

Context:

In September 2020 this Commission voted on a document that described stated programs and funding sources for affordable housing. This document is the draft Housing Trust Fund. The Social Services Commission voted to have this document forwarded to the City Council for their consideration as a road map for funding sources and programs for affordable housing for various needs groups. The draft Housing Trust Fund (HTF) was not presented to council directly by the SSC. The document was instead presented in November 2021 to the Housing Element Committee by a then member of this commission. The request of SSC to the HEC was to add the draft HTF as an appendix to the Housing Element (HE). With the support of community members and the City Council the HTF was added as an appendix to the Housing Element.

Within the draft HTF there are a number of proposed programs and funding sources. One of those programs, Down Payment Assistance, is the program being presented tonight for your consideration.

What is Down Payment Assistance (DPA):

DPA is widely considered an effective method of addressing housing affordability. DPA can take the form of a loan, a note or even a gift. It can come from a parent, family member or as we propose, DPA can come from a program to be administered by the city.

DPA programs are generally associated with helping First-time Homebuyers to make a purchase of a home. ***Note: This program utilizes the Housing & Urban Development (HUD) definition of a First-time Homebuyer. This definition is not currently part of the City of Davis Housing Code.***

Many First-time Homebuyers can budget their monthly expenses, affording the monthly mortgage payment, utilities or even car payment. But, the additional outlay of a down payment and closing costs creates a barrier to housing affordability. DPA is one of the methods to help cross this barrier.

What is the problem that DPA will help to solve?

Due to the lack of affordable priced housing, the lack of inventory of housing for sale and the lack of programs to help fund the purchase of housing we see

- Reduced enrollment for Davis Schools

- Reduced numbers of families able to purchase a home and live in Davis

- Increased numbers of commuters into Davis to work here and leave

What are the barriers to buying a home in Davis?

The lack of affordable priced housing, the very low inventory of housing and the absence of programs to help fund a purchase all create barriers to buying housing in Davis.

In addition to Down payment and closing cost monies, access to information about availability of for sale affordable housing, the actual availability of affordable for sale housing, The increase in housing costs vs income, the condition of an older property that is more affordable can have expensive deferred maintenance issues.

How do we break down the barriers?

It is important to note that there are only 124 “deed restricted” affordable homes Davis (less than 1% of the total housing units). With this fact in mind the first answer is to build more deed restricted and market rate homes. Without more homes being built the only real solution you have is the creation of programs designed to help families, workforce, minorities and seniors qualify to buy a market rate home as well as a “deed restricted” home. If the program allows the opportunity to buy both market rate and deed restricted homes the pool of housing for first-time homebuyers opens up.

Circumstances in Davis that justify recommendations for a specific model

The fact that Davis has no DPA program and in addition the fact that there are so many cities that do have a DPA program illuminates the fact that these programs are widely accepted. This means that Davis is missing an opportunity to address housing affordability.

Some of the cities that do offer DPA and have been researched for this program proposed are: Pleasanton, Napa, Livermore and Dublin. While a few of the counties are: Brentwood, San Diego, Monterey and Santa Ana.

Solution

The City of Davis is one of a number of cities in the nation that have a Housing Trust Fund. Housing Trust Funds are considered by housing experts to be the perfect mechanism to fund various housing programs and are extremely flexible. The monies in these funds can be used to support innovative ways to address many types of housing needs. Many housing trust funds report highly successful track records addressing a wide range of critical housing needs.

¹Given the great deal of unmet affordable housing needs in Davis, increasing the size of the HTF is a priority. Almost all HTFs across the country are funded through developer impact fees or residential in-lieu fees, but a significant fraction also rely on a more diverse array of funding sources. We encourage the City to implement more forms of dedicated revenues for the HTF.”

Recommendation

The Social Services Commission recommends that the City Council accept this DPA program as a program to be funded through the Housing Trust Fund. And establish an account within the Housing Trust Fund that provides a mechanism to accept funding such as, but not limited to, private donations, grants, etc to support this DPA program entitled “First-time Homebuyer Program”.

1 Draft HTF – see Housing Element Appendix A