

Planning for Economic Prosperity and Vibrant Places:

A Policymakers' Toolkit for
Commercial Corridors



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Introduction to
Commercial Corridors

Introduction to Commercial Corridors

Commercial corridors have an outsize imprint on the Sacramento region. They can be found in nearly every community, are often high-traffic routes or "corridors", and are — or more often, have been — areas of major retail activity. Whether they were major arterials that were supplanted by freeways, such as Folsom Boulevard, a post-war suburban corridor designed for cars and strip-malls such as Greenback Avenue, or a walkable small-town downtown like Marysville's, many commercial corridors thrived as places where commerce and community facilities came together to define the cultural, social, and economic life-spring of a community.

But over time they have been hit hard by changing consumer preferences for "big box" and online retail, a lack of diverse housing options, the rise of auto-oriented uses, and for some, racial segregation. Many of our region's commercial corridors struggle with vacant or underutilized lots and lack the density or mix of residential and commercial uses that support a sense of place that can attract more people. Many are now in a negative loop: declining retail visitor numbers



Del Paso Boulevard, City of Sacramento

lead to fewer viable businesses, leading to more vacancies and less revenue for improvements, leading to a less attractive destination and even fewer visitors. And because of the high-traffic profiles of many of these corridors, the decline is on full view.

While commercial corridors face significant challenges, they also offer a huge opportunity for revitalization. These high-visibility locations offer opportunities for infill development for local retail, housing, and social and cultural destinations. The key to such revitalization is



Folsom Boulevard, Rancho Cordova



Plumas Street, Yuba City

engaging and including the existing community in order to begin nurturing a healthy eco-system of residents, commercial and community needs. As a member of the Commercial Corridor Task Force put it, "What does it take to sustain a community? What does it take to sustain 6,000 square feet of retail? What does it take to sustain 30,000 square feet of retail? How many rooftops does it take? Is the place designed for the community or with the community? What are the needs of the community? How do we ensure that the community benefits from the improvements rather than being displaced from the community?"

There is no cookie-cutter answer to those questions. Getting the balance right for each commercial corridor means understanding the make-up, needs, and aspirations of the

community it serves. Many of these corridors include lower income households, people of color, businesses owned by people of color, and locally owned businesses. As in any eco-system, each part needs the other in order to thrive. Residents need housing and jobs, employees need local retail, and retail needs local residents. And when a variety of housing, jobs, and community facilities and services are in the same neighborhood, traffic drops and the community's environment is healthier. This sustainable eco-system has a place for everyone, making a well-balanced commercial corridor a welcoming center of a community as well as an attractive destination.



Broadway, Placerville



West Capitol Avenue, West Sacramento

Commercial Corridor Task Force

The SACOG Board of Directors created a year-long Commercial Corridor Task Force to address the housing and economic challenges and opportunities facing our region's commercial corridors in 2020. The Task Force focused on building deep knowledge of the local policy and funding opportunities that can help catalyze activity on commercial corridors throughout the region.

The task force tackled issues like innovations and best practices in zoning, policies to facilitate infill housing production, approaches to raise or attract state investment and/or funding for pilot projects in the region, approaches to reduce business and resident displacement, placemaking strategies to increase walking, biking, and transit access, and more. This toolkit is the culmination of the task force's work: tactics to reduce barriers to commercial corridor revitalization.

Members of the Task Force included ten SACOG board members and other public and private representatives from housing, commercial real estate, finance, development, transportation, and other relevant sectors. All members of the task force provided their time and expertise uncompensated. We are deeply grateful to the members' willingness and commitment to infill and housing.

SACOG Board of Directors: John Allard, Roseville; Jill Gayaldo, Rocklin; Shon Harris, Yuba City; Robert Jankovitz, Isleton; Mike Kozlowski, Folsom; Ricky Samayoa, Marysville; Jay Schenirer, Sacramento; Jeff Slowey, Citrus Heights; Vice Chair Michael Saragosa, Placerville; and Chair David Sander, Rancho Cordova.

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Private Members: Louise Bedsworth, Strategic Growth Council; Jose Bodipo-Memba, SMUD, Chair ULI Sacramento; Stephan Daues, Mercy Housing; Isabel Domeyko, New Economics Advisory; Sandee Drown, Yuba City Downtown Business Association; Deana Ellis, Cresleigh Homes; Chet Hewitt, Sierra Health Foundation; Amy Lapin, Economic & Planning Systems; Jennifer Matulich, Five Star Bank; Michael Stretch, North State Building Industry Association; and Julie Young, Urban Elements

How to use this toolkit

Many of our region's centers, corridors, and main streets have a vision and plan in place but are struggling to realize those visions. This toolkit is focused on addressing barriers to revitalization and plan implementation. It is not a guide for creating a vision or the significant community engagement necessary to facilitate that. This toolkit is aimed at catalyzing development on the corridor and preventing displacement of businesses and residents.

Improve Infrastructure

Improve Infrastructure

Many of our traditional commercial corridors were built and designed for cars. In many places this means the streets have many lanes, wide lanes, long block lengths, and higher car speeds. They often have incomplete or inadequate walking and biking infrastructure. Safety and maintenance are often on-going and increasing costs. In addition to these above-ground challenges, many of these corridors have older utility infrastructure that isn't sized or equipped to handle the new development desired on the corridor. Updating and upgrading the infrastructure on the corridor is necessary to support the density of people and places that these corridors seek to attract. However, the cost of the infrastructure, as it translates to fees for developers, can be a significant barrier to realizing the development that is planned for the area.

Tools and Strategies

Analyze all infrastructure needs (streetlights, wastewater, storm drainage, water supply, natural gas, electric systems, telecommunications) and prioritize infrastructure improvements that provide infrastructure to serve the most amount of development for the least cost.

Often, infrastructure can be a hurdle to development for many communities. This is especially true for infill areas. Infill projects rely on existing infrastructure that was sized to accommodate a certain amount of development, often constructed many years—even decades—ago. Infill development, or redevelopment of lots, is frequently allowed at greater densities and intensities, which in turn can exceed existing infrastructure capacities. The uncertainty of when a capacity increase is required is a significant financial risk for developers. Infrastructure studies can help minimize these development challenges and create a predictable understanding of infrastructure constraints and opportunity areas that can accommodate development.

