

STAFF REPORT

DATE: October 21, 2025

TO: City Council

FROM: Iris Grace, Affordable Housing Manager
Dana Bailey, Social Services & Housing Director

SUBJECT: Affordable Housing Production – Implementation of Davis Municipal Code Article 18.05

Recommendations

Staff recommend the City Council:

1. Receive an informational report providing an overview of Article 18.05 of the Davis Municipal Code and its application related to the development of affordable housing.
2. Provide feedback related to two (2) clarifying questions from staff regarding:
 - A. Affordable Housing Plan financial review; and
 - B. Affordable Housing Plan Project Individualized Plan (PIP).

Fiscal Impact

This is an informational item and has no fiscal impact.

Council Goals

This item is consistent with Shoring Up the Housing Continuum and Improving Social Services for Vulnerable Populations.

Commission Input

The Social Services Commission has primary oversight for reviewing and making recommendations to the Council on affordable housing proposals. The Commission has discussed affordable housing requirements multiple times.

Background

Article 18.05 of the Davis Municipal Code (Attachment A) establishes the City's inclusionary housing framework, enacted pursuant to the City's general police powers to promote the health, safety, and welfare of its residents through the creation and maintenance of affordable housing opportunities (§18.05.030). The ordinance operationalizes the City's Housing Element goals and implements policies ensuring that both ownership and rental developments contribute proportionally to meeting the regional housing needs of very low- and low-income households.

The purpose of this report is to provide information on affordable housing requirements and to summarize how Article 18.05 promotes developer accountability and equitable

housing access while ensuring proportional responsibility for affordable housing across development types. The report addresses the regulatory requirements outlined in the Housing Element (Attachment B) through the Regional Housing Needs Assessment (RHNA) and how Davis has met those requirements. It also outlines how the City can hold developers accountable to mitigate barriers to affordable housing production.

Davis Municipal Code Objectives

The City's code endeavors to advance equity in housing access by requiring inclusionary affordability across a range of income levels and housing types:

- *Balanced Income Distribution* – Ownership developments must provide housing affordable to very low-, low-, and moderate-income households (§18.05.050(a)). Rental developments must reserve at least 15% of total units, split evenly between low-income and very low-income households (§18.05.060(a)).
- *Inclusive Design Standards* – Affordable units must be integrated into the overall project and constructed with the same materials and amenities as market-rate units (§18.05.060(a)(2)).
- *Public Oversight as an Equity Tool* – The Social Services Commission and Planning Commission ensure affordable housing commitments align with current city housing needs (§18.05.040(b)(2)).
- *Housing for Local Workers* – The ordinance's purpose (§18.05.010) emphasizes providing housing for "local workers," directly addressing equity by ensuring that those employed in Davis can also afford to live here.

Article 18.05 also ensures proportionality between market-rate development and affordable housing contributions. This balance is achieved through tiered inclusionary requirements tied to project type and scale:

- *Ownership Developments* – Developers must provide affordable units equivalent to: 25% for single-family homes on lots over 5,000 sq. ft.; 15% for smaller lots; 10% for attached townhomes; and 5% for stacked condominiums or vertical mixed-use projects (§18.05.050(a)(2)).
- *Rental Developments* – A minimum of 15% of total units must be affordable, split between low and very low-income levels (§18.05.060(a)).
- *Flexibility Without Dilution* – Developers may propose alternative compliance such as land dedication or in-lieu fees, but such alternatives must be approved by Council and shown to provide equivalent or greater affordability value. The developer can achieve this through the submission of a Project Individualized Plan (PIP) (§18.05.050(a)(3)(A)-(E)) which outlines in detail the method proposed as an alternative to meeting affordability per code.

By linking affordability standards to Area Median Income (AMI), the code ensures that income-based thresholds remain proportionate to changing regional economic conditions, reinforcing fairness and adaptability.

Regulatory requirements and affordable housing production levels.

The California Housing and Community Development Department (HCD) mandates local jurisdictions plan for housing needs through the adoption of a Housing Element. On December 5, 2023, the City Council adopted the 2021-2029 Housing Element (Version 3) of the City’s General Plan, which was subsequently approved by HCD on February 8, 2024.

