

## Deviations from Norms (please confirm)

### Rental Units

1. Number of affordable units based on percentage of bedrooms, not units *[The number of affordable units will be based upon a percentage of gross square footage of multifamily units]*
2. Affordable rents reflect utility savings from energy efficiency features *[Correct]*
3. Very Low Income Units to be restricted to YCCC clients *[These units will be gifted to CHOC for the benefit of YCCC. Their ultimate tenants will be selected and managed by those entities.]*

### Land Dedication

*(Does not appear to have any deviation from standard) [Correct]*

### Phased Affordable Apartments Alternative

1. Housing to be built and owned by developer, rather than City-selected nonprofit *[Correct – These would be similar to the developer owned rental affordable units described above].*
2. Apartment units to be built at market rent; phased to affordable levels *[Correct; specifically averaging affordable to households at 65% of median per the new AH Ordinance.]*
3. Affordability term to expire after 25 years from date of final conversion *[Correct]*

### For-sale Affordable

1. Middle target incomes based on “Davis median income” rather than Yolo County median household income *[Correct]*
2. Income range for AHO for-sale units to be 80-120 percent of median, with an average affordability at 100 percent (improvement over standard) *[Correct; this is the standard called for by the draft AHO]*
3. Buyers must be qualified by workplace (city standard is not a requirement but a preference). *[Correct, unless no such qualified buyers apply.]*
4. Affordable home cost based on 35-40% of income for housing (35% assumed in middle-income analysis) *[Incorrect - Table 1 assumes 35% of gross income allowable for housing costs for buyers of homes affordable to those earning between 80% and 100% of median income, 37.5% for buyers of homes affordable to those earning between 100% and 120% of median income]*
5. Affordable home cost based on 20 percent down payment (10% assumed in middle-income analysis) *[Incorrect – Table 1 calls for a 5% downpayment by lowest cost homebuyers, 7.5% for moderate cost houses and 10% for middle income homes. Current lending market criteria will permit homeowner downpayments as low as 5% (with second deeds and first loans below 80% LTV as here) without the requirement for mortgage insurance.]*
6. Affordable home cost does not reflect any HOA dues or taxes/assessments exceeding 1.25% *[HOA dues are not included since no HOA is contemplated except for the senior homes and these are not expected to be part of the*

- affordable program, in part because of the HOA costs expected for senior homes.]*
7. Fixed appreciation rate of 5.5% *[Correct, compounded annually]*
  8. Allowed increases in resale price for remodeling *[Correct – But only to the extent of the increased assessment the homeowner has had to pay property taxes on for such remodeling.]*
  9. Resale restrictions waived after owner remains in property for 15 years and loan is repaid. *[Correct – By that time, the goals of the community have been achieved and funds are available to help others]*
  10. Density bonus provided for middle-income units so that middle-income units are based upon a percentage of market units, not total for-sale (city policy still under evaluation) *[Correct – Middle Income homes are treated the same as all other forms of affordable housing under the AH Ordinance.]*

#### Other

1. Co-housing to be separately negotiated; *[Correct]* no proposed standards or commitment to minimum affordability levels *[Incorrect, they would be required to meet the standards set in the Ordinance for projects of that size, including minimum affordability levels.]*
2. Village Center apartments and live-work units to be separately negotiated *[Correct]*; no proposed standards or commitment to minimum affordability levels. *[Incorret. Similar to above, they would be separately negotiated, but held to the Affordable Housing Ordinance standards and affordability levels for projects of their respective sizes.]*
3. No affordability requirement for independent living or assisted living units in Senior Core facility. *[Correct – These are more like a medical facility than a dwelling for these purposes. Eskaton is a non-profit organization providing senior services.]*

#### **Questions/clarifications**

(Generally in order of proposal document)

