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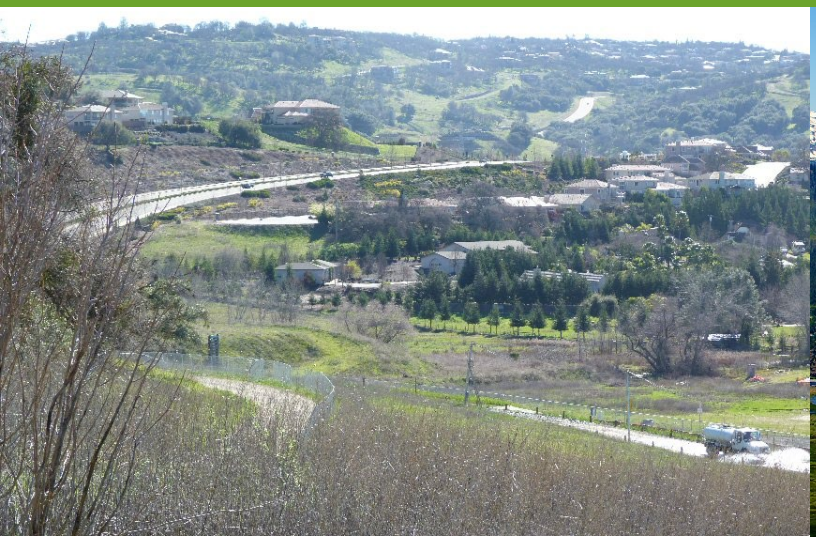
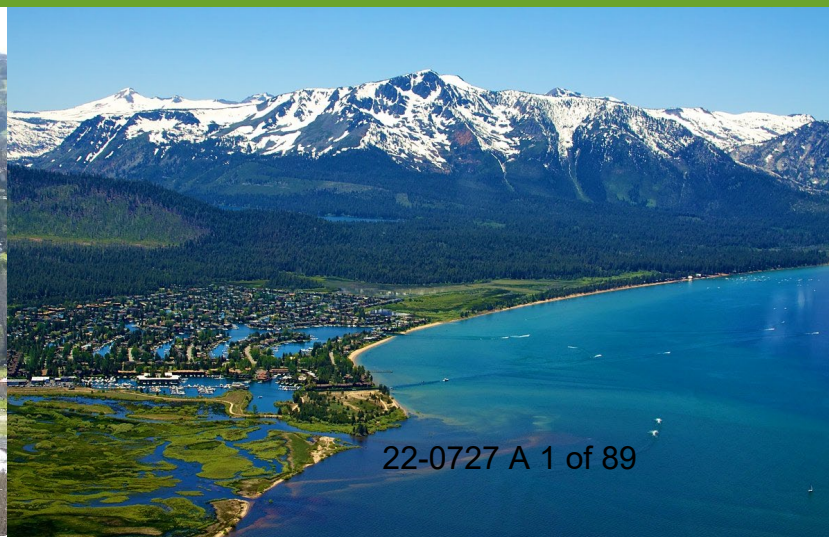
Affordable Housing Policy Update Background Analysis

for El Dorado County, California

April 14, 2022





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CJ Freeland, Administrative Analyst II
Housing, Community and Economic Development (HCED) Program,
Planning & Building Department
County of El Dorado
2850 Fairlane Court
Placerville, CA 95667

Dear CJ:

BAE is pleased to submit the attached Draft Affordable Housing Policy Update Background Analysis for your review and comments. We believe this background research provides a solid foundation for consideration of opportunities to update the County's affordable housing policies, to better encourage housing production to meet the needs of all economic segments of the community.

We are available to meet with you and other County staff to review the draft, answer any questions, and obtain feedback. In the meantime, please do not hesitate to reach out if you have any questions.

Sincerely,

Matt Kowta, MCP
Managing Principal

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EXECUTIVE SUMMARY

BAE Urban Economics, Inc (BAE) is assisting El Dorado County with developing updated affordable housing policies that will encourage, assist, and accelerate the development of housing affordable to extremely low-, very low-, low-, moderate-, and above moderate-income households. This study has four main components: a market analysis; a quantitative estimate of the countywide affordable housing need over the next 20 years; a summary of literature and best practices on implementing affordable housing policies; and a feasibility analysis of implementing affordable housing policies, with an emphasis on parameters for an inclusionary zoning (IZ) policy. As any affordable housing policy would only apply to development in Unincorporated El Dorado County, the West Slope and Tahoe Basin geographies are defined as Census Tracts in the West Slope and Tahoe Basin, minus the incorporated cities of Placerville and South Lake Tahoe. Unless otherwise noted, the terms West Slope and Tahoe Basin only include unincorporated parts of the county.

Data on existing conditions and trends in the West Slope and Tahoe Basin of El Dorado County reflect the different economies that define the two areas. The Tahoe Basin is significantly smaller than the West Slope in terms of population and households and although both experienced similar rates of growth since 2010, the majority of growth in unincorporated El Dorado County occurred in the West Slope. Throughout the County, and indeed nationwide, there is a discrepancy between the wages residents and workers earn and the cost to afford housing. In fact, among existing households in Unincorporated El Dorado County, nearly one-third experience a housing cost burden. An analysis of growth projections suggests that over 40 percent of all new households in the County by 2041 will have difficulty affording suitable market rate housing and could thus face housing challenges such as excessive cost burdens or compromising on housing unit quality of size of unit relative to household needs.

The findings from the analysis of background conditions data confirm the concerns expressed by the El Dorado County Board of Supervisors in a workshop held on January 25th, 2022. All five supervisors agreed that there is a need for affordable housing across all income groups, although they recognized that the County is limited in its ability to tackle the overall affordable housing gap. The Board agreed that missing middle housing is an important subset to target, and that a focus on West Slope area housing policies is most important given the constraints on policymaking in the Tahoe Basin. Tahoe Basin development is governed by the federally established Tahoe Regional Planning Agency.

This study's findings indicate that, overall, the County should continue to assess the viability of an IZ policy beyond just financial feasibility, as it is a popular and fiscally neutral policy that can generate affordable housing. An inclusionary zoning requirement that is tied to incentives and offers a range of alternative means of compliance is potentially an effective policy to introduce in El Dorado County. Given current market conditions, an affordable housing

requirement on single-family development targeting inclusionary units for moderate-income households could be the most suitable target for a local IZ ordinance based on the feasibility analysis in this report, with some caveats. The County may wish to consider an approach that eschews deed restrictions on sale prices and instead imposes a requirement that the IZ units be occupied by local workforce households.

In terms of other implementable policies, the County is already undertaking a process to establish by-right housing development, which will significantly shorten the entitlement process and decrease risk for developers and improve development feasibility overall. The County should also strongly consider additional deferral and/or waiver of development impact fees. While a ten percent inclusionary requirement on prototypical single-family and multifamily development is not financially feasible for developers under current market conditions, a waiver of County development fees could render such a mandatory inclusionary policy feasible. Finally, the County should weigh pros and cons of generating additional revenues, or diverting existing revenue, to support affordable housing.

INTRODUCTION

BAE Urban Economics is assisting El Dorado County with developing updated affordable housing policies that will encourage, assist, and accelerate the development of housing affordable to extremely low-, very low-, low-, moderate-, above moderate-income households. As part of this engagement, BAE has prepared this background study to understand the extent of the housing affordability issue, document policies other jurisdictions have implemented to address similar goals, and highlight those that may be a good fit with the County's unique characteristics.

This report has four main sections. The first section is a summary of existing demographic and economic conditions, real estate market conditions, and workforce characteristics in El Dorado County. These data help to outline the nature of demand as well as illustrate the housing affordability challenges existing households face. This section includes a quantitative estimate of the number of existing households that are cost burdened by housing expenses. Some of the data points from the existing conditions section serve as assumptions in the second section of the report, which projects future housing demand. This study also estimates workforce and 'missing middle' housing demand as subsets of future demand that are likely to be the focus of updated local affordable housing policies. In the third section, the study summarizes academic and professional literature on policies that jurisdictions have used to increase affordable housing production. This summary includes an overview of the nationwide housing shortage, the range and efficacy of policy options available to local jurisdictions, and best practices for implementing each policy. This section also describes affordable housing policies in similar and nearby jurisdictions. Finally, this report considers what types of policies might be the best fit for El Dorado County. This includes a financial feasibility pro forma analysis testing the feasibility of market rate residential development in El Dorado County. This serves as the basis for estimating whether an inclusionary zoning policy, specifically, would be feasible to implement.

This study analyzes existing conditions and affordable housing policies that would apply to unincorporated parts of El Dorado County only, therefore excluding the cities of Placerville in the West Slope and South Lake Tahoe in the Tahoe Basin. Unless otherwise noted, the data in the analysis below specifically reflects conditions in unincorporated parts of the County, identified as either West Slope or Tahoe Basin.

ANALYSIS OF EXISTING CONDITIONS

This chapter presents a range of demographic and economic data to document the existing context for consideration of updated affordable housing policies in unincorporated El Dorado County.

Demographic, Economic, and Housing Stock Characteristics

BAE compiled demographic, economic, and housing stock characteristics from the U.S. Census Bureau 2010 decennial census, the 2019 five-year American Community Survey (ACS), and 2021 ESRI Business Analyst demographic data in order to understand shifts in population, households, and employment over time. These data primarily describe unincorporated parts of the West Slope and Tahoe Basin, although some data include additional details about conditions in the cities of Placerville and South Lake Tahoe.

Population and Households

Population growth in unincorporated El Dorado County was nearly 13,000 residents between 2010 and 2021, representing 8.6 percent growth and average annual growth rate of 0.7 percent, as shown in Table 1. This growth accounts for 86 percent of population growth countywide, with the majority of this growth occurring in unincorporated parts of the West Slope, which alone accounts for 81 percent of countywide growth (11,997 households). Unincorporated parts of the Tahoe Basin grew at a rate comparable to the West Slope at 8.5 percent since 2010, but given the area's relatively small population growth of 788 residents, it accounts for just six percent of growth in the unincorporated county, and five percent of countywide population growth. The cities of Placerville and South Lake Tahoe both lagged countywide growth, with 4.8 percent and 7.1 percent population growth between 2010 and 2021, respectively.

The data show similar trends for household growth, with the unincorporated areas, and West Slope in particular, generating the majority of the countywide increase of 5,443 additional households. While both the West Slope and Tahoe Basin grew at comparable rates of between 8.0 and 8.1 percent, household growth in the Tahoe Basin was just 317 households, accounting for only seven percent of household growth in unincorporated El Dorado County between 2010 and 2021. The incorporated cities also lagged countywide household growth, with 7.0 percent growth in South Lake Tahoe and just 4.1 percent growth in Placerville. Household growth rates are consistent with projections BAE prepared for El Dorado County in 2018, which assume a 0.7 average annual growth rate for households in Unincorporated El Dorado County.

Finally, although population growth slightly exceeded household growth countywide, and in every jurisdiction, the overall impact on average household size was minimal. In 2021, the West Slope has an average household size of 2.63 persons, compared to an average

household size of 2.35 in the Tahoe Basin. This reflects the suburban and exurban[1] character of development in the West Slope, which is more family oriented than the communities further east and in the Tahoe Basin.

Table 1: Population and Households, 2010-2021

			Change, 2010-2021	
Population	**2010**	**2021**	**Number**	**Percent**
El Dorado County	181,058	195,855	14,797	8.2%
Unincorporated El Dorado County	149,249	162,034	12,785	8.6%
West Slope (a)	139,925	151,922	11,997	8.6%
Tahoe Basin (b)	9,322	10,110	788	8.5%
City of Placerville	10,405	10,905	500	4.8%
City of South Lake Tahoe	21,404	22,916	1,512	7.1%

			Change, 2010-2021	
Households	**2010**	**2021**	**Number**	**Percent**
El Dorado County	70,223	75,666	5,443	7.8%
Unincorporated El Dorado County	57,169	61,816	4,647	8.1%
West Slope	53,212	57,542	4,330	8.1%
Tahoe Basin	3,956	4,273	317	8.0%
City of Placerville	4,135	4,304	169	4.1%
City of South Lake Tahoe	8,919	9,546	627	7.0%

Avg. Household Size	**2010**	**2021**
El Dorado County	2.55	2.57
Unincorporated El Dorado County	2.60	2.61
West Slope	2.62	2.63
Tahoe Basin	2.34	2.35
City of Placerville	2.37	2.40
City of South Lake Tahoe	2.36	2.36

Notes:
(a) The West Slope is defined as all of the following census tracts minus the City of Placerville, which is the only incorporated city in the West Slope: 306.01, 306.03, 306.04, 306.05, 306.06, 307.01, 307.06, 307.09, 307.10, 307.11, 307.12, 308.01, 308.04, 308.07, 308.08, 308.09, 308.10, 308.11, 308.12, 309.01, 309.02, 310, 311, 312, 313.01, 313.02, 314.04, 314.05, 314.06, 314.07, 314.08, 314.09, 315.03, 315.04, 315.05, 315.06, 317, 318, 319.
(b) The Tahoe Basin is defined as all of the following census tracts minus the City of South Lake Tahoe, which is the only incorporated city in the Tahoe Basin census tracts located in El Dorado County: 302.01, 302.02, 303.01, 303.02, 304.02, 304.03, 304.04, 305.02, 305.04, 305.06, 305.07, 316.01, 316.02, 320.01, 320.02, 9900.

Sources: U.S Census via Esri Business Analyst, 2021; BAE, 2022.

Housing Units

Table 2 shows the change in total housing units, vacant or occupied, from 2010 to 2021. The rate of growth in housing units (6.2 percent) was slower than the household (i.e., occupied housing units) growth rate (8.1 percent) in the West Slope. This suggests a decline in vacant units in the West Slope, although one caveat to the data is that the household estimate is based on 2021 Esri data, whereas the housing unit total is based on 2020 Census data, meaning these data cannot be compared directly.

[1] Exurban areas are typically less dense, more rural, and further from the urban core than suburban areas.

Household growth in the Tahoe Basin also exceeded housing unit growth between 2010 and 2021, although unlike in the West Slope, this does not also indicate a decrease in vacant units. The number of households, or occupied housing units, in the Tahoe Basin as of 2021 is less than half the estimated number of total housing units in Tahoe Basin. This reflects the area's large number of vacation homes and second homes that are counted as vacant in these data. As a result, the 8.0 percent growth in households led to an increase of 317 households between 2010 and 2021, while the 4.4 percent growth in housing units yielded 387 new housing units.

These growth trends suggest moderately increasing demand for housing, fueled not only by growth in the number of households wishing to live in the area, but also by buyers of second homes and vacation homes who likely live a significant portion of the year elsewhere.

Table 2: Housing Units, 2010-2020

			Change, 2010-2021	
Housing Units	2010	2020	Number	Percent
El Dorado County	88,159	93,467	5,308	6.0%
Unincorporated El Dorado County	68,523	72,657	4,134	6.0%
West Slope	59,705	63,427	3,722	6.2%
Tahoe Basin	8,843	9,230	387	4.4%
City of Placerville	4,547	4,849	302	6.6%
City of South Lake Tahoe	15,089	15,961	872	5.8%

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Survey, Table H1; BAE, 2022.

Household Composition

Households in unincorporated El Dorado County are predominantly family households, although in both the West Slope and Tahoe Basin, the growth in non-family households slightly outpaced family household growth as reported in Table 3. The West Slope has a larger share of family households than the Tahoe Basin, accounting for 75 percent of West Slope households compared to approximately 64 percent of Tahoe Basin households in 2021, as shown in Table 3. The composition of households in both geographies remains largely unchanged since 2010, although non-family household growth in the West Slope was 9.5 percent compared to 7.7 percent for family households from 2010 to 2021. Similarly, non-family household growth in the Tahoe Basin (7.2 percent) slightly outpaced non-family household growth in the West Slope (9.4 percent).

Table 3: Household Composition, 2010-2021

	2010		2021		Change, 2010-2021	
West Slope (a)	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Family Households	40,038	75.2%	43,114	74.9%	3,076	7.7%
Non-Family Households	13,174	24.8%	14,428	25.1%	1,254	9.5%
Total Households	**53,212**	**100.0%**	**57,542**	**100.0%**	**4,330**	**8.1%**

	2010		2021		Change, 2010-2021	
Tahoe Basin (b)	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Family Households	2,536	64.1%	2,719	63.6%	183	7.2%
Non-Family Households	1,420	35.9%	1,554	36.4%	134	9.4%
Total Households	**3,956**	**100.0%**	**4,273**	**100.0%**	**317**	**8.0%**

Unincorporated	2010		2021		Change, 2010-2021	
El Dorado County	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Family Households	42,575	74.5%	45,834	74.1%	3,259	7.7%
Non-Family Households	14,594	25.5%	15,982	25.9%	1,388	9.5%
Total Households	**57,169**	**100.0%**	**61,816**	**100.0%**	**4,647**	**8.1%**

	2010		2021		Change, 2010-2021	
El Dorado County	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Family Households	49,718	70.8%	53,457	70.6%	3,739	7.5%
Non-Family Households	20,505	29.2%	22,209	29.4%	1,704	8.3%
Total Households	**70,223**	**100.0%**	**75,666**	**100.0%**	**5,443**	**7.8%**

Notes:
(a) The West Slope is defined as all of the following census tracts minus the City of Placerville, which is the only incorporated city in the West Slope: 306.01, 306.03, 306.04, 306.05, 306.06, 307.01, 307.06, 307.09, 307.10, 307.11, 307.12, 308.01, 308.04, 308.07, 308.08, 308.09, 308.10, 308.11, 308.12, 309.01, 309.02, 310, 311, 312, 313.01, 313.02, 314.04, 314.05, 314.06, 314.07, 314.08, 314.09, 315.03, 315.04, 315.05, 315.06, 317, 318, 319.
(b) The Tahoe Basin is defined as all of the following census tracts minus the City of South Lake Tahoe, which is the only incorporated city in the Tahoe Basin census tracts located in El Dorado County: 302.01, 302.02, 303.01, 303.02, 304.02, 304.03, 304.04, 305.02, 305.04, 305.06, 305.07, 316.01, 316.02, 320.01, 320.02, 9900.
Sources: ESRI Business Analyst, 2021; BAE, 2022.

Age Distribution

Residents of the unincorporated areas of West Slope and Tahoe Basin have similar age distributions, with some key differences. The West Slope has a notably larger share of children under 18 years as well as seniors 65 years or older. In addition, the age group with the largest share of residents in the Tahoe Basin is the cohort aged 55 to 64 years, representing 20 percent of residents, whereas this age group represents a slightly smaller share of residents (17.3 percent) on the West Slope. Table 4, which summarizes the age distribution in both geographies, only shows a range for median age due to data limitations. The median age range for each geography shows that the West Slope has a slightly older median age of between 43 and 47 years, compared to a range of 37 to 40 years in the Tahoe Basin.

Although the West Slope has a higher share of seniors aged 65 and older in 2021 with 55.3 percent, the share of seniors grew at faster rate in the Tahoe Basin between 2010 and 2021 with 80 percent growth in this age group. Seniors represent the fastest growing age group in both geographies. Both geographies experienced declining shares of children under 18 years and of middle-aged adults between 45 and 54. The decline in the number of children in particular may signal a shift in demand from larger family homes to homes that are more suitable for singles and couples. Finally, in the West Slope, residents between 18 and 34

years of age increased by 22.5 percent between 2010 and 2021, comprised primarily of growth in the 25 to 34 age cohort which grew by 33.4 percent. By comparison, in the Tahoe Basin, residents between 18 and 34 years of age increased by just 5.2 percent, including a nearly five percent decline in residents aged between 18 and 24. This likely reflects the West Slope's proximity to larger employment centers, whereas the Tahoe Basin has a primarily tourism-based economy, and more expensive, and limited housing options making it harder for younger households to work and live there. Residents between the ages of 18 and 34 are critical to the tourism economy of the Tahoe Basin, but the age distribution trends do not reflect this demand as many younger workers are unable to afford living in the Tahoe Basin.

Table 4: Age Distribution, 2010-2021

	2010		2021		Change, 2010-2021	
West Slope	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Under 18	32,775	23.4%	30,465	20.1%	(2,310)	-7.0%
18-24	9,268	6.6%	10,131	6.7%	863	9.3%
25-34	11,132	8.0%	14,855	9.8%	3,723	33.4%
35-44	17,142	12.3%	16,416	10.8%	(726)	-4.2%
45-54	25,728	18.4%	20,326	13.4%	(5,402)	-21.0%
55-64	22,290	15.9%	26,209	17.3%	3,919	17.6%
65 or older	21,590	15.4%	33,521	22.1%	11,931	55.3%
Total Population (a)	**139,925**	**100.0%**	**151,923**	**100.0%**	**11,998**	**8.6%**
Median Age (b)	**40-44 Years**		**43-47 Years**			
	2010		**2021**		**Change, 2010-2021**	
Tahoe Basin	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Under 18	1,722	18.5%	1,650	16.3%	(72)	-4.2%
18-24	733	7.9%	697	6.9%	(36)	-4.9%
25-34	1,108	11.9%	1,240	12.3%	132	11.9%
35-44	1,178	12.6%	1,209	12.0%	31	2.6%
45-54	1,864	20.0%	1,511	15.0%	(353)	-18.9%
55-64	1,732	18.6%	2,020	20.0%	288	16.6%
65 or older	987	10.6%	1,777	17.6%	790	80.0%
Total Population (a)	**9,324**	**100.0%**	**10,104**	**100.0%**	**780**	**8.4%**
Median Age	**35-38 Years**		**37-40 Years**			
	2010		**2021**		**Change, 2010-2021**	
Unincorporated El Dorado County	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Under 18	34,497	23.1%	32,115	19.8%	(2,382)	-6.9%
18-24	10,001	6.7%	10,828	6.7%	827	8.3%
25-34	12,240	8.2%	16,095	9.9%	3,855	31.5%
35-44	18,320	12.3%	17,625	10.9%	(695)	-3.8%
45-54	27,592	18.5%	21,837	13.5%	(5,755)	-20.9%
55-64	24,022	16.1%	28,229	17.4%	4,207	17.5%
65 or older	22,577	15.1%	35,298	21.8%	12,721	56.3%
Total Population (a)	**149,249**	**100.0%**	**162,027**	**100.0%**	**12,778**	**8.6%**

Note:
(a) Total population may not match due to independent rounding.

Sources: ESRI Business Analyst; BAE, 2022.

Household Tenure by Type

There was a disproportionately high increase in owner-occupied households compared to renter households in both the West Slope and Tahoe Basin from 2010 to 2021. Table 5 shows that owner households increased by 9.7 percent in the West Slope compared to just 1.8 percent growth in renter households, leading to owner households comprising a slightly larger share of total West Slope households in 2021 (81.5 percent) than in 2010 (80.3 percent). Although growth in owner households also outpaced growth in renter households in the Tahoe Basin, the 5.1 percent growth in renter households there was notably higher than the growth in the West Slope. This may reflect the relatively higher housing costs in the Tahoe Basin, lower incomes among the workforce to afford purchasing a unit, as well as the relatively low housing unit growth in the Tahoe Basin (4.4 percent) compared to the West Slope (6.2 percent), as discussed in the Housing Units subsection. The decline in the percentage of renter households living in unincorporated El Dorado County may signal a need for additional rental housing opportunities.