Create a predictable environment with an established fee structure. Develop a finance plan to provide a framework on how infrastructure would be phased, and what funding sources would be obtained to pay for the identified improvements.

A financing plan provides an overview of how backbone infrastructure improvements can be financed and help create a predictable environment to share the costs of improvements with various developers. A financing plan also identifies the estimated cost of the facilities and proposes a set of funding sources and financing techniques to pay for the facilities. Facilities are typically funded, in part, by a plan area fee program, otherwise known as a development impact fee. The advantage of having a financing plan is that developers have a better idea of how much they have to pay for infrastructure improvements, and the infrastructure costs are spread out amongst all affected landowners, rather than paid for by the first proposed development. This increased predictability will help facilitate development in these areas.

Increase neighborhood connections.

Smaller block sizes shorten the distances for people biking and walking and increase the number of destinations a person can reach within a set distance. While the existing blocks of many corridors are long and uninterrupted, vacant or underutilized parcels may create opportunities to revise the street network to be denser and more connected. This doesn't necessarily have to mean an entirely new street—it could even be a multiuse path. New access points or mid-block crossings would also enable shorter trips by reducing the need for people biking and walking to travel out of direction from where they want to go. Design guidelines can be used to help facilitate development in or near the corridor and this specific guidance should help dictate how the corridor can become better integrated with existing neighborhoods. Changes to street networks are not short term policy fixes. They may require long term policy paired with incremental funding and, critically, emergency responder and community support.

Conduct a biking and walking audit to understand the user experience to inform what improvements are needed to facilitate more walking and biking options.

Walking and biking audits are useful to understanding how pedestrians and cyclists experience the corridor, what safety issues exist, how complete the infrastructure is, and what condition it is in. An audit is a useful way to demonstrate and prioritize infrastructure improvements and can be a useful tool at the beginning of any corridor planning effort.

Create a comprehensive corridor plan that examines land use and transportation together to create a transportation design for all users.

Establishing a plan and design guidelines that address multimodal users will help with safety and minimize conflicts between automobiles, transit, pedestrians, and bicycles. This includes things like automatically including a walk signal in every traffic light signal, short signal cycles, wayfinding, no double right-hand turns, sightlines for all modes, fewer lanes, narrower lanes, etc.

Implement techniques such as mobility hubs for bike/scooter share, EV car share, and micro transit, to center user experience in the planning and design.

Mobility hubs are places where different mobility options, such as transit, walking, biking, and shared mobility, come together to provide transportation choices in and around the corridor. Mobility hubs can also serve as an important placemaking strategy for the corridor by bringing together land use and transportation and providing a public space that promotes health and wellbeing in the community. Jurisdictions without existing micromobility services can look to adopt policies in advance so that service providers know the local expectations ahead of establishing a local pres



Group conducting a biking and walking audit

Simplify Development
Review Processes

Simplify 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. Longer and more difficult paths to approval can dramatically add to the cost of building housing and can sometimes lead to nothing being built at all. Jurisdictions can look to streamlining the approval process and making it easier and less expensive for builders.

Tools and Strategies

Remove discretionary review processes from otherwise zoning-compliant multifamily housing projects and institute by-right approvals.

One of the significant determinants of how quickly housing can get through a development review process is whether 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.

Eliminating the discretionary review process also removes public outreach requirements on a project by project basis. For this reason, it is critical that significant and meaningful public engagement is done as part of zoning code updates, general plans, specific plans, and any applicable design standards so that projects are implementing a vision that was formed by public input.

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

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. Meaningful public engagement throughout the

specific plan process is critical to the successful use of these tools for implementation.

Identify what it would take to expedite review timeline.

This could include concurrent review, new development tracking software, and other process streamlining tools and techniques. 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.

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

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. These agencies, as well as special districts, like school districts, also assess fees on individual projects, making the process complicated and costly. At a local level, jurisdictions can create partnerships to provide a more streamlined and transparent process. However, there is potentially a benefit for the region to work together on this issue. Information from the 2018 Brookings Report, “Charting a course to the Sacramento region’s future economic prosperity,” highlights this as a regional challenge and opportunity.

“The Sacramento region is operating in a higher-tax, higher-regulation environment, which is partly due to decisions made at the state level. The region also has high levels of government fragmentation—due to the preponderance of many special districts. Addressing these two issues will only occur through public sector reforms, but governance also refers to the quality of private and civic institutions, and specifically their ability to work with government to help advance regional economic priorities. In this respect, there is clearly momentum on the part of many organizations in the Sacramento region to overcome existing fragmentation of economy-relevant initiatives and investments.”

Explore opportunities for full CEQA exemptions.

One option can include new State laws like SB 35, which is particularly well-suited to exempt missing middle projects less than 10 units. SB 35, which took effect January 1, 2018 provides a ministerial approval process (no CEQA), focused design review, and removes or lowers parking requirements for housing projects of less than 10 units, or projects with affordable components. For more information on SB 35 in the SACOG region, [see here](#). [SB 743 also created a process for housing projects within specific plans to receive full CEQA exemptions.](#)

Make potential housing developers aware of the suite of CEQA streamlining opportunities (like SB 226, SB 375, SB 743) by providing information on websites and proactively seeking them out for potential projects.

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.

Reduce Cost and Fees and Increase Transparency

Reduce Cost and Fees and Increase Transparency

There are a multitude of inputs that make housing in the Sacramento region expensive and difficult to finance. Limited affordable housing and redevelopment financing, appraisal requirements, land costs, construction costs, and impact fees are some of the major challenges. 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. Finding ways to reduce fees can mean the difference between whether or not a project can pencil.