1. Page 2 implies that the City's affordable housing requirements (a) increase other prices elsewhere; *[It is uncertain what was meant by this question. In order to loan funds to build a project, banks demand certain minimum returns to the developer. Within any given project, limiting prices on some homes forces the remaining homes to bear a greater amount of the minimum return. This means the price of the non-regulated homes is forced upwards. This is referred to as the "internal subsidy". These are basic affordable housing concepts. We trust staff is familiar with them.]* and (b) cause the Fair-share allocation for Moderate-Income housing to be raised beyond what they would be otherwise. Is there any evidence for these assertions? *[b. It is to Davis' credit that it has had a long history of emphasizing and producing Very Low Income housing. However, a side effect of this has been that the proportion of units built to serve the other three income categories has, by mathematical necessity, received smaller proportions of the total available housing units. In response, SACOG's recommended income proportions have reduced the Very Low Income category to the smallest permitted (4%). Meanwhile, it has enlarged the other three categories in an effort to adjust the pool of available housing to match the*

*region's goals. The evidence of the larger proportion of Moderate and Above Moderate is apparent on the face of the cited SACOG chart and the related text of the Final Regional Housing Needs Plan as cited in footnote #2 of the previously submitted text.]*

2. Has an agreement been made with CHOC for very low income rental units? *[Yes, there is a MOU between the parties]* What about YCCC? *[Yes, they are also parties to the MOU]* What is the basis for determining that YCCC clients should receive all the benefits of the very-low income units, rather than another special needs group or non-special very-low income households? *[Historically, special needs groups have a very difficult time obtaining locations after they have been built. Existing occupants tend to put up objections. Covell Village feels it is in the best interests of the community and these special needs members to establish them at the outset of the project. As to the choice of this special needs group versus others, YCCC is one for which the need for housing matches our potential ability to provide a location for it. There are, of course, many worthy causes. No group is able to help them all.]*
3. For the multifamily housing, how will energy savings be estimated? *[Using standard Title 24 computer analysis]* How does "Title 24 criteria" correspond to the utility allowances prepared by the Yolo County Housing Authority? *[This has not been determined.]*
4. What entity (CV, CHOC, YCCC, City?) determines mix of unit sizes for the affordable rental units? *[YCCC in consultation with CHOC based upon their needs and within that proportion of the total unit square footage that Covell Village has allocated to them from the overall multi-family project.]*
5. It states that smaller unit sizes are proposed based on Covell Village's anticipated change in development impact fees. Will unit sizes change if adjustment does not occur? *[Yes]*
6. Please confirm that eligibility and affordability calculations for the rental housing will be based on a households and units and not on persons or bedrooms. *[Currently Undetermined]*
7. Are the 14 live-work units in the multifamily area included in the affordable housing proposal? *[No. They are part of the two components that have been requested to be treated separately: Co-Housing and Village.]*
8. Please confirm that – if the land dedication option is approved by the City – the determinations of building configuration, targeted households, financing, and construction will be made by the City of Davis. *[Covell Village will retain architectural approval rights over all buildings in the project, but otherwise, the City will have the listed responsibilities.]*
9. For the phased affordable option, who makes the determinations of building configuration and targeted households? How will the phased units be chosen each year in a manner that meets affordable housing needs and is compliant with Fair Housing Law? *[It is to be built as a market rate project entirely without subsidy.]*

*The building configuration, design and quality would be determined by Covell Village based upon its best judgment of the then-current rental marketplace. As market rate units are converted into affordable units, management would endeavor to convert an approximately proportionate share of each size and type of apartment unit, within practical limits. These units would be subject to the same regulations as apply to the affordable portions of any other private rental project.]*

