HOUSING POLICY TOOLKIT

A menu of policy options and best practices for removing governmental constraints to new housing at the local level in the Sacramento Region.

Sacramento Area Council of Governments

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Introduction and Purpose

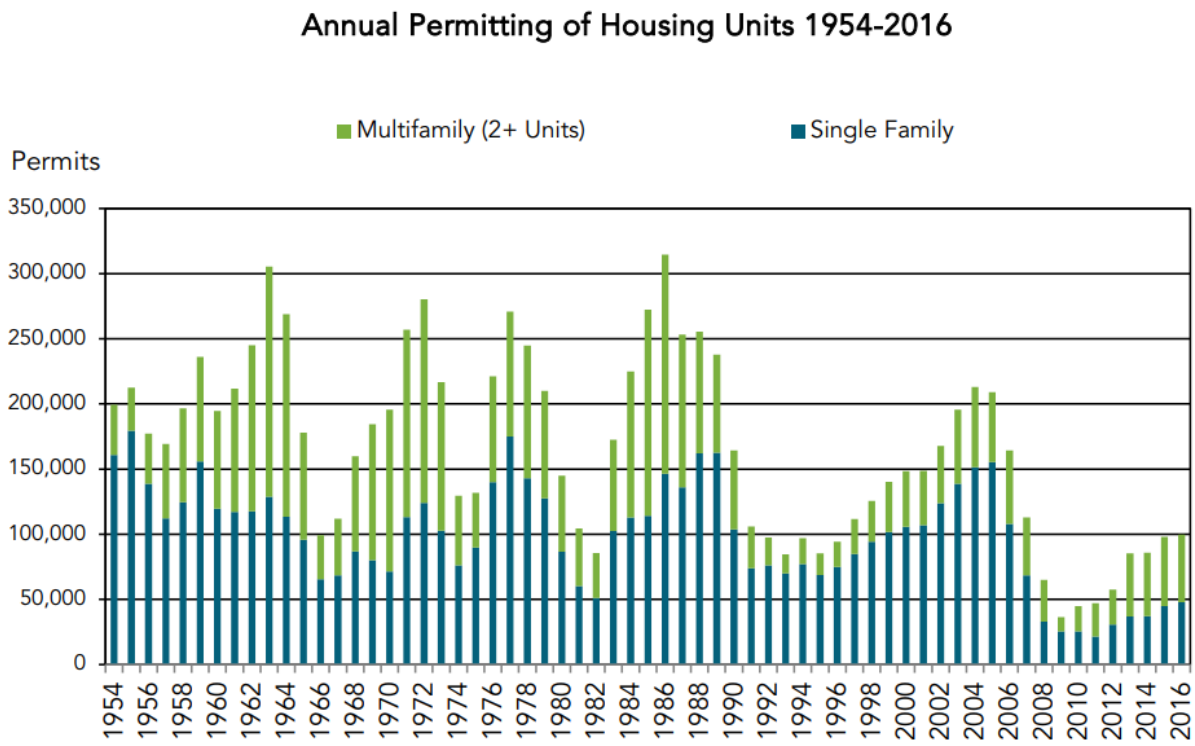
Purpose

The goal of the Housing Policy Toolkit is to provide a menu of policy options for local agencies that want to allow for more housing product choices to be built in more locations, using a simple, non-discretionary approval process with streamlined environmental review and reasonable fees.

Background

Much like the rest of California, the Sacramento region has seen steep increases in the cost of housing. With higher housing and transportation costs, but stagnant wages, Sacramento households are feeling the pressure. The primary catalyst for these trends is a failure to build enough housing to keep up with demand. In particular, the region has struggled to build smaller and more attached housing products in infill and established communities.

Interestingly, these are also the types of housing outcomes that are in high demand, according to the Housing Whitepaper, in which SACOG examined future housing product type preferences. In that paper, SACOG found there was a mismatch between our supply, which overwhelmingly favors large-lot single family, and demand, which is spread across both single family *and* smaller lot, walkable neighborhoods with shorter commutes.



Source: Construction Industry Research Board/California Homebuilding Research Reports 1954-2016 (HCD)

Providing a variety of places where people can live, including apartments, condominiums, townhomes, and single-family detached homes on varying lots sizes, creates opportunity for the variety of people who need them: families, singles, seniors, and people with special needs. This issue is of special concern for the people with very low-, low-, and moderate-income. For many of these people, finding housing closer to their jobs and destinations is challenging. By providing more housing and a variety of types, more people will have a choice in where they live.

To support this, our region needs more small lot and attached housing in infill and established communities, but these outcomes are not reflected in our existing stock, and to a certain extent, our housing pipeline. The reasons why are nuanced and include both things local governments control (regulatory environment) and things local governments have less control over (market conditions, labor shortages, construction costs). The Housing Policy Toolkit is intended to provide local governments with specific recommendations for changing the framework by which they plan and approve housing. It's about reevaluating outdated policies and minimizing governmental barriers to building the homes this region needs, particularly the small lot and attached homes that we are lacking today.

The policies included in this toolkit are aimed at making it easier to build market-rate *and* below market-rate housing, both of which will ease housing cost burdens that many communities are facing. For some households, housing will not be affordable even in a functioning housing market. For these households, below market-rate affordable housing is critical and funding for these projects has become increasingly scarce over time. Non-profit affordable housing developers face all the same, and often additional, regulatory hurdles as market-rate infill housing developers. The proposed policies in this toolkit will ease those barriers for market-rate and subsidized affordable housing alike.

One consequence of the current housing shortage and rapidly increasing housing costs is that some lower-income households can no longer afford to live in their current neighborhoods. However, adding new supply does not fully mitigate displacement. As new supply comes online, anti-displacement measures must be considered. There is an ecosystem of anti-displacement strategies aimed at protecting tenants, creating money for and building subsidized affordable housing, and preserving existing affordable housing. No single policy can accomplish these things as specific policies are often context specific. Policies can include, among others, just cause eviction ordinances, inclusionary zoning, housing trust funds, density bonuses above State regulations, and rent stabilization. These types of policies are not part of this toolkit; however, jurisdictions are encouraged to consider this issue and potential solutions for their individual community's needs as they consider some of the policy changes in this toolkit.

How to Use this Toolkit

The toolkit is divided into four topic areas, all of which can impact the ability of home builders to deliver more housing, particularly more housing type choices in walkable neighborhoods near jobs and services. These topics include zoning, accessory dwelling unit ordinances, development review processes, and fees. Each topic will include what types of policies in that category can hold back desired housing outcomes, a policy

menu with specific recommendations and, if possible, an example/best practice. In addition, Appendix A provides additional historical context and justification for each policy recommendation.

These policies can be pursued as a part of general plan updates, as programs in a jurisdiction's housing element, or on an ad hoc basis. They can also be paid for through a new over-the-counter planning grant created by Senate Bill 2. As a part of the 2017 Housing Package, the State legislature passed SB 2, which creates a new funding source for housing and homelessness. The first year of revenue will dedicate 50% of funds for planning grants to local governments. The State Department of Housing and Community Development (HCD) is managing the framework by which these grants will be dispersed. The planning grants will be non-competitive and will be focused on accelerating housing production. HCD had the opportunity to review the toolkit and provided the following statement:

"The policies presented in the SACOG Housing Policy Toolkit align well with the SB 2 program objectives to accelerate housing production, streamline the approval of housing, facilitate housing affordability, and promote development consistent with State planning priorities. While the SB 2 Planning Grant Guidelines are still in draft form, the SACOG Housing Policy Toolkit includes a variety of measures that would be eligible for over-the-counter funding through SB 2 planning grants."

The table below shows the maximum award amounts for all jurisdictions in the SACOG region, which are based on population size.

Maximum SB 2 Award by SACOG Jurisdiction		
$125,000 Max (up to 60,000 people)	**$250,000 Max** (60,000-200,000 people)	**$500,000 Max** (Over 200,000 people)
Yuba County (59,347)	Elk Grove (172,116)	Sacramento County (588,798)
West Sacramento (54,163)	El Dorado County (155,865)	Sacramento (501,344)
Lincoln (48,591)	Roseville (137,213)	
Yolo County (30,685)	Placer County (113,313)	
Galt (26,018)	Citrus Heights (87,731)	
Sutter County (21,177)	Folsom (78,447)	
Auburn (14,611)	Rancho Cordova (74,210)	
Marysville (11,883)	Davis (68,704)	
Placerville (10,642)	Yuba City (67,280)	
Live Oak (8,781)	Rocklin (66,830)	
Winters (7,292)	Woodland (60,426)	
Loomis (6,824)		
Wheatland (3,497)		
Colfax (2,150)		
Isleton (8,37)		

Zoning

Land use authority, exercised through zoning, is an important role of local government. It shapes the communities we live in by laying out a future development pattern and the regulatory framework for future growth. Most of the housing in the SACOG region is single family housing on large lots (lots greater than 5,500 square feet). This is a product of zoning and is fairly common across the rest of the State. If adding more diverse housing in more locations is a policy goal, then standard zoning practices should be reconsidered.

The following zoning policies and tools affect the type, location, and cost of allowed housing, to facilitate more housing choice in infill and established communities.

