

Meeting Date:
July 9, 2003

Staff Report

June 25, 2003

TO: City Council

FROM: Bill Emlen, Planning and Building Director
Katherine Hess, Redevelopment and Planning Administrator
Bob Wolcott, Senior Planner

SUBJECT: New Housing Production and Internal Needs

Staff recommends several concepts for linking new housing to the internally-generated housing needs. These concepts approach the legal limits of the City to control new housing types, sizes, prices and preferential selections of purchasers and renters.

The key question at this stage is whether the City Council finds the concepts are sufficient to proceed with plan and ordinance amendments to implement a growth parameter of 250 units per year through year 2015. Staff seeks Council's agreement on the concepts before proceeding with the more detailed work on plan and code amendments.

The major recommended concepts are:

- *Strengthen housing mix policies in the General Plan and requirements in the Zoning Ordinance.*
- *Add an inclusionary requirement for ownership developments to provide 10% of the units for "middle" income households.*
- *Implement a lottery or similar system to give preference to local employees in the initial sales of 40% of the designated "moderate" and "middle" income ownership units, as well as the re-sales of the designated ownership units and the rentals of designated rental units.*

The major policy issues related to the recommended concepts are:

- *Should local employees be given preference in being selected for the purchase of 40% of designated new "moderate" and "middle" income units? Should some local employees be given preference over other local employees? Should preferences also be extended to re-sales of the designated units? And to 40% of designated rental units?*
- *Should equity growth be limited for owners of "middle" income units? Or should they be allowed to realize this gain as a benefit of homeownership?*

It is difficult to quantify at this stage how many more units would be sold or rented to local employees under recommended policies and requirements compared to existing policies and

requirements. At a minimum, more units would be guaranteed to be available to “middle” income households, and preferences would be given to public safety and other interested local employees in 40% of designated ownership and rental units. Even greater gains may be achieved through strengthened policies and requirements calling for a mix of housing type by raising the awareness that a variety of housing types will be expected as part of the allocation process.

Staff Recommendation

Direct staff to amend Resolution No. 03-48 adopted by City Council on April 2, 2003 to incorporate additional concepts in the resolution to reasonably link new housing production to internal housing needs (*see the recommended amendments to the resolution in Attachment 1*). The amendment would replace section “2e” in the resolution with a new section “2b” as follows:

Existing section 2e in the resolution:

“Recognize that this parameter may ultimately have to be adjusted downward if reasonable mechanisms cannot be established to ensure that there is a verifiable link between the new housing produced and the need.”

New replacement section 2b:

“As part of the amendments to plans and ordinances, consider the following items to provide a reasonable link between new housing production and internal housing needs:

1. Strengthen housing mix policies in the General Plan and requirements in the Zoning Ordinance. Amend the General Plan and Zoning Ordinance to address internal housing needs and to provide housing opportunities for local employees. Strengthen the language of policies in the General Plan which call for a mix of housing types and prices. Add a section to the Zoning Ordinance to require a mix of housing types and designs in new, large residential developments. Requirements would include a mix of densities (with minimums and maximums) and maximum house sizes.
2. Add a “middle” income inclusionary requirement. Add an inclusionary requirement for ownership developments to provide 10% of the units for “middle” income households, a category of less than 150% of area median income. This would be in addition to the existing requirement of 25% for very low, low and moderate income households for a total requirement of 35%. Include requirements related to minimum densities and maximum house sizes. Confirm thresholds such as less than or equal to 170% of area median income for purpose of eligibility and 150% for purpose of maximum sales price.

It is expected that these units could be provided without internal or external subsidy. This “middle” income requirement should not be interpreted to divert resources away from lower-income affordable housing requirements and programs. This requirement would apply to relatively large projects (such as 50 to 100 units). Requirements for smaller projects and infill projects would need to be determined based on feasibility and the kinds of projects that are reasonably foreseeable.

As part of the inclusionary ordinance amendment, provide for a one-for-one density bonus for the construction of the on-site “middle” income units and consider the inclusion of other incentives.

3. Establish a lottery or similar system with preferences for initial sales, resales and rentals. For approximately 40% of the designated “moderate” and “middle” income ownership units, implement a lottery or similar system which provides preferences to interested local employees. Give different numbers of tickets for the lottery, such as the following:
 - 3 tickets for eligible permanent public safety employee applicants (such as police officers and firefighters)
 - 2 tickets for other eligible local employees (such as permanent employees of DJUSD, City, UCD, Yolo County, and all other eligible permanent local employee applicants)
 - 1 ticket for all other eligible applicants.

The details on the preferences (such as the numbers of lottery tickets) are to be confirmed based on additional analysis. Care must be taken regarding legal aspects including fair access to housing and equal protection.

Consider assets as a factor in determining the eligibility of households. Provide flexibility in ordinance amendments to allow for special forms of ownership housing such as limited equity cooperatives and land trusts. Establish mechanisms to ensure that “moderate” and “middle” income units are re-sold to eligible households in accordance with the selected preference system. The City would need the first right of refusal to select the buyer in accordance with City selection standards.

For approximately 40% of the “very low”, “low” and “moderate” income rental units, implement a system which provides preferences to interested public safety and other local employees.

4. Modify the phased allocation ordinance to provide incentives to projects that provide extraordinary opportunities for local employees. Modify the phased allocation ordinance to provide incentives (with details to be determined in the ordinance amendment) to projects that:
 - Provide a mix of housing types that target local employees to a greater extent than the standards established in policies and ordinances.
 - Provide opportunities for targeted housing types, such as land dedications for workforce housing, to a greater extent than the standards established in policies and ordinances.
5. Ensure permanent affordability. Establish mechanisms, such as deed restrictions, to ensure that initial sales and resales are subject to permanent affordability standards and determine how appreciations in value are distributed. Limited equity cooperatives or land trusts are other options.
6. Expand action related to workforce housing options. Expand Action HOUSING 1.7a to read: “Explore programs to assist City staff, UC Davis staff and faculty, Yolo County staff, school district staff, and other local employees. Add: “Explore options such as developing public-

owned sites (possibly as a joint venture with a private developer) and encouraging land dedication sites in large development projects. Public-owned sites could also provide for other critical housing needs in the community.”

7. Include purpose and policy basis. Include a purpose section which provides the policy basis for the amendments, as well as the reasons that housing opportunities for local employees are linked to public safety, quality of life, and community sustainability.

Options Available to City Council

Council’s options include:

1. **Proceed with staff recommendations.** Adopt the staff recommendations (or a variation) and direct staff to proceed with the various implementation steps related to the growth parameter of 250 units per year.
2. **Staff recommendations without certain components.** Adopt the staff recommendations with modifications or without certain components, such as:
 - Strengthen housing mix policies but do not add a 10% “middle” income requirement for ownership housing.
 - Retain existing and proposed inclusionary requirements but do not provide preferences to public employees.
 - Allow owners of “moderate” and “middle” income units to realize equity growth without limitations or a consider a compromise of a maximum of 5% annually for “moderate” units and 7.5% annually for “middle” income units.
3. **Direct staff to return with different mechanisms.** Direct staff to return with different or modified mechanisms to link new housing production to the internal housing need.
4. **Find mechanisms are not sufficient and reduce growth parameter.** Find that available mechanisms do not adequately link new housing to internal needs and reduce the growth parameter of 250 units per year to a lower amount.