Tools and Strategies

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

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. In some cities, tools like EIFDs, CRIAs, and IRFDs could be an interesting avenue to explore. In particular, EIFDs are operated by an independent local agency that provides tax-increment financing bonds for a broad range of community improvement projects in a designated area, including infrastructure repair (e.g., sidewalks, sewers), economic development activities, and affordable housing construction. Unlike Community Revitalization and Investment Agencies (CRIAs), EIFDs may be established anywhere in a city so long as they fund projects of "community-wide significance," as determined by both the California State Controller and Department of Finance. Establishment of an EIFD requires the preparation of an Infrastructure Financing Plan (IFP) and 55 percent voter approval for the issuance of bonds. EIFDs are best tailored for areas in which expected investments have the potential for significant property value appreciation.

Structure fees by location to be lower for projects in infill and established communities. Or consider a pilot program that reduces fees for certain types of housing, or in a certain area, or a certain time frame.

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.

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.

While fee amounts are obviously important, it

is critical to be transparent about when certain fees apply. If a housing builder is going to consider building a project, they need to be confident that they can accurately estimate fees. This is largely now required by State law in AB 1482 which requires jurisdictions post on their website a, "current schedule of fees, exactions, and affordability requirements imposed by the city, county, or special district, including any dependent special district, applicable to a proposed housing development project, all zoning ordinances and development standards, and annual fee reports or annual financial reports."

Consider changing how and what impact fees are assessed, including moving from per unit to per square foot metrics for assessing fees.

Impact fees can often be the difference between a multifamily project being able to pencil or not. Exploring alternative ways to charge fees can incentivize more housing in infill areas. One idea is to charge 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. It is important to ensure that any changes to fees are consistent with the California Mitigation Fee Act (Government Code 66000).

Analysis done for "The Kind" project, highlights an example of the difference in total fee burden between per unit and per square foot fees. The Kind project has just under 52,000 square feet of residential floor area, but an average of 350 square feet/unit with 148 studio units. A large lot single family project with the same number of total square feet of 52,000 square feet and a more typical 2,100 square feet per home would only yield about 25 units. For developments like The Kind project, which has smaller unit sizes than average, charging fees per unit would lead to a total of \$3.7 million more in fees than the 25-unit single family project. These fees are then passed onto the residents, which makes it difficult for the project to deliver the natural affordability that is possible with smaller unit sizes and denser products.

Commercial corridor developments have not taken off just yet, but we can look at related projects that have successfully used some of the strategies and policies listed in this toolkit as examples to build from. Julie Young, President and Creative Director of Urban Elements and a Commercial Corridor Task Force member has implemented several projects in the Sacramento area that can be helpful examples.

Urban Elements has focused on developing smaller-scale units, in urban areas that can foster community and can allow people to age in place. Like urban infill projects, commercial corridor developments face many challenges. Through experience from all facets of the development and design process, Young has gained insight on ways to manage these challenges. The following case studies focus on projects that have used some of the policies and strategies included in the toolkit and mitigated those challenges.

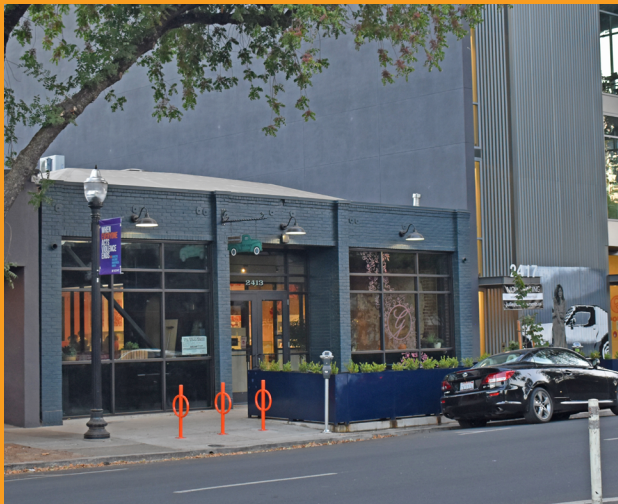


Before

6,400 square feet of vacant auto-oriented commercial space

Estimated value:
Property owned for 96 years by family

Estimated property tax value:
Zero basis



After

Full renovated commercial space for 3 local businesses that supports the walkable environment and people density desired on the corridor.

All hazmat and property abatement work complete, seismic and structural upgrade, plus all necessary tenant improvements, including all electric and energy efficient utilities.

Estimated value:
\$3,300,000+

Estimated property tax value:
\$36,300

Tools and Strategies Connection

- [Analyze all infrastructure needs \(streetlights, wastewater, storm drainage, water supply, natural gas, electric systems, telecommunications\) and prioritize infrastructure improvements that provide infrastructure to serve the most development for the least cost.](#)
- [Local business/services preference programs](#)
- [Coordinate closely with outside agencies, districts, and service providers to ensure development standards are consistent and result in outcomes that benefit all parties.](#)



Before

0.15 acres of vacant land

Estimated value:
\$200,000

Estimated property tax value:
\$2,200



After

8 housing units designed to live and work collaboratively with other residents and businesses. Developer is offering a mentoring program and \$40,000 in incentives per unit to support people of color to build wealth through home and business ownership.

All electric, energy efficient, green materials, garden space, public art, and outdoor connection for all units in a walkable and transit oriented neighborhood.

Estimated value:
\$3,400,000

Estimated property tax value:
\$40,000

Tools and Strategies Connection

- Remove or reduce parking minimums, lot coverage, and setbacks.
- Analyze all infrastructure needs (streetlights, wastewater, storm drainage, water supply, natural gas, electric systems, telecommunications) and prioritize infrastructure improvements that provide infrastructure to serve the most amount of development for the least cost.
- Allow for attached residential in commercial zones by right.
- Coordinate closely with outside agencies, districts, and service providers to ensure development standards are consistent and result in housing outcomes that benefit all parties.
- Allow missing middle housing by-right in nearby residentially zoned land to increase the housing adjacent to the corridor.



Before

1.3 acres of vacant land

Estimated value:
\$800,000

Estimated property tax value:
\$8,800



After

148 housing units with rents attainable for households making 75% of median income. Provides homes for approximately 180 people with access to walking, biking, transit, and shared mobility options.

All electric, energy efficient, green materials, outdoor fitness area, dog park, picnic area, bike repair station, and meeting space.

