

## 5. HOUSING COST AND AFFORDABILITY

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### 5.0 OWNERSHIP COST AND AFFORDABILITY

#### Cost of Ownership

Housing purchase prices in Davis are generally higher than in the rest of the region. Table 21 below contains the average Multiple Listing Service (MLS) sales prices for Davis, Woodland, and the City of West Sacramento and Sacramento County. The table shows that in 2002 the average MLS sales prices for homes in Davis was approximately \$150,300 more than Woodland, and \$166,964 more than that of the City of West Sacramento and Sacramento County. The sales prices reflect varying unit sizes. The figures in Table 21 illustrate the range of purchase prices for the purpose of affordability analysis. Housing sales prices have increased dramatically in Davis and the rest of California in recent years. The sales prices in the table below include split-lots, condominiums and single-family attached and detached units.

<b>TABLE 21</b>	
<b>MULTIPLE LISTING SERVICE (MLS) SALES PRICES FOR SINGLE-FAMILY HOUSES, DECEMBER 31, 2002</b>	
<b>Selected Communities</b>	<b>Average Sales Price</b>
Davis	\$392,500
Woodland	\$242,200
Sacramento County & City of West Sacramento	\$222,536
<u>Sources:</u> Sacramento Association of Realtors and Yolo County Board of Realtors as compiled by Coldwell Banker Doug Arnold Real Estate	

The recent reduced mortgage interest rates have led to increased purchasing power for potential homebuyers. This is a national trend and not unique to Davis. Migration from the Bay Area and the current market conditions contribute to increased housing demand and prices. The UC Davis enrollment increases also contribute to higher housing demand in Davis and other localities where UC Campuses are located in California. Location is another key factor affecting home prices. Davis is uniquely located near a regional work center, Sacramento. The 2000 Census shows that the mean travel time to work for Davis residents in 2002 was 20.6 minutes. Sacramento is a major employment centers within the region and it is likely that most out-commute residents travel to Sacramento.

As Table 22 below shows, the average selling price for a single family home in Davis increased by 83.84% between 1998 and 2002. The average increase was 16.77% per year. This does not mean that a home worth \$250,000 in 1998 would be worth \$275,140 in 2002, for a number of reasons. These are average figures. Prices in some neighborhoods could have increased more or less than prices in others, and values in one price range (starter homes, condominiums, estate homes, etc.) might have increased at different rates. Changes in the types of homes being sold would affect average sales prices as well. If expensive homes are not turning over as rapidly as condominiums, for example, average home sales prices will be lower than if the situation were reversed. Similarly, average sales prices are influenced by unusual transactions, which varies

depending on varying circumstances and the state of the economy. For instance, the average sales price of a home would be affected by a situation where a prospective buyer bids up the asking prices of a home so as to purchase it in place of the initial prospective buyer who had made an offer on the home.

<b>Year</b>	<b>No. of Sales</b>	<b>Average Sales Price</b>	<b>Percent Change</b>
1998	779	\$213,500	Base Year
1999	799	\$231,500	8.43%
2000	834	\$266,600	24.87%
2001	677	\$317,900	48.90%
2002	687	\$392,500	83.84%

Sources: Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.

Table 23 below shows that as of January 27, 2003 Davis and Woodland have most of the units in the market in Yolo County. Davis and Woodland combined have 108 of the 133 single-family units on the market in the county. This is 81.2 % of the total listed homes for sale in the county.

<b>Housing Type</b>	<b>Davis</b>		<b>Woodland</b>		<b>Yolo County</b>	
	<b>Number</b>	<b>Average Price</b>	<b>Number</b>	<b>Average Price</b>	<b>Number</b>	<b>Total Average Price</b>
Condominium	8	\$265,488	6	\$158,800	14	\$219,765
Split-lot Unit	6	\$315,150	4	\$230,000	17	\$302,986
Single-family	55	\$545,805	53	\$310,424	133	\$454,288

Notes:

- Average Price** is Average asking price.
- Yolo County total includes Davis, Woodland, Esparto, and all unincorporated areas
- Davis and Woodland have a total of 108 out of 133 total County single-family units listed for sales, all 14 condominium units, and 11 of the 17 split-lot units

Sources: Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.

Table 24 below compares the recent (January 2003) housing markets in Davis and Woodland. It shows that there were 69 listed homes in Davis as opposed to 63 in Woodland. It also shows that the average asking price for homes in Davis was appreciatively higher. Historically, Davis homes sell for more when compared to other homes in the surrounding areas. For instance, approximately 86 percent of the listed homes in Woodland are under \$400,000, while about 51 percent of homes in Davis are under \$400,000 as January 27, 2003.

Data	Davis	Woodland
<b>Number of Listings</b>	<b>69</b>	<b>63</b>
<b>Average Asking Price</b>	<b>\$507,200</b>	<b>\$299,900</b>
Percent Under \$200,000	2.89%	22.22%
Percent \$200,000 - \$299,999	14.49%	53.96%
Percent \$300,000 - \$399,999	33.33%	9.52%
Percent \$400,000 - \$499,999	15.94%	4.76%
Percent \$500,000 - \$599,999	10.14%	3.17%
Percent Over \$600,000	23.18%	6.34%
<u>Notes:</u>		
1. <b>Average Price</b> is average asking price; actual sales prices could be lower.		
2. Listings include condominium and split-lot units.		
<u>Sources:</u> Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.		

