
(Less) Operating Expenses[2]		($4,800)	($4,800)
(Less) Property Taxes	1.25%	exempt [3]	exempt [3]
Net Operating Income (NOI)		$3,345	$5,050
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)		$3,345	$5,050
II. Sources of Funds			
Supportable Debt		$48,000	$73,000
Market Value of Tax Credits[4]		$100,000	$100,000
Deferred Developer Fee		$4,000	$4,000
III. Total Sources of Funds		$152,000	$177,000
IV. (Less) Total Development Costs		($223,000)	($223,000)
V. Affordability Gap		**($71,000)**	**($46,000)**

[1] SHRA Affordability Calculations.

[2] Includes replacement reserves. Based on recent SHRA-assisted projects.

[3] Assumes developer will partner with non-profit organization.

[4] Assumes a mix of 4% and 9% tax credits. The County will like see, at most, one project per year with 9% tax credits and 2-4 projects per year without 9% tax credits.

(This page intentionally left blank.)

APPENDIX III: NON-DUPLICATION OF NON-RESIDENTIAL FEE

(This page intentionally left blank.)

INTRODUCTION

In 1990, Sacramento County established a fee on non-residential development as a source of revenue for the Housing Trust Fund to increase the supply of housing affordable to Very Low Income Households. The County's Affordable Housing Ordinance includes an option for residential projects to pay an impact fee, which also funds affordable housing. The material provided in this Appendix addresses the potential for overlap between the two obligations and any possibility of double counting.

This Appendix is not intended as a stand-alone document; it accompanies the Residential Nexus Analysis, an analysis of new market rate residential projects prepared for the County in August 2013. Reference is also made to a jobs housing nexus analysis report entitled Housing Trust Fund Nexus Analysis, prepared for Sacramento County in 2006, also by Keyser Marston Associates. This analysis was not formally presented to the Board of Supervisors, and therefore not accepted by the Board. Material in these reports explains terms, methodology, and the findings for the analysis.

A. BACKGROUND AND CONTEXT

Sacramento County established a fee on non-residential construction to help mitigate the impacts of new jobs associated with the development of new non-residential buildings on the demand for very low income affordable housing in Sacramento County. KMA conducted a Non-Residential Nexus Analysis for the City and County pre-1990 and an update in 2006. The County did not adjust its existing fees as a result of the update analysis. The fee is charged on almost all new non-residential construction in the County.

To briefly summarize the Non-Residential 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 then identifies the 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, concluding with the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Non-Residential Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of County 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, school and 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 Non-Residential Nexus 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 Non-Residential fee and the condominiums are subject to the Affordable 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. Note that the Non-Residential fee generates funds to mitigate the demand for housing generated by Very Low Income households only, while the Residential fee also includes the demand for Low Income households as well.

Complete overlap between jobs counted in the Non-Residential 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 Non-Residential Nexus Analysis.

B. NON-RESIDENTIAL REQUIREMENT AS A PERCENT OF NEXUS

The Non-Residential Nexus Analysis report was prepared by KMA in 2006. To evaluate the combined programs today, KMA updated the affordability gap figures to reflect today's development costs. The total updated nexus costs per square foot are shown on Appendix III Table 1 and 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 Sacramento County is indicated below and shown as a percent of the total updated nexus cost.

	Total Current Nexus Amount	Current Fee	Percent of Nexus
Office	$9.28	$0.97	10.4%
Hotel	$65.34	0.92	1.4%
Research & Development	N.A	0.82	N.A.
Commercial	$86.42	0.77	0.9%
Manufacturing	$10.56	0.61	5.8%
Warehouse	$4.47	0.26	5.8%

The conclusion is that the current fee levels represent 1.4% to 10.4% of the nexus cost. As a result, the Non-Residential fee mitigates less than 10% of the net new demand for affordable units generated by the new non-residential space.

C. PROPOSED AFFORDABLE HOUSING ORDINANCE

Sacramento County proposes to revise the Affordable Housing Ordinance affecting residential development projects. The fee option is expected to remain as one of the means of compliance for most projects. The fee level has not yet been proposed, so for purposes of this analysis, KMA has suggested that a range be tested, using the current fee of $5600 per unit at the low end and the original fee of $10,000 per unit to represent the high end. The rental project fee level for testing purposes is the current fee at $5,600 although the proposed fee will likely be considerably lower given the feasibility challenges of apartment development in the current market.

The tables below compare the supported nexus amounts for Very Low Income Households (from Appendix I Table C-10) with the proposed requirement for the ownership prototypes. The nexus analysis report determines the maximum supported fee separately for the Very Low Income tier and the Low Income tier. If the total fee is assigned to the Very Low Income tier alone, the results would be as follows:

Current and Proposed Fee as Percent of Maximum Nexus Amount						
	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Maximum Nexus Amount	$18,600	$22,000	$16,300	$19,600	$11,500	$15,300
Current Fee	$5,600	$ 5,600	$5,600	$5,600	$5,600	$5,600
As Percent of Nexus Amount	30%	25%	34%	29%	49%	37%
Potential Fee – High End	$10,000		$10,000		$10,000	
As Percent of Nexus Amount	54%	45%	61%	51%	87%	65%

Current and Proposed Fee as Percent of Maximum Nexus Amount, Cont'd		
Income Category	*2-3 Story Apartment Complex*	
Price Point	*Lower*	*Higher*
Maximum Nexus Amount	$13,100	$14,500
Current Fee	5,600	5,600
Fee as Percent of Nexus	43%	39%

Note that the Lower and Higher scenarios refer to pricing, both current and with a market recovery projection, as explained in the report.

The conclusion is that the current fee level ($5,600) in the Affordable Housing Ordinance represents 25% to 49% of the maximum supported by the analysis, depending on the prototype and pricing scenario. When a higher fee level of $10,000 per market rate unit for for-sale type units is tested for illustrative purposes, the percentage of the supported nexus ranges from 45% to 87% in one case.

D. COMBINED REQUIREMENTS WITHIN NEXUS

The test to confirm that there is no double counting requires combining the two obligations by adding the percents of the calculated nexus to determine whether they total more than 100%. Any scenario with 100% overlap is highly hypothetical and virtually impossible in the real world, but for illustrative purposes, the analysis is provided.

The Non-Residential housing fee with the highest percent of nexus is for office use at 10.4%; thus even when combined with the residential high of 87% for one of the numerous scenarios, the result is still under 100%. Rather than office uses, commercial uses, such as restaurants or shops would be the most likely use of the ground floor space of the multifamily residential building, that could be possibly supported by the residents above. The fee level for commercial uses is less than 1% of the total calculated nexus and thus combined with any of the maximum residential nexus amounts would represent well under 100%. 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, a virtually impossible scenario in any case.

APPENDIX III, TABLE 1
TOTAL JOBS HOUSING NEXUS COST - 2013 AFFORDABILITY GAPS
JOBS HOUSING NEXUS ANALYSIS CONDUCTED 2006
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

BEFORE COMMUTE ADJUSTMENT

INCOME CATEGORY		Nexus Cost Per Sq. Ft.					
Household Income Level	Affordability Gap	OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING	HOSPITAL/ MEDICAL
Under 50% Median Income [1]	$173,000	$11.58	$81.58	$107.90	$5.58	$13.19	$19.33

AFTER 80.10% Commute Adjustment

INCOME CATEGORY		Nexus Cost Per Sq. Ft.					
	Affordability Gap	OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING	HOSPITAL/ MEDICAL
Under 50% Median Income [1]	$173,000	$9.28	$65.34	$86.42	$4.47	$10.56	$15.48

[1] Assumes households are housed in rental units

BOS ATTACHMENT 5
Agenda Date: 01-14-2014
Page 97 of 98

Information from SHRA Biennial Activities Reports
Sacramento County Affordable Housing Program from 2005 to 2012

Affordable Housing Plans Approved

2011-2012	2009-2010	2007-2008	2005-2006
8	8	79	211

Units Constructed

Units Constructed	2011-2012	2009-2010	2007-2008	2005-2006
Extremely-low Income	0	0	35	0
Very-low Income	0	37	73	0
Low Income	2	19	72	26
Total	**2**	**56**	**180**	**26**

Land Dedicated/Accepted

Land Dedicated or Accepted	2011-2012 [1]	2009-2010	2007-2008	2005-2006
# Sites	6	**0**	**0**	**0**
Acres	56.1	**0**	**0**	**0**

[1] *Land accepted in 2011-2012 located in the Cordova Hills Special Planning Area*

Fees Collected [1]

Fees Collected	2011-2012	2009-2010	2007-2008	2005-2006
In-Lieu Fees	$24,200	$189,950	$201,000	0
Affordability Fees	$347,600	$449,500	$1,095,500	$238,000
Total	**$371,800**	**$639,450**	**$1,296,500**	**$238,000**

[1] *Interest income is not included in these figures*

PLANNING AND CONSERVATION LEAGUE

November 11, 2013

Supervisor Serna
700 H Street, Suite 2450
Sacramento, CA 95814
SupervisorSerna@saccounty.net

RE: Inclusionary Housing Ordinance

Dear Supervisor Serna:

Planning and Conservation League is a Sacramento-based organization whose mission is to protect and restore California's natural environment, and to promote and defend the public health and safety of the people of California.

