

**D Soundness of Approach**  
**Sacramento Area Council of Governments**

## The Vision

Addressing the barriers to more affordable homeownership opportunities outlined in the Need section will require both regulatory changes *and* building local capacity across the key players in the development ecosystem. The vision for this PRO Housing Grant is for SACOG to transition the Green Means Go program from a pilot to a sustained strategy targeting pathways to more affordable homeownership by:

- 1) Clearing the regulatory path for more affordable for-sale builders through housing policy implementation; and
- 2) Fostering an ecosystem of yes by building capacity and coordination in the development community, local government planning and building departments, elected officials, and special service districts.

### *1. Housing Policy Implementation*

SACOG and its Grant Partners will work directly with local governments to make policy and process changes that facilitate the construction of more small lot and attached ownership housing products. As noted in the Need section, based on multiple focus groups conducted with developers, key constraints on smaller homes in small subdivisions are primarily related to regulatory barriers in the subdivision process, high minimum lot sizes, form standards that restrict the flexibility of denser housing products, and process barriers that increase approval times, uncertainty, and risk.

Priority changes will include:

- *Changes to local zoning codes to allow for ministerial approvals (with no discretionary review or hearing) of infill subdivisions within 60 days* as a means of significantly reducing the approval timelines for small scale ownership products. These changes will be targeted at smaller scale, more affordable homes in higher opportunity, infill neighborhoods as a means of affirmatively furthering fair housing. Common “gentle density” housing types created through this policy could include townhomes, cottage courts, and pocket neighborhoods. This [ministerial approval process has been enacted for multifamily rental projects in the City of Sacramento](#) since 2020 (although not subdivisions) and it has been tremendously successful in streamlining the production of such units, with a large proportion of projects using the option being affordable projects.
- *Changes to local zoning codes to allow ADUs to be sold separately as condos.* ADUs must be under 1,200 square feet and are frequently under 750 square feet. In high opportunity neighborhoods, this opens up a new class of ownership options that are well below the price point of the existing homes in the neighborhood due to the size and lack of new land costs. In a [2020 analysis on ADU affordability](#), SACOG found that, without subsidy, over 80% of ADUs in the region were affordable to households making under 120% of area median income, with over 50% of ADUs affordable at under 80% area median income.
- *Reducing minimum lot sizes to as low as 1,200 sqft*, which will facilitate more

townhome and cottage court developments aimed at first time homebuyers and lower to moderate income households. There is now ample research demonstrating the effectiveness of this small policy change, with the primary case study being the City of Houston's 2013 citywide reduction of minimum lot size to 1,400 sqft. In [The Effects of Minimum Lot Size Reform on Houston Land Values](#), the Mercatus Center demonstrated that "the lot size reform has facilitated a large amount of housing construction, and the the subsequent increase in housing supply put downward pressure on rents." Based on conversations with developers, SACOG believes that this policy change alone could fundamentally change the math of new small lot subdivisions on higher land cost sites, incentivizing smaller units that are more geared toward first time buyers at or below the area median income.

- *Paring back other form standards that preclude missing middle ownership products* like setbacks, height, open space requirements, and buffers restricting multifamily products within a certain distance of single family homes. These form based standards and other regulatory barriers may arise through the conversations in the capacity building groups described in #2.

In addition to direct changes to local regulatory frameworks, SACOG and its Grant Partners will launch a regional clearinghouse that will house:

- *Preapproved design plans for missing middle housing ownership products like Accessory Dwelling Units (ADUs) and small lot subdivisions.* At least 11 of the 28 jurisdictions in the SACOG region have housing element programs with commitments to developing preapproved prototype ADU plans that homeowners can use for free to save on architectural costs and time, including El Dorado County, Auburn, Rocklin, Placer County, Elk Grove, Folsom, Sacramento, Sacramento County, Sutter County, Davis, and Yuba County. SACOG will create a regional clearinghouse for these plans and explore potential for multijurisdictional preapprovals.

This clearinghouse will also begin to accumulate home plans within a "standard plan marketplace," where plans are designed by private licensed architects, and engineers to accommodate various site conditions. Plans are then reviewed and pre-approved by local planning and building departments for compliance. Then, when the applicant selects an approved plan from the marketplace, local staff will review site-specific factors for the specific site, including compliance with the Zoning Code and foundation requirements. Unlike the preapproved plans developed by local governments above, the standard plan marketplace plans will be designed and owned by design firms and may be purchased directly from the plan owner. This will create a much larger, and thus more flexible, set of plans that can be applied to more situations and more sites either as ADUs or as fee simple homes on small lots as part of subdivisions. This approach has proven particularly [successful in Los Angeles](#), which has the highest rates of ADU production in the nation and ADUs make up over 20% of all housing permits. This task aims to build on the success of LA's program and dramatically expand on it by taking it regional.

