



# Inclusionary Housing Workshop

Planning Commission

September 17, 2025



CITY OF  
**FOLSOM**  
DISTINCTIVE BY NATURE

# Purpose of Workshop

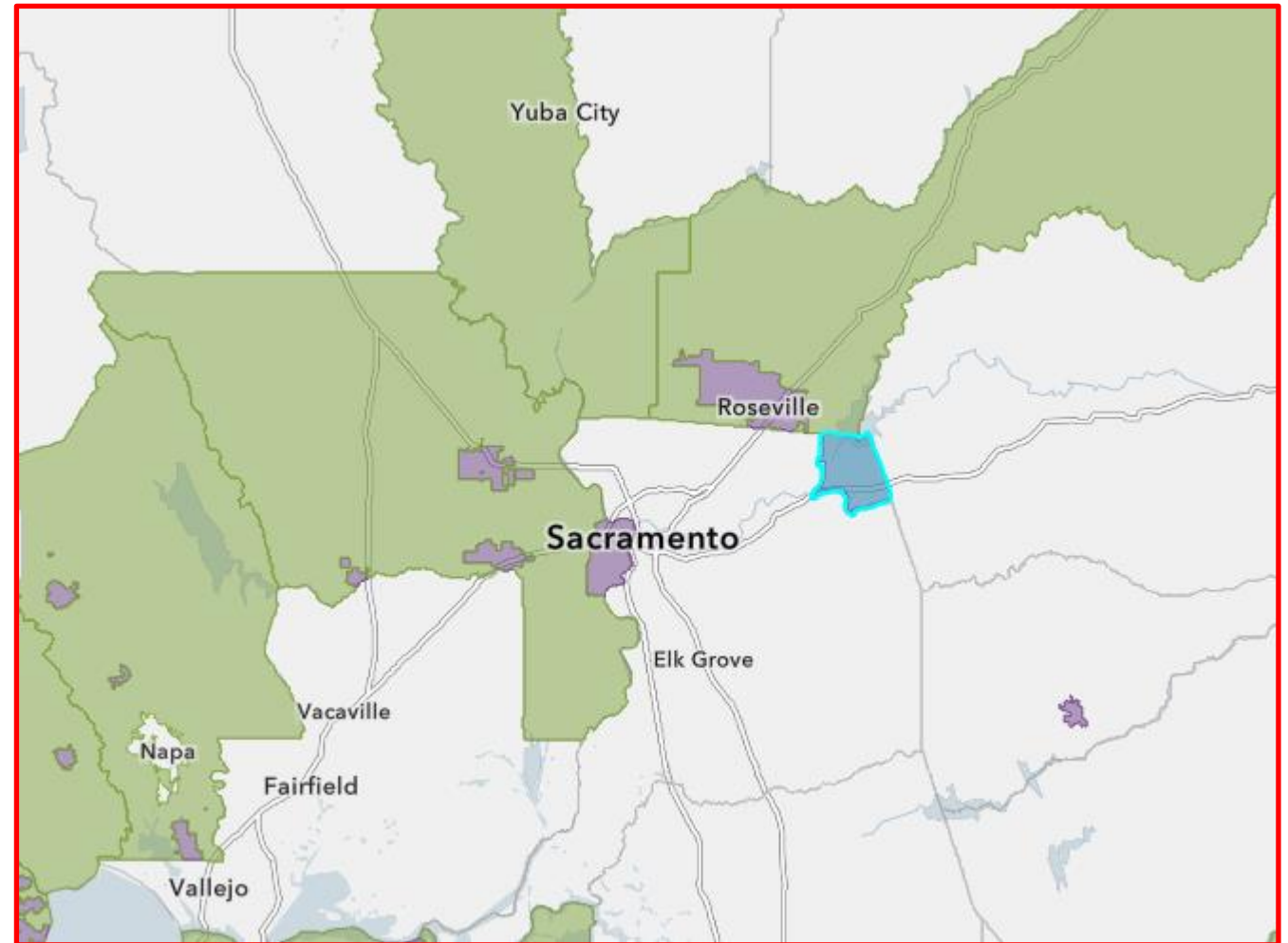
1. Provide background on inclusionary housing ordinances
2. Provide historical background on Folsom's Inclusionary Housing Ordinance (IHO)
3. Discuss challenges implementing current IHO
4. Share preliminary findings of inclusionary feasibility analysis
5. Receive comments and answer questions

