

**STAFF REPORT**

**DATE:** October 15, 2018  
**TO:** Social Services Commission  
**FROM:** Katherine Hess, Community Development Administrator  
Heidi Tschudin, Interim Director of Community Development and Sustainability  
**SUBJECT: University Research Park Mixed Use Proposal – Affordable Housing Review**

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**Recommendation**

Staff recommends the Social Services Commission review the affordable housing plan for the 160-unit University Research Park Mixed-Use proposal and make the following findings:

1. As a vertical mixed-use project, the proposal is exempt from inclusionary requirements of the Davis Municipal Code as stated in Section 18.05.080(c); and
2. The Commission supports the inclusion of eight affordable units for very-low-income families and the following components of the affordable housing plan:
  - a. Rents and incomes to be based on family (unit) income, rather than by-the-room or by-the-bed. Affordable units to be rent- and income-restricted in perpetuity;
  - b. Affordable units to be proportionally distributed amongst unit sizes (studio, 1BR, 2BR) and throughout the complex. Residents of affordable units to have equal access to all project amenities; and
  - c. If feasible, leases for affordable units shall be on a flexible structure (such as month-to-month), rather than the typical September-August lease used for student-oriented housing.

**Background**

Fulcrum Property has submitted an application for a mixed-use development (four stories of apartments over ground-floor R&D) at 1770 Research Park Drive. The project includes 160 apartments in four buildings, with tech space on the ground floor of each building.

	Unit Information			
	Unit Type	No. of Units	Bedrooms	Square Feet
Residential	Studio	32	32	
	1 BR	96	96	
	2 BR	32	64	
	Total	160	192	138,431
Tech Space				26,912
Total				165,343

To service the apartments and tech space, the site will contain 214 parking spaces and 216 bike parking spaces – 148 long-term spaces within the buildings and 68 short-term spaces scattered throughout the site. Finally, there will be 40,100 square feet of open space within the project.

The mixed-use project is within – and intended to complement – the University Research Park business park. Approval of the project would require General Plan Amendment and rezoning, because the property is currently identified for retail commercial uses. Public hearings have not been scheduled. Application documents are at <https://cityofdavis.org/city-hall/community-development-and-sustainability/research-park-mixed-use>.



**Affordable Housing Proposal Summary**

The applicant is proposing to lease five percent of the units (eight units) to very-low income households at affordable rents. A summary is below:

Target Income	Quantity and Type	Type of Lease	Rent as % of Area Median Income ("AMI")	Expected Initial Monthly Rent*
Very low	5% of total units	Unit	30% of 50%	Studio:** \$728.00/month One-bedroom:** \$833.00/month Two-bedroom:** \$936.00/month

Notes:  
 \* Expected monthly rent is based on current year rental information and 2018 Yolo County AMI. Actual rents will be adjusted by utility allowance.  
 \*\* The quantity of each of these categories of units will be proportionate to the total number of those types of units in the entire Project.

### **Commission Review Process**

The purpose of this initial review is to allow the Social Services Commission to provide review and comment on the affordable housing component of the project. Commission comments will be relayed to the Planning Commission and City Council as they weigh the overall merits of the project.

The application will also be reviewed by the Bicycle, Traffic, and Street Safety Commission following receipt of a Transportation Study now underway. Public Hearings have not been scheduled.

### **Affordable Housing Ordinance Requirements**

Article 18.05 of the Davis Municipal Code establishes affordable housing requirements for new developments. The number and type of affordable units is based on type and size of the market-rated component of a project. The Code exempts certain types of development from affordable housing requirements. Exemptions include very small projects, condominiums, and vertical mixed-use developments (Section 18.05.080). This project, as a vertical mixed-use development, is exempt from City inclusionary requirements.

The City Council has expressed a desire of revisiting requirements for affordable housing in rental developments. The City has interim standards for rental projects that were approved in February 2018 and are scheduled to sunset at the end of December. Discussion of possible modifications is scheduled for Social Services Commission at its November meeting.

### **Public Resources Code Requirements**

Any project approved by a jurisdiction must be screened in accordance with the California Environmental Quality Act (CEQA). CEQA review can range from a determination that a project is “exempt” to requirement for an extensive review and formal Environmental Impact Report. Recent revisions to CEQA allow a “transit priority project” to be exempt from CEQA. The project must meet locational criteria, such as being within a quarter-mile of an existing or proposed transit corridor. The project must be predominantly residential and above density thresholds. Most importantly for this Commission’s review, the project must include specified provisions for public parks or affordable housing. This application proposes that five percent of the units will be rented to very-low income families at rents consistent with statutory formulas.