- *Guidebooks/and FAQs for builders looking to explore the middle housing ownership space*, walking through the regional regulatory environment, available streamlining opportunities, and what housing types are allowed where throughout the region. These resources will be made available as a means of navigating the complex regulatory framework in California in a regionally consolidated way, recognizing that the SACOG region operates as a single housing market and not a balkanized set of arbitrary administrative boundaries.
- *Implementation guides for planning and building departments* aimed at creating a cohesive regional regulatory environment for more affordable homeownership opportunities. These guides will be developed as part of the capacity building activities below.

## 2. Building an Ecosystem of Yes

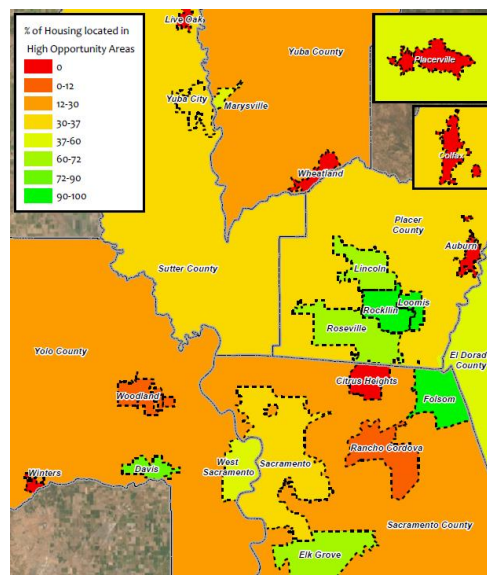
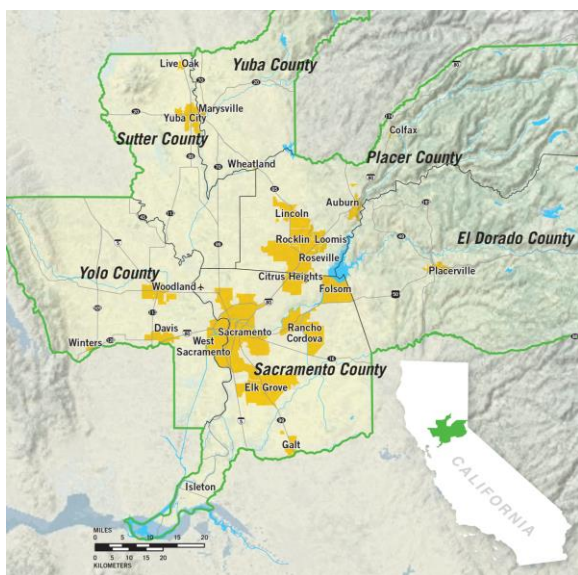
Creating a new regional growth paradigm will require more than simple changes to zoning codes—it also means catalyzing a new development model for builders and creating a culture of “yes” within the public sector, service providers, and elected officials. To meet this challenge, SACOG would convene a three-part incubator, bringing together missing middle builders, local government planning and building department staff, elected officials, and special service districts to build an ecosystem of yes around affordable homeownership products. Components would include three groups:

- *Build the Middle*. This group will be a free academy oriented towards existing and aspiring for-sale missing middle and ADU builders/contractors across the region. This will be modeled after an existing “[small developer boot camp incubator program](#)” being developed by the City of Sacramento, expected to begin in 2025. The build the middle academy will build capacity among new builders for a development type that largely does not exist yet in our region.
- *Coordinate the Public Sector*. This working group, made up of builders, local government staff, and special service districts, will be focused on coalescing around a coordinated, regional strategy for how small lot subdivisions will work, how infrastructure will be addressed, and what the approval process will be like. A key outcome of this group will be to work towards a future where a small developer can approach any jurisdiction in the region with a missing middle ownership proposal (like a 8 unit townhome project) and have confidence of what the rules are, what the timeline is, and that they have a willing public sector partners to get to a completed project.
- *Create Housing Champions*. A changing built environment requires new housing champions. This group will gather elected officials from around the region for facilitated conversations about how to be the most effective champions for new pathways to affordable homeownership opportunities, and how to educate the general public about issues of race and equity in housing policy. In addition, this group will explore the potential for housing stakeholders to be added to SACOG’s Land Use and Natural Resources Committee.

