

Innovation Park PUD Mixed Income Housing Strategy

The Innovation Park Planned Unit Development (Innovation Park) is a mixed-use community proposed on the approximately 183.8-acre site that includes the prior Sleep Train Arena building and former Sacramento Kings practice facility, parking lots surrounding the arena building, and partially and fully undeveloped areas north of the arena and parking lots. SBH Natomas LLC (“Developer”) is the owner of Innovation Park, located within the North Natomas community in the northwestern portion of the city of Sacramento.

The land uses immediately surrounding the Innovation Park PUD area consist of mixed-use commercial, multi-family residential, and vacant land uses, and are bounded by Del Paso Road to the north, Truxel Road to the east, Arena Boulevard to the south, and East Commerce Way to the west.

Innovation Park is a proposed mixed-use, master planned community consisting of a state-of-the-art hospital and medical campus comprised of approximately 35 acres of hospital and medical campus, 24.3 acres of park, medium to high density mixed-use zoning, and a school. The plan area will have a General Plan designation of Urban Center Low with a density range of 20 units per acre to 150 units per acre.

The North Natomas Community Plan calls for “[n]eighborhoods (that) will provide a balance of different housing densities with a variety of housing types, lot sizes, and affordability to serve a broad spectrum of residents.”

The vision for Innovation Park is to transform and redevelop the prior Sleep Train Arena from an underutilized sports complex into a vibrant innovation district focused on health, education, and living, with a mix of uses that enhances the fabric of North Natomas and the region. The project’s goals envision a plan that supports a wide variety of housing types as envisioned by the housing principles of the North Natomas Community Plan. Estimated residential densities, ranging from 20 units to a permitted maximum zoning density of 150 units per acre, will assist in generating a diverse housing stock including affordable units and a significant pool of workforce housing.

Innovation Park is subject to the City of Sacramento Mixed Income Housing Ordinance. The Mixed Income Housing Ordinance requires residential projects of more than 100 gross acres to “pay a housing impact fee” based on fees established by the city council as identified in the nexus study and prepare a strategy that will “demonstrate how the project will provide housing for a variety of incomes and family types consistent with the housing element.”

At the time of this Mixed Income Housing Strategy, the housing impact fees for single unit dwellings of 20 du/ac or more are \$0, and for multi-unit dwellings of 40 du/ac or more are \$0.

Some of the key goals of Innovation Park supporting mixed income housing include:

1. Provide policy and design guidance for new development that is compatible with and well-integrated within the existing community.

2. Provide synergistic connections between medical office, residential, and commercial development within and surrounding Innovation Park.
3. Develop a mixed-use environment that provides residents with the opportunity to live, work, and play within Innovation Park.
4. Provide a range of housing types and densities, including but not limited to step-up housing, to meet the varied needs and preferences of those who will work both in the Plan Area and the greater region.
5. Provide an urban-core adjacent environment that prioritizes multimodal transportation including pedestrian, bicycles, and vehicles through a centralized complete street framework.
6. Provide a range of housing types and densities, including but not limited to step-up housing, to meet the varied needs and preferences of those who will work both in the Plan Area and the greater region.
7. Provide an urban-core adjacent environment that prioritizes multimodal transportation including pedestrian, bicycles, and vehicles through a centralized complete street framework.
8. Create a flexible entitlement structure to provide for more cost efficient housing and the ability to respond to future job and market opportunities.
9. Promote environmental sustainability through the use of green building technology, water conservation, renewable energy resources, active transportation options, or other community innovations.

Innovation Park supports several of the goals and policies listed in the 2021-2029 City of Sacramento Housing Element Goals and Policies:

H-1.4 Facilitate Infill Housing Development. The City shall facilitate infill housing along commercial corridors, near employment centers, near high-frequency transit areas, and in all zones that allow residential development as a way to revitalize commercial corridors, promote walkability and increased transit ridership, and provide increased housing options.

H-1.7 Encourage Adaptive Reuse. The City shall promote and facilitate the conversion of commercial, office, industrial, and parking structures for housing and mixed-use developments.

H-2.13 Affordable Housing Set-Aside in Enhanced Infrastructure Financing Districts. The City shall require a 20 percent set-aside for affordable housing in all new enhanced infrastructure financing districts to the extent permissible by State law.

H-4.1 Expand Housing Types Throughout the City. The City shall take meaningful actions to allow for a greater array of housing types throughout the city to create more inclusive and equitable neighborhoods and to affirmatively further fair housing.

H-4.3 Promote Mixed Income Neighborhoods. The City shall promote mixed income neighborhoods with an equitable distribution of housing types for people of all incomes throughout the City by encouraging new affordable housing in high resource areas and promoting homeownership opportunities throughout the City, particularly in low resource areas.

