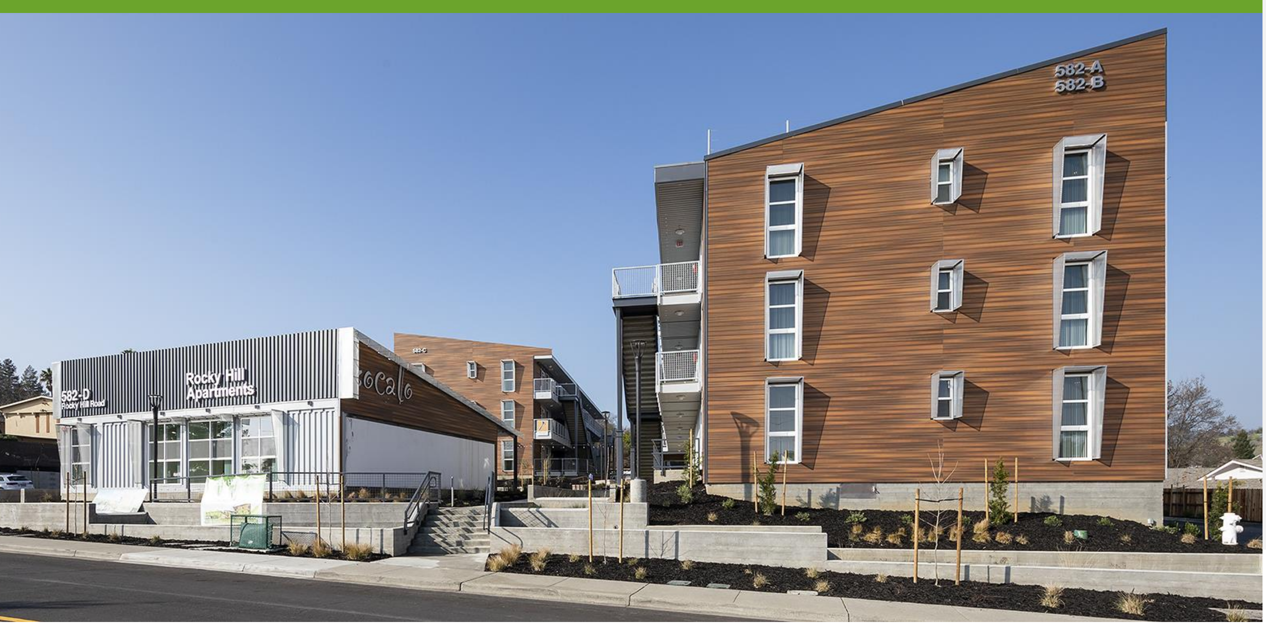
bae urban economics

# Downtown Affordable Housing Assessment and Anti-Displacement Strategy

Prepared for the City of Vacaville

June 8, 2020



bae urban economics

June 8, 2020

Tyra Hays, Senior Planner
Advanced Planning Division
City of Vacaville
650 Merchant Street
Vacaville, CA 95688

Dear Tyra:

BAE is pleased to present the Downtown Vacaville Affordable Housing Needs Assessment and Anti-Displacement Strategy (Strategy) which is a component of the Vacaville Downtown Specific Plan.

This Strategy analyzes affordable housing needs and risk of displacement for existing residents within the Specific Plan Area and projects the increased need for affordable housing through 2040. It then identifies a range of potential strategies to address affordable housing needs and mitigate displacement risk for the City's consideration. This includes identification of potential funding needs and sources.

As always, please do not hesitate to contact me directly if you have any questions or concerns regarding this document, our research, or key recommendations. I may be reached by phone at (530) 574-9285 or by email at aaronnousaine@bae1.com.

Sincerely,

Aaron Nousaine

Aaron Nousaine, MCRP
Associate Principal

# Table of Contents

# List of Tables

# List of Figures

# EXECUTIVE SUMMARY

In support of the Vacaville Downtown Specific Plan (Specific Plan), this Affordable Housing Assessment and Anti-Displacement Strategy (Strategy) outlines potential mechanisms to ensure that the adopted Plan responds to the need for affordable housing and incorporates strategies to avoid displacement of existing lower-income residents. In addition to various strategy and policy recommendations, the document quantifies the future affordable housing need within the Downtown Plan Area (or Plan Area). Based on the total affordable housing need, the Strategy provides an overview of the total development cost, and an estimate of the local funding contribution that may be needed to support the development of the needed affordable housing units. Finally, the Strategy summarizes several different potential funding sources and mechanisms to support the delivery of the estimated housing need.

## Existing Demographic and Housing Conditions

Households within the Downtown Plan Area have lower incomes relative to the City of Vacaville and the Eight-County Region as a whole, [1] [2] with the Plan Area median household income roughly $25,000 below the City and the Region. Renters account for a significantly higher share of households within the Downtown Plan Area, relative to households within the City and the Region, which are at a higher risk of displacement. In terms of the existing housing stock, the Downtown Plan Area inventory is predominantly single-family residential units, accounting for 76 percent of all units. Relative to the City and the Region, multifamily units in the Downtown Plan Area are more heavily concentrated in smaller multifamily complexes, or those with less than ten units. The housing inventory is also notably older relative to the City, with the median age of housing units in the Greater Downtown Area estimated at 57 years of age, compared to 35 years of age citywide.[3]

Residential sale prices and rental rates within the Downtown Plan Area tend to be below the City and Region, making the Plan Area a more affordable housing sub-market. That said, the majority of housing within the Downtown Plan Area and the City is affordable to moderate- and above moderate-income households, highlighting the need for additional housing that is affordable to low-income households to meet the anticipated future need.

[1] The Downtown Plan Area corresponds with the geography used throughout the Specific Plan, as seen in Figure 1.
[2] The Eight-County Region includes the eastern Bay Area counties of Alameda, Contra Costa, Marin, Napa, Solano, and Sonoma, as well as the Sacramento Regional counties of Sacramento and Yolo.
[3] Due to certain data only available at the Census Tract level, the Greater Downtown Area represents a Census Tract level definition that includes the majority of the Downtown Plan Area, though it also includes neighborhoods surrounding the Downtown Plan Area. The Greater Downtown Area geography can also be seen in Figure 1.

## Affordable Housing Need and Displacement Risk

Based on data published by the U.S Department of Housing and Urban Development (HUD) and the Association of Bay Area Governments (ABAG), the following section estimates the future need for affordable housing within the Downtown Plan Area.

### *Anticipated Future Affordable Housing Need*

Through 2040, the City should plan to accommodate at least an additional 98 housing units affordable to low- and very low-income households within the Downtown Plan Area, or those with incomes less than 80 percent of AMI. This target would account for approximately 56 existing downtown households that are currently experiencing housing problems (see definition on Page 19) and thus are at risk of economic displacement (i.e., due to lack of affordable units as opposed to physical displacement through loss of existing housing units). This estimate assumes the total Downtown Plan Area housing inventory will increase by 107 housing units through 2040, as projected by ABAG. Assuming the income levels of the future new Downtown Plan Area households mirrors the current distribution of household income levels in the Downtown Plan Area, roughly 40 percent of the future housing units should be reserved for lower-income households.

## Affordable Housing Funding Gap

Based on a total housing need of 98 new affordable housing units including affordable housing to meet the unmet needs of existing Downtown Plan Area households as well as additional housing to meet the needs of anticipated new households that will not be able to afford market rate housing, BAE estimates the need for a local funding contribution of $3.4 million towards the delivery of units for low- and very-low income households within the Downtown Plan Area. This assumes that new affordable housing developments will leverage funds from the federal Low-Income Housing Tax Credit program, in addition to other state and federal affordable housing funding sources. Based on comparable affordable housing developments, funding contributions from local jurisdictions typically cover roughly nine percent of all costs. Assuming future affordable housing projects in the Downtown area incorporate a similar level of local funding, the City should target roughly $3.4 million to help offset the cost of building units affordable to lower-income households.

### *Potential Funding Sources*

With the dissolution of Redevelopment Agencies by State law, the City of Vacaville has limited affordable housing funding resources. This includes the City's Permanent Local Housing Allocation (PLHA) funded by real estate transfer taxes established by SB 2, and potential use of publicly owned land, including land held by the City's Low-Income Housing Asset Fund. There are other potential funding mechanisms that the City does not currently have in place, but which the City could consider for the future, such as a Transient Occupancy Tax increase, a local sales tax measure, citywide parcel tax revenue, or affordable housing impact fee revenue. Depending on the funding mechanism, BAE estimates the City could raise the necessary funds within as little as one year to as many as ten years.

# INTRODUCTION

The City of Vacaville Downtown Specific Plan (Specific Plan) will include strategies to ensure that the adopted Plan responds to the need for affordable housing and incorporates strategies to avoid displacement of existing lower-income residents, in compliance with the requirements of the Metropolitan Transportation Commission (MTC) grant funding that supports this project. The Specific Plan will include these strategies like numerous other Bay Area Priority Development Area (PDA) plans that have been adopted in recent years or are currently in the planning phases. In addition, Bay Area and Sacramento regional and local planning efforts are increasingly looking to urban, higher-density, and transit-accessible areas to accommodate a considerable share of future population and household growth. This has created an increased emphasis on transit-oriented planning as a means to encourage housing affordable to households at all income levels with access to jobs and important services and amenities. These areas can be ideal locations for lower-income households in particular because living near transit can help to reduce transportation costs. However, creating affordable housing near transit constitutes a significant challenge in the strong Bay Area housing market. This challenge has become more acute as the market-rate housing costs in many areas have surpassed the amount that low- and moderate-income households can afford. To respond to the need for a range of housing affordability levels near transit in spite of ongoing affordability challenges, PDA plans and other types of planning initiatives throughout the Bay Area and Sacramento regions are incorporating strategies to facilitate the inclusion of affordable housing.

**Commented [EC1]:** Is the Affordable Housing and Anti-Displacement Strategy now required of PDAs? Or the grant/s? If so, maybe we can/should say that. "In compliance with…"

**Commented [TH2R1]:** This strategy is a requirement of the MTC grant, and supports the overall intent of PDAs, which is create areas in which people can afford to live within walking, biking, or easy transit of their jobs. This includes service workers and other lower income jobs.

In addition to planning for affordable housing, recent planning processes have included strategies to mitigate the potential risk of displacement that existing households may be exposed to due to plan implementation. Public and private sector investments made pursuant to such plans generally enhance the appeal of these areas as places to live, work, and spend leisure time. While many residents and visitors benefit from these improvements, potential outcomes of new investment and revitalization can also include increases in housing costs that make the neighborhood unaffordable to existing and future lower-income households.

Solano County has not experienced housing cost increases and displacement pressures to the same extent as other Bay Area and Sacramento regional cities that are closer to the large employment centers in San Francisco, Silicon Valley, Sacramento, and the inner East Bay. As a result, housing costs in Vacaville remain comparatively affordable to lower-income households and demographic data do not suggest that significant numbers of lower-income Vacaville households have been displaced during recent years. Therefore, Vacaville is in a position to adopt strategies as part of the Specific Plan that can prevent some of the negative impacts of housing cost increases before regional real estate market pressures make these efforts more challenging.

The following Downtown Affordable Housing Assessment and Anti-Displacement Strategy (Strategy) leverages information on existing demographic and housing characteristics and trends compiled in support of the previously prepared PDA Profile for the Specific Plan. To supplement that information, BAE compiled additional information regarding housing characteristics and costs in the Downtown Plan Area to help evaluate the extent to which existing residents in the Plan Area may be at risk of displacement over time due to ongoing economic revitalization of the Downtown commercial district and other factors through implementation of the Specific Plan. The analysis then reviews the projections data to estimate the new affordable housing demand that may need to be accommodated in the Downtown and compares the estimated displacement potential and projected new demand with the capacity that may be accommodated at opportunity sites within the Specific Plan area. This Strategy also includes an assessment of the potential costs to provide affordable housing to meet the existing and anticipated needs, and potential funding sources.

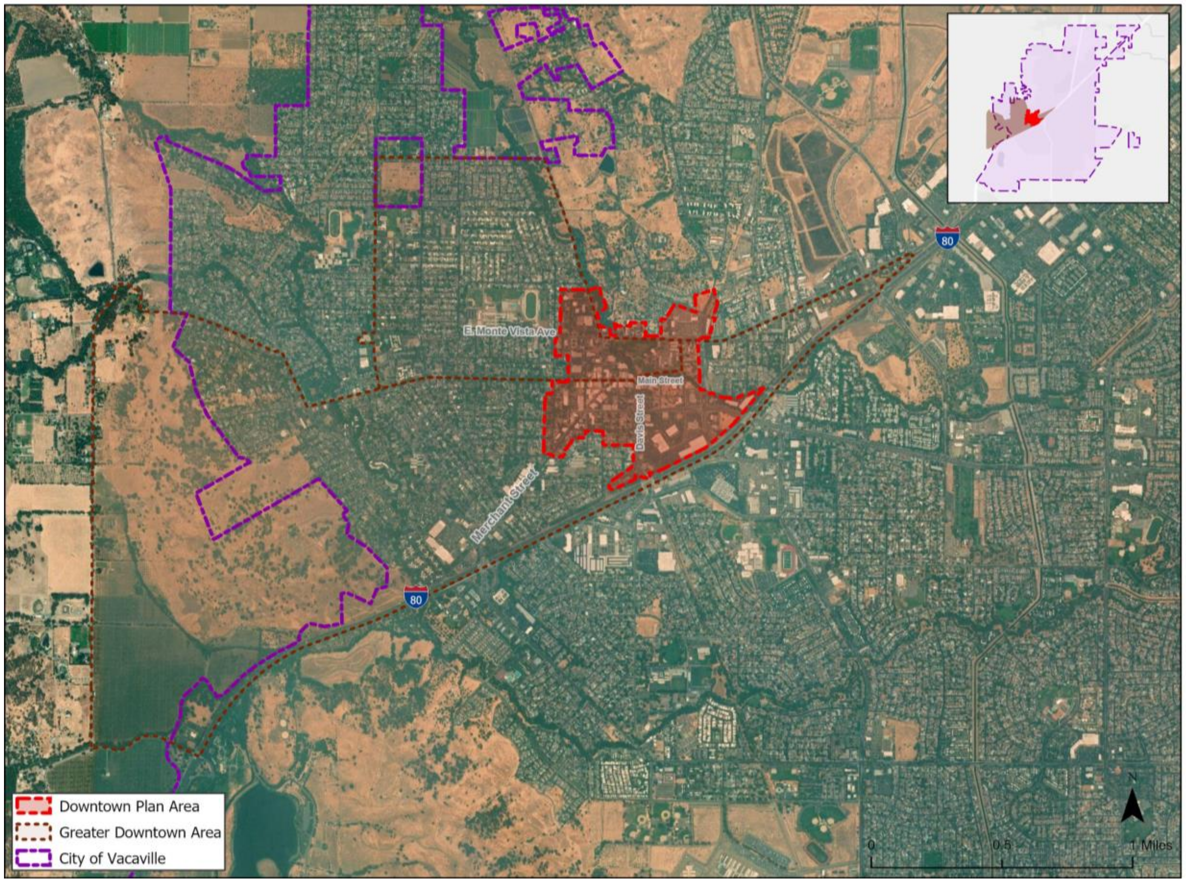
The information presented in this document will aid the City of Vacaville in evaluating potential affordable housing and displacement mitigation strategies as part of the ongoing Specific Plan process.