Potential Fiscal Impacts

Any new programs involving City staff have some impact but the details are not known at this time. Most of increased workload could be assigned to the new Housing Coordinator position. In addition, an administrative fee as part of sales transactions of inclusionary units. Restrictions on sale and re-sale prices lower property tax revenues in perpetuity.

It should be noted that staff is not recommending potentially expensive programs to assist employees in obtaining housing or homeownership. Examples of such programs are construction of units on City-owned land, down payment assistance, second mortgages with low interest rates, or closing cost assistance. Such programs could have significant fiscal impact.

Background

On March 12, 2003, City Council adopted a resolution directing staff to prepare amendments to the growth management section of the General Plan and the Phased Housing Allocation Ordinance for City Council review (*see resolution in Attachment 1*). The amendments are to be based on an annual average growth parameter for the City of 250 units per year through 2015 to provide for internal housing needs based on local employees. The Council stipulated that this

parameter may have to be adjusted downward if reasonable methods cannot be established to ensure that there is a verifiable link between the new housing produced and the need.

Purpose of This Report and Staff Recommendations

Staff is attempting to respond to the issue raised in the existing section “2e” in the Council resolution of:

- To what extent can reasonable (and legal) mechanisms be established to link new housing production to the internal housing need of an average annual growth parameter of 250 units per year through 2015?
- Does City Council find that mechanisms recommended by staff are sufficient to proceed with the various implementation steps related to the growth parameter of 250 units per year?

Review by City Attorney

The City Attorney has reviewed this report and the staff recommendations (*see the Attorney’s comments in Attachment 2*). In general, the City Attorney finds the staff recommendations could be upheld legally subject to proper analyses to provide a that supports the legislative findings of need and to confirm that the proposed regulations would not have a discriminatory impact on persons in a protected class.

Middle income inclusionary requirement. The City Attorney believes the proposed 10% “middle” income inclusionary requirement would be upheld as a valid exercise of the City’s police power. Although it appears that no courts have considered a “middle” income inclusionary requirement, there has not been sufficient production of housing affordable to “middle” income households and the State legislature has found the provision of housing for all segments of the community to be a legitimate state interest.

Design and density standards requiring a mix of housing types. The City Attorney believes that design and density standards requiring a mix of housing types, designs and densities are acceptable zoning practices and would serve to strengthen existing regulations. Design and density standards that promote housing for underserved economic segments of the community would be consistent with State and City housing goals.

Preference program. The City Attorney believes that the City can establish and maintain a preference program for people working in the City if the City limits the size of the program (such as applying the preferences to 40% or fewer of only the inclusionary units), finds that the program furthers significant governmental interests, and determines that the program will not disparately treat or impact any particular group of people. The City Attorney believes, however, expresses the concern that preferences based on City residency, could have disparate impacts on protected groups and such a preference would need factual analysis.

Additional considerations. The City Attorney suggests additional considerations as part of the development of new regulatory mechanisms, including:

- The proposed programs should provide flexibility. This may include language involving the concept of “to the extent feasible” in ordinances and an administrative relief provision to deal with unique situations.

- Programs should provide for alternatives by which a developer can satisfy the specific requirements. The City may also consider providing incentives such as fee reductions.
- Analysis of data will be needed to support the conclusions that the proposed regulations are substantially related to important governmental interests.
- Staff time and resources will need to be allocated to administer the proposed programs, especially a preference program. The City may need to engage a vendor to administer the program.

Summary of Housing Problems for Local Employees

Since 1987, housing policies and market forces in Davis have led to the construction of relatively high proportions of larger and expensive ownership housing and rental housing for low and very low incomes. Unfortunately, the production of less expensive ownership housing and market rate rental housing has not kept pace.

Local public employees typically are within the low, moderate and “middle” (a category up to 150% of area median income) income categories. It is becoming increasingly difficult for moderate income households to afford homeownership. The current market condition is that moderate income households (such as a family of four with the median household income of \$57,000) are unable to purchase the average price home in Davis (almost \$400,000) unless they possess an unusually large downpayment. Should the current low interest rates increase, homeownership will not be possible for more moderate income households. In addition, it is becoming increasingly difficult for moderate income households to afford a market rate apartment.

Staff and the firm of Bay Area Economics have calculated affordable home prices in Davis for a four-person household at various income levels:

- Very low \$106,000
- Low \$164,000
- Median \$212,000
- Moderate \$254,000
- Middle \$318,000

These calculations (rounded to the nearest thousand) utilize the 2003 income limits for Yolo County and the assumptions in Table 10 of BAE’s “Internal Housing Needs Analysis” of February 2003 including 10% down payment, 6% interest, annual taxes 1.4% of purchase price, and 30% of gross income available for principle, interest, taxes and insurance. These calculations would vary, of course, if the assumptions vary such as a 20% down payment instead of 10% assumed in these calculations.

For additional background information, staff has provided excerpts from the City of Davis Draft Housing Element Update Section 5, “Housing Cost and Affordability”, and Section 6, “Housing Need” (*see excerpts in Attachment 4*).

Justification for Staff Recommendations

Staff believes the addition of an inclusionary requirement in ownership residential developments of 10% for “middle” income households (a new income category of less than 150% of area median income) is justified for the following reasons:

1. Needed According to Regional Housing Needs. Housing for moderate and middle income households is needed according to the City’s “fair share” allocation for the period of 2002 to 2007 (*shown in Table 44 of the Draft Housing Element, Attachment 4*). While the City is committed to providing for all income groups, the largest percentages of regional housing need is for the “moderate” and “above moderate” groups. Approximately 23% of the City’s regional housing need is for “very low” and “low” income groups, 32% is for “moderate” income groups, and 45% is for “above moderate” income groups (of which the “middle” income category would be a part).

2. Needed According to Internal Housing Needs Analysis. Staff has translated the findings of the “Internal Housing Needs Analysis” by Bay Area Economics (Table 11 of the analysis, in particular) to recommendations for inclusionary requirements (*see the tables on the following pages*). Table 11 shows how new ownership and rental housing units might be allocated assuming that future households will be similar to existing income distribution and tenure patterns. The data supports approximately 12% of the units being allocated for “middle” income households.

Should the inclusionary requirement be increased by 10% for for-sale developments, the total requirement of 35% would match the total requirement of 35% for rental developments. It should be noted, however, that the income levels being addressed are higher in the ownership requirements and lower in the rental requirements.