As an organization that supports smart planning both for human health and environmental protection, we are very concerned about threats to Sacramento County's Inclusionary Housing Ordinance. According to a new Census Bureau report, California has the highest percentage of people living in actual poverty of any state in the nation. In light of this unhappy statistic, asking large-scale developers to set aside a small portion of new units for affordable housing is not only kind, but necessary to prevent an additional strain on government services that will result if low-income people are displaced.

Displacing low-income people from areas of urban density and services also threatens our environment and health by increasing air pollution. Since low-income people and renters are the largest users of public transit, moving them away from areas currently served by transit (such as along Watt Avenue) forces them to become more reliant on cars to reach work and perform other tasks. Wealthier residents tend to own cars and drive even when transit is available. This results in a net increase in greenhouse gas emissions from vehicles, California's largest source of greenhouse gas emissions, even as California has pledged to reduce these emissions.

We urge you to protect Sacramento County's people and air quality by protecting the Inclusionary Housing Ordinance. You may contact me at (916) 822-5633 or aokrent@pcl.org with any questions.

Sincerely,

Abigail Okrent
Legislative Director

CC: Lisa Nava

RECEIVED

DEC - 9 2013

County Of Sacramento
Department of Community Development
Planning and Environmental Review Division

December 4, 2013

The Honorable Susan Peters, Chair
and
Members of the Board of Supervisors
County of Sacramento
700 H Street, Suite 2450
Sacramento, CA 95814

Sent via Electronic and US Mail

Subject: Comments on the Proposed Revised Affordable Housing Ordinance

Dear Chair Peters and Members of the Board,

Our firm serves as the Owners Representative for several landowners that make up a portion of the Elverta Specific Plan Owners Group (ESPOG). As I will be travelling on December 10th, and may not be back in time for the meeting, we wanted to submit our comments in writing for your consideration in advance of your schedule hearing on this matter.

We have reviewed earlier drafts of the proposed revised Affordable Housing Ordinance, met with County staff, and provided written comments for the November 18th Planning Commission meeting. While we support staff's efforts to develop a more implementable Ordinance, as well as the provision of a wide range of housing opportunities in our community, we contend that proposed modifications do not go far enough in addressing the concerns I expressed on behalf of the ESPOG.

On its face, the proposal does reduce the theoretical percentage of affordable units required in the approved Elverta Specific Plan Affordable Housing Plan from 15% to 8%. However, that Plan along with the existing County ordinance, are both impractical and out of step with today's current economic realities and do not recognize the property value constraints of the Elverta real estate market. Moreover, any requirement to build, especially in an area such as Elverta is simply unworkable and not supported by the property values nor the fragmented ownership within the Plan area for the following reasons:

1. The Elverta Specific Plan was originally set up by the County, as a "County-Sponsored" Specific Plan involving a multitude of individual owners. While our ownership Group represents a significant portion of the Plan Area, we do not control the majority of land within the Specific Plan. Any requirement to build would necessitate the formation of a management organization or development entity, which does not exist in Elverta. Correspondingly, developers within the Specific Plan should be treated as individual project applicants, and not be viewed in a similar manner as Easton Place, Glenborough or Cordova (Section 22.35.070, subsection A-3.) which have more cohesive ownership.

2. Underwriting criteria and investment, typically called A, D & C lending has changed dramatically in the past several years. Any uncertainty from a regulatory or cost standpoint is a serious impediment to investment. The proposed ordinance simply redirects owners groups, such as Elverta, back into an unknown negotiation with County staff to develop a new Affordable Housing Plan, without parameters, guidance or certainty.

3. Land and housing values in Elverta are admittedly limited. While we are hopeful that development within the Specific Plan will help to enhance values over the long-term, they will remain at a more austere level for the foreseeable future. We believe that this will result in a very affordable community, but one which cannot be overburdened by fee and exactions. Having both an

affordability fee and a build requirement are overreaching costs that this area cannot support if it is ever to receive investment.

4. With many communities in the Region converting to a fee only program, larger Sacramento County projects are put at a severe disadvantage for both consumer and private investment. If the County is serious about becoming more competitive for both market-rate and affordable housing, and thereby reversing the trend which has driven building activity to other communities within the Region; the new Affordable Housing ordinance must be both reasonable and simple to implement.

Our Group is very supportive of a one-time fee, which is reasonable and practical. For example a one-time fee per unit can be used to off-set down payment assistance for first time home buyers, and/or used as seed/leverage funding for those builders who are expert in affordable housing construction.

Take a fee of $3500 per unit, and apply $1000 of that to a first time buyers program. The County could assist over 600 families with buying a home, using a median housing price of $250,000 per unit, anywhere within the County. Then, with the remaining $2500, this amount could be used as seed money for lower income affordable housing units. That seed money can be used by those specialized affordable housing construction firms who have the expertise to combine tax income credits and other funding sources with over $12 million (4950 units x $2500) in fees, that result in actual affordable units getting built.

ESPOG appreciates the opportunity to comment, and are hopeful that the Board will take the appropriate steps to further assist in supporting the still fragile housing recovery. We encourage the Board to consider a one-time fee, as being a practical alternative to the current proposal.

Respectfully Submitted

RCH Group

Jeffrey M. Pemstein
Owners Representative
Elverta Specific Plan Owners Group

C: Members of the Sacramento County Board of Supervisors
Brad Hudson, County of Sacramento
Lori Moss, County of Sacramento
Cindy Storelli, County of Sacramento
ESPOG Owners Group
file

Planning Communities. Building Dreams.

NORTH STATE
BUILDING INDUSTRY
ASSOCIATION

northstatebia.org

November 18, 2013

Eric Guerra, Chair
Sacramento County Planning Commission
County of Sacramento
700 H Street
Sacramento, CA 95814

RE: Sacramento County Proposed Affordable Housing Ordinance

Chair Guerra and Commission Members,

On behalf of the North State Building Industry Association (BIA) and our 465 member companies involved in single-family, multi-family building, and land development in the Sacramento region, we appreciate the opportunity to provide this letter including our comments and concerns regarding the proposed revision to the County's affordable housing ordinance. Our focus continues to be the across the board availability and quality of housing affordable to a broad spectrum of prospective homeowners and residents. The BIA supports measures that can effectively enhance and encourage the feasibility of increasing the community's supply of affordable housing.

The County's current affordable housing ordinance, adopted in 2004 and amended in 2006, has not resulted in any appreciable production of affordable housing, despite being in place during one of the most fervent real estate booms our region has even seen. Our members agree, the current ordinance is the most complicated and imposes the most burdensome and unpredictable exactions in the region when it comes to providing "affordable housing." Aside from the economic downturn, many of our builder members identify the current ordinance as the single biggest reason for not building in the County over the past nine years. This continues to be true even with the cautious optimism that we are in the beginning stages of an economic recovery. It should come as no surprise that County staff has drawn the same conclusions as the industry, regardless of the economic downturn, the current affordable housing program has been detrimental to the creation of market-rate housing, which in turn has been detrimental to the goals of providing affordable housing in the County.

To illustrate the current ordinance's ineffectiveness, it is our understanding that since its adoption in 2004, a mere 263 "affordable" units were produced in the County. During roughly the same time period, the City of Elk Grove,[1] with a simple in-lieu fee only option produced 1,528, even though Elk Grove is a fraction of the size (population) of the unincorporated County. The BIA considers Elk Grove a regional success story in adopting an affordable housing program that actually produces housing for the greatest number of its citizens. Their ordinance provides the most important element to subsidizing affordable housing, adequate funding. Adequate funding is of even more critical importance with the dissolution of redevelopment agencies and the elimination of state redevelopment subsidies. Other jurisdictions, like the City of Folsom, have implemented similar fee programs as a component to complement their efforts in addressing affordable housing. Likewise, the City of Sacramento is exploring market based approaches, by examining "affordable by design" concepts, to meet part of their affordable housing goals. We believe that deliberate care should be taken not to repeat the missteps of the past and to learn from the successes of other jurisdictions in the region.