*Study Area Geographies*

The following Strategy utilizes data from several different data sources. As a result, the geographic boundaries used to define the Downtown Vacaville area differ slightly depending on the data source. Information included in the Specific Plan PDA Profile leveraged data from a private data vendor, ESRI Business Analyst, which allows for the creation of custom geographies. Therefore, the majority of the background data presented here pertains to the Downtown Plan Area, as used throughout the Specific Plan. However, more detailed data on housing conditions and household characteristics is only available through the U.S. Census Bureau at the Census Tract level. As shown in Figure 1, BAE therefore created a Census Tract level definition for the Downtown that includes the majority of the Downtown Plan Area as well as neighborhoods surrounding the Downtown Plan Area. BAE refers to this Census Tract based geography as the Greater Downtown Area. Where possible, BAE uses this information to infer the characteristics associated with households in the Downtown Plan Area.

In addition to the Downtown Plan Area and Greater Downtown Area, the following Strategy also uses two comparison geographies to contextualize the characteristics and trends within the Downtown Plan Area. This includes the City of Vacaville (City) and an Eight-County Region (Region). The Region includes the eastern Bay Area counties of Alameda, Contra Costa, Marin, Napa, Solano, and Sonoma, as well as the Sacramento Regional counties of Sacramento and Yolo. Although the City of Vacaville is technically within the nine-county Association of Bay Area Governments (ABAG) region from a planning perspective, the City is also heavily influenced from an economic perspective by Sacramento. As a result, BAE created the custom Eight-County Region to demonstrate more pertinent regional characteristics and trends that will influence the Specific Plan.

**Figure 1: Study Area Geographies**




Sources: City of Vacaville; ESA; ESRI; U.S. Census Bureau; BAE, 2020.

# DEMOGRAPHIC AND HOUSING TRENDS

## Population and Household Characteristics

The following section summarizes key demographic characteristics and trends within the Downtown Plan Area. This section relies on data compiled for the PDA Profile, as well as additional data from the U.S. Census and U.S. Department of Housing and Urban Development (HUD).

### *Population and Households Trends*

The Downtown Plan Area contains a relatively small resident population. According to ESRI, population and household growth in the Plan Area was consistent with citywide and regional trends between 2010 and 2018. As shown in Table 1 below, the Downtown Plan Area is home to roughly 607 people in 234 households. These residents account for approximately 0.6 percent of Vacaville's total population and 0.7 percent of the City's total households. Since 2010, the Plan Area population grew by roughly 40 residents, which represents a 6.5 percent increase. This growth is comparable to the citywide trend, though it lags behind estimated growth in the Eight-County Region. Growth in the number of Downtown Plan Area households more closely mirrored the regional trend, while the citywide household growth exceeded the regional trend. Downtown household sizes also tend to be smaller relative to the city and region, which is likely attributed to the younger population that resides in the Plan Area, as well as the characteristics of the available housing inventory in the Downtown Plan Area.

**Table 1: Population and Households, 2010-2018**

| | Population | | 2010-2018 Change | |
|---|---|---|---|---|
| Geography | 2010 | 2018 | Number | Percent |
| Plan Area (a) | 570 | 607 | 37 | 6.5% |
| City of Vacaville | 92,424 | 98,673 | 6,249 | 6.8% |
| Eight-County Region (b) | 5,465,048 | 5,880,753 | 415,705 | 7.6% |

| | Households | | 2010-2018 Change | |
|---|---|---|---|---|
| Geography | 2010 | 2018 | Number | Percent |
| Plan Area (a) | 220 | 234 | 14 | 6.4% |
| City of Vacaville | 31,091 | 33,446 | 2,355 | 7.6% |
| Eight-County Region (b) | 1,984,988 | 2,114,101 | 129,113 | 6.5% |

| | Avg. Household Size | |
|---|---|---|
| Geography | 2010 | 2018 |
| Plan Area (a) | 2.56 | 2.57 |
| City of Vacaville | 2.71 | 2.73 |
| Eight-County Region (b) | 2.70 | 2.73 |

Notes:
(a) The Plan Area is defined by the Specific Plan Boundary, as represented in Figure 1.
(b) This area is defined as the counties of Alameda, Contra Costa, Marin, Napa, Sacramento, Solano, Sonoma, and Yolo.

Sources: Esri Business Analyst; BAE, 2019.

*Household Incomes*

The median household income in the Downtown Plan Area is significantly below citywide and regional medians. As seen below in Table 2, the median household income in the Plan Area is roughly $52,115 annually, compared to a median income of over $75,000 in both the City and Region. Broken down by income level, nearly 25 percent of Plan Area households have incomes below $25,000 per year, compared to 12.3 and 15.8 percent for the City and Region, respectively. Another 40.6 percent of Downtown Plan Area households have incomes between $25,000 and $75,000 annually, compared to 35.3 percent and 33.0 percent in the City and Region, respectively. In terms of higher-income households, only 23.1 percent of Plan Area households have incomes above $100,000 per year, compared to 38.4 percent of Vacaville households and 38.8 percent of regional households.

*...the median household income in the Plan Area is roughly $52,115 annually.*

**Table 2: Household Income Distribution, 2018**

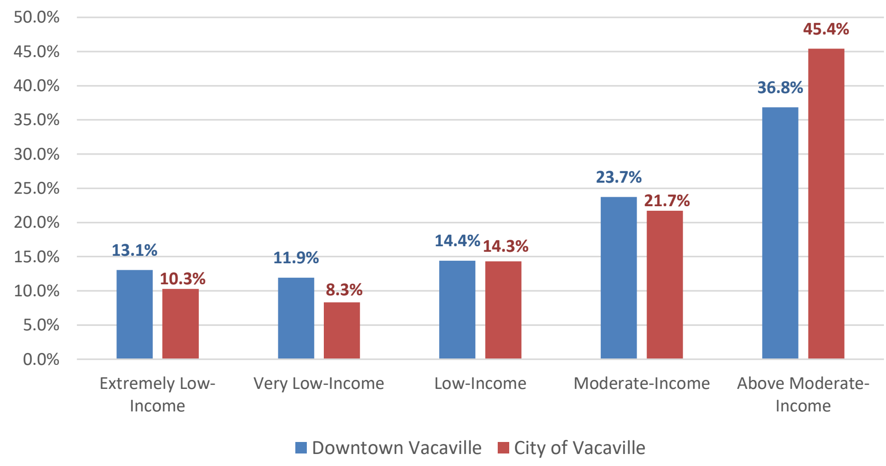
| | Plan Area | | City of Vacaville | | Eight-County Region | |
|---|---|---|---|---|---|---|
| **Household Income** | **Number** | **Percent** | **Number** | **Percent** | **Number** | **Percent** |
| Less than $15,000 | 34 | 14.5% | 2,177 | 6.5% | 182,194 | 8.6% |
| $15,000-$24,999 | 24 | 10.3% | 1,928 | 5.8% | 152,468 | 7.2% |
| $25,000-$34,999 | 23 | 9.8% | 2,026 | 6.1% | 147,566 | 7.0% |
| $35,000-$49,999 | 31 | 13.2% | 3,742 | 11.2% | 219,673 | 10.4% |
| $50,000-$74,999 | 41 | 17.5% | 6,050 | 18.1% | 329,637 | 15.6% |
| $75,000-$99,999 | 27 | 11.5% | 4,672 | 14.0% | 261,268 | 12.4% |
| $100,000-$149,999 | 36 | 15.4% | 6,819 | 20.4% | 367,938 | 17.4% |
| $150,000-$199,999 | 9 | 3.8% | 3,211 | 9.6% | 196,080 | 9.3% |
| $200,000 or greater | 9 | 3.8% | 2,821 | 8.4% | 257,245 | 12.2% |
| **Total Households** (a) | **234** | **100.0%** | **33,446** | **100.0%** | **2,114,069** | **100.0%** |
| **Median Household Income** | **$52,115** | | **$78,323** | | **$76,885** | |

Note:
(a) Totals differ slightly from totals on population and households table due to independent rounding.

Sources: Esri Business Analyst; BAE, 2019.

In addition to the income data profiled above, additional data published by HUD indicate similar concentrations of lower-income households in the Downtown Plan Area relative to the City. As shown below in Figure 2, nearly 40 percent of Plan Area households are categorized as "low-income," which is defined as those with incomes less than 80 percent of the HUD Area Median Family Income (HAMFI) after adjusting for household size. In the City, households in these same income categories account for 32.9 percent of all households. The Downtown Plan Area also has a higher concentration of moderate-income households, or those with incomes between 80 percent and 120 percent of the HAMFI. The Downtown Plan Area is significantly under-represented in the above moderate-income category with only 36.8 percent of Downtown Plan Area households having incomes above 120 percent of the HAMFI, compared to 45.4 percent for the City as a whole.

**Figure 2: Household Income Categories, 2012-2016 5-Year Estimates**




Sources: HUD, 2012-2016 CHAS Data; BAE, 2020.

*Household Tenure*

The Downtown Plan Area contains a significantly higher proportion of renter households compared to both the City and Region. As seen below in Table 3, over half of Plan Area households are renters, compared to just 37.7 percent in the City and 41.6 percent in the Region. Since 2010, the number of renter households increased across all geographies, highlighting the broader trend of decreasing home ownership rates. Within the Downtown Plan Area, however, the percentage of renters increased more dramatically than in the City or Region as a whole.

*...over half of Plan Area households are renters.*

## Table 3: Household Tenure, 2010-2018

| Plan Area | 2010 Number | 2010 Percent | 2018 Number | 2018 Percent | Change, 2010-2018 Number | Change, 2010-2018 Percent |
|---|---|---|---|---|---|---|
| Owner-Occupied | 117 | 53.2% | 116 | 49.6% | -1 | -0.9% |
| Renter-Occupied | 103 | 46.8% | 118 | 50.4% | 15 | 14.6% |
| **Total Households** | **220** | **100.0%** | **234** | **100.0%** | **14** | **6.4%** |

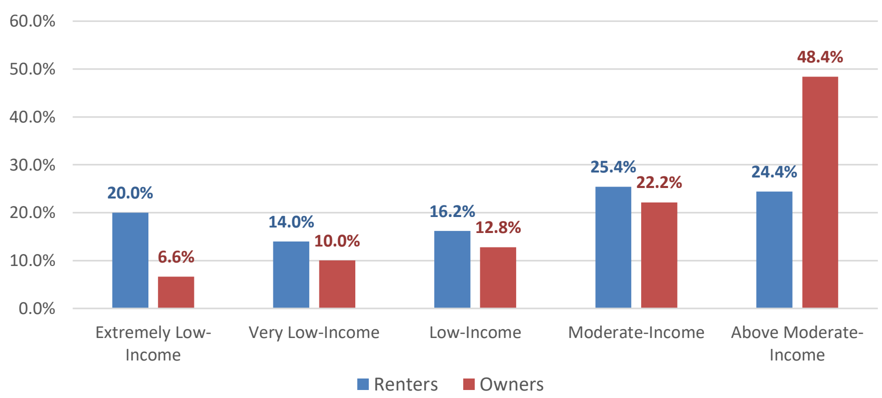
| City of Vacaville | 2010 Number | 2010 Percent | 2018 Number | 2018 Percent | Change, 2010-2018 Number | Change, 2010-2018 Percent |
|---|---|---|---|---|---|---|
| Owner-Occupied | 19,720 | 63.4% | 20,840 | 62.3% | 1,120 | 5.7% |
| Renter-Occupied | 11,371 | 36.6% | 12,606 | 37.7% | 1,235 | 10.9% |
| **Total Households** | **31,091** | **100.0%** | **33,446** | **100.0%** | **2,355** | **7.6%** |

| Eight-County Region | 2010 Number | 2010 Percent | 2018 Number | 2018 Percent | Change, 2010-2018 Number | Change, 2010-2018 Percent |
|---|---|---|---|---|---|---|
| Owner-Occupied | 1,173,206 | 59.1% | 1,234,910 | 58.4% | 61,704 | 5.3% |
| Renter-Occupied | 811,782 | 40.9% | 879,191 | 41.6% | 67,409 | 8.3% |
| **Total Households** | **1,984,988** | **100.0%** | **2,114,101** | **100.0%** | **129,113** | **6.5%** |

Sources: Esri Business Analyst; BAE, 2019.

Broken down by income level, it is evident that renters within the Plan Area are more heavily concentrated in the lower-income categories, compared to owner households. As seen in Figure 3, approximately 20 percent of renters fall into the extremely-low income category, or those with incomes equal to less than 30 percent of the HAMFI, compared to just 6.6 percent of owner households. Renters are also more heavily concentrated in the very-low, low-, and moderate-income categories compared to owners. This results in a significantly lower share of above moderate-income renters compared to owners. As seen below, only 24.4 percent of existing downtown renters have incomes above 120 percent of AMI, while owners in this same income category account for nearly half of all owner households.

