



Staff Report

January 4, 2005

TO: Social Services Commission

FROM: Jerilyn Cochran, Social Services Administrator
Danielle Foster, Housing Coordinator
Katherine Hess, Planning Administrator

RE: Covell Village Affordable Housing Proposal

Recommendation:

Staff recommends that the Social Services Commission:

1. Review the staff report and Attachments
2. Provide comment and a recommendation based on staff's recommendation shown below in (1D).

Drection from the Social Services Commission

On January 8, 2004, the City Council is holding a workshop to discuss the components of the Covell Village Proposal. As part of that workshop the affordable housing component of the project will be outlined and reviewed as well. The information included in the City Council's packet is what follows within this report. As stated below, the City Council will be provided any additional comments or concerns that you may have regarding the proposed affordable housing plan.

Please read the information included within this report, as well as the attachments, that include the proposed affordable housing plan, and staff's questions with responses from Covell Village Partners regarding the plan. Note the main characteristics of the proposed plan, staff's identified deviations from the city's affordable housing standards, and staff's recommendation stated at the bottom of this report. After reviewing all of the information

supplied within this report, please provide comments and/or additions regarding the existing staff recommendation.

1A. Affordable housing and middle-income component - Background

The City has required affordable housing as part of new developments for several decades. Current requirements call for a specified percentage of new units to be affordable to households with very low, low, or moderate incomes. Affordable housing requirements for rental projects may be met through on-site affordable apartments or through land dedication. In summary, affordable housing requirements apply to 35% of market apartments and 25% of market for-sale homes. The Affordable Housing Task Force and Social Services Commission have recommended changes to the Affordable Housing Ordinance that are scheduled for Council review on January 11, 2005.

Recently, the City Council has established a goal of requiring additional units be targeted to “middle” income households, earning under \$100,000 per year. Recent staff and consultant analysis has shown that this income group is not being served by the recent development in Davis. The Council’s adopted goal is 25 percent of for-sale units as middle-income housing. Staff is in the process of preparing the necessary ordinances and resolutions for formal adoption.

1B. Affordable housing and middle-income component - Proposal

The applicant is proposing an affordable housing package composed of for-sale affordable and middle-income homes, rent- and income-restricted apartments, and land dedication to the City of Davis (Attachment 9). Specific components include:

- 95 units to be sold to low- and moderate-income households (not exceeding 120 percent of area median household income). At this point, it is not anticipated that any of these will be the senior-only units.
- 190 units to be sold to middle-income households (not exceeding 160 percent of City of Davis median family income). At this point, it is not anticipated that any of these will be the senior-only units.
- Dedication of 8.1 acres of land to the City of Davis for multifamily affordable housing. As an option to land dedication, the developer would build the apartments and phase in affordability over the build-out term of the project. The units would revert to market after 25 years.
- Affordable apartments equivalent to 33 beds for very-low income individuals or households and 83 beds for low income individuals or households. The affordable apartments will be owned by CHOC, with the very-low income apartments reserved for mentally ill clients of YCCC (Yolo Community Care Continuum).
- Affordable housing requirements for the live-work, Village Center, and co-housing components to be negotiated separately, using the standards for projects of the applicable size.

The applicant is proposing sell the for-sale affordable and middle-income units at market value and assist buyers of the affordable and with silent second loans of \$50-100,000. The units will be subject to resale restrictions and limited appreciation from the original market value.

The affordable housing proposal is scheduled for review by the Social Services Commission on January 10, 2005. Recommendations of the Commission will be transmitted to the City Council for consideration during its meeting of January 25.

1C. Affordable housing and middle-income component - Analysis

The applicant's proposal requests a number of significant deviations from the City's standard affordable housing requirements and from the assumptions used in the middle income analysis. Major deviations include:

- Income limits for middle-income households based upon Davis family median income, rather than the median household income for Yolo County. This would include households with incomes up to \$120,000 per year, rather than the \$96,000-\$100,000 previously envisioned. Allowable house prices would be correspondingly higher.
- Housing cost ratios of up to 40% of income for the middle-income buyers, rather than the 35% anticipated in the middle-income analysis and included in the draft amendments to the Affordable Housing Ordinance. Allowable house prices would be correspondingly higher.
- Resale restrictions for the moderate- and middle-income units to be based upon the initial market value of the unit, plus the value of capital improvements that trigger increased assessments for the property. The result would be resale prices 10-30+% higher than if future price restrictions were based upon the original affordable housing cost. Resale restrictions would be waived if a household remains in the home for 15 years.
- Very-low income units in the apartment complexes would be reserved for YCCC clients. The applicant may be proposing that the affordable rents for these units would be based upon the incomes of each person in an apartment rather than aggregated within a household.
- If the alternative to land dedication is chosen by the City, the housing would not be affordable in perpetuity.
- Separate calculation of the affordable housing obligation for Village Center, live-work, and co-housing units may result in few or no affordable units if individual projects are eligible for reduced requirements, in-lieu fees, or exemption due to their small size.

1D. Affordable housing and middle-income component - Recommendation

Pending review by the Social Services Commission and final verification of unit counts and numeric requirements, staff's preliminary recommendation would be to reject the deviations listed in the previous section. For the most part, they would have the effect of increasing housing cost and eligible incomes for the moderate- or middle-income households, while eroding permanent affordability. For the very-low income apartments, we believe that this scarce resource should be made available to the general public rather than reserved for a targeted special need.

Other proposed deviations, although less important than those cited above, may have merit and are recommended for consideration. These include:

- Allowing rents for the affordable apartments to be adjusted upward to reflect reductions in utility bills that are anticipated beyond Title 24 standard.
- Possibly, developer construction instead of land dedication to the city. Staff does not believe that permanent affordability can be negotiable, however.
- Possibly, calculation of the number of affordable apartments based upon percentage of square footage, rather than of apartments. This may allow the city to target a greater number of single individuals and small households for the affordable units, while the market units have the more typical three- and four-bedrooms.

Staff recommends that the low/mod housing and the middle-income housing requirements be incorporated as explicit components of the Development Agreement. It is likely that the middle-income ordinances will not be formally adopted at the time of action on Covell Village.

Attachments:

1. Covell Village Affordable Housing Plan
2. Staff Questions and Covell Village Partners' Responses Regarding Proposed Plan