Sacramento Housing & Redevelopment Agency

REPORT TO COUNCIL
City of Sacramento
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STAFF REPORT
May 1, 2007

Honorable Mayor and Members of the City Council

Title: Workshop on Mixed Income Housing Ordinance

Location/Council District: Citywide

Recommendation: This workshop item presents an assessment of the City's Mixed Income Ordinance results. Staff seeks comments on the assessment and direction on a recommended two-tiered approach to improve outcomes related to Ordinance implementation and to address broader City affordable housing policy issues.

Contact: Cindy Cavanaugh, Assistant Director, 440-1302, 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 City of Sacramento adopted a Mixed Income Housing Policy on June 27, 2000 as part of its Housing Element of the General Plan. That policy was implemented by adoption of a Mixed Income Housing Ordinance (Ordinance) on October 3, 2000, which established what is commonly called an inclusionary housing program. Since adoption, the Ordinance has been amended several times, the most significant being November 4, 2004 and January 18, 2005.

To date, the Ordinance has brought about the construction and/or approval of over 1,500 affordable units included in over 10,000 new residential units in the New Growth areas of the City. This report provides an analysis and highlights the Ordinance's success. It also identifies two implementation issues that could be improved with modest ordinance changes coupled with process Improvements through the ongoing "C2C" initiative.

The staff report also raises two broader policy issues: providing housing for extremely low income households and increasing affordable housing on a citywide level. Staff recommends a comprehensive, broader approach to address these issues.

Plan Vision and Guiding Principles. This workshop first raises policy issues related to the Ordinance, primarily concerning homeownership outcomes and goals. Secondly, the workshop raises broader issues related to achieving citywide affordable housing goals and to addressing the needs of the extremely low income households. Staff recommends that solutions to these policy issues be developed within the context of the General Plan and Housing Element.

Environmental Considerations: Not a project as defined by the California Environmental Quality Act (CEQA) [CEQA Section 21065 and CEQA Guidelines Section 15378 (b)(4)].

Committee/Commission Action: Staff presented this report to the Sacramento Housing and Redevelopment Commission on April 18, 2007 and to the City of Sacramento Planning Commission on April 26, 2007. In addition, staff has notified members of the City's Development Oversight Commission of this workshop and has invited them to attend the Council workshop for this item.

Rationale for Recommendation: The Mixed Income Ordinance has been successfully implemented in the New Growth areas of the City. Since adoption of the Ordinance in 2000, 1,552 inclusionary units have been approved, 76 percent as rental and 24 percent as for-sale. Staff recognizes that the production to date has occurred in a strong housing market where private developments can effectively partner with affordable housing developers to leverage affordable financing.

While the Ordinance has been largely successful, some implementation and policy issues have been raised in the context of the Ordinance. Staff recommends that the Ordinance specific implementation issues can be resolved through a combination of process improvements and modest Ordinance modifications. The larger policy issues should be explored within the framework of the upcoming Housing Element.

Recommended implementation changes mostly surround enhancing homeowner outcomes and improving options for smaller developments and condominium developments. These changes should be achievable through a short term stakeholder process. In addition to these Ordinance changes, as part of the City's "C2C" initiative, staff is working on a variety of improvements and enhancements to the inclusionary program implementation processes.

Staff recommends that solutions to the larger policy issues be developed more broadly. Solutions should be developed with recognition of the unique challenges and opportunities in the City's non-New Growth areas, such as redevelopment and infill areas. While the Mixed Income Ordinance may play a part in these solutions, a more effective approach would consider all of the affordable housing tools available to the City.

In existing neighborhoods <u>not</u> subject to the Ordinance, eight percent of all the new residential units were developed as affordable housing during the period in which the Ordinance has been in effect. In addition to these new affordable units, the City also participated in the preservation and rehabilitation of over 1,900 affordable units in existing neighborhoods.

Through affordable housing development strategies in existing neighborhoods coupled with production under the Ordinance, the City has made significant strides to meeting its Regional Housing Needs Allocation (RHNA). As of 2005, the City had met 98 percent of the goal through the year 2007. Strategies to address the larger policy issues should build upon the City's existing successful housing strategies and initiatives within the context of the Housing Element and goals based on RHNA.

Financial Considerations: There are no financial impacts associated with the assessment of the Ordinance.

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

Respectfully Submitted by: ______________________
ANNE M. MOORE
Executive Director

Recommendation Approved:

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RAY KERRIDGE
City Manager

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Background

Ordinance Summary

Adopted in October, 2000, the City's Mixed Income Housing Ordinance requires that developments within New Growth areas (see map in Attachment A to the Assessment) include at least 15 percent of their housing units at prices affordable to low and very low income households. The standard obligation is

- At least ten percent affordable to very low income (or "VLI") households (those making less than 50 percent of Area Median Income or "AMI") and;
- At least five percent affordable to low income (or "LI") households (those making between 51 and 80 percent of AMI).

There are limited alternatives to this standard approach, as described below:

1. Off site development: Development projects that do not have multi-family zoned land (R-2A or higher) sufficient to accommodate the very low income obligation may request to develop all or part of their obligation at an off-site location within the same New Growth area and Community Plan area.
2. Land dedication: A developer may offer land within the residential development for dedication to the Sacramento Housing and Redevelopment Agency (SHRA) (or in an offsite location if the development is exclusively single family).
3. Condominium Alternative: Condominium developments of 200 units or fewer may request a special permit to "swap" their income targeting to ten percent low income and five percent very low income if the units are provide as for-sale units within the condominium project.
4. "Small" subdivision Alternative: Exclusively single family developments of five gross acres or less may provide 15 percent of their total residential units at the low income level if all of the inclusionary units are for-sale and on-site. Small exclusively single family developments can also choose to meet the standard obligation and retain the option to go off-site and participate with other developers in an affordable housing development.

Development projects may choose to provide their inclusionary units as for rent or for sale, or as a mixture of the two. Inclusionary projects, whether a stand alone rental project or an integrated part of a larger single family subdivision, must allow for a range of family types by providing a diversity of unit sizes. Single family units must resemble the market rate units in exterior appearance. The Ordinance requires that inclusionary units be built concurrently with the market rate residential units. This concurrency is typically secured by building permit linkages which allow only a portion of the building permits to be issued for the market rate units before all of the building permits for the inclusionary units are issued.

Assessment Methodology

Staff conducted an in-depth assessment of the results of the Mixed Income Ordinance, including an analysis of:

- Overall production of affordable units
- Contribution to meeting Regional Housing Allocation Needs (RHNA) goals;
- Results by Council District;
- Development option selected by master developer;
- Affordable unit tenure (rental/owner) and type (multi-family/single family);
- Affordable unit size;
- Level of developer and local subsidies and incentives;
- Homeownership sales and marketing;
- Neighborhood compatibility; and
- Developer feedback.

Data for the assessment was collected from SHRA and City records, including entitlement applications, affordable housing plans, and financing data. All data is based on a "point in time" in February 2007. In addition to the quantitative analysis, SHRA sought feedback from developers and others who have worked with the Ordinance. Finally, SHRA staff visited and photographed existing units to assess neighborhood compatibility.

Assessment Results

In general, the Mixed-Income Program has achieved many of the goals envisioned when adopted in 2000. The Program has:

1. Proven to be an effective affordable housing tool in New Growth areas (with 80% of City's growth since Ordinance adoption in 2000). With about 3,000 affordable units constructed or in the pipeline, it has helped the City to achieve its goals of economic integration of New Growth areas and to meet its RHNA affordable housing production goals.

2. Increased housing opportunities for VLI and LI households through the production of viable and attractive rental and ownership housing with impressive pipeline and constructed numbers:
    - 1,190 affordable rental units, representing 77 percent of total affordable units; and
    - 363 affordable ownership opportunities, representing 23 percent of total affordable units.

3. Offered the most meaningful options to Planned Unit Developments (PUDs) and other large developments in New Growth areas with multifamily zoned land that are able to meet their obligation through onsite rental housing. This option effectively uses "production" affordable builders and affordable financing tools and achieves meaningful private market contribution.

4. Produced affordable housing concurrently with market rate developments.

The Assessment suggests that the primary implementation challenges are:

- Homeownership outcomes– from both the developer's and homebuyer's perspective; and
- Providing meaningful options for smaller and condominium developments.

The Assessment finds that 23 percent of the affordable units are for-sale units. Larger developers with multifamily zoned land have not chosen the homeownership options most likely for economic reasons — the gap between market units and affordable homeownership is as high as $175,000 per unit and there is no financial assistance available to these developments. Yet, despite the financial cost, the homeownership option appears to be the only viable alternative for smaller and condominium developments.

Another implementation challenge concerns the homebuyer. Like many market buyers, the Mixed Income homebuyers typically finance 100 percent of their purchase and pay from 28 to 47 percent of their income for housing. Unlike market buyers, however, their equity gain is restricted to the change in Area Median Income. While this ensures long term affordability, there may be better ways to structure a share of equity to benefit the homebuyer.

Additional broader policy issues have been raised regarding the Mixed Income Ordinance. Specifically, can the Ordinance be amended:

- To require the production of housing for extremely low income (ELI) households; and
- To apply to development City-wide.

<u>Recommended Approach</u>

Staff recommends a two-tiered approach to addressing implementation and policy issues related to the Mixed Income Ordinance.

- **Tier One** includes shorter-term Ordinance modifications to improve homeownership outcomes and thereby increase feasibility for smaller developments.

- **Tier Two** recommends exploring solutions to the larger citywide policy issues in the context of the Housing Element and General Plan. Solutions may include Ordinance modification or may be addressed through other tools and strategies.

Tier One: Staff believes the Ordinance can be altered to achieve better homeownership outcomes by:

- Adjusting the homeownership income targeting upward to incentivize inclusion of homeownership units, especially in larger projects; and
- Adjusting the current resale/recapture provisions specifically to allow greater equity participation by homeowners.

Staff proposes to discuss potential changes with a small stakeholder group including representatives from the building industry, affordable housing developers and affordable housing advocates. Staff would return within six to nine months with recommended Ordinance modifications. Discussion would include:

- Should the two incentives mentioned above be offered to all market rate project subject to the Ordinance, regardless of zoning and/or size?
- What affordability level (i.e. low income only or moderate income) is best served by affordable homeownership?
- What proportion of the inclusionary obligation should be adjusted to best incentivize the inclusion of for sale units?
- How can the Ordinance best balance the goal of long term affordability with the need to allow homeowners the chance to share in the market benefits of homeownership?
- What should be the proportionate share of market equity for an affordable homeowner, and how could this share be adjusted for years lived in the home?

Tier Two: Staff recognizes additional policy issues facing the City, characterized as follows:

- How can the City best achieve effective affordable strategies in existing neighborhoods and infill areas?
- How can the City meet its new RHNA goals that now include housing for ELI households?

Staff recommends that we explore solutions to these complex issues within the General Plan and Housing Element processes. This longer term, intensive review will allow for a more comprehensive understanding of how the City can proactively ensure affordable housing to all income levels in all areas of the City within the context of the Regional Housing Needs Allocation (RHNA) obligation. Staff offers the following as discussion parameters.

Develop goals consistent with RHNA. The City anticipates having new RHNA numbers in early 2008, in time for incorporation into the Housing Element due in June 2008. The RHNA provides estimates for growth in each of four income categories (very low, low, moderate and above moderate) based on the region's overall growth expectations and the particular jurisdictions "share" of that growth. In addition, the upcoming RHNA will, for the first time, include a requirement that jurisdictions plan for housing for ELI households. Modeling overall housing programs and policies off these projections provides for the most comprehensive and consistent planning for the City's affordable housing needs.

Continue to use the Mixed Income Ordinance as a tool appropriate to New Growth. Staff suggests that the Ordinance has been successful because it is an effective tool for New Growth areas. Its success is built upon the market's success and uses developer-driven partnerships, "production" affordable financing, and local incentives to achieve impressive results.