## Figure 3: Housing Tenure by Income Level, Greater Downtown Area




Sources: HUD, 2012-2016 CHAS Data; BAE, 2020.

## Housing Characteristics

The following section summarizes characteristics of the existing housing inventory, leveraging data compiled for the PDA Profile, supplemented with data from the U.S. Census and HUD.

### *Housing Unit Type*

The Downtown Plan Area housing stock is predominantly characterized by single-family structures. As seen in Table 4 below, approximately 76.2 percent of all housing units within the Plan Area are single-family homes, compared to 73.8 percent in the City and 69.6 percent in the Region. The Plan Area multifamily housing stock accounts for less than a quarter of all units and is generally concentrated in smaller complexes relative to the comparison geographies. More specifically, smaller attached structures, such as duplex, triplex, and quadplex buildings account for the majority of the Plan Area multifamily housing stock. In the City and the Region, the majority of multifamily housing units are located in larger complexes with ten or more units. These types of properties only account for 6.1 percent of the Plan Area housing inventory, compared to 10.2 percent and 14.4 percent in the City and Region, respectively. This is likely a result of smaller parcel sizes in the Downtown Plan Area and the lack of large development sites suitable for large scale multifamily development, though some opportunity sites do exist.

**Downtown Vacaville Multifamily Complex on Boyd Street**

Source: MB Property Group; Zillow, 2020.

**Table 4: Housing Units by Type of Structure, 2016 (Five-Year Sample)**

| | Plan Area | | City of Vacaville | | Eight-County Region | |
|---|---|---|---|---|---|---|
| **Type of Structure** | **Number** | **Percent** | **Number** | **Percent** | **Number** | **Percent** |
| **Single-Family** | **163** | **76.2%** | **24,591** | **73.8%** | **1,508,702** | **69.6%** |
| Detached | 153 | 71.5% | 23,476 | 70.4% | 1,353,796 | 62.5% |
| Attached | 10 | 4.7% | 1,115 | 3.3% | 154,906 | 7.1% |
| **Multifamily** | **50** | **23.4%** | **7,595** | **22.8%** | **606,274** | **28.0%** |
| 2-4 Units | 28 | 13.1% | 2,387 | 7.2% | 175,146 | 8.1% |
| 5-9 Units | 9 | 4.2% | 1,823 | 5.5% | 118,716 | 5.5% |
| 10 or More Units | 13 | 6.1% | 3,385 | 10.2% | 312,412 | 14.4% |
| **Mobile Homes** | **1** | **0.5%** | **1,134** | **3.4%** | **50,411** | **2.3%** |
| **All Other** | **0** | **0.0%** | **19** | **0.1%** | **2,402** | **0.1%** |
| **Total Housing Units** | **214** | **100.0%** | **33,339** | **100.0%** | **2,167,789** | **100.0%** |

Sources: U.S. Census Bureau, American Community Survey, 2012-2016 five-year sample data via Esri Business Analyst; BAE, 2019.

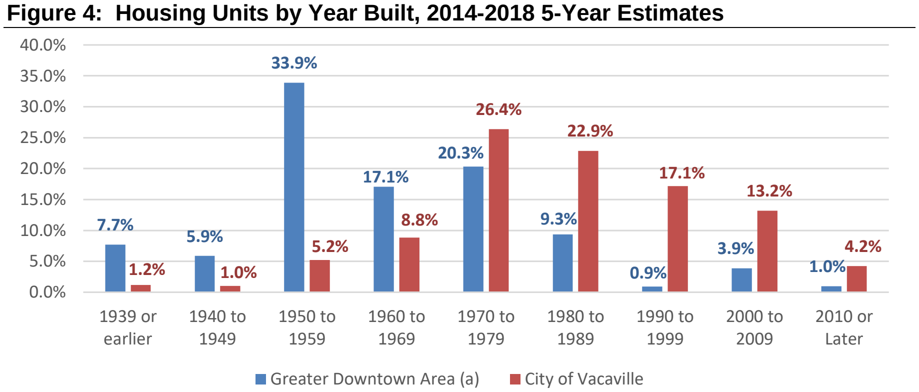
*Housing by Year Built*

According to the Census Bureau, the housing inventory in the Greater Downtown Area is notably older than that of the City as a whole. As illustrated below, the median age of housing units in the Greater Downtown Area is 57 years of age, compared to just 35 years of age citywide. As shown in Figure 4, the largest share of the Plan Area housing stock was built between 1950 and 1959, which accounts for roughly 33.9 percent of the total housing stock. Units built after 1980 account for only 15.1 percent of all units in the Greater Downtown Area, compared to 57.4 percent citywide. While the historical character of the housing stock in the Downtown Plan Area represents an important asset for revitalization, as such homes often contribute to the architectural character of the community, many of the older units may also be in need of repair and renovation.

**Downtown Vacaville Historic Home**

Source: Visit Vacaville, 2020.

**Figure 4: Housing Units by Year Built, 2014-2018 5-Year Estimates**




Note:
(a) Greater Downtown Area is here defined as the two Census Tracts that encompass most of the Downtown Plan Area: 2531.01 and 2532.03. These Tracts also capture a substantial number of households outside the Downtown Plan Area.

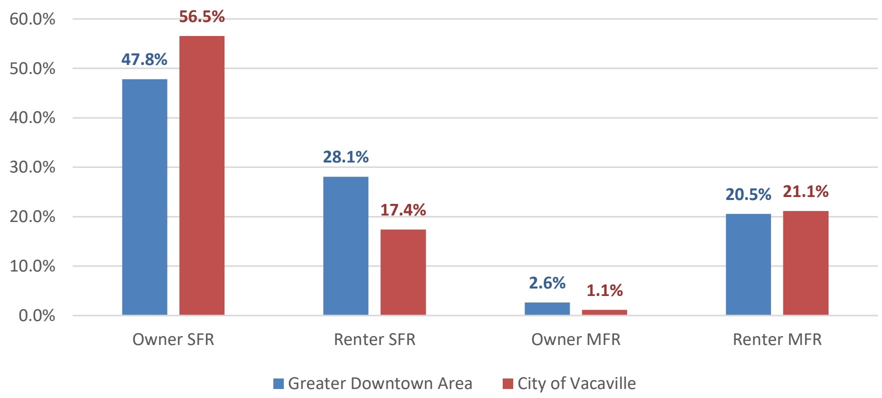
Sources: U.S. Census Bureau, 2014-2018 ACS, Table B25034; BAE, 2020.

*Tenure by Units in Structure*

Corresponding with the above-average prevalence of renter households, as well as single-family homes, within the Downtown Plan Area, there is also an above-average incidence of renter households occupying single-family homes, relative to the City as a whole, which corresponds with the above average prevalence of single family structures within the Downtown housing stock. As seen in Figure 5 below, approximately 28.1 percent of all households in the Greater Downtown Area are renters in single-family homes, compared to just

17.4 percent citywide. The Greater Downtown Area and the City show similar shares of households living in renter-occupied multifamily units at around 21 percent. As a result, the percentage of owner-occupied single-family homes in the Plan Area is notably below the citywide average. It is also worth noting that there is a higher incidence of owner households living in multifamily units (mostly duplex, triplex, and quadplex units) in the Greater Downtown Area compared to the City as a whole, though these households only account for 2.6 percent of all households within the Greater Downtown Area.

**Figure 5: Housing Tenure by Unit Type**




Sources: U.S. Census Bureau, 2014-2018 ACS, Table B25034; BAE, 2020.

### *For Sale Residential Trends*

Based on data provided in the PDA Profile, the Downtown Plan Area recorded just three verified home sales between May 2018 and April 2019. All three sales were detached single-family homes. As seen below in Table 5, the median sale price was $350,000, which is well below the citywide median of $450,000. Homes sold in the Plan Area were generally smaller than the citywide average, likely due to their age, which contributed to a relatively high median price per square foot of $345. By comparison, the City of Vacaville had roughly 1,175 total home sales during the same time period. Roughly 93 percent of the sales were of detached single-family homes. The median sale price was $450,000, or $266 per square foot. The median home sale price for the 78 condominium or townhome units sold in Vacaville during the period was $255,000, or $238 per square foot.

*The median sale price was $350,000, well below the citywide median of $450,000. The homes sold were generally smaller than citywide average, contributing to a relatively high median price per square foot cost.*

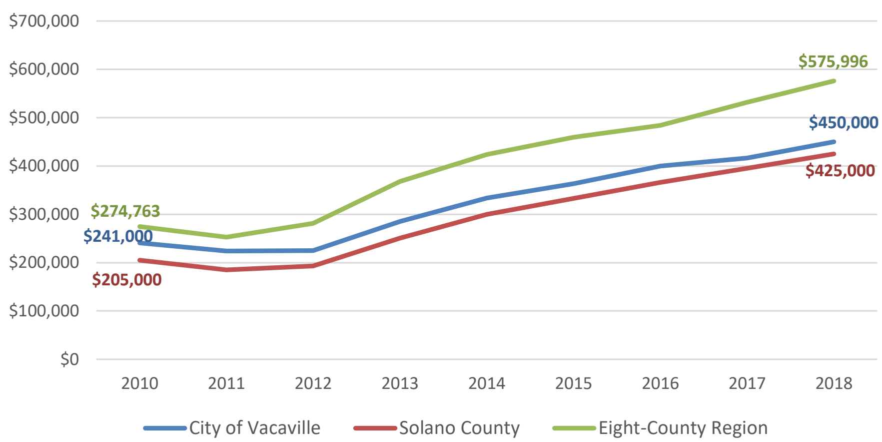
**Table 5: Home Sale Summary, May 2018 - April 2019**

| Home Sale Summary | Plan Area | City of Vacaville |
|---|---|---|
| **Detached Single-Family Homes** | | |
| **Number of Sales** | **3** | **1,096** |
| Median Sale Price | $350,000 | $450,000 |
| Avg. Sale Price | $354,667 | $475,399 |
| Median Bldg. Area (sf) | 1,129 | 1,700 |
| Avg. Bldg. Area (sf) | 1,113 | 1,825 |
| Median Sale Price per Bldg. sf | $345 | $266 |
| Avg. Sale Price per Bldg. sf | $322 | $270 |
| **Condominiums and Townhomes** | | |
| **Number of Sales** | **0** | **78** |
| Median Sale Price | n.a. | $255,000 |
| Avg. Sale Price | n.a. | $247,844 |
| Median Bldg. Area (sf) | n.a. | 1,048 |
| Avg. Bldg. Area (sf) | n.a. | 1,085 |
| Median Sale Price per Bldg. sf | n.a. | $238 |
| Avg. Sale Price per Bldg. sf | n.a. | $231 |

Sources: ListSource; BAE, 2019.

As shown in Figure 6 below, the median home sale price in Vacaville increased by 87 percent, or $209,000 (nominal dollars), between 2010 and 2018. In Solano County, the median sale price increased by 107 percent, or $220,000 (nominal dollars), over that same period. Even with this strong price growth, Vacaville and Solano County remain relatively affordable to home buyers. As seen below, the median sale price in the Eight-County Region amounted to roughly $576,000, which increased by 110 percent between 2010 and 2018.

**Figure 6: Median Home Sale Price Trends, 2010 to 2018**




Sources: DQ News

*Affordable Sale Prices*

In order to put the above sale price information into perspective, BAE used income limit information published by the California Department of Housing and Community Development (HCD), as well as industry standard mortgage lending terms, to estimate the maximum for-sale home price that can generally be considered affordable to households at each income level within Solano County.

As seen in Table 6 below, a four-person low-income household with income equal to 80 percent of the area median income (AMI) could afford to purchase a home priced at up to $277,710, based on current underwriting terms for a loan backed by the Federal Housing Administration (FHA). With the median-priced home costing roughly $350,000 in the Downtown Plan Area, and $450,000 citywide, the data indicate that the for-sale market is primarily affordable to moderate-income households and above, earning at least 120 percent of the AMI or more. For example, the data indicate that a three-person household earning 120 percent of the AMI could afford to purchase a home priced at $386,982, or just above the median home price in the Downtown Plan Area, though well below the citywide median. Four- and five-person households could afford the current median home price in the Downtown Plan Area, while most moderate-income households and lower-income households of any size would struggle to purchase a median priced home without incurring an excessive housing cost burden by spending more than 30 percent of the household income on housing.