# Inclusionary Background

# What is Inclusionary Housing?

- Inclusionary housing policies are adopted to require or encourage affordable units within new residential developments
- Local governments also use a range of other approaches such as
  - Affordable housing impact fees
  - Mandatory build or fee requirements
  - Voluntary incentives
  - Negotiated agreements
- Over 140 jurisdictions across California have inclusionary programs

# California Inclusionary Housing Programs



# Regional Comparison of Approaches







Jurisdiction	Impact Fee	In-Lieu Fee	Construct Affordable Units	Land Dedication	Development Agreement	Acquisition /Rehab/ Conversion	Other
<i>Folsom</i>		X	X	X	X	X	X
Elk Grove	X		X	X	X		X
Rancho Cordova	X		X	X	X	X	
Roseville		X			X		
Sacramento	X		X	X	X		X
Sacramento County	X		X	X	X	X	X

# Why Inclusionary Housing is Adopted

- **Promote Variety of Housing Types**  
To encourage mixed-income communities
- **Address California's Housing Crisis**  
To meet state-mandated housing goals
- **Support Local Workforce and Economic Stability**  
To provide workforce housing in the community

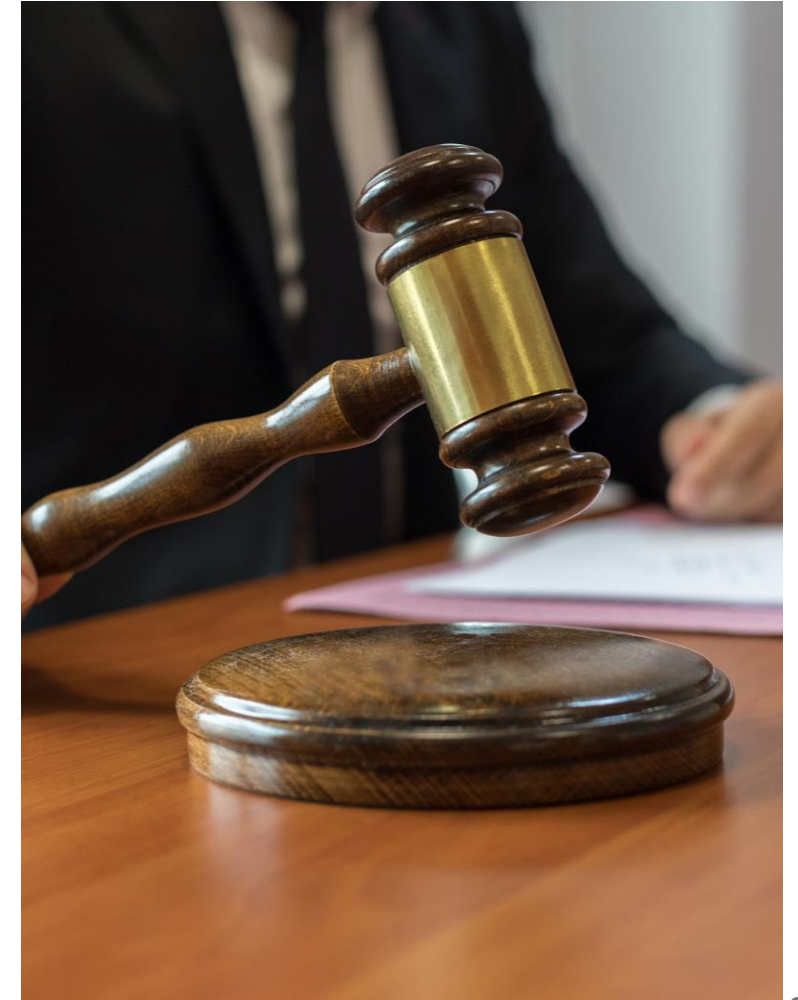
# FY 2025 Income Limits

Annual Income by Household Size	 1 person	 2 people	 3 people	 4 people
<b>Very-Low Income Households</b> Earn up to 50% Area Median Income	\$45,050	\$51,450	\$57,900	\$64,300
<b>Low Income Households</b> Earn up to 80% Area Median Income	\$72,050	\$82,350	\$92,650	\$102,900
<b>Moderate Income Households</b> Earn up to 120% Area Median Income (AMI)	\$101,450	\$115,950	\$130,450	\$144,950

