



Affordable Housing Ordinance Technical Study Webinar

Planning And Environmental Review

Housekeeping

- This meeting is being recorded to be posted on the County's website.
- All mics are muted by default, and we will be able to unmute during the Q&A session at the end of the slides
- Questions can also be put into the chat or text Q&A options as we go
 - Questions will be addressed in order received at the end of the slides or as needed
 - After which we will open for voice comments
- We estimate ~45 minutes to get through the slides and the remaining time for Q&A
- Any remaining questions will be answered via email to the contact list when the documents go live.
- Other questions can be emailed to the contact at the end of this presentation
- Interest in focus group meetings should also be emailed to the contacts at the end of this presentation.

Agenda

- Introduction and Purpose
- Effectiveness of the Current Ordinance
- Owner-Builder Exemption
- Feasibility Analysis
- SACOG Region Affordable Housing Program Summary
- Next Steps
- Q&A



Introduction and Purpose

Project Team

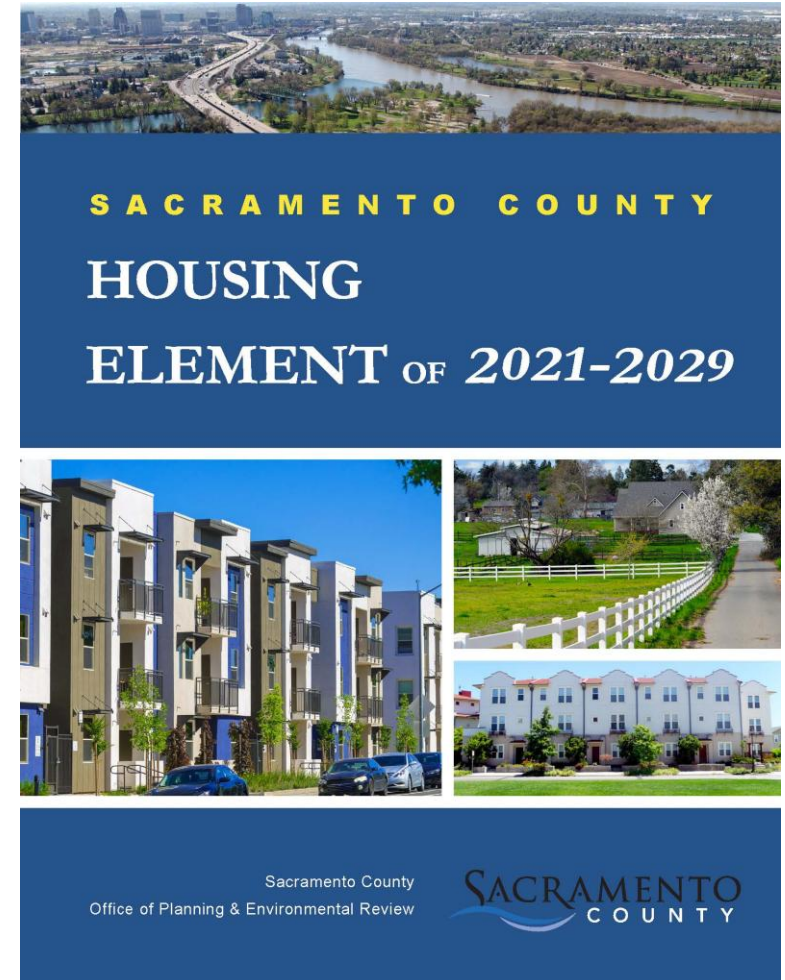
- Todd Smith, Planning Director
- Joelle Inman, Principal Planner
- Jacob Dawe, Senior Planner
- Riley Sholes, Associate Planner
- David Doezema, Keyser Marston & Assoc.

Meeting Objectives

- Provide an overview of AHO Technical Study
- Initial community feedback
- Prepare the community and staff for focus group meetings and Board Workshop
 - PER will be available for 1-hour individual focus group meetings with interested stakeholders. These meetings will help inform the BOS workshop. Comments can also be submitted in writing via email.

Housing Element Program E3

- Evaluation of effectiveness of current Ordinance (10% of development)
- Economic feasibility study to guide any decision related to an inclusionary housing component
- Prioritize housing opportunities in moderate, high, and highest resource
- Modify owner-builder exemption
- Consider amendments based on these outcomes





Effectiveness of the Current Ordinance

Purpose

- Evaluate whether AHO has produced affordable housing at the 10% rate anticipated at adoption
- Provide information on AHO share of affordable housing funding sources in the County
- Quantify forgone revenue from owner-builder exemption

Evaluation of Success (10% AH Production)

- From 2014 to 2024, **6,124** market rate and affordable units were permitted

Metric	No. of Units	% Units
Metric 1: Allocable 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	846	14%

Affordable Housing Projects

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

AHO Revenue and Expenditure Summary

- A Total of **\$32,822,194** was available in AHO funds
 - \$28,775,753 was collected in fees. (88%)
 - \$4,046,441 was Prior balance, interest earning and other income (12%)
- **\$26,508,406** of funding was used
 - \$23,773,092 has been drawn or committed (90%) to affordable units
 - \$2,735,314 was used for operation expenses (10%)

Funding Sources for Projects Assisted with AHO Funds

- On average, the AHO funds supplied **9%** of the funding to projects who received funds