*...the for-sale market is primarily affordable to moderate-income households and above.*

## Table 6: Affordable Sale Prices, Solano County, 2020

**Median Family Income:** **$95,400**

| **2019 Income Limits** (a) | One | Two | Three | Four | Five |
|---|---|---|---|---|---|
| | **Persons Per Household** | | | | |
| Extremely Low-Income (30% MFI) | $19,450 | $22,200 | $25,000 | $27,750 | $30,680 |
| Very Low-Income (50% MFI) | $32,400 | $37,000 | $41,650 | $46,250 | $49,950 |
| Low-Income (80% MFI) | $51,800 | $59,200 | $66,600 | $73,950 | $79,900 |
| Median Income (100% MFI) | $66,800 | $76,300 | $85,850 | $95,400 | $103,050 |
| Moderate-Income (120% MFI) | $80,150 | $91,600 | $103,050 | $114,500 | $123,650 |

| **1-Person Household** | **Amount Avail. for Housing** | **Principal & Interest** | **Property Insurance** | **Property Taxes** | **Mortgage Insurance** | **Total Monthly Payment** | **Down-Payment** | **Affordable Home Price** |
|---|---|---|---|---|---|---|---|---|
| Extremely Low-Income | $486 | $343 | $19 | $76 | $49 | $486 | $3,835 | $73,046 |
| Very Low-Income | $810 | $570 | $31 | $127 | $82 | $810 | $6,388 | $121,669 |
| Low-Income | $1,295 | $912 | $50 | $203 | $131 | $1,295 | $10,212 | $194,520 |
| Moderate-Income | $2,004 | $1,411 | $77 | $314 | $202 | $2,004 | $15,802 | $300,988 |

| **2-Person Household** | **Amount Avail. for Housing** | **Principal & Interest** | **Property Insurance** | **Property Taxes** | **Mortgage Insurance** | **Total Monthly Payment** | **Down-Payment** | **Affordable Home Price** |
|---|---|---|---|---|---|---|---|---|
| Extremely Low-Income | $555 | $391 | $21 | $87 | $56 | $555 | $4,377 | $83,366 |
| Very Low-Income | $925 | $651 | $36 | $145 | $93 | $925 | $7,295 | $138,943 |
| Low-Income | $1,480 | $1,042 | $57 | $232 | $149 | $1,480 | $11,671 | $222,309 |
| Moderate-Income | $2,290 | $1,613 | $88 | $358 | $231 | $2,290 | $18,059 | $343,978 |

| **3-Person Household** | **Amount Avail. for Housing** | **Principal & Interest** | **Property Insurance** | **Property Taxes** | **Mortgage Insurance** | **Total Monthly Payment** | **Down-Payment** | **Affordable Home Price** |
|---|---|---|---|---|---|---|---|---|
| Extremely Low-Income | $625 | $440 | $24 | $98 | $63 | $625 | $4,929 | $93,880 |
| Very Low-Income | $1,041 | $733 | $40 | $163 | $105 | $1,041 | $8,212 | $156,412 |
| Low-Income | $1,665 | $1,173 | $64 | $261 | $168 | $1,665 | $13,130 | $250,097 |
| Moderate-Income | $2,576 | $1,815 | $99 | $403 | $260 | $2,576 | $20,317 | $386,982 |

| **4-Person Household** | **Amount Avail. for Housing** | **Principal & Interest** | **Property Insurance** | **Property Taxes** | **Mortgage Insurance** | **Total Monthly Payment** | **Down-Payment** | **Affordable Home Price** |
|---|---|---|---|---|---|---|---|---|
| Extremely Low-Income | $694 | $489 | $27 | $109 | $70 | $694 | $5,471 | $104,215 |
| Very Low-Income | $1,156 | $814 | $44 | $181 | $117 | $1,156 | $9,119 | $173,686 |
| Low-Income | $1,849 | $1,302 | $71 | $289 | $186 | $1,849 | $14,580 | $277,706 |
| Moderate-Income | $2,863 | $2,016 | $110 | $448 | $289 | $2,863 | $22,574 | $429,972 |

| **5-Person Household** | **Amount Avail. for Housing** | **Principal & Interest** | **Property Insurance** | **Property Taxes** | **Mortgage Insurance** | **Total Monthly Payment** | **Down-Payment** | **Affordable Home Price** |
|---|---|---|---|---|---|---|---|---|
| Extremely Low-Income | $767 | $540 | $29 | $120 | $77 | $767 | $6,049 | $115,210 |
| Very Low-Income | $1,249 | $880 | $48 | $195 | $126 | $1,249 | $9,848 | $187,580 |
| Low-Income | $1,998 | $1,407 | $77 | $313 | $201 | $1,998 | $15,752 | $300,042 |
| Moderate-Income | $3,091 | $2,177 | $119 | $484 | $312 | $3,091 | $24,378 | $464,340 |

| **Ownership Cost Assumptions** | | |
|---|---|---|
| % of Income for Housing Costs | 30% | of gross annual income |
| Mortgage Terms | | |
| Down payment | 3.50% | of home value |
| Annual interest rate | 4.30% | fixed |
| Loan term | 30 | years |
| Upfront mortgage insurance | 1.75% | of home value |
| Annual mortgage insurance | 0.85% | of mortgage |
| Annual property tax rate | 1.25% | of home value |
| Annual hazard insurance (b) | 0.31% | of home value |

Notes:
(a) Income limits are based on the HCD adjusted median family income of $95,400 ($2020).
(b) Based on an average of quoted insurance premiums from the Homeowners Premium Survey, published by the California Department of Insurance, for a 26-40 year old home valued at $500,000 with a $1,000 annual deductible in Vacaville, Solano County.

Sources: HCD, 2020; California Department of Insurance, Homeowners Premium Survey, 2019; Bankrate.com, 2020; BAE, 2020.

*Rental Rate Trends*

While current residential rental rate data is unreliable for the Downtown Plan Area, the available Census data suggest rents in the Greater Downtown Area are notably lower than in the remainder of the City. This information should be interpreted with caution, as it reflects reported rents over a five-year period. However, the data do allow for a comparison between rental rates in the Greater Downtown Area versus the City as a whole. As shown in Table 7, the median rental rate for residential units within the Greater Downtown Area was roughly $200 less than the citywide median. Between the 2010 and 2018 survey periods, contract rents increased by roughly 23 percent in Greater Downtown Area, somewhat above the citywide increase of 21 percent.

*...rental rates for residential units within the Greater Downtown Area [are] roughly $200 less than the citywide rates.*

**Table 7: Contract Rents, 2010 to 2018 (Five-Year Estimates)**

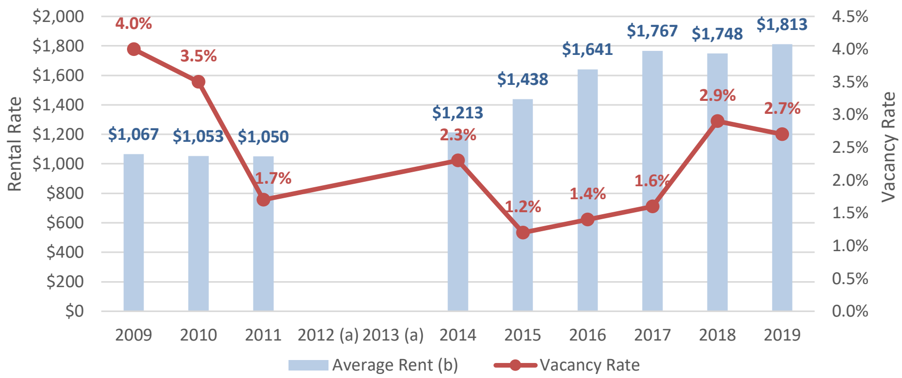
| | 2006-2010 | | 2014-2018 | |
|---|---|---|---|---|
| **Greater Downtown Area** | Number | Percent | Number | Percent |
| Less than $400 | 21 | 1.7% | 57 | 3.3% |
| $400 to $599 | 60 | 4.9% | 69 | 4.0% |
| $600 to $799 | 174 | 14.1% | 106 | 6.1% |
| $800 to $999 | 392 | 31.7% | 321 | 18.4% |
| $1,000 to $1,249 | 271 | 21.9% | 376 | 21.6% |
| $1,250 to $1,499 | 221 | 17.9% | 262 | 15.0% |
| $1,500 to $1,999 | 55 | 4.4% | 424 | 24.3% |
| $2,000 or more | 42 | 3.4% | 81 | 4.6% |
| No cash rent | 0 | 0.0% | 46 | 2.6% |
| **Total, Renter Households** | **1,236** | **100%** | **1,742** | **100%** |
| **Median Contract Rent** | **$984** | | **$1,211** | |

| | 2006-2010 | | 2014-2018 | |
|---|---|---|---|---|
| **City of Vacaville** | Number | Percent | Number | Percent |
| Less than $400 | 512 | 5.1% | 615 | 4.7% |
| $400 to $599 | 364 | 3.6% | 384 | 3.0% |
| $600 to $799 | 473 | 4.7% | 609 | 4.7% |
| $800 to $999 | 2,116 | 21.0% | 1,627 | 12.6% |
| $1,000 to $1,249 | 2,329 | 23.1% | 1,842 | 14.2% |
| $1,250 to $1,499 | 1,659 | 16.5% | 2,146 | 16.6% |
| $1,500 to $1,999 | 2,072 | 20.6% | 3,976 | 30.7% |
| $2,000 or more | 364 | 3.6% | 1,464 | 11.3% |
| No cash rent | 173 | 1.7% | 298 | 2.3% |
| **Total, Renter Households** | **10,062** | **100%** | **12,961** | **100%** |
| **Median Contract Rent** | **$1,167** | | **$1,413** | |

Sources: U.S. Census Bureau, 5-Year American Community Survey, Table B25056; BAE, 2020.

According to the most recent apartment vacancy survey conducted by the City of Vacaville, Citywide rents have generally stagnated over the past three years. As seen below in Figure 7, the average apartment rental rate in the City of Vacaville increased significantly between 2009 and 2017, from roughly $1,070 to $1,770 over that time frame. Since 2017, however, Citywide apartment rents have remained relatively stable, at around $1,800 per month. While data from the City's apartment survey is not available for the Eight-County Region, data from CoStar suggest apartment rental rates in the region are comparable to the City of Vacaville.

**Figure 7: Apartment Average Rent and Vacancy Trends, City of Vacaville, October 2009 to October 2019**




Notes:
(a) Survey was not conducted in 2012 and 2013.
(b) Represents the weighted average of the reported median rental rates by unit type.

Sources: City of Vacaville, 2019 Apartment Vacancy and Rent Survey; BAE, 2019.

***Affordable Rental Rates***

In order to put the above rental rate information into perspective, BAE used income limit information published by HCD, as well as utility cost information published by the Solano County Community Development Commission, to estimate the maximum rent that could generally be considered affordable to households at each income level.

The calculations in Table 8 indicate that, depending on household size, extremely low-income households can afford monthly rents between $437 and $685, very low-income households can afford rents ranging from $761 to $1,167, and low-income households can afford between $1,246 and $1,916 per month. Compared to the available citywide rental rate data, shown in Figure 7, it is apparent that the average market rate rent in the City of Vacaville is only affordable to moderate- and above moderate-income households, or those with incomes of at least 80 percent of the AMI. This suggests that housing affordable to lower-income households is unlikely to be provided by the market, and therefore requires some form of public subsidy or incentive to support the development of housing that can be rented at rates affordable to these lower-income groups. While the Downtown

*...housing affordable to lower-income households is unlikely to be provided by the market, and therefore requires public subsidy.*

Plan Area may currently serve as a less expensive submarket within the City of Vacaville, as the market strengthens due to public and private investments, existing lower-income residents in the Plan Area may face displacement pressure with few other options throughout the City.

**Commented [EC3]:** Original comment: Should we include below-market rent information in this section?

**Commented [MF4R3]:** Table 8 presents a detailed summary of affordable rents, accounting for household size and utility allowances.

## Table 8: Affordable Rental Rates, Solano County, 2020

| **Median Family Income:** | **$95,400** | | | | |
|---|---|---|---|---|---|
| | **Persons Per Household** | | | | |
| **2019 Income Limits** (a) | One | Two | Three | Four | Five |
| Extremely Low-Income (30% MFI) | $19,450 | $22,200 | $25,000 | $27,750 | $30,680 |
| Very Low-Income (50% MFI) | $32,400 | $37,000 | $41,650 | $46,250 | $49,950 |
| Low-Income (80% MFI) | $51,800 | $59,200 | $66,600 | $73,950 | $79,900 |
| Median Income (100% MFI) | $66,800 | $76,300 | $85,850 | $95,400 | $103,050 |
| Moderate-Income (120% MFI) | $80,150 | $91,600 | $103,050 | $114,500 | $123,650 |

| | **Unit Size** | | | | |
|---|---|---|---|---|---|
| **Affordable Rents** (b) | Studio | 1-Bedroom | 2-Bedroom | 3-Bedroom | 4-Bedroom |
| **Extremely Low Income** | | | | | |
| 1-Person | $446 | $437 | | | |
| 2-Person | | $506 | $489 | | |
| 3-Person | | | $559 | $543 | |
| 4-Person | | | $628 | $612 | $591 |
| 5-Person | | | | $685 | $664 |
| **Very Low Income** | | | | | |
| 1-Person | $770 | $761 | | | |
| 2-Person | | $876 | $859 | | |
| 3-Person | | | $975 | $959 | |
| 4-Person | | | $1,090 | $1,074 | $1,053 |
| 5-Person | | | | $1,167 | $1,146 |
| **Low Income** | | | | | |
| 1-Person | $1,255 | $1,246 | | | |
| 2-Person | | $1,431 | $1,414 | | |
| 3-Person | | | $1,599 | $1,583 | |
| 4-Person | | | $1,783 | $1,767 | $1,746 |
| 5-Person | | | | $1,916 | $1,895 |
| **Moderate Income** | | | | | |
| 1-Person | $1,964 | $1,955 | | | |
| 2-Person | | $2,241 | $2,224 | | |
| 3-Person | | | $2,510 | $2,494 | |
| 4-Person | | | $2,797 | $2,781 | $2,760 |
| 5-Person | | | | $3,009 | $2,988 |

Notes:
(a) Income limits are based on the HCD adjusted median family income of $95,400 ($2020).
(b) Affordable rents equal to 30 percent of gross monthly income, minus a utility allowance. The utility allowance is derived based on the 2019 figures for attached dwellings published by The Solano County Community Development Commission.

Sources: HCD, 2020; Solano County Community Development Commission, 2019; BAE, 2020.

*Housing Production Trends*
Between 2015 and 2018, the City of Vacaville housing inventory expanded by roughly 1,335 units, the large majority of which are affordable to higher-income households. Table 9 below documents the City's progress on meeting the state-mandated Regional Housing Needs Allocation (RHNA) during the current cycle, which spans from 2015 to 2023. Halfway through this cycle, Vacaville has already surpassed the mandated number of units affordable to moderate- and above moderate-income households. Over the four-year period, these units accounted for nearly 90 percent of all units built in Vacaville, and ten percent of units built in the City were affordable to very low- and low-income households. Given these production trends, and the higher presence of lower-income households in the Plan Area, the City should ensure future developments in and around the Plan Area provide adequate housing opportunities for lower-income residents to address the need identified in this document, which will also serve to meet RHNA goals.