Table 5: Housing Tenure, 2010-2021

	2010		2021		Change, 2010-2021	
West Slope	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Owner-Occupied	42,744	80.3%	46,890	81.5%	4,146	9.7%
Renter-Occupied	10,468	19.7%	10,652	18.5%	184	1.8%
Total Occupied Units	**53,212**	**100.0%**	**57,542**	**100.0%**	**4,330**	**8.1%**

	2010		2021		Change, 2010-2021	
Tahoe Basin	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Owner-Occupied	3,003	75.9%	3,271	76.6%	268	8.9%
Renter-Occupied	953	24.1%	1,002	23.4%	49	5.1%
Total Occupied Units	**3,956**	**100.0%**	**4,273**	**100.0%**	**317**	**8.0%**

	2010		2021		Change, 2010-2021	
Unincorporated El Dorado County	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Owner-Occupied	45,748	80.0%	50,162	81.1%	4,414	9.6%
Renter-Occupied	11,421	20.0%	11,654	18.9%	233	2.0%
Total Occupied Units	**57,169**	**100.0%**	**61,816**	**100.0%**	**4,647**	**8.1%**

Sources: ESRI Business Analyst; BAE, 2022.

Year Built

As shown in Table 6, only a small portion of housing units in the West Slope and Tahoe Basin were built after the recession of 2008, with 3.4 percent of housing units built after 2010 in the West Slope and just 1.3 percent of the housing units in the Tahoe Basin. This is significantly slower than the rate of growth from 2000 to 2010, when 19.9 percent of West Slope housing units and 14.1 percent of Tahoe Basin units were built. Notably, 63.7 percent of Tahoe Basin housing units were built before 1979, compared to just 33.1 percent of the West Slope, indicating that the West Slope has been growing much more quickly than the Tahoe Basin portion of the County over the last five decades. This may be due to the limitations placed on development in the Tahoe Basin by TRPA regulations.

Table 6: Housing Units by Year Built, 2015-2019 Five-Year Sample Data

	West Slope		Tahoe Basin		Unincorporated El Dorado County	
Year Built	Number	Percent	Number	Percent	Number	Percent
1939 or earlier	1,533	2.5%	294	3.3%	1,825	2.6%
1940-1949	1,283	2.1%	297	3.4%	1,578	2.3%
1950-1959	2,323	3.9%	594	6.8%	2,917	4.2%
1960-1969	4,015	6.7%	1,182	13.4%	5,195	7.5%
1970-1979	10,788	17.9%	3,240	36.8%	14,020	20.3%
1980-1989	13,651	22.7%	893	10.1%	14,538	21.1%
1990-1999	12,622	21.0%	950	10.8%	13,569	19.7%
2000-2009	11,969	19.9%	1,238	14.1%	13,203	19.1%
2010-2013	832	1.4%	78	0.9%	910	1.3%
2014 or later	1,183	2.0%	33	0.4%	1,216	1.8%
Total Units	**60,199**	**100.0%**	**8,799**	**100.0%**	**68,971**	**100.0%**

Sources: U.S. Census Bureau via ESRI Business Analyst; BAE, 2022.

Household Income Levels

Table 7 shows the household income limits by income category, based on HUD's fiscal year (FY) 2021 Area Median Income (AMI) for the Sacramento-Roseville-Arden-Arcade Metropolitan Statistical Area (MSA). HUD publishes income limits that vary by household size and collects annual data on the number of households within each Census Tract that overpay for housing or are cost-burdened (i.e., households that spend more than 30 percent of gross monthly income on housing costs). According to the FY 2021 HUD income limits, the median annual family income for the Sacramento-Roseville-Arden-Arcade MSA is $91,100.

Table 7: Household Income Limits, Sacramento-Roseville-Arden-Arcade, CA MSA, 2021

	HUD FY 2021 Income Limits				
Percent of HUD Area Median Family Income	1-person	2-person	3-person	4-person	5-person
Extremely Low Income (≤30% HAMFI)	$19,050	$21,800	$24,500	$27,200	$31,040
Very Low Income (>30%, ≤50% HAMFI)	$31,750	$36,250	$40,800	$45,300	$48,950
Low Income (>50%, ≤80% HAMFI)	$50,750	$58,000	$65,250	$72,500	$78,300
Moderate Income (>80%, ≤120% HAMFI) (a)	$76,080	$87,000	$97,920	$109,320	$117,480
Above Moderate Income (≥120% HAMFI) (a)	$95,100	$108,750	$122,400	$136,650	$146,850

Note:
According to HUD, El Dorado County lies within the Sacramento-Roseville-Arden-Arcade, CA HUD Metro.
"HAMFI" is the HUD Area Median Family Income for Sacramento-Roseville-Arden-Arcade HUD Metro.
(a) BAE produced estimated income limits for moderate Income and above-moderate income based on the Sacramento-Roseville-Arden-Arcade MSA's median family income of $91,100.

Sources: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS); BAE, 2022.

It is important to note that although El Dorado County falls within the Sacramento-Roseville-Arden-Arcade MSA, the Tahoe Basin is relatively detached from, and smaller than the overall economy of the region. Esri's 2021 estimate of the income distribution in unincorporated parts of the West Slope and Tahoe, shown in Table 8 , reveals a lower overall median income in the Tahoe Basin of $61,215, whereas the median income for the West Slope is in line with HUD's estimate for the MSA overall. As the next sections show, the lower median income, and

the correspondingly higher share of residents in lower income categories, helps to explain why there are relatively more households experiencing high housing cost burdens in the Tahoe Basin, as will be discussed below.

Table 8: Income Distribution, 2021

	West Slope		Tahoe Basin		Unincorporated El Dorado County	
Income Category	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Less than $15,000	4,582	8.0%	178	4.2%	4,760	7.7%
$15,000-$24,999	2,778	4.8%	190	4.4%	2,968	4.8%
$25,000-$34,999	2,835	4.9%	275	6.4%	3,110	5.0%
$35,000-$49,999	4,871	8.5%	397	9.3%	5,268	8.5%
$50,000-$74,999	7,604	13.2%	781	18.3%	8,385	13.6%
$75,000-$99,999	7,155	12.4%	559	13.1%	7,714	12.5%
$100,000-$149,999	11,961	20.8%	909	21.3%	12,870	20.8%
$150,000-$199,999	6,711	11.7%	425	9.9%	7,136	11.5%
$200,000 or more	9,042	15.7%	560	13.1%	9,602	15.5%
Total Households (a)	**57,539**	**100.0%**	**4,274**	**100.0%**	**61,813**	**100.0%**
Median Income (b)	**$92,754**		**$61,215**		**$86,037**	

Note:
(a) Totals may not match totals in other tables due to independent rounding.
(b) Income distribution data reflects data for the unincorporated parts of the county. However, due to data limitations, the median income data shown in the table reflects data for incorporated and unincorporated parts of the West Slope, Tahoe Basin, and El Dorado County.

Sources: Esri Business Analyst, 2021; BAE, 2022.

Household Income by Tenure

Table 9 shows that the Tahoe Basin has a greater share of Extremely Low-, Very Low-, and Low-Income households compared to the West Slope. Whereas 30 percent of West Slope households are Lower Income (Extremely Low-, Very Low-, and Low-Income combined), over half (55.9 percent) are Lower Income in the Tahoe Basin. The West Slope correspondingly has a higher share of households with incomes of 120 percent of AMI or higher (53.4 percent), compared to just 29.1 percent of Tahoe Basin households. The discrepancy in income distribution may help to explain the difference in the distribution of housing tenure between the two geographies, with owner households comprising 81 percent of West Slope households, compared to just 54 percent of Tahoe Basin households. Table 9 also shows that in both the West Slope and the Tahoe Basin, a greater share of renter households is Lower Income than owner households, which is a typical finding in most jurisdictions given that households with higher incomes are more likely to be able to afford purchasing a home.

Table 9: Distribution of Household Incomes by Income Category, 2018 Five-Year Sample Data

West Slope

% of HUD Area Median Family Income (a)	Renter Households		Owner Households		All Households	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low Income (≤30% HAMFI)	1,995	18.6%	2,954	6.3%	4,949	8.6%
Very Low Income (>30%, ≤50% HAMFI)	1,842	17.2%	3,040	6.5%	4,882	8.5%
Low Income (>50%, ≤80% HAMFI)	1,908	17.8%	5,450	11.7%	7,358	12.9%
Moderate Income (>80, ≤100% HAMFI)	1,151	10.7%	3,445	7.4%	4,596	8.0%
Upper Moderate Income (>100%, ≤120% HAMFI)	939	8.8%	3,948	8.5%	4,887	8.5%
Above Moderate Income (≥120% HAMFI)	2,875	26.8%	27,691	59.5%	30,566	53.4%
Total Households (b)	**10,734**	**100.0%**	**46,575**	**100.0%**	**57,305**	**100.0%**

Tahoe Basin

% of HUD Area Median Family Income (a)	Renter Households		Owner Households		All Households	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low Income (≤30% HAMFI)	964	17.7%	470	7.3%	1,434	9.9%
Very Low Income (>30%, ≤50% HAMFI)	1,080	19.8%	720	11.2%	1,800	12.4%
Low Income (>50%, ≤80% HAMFI)	1,260	23.1%	985	15.3%	4,882	33.6%
Moderate Income (>80, ≤100% HAMFI)	510	9.4%	525	8.2%	1,035	7.1%
Upper Moderate Income (>100%, ≤120% HAMFI)	605	11.1%	544	8.5%	1,149	7.9%
Above Moderate Income (≥120% HAMFI)	1,025	18.8%	3,193	49.6%	4,218	29.1%
Total Households (b)	**5,430**	**100.0%**	**6,430**	**100.0%**	**11,865**	**100.0%**

Unincorporated El Dorado County

% of HUD Area Median Family Income (a)	Renter Households		Owner Households		All Households	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low Income (≤30% HAMFI)	2,959	18.3%	3,424	6.5%	6,383	8.9%
Very Low Income (>30%, ≤50% HAMFI)	2,922	18.1%	3,760	7.1%	6,682	9.3%
Low Income (>50%, ≤80% HAMFI)	3,168	19.6%	6,435	12.1%	12,240	17.1%
Moderate Income (>80, ≤100% HAMFI)	1,661	10.3%	3,970	7.5%	5,631	7.8%
Upper Moderate Income (>100%, ≤120% HAMFI)	1,544	9.6%	4,492	8.5%	6,036	8.4%
Above Moderate Income (≥120% HAMFI)	3,900	24.1%	30,884	58.3%	34,784	48.5%
Total Households (b)	**16,164**	**100.0%**	**53,005**	**100.0%**	**69,170**	**100.0%**

Notes:
(a) "HAMFI" is the HUD Area Median Family Income for Sacramento-Roseville-Arden-Arcade HUD Metro.
(b) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) 2014-2018 five-year sample data; BAE, 2022.

Housing Cost Burden by Household Income and Size

Table 10 and Table 11 summarize HUD's Comprehensive Housing Affordability Strategy (CHAS) data which shows the housing cost burdens (portion of income dedicated to housing costs) of households by tenure and income level. Housing costs commonly include rent or mortgage payments, utilities, insurance, and property taxes. HUD defines a household as being 'cost-burdened' if it spends more than 30 percent of gross monthly income on housing costs, and severely cost-burdened if it spends more than 50 percent of gross monthly income on housing costs. This data serves as the basis for determining the existing housing affordability gap, which is defined as all households in unincorporated El Dorado County that experience a housing cost burden greater than 30 percent of gross monthly income. The

existing share of cost burdened households also serves as the assumption for determining how much of future housing demand would need to be income-restricted.

Among all households in the West Slope, 32.7 percent have a housing cost burden of greater than 30 percent, including 45.1 percent of renter households and 29.8 percent of owner households. Notably, over one-fifth of West Slope renter households have a severe cost burden, which is a housing cost burden of greater than half of their gross monthly income. As in most jurisdictions, the share of households with a severe housing cost burden decreases as household incomes increase. For example, 64.6 percent of Extremely Low-Income households are severely cost burdened compared to just 14.9 percent of Moderate-Income households. Overall, among all households earning less than 100 percent of AMI (i.e., 64 percent of West Slope households), over 60 percent experience a housing cost burden of greater than 30 percent of gross monthly income.

Table 10: West Slope Housing Cost Burden by Household Income and Size, 2014-2018

	Renter Households		Owner Households		All Households	
Housing Cost Burden by Income Level	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Household Income ≤30% HAMFI (a) (b)	**1,995**	**100.0%**	**2,954**	**100.0%**	**4,949**	**100.0%**
With ≤ 30% Housing Cost Burden	412	20.5%	263	8.9%	675	13.6%
With > 30%, but ≤ 50% Housing Cost Burden	120	6.0%	321	10.8%	441	8.9%
With > 50% Housing Cost Burden	1,194	59.6%	2,019	68.0%	3,213	64.6%
Not Computed (No or Negative Income)	279	13.9%	364	12.3%	643	12.9%
Household Income >30% to ≤50% HAMFI (b)	**1,842**	**100.0%**	**3,040**	**100.0%**	**4,882**	**100.0%**
With ≤ 30% Housing Cost Burden	328	17.8%	934	30.9%	1,262	26.0%
With > 30%, but ≤ 50% Housing Cost Burden	740	40.1%	760	25.2%	1,500	30.8%
With > 50% Housing Cost Burden	776	42.1%	1,325	43.9%	2,101	43.2%
Household Income >50% to ≤80% HAMFI (b)	**1,908**	**100.0%**	**5,450**	**100.0%**	**7,358**	**100.0%**
With ≤ 30% Housing Cost Burden	834	44.0%	2,584	47.2%	3,418	46.4%
With > 30%, but ≤ 50% Housing Cost Burden	764	40.3%	1,464	26.7%	2,228	30.2%
With > 50% Housing Cost Burden	297	15.7%	1,428	26.1%	1,725	23.4%
Household Income >80% to ≤100% HAMFI (b)	**1,151**	**100.0%**	**3,445**	**100.0%**	**4,596**	**100.0%**
With ≤ 30% Housing Cost Burden	685	59.5%	1,775	51.8%	2,460	53.7%
With > 30%, but ≤ 50% Housing Cost Burden	328	28.5%	1,110	32.4%	1,438	31.4%
With > 50% Housing Cost Burden	139	12.1%	542	15.8%	681	14.9%
Household Income >100% to ≤120% HAMFI	**939**	**100.0%**	**3,948**	**100.0%**	**4,887**	**100.0%**
With ≤ 30% Housing Cost Burden	738	79.1%	2,618	66.0%	3,356	68.5%
With > 30%, but ≤ 50% Housing Cost Burden	160	17.1%	1,116	28.1%	1,276	26.0%
With > 50% Housing Cost Burden	35	3.8%	232	5.8%	267	5.5%
Household Income >120% HAMFI (b)	**2,875**	**100.0%**	**27,691**	**100.0%**	**30,566**	**100.0%**
With ≤ 30% Housing Cost Burden	2,610	90.4%	24,111	87.1%	26,721	87.4%
With > 30%, but ≤ 50% Housing Cost Burden	276	9.6%	3,187	11.5%	3,463	11.3%
With > 50% Housing Cost Burden	0	0.0%	378	1.4%	378	1.2%
Total Households (b)	**10,734**	**100.0%**	**46,575**	**100.0%**	**57,305**	**100.0%**
With ≤ 30% Housing Cost Burden	5,607	52.3%	32,285	69.4%	37,892	66.2%
With > 30%, but ≤ 50% Housing Cost Burden	2,388	22.3%	7,958	17.1%	10,346	18.1%
With > 50% Housing Cost Burden	2,441	22.8%	5,924	12.7%	8,365	14.6%
Not Computed (No or Negative Income)	279	2.6%	364	0.8%	643	1.1%

Notes:
This data reflects all West Slope census tracts, including the City of Placerville, which cannot be excluded from the analysis to due to data limitations.
(a) "HAMFI" is the HUD Area Median Family Income for Sacramento-Roseville-Arden-Arcade HUD Metro.
(b) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2014-2018 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2021.

By comparison, the Tahoe Basin has a higher share of households experiencing housing cost burdens greater than 30 percent of gross monthly income, at 39.3 percent compared to 32.7 percent in the West Slope. Like in the West Slope, lower income households in the Tahoe Basin have disproportionately high rates of severe housing cost burdens. Nearly all Extremely Low-Income households, or 95.6 percent, are severely cost burdened, and over 40 percent of Very Low-Income households. Among all households earning less than 100 percent of AMI,

60.5 percent are cost burdened, which is comparable to the West Slope. In both geographies, for Moderate Income households and above, owner households are disproportionately cost burdened compared to renter households, suggesting that homeownership costs are relatively high in El Dorado County.

Table 11: Tahoe Basin Housing Cost Burden by Household Income and Size, 2014-2018

	Renter Households		Owner Households		All Households	
Housing Cost Burden by Income Level	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Household Income ≤30% HAMFI (a) (b)	**964**	**100.0%**	**470**	**100.0%**	**1,434**	**100.0%**
With ≤ 30% Housing Cost Burden	160	16.6%	20	4.3%	180	12.6%
With > 30%, but ≤ 50% Housing Cost Burden	70	7.3%	90	19.4%	160	11.2%
With > 50% Housing Cost Burden	694	72.0%	335	72.0%	1,029	72.0%
Not Computed (No or Negative Income)	40	4.1%	20	4.3%	60	4.2%
Household Income >30% to ≤50% HAMFI (b)	**1,080**	**100.0%**	**720**	**100.0%**	**1,800**	**100.0%**
With ≤ 30% Housing Cost Burden	244	22.5%	274	37.6%	518	28.6%
With > 30%, but ≤ 50% Housing Cost Burden	455	42.0%	110	15.1%	565	31.2%
With > 50% Housing Cost Burden	384	35.5%	345	47.3%	729	40.2%
Household Income >50% to ≤80% HAMFI (b)	**1,260**	**100.0%**	**985**	**100.0%**	**2,245**	**100.0%**
With ≤ 30% Housing Cost Burden	680	53.8%	455	45.5%	1,135	50.2%
With > 30%, but ≤ 50% Housing Cost Burden	544	43.1%	320	32.0%	864	38.2%
With > 50% Housing Cost Burden	39	3.1%	225	22.5%	264	11.7%
Household Income >80% to ≤100% HAMFI (b)	**510**	**100.0%**	**525**	**100.0%**	**1,035**	**100.0%**
With ≤ 30% Housing Cost Burden	410	81.2%	299	55.7%	709	68.0%
With > 30%, but ≤ 50% Housing Cost Burden	80	15.8%	200	37.2%	280	26.9%
With > 50% Housing Cost Burden	15	3.0%	38	7.1%	53	5.1%
Household Income >100% to ≤120% HAMFI (b)	**605**	**100.0%**	**544**	**100.0%**	**1,149**	**100.0%**
With ≤ 30% Housing Cost Burden	515	84.4%	291	56.0%	806	71.3%
With > 30%, but ≤ 50% Housing Cost Burden	95	15.6%	194	37.3%	289	25.6%
With > 50% Housing Cost Burden	0	0.0%	35	6.7%	35	3.1%
Household Income >120% HAMFI (b)	**1,025**	**100.0%**	**3,193**	**100.0%**	**4,218**	**100.0%**
With ≤ 30% Housing Cost Burden	1,000	97.6%	2,797	88.0%	3,797	90.3%
With > 30%, but ≤ 50% Housing Cost Burden	25	2.4%	312	9.8%	337	8.0%
With > 50% Housing Cost Burden	0	0.0%	69	2.2%	69	1.6%
Total Households (b)	**5,430**	**100.0%**	**6,430**	**100.0%**	**11,865**	**100.0%**
With ≤ 30% Housing Cost Burden	3,009	55.2%	4,136	64.3%	7,145	60.1%
With > 30%, but ≤ 50% Housing Cost Burden	1,269	23.3%	1,226	19.1%	2,495	21.0%
With > 50% Housing Cost Burden	1,132	20.8%	1,047	16.3%	2,179	18.3%
Not Computed (No or Negative Income)	40	0.7%	20	0.3%	60	0.5%

Notes:
This data reflects all Tahoe Basin census tracts, including the City of South Lake Tahoe, which cannot be excluded from the analysis to due to data limitations.
(a) "HAMFI" is the HUD Area Median Family Income for Sacramento-Roseville-Arden-Arcade HUD Metro.
(b) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2014-2018 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2021.

Resident Employment

As shown in Table 12, as of 2021, the top three industries employing West Slope residents are health care and social assistance (13.6 percent); retail trade (10.9 percent); and professional, scientific, and technical services (10.8 percent). The top three industries comprise 35.2 percent of the West Slope's resident employment. By contrast, in the Tahoe Basin, the top three resident employment industries are health care and social assistance (11.5 percent), educational services (10.6 percent), and accommodation/food services (8.9 percent). This data reflects the proximity of the West Slope to urban employment centers like Folsom and Sacramento and corresponds with the finding that there is a higher share of households earning Above Moderate Income (i.e., greater than 120 percent of the HUD Area Median Family Income for El Dorado County).

Table 12: Employed Residents by Industry, 2021

	West Slope		Tahoe Basin		Unincorporated El Dorado County	
Industry	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Agriculture/Forestry/Fishing/Hunting	512	0.8%	72	1.4%	584	0.8%
Mining/Quarrying/Oil & Gas Extraction	18	0.0%	24	0.5%	42	0.1%
Construction	5,522	8.4%	430	8.2%	5,952	8.4%
Manufacturing	4,802	7.3%	176	3.3%	4,978	7.0%
Wholesale Trade	1,342	2.0%	16	0.3%	1,358	1.9%
Retail Trade	7,111	10.9%	367	7.0%	7,478	10.6%
Transportation/Warehousing	2,181	3.3%	247	4.7%	2,428	3.4%
Utilities	1,034	1.6%	129	2.4%	1,163	1.6%
Information	1,452	2.2%	71	1.3%	1,523	2.2%
Finance/Insurance	4,127	6.3%	172	3.3%	4,299	6.1%
Real Estate/Rental/Leasing	1,383	2.1%	185	3.5%	1,568	2.2%
Professional/Scientific/Tech Services	7,050	10.8%	373	7.1%	7,423	10.5%
Management of Companies/Enterprises	19	0.0%	0	0.0%	19	0.0%
Admin/Support/Waste Management Services	2,340	3.6%	201	3.8%	2,541	3.6%
Educational Services	5,685	8.7%	558	10.6%	6,244	8.8%
Health Care/Social Assistance	8,900	13.6%	606	11.5%	9,506	13.4%
Arts/Entertainment/Recreation	1,124	1.7%	437	8.3%	1,561	2.2%
Accommodation/Food Services	2,381	3.6%	467	8.9%	2,848	4.0%
Other Services (excl Public Administration)	2,653	4.1%	384	7.3%	3,037	4.3%
Public Administration	5,855	8.9%	355	6.7%	6,210	8.8%
Total Employed Residents	**65,491**	**100.0%**	**5,270**	**100.0%**	**70,762**	**100.0%**

Sources: ESRI Business Analyst; BAE, 2022.