### **Analysis and Recommendation**

Staff is supportive of the CEQA exemption and the provision of affordable housing units in this project. The eight affordable units are likely to be offered at a significant discount from market rents and will provide a meaningful financial benefit to the resident families. The location is near employment centers in South Davis and on the UC Davis campus.

Staff has the following additional comments on the proposal:

#### **Calculation of Affordability.**

The City has recently seen student-oriented developments proposing affordable income and rent calculations based on by-the-bed or by-the-room rentals. This project is proposing to calculate incomes and rents by-the-unit, combined for all family members. This provides a deeper level of subsidy more appropriate for workforce housing. Consistent with statute, maximum rents would be adjusted with an allowance for tenant-paid utilities.

Duration of Affordability.

The statute requires that the units remain affordable for a minimum of 55 years. The applicant is proposing affordability in perpetuity.

Proportionality and Distribution of Affordable Units.

As proposed, the affordable units would be distributed proportionally throughout the project. With respect to unit size, the following is expected to be the breakdown (subject to refinement with final building permit plans):

	Unit Information		
	Unit Type	No. of Units	Number of Affordable Units (approximately five percent)
Residential	Studio	32	2
	1 BR	96	4
	2 BR	32	2
	Total	160	8

Residents of the affordable units will have equal access to all project amenities.

Suitability for Families.

Staff is working with the applicant to ensure that the entire project is suitable for long-term residency for adults and for families. We are working to refine plans for indoor and outdoor recreation, resident storage, and possibly accommodations for pets. Final design details will be reviewed by the Planning Commission through the public hearing process.

Recently-approved student-oriented housing projects have assumed September-to-August leases, consistent with the UC Davis academic year. This lease structure may be suboptimal for very-low-income families, or workforce housing in general. Staff and the applicant are continuing to explore mechanisms for lease terms that are consistent with affordable housing objectives and workable from a management perspective.

In summary, staff believes the affordable housing plan meets current provisions of the affordable housing ordinance and recommends the Social Services Commission support the proposed inclusion of affordable units in the University Research Park Mixed-Use development project. Staff also recommends the commission make comments to the Planning Commission and City Council on affordability calculations, distribution of units, and lease provisions.

**Attachment**

1. Affordable Housing Proposal
2. Project plans and other materials are at <https://cityofdavis.org/city-hall/community-development-and-sustainability/research-park-mixed-use>

**University Research Park Project  
Affordable Housing Plan  
Updated: October 11, 2018**

Overview and Purpose:

The University Research Park project (“URP,” or the “Project”) proposes a mix of affordable housing elements that: address particular unmet housing needs within the City of Davis (“City”); meet the affordability requirements for a Sustainable Communities Project (“SCP”) under Public Resources Code section 21155.1(c); and respect the neighborhood context.

The Project is planned for the final vacant lot in the University Research Park, on a reconfigured parcel approximately 4.5 acres in size. URP will encompass 160 apartment units situated within four (4) buildings, with an additional 26,912 square feet of ground-floor open-plan tech space.

Affordable Housing Plan

<b>Target Income</b>	<b>Quantity and Type</b>	<b>Type of Lease</b>	<b>Rent as % of Area Median Income (“AMI”)</b>	<b>Expected Initial Monthly Rent*</b>
Very low	5% of total units	Unit	30% of 50%	<b>Studio:**</b> \$728.00/month <b>One-bedroom:**</b> \$833.00/month <b>Two-bedroom:**</b> \$936.00/month
Total				

Notes:

\* Expected monthly rent is based on current year rental information and 2018 Yolo County AMI.

\*\* The quantity of each of these categories of units will be proportionate to the total number of those types of units in the entire Project.

1. Affordable Rental Units for Very Low Income (Sustainable Communities Project).

Consistent with Public Resources Code section 21155.1, subsection (c)(1), URP will include 5% of the rental units to be rented at an affordable rent to very low income households, which is defined by the statute as those households with a gross income of no more than 50% of the AMI, adjusted for household size appropriate for the unit. URP will use Yolo County as the “area” for calculation of applicable AMI.