**Table 9: Regional Housing Needs Assessment (RHNA) Allocation and Progress**

| Housing Affordability Level | RHNA Allocation (2015-2023) Units | RHNA Allocation (2015-2023) Percent | Units Built 2015-2018 Units | Units Built 2015-2018 Percent | Percent of RHNA Fulfilled |
|---|---|---|---|---|---|
| **City of Vacaville** | | | | | |
| Very-Low Income Units | 287 | 26.5% | 48 | 3.6% | 17% |
| Low Income Units | 134 | 12.4% | 96 | 7.2% | 72% |
| Moderate Income Units | 173 | 16.0% | 533 | 40.0% | 308% |
| Above-Moderate Income Units | 490 | 45.2% | 657 | 49.3% | 134% |
| **Total, All Affordability Levels** | **1,084** | **100%** | **1,334** | **100%** | **123%** |
| **Solano County** | | | | | |
| Very-Low Income Units | 1,711 | 24.5% | 54 | 1.2% | 3% |
| Low Income Units | 902 | 12.9% | 212 | 4.7% | 24% |
| Moderate Income Units | 1,053 | 15.1% | 1,132 | 25.0% | 108% |
| Above-Moderate Income Units | 3,311 | 47.5% | 3,138 | 69.2% | 95% |
| **Total, All Affordability Levels** | **6,977** | **100%** | **4,536** | **100%** | **65%** |

Sources: California Department of Housing and Community Development, Annual Progress Report Summary Table, 2019; BAE, 2020

## Market Conditions Impacting Provision of Affordable Housing

With the goal of supporting the preservation and expansion of affordable housing within the Downtown Plan Area, the City must overcome several key challenges to promoting housing development.

- **Available Development Sites** – Given the relatively small geographic scope of the Downtown Plan Area, the area has a limited inventory of potential sites for new residential development. The City has identified several opportunity sites, discussed in more detail below, though the City will need to ensure affordable housing units are delivered on a portion of these sites in order to accommodate current and future affordable housing need within the Downtown Plan Area.

- **Available Preservation Opportunities –** The Downtown Plan Area also contains a limited inventory of sites to preserve existing affordable housing. Preservation efforts typically focus on medium- to large-scale multifamily structures in order to maximize the number of units preserved and achieve economies of scale. Given the limited inventory of larger rental residential properties within the Plan Area, the City will need to identify other mechanisms to maximize the preservation of affordable housing, as discussed in more detail below.

- **Market-Rate Competition** - As demand for residential units in and around the Downtown Plan Area increases due to the implementation of the Downtown Specific Plan, affordable housing developers will face significant competition to purchase sites for new development and acquisition and renovation projects. As will be described in more detail below, the City may wish to prioritize city-owned property for affordable or mixed-income developments in order to ensure new development in the Plan Area accommodates a mixture of income levels.

- **Existing City Policies and Funding Sources –** The City of Vacaville has relatively limited existing policies and funding sources to support the provision of affordable housing citywide. As a result, the City relies heavily on state and federal funding, which varies depending on budgetary allocations and over-arching policy goals. To improve the certainty of affordable housing funding sources, the City may wish to implement a local policy to increase local funds. Several potential sources are discussed in more detail in the *Anti-Displacement and Affordable Housing Strategies* section below.

# AFFORDABLE HOUSING NEED AND DISPLACMENT RISK

## Existing Housing Need and Displacement Risk

As the City of Vacaville implements the vision of the broader Downtown Specific Plan, housing prices may increase at a faster rate than over the past several years, leading to the potential displacement of existing households within Plan Area. In order to better inform the City of the existing need, the following section provides an estimate of households with current housing needs and those at risk of displacement that would be driven by increasing housing costs. To assess the existing affordable housing need within the Downtown Plan Area, BAE compiled additional data from the HUD Comprehensive Housing Affordability Strategy (CHAS) dataset. The CHAS dataset includes detailed information on housing problems, including cost burden and overcrowding, among others. These characteristics, described in more detail below, identify the existing households within the Downtown Plan Area that are currently in need of housing that is more affordable. This estimate of housing need captures both those with current need and those at risk of potential displacement as housing costs increase within the Downtown Plan Area driven by public investments and increased focus on the area from the implementation of the Downtown Specific Plan as well as other external factors such as the general decrease in affordability that is affecting all of California.

***Households with Housing Problems***

*...75 percent of all lower-income households experience at least one housing problem.*

The Greater Downtown Area contains a marginally higher proportion of households with various housing problems relative to the City as a whole. As seen in Table 10 below, nearly 40 percent of Greater Downtown Area households experience at least one housing problem.[4] This is over three percentage points above the Vacaville average, at 36.6 percent of households with at least one housing problem. Within both the Greater Downtown Area and the City as a whole, renter households experience a significantly higher rate of housing problems, with over half of Greater Downtown Area renter households experiencing at least one housing problem. Even more pronounced is the rate of housing problems among lower-income households. As shown in Table 10 below, 75 percent of all lower-income households (i.e., those with incomes below 80 percent of HAMFI) within the Greater Downtown Area experience at least one housing problem, well above the rate for all households regardless of income level. Within the lower-income categories, renters in the Greater Downtown Area experience even higher rates of housing problems, with nearly 80 percent of all lower-income renters living with at least one housing problem.

---

[4] According to HUD, households with housing problems include households paying more than 30 percent of income on housing costs, households with more than one person per room, and households in units that lack adequate plumbing or kitchen facilities.

## Table 10: Households by Tenure and Presence of Housing Problems, Greater Downtown Area and City of Vacaville (Page 1 of 2)

**Greater Downtown Area**

| | All Income Levels | | Income Category (a): Extremely Low-Income (≤ 30% of HAMFI) | | Very Low-Income (> 30% ≤ 50% of HAMFI) | | Low-Income (> 50% ≤ 80% of HAMFI) | | Moderate-Income (> 80% ≤ 120% of HAMFI) | | Above Moderate-Income (> 120% of HAMFI) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Owner Households** | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| None of the 4 housing problems | 1256 | 70.0% | 0 | 0.0% | 44 | 24.6% | 109 | 47.4% | 292 | 72.9% | 811 | 93.7% |
| 1 or more of the 4 housing problems | 519 | 28.9% | 99 | 83.1% | 136 | 75.4% | 121 | 52.6% | 109 | 27.1% | 54 | 6.3% |
| Cost burden unavailable, no other housing problem | 20 | 1.1% | 20 | 16.9% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Subtotal, Owner Households** | **1,795** | **100%** | **119** | **100%** | **180** | **100%** | **230** | **100%** | **401** | **100%** | **865** | **100%** |
| **Renter Households** | | | | | | | | | | | | |
| None of the 4 housing problems | 780 | 46.4% | 15 | 4.5% | 4 | 1.7% | 106 | 38.2% | 257 | 59.4% | 398 | 99.0% |
| 1 or more of the 4 housing problems | 854 | 50.9% | 272 | 81.8% | 232 | 98.3% | 171 | 61.8% | 175 | 40.6% | 4 | 1.0% |
| Cost burden unavailable, no other housing problem | 45 | 2.7% | 45 | 13.6% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Subtotal, Renter Households** | **1,680** | **100%** | **332** | **100%** | **236** | **100%** | **277** | **100%** | **432** | **100%** | **402** | **100%** |
| **All Households** | | | | | | | | | | | | |
| None of the 4 housing problems | 2,036 | 58.6% | 15 | 3.3% | 48 | 11.6% | 215 | 42.3% | 549 | 65.9% | 1,209 | 95.4% |
| 1 or more of the 4 housing problems | 1,373 | 39.5% | 371 | 82.1% | 368 | 88.4% | 292 | 57.7% | 284 | 34.1% | 58 | 4.6% |
| Cost burden unavailable, no other housing problem | 65 | 1.9% | 65 | 14.5% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Total, All Households** | **3,475** | **100%** | **451** | **100%** | **416** | **100%** | **507** | **100%** | **833** | **100%** | **1,267** | **100%** |

Note:
(a) CHAS data reflect HUD-defined household income limits. HAMFI stands for HUD Area Median Family Income.

Sources: US Department of Housing and Urban Development (HUD), 2012-2016 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

## Table 10: Households by Tenure and Presence of Housing Problems, Downtown Vacaville and City of Vacaville (Page 2 of 2)

**City of Vacaville**

| | All Income Levels | | Income Category (a): Extremely Low-Income (≤ 30% of HAMFI) | | Very Low-Income (> 30% ≤ 50% of HAMFI) | | Low-Income (> 50% ≤ 80% of HAMFI) | | Moderate-Income (> 80% ≤ 120% of HAMFI) | | Above Moderate-Income (> 120% of HAMFI) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Owner Households** | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| None of the 4 housing problems | 13687 | 72.0% | 120 | 12.1% | 355 | 32.3% | 890 | 42.3% | 2240 | 58.3% | 10082 | 92.1% |
| 1 or more of the 4 housing problems | 5236 | 27.6% | 800 | 80.4% | 745 | 67.7% | 1215 | 57.7% | 1605 | 41.7% | 870 | 7.9% |
| Cost burden unavailable, no other housing problem | 75 | 0.4% | 75 | 7.5% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Subtotal, Owner Households** | **18,998** | **100%** | **995** | **100%** | **1,100** | **100%** | **2,105** | **100%** | **3,846** | **100%** | **10,952** | **100%** |
| **Renter Households** | | | | | | | | | | | | |
| None of the 4 housing problems | 6316 | 49.3% | 345 | 15.2% | 195 | 12.7% | 615 | 25.3% | 1820 | 59.4% | 3341 | 95.4% |
| 1 or more of the 4 housing problems | 6396 | 49.9% | 1825 | 80.4% | 1345 | 87.3% | 1820 | 74.7% | 1245 | 40.6% | 160 | 4.6% |
| Cost burden unavailable, no other housing problem | 100 | 0.8% | 100 | 4.4% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Subtotal, Renter Households** | **12,812** | **100%** | **2,270** | **100%** | **1,540** | **100%** | **2,435** | **100%** | **3,065** | **100%** | **3,501** | **100%** |
| **All Households** | | | | | | | | | | | | |
| None of the 4 housing problems | 20,003 | 62.9% | 465 | 14.2% | 550 | 20.8% | 1,505 | 33.1% | 4,061 | 58.8% | 13,422 | 92.9% |
| 1 or more of the 4 housing problems | 11,632 | 36.6% | 2,625 | 80.4% | 2,090 | 79.2% | 3,035 | 66.9% | 2,850 | 41.2% | 1,030 | 7.1% |
| Cost burden unavailable, no other housing problem | 175 | 0.6% | 175 | 5.4% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| **Total, All Households** | **31,810** | **100%** | **3,266** | **100%** | **2,640** | **100%** | **4,541** | **100%** | **6,911** | **100%** | **14,452** | **100%** |

Notes:
(a) CHAS data reflect HUD-defined household income limits. HAMFI stands for HUD Area Median Family Income.

Sources: US Department of Housing and Urban Development (HUD), 2012-2016 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

*Households with Potential Displacement Risk*

Based on the table above, BAE categorized the displacement risk of various households from high-risk to low-risk. The table below applies the percentage of households with various housing problems in the Greater Downtown Area to the existing households within the Downtown Plan Area. This gives the City of Vacaville a sense of the potential affordable housing need to ensure existing households are able to stay in Downtown Plan Area as market conditions change. Table 11 shows that roughly 45 of the 234 existing households within the Downtown Plan Area are at a high risk of displacement in the near term. These include renter households with incomes below 80 percent of AMI who currently face at least one housing problem. These households are most susceptible to displacement due to the inability to absorb increased rental rates due to their limited financial resources and their already precarious housing situation, as reflected in living with substandard housing conditions and/or housing budgets already stretched beyond a comfortable level. As rents increase, these households may be forced to leave the Downtown Plan Area in search of more affordable housing. Households at moderate risk of displacement account for another 11 out of the 234 existing households. This includes households with incomes below 80 percent of AMI that do not currently face any housing problems. Despite not currently facing housing problems, given the lower-income status of the households, the displacement risk is still relatively high given their limited financial resources to absorb increasing housing costs.

*…45 of the 234 existing households are at a high risk of displacement;*
*11 of the 234 existing households are at a moderate risk of displacement.*

At a lesser degree of risk are renters with incomes above 80 percent of AMI and owners with current housing problems. These account for an estimated 91 of the 234 existing Plan Area households. Higher-income renters are at a lower risk as they are more likely to be able to absorb increased housing costs. However, if the Downtown Plan Area demographics and rental rates change dramatically, existing moderate-income renters may still feel displacement pressures from rapidly increasing rents and/or investor interest in converting units to appeal to higher-income households. Owner households, by contrast, are only likely to face displacement pressure by increased interest from buyers in purchasing their unit. Because owners typically have mostly fixed housing costs, increasing interest in downtown living will not result in higher costs. However, the owners in this category currently face one or more housing problem and therefore may decide to sell their unit if the market presents an opportunity to extract equity from the unit. The lowest risk category includes existing Plan Area homeowners with no current housing problems, estimated at 86 of the 234 existing households. These households face little displacement risk given their current housing situation is adequate (i.e., no housing problems) and they have mostly fixed housing costs. While some owners may feel pressure to sell their unit and extract their equity, this will be a choice rather than an inability to afford housing in the Downtown Plan Area.

As the City assesses the need for affordable housing in the Downtown Plan Area to ensure existing households are not displaced from the community, BAE recommends the City plan for at least **56 housing units** to meet the current need driven by households with high and moderate displacement risk.

*…plan for at least 56 [affordable] housing units to meet the current need.*

**Table 11: Downtown Plan Area Households by Displacement Risk Category**

| Displacement Risk | Description | Existing Plan Area Households Count | Percent |
|---|---|---|---|
| High Risk | Low-Income Renters with Housing Problems | 45 | 19.4% |
| Moderate Risk | Low-Income Renters without Housing Problems | 11 | 4.9% |
| Moderate-Low Risk | Moderate-Income Renters<br>Owners with Housing Problems | 91 | 38.9% |
| Low Risk | Owners without Housing Problems | 86 | 36.7% |
| **Total Households** | | **234** | **100%** |

Sources: CHAS; ESRI; BAE, 2020.

