COUNTY OF SACRAMENTO
CALIFORNIA

PLANNING COMMISSION REPORT

Control No.: PLNP2013-00179
Type: ZOB
Hearing Date: November 18, 2013

TO: COUNTY PLANNING COMMISSION
(Approval will be by Board of Supervisors)

FROM: DEPARTMENT OF COMMUNITY DEVELOPMENT

CONTACT: *Cindy Storelli, Principal Planner, 874-5345; storellic@saccounty.net*

PROJECT DESCRIPTION

PLNP2013-00179. Affordable Housing Ordinance. Repeal the existing Ordinance related to Affordable Housing, and reenact a new Ordinance relating to Affordable Housing, to the Sacramento County Code. Applicant: Sacramento County Department of Community Development; APNs: Various: Environmental Document: Exempt. Supervisor District(s): All

APPLICANT:

County of Sacramento
Department of Community Development
Planning and Environmental Review Division
827 7th Street, Room 225
Sacramento, CA 95814
Attention: Cindy Storelli

DETAILED REQUEST: Workshop on the Affordable Housing Ordinance Amendments which includes:

1. Repeal an existing chapter relating to Affordable Housing, Sections 22.35.010 through 22.35.180 of Chapter 22.35, Title 22, of the Sacramento County Code.
2. Reenact a chapter relating to Affordable Housing, Sections 22.35.010 et al to Chapter 22.35, Title 22, of the Sacramento County Code.

Overview:

The proposed project consists of repealing the existing Affordable Housing Ordinance (Ordinance) and reenactment of a new Ordinance. One purpose for these changes is to lower the requirement on private development from 15 percent to eight percent because the higher percentage was a detriment to the creation of market-rate housing. In addition, a fee will apply to a broader pool of new units based on per square footage of construction throughout the County to increase the overall funding to produce affordable housing. The changes also allow for overall increased flexibility in the mechanisms and strategies to improve actual affordable housing production.

The existing Ordinance requires development projects of five units or more to produce 15 percent of the project's dwelling units at affordable rents or prices, with household income targeting consisting of six percent of the units for Low Income, six percent for Very Low Income and three percent for Extremely Low Income (ELI). The Ordinance allows this be accomplished by either constructing the affordable units at Low and Very Low (the Extremely Low Units are an obligation of the County, not the developer), or by the dedication of land and paying an affordability fee. Projects under 100 units can pay an in lieu fee.

The new Ordinance will offer multiple compliance options, including the construction of units, or the dedication of land to accommodate the units required by an eight percent obligation and payment of a fee per square footage of construction on market rate units. Projects not in master plan areas and under 750 units can pay an affordability fee of $2.50 per square foot on market rate units. In the master plan areas or projects 750 units or larger, the construction or land dedication and fee options will be approved via a development agreement (DA), or in some cases another form of agreement, and a third option allows for the production of an equivalent number of affordable units. Additionally, projects that have an existing affordable housing plan may use their existing plan. The proposed program requires that four percent of the units be for Low Income, four percent for Very Low Income and that that County will set aside at least 10 percent of the funds collected to buy down units for ELI households.

Summary of Significant Issues:

The fundamental change is a reduction in the requirement from a 15 percent to an eight percent requirement. The regulatory framework of the existing Ordinance is lengthy. During the County's public outreach efforts for the Housing Element, market rate residential developers have criticized the existing Ordinance as being too complex and acting as a development constraint and barrier. To date, the Ordinance has had limited success in actually producing housing units affordable to lower income households; certainly well below the number of units intended when the Ordinance was adopted in 2004. Approximately 263 affordable units have been built, eight sites totaling 64.2 acres have been accepted for dedication and $2.6 million in fees have been collected, of which over $2 million was used for ELI buy-down for 41 units. Advocates argue that the economy is what impacted construction and not the Ordinance, and they have long touted Sacramento County's Ordinance as one of the best in the State. How the Ordinance is amended is extremely important to groups on both sides of the issue.

CPAC Recommendation:
The Ordinance has not been reviewed by the Community Planning Advisory Councils (CPACs) but the CPAC members will be informed of the proposal, the workshop before the Planning Commission and the Board Hearings.

Hearing Body*:*
The County Planning Commission and the Sacramento Housing and Redevelopment Commission will hold workshops to review and provide comments to the Board of Supervisors on the proposed Ordinance, including a forum for the community to provide feedback on the Ordinance. Comments received at the meetings will be summarized and provided to the Board of Supervisors on December 10, 2013. The Board of Supervisors is the approving authority for this Ordinance.

Recommendations:
Staff recommends **APPROVAL** of the proposed Ordinance.

I. PROJECT ANALYSIS

A. Background: On December 1, 2004, the County adopted an Affordable Housing Ordinance which requires developers of new residential developments in the unincorporated County to include an affordable housing component in their developments. The Ordinance was subsequently amended several times to address various issues. The current Ordinance requires 15 percent of a project's total units to be affordable:

- Three percent affordable to extremely low income households;
- Six percent affordable to very low income families, and;
- Six percent affordable to low income families.

Projects with less than 100 units pay an in-lieu fee, while projects of over 100 units either dedicate land and pay an affordability fee, or construct rental or for-sale affordable units on or off site equal to fifteen percent of the total units.

An ordinance is one of the tools that a local government can use to support the provision of affordable housing. However, key factors have emerged since 2004 that have prompted the County to reevaluate the Ordinance. The original obligation on private development at 15 percent is a detriment to the creation of market-rate housing. In addition, the Ordinance only applied to those units that were part of an entitlement project and therefore, most infill projects in the County were not required to pay the fee or contribute to the production of affordable units. Also, by applying the fee on a per unit basis, smaller units and larger units all paid the same fee. Relooking at the Ordinance provides an opportunity to consider applying the fee on a per square footage basis which, along with an overall cap on the fee, provides an incentive in the infill areas of the County where homes tend to be smaller in size. Other factors that have prompted the County to reevaluate the Ordinance include the recent State court decisions; the economic downturn, and; the complexity of implementing the current Ordinance.

Recent State Court Decisions: Two recent court decisions (Palmer/Sixth Street Properties, L.P. vs. the City of Los Angeles, and The Central California BIA vs. the City of Patterson) may have significant implications for all inclusionary housing ordinances in the State, including the County's Ordinance:

Palmer: The Court of Appeals found that inclusionary ordinances violate the Costa-Hawkins Act when they require affordable housing in rental developments. As a result, inclusionary ordinances may be prohibited from limiting/restricting rental rates unless public assistance is provided to the project. A recent proposed bill, AB 1229 would have authorized the legislative body of a city or county to establish, as a condition of development, inclusionary housing requirements designating a percentage on new residential units to be affordable to low, very low, and/or extremely low-income households. This bill was couched as a "fix" to the

Palmer/Sixth Street Properties, L.P. v. City of Los Angeles court case from 2009. However, Governor Brown recently vetoed AB 1229. With the veto of the bill, County Counsel has advised that the requirement of rental affordable units must be done via a DA or other agreement with the developers of the projects.

Patterson: The Patterson decision suggests that inclusionary ordinances may be viewed as "exactions" that must be justified by nexus studies which show there is a reasonable relationship between the affordable housing requirement(s) and the impact of the development. Staff secured the services of a consultant to conduct a residential nexus study to demonstrate the effect of market-rate residential development on the demand for affordable housing.

Nexus Study: The draft Residential Nexus Analysis (Attachment A) was completed by Keyser Marston Associates, Inc. in August 2013. The nexus analysis confirms that it is appropriate for the County to implement an impact fee in that newly constructed residential units represent new households and new income in Sacramento County. These households will consume goods and services, and that new consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Lower compensation jobs translate to lower income households that cannot afford market rate units in the County and therefore need affordable housing. The affordability fee determined in the nexus analysis ranges from $13.36 per square foot to $24.20 per square foot depending on the unit type for eight prototype developments in Sacramento County for the impact fee requirement placed on market rate development. On a square footage basis, the nexus analysis would allow the County to establish a fee anywhere between $0.00 per square foot up to $24.20 per square foot (or if translated to a per unit cost, $0.00 per unit up to $34,700 per unit). The fee proposed below at $2.50 per square foot, with a cap of $5,500 per unit is well below the ceiling established by the nexus analysis.

Economic Downturn: Since adoption of the Ordinance in 2004, the housing market experienced an unprecedented economic downturn which exposed two weaknesses in the Ordinance:

The Ordinance is entirely dependent on continued market rate residential development. If market rate development is not occurring, fees are not being generated and land is not being dedicated to support production of affordable housing. Economic fluctuations and uncertainty in the housing market make it difficult to predict how many affordable units will be built and what fees will be collected pursuant to the Ordinance. However, the need for additional affordable housing remains (and may even increase) during economic downturns as memorialized in HCD's recently released technical assistance paper titled, "State of Housing in California 2012: Affordability Worsens, Supply Problems Remain". This disconnect is of great concern and is currently being analyzed by the four State housing agencies/departments as part of the "2012 Affordable Housing Cost Study". Findings and outcomes of this study have not yet been released.

Increased development costs associated with the Ordinance (required affordability fees, land dedication, and/or construction of affordable units) could impact project feasibility in the current and projected future market through the cycle of the current Housing Element which extends to 2021. The County recently conducted a multi-year effort to review all fees, costs and standards associated with market rate development to reduce the overall cost burden for projects. At a recent discussion with the Affordable Housing Working Group (Working Group), it was requested that the overall cost of fees be reviewed, including the affordable housing fees, to see if the overall costs in the County for all fees was more or less in comparison with the overall fees in other nearby cities and counties. It is nearly impossible to do this type of comparison as land values and amenity packages vary widely between jurisdictions and between unincorporated County areas.

Complexity of Implementing the Current Affordable Housing Ordinance: The Ordinance as currently written is complex, in part due to providing a multitude of options and given that the Ordinance includes details about how to implement the options. Reducing complexity is a goal for any amendment to the Ordinance.

During the update process for the 2013 Housing Element, the County indicated that changes to the Ordinance would be processed separate from, but concurrent to, the Element update. The Element was adopted on October 8, 2013. The first key implementation of the Element is to bring forth amendments to the Ordinance.

B. Project Description: The County established the Working Group in 2012 consisting of staff and members of the Building Industry Association (BIA), staff and board members of the Sacramento Housing Alliance (SHA), staff of the Sacramento Housing and Redevelopment Agency (SHRA) and County of Sacramento staff including staff from Community Development and Human Assistance. The Working Group met several times in 2012 for the purpose of educating and sharing information related to the provision of affordable housing in the Sacramento County. Staff benefited by having representatives from both sides of the issue at the table and recognized that reaching a consensus regarding changes to the Ordinance would not be possible. However, listening to issues and concerns raised by both groups has been informative and useful in forming a staff recommendation on the draft Ordinance.

Additionally, staff has reviewed programs and ordinances for other jurisdictions in the Sacramento area. Attachment B is a Summary of Affordable Housing Programs, including fees on non-residential construction. Staff quickly determined that other programs in the area are not readily comparable with each other. However, staff reviewed the programs and considered whether some of the components would be appropriate for Sacramento County. The program that most closely matches the proposed program for Sacramento County is the City of Sacramento's program. Some of the key components from the City's draft program include:

- A fee based on square footage

- A build requirement in the larger project areas
- Ability to modify the program using a development agreement

After reviewing the information collected, and during the meetings with the Working Group, staff proposed a new framework for the Ordinance in October 2013. The major differences between the current Ordinance and the proposed Ordinance (Attachment C) are summarized in the table below and further discussed herein.

Current Ordinance	Proposed Ordinance
Affordable obligation only applies to projects of 5 units or more.	Affordable obligation applies to all newly constructed dwelling units.
Fee out option if less than 100 units.	Infill projects and master plan projects under 750 units pay Affordability Fee on market rate units, with a cap of $5,500 per unit. Smaller projects desiring to produce affordable units equivalent to 8% may also opt to do so rather than paying a fee.
Current Fee is a combination of an In-Lieu and Affordability Fee of $5,500 per unit.	Proposed Affordability Fee is $2.50 per habitable square footage of any newly constructed market rate dwelling unit with a cap of $5,500 per unit.
Requires that 15% of all units be provided as follows: 6% Low 6% Very Low 3% ELI If the developer elects to construct affordable rental units, the obligation is met if 10% of the units are provided for Very Low and 5% for Low Income households; or provides 15% of the For-Sale units for Low Income households.	Requires a Development Agreement that addresses 8% of all units in master plan areas (as defined and described in the ordinance) or large development projects 750 units or larger be constructed as follows: 4% Very Low 4% Low
Land dedication and additional Affordability Fee.	Option with a development agreement: land dedication of a sufficient size to accommodate 8% of the project's units AND pay Affordability Fee of $1.25 per habitable square footage of any newly constructed market rate dwelling unit with a cap of $5,500 per unit.
	Option with a development agreement: modified application of the construct option as long as an equivalent number of units are produced.

Current Ordinance	Proposed Ordinance
	Projects with an existing affordable housing plan may opt to use that plan instead of complying with the new ordinance.
	Certain master plan projects that were approved prior to this ordinance may opt to use another form of agreement rather than a development agreement to amend their current affordable housing plan to be consistent with the new ordinance.
County to buy-down 3% of the units constructed to accommodate ELI.	County to set aside at least 10% of funds collected for ELI Buy-down.
Fees are paid at time of building permit issuance.	Projects that are required to pay fees on market rate units pay at the time of the building permit issuance.
Implementation is via an Affordable Housing Plan approved as part of the project entitlements.	Implementation in master plan areas or large development projects is via a Development Agreement as part of the project entitlements for a master plan.

<u>Examples of Compliance with the proposed Ordinance:</u> Projects under 750 units would pay a fee based on the square footage of the market rate dwelling unit. A 2,200 square foot home would pay $5,500. Homes less than 2,200 square feet would pay less than $5,500 but homes larger than 2,200 square feet would still pay the $5,500 fee based on the cap. A small subdivision of 100 lots with an average sized home of 2,000 square feet would pay $5,000 per market rate home for a total of $500,000.

Projects that are at least 750 units or part of a master plan would have several options to comply with the Ordinance. Two examples are provided below:

For a 750 unit project:

(1) Construct 60 units (30 for Low Income and 30 for Very Low Income); or

(2) Dedicate land that can accommodate 60 units AND pay the 50 percent Affordability Fee of $1.25 for each of the market rate units; at 20 units per acre this would be 3 acres and assuming an average sized home of 2,000 square feet, the fee paid would be $2,500 per home for a total of $1.875 million; or

(3) An alternative plan that produces the equivalent of 60 affordable units.

For a 3,000 unit project:

(1) Construct 240 units (120 for Low Income and 120 for Very Low Income); or

(2) Dedicate land that can accommodate 240 units AND pay the 50 percent Affordability Fee of $1.25 for each of the market rate units; at 20 units per acre

this would be 12 acres, and assuming an average sized home of 2,000 square feet, the fee paid would be $2,500 per home for a total of $6 million; or

(3) An alternative plan that produces the equivalent of 240 affordable units.

Consistency with General Plan: The proposed Ordinance is consistent with the County General Plan, particularly the Housing Element. Several policies and strategies in the Element support the provisions in the Ordinance. The policies and strategy that specifically address Extremely Low-Income (ELI) units are:

Policy HE 4.2.1	Facilitate the development of new Extremely Low-Income (ELI) rental units.
Policy HE 4.2.2	Maintain and preserve existing stock of ELI units.
Strategy D21.	The County through the Sacramento Housing and Redevelopment Agency (SHRA) will continue to administer an “ELI buy-down” program if funding is available from the County’s Affordable Housing Ordinance. (Existing Program HE-38[a])

Several other policies and strategies generally address the provision of affordable housing, including stressing a public/private partnership and supporting the use of local programs, in addition to state and federal programs. The County’s Ordinance is a local program. The funds generated by the Ordinance would be an additional source of local funding to assist in filling the gap for affordable projects.

Policy HE 5.2.1	The County will continue to implement its affordable housing program.
Strategy E3.	The County will review and amend as appropriate its Affordable Housing Ordinance to consider its effectiveness in producing affordable housing, its impact on the production of market rate housing, the current and projected future need for affordable housing in the County and the market’s ability to meet that need, and options to streamline and/or clarify the Ordinance. (Modified Program)
Policy HE 5.2.2	Support the use of federal, state, and local programs for the purchase of affordable housing (new and existing) and assist low- and moderate-income households to purchase such dwelling units. Promote a partnership between the public and private sector for the provision of affordable housing, with an objective of increasing homeownership for low- and moderate-income families.
Policy HE 5.2.3	Support programs that provide assistance to developers who construct affordable rental units.

Policy HE 5.2.4	Support the development of residential accessory dwelling units as a means to increase the overall supply of affordable housing.
Policy HE 5.2.6	Identify new funding sources for the provision of affordable housing.
Policy HE 5.1.1	Preserve the affordability of subsidized rental housing whenever possible through a combination of regulatory and financial incentives.

Details of the Proposed Ordinance: County Code Section 22.35.030 of the proposed Ordinance (Attachment C) describes four different categories for development projects:

- non-master plan areas and projects under 750 dwelling units;
- master plan areas or projects with 750 units or more;
- development projects with an approved affordable housing plan; and
- development projects in certain specific plan, special planning areas or master plan areas.

Non-Master Plan Areas and Projects under 750 Units {Section 22.35.030 (A)}: Projects subject to subsection (A) will pay an Affordability Fee that will be established at $2.50 per habitable square footage of any newly constructed market rate dwelling unit with a maximum of $5,500 per unit. All market rate units would be obligated to pay this fee as opposed to the current ordinance that only applies to entitlement requests with five or more units. This fee would be applied to all projects less than 750 units and not in a master plan (except as noted in subsection (D) of that section). Although the fee-out option is at higher threshold, the fee will apply to a broader pool of new units by establishing a per square footage fee on the construction of certain new market rate units throughout the County to increase the overall funding to produce affordable housing. The changes also allow for overall increased flexibility in the mechanisms and strategies to improve actual affordable housing production. These projects that are required to pay the Affordability Fee, may, alternatively, opt to produce affordable units equivalent to eight percent.

The details of the proposed Ordinance were discussed at several meetings during October and November 2013 with the Working Group. During review by the working group, the representatives from the SHA objected to the change in the unit threshold from 100 units to 750 units, and suggested 150 units as a more acceptable and appropriate threshold. SHA is concerned that the fee is not equivalent to eight percent, and therefore the County will not be able to meet the Regional Housing Needs Allocation (RHNA) numbers set by SACOG. To be an eight percent program, the fee would have to be set at $8.80 per square foot based upon assumptions in the Nexus Study. Staff notes that the fee-out option is not intended to be equivalent to eight percent, and that the affordable housing ordinance is not the only tool that the County is relying on to meet the RHNA obligations. The newly adopted Housing Element contains 16 strategies to preserve and produce affordable housing.

Conversely, the representatives from the BIA expressed a desire that all units be eligible for a fee-out option so that the cost of providing the affordable units can be absorbed. As a backup, if the fee was not available for all units, then the threshold should be a much larger number such as 2,500 units.

Staff does not recommend a lower threshold than 750 units because that lesser unit threshold would result in land dedication sites of smaller than three acres which are generally not large enough to build a project that is competitive or has adequate amenities. Staff does not recommend that the threshold be increased beyond 750 units because there is a strong desire to produce affordable units throughout the County. Since the fee-out option is not equivalent to eight percent, it is the desire of the County to obligate a higher number of units to provide opportunities for affordable housing by either construction, dedication of land and fees, or other options as determined through the DA process.

Attachment D identifies the existing master plan areas, and areas which are either pending master plans, or may require master plans in the future, that may or may not be able to "fee-out" per subsections (B) and (D). The accompanying chart (Attachment E) shows that the number of units subject to the construct or land dedication options discussed below is considerably higher than the potential number of units that can just opt to automatically pay the fee. The chart shows that only one-third of all potential future units in the County would have an opportunity to completely fee-out.

<u>Master Plan Areas or Developments with 750 or More Units {Section 22.35.030 (B)}:</u> Projects subject to subsection (B) are those projects that are located in a master plan area or are 750 units or larger (except as noted in subsection (D) of that section). For the purposes of this Ordinance, a master plan is defined as "a development project approved pursuant to the 2030 General Plan Policies LU-119 and LU-120 when outside the Urban Policy Area, or Policy LU-121 when inside the Urban Policy Area." The projects subject to this section require a Development Agreement that requires that eight percent of all units in master plan areas be leased or sold at an affordable rent or price to low and very low-income households as follows: four percent Low and four percent Very Low.

For these larger projects, the project proponent also has the option to modify the application of the section via a Development Agreement, to dedicate land of a sufficient size to the County that will accommodate eight percent of the project's units AND pay an Affordability Fee that will be established at $1.25 per habitable square footage of any newly constructed dwelling unit. The fee has a cap of $5,500 per unit.

Another option for the larger projects, via a Development Agreement, would be to produce units equivalent to the number of units required under the construct option in (B)(1).

<u>Development Projects with an Approved Affordable Housing Plan {Section 22.35.030 (C)}:</u> Any project that has an approved affordable housing plan can opt to use that plan instead of complying with the new ordinance. Alternatively, a project can opt to comply with the new ordinance under (A), (B) or (D).

<u>Development Projects in Certain Specific Plan, Special Planning Areas or Master Plan Areas {Section 22.35.030 (D)}:</u> Certain projects further defined in subsection (D) of this section have four options for compliance with the ordinance. They can use their existing plan – similar to subsection (C) above, or use one of the same three options as in subsection (B). These projects are Elverta Specific Plan, Easton Place Land Use Master Plan, Glenborough at Easton, Cordova Hills Special Planning Area, Mather Field Special Planning Area, and Mather Field Specific Plan. For the projects in this section, however, the project proponent can elect to use an alternative form of an agreement to avoid amending an existing development agreement.

The reason the projects in (D) are listed separately is because they were developed as "master plans" prior to the adoption of this proposed ordinance and the original affordable housing plans were developed or will be developed on a master plan basis. The Florin-Vineyard Community Plan, North Vineyard Station Specific Plan and the Vineyard Springs Comprehensive Plan are not included in section (D) because those plans were developed prior to or concurrently with the original adoption of the existing 2004 ordinance and therefore the affordable housing plans were not done comprehensively for the entire plan area but rather on a project-by-project basis. The Florin-Vineyard area projects are not covered by this subsection (D) but are covered by the other subsections depending on the size of the project (smaller or larger than 750 units – using either (A) or (B) or could use their existing approved plan (C) if one exists. The specific projects in subsection (D) would need to comply with the provisions in the current ordinance for master plans similar to subsection (B).

<u>Exempted Development Projects {Section 22.35.040}:</u> This section has a short list of exempted projects that includes market rate and affordable units that are part of a multiple family site where the overall density of the project is 17 units per acre and have at least 20 percent of the units affordable to low income renters or buyers can exempt that entire site from the ordinance.

<u>Concurrence{Section 22.35.050}:</u> The concurrency clause in the Ordinance has been retained as previously worded such that no more than 75 percent of the market rate units can be built prior to meeting 100 percent of the affordable obligation, unless otherwise specified in a DA.

<u>ELI Buy-Down Program {Section 22.35.060}:</u> The Ordinance commits that ten percent of the funds collected will be used by the County to buy-down units for ELI

households. This provision is supported by policies in the Housing Element. SHA representatives have requested the ELI buy down set aside be increased to at least 35 percent. The Ordinance does not expressly obligate the developer to agree to ELI buy-down but that can be negotiated as part of a DA.

Affordability Fees {Section 22.35.070}: The affordability fees shall be paid concurrently with the payment of building permit fees and the fee shall be adjusted annually based on the Construction Cost Index-All Cities published by Engineer News-Record/McGraw Hill. This is the same basis as in the current Ordinance. The cost indexing shall apply to both the fee per square footage and the $5,500 cap that is imposed.