The purpose of the Housing Element is to provide a plan that meets the existing and projected housing needs of all population segments, including lower-income households and those with special housing needs. The Housing Element must demonstrate how the City is satisfying its RHNA requirement for the current cycle. The required number of units by income level for the current Davis RHNA allocation is provided in Table 1. Table 2 shows Yolo County’s income limits by household size, including an example for a family of four. The average median income (AMI) for Yolo County is **\$135,900**.

Table 1. City of Davis Regional Housing Needs Allocation, 2021-2029

Income Level (by Percentage of Average Median Income)	RHNA Units Required	Percentage of Total
Extremely Low Income	290	14%
Very Low Income	290	14%
Low Income	350	16.9%
Moderate Income	340	16.4%
Above Moderate Income	805	38.8%
Total	2,075	100%

Source: SACOG

Table 2. Income Level Definitions

Income Level	Definition
Extremely Low Income	30% or less of the AMI (\$37,750 for a family of four)
Very Low Income	30% of the AMI but less than or equal to 50% of the AMI (\$62,950 for a family of four)
Low Income	50% of the AMI but less than or equal to 80% of the AMI (\$100,700 for a family of four)
Moderate Income	Greater than 80% of the AMI but less than or equal to 120% of the AMI (\$163,100 for a family of four)
Above Moderate Income	Households earning greater than 120% of the AMI

Source: California Department of Housing and Community Development 4.1.2025

2024 RHNA Assessment

In 2024, there were 151 new residential units permitted in Davis. The Bretton Woods subdivision included 110 of these permitted units and 41 units were in other new multi-family housing subdivisions.

Over the last ten (10) years, three major development projects have created all-affordable multifamily apartment opportunities in the City of Davis:

Multifamily Housing Units

Bartlett Commons (2016)
"The Cannery"

7 units 30% AMI*
35 units at 45%AMI
19 units at 60%AMI
1 managers unit

Creekside (2017)
City-owned land dedication

36 units at 30%AMI
22 units at 50%AMI
32 units at 60%AMI

Adelante (2018)
"Sterling Project"

9 units at 40%AMI
10 units at 50%AMI
19 units at 60%AMI

* Area Median Income

In addition, affordable beds have been included in the by-the-bed projects Ryder at Olive (71 affordable beds) and Identity 525 (66 affordable beds). While these projects cater to the university student population, they do provide an additional affordable option for those interested in a by-the-bed product. The newly constructed Plaza 2555 has 10 affordable units to very low-income households.

There are 37 privately managed affordable apartment buildings in Davis with five or more units, not including those reserved for people with developmental disabilities.

For Sale Housing Units

The two most recent for sale affordable developments in Davis were Grande Village and Berry Bridge both of which were completed in 2016. Grande Village includes 14 units (8 moderate and 6 middle income) and Berry Bridge includes 8 units of for sale single family affordable homes.

These units are included in the roughly 125 covenant restricted affordable single family ownership homes in the community. The design of affordable housing is important to a city to provide both diversity of income levels as well as diversity in unit types. How a jurisdiction accomplishes this feat can be challenging.

Barriers to affordability

There are many factors involved in creating affordable housing and Davis, like many jurisdictions, find it difficult to attract, build and sustain affordable developments. Some barriers involve cost increases (including land cost, rising interest rates and inflation), community opposition, income inequality, and insufficient public funding for housing. As construction costs rise, overall development costs increase as well. According to the Tax Credit Allocation Committee (TCAC), the California average cost to build per new unit in 2020 was \$269,799, and today that cost is \$561,301. While these barriers exist in all California jurisdictions, this report focuses on those specific to our community as it applies to the application of Municipal code.

City of Davis Housing Standards (New Development) Example

The City of Davis has adopted an inclusionary ordinance with standards that require a diversity of affordable units as provided in Section 18.05.050 Ownership Development Affordable Housing. The desired effect of this section of code is to provide a diversity of product mixture by type and size with respect to affordable resale units.

