



KEYSER MARSTON ASSOCIATES

MEMORANDUM

To: Riley Sholes and Jacob Dawe
County of Sacramento

From: Keyser Marston Associates, Inc.

Date: July 14, 2026

Subject: Executive Summary: Effectiveness Evaluation, Feasibility Analysis, and SACOG Region Comparison

Keyser Marston Associates, Inc. (KMA) has prepared three analyses on behalf of the County of Sacramento (County) to support consideration of potential updates to the Affordable Housing Ordinance (AHO). The AHO currently requires new residential developments within the unincorporated County to pay a \$3.91 per square foot Affordability Fee, with funds used to increase the supply of affordable housing.

The three deliverables are the “Effectiveness Evaluation¹,” the “Feasibility Analysis²,” and the “SACOG Region Comparison³.” The purpose and scope of the three deliverables are summarized in Table 1.

Table 1. Purpose and Scope of the three KMA Deliverables		
Deliverable	What it Does	What it Covers
Effectiveness Evaluation	- Evaluate whether AHO has produced affordable housing at the approximately 10% rate anticipated at adoption - Provide three metrics for actual affordable housing production rate under AHO - Quantify forgone revenue from owner-builder exemption - Provide information on affordable projects assisted and funding sources	Initial twelve-years from adoption in 2014 through 2024

¹ Memorandum from Keyser Marston Associates to Riley Sholes and Jacob Dawe, County of Sacramento, Affordable Housing Production Under Affordable Housing Ordinance. May 6, 2026.

² Keyser Marston Associates, Feasibility Analysis to support potential updates to the Affordable Housing Ordinance. July 2026.

³ Memorandum from Keyser Marston Associates to Riley Sholes and Jacob Dawe, County of Sacramento, Inclusionary and Affordable Housing Impact Fee Programs within SACOG Region. May 6, 2026.

Table 1. Purpose and Scope of the three KMA Deliverables		
Deliverable	What it Does	What it Covers
Feasibility Analysis	- Examine economic feasibility of new residential development in the unincorporated County with the existing \$3.91/sf Affordability Fee - Evaluate feasibility with alternative fee levels from \$0 to \$7.50 per square foot - Evaluate feasibility with on-site affordable set-aside requirements from 5% to 15% at a variety of price and rent levels	- Two for-sale single-family (2,400 sf and 1,600 sf) and one rental prototype - Three geographic submarkets (North of I-80, I-80 to US-50, South of US-50) - Findings are broad indicators; results for specific projects will vary - Early 2026 market conditions
SACOG Region Comparison	Provide context on other inclusionary and affordable housing impact fee programs within SACOG region.	15 jurisdictions in SACOG region - Fee level and structure, on-site requirements, program structure. - Efficacy of comparison programs not assessed

Together, the three deliverables provide an analytical foundation for County decision-making on potential amendments to the AHO. The three analyses have been prepared to respond to provisions of the County Housing Element Program E3 calling for:

- (i) An evaluation of the effectiveness of the AHO to determine whether the ordinance is producing affordable housing at the approximately 10 percent rate anticipated at the time of adoption;
- (ii) An amendment to the AHO to modify the owner-builder exemption, and
- (iii) An economic feasibility study to guide any decision to include an inclusionary housing component within the AHO.

Following are highlights of the key findings.

Ordinance Effectiveness

1. Affordable production under the current AHO has fallen short of the approximately 10% rate anticipated at adoption under two of three metrics evaluated, and has exceeded this rate under a third metric:

- Metric 1 (2%)** – Reflects an allocable portion of affordable units produced using AHO funding, with the allocation as determined by the Sacramento Housing and Redevelopment Agency (SHRA) based on the amount funded. Under this metric, AHO production represented 2% of net new housing units.

- **Metric 2 (8%)** – All affordable units within AHO-assisted projects represented 8% of net new housing production.
- **Metric 3 (14%)** – Counting all affordable units developed in the unincorporated County, regardless of whether AHO funding was provided and regardless of whether the units were produced to comply with the AHO, results in a 14% production rate.

Table 2. Affordable Housing Production Metrics — AHO Program (2014–2024)			
	Metric 1 Allocable Portion of Affordable Units Attributed to AHO fees by SHRA	Metric 2 All Affordable Units Funded by AHO Fees	Metric 3 All Net New Affordable Units
Affordable Housing Production Rate ⁽¹⁾ (% net new units 2014 to 2024)	2% (115 affordable out of 6,124 total units)	8% (520 affordable out of 6,124 total units)	14% (846 affordable out of 6,124 total units)

⁽¹⁾ 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.

2. **The owner-builder exemption** for new single-family homes constructed by an owner-builder on their own property resulted in 310 exempted units and approximately \$2.7 million in forgone fee revenue over the 2014 to 2024 period. Forgone fee revenue averaged \$245,000 per year at historic fee rates or \$324,000 per year if recalculated at the current \$3.91 per square foot rate.

