

CITY OF WEST SACRAMENTO

BOOK OF FEES

Description	Authority	Effective Date
HOUSING TRUST FUND PROGRAM	Ordinance 14-4	December 9, 2020

Background

The Housing Element of the General Plan of the City of West Sacramento (the “Housing Element”) requires that new residential development in the City reserve a portion of dwelling units for affordable to low and very low-income households at an affordable price or rent.

To implement this Housing Element requirement, the City adopted the Inclusionary Housing Ordinance (Ordinance 14-4) on April 30, 2014 (the “IH Ordinance”). The IH Ordinance, which is codified in Chapter 15.40 of the City’s Municipal Code, describes the requirements and procedures to comply with the City’s goals related to the production of affordable housing in the City.

As an alternative to the standards for implementation contained in Section 15.40.060 of the IH Ordinance, Section 15.40.070(A) provides that developers may satisfy all or part of their inclusionary housing requirement by participating in the Housing Trust Fund Program (HTFP). The HTFP, as provided in this section, permits developers to make a payment to the City equivalent to the amount determined by the City to be necessary to provide gap financing to an affordable housing developer to produce the number of affordable units that would otherwise be required under the IH Ordinance. The alternative to participate in the Housing Trust Fund Program may only be granted by the City if the City Council makes the determination that the alternative will advance the achievement of the City’s goals for affordable housing set forth in the Housing Element.

Revenue received by the City from the Housing Trust Fund Program shall be deposited into the Housing Trust Fund (Fund 261-9385). The City will use the Housing Trust Fund to promote the development of affordable housing through the following uses of funds:

- Gap financing loans to residential projects containing affordable housing;
- Infrastructure improvements in support of affordable housing; and
- Other predevelopment activities in support of affordable housing, including but not limited to:
 - Infrastructure studies;
 - Development feasibility analyses; and
 - Planning studies and activities.

Methodology

The amount to be paid by developers under the HTFP is derived from the historic average of the subsidy per affordable unit provided by the City to create affordable rental housing since 2006. This timeframe was chosen because during that period the City committed to a producing a large number of affordable units (639) with a diverse mix of housing type, from lower-density new construction, to more expensive higher-density new construction, to housing rehabilitation.

Since 2006 the City has committed gap financing totaling \$36,372,100 to the development of 639 affordable housing units. An additional 175 units have not yet been built; however, the development has an existing loan commitment from the City and as such the units have been included in the calculation. The subsidy amounts were inflated to 2013 dollars (\$39,423,480)

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using the Engineering News Record Construction Cost Index. The average subsidy per unit, or “affordability gap,” of these units was \$48,432 in 2013 dollars. See Appendix A, Table 1 – Affordability Gap Calculation. In-lieu fees collected based solely on the affordability gap leave a deficit of approximately \$6.8 million (based on the potential future units to be produced and corresponding additional affordable units). In order to eliminate the deficit, the in-lieu fee has been increased to \$5,640. The fee includes an administration fee of 3%. See Appendix A, Table 2 – Potential In-Lieu Generation and Estimated Subsidy Needed.

The IH Ordinance requires market-rate projects to set aside 10 percent of the units as affordable units. The amount required to participate in the HTFP is derived from the product of the 10 percent inclusionary housing requirement calculation multiplied by the total calculated in-lieu fee of \$56,400 (\$5,640 per market-rate unit). See Appendix A, Table 3 – Sample Calculations for calculations of in-lieu fee payments.

Urban Infill Area Incentive

Projects located within designated Urban Infill Areas as depicted in the attached map are eligible for the Urban Infill Area Incentive in the form of reduced HTFP fees. This incentive shall be available to projects that meet or exceed the densities listed in the table below. The percentage of fee reduction, based on the zoning district of the project and the adjusted density of the project, shall be applied as a reduction to the amount normally required to be paid for the project under the HTFP.

Zone	WF	CBD, MU-NC	R-3
20% HTFP Fee Reduction	70 DU/AC	40 DU/AC	35 DU/AC
50% HTFP Fee Reduction	80 DU/AC	50 DU/AC	42 DU/AC
80% HTFP Fee Reduction	100 DU/AC	60 DU/AC	50 DU/AC

The purpose of the Urban Infill Area Incentive is to encourage infill housing development within targeted areas of the city and to account for typically higher costs associated with projects in these areas. These higher costs compared to projects in other areas of the city may include higher construction costs related to increased densities, greater land costs, structured parking, more complicated site preparation requirements (brownfield remediation, demolition of existing structures, etc.), and necessary infrastructure upgrades to support new development.

Sample calculations for applying the Urban Infill Area Incentive are provided in Appendix A, Table 4 – Urban Infill Incentive Calculations.

Affordable Housing Agreement

The IH Ordinance requires developers to enter into an Affordable Housing Agreement (AHA) with the City prior to the issuance of a building permit or the approval of any agreement, final parcel or subdivision map for their projects. The City’s approval of a developer’s participation in the HTFP shall be evidenced by an AHA between the City and the developer that addresses, at a minimum, the following terms:

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- The amount to be paid by the developer;
- The number of market-rate units permitted to be built in the project prior to triggering an additional inclusionary housing obligation or additional payment under the HTFP;
- The timing of the HTFP payments—the AHA may permit developers to make HTFP payments on a prorated or per-unit basis at the issuance of each building permit for the project;
- If applicable, the Urban Infill Area Incentive applied to the project’s HTFP payment;
- Any other applicable provisions contained in Section 15.40.100 of the IH Ordinance.