## Anticipated Future Affordable Housing Need

The following section projects the anticipated affordable housing need through the Specific Plan time horizon of 2040. The analysis relies on housing unit projections published by the Association of Bay Area Governments (ABAG) for the Downtown Priority Development Area. The housing unit projections are converted to demand for housing affordable at various income levels in order to identify the number of lower-income housing units that will be required to ensure an inclusive, mixed-income community. Note that ABAG projections have historically underestimated the growth within the City, while also focusing the majority of the projected growth within existing neighborhoods; thus, the following section also discusses the City's General Plan growth projections and the potential implications for the Downtown Plan Area under this growth scenario.

### *Housing Unit Projections*

Through 2040, ABAG anticipates the Downtown Plan Area housing inventory will expand by 107 total units, or 42.5 percent, resulting in nearly 360 total units within the Plan Area by 2040. The average annual increase over the 22-year projection period within the Plan Area amounts to 1.6 percent per year. This growth rate would dramatically outpace the broader projected citywide and regional growth rates. The reasons for this are likely two-fold. First, the Downtown Plan Area has a limited existing housing inventory, meaning that a relatively small amount of growth in absolute terms presents as a relatively high proportionate growth rate (i.e., a small denominator). Also, ABAG regional growth policies prioritize the concentration of new development and household growth in areas within better access to transit, services, and employment. As such, most PDA areas within the region received projected growth rates that are higher than for their host communities as a whole. As seen below in Table 12, ABAG only projects 1,944 new housing units in the City of Vacaville through 2040, resulting in a 0.2 percent average annual growth rate. On a regional basis, ABAG and SACOG project the Eight-County Region's housing unit inventory will increase by nearly 380,000 housing units through 2040, at a rate of 0.7 percent per year.

As noted above, the City's General Plan anticipates significantly more housing growth than is projected in the ABAG growth forecasts. More specifically, whereas ABAG projects just 1,944 new housing units between 2018 and 2040, the City's General Plan anticipated approximately 9,680 new housing units in the City over the General Plan time horizon of 2035. Although the City does not have specific buildout estimates for the Downtown Plan Area, assuming the Plan Area maintains the existing share of total citywide housing units suggests the Downtown Plan Area may expect to accommodate roughly 70 housing units through 2035, or 85 housing units by 2040 if the estimated General Plan growth continues through 2040. Although these estimates vary from the ABAG figures, the remainder of the analysis utilizes the ABAG projections for the Downtown Plan Area, in order to generate a conservative estimate of the housing need through the specific plan time horizon.

**Table 12: ABAG Anticipated Housing Unit Growth, 2018 to 2040**

| | | | | | | | Change, 2018-2040 | |
|---|---|---|---|---|---|---|---|---|
| **Housing Units** | **2018** (a) | **2020** | **2025** | **2030** | **2035** | **2040** | **Number** | **Percent** |
| Plan Area (b) (c) | 252 | 245 | 296 | 316 | 319 | 359 | 107 | 42.5% |
| City of Vacaville (c) | 35,136 | 35,136 | 35,171 | 35,972 | 36,018 | 37,080 | 1,944 | 5.5% |
| Eight-County Region (d) | 2,240,784 | (e) | (e) | (e) | 2,519,085 | 2,619,045 | 378,261 | 16.9% |

Notes:
(a) Data are sourced from Esri Business Analyst.
(b) BAE converted household projections to housing unit projections assuming a vacancy rate of five percent.
(c) Growth forecasts are re-benchmarked to the most recent available estimate and utilize growth rates generated by the Plan Bay Area 2040 projections.
(d) The growth forecast for the Eight-County Region draws from projections produced by the Plan Bay Area 2040 and the Sacramento Area Council of Governments.
(e) Projections are unavailable for these years.

Sources: Esri Business Analyst; Census Transportation Planning Package, 2012-2016 five-year estimates; Plan Bay Area 2040 projections (2017 vintage); Sacramento Area Council of Governments projections (2018 vintage); BAE, 2019.

### *Anticipated Future Downtown Housing Need*

Broken down by income level, BAE estimates the need for roughly 42 additional affordable Downtown Plan Area housing units, with the remaining 65 units likely to accommodate moderate and above moderate-income households. As indicated in Table 13, assuming the future housing inventory mirrors the existing distribution of Downtown Plan Area households by income category, BAE projects demand for at least 27 housing units for very low-income households, or those with incomes below 50 percent of AMI. In addition, BAE expects demand for another 15 units for households with incomes between 50 and 80 percent of AMI. Both of these unit types are considered "affordable" and will likely require public subsidy or incentives to support their development. For the higher-income housing units - those accommodating households with incomes above 80 percent of AMI - BAE expects the market to deliver these units. In total, BAE estimates demand for roughly 25 units affordable to moderate-income households, likely smaller-lot single-family homes or condominiums. Lastly, BAE also estimates demand for 39 units for above-moderate income households.

**Table 13: Anticipated Future Housing Need by Income Level, Downtown Plan Area, 2018-2040**

| Income Level | Housing Units | Percent |
|---|---|---|
| Very-Low Income *(Less than 50% AMI)* | 27 | 25.0% |
| Low Income *(50% to 80% AMI)* | 15 | 14.4% |
| Moderate Income *(80% to 120% AMI)* | 25 | 23.7% |
| Above-Moderate Income *(Greater than 120% AMI)* | 39 | 36.8% |
| **Total Housing Units** | **107** | **100%** |

Sources: ABAG; California HCD; HUD: BAE, 2020.

***Total Housing Need***

Assuming the City supports the delivery of housing to meet the existing need of households with high and moderate risk of displacement, in addition to the projected future housing needs of very low- and low-income households, BAE estimates the City will likely need to plan for a minimum of roughly 100 affordable housing units within the Plan Area. The current housing need of roughly 56 units for households that are already living in the area and at risk of displacement can be met through preservation of existing affordable housing and/or through development of new permanently affordable housing. This would stabilize existing households who might otherwise face economic displacement. The future housing need of 42 affordable units will require development of deed-restricted affordable housing to accommodate a share of future downtown population growth that is likely to be lower-income households who cannot afford market rate housing prices.

*...plan for a minimum of roughly 100 affordable housing units within the Plan Area to meet existing and future housing need.*

## Existing Opportunity Sites

As part of the overall Specific Plan development process, the consultant team, in coordination with City staff, identified several potential opportunity sites for future development in the Downtown Plan Area that will need to be further vetted. These sites provide an opportunity for the City to plan for housing units affordable to various income levels in order to address the existing and projected future housing needs highlighted above. As the City further refines the specific opportunity sites and potential development capacity of these sites, the City should seek to address a portion or all of the affordable housing need in order to ensure the Downtown Plan Area continues to accommodate a diverse range of household income levels.

~~Based on further analysis of the sites, the consultant team will identify three to four sites as "shovel ready" sites, or those most likely to deliver in the near term. These tentative sites include the former CVS site, parking lots along Cernon and Parker Streets, and the southwest corner of E. Monte Vista and Depot Street. While these sites do not represent the only residential development opportunities within the Downtown Plan Area, they represent the most likely near-term development opportunities to address current and future housing need.~~

~~Together, the shovel ready sites amount to roughly 11.7 acres of land. Assuming all of the sites accommodate high density multifamily residential development, BAE estimates a potential buildout capacity of between 230 and 350 units across the three sites. This assumes a density range between 20 and 30 dwelling units per acre, comparable to higher-density projects in and around the Downtown Plan Area. Based on the estimated need for nearly 100 total affordable housing units to meet existing and future need, the "shovel ready" sites provide sufficient capacity to accommodate this projected affordable housing need. If the City seeks to meet the total affordable housing need through development on the sites within the Downtown Plan Area, the City should seek to ensure that between 30 and 45 percent of all units delivered on these three sites are affordable to households with incomes at or below 80 percent of AMI.~~

*"Shovel ready" sites… [represent] a potential buildout capacity of between 230 and 350 units.*

**Commented [EC5]:** Will need to update

# ANTI-DISPLACEMENT AND AFFORDABLE HOUSING STRATEGIES

This section presents a range of anti-displacement and affordable housing strategies, grouped into three broad categories: preservation of existing affordable units, production of new affordable housing units, and strategies to prevent displacement of existing residents. These strategies form a menu of options that the City of Vacaville may consider for integration as part of the implementation process for the Specific Plan.

## Affordable Housing Preservation Strategies

The following section outlines opportunity sites, funding mechanisms, and policy recommendations to incentivize the preservation of existing affordable housing within the Downtown Plan Area.

***Preservation Opportunity Sites***

While the consultant team did not conduct an in-depth assessment of potential preservation opportunity sites, the following section outlines the type of residential developments that are conducive for preservation efforts to help stabilize existing Plan Area households.

*Multifamily Residential Sites*

As profiled above, the Downtown Plan Area contains a fairly limited inventory of multifamily complexes. The majority of existing multifamily units are within duplex, triplex, and quadplex developments, which are not necessarily ideal preservation opportunities due to the small scale of the sites. The Plan Area does contain a few medium-sized multifamily complexes, which present greater preservation opportunities. For example, as seen in Figure 8, the block bound by East Monte Vista, West Street, Kendal Street, and Cernon Street contain two moderate-sized multifamily complexes. Complexes like these are candidates for preservation through acquisition, rehabilitation, and deed-restriction by non-profit affordable housing developers.

**Figure 8: Affordable Housing Preservation Example Sites**


Sources: Google Maps; BAE, 2020.

*Single-Family Sites*
In addition to multifamily complexes, single-family units also present preservation opportunities through a scattered sites approach. The scattered sites approach allows acquisition and deed-restriction of multiple single-family units, discussed in more detail below. This approach functions better in areas with high vacancy rates, as the acquisition of several units is challenging to coordinate if vacancy rates are low. According to Census data, Downtown Plan Area vacancy rates are relatively low, at roughly seven percent, though the City should conduct a housing survey to better identify any clusters of single-family units ideal for use as low-income housing.

***Preservation Funding Mechanisms***

*Prioritize Public Funds*
The City should prioritize financial resources toward small and scattered site acquisition and land banking. This could entail the City allocating funds to affordable housing developers, or acquiring sites and land banking for future development. Although significantly limited, one local source is the City's Permanent Local Housing Allocation monies. Beyond this, the City would need to consider allocating funds from the General Fund, or establishing new sources, such as an increased transient occupancy tax (TOT) or sales tax measure, or affordable

housing impact fee. The City can also consider directing CDBG funds to indirectly support housing development, such as through investing in public improvements like sidewalks and other offsite infrastructure investments that a housing development might need.

*Low-Income Housing Tax Credits*

Working with the non-profit affordable housing development community, the City can encourage the use of Low-Income Housing Tax Credits (LIHTC) to subsidize multifamily or scattered-site acquisition and rehabilitation. While LIHTCs typically cover 30 to 60 percent of the total cost to acquire and rehabilitate the units, the City can better stimulate these projects by providing additional resources to close the remaining funding gap.

***Preservation Policy Recommendations***

The primary policy recommendation to support preservation or rehabilitation of affordable housing units is for the City to actively prioritize Downtown Plan Area sites as targets for available City, regional, State, or federal incentive and grant programs.

Affordable Housing Production

Along with preservation of units, the primary method to address existing and future affordable housing need is to incentivize new development of affordable housing. The following section outlines potential development opportunity sites, funding mechanisms, and policy recommendations to support the expansion of housing in the Downtown Plan Area.

**Rocky Hill Veterans Housing – Vacaville, CA**

Source: Integrity Housing.

***New Development Opportunity Sites***

The first method for addressing affordable housing need is to identify opportunity sites throughout the Plan Area. As seen in Figure 9 below, ESA and the City have identified 26 total opportunity sites. These range from small infill lots of less than 0.25 acres to larger redevelopment sites of over six acres. The sites also range from shorter-term development opportunities to longer-term redevelopment opportunities. While the consultant team did not project the development type and capacity of each site, the following section outlines mechanisms for the city to activate these sites, depending on the ownership, existing development, among other conditions.

*Vacant Publicly-Owned Sites*

The most significant opportunity sites for affordable housing are vacant publicly-owned sites. These sites are essentially shovel-ready and under public control, allowing the City more jurisdiction over the proposed development. The City may wish to reserve these sites for 100 percent affordable housing developments, or mixed-income developments with the City's land contribution subsidizing additional on-site affordable housing units. Examples of publicly-owned sites include parking lots along Cernon Street (Site #4 in the figure below) and the Davis/Catherine Parking Lots (Site #7).

*... contribution of City land can help subsidize affordable housing units.*

*Vacant Privately-Owned Sites*

Vacant privately-owned sites are also major development opportunities, however the City has significantly less jurisdiction over the development program and timing of the development. More specifically, private developers will rely on market timing to yield a feasible project. The City can incentivize development of these sites through zoning code revisions, density bonuses, and fee deferrals, among others discussed below. Examples of these sites include the vacant Parker Street Parking Lots (Site #5) and the parking lot at Catherine and Wilson (Site #8).