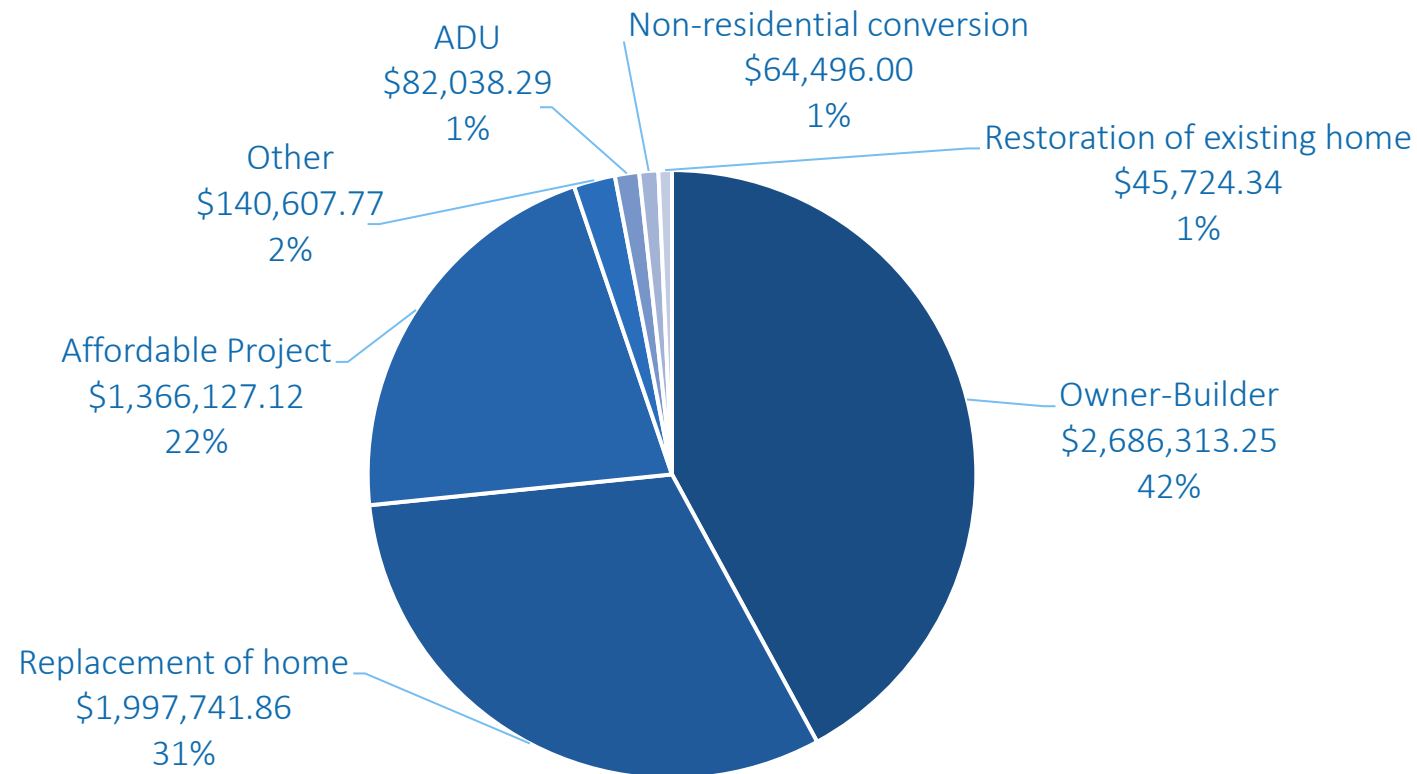
Table 7. Funding Sources for Projects Assisted with AHO Fees									
			Funding Source as % of Total Development Cost						
Project	Year	Affordable Units ^{1, 2}	AHO	LIHTC+	Perm.	Deferred	GP / Aff.	Other	State
			Funding	TE Debt	Loan	Dev. Fee	Dev. Funds	SHRA Funds	& Other
Courtyard Inn TOD	2018	92	7%	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%
Weighted Average		650	9%	62%	4%	3%	3%	16%	4%



Affordable Housing Ordinance Exemptions

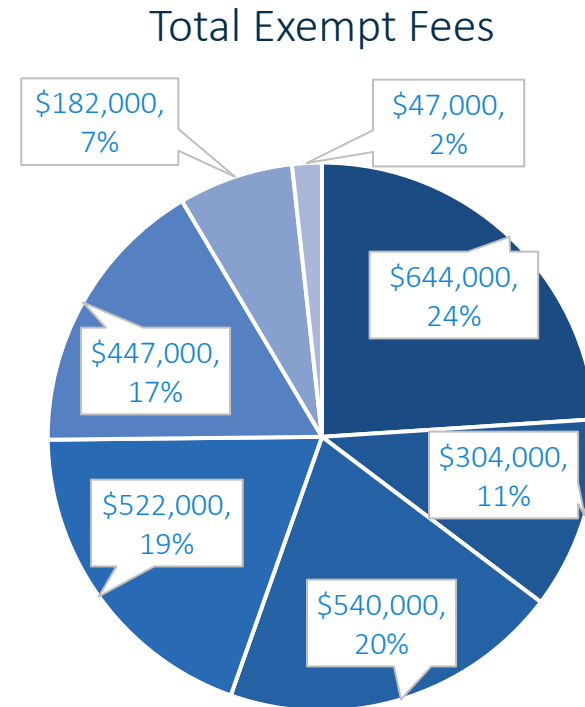
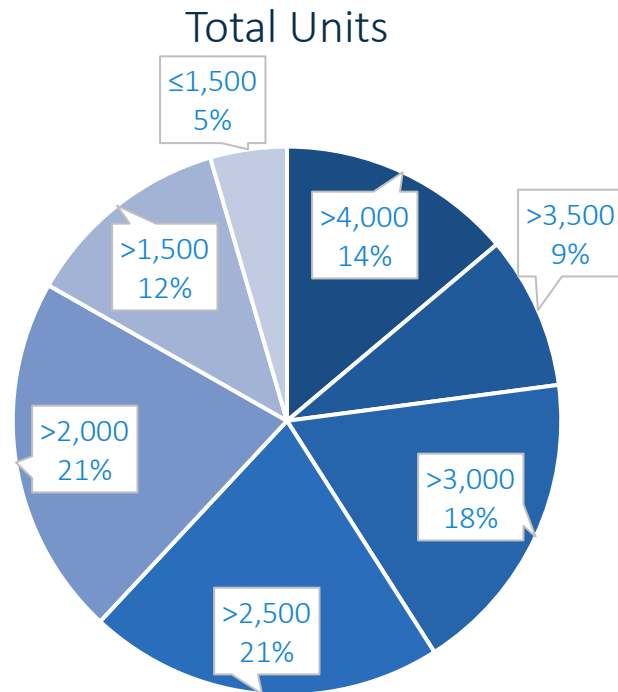
AHO Exemptions

- \$6,383,048.63 of fees were exempt due to being either ADU, Affordable Project, Non-residential conversion, Owner-Builder projects, Replacement of home, or Restoration of existing homes



Owner Builder Exemption

- \$2,686,313.25 (42%) of total exemptions where due to the Owner Builder exemptions
- The below charts break out the units that received owner builder exemptions by square footage
 - Removal of any size category results in potential additional fees collected



