

STAFF REPORT

DATE: May 23, 2017

TO: City Council

FROM: Ashley Feeney, Assistant Director Community Development & Sustainability
Cathy Camacho, Planner

SUBJECT: **2411 E. 8th Street, Chiles Ranch Subdivision:** PA #15-24: First Supplement and Amendment to Development Agreement #1-15, Tentative Subdivision Map #2-15, Revised Affordable Housing Plan #1-15, Final Planned Development #8-15; Revised Final Planned Development #2-17

This report provides supplemental information to the May 10, 2017 Planning Commission staff report which is provided as Attachment 4.

Recommendation

Staff recommends that the City Council hold a public hearing and take the following action:

1. Adopt the Ordinance Approving the First Supplement and Amendment to Development Agreement between the City of Davis and the Developer (Attachment 1).
2. Approve the Tentative Subdivision Map to subdivide Lot “41” for the creation of 9 new residential lots (“*Chiles Ranch West*”), (Attachment 2).
3. Approve the following applications, based on the findings and subject to the conditions provided in Attachment 3:
 - a. Revised Affordable Housing Plan to amend the number of affordable units required and to meet the housing obligation through a combination of construction of on-site units and payment of in-lieu fees.
 - b. Final Planned Development to establish development standards for 9 new residential lots; Revised Final Planned Development to formalize minor development standard changes within the approved subdivision due to minor shifts in lot lines.

Project Description

The applicant is proposing revisions to “*Chiles Ranch*” subdivision, a single-family residential development of 108 units located at 2411 E. Eighth Street, approved by the City Council in 2009. The approved subdivision includes attached and detached 1-story, 1.5-story and 2-story single-family homes; 10 lots with a second dwelling unit constructed above the detached garage; and 22 for-sale affordable units including 20 condominium units. The developer has a Development Agreement with the City and an approved tentative map with the right to proceed with development of the site without further approvals. However, the developer is proposing revisions to certain components of the project and these changes require City Council approval.

The proposed modifications are summarized below:

- Reduce the number of dwelling units in the project from 108 units to 96.
- Revised Affordable Housing Plan.

- omit condominium units from the plan
 - revised number of affordable housing units to 14 units, providing a “middle ground” between what the City ordinance required at the time of the original approval and what the 2013 affordable housing ordinance revision would require today.
 - on-site construction of 6 for-sale affordable units
 - payment of in-lieu fees for remainder
- Tentative Map to subdivide the condominium parcel into 9 single-family market rate lots.
 - Increase number of accessory units in the project from a maximum of 10 units allowed under the existing approval, to 23 units.

Executive Summary

The significant change to the project is a Revised Affordable Housing Plan. The approved plan from 2009 requires 22 for-sale affordable units, provided in 20 condominium units and 2 single-family dwellings. The applicant proposes to omit the condominium units from the project. This changes the number of units in the project from 108 to 96. The decrease in number of units in the project changes the affordable housing requirement from 22 to 14. The developer has submitted an Individualized Project Plan (PIP) proposing to meet the obligation through a mix of on-site construction and payment of in-lieu fees. Staff notes that the developer originally proposed to fully meet the revised affordable obligation for 14 units through payment of in-lieu fees. That proposal has been revised under the current Project Individualized Plan (PIP).

Though a Project Individualized Plan (PIP) (Municipal Code Section 18.05.050(a)(3)(A), “...*the developer may meet housing requirement with an individual program that is determined to generate an amount of affordability **equal to or greater than** the amount that would be generated under the standard income affordability requirements.*” The developer proposes 18 units; this is 4 fewer than required under the current 108-unit plan, but 4 greater than required under the revised 96-unit plan. The applicant and staff believe the revised housing plan aligns with current City Council goals and City policies related to housing.

The developer is striving to meet various goals and objectives in a medium-density project, by providing the following:

- New housing units in the City.
- A mix of for-sale housing prices.
- Construction of affordable units on site.
- In-lieu fees providing \$900,000 to the City’s Affordable Housing Fund for affordable housing activities including purchase and deed restriction of units, rehabilitation of units, development of units, and preservation of units.

Other benefits of the proposed project include:

- A more cohesive infill development project of single-family homes.
- Increased number of market rate units that are subject to a \$3,000 supplemental residential fee under the Development Agreement (86 market rate units (\$258,000) approved / 90 market rate units (\$270,000) proposed).

