



November 8, 2019

Mr. Greg Chew
Sacramento Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

RE: City of Davis Comments on Draft Regional Housing Needs Allocation Methodology

Dear Mr. Chew:

The City of Davis has reviewed the proposed Cycle 6 Draft Regional Housing Needs Allocation Methodology (“RHNA”) and offers the following comments specific to the 2,075 units proposed for allocation to the City of Davis.

The City has been making a concerted effort to provide additional housing opportunities at all affordability levels. The Davis City Council has approved a number of projects for construction of varying types with many units that by design provide for housing a greater number of residents than a typical dwelling unit. The City is seeing a shift in multifamily housing where rather than renting units, bedrooms and even beds are rented on an individual basis. This results in more people being housed in a unit and the composition of the units are often configured where units have a greater number of bedrooms than traditional multifamily units. The City respectfully requests the Sacramento Council of Governments (“SACOG”) and the California Department of Housing and Community Development (“HCD”) provide a prorated credit for multifamily units against the City of Davis RHNA recognizing that these units are providing housing for a greater population than traditional units.

By way of example, the 2010 Census found 2.55 persons per multifamily household whereas the average persons per household across three recently approved higher bedroom count multifamily projects is 4.68 persons per unit. These larger format units house more people and should be recognized at a higher ratio than a single unit. The City would appreciate an opportunity to engage in a discussion with SACOG to develop a mutually agreeable methodology and formula to recognize a fair and appropriate credit for these unique housing types. Here is an example of three recently approved relevant multifamily projects:

6-1

	Davis Live	Lincoln 40	Sterling
# of Units	71	130	160
# (%) of 1-bedroom units	0	0	22 (22/160) = 14%
# (%) of 2-bedroom units	0	17 (17 / 130) = 13%	30 (30/160) = 19%
# (%) of 3-bedroom units	1 (1 / 71 = 1%)	21 (21 / 130) = 16%	0
# (%) of 4-bedroom units	40 (40 / 71 = 56%)	84 (84 / 130) = 65%	82 (82/160) = 51%
# (%) of 5-bedroom units	30 (30 / 71 = 42%)	8 (8 / 130) = 6%	26 (26/160) = 16%
# of Bedrooms	313	473	540
# of Beds	440	708	540
Average Occupants per Unit*	6.2 AOU (71/440)	5.45 AOU (130/708)	3.38 AOU (160/540)

6-1
Cont.

In addition to consideration for larger format multifamily units being considered as greater than a single unit, City of Davis staff has been in discussions with SACOG and HCD staff regarding the development of a methodology for how to convert the City's deed-restricted affordable beds into affordable units that will count towards Davis' Regional Housing Needs Allocation (RHNA) obligation. . A memorandum delivered to HCD on October 21, 2019 outlining the request and methodology is included as an attachment.

6-2

The City of Davis appreciates consideration of our requests accounting for unique housing types and innovative approaches to providing affordable housing. Please contact me with any questions regarding this request.

Regards,



Ashley Feeney
Assistant City Manager

Attachment: Memorandum to California Department of Housing and Community Development dated October 21, 2019

Cc: Mike Webb, City Manager
Kelly Stachowicz, Assistant City Manager
Sherri Metzker, Principal Planner
Ginger Hashimoto, Management Analyst



MEMORANDUM

TO: Melinda Coy, Policy Specialist, California Department of Housing and Community Development
 Tom Brinkhuis, Policy Analyst, California Department of Housing and Community Development

FROM: Mike Webb, City Manger, City of Davis
 Kelly Stachowicz, Assistant City Manager, City of Davis
 Ashley Feeney, Assistant City Manager, City of Davis

CC: Greg Chew, Senior Planner, Sacramento Area Council of Governments
 Dov Kadin, Planner, Sacramento Area Council of Governments

DATE: October 21, 2019

RE: Conversion of Affordable Bed Rentals into Affordable Regional Needs Housing Allocation Unit Credit

BACKGROUND

In 2018, the City of Davis approved three housing projects, with a fourth currently under review, where the rental structure is by-the-bed. While rented by-the-bed, each unit will feature private bathrooms as well as a communal kitchen and living area. In addition, most units will come fully furnished with utilities included. As presented in the table below, each project included an affordable component comprised of deed-restricted beds ranging from low, very low, and extremely low-income levels.