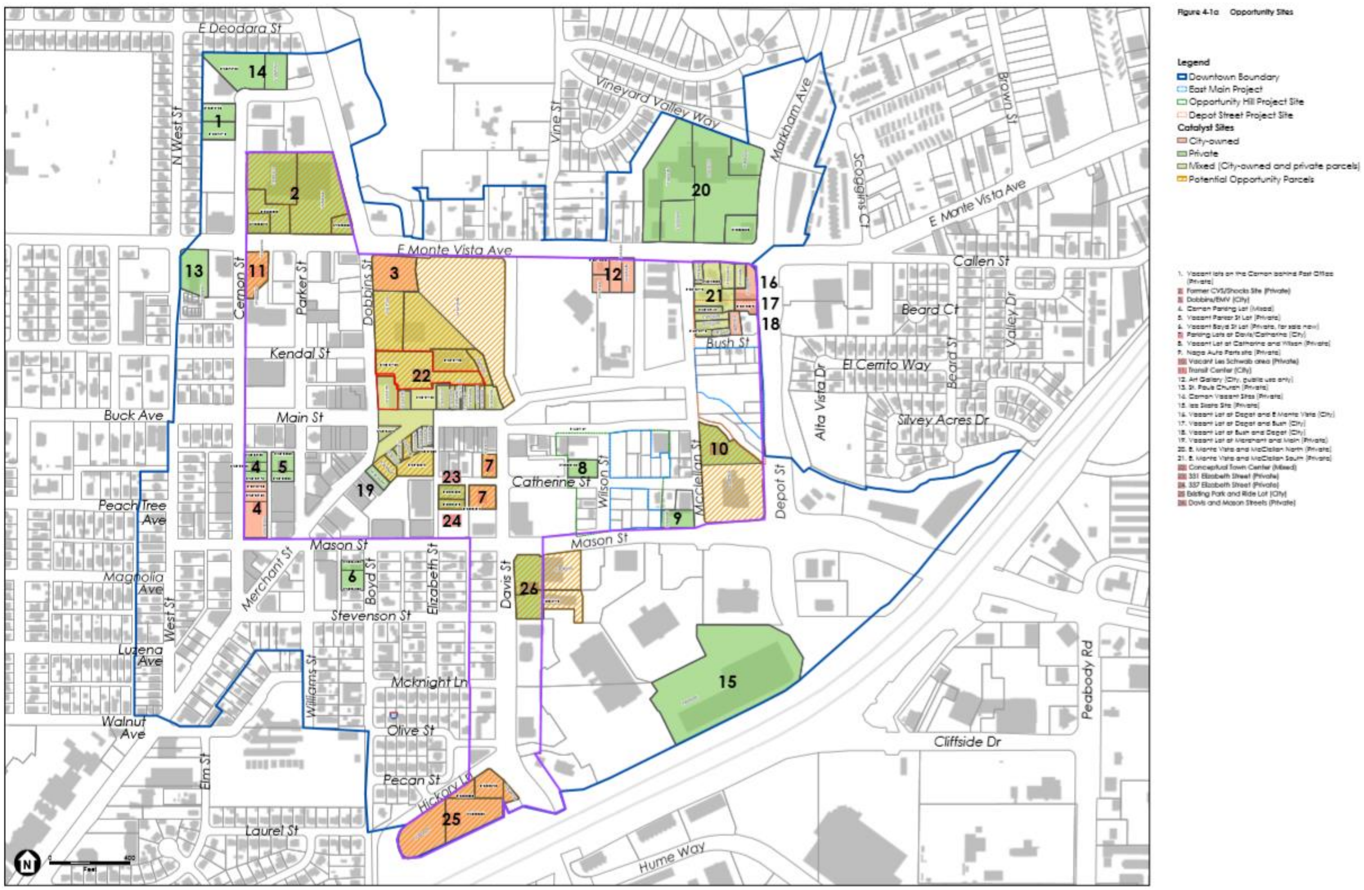
*Publicly-Owned Redevelopment Sites*

Unlike the vacant sites, redevelopment sites currently contain some functioning uses, making the development opportunity more challenging. As such, these sites will likely develop over a longer period of time, unless identified by the City as critical catalyst sites. Similar to the vacant publicly-owned sites, the City has significant authority over the type of development and developer solicitation process. The City can further incentivize redevelopment of these sites by creating plans for relocating existing uses, rather than relying on the private sector partner. The City can also conduct early environmental review and provide other development incentives to ensure the development meets the desired need. Examples of publicly-owned redevelopment sites in the Plan Area include the Transit Center (Site #11) and the Conceptual Town Center (Site #22).

*Privately-Owned Redevelopment Sites*

Accounting for the largest number of sites within the Downtown Plan Area, privately-owned redevelopment opportunities are likely to redevelop in the long-term, given that the presence of existing uses increases the cost of a project. The City has few mechanisms to incentivize redevelopment of underutilized sites, given that private owners will decide when redevelopment meets their financial return goals and risk tolerances. If there is a large site with an owner interested in redevelopment, the City can help incentivize the development by planning the site, conducting environmental review, and streamlining approvals. Major examples of these sites include the former CVS/Shocks Site (Site #2), Ice Skate Site (Site #15), and St. Paul's Church (Site #13).

**Figure 9: Opportunity Sites, Downtown Vacaville**



*New Development Funding Mechanisms*

*Publicly-Owned Land*
Dedication of publicly-owned land can offer an opportunity to provide no- or low-cost land to affordable housing and mixed use/affordable housing projects, as recently seen with the Rocky Hill Veterans Housing project located just north of the Plan Area. The City of Vacaville has several publicly-owned sites within the Downtown Plan Area and could explore the possibility of dedicating these sites for affordable housing. While assessing the potential use of public sites, the City should confirm the original funds used to purchase the sites, as certain funds require repayment if the sites are not used for the originally-intended public uses.

*Fee Deferrals*
In order to stimulate affordable housing development, the City can defer City-imposed fees on housing projects. Fee deferrals can be very helpful to developers, because they reduce the amount of money that must be raised early in the development process, which is typically the most challenging money to raise. If the City defers fee collections until near the time that units are ready for occupancy, this reduces the developer's carrying costs and helps improve financial feasibility.

*Low-Interest Loans*
From time to time, the City may have the opportunity to apply for low-interest loans from various State, federal, or charitable sources or to support affordable housing developers in obtaining such loans. Low-interest loans help improve development feasibility by reducing the amount of debt service that a project must carry, particularly if the low-interest loan is replacing capital that otherwise would have had to come from an equity investor who would demand a considerably higher return on their investment.

*New Development Policy Recommendations*

*Prioritize Public Funds*
In order to incentivize affordable housing development within the Downtown Plan Area, the City should first and foremost prioritize projects that construct new affordable housing as priority targets for available City, regional, State, or federal incentive and grant programs. In addition to potentially directing its PLHA funds to support Downtown Plan Area affordable housing development, the City can also consider establishing new funding sources to support affordable housing development, such as those previously mentioned under the Preservation Funding Mechanisms header, above.

*Community Benefits Program*
A community benefits program would require that developers of new projects provide community benefits in exchange for an increase in density or other development incentives. Potential community benefits can include affordable housing, public open space, or community-serving uses, among other possibilities. Community-serving uses could include childcare, senior centers, or community centers, which could help to ensure that the neighborhood serves the needs of a variety of households at all income levels. Developers can provide benefits directly or through financial contributions to the City that would support the provision of community benefits.

*...require that developers of new projects provide community benefits in exchange for development incentives.*

*Development Incentives*
Development incentives for projects that provide affordable housing can further incentivize developers to provide on-site affordable housing. Potential policies include an affordable housing overlay and a Downtown Plan Area or Citywide density bonus ordinance that exceeds standard density bonuses required by state law.

**Affordable Housing Overlay** - An affordable housing overlay zone establishes an area that provides development incentives to projects that provide affordable units. Because the majority of downtown is currently zoned for relatively high densities, developers are unlikely to seek density bonuses above the current allowed capacity. Instead, developers may be incentivized to provide on-site affordable units in return for other development incentives. These could include potential reductions in the required on-site automobile parking or open space. The City may also allow variances from certain development code requirements, such as maximum lot coverage ratios, setback requirements, among others. By providing development incentives targeted toward affordable housing in particular, an affordable housing overlay helps affordable housing developers compete with market-rate developers to obtain sites. The City of Vacaville could adopt an affordable housing overlay for all or a focused portion of the Downtown Plan Area.

- **Citywide Density Bonus Ordinance** – The existing citywide Density Bonus provides additional incentives above those required under the State Density Bonus Law in exchange for a higher share of affordable units than required under the State Density Bonus Law. The current Vacaville City Code allows the City Council to approve additional density bonuses at its discretion. Rather than requiring City Council approval, the City could approve a defined schedule of additional density bonuses that will be given in the Downtown Plan Area commensurate with certain affordability percentages that exceed those necessary to qualify for the State mandated density bonuses. This would make use of the citywide Density Bonus provisions more attractive to developers by providing certainty as to the affordable housing density bonuses that can be obtained, thus increasing the total number of housing units delivered while also increasing the number of affordable housing units.

*Support Innovative Housing Models*

To increase ownership opportunities for lower-income households, the City of Vacaville could support the development of limited equity cooperatives and other developments with cooperative ownership. These non-traditional housing models can provide stable housing for lower-income households by offering relatively affordable homeownership opportunities when operated by experienced professional organizations with adequate staffing capacity. The City could adopt a policy to work with experienced, professional housing developers and property owners to encourage more of these uses in the Plan Area and to dedicate City funds to support these uses if additional revenue becomes available.

*Accessory Dwelling Unit Incentives*

After the passing of Senate Bill 13 in 2019, Accessory Dwelling Units (ADUs) are now allowed by-right in all residential zones statewide. In addition, the bill exempts any ADU under 750 square feet from paying impact fees, and restructured the fees paid by larger ADUs. The bill also reduced the maximum review period for ADU applications. All of these statewide policies are envisioned to support the expansion of ADUs in existing neighborhoods, recognizing that ADUs increase the overall housing supply and provide more affordable housing opportunities for lower-income households. In order to further incentivize the delivery of ADUs, the City could identify a set of pre-approved ADU building plans for residents to use as they assess adding an ADU on their property. As the ADU development sector continues to innovate, the City could also publish a list of ADU builders, as well as conduct additional outreach to homeowners to demonstrate the financial benefit of adding an ADU to an existing property.

## Anti-Displacement Policies

***First-Time Homebuyer Assistance***

Current home sale prices in the Downtown Plan Area are low relative to costs elsewhere in the City and Region, providing potential opportunities for Downtown Plan Area renter households to purchase homes at relatively affordable costs. Because homeowners are not susceptible to direct displacement, homeownership could help existing renters remain in the neighborhood while increasing homeownership rates in the Downtown Plan Area. However, many renter households in the Downtown Plan Area are unlikely to be able to afford the down payment necessary to purchase a home. The City could actively market its first-time homebuyer assistance, when available, to Plan Area households.

*Homeowner Protections*
The City could create a Home Rehabilitation Loan Program that provides funding to enable existing lower-income Downtown Plan Area homeowners to make health and safety repairs and accessibility modifications to their homes, which can help residents remain in their homes and prevent displacement.

*Prioritize Section 8 Vouchers*
Managed by the Vacaville Housing Authority (VHA), Section 8 vouchers provide rental assistance to low-income tenants. To stabilize households within the Downtown Plan Area, The City and VHA could encourage the use of the vouchers for existing households intending to stay in the Plan Area.

*Demolition Controls*
The City could institute Demolition Controls and Unit Replacement requirements that limit the ability of property owners to demolish or eliminate existing units and require one-to-one replacement of demolished units.

*Condominium Conversion Control*
Conversions of rental units to condominiums can have a negative impact on the affordable housing supply by removing lower-cost rental units from the market and can also displace renter households when units are converted. While the City of Vacaville currently contains an ordinance that prevents the conversion of senior apartments to condominiums if the senior restricted apartment vacancy rate is below three percent, the City could extend this Condominium Conversion policy to all or a specific subset of the rental apartments in the City.

Aside from a full restriction on condominium conversion, the City could instead decide to limit the allowable conversions per year. During the conversion process, the City could also ensure that existing tenants have the first right of refusal to purchase the unit during and after completion of the conversion process. The City should also institute an affordable housing mitigation fee for conversions. These regulations serve to preserve rental units, provide protection for tenants in units that are converted, and generate revenue for that the City could use to support affordable housing projects that would help to mitigate the impacts from conversion of rental units to condominiums.

*Rent Stabilization Ordinance*
The City may wish to evaluate potential mechanisms to protect tenants from excessive rent increases. While California recently passed Assembly Bill (AB) 1482, which caps the annual rental rate increases owners can charge multifamily tenants, the relatively generous rent cap is likely insufficient to stabilize households in the Plan Area, and it does not apply to renters in single-family homes. Some characterize AB 1482 as more of an anti-rent-gouging law versus a rent stabilization law. AB 1482 does not preclude the City from adopting a more restrictive local rent stabilization ordinance. Any rent stabilization ordinance would be subject to a

number of State laws, which would allow for decontrol of rents at termination of tenancy and apply rent control only to units constructed prior to 1995, and would likely apply citywide rather than only to the Downtown Plan Area. Also, any rent stabilization program must be carefully crafted to ensure that the rent controls do not prevent landlords from achieving a fair and reasonable rate of return, and that developers still have adequate financial incentive to build new housing, otherwise, the program could create a strong disincentive to much needed housing production.

*Tenant Protections*

The City could consider expanding just cause eviction controls to all rental units within the City or Downtown Plan Area. As part of AB 1482, the State included tenant protections that establish the permissible reasons for eviction of tenants from all multifamily properties. Given the higher presence of Downtown renters in single-family units, typically not covered by AB 1482 protections, the City could expand these protections to protect all households from unfair evictions, as defined in AB 1482. While a just cause eviction ordinance can protect tenants from unfair evictions, it should be noted that just cause eviction controls will not prevent displacement of tenants in buildings where the property owner increases rents in response to increases in market rental rates, thereby displacing tenants who cannot afford a higher rent.

To help moderate rent increases, the City could also establish a landlord/tenant mediation process to review rent increases. Some jurisdictions fund these types of programs using annual rental unit registration fees with a goal of providing a venue for tenants and landlords to discuss rent increases that are considered excessive. Although mediation programs are not always binding upon the landlord, the presence of a mediation process itself may be a deterrent to landlords imposing unreasonable rent increases. Once established, property owners or managers are required to notify tenants of the mediation process when providing a notice of rent increase and to participate in the mediation process if requested by the tenant. Mediation policies can allow tenants to request mediation regardless of the size of the rent increase, or may specify that mediation is available if a rent increase exceeds a certain threshold.

*Short-Term Rental Ordinance*

Vacaville does not currently allow short-term rentals in residential areas throughout the City. As it currently stands, the lack of short-term rentals helps stabilize current Downtown Plan Area residents by reducing the potential for landlords to convert long-term rental units to accommodate short-term visitors. However, if the City considers allowing short-term rentals in the future, the ordinance should establish standards for the operation of the units in order to minimize the potential for units to convert to exclusively short-term rental use, especially in the Downtown Plan Area.

## Funding Sources and Strategies

The following section highlights existing funding sources and strategies currently available to the City to support affordable housing development within the Downtown Plan Area, as well as potential new mechanisms to generate additional funds to support affordable housing in and around the Downtown Plan Area.