Economic Feasibility of Residential Development

1. **Rental development faces broad feasibility challenges.** Market rate rental development does not pencil under any of the scenarios tested in any submarket. Infeasibility is driven by broadly challenging market conditions in which a large imbalance has emerged between escalating development and operating costs and rental income that has not kept pace with the increase in costs.
2. **For-sale feasibility is mixed.** Feasibility is strongest between I-80 and US-50, where pricing is highest. It is challenged North of I-80, where pricing is lowest. South of US-50, smaller homes are feasible but larger homes are not. Notwithstanding mixed feasibility results South of US-50, homebuilding activity is occurring in this location. This reflects that the analysis is a point-in-time snapshot, while large-scale for-sale projects build out over

multiple years and may be planned with an eye toward the future market conditions that will exist when units are being marketed and / or maintaining a target homebuilding pace.

Table 3. Summary of Feasibility Findings			
	North of I-80	Between I-80 and US-50	South of US-50
Single Family Detached, Prototype 1 (2,400 sf)	Infeasible / Challenged: all scenarios	<u>Feasible with:</u> up to \$7.50 / sf fee, or on-site inclusionary of 5%, 10% and 15% (various % of AMI prices) <u>Marginally Feasible with:</u> 10% Very Low (50% AMI prices)	Infeasible / Challenged: all scenarios
Single Family Detached, Prototype 2 (1,600 sf)		<u>Feasible with</u> up to \$5.00 / sf fee, or on-site inclusionary of 15% Moderate (110% AMI prices), 5% Low (80% AMI prices) <u>Marginally Feasible with:</u> \$7.50 / sf fee, on-site inclusionary of 5% and 10% (various % of AMI prices) <u>Infeasible / Challenged with:</u> 10% Very Low (50% AMI prices)	<u>Feasible with</u> up to \$5.00 / sf fee, or on-site inclusionary of 10% Moderate (100% AMI prices), 15% Moderate (110% AMI prices), 5% Low (80% AMI prices) <u>Marginally Feasible with:</u> \$7.50 / sf fee, on-site inclusionary of 5% and 10% (various % of AMI prices) <u>Infeasible / Challenged with:</u> 10% Very Low (50% AMI prices)
Rental	Infeasible / Challenged: all scenarios		

AMI = Area Median Income. See Section 2.3 of the Feasibility Analysis for definitions of Very Low, Low, and Moderate.

- Affordability Fees.** Single family projects between I-80 and US-50 support increased Affordability Fees of \$5.00 per square foot for the smaller prototype and \$7.50 per square foot for the larger prototype, the highest fee level tested. Smaller homes South of US-50 support a \$5.00 per square foot fee. Other project type and submarket combinations were found to be infeasible at the existing fee and therefore do not support an increase.
- Removal of the Affordability Fee does not restore feasibility.** Eliminating the fee does not restore feasibility for any project type or submarket combination found infeasible at the existing fee.

- 4. On-site inclusionary requirements.** Feasibility was tested for on-site inclusionary requirements ranging from 5 percent to 15 percent across multiple income levels. On-site inclusionary requirements were found to be feasible for three prototype and submarket combinations: the larger single family prototype between I-80 and US-50, which is feasible across nearly all scenarios tested; the smaller single family prototype between I-80 and US-50, feasible at 15 percent Moderate income or 5% Low income; and the smaller single family prototype South of US-50, feasible at 10% Moderate income (100% AMI prices), 15 percent Moderate income (110% AMI prices) or 5 percent Low income. The remaining fifty-one of sixty-six for-sale alternative on-site inclusionary scenarios tested were Marginally Feasible or Infeasible / Challenged. All rental scenarios were found to be Infeasible / Challenged.
- 5. Revenue at alternative fee levels.** At the existing \$3.91 per square foot fee, AHO revenue is estimated at approximately \$3 million per year based on historic average development activity, with illustrative alternatives ranging from \$0, if the fee is eliminated, to \$6 million per year, if increased to the \$7.50 per square foot maximum level tested. Over a ten-year horizon, including projected fee escalation, illustrative ten-year totals range from \$0 to \$71 million⁴.

Due to the snapshot-in-time nature of feasibility findings, five additional indicators are included in the Feasibility Analysis to provide more durable measures of the relative influence that alternative AHO requirements may have on development decisions: (i) compliance cost per square foot for each alternative requirement, which increases as affordability levels deepen; (ii) the price or rent increase that would be sufficient on its own to fully offset the incremental cost of a modified requirement; (iii) the change in land cost that would absorb the incremental cost; (iv) the effect on the overall fee stack for residential development in the unincorporated area of alternative fee levels; and (v) the combined percentage that fees, permits, and affordable housing requirements represent of total housing development costs under the alternatives evaluated.

