



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO COUNCIL
City of Sacramento
 915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Staff Report
March 18, 2008

**Honorable Mayor and
 Members of the City Council**

Title: Housing Element Strategic Overview

Location/Council District: Citywide

Recommendation: Review and comment on the strategic framework for the upcoming draft Housing Element of the General Plan, including potential policy and programmatic implications.

Contact: Cindy Cavanaugh, Assistant Director, 440-1317; Emily Halcon, Management Analyst, 440-1399, ext. 1420

Presenters: Cindy Cavanaugh, Assistant Director; Emily Halcon, Management Analyst,

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Housing Element is one of seven state-mandated elements of the General Plan, requiring that jurisdictions plan for the housing needs of economic segments of the community through a comprehensive analysis of need, constraints, and resources. While the General Plan is a long term visioning document, the Housing Element is a much more directive and prescriptive document. The City of Sacramento is interested in a Housing Element that mirrors the intent of the 2030 General Plan and is approachable, relevant, and strategic.

Given this objective, staff and consultants have been engaging Council members, stakeholders, and the public since June 2007 in the Housing Element update. Work to date includes extensive community outreach through both the General Plan Advisory Panel (GPAC) and Housing Element specific outreach including stakeholder groups, City staff, and the GPAC Housing sub-committee. Work also includes research into demographic and market trends, constraints to housing production, and resources available to aid in production. As a significant part of the City's resource discussion, City Planning staff has been reviewing the inventory of vacant residential land available in the City, ensuring that current

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zoning and land capacity can accommodate the projected residential growth during the next Housing Element cycle.

At the heart of the Housing Element are the goals, policies, and programs which will guide City investments and land use decisions to align with household growth expectations and existing need. In order to elevate the Housing Element beyond the requirements of State law, the team has framed the policies and programs of the Housing Element under six “themes” that represent the key housing issues for the City: production, rehabilitation/preservation, extremely low income housing, modest income homeownership, accessibility, and balanced communities. The thematic context to the City’s Housing Element will allow for a broader view of housing needs in line with the General Plan and will provide a more strategic perspective in what otherwise might be viewed as a state-mandated exercise.

The Housing Element strategies, as detailed in Attachment 1, are broad statements of commitment, change, and priority. Each thematic strategy has inherent links to each other, to the General Plan, and to practical applications and capacity. Upon acceptance of the strategies, staff will complete the drafting of the policies and programs and bring them back, along with the vacant land inventory, for Council review in April 2008.

Policy Considerations: The 2008-2013 Housing Element is closely tied to policy development for the 2030 General Plan and will set the City-wide housing policies and programs for the next five years.

Environmental Considerations: This is not a project as defined by the California Environmental Quality Act (CEQA) [CEQA Section 21065 and CEQA Guidelines Section 15378 (b)(4)]. Approval and adoption of the Housing Element will be subject to CEQA approval.

Committee/Commission Action: Staff will present this report to the Sacramento Housing and Redevelopment Commission on March 19, 2008 and to the City of Sacramento Planning Commission and Disability Advisory Committee on March 20, 2008. In addition, staff has notified the members of the City’s Development Oversight Commission of this workshop and has invited them to attend the Planning Commission or Council workshop.

Rationale for Recommendation: Prior to presentation of the goals, policies and programs of the Housing Element, staff is seeking input from Council and the community to ensure that housing strategies adequately address the six key themes.

Financial Considerations: There are no financial impacts associated with the update on the Housing Element preparation. Funds have previously been committed for the Housing Element consultant contract and financial impacts associated with the adoption of the Housing Element and subsequent housing programs will be addressed in those Council reports.

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M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:


for RAY KERRIDGE
City Manager

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Strategic “Themes”

Preparation of the Housing Element has been guided within the context of six “themes” intended to provide connectivity to other City initiatives, a framework for the strategies and a clear organization for the policies and programs.

1. Produce new housing units to meet growth projections and regional fair share goals
2. Rehabilitate and preserve our existing housing resources
3. Ensure housing for extremely low income and special needs families
4. Provide and sustain modest income homeownership
5. Provide accessible housing and neighborhoods
6. Create and enhance sustainable housing, balanced communities and complete neighborhoods

Strategy Summary

Staff proposes a new housing strategy that reflects current market conditions, and the 2030 General Plan prioritizes resources within this context. Although the Housing Element has a shorter timeframe (five years) than the General Plan, short-term market and development constraints particular to greenfield areas suggest a shift towards infill development to accommodate growth under the Housing Element. Key elements of the strategy include:

- Employ financing, planning and redevelopment tools to remove barriers and facilitate infill housing production, including affordable housing.
- Target rehabilitation efforts to the areas of greatest need and where efforts can have the greatest impact.
- Employ a multi-pronged approach to address extremely low-income (ELI) housing needs rather than a single strategy.
- Align homeownership resources with other strategic efforts, including redevelopment, foreclosure mitigation and inclusionary homeownership.
- Adopt ordinances and improve information to promote accessible housing development.
- Using a variety of zoning, planning and financing tools, ensure all strategies contribute to sustainable housing, balanced communities, and complete neighborhoods.