Expand "Missing Middle" Zoning

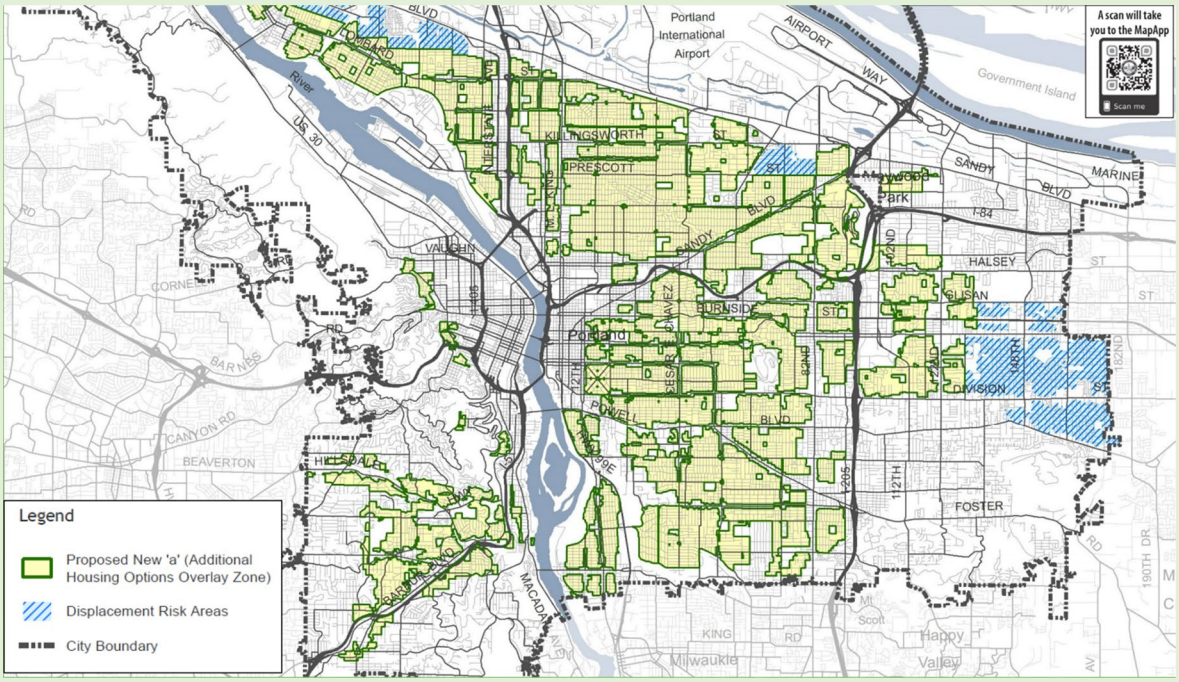
"Missing middle" describes multiunit housing that fits within the scale of existing neighborhoods. While sometimes this term is used to refer to housing affordable to middle income households, this toolkit is referring to the missing middle housing type. This includes duplexes, triplexes, fourplexes, townhomes, courtyard apartments, and bungalow courts. Missing middle is cheaper to produce than larger apartment buildings, tends to become naturally affordable rental housing as it ages, provides sufficient density to support the shops, restaurants, and transit that are associated with walkable neighborhoods, and usually fits in with the look and feel of a single family neighborhood. See the appendix for examples of missing middle from the SACOG region.

What to Change:

- Allow for duplexes, triplexes, and fourplexes on all residentially zoned land.
- Strategically rezone land to allow for denser missing middle over 25 units/acre.
- Allow for higher lot coverage (75 percent or more) for missing middle products.
- Consider using maximum floor area or height instead of units/acre to regulate intensity.

Best Practice: City of Portland Proposes Three Units Per Parcel

While not in the SACOG region, the City of Portland is in the process of amending its zoning code to, among other things, allow for three units per lot citywide via a zoning overlay. As shown below, the proposal allows three units on any lot within the green overlay zone, which covers the vast majority of the city. In addition, the pending policy caps new building sizes but allows buildings to get bigger by about 500 square feet when the building includes an additional home, restricts rents to levels affordable to lower-income households, or preserves an older structure as part of dividing it into multiple units. Projects making use of the overlay are capped at 30 foot heights to minimize concerns over shadows and neighborhood character. The policy change passed the Portland Planning Commission in September 2018 and heads to City Council in Spring 2019.



Source: Residential Infill Project Summary, April 2018. City of Portland, Bureau of Planning and Sustainability.

Expand TOD-appropriate Zoning Near Transit

Transit Oriented Development (TOD) has been shown to increase transit ridership and transportation choices, reduce vehicle miles traveled, increase household disposable income, reduce air pollution, increase economic development and access to jobs/services, and reduce local infrastructure costs. If there is a fixed route transit station or high-frequency bus stop, it is critical that TOD-appropriate zoning is in place that allows for attached housing and/or mixed use development. Taxpayers have invested millions of dollars into the region's transit system. TOD is a mechanism for leveraging those investments to achieve environmental, economic, and quality of life outcomes. Denser housing around transit also increases transit ridership and the fare-box recovery of the region's resource constrained transit agencies.

What to Change:

- Minimize single family zoning within transit-rich station areas and corridors.
- Zone transit-rich areas to allow multifamily housing and mixed use development.
    - *Transit-rich could be defined as areas within ½ mile of high-frequency transit, starting with light rail and Amtrak stations and then bus stops with 15-minute frequencies. See the 2016 MTP/SCS map of transit priority areas (pg. 28).*
    - *Minimum development standards could include a height limit of at least 40 feet, 75 percent lot coverage, no parking minimums, and at least 30 units per acre or no unit-based density limit.*

Best Practice: City of Sacramento General Plan

The City of Sacramento took important steps in its General Plan to plan for transit-oriented development around some of the light rail stations within the City. One success story has been the 65th St. Light Rail Station area. This station is located in close proximity to Sacramento State University, but has historically been auto-centric with a limited amount of attached residential products. The City then updated the General Plan to designate the station area Urban Center Low, which allows 2-7 stories, 20-150 units per acre, up to a 4.0 floor area ratio, and 80 percent lot coverage. Since the General Plan was amended to allow this type of development, there have been over 1,000 units of mid-rise residential and mixed use projects that have been proposed and approved. The City's 2013 Planning Development Code changes also allowed these projects to be built with less parking and at a higher allowable density.

Allow Housing in Commercial Zones

There is a significant amount of underutilized land along suburban corridors, commercial districts, and aging malls in the SACOG region. Jurisdictions can leave the existing commercial zoning in place, but also allow for residential projects within these zones. This allows for market flexibility should a commercial proposal come forward, but adds the potential for housing as well. Allowing for mixed use and residential projects provides an opportunity for new life to be brought into these corridors. It also creates a proximate market for experiential retail, which focuses on more hands-on, authentic experiences rather than the traditional consumer goods purchase retail that is quickly losing market share to online retailers. Increasing the number of people that can walk and bike to these experiential establishments will help to revitalize these areas and promote the types of commercial uses that are still thriving.

What to Change:

- Allow for attached residential housing in commercial zoning districts by-right (by-right discussed further in Development Review Processes section).

Best Practice: Sacramento County

Sacramento County allows residential uses of up to 30 units/acre (40 if located near transit) in its General Commercial and Limited Commercial Zoning Districts. For projects less than 150 units, these uses are permitted by-right subject to design review.

Reduce or Remove Parking Requirements

Parking requirements, which require developers to build a certain number of automobile parking spaces as a part of their project, can add significant cost and make some housing projects infeasible. A requirement of two parking spaces per unit can directly add $80,000 to the price of building a home. One of the most effective ways local agencies can reduce the cost to produce housing is to reduce or remove parking requirements.

What to Change:

- Remove or reduce parking minimums for attached housing in infill and established communities.
- In conjunction with reducing/removing parking minimums, unbundle parking by requiring developers to separate the price of parking from the price of multifamily rental housing.

Best Practice: Sacramento Ties Parking Requirements to Project Location

The City of Sacramento reformed its parking requirements in 2012, reducing the minimum parking requirements across the board and organizing minimums into four parking districts based on general plan urban form types. These reforms eliminated parking requirements within its Central Business and Arts & Entertainment District, and set the minimum parking requirement at 0.5 spaces per multifamily unit within its urban district. Since 2012, these reforms have resulted in many projects with less than one parking space per unit in the core of the Sacramento region. Sacramento is also in the process of considering a new TOD Policy that would, among other things, reduce or remove parking requirements for projects within a radius of light rail stations. The policy will be considered by the City Council in December 2018.

Explore Housing Overlay Zones

Housing Overlay Zones are zones layered on top of base zoning districts that provide specific density or streamlining incentives for projects that include certain housing products. For example, a Housing Overlay Zone could include by-right review processes, fee waivers, enhanced density bonuses, reduced parking requirements, and/or relaxed height limits/setback minimums for housing projects that deed-restrict 20 percent of their units as affordable. One option to consider are Housing Sustainability Districts, which were made possible by AB 73 from the 2017 Housing Package. Housing Sustainability Districts are housing overlays that create ministerial approval processes for higher density housing that includes 20% affordable housing and pays prevailing wage.

What to Change:

- If rezoning is infeasible, explore a Housing Overlay Zone that allows for missing middle and/or affordable housing projects.

Best Practice: Placerville Housing Opportunity Overlay Zone

The City of Placerville created a Housing Opportunity Overlay Zone as a means of providing adequate sites in its Housing Element. The overlay allows up to 24 units per acre by right, so long as the project restricts 50 percent of its units as affordable. The Overlay Zone also provides incentives like deferment or reduction of fees for such projects.

Accessory Dwelling Unit (ADU) Ordinances

Accessory Dwelling Unit (ADU) is the catch-all term for a secondary home on a residential lot. ADUs are an effective way to provide more affordable housing in infill communities without changing the existing fabric of residential neighborhoods. They are inherently less expensive homes that can meet the needs of low- to moderate-income families without the need for public subsidy. While some areas of California have seen dramatic increases in ADU production after recent State law went into effect, there has not been as significant of a jump yet in the Sacramento region.

The following accessory dwelling unit policy changes build upon State law and facilitate increased production of ADUs.

Remove Parking Requirements for ADUs

Off-street parking requirements severely limit the promise of ADUs as a significant housing type. For most lots that a homeowner would want to build an ADU, adding a new parking space is infeasible in terms of either space or cost. The parking impacts of ADUs are relatively minimal because ADU residents have fewer vehicles on average and are typically dispersed throughout neighborhoods. State law currently allows jurisdictions to require one parking space per unit, but prohibits minimum parking requirements in certain situations. In the SACOG region, 19 out of the 28 jurisdictions comply with State law by allowing for the construction of ADUs without additional parking in these situations. Jurisdictions can go further by not requiring parking at all for ADUs, which 4 out of the 28 jurisdictions in the SACOG region have done.

What to Change:

- Remove parking requirements for ADUs, regardless of zone.

Best Practice: City of Citrus Heights Removes All ADU Parking Requirements

The City of Citrus Heights does not require new parking with the construction of ADUs in any zone in an effort to promote the construction of more ADUs.

Remove Owner-Occupancy Requirements

Owner-occupancy requirements stipulate that an owner of the property must live on the property if an ADU is to be built or rented out. These requirements could limit the construction of new ADUs. Owner-occupancy requirements mean that the owners of single family rental homes cannot build ADUs. In addition, if a homeowner builds and rents out an ADU, it does not allow them to continue to rent the ADU should they wish to move and not sell.

What to Change:

- Remove owner-occupancy requirements for ADUs.

Best Practice: Majority of Region Does Not Impose Owner Occupancy Requirements

The majority of jurisdictions across the SACOG region do not impose owner-occupancy requirements. These jurisdictions include the cities of Sacramento, Citrus Heights, Colfax, Davis, Galt, Isleton, Loomis, Marysville, Rocklin, West Sacramento, Wheatland, and the counties of Sacramento, Placer, Sutter, and Yolo.

Allow ADUs in all Residential Zones

ADUs may be most desirable in high opportunity single family neighborhoods where there is good access to employment centers, amenities and schools, but they provide a benefit outside of single family neighborhoods as well. As such, they could be expanded to not just be limited to single family zoning districts or subsets of single family districts.