As Table 25 below indicates, two of the units in Davis were under \$200,000, while 14 units in Woodland were under this figure. The two units in Davis were condominiums. The 14 units in Woodland were single-family and split dwellings. Sixteen of the 69 units in Davis had asking prices that were over \$600,000 as compared to Woodland's four.

Price Range	Davis	Woodland
Under \$200,000	2	14
\$200,000 - \$299,999	10	34
\$300,000 - \$399,999	23	6
\$400,000 - \$499,999	11	3
\$500,000 - \$599,999	7	2
Over \$600,000	16	4
Total	69	63
<u>Notes:</u> Residential sales include condos, single-family and duplex units		
<u>Sources:</u> Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.		

Table 26 below contains actual sales of homes in Davis from 1998 to 2002. In 1998 there were a total of 12 homes sold over \$500,000, and a total of two homes sold over \$600,000. By 2002, the combined total of units sold increased to 204 (i.e., 141 over \$500,000 and 63 over \$600,000). This is a significant increase in five years. Again, a number of factors account for the increase in home prices. They include the economy, higher demand for housing, lower mortgage interest rates, location, population and employment trends, and the type of housing being produced.

Year	\$500,000 - \$599,999	Over \$600,000
1998	12	2
1999	14	5
2000	32	13
2001	56	23
2002	141	63

Notes: Residential sales include condos, single-family and duplex units  
Sources: Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.

Table 27 below shows that over the last 15 years the sales prices of homes have been cyclical. There was a significant increase in the sales prices of homes in Davis in the late 1980s. The early 1990s saw home sales prices drop significantly in three consecutive years. Values gradually increased in the mid 1990s. The sales prices increased significantly again in the late 1990s. They have continued to increase since then to the present. The average increase in sales price from 1987 to 2002 is 7.88 percent.

Year	Price	Percentage Difference
1987	\$128,000	
1988	\$154,300	+20.54%
1989	\$192,200	+24.56%
1990	\$234,700	+22.11%
1991	\$246,600	+5.07%
1992	\$243,200	(-1.37%)
1993	\$205,200	(-15.62%)
1994	\$187,900	(-8.43%)
1995	\$191,600	+1.96%
1996	\$195,400	+1.98%
1997	\$203,500	+4.14%
1998	\$213,300	+4.81%
1999	\$231,500	+8.53%
2000	\$266,600	+15.16%
2001	\$317,500	+19.09%
2002	\$392,500	+23.62%

Note: Residential sales include condo units, single-family and duplex units  
Sources: Multiple Listings Service, Yolo County Board of Realtors; Compiled by Coldwell Banker Doug Arnold Real Estate, Inc.

## **Mobile Home Parks**

The lowest cost ownership housing units are mobile homes. There is one traditional mobile home park and three trailer courts on Olive Drive in Davis. There is no data on the advertised sales prices for mobile homes. The estimated sales prices for mobile homes range from \$1,500 to over \$40,000. The sales prices of mobile homes depend on the type of mobile home and its age.

The cost of owning a mobile home in an urban area generally includes the cost of renting a space in a mobile home park, the cost of purchasing the mobile home itself, and utility expenses. Space rental in mobile home parks in Davis ranges from \$285 to \$550 monthly. Space rents are in the \$450 range for the three trailer parks on Olive Drive and \$500 range for Royal Oaks Manufactured Home Community (commonly known as Barthel's) and Rancho Yolo Mobile Home Park. The managers of the mobile home parks consulted indicated that the rent depends on the term of lease and when the lease was entered.

Mobile home parks show a low return on current high urban land values. So, it is unlikely that Davis' stock of mobile homes would increase even if the city were to encourage development of mobile home parks. Mobile home parks are deemed to be a permitted use on any land zoned for residential use by state and local codes.

## **Affordability Analysis**

The concept of affordability relates the cost of housing to the ability to pay. "Affordable" housing is considered to be that which costs 30 percent or less of the household income, and provides adequate space and safe living conditions. This sub-section analyzes affordability by comparing income statistics with housing purchase prices and monthly payment potential. While this is an accepted approach, it has several limitations, primarily the inability to determine the influence of existing equity on the ability to purchase a home for instance. Young households may have above-moderate incomes that allow them to make the substantial mortgage payments necessary to purchase a new home, yet may be unable to make the down payment. This is based on a 20 percent down payment assumption. Conversely, older households that have owned a home for many years may have lower incomes, but considerable housing choice because of equity in their existing home. Evaluation of monthly income alone may not necessarily account for all other variables, such as trust funds and extended family down payment assistance.

Another factor in affordability analysis is mortgage interest rates and market demands. For instance, in the 1990s mortgage interest rates were between 9 and 15 percent. This decreased the effective buying power for potential purchasers. In the early 1990s Davis home prices went down for three consecutive years as shown in Table 27 above. With the recent good housing economic times, lenders have relaxed their qualifications for loans, and purchase prices have increased. Mortgage interest rates continue to be near 40-year lows. The lower cost of borrowing has contributed to the rise in Davis home prices to a certain extent. This trend is nationwide. However, returning to the 9 to 15 percent mortgage interest rates of the 1990s could significantly impair affordability.

