

G Long-Term Effect
Sacramento Area Council of Governments

Delivering Sustained Production

SACOG recognizes that delivering on the promise of sustained housing production requires both policy change *and* culture change. In this exhibit, we will walk through how the identified barriers are addressed and how we will build capacity among the builders, local government staff, infrastructure/service providers, and elected officials. We believed that the capacity building is critical to the success of this grant and the proliferation of a nascent housing product type. We will also outline how we will measure success.

Housing Policy Changes Addressing Key Barriers

In Exhibit C (Need), we identified two key policy barriers to creating more affordable homeownership opportunities. As noted below, the housing policy implementation activities in this grant application will meaningfully address these barriers and create lasting change in production as a result. Based on multiple developer focus groups conducted as part of the 2025 Blueprint, these constraints were identified as foundational bottlenecks and the identified solutions will not only relieve the bottleneck, but will also get to a larger necessity for building an ecosystem of yes: creating more certainty and reducing risk. These policy changes are necessary, but not sufficient conditions for long-term, sustained production.

Restrictions Related to the Subdivision of Parcels

Problem:

In California, the creation and improvement of subdivisions and lot splits are subject to the Subdivision Map Act, which frequently results in lengthy approval times and litigation risk under the California Environmental Quality Act (CEQA).

Solution:

As part of the grant activities, SACOG will work with all local governments in the region to pursue 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.

SACOG will also work with all interested local governments in pursuing 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.

Zoning and Form Standards

Problem:

There are several other zoning and form-based standards that are holding back more affordable homeownership opportunities, chief among them minimum lot sizes. Many jurisdictions in the SACOG region employ minimum lot sizes of over 5,000 sqft, which mandate a less efficient use of expensive land, which forces developers to prioritize higher single family home square footages to cover the land costs.

Solution:

As part of the grant activities, SACOG will work with all interested local governments in the region to reduce 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 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. SACOG will also work with all interested local governments to pare 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.

Creating an Ecosystem of Yes by Building Capacity

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. While the zoning and process changes are necessary conditions for increased production, the capacity building and infrastructure coordination described in this section will result in transformational shifts in the regional development environment that will last well beyond the grant years.

Lack of Capacity

Problem

There are limited sites left within the existing urban footprint of the region where new, large single family for-sale developments make sense. Instead new single family for-sale developments are predominantly built in outlying greenfield master plans requiring long-commutes and worse access to opportunity. This has resulted in a consolidation of the for-sale homebuilding industry into fewer builders oriented around larger master planned projects. Proliferation of smaller, more affordable, infill subdivisions and condos will require fostering a new class of smaller builders that don't exist today.

Solution

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. The first incubator, Build the Middle, 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 long term capacity among new builders for a development type that largely does not exist yet in our region. It hopes to entice new builders into the small-scale developer space, potentially drawing from the contractor and renovation/remodeling workforce, which currently dwarfs new residential construction. This will help to counteract the uniquely high construction costs in the Sacramento region resulting from high skilled construction workforce being drawn towards the Bay Area by fostering a larger workforce that is more likely to focus on projects within the region than outside of it.

It will also include a working group targeted at coordinating the public sector. This 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. This regional alignment between the key players in more affordable homeownership projects is critical for delivering long term success because it reduces risk and uncertainty as a means of bolstering a new crop of starter home builders.

Coordinating Infrastructure

Problem

Fee simple lot splits require specific coordination of infrastructure, as each new parcel may have a separate tie in to underground infrastructure and other services. These infrastructure service providers and local departments may not necessarily be aligned, which sometimes results in delays and unexpected lump sum costs late into construction. Coordination among the various infrastructure players is needed to create more development certainty for starter home builders.

Solution

A key component of the working group targeted at coordinating the public sector is the inclusion of special service districts and local government staff responsible for reviewing new developments for how they will integrate into municipal infrastructure. While process reform with streamlined and predictable development review timelines is critical for creating more long term capacity in the development community to deliver small lot subdivisions, the infill nature of these developments means that infrastructure needs to be addressed up front and in a collaborative way, recognizing the regional benefits of such projects. By bringing in these issues to the working group early, this grant will build capacity amongst the key infrastructure players and will help to develop a regional consensus around how to address these issues as projects come forward.

Measuring Success

In the short term, the success of this grant work will be measured by the extent to which local governments make changes to their local zoning codes and approval processes. The priority changes will be around the restrictions related to the subdivision of parcels. SACOG will coordinate full regional participation in creating a local process in every local government 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.

It will also work with at least three key jurisdictions to pursue:

- Changes to local zoning codes to allow ADUs to be sold separately as condos; and
- Reductions of minimum lot sizes, which will facilitate more townhome and cottage court developments aimed at first time homebuyers and lower to moderate income households.

In the long term, SACOG will measure success of this grant by monitoring the key regional statistics below:

- Housing cost burden by race/ethnicity
- Housing cost burden by owner/rent
- Home ownership by race/ethnicity
- Completed housing units by type
- Home values and rents