10. Please provide an estimate of how the proposed for-sale unit sizes correspond to the subdivision lot sizes provided by subarea. *[This would be determined at tentative map stage. Generally, affordable homes will be built on the smaller lots.]*
11. What is source for “City of Davis median income” estimate of \$74,057? *[2000 U.S. Census numbers as published on the City of Davis Demographic and Economic Profile March 2004.]* Is this median income for families or for households? *[Households]* What size household? *[Unstated]*
12. Please provide an estimate of total assessments and fees proposed for single-family homeowners (transportation assessment, HOA dues for the Eskaton housing, any maintenance districts, other). *[Initial estimates: Transportation assessment - \$120 per year per home, plus undetermined per square foot fee for commercial; Business Improvement District for Village Center commercial only – no estimate determined yet; Eskaton HOA for seniors only – monthly base fee currently estimated to at \$325 including at least exterior landscape, paratransit, athletic club, social hall, transit district fee and city utilities. ]*
13. For the for-sale affordable and middle units, if housing values continue to rise, will the units get smaller to allow sales at market value? Is there a minimum unit size? *[During the several years between now and when homes are actually constructed, unit size is one of several variables that can change to make the homes more affordable to the selected buyers. Others include increases in income and increases in the amount of the “silent second” loan. It is also quite possible that housing values will NOT continue to rise at the rates of recent years. In order to control costs, homes may well get smaller, but there are, of course, practical limits to these savings. We are interested in discussing the staff’s perspective on the home size ranges for each income range. ]*
14. Will all affordable for-sale units have a Right of First Refusal recorded to them? *[Yes]*
15. On page 10 it is stated that the proposed for-sale affordable housing program will “protect neighborhood real estate values,” do you have evidence that price-restricted units would lower real estate values of neighboring properties? *[Standard appraisal practice for lending institutions requires that an appraiser take into account the sales price of comparable properties, especially those of similar character when valuing a property at the request of lenders. When a home in a neighborhood is similar in character to others, but is held by deed restriction at an artificially low price, this will be reflected in the so-called “comparables” available to an appraiser. It must be shown at its price-*

*restricted value if such property has sold recently. It cannot be compared at a hypothetical “market” value if it cannot be sold at such a price. Thus it will, of necessity, influence the resulting valuation of similar properties. Therefore, it is reasonable to conclude that a neighborhood with price-regulated housing will experience lower average appraised values than an otherwise identical neighborhood without such housing.]*

16. To what extent will the for-sale affordable and middle units overlap with the proposed senior-only units? *[There are no current plans to make senior units affordable due to the additional cost of the Homeowner’s Association Fee increasing the monthly costs of the homes. In order to do so, the existing formulas for calculating affordability would need to be modified to account for this additional monthly cost. We are interested in working with staff to craft a component of the seniors program to be tailored to the needs of this group.]*
17. Do you have a suggested interest rate for the “silent second” loan? *[This is up to the City and what return it would like on these funds. However, the higher the rate of interest, the more money the City will have available to lend to buyers for the next generation of buyer.]* Would interest be simple or compound? *[It should be compound like the appreciation calculation. This will encourage more rapid payoff. Simple interest results in too low an effective rate of interest.]* How would we deal with the prospect of negative amortization? *[A silent second has negative amortization, by definition. In order to be “silent”, that is, to require no payments during ownership, the interest simply accrues, adding to the amount owed. This added balance is negative amortization or an increase in the principal amount owed.]* Will prepayment of the loan be allowed other than at the 15-year mark? *[While the City will make this decision, we recommend that there be no pre-payment penalty. These funds can then be put to work on other affordable housing projects. The City would retain the First Right of Refusal.]*
18. What is proposed timing or phasing of the for-sale affordable and middle units? *[These would be in approximately uniform proportions with the market units for each Tentative Map]*
19. Would the increases in value due to remodeling be limited or amortized? *[Why, how and using what criteria would they be limited? Limiting them is likely to be complex and costly. And these are buyers already on a budget. They will have to find the funds to pay for the improvements and then pay the taxes on the improvements once they are complete. So they are likely to be cautious spenders on their own. Amortization assumes they depreciate when generally capital improvements increase property values over time. Therefore, amortization is not logical. However, nor is any credit for maintenance costs such as paint or other repairs.]* Could an owner add a second story and additional bedrooms, for example? *[Yes. If they need these, why would we prevent them from having them?]* What about a swimming pool? *[These would be highly unlikely on such small lots for people on a tight budget. On the other hand, if they plan to be in the house for many years, why should they be denied this right when any of their neighbors are able to have one?]* Is a guaranteed 100% return on capital improvements a reasonable expectation? *[It is NOT*