What to Change:

- Allow ADUs in all residential zones, including zones that allow multifamily housing.

Best Practice: Woodland Permitted ADU Locations

The City of Woodland allows ADUs to be located in all single and multifamily residential zones throughout the City. Within multifamily zones, ADUs are restricted to lots containing one to four units. This allows for ADUs on duplex, triplex, and fourplex lots.

Allow 800 Square Feet ADUs on Most Common Residential Lot

Requirements related to maximum square footage, minimum lot size, and setbacks can all limit the size and widespread applicability of ADUs. While there is a market for smaller ADUs, especially among younger singles and older adults, ADUs at least 800 square feet are likely marketable to a wider range of renters, which could impact the ability or desire of homeowners to build them. Allowing up to an 800 square foot ADU provides a good compromise between financial viability and the natural affordability of a smaller than typical unit.

What to Change:

- Increase maximum allowed ADU square footage to at least 800 square feet, regardless of primary unit square footage or whether the ADU is detached or attached.
- Remove minimum lot size requirements for ADUs so that ADUs can be built in small lot neighborhoods, which can have strong demand for rental housing.
- Relax setback requirements to ensure that even small, skinny, and irregular lots can build ADUs. Adopt ADU-specific setbacks across all zones that standardize a reasonable setback (like 5ft) for ADUs.

Best Practice: Citrus Heights Maximum Square Footage Standards

The City of Citrus Heights allows for up to 1,200 square feet for detached ADUs and the lesser of 1,200 square feet or 60% of the primary structure floor area for attached ADUs. The 60% is larger than the typical 50% that is outlined by State law for attached ADUs. This allows for square footage flexibility for attached ADUs in smaller homes. Additionally, Citrus Heights allows up to 400 square feet of garage floor area to be included in the primary structure floor area, which allows for an even larger square footage max for attached ADUs.

Best Practice: Woodland ADU Setbacks

The City of Woodland progressively tiers ADU setbacks based on ADU height, rather than relying on existing setback rules within each zoning district, as many other jurisdictions do. In Woodland, one-story ADUs must have 5-foot side and rear setbacks, while two-story ADUs must have 10-foot side and rear setbacks. No setback is required for garage conversions. This standard is applied to all ADUs across the City.

Be Transparent About How Much ADU Builders Should Expect in Fees

Up-front costs, which are typically over $100,000, are often cited as a top barrier for building an ADU. Additionally, ADUs are typically undertaken by homeowners who are not particularly familiar with the development review process. As such, it is critical that jurisdictions are transparent about the approval process and the fees a homeowner should expect to pay.

What to Change:

- Make publicly available which fees will apply to ADUs and how much they will cost.
- Consider a fee reduction pilot for ADUs that charges fees based only on net new living area over 600 square feet.

Build a Campaign

Given the unique nature of homeowner developers and the cost barriers, building a regional culture of ADU construction may benefit from a more intentional effort on the part of the public sector to advertise, educate, and encourage.

What to Change:

- Actively promote benefits of ADUs to homeowners through city websites and outreach.

Best Practice: Placer County's Proposal to Establish ADU Marketing Campaign

Placer County released the Draft Housing Strategy and Development Plan on August 1st, 2018. The Plan lays out a series of recommendations, one of which is to establish an ADU marketing campaign to help inform residents and promote the construction of ADUs. Additionally, the Plan recommends establishing an ADU prototype program that advertises a set list of ADU design prototypes for developers to utilize and create a streamlined design process. These prototypes would be accompanied by a set of instructions that outline the steps necessary to seek the appropriate approvals from Placer County and related agencies. Each prototype would also be accompanied by an estimated schedule of costs that can be used to better understand the possible costs and benefits of constructing an ADU.

Best Practice: City of Clovis Cottage Home Program

The City of Clovis created the Cottage Home Program in 2017 in an effort to encourage infill ADU units along the alleyways of the Old Town Area. While the program does limit homes to less than 450 square feet and requires parking to be provided, the City allows three preapproved prototypes with fee-waived checked plans. This program demonstrates a proactive approach to market the underutilized alley space of Clovis' older residential neighborhoods.

Development Review Processes

While zoning is the main determinant of what density will eventually be approved, the process by which a home builder obtains that approval can be just as important. Simply, longer more difficult paths to approval can dramatically add to the cost of building housing and can sometimes lead to nothing being built at all. Adding time and risk to a development costs money, which then gets passed on to the price of the housing and discourages housing development at all levels.

The following development review processes streamline housing approvals, provide more certainty for project applicants, and prevent unnecessary costs from being passed onto renters and buyers.

Maximize By-Right Approvals and Minimize Discretionary Review Opportunities

One of the significant determinants of how quickly housing can get through a development review process is whether or not the proposed project undergoes what is commonly referred to as discretionary review. Discretionary review means that in order to obtain entitlements, a project applicant must attain project approval from a discretionary body. Jurisdictions can significantly reduce costs, delay, and uncertainty for building new homes by implementing non-discretionary or "by-right" ministerial approvals for projects that comply with current zoning/general plan designations. By-right projects require only ministerial review to ensure they are consistent with existing general plan and zoning rules, and that they meet objective standards for building quality, health, and safety. In addition, because by-right projects are not discretionary, they could be exempt from CEQA review.

One strategy that is commonly used to move from discretionary to ministerial approval has been to adopt a specific plan for a particular neighborhood or corridor. So long as the specific plan includes a certified EIR, consistent residential, mixed-use, and employment center/office projects can be by-right and exempt from CEQA review (Government Code § 65457). Many specific plans include objective, non-discretionary design review standards that provide enough detail to ensure good design but are not so prescriptive that everything looks the same. One way to accomplish this is by implementing form-based code features for the specific plan.

What to Change:

- Remove discretionary review processes (like conditional use permits, required approval from neighborhood advisory councils, discretionary design review) from otherwise zoning compliant multifamily housing projects and institute by-right approvals.
- Allow missing middle housing by-right across majority of residentially zoned land.

- Explore the potential for specific plans with form-based or otherwise objective design standards that allow for CEQA tiering and non-discretionary project approval.

Best Practice: Placer County's Proposal to Increase By-Right Approvals

Placer County released the Draft Housing Strategy and Development Plan on August 1st, 2018. The Plan lays out a series of recommendations to reform both zoning and development review processes within the unincorporated county. One of these recommendations was to explore amendments to their zoning code to increase by-right opportunities for residential development. Currently, the County requires a Minor Use Permit for all multifamily projects greater than 20 units, and administrative review for projects less than 20 units in the multifamily zone. In Placer County, a Minor Use Permit is a discretionary permit that requires a public hearing and the opportunity to attach conditions of approval to the project as a means of addressing potential concerns.

Implementation recommendations in the Plan include allowing all multifamily housing by-right in the residential multifamily zone and in any proposed housing overlay by only requiring what is called zoning clearance, which is a true by-right approval process that involves Planning Department staff checking a proposed development to ensure that all applicable zoning requirements will be satisfied. Perhaps even more significantly, the Plan also recommends considering to allow small multiplexes such as duplexes and triplexes via zoning clearance in the residential single family zone (RS), which represents a much larger area.

Shorten Review Timelines and Provide Transparency

Shortening the review timeline can help to reduce the cost of housing. Daylighting the review process can also help to encourage more housing developers to come to the table, including smaller developers of missing middle housing products that may not have the same familiarity with the process as larger developers.

What to Change:

- Post typical review times for different housing projects online and benchmark those times against other cities in the region.
- Identify what it would take to expedite review timeline and implement solutions. This could include concurrent review, new development tracking software, and other process streamlining tools and techniques.

Best Practice: City of Roseville Transparent Development Review

The City of Roseville provides a user-friendly, transparent development review process for residential projects. The Development Services Department website includes step-by-step instructions with videos that explain what documents are required when for each type of permit and how long review times typically last. Applicants can also apply for concurrent review, in which the City will process development permits prior to the approval of planning entitlements and further speed up the review process. Single family projects are typically processed within 3 months and multifamily projects are typically processed within 6 months.

Advertise State CEQA Streamlining Opportunities

The State now recognizes the potential for CEQA streamlining as a means of reducing a key regulatory barrier to producing housing. There are a variety of avenues for housing projects to receive CEQA relief, including SB 375 (PRC 21155.1), SB 226 (PRC 21094.5), SB 35, Infill Housing (PRC 21159.24 and 21159.25), Specific Plan (GC 65457), Tiering (Guideline 15183), Class 32 (Guideline 15332), and Class 3 (Guideline 15303) exemptions. These opportunities and others are outlined in a 2018 CEQA Review of Housing Projects Technical Advisory released by the Governor's Office of Planning and Research.

What to Change:

- Make potential housing developers aware of the suite of CEQA streamlining opportunities by providing information on websites and proactively seeking them out for potential projects.
- Explore opportunities for full CEQA exemptions through new State laws like SB 35, which is particularly well-suited to exempt missing middle projects less than 10 units.

Best Practice: Davis SB 375 CEQA Streamlining

The City of Davis has had success in using the various streamlining opportunities allowed for by statute. In the last five years, there have been approximately eight multifamily and mixed use projects that have explored some form of streamlining, including the residential infill exemption (PRC § 21159.24), the transit priority project exemption (PRC § 21155.1), and the transit priority project streamlined review (PRC § 21155.2). The adopted MTP/SCS and the draft MTP/SCS achieve transportation, air quality, and other quality of life benefits by relying in part on infill and redevelopment projects like these. While the lead agency (in this case the City) is always responsible for making final determination of MTP/SCS consistency, SACOG provided consistency letters for each of the projects to aid the City in its determination.

Explore Replacing Level of Service (LOS) with Vehicle Miles Traveled (VMT) as a CEQA Transportation Impact Threshold to Comply with SB 743

Senate Bill (SB) 743 was passed in 2013 and will be incorporated into the California Environmental Quality Act (CEQA) statutes and implementing regulations. SB 743 changes how the transportation impacts of land use development projects, and transportation projects, are analyzed for CEQA. Before SB 743, transportation impacts under the CEQA were most often evaluated using a measure called Level of Service (LOS), which measures congestion and vehicle delay. As a CEQA metric, concerns have grown over time that LOS may exacerbate urban sprawl by focusing too much on congestion as an impact and roadway capacity expansion as a mitigation measure. A further concern about LOS was it impeded infill housing projects. Because they are "last-in," infill projects are located in areas with significant congestion and constraints on the ability to mitigate project impacts. Greenfield projects can result in much higher rates of vehicle travel than infill projects, but comparatively small LOS impacts because they are located in areas with little congestion.