**TABLE 28  
AFFORDABILITY ANALYSIS BY IMPACTED INCOME LEVEL**

<b>Maximum Affordable Purchase Price -- Aggressive Estimate (see definition below)</b>						
<b>Income Levels</b>	<b>2002 Income Limit</b>	<b>Amount Qualified @ 5.5%</b>	<b>Amount Qualified @ 6.0%</b>	<b>Amount Qualified @ 6.5%</b>		
Very-Low	\$28,500	\$70,665	\$67,192	\$63,973		
Lower	\$45,600	\$143,901	\$136,828	\$130,273		
Moderate	\$68,400	\$270,843	\$257,531	\$245,193		
Median	\$57,000	\$192,725	\$183,252	\$174,473		
<b>Maximum Affordable Purchase Price -- Conservative Estimate (see definition below)</b>						
<b>Income Levels</b>	<b>2002 Income Limit</b>	<b>Amount Qualified @ 5.5%</b>	<b>Amount Qualified @ 6.0%</b>	<b>Amount Qualified @ 6.5%</b>		
Very-Low	\$28,500	\$62,528	\$59,455	\$56,606		
Low	\$45,600	\$130,881	\$124,448	\$118,486		
Moderate	\$68,400	\$270,843	\$257,531	\$245,193		
Median	\$57,000	\$176,450	\$167,778	\$159,739		
<b>Monthly Payment Based on 30% to 36% of Gross Monthly-income &amp; Actual Payments</b>						
	<b>30%</b>	<b>Payment @ 5.5%</b>	<b>33%</b>	<b>Payment</b>	<b>36%</b>	<b>Payment</b>
Very-low	\$712.50	\$712.00	\$783.75	\$855.00	\$855.00	\$855.00
Low	\$1,140.00	\$1,140.00	\$1,254.00	\$1,368.00	\$1,368.00	\$1,368.00
Moderate	\$1,710.00	\$1,881.00	\$1,881.00	\$2,052.00	\$2,052.00	\$2,052.00
Median	\$1,425.00	\$1,425.00	\$1,567.50	\$1,710.00	\$1,710.00	\$1,710.00
<b>Notes:</b>						
<ol style="list-style-type: none"> <li>1. HUD income ceilings for a 4-person household for Yolo County - Very-low, below 50% of \$57,000 median; Low, 50% to 80% of \$57,000 median; and moderate, 81% to 120% of \$57,000 median.</li> <li>2. This is a snap shot of a 4-person household income limit ceiling. The ceiling is divided by 12 to get gross monthly income (e.g., \$28,500/12 = \$2,375). Multiplying this amount by 30%, 33% and 36% respectively gives the affordable mortgage or rental amount.</li> <li>3. The calculator used only payment-to-income ratio (also called housing ratio, which is the percent of gross monthly income applied to housing payment). The following housing ratios are used for <b>conservative estimates</b> or results at 28% with 5% down payments and 30% with 5% down payment for <b>aggressive estimates</b> or results. Both estimates calculated <b>Payment</b> and <b>Affordable Purchase Price</b> to include yearly property taxes and yearly property insurance of \$3000 and \$600, respectively.</li> <li>4. <b>Conservative qualification estimate</b> -- mortgage lenders are more conservative when the economy is weak. As a result, they tend to raise their loan-qualification requirements to make it more difficult to qualify for loan. Hence the 28% for 5% down payment.</li> <li>5. <b>Aggressive qualification estimate</b> -- mortgage lenders are more aggressive when the economy is strong. As a result, they tend to lower their loan-qualification requirements to make it easier to qualify for loan. Hence the 30% for 5% down payment.</li> <li>6. <b>No other debts.</b> It is assumed that there are no other debts and <b>income sources</b> for the household.</li> <li>7. <b>Loan Terms = 30 years at 5% down payment; yearly property tax and yearly insurance are assumed to be \$3,000 and \$600 respectively.</b></li> <li>8. The February 21, 2003 HSH Associates Weekly Market Trends statistical stated that the national 30-year fixed average mortgage rates for Residential Mortgages ranged from 5.80 to 6.01%; California was 5.99%. HSH Associates is deemed the Nation's Largest Publisher of Mortgage Information.</li> </ol>						

Sources: HUD Income Limits, January 2002, Compiled by Planning and Building Department; and FinanCenter (#1 in interactive selling tools) Home Financing Calculators

Table 28 above shows housing purchase affordability analysis by income levels at three mortgage interest-rates of 5, 6 and 6.5 percent. These rates were chosen due to current lower mortgage interest rates. Table 28 uses 28% of the gross monthly income (or housing ratio) for the conservative estimate, and 30% of the gross monthly income or housing ratio for the aggressive estimate. Five percent is used for down payment on a 30-year fixed mortgage. The calculation in Table 28 includes payment of yearly property taxes and property insurance. The city's Affordable Housing Ordinance defines for-sale housing payments to be approximately thirty percent of gross monthly target income, less insurance and taxes, adjusted for family size. So the aggressive estimate with the exception of inclusion of insurance and taxes is similar to the Affordable Housing Ordinance for-sale definition.

The table contains an aggressive and a conservative estimate. An aggressive estimate often accompanies high market demand. The difference between aggressive and conservative estimates is in the amount of the gross monthly income a household pays for mortgage. Lenders ease their loan-underwriting guides when economic times are good (i.e., they use an aggressive standard to measure affordability). When economic times are worse, lenders limit the amounts they are willing to lend (i.e., conservative standard). Usually affordability threshold is based on the 30 percent figure that HUD uses when calculating rental assistance subsidies (i.e., section 8 vouchers). The Davis Affordable Housing Ordinance definitions section states that "affordable for-sale housing payments are approximately thirty percent of gross monthly target income, less insurance and property taxes, adjusted for family size." Also, the ordinance states that affordable rental housing payments are approximately 30% of gross monthly target income less utilities. It is a common industry practice today to use 33% of gross monthly income in qualifying people for house loans. This is even seen as a "conservative" estimate or standard. Lower mortgage interest rates increase the purchasing power of all income levels. However, it also limits the ability of the very-low, low and moderate-income households to afford ownership housing of modest to large size.

