



Meeting Summary

The following project team members attended the Stakeholder Representative Group Meeting:

Greg Sandlund, City of Sacramento	Ellen Martin, Economic and Planning Systems
Jim McDonald, City of Sacramento	David Zehnder, Economic and Planning Systems
Kate Gillespie, City of Sacramento	Jay Radke, NV5
Marco Gonzalez, City of Sacramento	Gladys Cornell, AIM Consulting
Harriet Ross, Environmental Science Associates	Salvador Ramirez, AIM Consulting
Brian Boxer, Environmental Science Associates	Andrea Palladino, AIM Consulting
Amber Grady, Environmental Science Associates	

A total of 27 stakeholder representatives attended the second Stakeholder Representative Group meeting for the Downtown Specific Plan. Representatives from the following organizations attended the meeting:

Alkali Flat Neighborhood Association	North State Building Industry Association
Breathe California of Emigrant Trails-Sacramento	Preservation Sacramento
Capitol Area Development Authority	Richmond Grove Neighborhood Association
City of Sacramento, Council District 4	Sacramento Bicycle Advisory Committee
Downtown Sacramento Partnership	Sacramento City Unified School District (SCUSD)
Environmental Council of the Sacramento	Sacramento Regional Transit (RT)
Friends of Fremont Park	The Hodgson Company
JMB Strategies, LLC	Turton Commercial Real Estate
Marshall School New Era Park Neighborhood Association	Upper Land Park Neighborhood Association
Midtown Association	WALK Sacramento
City of Sacramento Neighborhood Services Division	

Meeting Objectives

The meeting objectives included:

- Providing an overview of the Downtown Specific Plan and its goals and objectives.
- Reviewing the project approach and schedule.
- Presenting findings from Historic & Cultural Resources Analysis and Infrastructure Study.
- Discussing the proposed Financing Plan.
- Presenting findings from Community Outreach to date.
- Discussing Key Policy Initiatives.
- Outlining the next steps for the Downtown Specific Plan.



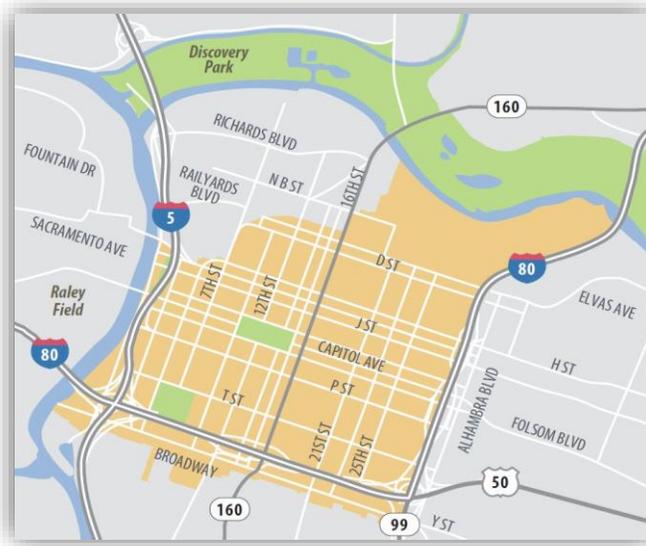
Project Overview

The City of Sacramento plans to re-energize Downtown by creating a plan that paves the way for at least 10,000 new housing units to live in the next 10 years, exclusive of those already entitled in the River District and the Railyards. In 2015, the Downtown Housing Initiative was launched to meet this goal. The Downtown Specific Plan takes that initiative further by looking at growth opportunities for the next twenty years and beyond.



The goals for the Downtown Specific Plan include:

- Creating a Specific Plan that paves the way for at least 10,000 places to live in the next 10 years, exclusive of those already entitled in the River District and the Railyards
- Developing a varied housing stock that reflects the diversity of Sacramento
- Incentivizing Transit-Oriented Development throughout downtown Sacramento including along the streetcar corridor
- Removing barriers to housing development by streamlining the development and environmental review process
- Maintaining the quality of life central city residents experience and further neighborhood livability by including supporting amenities along with housing



Project Area Boundary Map



Project Schedule

The project team presented the project schedule for the Downtown Specific Plan. Work for the Downtown Specific Plan began in late summer of 2016 and is anticipated to be completed in 2017.



Meeting Introduction

Gladys Cornell, AIM Consulting, welcomed stakeholders to the second stakeholder representative group meeting. Gladys introduced the project team, reviewed the evening's agenda, and asked stakeholders to introduce themselves and the organization they represent.

City of Sacramento District 4 Councilmember Steve Hansen gave a presentation on why the City was creating a comprehensive specific plan that simultaneously addresses concerns and opportunities for infill development. He encouraged attendees to treat this specific plan as an opportunity to shape the future housing options for residents in the Central City.

Historic & Cultural Resources Analysis Findings

Amber Grady, of Environmental Science Associates, presented an overview of findings from the Historic and Cultural Resource Analysis for the Downtown Specific Plan. The historic analysis investigated the entire R Street corridor (I-5 to the west, Capital City Freeway to the east, Q Street to the north, and S Street to the south) to evaluate resources for possible inclusion into the existing R Street Historic District.

Key findings from the Historic Analysis include:

Methodology:

- Reviewed all available documentation (including North Central Information Center Records search).
- Used the existing Railroad and Agricultural Contexts to evaluate resources for possible inclusion in the District.

