

STAFF REPORT

DATE: January 25, 2016

TO: Social Services Commission

FROM: Danielle Foster, Housing & Human Services Superintendent
Eric Lee, Planner

SUBJECT: Sterling Fifth Street Apartments;
2100 Fifth Street; Planning Application #15-49, Affordable Housing Plan #2-15

Recommendation

Staff recommends that the Commission:

1. Review the Affordable Housing Plan for the Sterling Fifth Street Apartments;
2. Ask questions and make comments;
3. Recommend that the City Council take action to approve Affordable Housing Plan #2-15, with the following standards and conditions:
 - a. Sterling Fifth Street Apartments shall create a secondary parcel of no less than 0.84-acre in size, the affordable housing site, and obtain the required planning entitlements and complete the surrounding site infrastructure improvements, including clearing and preparing the site, to develop a minimum of 41 affordable units. Building permits for market rate units shall not be issued until this parcel is created and conveyed to the developer of the affordable housing site or the City of Davis.
 - b. The rental units developed on the affordable housing site shall remain affordable in perpetuity and be comprised of at least 20 units, or fifty percent of the affordable units, at rents affordable to 50% of Area Median Income (AMI), including at least 10 units at rents affordable to 35-40% AMI. The remaining affordable units shall be developed at rents affordable to households at 60% AMI or below. Developer of affordable housing site will seek to increase affordability to the extent feasible given available funding sources. This requirement shall be established in a deed restriction or covenant recorded on the property, subject to review and approval by the City Manager's Office prior to issuance of building permit on the affordable housing site.
 - c. Sterling Fifth Street Apartments will pay \$2,025,000 in affordable housing in-lieu fees, equivalent to an additional 27 affordable units, to the City's Affordable Housing Trust Fund, which the City will use for the development of this site, subject to actual project need at time of financing. Building permits for market rate units will not be issued until this payment of in-lieu fees has been made.
 - d. The developer of the affordable housing site shall diligently pursue financing for the affordable apartments. If the affordable apartments have not commenced construction within five years of the first building permit issued for a market rate unit in the student site of the project, the developer of the affordable housing site shall transfer the parcel to the City of Davis, for use as permanently affordable housing. The land

shall be free of any encumbrances or unusual easements, subject to the review and approval of the City Manager's Office and the City Attorney.

- e. The developer of the affordable housing site will pursue programs with Davis Community Meals and other local service providers and volunteers that can provide housing and services to special needs populations (e.g. housing and services to address the needs of families and individuals who are homeless or at-risk of homelessness) to the extent additional resources are available and these programs are allowed by the affordable housing's lenders and investors.
- f. The developer of the affordable housing site and Sterling Fifth Street Apartments shall work together to create an agreement around shared services between the two sites, including discussion of the: parking garage, planned community events, and a potential student mentoring program. The agreement shall be submitted to the City for review and approval.
- g. The affordable housing site and the market rate housing site shall both be developed with all units being accessible or adaptable to fully accessible for persons with disabilities.

Fiscal Impact

The project is proposing payment of \$2,025,000 in affordable housing in-lieu fees, the equivalent of the required \$75,000 per unit fee for 27 affordable units. These funds would go into the City's Housing Trust Fund and be used for affordable housing development of this site, and potentially others if funds exceed project needs for development.

Background and Analysis

The project site consists of approximately 6 acres located in the east-central portion of the City of Davis, north of the I-80 Freeway and east of Pole Line Road. The project site is bordered by 5th Street to the north, a U.S. Post Office building to the west, and commercial and industrial buildings to the south and east. The project site is currently developed with seven large 2-story buildings located throughout the site, totaling approximately 55,000 square feet. The site also includes extensive paved parking areas, playground equipment, grass lawn areas, concrete walking paths, and landscaping throughout.