Quality of Units {Section 22.35.080}: This section remains with similar wording from the current Ordinance but in addition to the requirement for the quality of the affordable project to be compatible with the market rate units, the County has also included that the amenities in the project must also be compatible with amenities provided for the market rate units.

Accessibility {Section 22.35.090}: This section from the original Ordinance has been modified and retained. The updated Zoning Code will also require that five percent of all multiple family units be built as accessible units.

Fund for Affordability Fees {Section 22.35.130}: The Ordinance specifies that the fees are to be used solely for purchase of land, production of affordable units or buy down of ELI units. This section also allows for the units to be produced in partnership with the SHRA or other housing providers.

Guidelines {Section 22.35.140}: The Ordinance requires the Community Development Director to prepare guidelines to implement the Ordinance. The range of topics to be covered by the guidelines includes, but is not limited to, determining land dedication, what is meant by producing an equivalent number of affordable units, use of credits, resale and equity recapture, determining compatibility of units and amenities with market rate projects, and requirements for submitting affordable housing plans.

C. Community Outreach: County staff has worked with SHRA staff and the Working Group to discuss changes to the Ordinance. This Ordinance requires an amendment to County Code. The County Planning Commission and the Sacramento Housing and Redevelopment Commission will hold workshops to review and provide comments to the Board of Supervisors on the proposed Ordinance, including a forum for the community to provide feedback on the Ordinance. Comments received at the meetings will be summarized and provided to the Board of Supervisors on December 10, 2013. The Board of Supervisors is the approving authority for this Ordinance.

II. ATTACHMENTS

A. Draft Residential Nexus Analysis, August 2013

B. Summary of Affordable Housing Programs

C. Draft Ordinance Relating to the Affordable Housing

D. Map of Existing, Pending and Future Master Plan Areas

E. Potential Residential Unit Capacity in Master Plan Areas

This staff report was prepared on November 12, 2013.

DRAFT

RESIDENTIAL NEXUS ANALYSIS
Affordable Housing Ordinance
Sacramento County, California

Prepared for
County of Sacramento

Prepared by:
Keyser Marston Associates, Inc.

August 2013

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SUMMARY REPORT

The Summary Report provides a concise version of the major findings of the residential nexus analysis conducted to support an update to the Affordable Housing Ordinance in Sacramento County. All of the material is contained in more detail in the appendix sections that follow.

The Sacramento County Affordable Housing Ordinance was first adopted in 2004 with subsequent revisions in 2007. The program applies to the unincorporated areas of the County, and requires that 15% of new housing units must be affordable to very low and low income households. The ordinance allows projects with fewer than 100 units to pay a fee in-lieu of providing units and also provides a mechanism to fund housing units for Extremely Low Income Households.

As discussed in the County's Housing Element, three key factors have prompted a full review of the Affordable Housing Ordinance: 1) recent State Court decisions; 2) the economic downturn; and 3) the complexity of implementing the current ordinance. The County contracted with Keyser Marston Associates to conduct a residential nexus analysis, to be used as support for the County's revisions to the ordinance. This report provides the findings of the residential nexus analysis.

A. MARKET SURVEY AND RESIDENTIAL PROTOTYPES

In collaboration with County staff, a total of four market rate residential prototypes were selected for analysis – three ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative developments generally being built by the private market-place in the unincorporated areas of Sacramento County, in order to gain a general understanding of the economic opportunities and challenges of new residential development today.

The prototypes are summarized in the following table. There are four distinct building types and each building type has two price points – low and high – for a total of eight prototypes. The two price points represent the approximate range of prices in different areas of the unincorporated county. More detailed information about the prototypes is included in Appendix II Table 1.

Residential Prototypes	Density	Avg. Unit Size
For-Sale Prototypes*		
1) Lower Density Single Family Detached	5 du/acre	2,200 sq. ft.
2) Medium Density Single Family Detached	7 du/acre	1,800 sq. ft.
3) Higher Density Attached (condominiums)	20 du/acre	1,000 sq. ft.
Rental Prototype*		
4) 2- to 3-story Apartment Project	20 du/acre	950 sq. ft.

*Note: In the residential nexus analysis, two price points for each prototype are being analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

Since the purpose of the analysis is to examine the impact that the County's Affordable Housing Ordinance has on market rate development projects that would be impacted by the County's affordable housing requirements, these prototypes are all 100% market rate projects.

B. RESIDENTIAL NEXUS ANALYSIS FINDINGS

KMA prepared a Residential Nexus Analysis as a support document in light of recent California Supreme Court Decisions which make it advisable for jurisdictions to demonstrate the relationships between the development of market rate residential units and the need for additional affordable housing. The *Palmer* case in particular precludes jurisdictions from requiring the inclusion of affordable units in rental projects unless there is a negotiated agreement with the city or county in which the local government agrees to concessions. Jurisdictions may, however, require rental (and ownership) projects to pay an impact fee or negotiate for on-site units. This nexus analysis meets the requirements of the California Governmental Code for the implementation of an impact fee.

Following is an abbreviated version of the nexus analysis. For more information, the full report is contained in Appendix I.

1. The Nexus Concept

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households and new income in Sacramento County. These households will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Low compensation jobs translate to lower income households that cannot afford market rate units in the County and therefore need affordable housing.

2. Impact Methodology and Models Used

The analysis is performed using two models. The IMPLAN model is an industry accepted, commercially available model developed over 30 years ago to quantify the impacts of changes in a local economy, including the employment impacts of changes in personal income. The IMPLAN model is "inputted" with net new personal income in Sacramento County and moves through a series of adjustments to disposable income, a distribution of expenditures, and ultimately produces a quantification of jobs generated by industry. The KMA jobs housing nexus model, which was developed nearly 20 years ago to analyze the income structure of job growth, is used to determine the household income of new employee households, identifying how many are at lower income and housing affordability levels.

3. The Sacramento County Residential Prototypes

The residential prototypes described at the outset of this Summary report are the starting point of the nexus analysis. In particular, the sales prices or rent levels of the prototype units are linked to household income and new expenditures in the county. In the residential nexus analysis, two price points for each prototype are analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

KMA conducted a review of the residential real estate market to assign sales prices and rents to the prototypes. The sales prices and rents reflect the current market at the time of the survey, or early months of 2013. More information on this analysis is contained in Appendix II. The eight prototypes with current market rate sales prices or rent levels are:

Nexus Analysis Prototypes				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Avg. Unit Size	2,200 SF		1,800 SF	
Avg. No. of Bedrooms	4 BR		3 BR	
Avg. Sales Price	$260,000	$320,000	$235,000	$290,000

Nexus Analysis Prototypes, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Rent*	*Higher Rent*
Avg. Unit Size	1,000 SF		950 SF	
Avg. No. of Bedrooms	3 BR		2 BR	
Avg. Sales Price/Rent	$150,000	$225,000	$1,200/mo	$1,400/mo

From the sales prices and rent levels, household income is determined using assumptions with respect to a share of income spent on housing and housing purchase terms. For ownership units, 35% of income is spent on housing (including mortgage payments, insurance, property taxes and maintenance), a relationship that is grounded in state housing policy and also reflective of current lending practices. Renters are assumed to spend 30% of their income on rent. As a result, gross household income associated with each of the prototypes is as follows:

Gross Household Income				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000

Gross Household Income, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000

The nexus analysis is conducted on 100-unit project modules for ease of presentation and to avoid awkward fractions.

4. IMPLAN Model Results

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in Sacramento County. The IMPLAN model first converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The model then distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

Jobs Generated per 100 Units				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000
Total Jobs Generated, 100 units	54.9	63.6	48.1	56.9

Jobs Generated per 100 Units, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000
Total Jobs Generated, 100 units	34.0	45.0	38.9	42.7

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (i.e. supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments (wholesalers, janitorial contractors, accounting firms, or any jobs down the service/supply chain from direct jobs), and jobs generated when the new employees spend their wages in the local economy and generate additional jobs.

In the full nexus report, jobs generated by the larger industry categories are indicated in the tables. Jobs in Eating and Drinking establishments represent the single greatest concentration. However if all retail categories were aggregated, even without the eating and drinking, they would be the single largest group of jobs. Medical related services represent another major job category.

5. Compensation Levels of Jobs and Household Income

The output of the IMPLAN model – the numbers of jobs by industry – are then “input” into the Keyser Marston Associates jobs housing nexus analysis model to quantify the compensation level of new jobs and the income of the worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches local wage distribution data to the occupations, using recent Sacramento County data from the California Employment Development Department (EDD). The KMA model also converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced.

The output of the model is the number of new worker households by income level (expressed in relation to the Area Median Income, or AMI) attributable to the new residential units and new households in Sacramento County. The income limits used in the analysis are those published by the California Department of Housing and Community Development (HCD). Typically, HCD uses the U.S. Department of Housing and Urban Development’s income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income limits for Sacramento, therefore, reflect the implementation of HCD’s ‘hold harmless’ policy, which allows the 2012 income limits to remain in effect instead of the lower income limits.

Following are the numbers of worker households by income level associated with the Sacramento County prototype units.

New Worker Households by Income Level per 100 Market Rate Units

	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	10.8	12.7	9.4	11.4
50% to 80% AMI	10.3	12.0	9.0	10.8
Total, Less than 80% AMI	21.1	24.7	18.4	22.1
Greater than 80% AMI	14.9	16.9	13.0	15.1
Total, New Households	36.0	41.7	31.5	37.2

New Worker Households by Income Level per 100 Market Rate Units, cont’d

	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	6.6	8.8	7.6	8.4
50% to 80% AMI	6.4	8.4	7.3	8.0
Total, Less than 80% AMI	13.1	17.3	14.9	16.4
Greater than 80% AMI	9.2	12.2	10.5	11.6
Total, New Households	22.3	29.5	25.5	28.0

6. Impact Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a dollar amount on the cost of mitigating the affordable housing impacts. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need. Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level.

The County intends to use the impact fee revenues to assist in the production of rental units for households in the Very Low and Low Income categories. KMA prepared an estimate of total development cost (inclusive of land, all fees and permits, financing and other indirect costs) for typical affordable rental units. KMA drew this estimate from a review of development pro forma summaries of recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the new affordable rental units have 1.5 bedrooms and total development costs equal to $223,000.

The affordability gap for rental units is the difference between the total development cost and the capitalized value of the affordable unit. To calculate the unit value, the net operating income (annual income less operating expenses) is capitalized at 6.75%. More information on the calculation of the affordability gaps can be found in Appendix II.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will always be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach, and one that the County has employed in other similar analyses. The City of Sacramento employs this approach as well.

The resulting affordability gaps are as follows:

- $173,000 for households in the under 50% AMI category;
- $105,000 for households in the 50% to 80% AMI category;

When the affordability gap conclusions for each income tier are linked to the number of affordable units required as a result of market rate development (as indicated in the inset table on the previous page) and divided by 100 units, the result is a Total Nexus Cost per new market rate residential unit. The results per unit are:

Total Nexus Cost Per Market Rate Unit					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Very Low Income	$173,000	$18,600	$22,000	$16,300	$19,600
Low Income	$105,000	$10,800	$12,700	$9,500	$11,300
Total Nexus Costs		**$29,400**	**$34,700**	**$25,800**	**$30,900**

Total Nexus Cost Per Market Rate Unit, cont'd					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Very Low Income	$173,000	$11,500	$15,300	$13,100	$14,500
Low Income	$105,000	$6,700	$8,900	$7,700	$8,400
Total Nexus Costs		**$18,200**	**$24,200**	**$20,800**	**$22,900**

Developments with fewer than 100 units are currently allowed to pay an in-lieu fee instead of providing affordable units within the project. The current fee is $5,600 per market rate unit. The fee is calculated by the County based on land costs and affordable subsidies. The maximum supported nexus cost far exceeds the recent fee level adopted by the County.

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Prototype Size (Sq Ft)		2,200 SF		1,800 SF	
Very Low Income	$173,000	$8.45	$10.00	$9.06	$10.89
Low Income	$105,000	$4.91	$5.77	$5.28	$6.28
Total Nexus Costs		**$13.36**	**$15.77**	**$14.33**	**$17.17**

Total Nexus Cost Per Sq. Ft., cont'd.					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
		Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Prototype Size (Sq Ft)		1,000 SF		950 SF	
Very Low Income	$173,000	$11.50	$15.30	$13.79	$15.26
Low Income	$105,000	$6.70	$8.90	$8.11	$8.84
Total Nexus Costs		**$18.20**	**$24.20**	**$21.89**	**$24.11**

These costs express the total linkage or nexus costs for the eight prototype developments in Sacramento County. These total nexus costs represent the ceiling for any impact fee requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees may be set.**

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APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

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INTRODUCTION AND OVERVIEW

Keyser Marston Associates (KMA) has prepared this residential nexus analysis for Sacramento County per a contractual agreement. This report has been prepared to support revisions to the County's Affordable Housing Ordinance and to quantify the maximum impact fees supported, which may be applied to all residential projects. This residential nexus analysis addresses market rate residential projects and the various types of units that are subject to the Affordable Housing Ordinance, and quantifies the linkages between new market rate units and the demand for affordable housing generated by the residents of new units.

The Sacramento County Context and Purpose of Report

The Sacramento County Affordable Housing Ordinance was first adopted in 2004 with subsequent revisions in 2007. The program applies to the unincorporated areas of the County, and requires that 15% of new housing units must be affordable to very low and low income households. The ordinance allows projects with fewer than 100 units to pay a fee in-lieu of providing units and also provides a mechanism to fund housing units for Extremely Low Income Households.

As discussed in the County's Housing Element, three key factors have prompted a full review of the Affordable Housing Ordinance: 1) recent State Court decisions; 2) the economic downturn; and 3) the complexity of implementing the current ordinance. The County contracted with Keyser Marston Associates to conduct a residential nexus analysis which would be used as support for the County's revisions to the ordinance. This report provides the findings of the residential nexus analysis.

This analysis will demonstrate the percentage of affordable units supported and will also quantify impact fee levels supported from a nexus perspective. The analysis will also enable the County to restructure the program as it applies to rental projects so that rental projects may be charged an impact fee.

The Nexus Concept

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households in Sacramento County. These households represent new income in the county that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Sacramento County and therefore need affordable housing.

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of determining nexus support to the County of Sacramento Affordable Housing Ordinance affecting new residential construction. It has not been prepared as a document to guide policy design in the broader context. We caution against the use of this study, or any impact study for that matter, for purposes beyond the intended use. All impact studies are limited and imperfect, but can be helpful for understanding the externalities created by new development.

The nexus analysis presented in this report is an impact analysis only and the nexus amounts are not recommended fee levels. The analysis has been prepared solely to demonstrate support for inclusionary measures and impact fees from the nexus perspective.

Methodology and Models Used

The methodology or analysis procedure for this nexus analysis starts with the sales price (or rental rate) of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the disposable income of the new household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doings those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a house at a certain price. From that price, we estimate the gross income of the household (from mortgage rates and lending practices) and the disposable income of the household. The disposable income, on average, will be used to “purchase” or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in Sacramento County.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in Sacramento County. If purchasers or renters have relocated from elsewhere in the county, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if Sacramento were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

On an individual project basis, if existing units are removed to redevelop a site to higher density, then there could be a need for recognition of the existing households in that all new units might not represent net new households, depending on the program design and number of units removed relative to new units.

Since the analysis addresses net new households in Sacramento County and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

Geographic Area of Impact

The analysis quantifies impacts occurring within all of Sacramento County and not just the unincorporated areas. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the County and outside of the County. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the KMA nexus analysis quantifies all the job impacts occurring within Sacramento County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond unincorporated county boundaries are experienced, are relevant, and are important. See Notes on Specific Assumptions at the end of this Appendix for further discussion.

Disclaimers

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau: 2009-2011 American Community Survey, California Employment Development Department and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

A. MARKET RATE UNITS AND GROSS HOUSEHOLD INCOME

This section describes the prototypical market rate units that are subject to affordable housing requirements under the Sacramento County's Affordable Housing Ordinance and the income of the purchaser and renter households. Household income is the input to the IMPLAN model described in Section B of this report. These are the starting points of the chain of linkages that connect new market rate units to incremental demand for affordable residential units.

This section provides a summary of the prototypes and household income. More description and supporting tables are provided in Appendix II.

Recent Housing Market Activity and Prototypical Units

To identify the residential prototypes, KMA undertook a market survey of projects covering all types of residential units developed in unincorporated Sacramento County in recent years. The survey was taken in the winter/spring of 2012 and 2013, a period when the housing market in Sacramento is still suffering from the severe conditions brought on by the Great Recession.

The results of the market survey and the selection of prototypes are summarized in the table on the following page. The main objective of the survey was to establish current sales prices or rents per unit and per square foot for the various residential project types recently developed, or expected to be developed in the future, in unincorporated Sacramento County. Table A-1 at the end of this section provides a more detailed summary of the market rate prototypes. Note that four building types were identified and each building type has two price points, depending on the location within the county. Thus, in total, there are eight prototypes.

Total development costs were assembled for each of the prototype projects. The assumptions are based on data gathered from a variety of sources including third party market and cost data sources, KMA's experience with residential projects in other assignments, and discussions with Sacramento developers and other housing.

It is important to note that the prototypes analysis is intended to reflect average or typical residential projects in the Sacramento County market rather than the economics for any specific project. It would be expected that the economics for specific projects would vary to some degree from the prototypes analysis contained herein.

In summary, the prototypes tested in the nexus analysis are as follows:

Nexus Analysis Prototypes				
	Lower Density SF		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Avg. Unit Size	2,200 SF		1,800 SF	
Avg. No. of Bedrooms	4 BR		3 BR	
Avg. Sales Price	$260,000	$320,000	$235,000	$290,000

Nexus Analysis Prototypes, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Rent*	*Higher Rent*
Avg. Unit Size	1,000 SF		950 SF	
Avg. No. of Bedrooms	3 BR		2 BR	
Avg. Sales Price/Rent	$150,000	$225,000	$1,200/mo	$1,400/mo

Income of Housing Unit Purchasers or Renter

After the prototypes are established, the next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units. The gross household income of the purchasers or renters is the input to the IMPLAN model.

Ownership Units

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. The selected terms for the analysis are: 10% down payment, 30 year fixed rate mortgage, 5.0% interest rate. Tables A-2 through A-7 at the end of this section provide the details.

The single family detached units include as expenses an allowance for maintenance. The attached unit prototypes include as expenses monthly homeowners' association (HOA) dues, per industry practice. All ownership product types include an estimate of mortgage insurance, homeowners' insurance and property taxes as well. A key assumption is that housing costs run, on average, at about 35% of gross income. In the past, lending institutions have been willing to accept higher than 35% for all debt as a share of income, but most households have other forms of debt, such as auto loans, student loans, and credit card debt.

Apartment Units

The standard for relating annual rent to household income is 30%, excluding utilities. While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This is based on that fact that renters are also likely to have other debt, and that many do not choose to spend more than 30% of their income on rent, since, unlike an ownership situation, the unit is not viewed as an investment with value enhancement potential. The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in tables A-2 through A-9, and summarized below.

Gross Household Income				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000

Gross Household Income, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Tables A-10 and A-11 summarize the conclusions of this section and calculate the total gross household income for the 100-unit building modules. This is the input into the IMPLAN model.

APPENDIX I TABLE A1
RESIDENTIAL PROTOTYPES
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		Medium Density Single Family Detached		Higher Density Attached		2-3 Story Apartment Project	
Units (50-unit segments)	50	units	50	units	50	units	50	units
Density (units/acre)	5.0	du/acre	7.0	du/acre	20.0	du/acre [(1)]	20.0	du/acre
Site Acres	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Avg Unit sq. ft.	2,200	sf	1,800	sf	1,000	sf	950	sf
Avg bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Type	Garage		Garage		Garage		Surface	
Dedicated spaces/unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Price Range	Lower	Higher	Lower	Higher	Lower[(2)]	Higher[(2)]	Lower	Higher
Price	$260,000	$320,000	$235,000	$290,000	$150,000	$225,000	(Rent)	(Rent)
Per Sq. Ft.	$118	$145	$131	$161	$150	$225	$1.20	$1.40

(1) Range of 18-22 du/acre

(2) There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.

APPENDIX I TABLE A2
PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 1A Lower Density Single Family Detached - Lower Price
Sales Price	$120 /SF	2,200 SF	$260,000
Mortgage Payment			
Downpayment @ 10%		10%	$26,000
Loan Amount			$234,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$15,100
Other Costs			
Mortgage Insurance	0.5%	loan amount	$1,200
Homeowner Insurance	0.3%	sale price	$800
Maintenance	$400	per month	$4,800
Property Taxes	1.25%	of sales price	$3,300
Total Annual Housing Cost			$25,200
% of Income Spent on Hsg			35%
Annual Household Income Required			**$72,000**
Sales Price to Income Ratio			3.6

Notes
(1) Above current favorable rates but lower than longer term averages.

APPENDIX I TABLE A3
PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 1B Lower Density Single Family Detached - Higher Price
Sales Price	$150 /SF	2,200 SF	$320,000
Mortgage Payment			
Downpayment @ 10%		10%	$32,000
Loan Amount			$288,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$18,600
Other Costs			
Mortgage Insurance	0.5%	loan amount	$1,400
Homeowner Insurance	0.3%	sale price	$1,000
Maintenance	$400	per month	$4,800
Property Taxes	1.25%	of sales price	$4,000
Total Annual Housing Cost			$29,800
% of Income Spent on Hsg			35%
Annual Household Income Required			**$85,000**
Sales Price to Income Ratio			3.8

Notes
(1) Above current favorable rates but lower than longer term averages.

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APPENDIX I TABLE A4
PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 2A Medium Density Single Family Detached - Lower Price
Sales Price	$130 /SF	1,800 SF	$235,000
Mortgage Payment			
Downpayment @ 10%		10%	$23,500
Loan Amount			$211,500
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$13,600
Other Costs			
Mortgage Insurance	0.5%	loan amount	$1,100
Homeowner Insurance	0.3%	sale price	$700
Maintenance	$325	per month	$3,900
Property Taxes	1.25%	of sales price	$2,900
Total Annual Housing Cost			$22,200
% of Income Spent on Hsg			35%
Annual Household Income Required			**$63,000**
Sales Price to Income Ratio			3.7

Notes
(1) Above current favorable rates but lower than longer term averages.

APPENDIX I TABLE A5
PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 2B Medium Single Family Detached - Higher Price
Sales Price	$160 /SF	1,800 SF	$290,000
Mortgage Payment			
Downpayment @ 10%		10%	$29,000
Loan Amount			$261,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$16,800
Other Costs			
Mortgage Insurance	0.50%	loan amount	$1,300
Homeowner Insurance	0.30%	sale price	$900
HOA Dues / Maintenance	$325	per month	$3,900
Property Taxes	1.25%	of sales price	$3,600
Total Annual Housing Cost			$26,500
% of Income Spent on Hsg			35%
Annual Income Required			**$76,000**
Sales Price to Income Ratio			3.8

Notes
(1) Above current favorable rates but lower than longer term averages.

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APPENDIX I TABLE A6
PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 3A Higher Density Attached - Lower Price
Sales Price	$150 /SF	1,000 SF	$150,000
Mortgage Payment			
Downpayment @ 10%		10%	$15,000
Loan Amount			$135,000
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$8,700
Other Costs			
Mortgage Insurance	0.50%	loan amount	$675
Homeowner Insurance	0.30%	sale price	$500
HOA Dues / Maintenance	$250	per month	$3,000
Property Taxes	1.25%	of sales price	$1,900
Total Annual Housing Cost			$14,775
% of Income Spent on Hsg			35%
Annual Income Required			**$42,000**
Sales Price to Income Ratio			3.6

Notes
(1) Above current favorable rates but lower than longer term averages.