From a policy standpoint, the General Plan supports the establishment of inclusionary standards and other programs to provide housing opportunities for local employees and internal housing needs, including:

- Require a mix of housing types, densities, prices and rents, and designs in each new development area. (Policy LU A.3)
- Maintain a growth management system that regulates the timing of residential growth in an orderly way considering the following: ...local employment increases... Such a system will pursue programs and partnerships to target residential development to meet identified needs (e.g. University students and staff, faculty housing, senior housing, housing for low and very low incomes, school district staff, City employees). (Action LU 1.1d)
- Each new development area should include a mix of housing types, densities, prices and rents, and designs. (Standard HOUSING 1.1b)
- As part of proposed large housing developments, consider requiring a percentage of small residential lots and structures .. to contribute to the supply of affordable housing...(Action HOUSING 1.1d)
- Encourage the provision of housing for local employees. (Policy HOUSING 1.7)
- Explore programs to assist City staff, UC Davis staff and faculty, Yolo County staff, and school district staff to live in Davis. (Action HOUSING 1.7a)

Furthermore, the availability and affordability of housing for local employees play critical roles in:

- Creating quality living and working conditions;
- Attracting and retaining a strong, high quality work force; and
- Sustaining a healthy, viable community.

Insert Table 11 here (needs to be scanned)

Comparison of Existing Inclusionary Requirements, Internal Needs and Staff Recommendations

Residential Rental Developments

	Existing Inclusionary Requirements	Summary of Needs Per “Internal Housing Needs Analysis”, Feb. 2003	Staff Recommendation For Inclusionary Requirements
Extremely Low Less Than 35% AMI	10% min. requirement	68%	10% min. requirement (retain)
Very Low Less Than 50% AMI			
Low Less Than 80% AMI	25% min. requirement		25% min. requirement (retain)
Moderate Less Than 120% AMI	65% allowed	32%	65% allowed (retain)
“Middle” (New Category) Less Than 150% AMI			
“Above Middle” 150% AMI and Higher			
Total	100%	100%	100%

Note: A development is eligible for a 1:1 density bonus for providing the required affordable housing units.

Residential For-Sale Developments

	Existing Inclusionary Requirements	Summary of Needs Per “Internal Housing Needs Analysis”, Feb. 2003	Staff Recommendation For Inclusionary Requirements
Extremely Low Less Than 35% AMI	--	33%	--
Very Low Less Than 50% AMI	25% min. requirement		25% min. requirement (retain at moderate level))
Low Less Than 80% AMI			
Moderate Less Than 120% AMI	75% allowed	12%	10% min. requirement (new)
“Middle” (New Category) Less Than 150% AMI			55%
“Above Middle” 150% AMI and Higher			
Total	100%	100%	100%

Note: A development is eligible for a 1:1 density bonus of market priced units for providing the required affordable housing units.

Arguments For and Against Key Concepts

Staff has attempted to provide some of the possible arguments for and against the key concepts in the staff recommendations. The conclusion one makes about an issue depends on how one “weighs” the importance of the different arguments or considerations.

Key Concept	Argument For	Arguments Against
<p>Inclusionary requirements</p> <ol style="list-style-type: none"> 1. Add an inclusionary requirement to provide 10% (or 20%) for “middle” income households? 2. Add to the existing 25% inclusionary requirement of ownership housing for a total of 35% (or 45%)? 	<ul style="list-style-type: none"> • Ensures 10% (or 20%) of units for “middle” group (in addition to housing mix policies and requirements). • This requirement is not intended to eliminate profit for developer (but would likely reduce the profit that would be possible with higher price housing). 	<ul style="list-style-type: none"> • A limit on price would reduce potential property tax revenues and may affect the fiscal impact of the overall project. • Could affect project financing and profitability. • Would add 10% or 20% to Davis’ inclusionary requirements which already exceed other jurisdictions. • A developer may provide for the middle segment anyway in response to market demands (without restrictions on re-sale value, however).
<p>Equity restrictions</p> <ol style="list-style-type: none"> 3. Should equity restrictions be placed on “middle” income units? 4. Should the City be directly involved in the sale and re-sale of inclusionary units? 	<ul style="list-style-type: none"> • Can ensure price remains a “middle” level. • Without this, the housing may not serve the intended need through time. • City could determine selling price based on need. • City would serve as neutral party to oversee purchases and to minimize abuses. 	<ul style="list-style-type: none"> • If restricted, takes away a primary benefit of homeownership and possibly the incentive to participate. May make houses difficult to sell and re-sell. • May cause divisiveness regarding how much someone should profit from a house. • May lead to abuses to take advantage of the system. • Probable cost (fee) to seller and/or buyer to help fund program.
<p>Preferences</p> <ol style="list-style-type: none"> 5. Should the City implement a lottery system to give preference to local employees (assuming equity limits in ownership units) in the: <ol style="list-style-type: none"> a. Initial sale of 40% of VL, L and Mod ownership units? b. Re-sale of 40% of VL, L and Mod ownership units? c. Rental of 40% of 40% of the VL and L rental units? 6. If preferences are given, should the order of preferences be: <ul style="list-style-type: none"> • First, public safety employees • Second, all other local employees; and • Third, all other applicants? 	<ul style="list-style-type: none"> • Ties housing to local employees to the extent possible. • Public safety and teachers important to community and such preferences are legally defensible. • All public employees could be given high preference. 	<ul style="list-style-type: none"> • Bureaucracy may discourage participation. • Administrative costs. • May cause divisiveness regarding who was / was not selected. • All local employees are important and should be given equal preference.

Summary of Research

Staff researched the applicable programs of other jurisdictions through the League of California Cities members and the American Planning Association's "Planning Research Service". The following is a summary of a few of the programs.

Staff does not have a comprehensive survey of the inclusionary requirements of California cities. Transmittals of surveys and ordinances from other California cities, however, do indicate that many have inclusionary requirements of 10% for large new residential developments including Roseville. Many have requirements for 15% including but not limited to Carlsbad, Danville, Napa, Rohnert Park, and Sacramento. Some have requirements of 20% including Watsonville. Staff is not aware of any communities in California that have an inclusionary requirement of 25% to 35%.

Some resort communities in Colorado have inclusionary requirements of 30% for "Local Resident Housing Units" for moderate income households or "Employee Housing Units" (see the "Summary of Research" section at the end of this report).

The Watsonville inclusionary program was the only program staff found in this research that required a percentage of for-sale housing units to be provided for households with "above moderate" incomes. Watsonville requires that projects with more than 50 new units or lots to provide 20% of the for-sale units as affordable units with the components of 10% "above moderate" (similar to the proposed "middle" income units in the staff recommendations), 5% "moderate", and 5% "median".

If Council does not want to increase the ownership requirement from 25% to 35%, staff would recommend that policies and standards still be strengthened to ensure that housing for middle incomes be provided. The 10% requirement would ensure that "middle" income units are provided and give the City the ability to limit equity growth through time and control preferences, if desired.