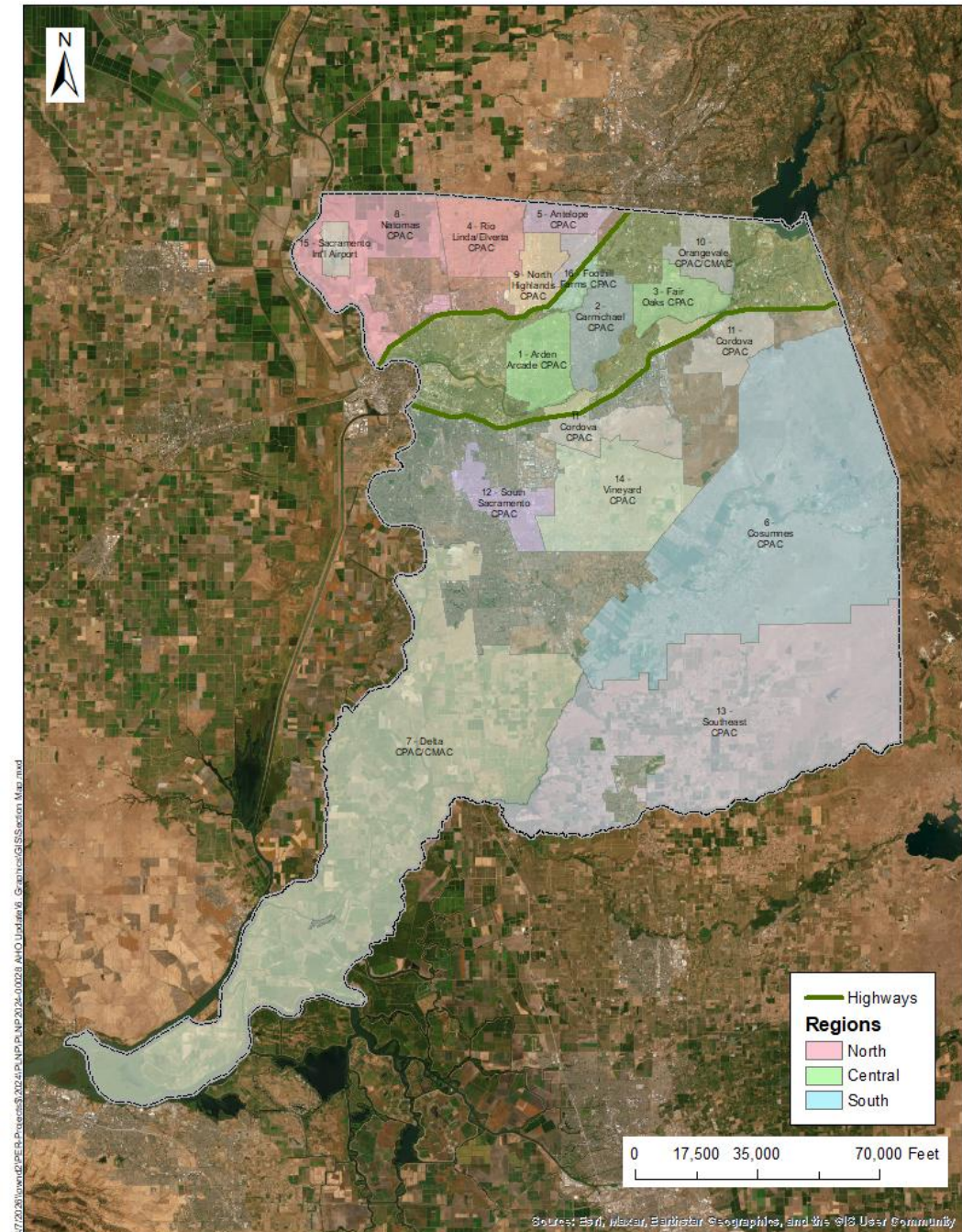
>4,000 SQ. FT.
 >3,500 SQ. FT.
 >3,000 SQ. FT.
 >2,500 SQ. FT.
 >2,000 SQ. FT.
 >1,500 SQ. FT.
 ≤1,500 SQ. FT.



Feasibility Analysis

Market Areas

- North of I-80
- Between I-80 and US-50
- South of US-50



Prototype Projects

- Developed based on County development patterns and recently approved projects

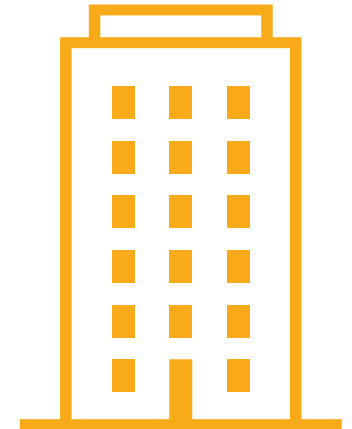
For-Sale
Single Family Prototype 1
(2,400 sq ft)
5 DU/Acre
\$620k-\$800k



For-Sale
Single Family Prototype 2
(1,600 sq ft)
8 DU/Acre
\$500k-\$560k



Rental
(950 sq ft)
27 DU/Acre
\$2,270-\$2,400 per
month



Market Conditions – Household Income

2025 Sacramento County Income Limits

Income Category	% of AMI	1	2	3	4	5	6
ELI	30%	\$27,050	\$30,900	\$34,750	\$38,600	\$41,700	\$44,800
VLI	50%	\$45,050	\$51,450	\$57,900	\$64,300	\$69,450	\$74,600
LI	80%	\$72,050	\$82,350	\$92,650	\$102,900	\$111,150	\$119,400
Median	100%	\$84,550	\$96,650	\$108,700	\$120,800	\$130,450	\$140,150
MI	120%	\$101,450	\$115,950	\$130,450	\$144,950	\$156,550	\$168,150

Household Income Needed to Afford Prototype New Market Rate Units as % of Median Income

	SFD Prototype 1 (2,400 sf)		SFD Prototype 2 (1,600 sf)		Rentals
	5% down	20% down	5% down	20% down	
North of I-80	161%	138%	137%	118%	91%
South of 80 & North of 50	187%	160%	135%	116%	94%
South of 50	145%	124%	122%	105%	96%

Market Conditions – For Sale

- Housing prices have escalated rapidly since the establishment of the current AHO
- High interest rates have a substantial cooling effect on the current market
- Households need between 105% and 187% of AMI to afford prototype market rate for-sale units, depending on location and whether the household has a 20% cash down payment