APPENDIX I TABLE A7
PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE
SALES PRICE TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 3B Higher Density Attached - Higher Price
Sales Price	$225 /SF	1,000 SF	$225,000
Mortgage Payment			
Downpayment @ 10%		10%	$22,500
Loan Amount			$202,500
Interest Rate			5.0% [1]
Term of Mortgage			30 years
Annual Mortgage Payment			$13,000
Other Costs			
Mortgage Insurance	0.50%	loan amount	$1,013
Homeowner Insurance	0.30%	sale price	$700
HOA Dues / Maintenance	$250	per month	$3,000
Property Taxes	1.25%	of sales price	$2,800
Total Annual Housing Cost			$20,513
% of Income Spent on Hsg			35%
Annual Income Required			**$59,000**
Sales Price to Income Ratio			3.8

Notes
(1) Above current favorable rates but lower than longer term averages.

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APPENDIX I TABLE A8
PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT
RENT TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 4A 2-3 Story Apartment Complex - Lower Rent
Market Rent			
Monthly	$1.26 /SF	950 SF	$1,200
Annual			$14,400
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			**$48,000**
Annual Rent to Income Ratio			3.3

APPENDIX I TABLE A9
PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
ANNUAL RENT TO INCOME RATIO
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

			Prototype 4B 2-3 Story Apartment Complex - Higher Rent
Market Rent			
Monthly	$1.47 /SF	950 SF	$1,400
Annual			$16,800
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			**$56,000**
Annual Rent to Income Ratio			3.3

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APPENDIX I TABLE A10
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	$260,000	$120	$26,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	$72,000		**$7,200,000**
PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	2,200		220,000
Sales Price	$320,000	$150	$32,000,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$85,000		**$8,500,000**
PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,800		180,000
Sales Price	$235,000	$130	$23,500,000
Sales Price to Income Ratio	3.7		3.7
Gross Household Income	$63,000		**$6,300,000**
PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,800		180,000
Sales Price	$290,000	$160	$29,000,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$76,000		**$7,600,000**

Source: See Nexus Analysis Tables 1 through 4.

APPENDIX I TABLE A11
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,000		100,000
Sales Price	$150,000	$150	$15,000,000
Sales Price to Income Ratio	3.6		3.6
Gross Household Income	$42,000		**$4,200,000**
PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE			
Units			***100 Units***
Building Sq.Ft. (net salable area)	1,000		100,000
Sales Price	$225,000	$225	$22,500,000
Sales Price to Income Ratio	3.8		3.8
Gross Household Income	$59,000		**$5,900,000**
PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT			
Units			***100 Units***
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	$1,200	$1.26 /SF	$120,000
Annual	$14,400	$15.12 /SF	$1,440,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	$48,000		**$4,800,000**
PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT			
Units			***100 Units***
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	$1,400	$1.47 /SF	$140,000
Annual	$16,800	$17.64 /SF	$1,680,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	$56,000		**$5,600,000**

Source: Nexus Analysis Tables 5 through 8.

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B. THE IMPLAN MODEL

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN model is an economic analysis software package now commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts for a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is generated by tracking changes in purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 400 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for Sacramento County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the county and outside of the county. In fact, Sacramento is part of the larger regional economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in the nexus analysis, only the impacts that occur within Sacramento County are included in the analysis. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries.

Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in Sacramento County. Employment generated by the household income of residents is analyzed in modules of 100 residential units to simplify communication of the results and avoid awkward fractions. The IMPLAN model first converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The model then distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

Jobs Generated per 100 Units				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$72,000	$85,000	$63,000	$76,000
Total Jobs Generated, 100 units	54.9	63.6	48.1	56.9

Jobs Generated per 100 Units, cont'd.				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Gross Household Income	$42,000	$59,000	$48,000	$56,000
Total Jobs Generated, 100 units	34.0	45.0	38.9	42.7

Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. Expenditure patterns vary by income level, and the IMPLAN results are calculated according to the income bracket. For this analysis, there are three household income categories: $75,000 - $100,000 (Lower Density SFR – higher price and Medium Density SFR – higher price), $50,000 - $75,000 (Lower Density SFR – lower price and Medium Density SFR – lower price, Higher Density Attached – higher price, and the higher rent apartment) and $35,000 - $50,000 (Higher Density Attached – lower price and the lower rent apartment). Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated within the county are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care and real estate.

The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

APPENDIX I TABLE B1
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

Per 100 Market Rate Units	1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	% of Jobs	1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER	% of Jobs	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	% of Jobs	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	% of Jobs	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	% of Jobs	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	% of Jobs	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	% of Jobs	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT	% of Jobs
Gross Income of New Residents (in 100 Market Rate Units) [1]	$7,200,000		$8,500,000		$6,300,000		$7,600,000		$4,200,000		$5,900,000		$4,800,000		$5,600,000	
Employment Generated by Industry [2]																
Food services and drinking places	6.4	12%	7.6	12%	5.6	12%	6.8	12%	3.6	11%	5.2	12%	4.1	11%	5.0	12%
Real estate establishments	3.0	5%	3.2	5%	2.6	5%	2.9	5%	1.9	6%	2.5	5%	2.2	6%	2.3	5%
Private hospitals	2.8	5%	2.5	4%	2.4	5%	2.2	4%	1.5	4%	2.3	5%	1.7	4%	2.2	5%
Offices of physicians, dentists, and other health practitioners	2.7	5%	3.3	5%	2.4	5%	2.9	5%	1.8	5%	2.2	5%	2.0	5%	2.1	5%
Nursing and residential care facilities	1.8	3%	1.4	2%	1.6	3%	1.3	2%	1.4	4%	1.5	3%	1.6	4%	1.4	3%
Retail Stores - General merchandise	1.8	3%	2.5	4%	1.6	3%	2.3	4%	1.1	3%	1.5	3%	1.3	3%	1.4	3%
Wholesale trade businesses	1.7	3%	2.0	3%	1.5	3%	1.8	3%	0.9	3%	1.4	3%	1.1	3%	1.3	3%
Securities, commodity contracts, investments, and related activities	1.7	3%	2.2	3%	1.5	3%	1.9	3%	1.0	3%	1.4	3%	1.2	3%	1.3	3%
Retail Stores - Food and beverage	1.6	3%	2.2	4%	1.4	3%	2.0	4%	1.0	3%	1.3	3%	1.1	3%	1.2	3%
Nondepository credit intermediation and related activities	1.5	3%	1.7	3%	1.3	3%	1.5	3%	0.8	2%	1.2	3%	1.0	2%	1.1	3%
Private household operations	1.3	2%	1.7	3%	1.1	2%	1.6	3%	0.9	3%	1.1	2%	1.1	3%	1.0	2%
Individual and family services	1.3	2%	1.2	2%	1.1	2%	1.0	2%	1.0	3%	1.0	2%	1.1	3%	1.0	2%
Employment services	1.1	2%	1.2	2%	0.9	2%	1.1	2%	0.7	2%	0.9	2%	0.8	2%	0.8	2%
Retail Stores - Motor vehicle and parts	1.0	2%	1.4	2%	0.9	2%	1.3	2%	0.6	2%	0.8	2%	0.7	2%	0.8	2%
Other private educational services	0.9	2%	0.7	1%	0.8	2%	0.6	1%	0.4	1%	0.8	2%	0.5	1%	0.7	2%
Retail Nonstores - Direct and electronic sales	0.9	2%	1.3	2%	0.8	2%	1.1	2%	0.6	2%	0.7	2%	0.7	2%	0.7	2%
Civic, social, professional, and similar organizations	0.9	2%	0.9	1%	0.8	2%	0.8	1%	0.5	2%	0.7	2%	0.6	2%	0.7	2%
Retail Stores - Clothing and clothing accessories	0.8	2%	1.2	2%	0.7	2%	1.1	2%	0.5	2%	0.7	2%	0.6	2%	0.6	2%
Services to buildings and dwellings	0.8	1%	0.9	1%	0.7	1%	0.8	1%	0.5	1%	0.7	1%	0.6	1%	0.6	1%
Retail Stores - Miscellaneous	0.8	1%	1.1	2%	0.7	1%	1.0	2%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Personal care services	0.8	1%	0.8	1%	0.7	1%	0.7	1%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Child day care services	0.8	1%	0.7	1%	0.7	1%	0.6	1%	0.5	2%	0.6	1%	0.6	2%	0.6	1%
Legal services	0.7	1%	0.8	1%	0.6	1%	0.8	1%	0.5	1%	0.6	1%	0.6	1%	0.6	1%
Insurance carriers	0.7	1%	0.9	1%	0.6	1%	0.8	1%	0.4	1%	0.6	1%	0.5	1%	0.6	1%
Private elementary and secondary schools	0.7	1%	0.7	1%	0.6	1%	0.7	1%	0.3	1%	0.6	1%	0.3	1%	0.6	1%
Medical and diagnostic labs and outpatient and other ambulatory care se	0.7	1%	0.9	1%	0.6	1%	0.8	1%	0.4	1%	0.6	1%	0.5	1%	0.5	1%
Monetary authorities and depository credit intermediation activities	0.6	1%	0.7	1%	0.5	1%	0.7	1%	0.4	1%	0.5	1%	0.4	1%	0.5	1%
Retail Stores - Health and personal care	0.6	1%	0.9	1%	0.5	1%	0.8	1%	0.4	1%	0.5	1%	0.4	1%	0.5	1%
Grantmaking, giving, and social advocacy organizations	0.6	1%	0.6	1%	0.5	1%	0.5	1%	0.4	1%	0.5	1%	0.5	1%	0.5	1%
Community food, housing, and other relief services, including rehabilitati	0.6	1%	0.2	0%	0.5	1%	0.2	0%	0.4	1%	0.5	1%	0.5	1%	0.5	1%
Automotive repair and maintenance, except car washes	0.6	1%	0.6	1%	0.5	1%	0.6	1%	0.3	1%	0.5	1%	0.4	1%	0.4	1%
Retail Stores - Building material and garden supply	0.5	1%	0.7	1%	0.5	1%	0.7	1%	0.3	1%	0.4	1%	0.4	1%	0.4	1%
All Other	12.3	22%	14.8	23%	10.8	22%	13.3	23%	7.6	22%	10.1	22%	8.7	22%	9.6	22%
Total Employment Generated	54.9	100%	63.6	100%	48.1	100%	56.9	100%	34.0	100%	45.0	100%	38.9	100%	42.7	100%

Notes:

1 The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Nexus Analysis Tables 9 and 10 for estimates of the gross income of residents of the prototypical 100 unit buildings. The model produces results by income category. For this analysis, there are three household income categories: $75,000 - $100,000 (Prototypes 1B and 2B), $50,000 - $75,000 (Prototypes 1A, 2A, 3B, and 4B) and $35,000 - $50,000 (Prototypes 3A and 4A). Expenditures patterns, and therefore, occupation distribution, varies by income category.

2 For Industries representing more than 1% of total employment for any of the two IMPLAN income categories (see note 1).

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C. THE KMA JOBS HOUSING NEXUS MODEL

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower income housing units required in each of three income categories, for each of the eight residential prototype units.

Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable households per 100 market rate units.

The analysis addresses the affordable unit demand associated with single family detached, single family attached and rental units in Sacramento County. The table below shows the 2013 Sacramento County Area Median Income (AMI), as well as the income limits for the income categories that were evaluated: 50% and 80% of AMI. The income definitions used in the analysis are those published by the California Department of Housing and Community Development (HCD). Typically, HCD uses the U.S. Department of Housing and Urban Development's income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income limits for Sacramento County, therefore, reflect the implementation of HCD's 'hold harmless' policy, which allows the 2012 income limits to remain in effect instead of the lower income limits.

The income categories are consistent with those included in the County's Affordable Housing Ordinance.

2013 Income Limits for Sacramento County

	Household Size (Persons)					
	1	*2*	*3*	*4*	*5*	*6 +*
50% of Median	$26,650	$30,450	$34,250	$38,050	$41,100	$44,150
80% of Median	$42,650	$48,750	$54,850	$60,900	$65,800	$70,650
Area Median Income	$53,250	$60,900	$68,500	$76,100	$82,200	$88,300

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

The tables at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

Step 1 – Estimate of Total New Employees

Table C-1 commences with the total number of employees associated with the new market rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B).

Step 2 – Adjustment from Employees to Employee Households

This step (Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.53 workers per worker household (from the U. S. Census Bureau 2009-2011 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.53 to determine the number of worker households. (Average workers related to all households is a lower ratio because all households are counted in the denominator, not just worker households; using average workers per total households would produce greater demand for housing units.) The 1.53 ratio covers all workers, full and part time.

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2011 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit North American Industry Classification System Code (NAICS) used in the OES. Each IMPLAN industry sector is associated with one or more NAICS codes, with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes was distributed among the matching codes based on the distribution of employment among those industries at the national level. Employment for IMPLAN sectors where matching NAICS codes were only at the two- or three-digit level of detail was distributed using a similar approach, among all of the corresponding four-digit NAICS codes falling under the broader two- or three-digit categories.

National-level employment totals for each industry within the OES were pro-rated to match the employment distribution projected using the IMPLAN model, which varies by income category. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees, by income category. Table C-2 presents a summary of the results for the Lower Density SFR – higher price and Medium Density SFR – higher price. Table

C-3 presents the results for the Lower Density SFR – lower price, Medium Density SFR – lower price, Higher Density Attached – higher price, and the higher rent apartment) and Table C-4 presents the rest of the prototypes.

As shown on Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (18-19%), sales (15-17%), and food preparation and serving (12-13%). Step 3 of Table C-1 indicates both the percentage of total employee households and the number of employee households by occupation associated with 100-unit market rate units.

Step 4 – Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupation is translated to income based on recent Sacramento County wage and salary information from the California Employment Development Department. The wage and salary information summarized in Tables C-5, C-6 and C-7 (by household income) provided the income inputs to the model. This step in the analysis calculates the number of employee households that fall into each income category for each household size.

Individual *employee* income data was used to calculate the number of *households* that fall into the income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Tables C-2 through C-4 are assumed to have the same income distribution as the major occupation categories as a whole.

Step 5 – Estimate of Household Size Distribution

In this step, household size distribution was input into the model in order to estimate the income and household size combinations that meet the income definitions for Sacramento County. The household size distribution utilized in the analysis is that of worker households in Sacramento County derived using American Community Survey (ACS) data. The model employs a distribution of the number of workers per household by household size. For example, four-person worker households can have one, two, three, or four workers in the household. The model uses ACS data to develop a distribution of the number of the workers per worker household, by household size.

Step 6 – Estimate of Households that Meet Size and Income Criteria

For this step KMA built a cross-matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group a probability factor was calculated for each income level and household size/number of workers combination, and multiplied by the number of households. Table C-8 shows the result after completing Steps 4, 5, and 6. The calculated number of households that meet size and income criteria shown are for the under 50% of AMI category generated by 100 market rate prototype units. The methodology was repeated for the other income tier, resulting in a total count of worker households per 100 units.

Summary Findings

Table C-9 indicates the results of the analysis for the residential prototype units. The table presents the number of households generated in each affordability category and the total number over 80% of Area Median Income.

According to Table C-9, approximately 60% of new worker households generated by the expenditures of new residents have incomes below 80% of AMI, including 30% earning less than 50% of AMI. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

The findings in Table C-9 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

New Worker Households by Income Level per 100 Market Rate Units				
	Lower Density SFR		*Medium Density SFR*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	10.8	12.7	9.4	11.4
50% to 80% AMI	10.3	12.0	9.0	10.8
Total, Less than 80% AMI	21.1	24.7	18.4	22.1
Greater than 80% AMI	14.9	16.9	13.0	15.1
Total, New Households	36.0	41.7	31.5	37.2

New Worker Households by Income Level per 100 Market Rate Units, cont'd				
	Higher Density Attached		*2-3 Story Apartment Complex*	
	Lower Price	*Higher Price*	*Lower Price*	*Higher Price*
Under 50% AMI	6.6	8.8	7.6	8.4
50% to 80% AMI	6.4	8.4	7.3	8.0
Total, Less than 80% AMI	13.1	17.3	14.9	16.4
Greater than 80% AMI	9.2	12.2	10.5	11.6
Total, New Households	22.3	29.5	25.5	28.0

Comparison of Analysis Results to Affordable Housing Ordinance

The analysis findings identify how many lower income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to a project of 125 units; 25 affordable units out of 125 units equals 20%).

The inset table below presents the results of the analysis, drawn from Table C-10. Each tier is cumulative, or inclusive of the tiers above. It is recalled that a Court decision (*Palmer*) precludes jurisdictions from requiring affordable on-site units that limit initial rents and on-going rent levels. Instead cities may require an impact fee. Therefore, the inclusionary percentages supported by rental units are not calculated.

Cumulative Inclusionary Percentage Supported by Nexus Analysis, Ownership Units						
	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	9.7%	11.3%	8.6%	10.2%	6.2%	8.1%
Low Income	17.4%	19.8%	15.6%	18.1%	11.6%	14.7%

The findings of the analysis are presented for each of the ownership prototypes. The analysis supports inclusionary percentages between 11.6% and 19.8%. The Higher Density Attached prototypes do not currently support a 15% requirement. This is due to the lower current sales prices for these units due to the economic downturn and the resulting drop in housing prices.

The onsite requirement contained in the current ordinance requires developers to set aside 10% of units to Very Low Income households and 5% of units to Low Income households. Only two prototypes, the Lower Density SFR – Higher Price and the Medium Density SFR – Higher Price, support a 10% Very Low inclusionary requirement at current prices.

Market Improvement Scenario

The analysis above presents the supported inclusionary percentages given current sales prices, which are still very low as a result of the economic downturn. Given that home prices are expected to continue to rise over the next several years, KMA also calculated the supported inclusionary percentages under a market improvement scenario. Per the County's direction, the nexus calculations were re-run under a scenario in which home prices increase between current prices and prices that might exist in 2017, the mid-point of the County's Housing Element planning period of 2013-2021. For purposes of this market improvement scenario, KMA utilized a market projection made by Real Estate Economics, a third party source of residential market data and analysis. According to Real Estate Economics, median home prices in the Sacramento-Arden-Arcade-Roseville MSA are projected to rise 21.7% between 2013 and 2017. KMA applied this 20% (rounded) growth factor to each prototype's current sales price and calculated the supported inclusionary percentage given the higher sales prices. The results are shown in the table below.

Market Improvement Scenario: Cumulative Inclusionary Percentage Supported by Nexus Analysis						
	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Estimated Sales Price in 2017	$312,000	$384,000	$282,000	$348,000	$180,000	$270,000
Very Low Income	11.0%	12.9%	10.0%	11.7%	7.2%	9.4%
Low Income	19.5%	22.4%	17.8%	20.6%	13.2%	16.8%

Under the Market Improvement Scenario, the Lower Density and Medium Density prototypes support the current onsite obligation (10% Very Low and 5% Low). The Higher Density Attached unit with the Higher Price supports a 15% obligation, but does not support a 10% Very Low obligation. Note that the lower priced Higher Density Attached product still does not meet the 15% threshold, even with a 20% increase in sales prices. As discussed in Appendix II, however, this product type suffered greatly during the recession, and KMA estimates that in order for development of these units to be feasible, a 45% increase in sales prices must occur (net of any increase in construction costs or land prices). See Appendix II for more information.

Conclusion

For ownership units, the analysis has demonstrated that the overall percentage requirement embodied in the current Sacramento Affordable Housing Ordinance is supported by the residential nexus analysis for most of the prototypes analyzed. The new households that buy new units in Sacramento generate impacts, through their expenditures on goods and services, which results in demand for additional affordable units in amounts higher than the current Affordable Housing Ordinance requires. The exception is the Higher Density Attached product, which was the product type most impacted by declining sale prices (see Appendix II for more discussion). If the supported inclusionary percentages for the two Higher Density Attached products are averaged together, the result given the improved market pricing is a total supported inclusionary percentage of 15%, which supports the current onsite requirement. The use of averages is an approach employed in other public policy applications, including impact fee analyses. The onsite requirement that developers set aside 10% of units for Very Low income households is not supported under current market conditions. It is expected that over the next five years, market sales prices should improve enough such that this requirement will be supported by all prototypes except the Higher Density Attached product.

The nexus analysis presented in this report is an impact analysis only and not recommended levels. The analysis has been prepared solely to demonstrate support for inclusionary measures and impact fees from the nexus perspective.

APPENDIX I TABLE C1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

Per 100 Market Rate Units	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Step 1 - Employees [1]	54.9	63.6	48.1	56.9	34.0	45.0	38.9	42.7
Step 2 - Adjustment for Number of Households (1.53) [2]	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0
Step 3 - Occupation Distribution								
Management Occupations	4.6%	4.5%	4.6%	4.5%	4.6%	4.6%	4.6%	4.6%
Business and Financial Operations	5.4%	5.4%	5.4%	5.4%	5.3%	5.4%	5.3%	5.4%
Computer and Mathematical	1.7%	1.7%	1.7%	1.7%	1.6%	1.7%	1.6%	1.7%
Architecture and Engineering	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Community and Social Services	1.9%	1.5%	1.9%	1.5%	2.1%	1.9%	2.1%	1.9%
Legal	0.9%	0.9%	0.9%	0.9%	1.0%	0.9%	1.0%	0.9%
Education, Training, and Library	3.0%	2.4%	3.0%	2.4%	2.6%	3.0%	2.6%	3.0%
Arts, Design, Entertainment, Sports, and Media	1.6%	1.6%	1.6%	1.6%	1.5%	1.6%	1.5%	1.6%
Healthcare Practitioners and Technical	7.1%	6.5%	7.1%	6.5%	7.0%	7.1%	7.0%	7.1%
Healthcare Support	4.1%	3.6%	4.1%	3.6%	4.5%	4.1%	4.5%	4.1%
Protective Service	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Food Preparation and Serving Related	12.8%	12.9%	12.8%	12.9%	11.9%	12.8%	11.9%	12.8%
Building and Grounds Cleaning and Maint.	5.3%	5.4%	5.3%	5.4%	5.7%	5.3%	5.7%	5.3%
Personal Care and Service	4.9%	4.3%	4.9%	4.3%	5.3%	4.9%	5.3%	4.9%
Sales and Related	14.6%	16.6%	14.6%	16.6%	14.7%	14.6%	14.7%	14.6%
Office and Administrative Support	18.4%	18.8%	18.4%	18.8%	18.4%	18.4%	18.4%	18.4%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Installation, Maintenance, and Repair	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Production	1.7%	1.8%	1.7%	1.8%	1.8%	1.7%	1.8%	1.7%
Transportation and Material Moving	5.2%	5.5%	5.2%	5.5%	5.2%	5.2%	5.2%	5.2%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.7	1.9	1.5	1.7	1.0	1.4	1.2	1.3
Business and Financial Operations	1.9	2.2	1.7	2.0	1.2	1.6	1.3	1.5
Computer and Mathematical	0.6	0.7	0.5	0.6	0.4	0.5	0.4	0.5
Architecture and Engineering	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Community and Social Services	0.7	0.6	0.6	0.6	0.5	0.6	0.5	0.5
Legal	0.3	0.4	0.3	0.3	0.2	0.3	0.3	0.3
Education, Training, and Library	1.1	1.0	1.0	0.9	0.6	0.9	0.7	0.9
Arts, Design, Entertainment, Sports, and Media	0.6	0.6	0.5	0.6	0.3	0.5	0.4	0.4
Healthcare Practitioners and Technical	2.6	2.7	2.2	2.4	1.6	2.1	1.8	2.0
Healthcare Support	1.5	1.5	1.3	1.3	1.0	1.2	1.1	1.2
Protective Service	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Food Preparation and Serving Related	4.6	5.4	4.0	4.8	2.6	3.8	3.0	3.6
Building and Grounds Cleaning and Maint.	1.9	2.2	1.7	2.0	1.3	1.6	1.4	1.5
Personal Care and Service	1.8	1.8	1.5	1.6	1.2	1.4	1.4	1.4
Sales and Related	5.2	6.9	4.6	6.2	3.3	4.3	3.7	4.1
Office and Administrative Support	6.6	7.8	5.8	7.0	4.1	5.4	4.7	5.1
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Installation, Maintenance, and Repair	1.4	1.7	1.2	1.5	0.9	1.2	1.0	1.1
Production	0.6	0.8	0.5	0.7	0.4	0.5	0.5	0.5
Transportation and Material Moving	1.9	2.3	1.6	2.0	1.2	1.5	1.3	1.4
Totals	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0

Notes:

[1] Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Sacramento County. Estimates vary by household income level. For this analysis, there are three household income categories: $75,000 - $100,000 (Prototypes 1B and 2B), $50,000 - $75,000 (Prototypes 1A, 2A, 3B, and 4B) and $35,000 - $50,000 (Prototypes 3A and 4A).Expenditures patterns, and therefore, occupation distribution, varies by income category.