Workers by Industry

The Jobs by Industry data shown in Table 13 demonstrates the key differences in the economies of the West Slope and Tahoe Basin. First, there are 35,392 jobs in the West Slope compared to just 2,253 in the Tahoe Basin. Second, the West Slope is a relatively diverse economy with no one industry comprising more than 12.5 percent of all jobs, compared to just two industries accounting for nearly half of all jobs in the Tahoe Basin (Public Administration and Accommodation/Food Services). Together with Arts/Entertainment/Recreation, the top three industries in the Tahoe Basin account for 60.6 percent of jobs, reflecting the area's

leisure-oriented tourism economy. By comparison, the jobs by industry data for the West Slope reflects the area's more suburban economy, with the largest share of jobs in Retail, Educational Services, Accommodation/Food Services, Healthcare/Social Assistance, as well as comparably higher shares of jobs in Finance/Insurance and Professional/Scientific and Technical Services than the Tahoe Basin.

Table 13: Jobs by Industry, 2021

	West Slope		Tahoe Basin		Unincorporated El Dorado County	
Industry	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fish/Hunting	336	0.9%	3	0.1%	339	0.9%
Mining	24	0.1%	0	0.0%	24	0.1%
Utilities	213	0.6%	11	0.5%	222	0.6%
Construction	2,286	6.5%	124	5.5%	2,410	6.4%
Manufacturing	1,693	4.8%	16	0.7%	1,709	4.5%
Wholesale Trade	684	1.9%	36	1.6%	720	1.9%
Retail Trade	4,416	12.5%	101	4.5%	4,517	12.0%
Transportation/Warehouse	641	1.8%	23	1.0%	664	1.8%
Information	673	1.9%	112	5.0%	785	2.1%
Finance & Insurance	2,307	6.5%	18	0.8%	2,325	6.2%
Real Estate/Rental/Leasing	1,401	4.0%	118	5.2%	1,519	4.0%
Professional/Scientific/Tech Service	2,119	6.0%	92	4.1%	2,211	5.9%
Management of Companies/Enterprises	23	0.1%	0	0.0%	23	0.1%
Admin/Support/Waste Management Services	2,418	6.8%	29	1.3%	2,447	6.5%
Educational Services	3,796	10.7%	101	4.5%	3,897	10.4%
Health Care/Social Assistance	3,507	9.9%	36	1.6%	3,542	9.4%
Arts/Entertainment/Recreation	1,872	5.3%	267	11.9%	2,139	5.7%
Accommodation/Food Services	3,521	9.9%	582	25.8%	4,101	10.9%
Other Services (excl Public Administration)	2,079	5.9%	64	2.8%	2,143	5.7%
Public Administration	1,088	3.1%	517	22.9%	1,605	4.3%
Unclassified Establishments	295	0.8%	3	0.1%	298	0.8%
Total Workers	**35,392**	**100.0%**	**2,253**	**100.0%**	**37,640**	**100.0%**

Sources: Data Axle via ESRI Business Analyst; BAE, 2022.

Residential Real Estate Market

This section summarizes key findings on the residential real estate market from data on home sales, average asking rents, and affordable sale prices and rents by income category. The real estate market provides useful context for understanding the challenges in affordability based on market prices and the ability of households in different income categories to afford those rates. Notably, the definitions of the West Slope and Tahoe Basin in this section of the report includes the cities of Placerville and South Lake Tahoe, respectively, because of data limitations. Nonetheless, BAE does compare the West Slope and Tahoe Basin data to data for the cities alone to ascertain any meaningful differences.

Real estate market data does not directly influence the modeling of future affordable housing demand, which is ultimately based on the existing share of cost-burdened households in the West Slope and Tahoe Basin and projections of future housing unit demand. This data does,

however, influence the pro forma models that will test the financial feasibility of residential development, helping to determine the parameters for potential inclusionary zoning and other policies.

For-Sale Housing

West Slope

The West Slope accounts for the majority of home sales in El Dorado County. Of the 1,918 single-family homes sold in El Dorado County during the six-month period between June and December 2021, 1,447 (75 percent) were in the West Slope, and only 161 of those were in the city of Placerville, meaning most home sales were in unincorporated parts of the West Slope. As shown in Table 14, over 80 percent of the homes sold in the West Slope were either three- or four-bedroom units, which had median sales prices ranging from $550,000 to $883,500. Just over half of all single-family homes sold in the West Slope were between $400,000 and $800,000. In addition, the average unit size for a two-bedroom unit was 1,356 square feet, 1,891 square feet for three-bedroom units, and 3,043 square feet for four-bedroom units. These are relatively large average unit sizes and are larger than the corresponding average unit sizes for homes sold in Placerville.

Placerville accounts for just 11 percent of the homes sold in the West Slope, and there are key differences in the distribution of unit sizes and sale prices. Specifically, homes sold in Placerville, were smaller and less expensive on average than units sold in the West Slope. Nearly 70 percent of units sold in Placerville between June and December 2021 were three- or four-bedroom units, with median sale prices ranging from $480,000 to $595,000. Although a relatively large share of units sold in the West Slope overall and Placerville were three- or four-bedroom units, three-bedroom units in Placerville were on average 487 square feet smaller than in the West Slope overall, and four-bedroom sold were 749 square feet smaller than four-bedroom units sold in the West Slope overall. Ultimately, Placerville offers a more affordable price point for households within El Dorado County, but only accounts for five percent of the County's housing stock, meaning the City alone cannot absorb the County's affordable housing demand.

Table 14: Single-Family Home Sales by Bedrooms in the West Slope and the City of Placerville

Single-Family Homes (a)

West Slope

Sale Price Range	1 BR	2 BR	3 BR	4+ BR	Total	% of Total
Less than $400,000	15	125	100	3	**243**	**16.8%**
$400,000-$599,999	1	84	274	51	**410**	**28.3%**
$600,000-$799,999	0	22	182	138	**342**	**23.6%**
$800,000-$999,999	0	7	58	158	**223**	**15.4%**
$1,000,000 or more	0	2	37	190	**229**	**15.8%**
Total Units Sold	**16**	**240**	**651**	**540**	**1,447**	**100.0%**
Percent of Total	**1.1%**	**16.6%**	**45.0%**	**37.3%**	**100.0%**	
Median Sale Price	**$312,500**	**$387,000**	**$550,000**	**$883,500**	**$630,000**	
Average Sale Price	**$288,375**	**$428,515**	**$596,995**	**$974,166**	**$706,393**	
Average Unit Size (SF)	**739**	**1,356**	**1,891**	**3,043**	**2,220**	
Median Price per SF	**$436**	**$306**	**$317**	**$315**	**$315**	
Average Price per SF	**$436**	**$320**	**$318**	**$318**	**$320**	

City of Placerville (b) (c)

Sale Price Range	1 BR	2 BR	3 BR	4+ BR	Total	% of Total
Less than $350,000	3	9	6	0	**18**	**11.2%**
$350,000-$449,999	1	23	26	3	**53**	**32.9%**
$450,000-$499,999	0	8	18	2	**28**	**17.4%**
$500,000-$549,999	0	2	12	3	**17**	**10.6%**
$550,000 or more	0	5	25	15	**45**	**28.0%**
Total Units Sold	**4**	**47**	**87**	**23**	**161**	**100.0%**
Percent of Total	**2.5%**	**29.2%**	**54.0%**	**14.3%**	**100.0%**	
Median Sale Price	**$286,500**	**$420,000**	**$480,000**	**$595,000**	**$456,000**	
Average Sale Price	**$302,875**	**$414,053**	**$495,046**	**$613,607**	**$483,565**	
Average Unit Size (SF)	**551**	**1,251**	**1,647**	**2,290**	**1,596**	
Median Price per SF	**$504**	**$345**	**$309**	**$275**	**$310**	
Average Price per SF	**$572**	**$346**	**$305**	**$276**	**$320**	

Note:
(a) Data reflect full and verified sales between June 1, 2021, and December 10, 2021. No townhome sales were recorded during this period.
(b) Data for the City of Placerville is shown to compare to West Slope data overall. West Slope data presented in this table includes sales in the City of Placerville.
(c) Home sales in the City of Placerville were those within the 310, 311, and 312 Census tracts.

As described in more detail in the methodology and financial feasibility sections of this report, BAE uses pro forma analysis to assess the financial feasibility of new residential development and determine the extent to which new market rate development could support inclusionary zoning requirements. A pro forma analysis compares the cost to build new development with the revenues the new development would generate. Thus, for residential development, this analysis must include an assumption of sales prices, or rents. BAE tests the financial feasibility of two types of development, for-sale single family detached units, and garden-style multifamily rentals. The assumption of revenue for the single family detached version of the pro forma is based on the sales data presented above in Table 14. The data vendor, ListSource, provides data on each home sold, including the year it was built. New units (i.e., homes constructed between 2018 and 2021) had a median sales price per square foot of $370, which is higher than the median price per square foot ($315) of all homes sold in the

West Slope between June and December 2021. BAE conservatively assumes that the development prototypes modeled in the pro forma analysis will be sold for a sales price per square foot of $350 to account for the increased value of newly constructed units.

Tahoe Basin

Between June and December 2021, there were 468 single family homes sold in the Tahoe Basin, representing just under one-quarter of all homes sold countywide. The City of South Lake Tahoe itself accounts for nearly 60 percent of all homes sold in the Tahoe Basin, and as a result, the distribution of sales prices and sizes for homes sold in South Lake Tahoe correspond more closely to the broader Tahoe Basin market compared to Placerville and the West Slope. Nearly half of all homes sold in the Tahoe Basin (49.6 percent) were three-bedroom units, which is similar to the West Slope and Placerville. A comparable share of homes sold in South Lake Tahoe were three bedrooms (45.6 percent), although there was a slightly larger share of one- and two-bedroom units sold in the city compared to the Tahoe Basin overall. Nearly 67 percent of all units sold in South Lake Tahoe were three- or four-bedroom units, compared to 73 percent of homes sold in the Tahoe Basin.

While homes sold in the West Slope were notably larger than homes sold in Placerville, homes sold in South Lake Tahoe and the Tahoe Basin overall were similar. The most common unit types sold, three- and four-bedroom units, averaged approximately 1,060 square feet and 2,500 square feet, respectively, in the city and the Tahoe Basin overall. Homes sold in the city had median sales prices that were slightly lower than the homes sold in the Tahoe Basin overall, suggesting that slightly more expensive units were sold in unincorporated parts of the Tahoe Basin. For example, the median sales price for a three-bedroom unit in the city of South Lake Tahoe was $625,000, and $705,500 in the Tahoe Basin. Overall, the median sales price of all homes sold in the Tahoe Basin ($680,000) was just over $50,000 higher than in the city limits. Unlike the West Slope, where the average sales price of homes was lower than the median sales price, the average sales prices of homes sold in the Tahoe Basin are higher than the median sales price by nearly $200,000, suggesting the average sale price is skewed by expensive homes. This indicates that the Tahoe Basin market includes very expensive, luxury homes, some of which may serve as second homes given the area's proximity to ski resorts and Lake Tahoe.

Table 15: Single-Family Home Sales by Bedrooms in the Tahoe Basin and the City of South Lake Tahoe

Single-Family Homes (a)

Tahoe Basin

Sale Price Range	1 BR	2 BR	3 BR	4+ BR	Total	% of Total
Less than $400,000	9	19	11	4	**43**	**9.2%**
$400,000-$599,999	4	51	61	7	**123**	**26.3%**
$600,000-$799,999	2	28	83	27	**140**	**29.9%**
$800,000-$999,999	2	5	48	19	**74**	**15.8%**
$1,000,000 or more	0	7	29	52	**88**	**18.8%**
Total Units Sold	**17**	**110**	**232**	**109**	**468**	**100.0%**
Percent of Total	**3.6%**	**23.5%**	**49.6%**	**23.3%**	**100.0%**	
			73.1%	72.9%		
Median Sale Price	**$360,000**	**$529,500**	**$705,500**	**$950,000**	**$680,000**	
Average Sale Price	**$455,000**	**$575,688**	**$766,444**	**$1,486,972**	**$878,110**	
Average Unit Size (SF)	**676**	**1,067**	**1,571**	**2,526**	**1,642**	
Median Price per SF	**$662**	**$530**	**$450**	**$438**	**$474**	
Average Price per SF	**$682**	**$541**	**$489**	**$536**	**$519**	

City of South Lake Tahoe (b) (c)

Sale Price Range	1 BR	2 BR	3 BR	4+ BR	Total	% of Total
Less than $400,000	9	18	8	2	**37**	**13.7%**
$400,000-$599,999	3	33	39	4	**79**	**29.3%**
$600,000-$799,999	2	15	41	16	**74**	**27.4%**
$800,000-$999,999	1	4	17	10	**32**	**11.9%**
$1,000,000 or more	0	5	18	25	**48**	**17.8%**
Total Units Sold	**15**	**75**	**123**	**57**	**270**	**100.0%**
Percent of Total	**5.6%**	**27.8%**	**45.6%**	**21.1%**	**100.0%**	
			73.3%	66.7%		
Median Sale Price	**$350,000**	**$475,000**	**$625,000**	**$932,000**	**$627,500**	
Average Sale Price	**$422,333**	**$560,688**	**$771,955**	**$1,287,456**	**$802,675**	
Average Unit Size (SF)	**654**	**1,055**	**1,505**	**2,517**	**1,546**	
Median Price per SF	**$662**	**$519**	**$465**	**$452**	**$485**	
Average Price per SF	**$657**	**$529**	**$502**	**$500**	**$518**	

Note:
(a) Data reflect full and verified sales between June 1, 2021, and December 10, 2021. No townhome sales were recorded during this period.
(b) Data for the City of Placerville is shown to compare to Tahoe Basin data overall. Tahoe Basin data presented in this table includes sales in the City of South Lake Tahoe.
(c) Home sales in the City of Placerville were those within the 310, 311, and 312 Census tracts.

Sources: ListSource, 2021; BAE, 2021.

For-Sale Housing Affordability

Of all homes sold in El Dorado County between June and December 2021, the median sale price was $645,000, which would be unaffordable to households of any size earning up to 120 percent of the Area Median Income (AMI) without those households becoming cost-burdened (i.e., spending greater than 30 percent of gross monthly income on housing costs[2]). Table 16 shows the California Department of Housing and Community Development income limits for 2021 for El Dorado County, which serves as the basis for determining eligibility for

[2] Housing costs include a down payment of 3.5 percent of the home value, a 2.92 fixed-rate 30-year mortgage, mortgage insurance, homeowners insurance, and property tax. Together, these costs equal 31 percent of gross monthly income.

affordable housing as well as maximum affordable rents. BAE uses this information to calculate the maximum affordable sales price to households, by size, earning up to 120 percent of the income, revealing that even a five-person household earning 120 percent of the AMI could only afford a maximum home sale price of $523,681 without incurring a housing cost burden greater than 30 percent of income.

In the pro forma analysis testing parameters for an inclusionary zoning policy, the sale price assumption for below market units included in a prototype development in the West Slope is based on the prices shown in Table 16. BAE's pro forma analysis tests maximum affordable sale prices ranging from $321,492 to $484,877, recognizing that to afford even a below market rate unit, households must have sufficient income to obtain a mortgage. Therefore, the for sale inclusionary zoning policy parameters (i.e., the minimum number of below market rate units a market rate development must include) are based on the maximum sale price affordable to households that have at least four persons and earn more than 80 percent of the AMI.

Table 16: Affordable Single-Family Home Prices, El Dorado County 2021

	Household Size				
Maximum Affordable Sale Price	**1 Person**	**2 Person**	**3 Person**	**4 Person**	**5 Person**
Extremely Low Income (up to 30% AMI)					
Household Income (a)	$19,050	$21,800	$24,500	$27,200	$31,040
Max. Affordable Sale Price (b)	$84,476	$96,666	$108,685	$120,704	$137,702
Amount Above (Below) Median Sale Price (c)	($560,524)	($548,334)	($536,315)	($524,296)	($507,298)
Very Low Income (31-50% AMI)					
Household Income (a)	$31,750	$36,250	$40,800	$45,300	$48,950
Max. Affordable Sale Price (b)	$140,793	$160,710	$180,970	$200,888	$217,199
Amount Above (Below) Median Sale Price (c)	($504,207)	($484,290)	($464,030)	($444,112)	($427,801)
Low Income (51-80% AMI)					
Household Income (a)	$50,750	$58,000	$65,250	$72,500	$78,300
Max. Affordable Sale Price (b)	$225,097	$257,205	$289,484	$321,592	$347,347
Amount Above (Below) Median Sale Price (c)	($419,903)	($387,795)	($355,516)	($323,408)	($297,653)
Moderate Income (81-120% AMI)					
Household Income (a)	$76,500	$87,450	$98,350	$109,300	$118,050
Max. Affordable Sale Price (b)	$339,277	$387,867	$436,286	$484,877	$523,681
Amount Above (Below) Median Sale Price (c)	($305,723)	($257,133)	($208,714)	($160,123)	($121,319)

Notes:
(a) Based on California Department of Housing and Community Development income limits for 2021.
(b) Based on a tabulation of how much housing a household could afford with 31% of its gross monthly income given principal and interest, homeowner's insurance, property taxes, and other payments.
(c) Per ListSource, the median sale price for a single-family unit sold in El Dorado County between June and December 2021 was $645,000.

Sources: CoreLogic via ListSource; California Department of Housing and Community Development, 2021; Federal Housing Administration, 2021; Freddie Mac, 2021; California Department of Insurance; El Dorado County Treasurer-Tax Collection's Office, 2021; BAE, 2021.

Multifamily Rental Housing

Multifamily rentals comprise a relatively small portion of the overall El Dorado County housing stock. CoStar, a commercial real estate information company, estimates just 5,600 total multifamily rentals in El Dorado County, while the 2020 Census counts 93,467 total housing units in the County, including incorporated and unincorporated parts. The data points from the two different sources are not directly comparable, but the order of magnitude of these figures confirms the general perception of El Dorado County's residential development as low-density single-family homes on large lots. Indeed, 80 percent of households are owner households. Nonetheless, given recent changes in statewide policy and a commitment to building more affordable housing, it is likely that more multifamily development will be built in El Dorado County over the next ten to 20 years.

Table 17 summarizes data on the multifamily rental market in El Dorado County from two sources: CoStar and HotPads.com. While CoStar helps to establish the parameters of the county's overall multifamily rental inventory, data on average rents and unit size can be misleading. For example, although the average asking rent in the West Slope as of Q3 2021 is $1,994 according to CoStar, this includes the average of buildings that have affordable units and age-restricted units. CoStar cannot identify which units may naturally be below market rate due to the condition of the unit (i.e., the unit is not indicative of market rate units prospective renters would seek). Data from HotPads, an internet based rental search program, provides a useful comparison. Although HotPads does not provide an inventory of multifamily rental units, BAE is able to identify multifamily units in the market that would be comparable to new development, helping to gauge a more representative price as well as providing a basis for the pro forma modeling in this report.

Finally, data in Table 17 for the West Slope and Tahoe Basin geographies include data for the cities of Placerville and South Lake Tahoe due to data limitations. Therefore, the data shown is countywide, and does not just reflect information for unincorporated parts of the county. Nonetheless, BAE does compare the West Slope and Tahoe Basin data to data for the cities alone to ascertain any meaningful differences.

As shown in Table 17, the West Slope has the highest average asking rents as of Q3 2021 ($1,994), according to CoStar. The relatively low average asking monthly rent in Placerville of $1,136 is likely indicative of the older multifamily housing stock in the city compared to unincorporated parts of the West Slope. According to the CoStar inventory of multifamily buildings in Placerville, the newest building in the city was built in 1989. However, the vast majority of the multifamily housing stock in the West Slope is in unincorporated parts of the area. The HotPads average asking rents estimate for the West Slope is $2,620 (and $2.78 per square foot), which in line with the average asking rent reported by CoStar for apartments in the Element79 apartment building in El Dorado Hills, built in 2021 ($2,756, and $3.20 per square foot). Therefore, new market rate rental units in the West Slope may command average asking rents ranging from $2.50 to $3.50 per square foot. The pro forma analysis in

this report, which tests the feasibility of a market rate multifamily rental development, uses a relatively conservative estimate for market rate monthly rents of $2.85 per square foot.

CoStar and HotPads provide contrasting information on average rents in the Tahoe Basin and the West Slope. According to CoStar, average asking monthly rent in the Tahoe Basin is $1,241 as of Q3 2021, more than $700 less than in the West Slope. Investigating the CoStar data for the Tahoe Basin more closely reveals that none of the buildings with reported rents were built after 2008. Of the two buildings CoStar identified in the Tahoe Basin that were built after 2008, neither report rents. However, using HotPads to understand the rents in the newer buildings CoStar identifies, BAE finds that the only apartments listed are in South Lake Tahoe. However, with a larger share of renter households and more single-family homes available on the market, BAE includes single family rentals in the HotPads data for the Tahoe Basin overall. This helps to capture rentals on the market that are luxury units catering to tenants interested in being near the ski resorts. If this supply is catering towards demand for second homes or partial-term leases, average asking rents are driven up, exacerbating affordability issues for workers in the Tahoe Basin on top of the lack of overall housing supply and the slow pace of new construction, particularly for multifamily development. Notably, the majority of multifamily development in the Tahoe Basin is in the city of South Lake Tahoe.

Table 17: Market-Rate Multifamily Inventory, Q3 2020 – Q3 2021

CoStar Rental Market Summary, Market Rate (a)	West Slope (c)	City of Placerville	Tahoe Basin (d)	City of South Lake Tahoe
Inventory, Q3 2021 (bldgs)	**110**	**20**	**107**	**101**
Inventory, Q3 2021 (units)	**3,838**	**267**	**1,762**	**1,332**
% of Units (of County)	68.5%	4.8%	31.5%	23.8%
Occupied Units	3,583	252	1,521	1,101
Vacant Units	217	15	32	25
Vacancy Rate	5.7%	5.6%	1.8%	1.9%
Average Inventory Size, Q3 2021 (sf)	**918**	**753**	**744**	**743**
Average Asking Rents				
Average Asking Rent, Q3 2020	$1,802	$1,120	$1,200	$1,162
Average Asking Rent, Q3 2021	$1,994	$1,136	$1,241	$1,224
% Change Q3 2020 - Q3 2021	10.7%	1.4%	3.4%	5.3%
Average Asking Rents psf				
Average Asking Rent psf, Q3 2020	$1.98	$1.50	$1.66	$1.61
Average Asking Rent psf, Q3 2021	$2.19	$1.52	$1.72	$1.70
% Change Q3 2020 - Q3 2021	10.6%	1.3%	3.6%	5.6%

Private Rental Market Search Rental Market Summary (b)	West Slope	City of Placerville	Tahoe Basin (e)	City of South Lake Tahoe (e)
Inventory (units)	**36**	**0**	**77**	**69**
% of Units (of County)	23.1%	0.0%	49.4%	44.2%
Average Unit Size (sf)	974	n.a.	1,297	1,261
Average Asking Rent	$2,620	n.a.	$3,182	$3,159
Average Asking Rent per sf	$2.78	n.a.	$2.76	$2.82

Note:
CoStar captures units both in and around specified geographies, and therefore includes some double counting for units near to contiguous geographies. For example, of the 267 units in Placerville, some portion may only be in the Placerville zip code but outside the city limits.
(a) Includes properties with market-rate and market-rate/affordable rent units. Properties with 100 percent affordable-rent units were excluded.
(b) Data was pulled on January 9, 2022.
(c) Given data restrictions in CoStar and HotPads, this definition of the West Slope includes the City of Placerville. Data for the City of Placerville alone is provided for comparison
(d) Given data restrictions in CoStar and HotPads, this definition of the Tahoe Basin includes the City of South Lake Tahoe. Data for the City of South Lake Tahoe alone is provided for comparison
(e) These data include single family rentals as a larger share of single-family homes are rented In the Tahoe Basin than the West Slope

Sources: CoStar Group, 2021; HotPads.com, 2022; BAE, 2022.