The five-percent down payment is a recent practice by the lending industry. This practice means more leveraging for the lender and easier access to homeownership for prospective buyers. At five-percent down payment, the amount of loan lenders are willing to finance is considerably lower when compared to 20 percent. For instance, Table 28 shows that with a five-percent down payment on a 30-year fixed mortgage, a very-low income household of four could purchase a home worth \$70,665 as opposed to \$109,758 at a 20 percent down payment. Also Table 28 shows that the very-low, low-, and moderate-income households would have difficulty buying a home in Davis at the current market conditions. The moderate income-levels could purchase some homes in Davis at market-rate. The types of homes that they could purchase at the current market conditions may be condos or small-sized split-lot units. The very-low and low-income households would need significant assistance to purchase any type of ownership housing, including small-sized split-lot or townhouses, or condominiums based on the current real estate market conditions in Davis.

The average MLS sales price for a Davis home in 2002 was \$392,500. Most single-family dwelling units with three bedrooms, two baths and more were priced above the \$400,000 range as of January 27, 2003. Given the cyclical nature of real estate market, it is not believed that the current trend will continue indefinitely.

### Household Size 2002 Yolo County Maximum Income Limits

Table 29 below contains the HUD 2002 Yolo County Maximum Income Limits by household size. Extremely-very-low income households are at 35 percent or less of the area median income. The city's Affordable Housing Ordinance and the SACOG fair share allocation do not include the "extremely-very-low income" household category. However, the extremely-very-low income household category is an increasing concern for the city. The 2001 General Plan recognizes the need to provide housing for this income group. Although the fair share allocation does not recognize the extreme-very-low-income level, the city's affordable housing program provides for households in this category. The affordable rental units are based on the income-levels of households, which means that an extremely-very-low-income household pays less rent as compared to a very-low or low-income household.

<b>Rent Level</b>	<b># of Persons per Household</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Extremely-very-low (35% AMI)	\$14,896	\$17,024	\$19,152	\$21,280	\$22,982	\$24,68
Very-low (50% AMI)	\$19,950	\$22,800	\$25,650	\$28,500	\$30,800	\$33,050
Low (53% AMI)	\$21,147	\$24,168	\$27,189	\$30,210	\$32,648	\$35,033
Low (60% AMI)	\$23,940	\$27,360	\$30,780	\$34,200	\$36,960	\$39,660
Moderate (80% AMI)	\$31,920	\$36,480	\$41,040	\$45,600	\$49,280	\$52,880
<b>Source:</b> HUD; City of Davis						

### 5.1 COST OF RENTING

The rental market in Davis consists primarily of apartments, but it also includes condominiums and houses. According to UC Davis Apartment Vacancy/Rental Rate report, a typical three-bedroom unit rented at an average range of \$1,300 to \$1,380 per month depending on whether it is furnished or unfurnished in 2002. An unfurnished four-bedroom unit rented at an average of \$1,866 per month. Quarterly Hendricks & Partners Apartment Update data provided below supports this. Some newly constructed apartments in the city contain four and five bedroom units. The percentage increases in rents for the four and five bedroom units are significant. This increase is report by some apartment managers to be due to students often renting the units by the room.

The UC Davis Student Housing Office surveys apartment vacancies and costs each year. The 2002 Apartment Vacancy and Rental Rate report shows that there was an overall mean

average rents increase of 6.93% in 2002 when compared to 2001. The report states that to draw any conclusions about the rate would require analysis of each property. It also states that in addition to or instead of profit, other potential contributors to the increase include the overall inflation, increased utility rates, property sales, current or planned renovations, refinancing, or other expenses. See Table 30 below.

<b>TABLE 30</b>				
<b>2002 AVERAGE RENTAL RATE COMPARISON BY TYPE OF UNIT (FAIR MARKET UNITS)</b>				
<b>Unit Type</b>	<b>Total # of Units</b>	<b>2002 Average Rent</b>	<b>2001 Average Rent</b>	<b>% Change</b>
Studio Unfurnished	187	\$622	\$598	4.01%
One Bedroom Unfurnished	2507	\$749	\$702	6.70%
Two Bedroom Unfurnished	3877	\$974	\$901	8.10%
Three Bedroom Unfurnished	1131	\$1,383	\$1,323	4.54%
Three Bedroom Furnished	2	\$1,300	\$1,225	6.12%
Four Bedroom Unfurnished	442	\$1,866	\$1,764	5.78%
Five Bedroom Unfurnished	5	\$2,470	\$1,700	45.29%
Six Bedroom Unfurnished	5	\$2,166	\$1,975	9.67%
<b>Mean Average Increase</b>				<b>(1) 6.93%</b>
<u>Notes:</u>				
1. This is a weighted average based on the number of units of each type. The unit types with more units (for example, one, two and three bedroom unfurnished) contribute more to this figure.				
2. The 2002 survey was conducted in October and November.				
3. 168 of the 183 complexes participated in providing data. The total number of units in the 15 apartments that did not respond is approximately 224.				
4. Subsidized apartments or affordable housing apartments that require an income eligibility test to qualify for reduced rent were not included in the survey.				
<u>Source:</u> UC Davis Housing Office				