With that said, the proposed ordinance before you is a marked improvement over the current affordable housing program. However, we are concerned that despite the lessons of the past and the experiences of other jurisdictions, the ordinance continues to be the most costly and one that fails to provide the reasonable degree of certainty desired by builders and developers to invest in the building of communities in the County. This during a time when Sacramento is in the emerging stages of an economic recovery and in a region in which construction is and will continue to be one of the most important sectors of our economy. The mandates and exactions contained even within the proposed ordinance are simply out of step with the realities of our current economic environment and more costly and uncertain than competing jurisdictions in the region. To put it simply, our members cannot and will not build homes than cost more to build that what those same homes can sell for in the marketplace. As we saw recently with regards to the County's top to bottom review of impact fees, the conclusion was obvious; a slight lowering of impact fees was enough to make some construction projects feasible.

---

[1] The 1,528/unit number does not include the City's most recent project, Avery Gardens, which added an additional 63 units. See, Elk Grove City website: http://www.egplanning.org/affordablehousing/res-rent_index.asp.

As you are no doubt aware, neither state, nor federal law require any kind of inclusionary zoning / affordable housing program. California housing element law only requires jurisdictions to plan for their existing and projected housing needs, identify adequate sites to accommodate their share of the regional housing need, analyze local policies that have the potential to constrain development or improvement of housing for all income levels and to provide regulatory concessions and incentives for affordable housing.[2] While some jurisdictions in the state have adopted inclusionary programs, the California Department of Housing and Community Development (HCD), has determined, repeatedly, that, "[inclusionary zoning] programs have the potential to negatively impact the overall development of housing. As a result, local governments must analyze mandatory inclusionary policies as potential governmental constraints on housing production..."[3]

Furthermore, recent court decisions have cast doubt on the ability of jurisdictions to impose mandatory exactions of housing set-asides or fees in lieu of such set-asides without demonstrating that a reasonable nexus exists between these exactions and new market-rate housing developments. See *BIACC v Patterson* (2009) 171 Cal. App. 4th 886. Following *Patterson*, such mandatory exactions from new residential development must be justified by sufficient evidence demonstrating a reasonable relationship between development and affordable housing needs, rather than on the basis of arbitrarily selected goals, such as set-aside percentages.

The County attempts to provide evidence demonstrating a need for such exactions on development by way of the Keyser Marston nexus study. Unfortunately that study does not provide the credible nexus that is necessary to impose mandatory exactions of housing set-asides or in lieu fees. Aside from the internal flaws of the study, the study fails to account for the obvious fact that "housing affordability" is in large part determined by the relationship between wages and housing costs, the latter of which is greatly influenced by public policy and, at the most fundamental level, a matter of simple supply and demand. The logic is intuitive, the more public costs imposed on new housing, the less new housing is built, thus constricting the supply of housing resulting in increased housing costs relative to local wages.

---

[2] California Government Code § 65583
[3] Letter from Housing & Community Development - Attached

Therefore, while the stated goals of inclusionary zoning ordinances and their supporters are laudable, and, frankly, ones that our members agree with, such ordinances result in more form over substance, e.g., they may look good on paper, but they do not deliver on the stated goals of providing affordable housing. In fact inclusionary zoning ordinances have the opposite effect by increasing the costs of development and artificially constraining supply, which results in housing being pushed out of reach for many. If affordable housing is recognized as an important societal goal, it should be addressed by society at large and not just one small segment of our society, namely, new homeowners or one industry, homebuilders.

As a stakeholder and partner in Sacramento County, our members believe it necessary for all of us collectively to find ways to maximize all of the available resources and to remove barriers to creating affordable housing. As it's been in the history of our region, real estate development will continue to be one of the most important economic sectors of our local economy. Our members are dedicated to improving the availability and quality of a place to live affordable to a broad spectrum of our society. We urge the County to focus the discourse on the most effective way to get results.

We appreciate your time and attention to these important issues.

Sincerely,

John M. Costa
Director, Governmental & Public Affairs
North State Building Industry Association

cc:

Sacramento County Planning Commission
Lori Moss, Community Development Director, County of Sacramento
Michael Strech, President/CEO, North State Building Industry Association

STATE OF CALIFORNIA-BUSINESS, TRANSPORTATION, AND HOUSING AGENCY — ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
OFFICE OF THE DIRECTOR
1800 Third Street, Room, 450
Sacramento, CA 95811
(916) 445-4775
Fax (916) 324-5107
www.hcd.ca.gov

May 8, 2008

Mr. Dennis M. Rogers, Senior Vice-President
Governmental and Public Affairs
North State Building Industry Association
1536 Eureka Road
Roseville, CA 95661

Dear Mr. Rogers:

Thank you for your recent inquiry regarding inclusionary zoning ordinances. The Department is pleased to provide information on the requirements of State law and Department policy. In particular, you requested clarification on whether State housing element or other law requires the adoption of local inclusionary ordinances. In short, neither State law nor Department policy requires the adoption of any local inclusionary ordinance in order to secure approval of a jurisdiction's housing element. State law does require incentives for voluntary inclusionary development (State density bonus law), pronounces housing element law neutral relative to enactment of mandatory local inclusionary provisions, and circumscribes the responsibilities of local governments which do enact inclusionary policies. The relevant sections of the Government Code are described below.

Government Code Section 65915-17, State density bonus law, requires local governments to make incentives available to residential developers that voluntarily propose to reserve specified portions of a proposed development for occupancy by low- or moderate-income households, and indicates that local governments are not to undermine implementation of this provision. Every local government is required to adopt an ordinance establishing how it will implement State density bonus law, including setting forth the incentives the local government will provide.

State housing element law requires jurisdictions to plan for their existing and projected housing needs, identify adequate sites to accommodate their share of the regional housing need, and, among other things, analyze local policies, regulations or requirements that have the potential to constrain the development, maintenance or improvement of housing for all income level. The law also requires programs to "assist in the development of adequate housing to meet the needs of low- and moderate-income households".

Many local governments adopt mandatory inclusionary programs as one component of a comprehensive affordable housing strategy and have demonstrated success in increasing the supply of housing affordable to low- and moderate-income households. However, some inclusionary programs may have the potential to negatively impact the overall development of housing. As a result, local governments must analyze mandatory inclusionary policies as potential governmental constraints on housing production when adopting or updating their housing elements, in the same way that other land-use regulations must be evaluated as potential constraints.

For example, local governments must analyze whether inclusionary programs result in cost shifting where the cost of subsidizing the affordable units is underwritten by the purchasers of market-rate units in the form of higher prices. Such increases can be a barrier to some potential homebuyers who already struggle to qualify for a mortgage, and earn too much to qualify for government assistance. Local governments must also analyze their inclusionary policies to evaluate whether sufficient regulatory and financial incentives are offered to facilitate compliance with the requirements.

In addition, it is important to note that the adoption of mandatory inclusionary zoning programs do not address housing element adequate sites requirements to accommodate the regional housing need for lower-income households. Inclusionary programs are not a substitute for designating sufficient sites with appropriate zoning, densities and development standards as required by Government Code Section 65583(c)(1).

Finally, Government Code Section 65589.8 specifies that nothing in housing element law shall be construed to expand or contract the authority of a local government to adopt an ordinance, charter amendment, or policy requiring that any housing development contain a fixed percentage of affordable housing units. It further states that a local government which adopts such a requirement shall permit a developer to satisfy all or a portion of that requirement by constructing rental housing at affordable monthly rents, as determined by the local government.

California has been for many years in the midst of a severe housing crisis; there are simply not enough homes for the number of residents who need them. Continued undersupply of housing threatens the State's economic recovery, its environment, and the quality of life for all residents. Effectively addressing this crisis demands the involvement and cooperation of all levels of government and the private sector. Both the public and private sector must reexamine existing policies, programs and develop new strategies to ensure they operate most effectively and provide an adequate housing supply for all Californians. The Department is committed to working with its public and private sector partners in this effort for the benefit of California's growing population.