Multifamily Rental Housing Affordability

BAE estimates affordable rents by household size and income category based on HUD's FY21 Income Limits and El Dorado County's utility allowance. Affordable rents are equal to 30 percent of gross monthly income minus the utility allowance.[3] One limitation to this approach

[3] The utility allowance is published by the El Dorado County Public Housing Authority in 2021. Utility allowance estimates assume that all heating, cooking, and water heating would be done using electricity. Other electricity usage is also included, accounting for lighting, refrigeration, and small appliances. BAE used the band S utility

is that income limits, and therefore 30 percent of gross monthly income, are based on countywide data even though affordability issues are different in the West Slope and Tahoe Basin. Not only are the demand drivers different, with workers in the West Slope likely employed in nearby areas like Folsom, but also the challenges to adding supply are unique to the two geographies, with new development especially challenging in the Tahoe Basin. As a result, the ability of a household with a given income to afford housing in either geography may differ and may continue to change over time, even if the absolute value of affordable asking monthly rents is comparable as of 2021. However, the data shown in Table 18 and Table 19 do account for differing utility costs in the West Slope and Tahoe Basin, meaning there is some difference in the assumptions of affordable rents by income group and household size between the Tahoe Basin and West Slope.

As Table 18 shows, the lowest maximum affordable rent in the West Slope is $245 for a one-bedroom unit for a one-person Extremely Low-Income household (30 percent of AMI). The maximum affordable rent for a five-person Moderate Income household of $2,571 for a three-bedroom unit is highest rent shown in Table 18 and is below the average asking rent reported by HotPads in Table 17. In fact, the average asking monthly rents reported by HotPads reflect the rent for two- to three-bedroom units that would be too small for a five-person household. Similarly, the maximum affordable rent for a five-person Moderate Income household is $2,622 in the Tahoe Basin, which is also below the average asking monthly rent for market rate rentals.

schedule for the unincorporated County under 3000 feet to represent utility rates for El Dorado County Western Slope; the band South Lake Tahoe utility schedule was used to represent utility rates for El Dorado County Tahoe Basin.

Table 18: Affordable Rental Rates, West Slope, 2021

	Unit Size				
Affordable Rents, West Slope (b)	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
Extremely Low Income					
1-Person	$245	$197			
2-Person		$266	$203		
3-Person			$271	$233	
4-Person			$338	$300	$238
5-Person				$396	$334
Very Low Income					
1-Person	$563	$515			
2-Person		$627	$564		
3-Person			$678	$640	
4-Person			$791	$753	$691
5-Person				$844	$782
Low Income					
1-Person	$1,038	$990			
2-Person		$1,171	$1,108		
3-Person			$1,289	$1,251	
4-Person			$1,471	$1,433	$1,371
5-Person				$1,578	$1,516
Moderate Income					
1-Person	$1,682	$1,634			
2-Person		$1,907	$1,844		
3-Person			$2,117	$2,079	
4-Person			$2,391	$2,353	$2,291
5-Person				$2,571	$2,509

Notes:
(a) Income limits are based on the HCD-adjusted median family of four income of $91,100 (2021).
(b) The utility allowance is published by the El Dorado County Public Housing Authority in 2021. Utility allowance estimates assume that all heating, cooking, and water heating would be done using electricity. Other electricity usage is also included, accounting for lighting, refrigeration, and small appliances. BAE used the band S utility schedule for the unincorporated County under 3000 feet to represent utility rates for El Dorado County Western Slope; the band South Lake Tahoe utility schedule was used to represent utility rates for El Dorado County Tahoe Basin.

Sources: HCD, 2021; El Dorado County Public Housing Authority, 2022; BAE, 2022.

Table 19: Affordable Rental Rates, Tahoe Basin, 2021

Affordable Rents, Tahoe Basin (b)	Unit Size				
	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
Extremely Low Income					
1-Person	$255	$209			
2-Person		$278	$237		
3-Person			$305	$284	
4-Person			$372	$351	$298
5-Person				$447	$394
Very Low Income					
1-Person	$573	$527			
2-Person		$639	$598		
3-Person			$712	$691	
4-Person			$825	$804	$751
5-Person				$895	$842
Low Income					
1-Person	$1,048	$1,002			
2-Person		$1,183	$1,142		
3-Person			$1,323	$1,302	
4-Person			$1,505	$1,484	$1,431
5-Person				$1,629	$1,576
Moderate Income					
1-Person	$1,692	$1,646			
2-Person		$1,919	$1,878		
3-Person			$2,151	$2,130	
4-Person			$2,425	$2,404	$2,351
5-Person				$2,622	$2,569

Notes:
(a) Income limits are based on the HCD-adjusted median family income of $91,100 (2021).
(b) The utility allowance is published by the El Dorado County Public Housing Authority in 2021. Utility allowance estimates assume that all heating, cooking, and water heating would be done using electricity. Other electricity usage is also included, accounting for lighting, refrigeration, and small appliances. BAE used the band S utility schedule for the unincorporated County under 3000 feet to represent utility rates for El Dorado County Western Slope; the band South Lake Tahoe utility schedule was used to represent utility rates for El Dorado County Tahoe Basin.

Sources: HCD, 2021; El Dorado County Public Housing Authority, 2022; BAE, 2022.

In the Pro Forma analysis, the revenue assumption for affordable rents is based on the rents for three-person households in three-bedroom units. For households earning 30 percent of AMI, the maximum affordable rent is $345, $752 for households earning 50 percent of AMI, $1,363 for households earning 80% of AMI, and $2,191 for households earning 120 percent of AMI.

Workforce Characteristics

Wages and Commuting

The wages that workers employed in El Dorado County earn directly impacts their choices of where they can live. The gap between workers' wages and the costs of buying or renting a home in El Dorado County helps to describe the scope of the County's housing affordability issues. Approximately 73 percent of workers aged over 16 years employed in El Dorado County earn less than $65,000, which is approximately equal to the median income for a one-person household in the county ($63,750), according to HUD's 2021 Income Limits. The maximum affordable sale price for one-person households earning 100 percent of AMI would be $283,000, which is $104,000 less than the median sale price of two-bedroom units homes sold in the West Slope between June and December 2021. Thus, it would be challenging for these households to easily find a home for sale in either the West Slope or the Tahoe Basin without spending more than 30 percent of their gross monthly income.

The median family income in El Dorado County, equivalent to 100 percent of AMI for a four-person household, is $91,100. Such households can afford up to $404,000 to purchase a home without becoming cost-burdened, which is $241,000 below the median sale price of all homes sold in El Dorado County between June and December 2021. While only 22 percent of workers earn more than $75,000, a four-person household at 100 percent of AMI may have two primary earners, with each workers earning $45,550 on average. However, as shown in the worker wages distribution in Table 20, 61 percent of El Dorado County workers earn less than $50,000. That is, more than half the workers in El Dorado County do not earn even half the median income of a four-person (i.e., two-worker) household, which itself could not afford a median priced home in the county.

Table 20: Worker Wages, 2015-2019

	El Dorado County	
Annual Earnings	# of Workers	% of Total
<$10,000	7,575	12.6%
$10,000-$14,999	4,071	6.8%
$15,000-$24,999	8,188	13.6%
$25,000-$34,999	7,964	13.3%
$35,000-$49,999	8,848	14.7%
$50,000-$64,999	7,158	11.9%
$65,000-$74,999	2,939	4.9%
>=$75,000	13,310	22.2%
Total Primary Jobs	**60,053**	**100.0%**

U.S. Census Bureau, American Community Survey 2015-2019 five-year sample data, Table B08519; BAE, 2022

Commuting Patterns

Table 21 shows that over half of workers in the West Slope commute into El Dorado County and are not residents. Nearly one-quarter of West Slope workers commute in from

Sacramento County, another 5.6 percent from Placer County, and approximately one-fifth from further out areas like San Joaquin, Contra Costa, Solano, and Alameda counties. With limited transit options, the majority of these workers are commuting by car, generating traffic and congestion that could be curtailed with more workforce housing in the West Slope that is affordable to these workers. A larger share of Tahoe Basin workers resides in El Dorado County, while another 16.5 live in the other counties surrounding Lake Tahoe, including Douglas and Washoe Counties in Nevada. Over one-fifth of workers in the Tahoe Basin live in counties that are not adjacent to Lake Tahoe. Importantly, the data in Table 21 do not account for the impacts of the COVID-19 pandemic on commuting patterns. In particular, the shift towards telecommuting, which existed pre-pandemic, has accelerated, suggesting that workers can more easily live outside the traditional commuting radius of employment centers, such as workers employed in the Bay Area who live in the Tahoe Basin.

Table 21: Workers by Place of Residence, 2015-2019

West Slope Workers by Place of Residence			Tahoe Basin Workers by Place of Residence		
	Workers			Workers	
Place of Residence	Number	Percent	Place of Residence	Number	Percent
El Dorado County	**19,913**	**49.0%**	**El Dorado County**	**5,807**	**61.5%**
El Dorado Hills CDP	3,765	9.3%	South Lake Tahoe city	3,963	42.0%
Cameron Park CDP	2,340	5.8%	El Dorado Hills CDP	31	0.3%
Placerville city	1,957	4.8%	Cameron Park CDP	25	0.3%
Diamond Springs CDP	1,895	4.7%	All Other El Dorado County	1,788	19.0%
Pollock Pines CDP	1,147	2.8%	**Douglas County**	**786**	**8.3%**
All Other El Dorado County	8,809	21.7%	**Washoe County**	**267**	**2.8%**
Sacramento County	**9,530**	**23.4%**	**Placer County**	**256**	**2.7%**
Placer County	**2,259**	**5.6%**	**Carson City**	**256**	**2.7%**
San Joaquin County	**817**	**2.0%**	**All Other Counties**	**2,063**	**21.9%**
Contra Costa County	**655**	**1.6%**	**Total Workers**	**9,435**	**100.0%**
All Other Counties	**7,480**	**18.4%**			
Total Workers	**40,654**	**100.0%**			

Sources: American Community Survey 2015-2019 Five-Year Sample Estimates via Esri Business Analyst; BAE, 2021.

Existing Affordable, Workforce, and Missing Middle Housing Gap

This section of the report estimates the affordability gap for existing households in El Dorado County as measured by the existing share of cost-burdened households by income group.

Defining Workforce and Missing Middle Housing

The term "workforce housing" generally refers to moderately priced housing that is affordable to a community's core workforce, which may be income-restricted or may be lower-priced market rate housing, such as smaller units or older units. Workforce housing typically targets lower and moderate-income workers, with the understanding that worker households with above-moderate incomes can typically afford larger, newer, and more expensive housing without becoming cost-burdened. Indeed, we observe from recent home sales in El Dorado County, discussed in the previous section, that market rate housing is generally unaffordable for households and workers with incomes at or below 120 percent of AMI. Moreover, the

income distribution and housing cost burden data for the county clearly show that low- to moderate-income households are disproportionately cost-burdened compared to above-moderate income households. Failing to address a workforce housing affordability gap can lead to people in professions like teaching, public safety, healthcare, and retail struggling to find appropriate, affordable housing in the county. Lack of sufficient workforce housing can become a challenge for businesses and essential services that serve the community if lack of affordable housing translates to a lack of an adequate resident workforce to fill the available jobs. It can also exacerbate traffic and congestion as workers are forced to commute into El Dorado County from further out areas where less expensive housing is available.

The Urban Land Institute defines the ability of workers to pay for housing based on income level, restricting the definition of workforce housing to that which is affordable to households earning between 60 and 120 percent of AMI, therefore excluding very low-income and above moderate-income households. The National Association of Realtors, on the other hand, defines workforce housing based on housing cost burdens exceeding between 30 and 40 percent of gross monthly income.

This analysis calculates the number of cost-burdened households in each income category, including for households earning over 120 percent of AMI. For the purposes of this analysis this is defined as the overall affordability gap in El Dorado County. The workforce housing gap is a subset of the affordability gap, including all cost-burdened households earning up to 120 percent of AMI. Finally, this analysis also defines the 'missing middle' workforce housing gap, which is a subset of the workforce housing gap, including only cost-burdened households earning between 80 and 120 percent of AMI (i.e., moderate-income households). The missing middle housing gap is important to define because state and federal subsidies for affordable housing tend to target lower income households earning up to 60 or 80 percent of AMI, and there are relatively few subsidies to build income-restricted housing for moderate-income households. Therefore, with state and federal support to increase housing for lower income households, it may be a more effective for local governments to focus resources on filling the missing middle housing gap.

Existing Housing Affordability Gap

Based on the household income level distributions and corresponding shares of households that are cost burdened in unincorporated parts of the West Slope and Tahoe Basin, Table 10 and Table 11 estimate the number of households in each income category that spend more than 30 percent of gross monthly income on housing costs. Policies that incentivize the construction of both market-rate and affordable housing should ultimately aim to produce enough housing units not only to meet future housing demand but also to reduce the housing costs of currently cost-burdened households by increasing supply overall.

Table 22 updates the 2014-2018 CHAS estimate of households using Esri's data for unincorporated El Dorado County by applying the CHAS distribution of households by income

category to Esri's 2021 estimate of households. After establishing the 2021 estimate of households by income category in the West Slope and Tahoe Basin, the table calculates the share of those households that are cost-burdened, also based on 2014-2018 CHAS data. For example, of the estimated 57,542 households in the West Slope in 2021, 4,975 households are at or below the 30 percent of AMI level, of which 73.8 percent are cost-burdened, and therefore included in the estimate of the existing overall housing affordability gap.

Table 22 shows the overall housing affordability gap. There are 18,810 cost-burdened households across each income group in the West Slope. Similarly, there are approximately 1,681 households cost-burdened across all income groups in the Tahoe Basin. In total, the existing overall housing affordability gap is 20,491 households. Table 23 summarizes the data in Table 22, showing the overall affordability gap, the workforce housing gap, and the missing middle housing gap. In the West Slope, 3,681 of the 18,810 cost-burdened households in 2021 comprise the missing middle housing gap. This is equal to approximately 25 percent of the 2021 workforce housing gap (i.e., number of existing households earning up to 120 percent of AMI that are cost burdened). In the Tahoe Basin, there are 236 cost-burdened moderate-income households, which is equal to fifteen percent of the workforce housing gap.

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Table 22: Existing Affordability Gap by Income Category, 2021

Existing Households (a)	# of Households/ Units Total		Extremely Low-Income (≤ 30% of HAMFI)		Very Low-Income (> 30% ≤ 50% of HAMFI)		Low-Income (> 50% ≤ 80% of HAMFI)		Moderate-Income (> 80% ≤ 120% of HAMFI)		Above Moderate-Income (> 120% of HAMFI)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
West Slope	57,542	100.0%	4,975	8.6%	4,908	8.5%	7,397	12.9%	9,533	16.6%	30,728	53.4%
Affordability Gap (b)	18,810	32.7%	3,673	73.8%	3,620	73.8%	3,974	53.7%	3,681	38.6%	3,861	12.6%
Tahoe Basin	4,273	100.0%	516	12.1%	647	15.2%	807	18.9%	785	18.4%	1,517	35.5%
Affordability Gap (b)	1,681	39.3%	428	82.9%	465	71.9%	406	50.2%	236	30.1%	146	9.6%
Unincorporated El Dorado County	61,815	100.0%	5,491	8.9%	5,555	9.0%	8,204	13.3%	10,319	16.7%	32,245	52.2%
Affordability Gap (b)	20,491	33.1%	4,101	74.7%	4,086	73.5%	4,380	53.4%	3,918	38.0%	4,007	12.4%

Notes:
(a) The total number of households in unincorporated parts of El Dorado County in the West Slope and the Tahoe Basin is based on the Esri population and households data presented in Table 1. This total is distributed into income categories based on the distribution of income levels for all census tracts in each of the of the West Slope and the Tahoe Basin as shown in Table 10 and Table 11.
(a) The existing Workforce Housing Affordability Gap is equal to the share of total households in each income category that have housing cost burdens of greater than 30 percent of gross monthly income.

Source: BAE, 2022.

Table 23: Summary of Existing Affordable, Workforce, and Missing Middle Housing Gap, 2021

Existing Households	Overall Affordability Gap (All Households)	Workforce Housing Gap (Up to 120% AMI)	Missing Middle Housing Gap (80% to 120% AMI)
West Slope	18,810	14,949	3,681
Tahoe Basin	1,681	1,535	236
Unincorporated El Dorado County	20,491	16,484	3,918

Source: BAE, 2022.

Summary of Existing Conditions

Data on existing conditions and trends in the West Slope and Tahoe Basin reflect the different economies that define the two areas. The Tahoe Basin is significantly smaller than the West Slope in terms of population and households and although both experienced similar rates of growth since 2010, the majority of growth in unincorporated El Dorado County occurred in the West Slope. Compared to the Tahoe Basin, the West Slope has a larger average household size, more family and owner households, and more residents employed in a wide range of jobs that includes positions in higher-paying industries. Notably, a key feature of the Tahoe Basin is that the number of housing units far exceeds the estimated number of households (i.e., occupied housing units), reflecting high levels of vacancy that exist due to the large number of second homes and vacation rentals that are not occupied by permanent residents.

Due to its proximity to employment centers where higher wage positions are available as compared to the predominantly lower-wage retail, service, and hospitality employment available in the Tahoe Basin, a smaller share of West Slope households are lower income compared to the Tahoe Basin, based on HUD's CHAS data. Approximately 30.0 percent of West Slope households are lower income, while over half (55.9 percent) are lower income in the Tahoe Basin. The West Slope correspondingly has a higher share of households at or above 120 percent of AMI (53.4 percent), compared to just 29.1 percent of Tahoe Basin households. The discrepancy in income distribution may help to explain the difference in the distribution of housing tenure between the two geographies. Among all households in the West Slope, 32.7 percent have a housing cost burden of greater than 30 percent. By comparison, the Tahoe Basin has a higher share of households experiencing housing cost burdens greater than 30 percent of gross monthly income, at 39.3 percent. In both geographies, a greater share of lower income households is cost burdened, as well as a greater share of renter households.

Data on the real estate market is also consistent with observations from the demographic and economic data. Of the 1,918 single-family homes sold during the six-month period between June and December 2021, 1,447 (75 percent) were in the West Slope, with a majority of sales in unincorporated parts of the West Slope. The median sales price of the units sold in the West Slope was $630,000, which was $50,000 below the median sale price in the Tahoe Basin. The countywide median sale price, $645,000, would be unaffordable to households earning up to 120 percent of the Area Median Income (AMI) without those households becoming cost-burdened (i.e., spending greater than 30 percent of gross monthly income on housing costs). Likewise, newer, market rate rental units have average asking monthly rents ranging from $2,620 in the West Slope to $3,129 in the Tahoe Basin. Not only would these rents be unaffordable for even a five-person household earning up to 120 percent of AMI, but also these average asking rents reflect rates for two- to three-bedroom units. The gap between affordable rents and the maximum affordable rent for one- and two-person households is even more pronounced.

Given these discrepancies, the number of cost-burdened households earning up to 120 percent of AMI (i.e., the workforce housing gap), is 16,484 for all unincorporated parts of the County. The Missing Middle housing gap, which is a subset of the workforce housing gap defined as households earning between 80 and 120 percent of AMI, is 3,918 households.

FUTURE AFFORDABLE, WORKFORCE, AND MISSING MIDDLE HOUSING NEEDS

This section summarizes the estimated growth in households and housing units in the West Slope and Tahoe Basin, and the corresponding need for workforce housing, over the next 20 years. Whereas a projection of household growth indicates future demand for housing, a projection of housing units indicates the future supply of housing (i.e., how many units will be constructed). An affordable housing ordinance should seek to address the demand for affordable housing, and this analysis utilizes only the household projections as a basis for future affordable housing demand. However, in El Dorado County, it is important to illustrate the discrepancy between projected households and housing units, particularly in the Tahoe Basin, where approximately half of all housing units are considered vacant and likely serve as second homes or vacation rentals. Therefore, a projection of households alone would not capture the magnitude of housing demand in the Tahoe Basin, as some new housing units will be demanded by people who would not constitute a new household.

Projected Household and Housing Unit Growth

This analysis relies on recently completed studies for assumptions regarding housing unit growth rates in the West Slope and Tahoe Basin. The West Slope projections are based on a 2019 study by BAE that El Dorado County commissioned to update a set of housing and employment growth projections for transportation planning purposes. For that study, BAE estimated that households and housing units would grow at the same rate, of 0.70 percent annually from 2018 to 2040, therefore assuming that the West Slope would maintain its vacancy rate. This analysis updates the 2019 study using updated estimates of households and housing units obtained from the 2020 Census and Esri Business Analyst. As shown in Table 24, applying the 0.70 percent annual growth rate to 2021 Esri estimate of households would yield 8,675 new households by 2041. Applying the growth rate to the 2020 estimate of housing units yields 447 new housing units by 2021, and an additional 9,630 housing units between 2021 and 2041, as shown in Table 25.

For the Tahoe Basin, this analysis uses the Tahoe Regional Planning Agency's (TRPA) projections of households and housing units through 2045 for the entire Lake Tahoe region under the TRPA's jurisdiction. TRPA prepared growth and development forecasts as part of its 2020 Regional Transportation Plan (RTP), published in 2021. The RTP does not indicate where among the TRPA's constituent counties and cities the growth would go. Nonetheless, given the sensitive planning environment in the Lake Tahoe region and TRPA's detailed understanding of potential future development in the area, the RTP's overall estimated average annual growth rate of 0.34 for housing units and 0.44 percent for households are the most reliable assumptions for the unincorporated parts of El Dorado County located in the Tahoe Basin. These growth rates translate to 388 new households, as shown in Table 24, and 654 additional housing units in the Tahoe Basin by 2041, as shown in Table 25. Notably,

TRPA assumes a slightly faster rate of growth among households than housing units, suggesting the overall share of vacant units, would decline as a percentage of total housing units. It is likely some portion of the 266-unit gap between households and housing units projections in the Tahoe Basin by 2041 would be second homes.

As shown in Table 24, combining the household projection for the West Slope and Tahoe Basin yields a growth of 9,062 households by 2041, for an average annual growth rate of 0.69 percent in unincorporated El Dorado County. Nearly 96 percent of household growth would be in the West Slope. Given that the County is constrained in its ability to change housing development policies in the Tahoe Basin, due to TRPA's overlapping jurisdiction, the West Slope is where the County should focus efforts to modify policies to help meet affordable housing demand. For the sake of comparison, unincorporated El Dorado County will add 10,284 housing units, as shown in Table 25. However, while the Tahoe Basin accounts for approximately four percent of household growth, it will account for approximately seven percent of housing unit growth.

Only the household projections in Table 24 below are incorporated into the calculation of affordable housing need in this chapter of the report, which is ultimately calculating the demand for affordable housing the County should aim to meet. While there is non-household demand for housing units in the Tahoe Basin by 2041, none of this demand would be included in affordable housing demand. It is therefore appropriate to estimate future affordable housing demand using projections of household growth only.

