

**KEYSER MARSTON**  
ASSOCIATES**MEMORANDUM**

**To:** Riley Sholes and Jacob Dawe  
County of Sacramento

**From:** Keyser Marston Associates, Inc.

**Date:** May 6, 2026

**Subject:** Affordable Housing Production Under Affordable Housing Ordinance

Keyser Marston Associates, Inc. (KMA) evaluated affordable housing production under the County of Sacramento's (County) current Affordable Housing Ordinance (AHO) to address Housing Element Program E3, which calls for an assessment of whether the AHO is producing affordable housing at the approximately 10% rate anticipated at the time of adoption, and modification of the AHO's owner-builder exemption. The analysis is focused on residential development in the unincorporated area of the County subject to the AHO and covers the period from the 2014 adoption through 2024.

**SUMMARY**

Three metrics describing the rate of affordable housing production during the initial twelve years of the current AHO are calculated. The three metrics differ in terms of the categories of affordable units considered.

- **Allocable Portion of New Affordable Units Funded with AHO Fees (2%)** – The portion of net new affordable units attributed to AHO funding by the Sacramento Housing and Redevelopment Agency (SHRA), based on the dollar amount funded, comprised 2% of total housing production.
- **All Affordable Units Funded by AHO (8%)** – All net new affordable units in projects to which AHO funds were committed comprised 8% of total housing production.
- **All Affordable Units (14%)** – Including all net new affordable housing units in the calculation, regardless of whether funded by the AHO, the affordable housing production rate is 14%.

A lag between market rate and affordable production is a feature of fee-based programs such as the County's AHO because affordable units are produced after sufficient fees have been accumulated from market rate projects to assist an affordable project. For this reason, affordable projects that have been allocated AHO funding but for which building permits are not yet issued are included in the unit counts. The affordable housing production rates do not include additional affordable units to be assisted with the \$6.3 million in uncommitted AHO funds available as of the end of 2024.

In total, \$32.8 million in AHO funding was available during the 2014 to 2024 period, of which \$26.5 million had been spent or committed and \$6.3 million remained to be spent. Eight affordable projects with 650 units, including 520 new units and 130 existing unit rehabilitations, were funded. AHO funding accounted for approximately 9% of total funding for the eight projects, representing the largest source of funds after Low Income Housing Tax Credits (LIHTC) and tax-exempt bonds, and other SHRA funding. AHO funding is a local funding source that is important to the ability of affordable projects to be competitive for securing an allocation of LIHTC or tax-exempt bond financing. Approximately 61% of new affordable units in the unincorporated County over the 2014 to 2024 period were funded in part through the AHO.

The AHO exempts new single-family homes from the Affordability Fee when constructed by an owner-builder on their own property. Over the 2014 to 2024 period, 310 units were permitted under this exemption, representing approximately \$2.7 million in forgone fee revenue, averaging \$245,000 per year at historic fee rates or \$324,000 per year if recalculated at the current fee rate.

## **AFFORDABLE HOUSING ORDINANCE BACKGROUND**

The County's current AHO was adopted in February 2014, replacing a previous version of the ordinance. The AHO establishes an "Affordability Fee" of \$3.91 per square foot of new residential development that applies within the unincorporated portion of the County. Affordability Fees are deposited into the County's Fund for Affordability Fees ("AHO Fund") and are used to fund development and rehabilitation of affordable housing units. SHRA administers the AHO Fund on behalf of the County. As an alternative to payment of the Affordability Fee, projects may enter into an agreement with the County to dedicate land for affordable units, construct affordable dwelling units, or otherwise provide for production of affordable housing. Fees are adjusted annually based on increases in the Building Cost Index published by Engineering News Record.

Exemptions from the Affordability Fee include non-residential to residential conversions, mobile home parks, multi-family developments with at least 20% affordable units and a density of 17 units per acre or more, and single-family homes built by an owner-builder.

Prior to 2014, the AHO was structured as an inclusionary program. Projects approved under the pre-2014 version of the AHO were permitted to proceed under compliance plans approved under the pre-2014 ordinance.