The land directly to the north of the project site consists of residential uses, the bulk of which are low density single-family mobile homes (Rancho Yolo Senior Mobile Home Park). There is also a multi-family residential development situated to the northwest of the project site (the Fifth Avenue Place Apartments Complex). The local U.S. Post Office branch is located directly adjacent to the project site to the west. The adjacent parcels to the south and east of the project site are designated Industrial by the General Plan, including the Vander Hamm Tire Store and a Harrison Self-Storage facility. Commercial and other high density residential land uses also exist east of the site (including the U-Carmel Apartments), beyond the adjacent land use area. Additionally, the east-west Union Pacific Railroad (UPRR) exists to the south of the project site, beyond the adjacent industrial land uses.

The Families First facility operated at the site from 2003 until September 2013, when Families First closed and vacated the site. It is the City's understanding in our research on the prior use and financing of the site, that there are no long-term limitations on the use of the property based on the State bond-financing used to develop parts of the facility. Staff also understands that bonds secured by the property have been paid off, and that the final bond on the project, not tied to the property, would be repaid from proceeds of the sale. The property was put on the market for sale or lease in May 2014. Pre-application for the Sterling 5th Street Apartments Project was submitted in April 2015. A formal planning application for the planning entitlements for the proposal was submitted in June 2015. The proposed project would demolish the existing buildings and redevelop the 6-acre property located at 2100 5th Street with two separate residential projects, totaling 244 units. Approximately 5.16 acres of the site would be developed as a four and 5-story, 203-unit university student apartment project (Student Site). The remaining 0.84-acre portion of the site would be developed as a four-story, 41-unit affordable housing project (Affordable Housing Site). These two separate project components are described in greater detail below. The City Council provided feedback through the pre-application process of its interest in a high density residential use for this site, particularly in response to low vacancy rates in local rental housing units, and encouraged staff and the applicant to think creatively on the affordable housing component.

STUDENT SITE

The "Student Site" would consist of a four and 5-story, 203-unit university student apartment project, which would include 727 beds, a 11,650 square foot leasing office/clubhouse, landscaped courtyards and common open space areas, a six-story (seven parking levels) residential parking garage with 545 parking spaces, and other amenities including bicycle parking areas (accommodating 727 bicycle parking spaces), pedestrian pathways, and extensive landscaping improvements. Site amenities would include large interconnected courtyards between the residential buildings, a swimming pool, pool deck, outdoor amphitheater, cabanas, beach area, and barbeque areas. A bikepath is proposed around the perimeter of the project site. The Student Site includes a total of 66,800 square feet of usable open space.

The project would include a mix of 1-bedroom to 5-bedroom apartment units ranging in size from approximately 500 square feet to 1,700 square feet. The 104 4-bedroom/4-bathroom units would comprise the largest share of the 203 units (51%) and 727 bedrooms (57%). The development is designed with University of California (UCD) students in mind as the target population, but would not be restricted to students. The project is proposed to be built as a LEED for Homes Silver certified project. The proposed project would include a 6-story parking garage.

AFFORDABLE HOUSING SITE

The "Affordable Housing Site" would consist of a four-story, 41-unit apartment building, with a maximum building height of 54 feet. The project would include a mix of 1-bedroom to 3-bedroom units, ranging in size from 645 square feet to 1,125 square feet. Approximately 44% of the units would be 1-bedroom units. The residential density of the Affordable Housing Site would be 49 units per acre. The site is envisioned to include a 710 square foot laundry area, a 1,900 square foot common area, and 9,900 square feet of usable open space.

The 41 low, very-low, and extremely low income affordable apartment units would be developed adjacent to the Student Site in order to meet the City's affordable housing requirements. The 41

affordable units to be constructed, plus the in-lieu fees for 27 units, would fulfill the standard requirement for this site by providing the equivalent total of 68 affordable units. The Affordable Housing Plan is further detailed below:

1. The provision of a .84-acre site for the development of a minimum of 41 affordable housing units provided to an affordable housing developer; and
2. Payment of \$2,025,000 in in-lieu fees (equivalent to 27 affordable units) to the City for use in the development of the affordable housing site first and other sites, if the project does not necessitate all of the funds.