Inclusionary Requirements and Housing Preferences

Watsonville, CA requires that projects with more than 50 new units or lots to provide 20% of for-sale units and 20% of rental units as affordable units. The 20% of for-sale units shall have the components of 10% "above moderate" (less than or equal to 170% of AMI for purpose of eligibility, 150% for purpose of maximum sales price), 5% moderate (less than or equal to 150% of AMI for purpose of eligibility, 120% for purpose of maximum sales price), and 5% median (less than or equal to 120% of AMI for purpose of eligibility, 100% for purpose of maximum sales price). The 20% of rental units shall have the components of 5% median, 5% low, 5% very low, and 5% for Section 8. Deed restrictions are recorded to ensure permanent affordability.

Watsonville requires developers to give a priority to people who live or work within the City limits. For larger developments, the City requires that inclusionary units be sold through a lottery. The three lotteries to date have given more tickets to the following priority groups:

- 4 tickets for people who live and work in the City
- 3 tickets for people who live, but do not work, in the City

- 2 tickets for people who work, but do not live, in the City
- 1 ticket for everyone else.

Hamilton Base Reuse, Novato, CA. Affordable and market-rate rental and ownership units are being constructed on the former Hamilton military base in Novato. Approximately 1,000 total affordable units are being constructed. The City has developed a resident selection plan that will apply to one-third of the affordable units in each phase and each income category (e.g. low and very low for rentals; low and moderate for ownership). The plan was contemplated as part of the development agreement between the City of Novato and the developer and was adopted by the Novato City Council. The plan provides a tiered preference structure for:

1. City of Novato employees
2. Employees of the fire, sanitary, water, school and hospital districts
3. Employees of public entities with jurisdictions in Marin County working in or providing services to Novato residents.

The plan specifically provides that there will be no prior residence requirements in connection with any preference. The plan states that it is subject to federal and state laws to the contrary. This allows for some flexibility in connection with federal or state funding sources (e.g., tax credits and tax-exempt bonds). However, the caveat would likely not protect the City following an act of discrimination in violation of state or federal law.

Mountain View, CA has established a Below-Market-Rate Program (“BMR Program”) as part of its inclusionary housing ordinance. The BMR Program requires that developments of three or more ownership units, five or more rental units, or six or more mixed tenure units (ownership and rental) identify and maintain at least 10% of all units within the development as BMR units. The following preferences are utilized in connection with the BMR units, in order of priority:

1. Public safety employees of the city
2. Public school teachers in the city
3. Households that have lived in the city for at least two of the last four years.
4. Households that have worked in the city for at least two years.

The BMR Program is fairly new and has not yet been applied to any developments. The BMR Program contains an "except as provided by federal and state law" catch-all. However, as noted above, this would likely not protect the city after an action in violation of federal or state law has been committed.

East Palo Alto, CA recently adopted a preference program which will be used to allocate inclusionary units. The city adopted the following preference categories:

1. Current resident of at least six months or prior resident
2. Emergency employee of the city, county or adjacent city
3. Permanent employee of the city
4. Single head of household with at least one child
5. Displaced by Redevelopment Agency
6. Senior (age 62)
7. Disabled
8. Community Service (prior or prospective)

Each category is assigned 1 to 3 potential points. Each applicant gets a “slip” for each point the applicant receives. All slips are then placed in a lottery. The first slip chosen gets assigned the highest number (equal to the total number of slips) and so on until all slips are selected. Each applicant's total lottery numbers are added and the applicant with the highest total is placed first on the waiting list. The city has not yet conducted a lottery. However, it has employed a third party vendor to administer the program.

Simi Valley, CA stipulates in Affordable Housing Agreements a 90-day marketing period with preferences to: 1) those who work and live, or live in town, and 2) everyone else.

Montgomery County, MD has a Moderately Priced Dwelling Unit (MPDU) ordinance, enacted in 1974, which requires developments of more than 50 units to include 12.5 to 15 percent MPDUs sold to moderate income families (80% of median family income) as certified by the county housing office. Developers are granted a density bonus of 22% above what current zoning allows. Of the 15 percent MPDUs, two thirds are sold to moderate income first-time homebuyers and the remaining third can be purchased by the local housing commission or local non profits for use in their affordable rental programs. In a 100-unit subdivision example, 85 units would be market rate, 10 percent would be sold to first time, income-eligible homebuyers, and 5 would be owned by the housing commission (or a non profit) for use in their rental programs.

Sales and re-sales of MPDUs are subject to:

- Before offering any MPDSs, the developer must notify the Department of Housing. The Department must notify the developer the method (lottery or other) and when the 90-day “preference marketing period may begin.
- The Department may establish a buyer and renter selection system which considers household size, County residency, employment in the County, and the person’s length of time certified for the MPDU program. Any eligible person must be given an opportunity to buy or rent an MPDU during the “priority marketing period” in the order of that person’s selection priority ranking.
- The “priority marketing period” for new units ends 90 days after the initial offering date approved by the Department and for resale / re-rent units ends 60 days after the Department notifies the seller of the approved resale price or vacancy of the rental unit.
- Resale prices are limited to the original selling price plus a percentage based on the increase in cost of living (as determined by the Consumer Price Index), fair market value of certain improvements, certain closing costs, etc.

Vail, CO requires “Employee Housing Units” (additional research would be needed to confirm required percentages, if any). Incentives to encourage EHUs may include but are not limited to cash vouchers, fee waivers, tax abatements, and in-kind services to owners and creators of employee housing units. Leased or purchased EHUs must be occupied by persons (details in code) who are full time employees who work in Eagle County. A full-time employee is one who works an average of a minimum of 30 hours each week on a full time basis.

Eagle County, CO (the county in which Vail is located) provides housing opportunities for households that live and / or work in Eagle County. The County requires that all new residential

developments with five or more units in the unincorporated area of Eagle County must include 30% of the total units as Local Resident Housing Units for moderate income households. Similarly, all new commercial / non residential developments are required to provide a specified number of Local Resident Housing Units based on employment generation rates defined in the code.

The developers must assure that the units are sold or rented to persons who are “Qualified Employees” as defined in the code. The developer must make a good faith marketing effort to attract income qualified buyers who are currently employed and / or live in Eagle County. County staff administers resales in accordance with the code. The maximum resale price is regulated in the code but appreciation is limited to approximately 3% per year and up to \$3,000 per year in eligible improvements.

Employee Assistance Programs

Aggie Village neighborhood, Davis California is an infill neighborhood developed by UC Davis for its employees on University owned land within the City of Davis in a Planned Development zoning district. The project has 54 units consisting of 21 single family detached homes, 17 cottages in the backyards of single family lots, and 16 townhomes. Homes are sold subject to a 99 year ground lease from the University. Ground rents range from \$100 to \$125 per month. There is no homeowners association or fee. Homes are offered initially to University employees and there is currently a long waiting list. Priority for purchase and resales is given by the University to recently recruited tenure track faculty. The lot lease and CC&Rs define “eligible buyers” and “qualified persons” and priorities. The cottages, owned by the homeowners, are mostly rented to graduate students, with a current market rent of approximately \$800 but with no rent restrictions.