Chart 2-1. Median Home Prices, Sacramento County

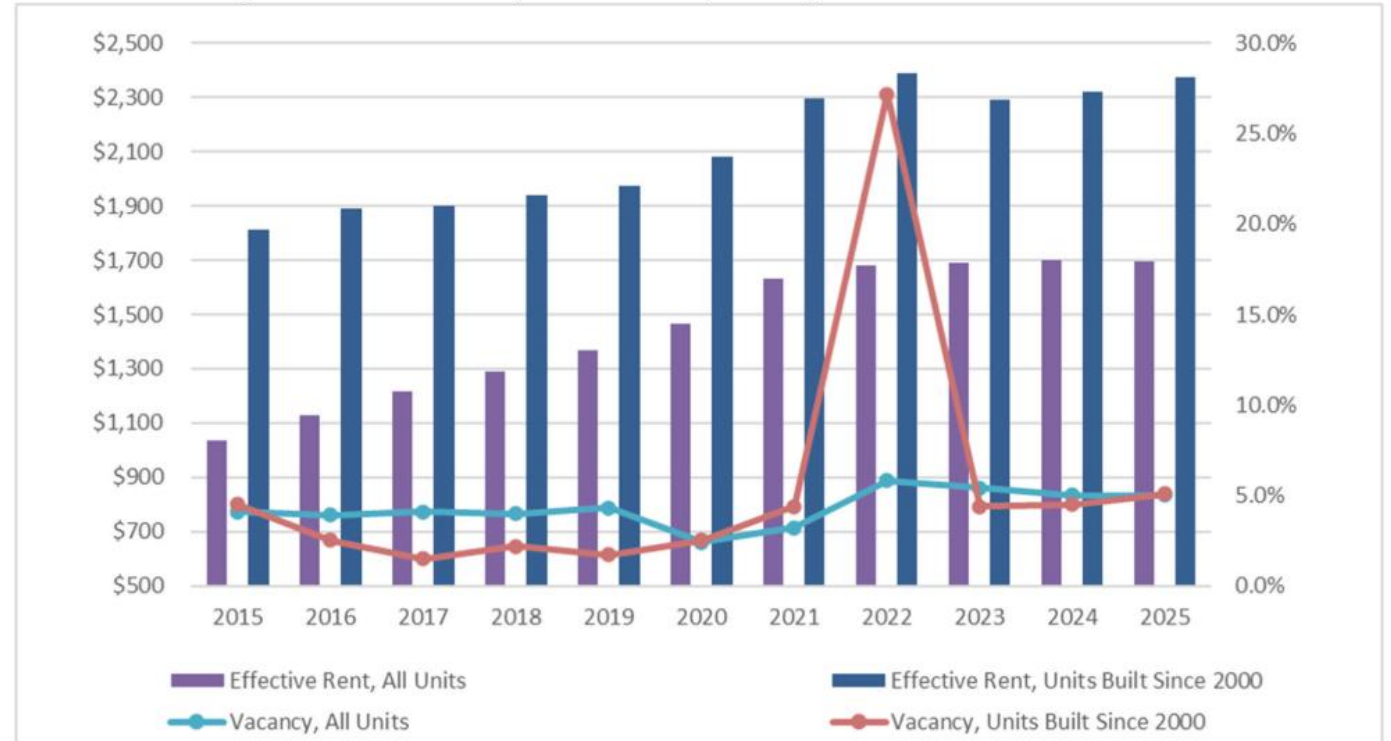


Source: California Association of Realtors

Market Conditions – Rentals

- The Average Market Rent is \$1,700 per month in Sacramento County (40% higher for new units at \$2,380 per month)
- Households need between 91% and 96% of median, depending on location, to afford prototype newly built market rate rental units.
- Only one market rate rental project over 50 units was built in unincorporated Sacramento County since 2017
- Multifamily development and operation costs have out paced regional rent growth

Chart 2-2. Asking Rents and Vacancy Rate Trends, County of Sacramento



Source: CoStar

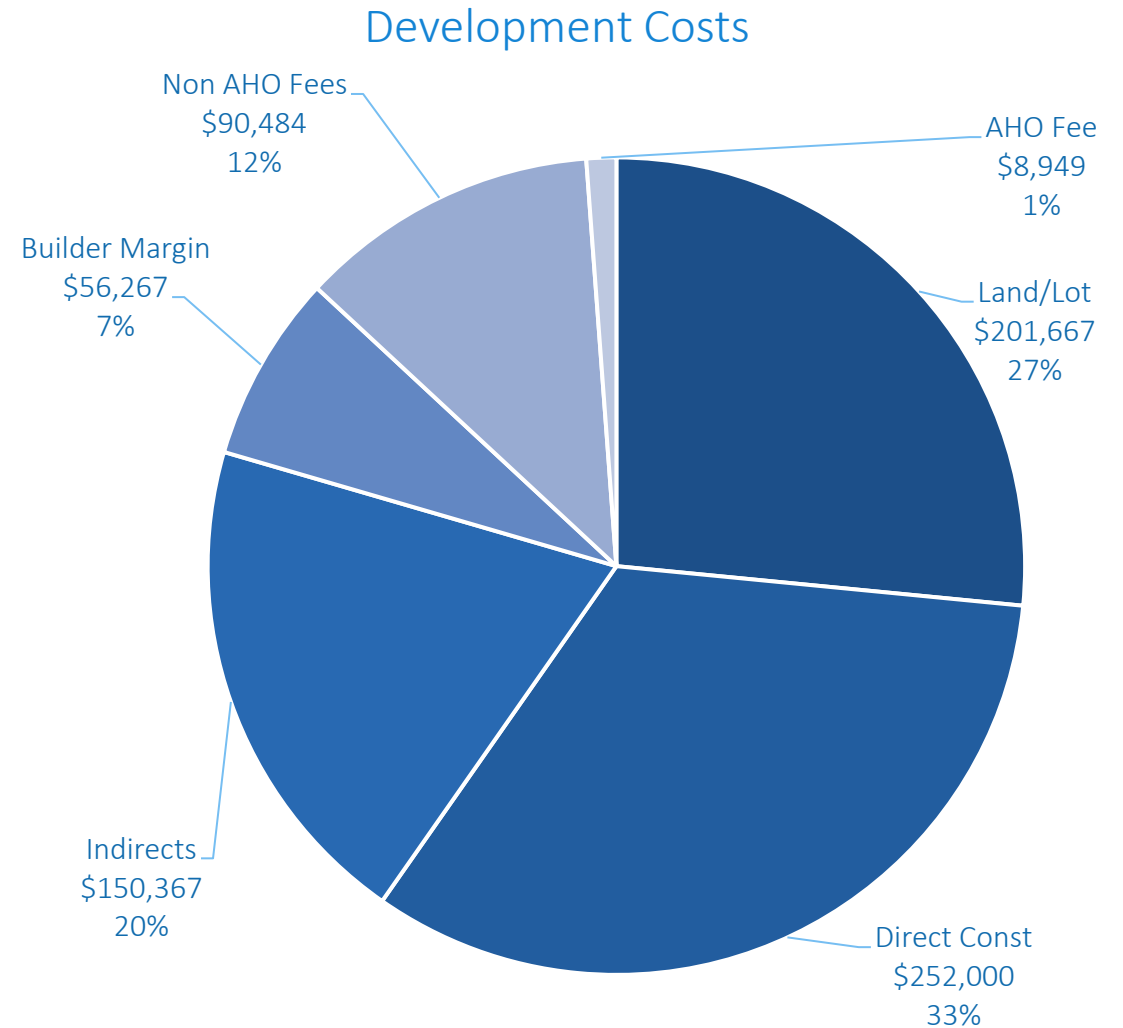
Market Conditions – Rentals

- **High Costs** – multifamily development costs have doubled since 2018
- **Limited Rent Growth** – influx of new inventory combined with increased price sensitivity among renters
- **Higher interest rates** – higher interest rates means projects must achieve higher returns
- **Reduced market values** – value of recently built multifamily units has declined