Recognize the unique environments of existing neighborhoods. Existing neighborhoods have unique development challenges (e.g., site availability, infrastructure needs) as well as housing needs. For example, many of these neighborhoods have existing affordable housing that needs rehabilitation. The City recognizes these unique challenges and employs proactive measures to improve housing quality and affordability. These City-driven responses include:

- Redevelopment activities
- Central City housing strategy (forthcoming)
- Ten-Year Plan to End Chronic Homelessness
- 9% Low Income Housing Tax Credits to achieve deep affordability

Such planning should not be solely encompassed in one program, but rather should be dispersed among the whole toolbox of programs and policies, including those that address rehabilitation needs of existing neighborhoods.

Build upon successful approaches in existing neighborhoods to achieve citywide affordability and to address ELI. During the period in which the Mixed Income Housing Ordinance has been in effect, the City has seen the construction of over 24,000 new residential units, of which 23 percent was built in existing neighborhoods (non New Growth areas). However, 32 percent of all the affordable housing built during this same time period was in existing neighborhoods. Proportionally, the City is currently providing eight percent of all units in existing neighborhoods at affordable levels, versus five percent in New Growth areas (this includes areas of North Natomas not subject to the Ordinance due to pre-existing development agreements).

SUMMARY OF NEW GROWTH vs. EXISTING NEIGHBORHOODS DEVELOPMENT 2000-2006

	Total	Affordable	Percentage
Existing Neighborhoods	5,756	444	**8%**
New Growth Areas	18,903	930	**5%**
TOTAL	**24,659**	**1,374**	**6%**

Based on current growth patterns, affordable housing production in existing neighborhoods exceeds production under the Mixed Income Housing Ordinance in New Growth areas. The Housing Element can build upon these successful proactive housing strategies to achieve well disbursed and integrated affordable housing opportunities throughout the City.

New City initiatives are currently underway to build and preserve housing for extremely low-income households. These significant efforts include the Single Room Occupancy (SRO) financing initiative allocating $15 million in Downtown Tax Increment to rehabilitate and build SRO housing. Special efforts are also underway to develop permanent supportive housing in conjunction with the Ten-Year Plan to End Chronic Homelessness. The Housing Element process should evaluate and build on these ELI strategies.

<u>C2C: City to Customer/Customer to Success</u>

While the Tier I and Tier II approaches described above are longer term solutions, the City and SHRA staff are currently reviewing policies and practices associated with the Ordinance in an effort to improve outcomes and streamline processes. These efforts consider the many customers to the Inclusionary program, including developers, neighbors and potential residents. Presentation of the comprehensive assessment is one of the first steps in this ongoing effort.

C2C strategies and goals include:

- Resolve processing and policy issues as quickly as possible through improved coordination with administrative partners.
    - Hold monthly meetings with SHRA, City Planning and City Development Services to monitor current projects, resolve project specific issues and recommend policy, when necessary
    - Include SHRA in all pre-development meetings for projects subject to the Ordinance, as well as subdivision review committee (SRC) as needed
- Improve clarity and transparency of process and requirements
    - Improve technical assistance to developers, homebuyers and renters such as program flyers and FAQs and website information
    - Provide Affordable Housing Plan templates to developers

  - Revise Developer and Homeowner Guidelines to reflect current practices and policies
- Help to ensure adequate market for homeownership units
  - Provide information in lender forums about homeownership units
  - Increase Developer education on marketing responsibilities
- Improve communication about program results
  - Report results on a regular basis to the City Council
- Examine best practices

ASSESSMENT OF THE CITY OF SACRAMENTO MIXED INCOME HOUSING ORDINANCE

As presented to the City Council May 1, 2007

Sacramento Housing & Redevelopment Agency

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BACKGROUND

In June 2000, the City of Sacramento adopted a Mixed Income Housing Policy as part of its Housing Element of the General Plan. This policy is implemented through the City's Inclusionary Housing Ordinance, City Code 17.190, approved in October 2000. The Inclusionary Ordinance ("Ordinance") aims to ensure the inclusion of housing affordable to low and very low-income households in new development projects in the City.

The Ordinance applies only to New Growth areas of the City shown in Exhibit A. These New Growth areas include those portions of the City with the most residential growth potential, including the areas of North Natomas, Delta Shores and North Laguna Creek. Two infill growth areas, the Curtis Park Railyards and the Downtown Railyards, as well as any future City annexations are also subject to the Ordinance. There is approximately 2,251 acres of undeveloped residential land in the existing New Growth areas, and a potential for over 23,000 additional residential units.

INCLUSIONARY OBLIGATION

The City's Mixed Income Housing Policy requires that developments within New Growth areas include at least 15 percent of their housing units at prices affordable to low and very low income households. The standard obligation is at least 10 percent affordable to very low income households (those making less than 50 percent of Area Median Income or "AMI") and at least 5 percent affordable to low income households (those making between 51 and 80 percent of AMI). To the extent possible, this obligation is to be included within the overall residential development. There are limited alternatives to this standard approach, as described below:

1. Off-site development: Development projects which do not have multi-family zoned land (R-2A or higher) sufficient to accommodate the very low income obligation may request to develop all or part of their obligation at an off-site location within the same New Growth area and Community Plan area. The off-site location must be superior in terms of site suitability and available for development concurrent with the market rate units.
2. Land dedication: A developer may offer land within the residential development for dedication to SHRA, or, in the case of an exclusively single family development, off-site of the development. The land must be sufficient in size to accommodate the inclusionary units and must be dedicated prior to the recordation of the residential project's first final map or first entitlement.
3. Condominium alternative: Condominium developments of 200 units or fewer may request a special permit to "swap" their obligation to ten percent low income and five percent very low income if the units are provided as for-sale units within the condominium project. The Planning Director must review the project and the impact of the "swap" on the City's remaining needs under the Housing Element.

4. "Small" subdivision alternative: Exclusively single family developments of five gross acres or less may provide 15 percent of their total residential units at the low income level if all of the inclusionary units are for-sale and on-site. Small exclusively single family developments can also choose to meet the standard obligation, retain the option to go off-site and participate with other developers in an affordable housing development.

Development projects may choose to provide their inclusionary units as for rent or for-sale, or as a mixture of the two. Inclusionary projects, whether a stand alone rental project or an integrated part of a larger single family subdivision, must allow for a range of family types by providing a diversity of unit sizes. Singe family units must resemble the market rate units in exterior appearance. While not required by the Ordinance, neighborhood groups often prefer that market rate developers of for-sale housing incorporate at least a portion of their low income obligation within the larger market rate development, to achieve more neighborhood economic integration.

The Ordinance also requires that inclusionary units be built concurrently with the market rate residential units. This concurrency is typically secured by building permit linkages which allow only a portion of the building permits for the market rate units to be issued before all of the building permits for the inclusionary units are issued.

PROCESSING THE INCLUSIONARY HOUSING OBLIGATION

Compliance with the Ordinance requires coordination among the master developer, the City Development Services Department and the Sacramento Housing and Redevelopment Agency ("SHRA"). Upon submittal of the project's application for entitlements, the developer works with SHRA staff to prepare a draft Inclusionary Housing Plan ("Plan"), detailing how the inclusionary obligation will be met, including number, tenure and location of units and the linkage requirements. The Plan is approved along with the project's entitlements; recordation of the Inclusionary Housing Agreement ("Agreement"), a condition of the project's tentative map or first entitlement, ensures compliance.

SHRA prepares the Agreement, which is recorded against the entire residential development, including both on-site and off-site land. As the developer builds the inclusionary units, the Agreement is released from the market rate units, such that by the completion of the project, the Agreement remains only on the affordable units. The Agreement regulates the occupancy of the inclusionary units for 30 years.

COMPARISON TO OTHER JURISDICTIONS

The City of Sacramento's Mixed Income Ordinance has many things in common with other inclusionary housing ordinances throughout the country, but also has its own unique features and implications. The chart included as Exhibit B compares the City's Ordinance to ordinances from some surrounding jurisdictions, including the County of Sacramento. While comparisons are useful, inclusionary housing is only one tool to address a community's affordable housing needs. Variations in approaches reflect not only the local market and political context, but fit into the entire toolbox addressing affordable housing needs in a community. In other words, one size does not fit all. Combining a reasonable inclusionary program with other housing programs and policies provides for the most inclusion and flexibility in meeting an entire community's housing needs.

PROGRAM ASSESSMENT

Housing Needs

- The Mixed Income Housing Ordinance is a key strategy helping the City to meet its housing element goals.
- New Regional Housing Needs Allocation (RHNA) numbers will include an Extremely Low Income (ELI) component; inclusionary housing could contribute to this production goal, but other programs and approaches may be more effective.

The Mixed Income Housing Ordinance was adopted as part of the Housing Element (Element) of the General Plan, and is intended to help the City meet its RHNA, which sets forth housing needs based on anticipated population growth and income distribution. Cities must demonstrate to the State Department of Housing and Community Development (HCD) that they have sufficient zoned land to accommodate the low and very low housing units from the RHNA obligation.

The most recent RHNA numbers for the City of Sacramento encompassed the years 2000-2007, which showed an overall need of 19,313 units Citywide. Each year, City staff returns to the Council with an Annual Progress Report on Implementation of the Housing Element. In February 2007, the City Development Services Department brought the 2005 Housing Element Annual Report to the City Council, which summarized the production of new and substantially rehabilitated housing units through 2005.

As of 2005, the City had met its very low income obligation and nearly met its low income obligation, due in part to new construction of affordable rental units under the Mixed Income Housing Ordinance. In their assessment, the City showed that 1,009 new very low income units and 650 new low income units were constructed to meet the RHNA obligations. Of the new very low income units and low income units fulfilling the RHNA, 239 (24 percent) very low and 178 (27 percent) low income units were produced directly as a result of the Mixed Income Housing Ordinance. An additional 401 (4 percent of the 10,600 total new units) new above moderate units were included in these inclusionary projects.

Table 1 - Inclusionary Production and RHNA

Income Category	2002-2007 RHNA	Units Built			Substantial Rehab	Demolition	Remaining RHNA 1	Percent Complete
		Total	IH Projects	% IH Projects				
Very Low	578	1,009	239	24%	836	0	0	100%+
Low	2,736	650	178	27%	621	69	267	90%
Moderate	2,925	4,516	0	0%	52	113	0	100%+
Above Moderate	8,462	10,600	401	4%	15	64	0	100%+
TOTAL	**14,701**	**16,775**	**818**	**5%**	**1,524**	**246**	**0**	**98%**

[1] Excess VLI units (1,267) are credited to the LI need because VLI units are also affordable to LI households.

The City anticipates new RHNA numbers by early 2008 for the years 2008 to 2013. In addition to the standard allocations of moderate, low and very low income housing needs, the City will now be required to demonstrate their ability to provide housing for extremely low income (30 percent AMI) households. Assembly Bill 2634, which passed in 2006, requires that jurisdictions include an extremely low income component in their Housing Elements; outside of calculating the exact need, the bill proposes assuming half of a jurisdiction's very low income need is extremely low income need.

The Mixed Income Housing Ordinance is only one tool for the provision of affordable housing, and does not currently require extremely low income housing. In general, the financing available for extremely low income housing is very competitive and infill projects tend to be more likely to secure such funding than those in New Growth areas. However, one inclusionary project to date (Terracina Meadows Apartments) has created twelve (8 percent of the total 156 units) extremely low income units under the Ordinance and another (Natomas Family Apartments) has proposed 47 of their 134 inclusionary units (35 percent) at extremely low income levels.