I hope this responds to your inquiry. If you need additional information, please call me at (916) 445-4775 or Cathy Creswell, Deputy Director, Division of Housing Policy Development, at (916) 323-3177.

Sincerely,

Lynn L. Jacobs
Director

STATE OF CALIFORNIA -BUSINESS, TRANSPORTATION, AND HOUSING AGENCY ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
OFFICE OF THE DIRECTOR
1800 Third Street, Room, 450
Sacramento, CA 95814
(916) 445-4775
Fax (916) 324-5107
www.hcd.ca.gov

February 16, 2005

Mr. Dennis M. Rogers, Senior Vice-President
Governmental and Public Affairs
Building Industry Association of Superior California
1536 Eureka Road
Roseville, CA 95661

Dear Mr. Rogers:

Thank you for your recent correspondence regarding inclusionary zoning ordinances. The Department is pleased to address the requirements of State law and Department policy on this important topic. Your letter requests clarification on whether State housing element or other law requires the adoption of local inclusionary ordinances (or the amendment of an existing ordinance to make it more stringent). In short, neither State law nor Department policy requires the adoption of any local inclusionary ordinance (or the amendment of an existing ordinance to make it more stringent) in order to secure approval of a jurisdiction's housing element. State law does require incentives for voluntary inclusionary development (State density bonus law), pronounces housing element law neutral relative to enactment of mandatory local inclusionary provisions, and circumscribes the responsibilities of local governments which do enact inclusionary policies. The relevant sections of the Government Code are described below.

Government Code Section 65915-17, State density bonus law, requires local governments to make incentives available to residential developers that voluntarily propose to reserve specified portions of a proposed development for occupancy by low- or moderate-income households, and indicates that local governments are not to undermine implementation of this provision. Every local government is required to adopt an ordinance establishing how it will implement State density bonus law, including setting forth what incentives the local government is willing to make available.

State housing element law requires jurisdictions to plan for their existing and projected housing needs, identify adequate sites to accommodate their share of the regional housing need, analyze local policies, regulations or requirements that have the potential to constrain the development, maintenance or improvement of housing for all income level. The law also requires programs to "assist in the development of adequate housing to meet the needs of low- and moderate-income households".

While some local governments adopt mandatory inclusionary programs as one component of a comprehensive affordable housing strategy, such programs have the potential to negatively impact the overall development of housing. As a result, local governments must analyze mandatory inclusionary policies as potential governmental constraints on housing production when adopting or updating their housing elements.

For example, local governments must analyze whether inclusionary programs result in cost shifting where the cost of subsidizing the affordable units is underwritten by the purchasers of market-rate units in the form of higher prices. Such increases can be a barrier to some potential homebuyers who already struggle to qualify for a mortgage, and earn too much to qualify for government assistance. Even a modest increase in price, can be an insurmountable obstacle. Local governments must also analyze their inclusionary policies to evaluate whether sufficient regulatory and financial incentives are offered to facilitate compliance with the requirements.

In addition, it is important to note that the adoption of mandatory inclusionary zoning programs do not address the housing element requirement for local governments to provide adequate sites to accommodate the regional housing need for lower income households. <u>Inclusionary programs are not a substitute for designating sufficient sites with appropriate zoning, densities and development standards</u> as required by Government Code Section 65583(c)(1).

Finally, Government Code Section 65589.8 specifies that nothing in housing element law shall be construed to expand or contract the authority of a local government to adopt an ordinance, charter amendment, or policy requiring that any housing development contain a fixed percentage of affordable housing units. It further states that a local government which adopts such a requirement shall permit a developer to satisfy all or a portion of that requirement by constructing rental housing at affordable monthly rents, as determined by the local government.

California has been for many years in the midst of a severe housing crisis: there are simply not enough homes for the number of residents who need them. Continued undersupply of housing threatens the State's economic recovery, its environment, and the quality of life for all residents. The Department is now considering new data analyzing "on the ground" application of these ordinances and their effect on both affordable and market-rate housing production. Resolution demands the involvement and cooperation of all levels of government and the private sector. Both the public and private sector must reexamine existing policies, programs and develop new strategies to ensure they operate most effectively and provide an adequate housing supply for all Californians. The Department is committed to working with its public and private sector partners in this effort for the benefit of California's growing population.

I hope this responds to your inquiry. If you need additional information, please call me at (916) 445-4775 or Cathy Creswell, Deputy Director, Division of Housing Policy Development, at (916) 323-3177.

Sincerely,

Lucetta Dunn
Director

Affordable Housing Matrix:

1. 116,500 units — Line Item is entitled "Total Potential Units (Based on November 2010 data)," Sacramento County.
(rounded up from 116,459)
Source: Attachment E to Staff Report to Planning Commission meeting of November 18th,
entitled "Potential Residential Unit Capacity."

2. 1,530 units — Total Affordable Units produced by and in the City of Elk Grove, 2002-2011.
(rounded up from 1,528)
Source: "Affordable Rental Housing Financing."
City of Elk Grove.
www.egplanning.org/affordablehousing/res-rent_index.asp

3. $62,000,000.00 — Financial Assistance provided to construct affordable units by way of the "Affordable Housing Fund fee program."
(rounded down from $62,303,447.00)
Source: "Affordable Rental Housing Financing."
City of Elk Grove.
www.egplanning.org/affordablehousing/res-rent_index.asp

A. If the County can perform as well as the City of Elk Grove and leverage monies collected by way of a fee program to subsidize the construction of Affordable Housing units, the amount of money collected and the number of such units that could be built is impressive.

B. In a fee-only program, the dollars collected at various fee levels applied to the **Total Potential Units**, as defined by the County in #1, above, is:

Per Unit Fee:	$1,500	$2,500	$3,500
Multiplied by 116,500 units:	$ 174,750,000	$ 291,250,000	$ 407,750,000
Rounded:	$175M	$291M	$408M

C. Apply this formula to estimate the number of Affordable Housing Units that could be built with these dollars, using the Elk Grove experience as a template:

$\frac{\$62M}{1{,}530} = \frac{\text{(Investment, from above)}}{\text{X (new AH units)}}$

Fees Collected	x	Units Built	=	Ave. Subsidy Per Door
$62,000,000	x	1530	=	$40,522.88

C1. $1,500: $\frac{\$62M}{1{,}530} = \frac{\$175M}{X}$ equals 4,312 units, equals 4,310 units rounded to nearest 10. ($174,750,000 /$ 40,522.88 = 4,312 units)

C2. $2,500: 7,187 units, rounded to 7,190. (291,250,000 /$ 40,522.88 = 7,187 units)

C3. $3,500: 10,062 units, rounded to 10,060. (407,750,000 /$ 40,522.88 = 10,062 units)

D. Divide the result by the **Total Potential Units** from #1, above, to arrive at the percentage of total units that would be **Affordable Housing Units**, at build-out:

D1.	$1,500 per Market Rate Unit fee:	4,310 units/116,500 units:	4%
D2.	$2,500 per Market Rate Unit fee:	7,190 units/116,500 units:	6%
D3.	$3,500 per Market Rate Unit fee:	10,060 units/116,500 units:	9%

E. The fee would be collected at the issuance of Building Permits, since that is the closest point in time to the construction of Market Rate Units.

F. When Affordable Housing Units would be constructed is a function of the agility and efficiency of the County in delivering the product.

Legal Services of Northern California

Sacramento County Office
515 12th Street
Sacramento, CA 95814
Phone: (916) 551-2150
Fax: (916) 551-2196

Sent Via Electronic Mail Only to Romoke@saccounty.net

November 14, 2013

Chairperson Eric Guerra
Commissioner Keith Bray
Commissioner Allan Hoshida
Commissioner Stacey McKinley
Commissioner Lucille Van Ommering
Sacramento County Planning Commission

RE: Sacramento County Affordable Housing Ordinance

Dear Chairperson Guerra and Commission Members:

Legal Services of Northern California provides free legal assistance to extremely low income households in Sacramento County and assists organizations working on behalf of lower income households. On behalf of our client, the Sacramento Housing Alliance, we submit the following comments to your commission regarding the proposed changes to the County's affordable housing ordinance. Although we participated in the County's stakeholder meetings over the last few weeks, we would like to share our concerns regarding the proposed ordinance directly with the planning commission. The feedback your commission provides to staff and the Board of Supervisors at this crucial juncture will help determine whether the County will abandon its commitment to lower income households by adopting the proposed draft ordinance.