Completed Tasks:

- Surveyed 615 parcels with approximately 420 buildings/structures.

Next Steps:

- Complete evaluations/updates of 12 potential contributors.



The cultural analysis studied how to avoid placing additional pressures on structures eligible for landmark status and how to respond to interest by Preservation Commission in expanding the R Street Corridor.

Key findings from the Cultural Analysis include:

Methodology:

- Reviewed all available documentation (including North Central Information Center Records search).
- Conducted a reconnaissance survey of each Opportunity Site.
- Researched property history to determine date of construction.
- Evaluated a subset of Opportunity Sites identified by the City.
- Made recommendations for additional work that would be necessary for development or redevelopment of the site.



Status:

- The City is currently reviewing the Draft report.

The Historic Resources Design Guidelines provide design guidelines for opportunity sites monitoring the use and adaptive re-use of historic structures within the Historic Districts and along the proposed Streetcar Route. The design guidelines also consider other tools to help protect historic resources adjacent to opportunity sites and incentives to encourage preservation of historic resources.

Key findings from the Historic Resources Design Guidelines include:

Historic Districts:

- 5 Historic Districts along Streetcar Route, and opportunity sites in 1 additional district include:
 - Capitol Building
 - Cathedral Square
 - Cesar Chávez Memorial Plaza Park
 - Memorial Auditorium
 - Merchant Street
 - R Street District (proposed)

Methodology:

- Reviewed City documentation regarding the 6 designated historic districts, and conducted reconnaissance survey of each.
- Discussed individual contributors, as well as unifying building types, materials, characteristics, and styles within districts.

- Provided guidelines/recommendations for adaptive re-use of contributors, and new infill construction within or adjacent to the 6 City designated historic districts.
- Provided guidelines for general recommendations for the adaptive reuse of designated historical resources within the Downtown Specific Plan area.

Summary of Comments/Questions

Historic Resources Analysis:

- *Question:* Did you look at the building on O Street located across the street from the Fox and Goose restaurant?
 - *Response:* Our evaluation team did look at that building in our initial survey. We concluded it is outside the period of significance (1910-1930). First, the team conducted a ground survey and then did additional surveys to solidify the result. Once age is determined, then the team looked at the condition of the building. After all the research, the team might recommend this building (and potentially others) for future studies.
- *Question:* Did you look at buildings for individual significance?
 - *Response:* One deliverable from the analysis is a matrix that shows properties that have been surveyed but have been recommended for later in-depth evaluation.



Cultural Resources Analysis:

- *Question:* Are the opportunity sites being looked at as something to be built upon, or are you using it as a place that would likely have development?
 - *Response:* The purpose of analyzing opportunity sites is so that surprises can be avoided. If the plan wants to help development unfold, the team needs to first know that it is possible. As development moves forward on projects, CEQA must be completed. If there are problems with development, then the site will have to be scraped up.

Historic Resource Design Guidelines Analysis:

- *Question:* Most opportunity sites are not in the historic districts. There are vacant parcels in some of the historic districts that would be good opportunity sites. Have you looked at those?
 - *Response:* The team is concerned with not overpowering the old buildings in historic districts. The project team has gathered as much information as possible from the City, and some of those parcels are being considered for future studies.



Infrastructure Study Findings

Jay Radke, of NV5, provided an overview of the Infrastructure Study conducted in the Downtown grid with an emphasis on major corridors, mostly due to much of the development being centered along corridors. Jay detailed Streetlight, Wastewater and Storm Drain, and Water Main infrastructure needs for the Downtown area.



Key findings include:

Streetlight Map

- Reviewed major streetlight deficiencies in the northeast and southeast part of the Central City. The fewest number of streetlights exist in this part of the city, but the city doesn't have money to build more.
- Discussed financial options, such as money being collected from business districts or neighbors to fund building new streetlights.

Wastewater and Storm Drain Map

- Reviewed the history of Sacramento's combined sewer and storm drain legacy system and its potential issues when outflow increases.
- Identified sewer projects the City would like to see built over 20 years. Within downtown area, projects in blue in the Wastewater Map are the highest priority for needed improvements.

Water Main Map

- Reviewed the history of Sacramento's combined sewer and storm drain legacy system and its potential issues when outflow increases.
- Discussed outflow process and detailed how only during major storms do the combined systems outflow together.

Summary of Comments/Questions

Streetlight Map:

- *Question:* Did you analyze the further west edge area in the map?
 - *Response:* Unfortunately, the current General Fund only has funding for maintaining the existing streetlight system and has no money earmarked for new street light improvements. There are two areas CADA is looking at along the 16th Street and R Street corridors for additional funding. Additionally, there are two other areas that CADA has identified for needed street light improvements. CADA is looking for grant funding to pay for these improvement areas.