Updates

The adopted in-lieu fee will be adjusted annually for inflation increases using the Engineering News Record Construction Cost Index. Future inflation-adjusted fees will continue to include the administrative component of the fee.

On a semiannual basis, the City Council may revise the HTFP amount to account for changes to the average subsidy per affordable unit provided by the City to create affordable rental housing.

HISTORY:

AUTHORITY	DATE	ACTION
Ord. 14-4	4/30/14	Delete Inclusionary (Affordable) Housing In-Lieu Fee schedule. Adopt new fee schedule
City Council	12/09/20	Update HTFP fees

Appendix A

Table 1 – Affordability Gap Calculation

Project	Project Type	Year \$ Committed	Affordable Units	Total Subsidy	Total Subsidy 2013 Dollars	Affordability Gap 2013 Dollars
Westwood Vistas	New Construction	2006	50	\$1,000,000	\$1,240,491	\$24,810
The Rivers Senior Apartments	New Construction	2008	119	\$3,180,000	\$3,711,015	\$31,185
Patios de Castillo/River Rose	Rehabilitation	2009	45	\$3,367,100	\$3,749,335	\$83,319
Courtyard Village	Rehabilitation	2009	294	\$2,500,000	\$2,783,802	\$9,469
Parkside at Sycamore	New Construction	2010	61	\$5,500,000	\$5,966,472	\$97,811
BRIDGE Housing	New Construction	2011	70	\$9,125,000	\$9,627,747	\$137,539
Delta Lane	New Construction	2011	175	\$11,700,000	\$12,344,618	\$70,541
Total			814	\$36,372,100	\$39,423,480	\$48,432

Table 2 – Potential In-Lieu Fee Generation and Estimated Subsidy Needed

Zone	Potential Units	Fee Reduction	In-Lieu Fee Per Unit	Total In-Lieu Fees
Single-Family				
All Other Areas	2,268		\$ 5,640	12,791,826
Infill Areas				
Density <20 du/ac	44	0%	\$ 5,640.14	248,166
Density 20-34 du/ac		20%	\$ 4,512.11	-
Density 35-49 du/ac		35%	\$ 3,666.09	-
Density 50-64 du/ac		50%	\$ 2,820.07	-
Density 65-79 du/ac		65%	\$ 1,974.05	-
Density >75 du/ac		80%	\$ 1,128.03	-
Subtotal, Single Family	2,312			13,039,992
Multi-Family				
All other areas	2,222		\$ 5,640.14	12,532,380
Infill Areas				
Density <20 du/ac		0%	\$ 5,640.14	-
Density 20-34 du/ac	465	20%	\$ 4,512.11	2,098,130
Density 35-49 du/ac	228	35%	\$ 3,666.09	835,868
Density 50-64 du/ac	1,099	50%	\$ 2,820.07	3,099,254
Density 65-79 du/ac		65%	\$ 1,974.05	-
Density >75 du/ac		80%	\$ 1,128.03	-
Subtotal, Multi-Family	4,014			18,565,633
Total Potential In-Lieu Fees	6,326			31,605,625
Administrative Fee (3%)				948,169
Available In-lieu Fees			A	30,657,456
Estimated Additional Affordable Housing Units				633
Estimated Subsidy Per Unit				48,432
Estimated Total Subsidy Needed			B	30,657,456
Difference			C = B-A	-

Table 3 – Sample HTFP Payment Calculations

Example A—100 unit project:

a. Market-Rate Units	100
b. HTFP Payment per Market Rate Unit	\$5,640
c. HTFP Payment	\$564,000

Example B—75-unit project:

a. Market-Rate Units	75
b. HTFP Payment per Market Rate Unit	\$5,640
c. HTFP Payment	\$423,000

Example C—21-unit project:

a. Market-Rate Units	21
b. HTFP Payment per Market Rate Unit	\$5,640
c. HTFP Payment	\$118,440

Table 4 – Urban Infill Incentive Calculations

**Example A—100-unit project
Located in the WF Zoning District
Adjusted density of 85 units per acre:**

a. Market-Rate Units	100
b. HTFP Payment per Market Rate Unit	\$5,640
c. Standard HTFP Payment (a x b)	\$564,000
d. Urban Infill Area Incentive (50% Reduction)	(\$282,000)
e. Revised HTFP Payment (c – d)	\$282,000
f. HTFP Payment Per Market-Rate Unit (e / a)	\$2,820

**Example B—100-unit project
Located in the WF Zoning District
Adjusted density of 105 units per acre:**

a. Market-Rate Units	100
b. HTFP Payment per Market Rate Unit	\$5,640
c. Standard HTFP Payment (a x b)	\$564,000
d. Urban Infill Area Incentive (80% Reduction)	(\$451,200)
e. Revised HTFP Payment (c – d)	\$112,800
f. HTFP Payment Per Market-Rate Unit (e / a)	\$1,128

**Example C—50-unit project
Located in the R3 Zoning District
Adjusted density of 35 units per acre:**

a. Market-Rate Units	50
b. HTFP Payment per Market Rate Unit	\$5,640
c. Standard HTFP Payment (a x b)	\$282,000
d. Urban Infill Area Incentive (20% Reduction)	(\$56,400)
e. Revised HTFP Payment (c – d)	\$225,600
f. HTFP Payment Per Market-Rate Unit (e / a)	\$4,512

URBAN INFILL AREAS

