



Folsom City Council Staff Report

MEETING DATE:	8/26/2025
AGENDA SECTION:	Scheduled Presentations
SUBJECT:	Mid-Cycle Housing Element and Housing Fund Update
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

It is recommended that the City Council receive a presentation from the Community Development Department providing a mid-cycle update on the status of the Housing Element, along with an overview of the funding sources that have been utilized to advance the goals of the Housing Element and support broader community housing objectives.

BACKGROUND / ISSUE

The City of Folsom is now halfway through the current 8-year Housing Element planning period (2021 – 2029). This presentation summarizes progress in implementing the Housing Element, a required component of the General Plan under California law. The presentation will outline the status of housing programs and policies, highlight key implementation efforts, and identify next steps to advance the City’s housing goals. In addition, staff will provide an overview of the various housing funds available to support Housing Element objectives, including a summary of how those funds have been allocated to date. This check-in offers the Council an opportunity to assess progress, evaluate alignment with community housing priorities, and provide feedback to help shape future strategies and funding decisions.

Housing Element 101

The primary purpose of a Housing Element is to ensure that local governments plan for the housing needs of all income levels, remove barriers to development, support private market solutions, address constraints to housing, and promote fair and equitable access. It serves as a state-approved blueprint for how communities will grow and meet housing demands.

The City’s sixth cycle Housing Element was adopted in August 2021 and establishes the framework for housing policy during the planning period of May 15, 2021, through May 15, 2029.

The adopted Element reevaluated the City’s housing-related goals and objectives, addressed existing and emerging housing issues, and identified a comprehensive set of programs to support housing development, affordability, and equity. This cycle introduced several new challenges for the City, including the need to accommodate a significantly increased Regional Housing Needs Assessment (RHNA) allocation and comply with evolving state housing laws. Among these was SB 166 (2017), the “no-net-loss” law, which requires the City’s land inventory and site identification programs to maintain sufficient sites to meet any unmet RHNA.

Progress to Date

The table below summarizes the City’s progress in meeting our RHNA

Regional Housing Needs Allocation (RHNA) Progress – 8-year period			
Income Level	RHNA Allocation Of Units	Total Units Built in 2021 and 2024	Total Units Remaining
Very Low (50% AMI)	2,226	169	2,057
Low (80% AMI)	1,341	296	1,045
Moderate (80-120% AMI)	829	806	23
Above Moderate (+120% AMI)	1,967	3062	0
Totals	6,363	4,333	3,125

In addition to ongoing efforts to meet the City’s RHNA obligations, the City has made notable progress in implementing the goals, policies, and programs identified in the adopted Housing Element. The Housing Element includes a total of 34 programs—16 designated as ongoing and 18 with defined implementation timelines for completion. Of these, 5 programs have been completed, 8 are currently in progress, partially implemented, or associated with the Zoning Code update, and 5 programs have not yet been initiated.

Completed highlights:

- **Program H-2:** Approved General Plan amendments and EIR certification creating capacity for up to 6,046 additional residential units in targeted areas, new units in order to ensure the City maintains adequate capacity to meet the lower-income RHNA throughout the planning period.
- **Program H-4:** Published an ADU design workbook to guide development in the Historic District as well as one for ADUs throughout the City.
- **Program H-16:** Sold land at 300 Persifer Street to Habitat for Humanity for 10 affordable homes, now under construction.

Programs scheduled for completion in 2025

- **Program H-8:** Multifamily objective design standards are being finalized and will be presented to the City Council for review in fall 2025.
- **Program H-9:** Consultant has been engaged to evaluate the inclusionary housing in-lieu fee, with recommendations expected for Council consideration in fall 2025.
- **Program H-11:** Draft Affordable Housing Loan Guidelines have been prepared to guide funding priorities and inform future Requests for Proposals (RFPs). City Council action is scheduled for August 2025.

For the 2025/26 fiscal year, staff intends to prioritize the completion of ongoing projects and the implementation of measures associated with the Zoning Code update. Additional programs under consideration for this fiscal year include H-5 Accessory Dwelling Unit Incentive; H-7, Development Impact and Permit Fees; H-15 Affordable Development at the Glenn/Robert G Holderness Station; H-17 Study the Purchase of Land for Affordable Housing; and H-18 Prioritize Infrastructure for Affordable Housing.

Housing Funding Toolbox

The City of Folsom has utilized a variety of funding mechanisms—both past and present—to support the development of affordable housing and housing related activities in alignment with the goals and policies outlined in the Housing Element. Below is a summary of four key city-managed funding sources available for this purpose.