Development Costs and Fees per Unit

Single Family Prototype 1

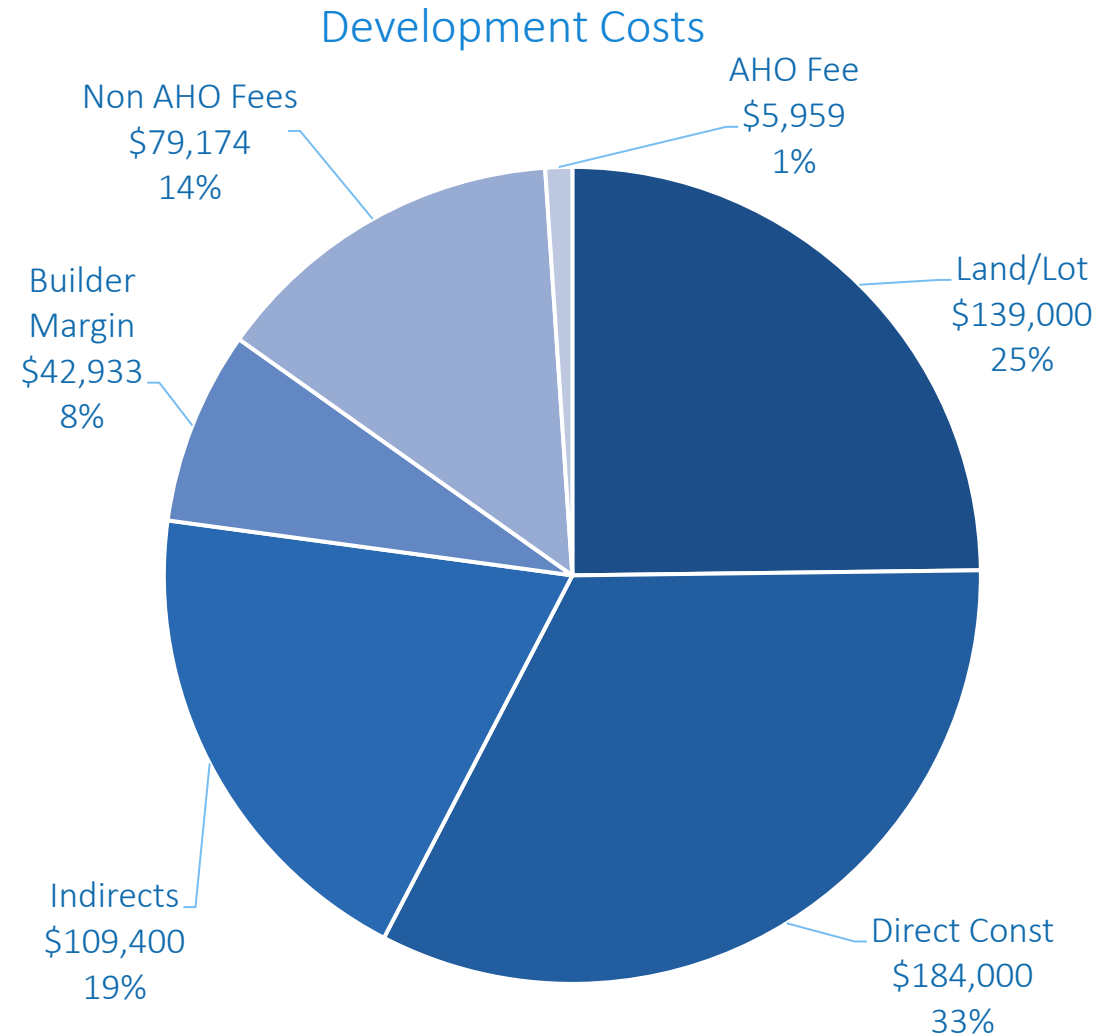
- Total development costs = \$760,000
- Non-fee Development costs = \$660,000
- Total agency fees = 13% of total development cost (\$100,000)
- AHO fee = 9% of total fee amount
- AHO fee = 1% of total development cost



Development Costs and Fees per Unit

Single Family Prototype 2

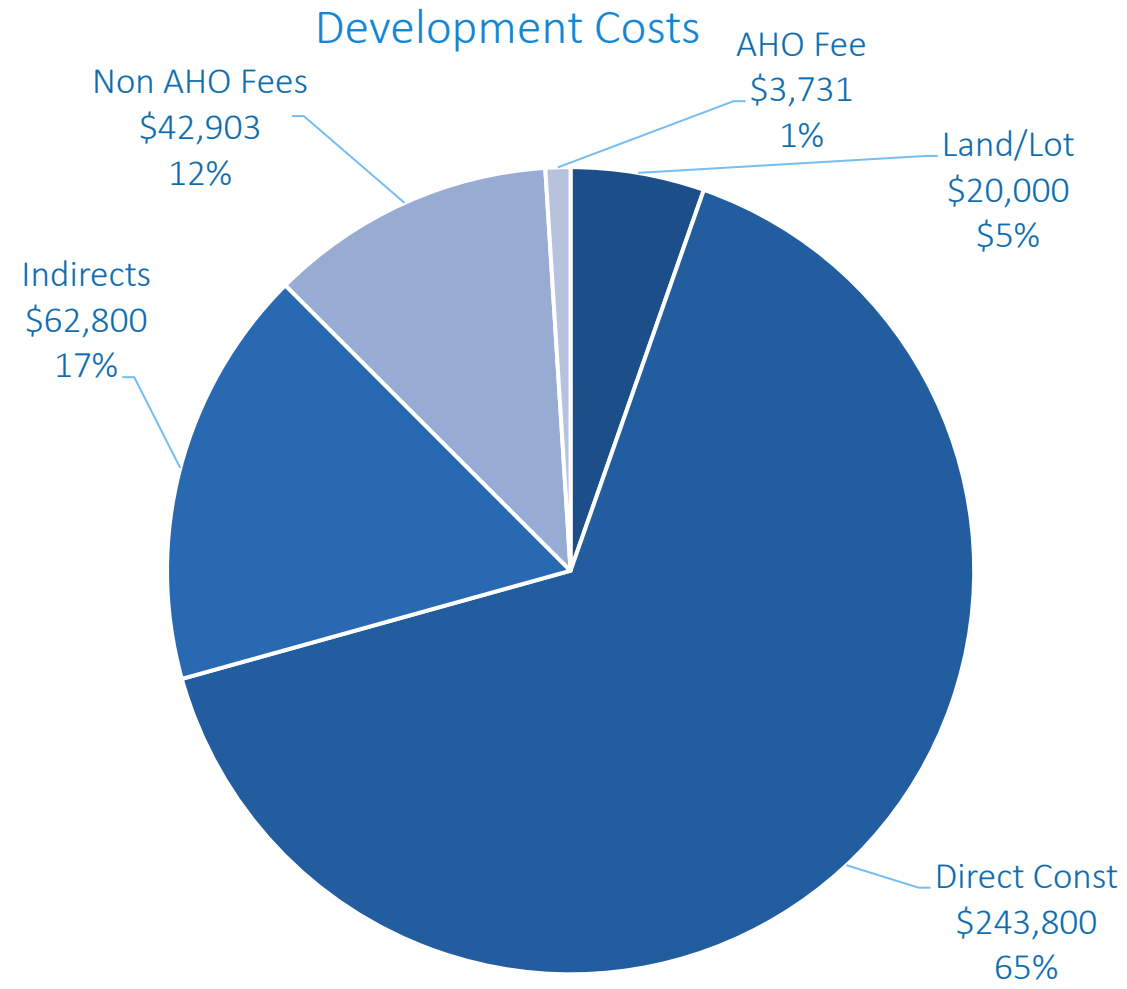
- Total development costs = \$560,000
- Non-fee Development costs = \$475,000
- Total agency fees = 15% of total development cost (\$85,000)
- AHO fee = 7% of total fee amount
- AHO fee = 1% of total development cost