[2] Adjustment from number of workers to number of households based on ratio of 1.53 workers per worker household derived from the U.S. Census American Community Survey 2009 to 2011.

[3] See Appendix B tables for additional information on Major Occupation Categories.

Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\18\18997\Sacramento County Nexus model 6-11-13; C1 HH & Ocupations; 9/9/2013

APPENDIX I TABLE C2
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

Major Occupations (2% or more)	Worker Occupation Distribution[1] Services to Households Earning $75,000 - $100,000 / Year
Management Occupations	*4.3%*
Business and Financial Operations Occupations	*5.2%*
Education, Training, and Library Occupations	*2.3%*
Healthcare Practitioners and Technical Occupations	*6.3%*
Healthcare Support Occupations	*3.5%*
Food Preparation and Serving Related Occupations	*12.5%*
Building and Grounds Cleaning and Maintenance Occupations	*5.2%*
Personal Care and Service Occupations	*4.1%*
Sales and Related Occupations	*16.0%*
Office and Administrative Support Occupations	*18.1%*
Installation, Maintenance, and Repair Occupations	*3.9%*
Transportation and Material Moving Occupations	*5.3%*
All Other Worker Occupations - Services to Households Earning $75,000 - $100,000 / Year	*13.2%*
TOTAL	100.0%

[1] Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

Source: Bureau of Labor Statistics, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\75-100K Sacramento; C2 Major Occupations Matrix; 9/9/2013

APPENDIX I TABLE C3
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

Major Occupations (2% or more)	Worker Occupation Distribution[1] Services to Households Earning $50,000 - $75,000 / Year
Management Occupations	*4.5%*
Business and Financial Operations Occupations	*5.2%*
Education, Training, and Library Occupations	*3.0%*
Healthcare Practitioners and Technical Occupations	*6.9%*
Healthcare Support Occupations	*4.0%*
Food Preparation and Serving Related Occupations	*12.4%*
Building and Grounds Cleaning and Maintenance Occupations	*5.1%*
Personal Care and Service Occupations	*4.7%*
Sales and Related Occupations	*14.1%*
Office and Administrative Support Occupations	*17.8%*
Installation, Maintenance, and Repair Occupations	*3.8%*
Transportation and Material Moving Occupations	*5.0%*
All Other Worker Occupations - Services to Households Earning $50,000 - $75,000 / Year	*13.5%*
TOTAL	100.0%

[1] Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

Source: Bureau of Labor Statistics, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\50-75K Sacramento; C3 Major Occupations Matrix; 9/9/2013

APPENDIX I TABLE C4
WORKER OCCUPATION DISTRIBUTION, 2011
SERVICES TO HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

Major Occupations (2% or more)		Worker Occupation Distribution[1] Services to Households Earning $35,000 - $50,000 / Year
Management Occupations	3.62	*4.5%*
Business and Financial Operations Occupations	4.13	*5.1%*
Community and Social Service Occupations	1.68	*2.1%*
Education, Training, and Library Occupations	2.05	*2.5%*
Healthcare Practitioners and Technical Occupations	5.50	*6.8%*
Healthcare Support Occupations	3.52	*4.3%*
Food Preparation and Serving Related Occupations	9.31	*11.5%*
Building and Grounds Cleaning and Maintenance Occupations	4.44	*5.5%*
Personal Care and Service Occupations	4.16	*5.1%*
Sales and Related Occupations	11.55	*14.2%*
Office and Administrative Support Occupations	14.44	*17.8%*
Installation, Maintenance, and Repair Occupations	3.14	*3.9%*
Transportation and Material Moving Occupations	4.11	*5.1%*
All Other Worker Occupations - Services to Households Earning $35,000 - $50,000 / Year	9.40	*11.6%*
INDUSTRY TOTAL	81.06	100.0%

[1] Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

Source: Bureau of Labor Statistics, Minnesota IMPLAN Group
Prepared by: Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\35-50K Sacramento 5-1-13; C4 Major Occupations Matrix; 9/9/2013

APPENDIX I TABLE C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR		
Occupation [3]	2012 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Workers
Page 1 of 3			
Management Occupations			
General and Operations Managers	$121,400	32.2%	1.4%
Sales Managers	$112,100	6.0%	0.3%
Financial Managers	$111,300	10.0%	0.4%
Food Service Managers	$49,600	4.5%	0.2%
Medical and Health Services Managers	$118,000	5.1%	0.2%
Property, Real Estate, and Community Association Managers	$73,000	10.0%	0.4%
All other Management Occupations (Avg. All Categories)	$106,900	32.1%	1.4%
Weighted Mean Annual Wage	***$106,900***	**100.0%**	**4.3%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$62,900	4.7%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	$63,700	6.2%	0.3%
Management Analysts	$83,100	6.1%	0.3%
Market Research Analysts and Marketing Specialists*	$81,200	4.9%	0.3%
Business Operations Specialists, All Other*	$70,600	10.8%	0.6%
Accountants and Auditors	$66,800	16.2%	0.8%
Financial Analysts	$80,600	7.2%	0.4%
Personal Financial Advisors	$80,000	9.2%	0.5%
Loan Officers	$74,100	9.6%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$73,000	25.2%	1.3%
Weighted Mean Annual Wage	***$73,000***	**100.0%**	**5.2%**
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$66,400	4.3%	0.1%
Preschool Teachers, Except Special Education	$29,300	17.1%	0.4%
Elementary School Teachers, Except Special Education	$66,900	8.8%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$65,500	6.1%	0.1%
Self-Enrichment Education Teachers	$39,200	9.4%	0.2%
Teachers and Instructors, All Other*	$45,300	10.6%	0.2%
Teacher Assistants	$30,900	17.0%	0.4%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$43,000	26.7%	0.6%
Weighted Mean Annual Wage	***$43,000***	**100.0%**	**2.3%**
Healthcare Practitioners and Technical Occupations			
Pharmacists	$124,500	4.8%	0.3%
Physicians and Surgeons, All Other	$181,000	4.6%	0.3%
Registered Nurses*	$100,500	31.3%	2.0%
Pharmacy Technicians	$40,300	6.5%	0.4%
Licensed Practical and Licensed Vocational Nurses	$55,000	8.7%	0.5%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$95,000	44.1%	2.8%
Weighted Mean Annual Wage	***$95,000***	**100.0%**	**6.3%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\75-100K Sacramento; C5 Compensation; 9/9/2013

APPENDIX I TABLE C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

Occupation [3]	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR		
	2012 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Workers
Page 2 of 3			
Healthcare Support Occupations			
Home Health Aides	$23,700	22.1%	0.8%
Nursing Aides, Orderlies, and Attendants*	$32,400	29.4%	1.0%
Dental Assistants	$38,200	11.0%	0.4%
Medical Assistants	$33,100	18.3%	0.6%
Healthcare Support Workers, All Other*	$36,400	4.8%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	$31,300	14.5%	0.5%
Weighted Mean Annual Wage	***$31,300***	**100.0%**	**3.5%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,200	6.9%	0.9%
Cooks, Fast Food	$19,000	4.9%	0.6%
Cooks, Restaurant	$24,000	8.8%	1.1%
Food Preparation Workers	$22,100	6.5%	0.8%
Bartenders	$22,500	4.9%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,600	26.0%	3.2%
Waiters and Waitresses	$21,400	21.3%	2.7%
Dishwashers	$19,600	4.5%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,100	16.1%	2.0%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**12.5%**
Building and Grounds Cleaning and Maintenance Occupations			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$27,700	52.5%	2.7%
Maids and Housekeeping Cleaners	$24,600	11.1%	0.6%
Landscaping and Groundskeeping Workers	$28,100	25.6%	1.3%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	$27,400	10.9%	0.6%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.2%**
Personal Care and Service Occupations			
Nonfarm Animal Caretakers	$21,300	5.2%	0.2%
Amusement and Recreation Attendants	$20,000	6.2%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	$26,400	17.4%	0.7%
Childcare Workers	$22,600	15.1%	0.6%
Personal Care Aides	$22,300	22.4%	0.9%
Fitness Trainers and Aerobics Instructors	$38,100	5.8%	0.2%
Recreation Workers	$24,500	5.2%	0.2%
All Other Personal Care and Service Occupations (Avg. All Categories)	$24,400	22.6%	0.9%
Weighted Mean Annual Wage	***$24,400***	**100.0%**	**4.1%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$41,500	9.3%	1.5%
Cashiers	$24,100	24.0%	3.9%
Retail Salespersons	$26,100	35.6%	5.7%
Securities, Commodities, and Financial Services Sales Agents	$83,500	5.6%	0.9%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	$67,900	4.3%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	$33,700	21.1%	3.4%
Weighted Mean Annual Wage	***$33,700***	**100.0%**	**16.0%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\75-100K Sacramento; C5 Compensation; 9/9/2013

APPENDIX I TABLE C5
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $75,000 - $100,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 3 of 3			
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$62,400	6.7%	1.2%
Bookkeeping, Accounting, and Auditing Clerks	$41,800	7.6%	1.4%
Customer Service Representatives	$37,800	11.6%	2.1%
Receptionists and Information Clerks	$29,000	6.0%	1.1%
Stock Clerks and Order Fillers	$28,000	10.6%	1.9%
Executive Secretaries and Executive Administrative Assistants	$50,500	4.2%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$37,700	8.5%	1.5%
Office Clerks, General	$34,100	13.0%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,400	31.9%	5.8%
Weighted Mean Annual Wage	***$38,400***	**100.0%**	**18.1%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$67,800	7.7%	0.3%
Automotive Body and Related Repairers	$44,900	4.9%	0.2%
Automotive Service Technicians and Mechanics	$45,900	19.2%	0.7%
Maintenance and Repair Workers, General	$43,000	33.8%	1.3%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,900	34.5%	1.3%
Weighted Mean Annual Wage	***$46,900***	**100.0%**	**3.9%**
Transportation and Material Moving Occupations			
Driver/Sales Workers	$29,000	8.4%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$41,300	14.5%	0.8%
Light Truck or Delivery Services Drivers	$36,600	11.8%	0.6%
Industrial Truck and Tractor Operators	$37,100	4.2%	0.2%
Cleaners of Vehicles and Equipment	$21,100	6.2%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$29,400	25.4%	1.3%
Packers and Packagers, Hand	$26,300	8.7%	0.5%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$32,000	20.8%	1.1%
Weighted Mean Annual Wage	***$32,000***	**100.0%**	**5.3%**
			86.8%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2011 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2011 Occupational Employment Survey data for Sacramento, updated by the California Employment Development Department to 2012 wage levels.

[3] Including occupations representing 4% or more of the major occupation group

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\75-100K Sacramento; C5 Compensation; 9/9/2013

APPENDIX I TABLE C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 1 of 3			
Management Occupations			
General and Operations Managers	$121,400	31.1%	1.4%
Sales Managers	$112,100	5.4%	0.2%
Financial Managers	$111,300	9.6%	0.4%
Food Service Managers	$49,600	4.4%	0.2%
Medical and Health Services Managers	$118,000	5.7%	0.3%
Property, Real Estate, and Community Association Managers	$73,000	10.5%	0.5%
All other Management Occupations (Avg. All Categories)	$106,500	33.4%	1.5%
Weighted Mean Annual Wage	***$106,500***	**100.0%**	**4.5%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$62,900	4.5%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	$63,700	6.6%	0.3%
Management Analysts	$83,100	6.2%	0.3%
Market Research Analysts and Marketing Specialists*	$81,200	5.0%	0.3%
Business Operations Specialists, All Other*	$70,600	11.4%	0.6%
Accountants and Auditors	$66,800	16.4%	0.9%
Financial Analysts	$80,600	6.7%	0.4%
Personal Financial Advisors	$80,000	8.3%	0.4%
Loan Officers	$74,100	9.6%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$72,800	25.4%	1.3%
Weighted Mean Annual Wage	***$72,800***	**100.0%**	**5.2%**
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$66,400	5.3%	0.2%
Preschool Teachers, Except Special Education	$29,300	16.7%	0.5%
Elementary School Teachers, Except Special Education	$66,900	7.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$65,500	5.5%	0.2%
Self-Enrichment Education Teachers	$39,200	10.6%	0.3%
Teachers and Instructors, All Other*	$45,300	11.5%	0.3%
Teacher Assistants	$30,900	16.6%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$42,900	25.9%	0.8%
Weighted Mean Annual Wage	***$42,900***	**100.0%**	**3.0%**
Healthcare Practitioners and Technical Occupations			
Physicians and Surgeons, All Other	$181,000	4.3%	0.3%
Registered Nurses*	$100,500	34.2%	2.4%
Pharmacy Technicians	$40,300	5.2%	0.4%
Licensed Practical and Licensed Vocational Nurses	$55,000	9.5%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$93,000	46.7%	3.2%
Weighted Mean Annual Wage	***$93,000***	**100.0%**	**6.9%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\50-75K Sacramento; C6 Compensation; 9/9/2013

APPENDIX I TABLE C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

Occupation [3]	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR 2012 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Workers
Page 2 of 3			
Healthcare Support Occupations			
Home Health Aides	$23,700	22.7%	0.9%
Nursing Aides, Orderlies, and Attendants*	$32,400	34.4%	1.4%
Dental Assistants	$38,200	9.2%	0.4%
Medical Assistants	$33,100	15.7%	0.6%
Healthcare Support Workers, All Other*	$36,400	4.5%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	$31,100	13.5%	0.5%
Weighted Mean Annual Wage	***$31,100***	**100.0%**	**4.0%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,200	6.9%	0.9%
Cooks, Fast Food	$19,000	4.9%	0.6%
Cooks, Restaurant	$24,000	8.7%	1.1%
Food Preparation Workers	$22,100	6.4%	0.8%
Bartenders	$22,500	5.0%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,600	25.6%	3.2%
Waiters and Waitresses	$21,400	21.2%	2.6%
Dishwashers	$19,600	4.5%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,100	16.7%	2.1%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**12.4%**
Building and Grounds Cleaning and Maintenance Occupations			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$27,700	51.6%	2.6%
Maids and Housekeeping Cleaners	$24,600	12.4%	0.6%
Landscaping and Groundskeeping Workers	$28,100	25.2%	1.3%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	$27,400	10.7%	0.5%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.1%**
Personal Care and Service Occupations			
Nonfarm Animal Caretakers	$21,300	4.5%	0.2%
Amusement and Recreation Attendants	$20,000	5.8%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	$26,400	16.1%	0.8%
Childcare Workers	$22,600	16.2%	0.8%
Personal Care Aides	$22,300	22.9%	1.1%
Fitness Trainers and Aerobics Instructors	$38,100	5.7%	0.3%
Recreation Workers	$24,500	5.5%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$24,300	23.3%	1.1%
Weighted Mean Annual Wage	***$24,300***	**100.0%**	**4.7%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$41,500	8.8%	1.2%
Cashiers	$24,100	23.1%	3.3%
Counter and Rental Clerks	$31,100	4.6%	0.6%
Retail Salespersons	$26,100	33.4%	4.7%
Securities, Commodities, and Financial Services Sales Agents	$83,500	5.8%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	$67,900	4.9%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	$34,100	19.5%	2.7%
Weighted Mean Annual Wage	***$34,100***	**100.0%**	**14.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\50-75K Sacramento; C6 Compensation; 9/9/2013

APPENDIX I TABLE C6
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR
HOUSING ORDINANCE UPDATE
SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $50,000 - $75,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 3 of 3			
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$62,400	6.6%	1.2%
Bookkeeping, Accounting, and Auditing Clerks	$41,800	7.7%	1.4%
Customer Service Representatives	$37,800	11.3%	2.0%
Receptionists and Information Clerks	$29,000	6.3%	1.1%
Stock Clerks and Order Fillers	$28,000	9.1%	1.6%
Executive Secretaries and Executive Administrative Assistants	$50,500	4.5%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$37,700	9.1%	1.6%
Office Clerks, General	$34,100	13.5%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,600	31.9%	5.7%
Weighted Mean Annual Wage	***$38,600***	**100.0%**	**17.8%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$67,800	7.7%	0.3%
Automotive Body and Related Repairers	$44,900	4.8%	0.2%
Automotive Service Technicians and Mechanics	$45,900	17.8%	0.7%
Maintenance and Repair Workers, General	$43,000	36.9%	1.4%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,800	32.8%	1.3%
Weighted Mean Annual Wage	***$46,800***	**100.0%**	**3.8%**
Transportation and Material Moving Occupations			
Driver/Sales Workers	$29,000	8.2%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$41,300	14.2%	0.7%
Light Truck or Delivery Services Drivers	$36,600	11.3%	0.6%
Industrial Truck and Tractor Operators	$37,100	4.1%	0.2%
Cleaners of Vehicles and Equipment	$21,100	6.1%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$29,400	25.0%	1.3%
Packers and Packagers, Hand	$26,300	8.2%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$32,000	22.8%	1.1%
Weighted Mean Annual Wage	***$32,000***	**100.0%**	**5.0%**
			86.5%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2011 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2011 Occupational Employment Survey data for Sacramento, updated by the California Employment Development Department to 2012 wage levels.

[3] Including occupations representing 4% or more of the major occupation group

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\50-75K Sacramento; C6 Compensation; 9/9/2013

APPENDIX I TABLE C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

Occupation [3]	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR 2012 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Workers
Page 1 of 3			
Management Occupations			
General and Operations Managers	$121,400	31.3%	1.4%
Sales Managers	$112,100	5.3%	0.2%
Financial Managers	$111,300	9.4%	0.4%
Food Service Managers	$49,600	4.0%	0.2%
Medical and Health Services Managers	$118,000	5.7%	0.3%
Property, Real Estate, and Community Association Managers	$73,000	11.0%	0.5%
All other Management Occupations (Avg. All Categories)	$106,600	33.3%	1.5%
Weighted Mean Annual Wage	***$106,600***	**100.0%**	**4.5%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$62,900	4.3%	0.2%
Human Resources, Training, and Labor Relations Specialists, All Other*	$63,700	6.7%	0.3%
Management Analysts	$83,100	6.1%	0.3%
Market Research Analysts and Marketing Specialists*	$81,200	5.0%	0.3%
Business Operations Specialists, All Other*	$70,600	11.6%	0.6%
Accountants and Auditors	$66,800	16.6%	0.8%
Financial Analysts	$80,600	6.7%	0.3%
Personal Financial Advisors	$80,000	8.4%	0.4%
Loan Officers	$74,100	9.3%	0.5%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$72,800	25.3%	1.3%
Weighted Mean Annual Wage	***$72,800***	**100.0%**	**5.1%**
Community and Social Service Occupations			
Substance Abuse and Behavioral Disorder Counselors	$36,300	4.3%	0.1%
Educational, Guidance, School, and Vocational Counselors	$64,000	4.7%	0.1%
Mental Health Counselors	$51,600	6.9%	0.1%
Rehabilitation Counselors	$35,700	8.5%	0.2%
Child, Family, and School Social Workers	$42,400	12.6%	0.3%
Healthcare Social Workers	$59,900	6.8%	0.1%
Mental Health and Substance Abuse Social Workers	$44,500	6.8%	0.1%
Social and Human Service Assistants	$40,700	25.6%	0.5%
Community and Social Service Specialists, All Other*	$51,300	7.4%	0.2%
All Other Community and Social Service Occupations (Avg. All Categories)	$45,200	16.3%	0.3%
Weighted Mean Annual Wage	***$45,200***	**100.0%**	**2.1%**
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$66,400	4.7%	0.1%
Preschool Teachers, Except Special Education	$29,300	22.0%	0.6%
Elementary School Teachers, Except Special Education	$66,900	6.0%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$65,500	4.0%	0.1%
Self-Enrichment Education Teachers	$39,200	10.5%	0.3%
Teachers and Instructors, All Other*	$45,300	10.3%	0.3%
Teacher Assistants	$30,900	17.9%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$40,500	24.6%	0.6%
Weighted Mean Annual Wage	***$40,500***	**100.0%**	**2.5%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Prepared by: Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\35-50K Sacramento 5-1-13; C7 Compensation; 9/9/2013

APPENDIX I TABLE C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$35,000 - \$50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING \$35,000 - \$50,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 2 of 3			
Healthcare Practitioners and Technical Occupations			
Physicians and Surgeons, All Other	$181,000	4.3%	0.3%
Registered Nurses*	$100,500	33.0%	2.2%
Pharmacy Technicians	$40,300	5.3%	0.4%
Licensed Practical and Licensed Vocational Nurses	$55,000	10.6%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$92,000	46.8%	3.2%
Weighted Mean Annual Wage	***$92,000***	**100.0%**	**6.8%**
Healthcare Support Occupations			
Home Health Aides	$23,700	24.4%	1.1%
Nursing Aides, Orderlies, and Attendants*	$32,400	35.7%	1.6%
Dental Assistants	$38,200	8.7%	0.4%
Medical Assistants	$33,100	14.7%	0.6%
Healthcare Support Workers, All Other*	$36,400	4.1%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	$30,900	12.4%	0.5%
Weighted Mean Annual Wage	***$30,900***	**100.0%**	**4.3%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,200	6.9%	0.8%
Cooks, Fast Food	$19,000	4.8%	0.6%
Cooks, Restaurant	$24,000	8.6%	1.0%
Food Preparation Workers	$22,100	6.6%	0.8%
Bartenders	$22,500	5.0%	0.6%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,600	25.4%	2.9%
Waiters and Waitresses	$21,400	21.0%	2.4%
Dishwashers	$19,600	4.5%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,100	17.2%	2.0%
Weighted Mean Annual Wage	***$22,100***	**100.0%**	**11.5%**
Building and Grounds Cleaning and Maintenance Occupations			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$27,700	51.1%	2.8%
Maids and Housekeeping Cleaners	$24,600	12.5%	0.7%
Landscaping and Groundskeeping Workers	$28,100	25.5%	1.4%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	$27,400	10.9%	0.6%
Weighted Mean Annual Wage	***$27,400***	**100.0%**	**5.5%**
Personal Care and Service Occupations			
Nonfarm Animal Caretakers	$21,300	4.3%	0.2%
Amusement and Recreation Attendants	$20,000	5.3%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	$26,400	15.4%	0.8%
Childcare Workers	$22,600	16.5%	0.8%
Personal Care Aides	$22,300	25.0%	1.3%
Fitness Trainers and Aerobics Instructors	$38,100	5.1%	0.3%
Recreation Workers	$24,500	5.5%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$24,200	22.9%	1.2%
Weighted Mean Annual Wage	***$24,200***	**100.0%**	**5.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Prepared by: Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\35-50K Sacramento 5-1-13; C7 Compensation; 9/9/2013

APPENDIX I TABLE C7
AVERAGE ANNUAL WORKER COMPENSATION, 2012
EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR
AFFORDABLE HOUSING ORDINANCE UPDATE
COUNTY OF SACRAMENTO, CA

	EMPLOYMENT GENERATED BY HOUSEHOLDS EARNING $35,000 - $50,000 / YEAR		
Occupation [3]	**2012 Avg. Compensation [1]**	**% of Total Occupation Group [2]**	**% of Total Workers**
Page 3 of 3			
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$41,500	9.0%	1.3%
Cashiers	$24,100	23.2%	3.3%
Counter and Rental Clerks	$31,100	4.6%	0.7%
Retail Salespersons	$26,100	34.0%	4.8%
Securities, Commodities, and Financial Services Sales Agents	$83,500	5.7%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	$67,900	4.4%	0.6%
All Other Sales and Related Occupations (Avg. All Categories)	$33,800	19.2%	2.7%
Weighted Mean Annual Wage	***$33,800***	**100.0%**	**14.2%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$62,400	6.6%	1.2%
Bookkeeping, Accounting, and Auditing Clerks	$41,800	7.7%	1.4%
Customer Service Representatives	$37,800	11.1%	2.0%
Receptionists and Information Clerks	$29,000	6.4%	1.1%
Stock Clerks and Order Fillers	$28,000	9.2%	1.6%
Executive Secretaries and Executive Administrative Assistants	$50,500	4.4%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$37,700	9.2%	1.6%
Office Clerks, General	$34,100	13.6%	2.4%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,600	31.6%	5.6%
Weighted Mean Annual Wage	***$38,600***	**100.0%**	**17.8%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$67,800	7.7%	0.3%
Automotive Body and Related Repairers	$44,900	4.5%	0.2%
Automotive Service Technicians and Mechanics	$45,900	17.3%	0.7%
Maintenance and Repair Workers, General	$43,000	38.0%	1.5%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,700	32.4%	1.3%
Weighted Mean Annual Wage	***$46,700***	**100.0%**	**3.9%**
Transportation and Material Moving Occupations			
Driver/Sales Workers	$29,000	7.8%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$41,300	15.1%	0.8%
Light Truck or Delivery Services Drivers	$36,600	11.2%	0.6%
Industrial Truck and Tractor Operators	$37,100	4.1%	0.2%
Cleaners of Vehicles and Equipment	$21,100	5.9%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$29,400	24.8%	1.3%
Packers and Packagers, Hand	$26,300	8.2%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$32,200	22.9%	1.2%
Weighted Mean Annual Wage	***$32,200***	**100.0%**	**5.1%**
			88.4%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2011 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2011 Occupational Employment Survey data for Sacramento, updated by the California Employment Development Department to 2012 wage levels.