Not including the New Growth areas, but since the inception of the Ordinance, the City has brought about the construction or rehabilitation of 175 housing units restricted to occupancy by extremely low income households and the preservation of an additional 239 units for extremely low income households through the use of housing assistance payment (HAP) vouchers. An additional 53 preservation units are pending financing approval. These units all use financing and development programs appropriate for extremely low income production.

Overall Production

- 53 projects with 20,269 residential units have been or are currently subject to the Ordinance, with a total affordable obligation of 2,999.
- The majority (76 percent) of the inclusionary units approved to date are in District 1, North Natomas where the majority of market rate development has occurred.
- Inclusionary developments have built an additional 412 affordable units, beyond the 15 percent inclusionary requirement.

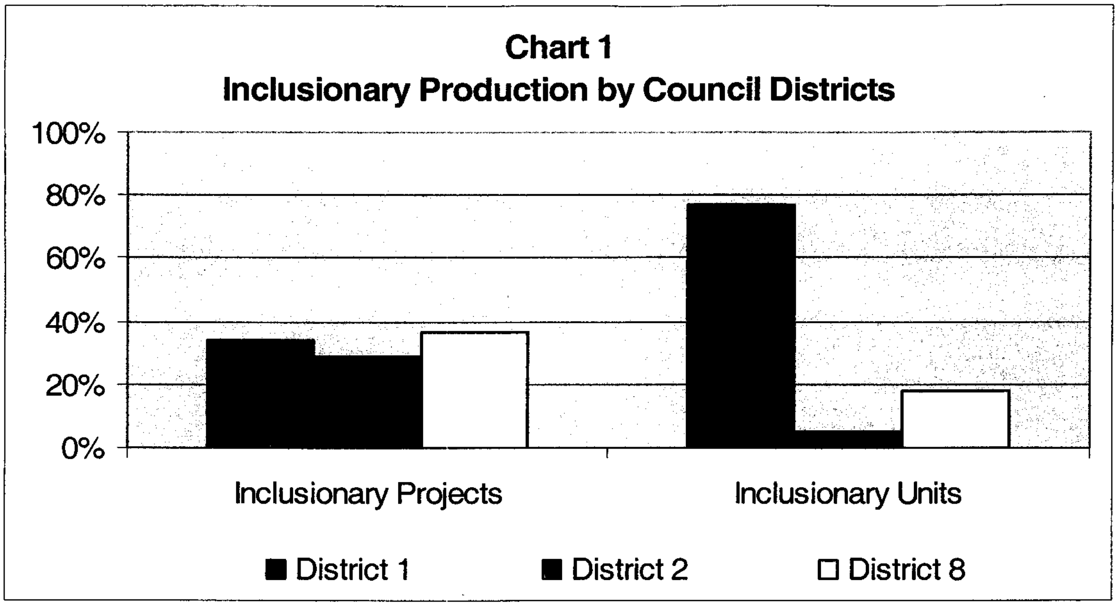
The Ordinance has been in effect since October, 2000. Since that time, a variety of inclusionary housing units have been produced throughout the New Growth Areas. Exhibits C, D and E are maps showing the location by tenure of inclusionary units which have been approved and/or constructed by New Growth Area.

A total of 53 residential projects containing 20,269 residential units are or have been subject to the Ordinance, for a total inclusionary obligation of 2,999 affordable units[1]. Thirty-nine applications with 1,552 inclusionary units have been approved and/or completed and 14 applications with 1,447 inclusionary units are currently pending[2]. The 53 applications represent 44 different master developers/builders.

Applications for planning entitlements have been prepared in each of the six New Growth areas, which encompass five City Council districts. Only one project has been proposed in District 7, and one project is in the early review stages in District 5. Amongst the remaining three Districts, where the majority of the development to date has occurred, the number of projects subject to the Ordinance is fairly evenly split. However, the vast majority of market rate and inclusionary units have been produced or planned in District 1.

[1] All statistics are based on a "point in time" snapshot of the Ordinance from February 2007. Projects are always moving through the planning process, modifying unit counts, etc., so these numbers may not be exact as of the presentation date.

[2] Projects are deemed "approved" when an Inclusionary Housing Plan has been formally adopted as part of the project's entitlement approval process. Projects are deemed "pending" if they have submitted an application for entitlements to the City, but do not have an approved Inclusionary Housing Plan.



A total of 1,552 inclusionary units have been approved and/or constructed throughout the New Growth areas. An additional 1,447 are pending approval. In addition to the 1,552 required affordable units, projects built or approved under the Ordinance have produced an additional 412 affordable units *beyond* the inclusionary housing requirement. These additional units translate to a total affordable production of 19 percent affordable units (versus the required 15 percent).

Tenure and Type of Inclusionary Units

- Overall, the majority of inclusionary units – 76 percent - are being built as rental units.
- Large projects tend to provide inclusionary units in rental developments, while smaller projects tend to provide inclusionary units as for-sale.
- Multi-family rental predominates as the affordable option in North Natomas while single family homeownership inclusionary units are the dominant choice in other New Growth areas.
- Five large projects are on the horizon for the City, all of which could meet 100 percent of their obligation as multi-family rental.

The Mixed Income Housing Ordinance does not require a particular tenure or type of housing; inclusionary units can be rental or homeownership, multi-family or single family. The following shows the overall breakdown of inclusionary units in approved and constructed projects by tenure and type:

Table 2 - Inclusionary Units by Tenure and Construction Type

	Constructed Projects		Approved Projects		TOTAL	
Construction Type	**VLI**	**LI**	**VLI**	**LI**	**Number**	**Percent**
Multifamily Rental	289	77	585	235	1,186	76%
Single Family Rental	4	0	0	0	4	0.3%
Multifamily For Sale	3	6	24	47	80	5%
Single Family For Sale	4	39	108	131	282	18%
TOTAL	**300**	**122**	**717**	**413**	**1,552**	**100%**

While overall the majority of inclusionary units are being built as rental (76 percent), individual City Council districts vary a great deal in the proportion of rental or homeownership inclusionary units. District 2 and District 8 have a higher proportion of for-sale inclusionary units, while District 1 has a higher proportion of rental inclusionary units.

Chart 2 - Tenure and Type of Approved Inclusionary Units by Council District

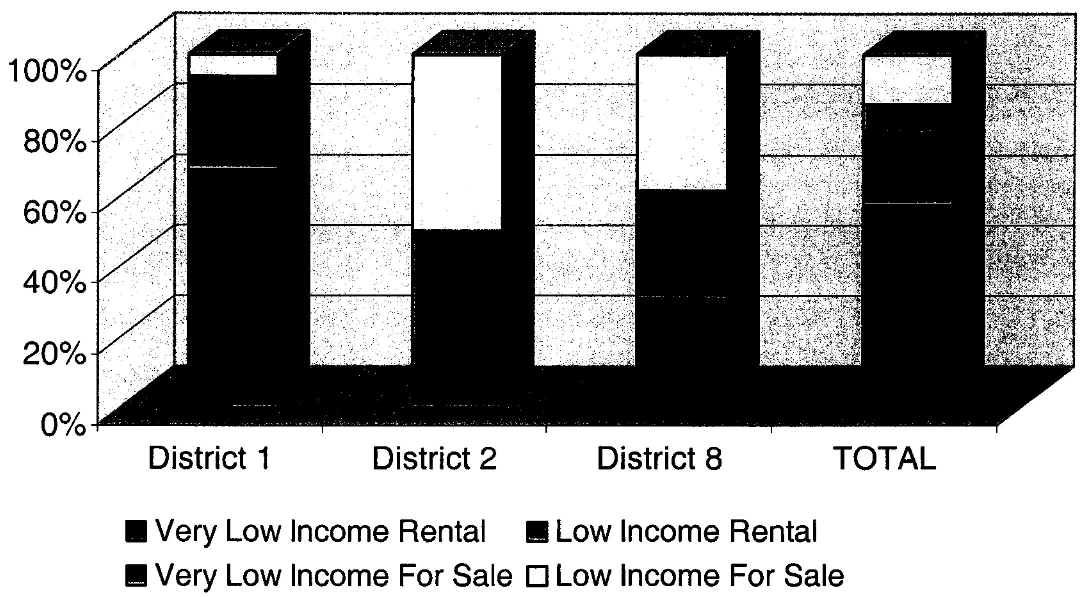


Chart 2 shows that within the overall obligation in each of the three Council districts, the distribution of rental (blue colors) and for-sale (orange colors) is disproportionate. This uneven distribution is closely correlated to the size and zoning of the master residential project. In District 1, most of the projects are large Planned Unit Developments (PUDs), which contain large parcels and multiple land uses, including multi-family zoned land. In such projects, the required inclusionary obligation is often large enough to support the development of an affordable apartment complex on-site. Conversely, in Districts 2 and 8, the projects are often smaller and exclusively single family. While the designation of exclusively single family would allow such developments to go off-site to build multi-family rental inclusionary units, the obligation is not sufficient in size to support such a development and/or the developer does not have adequate multi-family land to contribute to this effort or the opportunity to participate in another affordable development off-site.

The Ordinance intended to provide flexibility by allowing for off-site development of rental affordable units for exclusively single family developments, however this alternative is not always a realistic option. For mid-size exclusively single family developments (100 to 200 units), off-site rental development does not appear to be a preferable option, and, therefore, inclusionary units are provided on-site within the standard for-sale product. However, large PUDs, with multi-family zoned land and a critical mass of market rate units are opting to place all affordable units in one or more multi-family rental projects. The end result is small single family developments have affordable for-sale units dispersed throughout the market development and large planned communities provide affordable housing on their multi-family zoned land.

To date, there have been six approved PUD-level projects, all in the North Natomas area, with both multi-family and single family land, which were required to provide their inclusionary units on-site. The projects included 5,038 for-sale units (216 were multi-family condominiums) and 1,745 rental units. The following are the characteristics of these six projects:

Table 3 - Characteristics of Large PUD Projects

TOTAL RESIDENTIAL PROJECT					
Development Project	**Total**	**For Sale**	**% of Total**	**For Rent**	**% of Total**
Cambay West	693	537	77%	156	23%
Parkview	1,160	748	64%	412	36%
JMA	650	522	80%	128	20%
Natomas Field	902	702	78%	200	22%
Natomas Central	2,484	1,770	71%	714	29%
Natomas Place	894	759	85%	135	15%
TOTAL	**6,783**	**5,038**	**74%**	**1,745**	**26%**

CORRESPONDING INCLUSIONARY OBLIGATION					
Inclusionary (Rental) Project	**Total**	**For Sale**	**% of Total**	**For Rent**	**% of Total**
Terracina Meadows	70	0	0%	70	100%
Atrium Court/The Lofts	174	7	4%	167	96%
Westview Ranch	98	0	0%	98	100%
Vintage at Natomas	135	27	20%	108	80%
Hurley Creek/Valencia Point	372	0	0%	372	100%
Natomas Family	134	0	0%	134	100%
TOTAL	**983**	**34**	**3%**	**949**	**97%**

In the case of these six PUD projects, while 74 percent of the total units are for-sale, and 26 percent of the total units are rental, 97 percent of the inclusionary obligation is being met through rental housing. Of the 1,745 total rental units within the PUDs, 949 (54 percent) are inclusionary for that development and 221 are otherwise affordable, either to meet the obligation of other off-site projects or for financing purposes, for a total of 67 percent affordable.

In the near future, the City will consider five other large projects, all likely to have both multi-family and single family land: Greenbriar, Panhandle, Curtis Park Village, Downtown Railyards and Delta Shores. These developments also represent a large portion (approximately 56 percent) of remaining potential development under the current Ordinance.

Unit Size

- Inclusionary Ordinance requires that units accommodate diverse family sizes.
- Sizes of inclusionary rental units are comparable to sizes of market rate rental units but contain a lower percentage of three-bedroom units than for-sale inclusionary developments.
- For-sale inclusionary units tend to be the smallest model among the for-sale product, and few have more than three bedrooms.