Development Costs and Fees per Unit

Rental

- Total development costs = \$373,000
- Non-fee development costs = \$326,000
- Total agency fees = 12% of total development cost (\$47,000)
- AHO fee = 8% of total fee amount
- AHO fee = 1% of total development cost



Feasibility

- Feasibility was determined based on the proximity to an 8% net builder profit goal for for-sale products and a 6.75% return on cost for rentals
 - Feasible: Within -3% or more of net profit goal
 - Marginal Feasibility: Within -3 to -7% of net profit goal
 - Infeasible / Challenged: -7% or less of net profit goal

Unit Type	North of I-80	Between I-80 and US-50	South of US-50
Single Family Detached, Prototype 1	<u>Infeasible</u>	<u>Feasible</u> with up to \$7.50 / sf fee, or on-site inclusionary of 15% Moderate (110% AMI prices) or 10% Low (80% AMI prices)	<u>Infeasible</u>
Single Family Detached, Prototype 2	<u>Infeasible</u>	<u>Feasible</u> with up to \$5.00 / sf fee <u>Marginally Feasible or Infeasible / Challenged</u> with on-sit inclusionary units from 5% to 15%	<u>Feasible</u> with up to \$5.00 / sf fee, or 15% Moderate or 5% Low <u>Marginally Feasible to Infeasible / Challenged</u> with 10% inclusionary at 100% of AMI or below or 5% inclusionary at Very Low or below
Rental	<u>Infeasible</u>	<u>Infeasible</u>	<u>Infeasible</u>

Pro Forma Breakdown – For Sale

		North of I-80				
		Single Family, Prototype 1		Single Family, Prototype 2		
	Living Area	2,400 sf		1,600 sf		
	Lot Size	5,500 sf		3,150 sf		
	Average Number of Bedrooms	4.0 bedrooms		3.3 bedrooms		
	Density	5 du/acre		8 du/acre		
	Sales Revenue	Per SF	Per Unit	Per SF	Per Unit	
Sales prices at AMIs	Market Home Price	100%	\$258	\$620,000	\$313	\$500,000
	Very Low@50% AMI	0%	\$68	\$162,100	\$98	\$157,450
	Low@80% AMI	0%	\$134	\$321,700	\$193	\$308,200
	Mod@100% AMI	0%	\$178	\$428,100	\$255	\$408,600
	Mod@110% AMI	0%	\$201	\$481,200	\$287	\$458,850
	Average Gross Sales Price		\$258	\$620,000	\$313	\$500,000
Soft Costs	Incentives		(\$10)	(\$25,000)	(\$9)	(\$15,000)
	Sales and Closing Costs	3.25% sales	(\$8)	(\$20,200)	(\$10)	(\$16,300)
	Revenue Net of Sales Expenses		\$240	\$574,800	\$293	\$468,700
Hard Costs	Development Cost					
	Finished Lot Cost except fees		\$81	\$195,000	\$84	\$135,000
	Direct House Costs		\$105	\$252,000	\$115	\$184,000
Fees	Fees & Permits except hsg	Appendix Table A-15	\$37	\$87,700	\$48	\$77,200
	Affordability Fee	\$3.91 /SF	\$4	\$9,400	\$4	\$6,300
Soft Costs	Warranty	1% sales	\$3	\$6,200	\$3	\$5,000
	Marketing	1.5% sales	\$4	\$9,300	\$5	\$7,500
	Other Indirects	5% directs	\$5	\$12,600	\$6	\$9,200
	Financing / cost of capital		\$15	\$36,200	\$17	\$27,000
	Builder Overhead/G&A	5% sales	\$13	\$31,000	\$16	\$25,000
	Total Development Cost		\$266	\$639,400	\$298	\$476,200
Revenue Calculations	Net Sales Revenue		\$240	\$574,800	\$293	\$468,700
	<Less> Development Costs		(\$266)	(\$639,400)	(\$298)	(\$476,200)
	<Less> Net Builder Profit	8% sales	(\$21)	(\$49,600)	(\$25)	(\$40,000)
Surplus	Surplus / (Gap)		(\$48)	(\$114,200)	(\$30)	(\$47,500)
	Surplus / (Gap) %Total Dev Cost + profit			-16.6%		-9.2%
	Feasibility Finding		Infeasible / Challenged	Infeasible / Challenged	Infeasible / Challenged	Infeasible / Challenged

Feasibility Margins (8%)

Feasible: Within -3% or more of net profit goal

Marginal Feasibility: -3 to -7% of net profit goal

Infeasible / Challenged: -7% or less then net profit goal

Pro Forma Breakdown – Rental

		North of I-80			
Rent prices at AMIs	Average Unit Size	950 sf/unit			
	Average No. of Bedrooms	1.69 br/unit			
	Residential Density	27 units/acre			
	Parking Type	surface / carports			
	Parking Ratio	1.5 sp/unit			
	Building type	3-story wood frame			
		<u>\$/Unit</u>	<u>\$/NSF</u>	<u>%Units</u>	
	Market Rate	\$2,400	\$2.53	100%	
Income and Operating Expenses	Very Low Inc. (50% AMI)	\$1,271	\$1.34	0%	
	Low Income (60% AMI)	\$1,550	\$1.63	0%	
	Low Income (70% AMI)	\$1,830	\$1.93	0%	
	Low Income (80% AMI)	<u>\$2,110</u>	<u>\$2.22</u>	<u>0%</u>	
	Weighted Average	\$2,400	\$2.53	100%	
Goal Investments	<u>Operating Income</u>	<u>\$/Unit</u>	<u>\$/NSF</u>	<u>%Gross</u>	
	Gross Rent	\$28,800	\$30	93%	
	Other/Pkg Income	\$2,100	\$2	7%	
	(Less) Vacancy/Bad Debt	<u>(\$1,545)</u>	<u>(\$2)</u>	<u>-5%</u>	
	Effective Gross Income	\$29,355	\$31	95%	
	(Less) Property Tax	<u>(\$3,900)</u>	<u>(\$4)</u>	<u>-13%</u>	
Development Costs	(Less) OPEX	<u>(\$7,900)</u>	<u>(\$8)</u>	<u>-26%</u>	
	Total NOI	\$17,555	\$18	57%	
	<i>Threshold Return on Cost</i>	6.75%			
	Supported Investment	\$260,100	\$274		
	Surplus	<u>Development Costs</u>	<u>\$/Unit</u>	<u>\$/NSF</u>	<u>%Direct</u>
		Site Acquisition Cost	\$20,000	\$21	9%
		Directs (incl. sitework)	\$232,200	\$244	100%
		Contingency	\$11,600	\$12	5%
		Fees & Permits, except housing	\$48,000	\$51	21%
		Affordability Fee	\$3,700	\$4	2%
A&E/Taxes/Ins./other indirects		\$25,500	\$27	11%	
Overhead/Admin		\$9,300	\$10	4%	
Financing / Cost of Capital		<u>\$28,400</u>	<u>\$30</u>	<u>12%</u>	
Total Costs	\$378,700	\$399	163%		
Feasibility Finding	Surplus / (Gap)	<u>(\$118,600)</u>	<u>(\$125)</u>	<u>-31%</u>	
	Yield on Cost	4.64%			
	Feasibility Finding	Infeasible / Challenged			