[3] Including occupations representing 4% or more of the major occupation group

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, Minnesota IMPLAN Group
Prepared by: Keyser Marston Associates, Inc.
\\Sf-fs2\wp\18\18997\35-50K Sacramento 5-1-13; C7 Compensation; 9/9/2013

APPENDIX I TABLE C8
VERY LOW INCOME EMPLOYEE HOUSEHOLDS[1] GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED -	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Step 4, 5, & 6 - Very Low Income Households (under 50% AMI) within Major Occupation Categories								
Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business and Financial Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer and Mathematical	-	-	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	0.06	-	0.07	-
Legal	-	-	-	-	-	-	-	-
Education Training and Library	0.26	0.23	0.22	0.21	0.15	0.21	0.17	0.20
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Healthcare Support	0.50	0.49	0.43	0.44	0.34	0.41	0.39	0.39
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	2.77	3.25	2.43	2.91	1.60	2.27	1.83	2.16
Building Grounds and Maintenance	0.82	0.96	0.72	0.86	0.55	0.68	0.62	0.64
Personal Care and Service	0.94	0.95	0.82	0.85	0.64	0.77	0.73	0.73
Sales and Related	2.08	2.78	1.82	2.49	1.32	1.71	1.50	1.62
Office and Admin	1.22	1.47	1.06	1.31	0.76	1.00	0.87	0.95
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	0.13	0.15	0.11	0.13	0.08	0.11	0.09	0.10
Production	-	-	-	-	-	-	-	-
Transportation and Material Moving	0.59	0.72	0.52	0.65	0.37	0.48	0.42	0.46
Very Low Income Households - Major Occupations	9.33	11.02	8.16	9.86	5.87	7.64	6.71	7.25
Very Low Inc. Households[1] - all other occupations	1.45	1.68	1.27	1.50	0.77	1.19	0.88	1.13
Total Very Low Income Households[1]	**10.78**	**12.70**	**9.43**	**11.35**	**6.64**	**8.83**	**7.59**	**8.38**

[1] Includes households earning from zero through 50% of Sacramento County Area Median Income.

Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\18\18997\Sacramento County Nexus model 6-11-13; C8 VLow Households; 9/9/2013; dd

APPENDIX I TABLE C9
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS

	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED -	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Number of New Households[1]								
Under 50% Area Median Income	10.8	12.7	9.4	11.4	6.6	8.8	7.6	8.4
50% to 80% Area Median Income	10.3	12.0	9.0	10.8	6.4	8.4	7.3	8.0
Subtotal through 80% of Median	21.1	24.7	18.4	22.1	13.1	17.3	14.9	16.4
Over 80% Area Median Income	14.9	16.9	13.0	15.1	9.2	12.2	10.5	11.6
Total Employee Households	36.0	41.7	31.5	37.2	22.3	29.5	25.5	28.0
Percent of New Households [1]								
Under 50% Area Median Income	30%	30%	30%	30%	30%	30%	30%	30%
50% to 80% Area Median Income	29%	29%	29%	29%	29%	29%	29%	29%
Subtotal through 80% of Median	59%	59%	59%	59%	59%	59%	59%	59%
Over 80% Area Median Income	41%	41%	41%	41%	41%	41%	41%	41%
Total Employee Households	100%	100%	100%	100%	100%	100%	100%	100%

Notes
[1] Households of retail, education, healthcare and other workers that serve residents of new market rate units.

APPENDIX I TABLE C10
INCLUSIONARY REQUIREMENT SUPPORTED
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1A: LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE
Supported Inclusionary Requirement						
Per 100 Market Rate Units - Cumulative Through [1]						
50% OF MEDIAN INCOME	10.8 Units	12.7 Units	9.4 Units	11.4 Units	6.6 Units	8.8 Units
80% OF MEDIAN INCOME	21.1 Units	24.7 Units	18.4 Units	22.1 Units	13.1 Units	17.3 Units
Supported Inclusionary Percentage - Cumulative Through [2]						
50% OF MEDIAN INCOME	9.7%	11.3%	8.6%	10.2%	6.2%	8.1%
80% OF MEDIAN INCOME	17.4%	19.8%	15.6%	18.1%	11.6%	14.7%

Notes:

[1] See Nexus Analysis Table 14.

[2] Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

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Filename: \\Sf-fs2\wp\18\18997\Sacramento County Nexus model 6-11-13; C-10 summary-inclusionary; 9/9/2013

D. MITIGATION COSTS

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the market rate units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the "total nexus cost." This is done for each of the prototype units.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Sacramento County, known as the 'affordability gap.' Affordability gaps are calculated for each of the categories of area median income: Very Low (up to 50% of median), and Low (50% to 80%). A detailed description of calculation of affordability gaps is contained in Appendix II. A brief summary is included below.

County Assisted Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and County practices and policies. Sacramento County intends to assist in the production of rental units for households in the Very Low (less than 50% of median income) and Low (50 – 80% of median income) income categories.

KMA prepared an estimate of total development cost (inclusive of land, all fees and permits, financing and other indirect costs) for typical affordable rental units. KMA drew this estimate from a review of development pro forma for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the new affordable rental units have 1.5 bedrooms and total development costs equal to $223,000.

For many new developments, particularly County-assisted developments, total development costs could be higher than those estimated here. The conservative (or lower) estimate of development costs results in a lower supportable nexus amount.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach, and one that the County has employed in other similar analyses.

For reference, KMA also produced an estimate of the affordability gaps assuming tax credit financing is available. See Appendix II for more information.

Affordability Gap

The affordability gap is the difference between the cost of developing a residential unit and the amount a household can afford to pay for the unit. For rental units, the Affordability Gap is the difference between the Total Development Cost and the Unit Value, which is the capitalized value of the project's net operating income. Appendix II includes a full discussion of the affordable rent levels, the calculation of unit value supported by the restricted rent levels, and affordability gaps.

To calculate Net Operating Income, gross rent is adjusted for vacancy rates during turnover, and then operating costs are netted out. Operating costs cover management, property taxes, and certain other expenses. Net operating income is then capitalized at 6.75% to estimate the Supported Unit Value. This value is then subtracted from Total Development Costs to calculate the gap.

The resulting affordability gaps are as follows:

- $173,000 for households in the under 50% AMI category;
- $105,000 for households in the 50% to 80% AMI category;

Total Linkage Costs

The last step in the linkage fee analysis marries the findings on the numbers of households in each of the lower income ranges associated with the eight prototypes to the affordability gaps, or the costs of delivering housing to them in Sacramento County.

Table D-1 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The "Nexus Cost per Market Rate Unit" shows the results of the following calculation: the affordability gap times the number of affordable units demanded per market rate unit. (Demand for affordable units for each of the income ranges is drawn from Table C-9 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

The total nexus costs for each of the prototypes are as follows:

Total Nexus Cost Per Market Rate Unit

Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	$173,000	$18,600	$22,000	$16,300	$19,600
Low Income	$105,000	$10,800	$12,700	$9,500	$11,300
Total Nexus Costs		**$29,400**	**$34,700**	**$25,800**	**$30,900**

Total Nexus Cost Per Market Rate Unit, cont'd					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Very Low Income	$173,000	$11,500	$15,300	$13,100	$14,500
Low Income	$105,000	$6,700	$8,900	$7,700	$8,400
Total Nexus Costs		**$18,200**	**$24,200**	**$20,800**	**$22,900**

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.					
Income Category	*Affordability Gap*	*Lower Density SFR*		*Medium Density SFR*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Prototype Size (Sq Ft)		2,200 SF		1,800 SF	
Very Low Income	$173,000	$8.45	$10.00	$9.06	$10.89
Low Income	$105,000	$4.91	$5.77	$5.28	$6.28
Total Nexus Costs		**$13.36**	**$15.77**	**$14.33**	**$17.17**

Total Nexus Cost Per Sq. Ft., cont'd.					
Income Category	*Affordability Gap*	*Higher Density Attached*		*2-3 Story Apartment Complex*	
Price Point		*Lower*	*Higher*	*Lower*	*Higher*
Prototype Size (Sq Ft)		1,000 SF	1,000 SF	950 SF	950 SF
Very Low Income	$173,000	$11.50	$15.30	$13.79	$15.26
Low Income	$105,000	$6.70	$8.90	$8.11	$8.84
Total Nexus Costs		**$18.20**	**$24.20**	**$21.89**	**$24.11**

These costs express the total linkage or nexus costs for the eight prototype developments in the County of Sacramento. These total nexus costs represent the ceiling for any requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees or other requirements may be set.**

APPENDIX I TABLE D1
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
AFFORDABLE HOUSING ORDINANCE
COUNTY OF SACRAMENTO

TOTAL NEXUS COST PER MARKET RATE UNIT

	Affordability Gap [1]	Nexus Cost Per Market Rate Unit							
		LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Household Income Level									
Under 50% Area Median Income	$173,000	$18,600	$22,000	$16,300	$19,600	$11,500	$15,300	$13,100	$14,500
50% to 80% Area Median Income	$105,000	$10,800	$12,700	$9,500	$11,300	$6,700	$8,900	$7,700	$8,400
Total Supported Fee / Nexus		**$29,400**	**$34,700**	**$25,800**	**$30,900**	**$18,200**	**$24,200**	**$20,800**	**$22,900**

TOTAL NEXUS COST PER SQUARE FOOT

	Affordability Gap [1]	Nexus Cost Per Square Foot							
		LOWER DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	PROTOTYPE 1B: LOWER DENSITY SINGLE FAMILY DETACHED - HIGHER PRICE	PROTOTYPE 2A: MEDIUM DENSITY SINGLE FAMILY DETACHED - LOWER PRICE	2B: MEDIUM SINGLE FAMILY DETACHED - HIGHER	PROTOTYPE 3A: HIGHER DENSITY ATTACHED - LOWER PRICE	PROTOTYPE 3B: HIGHER DENSITY ATTACHED - HIGHER PRICE	PROTOTYPE 4A: 2-3 STORY APARTMENT COMPLEX - LOWER RENT	PROTOTYPE 4B: 2-3 STORY APARTMENT COMPLEX - HIGHER RENT
Unit Size (SF)		2,200 SF	2,200 SF	1,800 SF	1,800 SF	1,000 SF	1,000 SF	950 SF	950 SF
Household Income Level									
Under 50% Area Median Income	$173,000	$8.45	$10.00	$9.06	$10.89	$11.50	$15.30	$13.79	$15.26
50% to 80% Area Median Income	$105,000	$4.91	$5.77	$5.28	$6.28	$6.70	$8.90	$8.11	$8.84
Total Supported Fee / Nexus		**$13.36**	**$15.77**	**$14.33**	**$17.17**	**$18.20**	**$24.20**	**$21.89**	**$24.11**

[1] Household earning less than 80% of Area Median Income are presumed to receive assistance for rental housing.

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Filename: \\Sf-fs2\wp\18\18997\Sacramento County Nexus model 6-11-13; D-1 nexus cost per Unit-no TC; 9/9/2013

ADDENDUM: NOTES ON SPECIFIC ASSUMPTIONS

Geographic Area of Impact

The analysis quantifies impacts occurring throughout Sacramento County and not just in the unincorporated areas. While some of the impact will occur in the unincorporated areas, some impacts will be experienced in the City of Sacramento, other incorporated areas of the county and outside of the county. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the nexus analysis quantifies all the jobs impacts occurring within Sacramento County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond unincorporated county boundaries are experienced, are relevant, and are important.

For clarification, counting all impacts associated with new housing units does not result in double counting, even if all jurisdictions were to adopt similar programs. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region, there is much commuting among jurisdictions, and cities house each others' workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once.

With rental projects there is an additional issue of whether additional sources of assistance should be assumed in the analysis. Most rental projects built for lower income households have in recent years been developed using federal tax credits, state low interest financing from bond funds, and other resources. There is a difficulty in assuming that all projects for the lower income households will be developed using these outside sources, because these sources are not reliably available. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach and one that the County has employed in other similar analyses, including the analyses in support of the affordable housing impact fees for non-residential construction. It is also consistent with the approach employed by the City of Sacramento.

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that a jurisdiction will be responsible for delivering affordable units to mitigate impacts. The nexus analysis has established that units will be needed at one or more different affordability levels and, per local policy, the type of unit to be delivered depends on the income/affordability level. In Sacramento County, the County will assist in the development of rental units.

The units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. In some communities where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

If the affordability gap is the difference between total development cost and the affordable sales price, the question sometimes arises as to how total development cost is defined. KMA defines total development costs as including land costs, construction costs, site improvements, architectural and engineering, financing and all other indirect costs, and an allowance for an industry profit (non-profit developers receive a development fee instead).

In a healthy and stable economy, when projects are feasible, the sales price is therefore the same as the total development cost inclusive of profit. In some economic cycles sales prices might enable larger than standard profits, as was the case in the 2002 to 2004 period, for example, when sales prices escalated ahead of construction and land costs, and sales prices were achieved that enabled higher than standard profit margins. In other market cycles, such as the 2009 to today, sales prices are so depressed that they are not high enough to cover total development costs and there is no profit. Projects are not feasible during these periods.

Excess Capacity of Labor Force

At the time this analysis has been conducted, the nation, regional and local economy are all experiencing a severe recession. Unemployment in California averages almost 10%. In this context, the question has been raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs.

In response, an impact analysis of this nature is a one time impact requirement to address impacts generated over the life of the project. A recession is a temporary condition; a healthy economy will return and the impacts will be experienced. In addition, because the nexus analysis is based on reduced housing prices, the impacts analyzed are less than would have been shown had the analysis been prepared when housing prices were at their peak, and the economy was healthier.

Finally, the economic cycle self adjusts. Development of new residential units is not likely to occur until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, current conditions will have likely improved.

The Burden of Paying for Affordable Housing

Sacramento County's inclusionary program does not place all burdens for the creation of affordable housing on new residential construction. The burden of affordable housing is borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally there are other federal grant and loan programs administered by the Department of Housing and Urban Development and other federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the state money is funded by voter approved bond measures paid for by all Californians.

Local governments play a large role in affordable housing. In addition, private sector lenders play an important role, some voluntarily and others less so with the requirements of the Community Reinvestment Act. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. Based on past experience, the inclusionary program will fund only a small percentage of the affordable housing needed in Sacramento County.

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APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE

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INTRODUCTION

This Appendix section provides the building blocks for the values used in other sections of this report, by establishing both market values and affordable values for various types of residential units or projects potentially developed in unincorporated Sacramento County.

It is noted that the market surveys and financial feasibility analyses were conducted in early 2013. By mid 2013 the market had experienced improvement, but is still depressed to the extent that none of the general conclusions in this analysis have been significantly altered.

A. MARKET RATE UNITS

In collaboration with County staff, four market rate residential prototypes were selected for analysis – three for-sale prototypes and one rental prototype. For each building prototype, two price points were selected, representing the approximate range of prices in the unincorporated county. The intent of the selected prototypes is to identify representative developments generally being built by the private marketplace in Sacramento County, or expected to be built as the market improves, in order to gain a general understanding of the economic opportunities and challenges of new residential construction.

The four prototypes are summarized in the following table. More detailed information about the prototypes is included in Appendix II Table 1.

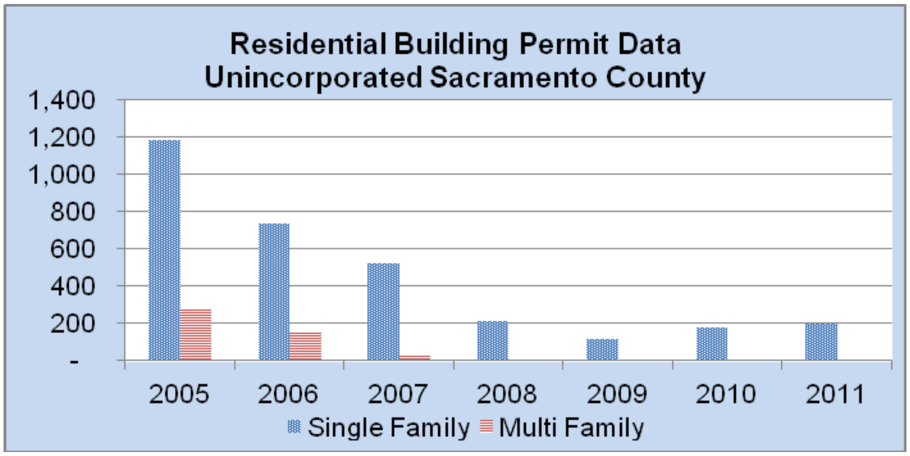
Residential Prototypes	Density	Avg. Unit Size
For-Sale Prototypes*		
1) Lower Density Single Family Detached	5 du/acre	2,200 sq. ft.
2) Medium Density Single Family Detached	7 du/acre	1,800 sq. ft.
3) Higher Density Attached (condominiums)	20 du/acre	1,000 sq. ft.
Rental Prototype*		
4) 2- to 3-story Apartment Project	20 du/acre	950 sq. ft.

*Note: In the residential nexus analysis, two price points for each prototype are being analyzed (a low price and a high price) representing the approximate range of prices in the unincorporated county.

Since the purpose of the analysis is to examine the impact that the County's Affordable Housing Ordinance has on market rate development projects that would be impacted by the County's affordable housing requirements, these prototypes are all 100% market rate projects.

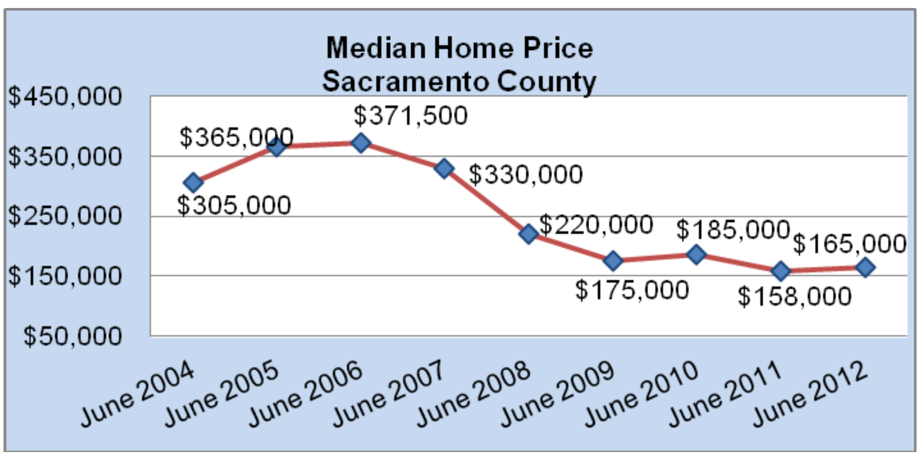
I. For Sale Residential Market Survey

As has been the case in most localities throughout the State of California, the unincorporated areas of Sacramento County have experienced a steep decline in both home values and construction activity since the onset of the recession. As shown in the following chart, residential building permit activity has declined precipitously between 2005 and 2011.



Source: Construction Industry Research Board

The median home price in Sacramento (single family and condominiums combined) has declined by almost 60% - from $371,500 in June 2006 to $158,000 in June 2011. There was a slight uptick in pricing in 2010 resulting from a temporary federal homebuyer tax credit. Home prices have generally been on an upward trajectory since 2011.



Source: California Association of Realtors, Dataquick

Of significance, many homes in Sacramento County have dropped to levels that are well within affordable prices for Low Income households (eligible to households earning up to 80% of AMI) and even Very Low Income households (up to 50% of AMI), although it is recognized that it remains very difficult for many Low Income and Very Low Income households to come up with the down payment and to secure the mortgage financing necessary to buy a home. In addition it is difficult for homebuyers to compete against the many investors in the market who are willing to purchase homes with cash and without many of the common homebuyer contingencies. The fact that market rate home prices in Sacramento are, in some cases, below the deed restricted affordable prices will present some challenges for successfully marketing and selling affordably priced homes.

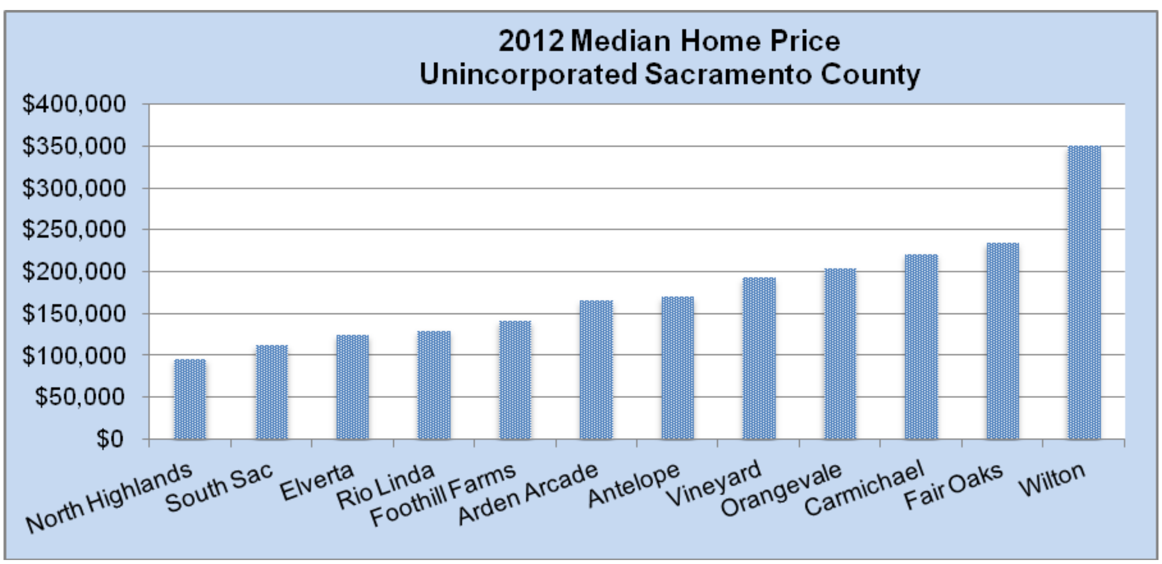
a) Current Trends/Outlook

Residential market conditions improved in 2012 with the June median home price moving up slightly to $165,000. Additionally, a recent report by the Gregory Group indicated that home inventories (available homes for sale) in the Sacramento region are decreasing, which is having the effect of pushing home prices higher. In September, the National Association of Home Builders added Sacramento to their list of improving housing markets based on increased employment, home prices, and building permits.