# Historical Background

# Legal Challenge

- City relied on voluntary compliance between 1992 – 2001
- Rapid growth during this period, but lack of affordable housing production
- *Ronald Hallfeldt v. City of Folsom et al.* (2001)
  - Legal Services of Northern California initiated lawsuit
  - City found out of compliance with state housing law
  - Failure to provide fair share of affordable housing



# Settlement Agreement Commitments

**Rezoning: 128 acres  
to Multifamily High  
Density**

**Ordinance  
Amendments:**  
Remove constraints  
to affordable housing

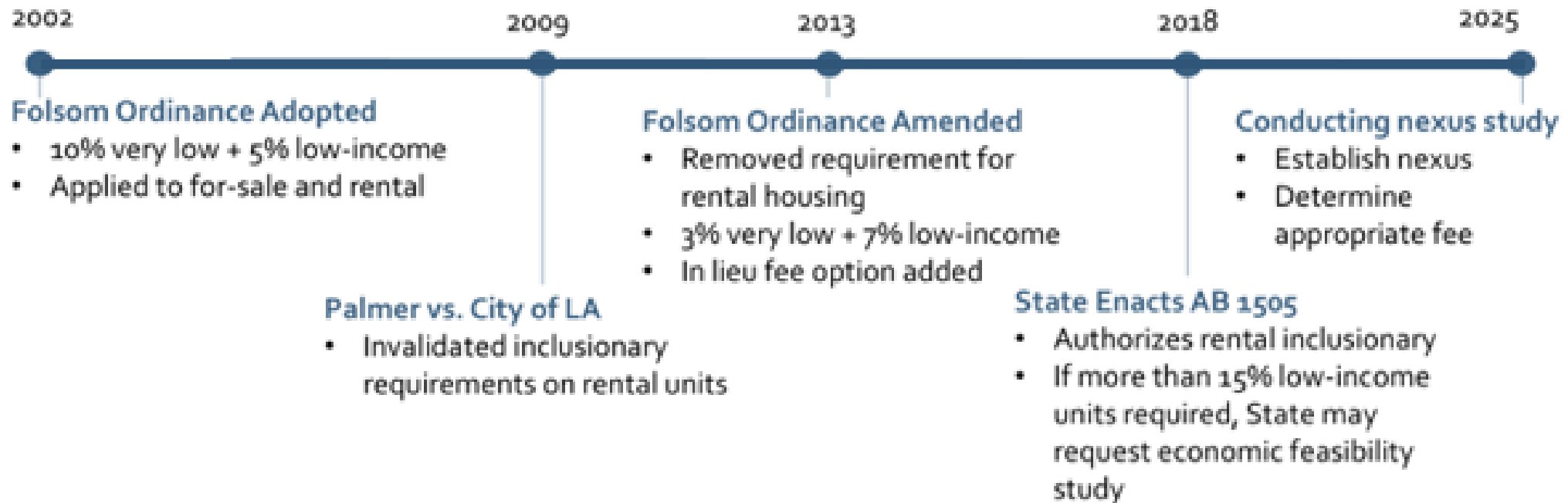
**Housing Trust Fund  
Ordinance**

**Fee Waiver/Deferral  
Ordinance**

**Zoning Code  
Revision:** Encourage  
highest allowed  
densities

**Adoption of  
Inclusionary Housing  
Ordinance (IHO)**

# Folsom's IHO History



# Affordable Housing Outcomes Under IHO



- Since 2002, 500 affordable units built
- 327 units financed by \$14 million from in-lieu fees
- Before 2012, most inclusionary units created as deed-restricted condo units
  - ✓ Resulted from condo conversions
- Since 2019, City collected \$30 million from in-lieu fees
  - Used for low-interest loans (“gap” financing) for deed-restricted rental housing