<b>TABLE 31</b>				
<b>2003 RENT &amp; INCOME RESTRICTIONS ON AFFORDABLE RENTAL PROJECTS</b>				
<b># of Bedrooms</b>	<b>35% AMI Range</b>	<b>50% AMI Range</b>	<b>60% AMI Range</b>	<b>80% AMI Range</b>
1-Bedroom	\$336	\$311 - \$534	\$472- \$641	-
2-Bedroom	\$406	\$345 - \$641	\$555 - \$769	\$641- \$1,033
3-Bedroom	\$446	\$376 - \$741	\$571 - \$889	\$1,155
4-Bedroom	-	\$734 - \$826	\$734 - \$991	\$1,273
<u>Notes:</u>				
1. AMI stands for Area Median Income, Yolo County.				
2. Funding Sources impact the rents due to income ceiling imposed. For example, Tax Credit Loans Maximum Allowable Rents effective 6/1/02.				
<u>Source:</u> HUD; Yolo County Housing Authority - Compiled by Planning and Building Department based on Sample Survey of Affordable Housing Apartments in Davis				

Table 31 above contains HUD rent and income restrictions for Yolo County and used for Davis Affordable Housing projects. The table shows the maximum rental range for varying bedroom sizes at 35 to 80 percent area median-income.

Table 32 below shows that Davis has the third highest average rent and rental increase when compared to the Sacramento and Placer County communities in the third quarter of 2002. It also shows that Davis has the lowest vacancy rate when compared with other communities. A vacancy rate of 5% is typically the ideal balance between the interests of landlord and tenant. This is largely predicated on the assumption that it serves as a deterrent to unjustified rent increases, while still allowing property owners to make a fair return on their investment. It is believed to provide landlords an incentive to maintain facilities in good working order, and gives renters a choice and an opportunity to negotiate contractual terms. The ideal has not been possible in most rental markets throughout the State of California. When the rental data of Davis is compared with the surrounding communities, Davis does not have the highest rents. The city Chief Building Official reported that there is no record of any apartment project in need of rehabilitation in Davis at this time.

<b>TABLE 32 HENDRICKS &amp; PARTNERS APARTMENT UPDATE, SACRAMENTO - THIRD QUARTER VACANCY AND RENT</b>							
	<b>30+ units YTD Sales</b>	<b>Vacancy</b>		<b>50+ Units Average Rent Increase</b>		<b>Average Rent</b>	
		<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Antelope	1	3.6%	2.5%	8.6%	6.8%	\$850	\$783
Carmichael	6	4.7%	3.6%	6.5%	10.1%	\$898	\$843
Citrus Heights / Fair Oaks	2	4.1%	4.4%	-0.2%	10.9%	\$810	\$812
<b>Davis</b>	<b>2</b>	<b>0.1%</b>	<b>1.2%</b>	<b>7.8%</b>	<b>3.1%</b>	<b>\$1,025</b>	<b>\$951</b>
Elk Grove / Laguna	0	5.4%	4.1%	4.1%	15.9%	\$1,057	\$1,015
Greenhaven /Pocket	2	5.3%	2.5%	2.9%	9.5%	\$901	\$876
North Highlands	3	6.9%	4.4%	13.1%	13.2%	\$793	\$701
Orangevale / Folsom	1	7.3%	5.2%	3.3%	2.3%	\$1,066	\$1,032
Rancho Cordova	3	3.5%	3.1%	3.3%	11.1%	\$773	\$748
Roseville / Rocklin	2	5.8%	5.0%	2.9%	8.4%	\$1,018	\$989
Sacramento	26	4.0%	3.4%	4.5%	10.7%	\$833	\$797
South Sacramento	1	3.2%	2.6%	7.3%	11.9%	\$648	\$604
<b>Totals</b>	<b>49</b>	<b>4.2%</b>	<b>3.5%</b>	<b>6.0%</b>	<b>9.8%</b>	<b>\$870</b>	<b>\$821</b>

Notes: All 2002 figures are through the year ending September 30, 2002. Rent growth figures reflect the last 12 months ending September 30, 2002.

Source: Hendricks & Partners Apartment Update, Third Quarter, Northern California Region

Table 33 below contains UC Davis enrollment, Davis total apartment units and Davis vacancy rate history. It shows that while UC Davis continues to grow, fewer apartment units are available and the vacancy rate decreases.

<b>Year</b>	<b>Enrollment</b>	<b>Total Apartments</b>	<b>Davis Vacancy rate</b>
1992	22,889	7,325	8.7
1993	22,486	7,273	5.1
1994	22,442	7,355	2.9
1995	23,092	7,355	1.3
1996	23,931	7,469	0.5
1997	24,299	7,591	1.4
1998	24,485	7,482	0.7
1999	25,092	7,981	0.3
2000	26,094	8,228	0.5
2001	27,292	8,636	0.3
2002	29,087	8,600	0.2

<b>Unit Type</b>	<b># Units</b>	<b># Vacant</b>	<b>% Vacant</b>
Studio unfurnished	187	0	0.0%
Studio furnished	26	0	0.0%
1-Bedroom unfurnished	2,507	5	0.2%
1-Bedroom furnished	51	0	0.0%
2-Bedroom unfurnished	3,877	3	0.1%
2-Bedroom furnished	143	0	0.0%
3-Bedroom unfurnished	1,131	5	0.4%
3-Bedroom furnished	2	0	0.0%
4-Bedroom unfurnished	442	1	0.2%
5-Bedroom unfurnished	5	0	0.0%
6-Bedroom unfurnished	5	0	0.0%
Totals	8,376	14	0.2%

Source: UC Davis Housing Office

### **Affordability Analysis**

The monthly rents affordable to two and four-person households by income level are as shown in Table 34 below. The figures in the table assume that the maximum affordable rent would be 30

percent of gross monthly income. The table shows that the maximum affordable rent for a very-low income household of four is \$712.50 per month. This amount is considerably smaller than the average rent of \$1,025.00 in Davis in 2002, according to Hendricks & Partners rental report. Also, the \$1,300 rent for a three-bedroom unfurnished unit reported in 2002 by the UC Davis Housing Office exceeds the \$712.50.