In another encouraging sign, several economists and market participants including Beacon Economics and the National Association of Realtors, believe that a variety of regulatory and policy factors will help prevent the remaining shadow inventory of homes in the foreclosure process from swamping the market and undermining the housing recovery. Nonetheless, the housing recovery is expected to be a measured one, with the pace of recovery ultimately depending upon a number of factors such as continued improvement in the U.S. and regional economies, consumer confidence, and the ability of federal policy makers to keep mortgage interest rates at or near record lows.

b) Intra-County Variation

Given its large geographic area, home values within Sacramento County vary significantly from one area to another. The following chart indicates the 2012 median home prices in the community areas of the county.



Source: Dataquick
Note: Source data is based on zip codes, which do not conform exactly with community boundaries.

c) REO's & Short-Sales

The median home prices in Sacramento are heavily influenced by the number of short sales and bank real estate owned (REO) sales. As shown in the following chart, a significant percentage of 2012 sales in Sacramento County were REO or short sales, ranging from just above 45% in North Highlands and Carmichael to just above 65% in Vineyard and Antelope.

Source: Dataquick

The large magnitude of foreclosure-related sales continues to significantly drag down median home prices, which has the effect of distorting home prices that can be achieved in non-distressed sale situations. Nationwide home sales data indicates that homes in foreclosure or bank-owned were selling for about one-third less than non-foreclosure homes as of August 2012[1].

d) New Home Projects and Pricing

Focusing next on newly built homes, KMA researched asking prices of newly constructed homes currently on the market in unincorporated Sacramento County. Market research firm Hanley Wood identified just five single family home developments currently being marketed for sale in unincorporated Sacramento County. There were no attached condominiums on the market.

[1] Source: Inman News (August 30, 2012).

Newly Built Residential Projects	Community	Home Size Range*	Price Range*	Price PSF*
Single Family Detached				
1) Destinations	Vineyard	996 – 1,314	$174k-$209k	$157-$175
2) Rockwood Estates	Vineyard	1,604 – 2,308	$244k-$271k	$115-$152
3) Sandalwood	Vineyard	1,445 – 1,654	$194k-$217k	$131-$134
4) Brentwood Villas	Orangevale	1,331 – 1,996	$216k-$258k	$129-$162
5) Almondwood	Orangevale	2,338 – 3,183	From high $300k's	N/Av

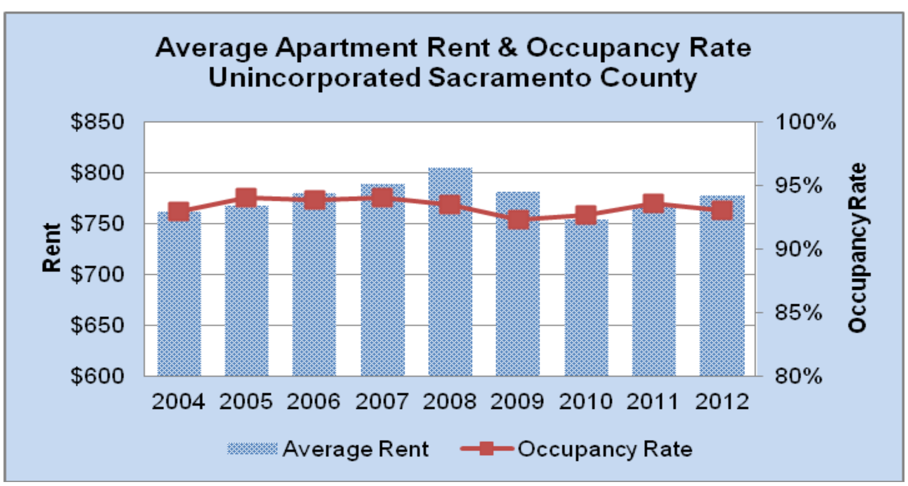
Source: Hanley Wood, project websites, KMA. See Appendix B for additional details.
*Only includes models that are currently available and with a listed home price.

Appendix II Table 2 contains the for-sale residential market survey. The survey includes the five projects identified above and, given the limited number of new projects in the unincorporated county, new projects also located in the cities of Elk Grove, Folsom, and Rancho Cordova.

II. Rental Housing Market

The rental housing market in Sacramento County tends to be older building stock. Of the 82 market rate apartment projects in the unincorporated county tracked by market research firm RealFacts, only one was built since 2000 (The Crest at Fair Oaks, 2004) and only nine were built since 1990. Only one project was considered a Class A property with the balance considered Class C. County staff identified two other apartment projects that were built since 2000 – Arlington Creek and Antelope Springs Townhouses, both located in Antelope.

Unlike the for-sale housing market, the rental housing market did not experience a major downturn during the recent recession. Rather, the rental housing market has maintained relatively stable rents and occupancy rates, as summarized in the following chart. The average apartment rent in the unincorporated county declined by only about 6% from its high in 2008 to its low in 2010. The occupancy rate ranged from a low of 92.3% in 2009 to 94% in 2005 and 2007. An occupancy rate of ±95% is generally considered healthy in a normal market.



Source: RealFacts

KMA surveyed the rents of the market rate apartment developments in the unincorporated county built since 1990. For these properties, the rough range of rents is as follows. Additional information is contained in Appendix II Table 3.

Unincorporated County Apartment Developments Built Since 1990	Rent Range/Unit (Average)	Rent Range/Sq. Ft. (Average)
1-Bedroom	$600 - $1,200 ($785)	$0.90 - $1.45 ($1.10)
2-Bedroom	$725 - $1,400 ($940)	$0.65 - $1.35 ($1.00)
3-Bedroom	$1,100 - $1,645 ($1,300)	$0.90 - $1.20 ($1.10)

Source: KMA Survey

Sales of existing apartment developments in the Sacramento region have generally been of older Class C product, mirroring the predominance of older properties in the market. According to a recent report from Cassidy Turley, these sales transacted with cap rates in the 7.5% range. Higher quality, Class A product (mostly in the incorporated cities of Sacramento County) is in high demand by investors, but owners of these properties have been reluctant to put their properties on the market due to a sense that, because of the still-recovering market, it will take some time before these properties achieve optimal pricing. The few Class A properties that have sold recently have done so with cap rates of 6% or less[2].

Unlike other housing markets like San Francisco, which are benefiting from strong growth in tech employment, the rental housing market in Sacramento County has not experienced substantially increased rents. As a result, there are no new market rate apartments in the development pipeline according to County Planning staff. At this point, rents have not increased to a level that makes new construction of apartment projects financially feasible, as further discussed below.

III. Financial Feasibility Analysis

The purpose of the financial feasibility analysis is to gain an understanding of the economic opportunities and challenges of developing new market rate residential projects in Sacramento County today and how the possible modifications to the County's Affordable Housing Ordinance might impact project economics.

The intent is to evaluate the economics as they apply to the four aforementioned residential prototypes, recognizing that the economics of specific projects even within the same prototype can vary significantly based on location within the county and a variety of other factors. In addition, it is noted that the dearth of recent comparable land sale data at this time makes it especially difficult to analyze land values. As a result, it is difficult to say what the economics of

[2] Cassidy Turley (4th Quarter 2012).

a “typical” prototype project are in the county. For purposes of informing our overall analysis however, KMA has modeled the economics of each of the prototypes by estimating a “mid-point” condition with respect to both prices and development costs. By doing so, it is understood that there will be some projects that will look somewhat better and some that will look somewhat worse than what is shown. The primary economic factors that will vary from project to project include sale prices, land costs, off-site improvements, and fees and permits costs.

The assumptions used in the financial feasibility analysis were based on data gathered from a variety of sources including third party market and cost data sources, KMA’s experience with residential projects in other assignments, and discussions with Sacramento developers and other housing stakeholders.

It is recognized that given the still challenging real estate market conditions, there is relatively little residential development occurring in Sacramento today, and some of the four prototypes in this analysis are essentially not being built at all. For example, there are no attached for-sale condominium projects being built nor are there market rate apartments being built.

a) Summary of Financial Feasibility

The following table summarizes the outcome of the financial feasibility analysis. What it indicates is that the estimated mid-point price and development cost for all four prototypes does not yield a financially feasible project. For the Lower Density Single Family Detached and Higher Density Attached (condominium) prototypes, the achievable sale prices based on today’s market is actually less than the costs of development including land acquisition, resulting in a negative return for the developer. For the Medium Density Single Family Detached prototype, the development return is not sufficient to justify the costs (should be at least 10% as further discussed below). The continued high inventory of foreclosure sales is having the effect of constraining price improvement and this will remain so until the inventory is significantly reduced.

The rental prototype is also infeasible in today’s market, as the estimated value of the project at completion is less than the costs of development. More detailed information on the financial feasibility assumptions is contained in Appendix II Table 4.

Summary of Project Returns	Sale Price Range	Mid-Range Price/Value	(Less) Costs	Project Return	% of Costs
For-Sale Prototypes					
1) Lower Density SFD	$260k to $320k	$290k	($303k)	-$13k	-4%
2) Medium Density SFD	$235k to $290k	$262k	($251k)	+$11k	+4%
3) Higher Density Attached (condos)	$150k to $225k	$187k	($238k)	-$51k	-21%
Rental Prototype					
4) 2- to 3-story Apts	$1.20 to $1.40 psf rents	$156k/unit (based on $1.30 psf rent)	($199k)	-$43k	-21%

Required developer returns vary depending upon a variety of factors including the product type, project size, cost of capital, general market outlook, and overall risk profile of the project. For purposes of this initial feasibility analysis, we are assuming returns would need to be at least 10% of total development costs for the typical residential project. In order to achieve a return of 10% of total costs, sale prices and rental rates would need to increase in the range of 8% for the Medium Density Single Family Detached prototype, 20% for the Lower Density Single Family Detached prototype, and 25% for the Rental Apartment prototype. The sale price of the Higher Density Attached prototype (condominiums) would have to increase in the range of 45% for feasibility, however it is recognized that, of the four prototypes, this prototype exhibited the highest number of REO and short sales during the market downturn and therefore perhaps the most impacted by declining sale prices. As a final but important comment, construction costs and land values are also expected to rise along with improving market conditions and therefore residential sale prices will also need to keep pace with rising costs.

Notwithstanding the conclusions of this preliminary prototype analysis, there are in fact some new residential projects being built in today's market. There are several reasons why this might be the case: (1) higher achievable prices than the mind-point range expressed in KMA's analysis; (2) lower land acquisition costs (for example if land costs are treated as "sunk costs" by developers or if land is purchased from "distressed" sellers at highly discounted values); (3) lower offsite infrastructure requirements; or (4) home builders who will temporarily accept lower than typical profit margins in order to remain active and keep their construction crews employed.

It is clear that residential market conditions in Sacramento County are such that only a limited number of projects are financially feasible today. However, the market is now in the initial stages of a recovery with rising home prices and generally a more positive outlook by the development community. As the market continues its return to more healthy conditions, the financial feasibility numbers will likewise improve.

b) Implications for Affordable Housing Ordinance

The aforementioned financial feasibility analysis assumes the applicability of the current affordable housing fees totaling $5,500 per market rate unit. Any additional cost of incorporating affordable housing requirements into a project (whether it be higher fees, on-site affordable units, or off-site development/land dedication), will make financial feasibility more challenging in the near term. An additional problem is that many market rate housing projects are already priced below HUD/SHRA affordable levels, at least at the Low and Moderate Income levels. As a result, deed restricted units with similar pricing to market rate units will meet buyer resistance and not be marketable.

It is recognized that the imposition of affordable housing requirements creates financial feasibility challenges for some projects and therefore KMA recommends that the County consider current financial feasibility factors when modifications its Affordable Housing Ordinance are being evaluated. In addition, given that the housing market is still in the early stages of recovery, the County should continue to evaluate affordable housing requirements as they relate to improving market conditions.

B. AFFORDABLE UNITS AND AFFORDABILITY GAPS

A key component of the nexus analysis is the size of the gap between what households can afford and the cost of producing new housing in Sacramento County, known as the “affordability gap.” In this section, we document the calculation of the affordability gaps used in the nexus analysis.

I. County Assisted Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and County practices and policies. Sacramento County intends to assist in the production of rental units for households in the Very Low (less than 50% of median income) and Low (50 – 80% of median income) income categories. KMA reviewed development pro formas for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA) and concluded that, on average, the new affordable rental units have 1.5 bedrooms.

II. Affordable Rent Levels

Affordable rent levels are a function of the income level for which the unit is aimed to be affordable; affordable rent levels are estimated by KMA in accordance with the County’s Affordable Housing Program.

Affordable rent is based on 30% of household income available for rent and utilities. KMA calculated the gross rents based on the 2013 California Housing and Community Development Department's (HCD) income limits, and used SHRA's estimated utility allowance. Typically, HCD uses the U.S. Department of Housing and Urban Development's income limits. However, the 2013 HUD income limits for Sacramento County actually dropped from 2012 levels. The 2013 income limits for Sacramento, therefore, reflect the implementation of HCD's 'hold harmless' policy, which allows the 2012 income limits to remain in effect instead of the lower income limits. Projects receiving federal assistance would have to meet the more strict HUD income limits.

Because the prototype has an average unit size of 1.5 bedrooms, KMA estimated the rent as an average of the affordable one-bedroom rent and the affordable two-bedroom rent and the utility allowance as the average of one and two-bedroom allowances. A one-bedroom unit is assumed to house a two-person household and a two-bedroom unit is assumed to house a three-person household, consistent with most local and state programs. In the table below, the affordable rents for the Very Low Income category are calculated.

Sample Calculation of Affordable Rents, Very Low Income Households			
	1 Bedroom	2 Bedroom	1.5 Bedroom
Area Median Income (AMI)	$60,900	$68,500	$64,700
Very Low Income Limit (50% of AMI)	$30,450	$34,250	$32,350
Gross Rent (30% of Monthly Household Income)	$761	$856	$809
Utility Allowance	$(52)	$ (70)	($61)
Affordable Rent Net of Utilities	$709	$786	$748

Affordable rents for each of the income limits adjusted for the utility allowance are presented below:

Affordable Rents by Income Level		
Very Low Income	1.5 bedroom unit	$748 per month
Low Income	1.5 bedroom unit	$1,234 per month

For more information on the calculation of these rents, see Appendix II Table 5. The rent levels as defined above (by unit size and income category) govern what the building owner may charge for a particular unit.

III. Affordability Gaps

In a nexus study, the affordability gap is the amount of subsidy dollars required to bridge the difference between total development costs and the unit value of the rental units. The unit value of an affordable rental unit is calculated by capitalizing the net operating income generated by the unit.

a) Development Costs

For the purposes of the nexus analysis, KMA prepared an estimate of total development cost for typical affordable rental units. Total development costs include land, direct construction, all fees and permits, financing and other indirect costs, including profit. KMA drew this estimate from a review of development pro forma for recent affordable rental developments assisted by the Sacramento Housing & Redevelopment Agency (SHRA). KMA concluded that, on average, the total development costs equal to $223,000.

For many new developments, particularly County-assisted developments, total development costs could be higher than those estimated here. The conservative estimate of development costs results in a lower supportable nexus amount.

For the purposes of estimating the affordability gaps, we do not assume additional sources of affordable housing financing such as the federal income tax credit program. While many of the recent housing developments assisted by SHRA utilized these additional funding sources, it is not assured that these sources will be available in the future. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Determining the affordability gap assuming no outside sources is a sound and legitimate approach, and one that the County has employed in other similar analyses.

For reference, KMA also produced an estimate of the affordability gaps assuming tax credit financing is available. The estimate was based on projects assisted by SHRA, and represents a mix of 4% and 9% tax credit projects. The resulting affordability gaps are, of course, lower than when tax credit financing is not assumed. The lower affordability gap would result in lower total supported nexus costs. The affordability gaps assuming tax credits are shown in Appendix II Table 6.

b) Unit Values

To calculate the value of the restricted units, KMA first estimated the Net Operating Income generated by the units. The first step is to convert monthly gross rent to an annual gross rent by multiplying by 12. Annual gross rent is then adjusted for vacancy rates during turnover, and then operating costs are netted out. Lost income due to vacancy is estimated at 5% of gross rents. Operating costs cover management, property taxes, and certain other expenses. Based on KMA's experience reviewing operating budgets for affordable apartment projects proposed or built in Sacramento County, the operating expenses are estimated at $4,800 per unit per year excluding property taxes. Property taxes are estimated at 1.25% of the unit's capitalized value. Net Operating Income is calculated by netting out vacancy, operating costs and property taxes from the gross income generated by the unit. NOI is then capitalized at 6.75% to estimate the value of the restricted units. The results are summarized below and shown in Appendix II Table 5.

Supported Unit Values		
	Net Operating Income	*Unit Value*
Very Low Income	$3,366 per year	$50,000
Low Income	$7,960 per year	$118,000

As shown in the table above, Very Low and Low Income units generate a small amount of income in excess of operating expenses. However, neither unit generates enough capitalized value to cover total development costs of the unit. The resulting gap between unit value and development costs is referred to as the Affordability Gap.

c) Affordability Gaps

The affordability gap conclusions are presented in Appendix II Table 5 and summarized below.

Affordability Gaps			
Income Level	*Unit Value*	*Development Cost*	*Affordability Gap*
Very Low Income	$50,000	$223,000	$173,000
Low Income	$118,000		$105,000

These affordability gaps represent the mitigation cost to the County per affordable unit, by income level. They are entered into the nexus analysis to calculate the maximum supported impact fees.

Appendix II Table 1
Residential Prototypes
Affordable Housing Ordinance
County of Sacramento

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		Medium Density Single Family Detached		Higher Density Attached		2-3 Story Apartment Project	
Units (50-unit segments)	50	units	50	units	50	units	50	units
Density (units/acre)	5.0	du/acre	7.0	du/acre	20.0	du/acre [1]	20.0	du/acre
Site Acres	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Avg Unit sq. ft.	2,200	sf	1,800	sf	1,000	sf	950	sf
Avg bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Type	Garage		Garage		Garage		Surface	
Dedicated spaces/unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Price Range	Lower	Higher	Lower	Higher	Lower[2]	Higher[2]	Lower	Higher
Price	$260,000	$320,000	$235,000	$290,000	$150,000	$225,000	(Rent)	(Rent)
Per Sq. Ft.	$118	$145	$131	$161	$150	$225	$1.20	$1.40

[1] Range of 18-22 du/acre

[2] There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.

Appendix II Table 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
South Sacramento County						
Aria at Madeira						
The Melody	4	2	2,038	$324,990	$159	Location: 8005 Cellana Dr, Elk Grove
The Concerto	4	3	2,507	$348,990	$139	Developer: Lennar
The Harmony	3	3	2,410	$352,990	$146	70 Lots including 3 models
The Verismo	4	3	2,767	$368,990	$133	
The Legacy	3	3.5	2,785	$375,990	$135	
Gardner Square						
The Teddy L	4	2	2,186	$269,990	$124	Location: 9716 Babylon Dr, Elk Grove
The Janessa	4	2.5	2,740	$309,990	$113	Developer: Centex Homes
The Boz	4	3	2,886	$323,990	$112	SOLD OUT
The Prize	5	3	3,214	$349,990	$109	
Glenbrooke						
The Gianna	2	2	1,257	$212,990	$169	Location: 9985 Westminster Way, Elk Grove
The Randall	2	2	1,371	$222,990	$163	Developer: Del Webb
The Aidan	2	2	1,343	$227,990	$170	Retirement Community
The Maggie	3	2	1,569	$263,990	$168	
The Colby	3	2	1,644	$266,990	$162	
The Sanders	3	2	1,859	$278,990	$150	
The Julie Marie	2	2	2,066	$324,990	$157	
The Williams	2	2.5	2,252	$339,990	$151	
Mirabela at Madeira						
Meridien	3	2	1,561	$300,000	$192	Location: 9827 Joebar Cr, Elk Grove
Amadora	4	2	1,904	$311,000	$163	Developer: Taylor Morrison
Santana	4	2.5	2,062	$321,000	$156	
Marquesa	4	3	2,293	$341,000	$149	
Alameda	3	2.5	2,301	$351,000	$153	
Bandeira	3	3	2,568	$361,000	$141	
Marina	4	3	2,860	$376,000	$131	
Providence/Jmc Homes						
Jamestown	3	2.5	2,247	N/Av		Location: 9936 Winkle Cr, Elk Grove
Bristol	5	3	2,731	$439,990	$161	Developer: JMC Homes
Greenwich	5	3	3,227	N/Av		79 Total Lots
Charlestown	5	4.5	3,435	$485,990	$141	
Wickford	5	4	3,957	$549,990	$139	
Ranch at Madeira						
The Coronado	3	2	1,801	$349,990	$194	Location: 7020 Cordially Way, Elk Grove
The Dakota	4	3	2,234	$369,990	$166	Developer: JMC Homes
The Shenandoah	5	4	2,537	N/Av		
The Southfork	5	3	2,813	$409,990	$146	
Ranch at Sheldon Hills						
The Scottsdale	5	2.5	3,257	N/Av		Location: 11870 Trailrider Ct., Elk Grove
The Tucson	5	3.5	4,398	$584,900	$133	Developer: JMC Homes
Rancho Verde						
Cielo - Plan 1	3	2	1,657	$259,000	$156	Location: 10409 Fossil Way, Elk Grove
Cielo - Plan 2	3	2	1,768	$269,000	$152	Developer: Taylor Morrison
Cielo - Plan 3	4	2.5	1,940	$279,000	$144	
Cielo - Plan 4	4	3.5	2,168	$292,000	$135	
Vista - Plan 5	3	3	2,004	$304,000	$152	
Vista - Plan 6	3	3	2,194	$314,000	$143	
Vista - Plan 7	4	3	2,451	$324,000	$132	
Vista - Plan 8	5	3.5	2,920	$352,000	$121	

Appendix II Table 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
Destinations at Vineyard Point						
The Catalina	2	2	996	$173,990	$175	Location: 7501 Chevelle Way, Sacramento
The Mendocino	2	2	1,057	$182,990	$173	Lennar Homes
The Pebble Beach	2	2	1,199	$187,990	$157	Retirement Community
The Sedona	2	2	1,117	$191,990	$172	
The Napa Valley	3	2	1,314	$208,990	$159	
Rockwood Estates at Vineyard Point						
Plan 2597 Modeled	5	2	2,597	N/Av		Location: 9578 Cherry Grove Cr, Sacramento
Plan 1774	3	2	1,774	N/Av		Developer: KB Home
Plan 1996 Modeled	4	2	1,996	N/Av		
Plan 1604	4	2	1,604	$243,500	$152	
Plan 2269 Modeled	4	2	2,269	$261,000	$115	
Plan 2308	5	3	2,308	$270,500	$117	
Sandalwood/Kb Home						
Plan 1659	4	2.5	1,659	N/Av		Location: 8895 Cobble Crest Dr, Sacramento
Plan 2078	5	3	2,078	N/Av		Developer: KB Home
Plan 2308 Modeled	5	3	2,308	N/Av		
Plan 1703 Modeled	4	2.5	1,703	N/Av		
Plan 1445	3	2.5	1,445	$193,500	$134	
Plan 1654	4	2.5	1,654	$216,500	$131	
Northeast Sacramento County						
Woodlands						
RESIDENCE 2 - Audubon	3	2.5	2,366	N/Av		Location: 4022 Braxton Ln, Fair Oaks
RESIDENCE 2X - Thoreau	3	2.5	2,328	N/Av		Developer: True Life Communities
Enclave / Gentry Homes						
Enclave Plan One	3	3.5	2,720	Homes start		Location: Close to Old Town Folsom
Enclave Plan Two	4	3.5	2,800	at $500,000		Developer: Gentry Homes
Enclave Plan Three	4	3.5	3,000			10 Homes
Enclave Plan Four	4	3.5	3,250			
Hideaway At Treehouse						
Plan 4	3	2.5	1,332	$253,500	$190	Location: 900 Bullion Ln, Folsom
Plan 5	3	2.5	1,319	$257,500	$195	Developer: KB Home
Plan 1 Modeled	3	2.5	1,690	$305,500	$181	
Plan 2 Modeled	4	3	1,878	$318,500	$170	
Plan 3 Modeled	4	2.5	1,941	$328,500	$169	
New Riata at Empire Ranch						
The Caviata	3	2	1,777	$461,950	$260	Location: 661 Burlond Ct, Folsom
The Remuda	3	2	1,919	$476,950	$249	Developer: Elliott Homes
The Parada	4	2	2,943	$486,950	$165	
The Rodera	5	3	3,043	$561,950	$185	
The Alamar	4	3	2,735	$560,950	$205	
The Mirada	5	3.5	3,246	$619,950	$191	
Parkside Signature Homes						
The Blue Oak	3	2.5	1,633	Priced from the		Location: 306 Barnhill Dr, Folsom
The Cottonwoord	4	2.5	1,856	mid $300,000s		Developer: Signature Homes
The Alder	4	3	2,009			
Trails at Folsom						
Residence 1	3	3	1,874			Location: 1768 Parkway Dr, Folsom
Residence 2	4	3	1,997			Developer: The New Home Company
Residence 3	4	3	2,203			