Estimated value:
\$30,000,000

Estimated property tax value:
\$330,000

Tools and Strategies Connection

- Remove or reduce parking minimums, lot coverage, and setbacks.
- Move from per unit to per spare foot metrics for assessing fees.
- Analyze all infrastructure needs (streetlights, wastewater, storm drainage, water supply, natural gas, electric systems, telecommunications) and prioritize infrastructure improvements that provide infrastructure to serve the most amount of development for the least cost.

Address Zoning Barriers to Housing Choice and Opportunity

Address Zoning Barriers to Housing Choice and Opportunity

Providing a variety of places where people can live, including apartments, condominiums, townhomes, and single-family detached homes on varying lot 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 very low-, low-, and moderate-income households. For many of these people, finding housing closer to their jobs and destinations is challenging. By providing more housing and a variety of housing types, more people will have a choice in where they live.

Commercial corridors and their surrounding neighborhoods are opportunity areas for additional housing - particularly the higher density and attached housing we lack the most. Additionally, more housing in or near the corridor is also an essential component for successful corridor revitalization. More housing will bring more people to the corridor, increasing the opportunity for the non-residential uses on the corridor to provide the daily needs for the people living there. It also creates a proximate market for experiential retail: this type of retail focuses on hands-on, authentic experiences rather than traditional retail, which 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 revitalize these areas and promote the types of commercial uses that are still thriving.

However, it is a significant challenge to get more housing built in infill areas, particularly attached housing. While some of these challenges, such as labor shortages and construction costs, cannot be addressed solely by local policy changes, there are many things local governments control that can be changed to help address these challenges.

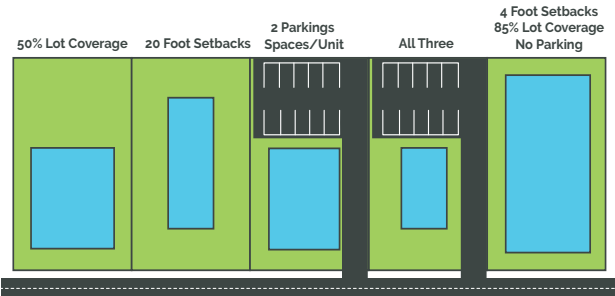
Tools and Strategies

Remove or reduce parking minimums, lot coverage, and setbacks.

Parking requirements, which require developers to build a certain number of automobile parking spaces as 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.

Just as parking requirements take away from the buildable area on a parcel, lot coverage and setback requirements also reduce the buildable area. Together, these three zoning regulations could unintentionally result in infeasible development potential on many parcels, particularly the smaller parcels often available on corridors.

In areas with high frequency transit and multimodal options, consider unbundling parking in addition to reducing or removing parking minimums. Unbundling parking allows developers to separate the price of parking from the price of multifamily rental housing which can help further reduce the cost of housing.



Incentivize and promote Accessory Dwelling Units in adjacent neighborhoods by reducing parking requirements and streamlining approvals.

One promising avenue to more housing in the many single-family neighborhoods surrounding commercial corridors is to encourage the production of accessory dwelling units (ADUs), also referred to as Granny Flats or In-law Quarters. As a result of the statewide reforms to ADU law, ADU permits in the SACOG region have more than tripled to 222 in 2019 and are expected to dramatically increase in 2020 with

How can residential projects built at the same density look so different?

Density

A project's "density" is the total number of dwelling units per acre. While this is helpful in understanding the total number of for-rent or for-sale units in a particular residential project, it does not take into account unit size or number of bedrooms.

+

Form and Format

Often the form of a residential project will have a greater effect on how it fits into its surrounding neighborhood than its density. Projects that are built at the right scale and style can blend into a neighborhood, reducing the feel of "bulk."

Visualizing density (or really, form)

Below are examples of different residential projects designed at approximately 40 dwelling units per acre (typically considered high density in the Sacramento region). While each of these projects has the same approximate "density," their form, style and feeling of bulk are quite different. This is due to several factors, including the unit format (size and number of bedrooms), amount of visible/ invisible density (what is visible from the street), building setbacks, heights, parking requirements, on-site open space, and other site features. As shown in these examples, the actual form and format of a project is typically a greater indicator of how well it fits into a local neighborhood than just its density.



40 Dwelling Units per Acre



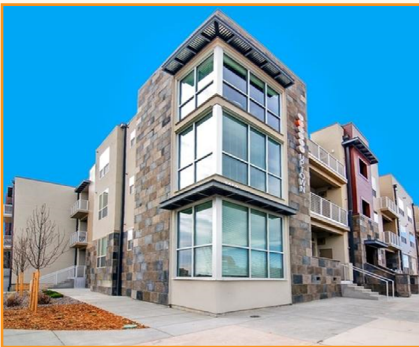
40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre



40 Dwelling Units per Acre

continued from page 21

the implementation of the 2019 legislation. While the vast majority of regulatory barriers have been addressed through state law changes, local governments can still improve on their ordinances. The most meaningful way to go beyond state law in facilitating ADUs is to remove all parking requirements, as many jurisdictions in the region already have. Local governments can also further streamline the approval of ADUs, particularly as it relates to local building departments by assigning single points of contact to all ADU permits, holding ADU informational sessions at the public counter, and adopting pre-approved ADU prototypes that do not require building department review.

Allow missing middle housing by-right in nearby residentially zoned land to increase the housing adjacent to the corridor.

"Missing middle" describes multiunit housing that fits within the scale of existing neighborhoods. This includes accessory dwelling units, 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 can fit with the look and feel of a single-family neighborhood. Jurisdictions can facilitate missing middle by changing zoning to allow for higher densities on small lots (25-40 units/acre) and allowing for higher lot coverage (75 percent or more). Instead of using a density based standard, jurisdictions can also consider using maximum floor area and height as a means

of regulating form but allowing for more creative missing middle products.

Support TOD in high frequency transit areas by zoning for multi-family and mixed use of at least 40 units/acre and minimizing single-family zoning

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. Instead of increasing the allowed density, jurisdictions can also look to use floor area ratio (FAR) to regulate intensity rather than units/acre. This would allow for denser housing products and ensure the desired building form of the jurisdiction. A minimum of 40 units per acres is recommended in areas with high-frequency transit access but much higher densities can be supported in locations directly adjacent to light rail stations and in where the urban form is more compact and connected.