# Projects Supported by City Housing Funds

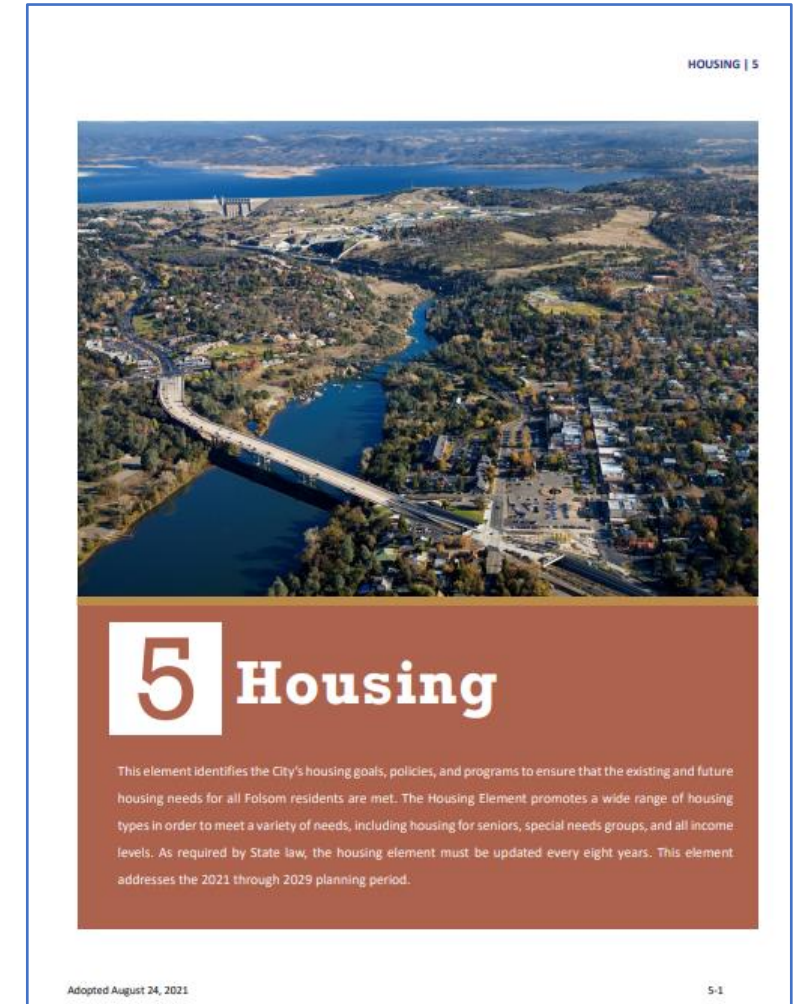


Project	Year	Affordable Units	Fund 238 IHF	Redevelopment Bonds	Fund 221 Housing Trust	Other Funds
Harrington Grove	2025	51	\$2,700,000			
Mangini Place	2021	150/128	\$5,860,000		\$1,000,000	
Sage at Folsom	2021	110	\$2,750,000			
Bidwell Place	2021	75/3	\$150,000	\$4,000,000		\$150,693.75 (Fund 010) Grant Sewer Credits
Petersen Place	2019	71/30	\$2,000,000	\$2,680,000		
Bidwell Pointe	2019	100/5	\$300,000	\$5,000,000		
Talavera Ridge	2017	6			\$780,000 (grant)	
Granite City	2012	80			\$382,000	\$ 855,000 (RDA Funds) \$2,829,035 (Fund 274) Oak at Willow Springs IHF
Forestwood	2011	55			\$500,000	\$2,500,000 (RDA Funds)
<b>Total</b>		698/327	<b>\$13,760,000</b>	<b>\$11,684,000</b>	<b>\$2,662,000</b>	<b>\$6,334,729</b>

# Inclusionary Housing Ordinance Update – Program H-9 Overview

The City's 2021–2029 Housing Element includes **Program H-9**, requiring a study of inclusionary housing fees