Waste Water and Storm Drain Map:

- *Question:* There are light blue lines on many of the streets near Old Sacramento; is this part of the Basin 52 system?
 - *Response:* The blue shaded areas on the map are the limits of the Basin 52 separated storm drainage system that serves the westerly portion of the DSP area including Old Sacramento. The Basin 52 pump station is located adjacent to the Cocker Art Museum near the intersection of 3rd & P Streets. The storm drainage runoff in this area is pumped directly to the Sacramento River. The sanitary sewer within the Basin 52 area is collected by the Combined Sewer System (CSS). The lighter blue-green shaded areas represent opportunity sites that the City has identified for potential development in the Downtown area.
- *Question:* What level of sewer treatment does the City use? Is it secondary or tertiary? Are there talks of upgrading?
 - *Response:* It is tertiary. The City pumps sewage to the Sacramento Regional Treatment Plant for tertiary treatment. The DSP area is located within the Combined Sewer System (CSS) which collects both sanitary sewer and storm drainage in the same pipeline. The system operates well expect during larger rainfall storm events when the system is subject to overflows into the streets. Under extreme events there can even be discharges to the River, but this is rare.



Water Main Map:

- *Question:* What do the orange lines in this map represent?
 - *Response:* The orange lines show where upgrades are needed for the larger 12-inch pipes in our system.

Financing Plan Findings

Ellen Martin, of Economic and Planning Systems, presented an overview and context of the current financing sources, discussed potential infill financing sources, and looked at other considerations for the Financing Plan.

Summary of Comments/Questions

- *Question:* Is there something else that can be done to finance infrastructure, like borrowing money from parking fees and using existing city revenues, to construct new facilities?

- *Response:* Borrowing money from parking fees and using existing city revenue is one method to finance infrastructure needs. Before this method is done, there first needs to be an assessment on the project to see if this is feasible.

Community Outreach Findings

The project team presented an overview of the community outreach that has been performed to date. Results from a recent Virtual Community Dialogue and an overview of the Community Open House were depicted using illustrative photos and graphs.



Key findings include:

Virtual Community Dialogue

- Engaged community to provide input on how to:
 - Address barriers to residential development.
 - Leverage existing community amenities.
 - Expand opportunities to bring more amenities to Downtown to maintain/improve quality of life.
- Discussed Community Notification.
 - Methodology:
 - Focused on four key elements: Community Values, Community Amenities, Public Spaces, Corridors.
- Detailed results of the conversation with illustrative photos and graphs.

Community Open House

- Engaged community to provide input on a series of six information stations featuring different elements and key initiatives including:
 - Project Overview
 - Infrastructure/Finance
 - Mobility
 - Environmental Impact Report
 - Urban Design, Land Use, and Preservation
 - Quality of Life
- Discussed Community Notification.
- Detailed findings from Community Open House activities.



Summary of Comments/Questions

Virtual Community Dialogue

- *Question:* How did you define Capitol Gardens? Isn't it Capitol Park?
 - *Response:* The Capitol Gardens is Capitol Park.
- *Question:* How did you define trails? Aren't trails and open space the same thing?
 - *Response:* Participants were given the opportunity to add their specific definition of a trail. The concept of trails serving as cultural trails came up for example. Trails that connect communities in an urban area, as well as separated trails were also mentioned.
 - *Comment:* Like in Indianapolis? I still don't know what are trails? Aren't they parks and open space? Or sidewalks?
- *Question:* I'm a little surprised to see people picked K Street between 6th and 10th Street. People who are interested in community center could have chosen that.
 - *Response:* We anticipated this to be robust dialogue. We put maps that allowed people to access all streets in the Central City so they could look at it and explore for themselves. The goal is to see where people are placing comments on the map. The virtual community dialogue offered an option to fill in the blank.
- *Question:* I looked online, the website does not show the results of the virtual community dialogue. Do you plan to put that online?
 - *Response:* The results of the virtual community dialogue will be posted to the project website within the next week. Community members will be able to see a high-level summary as well as a detailed comment document.

Key Policy Initiatives

Greg Sandlund, of the City of Sacramento, provided an overview of updates and changes to the Downtown Specific Plan. He also presented a detailed outline of Key Policy Initiatives in addition to a Public Art Plan.

Summary of Comments/Questions

Throughout the presentation, stakeholder representatives shared the following questions and comments:

- *Question:* I am concerned with how valuable our input is and how appreciated we are. I saw name tags of developers when I walked in, but not even one of them is here. I discovered they are separated from this group. It makes me wonder how much we are valued when they are not here.
 - *Response:* The project team invited and reached out to developers to attend this meeting. At the beginning of the planning process, the project team met with a small group of developers in a Development Advisory Group. The developers shared their thoughts on the challenges of building infill development in the Central City. It is very important to the project to engage the community stakeholders as well. There are

representatives from the development community here tonight. The project team will share the feedback received tonight with the developers who were unable to attend tonight's meeting.

- *Question:* When are we going to hear what you heard at the developers group?
 - *Response:* A summary of feedback from the Developer Advisory Group as well as the developer stakeholder representative group meeting can be viewed at the project website at (www.downtownspecificplan.com)
- *Question:* For someone that has been a Central City activist, there was once a message to developers to be a part of the community. They used to be at meetings with early notification. The developers seem to think that it doesn't matter what we think. There are developers that are the exception to that, but overall this is a problem.
 - *Response:* Several developers are here, I understand your frustration, and we will do our best to make this dialogue happen.
- *Comment:* I am happy to hear about the concept presented regarding limiting how many permits are given for residents and for new developments. I think there should be a vista permit per household; one permit per license carrier. Sometimes we have neighbors with four or five vehicles and they can get permits for all of them, so we need to limit permits given because this clogs up our streets.

Feedback Forms

The following comments were provided by meeting attendees on written feedback forms.