The homes were built by a local custom home builder who assumed all risks. The prices, home builder profit of 9%, and specifications were fixed prior to construction. Resale prices are capped at the lower of market market value or index and at the higher of the faculty salary index or CPI. The faculty salary index of approximately 3.8% is currently the cap. Because of the long waiting list, no sales commissions are being paid. The University has a right of first refusal in a resale and can assign its right of acceptance of any offer to an approved purchaser.

The **Santa Clara School District, CA** owns an apartment complex for teachers. Rents are approximately half of market rates.

Westchester County, NY and **Connecticut** affluent communities are building homes for public safety employees and teachers. **Dobbs Ferry, NY** built 32 moderate priced townhomes through a public – private partnership on land donated to a local fire company in the 1950s. 889 applicants applied for the 2 and 3 bedroom homes for \$87,000 to \$92,000 in an area where houses typically sell for \$300,000 or more. Priorities were given to firefighters first, city workers second, followed by other town residents all of whom had to meet income requirements.

Chicago, IL helps teachers and other school employees own a home near the school where they work. Mortgages are ¼ below market rate and participating lenders waive application and appraisal fees.

Santa Fe, NM purchased 850 acres at a fraction of its appraised value after the bankruptcy of a residential developer. The City created a non-profit group to act as the developer. A team including Peter Calthorpe was selected to prepare the master plan for the site and adjacent sites for a total of 1,421 acres. The result was a multi-phase, mixed use development with affordable housing.

California State University, Monterey Bay (CSUMB) offers its faculty and staff two housing options on campus: rental units and homes for purchase via a ground lease plan (with permanent affordability). CSUMB Employee Housing, Inc. (CEHI) is a single purpose auxiliary of CSUMB that oversees the rental and for sale programs.

Redwood City, CA operates a first time home buyer program that provides up to \$100,000 in silent second mortgages and is targeted to elementary school teachers and city employees.

Infill Potential and Remaining “Need”

1996 Infill Potential Study. An “Infill Potential Study” was prepared in 1996 as technical information for the General Plan Update. The study included 36 potential infill sites and Mogavero Associates explored design and financial feasibility on five of the sites. The major findings of the study were:

1. The potential for additional residential infill, beyond the land use assumptions in the existing general plan, is approximately 1,133 units, mostly in condominiums or apartments.
2. Accessory second units were not expected to play a large role as approximately 175 additional units were estimated through 2010.
3. The financial feasibility of the five case studies were questionable due to: high land costs; fees for smaller infill units are similar to larger peripheral area units; fees for infill projects are similar to peripheral area projects; and parking requirements are similar to peripheral area projects.
4. The City would need to consider consider policy, program and ordinance changes to induce significant infill development such as: Delineate the boundaries of long term development on the periphery; allow densities that would allow infill development to be financially feasible; reduce infill development fees and municipal service charges where justified; reduce parking requirements where justified; assist in project financing if the project would be in the public interest; and clarify and streamline the development review process.

Since the infill study in 1996, infill has occurred on sites in the downtown and around the city and others are proposed. Some of these were anticipated while others resulted from new proposals. State laws have changed which may encourage second units to a greater extent than expected. Staff has updated studies of infill potential (*see section below and Attachment 3*) but even greater amounts could occur with policy and program changes to aggressively promote infill.

Updated Study of Potential Growth Sites 2003 Through 2015 and Remaining “Need”. For Council’s information, staff has developed a study of potential residential growth sites which could accommodate a growth parameter of 250 units per year based on internal needs from 2003 through 2015 (*see table and map in Attachment 3*). The study shows that infill sites can reasonably accommodate approximately 1,880 units of the “need” of 3,250 units (250 units x 13 years) leaving a remaining need of approximately 1,370 units on other infill or peripheral sites.

Comments by Planning Commission and Affordable Housing Task Force

The Planning Commission (PC) reviewed this draft report and its recommendations on June 17, 2003. The Affordable Housing Task Force (AHTF) reviewed the report and recommendations on June 23, 2003 and June 30, 2003.

Staff has summarized the comments and recommendations by the PC and AHTF in Attachment 6.

Attachments

1. Proposed Amendments to Resolution 03-48.
2. Memorandum from the City Attorney.
3. Table and Map of Potential Residential Growth Sites 2003 Through 2015 and Amount of Remaining “Need”.
4. Excerpts from City of Davis Draft Housing Element Update Section 5, “Housing Cost and Affordability” and Section 6, “Housing Need”.
5. Relevant Articles.
6. Summary of Recommendations By Planning Commission and Affordable Housing Task Force.

O/bwolcott/housing need CC re 250 and local employees

Attachment 1.
Proposed Amendments to Resolution 03-48.

Attachment 2.
Memorandum from the City Attorney.

Attachment 3.
**Table and Map of Potential Residential Growth Sites
2003 Through 2015 and Amount of Remaining “Need”.**

Attachment 4.
Excerpts From City of Davis Draft Housing Element Update
Section 5, “Housing Cost and Affordability” and
Section 6, “Housing Need”.

Attachment 5.
Relevant Articles.

Attachment 6.
**Summary of Recommendations by Planning Commission
and Affordable Housing Task Force.**

Summary of Recommendations to City Council
By Planning Commission (PC) and Affordable Housing Task Force (AHTF)

See Additional Comments on Next Page

Key Issue	Staff Rec.	PC Rec. 6/17/03	AHTF Rec. (Ad Hoc) 6/23/03 and 6/30/03
<p>Inclusionary requirements</p> <p>1. Add an inclusionary requirement to provide <u>10% of ownership units for “middle” income households?</u></p> <p>2. Add to the existing 25% inclusionary requirement for ownership housing <u>for a total of 35%?</u></p>	<p>Yes (If 20% is selected, needs data/analysis with ord. amend.)</p> <p>Yes</p>	<p>Yes but at 20% instead of 10% (while maintaining an overall mix).</p> <p>Yes</p>	<p>10% or 20% subject to:</p> <ul style="list-style-type: none"> • Additional info / analysis regarding project feasibility. • Some requirements regarding size and type of housing. • A City growth rate based on needs
<p>Equity restrictions</p> <p>3. Should <u>equity restrictions</u> be placed on “middle” income units?</p> <p>4. Related issue not in report: Should the <u>City be directly involved in the sale and re-sale of all inclusionary ownership units?</u> (Reasons include to ensure permanent affordability, to determine selling price based on needs, to serve as a neutral party to oversee purchases and to minimize abuses)</p>	<p>Yes, extent to be determined in ord amendments)</p> <p>Yes</p>	<p>Yes</p> <p>Yes, need City to control and avoid abuses.</p>	<p>Yes to some form of equity restriction but with minimum restrictions and controls that homes are sold and resold to eligible households.</p> <p>Yes to City involvement with reservation about costs.</p>
<p>Preferences</p> <p>5. Should the City implement a lottery or similar system to give <u>preference to local employees</u> (assuming equity limits in ownership units) in the:</p> <p>a. <u>Initial sale</u> of 40% of “moderate” and “middle” income ownership units?</p> <p>b. <u>Re-sale</u> of 40% of “moderate” and “middle” income ownership units?</p> <p>c. <u>Rental</u> of 40% of “low” and “very low” income rental units?</p> <p>6. If preferences are given, <u>should the order of preferences</u> be:</p> <ul style="list-style-type: none"> • First, public safety employees and teachers; • Second, all other local employees; and • Third, all other applicants? 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes, but add public employees to first preference and possibly employees of non-profit organizations.</p>	<p>5a, 5b, 5c and 6: Broaden preferences to include more groups such as:</p> <ul style="list-style-type: none"> • Local residents • Non-working persons such as elderly and persons with disabilities • Relocating relatives of residents such as parents, children and grandchildren <p>(See additional comments on following pages)</p>

Additional Comments by the Planning Commission, June 17, 2003 (**Note: This draft summary by staff precedes approval of the minutes by Planning Commission)

1. **Clarify the numbers of units produced and subject to preferences.** The Planning Commission suggested that staff show City Council how many units would be produced and subject to preferences.