Table 1: Summary of By-the-Bed Rental Projects with Deed-Restricted Affordable Beds

	Davis Live	Lincoln 40	Nishi
# of Units	71	130	700
# (%) of 2-bedroom units	0	17 (17 / 130) = 13%	TBD
# (%) of 3-bedroom units	1 (1 / 71 = 1%)	21 (21 / 130) = 16%	TBD
# (%) of 4-bedroom units	40 (40 / 71 = 56%)	84 (84 / 130) = 65%	0
# (%) of 5-bedroom units	30 (30 / 71 = 42%)	8 (8 / 130) = 6%	0
# of Bedrooms	313	473	TBD
# of Beds	440	708	2,200
# (%) of Affordable Beds*	66 (66/440 = 15%)	71 (71/708 = 10%)	330 (330/2,200 = 15%)
# (%) of Low Income Beds	22 (22/66 = 33%)	14 (14/71 = 20%)	0
# (%) of Very Low Income Beds	22 (22/66 = 33%)	57 (57/71 = 80%)	220 (220/330 = 67%)
# (%) of Extremely Low Income Beds	22 (22/66 = 33%)	0 (0%)	110 (110/330 = 33%)

*All affordable beds are deed restricted with no eligibility restrictions except for being income-qualified

PURPOSE

The purpose of this memorandum is to begin a dialogue between the City and the California Department of Housing and Community Development (HCD), with the goal of developing a mutually agreeable methodology for how to convert the City's deed-restricted affordable beds into affordable units that will count towards Davis' Regional Housing Needs Allocation (RHNA) obligation.

PROPOSED METHODOLOGY

Based on the Davis Live project, the City is proposing the below methodology, but looks forward to future discussions with HCD on how to refine the methodology. Please note, the City will use the term "City affordable" when referring to its deed-restricted affordable beds, but will use the term "statutory affordable" when referring to affordable RHNA unit credit.

1. Using HCD's 2019 income limits for Yolo County, calculate a monthly rent for each City affordable bed by:
 - a. Taking 30% of the 1-person household income limit at the low-, very low-, and extremely low-income levels
 - b. Dividing the amount by 12 months

Table 2: Monthly City Affordable Bed Rent

Affordable Bed Income Level	2019 Income Limit for 1-Person Household in Yolo County*	Monthly City Affordable Bed Rent** = 30% of the Income Limit/ 12 months
Low-Income Bed	\$49,250	\$1,231 = (\$49,250 x 30%) / 12
Very Low-Income Bed	\$30,800	\$770 = (\$30,800 x 30%) / 12
Extremely Low-Income Bed	\$18,450	\$461 = (\$18,450 x 30%) / 12

*Based on HCD's 2019 State Income Limits: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>

**All bed rentals include utilities

2. Using the by-the-bed rental rates for UC Davis' West Village project, obtain a monthly market bed rent comparison by:
 - a. Adding the rental rates
 - b. Dividing the sum by the number of rates

Please note, the City calculated a separate average for single occupancy and double up occupancy to utilize in Steps 5a and 5b.

Table 3: Monthly Market Bed Rent Comparison

West Village Unit Type	Monthly West Village Bed Rent*
Single Occupancy 1-Bedroom Viridian A	\$2,205
Single Occupancy 1-Bedroom Viridian B	\$2,305
Single Occupancy 2-Bedroom Viridian C	\$1,415
Single Occupancy 2-Bedroom Viridian D	\$1,415
Single Occupancy 2-Bedroom Solstice A	\$1,315
Single Occupancy 2-Bedroom Ramble A	\$1,315
Single Occupancy 3-Bedroom Viridian E	\$1,185
Single Occupancy 3-Bedroom Solstice B	\$1,185
Single Occupancy 3-Bedroom Solstice C	\$1,170
Single Occupancy 3-Bedroom Ramble B	\$1,185
Single Occupancy 3-Bedroom Ramble C	\$1,185
Single Occupancy 4-Bedroom Solstice D	\$1,160
Single Occupancy 4-Bedroom Ramble D	\$1,160
Single Occupancy Average	\$1,400 = (\$18,200 / 13)
Double Up Occupancy A	\$865
Double Up Occupancy B	\$765
Double Up Occupancy Average	\$815 = (\$1,630 / 2)
Monthly Market Bed Rent Average	\$1,322 = (\$19,830 / 15)

*Based on UC Davis' West Village project rental rates as of May 2019, which rents by-the-bed and does not include utilities: <https://www.ucdaviswestvillage.com/floorplans>

3. Calculate a monthly City affordable bed subsidy for the Davis Live project by:
 - a. Subtracting the monthly market bed rent average (Step 2) from the monthly City affordable bed rent at each income level (Step 1)
 - b. Multiplying the results by the number of proposed beds at each income level (Table 1)
 - c. Adding the results to arrive at a monthly City affordable bed subsidy