Table 24: Projected Household Growth, 2021-2041

Households	Base Year 2021	2026	2031	2036	2041	Change, 2021-2041	Avg. Annual Growth Rate
Unincorporated El Dorado County (a)	61,816	63,965	66,190	68,494	70,878	9,062	0.69%
West Slope (b)	57,542	59,598	61,728	63,933	66,217	8,675	0.70%
Tahoe Basin (c)	4,273	4,367	4,463	4,561	4,661	388	0.44%

Notes:
Totals may not match totals in other tables due to independent rounding.
(a) The household projections for unincorporated El Dorado County total the household projections of the unincorporated part of El Dorado County in the West Slope and in the Tahoe Basin (i.e., West Slope census tracts minus the City of Placerville and Tahoe Basin Census Tracts minus the City of South Lake Tahoe
(b) Projections based on BAE's February 2020 Memo to El Dorado County "El Dorado Countywide Housing and Employment Projections", which estimates an average annual growth rate of 0.70 percent from 2018 to 2040 for households. BAE applied this growth rate to the Esri 2021 estimate of households.
(c) Projections based on the Tahoe Regional Planning Agency's 2020 Regional Transportation Plan, which estimates an average annual growth rate of 0.44 percent from 2018 to 2045 for households in the Tahoe Basin. BAE applied this growth rate to the Esri 2021 estimate of households.

Source: Esri Business Analyst, 2021; BAE, 2022.

Table 25: Projected Housing Unit Growth, 2021-2041

Housing Units	Census 2020	Base Year 2021	2026	2031	2036	2041	Change, 2021-2041	Avg. Annual Growth Rate
Unincorporated El Dorado County (a)	72,657	73,135	75,577	78,103	80,716	83,419	10,284	0.66%
West Slope (b)	63,427	63,874	66,156	68,520	70,968	73,504	9,630	0.70%
Tahoe Basin (c)	9,230	9,262	9,421	9,583	9,748	9,915	654	0.34%

Notes:
(a) The housing unit projections for Unincorporated El Dorado County total the housing unit projections of the unincorporated part of El Dorado County in the West Slope and in the Tahoe Basin (i.e., West Slope Census Tracts minus the City of Placerville and Tahoe Basin Census Tracts minus the City of South Lake Tahoe
(b) Projections based on BAE's February 2020 "El Dorado Countywide Housing and Employment Projections" memo, which estimates an average annual growth rate of 0.70 percent from 2018 to 2040 for housing units. BAE applied this growth rate to updated 2020 housing unit estimates from the 2020 Census for unincorporated part of El Dorado County in the West Slope.
(c) Projections based on the Tahoe Regional Planning Agency's 2020 Regional Transportation Plan, which estimates an average annual growth rate of 0.34 percent from 2018 to 2045 for housing units in the Tahoe Basin. BAE applied this growth rate to updated 2020 housing unit estimates from the 2020 Census for unincorporated parts of El Dorado County in the Tahoe Basin.

Source: U.S. Census Bureau, 2020; BAE, 2022.

In terms of employment, BAE projected growth in the West Slope using the 2019 study that is also the basis for housing unit growth. This projection used the 2020 RTP for employment projections in the Tahoe Basin. With a projected average annual employment growth rate 0.67 percent, the West Slope may add 5,080 jobs, comprising over 99 percent of the 5,130 jobs projected for unincorporated parts of the county overall. This is because the 2020 RTP projects an average job growth rate of just 0.11 percent annually in the Tahoe Basin, which ultimately reflects the area's growth constraints.

Regional Housing Needs Allocation (RHNA)

In California, the State Department of Housing and Community Development (HCD) provides regional governments, like the Sacramento Area Council of Governments (SACOG), an allocation of total housing need by income category that the region must plan to accommodate over the next eight years. Regional governments like SACOG distribute their region wide allocation to their constituent jurisdictions. This allocation to county and city governments is based on several factors, including satisfying regional policy goals like promoting denser development, and building in transit- and job-rich areas. Therefore, the Regional Housing Needs Allocation (RHNA) does not strictly reflect a local jurisdiction's future growth in demand for housing based on projected growth rates that are sensitive to local market and demographic conditions. Rather, the RHNA is the minimum number of housing units, described by income category, that a local government must have the capacity to accommodate, to address both existing unmet needs and future needs, through provision of appropriately zoned land over the eight-year planning cycle. In addition, the eight-year timeframe for the RHNA allocation is much shorter time period than the 20-year time period evaluated in this study.

Although the differences in purpose and in time frame analyzed in the RHNA versus this study mean that the RHNA itself is not a good proxy to project the long-term growth in housing demand in unincorporated El Dorado County, the RHNA distribution of households by income level provides a basis for allocating the long-term housing demand projections by income level. Table 26 summarizes the RHNA, which the Housing Element of the General Plan divides among the West Slope and Tahoe Basin. Of the countywide RHNA allocation of 5,353 units, the West Slope must have capacity for 4,994 units, and the Tahoe Basin must have the capacity for 359 units. Approximately 40 percent of this allocation in both geographies is for above moderate-income households, about 17 percent is in the moderate-income range, and about 43 percent is in the lower-income ranges.

Table 26: 2021-2029 Regional Housing Needs Allocation for El Dorado County

Regional Housing Needs Allocation, 2021-2029	Total RHNA		Extremely Low-Income (≤ 30% of HAMFI)		Very Low-Income (> 30% ≤ 50% of HAMFI)		Low-Income (> 50% ≤ 80% of HAMFI)		Moderate-Income (> 80% ≤ 120% of HAMFI)		Above Moderate-Income (> 120% of HAMFI)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Unincorporated El Dorado County	5,353	100%	721	13.5%	721	13.5%	868	16.2%	903	16.9%	2,141	40.0%
West Slope	4,994	100%	675	13.5%	675	13.5%	813	16.3%	840	16.8%	1,991	39.9%
Tahoe Basin	359	100%	46	12.7%	46	12.7%	55	15.3%	63	17.5%	150	41.8%

Source: SACOG Regional Housing Needs Plan, 2021-2029; 2021-2029 Housing Element Update, El Dorado County; BAE, 2021.

Projected Workforce and Missing Middle Housing Demand

The overall affordable housing demand by 2041 is the share of the overall household growth for the West Slope and Tahoe Basin that would be cost-burdened, as estimated using the existing share of cost-burdened households by income group. This assumes a status-quo relationship between household income levels and availability of housing and different cost levels. Table 27 shows the distribution of the household projections of 8,675 and 388 households in the West Slope and Tahoe Basin, respectively, by income based on the distribution of the RHNA allocation by income group. Table 27 also shows the share of household growth in each income category that would be cost-burdened, based on the existing share of cost-burdened households by income group in the West Slope and Tahoe Basin. The total projected cost-burdened households across income groups in each geography constitutes the projection of affordable housing demand.

For example, as shown in Table 27, 16.8 percent of the household growth in the West Slope is projected in the moderate-income category. Of these, 38.6 percent will be cost-burdened without an income-restricted rent or sale price, based on the existing share of moderate-income households in the West Slope experiencing a housing cost burden. To the extent that household projections indicate demand, the total number of cost-burdened households indicates the total affordable housing demand by 2041 in the West Slope. Overall, 3,488 households would be cost-burdened across all income categories among the total household growth in the West Slope between 2021 and 2041. Workforce housing demand (i.e., demand from households earning up to 120 percent of AMI) will represent 88 percent of the overall affordable housing demand between 2021 and 2041. Missing middle housing demand (demand from moderate-income households) will comprise 564 households, or 16 percent of the growth in affordable housing demand in the West Slope by 2041.

In the Tahoe Basin, across all income categories, there will be demand for 142 affordable units between 2021 and 2041, including 126 workforce housing units, of which 20 would comprise Missing Middle demand, specifically. Table 27 shows the overall future affordable housing demand as a subset of household projections between 2010 and 2041 in both the West Slope and Tahoe Basin. Table 28 summarizes the growth in the workforce housing and missing middle housing subsets of the overall growth in affordable housing demand by 2041. In total, the increased workforce housing demand in unincorporated El Dorado County by 2041 is 3,179, while the missing middle housing demand is 584.

Table 27: Projected Workforce Housing Demand, 2041

Projected Household Growth, 2021-2041 (a)	# of Total Households		Extremely Low-Income (≤ 30% of HAMFI)		Very Low-Income (> 30% ≤ 50% of HAMFI)		Low-Income (> 50% ≤ 80% of HAMFI)		Moderate-Income (> 80% ≤ 120% of HAMFI)		Above Moderate-Income (> 120% of HAMFI)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
West Slope	8,675	100.0%	1,173	13.5%	1,173	13.5%	1,412	16.3%	1,459	16.8%	3,459	39.9%
Affordable Housing Demand (b)	3,488	40.2%	866	73.8%	865	73.8%	759	53.7%	564	38.6%	435	12.6%
Tahoe Basin	388	100.0%	49	12.7%	49	12.7%	59	15.3%	68	17.5%	162	41.8%
Affordable Housing Demand (b)	142	36.6%	41	82.9%	35	71.9%	30	50.2%	20	30.1%	16	9.6%
Unincorporated El Dorado County	9,062	100.0%	1,222	13.5%	1,222	13.5%	1,472	16.2%	1,527	16.9%	3,621	40.0%
Affordable Housing Demand (b)	3,630	40.1%	907	74.2%	900	73.7%	789	53.6%	584	38.2%	450	12.4%

Notes:
(a) Projected housing unit growth for the West Slope and Tahoe Basin is based on RHNA Allocation in the 2021 Housing Element presented in Table 26. For each sub-geography, the share of the projected housing units in each income category is based on the existing distribution of households by income category, as shown in Table 9. The total of the housing unit projections for each sub-geography is the total projected housing unit growth for unincorporated El Dorado County from 2021-2041.

(b) Future workforce housing demand is estimated by applying the existing share of households with housing cost burdens greater than 30 percent of gross monthly income by income category, as shown in Table 10 and Table 11, to the total projected units in each income category by sub-geography.

Source: BAE, 2022.

Table 28: Summary of Future Demand for Affordable, Workforce, and Missing Middle, 2021-2041

Future Households, 2021-2041	Overall Affordable Housing Demand (All Households)	Workforce Housing Demand (Up to 120% AMI)	Missing Middle Housing Demand (80% to 120% AMI)
West Slope	3,488	3,053	564
Tahoe Basin	142	126	20
Unincorporated El Dorado County	3,630	3,179	584

Source: BAE, 2022.

AFFORDABLE HOUSING BEST PRACTICES

This chapter summarizes literature describing affordable policies, programs, and best practices for implementation. It includes examples of the policies covered in the literature review that are implemented in nearby jurisdictions, such as Placer County and the City of Folsom.

Literature Review

The following literature review includes an overview of the key factors explaining the nationwide housing shortage in terms of both supply and demand. The literature review then describes policies that can influence supply and demand to increase the availability of affordable housing, categorized as regulatory or funding mechanisms.

Overview

The affordable housing gap in El Dorado County is a consequence of many factors, including the cost of construction, existing local policies, as well as historic, nationwide trends in both housing development and worker earnings. This literature summarizes findings from academic, professional, and governmental research on both the source of housing affordability issues and policy interventions governments may implement to reduce a workforce housing gap. Broadly, there is a housing shortage in the United States resulting from rising development costs, and stagnant wages (i.e., there is not enough income growth to offset the rising cost of development). This issue is exacerbated by, in particular, land use and zoning policies that restrict the supply of both land and the range of housing types required to meet demand. There are two main categories of policies - regulatory changes and funding mechanisms - that governments can implement to help increase the overall supply of housing. Regulatory changes include inclusionary zoning and providing development bonuses, while funding mechanisms can include fee waivers or gap funding programs for building affordable housing. Although governments are more limited in their ability to influence demand by increasing wage levels, they may, for example, implement or expand homebuyer or rental assistance programs that can effectively augment worker incomes and thereby increase access to housing.

As of the fourth quarter of 2020, Freddie Mac estimated there was a national housing shortage of 3.8 million units, accounting for latent demand, growing demand in the immediate future, and a target vacancy rate of 13 percent [4] (Freddie Mac 2021). This is a 52 percent increase over Freddie Mac's 2018 housing shortage estimate of 2.5 million units. A 2021

[4] This is a relatively high vacancy rate assumption. Planners sometimes assume lower targeted vacancy rates, such as 2.5 percent for single-family homes and 5.0 percent for multifamily homes, which allows for a minimal availability of homes for households for households needing to move. To the extent that housing policies target lower vacancy rates, the overall need for housing units is reduced.

report for Moody's Analytics suggests that on an annual basis, increasing housing supply lags increasing demand by 100,000 units nationwide (Parrott and Zandi 2021). This shortage is driven in part by high levels of demand spurred by low mortgage rates and the economic effects of the COVID-19 pandemic that increased the need for more space at home, such as home office space or additional living space for people who are spending more time at home conducting activities such as schooling, that were previously done outside the home. The shortage alone may mask the severity of undersupply of housing for different income groups. Focusing on single-family homes, the Freddie Mac report notes that amidst the drastic overall decline in annual housing construction since the late 1970s, the share of entry-level homes in overall construction declined from 40 percent in the early 1980s to around seven percent in 2019. Consequently, "prices for homes sold in the bottom quartile are up nearly eight percent per annum over the past decade, almost double that for homes in the top quartile." (Parrott and Zandi 2021).

Not only is housing supply constrained because of high demand, but also by the cost to build housing becoming more expensive. Housing development consists of three main cost components: land costs, hard construction costs, and soft costs. Although there are no official definitions, hard costs tend to include labor and materials only, while soft costs include design, engineering, costs associated with entitlement, required studies, impact fees and other development costs not directly related to the construction of the building (Hoyt and Schuetz 2020).

Local governments have few tools to influence hard costs, which depend on market conditions. Inflation in building material costs has been well-documented in the press (Nicholson, Merrill and Cedric 2021) (Mutikani 2021), with steep increases in prices for materials as a result of peaking demand as well as supply chain issues that lead to materials bottlenecks, and lot and labor shortages. Indeed, as noted by the National Association of Homebuilders (NAHB) in November 2021, based on Producer Price Index (PPI) data, "the price of all goods inputs to residential construction (including energy) has risen 14.5% thus far in 2021. The year-to-date increase is double that of the previous record year-to-date October increase [+7.1% in 2008]" (Logan 2021). This demonstrates that local governments are ultimately constrained in their ability to influence the cost to build housing, as hard costs can account for between 50 and 70 percent of total development costs (Hoyt and Schuetz 2020) (National Multifamily Housing Council and HR&A 2019) (Hoyt 2020). However, as some of the policies described below show, relaxing development and building standards can reduce hard costs by requiring fewer resources to build, although the price of materials and labor would not change.

Despite a limited ability to affect hard costs, there are tools for local governments to help lower soft costs and land costs. The National Multifamily Housing Council provides a useful framework to understand government interventions, categorizing the tools as either regulatory policies or funding mechanisms. The following subsections of this literature review summarize

research on the efficacy of regulatory policies and funding mechanisms on addressing housing affordability, as well as best practices for implementing them.

Regulatory Policies

Regulatory policies to address housing affordability are defined by HUD as policies that remove regulatory barriers that either result in net costs (i.e., the costs of compliance exceed the social benefit of the policy), create barriers for competition among developers, or generate significant social costs (HUD 2021). Indeed, according to HUD, "the challenge is to preserve regulations that improve housing market functioning and create social benefits, including quality of life, while reducing regulatory barriers that impede the functioning of free markets and create net social costs." Regulatory incentives can be relatively inexpensive and straightforward to implement compared to direct funding mechanisms, albeit less effective in increasing new housing by large amounts (National Multifamily Housing Council and HR&A 2019).

Relaxing Minimum Development Standards

A 2019 study on regulatory barriers to market-rate multifamily development in California found that contrary to economic theory, higher rents in California jurisdictions do not predict increased multifamily construction (i.e., high prices do not drive developers to produce more units) (Schuetz and Murray 2019). The study did, however, find a statistically significant relationship between less restrictive density/height standards and increased multifamily permit activity in California cities. Similarly, Rothwell (2019) found that minimum lot size requirements in California consistently and robustly predict higher housing costs and larger homes. According to the El Dorado County Housing Element, of the 2,766.4 acres of vacant residential parcels in the West Slope, just 6.3 percent are in the RM zone, which has a maximum density of 24 units per acre and is the only zone in the County that allows development at a density higher than one primary unit per acre other than mixed use in some commercial zones. This is in contrast to the Sacramento region generally, which has the highest share of land zoned for multifamily development (31.4 percent) among California's six largest metropolitan areas (Rothwell 2019). A larger supply of developable land for higher density housing may help to reduce land costs for developers as a result of increased supply relative to demand, particularly those who would be interested in developing medium- and high-density residential projects.

While local governments cannot influence labor and material prices, adopting local design standards can help lower hard costs for developers by helping to avoid incorporating expensive design features (HUD 2021). Key elements of reducing both the hard and soft costs associated with strict design standards is adopting objective standards and adopting a by-right approval process. A faster and more predictable process will help to lower overall development costs by reducing risk and minimizing the time from pre-construction to construction (National Multifamily Housing Council and HR&A 2019) (SACOG 2020).

Reducing parking requirements can also help to reduce overall hard costs. In high-density multifamily developments in particular, where minimum parking standards necessitate structured parking, each required parking space can add between $50,000 and $60,000 in hard costs per unit. A 2020 study investigating cost components and strategies to mitigate development expenses found that for the median affordable multifamily project, structured parking adds 27 percent to development costs per unit (Hoyt 2020).

Relaxing development standards, like parking, can help to increase market rate development overall by lowering development costs and by improving the revenue potential of a project by adding more revenue-generating units through increased density, while dividing fixed costs like land across more units, therefore reducing per unit development costs. Allowing increased market rate development is ultimately an indirect tool to improve affordability. There is a significant amount of research studying the link between increased housing supply and overall levels of affordability. Research has shown that new units slowly become more affordable, particularly as they enter the rental market. This is known as "filtering" Rosenthal (2014) and Weicher, Eggers, and Moumen (2016) (Freeman and Schuetz 2016). Filtering literature is based on a framework of 'migration chains' in which vacant units are successively reoccupied by increasingly lower income households. One 2019 study found that building 100 new market rate units can induce between 45 and 70 people to move out of below-median income Census Tracts to new buildings within five years (Mast 2019), opening up more affordable units for lower income households. In general, however, increasing the amount of market rate development indirectly impacts housing affordability over time, particularly for households in low-income Census Tracts with high vacancy rates (Mast 2019). One major limitation of simply building more housing is that market forces cannot target the specific demand for affordability from different income groups that this report estimates exists in El Dorado County.

Inclusionary Zoning

Inclusionary zoning can help to link mechanisms for improving the feasibility of building housing to addressing specific workforce housing gaps by income level. HUD defines Inclusionary Zoning (IZ) as policies that "require or encourage developers to set aside a certain percentage of housing units in new or rehabilitated projects for low- and moderate-income residents" (HUD Office of Policy Development and Research 2013). IZ policies date back to the 1970s, although the majority of jurisdictions with IZ policies implemented them after 2000 (Thaden and Wang 2017). A 2021 Urban Institute report on IZ policies in the United States also notes that cities are turning to IZ as a way to increase affordability in response to the economic impacts of the COVID-19 pandemic, which severely exacerbated the nationwide housing shortage (Stacy, et al. 2021).

A 2017 study included a national survey of IZ policies, identifying a total of 1,379 programs across 791 jurisdictions, 17 percent of which were in California. Although there is no official inventory or survey of all IZ programs, the 2017 study surveyed a subset of 273 jurisdictions. The study found the most common type of program was a mandatory requirement of on-site affordable units, although many programs also allowed for in-lieu fee payments, off-site

contributions, land donation, and discretionary negotiations of equivalent contributions (Thaden and Wang 2017). Given economies of scale, most IZ policies designate a minimum development size in terms of the number of units (Stacy, et al. 2021). For example, the City of Folsom sets the minimum development size of 10 or more units.

According to the California Coalition for Rural Housing, which maintains a database of IZ programs in California, 16 counties have an IZ policy, the majority of which have mandatory requirements. The only counties with voluntary IZ requirements are Santa Cruz, Napa, Tuolumne, and Santa Barbara. The minimum identified IZ requirement is ten percent, although the minimum level of affordability ranges. No IZ policy has a minimum requirement that units must be affordable to Extremely Low Income households, although most policies require some portion of the minimum required affordable units for rental projects to be income-restricted for Very Low Income households (California Coalition for Rural Housing 2021).

Studies have noted that developers tend to perceive of IZ policies as a tax on development, which can undermine the feasibility of development overall, leading to reduced supply and higher prices (Hamilton 2021) (National Multifamily Housing Council and HR&A 2019). Realistically, IZ policies only render projects infeasible for marginal development projects (i.e., projects where projected costs and revenues, accounting for minimum developer profit, are close to zero). A report from the Grounded Solutions Network (2016) notes that developers can make up for the increased costs of adding units by lowering their risk threshold for deciding to pursue projects, although this may be untenable in an economic climate of unpredictable development costs. For example, developers will typically target a certain yield on their investment that is adjusted for risk (i.e., the higher the perceived risk, the greater the profit potential (yield) the developer will require. If developers perceive risks to be lower because of a more predictable entitlement process, they would then be willing to target a lower yield on cost.

The literature, including research citing developers, does suggest that a well-designed IZ policy will tie inclusionary requirements to incentives in the form of development bonuses. Indeed, there is evidence that a well-designed policy may even help to increase market rate development (Stacy, et al. 2021). In particular, in markets with high land costs, it is economical for developers to maximize the number of units they can build. Although density bonuses are common, Floor Area Ratio (FAR) bonuses can be particularly valuable when taking advantage of a density bonus requires more expensive materials to build taller. An FAR bonus allows developers to add units by occupying a greater share of the site size, therefore accommodating more units at lower heights with cheaper materials (Stacy, et al. 2021) (Zhu, et al. 2021). This may be a useful strategy to implement in El Dorado County, where developers are unlikely to build tall buildings due to height limit restrictions.

One IZ program in Los Angeles, the Transit Oriented Communities program (TOC Program), has been relatively successful since it was implemented, and provides useful lessons for implementing IZ policies. The TOC program is a by-right IZ program, meaning developers who meet the minimum affordability criteria avoid a long and risky entitlement process. In fact, a 2021 study shows that despite being newer than the State Density Bonus program, the number of units and permits provided by the TOC program has caught up to the number of units permitted in Los Angeles under the State Density Bonus program, particularly as the permitting time is less than half that of the entitlement process for a project under the State Density Bonus program. The TOC Program also includes different thresholds of affordability for developers to comply with, with an increasing number of units required for rents targeted at higher income levels. Critically, the TOC Program offers developers both a density bonus and corresponding FAR increase by-right, whereas additional concessions beyond the density bonus under the State Density Bonus program require discretionary approval. The 2021 study found that developers are inclined to prefer mixed-income projects because the density and FAR bonuses allow for enough additional market-rate development to offset the lower revenue generated by the inclusionary units (Zhu, et al. 2021). Finally, the TOC program offers higher density and FAR bonuses to projects closer to transit amenities. While transit access may not be as useful for directing development to desirable areas within El Dorado County, an IZ requirement could also encourage development near retail corridors and job centers using similar TOC program incentives.