SB 743 eliminates vehicle delay as a transportation impact metric under CEQA, and the Governor's Office of Planning and Research's (OPR) proposed regulations to replace LOS with Vehicle Miles Traveled (VMT) for measuring a project's potential transportation impacts. While OPR's proposed guidelines defer to lead agencies for setting exact thresholds of significance, lead agencies can use "screening thresholds" for housing projects, below which a project "may be assumed to cause a less than significant transportation impact." Using OPR's suggested approach, many infill housing and mixed-use projects would be exempt from analyzing transportation impacts in CEQA review. In some cases, projects in which the only significant impacts are LOS-related could avoid doing an EIR entirely.

In this way, implementing SB 743 would allow a lead agency to remove a key barrier to infill projects, and potentially reduce costs for those projects. This is in addition to the other benefits of using VMT as a measure of transportation impact, including the fact that it is less burdensome to model than LOS and results in lower road maintenance costs, more effective management of regional congestion, health benefits, and a reduction of greenhouse gas emissions. See OPR's SB 743 website for other benefits.

On January 1, 2020, SB 743 will be fully applicable to all new CEQA projects statewide. As a means of helping cities and counties to comply, OPR published a technical advisory for consideration by lead agencies, which lays out potential approaches to estimate VMT, define thresholds, and define impacts using regional travel demand models as a key source. SACOG's regional travel demand model, SACSIM, is an option for lead agencies to use for defining thresholds and for impact assessment of larger projects. Interested lead agencies should contact Bruce Griesenbeck at bgriesenbeck@sacog.org for more information.

What to Change:

- Explore replacing level of service (LOS) with vehicle miles traveled (VMT) as a CEQA transportation impact threshold to comply with SB 743.

Coordinate with Outside Agencies to Align Standards

In many jurisdictions, service agencies and utilities (like fire and water) institute development standards and requirements. While these requirements and standards are intended to ensure effective provision of services, they can sometimes create barriers to producing infill housing.

What to Change:

- Coordinate closely with outside agencies, districts, and service providers to ensure development standards are consistent and result in housing outcomes that benefit all parties.

Fees

There are a multitude of inputs that make housing in the Sacramento region expensive. Local governments don't control many of these costs, but they do control fees, which often add over 10 percent to the cost of housing.[1]

The following recommendations increase fee transparency and change the type and location of housing that fee structures encourage.

Assess Fees Based on Metrics that Encourage Affordable Project Design

Charging fees by the number of units potentially incentivizes developers to build fewer, larger units, which tend to be more expensive to buy and rent. Structuring fees using metrics like square footage or an estimation of project costs can help to encourage denser projects with smaller unit sizes. These projects tend to make more efficient use of infrastructure and have smaller per person impacts.

What to Change:

- Move from per unit to per spare foot metrics for assessing fees.

Best Practice: City of Sacramento Changes Fee Metrics and Eliminates Fees for Affordable Housing

Sacramento housing projects are required to pay school, parks and/or art, transportation, housing, and environmental impact fees. Four of these five fees are calculated using the square footage of the project. The Transportation Development Impact Fee is uniquely based on a combination of proximity to existing/proposed light rail stations and square footage. These fee metrics help to promote more affordable housing types.

In addition, the City of Sacramento eliminated impact fees for affordable housing units on October 30, 2018. The fees are anticipated to save prospective affordable projects anywhere between $9,000 to $14,000 per unit, depending on location. The reduction in fees will only apply to units that include a deed-restriction that limits rents to 120% of Area Median Income (low- or moderate-income categories).

[1] Terner Center, 2018. *Perspectives: Practitioners Weigh in on Drivers of Rising Housing Construction Costs in San Francisco.*

Vary Fees by Type and Location

Fee structures can be used to help influence the type and location of housing that a jurisdiction would like to encourage, like smaller, more affordable housing types in infill and established communities. This can better reflect public policy goals and the relative impacts of infrastructure maintenance over time.

What to Change:

- Structure fees by location to be lower for projects in infill and established communities.
- Structure fees by housing type to be lower for more affordable housing products like smaller units and missing middle housing.
- Consider a pilot program that reduces fees for certain types of housing, or in a certain area, or a certain time frame.

Best Practice: Yuba City Infill Impact Fee Zone

In 2007, Yuba City created a reduced infill impact fee for single family residential units within the boundaries of the former redevelopment agency. In, 2015, it dramatically increased the boundary and expanded the infill impact fee rate to multifamily residential projects within the area. The infill impact fee zone provides a 50% reduction in fees for water/sewer (pipeline only), transportation, and parks. The City expressed that the infill fee discount made better utilization of existing infrastructure, minimized the loss of agricultural lands, reduced vacant fields, and helped to revitalize older neighborhoods.

Adopt Objective and Transparent Fee Schedules and Processes

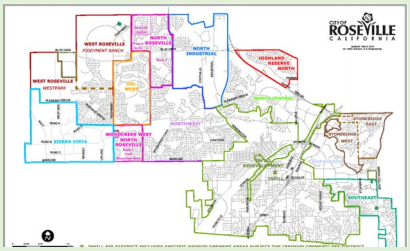
While fee amounts are obviously important, being transparent about which fees apply when is also critical. If a housing builder is going to consider building a project, they need to be confident that they can accurately estimate fees.

What to Change:

- Provide current fee schedules that publicly document any and all fees that will be levied on new housing.
- Provide official fee estimates up front before an application is submitted.
- Codify and transparently provide all exactions in written form at application with clear mechanisms for determining rules, fees, and community benefits. Avoid requesting such exactions on a project-by-project basis as a condition of approval.

Best Practice: City of Roseville Fee Booklet and Deferral Program

The City of Roseville provides a comprehensive residential development fee booklet each year that lays out all service and impact fees that will be charged as a part of a residential project. The booklet, which is put together by their development services department, includes a fee estimation calculator, maps for all fee districts, and a timeline for which fees are paid when. What sets this booklet apart is that it includes not only all the City fees, but also all the fees levied by other agencies in a single place. The City then offers free fee estimations for any interested developer. In addition, the City provides a fee deferral program, which was established as an incentive to encourage residential development. The program allows developers to defer certain City-issued fees until later in the application process.



Identify Potential Other Funding Sources to Pay for Growth

California's current system, depends on taxing new development to fund services and infrastructure. Looking forward, it will be critical to identify new ways to pay for growth, which will allow local governments to reduce fees on new housing.

What to Change:

- Explore Enhanced Infrastructure Finance Districts (EIFDs), Community Revitalization and Investment Authorities (CRIAs), and Infrastructure and Revitalization Districts (IRFDs).

Best Practice: West Sacramento Enhanced Infrastructure Financing District

West Sacramento formed an IFD in the Bridge District in August of 2014 where the 2016 MTP/SCS forecasts approximately 7,500 new jobs and 4,500 new housing units by 2036. California's first EIFD was formed in West Sacramento in June of 2017 roughly comprised of in the prior redevelopment areas. The City projects the EIFD will generate revenues of over $1 billion for public facilities and development. Following the state legislature's dissolution of redevelopment, the City evaluated forming an EIFD, comprised of primarily former redevelopment areas to replace redevelopment revenues that had been programmed for infrastructure improvements in the City. The Enhanced Infrastructure Financing Plan, delineates how funds will be used in the district. A key advantage the City of West Sacramento had was that it was concurrently updating its General Plan, which meant it would consider the same development and improvements in its Infrastructure Financing Plan as it was in its General Plan. This allowed the City to use the General Plan EIR to meet the environmental review requirement for the EIFD. Learning from West Sacramento's success, jurisdictions that are updating their General Plan may want to consider concurrently exploring the creation of an EIFD.

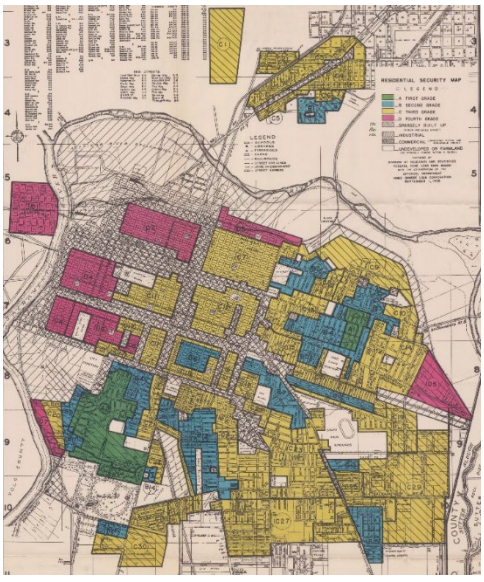
Appendix: History and Context

Zoning

Land use authority, exercised through zoning, is an important role of local government. It shapes the communities we live in by laying out a future development pattern and the regulatory framework for future growth. As communities grow and land use planning evolves at a policy level, zoning changes are often minimized because of how difficult they are to make. Because zoning happens at a parcel level, making real changes to the code can be time consuming and expensive. However, many of the zoning changes outlined in this toolkit are intended to align with policy changes that most communities have adopted. Many of the current zoning standards were put into place a long time ago and haven't been reconsidered or updated since. If adding more housing, specifically more diverse housing in more locations, is a policy goal, then the standard zoning practices should be reconsidered.

A History of Exclusion

Zoning is not inherently good or bad: it can both further or undermine policy goals depending on its use. Unfortunately, for much its history, it has been used (both intentionally and unintentionally) as a tool of exclusion. The original forms of zoning explicitly excluded communities of color from white communities through restrictive covenants. These covenants, which prohibited non-whites from purchasing or renting a home, appeared in the Sacramento region as early as the 1920s in what is now the Land Park neighborhood, but soon spread throughout other parts of the city. For example, the Elmhurst neighborhood in Sacramento had a covenant that read "No persons of any race other than the white or Caucasian race shall use or occupy any structure or any lot except that this provision shall not prevent occupancy by domestic services of a different race domiciled with an owner or tenant."