*guaranteed. There have been many remodels that did not increase the market value of a home as much as the cost of the construction. If the owner overbuilds for the market, they stand to lose money just like every other homeowner. These workforce owners would have the same risks and benefits of other homeowners as to capital improvements, EXCEPT that their appreciation is capped at 5.5%.]*

20. When would the affordable housing provisions for the co-housing project be determined? *[As soon as the Co-Housing group approaches the City and negotiates the details of their affordable obligation.]*
21. Would in-lieu fees or small project exemptions be allowed for the Village area housing? *[These would be a series of small mixed-use projects over an unknown span of time. They would be expected to conform to the applicable affordable housing obligations as they applied to the proposed building at that point in time.]*
22. Please provide a summary chart similar to the following for the affordable housing proposal:

Income level	Standard provisions <sup>1</sup>	Proposed
Very low	14% of rental units (17.5% of multifamily, before density bonus) 4% of single-family units (one-half of land dedication; 5% of single-family units before density bonus) <b>8% of overall project</b>	<b>Units numbering 10% of market rental units.</b>
Low	14% of rental units (17.5% of multifamily, before density bonus) 4% of single-family units (one-half of land dedication; 5% of single-family units before density bonus) <b>8% of overall project</b>	<b>Units numbering 25% of market rental units. Units numbering 12.5% of market for-sale units. (land dedication – average 65% of median)</b>
Moderate	72% of multifamily units (market	<b>Units numbering 12.5% of</b>

<sup>1</sup> *Covell Village respectfully objects to this column being characterized as “Standard” and submits that public circulation with this label will lead to confusion, and then to major misunderstandings. There are several reasons for this concern. Most glaring of these that there are, to our knowledge, no projects in Davis that have ever been produced with this “Standard” mix of housing (60% SF/40%MF). It is our belief that all large-scale projects had a much lower multi-family component. Indeed, in the context of the UCD West Village project where there will be a large proportion of multi-family to serve the student population, it is our understanding that the City desires to emphasize home ownership opportunities in Covell Village. But any project with less than the “Standard” 40% of multi-family will appear to have less affordable housing for Very Low and Low Income residents. In effect, they are unfairly compared to a mythical “Standard”. In addition, there are other fundamental problems with this chart. For instance, the very first number in the first box is in error. It is our understanding that neither the current nor the draft Ordinance calls for 14% (17.5% before density bonus) of rentals to be Very low income. Rather, this number is 10% before density bonus and 7% of total rental units. A layperson will naturally compare a project to the column given by the staff. When that information is fundamentally unrealistic, such a comparison would be unfair to even the most generous of projects and deceptive to the general reader. This column must be removed or accurate examples from recent projects provided.*

	<i>units; remainder after affordable obligation)</i> 12% of single-family units ( <i>15% before density bonus</i> ) <b>36% of overall project</b>	<b>market for-sale units.</b> <i>(built on-site and sold to eligible workforce buyers – average 100% of median)</i>
Middle	25% of single-family ( <i>no density bonus assumed</i> ) <b>15% of overall project</b>	<b>Units numbering 25% of market for-sale units.</b> <i>(built on-site and sold to eligible workforce buyers)</i>
Above-middle	55% of single-family (remaining market units) <b>33% of entire project</b>	<b>Market for-sale units</b>
Notes	Assumes “standard” of 60% single-family, 40% multifamily; 25% density bonus for very-low, low, moderate units (Topic for discussion; no longer a General Plan policy)	<b>Tracks new Affordable Housing Ordinance, except adds Middle Income category</b>

23.