Purpose: Evaluate fee levels, funding gaps, and improve in-lieu fee methodology



# Administrative Challenges

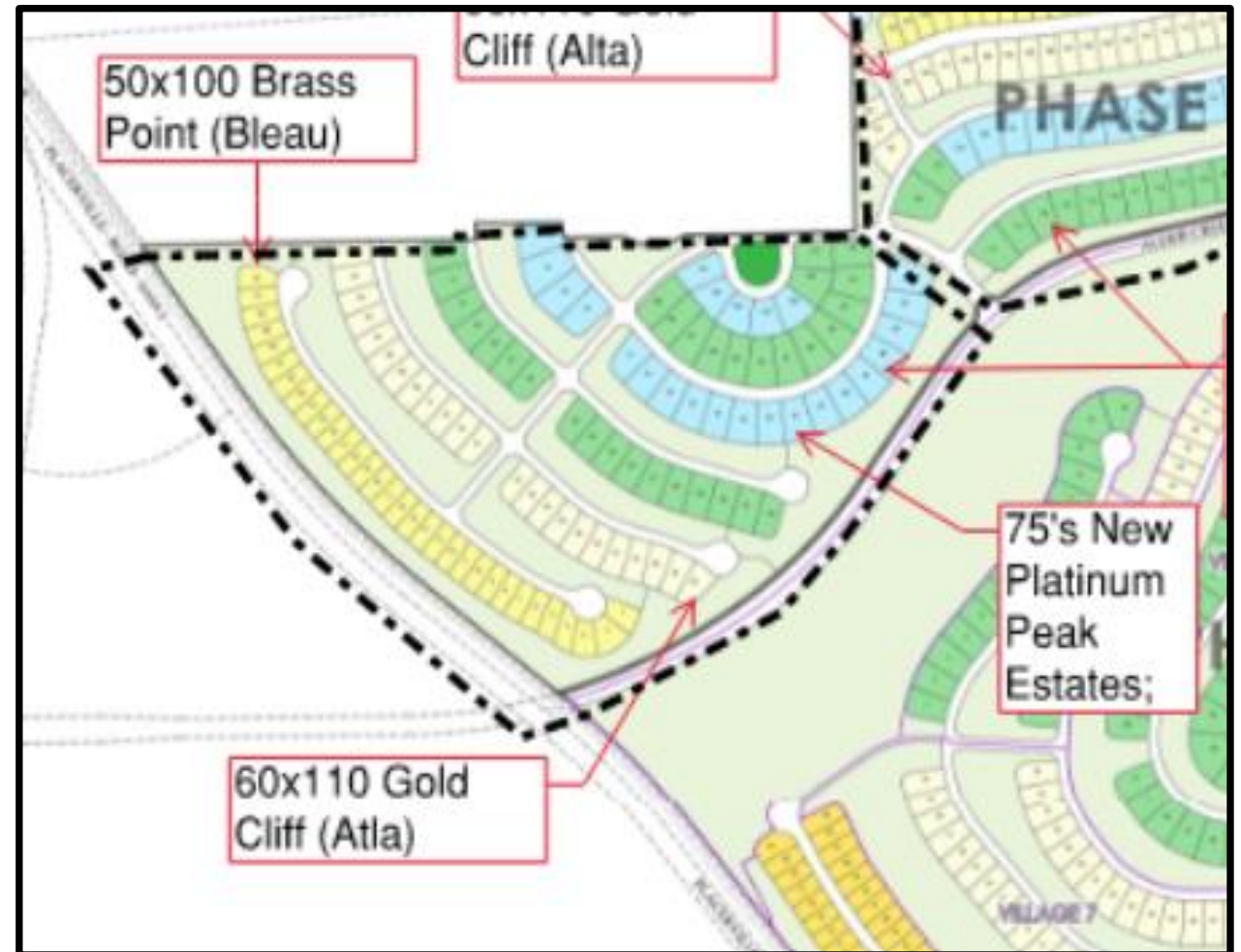
## Home Price Determination Constraints

- Developers rarely have identified final home prices at time of permit issuance
- Staff must validate sales pricing
- Market study does not always reflect the actual home price listed at time of sale



# Implementation Challenges (cont.)

Project	Zoning	Square Feet	Base Price	Inclusionary Fee
Brass Point	SFHD	2,150	\$770,000	\$7,700
		2,727	\$825,000	
		3,946	\$825,000	
		3,159	\$866,000	
Gold Cliff	SFHD	2,713	\$850,000	\$7,700
		3,391	\$920,000	
		3,624	\$942,000	
		3,940	\$975,000	
Platinum Peak	SF	3,467	\$962,000	\$9,620
		3,554	\$972,000	
		4,024	\$1,015,000	
		4,216	\$1,029,000	
		4,242	\$1,033,000	