Feasibility Margins (6.75%)

Feasible: Within -3% or more of net profit goal

Marginal Feasibility: -3 to -7% of net profit goal

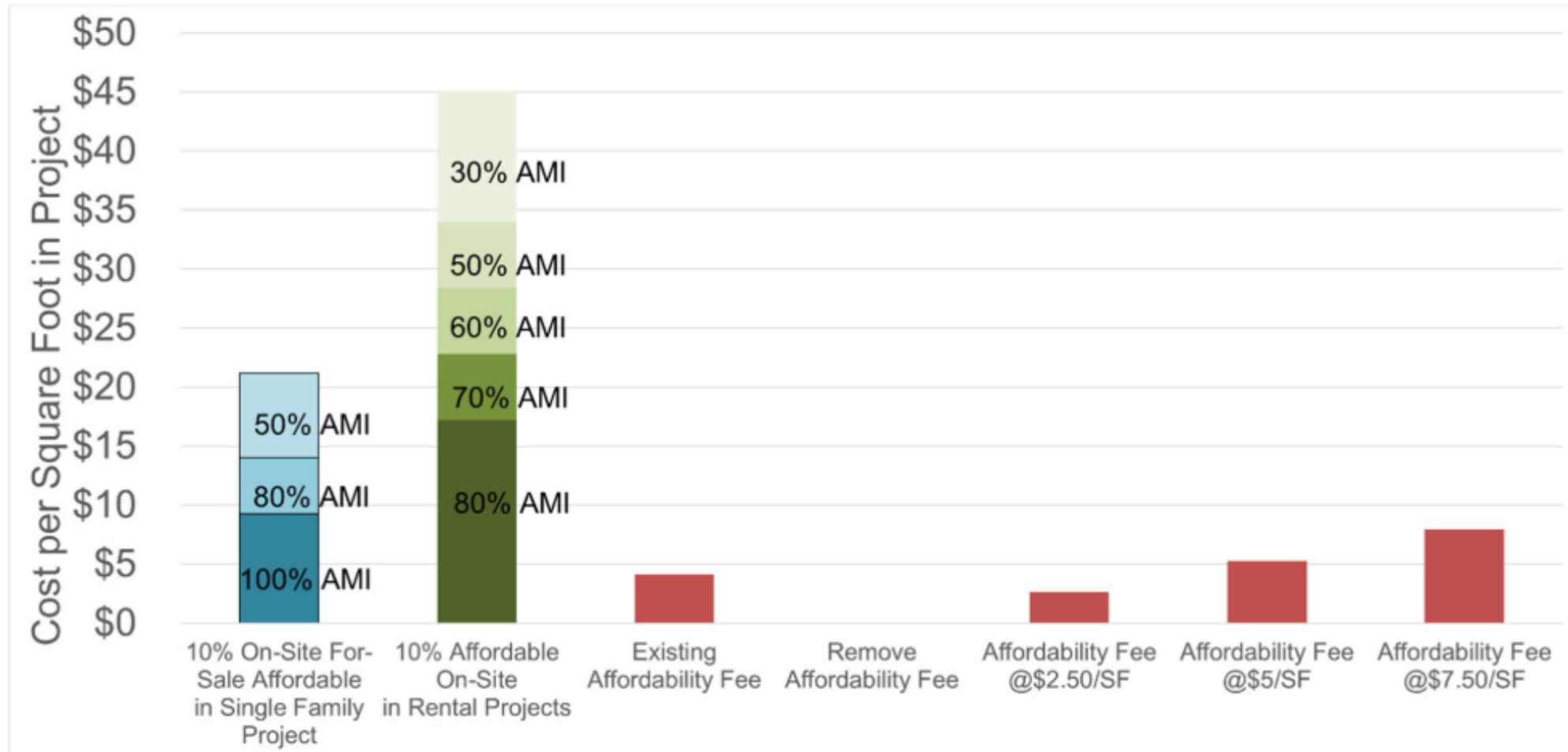
Infeasible / Challenged: -7% or less than net profit goal

NOI = Net Operating Income

NSF = Net Square Foot

Relative Cost of Inclusionary Requirements

Chart 4-1. Per Square Foot Costs of Alternative AHO Requirements



Scenario Testing – For Sale

No.	Description	App A Table	North of I-80		South of I-80 & North of US-50		South of US-50		
			Single Family Prototype 1	Single Family Prototype 2	Single Family Prototype 1	Single Family Prototype 2	Single Family Prototype 1	Single Family Prototype 2	
Fee based	1	Existing Affordability Fee@\$3.91 / SF	5A	I	I	F	F	I	F
	2	Eliminate Affordability Fee	5B	I	I	F	F	I	F
	3	Reduce Affordability Fee to \$2.50 / SF	5C	I	I	F	F	I	F
	4	Affordability Fee of \$5.00 / SF	5D	I	I	F	F	I	F
	5	Affordability Fee of \$7.50 / SF	5E	I	I	F	M	I	M
Inclusionary	6	10% Mod @100% AMI	5F	I	I	F	M	I	M
	7	10% Low @80% AMI	5G	I	I	F	M	I	M
	8	10% Very Low @50% AMI	5H	I	I	M	I	I	I
	9	15% Moderate at 110% AMI	5I	I	I	F	M	I	F
	10	10% Affordable (2% Mod@100% AMI, 4% Low, 4% Very Low)	5J	I	I	F	M	I	M
	11	10% Affordable (4% Low, 6% Very Low)	5K	I	I	F	M	I	M
	12	10% Affordable (7% Low, 3% Very Low)	5L	I	I	F	M	I	M
	13	10% Affordable (5% Low, 5% Very Low)	5M	I	I	F	M	I	M
	14	5% Low @80% AMI	5N	I	I	F	M	I	F
	15	5% Very Low @50% AMI	5O	I	I	F	M	I	M
	16	5% Affordable (2.5% Low, 2.5% Very Low)	5P	I	I	F	M	I	M
	F	Feasible							
	M	Marginal Feasibility							
	I	Infeasible / Challenged							

Key Takeaways – For Sale

- Feasibility is challenged north of I-80
 - Lowest pricing
 - Same land costs as south of US-50
 - 2nd highest fee burden
- Feasibility is strongest between I-80 and US-50
 - Highest pricing
 - Highest land cost (but not by much)
 - Lowest fee burden
 - Mostly infill projects
- Feasibility is mixed south of US-50 where smaller homes are feasible but larger homes are not
 - Middle pricing
 - Same land costs as north of I-80
 - Highest fee burden