Appendix II Table 2
Asking Prices of New Homes - County of Sacramento (excl. City of Sacramento)
Affordable Housing Ordinance
County of Sacramento

	BR	BA	Sq. Ft.	Base Price	$/SF	Notes
Brentwood Villas						
The Amber II	2	2	1,331	$215,900	$162	Location: 9025 Pecor Way, Orangevale
The Gardenia II	3	3	1,526	$232,900	$153	Developer: Tim Lewis Communities
The Cherry Blossom II	3	2.5	1,624	$234,900	$145	SOLD OUT
The Jasmine II	3	2.5	1,996	$257,900	$129	
Cresleigh Almondwood						
The Camellia	3	2.5	2,338	From the high		Location: 5805 Almond Ave, Orangevale
The Holly	4	3	2,535	$300,000s		Developer: Cresleigh Homes
The Hawthorne	4	3.5	2,968			38 Total homes
The Laurel	5	3.5	3,183			
Bella Brisas at Sunridge Park						
4000 Avila	3	2	1,451			Location: 12378 Canyonlands Dr, Rancho Cordova
4011 Laguna	3	2	1,646			Developer: Woodside Homes
4015 Newport	4	2	1,832			120 houses incl. model
4022 Coronado	4	3	2,092			SOLD OUT
Cazadero at Kavala Ranch						
The Boracay	4	2	1,794	$259,990	$145	Location: 11886 Elk View Way, Rancho Cordova
The Claremont	4	3	2,295	$282,990	$123	Developer: Lennar Homes
The Montiero	5	3	2,567	$300,990	$117	
The Versatillion	5	4	2,811	$319,990	$114	
Copper Ridge at Kavala Ranch						
Eagle Peak	3	2	1,841	$235,900	$128	Location: 12089 Runswick Ct, Rancho Cordova
Kingston Peak II	3	2.5	2,817	$284,900	$101	Developer: Tim Lewis Communities
Mission Peak II	5	4	2,840	$294,400	$104	
Castle Peak	3	2	1,629	$209,900	$129	
Eclipse at Sunridge Park						
5001 Sunset	4	3	1,983	$291,990	$147	Location: 12409 Kibbie Lake Way, Rancho Cordova
5002 Star	4	2	2,256	N/Av		Developer: Woodside Homes
5003 Cresent	5	3.5	2,687	$342,990	$128	
Mariposa at Sunridge Park						
Plan 4 Hanford	4	2	2,245	$318,990	$142	Location: 12409 Kibbie Lake Way, Rancho Cordova
Plan 1 Kentfield	4	2	2,597	N/Av		Developer: Woodside Homes
Plan 2 Brookshire	5	3	2,983	$372,990	$125	
Rio Del Sol						
Residence One	3	2	1,768	$233,500	$132	Location: 12367 El Portal Way, Rancho Cordova
Residence Two	3	2	1,946	$263,500	$135	Developer: K. Hovanian Homes
Residence Three	3	2	2,100	$273,500	$130	64 Total houses
Sky View at Sunridge Park						
Starlight	3	2	1,667	$225,990	$136	Location: 12317 Edyth Lake Way, Ranco Cordova
Sunset	4	2	1,856	$239,990	$129	Developer: Beazer Homes
Horizon	4	3	2,249	$276,490	$123	

Source: Hanley Wood, project websites

Appendix II Table 3
Asking Rents for Apartment Projects Built Between 1990-2012
Affordable Housing Ordinance
County of Sacramento

	Sq. Ft.	Rent Range		Rent PSF		Notes
Arlington Creek						
1 Bedroom/1 Bath	720	$775	$850	$1.08	$1.18	Location: 8131 Walerga Road, Antelope
2 Bedroom/2 Bath	990	$895	$1,025	$0.90	$1.04	Built in 2003
3 Bedroom/2 Bath	1,270	$1,089	$1,275	$0.86	$1.00	
Crest at Fair Oaks (The)						
1 Bedroom/1 Bath	700	$995	$1,025	$1.42	$1.46	Location: 10523 Fair Oaks Blvd, Fair Oaks
1 Bedroom/1 Bath	930	$1,235		$1.33		76 units
2 Bedroom/2 Bath	1,031	$1,295	$1,320	$1.26	$1.28	Built in 2004
2 Bedroom/2 Bath	1,075	$1,375	$1,425	$1.28	$1.33	
3 Bedroom/2 Bath	1,350	$1,520	$1,645	$1.13	$1.22	
Heritage Oaks						
1 Bedroom/1 Bath	687	$799		$1.16		Location: 4033 McClain Way, Carmichael
2 Bedroom/1 Bath	867	$949		$1.09		110 units
2 Bedroom/2 Bath	946	$995		$1.05		Built in 1990
Oakwood Apartments						
1 Bedroom/1 Bath	660	$600	$620	$0.91	$0.94	Location: 5018 Marconi Ave, Carmichael
1 Bedroom/1 Bath	714	$625		$0.88		139 units
2 Bedroom/1 Bath	869	$759		$0.87		Built in 1992
2 Bedroom/2 Bath	981	$800		$0.82		
2 Bedroom/2 Bath	1,025	$825		$0.80		
2 Bedroom/2 Bath	1,050	$850		$0.81		
2 Bedroom/2 Bath	1,201	$900		$0.75		
Willow Run						
1 Bedroom/1 Bath	740	$750	$820	$1.01	$1.11	Location: 5324 Marconi Ave, Carmichael
1 Bedroom/1 Bath	771	$770		$1.00		84 units
1 Bedroom/1 Bath	820	$795	$820	$0.97	$1.00	Built in 1990
2 Bedroom/2 Bath	924	$850	$995	$0.92	$1.08	
Antelope Ridge						
1 Bedroom/1 Bath	627	$800	$900	$1.28	$1.44	Location: 4400 Shandwick Dr, Antelope
2 Bedroom/2 Bath	819	$1,005	$1,105	$1.23	$1.35	288 units
2 Bedroom/2 Bath	899	$1,010	$1,110	$1.12	$1.23	Built in 1990
3 Bedroom/2 Bath	1,125	$1,240	$1,340	$1.10	$1.19	
Antelope Vista						
1 Bedroom/1 Bath	700	$730		$1.04		Location: 3600 Elverta Rd, Antelope
1 Bedroom/1 Bath	750	$730		$0.97		196 units
2 Bedroom/2 Bath	905	$890		$0.98		Built in 1991
2 Bedroom/2 Bath	1,000	$800		$0.80		
2 Bedroom/2 Bath	1,100	$730		$0.66		

Appendix II Table 3
Asking Rents for Apartment Projects Built Between 1990-2012
Affordable Housing Ordinance
County of Sacramento

	Sq. Ft.	Rent Range		Rent PSF		Notes
Legacy (The)						
1 Bedroom/1 Bath	701	$818		$1.17		Location: 8303 Walerga Rd, Antelope
2 Bedroom/2 Bath	978	$985		$1.01		190 units
2 Bedroom/2 Bath	1,014	$985		$0.97		Built in 1991
2 Bedroom/2 Bath	1,087	$1,134		$1.04		
Sunset Ridge						
1 Bedroom/1 Bath	641	$695	$725	$1.08	$1.13	Location: 3825 Little Rock Dr, Antelope
2 Bedroom/2 Bath	927	$895	$925	$0.97	$1.00	96 units
3 Bedroom/2 Bath	1,056	$1,150		$1.09		Built in 1990
Rosedown Apartments						
1 Bedroom/1 Bath	NA	$625	$699			Location: 6500 47th St, Sacramento
1 Bedroom/1 Bath	615	$625	$699	$1.02	$1.14	108 units
2 Bedroom/1.5 Bath	810	$725	$775	$0.90	$0.96	Built in 1991
2 Bedroom/2 Bath	820	$750		$0.91		
Antelope Springs Townhouses						
1 Bedroom/1 Bath		Rents not available; leasing office				Location: 3739 Black Eagle Drive, Antelope
2 Bedroom/2 Bath		could not be reached				Built in 2004
3 Bedroom/2 Bath						

Source
Forrent.com and individual apartment websites where available, April 2013

Appendix II Table 4
Financial Feasibility Analysis
Affordable Housing Ordinance
County of Sacramento

	For-Sale Prototypes						Rental Prototype	
	Prototype 1		Prototype 2		Prototype 3		Prototype 4	
	Lower Density Single Family Detached		**Medium Density Single Family Detached**		**Higher Density Attached**		**2-3 Story Apartment Project**	
Development Program								
Site Size	10.0	acres	7.1	acres	2.5	acres	2.5	acres
Total Units	50	units	50	units	50	units	50	units
Density	5.0	du/acre	7.0	du/acre	20.0	du/acre	20.0	du/acre
Average Unit Size	2,200	sf	1,800	sf	1,000	sf	950	sf
Average Number of Bedrooms	4	BR	3	BR	3	BR	2	BR
Parking Spaces / Unit	2.0	spaces	2.0	spaces	2.0	spaces	1.5	spaces
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land	$16	$34,800	$14	$24,900	$9	$8,700	$9	$8,700
On/Offsites	$14	$30,000	$11	$20,000		incl. below		incl. below
Construction	$55	$121,000	$60	$108,000	$135	$135,000	$125	$118,800
Fees & Permits [(1)]	$25	$55,000	$25	$45,000	$25	$25,000	$28	$26,600
Affordable Housing Fees	$3	$5,500	$3	$5,500	$6	$5,500	$6	$5,500
Other Soft Costs	$21	$45,300	$21	$38,400	$50	$50,000	$31	$29,700
Construction Financing	$5	$11,800	$5	$9,700	$14	$14,100	$11	$10,200
Total Development Costs	$138	$303,400	$140	$251,500	$238	$238,300	$210	$199,500
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (mid-range price)	$132	$290,000	$146	$262,500	$188	$187,500	$1.24	$14,100
Affordable Units	$0	$0	$0	$0	$0	$0	$0.00	$0
Total Gross Sales	$132	$290,000	$146	$262,500	$188	$187,500	$1.24	$14,100
<Less> Sales Expense		included in costs		included in costs		included in costs	Exp	($5,500)
Sales Net of Sales Expenses	$132	$290,000	$146	$262,500	$188	$187,500	NOI	$8,600
							Cap	5.5%
<Less> Development Costs	($138)	($303,400)	($140)	($251,500)	($238)	($238,300)	Value	$156,400
								($199,500)
Net Return [(3)]	($6)	($13,400)	$6	$11,000	($51)	($50,800)		($43,100)
As % of Total Costs		*-4.4%*		*4.4%*		*-21.3%*		*-21.6%*
As % of Gross Sales		*-4.6%*		*4.2%*		*-27.1%*		

[(1)] Fees & Permits costs vary by location within Sacramento County. The estimated Fees & Permits costs are averages based on estimates for the South Sacramento, Carmichael, East Antelope, and North Vineyard Station areas (source: County Housing Element).
[(2)] There are no new attached units currently being marketed in unincorporated Sacramento County. The estimated price is based on resales of newer condo units, many of which were REO and short sales, and an estimated premium for new construction.
[(3)] See report text for discussion of typical developer returns.

Keyser Marston Associates, Inc.
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Appendix II Table 5
Nexus Affordability Gaps
Affordable Housing Ordinance
County of Sacramento

		50% AMI	*80% AMI*
I. Affordable Rent			
Average Number of Bedrooms		1.5 Bedrooms	1.5 Bedrooms
Average Household Size		2.5 Persons per HH	2.5 Persons per HH
Household Income		$32,350	$51,800
Income Allocation to Housing		30%	30%
Monthly Housing Cost		$809	$1,295
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent		$748	$1,234
II. Net Operating Income (NOI)		Per Unit	Per Unit
Gross Scheduled Income (GSI)			
Monthly		$748	$1,234
Annual		$8,973	$14,808
Other Income	$30	$360	$360
(Less) Vacancy	5%	($467)	($758)
Effective Gross Income (EGI)		$8,866	$14,410
(Less) Operating Expenses[2]		($4,800)	($4,800)
(Less) Property Taxes	1.25%	($700)	($1,650)
Net Operating Income (NOI)		$3,366	$7,960
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)		$3,366	$7,960
II. Target Return on Investment		6.75%	6.75%
III. Total Capitalized Value		$50,000	$118,000
IV. (Less) Total Development Costs		($223,000)	($223,000)
V. Affordability Gap		**($173,000)**	**($105,000)**

[1] SHRA Affordability Calculations.
[2] Includes replacement reserves. Based on recent SHRA-assisted projects.

Appendix II Table 6
Nexus Affordability Gaps with Tax Credit Financing
Affordable Housing Ordinance
County of Sacramento

		50% AMI	*60% AMI*
I. Affordable Rent			
Average Number of Bedrooms		1.5 Bedrooms	1.5 Bedrooms
Average Household Size		2.5 Persons per HH	2.5 Persons per HH
Household Income		$32,350	$38,820
Income Allocation to Housing		30%	30%
Monthly Housing Cost		$809	$971
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per County		$748	$910
Maximum Rent per CTCAC		$746	$895
(Less) Utility Allowance		($61)	($61) [1]
Maximum Monthly Rent per CTCAC		$685	$834
II. Net Operating Income (NOI)		Per Unit	Per Unit
Gross Scheduled Income (GSI)			
Monthly		$685	$834
Annual		$8,214	$10,008
Other Income	$30	$360	$360
(Less) Vacancy	5%	($429)	($518)
Effective Gross Income (EGI)		$8,145	$9,850
(Less) Operating Expenses[2]		($4,800)	($4,800)
(Less) Property Taxes	1.25%	exempt [3]	exempt [3]
Net Operating Income (NOI)		$3,345	$5,050
III. Capitalized Value and Affordability Gap			
I. Net Operating Income (NOI)		$3,345	$5,050
II. Sources of Funds			
Supportable Debt		$48,000	$73,000
Market Value of Tax Credits[4]		$100,000	$100,000
Deferred Developer Fee		$4,000	$4,000
III. Total Sources of Funds		$152,000	$177,000
IV. (Less) Total Development Costs		($223,000)	($223,000)
V. Affordability Gap		**($71,000)**	**($46,000)**

[1] SHRA Affordability Calculations.

[2] Includes replacement reserves. Based on recent SHRA-assisted projects.

[3] Assumes developer will partner with non-profit organization.

[4] Assumes a mix of 4% and 9% tax credits. The County will like see, at most, one project per year with 9% tax credits and 2-4 projects per year without 9% tax credits.

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APPENDIX III: NON-DUPLICATION OF NON-RESIDENTIAL FEE

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INTRODUCTION

In 1990, Sacramento County established a fee on non-residential development as a source of revenue for the Housing Trust Fund to increase the supply of housing affordable to Very Low Income Households. The County's Affordable Housing Ordinance includes an option for residential projects to pay an impact fee, which also funds affordable housing. The material provided in this Appendix addresses the potential for overlap between the two obligations and any possibility of double counting.

This Appendix is not intended as a stand-alone document; it accompanies the Residential Nexus Analysis, an analysis of new market rate residential projects prepared for the County in August 2013. Reference is also made to a jobs housing nexus analysis report entitled Housing Trust Fund Nexus Analysis, prepared for Sacramento County in 2006, also by Keyser Marston Associates. This analysis was not formally presented to the Board of Supervisors, and therefore not accepted by the Board. Material in these reports explains terms, methodology, and the findings for the analysis.

A. BACKGROUND AND CONTEXT

Sacramento County established a fee on non-residential construction to help mitigate the impacts of new jobs associated with the development of new non-residential buildings on the demand for very low income affordable housing in Sacramento County. KMA conducted a Non-Residential Nexus Analysis for the City and County pre-1990 and an update in 2006. The County did not adjust its existing fees as a result of the update analysis. The fee is charged on almost all new non-residential construction in the County.

To briefly summarize the Non-Residential Nexus Analysis (which is a jobs-housing nexus analysis), the logic begins with jobs located in new workplace buildings such as office buildings, retail spaces and hotels. The nexus analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Non-Residential Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of County residents, such as expenditures for food, personal services, restaurant meals and entertainment. Many jobs counted in the residential nexus are not addressed in the jobs housing analysis at all. For example, school and government employees are counted in the residential nexus analysis but are not counted in the jobs housing analysis which is limited to private sector office buildings, hotel, commercial, manufacturing, research and development, and warehouse projects.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Non-Residential Nexus are also counted for purposes of the Residential Nexus Analysis. For example, a small retail store or restaurant might be located on the ground floor of a new condominium building and entirely dependent upon customers from the condominiums in the floors above. The commercial space on the ground floor pays the Non-Residential fee and the condominiums are subject to the Affordable Housing Ordinance. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to provide inclusionary units and/or fund construction of affordable units must not exceed 100% of the demand for affordable units generated by employees in the new commercial space. Note that the Non-Residential fee generates funds to mitigate the demand for housing generated by Very Low Income households only, while the Residential fee also includes the demand for Low Income households as well.

Complete overlap between jobs counted in the Non-Residential Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of circumstances. The following analysis demonstrates that the combined mitigation requirements do not exceed the nexus even if every job counted in the Residential Nexus Analysis is also counted in the Non-Residential Nexus Analysis.

B. NON-RESIDENTIAL REQUIREMENT AS A PERCENT OF NEXUS

The Non-Residential Nexus Analysis report was prepared by KMA in 2006. To evaluate the combined programs today, KMA updated the affordability gap figures to reflect today's development costs. The total updated nexus costs per square foot are shown on Appendix III Table 1 and summarized below. The total nexus cost is the maximum mitigation amount, or maximum fee that could be charged, supported by the analysis. The current fee charged by Sacramento County is indicated below and shown as a percent of the total updated nexus cost.

	Total Current Nexus Amount	Current Fee	Percent of Nexus
Office	$9.28	$0.97	10.4%
Hotel	$65.34	0.92	1.4%
Research & Development	N.A	0.82	N.A.
Commercial	$86.42	0.77	0.9%
Manufacturing	$10.56	0.61	5.8%
Warehouse	$4.47	0.26	5.8%

The conclusion is that the current fee levels represent 1.4% to 10.4% of the nexus cost. As a result, the Non-Residential fee mitigates less than 10% of the net new demand for affordable units generated by the new non-residential space.

C. PROPOSED AFFORDABLE HOUSING ORDINANCE

Sacramento County proposes to revise the Affordable Housing Ordinance affecting residential development projects. The fee option is expected to remain as one of the means of compliance for most projects. The fee level has not yet been proposed, so for purposes of this analysis, KMA has suggested that a range be tested, using the current fee of $5600 per unit at the low end and the original fee of $10,000 per unit to represent the high end. The rental project fee level for testing purposes is the current fee at $5,600 although the proposed fee will likely be considerably lower given the feasibility challenges of apartment development in the current market.

The tables below compare the supported nexus amounts for Very Low Income Households (from Appendix I Table C-10) with the proposed requirement for the ownership prototypes. The nexus analysis report determines the maximum supported fee separately for the Very Low Income tier and the Low Income tier. If the total fee is assigned to the Very Low Income tier alone, the results would be as follows:

Current and Proposed Fee as Percent of Maximum Nexus Amount

	Lower Density SFR		*Medium Density SFR*		*Higher Density Attached*	
Price Point	*Lower*	*Higher*	*Lower*	*Higher*	*Lower*	*Higher*
Maximum Nexus Amount	$18,600	$22,000	$16,300	$19,600	$11,500	$15,300
Current Fee	$5,600	$ 5,600	$5,600	$5,600	$5,600	$5,600
As Percent of Nexus Amount	30%	25%	34%	29%	49%	37%
Potential Fee – High End	$10,000		$10,000		$10,000	
As Percent of Nexus Amount	54%	45%	61%	51%	87%	65%

Current and Proposed Fee as Percent of Maximum Nexus Amount, Cont'd

Income Category	*2-3 Story Apartment Complex*	
Price Point	*Lower*	*Higher*
Maximum Nexus Amount	$13,100	$14,500
Current Fee	5,600	5,600
Fee as Percent of Nexus	43%	39%

Note that the Lower and Higher scenarios refer to pricing, both current and with a market recovery projection, as explained in the report.

The conclusion is that the current fee level ($5,600) in the Affordable Housing Ordinance represents 25% to 49% of the maximum supported by the analysis, depending on the prototype and pricing scenario. When a higher fee level of $10,000 per market rate unit for for-sale type units is tested for illustrative purposes, the percentage of the supported nexus ranges from 45% to 87% in one case.

D. COMBINED REQUIREMENTS WITHIN NEXUS

The test to confirm that there is no double counting requires combining the two obligations by adding the percents of the calculated nexus to determine whether they total more than 100%. Any scenario with 100% overlap is highly hypothetical and virtually impossible in the real world, but for illustrative purposes, the analysis is provided.

The Non-Residential housing fee with the highest percent of nexus is for office use at 10.4%; thus even when combined with the residential high of 87% for one of the numerous scenarios, the result is still under 100%. Rather than office uses, commercial uses, such as restaurants or shops would be the most likely use of the ground floor space of the multifamily residential building, that could be possibly supported by the residents above. The fee level for commercial uses is less than 1% of the total calculated nexus and thus combined with any of the maximum residential nexus amounts would represent well under 100%. Therefore, the combined affordable housing mitigations would not exceed the nexus even if there were 100% overlap in the jobs counted in the two nexus analyses, a virtually impossible scenario in any case.