Despite their popularity, there are no conclusive studies on the number of units IZ programs have produced. Studies and surveys estimate that of all housing permits issued in a jurisdiction with an IZ policy, approximately nine percent are inclusionary units, although the average minimum set-aside for IZ programs is 16 percent (Stacy, et al. 2021) (Thaden and Wang 2017). Overall, IZ programs do directly provide new affordable units, but the number of affordable units will always lag behind the number of market rate units. Therefore, while IZ programs can help to increase affordable housing, IZ policies cannot help jurisdictions fill existing gaps in affordability. To some extent, IZ policies rely on development bonuses to spur increased market rate development as way to increase supply to improve affordability. The 'Implementing Inclusionary Zoning' section of this report analyzes the potential impacts on feasibility of a local IZ policy, showing the thresholds of the proportion of affordable units and levels of affordability that market rate development in El Dorado County could support.

Funding Mechanisms

Funding mechanisms include direct or indirect subsidies a local government provides to a project. Direct mechanisms would provide gap financing or equity to an affordable housing project, while indirect subsidies include reducing the fees and taxes an affordable housing project would pay.

Reducing/Waiving Impact Fees

Development impact fees exist to generate revenue to fund capital investments necessary to keep up with the growth-related impacts of new development, and they are a standard source of revenue for many local jurisdictions. However, there is little consistency, even within states, regarding how to determine fees. Typically, jurisdictions determine impact fees for individual categories like roads or schools independent of one another, which can lead to high overall fees that do not account for impact on development feasibility. In addition, fees are unpredictable, with fees in the same category (i.e., parks, roads) varying significantly from jurisdiction to jurisdiction (Raetz, Garcia and Decker 2019). Moreover, developments may incur fees from several jurisdictional agencies, and it is not always clear which fees apply and how much they will be, adding risk for developers. In California, one study finds that fees per unit range from just over $20,000 in Sacramento, to nearly $40,000 in nearby Roseville (Terner Center 2018). Fremont has total impact fess per unit of nearly $160,000. According to the Housing Element, development in unincorporated El Dorado County can incur fees between $43,000 and just under $80,000 per unit depending on the development type and size including a portion of total fees that are payable to entities other than the County (i.e., fire districts, school districts, park and recreation providers, community services districts, and water providers. This is on the high end for jurisdictions in the SACOG region (El Dorado County 2021).

Although impact fees intend to keep up with growth-related impacts to infrastructure, not all housing developments will generate the same impact. Infill development, for example, may not add the same level of new demand for infrastructure as a "greenfield" (i.e., vacant and undeveloped site) development (National Association of Home Builders 2016). Therefore, El Dorado County may be able to improve the feasibility of an affordable housing project by reviewing the potential for waiving impact fees on a discretionary basis. If affordable housing is a priority for El Dorado County, it may supersede the urgency for generating revenue to keep up with growth-related impacts to infrastructure by waiving fees for affordable development. State and federal grants for infrastructure, which have increased under the Biden Administration, may help make up for lost revenue. A 2021 study finds that in the absence of fee waivers, the timing of fee collection also affects development feasibility, with developers preferring to defer fee payments until after the project is complete, which reduces their costs through cheaper borrowing with shorter timelines (Phillips 2021).

Housing Trust Fund and Gap Financing

A Housing Trust Fund (HTF) is one method for a local government to provide gap financing for affordable housing projects. The vast majority of the estimated 770 housing trust funds nationwide have a dedicated source of funding that has some nexus to housing, such as a diversion of property taxes or housing linkage or in-lieu fees (Housng Trust Fund Project 2016). However, very few academic or professional studies on local affordable housing mechanisms suggest establishing an HTF or equivalent program to subsidize affordable housing production. In most instances, the HTF is cited as a mechanism to collect IZ in-lieu fees, where in-lieu fees

are an alternative means of compliance with IZ policies (Freeman and Schuetz 2016) (Nicholson, Merrill and Cedric 2021). In fact, literature on in-lieu fees suggest that local jurisdictions prefer developers to build on-site affordable units at the same time as the market rate units are being constructed, allowing the jurisdiction to avoid developing its own properties or administering a grant or loan program, both of which can be time-consuming and costly (Stacy, et al. 2021).

Similar to reducing impact fees, other means of compliance to fund an HTF or gap financing program typically require a diversion of existing revenue sources (i.e., increased discretionary spending) or a new tax, meaning there is a trade-off in public investment (Freeman and Schuetz 2016).

Down Payment Assistance

According to the Urban Institute, "saving for a down payment is a considerable barrier to homeownership. With rising home prices, rising interest rates, and tight lending standards, the path to homeownership has become more challenging, especially for low-to-median-income borrowers and potential first-time homebuyers," (Goodman, et al. 2018). The Urban Institute estimates that as of 2018, there were 2,527 down payment/homebuyer assistance programs nationwide at the federal, state, and local levels, although they are not standard given that different communities have varying capacities to support grants and lending (Goodman, et al. 2018) (Choi, et al. 2019). There are no studies or inventories of locally-funded down payment assistance programs, as most jurisdictions draw on state or federal funds to support the program (Loftin and Stegman 2021). Placer County's homebuyer assistance program described in the next section is funded through federal HOME grants, while the Sacramento Housing and Redevelopment Agency operates the State's CalHFA Homebuyers Loan Program. El Dorado County has been operating a homebuyer assistance program on and off since 2004. The extension of these programs depends on securing additional funding. A 2019 study for the Federal Reserve Bank of St. Louis concludes that "the receipt of [down payment assistance] is not significantly associated with default risk", noting that down payment assistance is particularly important to minority borrowers (Stegman, Riley and Quercia 2019).

Policies and Programs in Nearby and Similar Communities

Jurisdictions near the Sacramento and Tahoe regions offer examples of policies to address workforce housing in areas that share economic and demographic characteristics with El Dorado County. Regulatory changes El Dorado County can implement include relaxing development standards and implementing inclusionary zoning, whereas funding mechanisms include subsidy and abatement programs to lower the cost of development or to directly assist homebuyers and renters. These examples illustrate how the policies are implemented in the regional context, provide a sense of the specific parameters of the policies in nearby areas with similar market conditions, and demonstrate how effective different policy interventions can be at the local scale.

Placer County

The following is an overview of key affordable housing policies implemented by Placer County.

Inclusionary Zoning/Affordable Housing Fee In-Lieu

Effective January 1, 2021, the Placer County Affordable Housing and Employee Accommodation Fee Ordinance started a $2.00 fee on non-exempt residential and nonresidential development that is annually adjusted for inflation. As of 2022, the fee is $2.12 per habitable square foot of market rate residential development, and $2.12 per net building area square foot for nonresidential development. Developers can include at minimum ten percent of units in projects of 8 to 100 units as affordable or pay the fee in-lieu. Forty percent of the inclusionary units must be affordable for Very Low-Income households, while 60 percent must be affordable to Low Income households. There is no in-lieu fee for developments larger than 100 units, as developers have a minimum requirement of ten percent affordable units, while projects of smaller than eight total units are exempt from affordable housing requirements. The fee for nonresidential development is known as the Employee Accommodation Fee, with the intent of funding affordable housing development to respond to the increased workforce housing needs that new nonresidential development generates.

Certain exemptions to the fee and inclusionary zoning requirements exist to promote certain types of development. For example, a residential project of any size where the majority of units are smaller than 1,600 square feet is exempt. Developers may choose to avoid the fee by developing projects with small unit sizes, therefore building small lot single-family development, townhomes, or multifamily units, which can improve affordability by increasing the diversity of available housing types and price points. This is important in Placer County, where, like El Dorado County, the majority of residential development is large lot single-family development. Similarly, there are exemptions to the policy that help to promote mixed-use development, projects on sites near transit, and infill development. Table 29 summarizes the details of Placer County's Inclusionary Zoning policy.

Table 29: Placer County Inclusionary Zoning Policy

Placer County	Inclusionary Zoning Policy
Minimum Project Size	8 Units
Inclusionary Requirement	10%
Affordability (a)	
Rental Projects	40% at 50% AMI; 60% at 80% AMI
For Sale Projects	100% at 120% AMI
Fee In Lieu (b)	$2.12
Exemptions	- Projects with Average Unit Size < 1,600 sf
	- Project located in Transit Priority Area
	- Mixed-Use Project with 70% residential units

Notes:
(a) For projects larger than 100 units, the ten percent affordability requirement for both for sale and rental projects is 4% at 50% AMI, 4% at 80% Ami, and 2% at 120% AMI.
(b) Fee Established at $2.00 per square foot and adjusted annually for inflation. Fee shown as of FY22.

Source: Placer County, 2022; BAE, 2022.

Housing Trust Fund

The Affordable Housing and Employee Accommodation Fee is placed in the Placer County Housing Trust Fund (HTF). According to the County's HTF guidelines, "funds can be loaned or granted to correct immediate health and safety issues, to achieve substantial rehabilitation, to produce new housing stock with long term affordability, for very low-, low- and moderate-income owner-occupied and tenant-occupied households, and to produce new employee workforce housing units with long term workforce requirements in unincorporated Placer County." Placer County encourages applicants to the HTF to use funds to leverage other sources of funding such as the Low-Income Housing Tax Credit (LIHTC) or state level programs. The cumulative gross annual incomes of development supported by the HTF must not exceed 120 percent of AMI for ownership units, and 80 percent of AMI for rental units. Units must be income-restricted for a minimum term of 20 years.

Development Bonuses

Placer County has also implemented density bonuses and reduced parking requirements to promote the construction of affordable units. As shown in Table 30, there are a range of density bonuses depending on the percentage of affordable units in a project and their affordability level. For example, a project that includes at minimum ten percent affordable units at up to 80 percent of AMI (i.e., lower income) is eligible for a 20 percent increase in density. Projects are eligible for additional density bonuses for each one percent of units above the minimum requirement, with a maximum density bonus of 35 percent. Projects that meet these affordability requirements are also entitled to reduced parking requirements per unit, based on the unit size. Moreover, applicants that request a density bonus based on affordability receive priority processing to help reduce development costs. Placer County's density bonus program is below the requirements of the 2021 updated to State Density Bonus program, which allows for a maximum density bonus of up to 50 percent for increments of affordable units above the minimum requirement.

Table 30: Placer County Density Bonuses for Affordable Housing

Residential Development Minimum Unit Mix	Density Bonus (a)
10% @ up to 80% AMI	20%
5% @ up to 50% AMI	20%
Condominium with 10% at up to 120% AMI	5%
Planned Development with 10% at at up to 120% AMI	5%

Notes:
(a) For each one percent increase above the minimum affordable unit requirement, a project will receive a density bonus increase up to a maximum density bonus of 35 percent.

Source: Placer County, 2022; BAE, 2022.

Accessory Dwelling Units

Placer County is actively supporting private homeowners that are seeking to add an Accessory Dwelling Unit (ADU). Placer County maintains a dedicated website for prospective ADU builders that compiles County resources like free plans, cost calculators, and online permitting. ADUs are also eligible for reduced development and permitting fees that can cost up to $20,000 per unit, depending on the location of the property. Notably, El Dorado County is in the process of implementing a similar structure of permitting ADUs, including offering free plans and waiving traffic impact fees.

Homebuyer Assistance Program

Placer County has two homebuyer assistance programs: one for first time homebuyers and another for workforce housing. The First Time Homebuyer Assistance Program is available to households with incomes up to 80 percent of AMI who are pre-approved for a mortgage loan. The program will provide up to $100,000 in assistance to bridge the gap between the mortgage for which the household qualifies and the cost to purchase a qualifying home, which must be in unincorporated Placer County. The homebuyer must also have three percent of the purchase price available as a down payment, which cannot be in the form of a loan. Placer County does not require participants in the program to make monthly payments. Participants in the program may pay the County back when the mortgage expires or when the home is sold. The County obtained funding from HUD's HOME Investment Partnerships Program (HOME), via the state, in the amount of $243,750 in FY21 to support the program. It is unclear if the County will secure additional funding to extend the program.

Workforce Housing Preservation Program

As of 2022, Placer County is administering a Workforce Housing Preservation Program (WHPP)through which the County pays homeowners to place a 55-year deed restriction for occupancy by Placer County workers on the units. The amount of funding an applicant to the program receives is decided on a case-by-case basis and is available to the applicant at the point of sale. The funding is available as homebuyer assistance for households earning up to 245 percent of AMI in Eastern parts of the County (near the Tahoe Basin) and up to 120

percent AMI for households in other parts of the County. If an applicant obtains assistance from the program, the unit is deed-restricted for 55 years to households that are either achievable income (225-245% AMI), moderate income (120% AMI) or low income (80% AMI) and include at least one person who is employed for a minimum of 30 hours per week in Placer County. This means the amount the unit can be sold or rented for is limited based on the deed restriction in place. Developers may also purchase deed restrictions for units off-site under the program as an alternative means of compliance with IZ requirements. Initial funding for the program totals $500,000, including half from the County's General Fund and half from Transient Occupancy Tax (TOT) revenue that County had reserved for housing activities. After full implementation, the County expects to deed-restrict 50 units annually, including ten in Eastern Placer County and 40 in the rest of the Placer County, at an annual cost of $3 million.

Other Incentives

Although there is no official schedule of fee waivers, the Placer County will consider the deferral or waiver of development or building permit fees on a discretionary basis. A key consideration for Placer County to waive fees will be the extent which the fees impose an obstacle to constructing an otherwise qualifying housing project.

City of Folsom

The following is an overview of affordable housing policies implemented in the City of Folsom.

Inclusionary Zoning/Affordable Housing Fee In-Lieu

The City of Folsom requires residential development projects of ten or more units to include ten percent inclusionary housing units. Specifically, all for-sale, multifamily rental, and condominium conversion projects as well as specific plans must include at minimum three percent very low-income units (50 percent of AMI) and seven percent low-income units (80 percent of AMI). There are alternative means of compliance, including land dedication, providing affordable units off-site, converting existing market-rate units, or paying an in-lieu fee. The in-lieu fee option for residential projects is not a direct fee. Rather, the fee is equal to one percent of the lowest-priced for-sale unit, multiplied by the total number of units. Unlike Placer County's inclusionary zoning policy, there are no exceptions for specific kinds of development the City is trying to promote. The only exceptions to the policy are projects with less than ten units, or developments on parcels with specific legal restrictions that prevent imposing the inclusionary policy.

Table 31: City of Folsom Inclusionary Zoning Policy

City of Folsom	Inclusionary Zoning Policy
Minimum Project Size	10 Units
Inclusionary Requirement	10%
Affordability (a) (b)	30% at 50% AMI; 70% at 80% AMI
Fee In Lieu (c)	1% of the lowest priced for-sale residential unit
Exemptions	- Projects on parcels with legal restrictions
Alternative Means of Compliance	- Land dedication
	- Off-site construction
	- Conversion of market rate units

Notes:
(a) When four or fewer inclusionary units are required, the inclusionary units shall be provided in the following manner: one inclusionary unit: one low income unit; two inclusionary units: one low income unit and one very low income unit; three inclusionary units: two low income units and one very low income unit; four inclusionary units: three low income units and one very low income unit.
(b) Same affordability requirements for both for sale and rental projects.
(c) There is no in lieu fee for rental projects

Source: City of Folsom, 2022; BAE, 2022

Housing Trust Fund

The City of Folsom imposes an impact fee on nonresidential development that is deposited into the City's Housing Trust Fund (HTF). Exceptions include the development of new schools, churches, parking lots, and similar uses. The impact fee as of 2022 is $1.76 per gross square foot for the first 200,000 square feet of a nonresidential development. The fee per square foot declines to 75 percent for the next 50,000 square feet above 200,000 square feet, and to 50 percent for the next 50,000 square feet. The portion of a development beyond the first 300,000 square feet is subject to 25 percent of the fee. The City may use HTF monies on all activities that promote the goals and implement the policies contained in the City's Housing Element, which can include building affordable housing to loans or equity participation.

Development Bonuses

Consistent with the State Density Bonus program, Folsom offers developers a density bonus for affordable units above and beyond the minimum inclusionary requirements. The City will grant a density bonus to projects that include at least ten percent of units restricted for low-income households (the minimum requirement is seven percent), or at least five percent for very low-income units (minimum requirement is three percent). Developers receive a 20 percent bonus at minimum and receive an incremental increase in density up to 35 percent for every one percent of low- or very low-income unit above the thresholds of ten and five percent, respectively. In order to incentivize denser and more diverse development like condominiums, developers can receive a density bonus of five percent if at least ten percent of the units are restricted for moderate-income households (i.e., 120 percent of AMI). For each one percent above the ten percent minimum requirement, the City will allow an incremental increase in density up to 35 percent. Finally, a developer is entitled to a 15 percent density bonus if it donates a minimum of ten percent of a project's land to the City, with an incremental increase in the density bonus of up to 35 percent.

Other concessions and incentives include reducing parking requirements, minimum lot sizes, setbacks, lot coverage, building height and other development standards. Furthermore, the share of affordable units also corresponds with the number of incentives and concessions a developer may utilize. For example, restricting twenty percent of units for low-income households entitles a developer to two incentives, which can include the density bonus and any one of the reduced development standards.

Homebuyer Assistance Program
Folsom has a resale program for deed-restricted units to assist low- and very low-income households with purchasing a home. The City has 75 deed-restricted units that it monitors to ensure the units are sold to other low- or very low-income households at a price set by the City. However, the City does not currently have a policy or plan to fund or build any more units that would be covered under the program.

Accessory Dwelling Units
In part due to state laws passed in 2020 that make ADUs easier to develop, property owners may build ADUs of 800 square feet or less with a maximum height of 16 feet without submitting a design review application. However, there are no fee waivers for building an ADU, unlike in Placer County or El Dorado County.

Sacramento County
The following is an overview of the affordable housing policies implemented in Sacramento County.

Affordable Housing Fee and Housing Trust Fund
Sacramento County's Affordable Housing Ordinance imposes a fee on market-rate residential development that is collected and administered by the Sacramento Housing and Redevelopment Agency (SHRA). As of 2021, the fee was $3.04 per habitable square foot. The affordable housing program allows for alternative means of compliance through a development agreement with the County, committing to other mechanisms such as land dedication or construction of below-market rate units in an amount equivalent to the total fee collected. SHRA uses the fee revenue to construct affordable housing as well as provide grants and gap financing to build affordable units. Notably, Sacramento County does not have an inclusionary requirement in addition to the fee.

Development Fee Deferral Programs
Sacramento County will defer or waive fees for projects where ten percent of units are deed-restricted for very low-income households, or 49 percent of units are deed-restricted for low-income households. All projects that meet these minimum requirements may be eligible for a deferral of up to 24 months, although the County does require an upfront payment equivalent to ten percent of the fees. Projects may apply for fee waivers, but there is a cap on the

amount of waivers granted. The cap is equivalent to the greater of 200 dwelling units or five percent of residential permits issued in the unincorporated county the previous year. Applying for either a deferral or waiver requires an application and a fee of $1,000. The following development fees may be deferred or waived under the program: Antelope Public Facilities Financing Plan Area Fees; North Vineyard Station Specific Plan Area Fees; Vineyard Public Facilities Plan Area Fees; and Sacramento County Transportation Development Fees.

Development Bonuses
Sacramento County has implemented the Housing Incentive Program (HIP), providing density bonuses to residential projects that include affordable housing or housing for special needs. Qualifying projects include new developments of at least five units on properties zoned RD-20 and above, mixed-use, or commercial. Ten percent of the units in a qualifying project must be either three-bedroom units, accessible units, age-restricted units, income-restricted units, or housing for veterans. Therefore, developers can obtain a density bonus for meeting requirements other than affordability alone. Depending on the zoning, the density bonus ranges from ten to 15 percent. In addition to the density bonus, eligible projects can request an additional waiver of development standards like parking, setbacks, and building height.

Homebuyer Assistance Program
Through SHRA, Sacramento County can provide first time home buyers with a tax credit on federal income tax, known as the Mortgage Credit Certificate Program, to assist homebuyers with purchasing a home. SHRA also administers the state-level CalHome program. However, due to a depletion of funds, neither program is currently active.

Tahoe Regional Planning Agency
Given the unique and sensitive planning environment in the Tahoe Basin, the Tahoe Regional Planning Agency (TRPA) has restricted the overall amount of development that can occur, both annually and overall. As a result, there are no mechanisms to increase the overall supply of housing in the Tahoe Basin, although the TRPA does have policies in place to encourage smart growth and the development of missing middle housing. Also, as noted, Placer County administers a program to deed restrict workforce housing in the Tahoe Basin, although this policy does not and cannot, incentivize additional development beyond TRPA's established limits.

TRPA manages growth by having determined maximum buildout and allocating the development potential into either residential units or commercial square footage. Each jurisdiction within the TRPA region receives an annual allocation of development rights, with El Dorado County receiving an allocation of 30 residential units a year. TRPA allocates 120 units per year throughout its jurisdiction, and also maintains a pool of bonus units, which any project in any jurisdiction may receive if it is eligible. Projects receive allocations by applying to the County for an allocation, although allocations are also sold on a secondary market. Bonus units are awarded to eligible projects based on either environmental or affordability criteria.

For example, a developer would obtain a residential allocation for razing an existing residential unit. If the razed unit was in a Sensitive Environment Zone (SEZ), a developer would be able to build more than one unit if the new development is in one of the Town Center districts. Similarly, a developer that applies for an allocation may receive additional allocations depending on whether any units in the proposed development are income-restricted and will remain deed-restricted. Bonus units are awarded based on the total points a project can receive based on such criteria.

Receiving a residential allocation is expensive because they are allocated on a first-come, first-serve basis with a limited number available during a given year. As a result, the cost of an allocation on the private market is also very high. A bonus unit incentivizes developers to meet affordability and environmental requirements by offering additional allocations at no additional cost to the developer. This not only increases the number of deed-restricted units for workforce housing, but also incentivizes the development of missing middle housing by encouraging denser development in the town centers.

El Dorado County

The following is an overview of the affordable housing policies that El Dorado County currently implements.

First Time Homebuyer Loan Program

Utilizing the federal Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) programs and the County's revolving loan fund, El Dorado County operates a First Time Homebuyer Loan Program. The program provides low interest rate second mortgage loans to households earning up to 80 percent of AMI. The loan has an interest rate of three percent, with payments deferred for 30 years. The maximum loan varies by funding program but in no case can it exceed the first mortgage loan amount. The program also requires a minimum down payment of 2 percent of the purchase price to qualify. The program is not permanent, and loans are only available while funding lasts. This is similar to the down payment assistance programs in other nearby jurisdictions.

Housing Rehabilitation Loan Program

Similar to the First Time Homebuyer Program, El Dorado County utilizes CDBG and HOME funding to operate the Housing Rehabilitation Loan Program. The program is designed to assist low-income families with home repairs to correct health and safety issues or to meet code compliance standards. The loan is available to both low-income households who use the home as their primary residence, or to owner-investors that rent to low-income households. For families, the loans are fully amortized at three percent simple interest for a term of up to 15 years. Loans for owner-investors will have five percent simple interest for a term of up to 5 years. The maximum loan amount is $40,000.