Note: Following the Planning Commission meeting, staff has confirmed the calculations as follows:

For every 100 new ownership units, a 35% inclusionary requirement would produce:

- “VL, L and Mod” income units 25
- “Middle” income units 10
- Total inclusionary units 35 (=35% of every 100 units)

The number of these units subject to preferences would be:

- 40% of 25 “VL, L and Mod” units 10
- 40% of 10 “Middle” units 4
- Total units subject to preferences 14 (=14% of every 100 units)

Should the project take advantage of a 35% density bonus and a total of 135 units are built instead of 100 units, the inclusionary units would consist of approximately 26% (35/135) and the units subject to preferences would consist of approximately 10% (14/135).

Should the 10% “Middle” income inclusionary requirement be increased to 20% as recommended by the Planning Commission, a total inclusionary requirement of 45% (25% + 20% “Middle”) would produce:

- Total inclusionary units 45 (=45% of every 100 units)
- Total units subject to preferences 18 (=40% of the 45 inclusionary units)

2. **Housing mix is most important.** If 35% of the new ownership units are inclusionary, the other 65% of the units should provide a mix of types even if they are not inclusionary units. Policies and requirements of a housing mix would likely have a broader beneficial effect than a “middle” income inclusionary requirement alone.
3. **Provide few, if any, high priced units in mix.** The City does not need many, if any, high priced, luxury units in the housing mix. The City needs more units with a density similar to Aggie Village.

The fiscal impact of providing a high percentage of moderate and middle priced units, however, must be analyzed.

4. **Define local employees.** Should define “local employees” as those working in the Davis urbanized area (not Dixon or Woodland) and not a fire fighter working in Woodland.
5. **Establishing preferences.** The Planning Commission points out that it is very difficult to establish which local employees should have higher or lower preferences.

6. **Concern if housing prices fall in the Davis area.** Should housing prices fall, adjustments to the prices of “middle” income units may be necessary.
7. **Try to provide for need through infill.** The City should try to provide for identified need through infill development rather than new peripheral development on ag land.
8. **Will need to adjust based on buildout of non-residential uses.** Determinations of housing need will need to be adjusted based on the buildout of non-residential employment uses.
9. **Add “second units” to estimates of development potential.** Estimates of potential development through 2015 should include an estimate for “second units”.

Note: Following the Planning Commission meeting, staff has added an estimate for “second units.”

10. **Comments primarily by Commissioner Mark Spencer.** The following comments were made primarily by Mark Spencer:
 - a. It is doubtful that the housing need of 250 units per year can be linked to local employees. A small percentage of new units would be reserved for teachers, etc. The need should be based on public employees. For these reasons and the resulting impacts on schools and infrastructure, the housing need number of 250 units per year should be reduced.
 - b. The City should achieve the housing need entirely through infill development on lands already designated for urban development.

Additional Comments by the Affordable Housing Task Force, June 23, 2003 and June 30, 2003

June 23, 2003 (Ad Hoc members in attendance):

1. **Inclusionary requirement only if equity restriction.** The Council should only increase the inclusionary requirement if equity restrictions are placed.
2. **Attached types of units.** Consider attached (not just detached) types of houses for “middle” income units.
3. **Comments primarily by Task Force member Blaine Juchau.** The following comments were made primarily by Blaine Juchau:
 - a. Increasing the inclusionary requirement puts Davis farther above the requirements of other jurisdictions.
 - b. Alternatives to the inclusionary requirement are:
 - Providing silent second mortgages and the profits go back into the housing trust fund.
 - Mandating a range of sizes of houses including modest size lots and houses.

June 30, 2003 (Ad Hoc members in attendance):

4. **Equity restrictions should be in form of resale restriction.** The Council should consider equity restriction in the form of resale restriction because of the following reasons:

- a. Severe restrictions to equity may result in fewer local employees and residents participating in the program.
 - b. Given that the "middle-income" category is not expected to receive subsidies similar to the affordable housing ownership concept. The City should balance allowing the owner to make some profit while restricting the resale to other middle income households.
 - c. The ordinance for the middle income category should examine development regulations, such as building size, setbacks, lot sizes, design amenities and materials or other factors that could functionally make the unit a middle income unit in the long run.
 - d. In general, minimize the number of restrictions and limitations placed on the developer/builder and the prospective buyer, including homeownership rights, to encourage participation and the success of the middle income housing concept.
- 5. City involvement should be considered carefully.** Given that this process is conceptual at this time, the city involvement will be supported as long as the costs to the city, the developer and prospective buyers (both at initial sale and resale stages) are seriously considered.
- 6. A simple lottery system that recognizes equally all local employees and residents is supported over one that singles out a particular group of employees.** The following are additional comments on this concept:
- a. The concept of lottery should be used for ownership housing but not for rental housing.
 - b. The lottery concept should be simple and inclusive of the broad local employees and residents so that no group receives more weight than the others do.
 - c. Limiting preferences to 40% of the moderate and middle income units does not appear appropriate. Local employees and residents should be given preferences in all of the units.
 - d. Keep the middle-income and moderate-income categories separate.
 - e. There is no need to include rental housing in the lottery system as 1) moderate-income group does not participate in rental housing per existing policies and ordinance, 2) the nonprofit organizations maintain a waiting list that have worked well and maintained for years, 3) middle-income units are not expected to be rented, and 4) if concerns on rental is due to new construction projects, the affordable housing ordinance should address that separately.
- 7. Preferences should be broad to include all local employees and residents.** The following are additional comments:
- a. Preference to any particular group of local employees may not generate the level of interests and participation expected.
 - b. All local employees whether public or private, and all local residents whether employed or not, such as the disabled or seniors, should be given equal preference.
 - c. Public safety employees and teachers serve the community equally as other employees that work in Davis, such as nurses, nonprofit organization employees, and service employees in the private sector.
 - d. It may be that not too many "public safety employees" are willing to relocate to Davis given many factors that include current economic conditions and family situations.

Generally, the Task Force recommends that the middle-income inclusionary requirement should be in addition to the existing 25% ownership requirement.