- Potential new rental opportunities in the form of additional developer constructed second dwelling units in the new development.
- The affordable dwellings constructed on site would be single-family, 3-bedroom, 3-bathrooms, with a 2-car garage. These units would be incorporated into the development, rather than marginalized in a less desirable condominium project.

Fiscal Analysis

Staff prepared a fiscal analysis for the proposed 96-unit project. The fiscal analysis of the Chiles Ranch Development suggests that the project is fiscally beneficial to the City. Chiles Ranch Development is anticipated to generate \$130,000 annually over the next 15 years. The primary revenue source is property taxes. Furthermore, the majority of the streets and green areas of the project will be maintained by the Homeowners Association. Additionally, the project is expected to have one time revenues of approximately \$620,000 in construction tax, \$842,490 in Park In-Lieu and \$1.5 million in development impact fee revenues. The Development Agreement calls for the project to contribute an additional \$270,000 in funds for Community Enhancement.

Consistency with City Council Goals

Goal 1. Fiscal Resilience

- Look at a variety of approaches to revenue while providing a balanced look at expenditures.

Goal 5. Promote Community

- Plan for the long-term needs of the community.
- Employ policies so the housing supply includes options for a wide range of demographics.

Relevant Planning Action

Social Services Commission

In November 2008, the Commission recommended support (5-2) for affordable housing plan to construct 22 units on site. Subsequent conversations by the Commission about building units on-site versus paying in-lieu fees indicate that the majority of the Commission continues to prefer on-site units. However, staff will be bringing the discussion to them at their May 22 meeting and will report out the results at the May 23 City Council meeting.

Planning Commission

May 10, 2017, 3-3 vote on proposed project revisions.

The vote reflects support for a mix of on-site construction and in-lieu fees by some commissioners, and a desire to retain the full number of affordable units in the project by other commissions. Overall, there was support for an increased number of accessory units in the project to meet a variety of needs for nannies, students, and others, but not as a means to meet affordability. Staff notes that the second dwelling units would not be ‘affordable’, and were not meant to be considered as such under the project’s affordable housing plan. However, given the size, 400 square feet, the units lend themselves to affordability by virtue of their size compared to larger units that could potentially house more people and command higher rents.

In terms of the project's affordability housing proposal, there was support and recognition of the City's need for in-lieu fees to fund other affordable housing activities. On the other hand, dissenting commissioners expressed concern regarding the use of the funds and the proposed revised affordable housing plan in general, as summarized:

- Difficult to support in-lieu fees without a specific use of the fees and timeframe identified.
- Convert the condominiums to another type of housing, but keep the project's affordability as promised.
- Preference for affordable dwellings to be constructed on site.
- Support for the approved plan.

A significant issue was a lack of understanding of how fees paid by the developer would be utilized and concern that the fees would be used for an undetermined project at an undetermined time. There was discussion that without some assurance that the in-lieu fees would be used for an already earmarked affordable housing project at the time the fees are collected, it was difficult to support the developer paying fees in-lieu of providing affordable housing on site. At the meeting staff stated that the fees would be paid to the City's Affordable Housing Trust Fund to assist solely with City-affordable housing activities such as purchase and deed restriction of units, rehabilitation of units, development of units, and preservation of units, but did not have the information necessary to respond to specific questions to identify specific funding needs for future affordable housing projects or activities. Staff believes that if information had been available at the meeting demonstrating specificity of where collected in-lieu fees would have likely been allocated, coupled with additional affordable units being provided onsite, it is likely that a majority, but not all, of the commission may have supported the revised affordable housing plan.

After the meeting, Planning met with appropriate City staff to gather information regarding the activity of the City's Affordable Housing Fund since 2012, when revenue provided by the former Redevelopment Agency ceased. Since that time, revenue for the Housing Trust Fund has had to be generated by other sources, primarily lease revenues, occasional residual receipts, and one-time in-lieu fees.

Historically, the Housing Trust Fund, which includes the in-lieu fees, has been used to assist in funding new affordable housing developments, rehabilitate existing affordable units and offset costs of the overall affordable housing program.

The City is currently expecting one in-lieu fee from Villages at Willowcreek (\$75,000) and one in-lieu fee from Paso Fino (\$50,000), as both projects are in various phases of development. The City received one in-lieu fee in 2014 (\$50,000) from Willowbank Park. City Council increased the in-lieu fee amount from \$50,000 to \$75,000 in 2015.

Projects currently under development which will receive funding from the Housing Trust Fund are BerryBridg, a moderate-income project with eight single family homes (\$400,000) and Cannery Lofts/Bartlett Commons, the affordable rental development of 62 units in The Cannery (\$1.2 million). The Cannery project will house individuals of extremely low, very low and low

income levels, providing a much-needed housing option for portions of the Davis workforce and residents.