## Complementing SACOG’s Existing Planning Efforts

SACOG has been at the national forefront of integrated land use and transportation planning starting first with the Blueprint project, which was a smart growth vision for the region would curb sprawl, cut down on vehicle emissions and congestion, provide more housing options, and improve the quality of life for residents of the region. The Blueprint has been the region’s north star, informing each update to SACOG’s Metropolitan Transportation Plan/Sustainable Communities Strategy. In the current update of the plan, which SACOG is calling the 2025 Blueprint, the adopted land use assumptions in the plan lay out an ambitious housing strategy with over 2/3 of the 278,000 housing units that we hope to build by 2050 being located in existing communities near transit, jobs, and services. Building a more compact regional development pattern necessitates a more compact set of housing products than historical trends. As such, half of all new units are attached housing (townhomes, missing middle, and larger apartments) with another 30 percent being small lot single family homes on lots less than 5,500 square feet.

Based on years of activity-based travel modeling, this type of ambitious smart growth strategy is the only way the SACOG region will be able to achieve our 19% Greenhouse Gas Reduction target from passenger vehicles we commit to as part of the plan. It’s also a critical strategy for other environmental resilience goals like reducing urban expansion into higher wildfire risk hills in the eastern part of the region, preserving critical habitats and prime farmland, reducing flood risk, and meeting our federal air quality conformity determinations. While we see positive trends towards more small lot and attached housing in recent years, more policy change and capacity is needed to deliver these housing outcomes. Said another way, the region needs the policy changes and capacity building described in the vision for this grant to realize the goals of the 2025 Blueprint. This grant will allow us to transition the Green Means Go program from a pilot to a sustained strategy focused on Blueprint implementation and will harmonize a regional regulatory environment oriented around delivering affordable homeownership opportunities. Much like the 2025 Blueprint, this Pro Grant will be administered at six-county regional level and is likely to have some of the biggest impact on high opportunity suburban jurisdictions where demand for more affordable homeownership is highest.



**Stakeholders**

SACOG held a public hearing for this grant proposal on September 10<sup>th</sup> then released the application exhibits on our website on September 23<sup>rd</sup> for a 15-day public comment period. It will hold a second public hearing at its Land Use and Natural Resources committee on October 3<sup>rd</sup>. Based on feedback from the public, stakeholders, and the SACOG Board, the application will be revised before submitting on October 15<sup>th</sup>.

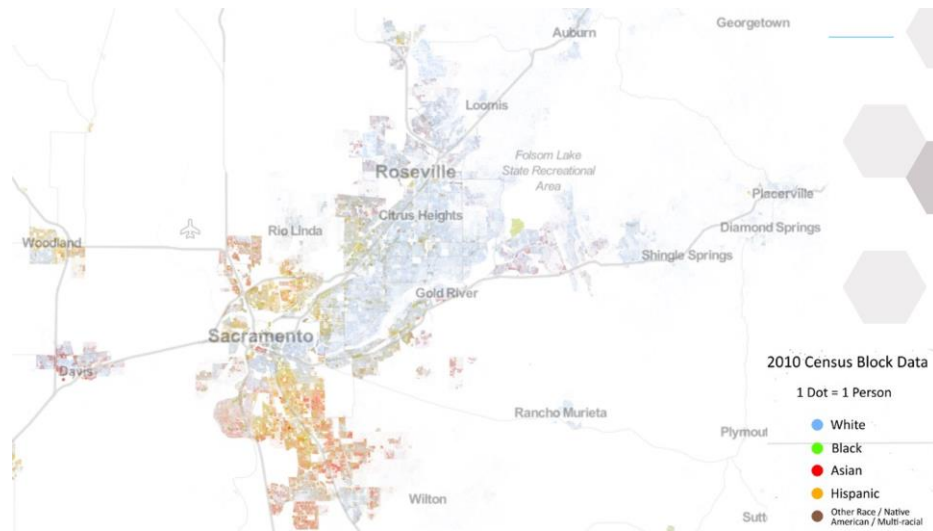
Should SACOG receive the grant, the primary stakeholders will be all the various people necessary to creating an ecosystem of yes, including the builders, local government planning and building department staff, elected officials, and special service districts. Each of these stakeholders have specific roles in the capacity building half of the proposal. In addition, SACOG will build off of an existing Community Based Organization working group created as part of the Reconnecting Communities Grant SACOG was recently awarded under the Green Means Go program. The working group will act as a sounding board for PRO Grant deliverables, including policy changes and capacity building group agendas.

### **Affirmatively Furthering Fair Housing**

The original forms of zoning explicitly excluded communities of color from white communities through restrictive covenants. These covenants, which prohibited non-whites from purchasing or renting a home, appeared in the Sacramento region as early as the 1920s in what is now the Land Park neighborhood, but soon spread throughout other parts of the city. For example, the Elmhurst neighborhood in Sacramento had a covenant that read “No persons of any race other than the white or Caucasian race shall use or occupy any structure or any lot except that this provision shall not prevent occupancy by domestic services of a different race domiciled with an owner or tenant.” These covenants were then further reinforced by mortgage redlining.