- (1) Include all types of housing, including affordable housing;
 - (2) Not include housing provided by UCD on the central campus or in the proposed new neighborhood;
 - (3) Combine infill and limited peripheral development, provide a mix of housing types and prices to meet local employee needs using the information in the “Internal Housing Needs Analysis” as a guide;
 - (4) Within the mix of housing, provide emphasis toward for-sale houses affordable to moderate and middle income households and market rate apartments;
 - (5) Consider “use or lose it” provisions in the Phased Housing Allocation Ordinance amendment;
 - (6) Consider a mechanism to monitor the uses and intensities in the UCD research park to allow adjustments to housing needs as appropriate.
 - (7) Work with City and DJUSD legal counsel to determine means of mitigating school impacts.
 - (8) Prepare growth limitation ordinance findings per State Government Code 65863.6 as to the public health, safety, and welfare of the city to be promoted by the adoption of the ordinance which justify limiting the housing opportunities.
- b. **As part of the amendments to plans and ordinances, consider the following items to provide a reasonable link between new housing production and internal housing needs:**
- (1) **Strengthen housing mix policies in the General Plan and requirements in Zoning Ordinance.** Amend the General Plan and Zoning Ordinance to address internal housing needs and to provide housing opportunities for local employees. Strengthen the language of policies in the General Plan which call for a mix of housing types and prices. Add a section to the Zoning Ordinance to require a mix of housing types and designs in new, large residential developments. Requirements would include a mix of densities (with minimums and maximums) and maximum house sizes.
 - (2) **Add a “middle” income inclusionary requirement.** Add an inclusionary requirement for ownership developments to provide 10% of the units for “middle” income households, a category of less than 150% of area median income. This would be in addition to the existing requirement of 25% for very low, low and moderate income households for a total requirement of 35%. Include requirements related to minimum densities and maximum house sizes. Confirm thresholds such as less than or equal to 170% of area median income for purpose of eligibility and 150% for purpose of maximum sales price.
It is expected that these units could be provided without internal or external subsidy. This “middle” income requirement should not be interpreted to divert resources away from lower-income affordable housing requirements and programs. This requirement would apply to

relatively large projects (such as 50 to 100 units). Requirements for smaller projects and infill projects would need to be determined based on feasibility and the kinds of projects that are reasonably foreseeable. As part of the inclusionary ordinance amendment, provide for a one-for-one density bonus for the construction of the on-site “middle” income units and consider the inclusion of other incentives.

- (3) **Establish a lottery or similar system with preferences for initial sales, re-sales and rentals.** For approximately 40% of the designated “moderate” and “middle” income ownership units, implement a lottery or similar system which provides preferences to interested local employees. Give different numbers of tickets for the lottery, such as the following:
- 3 tickets for eligible permanent public safety employee applicants (such as police officers and firefighters)
 - 2 tickets for other eligible local employees (such as DJUSD, City, UCD, Yolo County employee applicants and all other eligible permanent local employee applicants)
 - 1 ticket for all other eligible applicants.

The details on the preferences (such as the numbers of lottery tickets) are to be confirmed based on additional analysis. Care must be taken regarding legal aspects including fair access to housing and equal protection.

Consider assets as a factor in determining the eligibility of households. Provide flexibility in ordinance amendments to allow for special forms of ownership housing such as limited equity cooperatives and land trusts. Establish mechanisms to ensure that “moderate” and “middle” income units are re-sold to eligible households in accordance with the selected preference system. The City would need the first right of refusal to select the buyer in accordance with City selection standards.

For approximately 40% of the “very low”, “low” and “moderate” income rental units, implement a system which provides preferences to interested public safety and other local employees.

- (4) **Modify the phased allocation ordinance to provide incentives to projects that provide extraordinary opportunities for local employees.** Modify the phased allocation ordinance to provide incentives (with details to be determined in the ordinance amendment) to projects that:
- Provide a mix of housing types that target local employees to a greater extent than the standards established in policies and ordinances.
 - Provide opportunities for targeted housing types, such as land dedications for workforce housing, to a greater extent than the standards established in policies and ordinances.

- (5) **Ensure permanent affordability.** Establish mechanisms, such as deed restrictions, to ensure that initial sales and resales are subject to permanent affordability standards and determine how appreciations in value are distributed. Limited equity cooperatives or land trusts are other options.
- (6) **Expand action related to workforce housing options.** Expand Action HOUSING 1.7a to read: “Explore programs to assist City staff, UC Davis staff and faculty, Yolo County staff, school district staff, and other local employees. Add: “Explore options such as developing public-owned sites (possibly as a joint venture with a private developer) and encouraging land dedication sites in large development projects. Public-owned sites could also provide for other critical housing needs in the community.”
- (7) **Include purpose and policy basis.** Include a purpose section which provides the policy basis for the amendments, as well as the reasons that housing opportunities for local employees are linked to public safety, quality of life, and community sustainability.
- c. Prepare a joint housing strategy, Memorandum of Understanding, or similar document in cooperation with UCD. Consider as one issue whether UCD should increase the planned student housing to meet the UC system wide planned average of 38% of enrollment.
- d. Determine the appropriate level of environmental review and fiscal impact analysis as part of the General Plan Amendment, Phased Housing Allocation Ordinance amendment, and development project reviews involving a General Plan Amendment.
- e. Consider this parameter to replace the original parameter of 250 units (201 for the City and 49 for UCD) passed in a motion by the City Council on September 25, 2002, subject to a study of internal housing needs.
- f. ~~Recognize that this parameter may ultimately have to be adjusted downward if reasonable mechanisms cannot be established to ensure that there is a verifiable link between the new housing produced and the need. This section to be replaced was section “2e” in the original resolution.~~

PASSED AND ADOPTED by the City Council of Davis on this 2nd day of April, 2003, by the following votes:

AYES:

NOES:

ABSENT:

SUSIE BOYD
Mayor

ATTEST:

BETTE RACKI
City Clerk

o/bwolcott/housing need reso re growth parameter.doc

Potential Residential Growth Sites 2003 Through 2015 and Remaining "Need"

Last Revised: May 15, 2003

2003 – 2005 (3 Yrs x 250 Units = 750 Units Needed)	For Sale Housing Units	Rental Housing Units
-- Vacant allocated lots (as of 3/31/03)	109	
1. El Macero Estates final allocation in Jan. 2004	22	
2. 312-316 D Street	4	
3. The Lexington, Olive Drive		123
4. Cantrill Drive		132
5. Walnut Terrace Seniors		30
6. Second and G, Chen building		4
7. Almondwood apartments addition		5
8. El Macero Estates 2 land dedication site		36
9. Pacifico final phase (dwelling unit equivalents)		5
10. Wildhorse Apartments (formerly Bridges)		80
11. Moore Village Wildhorse land dedication site		59
12. 2707 Fifth Street	9	
13. Oasis / Willowcreek south part (needs rezoning)	43	
14. Kelly Point		42
15. Oakshade land dedication site		15
16. Sequoia Villas II (needs rezoning)	20	16
17. Aspen Court (needs GPA)	34	
18. Da Vinci Court (needs GPA)		47
19. Sycamore Lane apartments reconstruction (needs GPA)		68 (equiv. incr.)
20. The Lexington, Olive Drive land donation site		43
21. Cantrill Drive land donation site		53
22. Los Robles R-1 subdivision	8	
Sub Total 2003 – 2005		
<ul style="list-style-type: none"> • Need During This Period = 750 Units (3 Yrs x 250 Units) • Maximum Potential Shown = 1,007 Units • Probable Potential at 100% = 1,007 Units • Remaining Need On Other Infill or Peripheral Sites During This Period = <u>None, 257 Units of "Surplus" (750-1,007)</u> 	249 249	758 758