While the strategic direction discussed in greater detail below considers resource constraints, more explicit analysis and prioritization will occur within the context of specific programs and policies.

Strategies

1) Produce new housing to meet growth projections anticipating a shift to infill development.

The Housing Element must demonstrate sufficient land with adequate zoning and infrastructure to meet the Regional Housing Needs Allocation (RHNA). The RHNA reflects anticipated household growth in the region and the “share” of that growth expected to be born in each jurisdiction by income level:

City of Sacramento RHNA 2006-2013

	Number	Percentage
Very Low Income (> 50% AMI) ¹	2,472	14.1%
Low Income (51 - 80% AMI)	2,582	14.6%
Moderate Income (81- 120% AMI)	3,603	20.4%
Above Moderate Income (> 120% AMI)	8,992	50.9%
TOTAL	17,649	100%

AMI = Area Median Income

¹ It is assumed that ½ of the VLI need is extremely low income (30% AMI) need.

While construction of housing units is not mandated in the Housing Element, the City was able to meet the production goals of its RHNA in the past primarily through new development in greenfield areas during an active market cycle. Affordable housing development in these areas worked in concert with market rate development through inclusionary policies. With Agency financing, the primary result was the construction of apartments as workforce housing. New construction in infill areas contributed to affordable housing goals, in comparable proportion as occurred in new growth areas, but infill development did not achieve the same level of production. It did, however, achieve other non-production goals such as increased homeownership in targeted areas, rehabilitation of deteriorated properties, redevelopment, and new special needs housing.

While the City will continue to work toward its production goals through housing development in greenfield areas, over time, the General Plan will shift the housing production strategy to one that is primarily based on development in infill areas. Both short term market issues and current development constraints will also shift the market focus to infill development where production is more restricted, expensive and complex.

With this shift toward production in existing neighborhoods, strategies for facilitating both market and affordable production must also shift. Proposed strategies would A) facilitate infill production; and B) adjust the mixed income approach in new growth areas while evaluating a broader application.

A. The City will facilitate infill housing investment and development.

- Address infrastructure needs.
 - Assess and quantify key infrastructure needs,
 - Use the Capital Improvement Process to focus resources and address infrastructure needs of target infill and redevelopment areas.

- Develop new funding tools or strategies to address infrastructure and service needs in existing areas.
- Rezone opportunity areas to promote housing and mixed use development, reinvestment, and revitalization.
- Develop a shovel-ready sites program to promote housing and economic development and market investment.

B. The City will continue to promote mixed income housing in new growth areas.

- Modify inclusionary ordinance (changing income targets and equity share) to encourage affordable homeownership.
- Promote smaller rental development through planning and financing tools, including residential over retail. Encourage multifamily design that achieves neighborhood compatibility and integration.
- Evaluate the economic feasibility of applying inclusionary requirements in infill areas.

2) Rehabilitate and preserve our existing housing resources.

In the past, the City financed the rehabilitation of multifamily housing and preserved expiring affordable developments throughout the City, financing nearly 1,000 affordable rental units in the last Housing Element cycle. Owner rehabilitation was most active through emergency repair and retrofit programs, while the owner rehabilitation and boarded and vacant programs for repair and sale of vacant homes were made generally obsolete when the housing market was overheated and equity loans were more readily available.

Rehabilitation strategies will be modified as follows:

- The City will focus rental rehabilitation efforts on properties needing substantial rehabilitation in areas targeted for redevelopment or reinvestment.
- On a limited basis, properties may be acquired and rehabilitated in areas to increase diversity where there is limited opportunity to develop new affordable housing.
- The City will continue with its emergency repair and retrofit programs while evaluating the general owner rehabilitation program.
- The City will explore how to rehabilitate vacant properties, such as those that have been foreclosed, as a means to facilitate and expedite the sale to new owner-occupants and to stabilize neighborhoods.

3) Ensure housing for extremely low income and special needs households.

Creating housing opportunities for extremely low income (ELI) and special needs households, especially when compared to production-driven affordable housing, requires a greater effort, higher level of investment, consistent political support, and greater financing innovation. While the housing needs and strategies for each of these groups are not identical, a greater City role that drives development and investment is envisioned to serve each group. In the past, the City has demonstrated its high level of commitment in adopting the Single Room Occupancy (SRO) Strategy, Ten-Year Plan to

End Chronic Homelessness, Preservation Ordinance and its approval of the public housing asset repositioning strategy.