The County's current affordable housing ordinance was originally adopted in 2004. The current ordinance requires market rate developments to make 15 percent of their units affordable to lower income households. The ordinance provides a menu of options for developers to satisfy the basic 15 percent set aside, including land dedication. Although the 15 percent set aside does not come close to meeting the overall housing needs of lower income households, the ordinance is still an essential tool toward meeting the County's housing needs for all of its constituents - no matter what their income level.

Unfortunately, soon after the County's current ordinance was adopted it faced a legal challenge from the building industry. During the two years of litigation few developers entered into affordable housing plans; instead opting to wait to see the outcome of the lawsuit. While the ordinance survived the legal challenge unscathed, once the litigation was resolved the housing market in Sacramento County, in fact the whole country, began a downward spiral. We include the current ordinance's background to illustrate the fact that we have not had the opportunity to determine how effective the current ordinance would be in a "normal" housing market because now that the housing market is beginning to recover the County is rushing to drastically reduce the set aside amount and adopt a nominal fee that will not produce any affordable units.

The reduced set aside, the low affordability fee, the number of units that need only pay a fee to satisfy the requirements, the absence of criteria for parcels eligible for land dedication, as well as the ordinance's inconsistency with several programs in the County's adopted housing element are some of the numerous concerns we have with the proposed ordinance. We will discuss each concern in greater detail below.

Reduced Requirements

Despite the growing need for housing for lower income families and individuals the County is proposing to reduce the number of affordable units a market rate development must generate- from15% to 8%. Although staff routinely responded that the proposed reduction has been part of the planned proposal for some length of time, staff never provided any explanation for why the County would undermine their commitment to lower income households by half at a time when the County's Regional Housing Need Allocation for lower income households is greater than ever. Now that the housing market is beginning to return it is not the time to reduce the required set aside.

Under the current ordinance very few development projects are eligible to pay a fee in lieu of constructing affordable units. This was intentional in the drafting of the current ordinance to maximize how many units are built instead of creating a small pot of money that would take years to grow to an adequate size to support affordable housing production. The County's proposed ordinance allows developments with as many as 750 units to only pay a fee, and a nominal fee at that, to satisfy the ordinance. Even if the proposed fee was adequate to produce affordable units, which it is not, a fee-only option completely undermines the purpose of an inclusionary housing ordinance. The goal of the current ordinance is not only to ensure the production of a variety of housing types but to ensure a variety of housing types in each growing neighborhood – to create inclusive communities that are economically and racially integrated. If developers can pay a fee in lieu of actually building a variety of housing types in each neighborhood, the ordinance will make no progress in creating inclusivity.

The fee, whether paid by the majority of developments or a few, is much too low to generate the finances necessary to produce affordable housing. The County has opted not to maximize the amount of fees supported by the County sponsored nexus study but rather to adopt a much lower fee that will need years to generate the necessary funds to produce affordable units. The nexus study clearly states that the study supports fees that far exceed what fee is imposed under the current ordinance. Nexus Study page 7. Despite the findings of the nexus study, the County is proposing the paltry fee of $2.50 square foot.

Abolishing Land Dedication Criteria

The current ordinance allows land dedication as an alternative to the construction of affordable units. And in addition requires the land that is dedicated to be of a suitable size and in a suitable location to support the production of affordable housing. Because the funding sources for below market units are extremely competitive, it is crucial that any land dedicated to the County in lieu of producing units be competitive for those funding sources. Sacramento Housing and Redevelopment Agency (SHRA) staff report that since 2004, when the ordinance was adopted, numerous developers attempted to dedicate parcels to satisfy their requirements under the ordinance. Of these many parcels only a few were accepted because the remainder were unsuitable for affordable residential development. If the County abolishes the criteria for land dedication the County will find itself the owner of numerous parcels of undevelopable land.

Consistency with the Housing Element

Throughout the County's 2013 adopted housing element the County identifies the role SHRA will play in implementing the County's affordable housing program. Yet, the proposed ordinance identifies no role for SHRA in the implementation of the ordinance. Not only is this problematic because SHRA has the needed expertise and track record to produce affordable housing but state law requires that zoning ordinances be consistent with the goals, policies and programs of the housing element. It is impossible for the County to act consistently with a policy to have SHRA implement its affordable housing ordinance if SHRA is stripped of its authority to implement the proposed ordinance.

Conclusion

If the County adopts the proposed changes to the affordable housing ordinance the County will fail to promote housing for the many, many lower income households in Sacramento County in favor of promoting housing for only the few wealthiest residents. We see this as a crucial choice on the part of the County and we thank you for considering our comments on this important subject.

Sincerely,

LEGAL SERVICES OF NORTHERN CALIFORNIA

for Valerie Feldman

Valerie Feldman
Attorney at law

From:	Storelli. Cindy
To:	Romo. Kevin; Evans. Florence
Cc:	Moffitt. Leighann; Moss. Lori; Thomas. Don
Subject:	Comments on the Affordable Housing Ordinance
Date:	Monday, November 18, 2013 2:34:00 PM
Attachments:	image001.png

Comments for tonight.

Cindy Storelli, Principal Planner
Department of Community Development - Planning and Environmental Review
827 7th Street, Room 230, Sacramento, CA 95814 | (916) 874-5345 (direct)| (916) 600-4022 (cell)
www.per.saccounty.net
SACRAMENTO COUNTY

From: Jeff Pemstein [mailto:JPemstein@HBTSac.com]
Sent: Monday, November 18, 2013 2:31 PM
To: Storelli. Cindy
Subject: RE: Draft Affordable Housing Ordinance - November 7, 2013 version

Cindy:

I unfortunately will not be available this evening. Please accept my comments as the official input from the Elverta Specific Plan Group for the public record.

Thanks JP

From: Jeff Pemstein [mailto:JPemstein@HBTSac.com]
Sent: Wednesday, November 13, 2013 3:41 PM
To: Storelli. Cindy; 'gphillips@phillipslandlaw.com' (gphillips@phillipslandlaw.com); 'Kris Steward' (ksteward@phillipslandlaw.com); 'Bill Hatch' (bhatch@surewest.net); russell@russelldavisconsulting.com; John O'Farrell (ofarrellj@comcast.net); 'Greg Thatch (gthatch@thatchlaw.com)' (gthatch@thatchlaw.com) (gthatch@thatchlaw.com); 'jtaylor@taylor-wiley.com' (jtaylor@taylor-wiley.com); ''James Wiley'' (jwiley@taylor-wiley.com); Martha Lofgren (mlofgren@brewerlofgren.com); Mike Isle (MIsle@teichert.com); Molloy, Kevin (Kevin.Molloy@gcinc.com) (Kevin.Molloy@gcinc.com); agtesq@tsakvest.com; 'Peter Dwelley' (pdwelley@tsakvest.com); Phil Rodriguez (phil.rodriguez@lewisop.com); Bruce Walters (wlp12@comcast.net) (wlp12@comcast.net); 'LaFortune, Michael' (Michael.LaFortune@Aerojet.com); 'michael.lafortune@eastonllc.com' (michael.lafortune@eastonllc.com); 'Bob.Shattuck@Lennar.com' (Bob.Shattuck@Lennar.com); ralvarado@sbmcorp.com; 'mhanson@sbmcorp.com' (mhanson@sbmcorp.com); 'brian@bergfalkland.com' (brian@bergfalkland.com); Bob Johnson
Cc: PER-Management Team; Plan-Long Range
Subject: RE: Draft Affordable Housing Ordinance - November 7, 2013 version

Cindy:

Thank you for the latest draft of the proposed revised Affordable Housing Ordinance. Unfortunately, this draft still does not go far enough in addressing the concerns I expressed on behalf of the Elverta Specific Plan Owners Group. On its face, the proposal does reduce the theoretical percentage of units required in the approved Elverta Specific Plan Affordable Housing Plan from 15% to 8%.

However, that Plan along with the existing County ordinance, are both impractical and out of step with today's current economic realities.

Moreover, any requirement to build, especially in an area such as Elverta is simply unworkable and not supported by the property values for the following reasons:

1. The Elverta Specific Plan was originally set up by the County, as a "County-Sponsored" Specific Plan. While our ownership Group represents a significant portion of the Plan Area, we do not control the majority of land within the Specific Plan. Any requirement to build would necessitate the formation of a management organization or development entity, which does not exist in Elverta.

2. Underwriting criteria and investment, typically called A, D & C lending has changed dramatically in the past several years. Any uncertainty from a regulatory or cost standpoint is a serious impediment to investment. The proposed ordinance simply redirects owners groups, such as Elverta, back into an unknown negotiation with County staff to develop a new Affordable Housing Plan, without parameters, guidance or certainty.