H-8.3 Encourage Accessible Housing Near Transit and Amenities. The City shall encourage the development, rehabilitation, and preservation of accessible housing, particularly in neighborhoods that are accessible to public transit, commercial services, and health and community facilities.

Incorporating Affordable Units

According to the City of Sacramento’s 2021-2029 Housing Element, housing is affordable if it costs no more than 30 percent of gross household income. According to the U.S. Department of Housing and Urban Development, lower income households are those that earn less than 80% than the area median income, or \$72,500 for a family of four in the Sacramento area in 2021. Workforce housing reflects units that are affordable to households earning between 60 and 120 percent of the area median income.

Along with the affordability by design principles of providing an opportunity for a wide variety of medium and dense housing, in an effort to ensure that a portion of the residential units developed in the Innovation Park area are affordable, the Developer will incorporate affordable units directly into Innovation Park.

At this time, the Developer is entitling the property, but has not presented a residential development at Innovation Park. To ensure that affordable units are incorporated into Innovation Park along with the associated infrastructure, the Developer will proactively develop an innovative Mixed Income Housing Strategy premised on a multi-faceted approach that requires the future residential developer to choose a path prior to building any residential units. This Mixed Income Housing Strategy provides a necessary flexibility that contributes to the City of Sacramento’s housing goals during this statewide housing crisis, ensures affordable units will be incorporated with any market rate units, and that the associated infrastructure can be developed to support the housing. This Mixed Income Housing Strategy provides the following options and components to ensure a mix of housing to support all future residents of Innovation Park (Strategy):

1. Prior to receiving any residential building permits in Innovation Park (except for the hospital and medical campus land area in Parcels D and D1), the proposed residential developer must choose one of the two following options, notify the Planning Director of its choice, and clearly indicate that option in its application:
 - a. The residential developer shall build or cause to build ten (10%) percent of any residential units within the PUD as affordable units either delivered before or concurrently as the market-rate housing. The affordable units will have affordability levels set at or below eighty percent (80%) of area median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to section 8 of the United States Housing Act of 1937. These units may be mixed throughout a development as single-unit dwellings, or they may be provided in one multi-unit development. The affordable housing units will be eligible to receive Housing Trust Funds, which is administered by SHRA. To utilize this option, the residential developer

must present its plan to build ten (10%) as a minor amendment to this Strategy subject to Planning and Design Commission approval. Or;

- b. The developer will dedicate 2.0 net building acres to Sacramento Housing and Redevelopment Agency (“SHRA”) in Parcel A – Innovation District as illustrated in Figure 2-1 of the District Schematic Plan and the developer’s land dedication must be approved and accepted by SHRA (“SHRA Land”). Given the dense urban context, this acreage provides the ample opportunity for SHRA to potentially develop, and manage, up to 150 affordable housing units, consistent with 17.712.030.B.1.c of the Mixed Income Housing Ordinance. To the greatest extent feasible, SHRA will ensure the construction of the affordable housing units will be contemporaneous with market rate units.
 - i. The final map for Parcels D and D1 – Health District in the Schematic Plan may be recorded prior to the land dedication to SHRA. The final maps for remaining Parcels A, B, C, E and E1 will be permitted to record concurrently with/after the developer transfers the dedicated land to SHRA, pursuant to the Land Characteristics described herein.
 - ii. Up to 1,500 market rate resident building permits may be issued before the following condition must be met and additional permits issued:
 - 1. The developer must build or cause to build ten percent (10%) of any additional residential units beyond 1,500 units within the PUD as affordable units, or pay Housing Impact Fees adopted at the time of pulling permits for construction (Fees). The affordable units will have affordability levels set at or below eighty percent (80%) of area median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to section 8 of the United States Housing Act of 1937.
 - 2. These units may be mixed throughout a development as single-unit dwellings, or they may be provided in one multi-unit development.
 - 3. The affordable housing units will be eligible to receive Housing Trust Funds, which is administered by SHRA.
- 2. An option to make a minor amendment to this Strategy is subject to Planning and Design Commission approval and the amended Strategy shall not deviate from the threshold of ten percent (10%) affordable housing set-aside.

Land Characteristics

Prior to SHRA taking ownership, off-site infrastructure must be fully constructed, including street, curb/gutter, sidewalk, sewer, water, gas, electric, and other infrastructure and stubbed to the lot.

Furthermore, dedicated sites must be located within a ¼ mile of at least three of the following amenities:

- An existing or planned public elementary, middle, or high school;
- An existing or planned public park or recreational facility;
- An existing or planned transit stop;
- An existing or planned grocery store; and/or
- An existing or planned public library.