Fund 238 - Folsom Housing Fund – In 2013, Folsom introduced an inclusionary housing in-lieu fee to support affordable housing. The fee equals 1% of the lowest-priced unit's sale price in a subdivision, multiplied by the total number of units. Per a legal agreement with the Sacramento Housing Alliance, at least 50% of the collected fees must fund the construction or major rehabilitation of multi-family rentals affordable to low and very low-income households.

Fund 221- Housing Trust Fund – Established in 2002, Folsom's Housing Trust Fund (HTF) supports affordable housing development. The city collects a \$2.08 per square-foot fee from new commercial projects, reflecting the link between job growth and housing demand. HTF funds are mainly used to fill financing gaps in affordable rental housing projects.

Fund 274 - Oaks at Willow Springs Fund – This fund was established in 2006 as part of the inclusionary housing requirements for the Oaks at Willow Springs Development Project. Of the total \$3.1 million amount paid by the developer, \$2.7 million was designated exclusively for the development of low-income housing units on city-owned property located on Sibley Street—now the site of Granite City Apartments.

Fund 280 - Bonds Fund – After redevelopment was dissolved in 2012, Folsom lost a major funding source for affordable housing. However, Senate Bill 107 (signed in 2015) allowed the City to use pre-2011 redevelopment bond proceeds for housing. This enabled Folsom to secure over \$9.6 million, which was invested in multiple affordable housing projects.

As of Fiscal Year End June 2025, the City’s total unaudited housing funds cash balance available for affordable housing projects was approximately \$23.9 million and is comprised of four separate funds, as summarized in the table below:

Folsom Housing Funds		
Housing Fund Name	Source	Cash Balance
Housing Trust Fund (Fund 221)	Commercial Fees	\$918,311
Folsom Housing Fund (Fund 238)	Inclusionary In-lieu Fees	\$22,804,399
Oaks at Willow Springs (Fund 274)	Willow Springs Inclusionary Fee	\$25,672
Bonds Fund (Fund 280)	Former Redevelopment Bonds	\$149,695
Total		\$23,898,077

*In addition to providing affordable housing financial subsidies, Total includes funds utilized for consulting services, special reports, and other housing related activities.

It is important to note of the four types of housing funds, only the Folsom Housing Fund (Fund 238) and the Housing Trust Fund (Fund 221) are expected to generate future City housing funds. During the past year, the City collected over \$3.8 million in inclusionary in-lieu fees as a result of the new single-family housing development (primarily in the Folsom Plan Area) and approximately \$171,000 in housing trust fund fees associated with new commercial development. In addition to providing affordable housing loans, these funds are used for other housing related activities such as the Housing Element Update and housing financing consulting services.

In addition to city sources of funds, the City utilizes a mix of federal, state, and other housing funds to support affordable housing initiatives. Through its partnership with the Sacramento Housing and Redevelopment Agency (SHRA), the City receives federal **Community Development Block Grant (CDBG)** and the **Home Investment Partnership Program (HOME) funds** – currently, \$200,000 annually for the Seniors Helping Seniors Program and \$800,000 in HOME funds for a future rental project. State funding from HCD includes competitive grants like **Homekey** and **Infill Infrastructure**, which require prevailing wage compliance and pose cost challenges. Despite this, Folsom secured \$2.5 million in Homekey funds for the Bidwell Street Studios project. The City also receives a share of Sacramento County’s **Permanent Local Housing Allocation (PLHA)** funds—about \$161,538 annually. In 2025, current and anticipated future allocations totaling up to **\$810,000** were committed to Habitat for Humanity to support the Persifer Street affordable homeownership project.

Additionally, the Sacramento Area Council of Governments (SACOG) offers grants to promote housing development and climate-friendly growth through programs like **Regional Early Action Planning (REAP)** and **Green Means Go**. These initiatives support infill housing, reduce vehicle miles traveled, and align with regional sustainability goals. Folsom has received multiple SACOG grants, including \$41,000 for Housing Element updates (2020), \$575,000 for Program H-2 implementation (2021), and \$374,000 in Green Means Go funds (2022) for infrastructure improvements tied to the Persifer Street Project.

Looking Ahead: Strategic Focus and Council Guidance

As the City enters the second half of the Housing Element planning cycle, continued focus on strategic implementation, targeted funding, and policy alignment will be essential to achieving

long-term housing objectives. Staff remains committed to advancing programs that promote housing affordability, equity, and accessibility across all income levels. Council's input during this mid-cycle review will help guide future priorities, ensure resources are effectively leveraged, and reinforce the City's commitment to meeting its housing obligations in a manner that reflects community values and needs.

Submitted,

A handwritten signature in blue ink, appearing to read 'Pam Johns', followed by a long horizontal line.

Pam Johns, Community Development Director