3. Land and housing values in Elverta are admittedly limited. While we are hopeful that development within the Specific Plan will help to enhance values over the long-term, they will remain at a more austere level for the foreseeable future. We believe that this will result in a very affordable community, but one which cannot support a huge fee burden. Having both an affordability fee and a build requirement are overreaching costs that this area cannot support if it is ever to receive investment.

4. With many communities in the Region converting to a fee only program, Elverta and other larger Sacramento County projects are put at a severe disadvantage for both consumer and private investment. If the County is serious about becoming more competitive for both market-rate and affordable housing, and thereby reversing the trend which has driven building activity to other communities within the Region; the new Affordable Housing ordinance must be both reasonable and simple to implement.

Our group is very supportive of a one-time fee, that is reasonable and practical.

For example a one-time fee per unit can be used to off-set down payment assistance for first time home buyers, and/or used as seed/leverage funding for those builders who are expert in affordable housing construction. Take a fee of $3500 per unit, and apply $1000 of that to a first time buyers program. You can assist over 600 families buy a home, using the County median housing price of $250,000 per unit. Then you have $2500 remaining which can be used as seed money for lower income affordable housing units. That seed money can be used by those reputable affordable housing construction firms who have the expertise to combine tax income credits and other funding sources with over $12 million (4950 units x $2500) in fees, that result in actual affordable units getting built.

We encourage you to consider a one-time fee, as being a practical alternative to the current proposal. Thank you for your consideration.

Jeffrey M. Pemstein (California State Rep to NAHB)
Division President
Towne Development of Sacramento
HBT Construction & Remodeling
RCH Group
(916) 782-2424, ext 105

Zilber Built Since 1949

From: Storelli. Cindy [mailto:StorelliC@saccounty.net]
Sent: Thursday, November 07, 2013 4:09 PM
To: Jeff Pemstein; 'gphillips@phillipslandlaw.com' (gphillips@phillipslandlaw.com); 'Kris Steward' (ksteward@phillipslandlaw.com); 'Bill Hatch' (bhatch@surewest.net); russell@russelldavisconsulting.com; John O'Farrell (ofarrellj@comcast.net); 'Greg Thatch (gthatch@thatchlaw.com)' (gthatch@thatchlaw.com) (gthatch@thatchlaw.com); 'jtaylor@taylor-wiley.com' (jtaylor@taylor-wiley.com); ''James Wiley'' (jwiley@taylor-wiley.com); Martha Lofgren (mlofgren@brewerlofgren.com); Mike Isle (MIsle@teichert.com); Molloy, Kevin (Kevin.Molloy@gcinc.com) (Kevin.Molloy@gcinc.com); agtesq@tsakvest.com; 'Peter Dwelley' (pdwelley@tsakvest.com); Phil Rodriguez (phil.rodriguez@lewisop.com); Bruce Walters (wlp12@comcast.net) (wlp12@comcast.net); 'LaFortune, Michael' (Michael.LaFortune@Aerojet.com); 'michael.lafortune@eastonllc.com' (michael.lafortune@eastonllc.com); 'Bob.Shattuck@Lennar.com' (Bob.Shattuck@Lennar.com); ralvarado@sbmcorp.com; 'mhanson@sbmcorp.com' (mhanson@sbmcorp.com); 'brian@bergfalkland.com' (brian@bergfalkland.com); Bob Johnson
Cc: PER-Management Team; Plan-Long Range
Subject: FW: Draft Affordable Housing Ordinance - November 7, 2013 version

I have attached the most current draft of the draft Affordable Housing Ordinance that will be included in the staff report for the Planning Commission. Let me know if you have any questions.

Cindy Storelli, Principal Planner
Department of Community Development - Planning and Environmental Review
827 7th Street, Room 230, Sacramento, CA 95814 | (916) 874-5345 (direct)| (916) 600-4022 (cell)
www.per.saccounty.net

SACRAMENTO HOUSING ALLIANCE

P:: 916.455.4900 | F:: 916.455.4917

December 18, 2013

Mr. Brad Hudson
County Executive
Sacramento County
827 7th Street, 7th Floor
Sacramento, CA 95814

Dear Mr. Hudson:

The Sacramento Housing Alliance (SHA) supports the County Mixed Income Inclusionary Ordinance as it is currently written. We feel the ordinance will result in the much needed production of affordable housing for low, very-low and extremely low income households in Sacramento County over time. It is clear, however, that the County plans to replace the ordinance. SHA has been engaged in discussions with the building industry and the County Planning Department on the new ordinance. While SHA continues to believe the existing ordinance is appropriate we could accept a revised ordinance if the following provisions are included. We also recommend the new provisions be adopted as temporary with a requirement to revert to the old standards or otherwise be revised to reflect current conditions after a specified period of time.

First, we can endorse a mixed-income inclusionary housing ordinance designed to meet specific income levels. *We cannot endorse a fee-only ordinance.* A fee-only ordinance fails to encourage inclusionary housing development where housing options are available for all income levels throughout Sacramento County. The Sacramento Housing Alliance believes a mixed income inclusionary ordinance is essential for promoting the development of affordable housing in all neighborhoods throughout the county. Through the policies adopted in a mixed income ordinance, Sacramento County is encouraging the development of diverse neighborhoods where all families enjoy access to transportation, schools, employment, services and a wide range of amenities.

Second, this mixed-income ordinance should include the following provisions:

1. The ordinance should require that at least 10% of all units be made affordable to low, very-low and extremely low income families. The ordinance should require that at least 3% reach extremely low income families, 4% reach very-low and 5% reach low income families.
2. The ordinance should apply county-wide to all subdivisions over 300 units. Smaller developments could pay a fee in-lieu. This fee should be at least $5 per square foot. We calculated this fee based upon the attached analysis of the funding gap that was prepared by the nonprofit affordable housing developers who are members of SHA. These developers included staffers and former staffers of Mercy Housing, Mutual Housing California and Community Housing Opportunities Corporation.

SACRAMENTO
HOUSING ALLIANCE

P:: 916.455.4900 | F:: 916.455.4917

3. For developments over 300 units, developers must either dedicate land, as finished lots, or have an inclusionary production requirement through provisions similar to the existing County mixed income inclusionary housing ordinance.
4. The fees could be capped at $7,500 per home. Homes greater than 3,500 square feet, however, would have to pay additional fees of at least $1,000.
5. The ordinance should be implemented and overseen by SHRA and include strong monitoring requirements.

The Sacramento Housing Alliance strongly urges the Sacramento County Board of Supervisors to take this opportunity to develop a mixed-income inclusionary housing ordinance that promotes healthy, sustainable communities where families of all levels of income can live, work and thrive. These important goals cannot be achieved by a fee-only ordinance. While we acknowledge the impact of the great recession on the region's economy and the homebuilding industry, the economic crisis has had an even greater impact on Sacramento County's working poor and other vulnerable populations. As a result, any revisions to the existing ordinance should both reflect the continuing sluggish (but improving) economy and the housing crisis for low income residents, which is worse now than any time in recent history.

SHA looks forward to working with Sacramento County as we encourage the development of affordable housing in our county. We can all agree that affordable housing is critical to the economic health of our county. A strong mixed-income inclusionary policy is essential for us to meet the affordable housing needs of Sacramento County.

Sincerely,

Greg Sparks
Executive Director
Sacramento Housing Alliance

Paul Ainger
President
Sacramento Housing Alliance

Cc. Sacramento County Board of Supervisors
Sacramento Housing and Redevelopment Agency

Sacramento County Fee Calculation
Assuming an 80 unit 4% credit/bond deal

Assumptions:	**4% deal**	**4% deal NO state credits**	**Builders**
Total development cost per unit	$ 255,000	$ 255,000	
2 storey, stacked flats, surface parking, 40% 3+ Bedrooms			
includes land costs, fees, hard construction, soft construction			
and bond transaction costs.			
Sources:			
First mortgage assuming 50% AMI and 60% AMI rents	$ 45,000	$ 45,000	
Tax credit equity (4% credits AND state credits	$ 90,000	$ 75,000	
HOME funds	$ 15,000	$ 15,000	
Funding gap	$ 105,000	$ 120,000	$ 85,000
Funding gap:			
Gap times 12%	$ 12,600	$ 14,400	$ 10,200
divided by 1800 sf home	$ 7.00	$ 8.00	$ 5.67
divided by 2100 sf home	$ 6.00	$ 6.86	$ 4.86
divided by 2400 sf home	$ 5.25	$ 6.00	
Gap times 10%	$ 10,500	$ 12,000	$ 8,500
divided by 1800 sf home	$ 5.83	$ 6.67	$ 4.72
divided by 2100 sf home	$ 5.00	$ 5.71	$ 4.05
divided by 2400 sf home	$ 4.38	$ 5.00	$ 3.54

Land dedication assumption	
4 acres at $125000/acre - raw land	$ 500,000
Divided by 80 doors	$ 6,250
*4 acres at $600,000 - finished lots -value to nonprofit developer***	$ 2,400,000
Divided by 80 doors	$ 30,000

** Value to nonprofit - cost if the nonprofit developer had to provide the site improvements on its own. The actual cost to the developer is much lower since they would be doing the site improvements as part of the subdivision development anyway.