While the Ordinance does not place specific requirements on inclusionary unit mix by size of unit or number of bedrooms in units, it does require that "...the inclusionary housing component shall accommodate diverse family sizes by including units with different numbers of bedrooms..." (Section 17.190.030(E)). Generally, projects providing their inclusionary units in rental projects include one-, two- and three-bedroom units, which is standard for an apartment complex, but not typically representative of bedroom counts in the master single family development.

Table 4 shows that amongst the rental inclusionary housing units, 34 percent are one bedroom units, 43 percent are two bedroom units and only 23 percent are three bedroom units or larger.

Table 4 - Rental Inclusionary Units by Number of Bedrooms

	VLI	LI	Total	% of Rental IH Units	% of All IH Units
1 Bedroom	308	101	409	34%	26%
2 Bedrooms	383	123	506	43%	33%
3 Bedrooms	179	84	263	22%	17%
4 Bedrooms +	6	2	8	1%	1%
TOTAL	876	310	1,186	100%	76%

In general, for-sale inclusionary units include a higher proportion of three-bedroom units than do rental inclusionary developments, just as market for-sale projects have larger units than market rental projects. However, for-sale single family inclusionary units are atypical, both in bedroom count and square footage, when compared to the market rate single family component producing the obligation. (Condominium for-sale units tend to not be as dramatically different from the market rate component) Table 5 shows that almost half of the for-sale single family units contain three or more bedrooms, which is consistent with the Housing Element goal to provide housing for large families.

Table 5 - Single Family For Sale Inclusionary Units by Number of Bedrooms

	VLI	LI	Total	% of Owner IH Units	% of All IH Units
1 Bedroom	23	4	27	9%	2%
2 Bedrooms	47	80	127	43%	8%
3 Bedrooms	46	75	121	41%	8%
4 Bedrooms +	12	11	23	8%	1%
TOTAL	128	170	298	100%	19%

The majority of builders offering for-sale inclusionary homes offer either their smallest model or a unique product specifically for the inclusionary obligation, which almost always is also the smallest home offered. A survey of inclusionary single-family homes currently for sale shows a mixture of two- and three-bedroom homes, ranging from 816 square feet to 1,193 square feet. A review of the market rate offerings of one of these developers finds that, outside their inclusionary homes, all other homes in the neighborhood are three- and four-bedrooms, ranging from 1,776 to 2,806 square feet. The largest inclusionary home in this neighborhood is 33 percent smaller than the smallest market rate home. Although concessions in amenities and size for single family inclusionary homes are driven by development economics, it is important to consider both how the inclusionary homes mix with the overall neighborhood, and the marketability of the dramatically smaller inclusionary home.

Ordinance Options and Alternatives

- Land dedication option has never been used.
- Off-site development is a meaningful alternative for large projects with sufficient land and significant inclusionary obligation.
- Small project alternative allows flexibility for homeownership projects of less than five acres.
- "Mid-size" projects often do not have meaningful alternatives.

While the overall goal of the Ordinance is to promote inclusion of housing for a range of incomes in all New Growth developments, the ordinance provides flexibility by offering alternative fulfillment options necessary to accommodate the diverse range of residential developments in the City. Currently, there are four alternatives to the standard build option offered in the Ordinance.

(1) Land Dedication: The first alternative is land dedication to SHRA. Dedication of land within the residential development is available for any development project, regardless of size, tenure or building type. The land offered for dedication must be suitable for development in terms of size, physical/environmental constraints, configuration, etc. Exclusively single family

developments can also offer land dedication off-site, but within the same New Growth area and Community Plan Area.

To date, no development has offered land for dedication under the City's Mixed Income Housing Ordinance. Likely reasons for the disinterest in this alternative may include (1) lack of specificity in the Ordinance (2) loss of developer control; and (3) greater viability of the standard construction option. While the Ordinance offers land dedication as an option, and lays out some general guidelines for review of the land, there is no specific process for making or accepting a dedication. A developer must offer "suitable" land, however, the City and SHRA can accept or reject that land based on very general criteria. In addition, there is no process to ensure that units are built on the dedicated site in a timely manner, making concurrency difficult.

Perhaps a more significant reason why developers do not choose land dedication is so that they maintain control of the development process, especially since their market rate units are tied to the development of the inclusionary units. Rather than give land away to SHRA and lose control of the future development, many market rate developers choose to forge their own contractual relationships with affordable housing developers who construct the inclusionary units on behalf of the market developer. The market developer then passes on the financial concessions that would have gone to SHRA in the form of free land to the affordable developer but retain some control over the construction of the affordable units.

<u>(2) Off-site Construction:</u> A more commonly used alternative is the off-site alternative. Developers of projects that are deemed exclusively single family (by virtue of the underlying zoning) can request to build all or part of their inclusionary units off-site, but within the same New Growth and Community Plan Areas. The off-site land must be suitable for development and must be available for concurrent development of the inclusionary units with the market rate "on-site" units.

To date, there have been 27 "exclusively single family" residential developments subject to the Ordinance. These developments range from large PUDs of 537 units to small subdivisions of 10 units. Of the 27 projects eligible to go off-site, eight (30 percent) have chosen to exercise this option. Of those that did, half fulfilled their entire obligation off-site and half fulfilled only their very low income obligation off-site. It is important to note that an additional eight projects deemed exclusively single family took advantage of another alternative, the small project alternative (see below), meaning that only eleven of the 27 exclusively single family subdivisions built the standard obligation on-site. These eleven projects ranged in size from 23 units to 184 units, and represent the "mid-size" development.

<u>(3) Condominium Alternative:</u> The final two alternatives were added to the Ordinance as part of a revision in 2004. The first is for stand alone condominium projects of 200 units or less. Projects meeting these criteria may apply for a

Planning Director's Special Permit to allow them to "swap" the inclusionary obligation to 10 percent low and 5 percent very low provided that the inclusionary units are for-sale units within the larger condominium development. This alternative was added to compensate for the fact that condominiums are not "exclusively single family", like many other for-sale products, in that they are usually built on multi-family zoned land, and, therefore, cannot go off-site. However, condominiums are not like other multi-family rental products, in that they cannot access some of the financial assistance for affordable rental projects. Because of these conflicting characteristics and the City's desire to encourage higher density homeownership, the condominium alternative was adopted. Since adoption, four condominium projects have been approved with this alternative application of the Ordinance.

(4) "Small" Project Alternative: The final alternative was added to the Ordinance at the same time as the condominium alternative. The "small project" alternative allows any exclusively single family project of five gross acres or less to provide all 15 percent of the inclusionary requirement at the low income level as long as the inclusionary units are on-site and for-sale. As discussed above, eight of the 26 exclusively single family approved projects are "small" and have used this alternative. The characteristics of these eight projects are as follows:

Table 6 - Unit Production of Projects using "Small" Project Alternative

Master Project	District	Gross Acres	Total Master Units	Total LI Obligation	Total VLI Obligation	Tota IH Obligation
"Small" Project Exception:						
Sycamore Park	2	3	20	3	0	3
Biscoes Estates	2	5	18	3	0	3
Dry Creek Pointe	2	4	28	4	0	4
Fell Street Subdivision	2	3	15	2	0	2
Dry Creek Estates	2	2	10	2	0	2
7701 Jacinto Road	8	2	13	2	0	2
Parkview Manor	8	2	13	2	0	2
Cameron V	8	5	26	4	0	4
TOTAL		**26**	**143**	**22**	**0**	**22**
AVERAGE		**3**	**18**			**3**

As shown in Table 6, the average size in gross acres of projects using the small project alternative is three acres, with an average unit count of 18. This alternative recognizes the greater challenge that smaller developments have in absorbing the inclusionary obligation. In addition, smaller projects' market units tend to be more affordable, meaning there is less profit on the market rate homes to alleviate some of the loss on the affordable units. Given the remaining "gap" of choices for mid-sized projects, and the desire to encourage more homeownership inclusionary, the "small" project alternative may provide a model to expand upon for other exclusively single family projects.

Subsidies

- SHRA has issued bonds and/or provided gap financing for all multi-family rental developments under the Ordinance.
- Currently, average local subsidy per inclusionary unit is approximately $14,000.
- With the more recent inclusionary rental developments, the trend has been that the market rate developer provides financing as well as free land to help fill the financing gap.

One of the Ordinance's incentives is that the developer may apply for local public funding, subject to the availability of funding and the eligibility of the proposed inclusionary project. The majority of funding for the development of affordable housing is restricted to rental projects, including the majority of local "gap" loan funds. In general, SHRA participates in such developments as a gap lender, providing local funding to both leverage larger state and federal funding sources (i.e. mortgage revenue bonds and low-income housing tax credits) and to provide funds necessary to ensure the long term viability of affordable rental projects.

To date, there have been ten multi-family rental apartment projects built directly as a result of the Ordinance. All of these rental projects have received affordable housing financing (such as Mortgage Revenue Bond with four percent tax credits), and all but two have received local subsidy in the form of a local gap loan from SHRA (such as Housing Trust Fund or HOME funds). The following table summarizes the characteristics of these ten multi-family inclusionary projects:

Table 7 - Subsidy Characteristics of Rental Inclusionary Projects

ALL SUBSIDIZED PROJECTS	10
Inclusionary Units	1,034
All Affordable Units	1,372
Total Subsidy Amount	$222,829,684
Total Subsidy/Affordable Unit	$162,412

LOCALLY SUBSIDIZED PROJECTS	8
Inclusionary Units	825
All Affordable Units	1,133
[redacted]	
Local Subsidy/Affordable Unit	$18,828

The local subsidy (shown in the purple rows) is almost equally distributed between cash loans and deferred/waived fees. Inclusionary housing projects typically take advantage of two fee reduction programs: the County impact fee waiver and deferral program and the inclusionary housing fee reduction program.

The County impact fee program is available to any affordable development in the County of Sacramento and provides waivers and deferrals for a variety of County impact fees, most notable for sewer and sanitation. An additional fee reduction program available only for inclusionary housing units allows for a reduction on the overall impact fee cost by $1,000 for each inclusionary low income unit and $4,000 for each inclusionary very low income unit. It is important to note that due to concerns over the application of state prevailing wages, both fee reduction programs are generally limited to multi-family projects seeking other public funding which requires prevailing wage payments.

In addition to fee waivers and deferrals, SHRA often provides gap funding to rental inclusionary housing projects. The average local subsidy (including fee reductions) is $18,828 per affordable unit. This is approximately 12 percent of the average total public subsidy to these units of $162,412. In addition to public subsidy, both federal and local to these projects, many of the inclusionary rental projects also receive a subsidy from the market rate "master" developer.

All ten inclusionary rental projects received some market developer subsidy (usually in the form of a reduced purchase price or other land concessions). Five of the ten inclusionary rental projects received free land plus market developer cash subsidy. Of the most recent four pipeline projects, this subsidy amount varies from $1,660,000 to over $4,400,000 per project, with an average contribution of approximately $15,000 per inclusionary unit or $2,300 per market rate unit.

<u>Homeownership Sales and Marketing</u>

- The average income of families purchasing low income inclusionary homes is 68 percent of AMI.
- The majority of buyers purchasing inclusionary homes are fully financing the purchase plus downpayment and closing costs.
- Families purchasing inclusionary homes tend to be smaller (1-4 persons), most likely due to the smaller size of the homes offered.

Of the 125 inclusionary homes approved and/or constructed as homeownership units, to date 48 have sold. All but eight of these units were financed with a SHRA first time homebuyer subordinate loan, providing SHRA with detailed statistics on the incomes, family size and financing for the low and very low income buyers.