Historic & Cultural Resources Analysis:

- All the right things were said.
- I continue to be very concerned about potential historic resources that have not been surveyed—these surveys need to take place so we don't lose historic resources. I'm also concerned that the Preservation Commission should be more actively involved, particularly regarding alley infill in historic districts. I'm concerned about identifying historic resources located in corridors.



Infrastructure and Financing Plan:

- All the right things were said.
- I hope the City will continue to look for ways of getting streetlights in neighborhoods that don't have them.



Downtown Specific Plan
Interest Based Stakeholder Representative Group Meeting
Wednesday, March 29, 2017
5:30 – 7:30 p.m.
Hacker Lab, 1715 I St, First Floor

Key Policy Initiatives:

- All the right things were said.
- I am concerned about increased F.A.R. and its potential to drive land speculation and sense of place. If developers are to be allowed to exceed existing F.A.R., there needs to be specified, clearly defined community benefits and any height increases need to be strictly limited (one or two stories not more).
- Do whatever possible to ensure that different housing options are equally dispersed throughout the plan area. Don't allow certain income types of housing to be concentrated.

Other:

- All the right things were said.
- Please make it super easy for plans to build single family alley units to get approved.
- Affordable housing is critical—there need to be good incentives for it. I would be comfortable with a developer getting one or two additional stories (increase height) if those stories were affordable housing and possibly not zero-energy as the only “community benefit” I’m comfortable with—no more Yamanees.

Next Steps

The project team then provided an overview of next steps following the stakeholder meeting. These include:

- Public Review of Draft Environmental Document – Summer 2017
- Community Workshop – Summer 2017
- Commission Hearing – November 2017
- Plan Adoption – December 2017



Downtown Specific Plan
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Appendix

- Agenda
- Feedback Form
- Sacramento Housing Market Analysis Report
- Meeting Invitation



Stakeholder Representative Group Meeting Agenda

Wednesday, March 29, 2017 | 5:30 p.m. to 7:30 p.m.
Hacker Lab, 1715 I Street, 1st Floor

- I. **Welcome and Introductions** - Gladys Cornell, AIM Consulting
- II. **Downtown Specific Plan Overview** - Greg Sandlund, City of Sacramento
- III. **Historic & Cultural Resources Analysis** - Amber Grady, Environmental Science Associates
- IV. **Infrastructure** - Jay Radke, NV5
- V. **Financing Plan** - David Zehnder and Ellen Martin, Economic Planning Systems
- VI. **Community Outreach** - Harriet Ross, Environmental Science Associates & Gladys Cornell, AIM Consulting
- VII. **Key Policy Initiatives** - Greg Sandlund, City of Sacramento
- VIII. **Next Steps / Q & A** - Gladys Cornell, AIM Consulting



Please provide any thoughts, observations, or remaining questions regarding any of the following topics discussed today:

Historic & Cultural Resources Analysis

Infrastructure & Financing Plan

Key Policy Initiatives

Other

Name _____ Organization _____

Phone _____ Email _____

Please submit your feedback to the project team today or send by Thursday 3/6 to Sal Ramirez by email at sramirez@aimconsultingco.com, by fax at 916-442-1186, or by mail to 2523 J Street, Suite 202 Sacramento, CA 95816.



We strive to make each meeting valuable and results driven. We look forward to any comments and/or ideas to improve the meeting experience for you. Please feel free to provide us with your thoughts.

1. Information shared at the meeting was useful? YES NO

2. Discussions were appropriately facilitated to engage all participants? YES NO

3. The participants involved in the process are appropriate? YES NO

4. Any other recommendations to improve the meetings?

Name _____ Email _____

Can we follow up with you? YES NO

SACRAMENTO DSP HOUSING MARKET ANALYSIS

EXECUTIVE SUMMARY

The following summarizes the results of a comprehensive housing market analysis for the Sacramento Downtown Specific Plan (DSP). It begins with an overview of the existing and projected future demographic and economic trends, and real estate market conditions, within the DSP area. The analysis includes comparisons to the City of Sacramento as a whole and to the Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area (MSA). It also summarizes the results of case study research regarding the conditions and trends in five peer cities, including Denver, Colorado; Long Beach, California; Minneapolis, Minnesota; Nashville, Tennessee; and Portland, Oregon. The analysis concludes with a review of housing demand projections. The projections include three alternative scenarios, representing the range of potential housing demand that may reasonably be captured within the DSP area, under different circumstances, over the next 10-20 years.

Demographic Characteristics

Key findings from the analysis of existing demographic trends and characteristics include:

- The DSP area lost ~170 residents between 2000 and 2010-2014.
- Area households are smaller than average, with 1.6 persons per household.
- Non-family households make up more than 75 percent of all households, while single people living alone represent about 60 percent of all households.
- Renters represent 88 percent of all DSP area households.
- The median age in the DSP area is lower than in the City and MSA as a whole, and trended downward between 2000 and 2010-2014.
- Only two age cohorts grew since 2000, including 25 to 34 year-olds and 55 to 75 year-olds.
 - The 25 to 34 age cohort represents about one-third of the DSP area total population, while children under the age of 18 represent less than ten percent.
- Inflation-adjusted household incomes in the DSP area are significantly lower than in the City and MSA as a whole.
 - The DSP area has a disproportionate share of low-income households (53 percent of households) compared to the City (46 percent).