<b>Income Levels</b>	<b>2-Person Household</b>		<b>4-Person Household</b>	
	<b>Income Limit</b>	<b>Affordable Rent</b>	<b>Income Limit</b>	<b>Affordable Rent</b>
Very-Low income	\$22,800	\$570.00	28,500	\$712.50
Low-income	\$36,500	\$912.50	45,600	\$1,140.00
Median-income	\$45,600	\$1,140.00	57,000	\$1,425.00
Moderate-income	\$54,700	\$1,367.50	68,400	\$1,710.00

Notes:  
 1. Affordable rent is 30 percent of gross monthly income and includes utilities.  
 2. These are the affordable rents for households at the maximum of the income range. The affordable rent for a households elsewhere in the range would be lower than shown in this table.

Source: HUD for Income Limit ceiling; Affordable Rents Compiled by Planning and Building Staff, City of Davis

Very-low-income households are likely to have trouble finding unassisted affordable housing in Davis. This table shows that two-person low-income household could afford an average-priced apartment at rent of \$570. The UC Davis apartment rental table indicates that in 2002 the average rent for a one-bedroom apartment was \$702 and \$974 for a two-bedroom apartment. The low-income family of four, on the other hand, could afford the average-priced two-bedroom apartment based on the affordable rent of \$1,140. According to the UC Davis rental rate comparison, an unfurnished three-bedroom apartment rented for an average of \$1,323 in 2002.

Many of the households that rent in Davis are composed of students. As discussed in Section 6 of this document, student households have greater volatility in household size than do family households. Moreover, students have different income and expenditure standards than do families. This may allow a student household to pay what would otherwise be a disproportionately high amount of income in rent. Also, students combine households to share a unit easier than most families. Student housing concerns usually are temporary, while family housing concerns are long-term.

## 5.2 AFFORDABLE HOUSING

Affordable housing or below-market-rate housing is housing that is assisted and controlled in order that the cost of the housing is below the rate at which it would be sold or rented on the open market. Federal and state funds are limited. Most existing below-market-rate housing or affordable housing in Davis is rental housing, primarily apartments. The discussion below describes existing below-market-rate housing in Davis and programs currently in existence to provide below-market-rate housing.

The two types of below market-rate housing in Davis are ownership and rental. The city has made it possible through subsidies for some very-low, low and moderate-income households to own or occupy single-family units. Also, the city has assisted in the provision of rental units to very-low and low-income households. Section 10 of this document evaluates the city's performance in meeting its objectives in the 1993 Housing Element. This section contains additional discussions on the types of housing provided by the city. The ownership housing that consists of for-sale and self-help units are provided through the Affordable Housing Ordinance requirements as part of approval for new subdivisions. Similarly, the rental units are required through the Affordable Housing Ordinance for new subdivisions and multi-family projects.

### **Existing Affordable Housing Stock**

The city's existing affordable housing stock consists of ownership and rental housing. There are approximately 641 remaining affordable single-family units in the city. Given that some affordable housing units were affordable as for-sale units with limited restrictions on ownership and occupancy, the majority of these units could be sold at market-rate after the restricted years of occupancy have expired. However, a recent city resolution requires owner occupancy of all ownership affordable housing built in Davis, including those sold after the initial owner-occupancy restrictions have expired. However, it has been noted that most affordable single-family units are fairly small in size. The resulting effect is that when restrictions on these units are lifted, the units are usually sold at "affordable" market-rate as compared to larger sized market-rate homes.

The majority of the city's continuing affordable housing stock is in the form of below market-rate apartments and similar forms of housing. The units include Section 8 assisted housing, cooperative housing, mutual housing, and basic subsidized apartments. Table 35 lists all subsidized rental housing in Davis. It should be noted that the majority of 100 percent subsidized apartment units are owned by non-profit entities. This helps to ensure the continued permanent affordability of the units and maintenance of the units in good condition.

The rents charged for these affordable units are usually based on HUD and Yolo County Housing Authority (YCHA) published rental income guidelines. See Table 31 above. The guidelines are based on the Area Median-Income (AMI).

Table 36 below contains existing subsidized apartment projects. The table contains the addresses and names of multifamily or apartment projects, the number of affordable and total units in the project, and the types of bedrooms in the complex. The range of bedrooms in these projects are

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from 1 to 4. The table does not include all market-rate apartment complexes in Davis. It does not include pending affordable housing apartment projects. The table also shows that 58.92 percent of the total units in the table are affordable units.