Of the 40 inclusionary home sales SHRA has data on, four were sold at very low income levels and the remaining 36 were sold at low income levels. While a low income inclusionary unit is priced such that a family making 80 percent of AMI can afford the home, the incomes of the families purchasing the homes ranged from 53 percent of AMI to 77 percent of AMI, with the average family earning 68 percent of AMI. Because so few families make the exact income presumed when calculating sales prices, it is not surprising that the actual incomes of families served are so much less than the maximum 80 percent AMI. However, because the "ideal" family used in sales price calculation does not exist in the actual pool of buyers, other assumptions used in creating the sales prices become challenges in the real pool of applicants.

In calculating affordable sales prices, a 5 percent down payment is assumed. However, amongst the pool of actual buyers, only three of the 40 were less than 100 percent encumbered. The average combined loan to value was 102 percent, meaning that the majority of inclusionary buyers financed not only the full purchase price, but also the down payment and closing costs. While this is not uncommon for first time homebuyers or for lower income homebuyers, with the increase in inclusionary for-sale units, the ability of SHRA to provide downpayment assistance and/or first time homebuyer subordinate loans will be limited. To date, 83 percent of the inclusionary units sold have included some form of mortgage assistance from SHRA; increasing numbers of inclusionary units will mean that fewer potential buyers will have access to these limited funds, impacting the pool of eligible buyers.

A second assumption made when calculating sales prices is that buyers can use no more than 35 percent of their total gross income towards housing costs. When calculating affordable prices, housing costs include not only principle and interest payments (PITI), but also mortgage insurance, homeowners association dues (if any) and special assessments. Mortgage information collected by SHRA does not provide the ratio with all of these considerations, but does provide the ratio of gross income to PITI payments. The inclusionary buyers housing ratios range from 28 to 47 percent, with an average of 33 percent, well within the assumed 35 percent ratio. This characteristic speaks to the underwriting requirements of the lenders providing the primary financing for the purchase of the inclusionary homes. Most of the mortgages used were from conventional lenders, although a few buyers utilized the California Housing Finance Agency (CalHFA) and the First Time Homebuyer Program from the US Department of Housing and Urban Development (FHA).

Finally, as discussed previously, the Housing Element of the City of Sacramento includes a goal of housing large families, specifically those with five or more members. While the Inclusionary Ordinance does not specifically speak to meeting this goal, it can be presumed that larger low income families would be especially difficult to house and that, since for-sale housing tends to be larger than for rent housing, inclusionary units might be one method to house this population. However, to date, only one "large" family (9 persons) has been housed in an inclusionary for-sale unit. The remainder of the families living in inclusionary units are between one and four persons. This trend likely speaks to the typically smaller size of inclusionary for-sale units and the conflicting needs of larger lower income families.

Compatibility with Neighborhood

- A site visit found that completed rental inclusionary projects are well maintained, well managed assets to the community.
- Current vacancy rate in projects with inclusionary units averaged approximately four percent
- Inclusionary for-sale units are indistinguishable from their neighboring market rate units.

A recent visit to some of the neighborhoods with completed inclusionary housing units shows that the inclusionary units are well maintained, fully integrated assets to the surrounding community. Staff visited all of the completed multi-family rental projects developed under the Ordinance and found them to all be well maintained and well managed. As of January 31st, 2007, the vacancy rates for the multi-family projects were as follows:

Table 8. Vacancy Rates for Inclusionary Rental Projects

Project	District	Total # Units	Affordable Units [1]	Vacancy
Terracina Meadows	1	156	120	0%
Natomas Park Apartments	1	212	92	1.5%
Atrium Court Apartements	1	224	179	5%
The Lofts at Natomas	1	188	39	8.5%
Northpointe Park Apartments	1	180	108	8.3%
Silverado Creek Apartments	8	168	135	.6%

[1] Includes all affordable units, whether they are inclusionary or not.

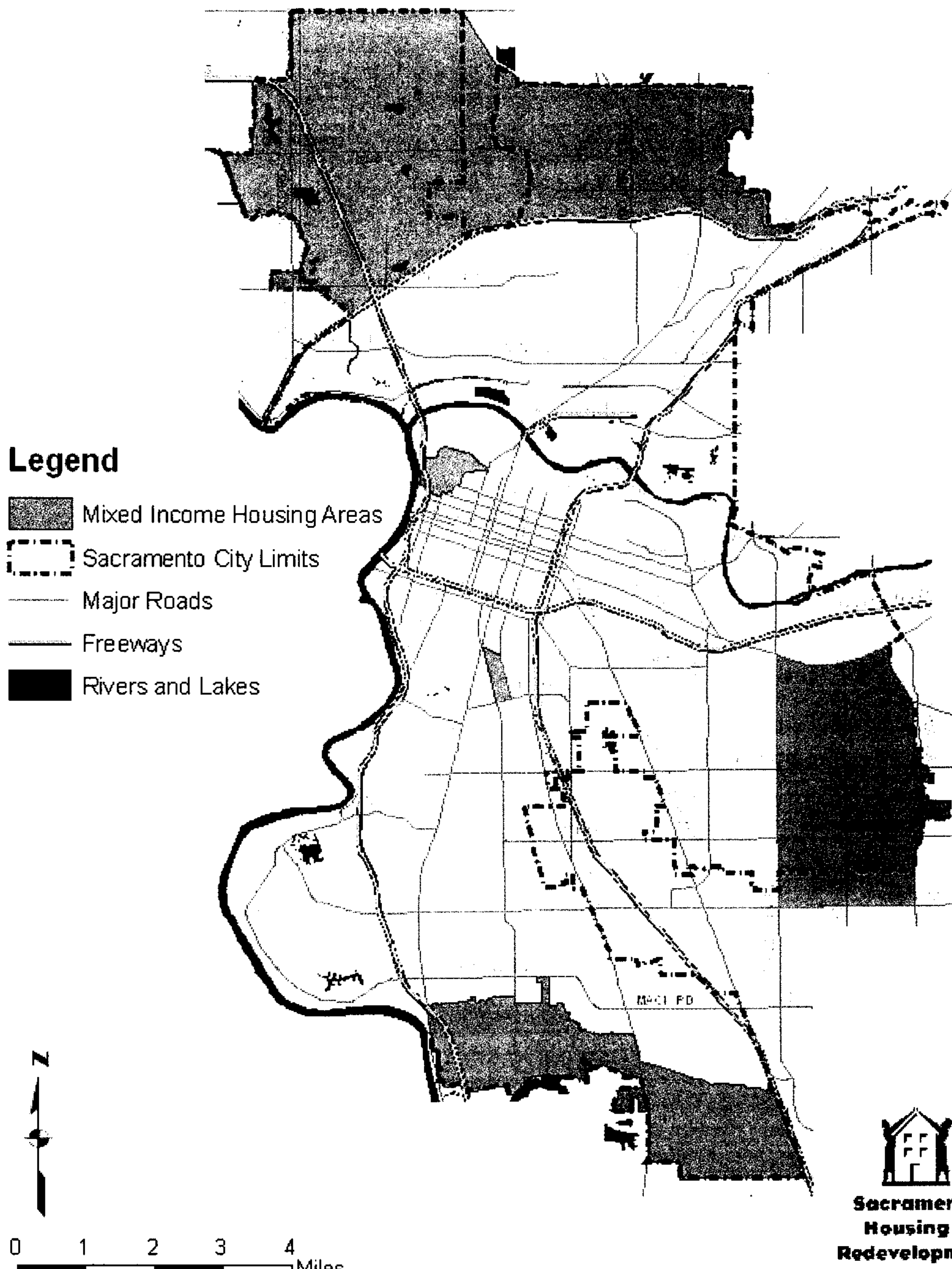
In addition, staff visited a sampling of completed single family projects, one from each of the three districts with completed projects (Ryland Homes Parkview – District 1, Astoria Place – District 2, JTS The Meadows – District 8). Pictures of all of the multi-family rental inclusionary projects, as well as street shots (of streets with one or more inclusionary unit) of the single family developments can be found in Exhibit VI.

Developer Feedback

As a final assessment of the Ordinance, staff solicited input from a variety of professionals who have worked on projects under the Ordinance. A short survey was sent to a wide list of developers, engineers, land use attorneys and builders asking for input regarding processing of the inclusionary housing obligation, options presented under the Ordinance and incentives offered. In addition, the survey asked respondents to rank current provisions related to the Ordinance and possible modifications and provided the opportunity for unstructured comments on positive parts of the Ordinance and challenges with the Ordinance.

Nine responses were received; two from engineers and seven from developers, both market rate and affordable. Because of the low response rate, no significant generalizations can be made from the survey. However, input from our development partners, as well as housing advocates and others in the development community are important measures of the success of a program and of the need for change. As staff pursues possible modifications to the Ordinance, more intensive efforts will be made to elicit feedback from a variety of stakeholders.

Areas Subject to Mixed Income Housing Policy



Sacramento Housing & Redevelopment Agency

Exhibit B – New Growth Area Map

	City of Sacramento	Sacramento County	City of West Sacramento	City of Davis	City of Folsom
Applicable Developments	▪ New Growth Areas ▪ 10 units or more	▪ 5 units or more	▪ 2 units or more	▪ 5 units or more	▪ 10 units or more
Required Obligation	▪ 10% VLI ▪ 5% LI	▪ 3% ELI ▪ 6% VLI ▪ 6% LI	▪ 5% VLI, 5% LI, 5% MI (Rental) ▪ 5% LI, 10% MI (Sale)	▪ At least 25% for VLI, LI and MI	▪ 10% VLI ▪ 5% LI
Concurrency Requirements	▪ IH units built concurrently with market	▪ IH units built concurrently with market	▪ IH units built concurrently with market	▪ IH units built concurrently with market	▪ Concurrent development or City approved phasing plan
Unit Location and Design	▪ Must accommodate diverse family sizes ▪ Similar exterior finishes	▪ Rental = dispersed among development ▪ For-sale = 2 and 3 bedroom units	▪ Dispersed in project ▪ Similar exterior finishes ▪ Minimum of 90% of the size of market units	▪ Rental = dispersed among development ▪ For-sale = 2 and 3 bedroom units	▪ 41 or more units = mix of unit sizes ▪ Similar exterior finishes
Term of Affordability	▪ 30 years	▪ Rental = 55 years ▪ For-sale = 30 years	▪ Rental = 55 years ▪ For-sale = 45 years	▪ Rental = in perpetuity ▪ For-sale = initial occupancy only	▪ Rental = 30 years ▪ For-sale = 20 years
Alternatives to On-Site Construction	▪ Land dedication ▪ Off-site construction	▪ Land dedication ▪ Off-site construction ▪ Inclusionary credits ▪ In-lieu fee payment	▪ Inclusionary credits ▪ Focus area development ▪ Others as approved by City	▪ Dedicate existing units ▪ Land dedication ▪ In-lieu fee ▪ Credit transfer	▪ Land dedication ▪ Off-site construction ▪ Acquisition, rehab and conversion ▪ Inclusionary credits ▪ Accessory dwelling units
Incentives	▪ Priority processing ▪ Modification to development standards	▪ Density bonus ▪ "By right" zoning for dedicated land ▪ IH credits	▪ Density bonus ▪ Regulatory relief	▪ Density bonus ▪ Flexible development standards	▪ Fee waivers/deferrals ▪ Modification to development standards ▪ Density Bonus ▪ IH credits