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Berkeley, CA 94710
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles

706 South Hill St., Suite 1200
Los Angeles, CA 90014
213.471.2666

Washington DC

1400 I St. NW, Suite 350
Washington, DC 20005
202.588.8945

New York City

49 West 27th St., Suite 10W
New York, NY 10001
212.683.4486

- This is partially explained by the area's younger population and smaller household sizes.
- Younger single-person households often have lower incomes and have not had time to accumulate substantial wealth/equity to facilitate home purchases.
- Although lower than the regionwide median, the inflation-adjusted median household income in the DSP area increased between 2000 and 2010-2014.
- This means that the DSP area is capturing a disproportionate share of the growth in the number of the region's higher-income households.
- The DSP area is attracting more highly educated residents and at a faster rate than the rest of the City and MSA, positioning DSP area households for long-term income growth.
- The lack of a recent track record of population growth in the DSP area means that it is difficult to gauge the depth of demand to absorb increases in the DSP area housing supply.
 - Developers will need to provide housing in range of sizes, configurations, and price points to maximize the capture of demand for new housing from a broad base.
 - The prevalence of younger single-person households indicates that demand is likely to be strong for smaller, more affordable rental housing units.
 - Lower incomes in the DSP area mean that rental rates and sales prices would ideally be lower than elsewhere in the City and region.
 - Lower price points could be provided by construction of smaller housing units (i.e., studios and one-bedroom units), given the prevalence of single-person households.
 - Household formation, income growth, and educational attainment may translate to the ability for current DSP area renters to transition to homeownership as their incomes increase.
 - It is not clear whether the Millennials will seek homeownership at the same rates as prior generations, or whether they will seek ownership options outside of the DSP area.

Economic Characteristics

Key findings from the analysis of economic trends include:

- DSP area job growth was much more robust than the MSA in the 2005 to 2010 period, and performed much worse than the MSA between 2010 and 2015.

- The DSP area is the region’s most important job center, accounting for 13 percent of regional employment in 2015.
- Government employment continues to represent an exceedingly large portion of the DSP area employment, accounting for almost two out of every three DSP area jobs.
- There are signs that the DSP area employment base is diversifying to some extent.
 - Job gains in sectors such as Construction; Wholesale Trade; Management of Companies and Enterprises; Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; Accommodation and Food Services; and Professional and Technical Services.
 - The Retail sector contracted by about 25 percent since 2005, implying a reduction in the availability of lower-skill, lower-wage employment opportunities
 - The contraction in retail employment also indicates a possible contraction in the availability of retail shopping opportunities for residents and visitors.
 - Convenient shopping for everyday goods is typically an important consideration for renters and homebuyers who are looking for a residence location.
- DSP area resident occupations, regardless of their workplace location, tend to be concentrated in various professional and “white collar” categories, such as:
 - Management, Business, and Financial occupations, and Education, Legal, Community Service, Arts, and Media occupations.
 - Resident occupations that tend to be associated with lower education and skill levels and lower wages have tended to decrease over time.
 - This general shift in occupations correlates with an increase in household incomes between 2000 and 2010-2014, which was counter to citywide and regional trends.
- An estimated 94 percent of DSP area workers commute in from outside the DSP area, while only 36 percent of employed residents work in the DSP area.
 - Residential properties are currently capturing housing demand from only a very small portion of the local workforce, and the residential sector has the potential to absorb considerable additional housing demand from the local workforce at its current level.

Housing Market Conditions

Key findings from the housing market existing conditions assessment include:

- The DSP area housing market is predominantly characterized by attached single-family housing units (i.e., duplex, triplex, townhome, etc.), as well as smaller apartment buildings.
- New housing in the DSP area is predominantly oriented toward higher-density multifamily and attached single-family housing types, including larger (>50 units) apartment buildings.
- The DSP area's extremely low-, very low-, and low-income households (53 percent of total) are at risk of displacement, due to high prevalence of excessive or severe housing cost burdens.
 - Housing displacement risk among moderate-income and above moderate-income households is less of a concern, due to their higher incomes.
 - Overcrowding does not appear to be a significant problem in the DSP area.
- Home prices in the DSP area tend to be at the high end, compared to the city as a whole, both on a total price basis (\$476,250 median sale price) and on a price per square foot basis (\$354 per square foot).
 - DSP area sales prices are only below those of East Sacramento (\$498,500 median sale price /\$372 per square foot), and generally exceed the values in other neighborhoods.
 - DSP area values are considerably above average, indicating that homebuyers attribute considerable value to a downtown Sacramento location.
 - These high home values exist in the context of a housing market that has seen rapid price appreciation since the start of the recovery, around the turn of the decade.
- Among different residential product types, per square foot values were highest among condominiums and townhomes.
 - This indicates that buyers are accepting of higher density living options and, in the case of condominiums, are willing to pay a premium for the right type of high density product.
 - This pricing bolsters development feasibility for higher density infill and redevelopment projects, where higher sales prices per square foot are necessary to offset costs.
- Interviews indicate that the buyers of units in new DSP area residential projects are primarily single individuals, couples, young professionals, empty-nesters, and retirees.
 - Families with children are noticeably absent from the DSP area buyer profile.