(Table Continued on Next Page)

2006 – 2010	For Sale Housing Units	Rental Housing Units
23. Unallocated lots at Willowbank 9	19	
24. Callori on Olive Drive	49	
25. Woodbridge land dedication site		16
26. Mace Ranch affordable hsg site east of Spafford (needs GPA, rezone)		30
27. Mace Ranch interior retail site (needs GPA)	85	15
28. Grande school site (needs GPA)	42	
29. Davis Manor (needs rezone)		20
30. Kennedy Place (needs GPA)	12	
31. Willowbank 9 two church sites (needs GPA)	60	
32. Cowell corridor sites @ Oakshade, Seiber, Willowcreek com., Willowcreek lt ind. (needs GPA)	15	240
-- Core infill on sites to be determined		20
-- Other infill on sites to be determined (likely need GPA)	20	20
Sub Total 2006 – 2010		
• Need During This Period = 1,250 Units (5 Yrs x 250 Units)		
• Maximum Potential Shown = 663 Units	302	361
• Probable Potential at 75% = 498 Units	227	271
• Remaining Need on Other Infill or Peripheral Sites (such as Covell Village, Con Agra, etc.) During This Period = <u>752 Units</u> (1,250-498)		

2011 – 2015	For Sale Housing Units	Rental Housing Units
33. Simmons east of cemetery (needs rezone)	50	
-- Old East		50
-- R-3 area north of Core on sites to be determined		50
-- Core infill on sites to be determined		20
-- Other infill on sites to be determined (likely need GPA)	20	20
34. Holt property at NEC of Mace and Cowell (needs GPA)		30
35. Wildhorse school site (needs GPA)	90	
36. Wildhorse horse ranch (needs GPA)	120	
37. PG&E service center, 5 th & L (needs GPA)	150	150
Sub Total 2011 – 2015		
• Need During This Period = 1,250 Units (5Yrs x 250 Units)		
• Maximum Potential Shown = 750 Units	430	320
• Probable Potential At 50% = 375 Units	215	160
• Remaining Need on Other Infill or Peripheral Sites (such as Covell Village, Con Agra, etc.) During This Period = <u>875 Units</u> (1,250-375)		

(Table Continued On Next Page)

Totals During Planning Period of 2003 – 2015	For Sale Housing Units	Rental Housing Units
Grand Total 2003 – 2015		
• Need = 3,250 Units (13 Yrs x 250 Units)	1,625 (50%)	1,625 (50%)
• Maximum Potential Shown = 2,420 Units	981	1,439
• Probable Potential At Assumed %s = 1,880 Units	691	1,189
• Probable Potential Adding Assumption for Second Units (13 Yrs. x 10 Units) divided by 2 = 65 DU Equivalentents = 1,945 Units	691	1,254
• Remaining Need on Other Infill or Peripheral Sites (such as Covell Village, Con Agra, etc.) During This Period = <u>1,305 Units</u> (3,250-1,945=1,305)	934 Units (72% of Total)	371 Units (28% of Total)

The tables in this analysis do not include the following sites:

- Covell Village
- Con Agra
- Nishi Property (assumes agriculture or University uses not annexed to City)
- Signature Properties at the Mace curve (not being considered for urban use)
- City and DJUSD corporation yards
- Racquet and Fitness Club, 303 Ensenada Drive (pre-app submitted 6/03 for proposal of 30 ownership units)

O/bwolcottpotential residential growth sites and remaining “need”

Summary of Recommendations to City Council
By Planning Commission (PC) and Affordable Housing Task Force (AHTF)

See Additional Comments on Next Page

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 - a. Increasing the inclusionary requirement puts Davis farther above the requirements of other jurisdictions.
 - b. Alternatives to the inclusionary requirement are:
 - Providing silent second mortgages and the profits go back into the housing trust fund.
 - Mandating a range of sizes of houses including modest size lots and houses.

June 30, 2003 (Subcommittee in attendance):

4. **Equity restrictions should be in form of resale restriction.** The Council should consider equity restriction in the form of resale restriction because of the following reasons:

- a. Severe restrictions to equity may result in fewer local employees and residents participating in the program.
 - b. Given that the "middle-income" category is not expected to receive subsidies similar to the affordable housing ownership concept, it makes sense to not severely limit the amount of equity the owner could get, however, restrict the resale to other middle income persons.
 - c. The ordinance for the middle income category should examine development regulations, such as building size, setbacks, lot sizes, design amenities and materials or other factors that could functionally make the unit a middle income unit in the long run.
 - d. Overall, to encourage participation and success of this concept, minimize the number of restrictions placed on the developer/builder and the prospective buyer.
 - e. Be careful not eliminate homeownership rights.
- 5. City involvement should be considered carefully.** Given that this process is conceptual at this time, the city involvement will be supported as long as the costs to the city, the developer and prospective buyers (both at initial sale and resale stages) are seriously considered.
- 6. A simple lottery system that recognizes equally all local employees and residents is supported over one that singles out a particular group of employees.** The following are additional comments on this concept:
- a. The concept of lottery maybe supported for ownership housing but not for rental housing.
 - b. The lottery concept should be simple and inclusive of the broad local employees and residents so that no group receives more weight than the others do.
 - c. The 40% concept does not appear appropriate.
 - d. Keep the middle-income and moderate-income categorizes separate.
 - e. There is no need to include rental housing in the lottery system as 1) moderate-income group does not participate in rental housing per existing policies and ordinance, 2) the nonprofit organizations maintain a waiting list that have worked well and maintained for years, 3) middle-income units are not expected to be rented, and 4) if concerns on rental is due to new construction projects, the affordable housing ordinance should address that separately.
- 7. Preferences should be broad to include all local employees and residents.** The following are additional comments:
- a. Preference to any particular group of local employees may not generate the level of interests and participation expected.
 - b. All local employees whether public or private, and all local residents whether employed or not, such as the disabled or seniors, should be given equal preference.
 - c. Public safety employees and teachers serve the community equally as other employees that work in Davis, such as nurses, nonprofit organization employees, and service employees in the private sector.
 - d. It may be that not too many "public safety employees" are willing to relocate to Davis given many factors that include current economic conditions and family situations.

Generally, the Task Force recommends that the middle-income inclusionary requirement should be in addition to the existing 25% ownership requirement.