## SUPPORTING ANALYSIS

### Percent of Housing Units Produced Under AHO that are Affordable

Table 1 identifies the percentage of units produced under the AHO that are affordable units restricted for occupancy by households earning no more than 80% of the Area Median Income (“AMI”) at an affordable rent or sales price. The analysis focuses on the unincorporated portion of the County where the AHO applies. It excludes 130 existing affordable units rehabilitated using AHO funding. The table shows the results of the three metrics used for counting affordable units:

- **Metric 1 (2%)** – Allocable Portion of New Affordable Units Funded with AHO Fees. SHRA attributes 115 affordable units out of 520 total new affordable units funded with assistance from Affordability Fees to the AHO funding, based on the dollar amount of assistance. These 115 affordable units represent 2% of total housing production under the current AHO.
- **Metric 2 (8%)** – All Affordable Units Funded with AHO Fees. A total of 520 net new affordable units were funded with Affordability Fees, representing 8% of total housing production under the current AHO.
- **Metric 3 (14%)** – All Affordable Units. Including the 520 units that were funded with AHO Fees and 326 additional affordable units that were issued building permits during the 2014 to 2024 period, affordable unit production totaled 846 units and represented 14% of total housing production under the current AHO.

By counting only affordable units that SHRA directly attributes to AHO funding, Metric 1 provides the most narrow measure of affordable housing production. Metric 2 is more analogous to how housing production would be measured under an inclusionary ordinance. Inclusionary requirements typically count all units produced, irrespective of how much direct market rate developer subsidy is entailed, so long as production of the units is tied to the

market rate residential development. Metric 3 is the broadest of the metrics, including the production of affordable housing unrelated to the AHO. The extent to which the 10% affordable production rate targeted at adoption is being achieved depends on the metric selected.

Table 1. Affordable Units as a Percent of Total Housing Production Under AHO, 2014 to 2024		
	No. Units	% Units
Metric 1: Affordable Units Attributed to AHO fees by SHRA based on Funding Amount	115	2%
Metric 2: All Affordable Units Funded with AHO Fees	520	8%
Metric 3: All Affordable Units Produced Regardless of Funding Source <sup>1</sup>	846	14%
Total Market Rate and Affordable Units Permitted under Current AHO <sup>2</sup>	6,124	100%

Source: KMA analysis of data provided by County of Sacramento.

<sup>1</sup> Includes additional affordable units that were not funded by AHO fees or developed to comply with the AHO.

<sup>2</sup> Includes 207 affordable units that were allocated AHO funding but not yet issued building permits.

Analysis supporting the figures in Table 1 follows.

Table 2 details housing production from 2014 to 2024 in Sacramento County. A total of 6,124 housing units were produced over the period under the current AHO. This 6,124-unit figure reflects adjustments to County building permit data to isolate the portion of new housing production occurring under current AHO requirements, excluding projects developing under pre-2014 Affordable Housing Plans. The 6,124 units also exclude replacement and restoration of existing homes, which does not add net new units.

The nature of producing affordable units using fees collected from market rate projects results in a time lag between the market rate and affordable housing production. Given the inherent time lag, all the affordable units that have been allocated funding from previously collected fees are included as part of total and affordable housing production figures, which includes 207 units in projects for which building permits were not yet issued.

Of the 6,124 new units produced from 2014 to 2024 subject to the current AHO, 5,278 units (86%) were market rate, 115 (1.9%) were directly attributed to AHO funding by SHRA, 405 (6.6%) were additional affordable units in projects that received AHO funds but that SHRA did not attribute to the AHO funding, and 326 (5.3%) were affordable units in projects that were issued building permits but which were not funded with AHO fees.

<b>Table 2. Summary of Housing Production 2014-2024</b>		
	No. Units	% of Units
Total Units Issued Building Permits, 2014-2024	7,249	
Units Assisted with AHO Fees that are not included in building permit totals	207	
Less: Replacement and Restoration of Existing Homes	(234)	
Less: Building Permits Issued for Projects Approved Under Prior Ordinance	<u>(1,098)</u>	
<b>Total Units Subject to Current AHO requirements</b>	<b>6,124</b>	<b>100%</b>
New Market Rate Units <sup>1</sup>	5,278	86%
New Affordable Units		
Produced with AHO fees and Attributed to AHO Funding by SHRA	115	1.9%
Other Units Funded by SHRA with AHO Fees	<u>405</u>	<u>6.6%</u>
Subtotal AHO assisted projects	520	8.5%
Other New Affordable Units Permitted <sup>2</sup>	<u>326</u>	<u>5.3%</u>
<b>Total Affordable Unit Production</b>	<b>846</b>	<b>13.8%</b>

Source: KMA analysis of data provided by County of Sacramento.