As a means of stimulating easier access to home loans during the great depression, the federal government created the Home Owners’ Loan Corporation (HOLC) to institute a system for providing federally backed home loans to Americans. In the Sacramento HOLC maps, red areas like the Washington neighborhood in West Sacramento were described as “racial hazards” where “infiltration of subversive races has occurred.” In this way, minority groups were not granted government-backed home loans with favorable terms in their own neighborhoods, but were also prohibited from moving to green and blue neighborhoods through covenants. As a result, people of color did not experience the same intergenerational wealth created by appreciating property values in desirable neighborhoods that white families did. The few minorities who were able to secure loans for homes in redlined neighborhoods gained 52% less home equity over the last 40 years than outside those areas. This is partly why in 2016, the net worth of a median white household (\$171,000) was 10 times that of a median black household (\$17,150) in America.

While racial zoning was outlawed in the early 20th century and government-sponsored redlining was outlawed in 1968, the residential segregation created by these institutions is so structurally engrained in the community that it is still present today. To illustrate this point, the 2010 racial dot density map below shows that, even though the Sacramento region is one of the most diverse cities in the country, it is still residentially segregated.



Part of why these neighborhoods have not changed in their racial composition is due to regulatory restrictions that ban the construction of small lot subdivisions and attached housing across most of the region. When explicitly mandating racial segregation became illegal, these regulatory restrictions were used to segregate by income as a proxy for race.

There is an increasing body of research that links where you live with your chances of future success. Safe neighborhoods with public amenities and access to health, food, and employment centers can provide a greater chance of upward mobility than their counterparts. These neighborhoods are commonly referred to as “high opportunity.” The CA State Department of Housing and Community Development (HCD) develops housing opportunity area maps every year, which identify the highest opportunity census tracts based on factors like access to jobs, good schools, amenities, and low pollution burden.

The high opportunity neighborhoods in the SACOG region are almost entirely single family, and largely do not allow for more affordable housing types to be built, be they rental or for-sale. Across the region, 75% of the existing units, 90% of the residential land, and 97% of the residential parcels in high opportunity areas are single family homes. These homes offer households the best chance of upward mobility but are unaffordable to most non-white households. The exclusionary origins of zoning that segregated cities by race were calcified by zoning that segregates by income. Public policy created a barrier to intergenerational wealth creation for non-white families and restrictive zoning and burdensome development review processes in high opportunity neighborhoods reinforces it. This means that the desirable neighborhoods that were predominantly white and wealthy 80 years ago are still white and wealthy today.

Much of the rest of the SACOG region was not yet developed when the HOLC maps were created and, thus, the maps above are oriented around central city Sacramento and its inner ring suburbs. However, the development patterns created across the region by single family zoning have led to the same residential segregation seen in the Sacramento core. The racial disparities built by decades of government sponsored policy exist across the SACOG region and the rest of the country. The specific housing policy implementation envisioned in this grant application explicitly seeks to increase more affordable housing options in high opportunity areas. These

policies also offer potential solutions to begin to reverse the ugly history of zoning and its propensity to exacerbate residential segregation. These policies have the following benefits:

- *Increase housing production and curb increases in housing prices.* The clearest consequence of zoning that restricts anything other than larger detached single family homes on large lots is that it prevents the construction of housing types, like small lot subdivisions and missing middle, that are more affordable to middle- and low-income households. This inherently restricts the total amount of housing. When more households are fighting over a smaller amount of larger homes, housing prices go up. Allowing these housing types on the majority of residential land will help to combat this.
- *Facilitate equity and inclusion.* Because small lot subdivisions and missing middle tend to be more affordable than the traditional single family homes, zoning the majority of land for single family means that some high opportunity neighborhoods remain concentrations of affluence, which can perpetuate racial and class inequality. A 2015 UCLA study found that density restrictions, via exclusionary zoning, directly lead to income segregation of the rich, which “results in the hoarding of resources, amenities, and disproportionate political power.”
- *Increase access to opportunity.* Some of the highest opportunity areas are often large single family neighborhoods that cannot increase the number of homes because restrictive zoning does not allow it. This means that families making less than area median income cannot move to them and reap their benefits, including preventing low-income access to good schools, which further exacerbates segregation and hinders social mobility.
- *Decrease the risk of displacement in other communities.* Precluding attached housing in high opportunity areas forces development pressure to historically lower-income neighborhoods, which can contribute to neighborhood-level displacement. Relaxing zoning to allow for more missing middle housing types across more of the region will relieve some of this pressure by allowing some growth to occur in higher opportunity neighborhoods with less displacement concerns.

## Household Income by Housing Type



## Budget and Timeline

SACOG staff will finalize the grant's budget and timeline drawing on the comments and input received during the public comment period.