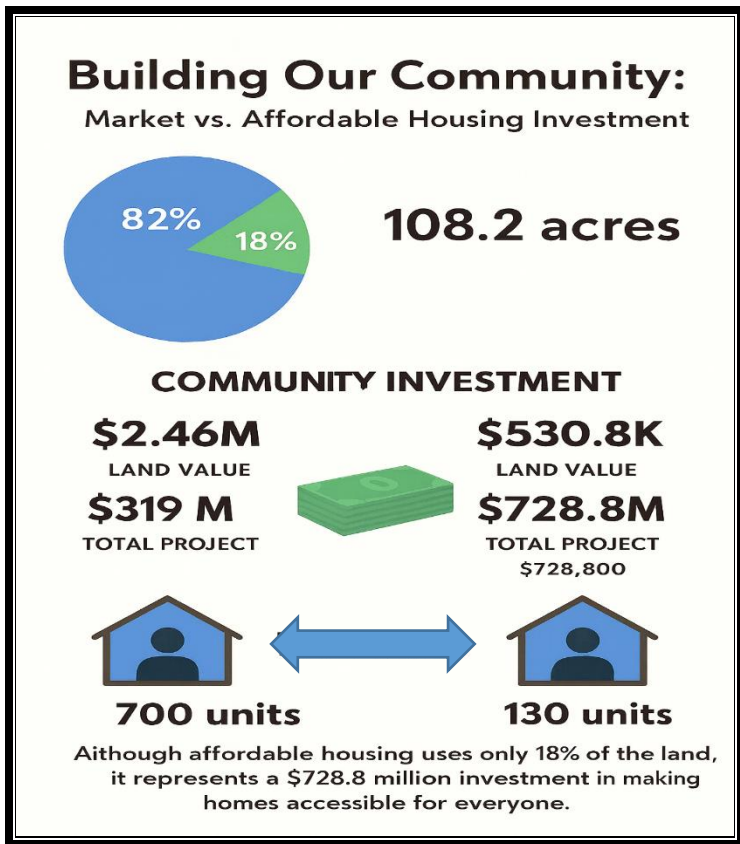
The example below is designed to illustrate cost factors associated with developing market-rate vs affordable housing units. When market-rate and affordable units are built together, there are many costs factors to consider with outcome impacts to both the developer and the City of Davis.

SAMPLE NEW DEVELOPMENT PROJECT

HOW MANY UNITS: 700

WHAT IS THE ZONING: R-1-8

SAMPLE SIZE USING: 8000 SQ FT Lot



Development Summary Example

Category	Market Rate Housing	Affordable Housing	Total
Land Area (Acres)	89 acres (82%)	19.2 acres (18%)	108.2 acres
Land Value (@\$27,650 per acre)	\$2,460,850	\$530,880	\$2,991,730
Cost per Unit ("Per Door")	\$560,000	\$560,000	—
Number of Units	570 units	130 units	700 units
Total Project Value	\$319,200,000	\$72,800,000	\$392,000,000
Percent of Total Project Value	77%	23%	100%

Per TCAC, the maximum *per unit* cost is capped at \$307,732 for multifamily developments. Using this example, the affordable housing development cost to build 130 multifamily housing units would be approx. \$40,005,160.00.

Financing Horizon for Affordable Housing Development

Affordable housing development generally requires multiple financing sources, which include Federal and State Tax Credit (LIHTC), Public Subsidies (including HCD Programs), with local agencies providing the first layer of public funding, and Conventional Loans through various sources of commercial funding. The following includes, but is not limited to, financing resources currently available:

Federal Funding Sources

Programs that are coordinated and administered through Housing and Urban Development

- Home Programs
- Community Development Block Grant (CDBG) Programs
- Programs administered through local Housing Authorities

State Funding Sources

All the various programs administered by HCD

- Housing Trust Fund
- Affordable Housing and Sustainable Communities Program (AHSC)
- Infill Infrastructure Grant Program (IIG)

Commercial Sources and Other Funding Sources

- Federal Home Loan Bank
- Various Commercial Real Estate funds
- Community Development Financial Institutions (CDFI's)
- Public-Private Partnerships

Affordable Housing clarifying questions

Ordinance 18.05 holds developers accountable through a multi-tiered compliance system that requires transparency, enforceable commitments, and perpetual affordability. Staff seeks Council feedback regarding two key accountability mechanisms:

#1: Affordable Housing Plan financial review

Current process: Section 18.05.040 also includes the following language:

Projects not requesting financial assistance from the city are not subject to a budget review. This review will allow for updated construction cost changes at the time of construction, which will again require review and approval by staff. These reviews also provide the city opportunity to act as an active partner to projects where local funds are requested.