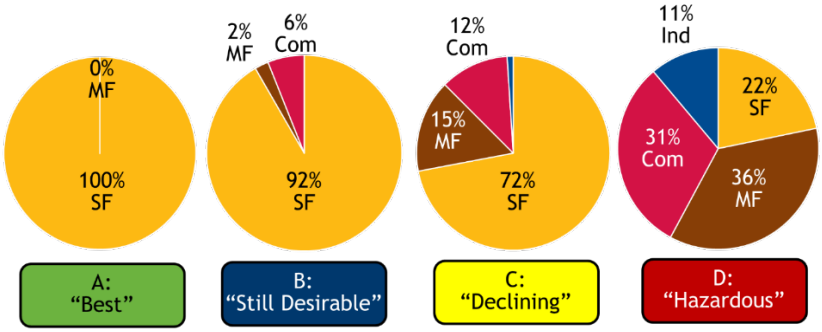
These covenants were then further reinforced by mortgage redlining. As a means of stimulating easier access to home loans during the great depression, the federal government created the Home Owners' Loan Corporation (HOLC) to institute a system for providing federally backed home loans to Americans. In each city, HOLC staff assigned color grades to residential neighborhoods that reflected their perceived loan risk, and thus, where loans should be given (see the Sacramento HOLC map to the right). To get a low risk grade of green (A) or blue (B), a neighborhood had to be "racially homogenous" (white), low density, zoned single family, and employ racial covenants. Higher risk grades of yellow (C) and red (D) were given to neighborhoods with multifamily housing, more polluting uses, and existing minority populations. In the Sacramento HOLC maps, red areas like the Washington neighborhood in West Sacramento were described as "racial hazards" where "infiltration of subversive races has occurred." In this way, minority groups were not granted

government-backed home loans with favorable terms in their own neighborhoods, but were also prohibited from moving to green and blue neighborhoods through covenants. As a result, people of color did not experience the same intergenerational wealth created by appreciating property values in desirable neighborhoods that white families did. The few minorities who *were* able to secure loans for homes in redlined neighborhoods gained 52% less home equity over the last 40 years than outside those areas.[1] This is partly why in 2016, the net worth of a median white household ($171,000) was 10 times that of a median black household ($17,150) in America.[2]

While racial zoning was outlawed in the early 20th century and government-sponsored redlining was outlawed in 1968, the residential segregation created by these institutions is so structurally engrained in the community that it is still present today. To illustrate this point, the 2010 racial dot density map below shows that many of the A (Green) and B (Blue) neighborhoods highlighted in the HOLC redlining maps remain largely white today, even though the City of Sacramento is one of the most diverse cities in the country.

Part of why these neighborhoods have not changed in their racial composition is due to single family zoning, which bans the construction of apartments and other more affordable rental housing. When explicitly mandating racial segregation became illegal, single family zoning was used to segregate by income as a proxy for race. Looking at how Sacramento's HOLC map colors are zoned today (below), the vast majority of the desirable A and B HOLC map neighborhoods remain zoned exclusively for single family homes, which prevents lower-income families from moving to these neighborhoods.

How the SACOG Region's Original HOLC Categories are Zoned Today:



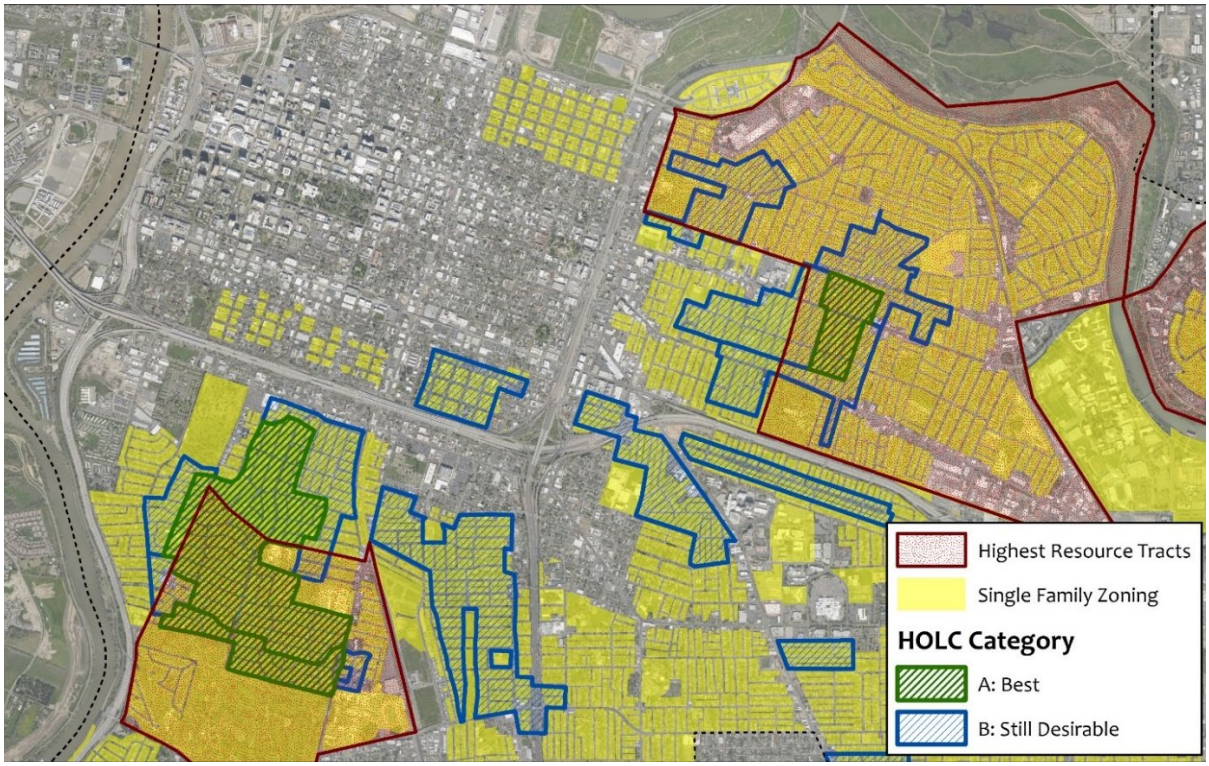
[1] Anderson, Dana (Redfin). "Redlining's Legacy of Inequality" (2020).
[2] Brookings Institute, "Examining the Black-White Wealth Gap" (2020).

How Zoning Restricts Access to Opportunity

There is an increasing body of research that links where you live with your chances of future success. Safe neighborhoods with public amenities and access to health, food, and employment centers can provide a greater chance of upward mobility than their counterparts. These neighborhoods are commonly referred to as "high opportunity." The State Department of Housing and Community Development (HCD) develops housing opportunity area maps every year, which identify the highest opportunity census tracts based on factors like access to jobs, good schools, amenities, and low pollution burden.

The high opportunity neighborhoods in the SACOG region are almost entirely single family, which does not allow for more affordable housing types to be built. Across the region, 75% of the existing units, 90% of the residential land, and 97% of the residential parcels in high opportunity areas are single family homes. These homes offer households the best chance of upward mobility but are unaffordable to many minority households.

As shown below, the high opportunity areas in Sacramento (red) are almost exclusively zoned for single family (yellow) and are the same exact neighborhoods categorized A or B in the HOLC maps. The exclusionary origins of zoning that segregated cities by race were calcified by zoning that segregates by income. Public policy created a barrier to intergenerational wealth creation for non-white families and single-family zoning in high opportunity neighborhoods reinforces it. This means that the desirable neighborhoods that were predominantly white and wealthy 80 years ago are still white and wealthy today.



Much of the rest of the SACOG region was not yet developed when the HOLC maps were created and, thus, the maps above are oriented around central city Sacramento and its inner ring suburbs. However, the development patterns created across the region by single family zoning have led to the same residential segregation seen in the Sacramento core. The racial disparities built by decades of government sponsored policy exist across the SACOG region and the rest of the country.

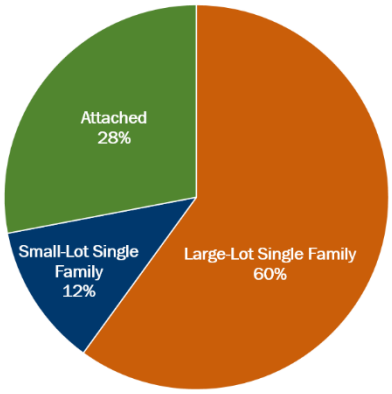
The zoning policies in this toolkit seek to increase housing supply and housing choice by expanding single family zoning to allow for more affordable housing types, particularly in high opportunity areas. These policies also offer potential solutions to begin to reverse the ugly history of zoning and its propensity to exacerbate residential segregation. These policies have the following benefits:

- *Increase housing production and curb increases in housing prices.* The clearest consequence of zoning that restricts anything other than detached single family homes on large lots is that it prevents the construction of housing types, like smaller houses or apartments, that are more affordable to middle- and low-income households. This inherently restricts the total amount of housing. When more households are fighting over a smaller amount of larger homes, housing prices go up. Allowing more than a single family home on the majority of residential land will help to combat this.
- *Facilitate equity and inclusion.* Because multifamily and other attached housing types tend to be more affordable than the traditional single family homes, zoning the majority of land for single family means that some high opportunity neighborhoods remain concentrations of affluence, which can perpetuate racial and class inequality. A 2015 UCLA study found that density restrictions, via exclusionary zoning, directly lead to income segregation of the rich, which "results in the hoarding of resources, amenities, and disproportionate political power."[3]
- *Increase access to opportunity.* Some of the highest opportunity areas are often single family neighborhoods that cannot increase the number of homes because the single family zoning does not allow it. This means that low- and middle-income families cannot move to them and reap their benefits, including preventing low-income access to good schools, which further exacerbates segregation and hinders social mobility.
- *Decrease the risk of displacement in other communities.* Precluding attached housing in high opportunity areas forces development pressure to historically lower-income neighborhoods, which can contribute to neighborhood-level displacement. Relaxing zoning to allow for more missing middle housing types across more of the region will relieve some of this pressure by allowing some growth to occur in higher opportunity neighborhoods with less displacement concerns.

[3] Lens, M. C., & Monkkonen, P. (2016). Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income? Journal of the American Planning Association.

Expand missing middle zoning

Homes in the SACOG Region



Most of the urbanized portion of the SACOG region is single family housing. Roughly 72 percent of the SACOG region's homes are single family, the vast majority of which are on large-lots. The amount of land zoned for single family is an even higher proportion. For example, the City of Sacramento, a largely developed and urban city, designates approximately 65 percent of its residential and mixed use land exclusively to single family zoning at on lots that are 5,500 square feet or larger. This percentage is typically even higher in more suburban communities. For example, in Galt, Davis, and Roseville, this percentage is over 75 percent. Expanding the types of housing allowed in these zones has the potential to allow for significant new housing in infill areas.

The prevalence of single family zoning means that all new housing growth that isn't a single family home on a large lot is limited to a shrinking list of infill opportunity sites that are zoned for denser housing. The resulting barbell of new housing is many single family homes, some mid to large apartment buildings, and very little in the middle. This group of small-scale multifamily housing, often referred to as "missing middle" housing, has been zoned into the margins. Missing middle housing includes duplexes, triplexes, fourplexes, townhomes, courtyard apartments, and bungalow courts.

