

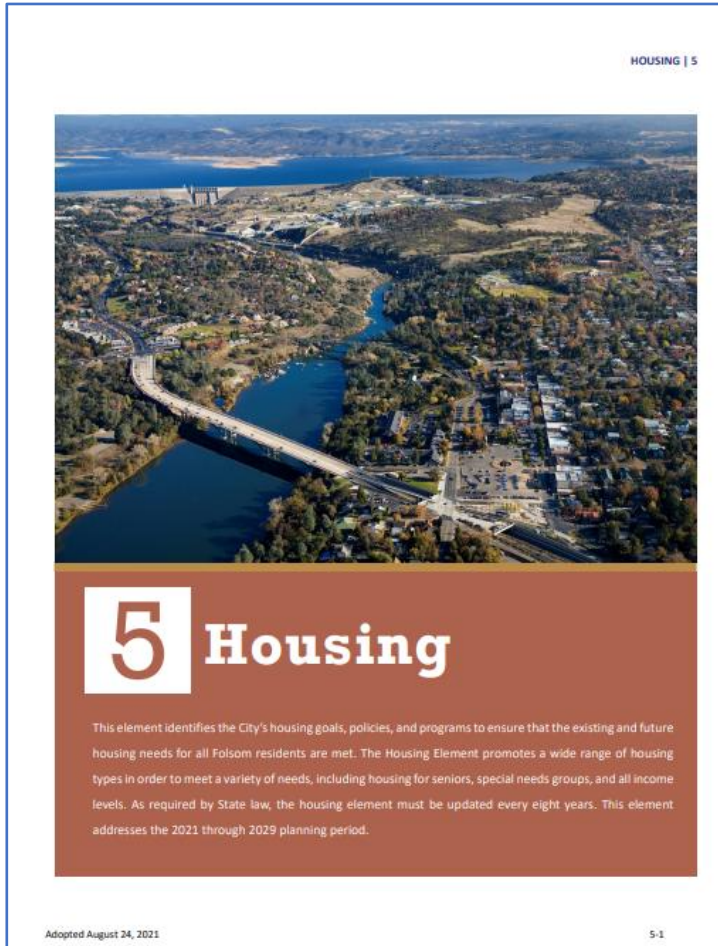


Resolution 11510

Inclusionary Housing In-Lieu Fee Recommendations



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FOLSOM
DISTINCTIVE BY NATURE



- Housing Element Program H-9 requires study of inclusionary housing in-lieu fees.
- Study evaluated fee levels, funding gaps, and in-lieu fee methodology.
- City retained EPS to conduct a comprehensive in-lieu fee nexus study.
- Study recommended transitioning to a per-square-foot fee basis
- City Council adopted Ordinance No. 1359 to update the Inclusionary Housing Ordinance and implement the new fee methodology
- New fees must be established by separate Resolution

Project Timeline



August 24, 2021	2021 Housing Element with Program H-9 (Inclusionary Housing Study)
February 2025	City hired Economic & Planning Systems to prepare study
Sept. – Nov. 2025	City conducts public and stakeholder outreach
September 17, 2025	Planning Commission Inclusionary Housing Ordinance (IHO) Workshop
October 2025	Inclusionary Housing Program Study public review draft released
November 19, 2025	Planning Commission Hearing on proposed revisions to the IHO
December 9, 2025	City Council Hearing (First Reading) Ordinance No. 1359
January 13, 2026	City Council Hearing (Adoption) Ordinance No. 1359
February 12, 2026	Ordinance Amendment Effective

EPS Residential In-Lieu Fee Study

Four representative prototypes:

**Single-Family
Detached Low-
Density (For Sale)**
2,600 sq. ft.
4 bedrooms

**Single-Family
Detached Medium-
Density (For Sale)**
2,000 sq. ft.
3 bedrooms

**Multifamily
Attached (For Sale
Townhome/Condo)**
1,500 sq. ft.
3 bedrooms

**Multifamily
Apartment Units
(For Rent)**
1,000 sq. ft.
2 bedrooms

\$ Affordable Unit Value (based on HCD-defined income limits)

- **\$ Cost to Build Unit** (land, construction, and soft costs)

\$ Affordability Gap (amount that needs to be subsidized)

Financial Feasibility Analysis

Prototype	Existing In-Lieu Fee	Updated Max In-Lieu Fee	Updated Recommended In-Lieu Fee
Single-Family Low-Density			
Unit Value	\$861,011	\$861,011	\$861,011
Unit Cost	\$810,000	\$973,400	\$809,100
Development Funding Gap	\$51,011	(\$112,389)	\$51,911
Single-Family Medium-Density			
Unit Value	\$655,794	\$655,794	\$655,794
Unit Cost	\$612,000	\$703,000	\$611,400
Development Funding Gap	\$43,794	(\$47,206)	\$44,394
Multifamily Attached			
Unit Value	\$502,467	\$502,467	\$502,467
Unit Cost	\$513,200	\$567,000	\$511,800
Development Funding Gap	(\$10,733)	(\$64,533)	(\$9,333)
Multifamily Apartments			
Unit Value	\$412,600	\$412,600	\$412,600
Unit Cost	\$451,500	\$488,600	\$451,500
Development Funding Gap	(\$38,900)	(\$76,000)	(\$38,900)

Study Analysis and Recommendations



- Key goal: Reducing administrative burden; not increasing revenue
- Recommended fee similar to \$2.97/sq. ft. based on historical data
- Fee can be used as a policy tool to encourage or discourage different types of housing
- Exempted rental housing due to feasibility issues
- Fee should be indexed to the Construction Cost Index (CCI)
- Continue to evaluate in-lieu fee levels to ensure they achieve policy goals without negatively impacting feasibility

Recommended In-lieu Fees

*Applicable to all **for-sale** residential development projects of 10 or more units that use an in-lieu fee option*

Product Type	Fee Amount	Basis
Single Family Areas	\$3.00	per sq. ft.
Multi Family Areas (units greater than 1,500 sq ft.)	\$3.00	per sq. ft.
Multi Family Areas (units 1,500 sq. ft. or less)**	\$2.50	per sq. ft.

**Applicable only to those for-sale units 1,500 square feet or less located on parcels designated for multi-family development.

In-lieu Fee Goals

- Keep overall new fee levels similar to existing fee
- Encourage smaller homes and attached for-sale homes in multi-family zoned areas
 - MLD - Multi-Family Low Density
 - MMD- Multi-Family Medium Density
- Reduce fee load on smaller starter homes (e.g., <1,500 sq. ft.)

In-Lieu Fee Implementation Provisions



Updated fees effective Feb 12, 2026



In-lieu fees deposited into Folsom Housing Fund (Fund 238)



At least 50% of fees to be used for lower-income housing development



Fees adjusted July 1 based on annual Construction Cost Index changes



Existing projects use 1% sales-price fee or switch to new fee with City Manager approval

Move to approve Resolution No. 11510 - A Resolution of the City Council Establishing Inclusionary Housing In-lieu Fee Amounts for For-sale Residential Development.

Questions?