<sup>1</sup> Includes manager units within affordable projects.

<sup>2</sup> Affordable units that were neither funded by AHO fees nor developed to comply with the AHO.

Table 3 provides details regarding the specific affordable projects. Table 3 distinguishes between projects funded by AHO fees and not, and between projects that have been issued building permits versus projects that have been allocated funding but not yet issued a building permit. Affordable unit figures include units created through conversion of an existing motel (Courtyard Inn) and through placing affordability restrictions on existing market rate units (Southwind Court Apartments), as these are net new affordable units. Existing affordable units within Saybrook Apartments and Southwind Court that were rehabilitated are not included in unit counts because they are not net additions to the affordable housing stock.

<b>Table 3. Sacramento County Affordable Projects 2014-2024</b>			
<b>Affordable Projects</b>	<b>New Units Attributed to AHO Funding by SHRA</b>	<b>Balance of New Affordable Units in Projects Receiving AHO Funds</b>	<b>Total New Affordable Units</b>
<b>Funded with AHO Fees - Permitted</b>			
Courtyard Inn TOD <sup>1</sup>	14	78	92
San Juan Apartments	21	66	87
Cornerstone North and South	32	75	107
Saybrook Apartments (excludes preserved units) <sup>2</sup>	<u>5</u>	<u>22</u>	<u>27</u>
<b>Total</b>	<b>72</b>	<b>241</b>	<b>313</b>
<b>Funded with AHO Fees - Permit Review</b>			
Beech Hill Apartments	11	17	28
Terracina at Wildhawk	10	134	144
Southwind Court (excludes preserved units) <sup>3</sup>	4	13	17
Cornerstone Habitat	<u>18</u>	<u>0</u>	<u>18</u>
<b>Total</b>	<b>43</b>	<b>164</b>	<b>207</b>
<b>Other Affordable Units - Permitted</b>			
Anton Mosaic			194
Habitat for Humanity			5
Mutual Housing on the Boulevard			<u>127</u>
<b>Total</b>			<b>326</b>
<b>Total Affordable Units</b>	<b>115</b>	<b>405</b>	<b>846</b>

Source: Permit data provided by Sacramento County; Sacramento County information and staff reports for individual projects.

<sup>1</sup> Of the 92 units in the Courtyard Inn TOD, 12 are new and 80 are converted from a motel. Converted motel units are net new additions to the affordable housing stock and thus are included in calculations of affordable housing production.

<sup>2</sup> Saybrook Apartments includes 87 total units of which 27 are new affordable units and 60 are renovated. Renovated units are not included for purposes of Table 3 as they do not result in a net increase in affordable housing stock.

<sup>3</sup> Southwind Court Apartments includes 87 units of which 17 represent a conversion of existing market rate units to affordable and 70 are existing affordable units that were renovated. Renovated units are not included for purposes of Table 3 as they do not result in a net increase in affordable housing stock.

Table 4 provides details regarding market rate units issued building permits during the 2014 to 2024 period that are not included for purposes of determining the percentage of housing production under the AHO that is affordable because they were:

- (a) Developed within subdivisions that were not subject to the AHO because they were approved under the prior ordinance; or

(b) Not subject to the Affordability Fee based on having met AHO requirements with affordable units produced prior to 2014 in excess of prior ordinance requirements; or

(c) Replacements and restorations of existing homes that did not add net new units to the housing stock.

Excluding units from the calculation that were not subject to the current AHO allows the analysis to isolate outcomes relative to development to which the policy has applied. Not counting existing home replacements and restorations ensures that the rate of new affordable units produced reflects net new housing production.

<b>Table 4. Market Rate Units Excluded from Total Housing Production Under Current AHO</b>	
<b>Projects Approved under Pre-2014 Requirements or Exempted from Fee based on Providing Affordable Units Prior to 2014</b>	
Vineyard Creek and Vineyard Point <sup>1</sup>	746
Gardner Park	240
Gerber Creek	69
Lelani Village	4
Villages at Elder Creek	<u>39</u>
Subtotal	1,098
<b>Replacement and Restoration of Existing Homes</b>	234
<b>Total Excluded Market Rate Units</b>	<b>1,332</b>

Source: County of Sacramento.