- Homebuyers are seeking the “urban experience” and the “lock and leave” convenience.
- Maximum affordable home purchase prices for households in the moderate-income category (up to 120 percent of AMI) are just below \$400,000, for a five-person household.
 - Maximum home purchase prices for smaller moderate-income households are lower. For example, a moderate-income one-person household could a home costing ~\$258,000.
 - Affordable home purchase prices for lower-income households are below these limits.
 - Based on a comparison between these affordable purchase prices and the sales prices of recently constructed for-sale housing units in the DSP area, the marketplace is only providing new housing units affordable at the above moderate-income level.
 - Households that cannot afford to purchase market rate housing, either new or resales, turn to the rental housing market in order to secure affordable housing.
- Housing rental rates in the DSP area, as well as in the City and the MSA have increased on a strong upward trend since the Great Recession.
 - The average apartment rental rate for the DSP area has increased 32 percent since 2008, to \$1,737 per month, while vacancy rates have dropped to 3.2 percent.
 - Current average monthly rents range from \$1,313 for a studio apartment, to \$2,117 for a three-bedroom townhouse, for an overall average of \$2.16 per square foot.
 - Among recently completed projects, rental rates tend to be considerably higher than the DSP area market averages, ranging up to as high as \$4.11 per square foot.
- The tenant profile for newly constructed residential units tends to include higher-income young professionals in their mid-20s to mid-30s, acknowledging that younger workers in lower-paid occupations likely cannot afford the rents.
- While older renters, who are more likely to have children than the younger renters, typically prefer more suburban locations, empty-nesters are showing interest in the DSP area.
 - Many are testing out urban living and choose to rent for a period of time in the DSP area, before committing to purchasing a home or condominium in the DSP area.

- Real estate professionals indicated that demand was strong for all available rental unit types, with primary demand coming from people who work in or near the DSP area.
- However, some complexes noted that they have a portion of tenants who live in the DSP area for the urban environment, and reverse commute to suburban jobs outside the DSP area.
- For rental projects (and for-sale projects) neighborhood walkability and proximity to restaurants, shopping, parks, cultural amenities, and jobs are key amenities for residents.
- Comparing affordable housing costs by income level with the market rate average rents in the DSP area indicates that moderate-income households of various sizes can generally afford the average rental rates for housing that would be suitable for their household size.
 - Low-income households at various sizes could not afford market average rents.
 - Some may still find affordable rental units in the lower end of the DSP area market rental rate ranges, for appropriately sized units.
 - Very low- and extremely low-income households will likely face great difficulty in finding affordable market rate rental housing in the DSP area.

Non-Residential Market Conditions

Important findings from the assessment of non-residential real estate market conditions include:

- Based on existing commute patterns and tenant profiles shared by managers at recently completed rental and for-sale residential projects, there is an important link between DSP area jobs and housing demand.
- Current real estate market information indicates that the DSP area remains a key job center within Sacramento and the larger MSA, accounting for approximately 57.4 percent of citywide office inventory, as well as a portion of the region's industrial and retail space.
- With relatively low vacancy rates, the DSP area's non-residential real estate sector will not be able to accommodate substantial new employment growth without new development.

Planned and Proposed Residential Projects

Key findings from the planned and proposed projects inventory include:

- The City of Sacramento currently has a substantial pipeline of approved, planned, and proposed residential projects, totaling almost 13,500 new housing units.
- Most of the projects are planned as market rate mixed-use developments.
- The split between market rate and below-market rate units in large projects such as the Railyards and the remaining units in Township 9, is yet to be determined.
- There are also a number of higher density residential projects proposed and under construction just outside of the DSP area boundary.
 - While these projects represent competition, many are targeted somewhat down market from the DSP area projects, offering more affordable housing options and many complementary housing types (e.g., townhomes versus luxury apartments).
 - Also, with considerably fewer units, these projects are much less likely to set the market for housing in urban Sacramento, compared to projects like the Railyards.
- New rental and new for-sale housing developments tend to be priced significantly above the current market averages.
 - Mismatch between the construction cost and rental rates/sales prices.
 - Limited affordability for households with incomes less than the above moderate level in the for-sale market and the lower-income income levels for prospective renters.
 - To the extent that any of the existing lower income households are at risk of displacement, there are few new below-market rate relocation options.
 - Mixed income housing strategies are currently under development for the Railyards and Township 9 developments, in compliance with the City's mixed income housing ordinance.
 - Given the large number of units associated with these projects, robust mixed income housing strategies could help to mitigate some of the displacement pressure.

Baseline Growth Projections

The following are key findings derived from a review of the available growth projections and a comparison with the current pipeline of planned and proposed projects:

- SACOG has relatively robust expectations for residential growth in the DSP area between 2012 and 2036, projecting an average growth rate of 3.7 percent per year.
 - This is substantially higher than the rate that SACOG projects for the City as a whole (1.7 percent per year) and for the MSA overall (1.4 percent per year).

- SACOG’s growth projections translate to 3,877 new housing units in the DSP area between 2012 and 2020, and an additional 15,836 units between 2020 and 2036.
- The currently identified residential projects can more than address SACOG’s anticipated increase in DSP area housing units through 2020.
 - If all the currently approved, planned, and proposed projects were completed by 2036, this would address about 70 percent of SACOG’s projected DSP area housing unit growth.
- Additional planning will be necessary to ensure that the DSP area continues to include a wide variety of housing types offering housing opportunities for all household types and incomes.
 - Further analysis will be necessary to determine whether the specific residential product types being proposed in the DSP area are optimized to meet the anticipated demand, including an appropriate distribution of affordability levels, and unit types and sizes, based on expected DSP area household characteristics.