Because of changes in funding levels from federal HOME funds, a greater percentage of the City’s commitment for Cannery Lofts needs to come from the funds remaining in the Housing Trust Fund. Staff estimates \$665,000 of Housing Trust Fund money is necessary to fulfill the City’s commitment. As a result, rehabilitation of two currently vacant buildings at Pacifico (and transfer of that property from City ownership to the Yolo Housing Authority) and other future projects will need to wait until adequate funding is identified in order to proceed. Based on the funding currently available, staff recommends no fewer than 8 in-lieu fees in order to fully meet the City’s existing commitments for all existing projects (BerryBridge, Cannery, Pacifico).

Staff believes that there is a proven need for in-lieu fees to support other affordable housing projects in the City. There is also a demand for affordable housing. The proposed revised affordable housing plan would provide both new affordable housing units and fees which would be beneficial to the community and to the City for the following reasons:

- The PIP will provide for a greater affordable housing obligation of on-site units / fees than would otherwise be required for a 96-unit project.
- The project will provide new single-family for-sale affordable housing opportunities for low/moderate income households.
- The project will provide \$900,000 in fees to the Affordable Housing Fund, which could be used to assist with Cannery, Pacifico or a future project. Both Cannery Lofts and Pacifico provide housing options with greater affordability than ownership developments, further diversifying the affordable housing options in the community.

Should the Council wish to see the project move forward with a greater number of on-site affordable units, direction could be given as a condition of approval to increase the number of on-site units. The proposed affordable units are duets which are already included in the approved 2009 site plan. The plan also includes two other duets (four units) which could potentially bring the number of affordable units in the project to 10 without an overall redesign of the project. Council may have other options they wish staff to explore. Staff notes that an increase in number of on-site affordable units in the project would decrease the in-lieu fee paid by the developer by \$75,000 per unit.

Development Agreement (DA)

A Development Agreement provides a vested right for development of an approved project. The Development Agreement for the overall project was approved by the City Council in June 2009. With the proposed changes a Supplemental Development Agreement is necessary. A summary of changes that will be incorporated into the First Supplement and Amendment to Development Agreement (Attachment 1) are shown in Table 1 on the following page:

Table 1. First Supplement and Amendment to Development Agreement

2009 Development Agreement	Proposed Supplemental Agreement
Number of Units: 108 units	96 units
Affordable Housing Requirement:	

22 low/moderate affordable units <ul style="list-style-type: none"> • 22 condominium units • 2 single-family dwellings 	18 low/moderate affordable units <ul style="list-style-type: none"> • 6 attached single-family units • 12 paid in-lieu fees @ \$75,000 per unit (\$900,000)
Supplemental Residential Fee for Market Rate Units: \$3,000 per unit @ 86 units (\$258,000)	\$3,000 per unit @ 90 units (\$270,000)
Architectural Diversity: Detached single-family dwellings Attached single-family dwellings Condominium units	No condominium units
Park (Quimby) in-lieu Fees: \$7,921.47 per unit for 108 units (\$855,518.76)	Rate in effect at time of payment (currently \$9,361 per unit) for 96 units (\$898,656)
NA	Compliance with City Renewable Energy Ordinance
NA	Compliance with City Universal Access Ordinance

Sustainability

The project will be required to comply with the City’s Green Building Ordinance and the City’s Renewable Energy Ordinance resulting in more efficient homes with photovoltaic systems. Garages will also be required to pre-wired for EV recharge stations.

Universal Design

The project will be required to comply with the City’s Universal Access Ordinance.

Conclusion

Staff feels the project helps meet multiple housing objectives and is consistent with the Housing Element. The project site was identified as a key infill opportunity site in the 2008 Housing Steering Committee report. The project provides a wide array of housing types and designs contributing to a more diverse housing stock.

Staff recommends approval of PA #15-24 and the requested project entitlements, based on the recommended Findings and subject to the Conditions of Approval provided in Attachment 3.

Attachments

1. Draft Supplemental Development Agreement
2. Tentative Map
3. Recommended Findings and Conditions of Approval
4. May 10, 2017 Planning Commission Staff Report link:
<http://documents.cityofdavis.org/Media/Default/Documents/PDF/CityCouncil/Planning-Commission/Agendas/20170510/06C-Chiles-Ranch-Subdivision.pdf>