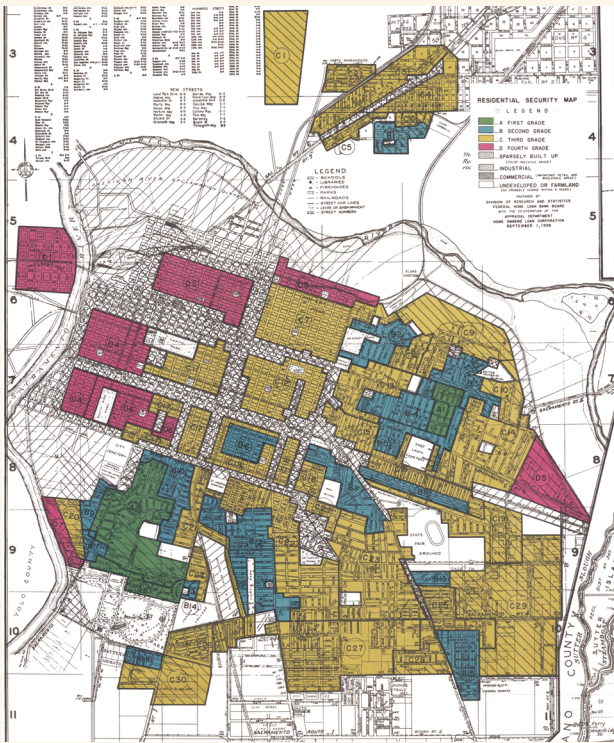
Allow for attached residential in commercial zones by right.

This allows for market flexibility, should a commercial proposal come forward, but adds the potential for housing as well without needing to get a special approval or conditional use permit, which can increase time and cost.



Zoning History

Zoning is not inherently good or bad: it can either further or undermine policy goals depending on its use. Unfortunately, for much of its history, zoning policy has been used (both intentionally and unintentionally) as a tool of exclusion. The original forms of zoning explicitly excluded people 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.”

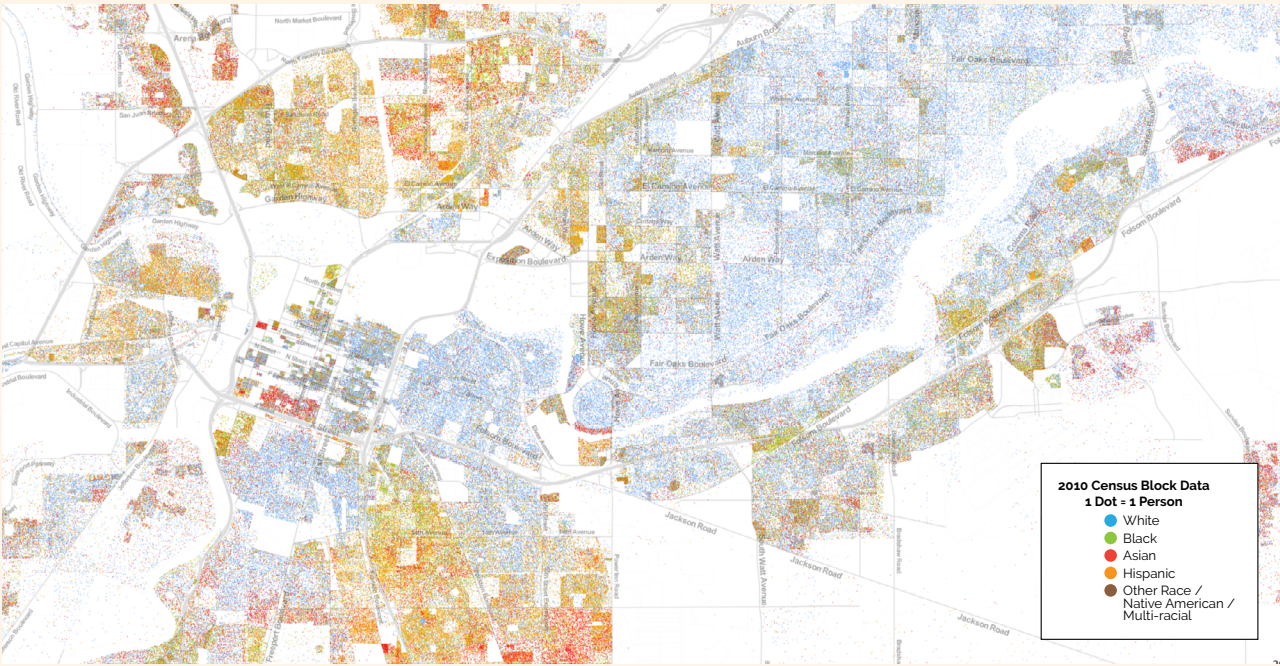


These covenants were then further reinforced by mortgage redlining. As a means of stimulating easier access to home loans during the great depression, the federal government created the Home Owners' Loan Corporation (HOLC) to institute a system for providing federally backed home loans to Americans. 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 left). 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. 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.

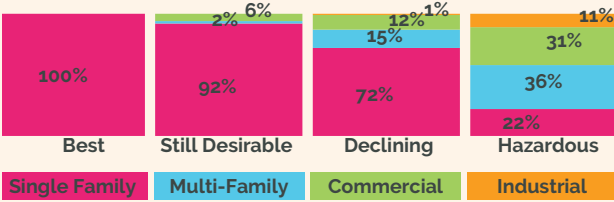
While racial zoning was outlawed in the early 20th century and government-sponsored redlining was outlawed in 1968, the residential segregation created by these institutions is so structurally engrained in the community that it is still present today. To illustrate this point, the 2010 racial dot density 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. Meanwhile, racial diversity is higher in areas with more multifamily zoning.

Part of why the A (Green) and B (Blue) 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 Zoning Restricts Access to Opportunity
How the SACOG Region's Original HOLC Categories are Zoned Today:



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 care, clean air, 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.