<sup>1</sup> AHO requirement with respect to 746 market rate units in Vineyard Creek and Vineyard Point was met with affordable units built prior to 2014.

### AHO Fee Revenues and Projects Assisted

Table 5 summarizes sources and uses of AHO funds for the 2014 to 2024 period. Over this period, AHO Fund sources totaled \$32.8 million, of which \$28.8 million (88%) came from the Affordability Fee, \$1.8 million (6%) from other income, and \$1.1 million (3%) from interest. The AHO Fund began the period with a balance from the prior ordinance of \$1.1 million (3%). AHO Fund uses totaled \$26.5 million. Affordable housing project funding commitments totaled \$22.7 million (85% of total AHO Fund uses) during the period, of which \$17.9 million had been drawn down. An additional \$1.1 million (4%) was spent on an affordable housing project from the prior ordinance and \$2.7 million (10%) was spent on operational expenses. The balance available at the end of the period for additional affordable housing commitments is \$6.3 million.

<b>Table 5. Affordable Housing Ordinance Sources and Uses of Funds 2014-2024</b>		
	2014-2024 Total	Percent
<b>Sources</b>		
Prior Ordinance Balance	\$1,108,553	3%
Fees Collected	\$28,775,753	88%
Interest Earnings	\$1,093,616	3%
Other Income <sup>1</sup>	<u>\$1,844,272</u>	<u>6%</u>
Subtotal	\$32,822,194	100%
<b>Uses</b>		
AHO Projects	\$17,857,386	67%
AHO Projects, Commitments not yet drawn	\$4,800,706	18%
Prior AHO Ordinance Project	\$1,115,000	4%
Operational Expenses	<u>\$2,735,314</u>	<u>10%</u>
Total	\$26,508,406	100%
Ending Balance Available	\$6,313,788	

Sources: County of Sacramento Affordable Housing Ordinance Annual Reports, 2014-2024.

Note: Percentages may not add to 100% due to independent rounding.

<sup>1</sup> Includes a loan repayment and a reconciling adjustment of \$8,839.

Eight affordable housing projects were funded during the 2014 to 2024 period, as listed in Table 6. The eight projects include 650 total affordable units, 130 of which were rehabilitations of existing affordable units. SHRA attributed production of 115 of the 650 units to the AHO funding.

Table 6. Affordable Housing Ordinance Funding Commitments 2014 to 2024						
Affordable Projects	Total Affordable Units <sup>1</sup>	Share of Total Units Attributed to AHO Funding by SHRA	Total Budgeted	Expenditure Through 2024	Remaining Commitment	Year Budgeted
Southwind Court <sup>2</sup>	87	4	\$1,238,745	\$1,238,745	\$0	2017
Courtyard Inn	92	14	\$2,200,000	\$2,200,000	\$0	2016
Saybrook Apartments <sup>2</sup>	87	5	\$950,000	\$615,000	\$335,000	2020
Cornerstone North & South	107	32	\$7,032,000	\$7,032,000	\$0	2021
Cornerstone Habitat	18	18	\$1,175,000	\$1,175,000	\$0	2021
San Juan	87	21	\$5,200,000	\$2,662,119	\$2,537,881	2023
Beech Hill Apartments	28	11	\$2,465,000	\$776,910	\$1,688,090	2023
Terracina at Wildhawk	144	10	\$2,397,347	\$2,157,612	\$239,735	2024
<b>Total</b>	<b>650</b>	<b>115</b>	<b>\$22,658,092</b>	<b>\$17,857,386</b>	<b>\$4,800,706</b>	
Less: Rehabilitated Existing Units	<u>(130)</u>	<u>0</u>				
<b>New Affordable Units</b>	<b>520</b>	<b>115</b>				

Sources: County of Sacramento Affordable Housing Ordinance Annual Reports, 2014-2024.

<sup>1</sup> Does not include unrestricted manager units.

<sup>2</sup> Southwind Court and Saybrook Apartments’ totals include 70 and 60 renovated units, respectively, that do not add to the existing affordable unit count.

### Share of Affordable Unit Development Costs Funded with AHO Fees

Table 7 summarizes financing sources for the 650 affordable units assisted with AHO funding during the 2014 to 2024 period. Funding consisted of a combination of LIHTC and tax exempt bonds (62%), AHO funds (9%), other SHRA funding (16%), permanent loans (4%), State and other sources (4%), deferral of developer fees by affordable developers (3%), and general partner / affordable developer funds (3%).