Mortgage Credit Certificate Program

El Dorado County offers its low- to moderate-income residents an opportunity to participate in the California Rural Home Finance Authority's National Homebuyer Fund. Over 40 counties and cities are members of the California Rural Home Finance Authority, each offering access to the National Homebuyer Fund. When funding is available, eligible homebuyers can obtain a mortgage credit certificate (MCC) for the first mortgage, down payment assistance, or closing costs associated with a home purchase. The MCC is a 20 percent IRS tax credit that reduces the federal liability of qualified borrowers. Notably, El Dorado County does not directly operate the program.

Traffic Impact Fee (TIF) Offset Program for Affordable Housing

El Dorado County sets aside $1 million of federal and state transportation revenues to implement the Traffic Impact Fee (TIF) Offset Program for Affordable Housing. Projects eligible for the program are developments of at least five units where at least twenty percent of the units would be affordable to very low-, low-, or moderate-income households. The amount of the traffic impact fees waived depends on the level of affordability, and the duration of the deed-restriction. For example, one hundred percent of the traffic impact maybe offset for projects where the affordable units are restricted for very low- income households for at least 20 years. By comparison, if the affordability level is for moderate-income households for at least 20 years, the offset is 25 percent of the traffic impact fee. The minimum term of affordability for projects to be eligible for the program is ten years, under which very low-income units would qualify the project for a 50 percent offset, while there would be no offset for units affordable to moderate-income households.

Development Fee Waivers

Board Policy B-11 provides Fee Waivers for federally tax-exempt private non-profit or public agency applicants for construction of affordable housing utilizing primarily volunteer or self-help construction labor. Applicable Planning, Building, Transportation, Environmental Management and Parks and Recreation fees may be deferred on a new construction unit until such time as a refinancing, resale or change in ownership from the initial owner-occupant of the unit occurs. The deferred amount shall bear simple interest at a rate of three percent (3%) per annum on the unpaid balance and become due and payable by the owner/occupant upon the refinancing, resale or change in ownership of the unit.

Priority Processing "Fast Track" Approvals

The prioritization and expediting of the review process for affordable housing and employment-generating project applications over the review of other land use applications is a program adopted by the Board of Supervisors through Policies of the Housing Element of the County's General Plan (HO-1.7, HO-4, HO-6, and HO-10.) The "Fast Track" approval process streamlines the review process for projects that produce affordable housing or workforce housing that benefits very low-income, low-income, moderate-income, or senior citizen households.

Flexible Development Standards
El Dorado County allows for flexibility in development standards of affordable housing projects in order to maintain feasibility without negatively affecting the resulting development that are reviewed on a case-by-case basis. The burden is on the applicant to show that the waiver or modification requested is necessary in order to make the affordable housing units for the targeted income group economically feasible to construct.

The Oak Resources Conservation Ordinance Fee Exemptions and Reductions
In 2017 the El Dorado County Board of Supervisors adopted a mitigation and conservation plan and ordinance for the County's oak resources that include an in-lieu mitigation fee option. The Oak Resources Management Plan (ORMP) and Oak Resources Conservation Ordinance apply to all privately-owned lands within the unincorporated area of the County at or below 4,000 feet elevation (above sea level) where oak resources are present.

Affordable housing projects for lower income households that are located within an urbanized area, or within a sphere of influence as defined pursuant to California Government Code §56076 are exempted from the mitigation requirements included in the ordinance.

Non-exempt affordable housing projects may qualify for partial oak woodland mitigation credit. Specifically, development projects that propose a minimum of 10 percent of the dwelling units as income restricted affordable units will be granted a reduction in the amount of oak woodland that is required to be mitigated. The reduction for affordable housing projects does not apply to removal of Heritage Trees or individual valley oak trees. This reduction for affordable housing projects also does not apply to impacts to valley oak woodlands.

Predevelopment Loan Program for Affordable Housing:
El Dorado County has limited funding for low interest, short term loans from the Affordable Housing Fund (AHF). Predevelopment loans from AHF may be made to assist non-profit developers with project feasibility studies, site acquisition and preliminary design studies for potential affordable housing. Types of projects in which the AHF may invest must be located in the unincorporated area of the County and may include creation of new deed-restricted affordable housing units; preservation of existing affordable multi-family housing; multi-family rehabilitation programs; conversion of market rate units to affordable housing units; required off-site improvements including transit stops, and trail/bike path connections.

Key Takeaways
There is a nationwide housing shortage. The affordable housing gap identified in this report is not a challenge unique to El Dorado County. Not only are the costs to build housing rising rapidly, but also the increase in costs has far outpaced household income growth. However, local governments can influence, to varying degrees, the four main components of housing development: hard costs, soft costs, land costs, and revenue. For example, limiting local design and development standards can help lower hard costs for developers by reducing

expensive design features. Relaxing development standards may be effective for developers that are constrained by density, although discussions with County staff suggest developers are not necessarily seeking increased density for projects in El Dorado County. Reducing parking standards is one the of the main ways local government lower development standards, but this is also less attractive in El Dorado County which does not have robust transit connections or transportation alternatives and where the majority of workers drive to their jobs. Also, construction of structured or multilevel parking (the most expensive type) is not common.

An IZ ordinance, similar to lowering development standards, is a regulatory policy that would not impose direct costs to the County to implement. A mandatory IZ policy alone, like the ten percent required in Placer County and Folsom, would however add a cost to developers. The extent to which this cost is feasible for developers is discussed in the next section, but developers are likely to perceive an IZ policy as a tax that will increase uncertainty in the current inflationary economic environment where developers are unlikely to reduce their profitability thresholds for pursuing a project. As the literature suggests, a more palatable IZ policy would be tied to development bonuses, but all California jurisdictions must already provide density bonuses or reduced parking requirements for projects meeting affordability thresholds, neither of which may add enough additional value for developers in El Dorado County. However, a FAR and/or lot coverage bonus that allows increased horizontal development may be enticing for developers who are unlikely to build tall buildings in the area.

If the County is willing and able to commit funding for affordable housing programs, it could consider establishing a Housing Trust Fund by diverting certain revenues or imposing an additional tax to help construct affordable housing. The County already operates a first-time homebuyer loan program using federal money, so it may be relatively straightforward to implement an expansion to the program if the County can secure additional subsidies or dedicate some local funding to the program. The County also offers a Traffic Impact Fee (TIF) Offset Program which it could also expand by reducing the existing affordability thresholds in the policy and reducing the minimum share of affordable units in a project, which is currently twenty percent. If the County were to implement an inclusionary zoning requirement of less than twenty percent of units, the County could consider a TIF offset for the inclusionary units in a project. Alternatively, a fiscally neutral approach may be a fee deferral program, like the one Sacramento County operates and the literature suggests developers prefer, as it reduces their up front and financing costs.

Placer County implemented a relatively novel approach to workforce housing using local sources of revenue to purchase deed restrictions. The program is also available for developers as an alternative means of compliance for Placer County's IZ program, whereby developers can purchase deed restrictions for workforce housing in place of providing affordable units within their project. However, Placer County has made a one-time General Fund Transfer and Transient Occupancy Tax allocation totaling $500,000 to seed the program and expects to commit $3 million annually to maintain the program. County staff anticipate

the program will eventually operate as a public-private partnership, although additional details are currently unavailable.

IMPLEMENTING INCLUSIONARY ZONING AND OTHER AFFORDABLE HOUSING POLICIES

One major component of this study is analyzing development feasibility for a range of residential real estate development prototype projects to evaluate the economics of developing housing El Dorado County. The purpose of the development feasibility analysis is to test whether new market-rate residential development can absorb a requirement to provide affordable units pursuant to an inclusionary housing policy while maintaining financial feasibility under current market conditions. This analysis helps to illustrate possible parameters for an IZ requirement across a range of market conditions. Finally, this analysis includes a discussion of two alternative means of compliance to an IZ requirement that the County may choose to implement along with an on-site inclusionary requirement.

Parameters for Inclusionary Zoning

This section tests the parameters of a potential inclusionary zoning policy in El Dorado County in terms of percentage of affordable units required and the corresponding income levels for inclusionary units. The analysis includes testing parameters for a prototypical single-family and multifamily development.

Financial Feasibility Analysis

BAE prepared static financial feasibility pro formas for two 'missing middle' prototype developments. These prototypes, described in more detail below, are based on a type of product that is relatively uncommon in El Dorado County but would help to improve the diversity of housing options at a wider range of price points than the market for large lot single family development that is typical in the county. The static pro-forma models represent a form of financial feasibility analysis that developers often use at a conceptual level of planning for a development project, as an initial test of financial feasibility for a development concept to screen for viability. The pro formas for the two prototypes each show the feasibility of a 100 percent market rate version of the project to first test whether the prototypes are feasible under current conditions without affordability requirements. For both prototypes, market rate developers would likely generate a small surplus on development costs, including accounting for the cost of land. This surplus helps to inform the number of affordable units each prototype could support.

BAE interviewed several local developers with experience in El Dorado County and the Sacramento region regarding development cost and revenue assumptions. Assumptions include hard construction costs, site acquisition costs, soft costs, developer profit, and financing costs. BAE also conducted independent research into land sales and listings, and the types of development that was being built in nearby areas and that would offer variety to El Dorado County's housing stock. This research informed how BAE conceived of the prototypes tested in the analysis. After analyzing baseline project feasibility, a second version of each

prototype pro forma model tests a ten percent inclusionary requirement at two affordability levels, as ten percent is the minimum IZ requirement in peer jurisdictions like Placer County and Folsom. Indeed, a lower inclusionary requirement may not generate enough affordable units to justify the policy. The complete pro forma models for both prototypes are included as an Appendix to this report.

Prototype Projects

The prototypes tested in this analysis include a small lot single-family residential development and a garden-style walk-up multifamily development. As hypothetical projects, there are no specific sites in mind for the prototypes. Furthermore, although the small lot single-family prototype would be allowable under the County's existing zoning, the multifamily prototype assumes a density of 20 dwelling units per acre (DUA), which exceeds the current maximum allowable density in the county although this density could be accommodated within a specific plan or planned development proposal.

The development prototypes are shown in Table 32. The single-family prototype is a 20-unit development on a three-acre site (6.7 DU per acre), with an average unit size of 1,800 square feet. The average unit size includes two tuck-under garage parking spaces. The average unit would have three bedrooms and therefore may not be suitable for all four-person households. The multifamily prototype conceives a garden-style walk-up of 50 units on a 2.5-acre site (50 DU per acre), with an average unit size of 950 square feet, which is roughly equivalent to a two-bedroom unit. The multifamily prototype also conforms with existing parking standards, which require 1.5 spaces per multifamily unit. All parking spaces in the multifamily prototype would be surface parking, which avoids the relatively high expense of a podium parking structure. Notably, both prototypes would be built in the West Slope, and this analysis does not test the financial feasibility of development in the Tahoe Basin, the majority of which is under the jurisdiction of the TRPA.

Table 32: Pro Forma Analysis Development Prototypes

Development Program	West Slope	
Land Use	MFR	MFR
Unit Type	SFD	Garden-Style
Assumed Density (dua)	6.7	20.0
Average Unit Size (a)	1,800	950
Number of Units	20	50
Total Lot Size (acres)	3.0	2.5
Total Lot Size (sf)	130,680	108,900
Total Building Size (sf)	36,000	47,500
Sale Price/Monthly Rent Assumption (Market Rate)	$630,000	$2,708
Parking (b)	Tuck-Under	Surface
Number of Spaces (c)	40	75
Total Parking Size (sf)	6,000	33,750

Notes:
(a) Assumed to be a three-bedroom unit, which is consistent with single family sales in the West Slope.
(b) Tuck-under garage parking is included in the total unit size for the SFR prototype,
(c) Parking standards are 2 per unit for SFD units, and 1.5 per unit for MF units,

Source: BAE, 2022.

Financial Feasibility Findings

Following are the results of the prototype pro forma analyses, first for the single-family prototype project followed by the multifamily prototype project.

Single-Family Detached Prototype

For the single-family detached prototype, the total development costs per unit, including site acquisition, are approximately $605,000, and approximately $12.1 million for the whole project. This is composed of site acquisition costs of $8 per square foot, which would equal $1,045,440 for a three-acre site, or approximately $52,000 per lot for a 20-unit development. Hard construction costs (or vertical construction costs) are equal to $175 per square foot of residential development. This cost does not account for engineering and architecture, which this analysis considers to be soft costs. Soft costs also include planning and entitlement and other predevelopment services and are assumed equal to 15 percent of hard costs. In addition, the pro formas account for impact fees based on the most up-to-date schedule of fees, including the traffic impact fees, rare plant mitigation fees, school and fire district impact fees, and park impact fees. Based on the size of the units in the prototype, impact fees equal approximately $42,000 per unit. The construction financing assumptions include an interest rate of 5.5 percent, which was confirmed in discussions with developers as of 2022. Developer profit is equal to 12 percent or hard and soft costs, which represents the minimum return a developer would require to be attracted to such a project. Finally, in terms of sales revenue, this analysis assumes a relatively conservative estimate of $350 per square foot, which equals a sales price of $630,000 per unit for this prototype.

Table 33 summarizes the financial feasibility of the prototype under three mixes of affordability. Mix 1 tests the feasibility of a 100 percent market rate development, which

would be feasible under current market conditions, generating a marginal surplus of $304,000 against development costs of $12.1 million. Mix 2 tests a ten percent inclusionary requirement at the highest possible affordability level of 120 percent of AMI, generating a surplus of just $36,000. This surplus is marginal and may not meet a developer's risk threshold for deciding to pursue a project. Finally, Mix 3 tests a ten percent inclusionary requirement at 80 percent AMI, which is the lower threshold for 'missing middle' housing. This generates a net feasibility gap (deficit) of $286,000, or just over $14,000 per unit. This is a relatively small gap per unit that a local gap financing program could potentially help to fill, although a developer would still have to weigh the risk of pursuing a marginal project. Notably, the Traffic impact fee amount for single-family units in this analysis is $26,000 per unit, so waiving a portion of this fee alone could generate a feasibility surplus.

Without any additional subsidies or waivers, however, El Dorado County cannot support a ten percent inclusionary requirement for a small lot single-family prototype at 80 percent of AMI and may deter developers if it imposes a ten percent requirement at 120 percent of AMI under current market conditions without a corresponding fee waiver or subsidy.

Table 33: Single Family Detached Prototype Feasibility Analysis

Feasibility Analysis			
Project Income	**Mix 1** (100% Market Rate)	**Mix 2** (90% Market Rate, 10% @ 120% AMI)	**Mix 3** (90% Market Rate, 10% @ 80% AMI)
Gross Sales Revenue	$12,600,000	$12,309,754	$11,983,183
Less Marketing Fees	($189,000)	($166,182)	($161,773)
Project Value	**$12,411,000**	**$12,143,573**	**$11,821,410**
Feasibility			
Total Development Costs	**($12,106,960)**	**($12,106,960)**	**($12,106,960)**
Per sq.ft.	($336)	($336)	($336)
Per Unit	($605,348)	($605,348)	($605,348)
Feasibiltiy Surplus/(Gap)	**$304,040**	**$36,613**	**($285,549)**
Per acre	$101,347	$12,204	($95,183)
Per unit	$15,202	$1,831	($14,277)

Source: BAE, 2022.

Given that a ten percent requirement is marginally infeasible under current market conditions, a lower inclusionary requirement may help the feasibility but would compromise the number of affordable units an IZ policy would yield. However, there are certain assumptions that may change as market conditions evolve. BAE performed a sensitivity analysis on the findings of the feasibility analysis for a ten percent inclusionary requirement at 80 percent of AMI, which would be in line with inclusionary requirements in nearby areas like Placer County and Folsom. Table 34 presents the results of the sensitivity analysis that tested the individual effects of: a) a five to ten percent change in site acquisition costs; b) a five to ten percent change in hard

construction costs; or c) a five to ten percent change in the market rate sales price. As shown in the table, lower site acquisition costs would not sufficiently improve the feasibility of this prototype. However, lowering hard costs by between five and ten percent would improve the feasibility of a ten percent inclusionary requirement at 80 percent of AMI, although this prototype would still be marginal. If inflation slows down and the pace of development is not restricted by supply chain issues, it may be possible for hard costs to fall. On the other hand, increasing hard costs only increases the feasibility gap, and developers are indeed concerned about rising costs. However, even a modest five percent increase in the market rate sales price, which is reasonable as the current assumption is relatively conservative, would generate a feasibility surplus for the prototype with an affordability requirement of ten percent of units at 80 percent of AMI. This suggests if market conditions improve on the demand side, the County may be able to implement such an IZ policy. However, the sustainability of increased housing costs based on high demand and low supply is dubious.

Table 34: Single Family Detached Prototype Sensitivity Analysis

	Mix 3: 90% @ Market Rate; 10% @ 80% AMI Feasibiltiy Surplus/(Gap)				
Sensitivity Analysis	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
Site Acquisition (a)	($181,005)	($233,277)	($285,549)	($337,821)	($390,093)
Hard Costs (b)	$567,876	$141,163	($285,549)	($712,262)	($1,138,974)
Market Rate Sale Price (c)	($1,404,240)	($844,895)	($285,549)	$273,796	$833,142

Notes:
(a) Site acquisition costs refer to the cost to purchase the land. The baseline site acquisition assumption is $8 per site square foot, and ranges from $7.20 to $8.80 in the sensitivity analysis
(b) Hard costs refer to hard construction costs, which includes the costs of labor and materials. The baseline site acquisition assumption is $175 per building square foot, and ranges from $157.50 to $192.50 in the sensitivity analysis
(c) The market rate sales price is the non-income restricted sale price assumed for the average unit in the project prototype. The baseline sale price assumed is $630,000 per unit, and ranges from $567,000 to $693,000 in the sensitivity analysis

Source: BAE, 2022

Garden-Style Apartments Prototype

For the multifamily garden-style walk-up prototype, the total development costs per unit, including site acquisition, is approximately $373,000, and approximately $18.7 million for the whole project. This is comprised of site acquisition costs of $8 per square foot, which would equal $871,200 for a 2.5-acre site. Hard construction costs (or vertical construction costs) are equal to $225 per square foot of residential development, which account for the relative complexity of building multifamily projects versus single family projects. This cost does not account for engineering and architecture, which this analysis considers to be soft costs. Soft costs also include planning and entitlement and other predevelopment services and are equal to 15 percent of hard costs. The analysis also assumes a developer profit of 15 percent of hard and soft costs, which is the minimum amount of profit a developer would seek to be attracted to a development project of this type. This is slightly higher than 12 percent

assumption of developer profit in the single-family prototype pro forma to account for the increased complexity and added risk of a multifamily project.

In addition, the pro forma accounts for impact fees based on the most up-to-date schedule of fees, including the Traffic Impact fees, Rare Plant Mitigation fees, School and Fire District impact fees, and Park Impact fees. Based on the size of the units in the prototype, impact fees equal approximately $26,000 per unit. The financing assumptions include an interest rate of 5.5 percent, which was confirmed in discussions with developers as of 2022[5]. This analysis also assumes a relatively conservative market capitalization rate (cap rate) of 5.5 percent, which is slightly higher than the cap rates for the suburban Sacramento region (4.5 to 5 percent), reflecting a somewhat higher risk premium for building higher density housing outside of the region's established urban markets. The assumption for average asking monthly rent is $2.85 per square foot, or $2,708 for a 950-square foot unit.

Table 35 shows that even a 100 percent market rate development would have marginal feasibility, generating a feasibility surplus of just $87,000, which is less than $2,000 per unit. After the Great Recession of 2008, banks determined that small changes in market cap rates can result in large changes to project value and required developers to use a different measurement of feasibility. Typically, developers are more likely to pursue a project and receive financing if project yield on cost (YOC meaning net operating income divided by project cost) are at least 50 to 70 basis points above market cap rates. The difference between project yield and cap rate for the 100 percent market version of the pro forma has a spread of just three basis points, suggesting a market rate project would also be risky for developers. This helps to explain why there has been limited development of multifamily projects in El Dorado County. Therefore, a ten percent inclusionary requirement at either 80 or 120 percent of AMI renders this prototype infeasible. However, developers would require only a modest subsidy or gap financing to cover the feasibility gap for ten percent requirement at 120 percent AMI, as the gap per unit is just $5,400. The feasibility gap per unit for a ten percent requirement at 80 percent AMI is just under $17,000, which is higher than the gap for this level of affordability in the single-family prototype. Similar to the single-family detached prototype, this gap is smaller than the assumed total impact fees per unit, which equal $26,000, including $16,000 in Traffic Impact fees.

Table 35: Multifamily Prototype Feasibility Analysis

[5] Investors assign a cap rate to a project based perceived project risk, assigning lower cap rates to safer projects, and higher cap rates to riskier projects.

Feasibility Analysis			
Project Income	**Mix 1**	**Mix 2**	**Mix 3**
Gross Rental Revenue	$1,624,500	$1,593,495	$1,543,845
Less Vacancy	($81,225)	($79,675)	($77,192)
Less Operating Costs	($511,718)	($501,951)	($486,311)
Net Operating Income (NOI)	**$1,031,558**	**$1,011,869**	**$980,342**
Capitalized Market Value	**$18,755,591**	**$18,397,624**	**$17,824,392**
Feasibility			
Total Development Costs	**($18,668,225)**	**($18,668,225)**	**($18,668,225)**
Per sq.ft.	($393)	($393)	($393)
Per Unit	($373,365)	($373,365)	($373,365)
Feasibiltiy Surplus/(Gap)	**$87,366**	**($270,601)**	**($843,833)**
Per acre	$34,946	($108,240)	($337,533)
Per unit	$1,747	($5,412)	($16,877)
Project Yield	**5.5%**	**5.4%**	**5.3%**
YOC Spread (Basis Points)	*3*	*-8*	*-25*

Source: BAE, 2022.

A sensitivity analysis of feasibility for a ten percent IZ requirement at 80 percent of AMI is shown in Table 36. While an IZ requirement at 120 percent AMI could be more feasible if market conditions change, this is a relatively high household income limit, particularly for multifamily development. Restricting units at this affordability alone will not help to keep up with the future missing middle housing gap. As the sensitivity analysis shows, only a ten percent or greater decline in hard costs, or a ten percent or greater increase in market rate rents would meaningfully improve the feasibility of this prototype. A ten percent decline hard costs would require a significant shift in the market, although a ten percent increase in the monthly rent assumption would be comparable to the monthly rents in the newly built Element79 in El Dorado Hills Town Center, suggesting there may be a market for projects such as this prototype at a higher price point. This may be realistic if the West Slope absorbs some of the multifamily demand from the Sacramento region, although the County should continue to monitor local and regional multifamily rents.

Table 36: Multifamily Prototype Sensitivity Analysis

	Mix 3: 90% @ Market Rate; 10% @ 80% AMI Feasibiltiy Surplus/(Gap)				
Sensitivity Analysis	**-10%**	**-5%**	**0%**	**+5%**	**+10%**
Site Acquisition (a)	($756,713)	($800,273)	($843,833)	($887,393)	($930,953)
Hard Costs (b)	$603,941	($119,946)	($843,833)	($1,567,720)	($2,291,607)
Market Rate Sale Price (c)	($2,530,278)	($1,687,835)	($843,833)	$169	$844,170

Notes:
(a) Site acquisition costs refer to the cost to purchase the land. The baseline site acquisition assumption is $8 per site square foot, and ranges from $7.20 to $8.80 in the sensitivity analysis
(b) Hard costs refer to hard construction costs, which includes the costs of labor and materials. The baseline site acquisition assumption is $25 per building square foot, and ranges from $202.50 to $247.50 in the sensitivity analysis
(c) The market rate monthly rent is the non-income restricted rent assumed for the average unit in the project prototype. The baseline monthly rent assumed is $2.85 per square foot, and ranges from $2.57 to $3.14 in the sensitivity analysis

Source: BAE, 2022.