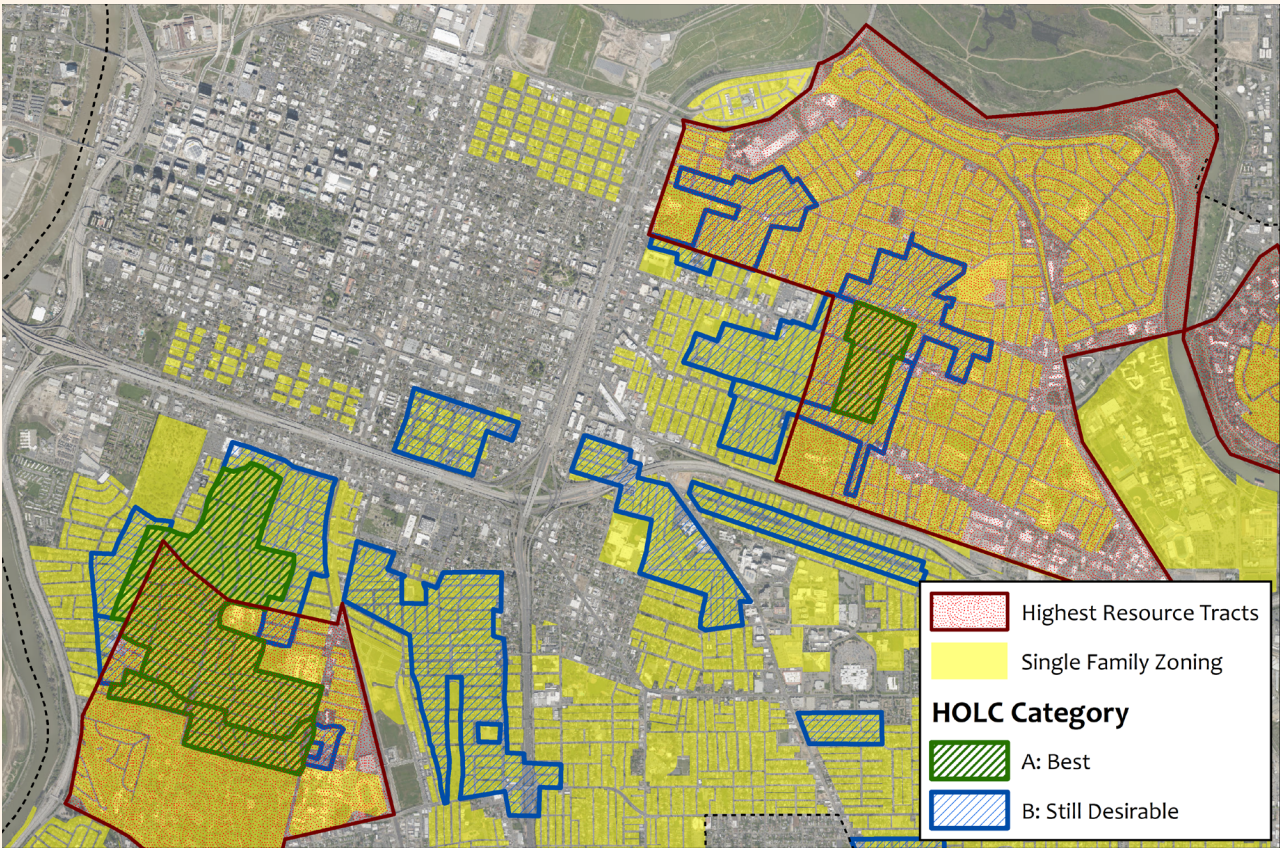
The high opportunity neighborhoods in the SACOG region are almost entirely single-family, which does not allow for more affordable housing types to be built. Across the region, 75% of the existing units, 90% of the residential land, and

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 non-white households.

As shown on the next page, 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 predominantly white and wealthy today.

In the SACOG region, there are no other HOLC maps recorded 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 modifying



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 diverse 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 and reduces housing opportunity. 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.”

- 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 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.

Incentivize Affordable Housing

Incentivize Affordable Housing

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. 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. While the strategies in the Address Zoning Barriers to Housing Choice and Opportunity section above are intended to make it easier to build market-rate and below market-rate housing, these are additional tools to help support more affordable housing.

Policies and strategies to support building more subsidized affordable housing are important to reducing displacement but it is just one tool in the anti-displacement toolbox. No single policy can accomplish this, so it is important to look at the other strategies in the Reduce Displacement section of this toolkit for additional strategies.

Tools and Strategies

Market-based tools

Density Bonus Ordinance (beyond State law)

Density bonuses allow developers of market-rate housing to build higher-density housing, in exchange for having a certain portion of their units offered at affordable prices. California State Housing Law requires all local jurisdictions to provide density bonuses and other incentives in exchange for providing specified proportions of affordable housing units in residential development projects. Jurisdictions may offer additional bonuses beyond what is required by California law.

Inclusionary Zoning Ordinances

Inclusionary zoning ordinances can add low-income housing stock by requiring builders to lease or sell a share of their new homes at below-market prices to lower income households. Inclusionary zoning can guarantee some level of affordable housing, enable low income households to live in high opportunity areas, and provide a mix of incomes within a project. Caution should be taken to not set the inclusionary percentage beyond what is financially feasible. Jurisdictions can conduct a nexus study to measure the financial feasibility of different inclusionary percentages to ensure that the program does not severely hinder multifamily housing production. Significant cost offsets or regulatory incentives can also be incorporated to an inclusionary zoning program as a means of mitigating the additional development costs.

Fee Deferral or Elimination for Affordable Units.

By deferring fees until final inspection of a development, developers can pull more permits at a time, reducing costs and increasing the rate of construction. Using this method can be an effective tool for a jurisdiction to allow smaller developers the ability to finance projects and keep them moving throughout the entire development process, expediting housing development and increasing housing options. Jurisdictions can also choose to eliminate fees for affordable projects as a means of incentivizing more affordable projects.

Direct Funding Options

Housing Trust Fund Ordinance

Housing trust funds provide a designated source of public funds to create affordable housing and can be matched with State funding. In some funding programs, local trust funds are required to apply. These trust funds may be funded through any of the below direct funding options.