<b>TABLE 35</b>				
<b>SUBSIDIZED RENTAL HOUSING IN DAVIS</b>				
<b>Complex</b>	<b>Address</b>	<b>Total Units</b>	<b>Afford Units</b>	<b>Number of Bedrooms</b>
Adóbe	1500 Shasta Drive	120	30	2,3,4
Alhambra	4500 Alhambra Drive	160	160	1,2,3,4
Allegre	1677 Drew Circle	152	17	2,3,4
Anderson Place	1850 Hanover Drive	240	240	S,1,2
Arlington Farms	2900 Portage Bay	138	28	1,2,3,4
Becerra Plaza	326 Becerra Way	21	21	1
Cambridge Glen	4849 El Cemonte	125	25	1,2,3,4
Chaparral	2689 Sycamore Lane	60	12	1,2,3
Cranbrook South	920 Cranbrook Ct	40	40	1,2
Davisville (Seniors)	1221 Kennedy Place	70	70	1,2
El Macero Village	4735 Cowell Blvd	104	21	1,2
Fox Creek	1515 Valdora Street	36	36	1,2,3
Heather Glen	2324 Shasta Drive	62	62	2,3
Homestead Co-op	2610 Grambling Court	15	15	1,2,3
Olive Court	1414 Olive Drive	24	24	2
Olympic Cottages	Olympic Drive	30	12	1
Owendale Apartment	3023 Albany Avenue	45	45	1,2,3
Rosa Parks	1205 Fifth Street	10	10	1,2
Rosewood Park	616 Ohlone	36	36	1,2,3
Sequoia	2255 Sycamore Lane	50	10	1,2
Sharps and Flats	1660 Drew Avenue	132	34	2,3,4
Sojourner Truth	1220 Fifth Street	14	14	2
Sorrento	1540 Valdora St	108	22	2,3,4
Suntree	2033 F Street	95	60	2,3,4
Temescal	2477 Sycamore Lane	100	20	1,2
Terracina	1800 Moore Boulevard	70	70	2,3,4
Tuscany Villas	2526 East Eighth Street	30	30	2,3
Twin Pines	3333 F Street	36	36	1,2,3
Villa Calabria	2537 East Eighth Street	6	6	1,2
Willow Glen	310 Becerra	12	12	1,2
Windmere I & II	3030-3100 Fifth Street	106	106	2,3
<b>Total:</b>		<b>2,247</b>	<b>1,324</b>	
<b>Sources: Planning and Building Department</b>				

Table 35 below contains a list of names of public and private nonprofit affordable housing developers. The organizations listed in Table 36 build, own, operate, manage, or participate in one form or the other in the development and provision of affordable housing in Davis.

<b>TABLE 36</b>
<b>AFFORDABLE HOUSING DEVELOPERS, PUBLIC AND PRIVATE NONPROFIT ORGANIZATIONS</b>
Community Housing Opportunities Corporation (CHOC)
Davis Area Cooperative Housing Association
Davis Mutual Housing Association
Davis Campus Cooperative (DCC)
Yolo Community Care Continuum (YCCC)
Summer House
Sexual Assault and Domestic Violence Center (SADVC)
Solar Community Housing Association (SCHA)
Davis Community Meals (DCM)
Yolo County Housing Authority (YCHA)
<u>Note:</u> Some affordable for-sale and apartment units have been built by residential subdivision developers as part of their compliance with city inclusionary requirements.

### **Publicly Owned Housing**

The Yolo County Housing Authority (YCHA) owns and operates traditional public housing and administers the Farmers Home Administration subsidized farmworker housing program. The YCHA owns and operates public housing in Davis, Woodland, Winters, Broderick, Knight's Landing, Yolo, and Esparto. The Farmers Home Administration Agency subsidizes housing for farmworkers. The seven previously city-owned farmworker units are now deeded to YCHA. The units consist of one single-family detached house and six duplex units in scattered locations. The YCHA now owns and manages the units.

### **Assisted Rental Housing**

The city does not manage any assisted housing. Tables 35 and 36 above contain affordable apartment projects and the lists of developers public or private involved in affordable housing in the city. The assisted units serving the needs in Davis are primarily owned and operated by non-profits, or YCHA, or for-profit entities.

As stated above, YCHA administers the federal HUD Section 8 certificate program, which provides housing assistance to low and very-low-income households by making direct payments of a portion of the certificate holder's rent. Once a household has a certificate, it must find a unit renting for specified "Fair Market Rents" and an owner willing to enter into a contract with the

YCHA. The "Fair Market Rents" used by the YCHA are the same as those for Sacramento County. The YCHA records show 256 households living in Davis units are under YCHA Section 8 contracts. The YCHA also operates a Section 8 voucher program. Unlike certificates, vouchers allow the assisted family to rent a unit at any reasonable rent, with the household paying the difference between Fair Market Rent and actual rent. Voucher holders are included in the participant count cited above. See Table 37 for rental rates for the units in 2002.

Table 37 below contains the 2002 rental information for Section 8 units as established and charged by Yolo County Housing Authority.