Exhibit C – Inclusionary Units in North Natomas

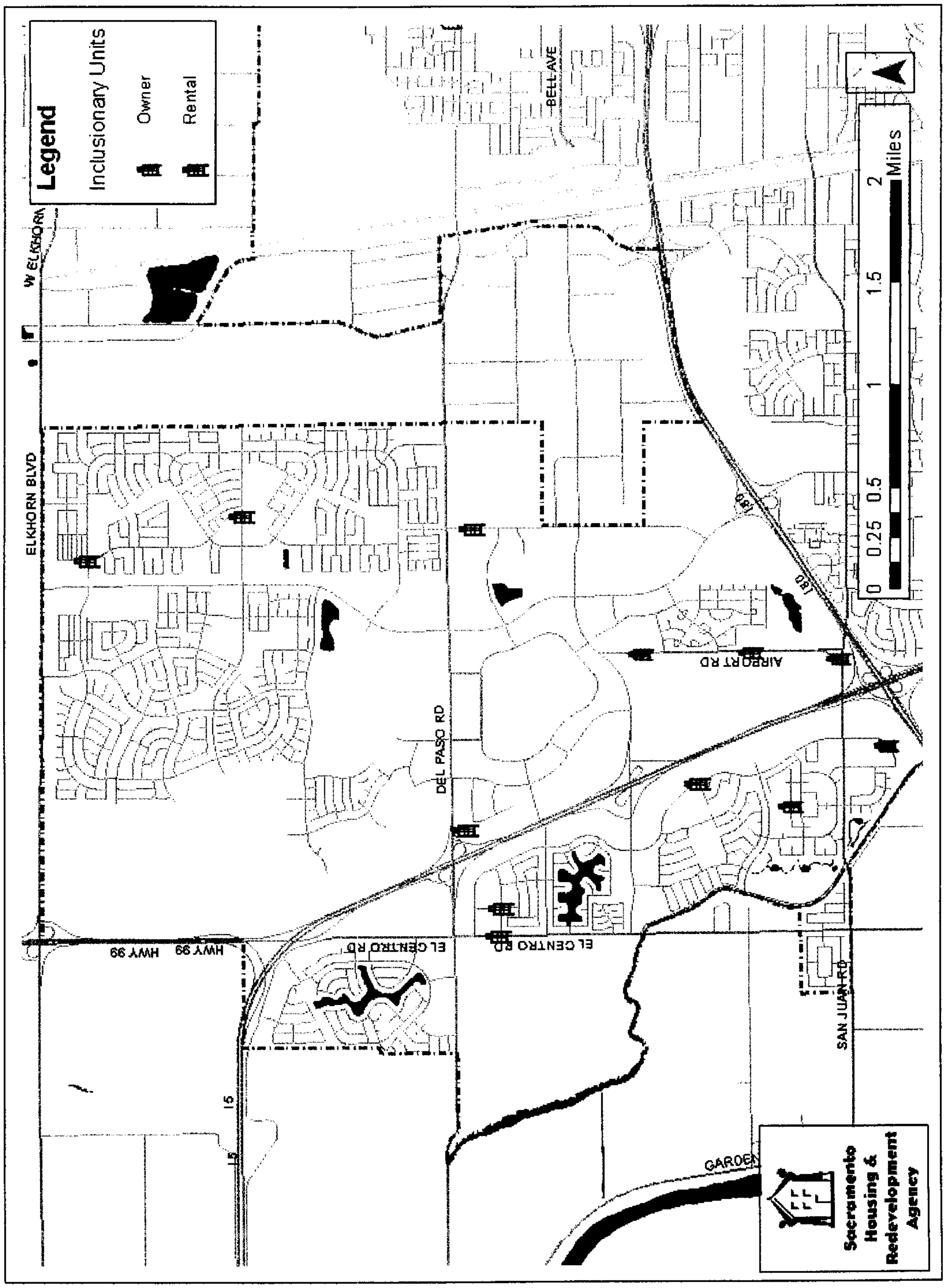


Exhibit D – Inclusionary Units in North Sacramento

City Inclusionary Projects in North Sacramento

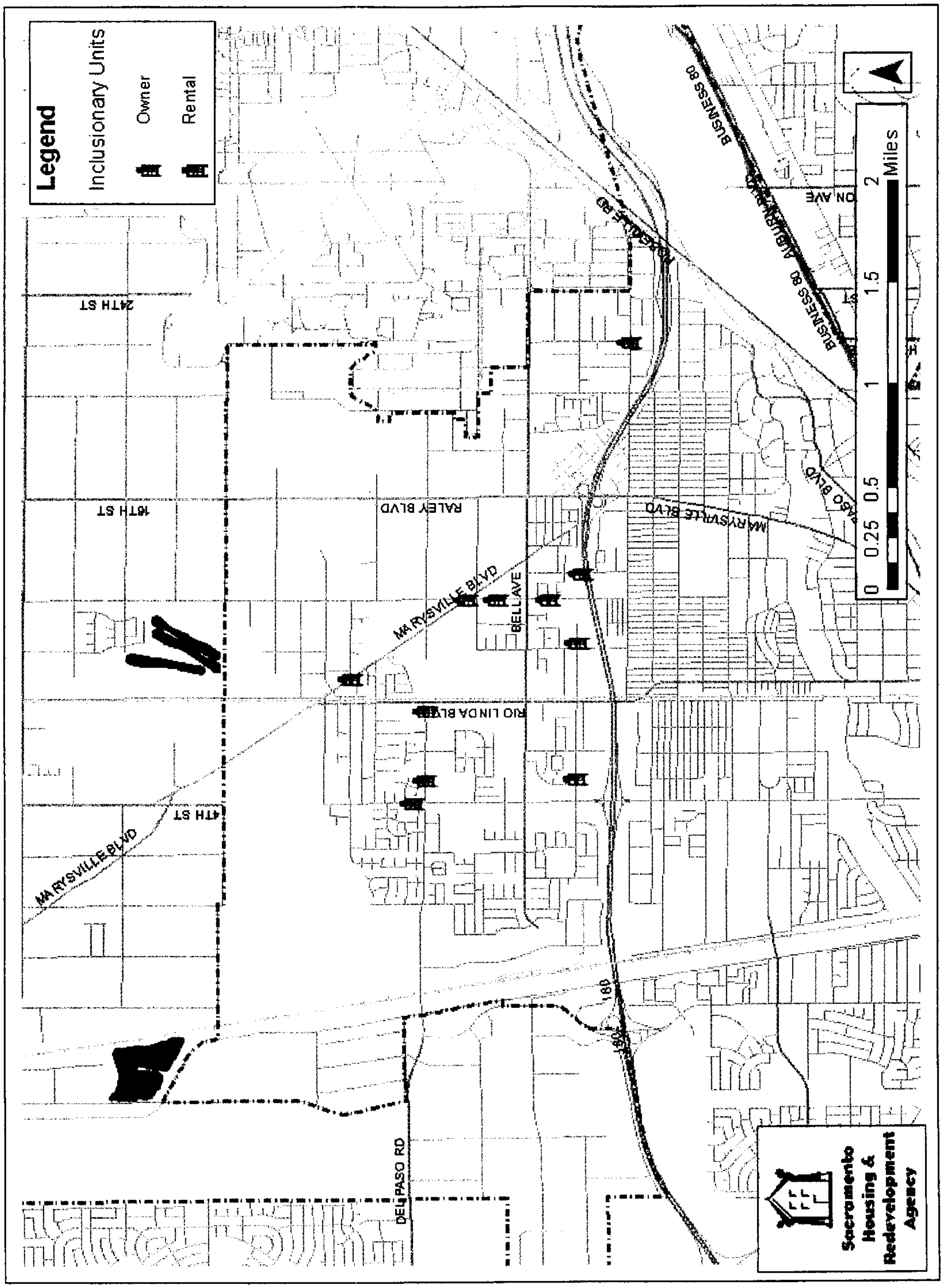
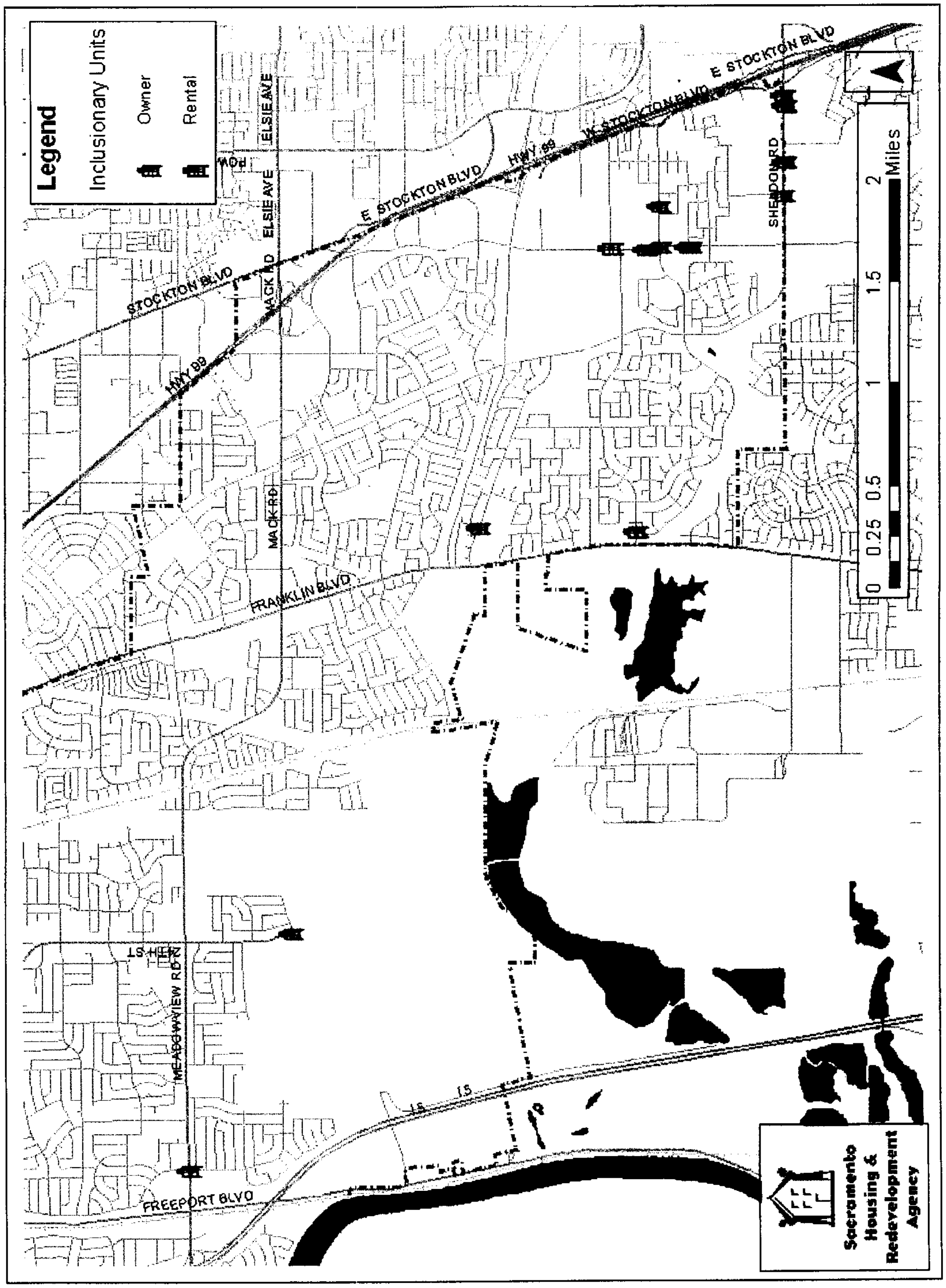
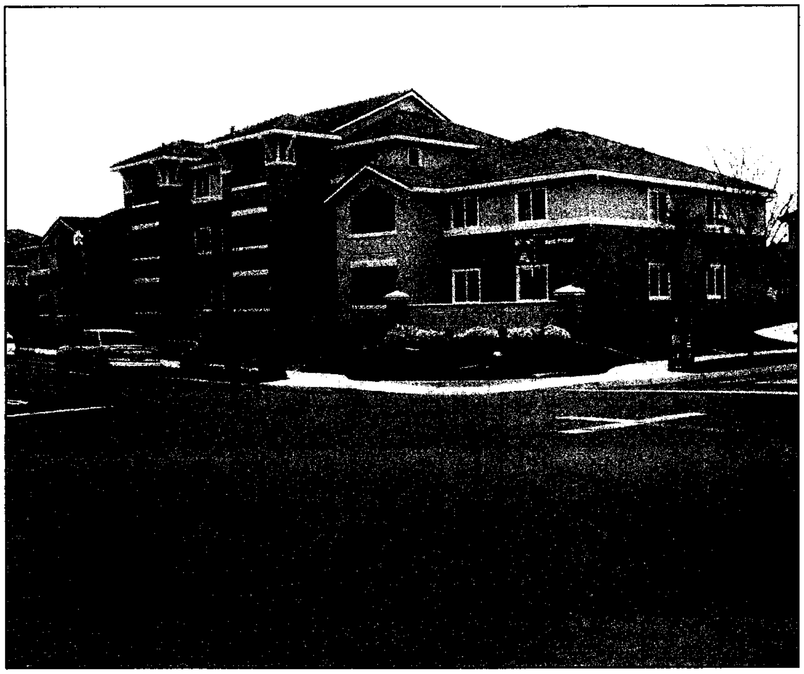