General Obligation Bond

General Obligation bonds are commonly used to finance schools, libraries, and other public facilities. They are now being implemented to fund affordable housing. A two-third supermajority vote is required to approve this funding source.

Sales Taxes

Specific sales or use taxes can be dedicated to funding housing assistance programs, or other anti-gentrification- and displacement-related programs. Sales and use taxes generate a significant amount of revenue for state and local governments. A city or county in the State of California may increase local sales tax rates above the statewide base tax rate to raise revenues for local services or capital projects, including affordable housing.

Progressive Real Estate Transfer Fee

Instead of taxing the limited amount of new construction or imposing sales taxes, which can be regressive, real estate transfer taxes can be a more equitable and effective way to raise broad-based funding for affordable housing. These fees are assessed when property is sold and with the amount based on the property's sale price. Most jurisdictions in the SACOG region currently have a transfer tax rate of 0.11% of the sale price. While rarely utilized, jurisdictions can increase these transfer fees in a progressive manner with higher marginal rates for higher value home sales. For example, San Francisco has a tax rate of 0.75% for properties sold over \$1 million and Seattle has a tax rate of 2.75% for properties over \$1.5 million. Jurisdictions can make these taxes even more equitable by charging based on the value per unit instead of the total value, which will reduce taxes for multifamily buildings.

Community Land Trusts/Land Banking Programs

Community land trusts are non-profit, community-based organizations (in some cases, supported by a city or county) whose mission is to provide affordable housing in perpetuity by owning land and leasing it to those who live in houses built on that land. Local governments can create and support community land trusts, in part, through direct funding tools in this section.

Reduce Displacement

Reduce Displacement

As we work to transform older commercial corridors into vibrant and thriving spaces for businesses, housing, and people, it is important to recognize that there is risk for existing businesses and residents. When there is an influx of new investment in an area that had once been under-invested in, the incoming change can lead to major disruptions to people’s lives, most often in the form of pushing them out. As we plan ways to revitalize and invest, it’s critical that we do so without displacing, especially recognizing the fact that those displaced are more often low-income and/or Black, Indigenous, and people of color (BIPOC).

Gentrification is defined as the process of neighborhood change that includes economic change in a historically disinvested neighborhood by means of real estate investment and new higher-income residents moving in, as well as demographic change, not only in terms of income level, but also in terms of changes in the education level or racial make-up of residents. The most severe impact of gentrification is displacement of existing residents and business owners who can no longer afford to live or operate in the space. Displacement is defined as the removal of existing businesses and/or residents, often because of gentrification.

To better understand the impacts of gentrification and displacement more generally, it is important to note that the cause isn’t necessarily a place-based investment or even confined to a specific location. Land values can rise with new investments in an area, but they can also rise due to overall housing scarcity or even housing scarcity in neighboring high demand neighborhoods that are not allowed to grow due to restrictive zoning. Apartment bans in high demand areas force new households and development pressure to adjacent less expensive, often non-white, neighborhoods where zoning is more permissive. In this way, the new development is a symptom, not the cause of gentrification/displacement pressures.

Many of the policies in this toolkit to accelerate the production of more affordable housing types, particularly if they are applied broadly across commercial corridors and the higher opportunity neighborhoods throughout the community, will help to mitigate against displacement

pressures created by housing scarcity. However, gentrification and displacement pressures can still occur as new investments are made that create an amenity effect and raise land values. In many cases, this amenity effect can be a positive force that stimulates economic activity and future investment. These changes can also be negative if they come at the expense of existing businesses and residents. The signs of displacement can be hard to see for those not living or doing business in the impacted area. Understanding the nuances of this is key to prevent the most damaging impacts and ensure that the new investment is first and foremost for the existing residents and business owners. This document will walk through some of the tools and strategies to help foster economic gardening and prevent displacement of existing residents and businesses as we seek to revitalize our aging corridors.

Develop a Baseline Understanding of the Community

Develop a baseline understanding of the community

Revitalization without displacement begins with understanding who lives and does businesses in the area of interest. The goal of any revitalization project should always be to make the lives and community of those already there better and develop around their needs. The local jurisdiction should lead an assessment of the community before any work begins, this is critical to anti-displacement. Local governments must lead the way in doing the work to know who lives in the area, what businesses are currently operating, and what their biggest needs are in order invest and develop in a positive way. There must be adequate time set aside to do a full assessment of demographics, history, and needs. Once the assessment is done, policymakers should work with the community and experts to create policy plans that support local organizations, create partnerships with the public and private sectors, and are creative and strategic.

Public Process

Provide transparency and authentic engagement

Transparency with any project means being open about the participation process, engagement and outreach strategies, and when the public will have the opportunity to engage. All projects should be clear about the legal requirements that exist, should map out the specific times the public will be able to provide input, and when key decisions will be made. Regarding the timing of public engagement and input, these windows of engagement should be included in a way that will allow planners, developers, and staff to incorporate what the community is saying.

Transparent participation and authentic engagement allow community members to help develop the outcomes and policies that will impact them, not simply an opportunity to react to what has already been decided internally. This means that the public engagement process should be created as soon as the project is conceptualized to ensure that it is bought into by the public. Local agencies should create a clear process that lays out the decisions being made and by whom and when; when the public will have the opportunity to review key decisions before decisions are made; and most importantly be open and willing to change the process if needed. If the public brings up an issue that cannot be solved within the current framework, listen and reiterate the public process.

Who is most vulnerable to displacement?



Persons of Color



People 25 and older without a Bachelor's Degree



Renters



People making at or below 80% Median Family Income



Households with children in poverty

Have an engagement plan, specific plan, or other policy plan that includes anti-displacement policies and strategies

Having a policy plan that is built with the community's needs at the core can help prevent displacement and ensure that the investments and new development will be a positive impact for existing residents and businesses. Many jurisdictions develop plans for areas undergoing, or about to undergo, a major new investment. These plans should provide focused policies aimed at reducing displacement, such as outreach, increasing housing choice, ensuring affordable housing, and supporting entrepreneurship and employment opportunities. Such plans are often created using a robust public engagement process so that the policies and programs that are included in the plan are developed based on community input and needs. A strong policy plan follows a community assessment that provides baseline information on who lives there, the businesses that exist, understanding the history, and understanding the barriers and needs of the community. Additionally, timing is critical for a policy plan and should include policies before developments and investment begin to take shape. A well-written and implementable plan provides certainty to the community on what the jurisdiction prioritizes and how it will address potential issues related to new development pressures.