Potential Residential Unit Capacity
(based on data prepared November 2010)
(updated to reflect changes in the Ordinance as of 12/2/2013)

	Potential Capacity
Non Master Plans (Can Fee-Out) (A)	
Infill areas in the County	13,642
Commercial Corridors	14,107
Permits issued (2004-2009)	(7,334)
Subtotal Non-Master Plans	20,415
Approved Projects (Could Potentially Fee-Out) (B)	
Vineyard and Elverta area projects	25,358
Approved Master Plan Areas (Cannot Fee-Out) (D)	
Easton and Cordova Hills	13,886
Pending Master Plans(Cannot Fee-Out) (B)	
West Jackson	15,650
Jackson Township	6,143
New Bridge	3,635
Mather	3,545
other potential growth areas	27,827
Natomas	unknown
Subtotal Pending Master Plans	56,800
Total Potential Units (based on November 2010 data)	116,459

Percentage of Potential Units per Category		
Projects that Can Fee- Out (A)		18%
Projects that Could Potentially Fee-Out (B)		22%
Projects that Cannot Fee-Out (B) and (D)		61%

UPDATED 12/03/13

SURVEY OF AFFORDABE HOUSING PROGRAMS – SACRAMENTO REGION
Updated October 2013

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
Sacramento County (existing) Housing Element Policy identifies %15 program; Ordinance in County Code	Inclusionary: Total of 15%. Projects 100 units or more: For Sale: 15% - low; Rental: 10% - very low 5% - low	Fee Program: Projects less than 100 units: Affordable Housing Fee $5,500 (In Lieu Fee: $1,600, Affordability Fee: $3,900) Land Dedication and Fee.	Yes – see below	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
Sacramento County (proposed) Housing Element - current Ordinance will be amended	Master Plan: Development Agreement to Build 4% Low 4% Very Low	Non-Master Plans: $2.50 sq ft fee on all new residential construction. Master Plan Projects and projects over 750 units: Development Agreement to dedicate land that can accommodate 8% and pay 50% of fee; OR A modified program in Master Plan areas equivalent to the 8% build.	Proposed ordinance will be considered by Board of Supervisors on 12/10/2013	Same as above – no changes proposed

BOS ATTACHMENT 9
Agenda Date: 01-14-2014
Page 1 of 6

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Citrus Heights	None			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
City of Elk Grove Housing Element Policy H-4 thru H-8; Ordinance in Municipal Code	None	Fee Program: SFD Units - $2,800 + 3% Administration Fee MFD Units - $1,680 + 3% Administration Fee Fee may be waived if developer agrees to donate land or provide deed restricted affordable units.	Fees were updated on 3/27/2013.	Office $0.97 sq ft Hotel $1.36 sq ft Commercial/Retail $0.46 sq ft Manufacturing $0.52 sq ft Warehouse $0.56 sq ft Office fee at $0.00 for one year as of 3/27/2013
City of Folsom Municipal Code	Inclusionary Requirement: Total of 10% 3% - very low 7% - low	Options: Land dedication. Fees: In-lieu fee calculated at 1.0% of the lowest priced for-sale unit in project. Custom lots at 0.5% of the least expensive homes. Other as proposed by the developer.	Recently changed its program on 3/26/2013	$1.20 sq ft for all non-residential development

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Galt	None			Do not charge housing trust fund fees.
City of Rancho Cordova Housing Element policy requires an Affordable Housing Plan		Negotiated project by project. Housing Element contains various options.		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
City of Sacramento Housing Element references Mixed Income Housing Ordinance; Ordinance in Municipal Code.	Existing Inclusionary Requirement: Total of 15% (applies only to new growth areas). 10% - very low-income 5% - low-income Off-site inclusionary units allowed if within same growth area Single Family projects can do land dedication	Existing Program: Land dedication is an option (may fulfill all or portion of the inclusionary housing obligation). Fee Program: None	Draft Changes: Rental Units: $1.00 sq ft fee For Sale: 0 to 50 acres: 1. Fee of $3.00 sq ft Fee OR 2. 30% fee AND build $15% as affordable by design or 10% as regulated rental units or land equivalent value to fee Greater than 50 acres – option 2 above	Citywide N. Natomas Office $2.25 sq ft $1.86 Hotel $2.14 sq ft TBD R&D $1.91 sq ft TBD Commercial $1.80 sq ft $1.86 – 2.47 Manufacturing $1.41 sq ft $1.30 – 1.57 Warehse/Off $0.82 sq ft $1.01 – 1.86 Warehouse $0.61 sq ft $1.01

BOS ATTACHMENT 9
Agenda Date: 01-14-2014
Page 3 of 6

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
El Dorado County	No requirements on Developers – Incentive Programs Only			Do not charge housing trust fund fees
Placer County	10% of units affordable in Specific Plans or Projects with General Plan Amendments	OR Pay an In-Lieu Fee (No pre-determined amount – set by Planning Director).		Do not charge housing trust fund fees
City of Roseville	Inclusionary: Implements 10% affordable housing goal w/development agreements (applies to specific plans). 4% - very low 4% - low-income 2% - moderate (In projects in specific plan areas created after October, 2003).	Fee Program: For Very Low Income Units, could pay in-lieu fee - $60,000 per Affordable Unit	Fees are adjusted annually based on staff costs.	Do not charge housing trust fund fees

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
Sutter County	Inclusionary Requirement: For Sale Projects: 5% - low- and moderate-income Rental Projects: 5% - very low- and low-income	Land dedication is an option 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.	Program is rarely used. Changes in near term unlikely.	Do not charge housing trust fund fees
City of West Sacramento	Inclusionary Requirement: Total of 15% For Sale Projects 5% - low income 10% - moderate income Rental Projects 5% - very low-income 5% - low-income 5% - moderate-income	Fee Program: None	Changes in program in near future likely: New Inclusionary Requirements may remove moderate – income % Add a fee option	Do not charge housing trust fund fees

BOS ATTACHMENT 9
Agenda Date: 01-14-2014
Page 5 of 6

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Winters	Inclusionary Requirement: Total of 15% 6% - very low-income 9% - low- or moderate-income	Land dedication allowed at City discretion Fee Program: At City discretion, may pay fee on small projects when City deems on-site construction or land dedication is infeasible.		Do not charge housing trust fund fees.
City of Woodland	Inclusionary Requirement: Total of 10% (SFD) or 30% (MFD) For Sale Project 10% - low-income Multi-Family Rental Project 20% - very low 10% - low- Or 25% - very low	Land dedication is an option Fee Program: For detached for-sale projects fewer than 50 units, may pay an in-lieu fee to satisfy the affordable housing obligation.		Do not charge housing trust fund fees.

KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Cindy Storelli, Principal Planner
Department of Community Development
County of Sacramento

From: Keyser Marston Associates, Inc.

Date: December 9, 2013

Subject: Supported Fee Levels - Assuming Tax Credits
Residential Nexus Analysis

Per your request, we are pleased to provide you with the Residential Nexus Analysis alternative set of calculations. Specifically you have asked for the nexus analysis conclusions assuming the use of tax credits in quantifying the affordability gap and supported fee levels.

We are pleased two attach two tables summarizing the analysis.