Peer City Case Studies

To better understand the conditions and trends that contribute to increasing demand for central city housing, BAE conducted five peer city case studies, including Denver, Colorado; Long Beach, California; Minneapolis, Minnesota; Nashville, Tennessee; and Portland, Oregon. Some of the common themes that surfaced through the case studies include:

- The peer city downtown housing markets emphasize development of smaller studio and one-bedroom multifamily rental units, sized at around 1,000 square feet or less.
- This includes the development of “micro-units” in all five peer cities, which can offer as little as 350 square feet per unit.
- The central city rental offerings in all five peer cities are generally oriented toward the higher-end of the market, providing a stunning array of amenities ranging from fitness centers, to rooftop decks, and pet grooming services.
- The for-sale market is somewhat dormant in most downtowns, due in part to concerns over liability exposure for construction defects, according to real estate brokers.
- Developers in all five peer cities leverage a robust assortment of cultural, recreational, and entertainment offerings, which contribute to the desirability of central city housing.
- While all five peer cities are working to improve access to public transit, Nashville remains largely auto dependent. Denver, by comparison, has developed the eighth largest light rail network in the country, which is helping to drive downtown growth.

- The primary driver of central city housing demand is the capture of a share of overall regional demand growth, which is most closely tied to regional employment growth. Changing consumer preferences and the provision of a more vibrant assortment of downtown amenities mainly help to increase the central city capture rate; though a reputation for urban vibrancy can also induce additional demand, as seen in Portland and Nashville.
- Demand for central city housing primarily originates from among households headed by members of the Millennial and Baby Boom generations.
- All five peer cities utilized public investments in infrastructure, site remediation and preparation, and project subsidies to catalyze development early on. Tax Increment Financing (TIF) remains an important funding mechanism in most cities.
- All five peer cities have central city plans in place that direct downtown development and coordinate the regulatory framework with broader citywide and regional efforts.
- Portland and Nashville offer two of the more innovative approaches to incentivizing central city housing development, including the use of height and density bonuses and design oriented regulations which de-emphasize, or eliminate, use restrictions.
- Denver offers an example of robust regional cooperation, anchored in the Mile High Compact, which commits jurisdictions throughout the region to cooperate on matters of economic development and infrastructure. Minneapolis offers another example with a regional tax sharing agreement designed to even out infrastructure spending.
- Two of the peer cities, Portland and Denver, also feature urban growth boundaries, which help to concentrate development pressure within existing urban areas.

Housing Demand Projections

The following summarizes the key characteristics of BAE's three housing demand growth scenarios, along with key considerations for interpretation of the scenarios:

- The demand projections developed by BAE for the Sacramento DSP area are based on population, household, and housing unit projections published by SACOG.
- To put the SACOG projections into perspective, BAE compared the Sacramento DSP area household capture rate (i.e., the proportion of new regional household growth that is being allocated to the central city) to the capture rates identified in the five peer city case studies.
- BAE then developed three alternative scenarios to illustrate the range of potential housing demand that may be captured, under different circumstances, over the next ten to 20 years.

- The low-end scenario assumes that the DSP area will capture the same proportion of regional housing growth as reported in the 2000 Census and the 2010-2014 ACS.
- The mid-range scenario assumes that the DSP area will capture a significantly higher proportion of regional housing growth, which is consistent with SACOG's projections.
- The high-end scenario assumes that the DSP area will capture housing demand sufficient to absorb the current pipeline of planned housing projects.
 - This is based on the assumption that the volume of planned and proposed housing development reflects a positive developer outlook, including certain expectations about anticipated future demand for housing in the central city.
 - It also assumes that by providing a substantial increase in the number of housing projects that are available in different locations and configurations, compared to historic offerings, the expanded supply of new housing will induce a higher level of demand for central city housing, in large part from existing area workers.

Table ES-1: Projected DSP Area Housing Demand Growth, 2016-2026-2036

	2016	2026	2036
Metro Area Households	807,841	916,896	1,050,579
<i>New Households</i>	<i>n.a.</i>	<i>109,055</i>	<i>133,683</i>
Historic Trend Scenario (a)			
Household Capture Rate (b)	n.a.	0.3%	0.3%
Central City Households	18,938	19,292	19,727
<i>New Households</i>	<i>n.a.</i>	<i>354</i>	<i>435</i>
Central City Housing Units (c)	21,358	21,679	22,463
<i>New Housing Units</i>	<i>n.a.</i>	<i>321</i>	<i>784</i>
SACOG Scenario (d)			
Household Capture Rate (b)	n.a.	6.4%	8.2%
Central City Households	18,938	25,900	36,811
<i>New Households</i>	<i>n.a.</i>	<i>6,963</i>	<i>10,911</i>
Central City Housing Units (c)	21,358	29,104	41,917
<i>New Housing Units</i>	<i>n.a.</i>	<i>7,746</i>	<i>12,812</i>
Supply Driven Scenario (e)			
Household Capture Rate (b)	n.a.	8.7%	8.7%
Central City Households	18,938	28,423	40,051
<i>New Households</i>	<i>n.a.</i>	<i>9,486</i>	<i>11,628</i>
Central City Housing Units (c)	21,358	32,017	45,257
<i>New Housing Units</i>	<i>n.a.</i>	<i>10,659</i>	<i>13,240</i>