Missing middle is cheaper to produce than larger apartment buildings, tends to become naturally affordable rental housing as it ages, provides sufficient density to support the shops, restaurants, and transit that are associated with walkable neighborhoods, and all the while, has the look and feel of a single family neighborhood. Missing middle housing units are usually smaller units than single family homes because they share a lot with other homes, which results in lower per-unit land costs. It's also one of the cheapest forms of housing to produce because it is typically low-rise, low parking, wood-frame construction, which avoids expensive concrete podiums. Since the construction and building materials are comparatively less complicated than larger mid- and high-rise structures, a larger pool of small-scale home builders can participate in the creation of housing.

Missing middle housing used to be one of the more common housing products produced. In the 1970s, 1 new attached housing unit was built for every 4 new Americans. Since the 1990's, 1 new attached housing unit was built for every 11 new Americans.[4] Many older neighborhoods across the region have great examples of missing middle housing that are cherished, but largely could not be built today due to density, setback, lot size, and parking regulations. Approximately 85% of the homes in Midtown Sacramento are multifamily, the vast majority of which are missing middle housing types. Further broken down, 29% of all midtown units are duplex, triplex, or fourplexes (2-4 units). The story is the same in other old neighborhoods across the region. In downtown Marysville, Woodland, and Historic Folsom, 2-4 unit buildings make up 34%, 26%, and 22% of units, respectively. These types of buildings can be very attractive, provide sufficient density to support a walkable commercial and transit-friendly environment, and feel like a human-scale neighborhood. When abundant, missing middle housing can be cheap to build and affordable to rent.

Part of why missing middle housing types have been zoned out stems from a misconception about what constitutes higher density development. Many zoning codes will characterize medium densities, which are often associated with missing middle, as up to 12 units per acre. However, some of the most common existing missing middle housing is between 20-35 units per acre. These densities are sometimes thought of as high density, but built under certain circumstances, are really human-scale missing middle. All of the examples below are between 25-40 units per acre. This density is prohibited across 97 percent of the SACOG region's urbanized land, and 93 percent of its residentially designated land. Legalizing missing middle means allowing these densities in more of our cities.

Missing middle zoning reform can take many forms, but at its core, it means increasing the allowed density of the zoning, allowing higher lot coverage (75% or more), and minimizing or removing parking. This could mean changing the underlying zoning district to a higher density zone. It could mean changing the most common low-density residential zone to allow 2-4 unit buildings. It could also mean more creative alternatives like Housing Overlay Zones, which will be described later in the toolkit.

[4] Laura Loe BernStein and Henry Kraemer. The Case for Ending Apartment Bans. Data For Progress, 2018.

All are 25-40 Units Per Acre

All are Prohibited Through Zoning on 93% of Residential Land in Region

Expand TOD-appropriate Zoning Near Transit

Transit Oriented Development (TOD) has been shown to increase transit ridership and transportation choices, reduce vehicle miles traveled, increase household disposable income, reduce air pollution and energy consumption, increase economic development and access to opportunity, and reduce local infrastructure costs. Unfortunately, the realization of such planning thought has been slow to materialize in California. This is in part due to a lack of integration between land use and transportation planning. Frequently, massive public investments are made to install a fixed-route transit system without corresponding changes to allowed uses and densities around the new stations.

Compared to the balance of the region, people who live or work within ¼ mile of light rail use transit at a rate 8 to 9 times higher and walk or bike at a rate 2 to 3 times higher. Higher density housing and employment are one of the touchstones for making a transit oriented community work. Walkability is another key factor in encouraging transit use and creating successful transit oriented developments. Auto-oriented uses (such as auto sales and drive-through restaurants) near light rail stations contradict both the density and walkability needed to support transit use.

Land in close proximity to high frequency transit is limited and, given the superior transportation and air quality performance of these neighborhoods, land use and design decisions in these areas are critical for the region to meet federal and state air quality and GHG requirements, and to achieve the many benefits outlined above. Building low density, automobile oriented uses in these areas is a lost opportunity for the entire region. This type of growth adjacent to high frequency transit also hinders the ability of transit to achieve greater fare box revenues that would facilitate better maintenance of the current system and expansion for more riders in the future. If there is a fixed route transit station, such as a light rail or Amtrak station, or high-frequency bus stop, it is important that TOD-appropriate zoning is in place that allows for attached housing and/or mixed use development. Taxpayers have invested millions of dollars to the region's transit system. TOD is a mechanism for leveraging those investments to achieve environmental, economic, and quality of life outcomes.

In these transit-rich areas, jurisdictions should consider zoning to allow housing to be built to a height of at least 36 feet with 75 percent lot coverage, no parking, and either no maximum density restrictions or at least a minimum density of 30 units per acre will best support the transit investment. In some places, there is already the demand for this type of redevelopment and land use changes could occur as soon as the zoning is changed. In other places, particularly around some of Regional Transit's stations along older industrial corridors, there may not be a market today for station area redevelopment. However, these areas should still employ TOD-appropriate zoning because markets can change quickly and zoning station areas for TOD sends the message to developers that the jurisdiction is serious about redeveloping these areas. To encourage this type of development, rezoning or a TOD overlay that allows apartments and mixed use development within a ½ mile of all high frequency transit stations is important. starting with light rail and Amtrak stations and then bus stops with 15-minute frequencies. See the map below from the 2016 MTP/SCS map of transit priority areas.

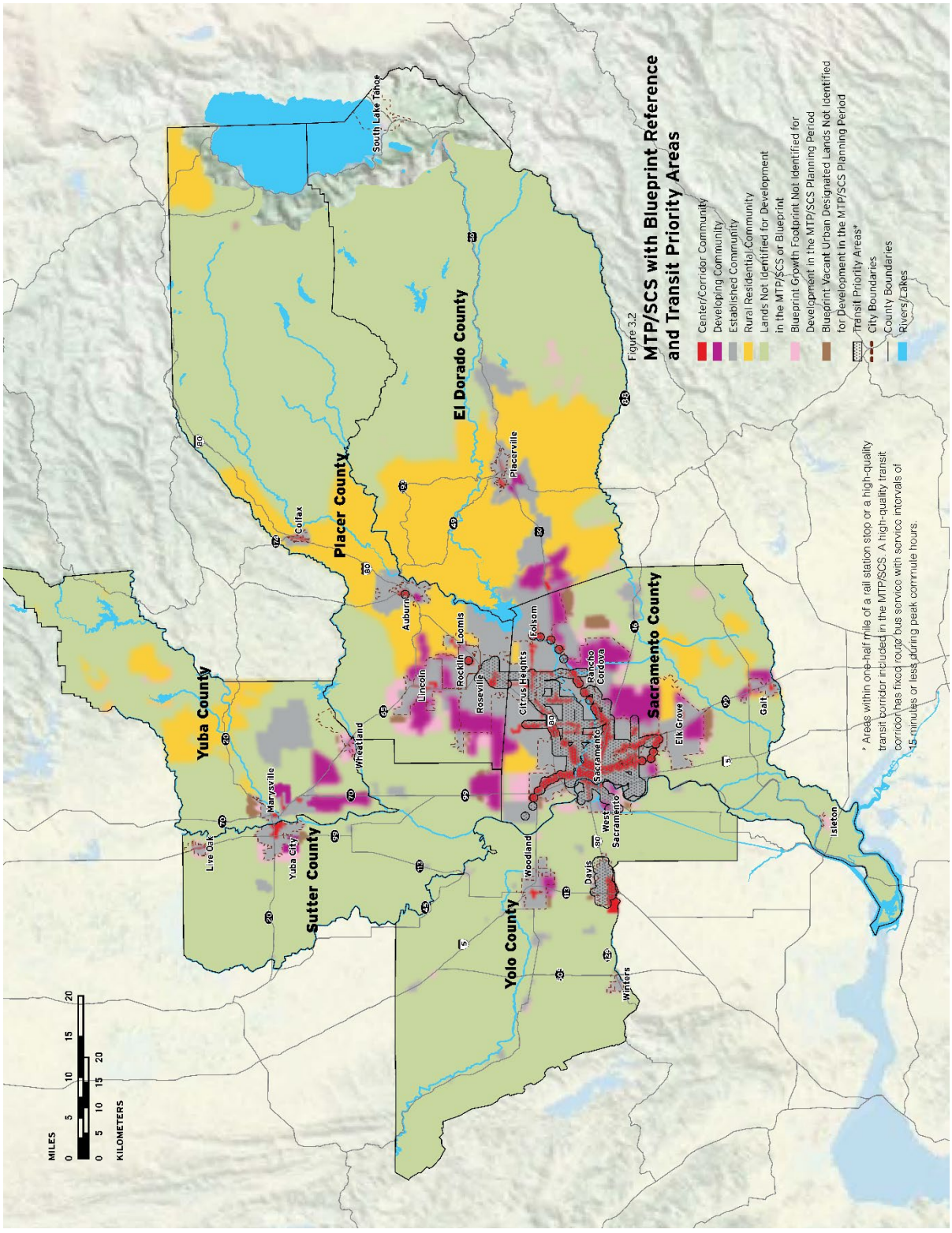


Figure 3.2
MTP/SCS with Blueprint Reference and Transit Priority Areas
Center/Corridor Community
Developing Community
Established Community
Rural Residential Community
Lands Not Identified for Development in the MTP/SCS or Blueprint
Blueprint Growth Footprint Not Identified for Development in the MTP/SCS Planning Period
Blueprint Vacant Urban Designated Lands Not Identified for Development in the MTP/SCS Planning Period
Transit Priority Areas*
City Boundaries
County Boundaries
Rivers/Lakes
* Areas within one-half mile of a rail station stop or a high-quality transit corridor included in the MTP/SCS. A high-quality transit corridor has fixed route bus service with service intervals of 15 minutes or less during peak commute hours.
Yuba County
Sutter County
Placer County
El Dorado County
Sacramento County
Yolo County
South Lake Tahoe
Placerville
Auburn
Colfax
Loomis
Rocklin
Roseville
Lincoln
Folsom
Citrus Heights
Rancho Cordova
Elk Grove
Galt
Wheatland
Marysville
Yuba City
Live Oak
Sacramento
West Sacramento
Isleton
Woodland
Davis
Winters
MILES
KILOMETERS

Reduce or Remove Parking Requirements

To enable more housing, specifically attached housing, cities and counties should reduce or remove minimum parking requirements for new housing, particularly in infill and established communities. Parking requirements, which require developers to build a certain number of automobile parking spaces as a part of their project, can add significant cost to the project. In the *High Cost of Free Parking*, the leading academic on parking policy, Donald Shoup, describes how parking requirements "subsidize cars, distort transportation choices, warp urban form, increase housing costs, burden low income households, debase urban design, damage the economy, and degrade the environment."