Table 4: Monthly City Affordable Bed Subsidy

Affordable Bed Income Level	Monthly City Bed Affordable Subsidy = Average Monthly Market Bed Rent – Monthly City Affordable Bed Rent x # of Beds
Low-Income Bed	\$2,002 = (\$1,322 - \$1,231) x 22
Very Low-Income Bed	\$12,144 = (\$1,322 - \$770) x 22
Extremely Low-Income Bed	\$18,942 = (\$1,322 - \$461) x 22
Monthly City Affordable Bed Subsidy	\$33,088 = (\$2,002 + \$12,144 + \$18,942)

4. To compare Davis Live's monthly City affordable bed subsidy to what HCD considers affordable RHNA unit credit, use HCD's 2019 income limits for Yolo County to calculate a monthly statutory affordable unit rent for each unit type by:
 - a. Taking the income limit listed for the appropriate household size (based on the number of bedrooms plus one)
 - b. Multiplying the appropriate income limit by 30%
 - c. Dividing the result by 12 months

Table 5: Monthly Statutory Affordable Unit Rent

Affordable Unit Income Level	2019 Income Limit for X-Person Household in Yolo County*	Monthly Statutory Affordable Unit Rent = 2019 Income Limit for X-Person Household in Yolo County x 30% / 12 Months
Low-Income 3-Bedroom Unit	\$70,300 (4-person household)	\$1,758 = (\$70,300 x 30%) / 12
Low-Income 4-Bedroom Unit	\$75,950 (5-person household)	\$1,899 = (\$75,950 x 30%) / 12
Low-Income 5-Bedroom Unit	\$81,550 (6-person household)	\$2,039 = (\$81,550 x 30%) / 12

*Based on HCD's 2019 State Income Limits: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2019.pdf>

5. Using the by-the-bed rental rates for UC Davis' West Village project, calculate a monthly statutory market unit rent comparison for each unit type by:
 - a. Multiplying the West Village average double up rent (from Step 2) for one bedroom in the unit by two
 - b. Multiplying the West Village average single occupancy rent (from Step 2) for the remainder of the bedrooms (number of bedrooms minus one to account for the double up bedroom from the calculation above)
 - c. Adding the results together to obtain a monthly market unit rent that is consistent with HCD's methodology of determining household size by taking the number of bedrooms in a unit plus one

Table 6: Monthly Statutory Market Unit Rent Comparison

Unit Type	West Village Double Up Bed Rent*	West Village Single Occupancy Bed Rent*	Monthly Market Unit Rent = West Village Double Up Bed Rent x 2 + West Village Single Occupancy Bed Rent x (# of Bedrooms - 1)
3-Bedroom Unit	\$815	\$1,400	\$4,430 = (\$815 x 2) + (\$1,400 x (3-1))
4-Bedroom Unit	\$815	\$1,400	\$5,830 = (\$815 x 2) + (\$1,400 x (4-1))
5-Bedroom Unit	\$815	\$1,400	\$7,230 (\$815 x 2) + (\$1,400 x (5-1))

*Based on UC Davis' West Village project rental rates as of May 2019, which rents by-the-bed: <https://www.ucdaviswestvillage.com/floorplans>

6. Obtain a monthly statutory affordable unit subsidy for Davis Live by:
 - a. Subtracting the monthly statutory market unit rent (Step 5) from the monthly statutory affordable unit rent (Step 4)
 - b. Multiplying the result by the percentage of proposed units (Table 1)
 - c. Adding the results to arrive at a monthly statutory affordable unit subsidy

Table 7: Monthly Statutory Affordable Unit Subsidy

Unit Type	Monthly Statutory Market Unit Rent	Monthly Statutory Affordable Unit Rent	Monthly Statutory Affordable Subsidy = (Monthly Statutory Market Unit Rent - Monthly Statutory Affordable Unit Rent) x % of Davis Live Bedrooms
3-Bedroom Unit	\$4,430	\$1,758	\$27 = (\$4,430 - \$1,758) x 1%
4-Bedroom Unit	\$5,830	\$1,899	\$2,201 = (\$5,830 - \$1,899) x 56%
5-Bedroom Unit	\$7,230	\$2,039	\$2,180 = (\$7,230 - \$2,039) x 42%
Monthly Statutory Affordable Unit Subsidy			\$4,408 = \$27 + \$2,201 + \$2,180

7. Obtain an affordable RHNA unit equivalency for Davis Live by:

- a. Dividing the monthly City affordable bed subsidy (Step 3) by the monthly statutory affordable unit subsidy (Step 6)

	Davis Live Affordable RHNA Unit Equivalency = Monthly City Affordable Bed Subsidy / Monthly Statutory Affordable Unit Subsidy
Davis Live Affordable RHNA Unit Equivalency	7.5 units = \$33,088 / \$4,408