2. Qualifying Criteria

URP’s affordable housing program will be open to individuals who qualify for conventional affordable housing, as well as individuals who may not qualify for such housing. All affordable

housing residents must demonstrate that they meet the income criteria at the appropriate level for the housing they seek. For purposes of determining eligibility, “income” shall be defined as set forth in 25 Cal. Code Regs. § 6914.

URP management may also implement additional tenant selection criteria, and shall ensure that all selection criteria are in conformance with all applicable laws, including but not limited to the Federal Fair Housing Act, the California Fair Employment and Housing Act, and the California Unruh Act. Additional tenant selection criteria may include, for example, tenant’s credit-worthiness and tenant’s rental history.

#### Utility Rates

Each URP tenant will be responsible for the cost of the tenant’s monthly utility rate.

#### Parking

The project will not charge tenants for parking.

#### Administration of Program and Marketing

The URP leasing schedule will follow the calendar year: all leases will be for a term of one year, and the leases will commence in January and terminate in December.

At the end of the lease for tenants living at URP in future years,<sup>1</sup> residents who demonstrate their income qualification for affordable housing will be offered first priority for the next lease year. To the extent there are available units in the affordable housing program for the next lease year, the affordable housing program will be offered to prospective tenants as part of the normal leasing process. If units in the program are available as of July 15th of any year, URP management will advertise locally, contact community groups, and shall ensure, to the maximum extent possible, that all affordable units are leased at an affordable rent to eligible households or individuals as of January 15th each year.

#### Duration of Affordable Housing Program

The required number of affordable units shall be maintained and rented as part of URP in perpetuity, subject to compliance monitoring by the City. This affordable housing plan shall be implemented through a Regulatory Agreement and Restrictive Covenants (the “Regulatory Agreement”), which shall be recorded against the URP property prior to the issuance of any building permits for the Project. The Regulatory Agreement shall be consistent with the Plan as outlined herein and shall be in a form as approved by the City Manager and City Attorney. The Regulatory Agreement shall remain in effect in perpetuity and shall be in a senior position to any deeds of trust or other security instruments recorded against the URP property for any purpose

URP management will submit an annual report in a form approved by the City no later than February 30th of each year to the City showing the number of qualifying units in the Program for

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<sup>1</sup> There are currently no tenants at URP.

the lease year that commenced in January, as well as compliance with qualification criteria of the program.

### Compliance with State and Local Affordable Housing Requirements

#### California

URP complies with California state mandates for affordable housing under Senate Bill 375. SB 375 states that, in order to qualify as a transit priority project, the development must meet both of the following requirements (Pub. Res. Code § 21155.1(c)):

(A) At least 20 percent of the housing will be sold to families of moderate income, or not less than 10 percent of the housing will be rented to families of low income, or not less than 5 percent of the housing is rented to families of very low income.

(B) The transit priority project developer provides sufficient legal commitments to the appropriate local agency to ensure the continued availability and use of the housing units for very low, low-, and moderate-income households at monthly housing costs with an affordable housing cost or affordable rent, as defined in Section 50052.5 or 50053 of the Health and Safety Code, respectively, for the period required by the applicable financing. Rental units shall be affordable for at least 55 years. Ownership units shall be subject to resale restrictions or equity sharing requirements for at least 30 years.

URP meets these requirements.

#### City of Davis

URP complies with the requirements of the City's Affordable Housing Ordinance ("Ordinance"), found at Municipal Code Article 18.05. The base Ordinance requires that, for developments with more than 20 units, 35% of the units in the developments must be affordable units, and of that 35%, 25% of the units must be designated for low income individuals, and 10% must be designated for very low income individuals, as defined in Municipal Code sec. 18.05.020. On February 6, 2018, the City Council temporarily amended its rental inclusionary requirements to serve as a bridge until the City can complete a comprehensive update. The change added Municipal Code Section 18.05.060 (b) (set to sunset on December 31, 2018), which temporarily adds an alternative affordable housing requirement option of 15% by the unit or by the bed.

URP will not be subject to the 35% percent requirement after December 21, 2018, however, because URP is a vertical (stacked) housing development and is exempt from the requirements of the Affordable Housing Ordinance: "Residential components of a vertical mixed use development are exempt from the requirements of this article." Mun. Code § 18.05.080(c).

The Project will provide 5% of units for very low income individuals, which contributes towards meeting an identified need in the City.

URP complies with the City's affordable housing requirements.