1. Table 1, which is included in the Residential Nexus Analysis report, dated August 2013, as Appendix II Table 6, presents the calculations for the affordability gap assuming the use of tax credits. The table provides the calculations for affordable rent, per the CTCAC (California Tax Credit Allocation Committee) criteria, net operating income, capitalized value and affordability gap. The assumption is a mix of 4% and 9% tax credits, or the County receiving 9% credits for one project per year and 2-4 projects per year with 4% tax credits. The development cost per unit is the same as that used in the Report analysis without the use of tax credits. With the assumption of tax credits, the affordability gaps per units are lowered to $71,000 for units rented to households at 50% Area Median Income (AMI) and $46,000 for units rented at 60% AMI, the low income definition for tax credit projects.

2. Table 2 presents the nexus analysis conclusions using the lower set of affordability gaps in Table 1 attached. The same nexus analysis results in terms of jobs generated at the lower income levels, in the Report as Appendix Table

C9, when linked to the lower affordability gap, produce supportable fee levels indicated in Table 2. These fee levels which range from $5.64 per square foot to $10.21 per square foot, depending on the Prototype, are substantially higher than the fee levels in the proposed program.

In summary, were the County to assume that affordable projects would always have the benefit of tax credit financing, the supported fee levels would be lower than assuming no tax credits, but still well above the levels proposed for the program revision.

Table 1
(Appendix II Table 6 in the report)
Nexus Affordability Gaps with Tax Credit Financing
Affordable Housing Ordinance
County of Sacramento

		50% AMI	*60% AMI*
I. Affordable Rent			
Average Number of Bedrooms		1.5 Bedrooms	1.5 Bedrooms
Average Household Size		2.5 Persons per HH	2.5 Persons per HH
Household Income		$32,350	$38,820
Income Allocation to Housing		30%	30%
Monthly Housing Cost		$809	$971
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per County		$748	$910
Maximum Rent per CTCAC		$746	$895
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per CTCAC		$685	$834
II. Net Operating Income (NOI)		Per Unit	Per Unit
Gross Scheduled Income (GSI)			
Monthly		$685	$834
Annual		$8,214	$10,008
Other Income	$30	$360	$360
(Less) Vacancy	5%	($429)	($518)
Effective Gross Income (EGI)		$8,145	$9,850
(Less) Operating Expenses[2]		($4,800)	($4,800)
(Less) Property Taxes	1.25%	exempt [3]	exempt [3]
Net Operating Income (NOI)		$3,345	$5,050
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)		$3,345	$5,050
II. Sources of Funds			
Supportable Debt		$48,000	$73,000
Market Value of Tax Credits[4]		$100,000	$100,000
Deferred Developer Fee		$4,000	$4,000
III. Total Sources of Funds		$152,000	$177,000
IV. (Less) Total Development Costs		($223,000)	($223,000)
V. Affordability Gap		**($71,000)**	**($46,000)**

[1] SHRA Affordability Calculations.
[2] Includes replacement reserves. Based on recent SHRA-assisted projects.
[3] Assumes developer will partner with non-profit organization.
[4] Assumes a mix of 4% and 9% tax credits. The County will likely see, at most, one project per year with 9% tax credits and 2-4 projects per year without 9% tax credits.

TABLE 2
SUPPORTED FEE / NEXUS SUMMARY PER UNIT - WITH TAX CREDITS
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

TOTAL NEXUS COST PER MARKET RATE UNIT

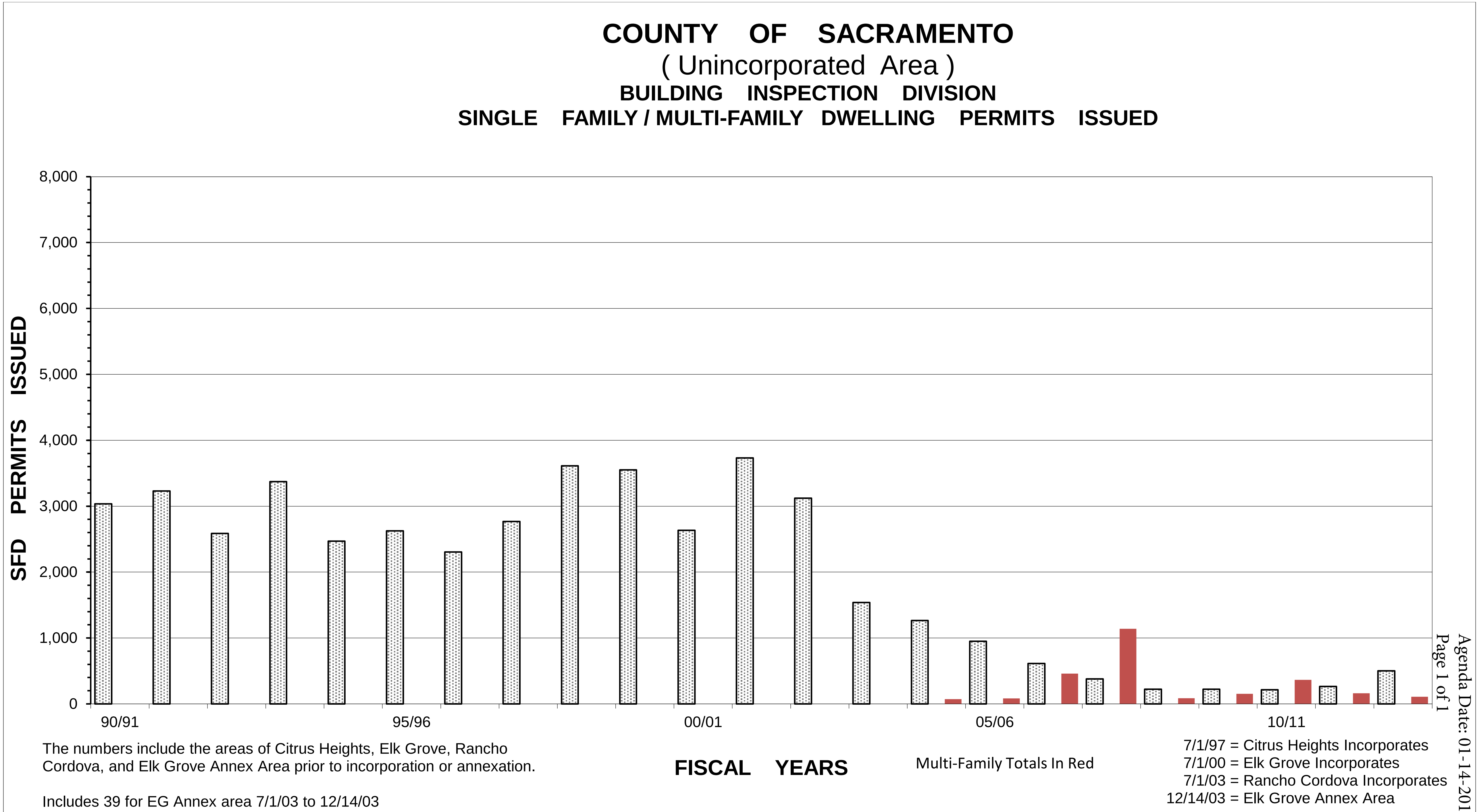
		Nexus Cost Per Market Rate Unit							
	Affordability Gap [1]	LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Household Income Level									
Under 50% Area Median Income	$71,000	$7,700	$9,000	$6,700	$8,100	$4,700	$6,300	$5,400	$6,000
50% to 80% Area Median Income	$46,000	$4,700	$5,500	$4,100	$5,000	$3,000	$3,900	$3,400	$3,700
Total Supported Fee / Nexus		**$12,400**	**$14,500**	**$10,800**	**$13,100**	**$7,700**	**$10,200**	**$8,800**	**$9,700**

TOTAL NEXUS COST PER SQUARE FOOT

		Nexus Cost Per Square Foot							
	Affordability Gap [1]	LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Unit Size (SF)		2,200 SF	2,200 SF	1,800 SF	1,800 SF	1,000 SF	1,000 SF	950 SF	950 SF
Household Income Level									
Under 50% Area Median Income	$71,000	$3.50	$4.09	$3.72	$4.50	$4.70	$6.30	$5.68	$6.32
50% to 80% Area Median Income	$46,000	$2.14	$2.50	$2.28	$2.78	$3.00	$3.90	$3.58	$3.89
Total Supported Fee / Nexus		**$5.64**	**$6.59**	**$6.00**	**$7.28**	**$7.70**	**$10.20**	**$9.26**	**$10.21**

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

Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\18\18997\Sacramento County Nexus model 6-11-13; D-1 nexus cost per Unit-TC; 12/9/2013; dd



BOS ATTACHMENT 11
Agenda Date: 01-14-2014
Page 1 of 1