This ELI and special needs strategy is multi-pronged, employing new construction, preservation and rehabilitation approaches. It seeks to maximize state and federal financing for heavily subsidized affordable housing and, in general, promote development near existing services. The strategy continues the City's existing commitment, including an on-going commitment of staff resources and explores one new element to produce housing affordable to ELI households.

The City will continue to support existing commitments, including:

- Rehabilitate and develop new housing under the adopted Ten-Year Plan and SRO strategies.
- Invest in the rehabilitation and preservation of public housing through repositioning with no net loss of ELI units.
- Preserve at-risk units with project-based housing assistance payments continuing affordability to ELI households.
- Continue to use project-based rental assistance for special needs and other ELI housing and evaluate their effectiveness on the target population and related projects.
- Leverage state and federal resources such as tax credits and Proposition 1C funding to the greatest extent possible.
- Pursue site acquisitions for potential ELI and special needs developments.
- Actively encourage a broad range of housing developers with expertise in these projects and populations.

The City will consider a new financing program to complement existing ELI strategies.

- Explore the use of local financing, including a fee component within the inclusionary program, to achieve ELI affordability in a percentage of new affordable housing in inclusionary and other new developments (aka : "ELI Buy-Down Program").

4) Provide and sustain modest income homeownership.

In the past, the market provided homeownership for families at moderate income and above. Affordable financing was targeted primarily to low and very low income households using several tools, including development assistance in targeted areas, citywide mortgage assistance programs and inclusionary housing requirements.

Notwithstanding the current market deflation, the strategy recognizes that the market may not be able to produce for-sale homes that are affordable to moderate income families over the Housing Element cycle. Homeownership for modest income households (those formerly served by the market or "on the margins of affordability") will be achieved through several strategies, including

- Modifying inclusionary requirements to expand homeownership to those not served by affordable rental products but not able to access market ownership products.

- Facilitating employer-assisted housing programs, partnering with key employers in the City and region.
- Promoting innovative non-traditional housing products and “affordable by design” strategies.

In addition to expanding homeownership opportunities for “modest” income families, the City will continue to facilitate home buying for lower income residents. To use resources most effectively and in recognition of existing market conditions, the City will continue to finance development in targeted redevelopment projects, promoting homeownership as a tool for neighborhood revitalization. It will also strategically target individual homeownership assistance to meet specific goals:

- Move foreclosed properties back to homeownership;
- Balance rental/owner tenure in redevelopment areas; and
- Facilitate the sale of inclusionary homes to income qualified buyers.

5) Provide accessible housing and neighborhoods.

In the past Housing Element cycle, City development reflected State and Federal fair housing law that, in general, required accessible common areas and routes of travel in all multifamily housing and, when federal financing was used, a percentage of accessible units in multifamily housing.

Recognizing the importance of accessible housing as the population ages, the City will act proactively to encourage or create accessibility in new development through:

- Adoption of a Universal Design ordinance that allows for homebuyers to opt for adaptability or accessibility features based on the State’s model ordinance;
- Adoption of a Reasonable Accommodation ordinance that establishes a formal process for special considerations in the development or retrofitting of housing for the disabled;
- Exploration with stakeholders of a Vistability Ordinance; and
- Provision of consolidated information on accessibility requirements and options during the development process.

6) Create and enhance sustainable housing, balanced communities and complete neighborhoods to enhance livability.

- Both the General Plan and the Sustainability Master Plan have responded to public desire for sustainable development. Sustainable development is not only environmentally sustainable but also planned in a manner that can be socially and economically stable. Housing is an integral component of sustainable development and the new strategies of the 2008-2013 Housing Element include a green building program, which will help to facilitate new residential development that has minimal environmental impacts and incorporates materials and design that take advantage of renewable resources. The 2030 General Plan also has policies that encourage new homes that are healthier, safer, more comfortable and durable.

- Strategies to balance communities will vary for greenfield and infill areas, but both will promote housing for all economic groups, a balance between homeownership and rental, accessible public transit and basic retail services.
 - Benchmarking and annual evaluation should be used to measure demographic and social integration at a neighborhood level.
 - Balance should also be viewed on a regional level with efforts to address regional equity and fair share issues and the geographic mismatch between jobs and affordable housing.

- The City will encourage developers to include a variety of housing types within existing and new neighborhoods. Examples include aging-friendly housing and communities, residential mixed use conversions, limited equity housing cooperatives (LEHC) and accessory dwelling units. Tools to facilitate a diversified housing stock include education, financing, demonstration projects, new land use categories, and improved zoning regulations.