The main project is focused on student housing needs. Early on there was discussion about including the 68 affordable units within the overall project, but as discussions progressed on the project and as part of the pre-application discussions at the City Council, staff was encouraged to explore more creative options. With ongoing discussions regarding issues of homelessness and the need for extremely low income housing units, the project developer landed on a concept that would provide an affordable housing site that could be more focused on the greatest affordability needs within the community. The project developer selected and has been working with Mutual Housing California in planning his affordable housing proposal for the site. Consistent with the Cannery affordable housing site and similar past projects, final selection of the affordable housing developer is at the applicant’s discretion, with final approval required by the City.

While this project could be required to provide a land dedication site or develop units on-site within the market rate project, staff believes that the developer’s alternative proposal (Project Individualized Plan- PIP) will go further in addressing local affordable housing needs by doing the following:

- Providing deeper levels of project affordability, including extremely low income units, not otherwise provided by the City’s standard low (80% AMI) and very low (50% AMI) requirements for the on-site development of units.
- Providing the combination of land and in-lieu fees that will increase the likely success of the affordable housing project being developed in a timely manner and through resources the City will have available from the market rate portion of this project.

For these reasons, staff is supportive of proceeding with this PIP.

Details of the affordable unit sizes and affordability levels are estimated to be developed as follows, with an affordability comparison to standard city requirements under the affordable housing ordinance. It is important to note that the final mix of affordability will be subject to project financing, but the City is requiring at least half of the units serve 50% AMI households and below, including at least 10 units focused on serving households at 35-40% AMI.

Affordability requirements for the site would be recorded through a deed restriction as part of the property transfer to the affordable housing developer and prior to building permit issuance.

Unit Size	Affordability Levels	Percent of Project	Standard Requirements
One Bedroom	4 Units- 35% AMI 3 Units- 40% AMI 2 Units- 50% AMI 9 Units- 60% AMI	45%	0 Units- 35% AMI 0 Units- 40% AMI 5 Units- 50% AMI 0 Units- 60% AMI 13 Units- 80% AMI

Unit Size	Affordability Levels	Percent of Project	Standard Requirements
Two Bedroom	2 Units- 35% AMI 1 Unit - 40% AMI 2 Units- 50% AMI 6 Units- 60% AMI	27.5%	0 Units- 35% AMI 0 Units- 40% AMI 3 Units- 50% AMI 0 Units- 60% AMI 8 Units- 80% AMI
Three Bedroom	3 Units- 35% AMI 1 Unit – 40% AMI 2 Units- 50% AMI 5 Units- 60% AMI	27.5%	0 Units- 35% AMI 0 Units– 40% AMI 3 Units- 50% AMI 0 Units- 60% AMI 9 Units- 80% AMI
Total	40 Units, Plus One Manager’s Unit		Based on 41 on-site units and the same in- lieu fee payment

In addition to the affordability of the site, staff has been in discussion with the project applicant and prospective affordable housing developer of the importance that the site include adequate services for tenants, including potential transitional housing units with Davis Community Meals, 3-5 beds for the short-term housing with assessment of individuals and families recently facing homelessness, and other services that would benefit the affordable housing site and community overall. Beyond on-site services, the City is also requiring the project applicant and affordable housing developer to explore options for partnerships in shared parking, planning community events, and creating programs across the communities, like a mentorship program.

Tenants of these proposed affordable housing units would be identified using the city’s standard selection process in place at the time of marketing and income qualification, in accordance with any special requirements of additional financing sources as well.

Both the affordable housing site and the market rate housing site will be developed as fully accessible or adaptable throughout the project sites, with elevators serving all units.

Attachments

1. Site Plans and Elevations
2. Landscaping Plans
3. Affordable Landscape Concept