Estimated Number of Inclusionary Units, 2041

Based on historic and anticipated housing production trends in the unincorporated area, if the County were to implement a ten percent inclusionary requirement and if the policy does not undermine development feasibility, the policy could generate approximately 521 inclusionary units by 2041. As discussed in the Projected Household and Housing Unit Growth section, there will be an estimated 9,630 net new housing units in the West Slope by 2041.

In order to calculate the share of these units that would be inclusionary, Table 37 below applies an estimate of the number of new units that would be single-family, assuming the County only applies an inclusionary requirement to single-family development. This estimated number of new single-family units is based on data from the county on planned and proposed development in the West Slope, which suggests 72 percent of new residential development will be single-family units. Of these, this analysis assumes 84 percent of the new single-family units will be in developments of ten units or more, which is a typical project-size threshold for housing developments subject to IZ policies. This assumption is based on analysis of single-family building permits in El Dorado County. Based on this assumption, 5,211 of the 9,630 net new housing units in the West Slope would be single-family units in developments of ten units or more. Applying a ten percent requirement on this estimate would yield 581 inclusionary units.

Table 37: Estimated Inclusionary Units, 2041

West Slope	2041
Net New Housing Units	9,630
Single-Family Units as % of net new development (a)	72%
% of New Houisng Units in developments of ten or more units (b)	84%
Total, Single-Family Units in developments of ten or more units	5,810
Inclusionary Requirement (c)	10%
Estimated Inclusionary Units	**581**
Estimated Workforce Housing Gap	3,053
Estimated Missing Middle Housing Gap	564
Assumptions	
Planned and Proposed Units, El Dorado Hills	5,436
Single-Family	72%
Multifamily	14%
Age-restricted	14%

Notes:
(a) The assumptions for the share of single-family units as a share of net new development is based on Planned and Proposed Units data for El Dorado Hills provided by El Dorado County. This pipeline development accounts for nearly 100 percent of the planned and proposed developments in County overall as of March 2022, and therefore serves as the proxy for estimating the share of future development that will be single-family.
(b) This assumption is based on an analysis of building permits in El Dorado County. Out of approximately 525 building permits for new single-family units between March 2021 and March 2022, 84 percent were in master planned developments.
(c) This analysis does not make an assumption about the targeted income levels of an inclusionary zoning ordinance in determining the estimated number of inclusionary units by 2041.
Source: El Dorado County, 2020; BAE, 2022.

Alternative Means of Compliance

To the extent that El Dorado County establishes a feasible IZ policy, either under improved market conditions or at a lower threshold than the parameters in the feasibility analysis, the County should consider offering alternative means of compliance with the IZ policy. Two alternative means of compliance are discussed below: off-site affordable housing contributions, and a fee-in-lieu.

Off-Site Affordable Housing Contributions

Off-site affordable housing contributions present tradeoffs compared to inclusionary units that are provided onsite within a market-rate development. Developers prefer off-site contributions in some cases because providing units off site is often more cost-effective than providing inclusionary units. This can mean that developers are able to provide more affordable units if

they provide the units off-site or that developers are able to provide units off-site for projects that would be infeasible with an on-site contribution and therefore result in no market-rate or affordable units if not for the off-site option. However, off-site contributions do not intersperse affordable units within the same building as market-rate units, which many inclusionary housing policies favor to support more equitable outcomes.

Based on similar policies throughout the country and BAE's experience developing and implementing IZ policies, the following subsection describes potential forms of an off-site contribution and key policy considerations.

Potential Forms of Off-Site Contributions and Key Considerations

In the context of an inclusionary housing ordinance, off-site affordable housing contributions generally refer to any contribution of affordable housing that is separate from the market-rate project that generated the requirement for inclusionary units and which is provided instead of providing the affordable units within the market-rate project. There are various forms of off-site contributions, which can include:

1) A developer of a market-rate project directly constructing affordable units or forming a partnership with an affordable housing developer that constructs the affordable units, where the affordable units are in a structure that is separate from the market-rate units. The affordable units may be located on the same parcel as the market-rate units, on an adjacent parcel, or in another location.
2) A developer of a market-rate project purchasing existing market-rate units off-site and recording a deed-restriction to make the units affordable, typically coupled with rehabilitating the existing units.
3) A developer of a market-rate project providing funding to preserve affordable units that are in need of rehabilitation and/or that have affordability covenants that are set to expire.
4) A developer of a market-rate project providing a land donation to an affordable housing developer or the County for use as an affordable housing site.
5) A developer of a market-rate project providing gap financing for an affordable housing development, typically in lieu of a local contribution toward gap funding. This option differs somewhat from an in-lieu fee payment (discussed below) because the payment goes directly to an identified housing project rather than into the local housing trust fund, and the amount paid by the developer could differ from the in-lieu fee amount.

Implementing an off-site inclusionary requirement requires consideration of the following components of the policy:

- The **geographic location** of affordable units in relation to the market-rate development that generated the requirement for affordable units;
- **Timing of production** of the affordable units in relation to the timing of production of the market rate units;

- **Number of affordable units** relative to the number that would be required in the form of on-site inclusionary units

Affordable Housing In-Lieu Fees

In general, an in-lieu affordable housing fee covers 'the affordability gap' between the cost to build and the maximum revenue that affordable units can generate. In-lieu fees do not typically cover the total cost of building a unit, but just the gap between the cost to build an affordable housing unit and the project cost that the revenues from selling or renting an affordable unit could support. The Mitigation Fee Act requires jurisdictions prepare a study to test the parameters of a justifiable fee-in-lieu, which is then exposed to public review process where public input can influence the final fee. Fees will range from the maximum justifiable fee based on the affordability gap to a percentage of the fee as influenced by public stakeholders but determined by the local government.

AFFORDABLE HOUSING POLICY OPTIONS FOR EL DORADO COUNTY

Following are key takeaways from this study, highlighting affordable housing needs and potential policy responses for El Dorado County.

Context Summary and Local Needs

The nationwide housing shortage is ultimately the result of increasing housing costs and stagnating wages along with increased demand and supply shortages. El Dorado County is similar to many jurisdictions across the country in this respect; housing costs increasingly outweigh the ability of households to pay, as this report has outlined. In fact, approximately one-third of all households (20,491) in unincorporated El Dorado County as of 2021 experience a housing cost burden. Of these cost-burdened households, 16,484 households are moderate-income households or lower, while 3,918 are moderate-income households only. In addition, 40.1 percent of unincorporated El Dorado County household growth between 2021 and 2041 will be cost-burdened, comprising future affordable housing demand. The subset of future affordable housing demand from moderate-income households or lower (i.e., workforce housing demand) is 3,179 households, while the future affordable housing demand by moderate-income households only will be 584 households (i.e., missing middle demand). At a minimum, the County should aim to meet some subset of future affordable housing demand, whether it is missing middle or workforce demand, while seeking to improve housing affordability for existing residents by encouraging increased and diversified housing supply overall.

Board of Supervisors Direction

These findings confirm the concerns expressed by the El Dorado County Board of Supervisors in a housing workshop held at their regularly scheduled meeting on January 25th, 2022. All five Supervisors agreed that there is a need for affordable housing across all income groups, although they recognized that the County may be limited in its ability to tackle to overall affordable housing gap. The Board agreed that missing middle housing is an important subset to target but did not suggest this is the only subset of the affordable housing gap that an affordable housing ordinance, and an IZ policy specifically, should aim to address. In addition, the Board acknowledged that it would be important to allow for a wider range of development types, and that more areas should be zoned for residential development. In particular, the Board unanimously agreed that more commercial zones should be able to accommodate residential or mixed-use development, particularly as shopping centers are aging and as there is dwindling demand for brick-and-mortar retail space.

The Board expressed an interest in understanding the feasibility of implementing an IZ policy, which this report helps to outline.

Regulatory Approaches

The minimum IZ requirement, mandatory or voluntary, in any California jurisdiction with an IZ policy is ten percent, although requirements of affordability by income differ. In El Dorado County, given current market conditions, a ten percent IZ requirement for units restricted for moderate-income households in a multifamily project is likely to be infeasible for developers under current market conditions. However, with a relatively small inventory of multifamily housing, the County may want to avoid burdening potential multifamily projects with additional costs in order to encourage increasing the overall diversity of housing types in the County. For sale single-family developments may be a more effective target for an IZ policy, as the increased profitability of for sale housing suggests an IZ policy may be marginally feasible to implement under current market conditions. Such an IZ policy also would have the benefit of creating affordable ownership units that can help to keep families in El Dorado County, which was one of the key takeaways from the Board's comments in January.

An important consideration for IZ policies targeting moderate-income housing affordability in for-sale residential development is the relationship between housing affordability benefits provided to moderate-income buyers and the sale price restrictions to which they would be subject upon re-sale of the unit. Specifically, it is necessary to ensure that the perceived opportunity cost of limiting the homebuyer's equity return on resale is balanced out by the initial purchase price savings they would receive on the initial purchase. For example, program viability challenges arise when the initial restricted purchase price is not significantly below market rates and potential moderate-income homebuyers feel that the purchase price discount is not sufficient to make it worthwhile for them to give up some portion of their equity appreciation upon re-sale.

Given the marginal feasibility of a mandatory IZ requirement, the Board could consider a voluntary IZ requirement that is tied to incentives, which is in line with comments from several Supervisors who were concerned about a mandatory requirement discouraging development altogether. In addition, the best practices analysis in this report suggests that IZ policies are more effective if there are alternative means of compliance, such as allowing developers to build IZ units off-site, pay a fee in-lieu, donate land to the County, or purchase deed-restrictions on existing homes. These alternative compliance means increase the flexibility for developers to find cost-effective means to comply with the requirements that are tailored to their unique project circumstances. For example, such options may allow developers to mitigate the added costs of including affordable units by affecting the timing and/or responsibility for construction and management of the affordable units. Offering alternative means of compliance can also allow the County to meet other policy imperatives. For example, although this analysis has primarily defined workforce housing on the basis of income, the County is also interested in capturing workers employed in the County as residents to reduce commute times and traffic, as well as to increase the tax base. Using Placer County's Workforce Housing Preservation Program as an example, El Dorado County

could offer an alternative means of compliance with an IZ policy that deed-restricts new or existing units for workers employed in the County, regardless of income level, and allows developers to set the sale price or rental rate at a market rate level, albeit defined by the prices that qualified buyers or renters are willing and able to pay.

Other Regulatory Policy Changes to Encourage Affordable Housing

One of the main benefits of an IZ policy is that it is a regulatory mechanism that does not require substantial additional funding to implement. For example, this is in contrast to a direct subsidy program for affordable housing units that would require the County to raise substantial money for capital contributions to subsidize affordable housing development. This is one of the reasons local jurisdictions impose IZ requirements, as most local jurisdictions have limited funding to support affordable housing development. Other potential regulatory mechanisms to encourage affordable housing include relaxing development standards like density, height, lot coverage, and FAR. Developers may not necessarily seek lowered development standards in El Dorado County, such as increased density, if it requires constructing tall buildings, but developers may appreciate flexibility in lot coverage to build, for example, 'horizontal' mixed-use developments where housing units do not necessarily have to go above commercial development.

Furthermore, as the Board noted in its January meeting, zoning more land for denser small lot single-family, multifamily, or mixed-use development, could help to lower land costs. A mixed-use overlay zone, as suggested by the County staff and the Board, could also direct development to existing under-utilized commercial areas to take advantage of existing roads and infrastructure capacity, thereby potentially reducing development costs and infrastructure impacts. Finally, in terms of regulatory interventions, standardizing development design standards and allowing by-right residential development can significantly improve the feasibility of development by reducing project risk and accelerating the timeline for project approvals. All Supervisors expressed support for the County's ongoing community design standards process which may codify by-right development.

Funding Approaches

There are some funding mechanisms the County may be able to implement to support affordable housing development, although there will be some trade-off, such as levying additional taxes, diverting existing funds, or securing additional state and federal subsidies. El Dorado County already administers a down payment assistance program for first-time home buyers. This is funded by state and federal money as well as a revolving loan fund, as are down payment assistance programs in nearby and similar jurisdictions. However, if the County is willing and able to levy an additional fee or tax to support affordable housing, or divert existing revenues to support affordable housing, it may relatively be easy to use some of that money to supplement and expand the existing down payment assistance program. By contrast, using new or diverted local revenues for a Housing Trust Fund or gap financing program that would target different types of affordable housing development as compared to a

down payment assistance program may require significant resources to set up and administer, such as requiring additional staff resources. Expanding the County's first-time homebuyer program as well as supporting ADU financing are eligible activities for Permanent Local Housing Allocation (PLHA) grant funding, which the County has available to use.

One funding mechanism that would be relatively straightforward to implement and would not require a levy of additional fees or taxes would be to waive a portion of impact and permitting fees. The County currently administer a Traffic Impact fee offset for affordable housing, although expanding the threshold for eligibility (less than five units) and the amount of the offset would significantly influence the feasibility of developing affordable housing. The County could consider waiving the fee for affordable units included within a development and could lower the fee for developments in certain target. For example, infill development typically generates smaller infrastructure impacts as sites are already served by existing infrastructure. A fee waiver could also be incorporated as an incentive for including affordable units, or for building in a mixed-use overlay zone. However, if not backfilled from other sources or if overall capital improvement costs are reduced, fee waivers can have the effect of creating a funding "hole" for the capital improvement programs that rely on fee revenue to pay for new development's share of new capital costs. Thus, rather than outright waiver of fees, many jurisdictions have fee deferral programs, which allow developers to pay fees later in the development process, to reduce the amount of up-front cash financing that is required for a project and to reduce project carrying costs. Typically, funds used earliest in a development project are most difficult to raise and require the highest rate of return, so a simple fee deferral can be helpful to certain projects.

Conclusions

Overall, the County should strongly consider the viability of an IZ policy beyond just financial feasibility, as it is a popular and fiscally neutral policy that can generate affordable housing. An inclusionary zoning requirement that is tied to incentives and offers a range of alternative means of compliance is potentially an effective policy to introduce in El Dorado County. Given current market conditions, moderate-income inclusionary units in single-family for-sale housing development could be the most suitable target for a local ordinance based the marginal feasibility of a ten percent inclusionary requirement, as tested in this report. Such a program would need to be carefully crafted to ensure that the program parameters would be financially attractive to participating moderate-income households. One possible solution to this challenge would be to shift from a deed restriction on sale price to a deed restriction on type of household (i.e., local workforce household requirement). To attract developer interest to a voluntary program, incentives can include development bonuses, although the nature of development bonuses in El Dorado County should provide flexibility that is valuable for developers given the form and size of existing development in the County.

The County has a limited existing supply of multifamily housing, market rate or affordable. This, combined with the finding that multifamily housing development feasibility is weak under

current economic conditions, suggests that the County may wish to avoid placing any further regulatory requirements such as an IZ policy on multifamily development at this time. Rather, taking steps to expand the supply of land available for multifamily housing development and streamlining the development process by modifying the County's land use regulations and approvals process (see below) may be most beneficial to help expand the supply of multifamily housing and diversify the County's housing options.

In terms of other implementable policies, the County is already undertaking a process to establish by-right development through Community Design Standards, which will significantly shorten the entitlement process and decrease risk for developers, which improves development feasibility overall. The County should also strongly consider additional opportunities to expand policies that waive or defer development impact fees.

A ten percent inclusionary requirement of units affordable to moderate-income households is marginally infeasible in El Dorado County under current market conditions, for both single-family and multifamily prototypes, but waiving some or all of the TIF alone could render such a mandatory inclusionary policy feasible. Finally, the County should weigh pros and cons of generating additional revenues or diverting existing revenue such as the Transient Occupancy Tax, to support affordable housing.

APPENDIX

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Complete Pro Forma Models

Complete Pro Forma Models are provided in the following pages.

Table 38: Small Lot Single Family Detached Pro Forma

Development Program Assumptions		
Site Size - acres / square feet	3.00 /	130,680
Total Dwelling Units		20
Built Project Density (du per acre)		6.7
Building Type	Single Family Detached	
Total Units (square feet / # of units)	**36,000 /**	**20**
Average Unit Size	1,800 /	20
Total Parking (square feet / # of spaces) (a)	**14,000**	**40**
Surface	450 /	0
Tuck-under Garage	350 /	2
Affordability Mix		
Mix 1		
30% AMI	0%	
50% AMI	0%	
60% AMI	0%	
80% AMI	0%	
100% AMI	0%	
120% AMI	0%	
MR	100%	
Mix 2		
30% AMI	0%	
50% AMI	0%	
60% AMI	0%	
80% AMI	0%	
100% AMI	0%	
120% AMI	10%	
MR	90%	
Mix 3		
30% AMI	0%	
50% AMI	0%	
60% AMI	0%	
80% AMI	10%	
100% AMI	0%	
120% AMI	0%	
MR	90%	

Cost Assumptions	
Site Acquisition (per sf)	$8
Construction	
Site Prep Costs (per site. sq.ft)	$10
Hard Cost per residential sf	$175
Parking cost per space, Surface	$5,000
Soft Costs (% of hard costs)	15%
Impact Fees (per unit)	$41,934
Developer Profit (% of hard and soft) (c)	15%
Financing	
Construction-Period	
Loan-to-Cost	65%
Loan Fees	1%
Draw down Factor	60%
Interest rate	5.5%
Loan Term (months)	12
Sales Revenue	
Affordable Sales Price Per Unit 4-person Household	
30% AMI	$120,704
50% AMI	$200,888
60% AMI	$241,408
80% AMI	$321,592
100% AMI	$401,775
120% AMI	$484,877
Market Rate ($350 per sf)	$630,000
Marketing Fees % of Sales Prices	1.5%

Development Cost Analysis		
Site Acquisition	$1,045,440	
Construction	**Total**	
Site Preparation	$1,306,800	
Hard Cost	$6,300,000	
Parking Cost	$0	
Soft Costs	$945,000	
Impact Fees	$838,683	
Subtotal	**$9,390,483**	
Financing		
Const. Loan Fees	$61,038	
Const. Loan Interest	$201,426	
Developer Profit	$1,408,572	
TOTAL DEVELOPMENT COST	**$12,106,960**	
	$67.06	
	$111.60	
	$134.12	
	$178.66	
	$223.21	
	$269.38	
	$350.00	

Feasibility Analysis			
Project Income	**Mix 1** (100% Market Rate)	**Mix 2** (90% Market Rate, 10% @ 120% AMI)	**Mix 3** (90% Market Rate, 10% @ 80% AMI)
Gross Sales Revenue	$12,600,000	$12,309,754	$11,983,183
Less Marketing Fees	($189,000)	($166,182)	($161,773)
Project Value	**$12,411,000**	**$12,143,573**	**$11,821,410**
Feasibility			
Total Development Costs	**($12,106,960)**	**($12,106,960)**	**($12,106,960)**
Per sq.ft.	($336)	($336)	($336)
Per Unit	($605,348)	($605,348)	($605,348)
Feasibiltiy Surplus/(Gap)	**$304,040**	**$36,613**	**($285,549)**
Per acre	$101,347	$12,204	($95,183)
Per unit	$15,202	$1,831	($14,277)

Notes:
(a) Tuck-under parking space square footage is included in the average unit size.

Source: Developer Interviews, 2022; El Dorado County, 2022; BAE, 2022.

Table 39: Garden-Style Apartments Pro Forma

Development Program Assumptions		
Site Size - acres / square feet	2.50 /	108,900
Total Dwelling Units		50
Built Project Density (du per acre)		20.0
Building Type	Garden-style Apartments	
Total Units (square feet / # of units)	**47,500 /**	**50**
Average Unit Size	950 /	50
Total Parking (square feet / # of spaces	**33,750**	**75**
Surface	450 /	75
Tuck-under Garage	350 /	0
Affordability Mix		
Mix 1		
30% AMI	0%	
50% AMI	0%	
80% AMI	0%	
120% AMI	0%	
MR	100%	
Mix 2		
30% AMI	0%	
50% AMI	0%	
80% AMI	0%	
120% AMI	10%	
MR	90%	
Mix 3		
30% AMI	0%	
50% AMI	0%	
80% AMI	10%	
120% AMI	0%	
MR	90%	

Cost Assumptions	
Site Acquisition	$8
Construction	
Site Prep Costs (per site. sq.ft)	$10
Hard Cost per residential sf	$225
Parking cost per space, Surface	$5,000
Soft Costs (% of hard costs)	15%
Impact Fees (per unit)	$25,952
Developer Profit (% of hard and soft) (c)	15%
Financing	
Construction-Period	
Loan-to-Cost	65%
Loan Fees	1%
Drawdown Factor	60%
Interest rate	5.5%
Loan Term (months)	12
Rental Revenue	
Affordable Rents Per Unit 3-person Household	
30% AMI	$345
50% AMI	$752
80% AMI	$1,363
120% AMI	$2,191
Market Rate ($2.85 per sf)	$2,708
Vacancy Rate	5%
Operating Costs	30%
Cap Rate	5.5%

Development Cost Analysis		
Site Acquisition	$871,200	
Construction	**Total**	
Site Preparation	$1,089,000	
Hard Cost	$10,687,500	
Parking Cost	$375,000	
Soft Costs	$1,659,375	
Impact Fees	$1,297,598	
Subtotal	**$15,108,473**	
Financing		
Const. Loan Fees	$98,205	
Const. Loan Interest	$324,077	
Developer Profit	$2,266,271	
TOTAL DEVELOPMENT COST	**$18,668,225**	
	$0.36	
	$0.79	
	$1.44	
	$2.31	
	$2.85	

Feasibility Analysis			
Project Income	**Mix 1** (100% Market Rate)	**Mix 2** (90% Market Rate, 10% @ 120% AMI)	**Mix 3** (90% Market Rate, 10% @ 80% AMI)
Gross Rental Revenue	$1,624,500	$1,593,495	$1,543,845
Less Vacancy	($81,225)	($79,675)	($77,192)
Less Operating Costs	($511,718)	($501,951)	($486,311)
Net Operating Income (NOI)	**$1,031,558**	**$1,011,869**	**$980,342**
Capitalized Market Value	**$18,755,591**	**$18,397,624**	**$17,824,392**
Feasibility			
Total Development Costs	**($18,668,225)**	**($18,668,225)**	**($18,668,225)**
Per sq.ft.	($393)	($393)	($393)
Per Unit	($373,365)	($373,365)	($373,365)
Feasibiltiy Surplus/(Gap)	**$87,366**	**($270,601)**	**($843,833)**
Per acre	$34,946	($108,240)	($337,533)
Per unit	$1,747	($5,412)	($16,877)
Project Yield	**5.5%**	**5.4%**	**5.3%**
YOC Spread (Basis Points)	*3*	*-8*	*-25*

Source: Developer Interviews, 2022; El Dorado County, 2022; BAE, 2022.