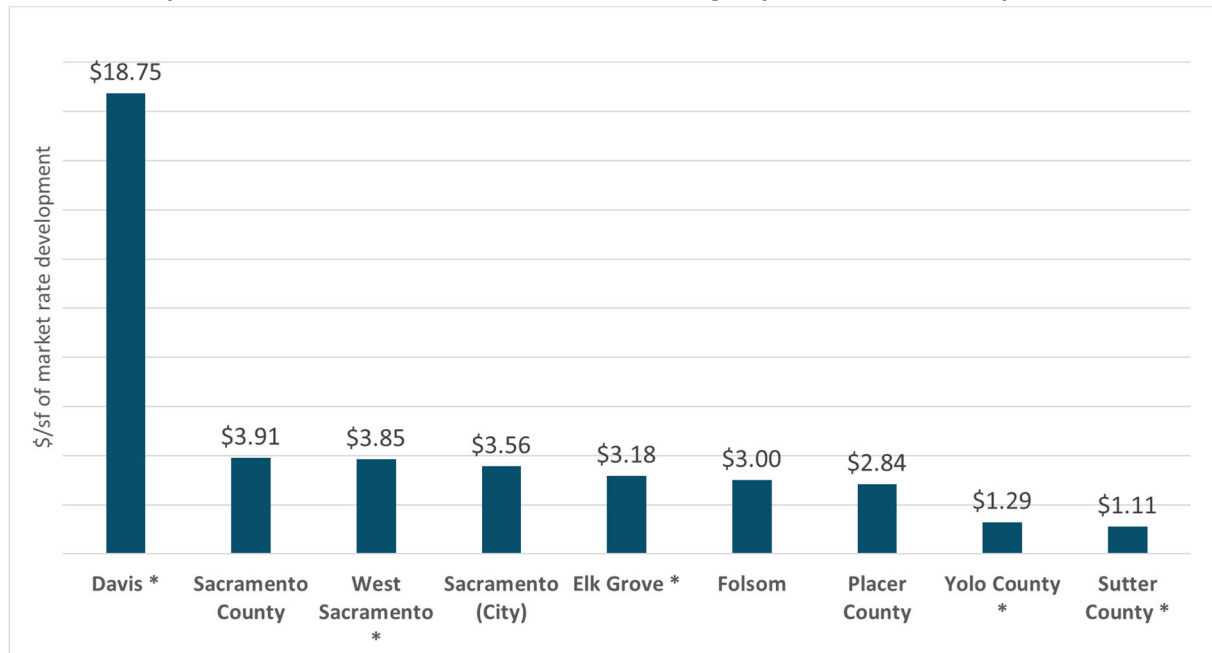
SACOG Region Comparison

- 1. The County's Affordability Fee** of \$3.91 per square foot is at the upper end of the \$3 to \$4 range typical of jurisdictions in the SACOG region. Davis is a notable outlier at the high end

⁴Actual results will vary depending on future development activity, which is affected by land availability, future market and feasibility conditions, the fees themselves, and other factors. There is no perfect way to account for all the variables over a ten-year time frame, thus a simplifying assumption is made for purposes of the revenue estimate that development is consistent with the historic average pace.

equivalent to approximately \$18.75 per square foot for a 2,000 square foot home; Sutter and Yolo Counties are at the low end at approximately \$1.11 and \$1.29 per square foot, respectively. Fees in the \$3 to \$4 per square foot range are generally less costly than providing units on-site; developers will typically select fee payment over unit provision when both options are available. Chart 1 provides a comparison.

Chart 1. Comparison of In-Lieu Fee and Affordable Housing Impact Fee Rates (\$/square foot)



* Fee converted to equivalent \$/sf based on a 2,000 sf for-sale unit and the applicable set-aside percentage. Underlying fees are stated per market unit (Elk Grove, West Sacramento) or per affordable unit owed (Davis, Sutter County, Yolo County).

Note: Excludes jurisdictions that do not have adopted fee schedules.

- 2. On-site affordable unit requirements**, and on-site options that are alternatives to fees, range from 5 percent to 35 percent, with 10 percent being the most common, adopted by the City of Sacramento, Folsom, Loomis, Placer County, West Sacramento, Woodland, and Roseville (General Plan goal). Sacramento County does not have a stated on-site percentage requirement, but the AHO's fee credit mechanism, under which on-site units offset the Affordability Fee based on SHRA's average per-unit subsidy, functions as an option to provide on-site units, which converts to approximately 7.2% on-site affordable units⁵

⁵ Percentage is derived from the SHRA-reported average public subsidy per unit of \$101,270 and the fee obligation applicable to a 2,000 square foot market rate unit of \$7,820 (=2,000 sf x \$3.91 / sf). The inclusionary percentage that would result in the fee being fully credited is 7.17%, representing the affordable units sufficient to fully credit the Affordability Fee obligation as a percentage of total market rate and affordable units ($7.17\% = \$7,820 / (\$101,270 + \$7,820)$)

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needed to receive full credit against the fee for a project with 2,000 square foot average home sizes.

Refer to the Effectiveness Evaluation, Feasibility Analysis, and SACOG Region Comparison for the analysis supporting the findings summarized here.