Exhibit E – Inclusionary Units in South Sacramento

City Inclusionary Projects in South Sacramento



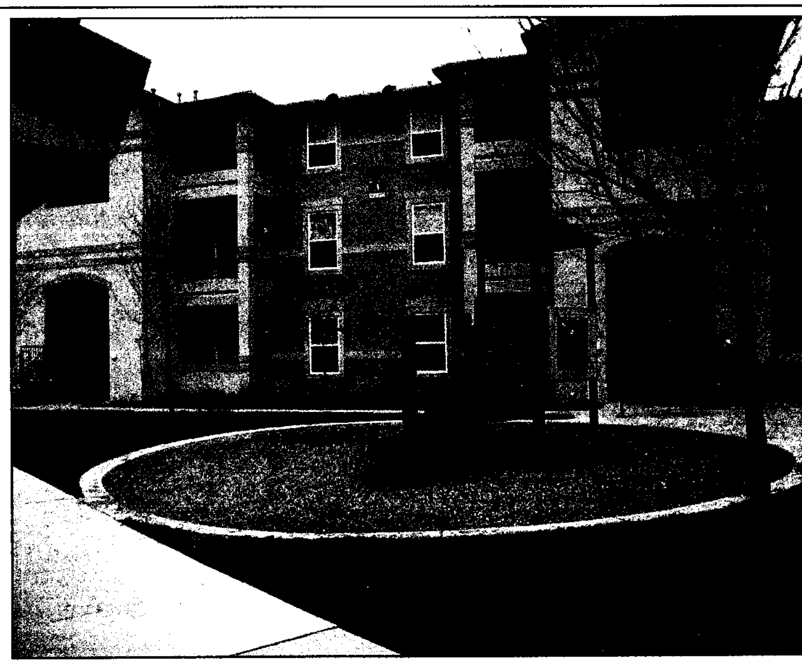


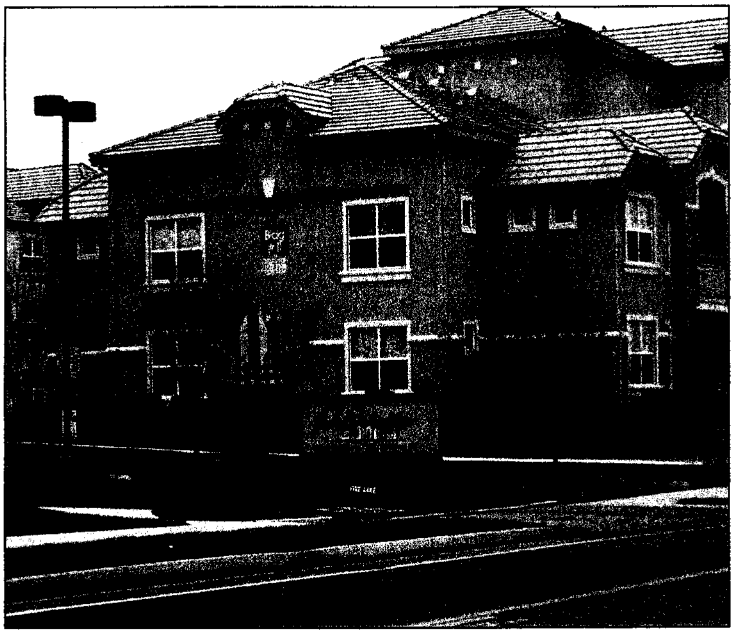
Terracina Meadows Apartments

- District 1, North Natomas
- Completed 2004
- First project built under Mixed Income Housing Ordinance
- 156 1, 2, and 3 BR units
  - 70 VLI inclusionary
  - 50 additional affordable
- Developer: USA Properties Fund
- Local Subsidy =
  - $1,000,000 HTF loan

Natomas Park Apartments

- District 1, North Natomas
- Completed 2004
- 212 1, 2, and 3 BR units
  - 15 VLI and 7 LI inclusionary
  - 70 additional affordable
- Developer: St. Anton Partners
- Local Subsidy =
  - $1,000,000 HOME loan
  - $1,064,962 fee waivers/deferrals



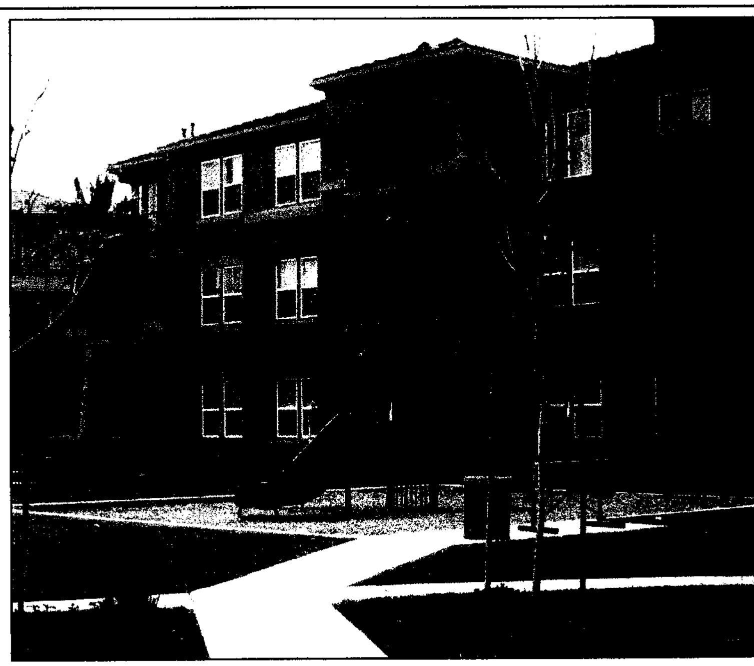


Atrium Court Apartments

- District 1, North Natomas
- Completed 2004
- 224 2 and 3 BR units
  - 73 VLI and 51 LI inclusionary units
  - 55 additional affordable
- Developer: Pacific West Builders
- Local Subsidy =
  - $1,250,000 HOME loan
  - $550,000 HTF loan
  - $1,993,162 fee waivers/deferrals

The Lofts at Natomas

- District 1, North Natomas
- Completed 2004
- 188 1 and 2 BR units with lofts and attached garages
  - 39 VLI inclusionary
- Developer: Pacific West Builders
- No local subsidy



Northpointe Park

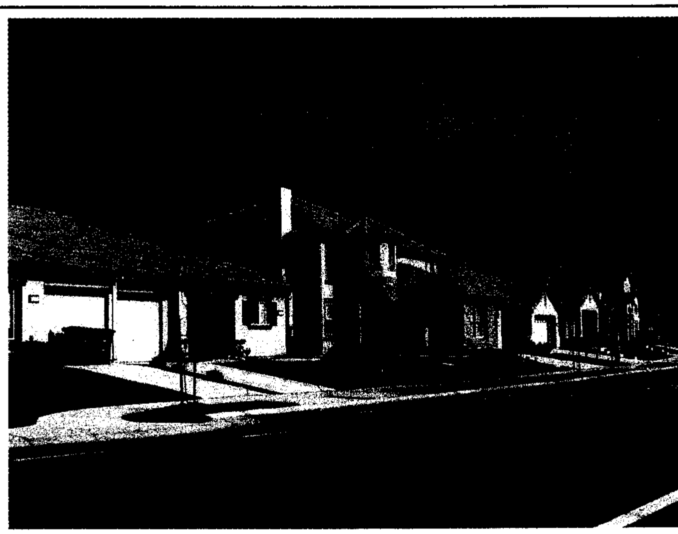
- District 1, North Natomas
- Completed 2006
- 144 2, 3 and 4 BR units
  - 20 VLI and 10 LI inclusionary units
  - 78 additional affordable
- Developer: Stamas Corporation
- Local Subsidy =
  - $1,000,000 HOME loan
  - $1,665,000 fee waivers/deferrals

Silverado Creek

- District 8, North Laguna Creek
- Completed 2006
- 168 1,2 and 3 BR units
  - 72 VLI and 9 LI inclusionary units
  - 54 additional affordable units
- Developer: USA Propeties
- Local Subsidy =
  - $1,000,000 HOME loan
  - $1,200,000 HTF loan
  - $$1,884,964 fee waivers/deferrals

Ryland Homes (Parkview)

- District 1, North Natomas
- Dragonfly Circle
- 7 low income 3 & 4 bedroom single family homes
- Sold in 2003



JTS – The Meadows

- District 8
- Manorside Drive
- 19 low income 2 bedroom half-plex homes
- Sold in 2003

Astoria Place (John Deterding Co.)

- District 2
- 4 very low and 2 low income 2 bedroom half-plex units
- Sold in 2005

City of Sacramento Mixed Income Housing Ordinance

City Council Workshop
May 1, 2007

Workshop Purpose

- Share Program Assessment
  - Successes and Challenges
- Raise Broader Policy Issues
  - Citywide Affordable Strategies
  - Housing For Extremely Low Income
- Feedback on Two – Tiered Approach

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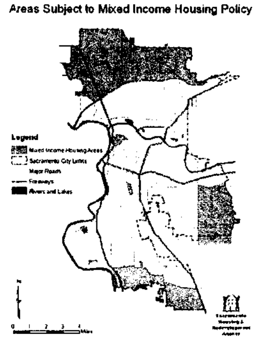
Ordinance

- Adopted in October 2000
- Ordinance goals
  - 10% very low income
  - 5% low income
  - Serve diversity of family sizes
  - Inclusionary units located on-site
  - Same exterior appearance
  - Concurrent development
- Applies only to "New Growth" areas

Areas Subject to Mixed Income Housing Policy



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Ordinance Successes

- High production of new housing
- Helping City to meet RHNA goals
- Economic integration
- Meaningful options to large projects
- Concurrent development
- Public/private partnerships

Overall Production

- Projects completed or pending
  - 53 projects
  - 44 market rate developers
  - 20,269 total residential units
  - 2,999 required affordable units