Scenario Testing – Rental

Table 3-10. Rental Project Scenario Testing						
No.	Description	App A Table	North of I-80	South of I-80 & North of US-50	South of US-50	
Fee based	1	Existing Affordability Fee@\$3.91 / SF	6A	I	I	I
	2	Eliminate Affordability Fee	6B	I	I	I
	3	Reduce Affordability Fee to \$2.50 / SF	6C	I	I	I
	4	Affordability Fee of \$5.00 / SF	6D	I	I	I
	5	Affordability Fee of \$7.50 / SF	6E	I	I	I
Inclusionary	6	10% Low @80% AMI	6F	I	I	I
	7	10% Low @70% AMI	6G	I	I	I
	8	10% Low @60% AMI	6H	I	I	I
	9	10% Very Low @50% AMI	6I	I	I	I
	10	10% Extremely Low @30% AMI	6J	I	I	I
	11	10% Affordable (4% Low@80% AMI, 6% Very Low)	6K	I	I	I
	12	10% Affordable (7% Low@80% AMI, 3% Very Low)	6L	I	I	I
	13	10% Affordable (5% Low@80% AMI, 5% Very Low)	6M	I	I	I
	14	5% Low@80% AMI	6N	I	I	I
	15	5% Very Low@50% AMI	6O	I	I	I
	16	5% Affordable (2.5% Low@80%, 2.5% Very Low)	6P	I	I	I
F	Feasible					
M	Marginal Feasibility					
I	Infeasible / Challenged					

Key Takeaways – Rental

- 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.
- For developer feasibility, an increase in market rents of approximately 20% to 26%, combined with a decrease in the required return on cost to 6%, is needed. This translates to an estimated monthly rent increase of approximately \$480 to \$590 per month.



SACOG Region Affordable Program Comparison

Overview

15

Programs surveyed in the SACOG Region

3

Impact fee programs, including the County

10

Inclusionary Programs

2

General Plan, project-by-project programs

5-35%

Range of Onsite Affordable Unit Requirements

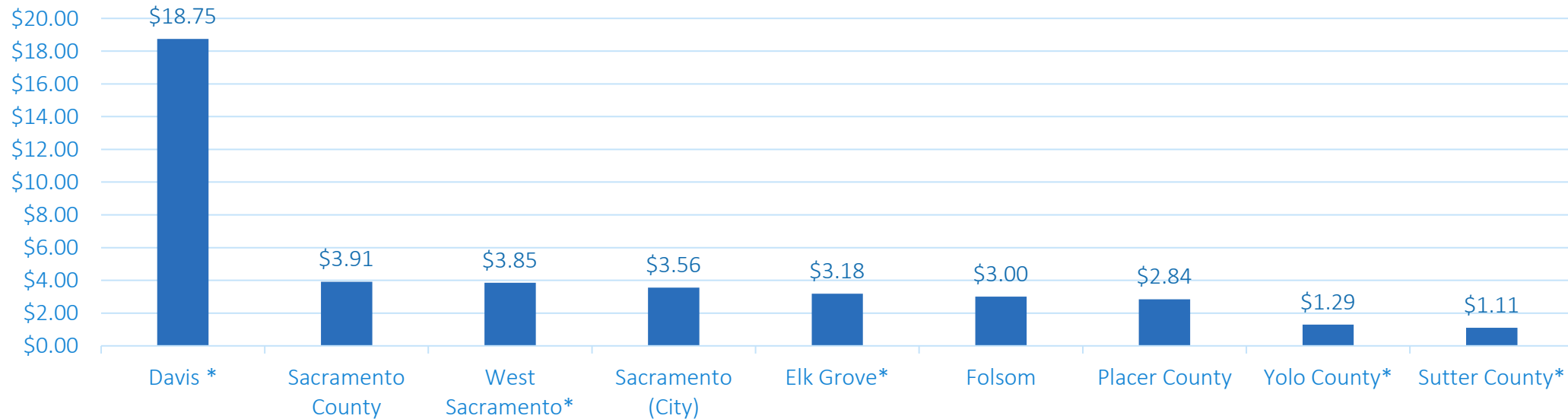
10%

Is the most common (7 Jurisdictions)

Fee Structure

- Jurisdictions assess fees using either
 - Per Square Foot (County)
 - Per Market Rate Unit
 - Per Affordable Unit Owed
- Generally, fees range from \$3 to \$4 per square foot

\$/sf of market rate development



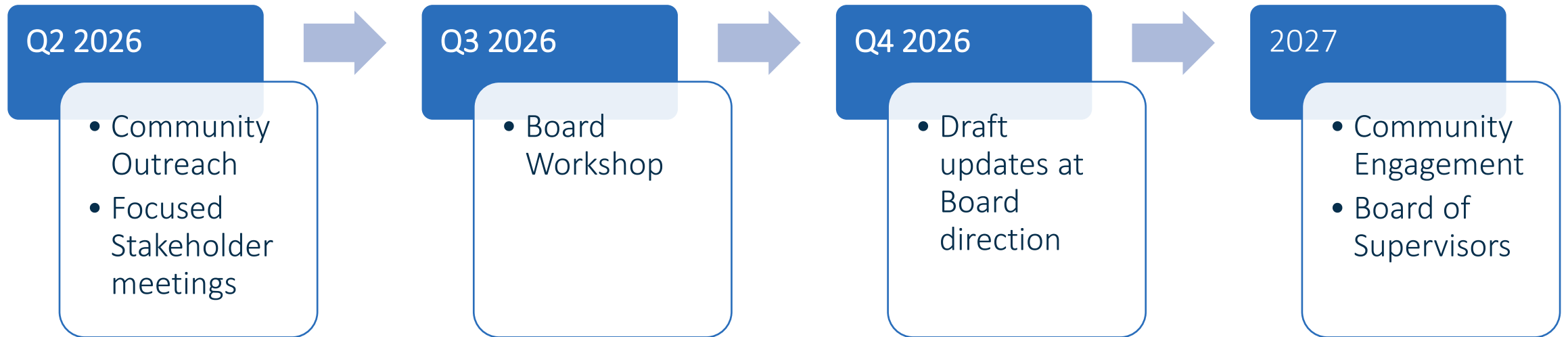


Next Steps

Outcome and Next Steps

- Feedback from tonight will be incorporated into report
- The report documents and these slides will be posted to the county website for community review
- 1:1 and/or focus group meetings
 - More focused discussion on the results of the report to form policy recommendations
 - Focus group meetings open to all. Please email us to schedule your meeting.
- Board Workshop to discuss report results, receive policy direction, and determine next steps
- Sign up for updates and to stay engaged

Project Timeline





Thank You/Questions?

For questions, comments, and to continue the discussion please contact:

Jacob Dawe, Senior Planner

dawej@saccounty.gov

Riley Sholes, Associate Planner

sholesr@saccounty.gov