APPENDIX III, TABLE 1
TOTAL JOBS HOUSING NEXUS COST - 2013 AFFORDABILITY GAPS
JOBS HOUSING NEXUS ANALYSIS CONDUCTED 2006
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

BEFORE COMMUTE ADJUSTMENT

INCOME CATEGORY		Nexus Cost Per Sq. Ft.					
Household Income Level	Affordability Gap	OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING	HOSPITAL/ MEDICAL
Under 50% Median Income [1]	$173,000	$11.58	$81.58	$107.90	$5.58	$13.19	$19.33

AFTER 80.10% Commute Adjustment

INCOME CATEGORY		Nexus Cost Per Sq. Ft.					
	Affordability Gap	OFFICE	HOTEL	RETAIL	WAREHOUSE	MANUFACTURING	HOSPITAL/ MEDICAL
Under 50% Median Income [1]	$173,000	$9.28	$65.34	$86.42	$4.47	$10.56	$15.48

[1] Assumes households are housed in rental units

SURVEY OF AFFORDABE HOUSING PROGRAMS – SACRAMENTO REGION
Updated October 2013

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
Sacramento County (existing) Housing Element Policy identifies %15 program; Ordinance in County Code	Inclusionary: Total of 15%. Projects 100 units or more: For Sale: 15% - low; Rental: 10% - very low 5% - low	Fee Program: Projects less than 100 units: Affordable Housing Fee $5,500 (In Lieu Fee: $1,600, Affordability Fee: $3,900) Land Dedication and Fee.	Yes – see below	Office $0.97 sq ft Hotel $0.92 sq ft R&D $0.82 sq ft Commercial $0.77 sq ft Manufacturing $0.61 sq ft Warehouse $0.26 sq ft
Sacramento County (proposed) Housing Element - current Ordinance will be amended	Master Plan: Development Agreement to Build 4% Low 4% Very Low	Non-Master Plans: $2.50 sq ft fee on all new residential construction. Master Plan Projects and projects over 750 units: Development Agreement to dedicate land that can accommodate 8% and pay 50% of fee; OR A modified program in Master Plan areas equivalent to the 8% build.	Proposed ordinance will be considered by Board of Supervisors on 12/10/2013	Same as above – no changes proposed

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Citrus Heights	None			Office $0.97 sq ft Hotel $0.92 sq ft R&D $0.82 sq ft Commercial $0.77 sq ft Manufacturing $0.61 sq ft Warehouse $0.26 sq ft
City of Elk Grove Housing Element Policy H-4 thru H-8; Ordinance in Municipal Code	None	Fee Program: SFD Units - $2,800 + 3% Administration Fee MFD Units - $1,680 + 3% Administration Fee Fee may be waived if developer agrees to donate land or provide deed restricted affordable units.	Fees were updated on 3/27/2013.	Office $0.97 sq ft Hotel $1.36 sq ft Commercial/Retail $0.46 sq ft Manufacturing $0.52 sq ft Warehouse $0.56 sq ft Office fee at $0.00 for one year as of 3/27/2013
City of Folsom Municipal Code	Inclusionary Requirement: Total of 10% 3% - very low 7% - low	Options: Land dedication. Fees: In-lieu fee calculated at 1.0% of the lowest priced for-sale unit in project. Custom lots at 0.5% of the least expensive homes. Other as proposed by the developer.	Recently changed its program on 3/26/2013	$1.20 sq ft for all non-residential development

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Galt	None			Do not charge housing trust fund fees.
City of Rancho Cordova Housing Element policy requires an Affordable Housing Plan		Negotiated project by project. Housing Element contains various options.		Office $0.97 sq ft Hotel $0.92 sq ft R&D $0.82 sq ft Commercial $0.77 sq ft Manufacturing $0.61 sq ft Warehouse $0.26 sq ft
City of Sacramento Housing Element references Mixed Income Housing Ordinance; Ordinance in Municipal Code.	Existing Inclusionary Requirement: Total of 15% (applies only to new growth areas). 10% - very low-income 5% - low-income Off-site inclusionary units allowed if within same growth area Single Family projects can do land dedication	Existing Program: Land dedication is an option (may fulfill all or portion of the inclusionary housing obligation). Fee Program: None	Draft Changes: Rental Units: $1.00 sq ft fee For Sale: 0 to 50 acres: 1. Fee of $3.00 sq ft Fee OR 2. 30% fee AND build $15% as affordable by design or 10% as regulated rental units or land equivalent value to fee Greater than 50 acres – option 2 above	Citywide N. Natomas Office $2.25 sq ft $1.86 Hotel $2.14 sq ft TBD R&D $1.91 sq ft TBD Commercial $1.80 sq ft $1.86 – 2.47 Manufacturing $1.41 sq ft $1.30 – 1.57 Warehse/Off $0.82 sq ft $1.01 – 1.86 Warehouse $0.61 sq ft $1.01

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
El Dorado County	No requirements on Developers – Incentive Programs Only			Do not charge housing trust fund fees
Placer County	10% of units affordable in Specific Plans or Projects with General Plan Amendments	OR Pay an In-Lieu Fee (No pre-determined amount – set by Planning Director).		Do not charge housing trust fund fees
City of Roseville	Inclusionary: Implements 10% affordable housing goal w/development agreements (applies to specific plans). 4% - very low 4% - low-income 2% - moderate (In projects in specific plan areas created after October, 2003).	Fee Program: For Very Low Income Units, could pay in-lieu fee - $60,000 per Affordable Unit	Fees are adjusted annually based on staff costs.	Do not charge housing trust fund fees

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
Sutter County	Inclusionary Requirement: For Sale Projects: 5% - low- and moderate-income Rental Projects: 5% - very low- and low-income	Land dedication is an option Fee Program: May pay an in-lieu fee to the Affordable Housing Trust fund. The amount shall be sufficient to provide for the development of the required affordable units.	Program is rarely used. Changes in near term unlikely.	Do not charge housing trust fund fees
City of West Sacramento	Inclusionary Requirement: Total of 15% For Sale Projects 5% - low income 10% - moderate income Rental Projects 5% - very low-income 5% - low-income 5% - moderate-income	Fee Program: None	Changes in program in near future likely: New Inclusionary Requirements may remove moderate – income % Add a fee option	Do not charge housing trust fund fees

Jurisdiction	Inclusionary Program	Alternative Program	Proposed Changes to Inclusionary Program	Housing Trust Fund Fee (Non-Residential Fees)
City of Winters	Inclusionary Requirement: Total of 15% 6% - very low-income 9% - low- or moderate-income	Land dedication allowed at City discretion Fee Program: At City discretion, may pay fee on small projects when City deems on-site construction or land dedication is infeasible.		Do not charge housing trust fund fees.
City of Woodland	Inclusionary Requirement: Total of 10% (SFD) or 30% (MFD) For Sale Project 10% - low-income Multi-Family Rental Project 20% - very low 10% - low- Or 25% - very low	Land dedication is an option Fee Program: For detached for-sale projects fewer than 50 units, may pay an in-lieu fee to satisfy the affordable housing obligation.		Do not charge housing trust fund fees.

SCC NO. _______

AN ORDINANCE OF THE SACRAMENTO COUNTY CODE RELATING TO AFFORDABLE HOUSING

The Board of Supervisors of the County of Sacramento, State of California, ordains as follows:

SECTION 1. Sections 22.35.010 through 22.35.180 of Chapter 22.35, Title 22, of the Sacramento County Code are repealed.

SECTION 2. Sections 22.35.010 through 22.35.160 are added to Chapter 22.35, Title 22, of the Sacramento County Code to read as follows:

22.35.010 Purpose.

A. It is a public purpose of the County and a policy of the State to achieve a diverse and balanced community with housing available for households of all income levels. The County is committed to implementing policies and regulatory actions that will increase the supply of housing affordable to low ,very low and extremely low income households. Because of a variety of factors and economic circumstances, including, but not limited to, increasing development costs, new residential development does not always provide housing for these economic groups. Further, the consumption of the remaining supply of suitable and available land exacerbates the County's on-going efforts to encourage and facilitate the production of housing that is affordable to persons of all income levels, including low, very low and extremely low income households.

B. Housing Element Policy HE-5.2 (E3) provides that the County will review and amend as appropriate its Affordable Housing Ordinance to consider its effectiveness in producing affordable housing, its impact on the production of market rate housing, the current and projected future need for affordable housing in the County and the market's ability to meet that need, and options to streamline and/or clarify the Ordinance.

C. The Legislature of the State of California has found that the lack of affordable housing is a critical problem which threatens the economic, environmental and social quality of life in California.

D. To implement Policy HE-5-2 (E3), to carry out the policies of the State of California, to achieve the benefits of economic diversity for the residents of the County and to assist in making affordable housing available in the County for all income levels, it is essential that new residential development contain housing opportunities to households of low,very low and extremely low income, and that the County provide a regulatory and incentive framework which provides opportunities for development of a supply and mix of new housing to meet the future housing needs of all income segments of the community.

E. The Board of Supervisors finds and determines that the above purposes can be reasonably met by requiring that eight (8) percent of all units in a new residential development project are affordable, as provided in Section 22.35.030. The Board of Supervisors further finds and determines that there is a reasonable relationship between the construction of a development project that does not meet Section 22.35.030's eight (8) percent requirement, and the affordability fees option that certain development projects may pay as an alternative to meeting that requirement, since those fees will be used to pay for off-site affordable housing in lieu of the on-site affordable housing.

F. The Board of Supervisors finds and determines that the Residential Nexus Analysis prepared by Keyser Marston Associates, Inc. in August 2013 meets the requirements of Government Code for the implementation of an impact fee in that newly constructed units represent new households and new income in Sacramento County. These households will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Low compensation jobs translate to lower income households that cannot afford market rate units in the County and therefore need affordable housing. The affordability fee established herein is below the ceiling identified in the Residential Nexus Analysis which ranges from $13.36 per square foot to $24.20 per square foot depending on the unit type for eight prototype developments in the County for the impact fee requirement placed on market rate development.

G. The Board of Supervisors finds and determines that, based upon the above purposes and findings, there is a reasonable relationship between the need for affordable housing and the type of development projects which may meet their affordable obligation pursuant to this chapter by payment of affordability fees.

22.35.020 Definitions.

"Adjacent" means contiguous at any point, or separated only by a public or private street, road, or other public or private right of way.

"Affordability fee" means the fee required by Section 22.35.070.

"Affordable" means rented at an affordable rent or sold at an affordable housing price.

"Affordable housing component" means the affordable housing units included in or provided by a development project as specified in this chapter.

"Affordable housing plan" means the plan described in Section 22.35.110 setting forth the elements of a development project's affordable housing component and the manner in which the affordable housing component will be implemented.

"Affordable housing price" means a sales price at which low income or very low income households can qualify for the purchase of for-sale affordable units. Qualification shall be based on no more than thirty-five (35) percent of income at eighty (80) percent, and fifty (50) percent of the median income applicable to Sacramento County, respectively for low income and very low income households, being applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable.

“Affordable housing unit” or “affordable unit” means an ownership or rental dwelling unit developed as a part of the affordable housing component.

“Affordable obligation” means the obligation set forth in Section 22.35.030.

“Affordable rent” means: (1) for a unit whose occupancy is restricted to low income households, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of eighty (80) percent of the median income applicable to Sacramento County; (2) for a unit whose occupancy is restricted to a very low income household, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of fifty (50) percent of the median income applicable to Sacramento County; or, when applied to units produced pursuant to the State of California Multifamily Housing Program, means a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of thirty-five (35) percent of the median income applicable to Sacramento County. In all cases the median income applicable to Sacramento County is as determined annually by the United States Department of Housing and Urban Development. Maximum rent is adjusted for household size appropriate to the unit, less a reasonable allowance for utilities.

“Buy-down program” is a program whereby the County subsidizes the difference in price between a very low income unit and an extremely low income unit.

“Construct” means to build or cause to be built.

“County” means the County of Sacramento.

“Developer” means any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities that seeks County’s approvals for all or part of a development project. “Developer” includes “owner.”

“Development project” means any real estate development project in the unincorporated County that includes at least one dwelling unit. Projects at one location developed by the same owner or developer undertaken in phases, stages or otherwise developed in distinct sections shall be considered a single development project for purposes of this section. “Development project” includes units and acreage associated with the affordable housing component

“Director” means the Director of Community Development or his or her designee.

“Dwelling unit” means a residential unit within a development project.

“ELI” means extremely low income.

“Extremely low income household” means a household whose income does not exceed thirty (30) percent of the median income, adjusted for household size, applicable to Sacramento County, as published and periodically updated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937, or, when applied to units produced pursuant to the State of California Multifamily Housing Program, means a household whose income does not exceed thirty-five (35) percent of the median income, adjusted for household size, applicable to Sacramento County as published and periodically updated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

“Low income household” means a household whose income does not exceed eighty (80) percent of median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of

Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

"Market rate" means not restricted to an affordable housing price or affordable rent.

"Master plan" means a development project approved pursuant to the 2030 General Plan Policies LU-119 and LU-120 when outside the Urban Policy Area, or Policy LU-121 when inside the Urban Policy Area.

"Mobilehome park" has the same meaning as set forth in Zoning Code Section 130-126 or any successor section.

"Multifamily" means residential units planned, approved, or built on land planned or zoned for other than single-family residential.

"Newly constructed" means the habitable square footage of any primary residential unit that has not been previously occupied for any purpose, as set forth in Section 1107A, 14-N of the 2010 California Building Code, California Code of Regulations Title 24 Part 2, Volume 1 of 2. For the purposes of this Chapter, exceptions from this definition include accessory dwelling units, remodel or enlargement, or restoration of a dwelling unit which has been damaged or partially destroyed due to fire, flood, or earthquake.

"One location" means all adjacent land owned or controlled by the same owner or developer, a related owner, or more than one owner in a single application, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way.

"Very low income household" means a household whose income does not exceed fifty (50) percent of the median income, adjusted for household size, applicable to Sacramento County, as published and periodically updated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

22.35.030 Standard Affordable Housing Component.

Development projects shall include or provide for an affordable housing component as set forth in this chapter.

A. Development projects which are not located in a master plan area and contain less than 750 dwelling units in one location shall:

1. Pay an affordability fee on all newly constructed market rate units pursuant to Section 22.35.070(A)(1); or

2. Enter into a development agreement or other form of agreement with the County which:

a. Requires that not less than eight (8) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: four (4) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income;

b. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to eight (8) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

c. Allows for a modified application of Section 22.35.030(A)(2)(a), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(A)(2)(a)..

B. Development projects which are included in a master plan area or contain at least 750 dwelling units in one location shall enter into a development agreement with the County which:

1. Requires that not less than eight (8) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: four (4) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income; or;

2. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to eight (8) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

3. Allows for a modified application of Section 22.35.030(B)(1), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(B)(1).

C. Development projects which have an approved affordable housing plan may comply with that affordable housing plan in lieu of complying with Section 22.35.030(A) or (B).

D. Development projects located in the Elverta Specific Plan, Easton Place Land Use Master Plan, Glenborough at Easton, Cordova Hills Special Planning Area, Mather Field Special Planning Area, and Mather Field Specific Plan shall:

1. Comply with the development project's approved affordable housing plan; if one exists, or

2. Enter into a development agreement or other form of agreement with the County which :

a. Requires that not less than eight (8) percent of the development project's dwelling units be leased at an affordable rent or sold at an affordable housing price to low and very low income households as follows: four (4) percent of the dwelling units shall be affordable to and occupied by low income households, and four (4) percent of the dwelling units shall be affordable to and occupied by very low income;or

b. Requires dedication of land to the County of a sufficient size to accommodate affordable units equivalent to eight (8) percent of the development project's market rate dwelling units; and payment of an affordability fee on all newly constructed market rate dwelling units pursuant to Section 22.35.070(A)(2); or

c. Allows for a modified application of Section 22.35.030(D)(2)(a), as long as the obligation produces a number of affordable dwelling units equivalent to that required by Section 22.35.030(D)(2)(a).

E. Nothing in this ordinance shall preclude a development agreement entered into pursuant to this section from requiring the construction of dwelling units offered for sale at an affordable housing price.

22.35.040 Exempted Development Projects.

The following development projects are exempt from this chapter and generate no affordable housing obligation:

A. Conversion of nonresidential buildings to residential use;

B. Mobilehome parks;

C. Market rate and affordable units in a mixed-income development on a newly created multifamily site located on-site built at a density of 17 units per acre or more where at least twenty (20) percent of the units are affordable to low income renters or buyers.

22.35.050 Concurrence.

The affordable housing plan shall include a phasing plan that provides for the timely development of the affordable housing component as the residential project is built out. The phasing plan shall provide for the development of the affordable units concurrently with the market rate units. The affordable housing plan may deviate from this requirement due to the phasing of infrastructure improvements or other development conditions impacting phasing, but, unless otherwise specified in a development agreement entered into pursuant to Section 22.35.030, no building permits shall be issued for more than seventy-five (75) percent of the market rate units prior to the issuance of permits for one hundred (100) percent of the affordable units

22.35.060 Buy-Down Program for Extremely Low Income Units.

When the development agreement and/or the affordable housing plan requires construction of affordable units, the County shall be offered the right to buy down affordable units. At least twenty (20) percent of the affordable units meeting the affordable housing obligation shall be available for buy-down by the County. At least ten (10) percent of the affordability fees collected shall be used by the County to buy-down or produce units for ELI households.

22.35.070 Affordability Fees.

A. If the developer is required by this chapter to pay an affordability fee, the following fees shall be paid:

1. Development projects which are not located in a master plan area or contain less than 750 dwelling units in one location shall pay an affordability fee equal to $2.50 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

2. Development projects which are located in a master plan area or contain at least 750 dwelling units in one location, when required by Section 22.35.030(B), shall pay an affordability fee equal to $1.25 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

3. Development projects located in the Elverta Specific Plan, Easton Place Land Use Master Plan, Glenborough at Easton, Cordova Hills Special Planning Area, Mather Field Special Planning Area, and Mather Field Specific Plan which have not elected to comply with the development project's approved affordable housing plan, when required by Section 22.35.030(D), shall pay an affordability fee equal to $1.25 per habitable square foot of each market rate unit, up to a maximum of $5500 per market rate unit.

B. The affordability fee shall be paid concurrently with the payment of building permit fees for the development project in accordance with the fee schedule in effect at the time of building permit application.

C. The affordability fee, including the maximum amount of the fee, shall be adjusted annually based on Construction Cost Index-All Cities published by Engineer News-Record/McGraw Hill. County shall publish the fee schedule annually in program guidelines.

D. At least ten (10) percent of the affordability fees collected pursuant to this section shall be used to buy down or produce ELI units pursuant to Section 22.35.060.

22.35.080 Unit Size, Location and Quality.

A. Developments approved pursuant to this chapter shall be conditioned to accommodate diverse family sizes by including units with different numbers of bedrooms, as determined by the approval authority, upon recommendation by the Director.

B. Multifamily buildings may contain any proportion of affordable units. However, no multifamily development consisting of more than fifty (50) percent affordable units may be located adjacent to another multifamily development with more than fifty (50) percent affordable units.

C. Quality. Affordable units shall be visually compatible with the market rate units. External building materials and finishes, front yard landscaping and amenities shall be of the same type and quality for affordable units as for market rate units.

22.35.090 Accessibility.

A minimum of five (5) percent of the dwelling units (but not less than one (1) unit) in a multifamily project constructed to meet an affordable housing obligation shall be made accessible for persons with disabilities.

22.35.100 Affordability.

An affordable housing plan submitted in conjunction with an application for any development subject to this chapter which includes construction of affordable units shall ensure the following:

A. Rental. Rental affordable units shall remain affordable for a period of no less than fifty-five (55) years from recordation of the notice of completion for the rental units.

B. For-Sale. For-sale affordable units shall remain affordable for a period of not less than thirty (30) years from the first sale of an individual property and from the date of any resale to an income-eligible buyer made at a time the affordable unit is subject to affordability restrictions under this chapter.

22.35.110 Occupancy Requirement.

Any person who rents or owns an affordable unit shall occupy that unit as his or her principal residence.

22.35.120 Affordable Housing Plan.

An affordable housing plan shall be submitted as part of the application for a master plan subject to this chapter. The plan shall contain all the information required by regulations to be promulgated by the County.

22.35.130 Establishment and Administration of Fund for Affordability Fees.

A. There is hereby created by the Office of the County Auditor-Controller in the County Treasury a special interest-bearing trust fund entitled the Fund for Affordability Fees. All fees collected pursuant to Section 22.35.070 and interest shall be placed in said fund and shall be expended solely to purchase land for affordable housing, produce affordable dwelling units, or buy down or produce ELI units pursuant to Section 22.35.060.

B. The Fund for Affordability Fees shall be administered by the Director who shall have the authority to govern the fund consistent with this chapter and the guidelines prepared pursuant to Section 22.35.140.

C. Affordable dwelling units may be produced in partnership with Sacramento Housing Redevelopment Agency, or other housing providers.

D. The Department of Community Development shall report biennially on the performance of the affordable housing program, including the number of units produced and the amount of funds collected. The report shall also include the levels of affordability in units constructed pursuant to this chapter.

22.35.140 Guidelines.

The Director shall prepare and implement guidelines to ensure compliance with this Chapter.

22.35.150 Waiver.

At the time a development project is heard by the appropriate approval authority, the developer may request a determination that the requirements of this chapter, taken together with all applicable incentives, as applied to the residential project through the affordable housing plan, would deny the owner any economically viable use of the subject property for residential uses. The developer has the burden of providing economic information and other evidence necessary to establish that application of the provisions of this chapter would deny the owner any economically viable use of the subject property for residential uses. The approval authority shall make the determination, which, if the approval authority is not the Board of Supervisors, may be appealed in the same manner as any other decision of the applicable approval authority. In making the recommendation or determination, the decision maker shall assume each of the following: (A) incorporation of the affordable housing component in the residential project; (B) application of any incentives; (C) incorporation into the residential project of the most cost-efficient product type for the affordable units; and (D) external funding where reasonably likely to occur. If it is determined that the application of the provisions of this chapter would deny the owner any economically viable use of the subject property for residential uses, conditions of approval shall be modified to reduce the obligations in the affordable housing component to the extent and only to the extent necessary to avoid such a result. Absent such a determination the requirements of this chapter remain applicable.

22.35.160 Severability.

The Board of Supervisors of the County of Sacramento declares that should any section, paragraph, sentence, or word of this chapter be declared for any reason to be invalid, it is the intent of the Board of Supervisors that it would have passed all other portions of this chapter, independent of the provision declared invalid.

SECTION 3. This ordinance was introduced and the title thereof read at the regular meeting of the Board of Supervisors on _________________, and on ___________________, further reading was waived by the unanimous vote of the Supervisors present.

This ordinance shall take effect and be in full force on and after thirty (30) days from the date of its passage, and before the expiration of fifteen (15) days from the date of its passage it shall be published once with the names of the members of the Board of Supervisors voting for and against the same, said publication to be made in a newspaper of general circulation published in the County of Sacramento.

On a motion by Supervisor ____________________, seconded by Supervisor _____________________, the foregoing ordinance was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California, this ____ day of ______________ 2013, by the following vote:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

____
Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST:___________________________
Clerk, Board of Supervisors

479476


Sutter County
Placer County
Folsom Lake
Yolo County
City of CITRUS HEIGHTS
City of FOLSOM
City of SACRAMENTO
City of RANCHO CORDOVA
City of ELK GROVE
Wilton
Clay
Herald
San Joaquin County
Dry Creek
American River
Cosumnes River
Legend
Non Master Plan Area (A)
Approved Plans (Fee-Out)(B)
1 - Vineyard Springs Comprehensive Plan
2 - North Vineyard Station Specific Plan
3 - Florin-Vineyard Community Plan
Approved Master Plans (Cannot Fee-Out)(D)
4 - Easton Specific Plan
5 - Elverta Specific Plan
6 - Cordova Hills Master Plan
Pending Master Plans (Cannot Fee Out)(B)
7 - New Bridge Master Plan
8 - Jackson Township Master Plan
9 - West Jackson Highway Master Plan
10 - Northwest Master Plan
11 - Mather South Master Plan
12 - Other Potential Growth Areas
Urban Services Boundary
Cities
N

Potential Residential Unit Capacity
(based on data prepared November 2010)

	Potential Capacity
Non Master Plans (Can Fee-Out) (A)	
Infill areas in the County	13,642
Commercial Corridors	14,107
Permits issued (2004-2009)	(7,334)
Subtotal Non-Master Plans	20,415
Approved Projects (Could Potentially Fee-Out) (B)	
Vineyard area projects	20,408
Approved Master Plan Areas (Cannot Fee-Out) (D)	
Easton, Elverta,	10,836
Cordova Hills	8,000
Subtotal Approved Master Plans	18,836
Pending Master Plans(Cannot Fee-Out) (B)	
West Jackson	15,650
Jackson Township	6,143
New Bridge	3,635
Mather	3,545
other potential growth areas	27,827
Natomas	unknown
Subtotal Pending Master Plans	56,800
Total Potential Units (based on November 2010 data)	116,459

Percentage of Potential Units per Category			
	Projects that Can Fee- Out (A)		18%
	Projects that Could Potentially Fee-Out (B)		18%
	Projects that Cannot Fee-Out (B) and (D)		65%