    1,552 approved or constructed
  - 412 additional affordable units

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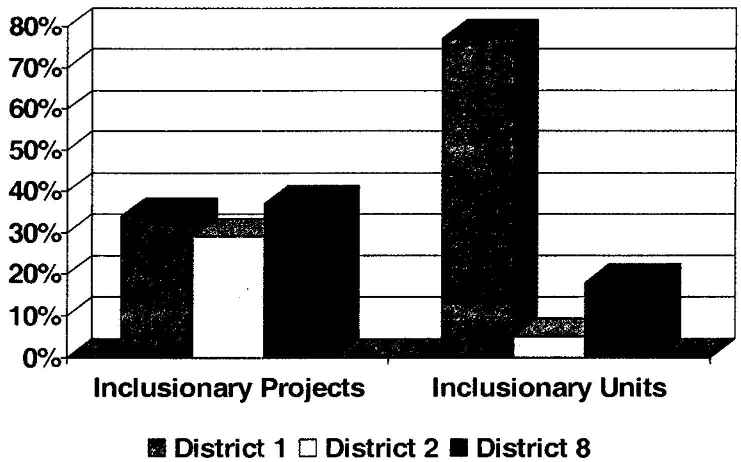
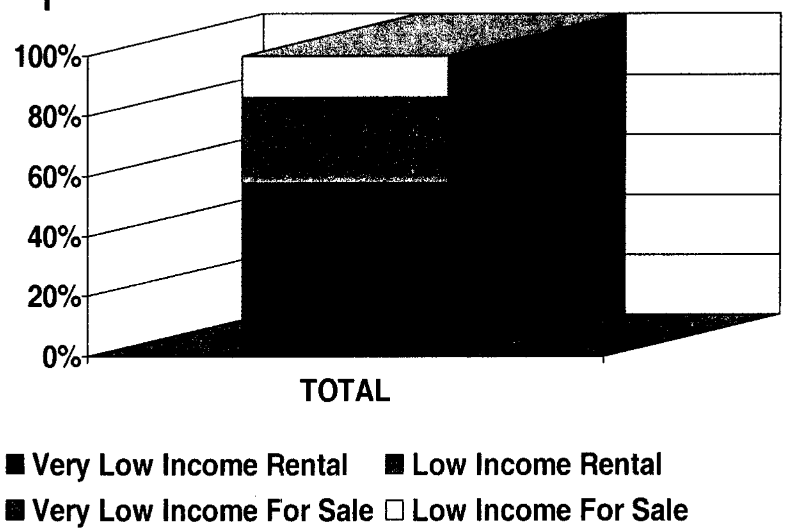
Overall Production



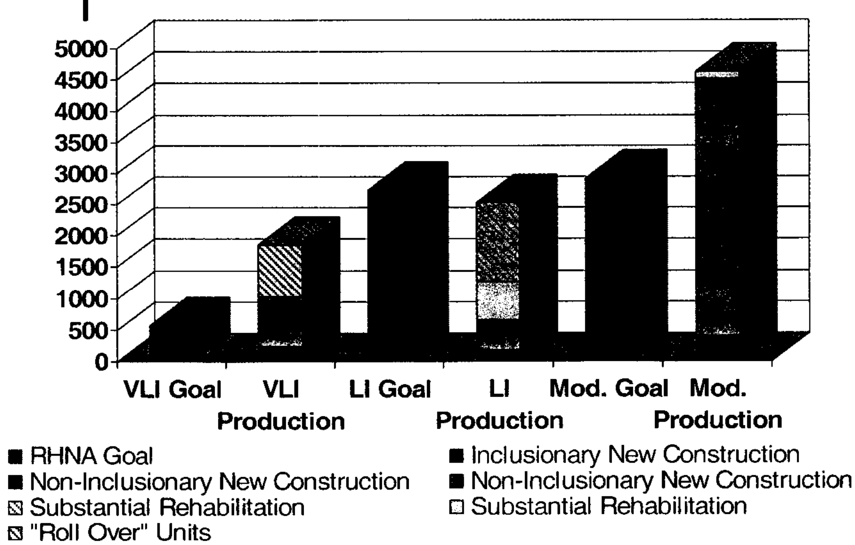
Tenure and Type

- 76% of inclusionary units are rental
  - Large subdivisions choose rental
  - Multifamily predominates in North Natomas
- 24% are for sale
  - Smaller subdivision choose for sale
  - Dominant choice in areas other than North Natomas

Tenure and Type



RHNA Goals



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Economic Integration

The Lofts at Natomas

Silverado Creek Apartments

- Rental inclusionary units are well maintained, well managed neighborhood assets.

Economic Integration

Ryland Homes - Parkview

JTS – The Meadows

- For sale inclusionary units indistinguishable from for sale market rate units

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Options & Alternatives

- Four alternatives to on-site construction
  - Land dedication
  - Off-site construction
  - Condominium “swap”
  - “Small” project alternative
- Meaningful alternatives for large and small developments
- “Mid-size” projects have fewer alternatives

Concurrent Development

Atrium Court Apartments

Natomas Park Apartments

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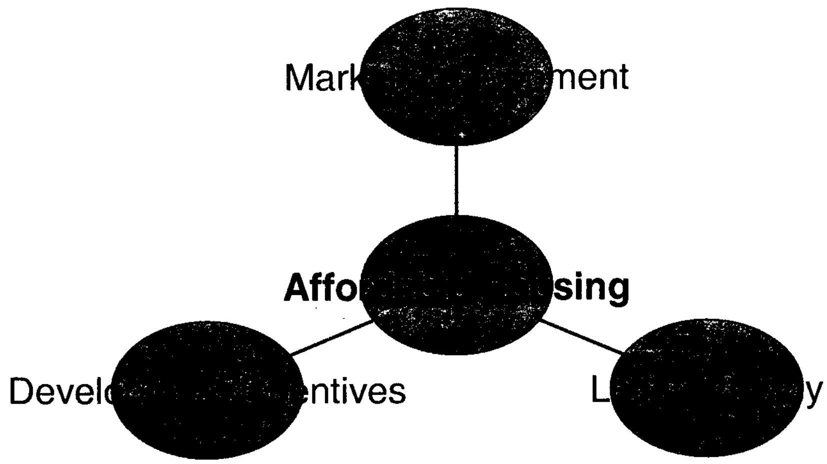
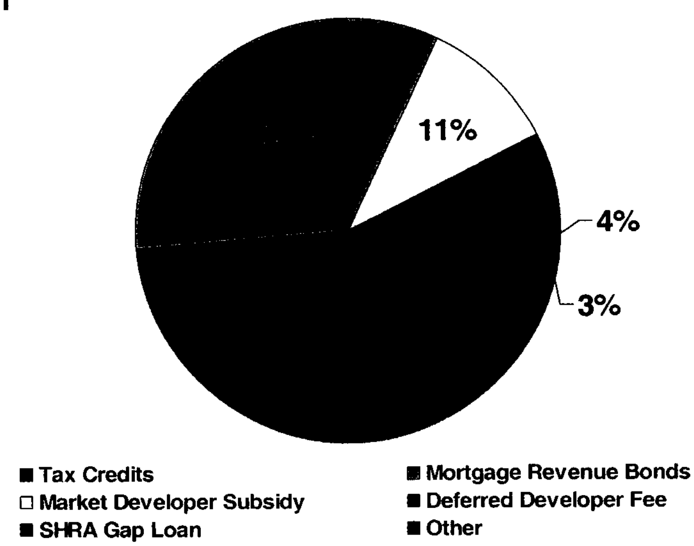
Public/private Partnerships



Public/private Partnerships



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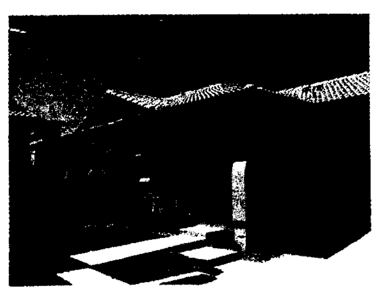
Implementation Challenges

- Homeownership outcomes
  - Income targeting (developer)
  - Equity share (homeowner)
- Meaningful options
  - "Mid-size" developments
  - Condominium developments

Homeownership Outcomes
Developers

- Homeownership mostly in smaller projects
- "Gap" up to $175,000
- No developer financing available



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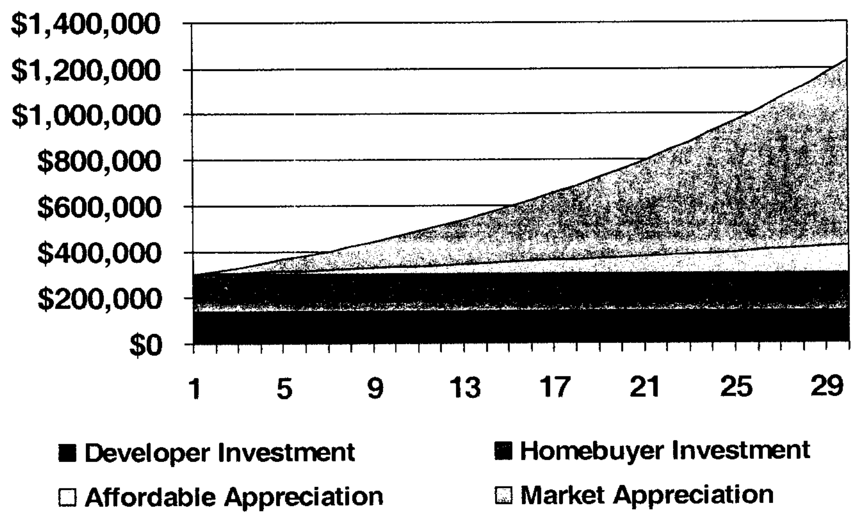
Homeownership Outcomes
Buyers

- Average…
  - Income………………….$36,588
  - % AMI……………………68%
  - Inclusionary price………$148,902
  - Housing to income ratio…33%
  - Loan to value……………102%
  - SHRA assistance……….$19,518
  - Household size…………3 persons

Current Equity Share
Buyers



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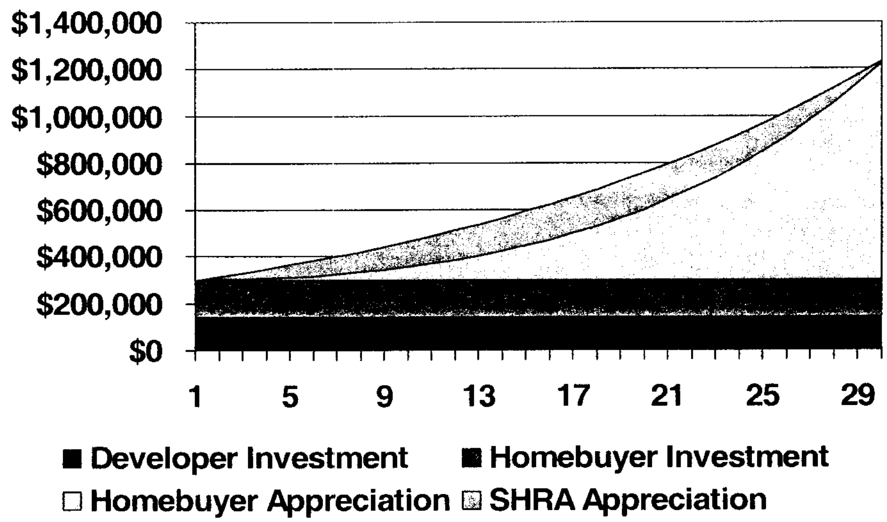
Equity Share – Alternative
Buyers



Additional Policy Issues

- Achieving affordable housing strategies in existing neighborhoods and infill areas
- Meeting new RHNA goals, which now include housing for Extremely Low Income

Tier One
Implementation Issues

- Homeownership income targeting
  - Adjust upward
- Equity share provisions
  - Share market appreciation with homebuyer
- Processing and policy interpretations
  - On-going improvements through C2C

Tier One
Implementation Issues

- Short term
  - Six to nine months
- Limited stakeholder process
- Result = Ordinance amendments
  = Process and policy improvements

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Tier Two
Policy Issues

- Use Housing Element process and RHNA goals
- Continue Mixed Income as appropriate new growth tool
- Recognize unique environments in existing neighborhoods
- Build on successful strategies

Tier Two
Policy Issues

	Total	Affordable Construct	%
Existing Neighborhoods	5,756	444	[redacted]
New Growth Areas	18,903	930	[redacted]
Total	24,659	1,374	[redacted]

Tier Two
Policy Issues

- Longer term
- New Housing Element
- Result = Effective housing strategies to meet RHNA goals and existing neighborhood needs

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