### *Existing Funding Sources*

The following funding sources are currently available to the City to support housing development within the Downtown Plan Area.

*Permanent Local Housing Allocation (SB-2)*

Approved in 2017, Senate Bill 2 (SB-2) established a new permanent State funding source for affordable housing by imposing a $75 recording fee per document for certain real estate transactions. The revenue, expected to generate roughly $200 to $250 million annually statewide, will be allocated to local jurisdictions in the form of a Permanent Local Housing Allocation (PLHA). According to City staff, Vacaville is expecting to receive roughly $400,000 annually. PLHA funds can be used for several activities that support affordable housing development and preservation, including acquisition of vacant units for future affordable housing and direct subsidies to affordable housing developers. The City could target a portion of these ongoing funds to support projects within the Downtown Plan Area.

*State and Federal Sources*

Although not necessarily under the direct control of the City of Vacaville, the City should target the use of other existing State and federal funding sources to support affordable housing development in the Downtown Plan Area.

- **Low-Income Housing Tax Credits -** The federal Low-Income Housing Tax Credit (LIHTC) program is the most significant source of funds for low-income housing. As the competition for funds has increased, especially for the more substantial nine percent tax credit program, projects that receive funds must meet several criteria. More specifically, California's criteria for awarding LIHTC revolves around climate-related goals. Therefore, most projects receiving funds include public transportation and alternative transportation components. Project proposals in the Downtown Plan Area would likely be competitive for LIHTC funding given the Downtown Transit Plaza at Cernon Street and E. Monte Vista Avenue, offering public transportation throughout the region, in addition to the planned active transportation components identified in the Specific Plan (i.e. improved sidewalks, bike lanes, etc.). Also, projects with even modest contributions from the local jurisdiction are significantly more competitive. Given this, any opportunity for the City of Vacaville to contribute funds in any of the previously outlined methods will increase the likelihood of project sponsors receiving LIHTC awards from the allocation committee.

- **Affordable Housing and Sustainable Communities Program** - Funded through the California Cap-and-Trade program, the Affordable Housing and Sustainable Communities (AHSC) program allocates annual funding for affordable housing projects throughout the state. During the most recent funding cycle, the AHSC program made upwards of $400 million in total funds available for housing projects. The largest component of AHSC is the GHG emission reductions associated with the proposed projects. As such, HCD requires that the application for funding is a collaborative effort between the development team, local transit authority, and local jurisdiction to ensure the housing proposal fits into the larger transportation network and local environmental goals. This provides the City of Vacaville an opportunity to identify potential partnerships and development sites that would be competitive for AHSC funds.

- **Housing and Urban Development Funds** - While not specifically allocated for housing development, the City can leverage two Housing and Urban Development (HUD) funding programs to assist developers in efforts to maintain or build new affordable housing. The first program is the HOME Investment Partnership (HOME) program. The HOME program is HUD's largest block grant program allocated to states and local jurisdictions and can be used to fund new construction and acquisition and rehabilitation of affordable housing, or direct rental subsidies to low-income households. While the City of Vacaville does not receive direct allocation of HOME funds from HUD, the City can compete for funds from the State's CDBG small cities program. To make its applications more competitive, the City should seek to maximize other sources of matching funds, including local funding contributions and work on developing strong partnerships with affordable housing developers while building support for specific affordable housing projects from within the local community and stakeholders.

  The second HUD program which the City could leverage for affordable housing is the Community Development Block Grant (CDBG) program. Unlike HOME, CDBG dollars can be spent on a broad spectrum of community development efforts, including social services, job creation programs, and business retention programs, among others. Although CDBG funds cannot be spent on housing construction, they are sometimes used to facilitate housing development through investments in public improvements that are necessary to support housing projects (e.g., sidewalks on adjacent public right-of-way; offsite water or sewer line upgrades). Due to the flexibility of the program, it is likely the City has historically used CDBG dollars for a variety of City efforts and programs. According to the City's 2018-2019 CDBG Action Plan, the City received roughly $510,000 in the 2018 fiscal year. The City could leverage a portion of future CDBG funds to support projects within the Downtown Plan Area.

*Potential New Funding Sources*
The following section summarizes potential new funding mechanisms the City could consider to support affordable housing throughout the Downtown Plan Area.

*Housing Impact Fees*
The City of Vacaville could adopt a housing impact fee that would be charged to developers of market-rate rental and for-sale residential projects. Housing impact fee revenues would support the development and preservation of affordable housing in the City. In order to adopt a housing impact fee, the City would first need to prepare a nexus study to determine the maximum fee rate. Though not required, the City should also conduct a feasibility test as part of the fee study to evaluate the potential impacts of the fee on new development, and adopt a fee that is lower than the legal maximum if necessary to ensure that the fee does not have a negative impact on development activity. Based on current development costs, residential rental rates, and home sale prices, a local housing impact fee may present financial feasibility challenges at this time. The City may wish to study this issue and then, if necessary, defer implementation until such time as economic conditions would support it. If adopted, the fee could be waived for developers that provide a set number of inclusionary affordable units in their projects, making the impact fee program similar to an inclusionary housing ordinance with an in-lieu fee alternative.

Because housing impact fees would be collected from all development in the City, funds generated from projects outside the Downtown Plan Area may be available to support affordable housing development within the Downtown Plan Area. The allocation of these funds to specific affordable housing developments will be based on future City decisions in response to specific requests by affordable housing developers.

*Commercial Linkage Fees*
The City of Vacaville could adopt a commercial linkage fee that would be charged to developers of commercial projects. Commercial linkage fee revenues would support the development and preservation of affordable housing in the City. Similar to a housing impact fee, a commercial linkage fee would require a nexus study to determine the maximum legal fee rate, and the City could adopt the maximum fee or choose to adopt a lower fee to account for development feasibility and other policy considerations. Commercial linkage fees collected from projects citywide could support projects in the Downtown Plan Area or elsewhere in the City.

The City should delay consideration of a commercial linkage fee that would be applicable within the Downtown Plan Area in the short term and evaluate whether rental rates have increased sufficiently to potentially support additional fees in the longer term. A commercial linkage fee is not likely to be feasible in the Downtown Plan Area under current conditions due to relatively low commercial rents.

*Parcel Tax*
A parcel tax is a non-value based tax on real property, which is generally designed as a flat per-parcel assessment, but which can also be tied to other characteristics of a property, such as number of units, number of fixtures, differences in use, etc. The parcel tax emerged as a common funding source after passage of Proposition 13, which prohibits local governments from imposing or raising ad valorem property taxes beyond that allowed under the established formula. One potential benefit of a parcel tax for affordable housing is that it would spread the responsibility for raising funds across a broad base of property owners, including both residential and non-residential uses. A parcel tax could be established citywide, or within the Downtown Plan Area, so long as the use of the funds is considered a public benefit.

*Additional Transient Occupancy Tax Rate*
As noted above, the City collects Transient Occupancy Tax (TOT) users of temporary and accommodations, such as hotel stays. In addition to allocating a portion of the existing TOT revenues, the City could also increase the citywide TOT rate. The increased rate would generate additional revenue that the City could allocate to affordable housing development.

*Tax Increment Financing*
Following adoption of the Downtown Plan, new development in the Plan Area is likely to lead to an increase in tax revenue to the City in the form of property tax, property tax in-lieu of vehicle license fees, and sales tax. The City could adopt a policy to dedicate a portion of these revenue increases to fund affordable housing in the Downtown Plan Area. The City of Vacaville could create an Enhanced Infrastructure Financing District (EIFD) in the Plan Area as a formal way to implement such revenue set-asides. In forming an EIFD, the jurisdiction apportions incremental increases in revenues generated within an established area into a dedicated fund. EIFD funds can then use existing and future tax revenue as a guarantee for the issuance of large value public bonds. While the portion of property tax increment controlled by the the may not be sufficient to make an EIFD effective, other tax revenues that could be expected to increase with new development, such as property tax in-lieu of vehicle license fees can also be dedicated to an EIFD. EIFDs can be established in areas undergoing major planning and development projects, such as new specific plan areas. As an example, West Sacramento established an EIFD in the Bridge District to help fund necessary backbone infrastructure, which spurred additional development. The City of Vacaville could use an EIFD to support infrastructure and affordable housing within the Downtown Plan Area; however, the City would need to determine if the property tax increment allocation factors for a given area targeted for an EIFD are such that the City controls sufficient tax increment to make an EIFD a viable tool.

## Affordable Housing Funding Gap
This section provides an assessment of the likely cost to develop housing sufficient to the address the estimated existing and future affordable housing needs within the Downtown Plan Area, the potential funding gap, and potential funding sources.

*Affordable Housing Development Cost*

To meet the estimated affordable housing need within the Downtown Plan Area - 98 total units - BAE estimates a total cost of roughly $38 million. This estimate assumes an average development cost of roughly $385,000 per unit. As the City and developer partners identify the preferred mix of unit types and income levels, the total cost may vary from the above estimate. More specifically, if the City encourages larger affordable units within Downtown, the cost may increase due to the larger unit size. Similarly, if the City targets lower income levels, development costs and subsidy requirements may increase due to the greater need for on-site service space and operating reserves.

*Local Funding Contribution*

Based on a review of comparable affordable housing developments within the region, BAE estimates the City of Vacaville should plan to raise roughly $3.4 million to subsidize the delivery of 98 affordable housing units within the Downtown Plan Area. This assumes that the affordable housing need will be met exclusively through affordable housing projects funded through the Low-Income Housing Tax Credit (LIHTC) program. Under the LIHTC program, affordable housing developers raise a variety of local, state, and federal funds to fill the feasibility gap. Based on eight comparable developments built since 2016 in Solano, Yolo, and Contra Costa counties, local funding contributions account for an average of nine percent of all capital raised to support the LIHTC projects. Based on the estimated total development cost of $38 million to provide 98 deed-restricted affordable housing units, an estimated $3.4 million of local funding contribution would align with regional local funding amounts.

> *... City of Vacaville should plan to raise $3.4 million to subsidize the delivery of 98 affordable housing units.*

*Potential Funding Sources*

The following section summarizes a variety of potential mechanisms to raise the necessary City revenue to support the affordable housing developments within the Downtown Plan Area. The City may pursue one or several of the funding strategies identified below. Note that the first three potential sources (i.e. TOT increase, sales tax increase, and parcel tax) would require voter approval while the final two options (i.e. public land donation and affordable housing impact fee) would require that the City Council take various actions. The City may consider implementing one of the funding mechanisms or potentially two or more mechanisms in combination. In addition to the sources discussed below, subject to resource availability and citywide needs and priorities, the City could also consider making General Fund allocations and allocations of HUD entitlement funds (i.e., CDBG) to support Downtown Plan Area affordable housing development.

*Transient Occupancy Tax Increase*

The City of Vacaville General Fund currently collects Transient Occupancy Tax (TOT) revenue equal to eight percent of revenue generated by short-term overnight stays at Vacaville hotels and other lodging facilities. As of the 2018/2019 Fiscal Year, the City General Fund received roughly $1.95 million of TOT revenue. To support affordable housing development, the City could consider an increase in the TOT rate, similar to Measure I approved in 1989 and reapproved in 2012 to support City services. Assuming a two-percentage point increase in the TOT rate, the City could generate an additional $487,500 per year in TOT revenue. In order to raise the minimum estimated funds required to support affordable housing development in the Downtown Plan Area, of $3.4 million, a two-percentage point increase in the TOT rate would take roughly seven years to generate the total required funds. The City could evaluate allocating the funds on a rolling basis, to support smaller projects, or wait to accrue all of the necessary funds and allocate the funds in one lump sum to one or more projects.

*Sales Tax Rate Increase*

Given the significant amount of retail sales throughout the City, a marginal increase in the sales tax rate could generate the necessary funds to support affordable housing development in the Downtown Plan Area in a short timeframe. According to the California Department of Tax and Fee Administration, the City of Vacaville had roughly $1.8 billion in total taxable sales in 2018. If the City were to increase the sales tax rate by 0.25 percent, the City would generate an additional $4.5 million annually. Assuming all additional funds were allocated to support affordable housing development in the Downtown Plan Area, the additional sales tax would raise the necessary funds in one year. Alternatively, the City could establish a smaller sales tax increase that would require more time to accrue the necessary funds.

*Citywide Parcel Tax*

Assuming a flat per-parcel fee of $50, the City could raise roughly $1.5 million in annual revenue through a citywide parcel tax. If all of the annual funds raised through the new tax were allocated to help fund affordable housing development within the Downtown Plan Area, the City would raise the necessary funds within three years of establishing the parcel tax.

*Public Land Donation*

Given the significant amount of publicly-owned land within the Downtown Plan Area, discussed above, the City could contribute this land to affordable housing developers at no- or reduced-cost. The discounted land would act as a public subsidy to the affordable housing development, as it reduces the necessary funds to purchase the land. According to the most recent affordable housing project near downtown, the Rocky Hill Veterans Project, land values in the area amount to roughly $700,000 per acre. Assuming this value applies to all land within the Downtown Plan Area, the City would need to identify roughly five acres of publicly owned land to contribute at no-cost to affordable housing projects.

*Affordable Housing Impact Fee*

With the continued expansion of residential development throughout the City, Vacaville could raise funds to support affordable housing development through an affordable housing impact fee on future residential development citywide. Assuming continued citywide growth similar to recent trends between 2010 and 2019, of roughly 700 new housing units per year, the City could raise roughly $350,000 per year through a nominal charge of $500 per new residential unit constructed. While it would take roughly ten years to raise the necessary funds to specifically support the affordable housing need in the Downtown Plan Area, this nominal fee would likely face minimal opposition while still raising significant funds. This fee, however, does rely on continued citywide expansion in order to raise funds and will likely fluctuate significantly during the real estate market cycles. While $500 per new market rate unit is used as an example here, the maximum allowable amount of an affordable housing impact fee would be determined via an impact fee study that would establish the nexus between market rate housing demand and the new affordable housing needs.

In combination with, or instead of a fee charged to new market rate housing development, the City could also consider establishing an affordable housing impact fee charged to new non-residential development (i.e., jobs-housing linkage fee).