AHO funding was the third largest overall funding source for these projects. Local funding, such as that available through the AHO, is often critical to a project’s competitiveness for securing LIHTC and tax-exempt bond financing. AHO funding was part of the financing stack in nearly 61%<sup>1</sup> of the new affordable units produced in the County over the 2014 to 2024 period. This is generally consistent with the design of the AHO as a fee-based program that provides gap-financing to leverage State and Federal sources for affordable housing development.

<sup>1</sup> Calculated as 520 new affordable units produced with AHO funding divided by 846 total new affordable units produced over the period.

**Table 7. Funding Sources for Projects Assisted with AHO Fees**

			Funding Source as % of Total Development Cost						
Project	Year	Affordable Units <sup>1,2</sup>	LIHTC+				GP / Aff.	Other	State
			AHO Funding	TE Debt	Perm. Loan	Deferred Dev. Fee	Dev. Funds	SHRA Funds	& Other
Courtyard Inn TOD	2018	92	7%	73%	0%	0%	0%	20%	0%
Beech Hill Apartments	2024	28	17%	71%	10%	2%	0%	0%	0%
San Juan Apartments	2024	87	7%	54%	0%	5%	3%	21%	10%
Terracina at Wildhawk	2024	144	3%	75%	0%	7%	0%	10%	5%
Cornerstone North & South	2022/24	107	19%	50%	17%	4%	0%	8%	2%
Saybrook Apartments	2022	87	3%	54%	7%	1%	0%	35%	0%
Southwind Court Apartments	2018	87	7%	70%	0%	3%	2%	15%	2%
Cornerstone Habitat	2021	18	24%	0%	0%	0%	62%	0%	13%
<b>Weighted Average</b>		650	9%	62%	4%	3%	3%	16%	4%

LIHTC = Low Income Housing Tax Credits. TE Debt = Tax Exempt Debt.

Note: Percentages may not add to 100% due to independent rounding.

<sup>1</sup> Does not include unrestricted manager units

<sup>2</sup> Southwind Court and Saybrook Apartments' totals include 70 and 60 renovated units, respectively, that do not add to the existing affordable unit count.

### Owner Builder Exemption

The AHO owner-builder exemption exempts new single-family homes from the AHO's Affordability Fee when the home is built by an owner-builder on their own property, provided the home is not intended for sale within two years of completion, the owner has not used the exemption within the prior two years, and the owner either personally performs the work or directly contracts with a contractor to complete the project. The County's Housing Element Implementation Program E3 calls for modification of this owner-builder exemption.

Table 8 provides a summary of the number of units and forgone revenue associated with the owner-builder exemption over the 2014 to 2024 period by home size category. As shown, over the 2014 to 2024 period, 310 units were permitted under this exemption, representing approximately \$2.7 million in forgone fee revenue, averaging \$245,000 per year at historic fee rates or \$324,000 per year if recalculated at the current fee rate.

Table 8. Owner-Builder Exemption: Eligible Development and Forgone Revenue							
Home Size Category (Square Feet)	Owner-Builder Exemption Units		Forgone Affordability Fees, 2014 to 2024				
	Total Units, 2014 to 2024	Total Habitable Square Feet, 2014 to 2024	Total	Annual Average based on Historic Fee Rates	Annual Average if Adjusted to \$3.91/SF Rate	Cumulative by Size Category	
>4,000	43	215,500	\$644,000	\$59,000	\$77,000	\$324,000	100%
3,501-4,000	28	104,600	\$304,000	\$28,000	\$37,000	\$247,000	76%
3,001-3,500	56	181,200	\$540,000	\$49,000	\$64,000	\$210,000	65%
2,501-3,000	65	177,200	\$522,000	\$47,000	\$63,000	\$146,000	45%
2,001-2,500	66	151,600	\$447,000	\$41,000	\$54,000	\$83,000	26%
1,501-2,000	38	64,900	\$182,000	\$17,000	\$23,000	\$29,000	9%
≤1,500	14	16,000	\$47,000	\$4,000	\$6,000	\$6,000	2%
Total	310	911,000	\$2,686,000	\$245,000	\$324,000	\$324,000	100%

Source: County of Sacramento data on units permitted under AHO Owner-Builder exemption.