Notes:

- (a) Based on the historic household capture rate exhibited in the Sacramento Downtown Specific Plan Area between the 2000 Census and the 2010-2014 American Community Survey (ACS).
- (b) Represents the proportion of regional household growth captured within the Sacramento Downtown Specific (DSP) area.
- (c) Assumes an average housing vacancy factor of 11-12 percent, as projected by SACOG.
- (d) Based on the implied household capture rate reported in the 2012-2020-2036 regional projections published by SACOG.
- (e) Based on the current list of planned and proposed housing projects slated for completion during the next 10-20 years. This scenario assumes that such development activity functions as one possible indicator of potential new housing demand.

Sources: SACOG, Draft Modeling Projections for 2012, 2020, and 2036, 2016; U.S. Census Bureau, 2010-2014 American Community Survey, 2016; City of Sacramento, 2016; SHRA, 2016; Sacramento Business Journal, 2016; Downtown Sacramento Partnership, 2016; BAE, 2016.

- While the low-end scenario is based on documented historic trends, the moderate- and high-end scenarios represent significant departures from historic trends.
- While there is substantial evidence indicating that the DSP area is likely to satisfy a significantly higher proportion of regional housing demand than was achieved over the prior decade, there are a number of key conditions that will need to be met, including:
 - The economic fundamentals driving housing demand, both within the DSP area and the broader Sacramento region, must remain sound.
 - Another recession could result in lower regional growth and a lack of feasibility and/or interest in building new housing, particularly high density infill.
 - While the peer city case studies identified a significant shift in demographics and housing preferences as a primary driver of central city housing demand, the depth of the higher density urban infill market has yet to be fully demonstrated.

- To appeal to a broad spectrum of households and maximize demand capture, developers provide a broad range of household types and income levels.
 - This would broaden the appeal beyond the higher-end renter segment that is the primary focus of recent DSP area housing development.
 - This will likely need to include additional rental housing options for lower-income households, including both market rate and subsidized options, as well as additional home ownership opportunities.
- Residential developments will need to closely coordinate with the City and other central city stakeholders to leverage major public investments, such as the Golden 1 Center, K Street revitalization, R Street redevelopment, Railyards redevelopment, riverfront reinvestment, and other related public and private investments, to further catalyze interest in central city living and the “downtown lifestyle.”
- The planning and building approval and permitting capacity of the City of Sacramento will need to be able to accommodate a substantial increase in volume of infill projects.
- The City will also need to respond effectively to the substantial changes in service demand resulting from a significant increase in the DSP resident population.

Housing Demand by Unit Size and Tenure

In addition to estimating the total number of housing units which may be absorbed within the DSP area under each housing demand capture scenario, BAE developed breakdowns of housing units by unit size, tenure, and household income level.

- BAE anticipates that just under 60 percent of the future housing demand will be for studio and one-bedroom units, with just under 30 percent allocated toward two-bedroom units, and just over 11 percent allocated to housing units with three or more bedrooms.
- Just over 44 percent of the projected housing demand will come from lower-income households (i.e., those earning 80 percent or less of AMI).
 - Just over 18 percent will come from moderate-income households (i.e., those earning 81 to 120 percent of AMI), and the remaining 38 percent coming from above moderate-income households (i.e., those earning more than 120 percent of AMI).
- Approximately 59 percent of the housing demand will be in the rental market, with the remainder oriented toward the for-sale housing market.

Housing Demand by Density Type

While the housing demand projections do not specify housing preferences in terms of housing density, some inferences are possible based on household income and tenure:

- To promote affordability at the lower income levels, most of the projected rental housing is likely to take the form of higher density multifamily apartments.
 - For example, rental units targeted toward lower income households account for approximately 44 percent of the total projected new housing demand through 2026.
- Rental housing for households in the moderate- and above moderate-income categories, which accounts for 15 percent of projected demand, will likely be high-density multifamily.
 - Some of this demand may be met through provision of moderate density townhomes and live/work units in locations where lower-density development is preferable.
- For higher income households seeking home ownership opportunities, which account for roughly 41 percent of the total projected new housing demand, preferences may range from:
 - High density condominiums through moderate density townhomes; and
 - Moderate density small lot single-family housing options, particularly in Midtown.



You're invited to a Stakeholder Meeting for the City's Downtown Specific Plan update

Wednesday, March 29, 2017

5:30 – 7:30 p.m.

Hacker Lab, 1715 I St, Sacramento, CA 95811

In an ongoing effort to assist in the development of at least 10,000 places to live in the next 10 years, the City of Sacramento is updating the Downtown Specific Plan (DSP).

The update will focus primarily on:

- Discussions about community amenities, historic preservation, arts and culture, and public health as they relate to increasing Downtown's housing supply, and;
- How mobility will play an important part in developing the plan.

As a key stakeholder, we are interested in hearing from you. Please join us for the second stakeholder meeting where we will discuss the City's overall goals, approach, changes to the plan.

Please RSVP by Monday, March 20, 2017 by replying to this email or calling (916) 442-1168.

To learn more about the Downtown Specific Plan and to sign up for future notifications, visit www.DowntownSpecificPlan.com