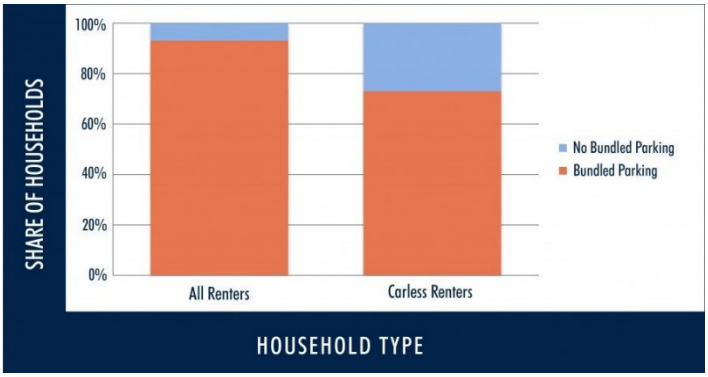
Parking requirements limit how much housing can physically be built on a site and can lead to increased housing prices. Consider a one-acre site zoned for 30 units per acre. If the zoning code requires two parking spaces per unit and one guest space per four units (a common parking requirement in suburban jurisdictions), a housing developer must find a way to fit 30 homes for people and 68 homes for cars. Since there just isn't enough space to do this with surface parking, the developer must then either build underground parking, doubling construction costs, or reduce the number of units in the project. In a 2014 study, researchers found that parking requirements in Los Angeles reduced the number of units in a perspective apartment building by 13 percent.[5] Less housing means less supply but not less demand, which results in higher housing prices regionally. In addition to limiting the number of units, the parking that does get built is incredibly expensive. In 2012, the average underground parking space cost approximately $34,000 to build. Inflation and increases in construction costs conservatively put the cost today around $40,000. This means that a requirement of two parking spaces per unit can directly add $80,000 to the price of building a home, which can lead to an increase in the price of the home.

Minimum parking requirements apply a static ratio that does not consider the fact that travel choices vary drastically depending on the people who live in the building and the location of the project. Requiring a minimum number of spaces means that for many developments, more parking is produced than is actually needed for the residents of the perspective building. This is particularly true for new housing in infill and established communities where residents are more likely to get around without a car or for residents who cannot afford a vehicle. Removing minimum parking requirements does not typically result in zero parking projects. In the Sacramento Central Business District, which does not have minimum parking requirements, developers usually include some parking, but often less than one parking space per unit.

In conjunction with removing or reducing parking requirements for residential projects in infill and established communities, jurisdictions can "unbundle" parking by requiring developers to separate the price of parking from the price of rental and multifamily housing. This is a parking reform that some jurisdictions in California have already taken, including Santa Monica, Los Angeles, and Oakland. In a study across Americans in urban areas, 73 percent of carless rental households live in housing with bundled parking, which means these households are paying for parking they are not using, adding about $150 to their monthly rent

[5] Shoup, D (2014). The High Cost of Minimum Parking Requirements.

(see below).[6] By requiring that developments provide parking costs separately from rents, it reduces housing costs for households with less vehicles and ensures that households who do use parking pay their fair share and are aware of those costs. It also may ultimately result in developers including less parking in projects, thereby reducing housing costs.



ADU Ordinances

Accessory Dwelling Unit (ADU) is the catch-all term for a secondary home on a residential lot. ADUs go by many names (granny flats, casitas, backyard cottages, in-law unit) and are typically defined as being accessory/adjacent to the primary housing unit, significantly smaller and more affordable than a typical US home, and built by the homeowner. ADUs have a multitude of economic, environmental, and social benefits. ADUs are an effective way to provide more affordable housing production in infill communities without changing the existing fabric of residential neighborhoods. Because of their smaller size, they are inherently inexpensive homes that can meet the needs of low- to moderate-income families.

A 2017 Terner Center study found that 58 percent of ADU owners rented their units at below market rates.[7] Many of these ADUs are rented to family, and older family in particular, which is a demographic poised to grow in the SACOG region over time. Given that about three fourths of the SACOG region's units are single family homes, ADUs could provide a viable avenue to increase the naturally affordable housing stock in the region. A 2018 Portland survey found that the most common reason for living in an ADU was cost of living. When asked if you were not living in an ADU, what type of residence would you be living in, respondents overwhelmingly said they would be renting an apartment.[8] Since many single family neighborhoods lack affordable rental stock, ADUs can fill a critical housing gap in high opportunity neighborhoods. Local governments can help facilitate their proliferation through education and regulations that make them easier to build.

[6] "Hidden Costs and Deadweight Losses: Bundled Parking and Residential Rents in the Metropolitan United States," Housing Policy Debate (2017) 27: 219-229.
[7] Terner Center, 2017. Early Lessons and Impacts of California's State and Local Policy Changes.
[8] Institute for Sustainable Solutions, Portland State University. Accessory Dwelling Units in Portland ISS Survey. 2018.

The California State legislature recognizes the potential of ADUs and have passed a series of bills to create a Statewide standard for how cities and counties can govern the development of ADUs, most notably with Senate Bill 1069 and Assembly Bill 2299, which were signed into law on January 1, 2017. These new laws, among other things, require cities/counties to allow ADUs by-right in at least some part of their city/county. Jurisdictions can go beyond State law to further remove barriers, but they can't do less. In some parts of the State, the results have been staggering. Los Angeles, for example, went from 50 ADU applications in 2015, to over 2,000 in 2017. While there has not been as significant of a jump in the Sacramento region yet, ADUs can potentially play a prominent role in the SACOG region's housing pipeline moving forward.

To aid in the analysis of potential policy changes to ADU ordinances, staff created an inventory of SACOG member agency ordinances. The inventory provides information on how each member agency regulates ADUs as well as links to existing ordinances and resources (as of August 2018). The inventory revealed a diverse array of best practices and potential constraints, which are highlighted below.

Remove Parking Requirements for ADUs

Off-street parking requirements for ADUs can limit their promise as a significant housing type. For most lots that a homeowner would want to build an ADU, adding a new parking space is infeasible in terms of either space or cost. Requiring new parking can preclude many potential ADUs by making them more expensive to build and undermining their natural affordability. When they do get built, they may necessitate a curb cut, which reduces the amount of parking on the curb and negates any additional parking created off-street.

State law, as a result of SB 1069 from 2016, currently allows jurisdictions to require one parking space per unit or bedroom for ADUs. SB 1069 also prohibits parking requirements if the ADU is within a half mile from public transit, is within an architecturally and historically significant historic district, is part of an existing primary residence or an existing accessory structure, is in an area where on-street parking permits are required, but not offered to the occupant of the ADU, or is located within one block of a car share area. In the SACOG region, 19 out of the 28 jurisdictions comply with State law by allowing for the construction of ADUs without additional parking in these situations. Jurisdictions can go further by not requiring parking at all for ADUs, which 4 out of the 28 jurisdictions in the SACOG region have done.

ADUs are smaller than the typical new home and typically have smaller demand for parking as well. In a comprehensive survey of existing ADUs, the Oregon Department of environmental Quality found that "The effect of ADUs on parking in Portland has been negligible, to date, for a number of reasons. ADUs are associated with a modest number of vehicles per dwelling; ADUs are dispersed throughout neighborhoods; ADUs are generally rare; and other forms of development have far more impact. Until those factors change substantially, the fear that ADUs harm parking conditions will have little rational basis.[9]"

Remove Owner-Occupancy Requirements

Owner-occupancy requirements stipulate that an owner of the property must live on the property if an ADU is to be built or rented out. 12 out of the 28 jurisdictions in the SACOG region have owner-occupancy

[9, 8, 9] Institute for Sustainable Solutions, Portland State University. Accessory Dwelling Units in Portland ISS Survey. 2018.

requirements as a part of their ADU ordinance. These requirements can have negative effects on the construction of new ADUs and if the goal is to induce more ADUs, they should be removed. Owner-occupancy requirements mean that the owners of single family rental homes cannot build ADUs. In addition, if a homeowner builds and rents out an ADU, it does not allow them to continue to rent the ADU should they wish to move and not sell.

Another less intuitive consequence of owner-occupancy requirements is that they can negatively impact the ability to finance the construction of an ADU. Lending institutions are less likely to loan against properties with an owner-occupancy deed restriction because the institution cannot rent it out themselves, which limits the value of the investment to them.[10] In this way, the lender is less likely to base the change in property value on the potential rental income of the ADU, which can lower the value of a potential ADU by 90 percent in some cases.[11]. This is significant because if the change in property value is not close to the construction cost, it becomes very difficult to underwrite a loan to finance the construction.

Allow 800 Sqft ADUs on Most Common Residential Lot

Requirements related to maximum square footage, minimum lot size, and setbacks can all limit the size and widespread applicability of ADUs. ADUs that can't at least reach 800 square feet on a typical lot, might not be as marketable to renters and could impact the ability or desire of homeowners to build them. An 800 square foot ADU provides a good compromise between financial viability and the natural affordability of a smaller than typical unit. The State legislature considered legislation (AB 2890) in 2018 to require local governments to ensure that an 800 square foot ADU on any single family lot. While it narrowly did not pass in 2018, it will be reintroduced in 2019 and seems to be a legislative priority moving forward. Local governments may consider getting out in front of the State on these potential barriers.

Maximum Square Footage

Seven jurisdictions in the SACOG region apply a maximum square footage lower than 800 square feet for detached ADUs. For attached ADUs (connected to the existing house), all jurisdictions apply a maximum square footage of 50% of the existing house square footage. Many older neighborhoods in the SACOG region include houses that are less than 1,200 square feet, which means that an attached ADU would be limited to less than 600 square feet. If the goal is to allow for the possibility of more ADUs to be built, it would help to increase the maximum ADU square footage to no smaller than 800 square feet, regardless of primary unit square footage or whether the ADU is detached or attached.

Minimum Lot Size

ADU minimum lot size requirements prevent properties less than a certain size from building ADUs. This can hold back the proliferation of ADUs because smaller lots are often located in older neighborhoods near jobs and services, where demand for ADUs is high. Generally speaking, the larger the lot size, the less likely there is to be demand for small-scale rental housing. 12 of the 28 jurisdictions in the SACOG region do not have minimum lot sizes for ADUs. The 16 jurisdictions that do, have minimums that vary between 5,000 and 20,000 square. Removing minimum lot size requirements for ADUs could help increase the number of ADUs.

Setbacks

Large setbacks of over 10-20 ft can make it difficult to build an ADU on skinny or smaller lots, which are most common in older neighborhoods near central cities or employment opportunities. Many lots in the Sacramento's inner-ring suburbs are 40 ft wide. For lots this skinny, even setbacks of 10 ft. would make ADU siting very challenging. A 5 ft setback is sufficient to ensure a building is not encroaching. Jurisdictions can also tier setbacks proportionally with height so that the setback increases with the height of the ADU. Most jurisdictions apply the same setback minimums to ADUs that they apply to the primary structure within each individual zone. Jurisdictions may want to adopt ADU-specific setbacks across all zones that standardize a reasonable setback for ADUs.