Any subsequent revisions made to changes in the Schematic Plan that impact the SHRA Land must be discussed with and approved by the City Community Planning & Development and SHRA prior to implementation of any amendments to this Strategy. SHRA shall not be permitted to sell, transfer, or otherwise use the land for any other purpose than building affordable housing units. Any future development project shall be consistent with the PUD as approved on date of the transfer, and its related design guidelines.

Affordable Housing Regulatory Agreement and Monitoring Fees

The purpose of the Affordable Housing Regulatory Agreement Monitoring Fees is to cover SHRA's ongoing administrative expenses related to monitoring of the affordable units (annual inspections, income eligibility review, sale, resale, subordinations, etc.) for the duration of the regulatory agreement. Fees will be paid at the time the 30-year Affordable Housing Regulatory Agreement is recorded.

If the applicant/developer is producing multifamily affordable housing units not assisted by the SHRA through a mortgage revenue bond issuance and/or a gap financing loan, the applicant/developer must pay a fee equal to the number of Affordable Units multiplied by the Average Public Subsidy/Unit and SHRA's approved annual monitoring fee discounted over the 30-year regulatory period.

If SHRA is issuing a bond or providing a loan to the project these fees will be waived.

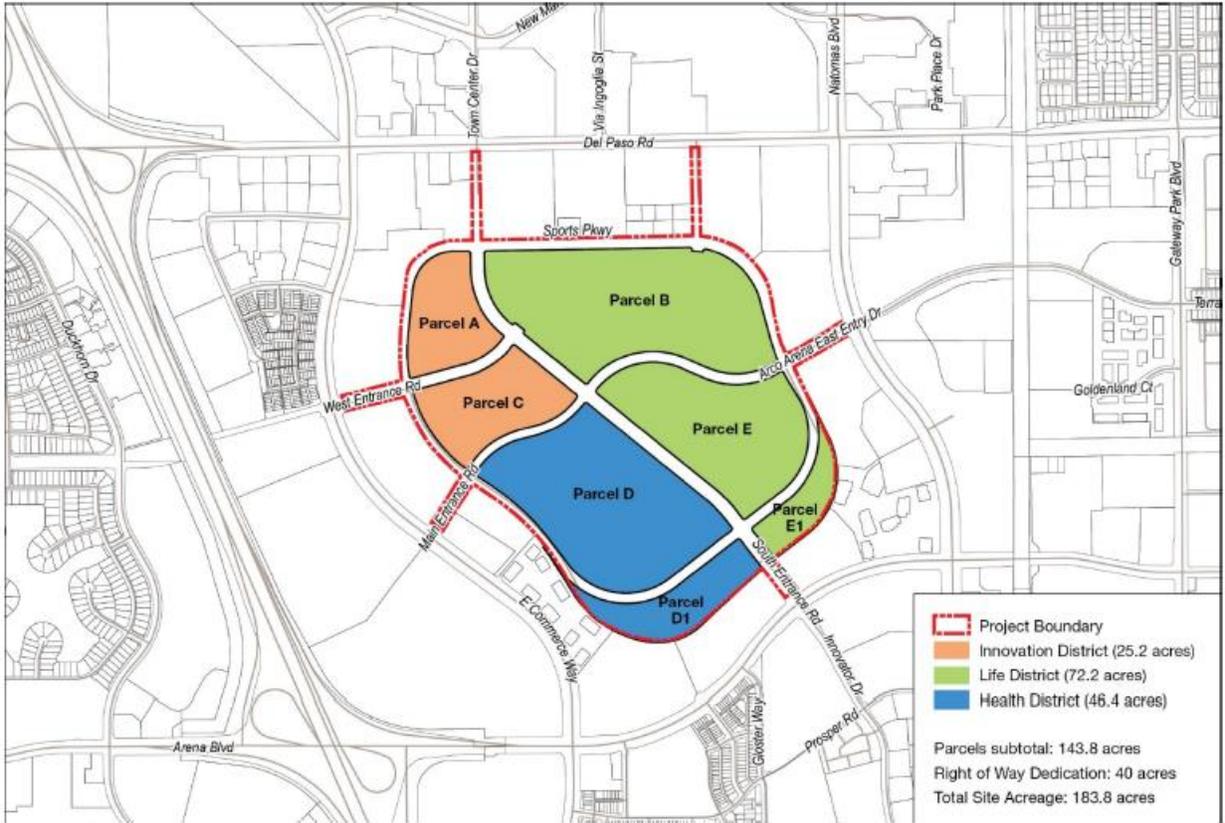


Figure 2-1 District Schematic Plan

Administrative Draft – Subject to Revision