## **Detailed Validation**

- Increases workload
- Risk of inconsistency

## **Manual Data Entry**

- Fees manually entered for each home permit
- Subdivision-specific and non-standardized
- One of the few non-automated fees—prone to clerical errors and inefficiencies

## **Annual Review Burden**

- Ordinance requires yearly review of lowest-priced unit per subdivision
- Fee adjustment triggered only by >10% price fluctuation (~\$70K on \$700K home)

# Inclusionary Housing Fee Analysis

## Preliminary Findings

- The City engaged **Economic & Planning Systems, Inc. (EPS)** to conduct a comprehensive study of the Inclusionary Housing Ordinance
  
- EPS is calculating the **maximum justifiable impact fee** using established **nexus study methodology**
  
- The nexus study will ensure that any proposed fee is:
  - ✓ Legally defensible
  - ✓ Proportionate to the impact of new development
  - ✓ Compliant with state law

# Affordable Housing Cost Analysis

- Estimate affordable unit prices based on household income levels and standard financing assumptions
- Compare those estimated prices to actual construction costs
- Identify the difference between the two—this is the **financing gap**
- The financing gap reveals how much subsidy is needed to make units affordable across income categories:
  - ✓ Moderate income (81-120% AMI)
  - ✓ Low income (51-80% AMI)
  - ✓ Very low income (0-50% AMI)

# EPS Preliminary Findings

- Maximum nexus-based fee substantially higher than current in-lieu fee
- High residential impact fee burden in Folsom Plan Area:
  - ~\$95,000 per single-family for-sale unit
  - ~\$60,000 per multi-family rental unit
- Multi-family projects are currently very challenging to develop due to a mix of economic, regulatory, and market factors
- Folsom's current fee amount is comparable to others in the region
- Developer's prefer Folsom's fee and approach to others in region

# Local Fee Comparison by EPS

Prototype 2,600 square feet/ Sales Price \$861,001



Jurisdiction	Fee Type	Fee Calculation Method	Fee Amount
City of Folsom	In-Lieu Fee	1% of Lowest Sales Price in Subdivision	\$8,610
City of Rancho Cordova	DA	Development Agreement (DA) (Rio Del Oro Specific Plan) Fee differs for each Specific Plan based on DA	\$4,978
City of Elk Grove	Impact Fee	Per Dwelling Unit Currently in process of updating to a per-square-foot fee	\$6,396
City of Davis	In-Lieu Fee	Per Dwelling Unit	\$21,028
West Sacramento	In-Lieu Fee	Per Dwelling Unit	\$7,699
Sacramento County	Impact Fee	Per Square Foot	\$9,854
City of Sacramento	Impact Fee	Per Square Foot	\$9,256

# Analysis Based on Early Findings

- **In-lieu fee has been used successfully for multiple projects**
  - ✓ Responsible for development of over 325 affordable units since 2019
- **Fee level remains feasible for developers, even in a challenging market**
  - ✓ Elevated impact fee burdens
  - ✓ Rising construction and financing costs
- **Strikes a balance between**
  - ✓ Advancing affordability goals
  - ✓ Preserving project feasibility
- **Fee based on unit square footage is recommended**
  - ✓ Legally defensible and easy to administer
  - ✓ Larger homes result in more low-wage jobs

## **Proposed Revision to IH Fee Calculation**

- Focus on simplifying and improving administration of the ordinance
- Update methodology for in-lieu fee calculation:
  - ✓ *Shift from 1% of lowest-priced home in subdivision*
  - ✓ *Move to a square footage-based fee for greater predictability*
  - ✓ *Aligns with practices in other jurisdictions*

## **Ordinance Cleanup**

- Remove outdated references
- Update terminology to ensure clarity and relevance
- Maintain ordinance effectiveness and alignment with current standards

## **Tonight's Action:**

- Review, comment, and question

## **Fall 2025:**

- Using stakeholder input, workshop feedback, and final EPS analysis, draft proposed revisions to IHO that focus on:
  - *Simplifying administration*
  - *Updating the fee methodology*
  - *Cleaning up ordinance language*
- Present proposed IHO revisions to Planning Commission for review and to recommend adoption by the City Council

Questions?