Be Transparent About How Much ADU Builders Should Expect in Fees

Building an ADU is a significant investment for a homeowner. Up-front costs, which are typically over $100,000, are often cited as a top barrier for building an ADU. Additionally, ADUs are typically undertaken by homeowners who are not particularly familiar with the development review process. As such, it is critical that jurisdictions are transparent about the approval process and the fees a homeowner should expect to pay. Homeowner developers are particularly sensitive to cost increases and have more difficulty absorbing unexpected fees. If increasing ADU construction is the goal, it would help if homeowners could easily determine which fees will apply to ADU projects and roughly how much they will cost.

Build a Campaign

Given the unique nature of homeowner developers and the cost barriers, building a regional culture of ADU construction may benefit from a more intentional effort on the part of the public sector to advertise, educate, and encourage. Many local governments have started this campaign by creating a ADU webpage and laying out the rules, process, and potential benefits of building an ADU. In fact, 12 of the 28 jurisdictions in the region provide some ADU content separate from their municipal code (i.e., a website, instructions, or an ADU-specific application). Public sector entities should seek to expand on these efforts to further encourage homeowners to understand the benefits and consider the potential of ADUs for their property.

Development Review Processes

While zoning is a large determinant of what is eventually approved, so is the process by which a home builder obtains that approval. Put simply, longer more difficult paths to approval can dramatically add to the cost of

building housing and can sometimes lead to nothing being built at all, which is the origin of the phrase "housing delayed is housing denied." In a brief on the drivers of housing construction costs in San Francisco, the Terner Center found that the single most significant driver of cost was the length of time it takes for a project to get through city permitting processes.[12]

Maximize By-Right Approvals and Minimize Discretionary Review Opportunities

One of the significant determinants of how quickly housing can get through a development review process is whether or not the proposed project undergoes what is commonly referred to as discretionary review. Discretionary review means that in order to obtain entitlements, a project applicant must attain project approval from a discretionary body, like a Planning Commission, Zoning Adjustments Board, or City Council. This type of review is necessary for projects that are requesting changes or deviations from existing zoning or general plan requirements. However, some jurisdictions require discretionary, or conditional approval, for zoning-compliant housing projects. Discretionary review processes can also be layered on top of each other, further delaying approvals and providing multiple risks of project denial. For example, a project can meet the objective development standards of the general plan/zoning, but still require separate discretionary approvals from a Community Planning Advisory Council, Design Review Committee, Planning Commission, and City Council/Board of Supervisors. Moving processes from discretionary approvals to by-right approvals can have the following effects:

- *Decrease Costs.* The shorter the approval process, the less money and interest the home builder will have to pay. A shorter process can also save the public agencies money by requiring less staff resources to get approvals.
- *Decrease Uncertainty.* Developers and lenders covet the predictability of when and if a project will be approved. Discretionary review processes provide opportunities for appeals and the risk of denial if a project attracts significant neighborhood opposition. This uncertainty can manifest itself in cost increases and hesitance to even pursue a project in the first place.
- *Minimize or Remove Need for CEQA Review.* Under the California Environmental Quality Act, any discretionary "project" requires that an applicant undergo environmental review. CEQA documents for individual projects are expensive to produce and legally challengeable, which adds to the costs and uncertainty described above. The ability to challenge a project on the grounds of its CEQA document is sometimes abused, even if the project provides significant environmental benefits.

Jurisdictions can significantly reduce costs, delay, and uncertainty for building new homes by implementing non-discretionary or "by-right" ministerial approvals for projects that comply with current zoning/general plan designations. By-right projects require only an administrative review to ensure they are consistent with existing general plan and zoning rules, and that they meet objective standards for building quality, health, and safety. In addition, because by-right projects are not discretionary, they could be exempt from CEQA review (see Sec. 21080(b)(1)).

[12] Terner Center, 2018. *Perspectives: Practitioners Weigh in on Drivers of Rising Housing Construction Costs in San Francisco.*

In practice, the migration of approvals from discretionary to by-right can take many forms. Typically, a zoning code will have a permitted use table that designates what types of uses are permitted in what zoning districts. If a use is allowed by-right in a district, it is shown as "permitted," but if it is only allowed through a discretionary process, it will typically be shown as needing a conditional use permit or some other conditional approval. Uses that a jurisdiction wants to encourage, like missing middle housing, should be permitted using a non-discretionary approval process in as many zoning districts as possible, including commercial districts.

Advertise State CEQA Streamlining Opportunities

The State now recognizes the potential for CEQA streamlining as a means of reducing a key regulatory barrier to producing housing. There are a variety of avenues for housing projects to receive CEQA relief, including SB 375 (PRC 21155.1), SB 226 (PRC 21094.5), SB 35, Infill Housing (PRC 21159.24 and 21159.25), Specific Plan (GC 65457), Tiering (Guideline 15183), Class 32 (Guideline 15332), and Class 3 (Guideline 15303) exemptions. These opportunities and others are outlined in a 2018 CEQA Review of Housing Projects Technical Advisory released by the Governor's Office of Planning and Research.. Jurisdictions can make potential housing developers aware of these opportunities by providing information on their websites and proactively seeking them out for potential projects. Three streamlining opportunities are highlighted below.

SB 375

SB 375, which is why regional governments like SACOG are responsible for developing Sustainable Communities Strategies (SCS), provides several CEQA reform provisions. The basic idea is that if a housing project is generally consistent with the type of growth included in an SCS, it can receive some level of CEQA relief. Potential CEQA relief can take the form of streamlined review and analysis of residential or mixed-use projects consistent with the SACOG SCS; modified review and analysis, through an expedited Sustainable Communities Environmental Assessment (SCEA), for Transit Priority Projects (TPPs) that are consistent with the SCS; or a complete CEQA exemption for TPPs that are consistent with the SCS and meet a specific list of other requirements. In each of these cases, this MTP/SCS EIR will serve as a first-tier environmental document under CEQA. For more information, see SACOG's SB 375 CEQA streamlining website, which provides much more detail on this type of streamlining, a determination of MTP/SCS consistency worksheet, and sample sustainable communities environmental assessments.

SB 226 Infill Exemption

SB 226 (CEQA Guideline Section 15183.3) provides partial to full CEQA relief depending on the project and the CEQA tiering document used. This streamlining is focused on infill projects and proposals must be consistent with the SACOG SCS.

SB 35 CEQA Exemption

SB 35 CEQA Streamlining is a new form of streamlining created by the State legislature as a part of the 2017 Housing Package. SB 35 applies in cities that are not on track to meeting their Regional Housing Need Allocation (RHNA) goal. At this time, all jurisdictions in the SACOG Region are not on pace to meet at least some part of their RHNA and, as a result, are all eligible for some form of SB 35. For a map of SB 35 eligibility for all jurisdictions in California, please visit the HCD interactive map here.

SB 35 amends Government Code Section 65913.4 to require local entities to streamline the approval of certain housing projects by providing a non-discretionary approval process (no CEQA), removing or lowering parking requirements, and providing a time-limited design review. This is a voluntary program that a project sponsor may elect to pursue, provided that certain eligibility criteria are met, including an affordable component and prevailing wage. However, attached housing projects less than 10 units do not need to include subsidized housing units nor are they required to meet prevailing wage requirements. As a result, there are ample opportunities for missing middle housing builders to utilize SB 35 streamlining opportunities.

Fees

As noted in the introduction to the toolkit, there are a multitude of inputs that make housing in the Sacramento region expensive. Virtually all of these inputs are getting more expensive, including the price of land, materials, and construction labor. The cost of materials, such as steel, wood, and concrete, increased by over four percent in 2017 alone. Overall, construction costs have risen by 20 percent since 2008.[13] Local governments don't control many of these costs, but they do control another significant housing cost input: fees. Fees in California can sometimes be as high as 17 percent of total housing development cost. Since 2008, fees rose in California by 2.5 percent. This is despite the fact that fees decreased nationally over that same period by 1.2 percent. In 2015, fees in California were three times the national average. In an analysis of seven cities across California, the Terner Center found that fees ranged from 12,000 to $75,000 per multifamily unit, and $21,000 to $157,000 per single family unit.[14]

Adopt Objective and Transparent Fee Schedules and Processes

While fee amounts are obviously important, so is being transparent about which fees apply. Fees are levied by many agencies, some of which may post their fee schedules online, some of which don't. The schedules also change frequently. As a result, it's often difficult to piece together which fees apply to a specific project. Fees can also vary depending on location-specific factors, for which maps are sometimes not publicly available. This can benefit developers who have prior experience going through the city-specific process, but can create barriers to entry for new and smaller developers.

Local governments looking to increase housing production from smaller developers should provide current fee schedules that publicly document any and all fees that will be levied on new housing. This could include documentation explaining which fees apply in which situations so that a developer can accurately estimate the true costs of their project. In addition, local governments can provide official fee estimates up front before an application is submitted. These actions will all help to increase clarity/transparency and could lead to more developers building more housing.

Identify Potential Other Funding Sources to Pay for Growth

California's current system depends on new development to fund services and infrastructure. Looking forward, it will be critical to identify new ways to pay for growth, which will allow local governments to reduce fees on new housing. While Redevelopment Agencies are not an option (for now), enhanced infrastructure finance districts (EIFDs), community revitalization and investment authorities (CRIAs), and infrastructure and revitalization districts (IRFDs) can provide new opportunities worth exploring.

Created in 2014 by SB 628, Enhanced Infrastructure Financing Districts (EIFDs) allow cities or counties to create a separate government entity to finance infrastructure projects within a defined area of space. They are financed through tax increment generated from growth in property taxes within their boundaries. EIFDs are more flexible than traditional tax increment financing and have become increasingly popular after the

[13] Terner Center. It All Adds Up: The Cost of Housing Development Fees in Seven California Cities.
[14] Terner Center. It All Adds Up: The Cost of Housing Development Fees in Seven California Cities.

dissolution of redevelopment agencies for their ability to finance public infrastructure as well as private facilities. While EIFDs can't pay for maintenance, operations, or property acquisition, they can fund certain things that traditional tax increment financing can't. They can be used to subsidize income restrictions in mixed-income developments and pay for infrastructure/development fees associated with the construction of housing. Similarly, they can finance projects that implement SACOG's Sustainable Communities Strategy (SCS), including mixed use development and transit priority projects (something like see above section for these definitions). Additionally, they can fund the construction of roads, transit stations, sewer/water facilities, parks, and even child care facilities. EIFDs could be a promising mechanism for financing affordable housing and infrastructure costs that otherwise might be passed onto the developer via fees.