<b>TABLE 37 YOLO COUNTY HOUSING AUTHORITY 2002 FAIR MARKET RENTS FOR HUD SECTION 8 UNITS</b>	
<b>Unit Size</b>	<b>Rent</b>
Studio	\$532
1	\$607
2	\$752
3	\$1,040
4	\$1,230
5	\$1,415
6	\$1,599
<u>Note:</u> Rent includes utilities	
<u>Source:</u> Yolo County Housing Authority; effective 9/30/2002 and implemented 1/1/2003	

### **Assisted Ownership Housing**

The city's Affordable Housing Ordinance has provisions for both self-help and for-sale affordable units. Under the standard conditions of the ordinance, 10% of the units in a new for-sale residential development must be for-sale affordable units. Another 5% of the total units must be sold in the form of self-help units. Self-help units were developed in subdivisions, which include Oakshade, Northstar and Mace Ranch. The for-sale and self-help units have owner occupancy requirements. Recently the City Council adopted a resolution requiring n 2001, the repealed the resolution permitting payment of in-lieu fee allowing permanent exemption from the owner occupancy for both for-sale and self-help units. Prospective buyers of these units question if this requirement fosters affordability as the units are sold at market-rate after the initial restrictions expire.

The for-sale affordable program provides affordable ownership housing to households from 60% to 120% of area median income. Developers are required to make units available at below-market prices as well as make a financial contribution to facilitate buyer eligibility. The city retains a portion of the difference between sales price and unit value. In addition, the city provides funds in the amount of its development impact fee through the Community Equity Mortgage. Repaid funds are deposited into the city's Housing Trust Fund and used for future affordable housing activities.

There have been varying forms of ownership housing programs provided over the years. A recent form of ownership housing approved for seven units is the limited equity cooperative. This new form is in response to concerns about permanent affordability and windfall profits resulting from the for-sale ownership program. The city is currently evaluating ways to provide ownership housing that would remain permanently affordable, or provide adequate recapture mechanisms that assist in the development of more affordable units in the future.

### **5.3 ENERGY CONSERVATION**

Home energy costs fluctuate according to national and worldwide conditions, but will always contribute to the cost of housing. When energy conservation measures are incorporated into new housing construction and existing units are retrofitted for energy conservation, gas, electric and heating oil costs are reduced, which reduces the cost of housing to some extent.

The State of California sets energy conservation standards for new residential construction. Additionally, the 2001 General Plan includes the statement that the city recognizes that personal energy consumption is generally categorized into the categories of:

- transportation, which accounts for approximately 50 percent;
- space heating and cooling, which accounts for approximately 25 percent; and
- appliances and hot water heating, which accounts for approximately 25 percent.

Energy conservation efforts in Davis have involved various sectors of the community, including the city government, UC Davis, utility companies, architects, engineers, builders, and consumers. The following include energy conservation strategies and policies in the 2001 General Plan:

- Subdivisions are planned to maximize natural heating and cooling opportunities, primarily through the climate orientation of lots and building "envelopes." State and City building codes require new buildings to meet minimum standards for energy conservation.
- The design review of multi-family residential and commercial projects includes the review of landscapes for water conservation and plantings which promote energy conservation and comfort. The shading of parking lots by trees is intended to reduce re-radiation of heat from pavement.
- The use and re-use of existing buildings is encouraged to conserve building materials and increase community identity.
- Bicycle facilities have been constructed to provide an alternative to automobile use. Public transit is provided by YoloBus and Unitrans, with subsidies from the City.
- Dispersed, smaller neighborhood shopping centers are encouraged to reduce the length of frequent trips.

- Reduced lot sizes, yielding higher population densities, have been encouraged to allow for more efficient use of existing public facilities, police and fire protection services, water and sewage services, and public transit.
- The city and PG&E are experimenting with propane, methanol, compressed natural gas and electric powered cars.

Additionally, the following are some 2001 General Plan key provisions for the city's energy conservation policies and programs that positively impact residential energy conservation:

- Develop programs to increase energy conservation on the household and business level.
- Develop and distribute educational materials to Davis residents, including energy usage audits and analyses and information about the direct financial benefits and community benefits of reducing energy use.
- Pursue the creation of a community energy management corporation, whose purpose shall be to reduce energy use in the city.
- Study and implement options for providing incentives for property owners to upgrade their homes and businesses for improved energy conservation .
- Provide incentives for retrofitting existing homes and businesses for improved energy efficiency. An example of a retrofit feature would be a passive solar device.
- Promote the development and use of advanced energy technology and building materials in Davis.
- Use subsidies, expedited permit processing, density bonuses or other incentives to support implementation of photovoltaic and other renewable energy technologies to provide a portion of the City's energy needs.
- Promote energy-load management programs for both the residential and commercial sectors through an education and outreach program.
- Continue to enforce landscaping requirements that facilitate efficient energy use or conservation.
- Energy efficient landscaping and preservation of existing shade trees is encouraged on all building sites.
- Provide information and education to residents on how, what type, and where to plant trees to reduce energy demand.
- Encourage the development of energy-efficient subdivisions and buildings.

- Natural factors such as cooling breezes, solar access, wind protection, and shade shall be considered in site and building design.
- Site planning should maximize the effects of cooling southwest winds to the extent possible.
- At least 80 percent of all residential lots in any proposed new development should be oriented so that buildings have their long axes within 22.5 degrees of east/west. Allow a developer not providing the required percentage to demonstrate that other site design, building design or construction measures would provide similar opportunities for conserving energy.
- Develop and implement energy-efficient design requirements that go beyond the State building standards for energy efficiency.
- Develop design guidelines for climate-oriented site planning, building design and landscape design to promote energy efficiency.
- Establish a technical assistance program to help developers in complying with the energy code and implementing energy efficient technologies.
- Offer incentives to developers for projects that result in energy savings of at least 20 percent when compared to the energy consumption that would occur under similar projects built to meet the minimum standards of the energy code.
- Provide recognition for projects that maximize energy efficiency in the form of awards and presentations at council meetings.