This policy should be paired with the policy above to be transparent and provide authentic engagement. Having this plan is important, but implementation will be critical. Be transparent about timelines and what is possible and create continued communication points with the community throughout the project. In both strategies, a well thought-out and long-term engagement plan is key to success. Community outreach or engagement that is not thoughtful or meaningful can have unintended negative consequences including creating mistrust between the community and the local government agency.

Incentivize Affordable Housing and Protect Natural Affordability

One consequence of successful corridor revitalization is increased housing cost. This not only affects the new homes being built but often has a ripple effect through the surrounding

neighborhoods. While increasing property values is positive for some, for others, rapidly increasing housing costs means that some households can no longer afford to live in their current neighborhoods. This is compounded when there is an existing housing supply shortage, as the region and the state are currently experiencing. Adding new supply overall will help minimize displacement throughout the region over time. However, adding new supply does not fully mitigate displacement. Increasing 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 strategies in the Address Zoning Barriers to Housing Choice and Opportunity section and the Incentivize Affordable Housing section are aimed at increasing naturally occurring and subsidized affordable housing, which can help reduce displacement.

Preserve Naturally Affordable Housing

Condominium conversion restrictions

In addition to state laws regulating the conversion of multifamily rental property into condominiums, many cities have enacted condominium conversion ordinances. These ordinances seek to protect impose procedural restrictions (like notification requirements) and/or substantive restrictions on the ability to convert apartment units into condominiums (such as prohibiting conversions unless the city or regional vacancy rate is above a certain fixed amount or requiring that a certain number of units must be sold to persons of very low, low, and moderate incomes). The purpose of such ordinances is to protect the supply of rental housing.

Single Room Occupancy (SRO) Preservation Ordinance

Single room occupancies (SRO), also called residential hotels, are used to house one or two people in individual rooms. These units typically have shared bathrooms and/ or kitchens. This form of housing can act as a permanent residence that is affordable for low-income individuals.

Provide Tenant Protections to Minimize Impact to Existing Renters

Tenant-based assistance program (e.g., multi-lingual tenant legal counseling program)

Tenant-based assistance is a program that includes locally-funded monetary assistance to tenants on a one-time or ongoing basis and is focused on tenant rights, needs, and assistance. Tenant-based assistance can vary from legal clinics, eviction defense, rental assistance programs, or relocation assistance. These strategies can be important for helping to stabilize communities with substantial numbers of tenant-based households that may be vulnerable to economic displacement.

Rent stabilization or rent control ordinance

Rent stabilization ordinances are used to protect tenants from excessive rent increases, providing stable housing while allowing landlords a reasonable return on their investments. Such ordinances limit rent increases to certain percentages for buildings built before a certain date. State law allows landlords to raise rents to the market rate once the unit becomes vacant. These stabilization policies work best when paired with just/good cause eviction ordinances to ensure tenants are not evicted as a means of raising rents. As required by current State law, ordinances for rent stabilization do not apply to buildings built after 1995, single-family homes, condominiums, small owner-occupied buildings, or units regulated by a governmental agency. This mitigates against the concern that rent control will have a negative impact on multifamily construction.

Just cause eviction ordinance

Just cause eviction statutes are laws that ensure tenants can remain in their homes if they follow the rules. These ordinances define the circumstances in which landlords can evict a tenant (like failure to pay rent or violation of the lease terms) and prohibit evictions in other cases. Local requirements for eviction checklists, and details on what constitutes “good cause” evictions can also be helpful.

Foreclosure assistance program

Many cities and counties across California have local programs that assist home owners (financially or otherwise) when they are at risk of

foreclosure. These programs may be funded with federal grants or through direct funding tools at the local level. These programs alleviate some of the potential impacts to populations at-risk of gentrification or displacement.

Minimize Commercial Displacement and Incentivize Small and Local Businesses

Economic Development Focused on Targeted Income Groups

Blanket economic development strategies often leave out low-income groups because there is not a fundamental understanding of low-income barriers or needs. Economic development that is happening in previously disinvested areas should at minimum focus a portion of efforts on low-income groups to specifically meet the needs of all groups. These efforts can include, but are not limited to education, skills training, financial assistance, job recruitment, reserving or setting aside a portion of economic development funds for businesses owned by people of color, and/or workforce development initiatives. To best understand the needs of low-income businesses, local jurisdictions can conduct a baseline community assessment before economic development begins to prevent potential displacement.

Local business/services preference programs

Businesses risk displacement just as residents do. To keep existing businesses in the area, if the local government is an owner or partner in the development, it should give preference for the space to local businesses. If the local government is not an owner or partner, at minimum it should work with the developer to prioritize local businesses as much as possible.

Create and maintain a small business alliance

Creating an alliance within a group of existing local businesses brings strength in numbers and can bring a unified mission and goals. An alliance within existing businesses can create a sense of community power and belonging and help with financial issues. Collaboration within businesses can range from joint purchases, buying cooperatives, and more, ultimately creating a space to pool together limited resources. A small businesses alliance could potentially leverage

existing PBIDS or operate like a PBID.

Establish a small business advocate office and single point of contact for every small business owner

The local jurisdiction can create a local office to support a small business alliance or a PBID-type group. In this space, business owners can have a consistent point of contact and continue to build a sense of community and foster trust between the local government and the businesses. But most importantly, the small business advocate office can help meet the needs of the businesses. Having a designated person for business owners to go to, and someone who understands their needs can help retain those businesses and possibly see early warning signs of displacement.

Form a program to ensure that some fraction of a jurisdiction's purchases of goods and services come from local businesses

Local governments can work to build knowledge of the businesses in their communities and establish requirements to purchase materials, supplies, services, and more from businesses in the area. In doing so, local businesses and the local economy are supported.