Staff has clear direction when a developer is complying with the requirements outlined in Section 18.05. However, for developers who are not meeting the requirement, this language conflicts with Council's October 1, 2024 direction requiring developers to "show their work" when claiming that meeting affordability requirements is infeasible. It is challenging for staff to verify or support a developer's claim of infeasibility without a submitted feasibility study.

Clarifying question: When a developer claims a project is infeasible, is Council open to staff engaging in an exploratory review process to include an evaluation of supporting financial information in order to prepare an informed assessment of the claim?

#2: Affordable Housing Plan Project Individualized Plan (PIP)

Current process: Section 18.05.050 includes the following language

A developer of residential ownership developments consisting of five or more units shall provide in each development, to the extent feasible, affordable housing for very low, low and moderate income households, as set forth in an affordable housing plan approved by the city, in accordance with the requirements of this section.

18.05.050(3)(A) Project Individualized Program.

The developer may meet the city's affordable housing requirement with a project individualized program that is determined to generate an amount of affordability equal to or greater than the amount that would be generated under the standard affordability requirements. The affordable units must, at a minimum, meet the same income targets specified in the standard ownership affordable housing provisions.

A Project Individualized Plan, or **PIP**, is an option developers can use to propose alternative ways to meet the City's affordable housing requirements outlined in the Municipal Code. Any PIP must, at a minimum, create the same or greater level of affordable housing as would be required under the standard inclusionary requirements. If the proposal includes building affordable units, those units must serve the same income groups—very low-, low-, and moderate-income households—as defined in the Code.

Clarifying question: Should staff approach PIP negotiations from an objective or subjective stance? If the approach is subjective, each PIP will be reviewed on a case-by-case basis, with maximum flexibility to interpret the PIP in the totality of the project. If the approach is more objective in nature, then each PIP proposal will be reviewed to determine how it aligns with the municipal code in the following manner:

- A. The units proposed will align with the income targets specified in code; or
- B. The alternative proposed will include some component of community benefit that serve the residents of Davis consistent with Council goals.

Conclusion

Staff is hopeful this presentation and report will offer the Council information that allows for clarity in the way the City addresses affordable housing concerns. Staff's objective is to offer developers clear guidance as applications and financing are structured early in project development, which will in turn provide Council flexibility in its decision making related to affordable housing.

Attachments

- 1. Davis Municipal Code Article 18.05 – Affordable Housing
- 2. [Housing Element](#) 2021-2029

Chapter 18. Housing

Article 18.05. AFFORDABLE HOUSING

§ 18.05.010. Purposes of article—Findings.

The city council finds and determines:

- (a) The city has a goal to provide a range of housing for its local workers and has chosen to take action to ensure that affordable housing is constructed and maintained within the City of Davis.
- (b) Housing purchase prices in Davis are generally higher than the rest of the region, particularly Woodland and West Sacramento.
- (c) Rents in Davis have been rising and the majority of new apartments are four-bedroom units which are not suitable for most families. Small, very low income households have trouble finding affordable unassisted housing, and larger households of any income level have difficulty finding affordable units.
- (d) Federal and state funds for the construction of new affordable housing are limited.
- (e) In order to meet the city's fair share of the regional housing need for very low, low and moderate income households, the city included implementing policies within the housing element of the general plan to provide for such housing.
- (f) General plan implementing policies require that, to the extent feasible, for sale residential developments should provide for housing units that are affordable to very low income households, low income households and moderate income households as part of the development, with tiered requirements that are reduced or eliminated for housing products that are more affordable by design. General plan policies also require that affordable ownership units include a means for sustained affordability, maintaining them as affordable units into the unforeseeable future.

(Ord. 2418 § 1, 2013; Ord. 2646 § 2, 2023)

§ 18.05.020. Definitions.

For the purposes of this article, the following words and phrases shall have the meanings respectively ascribed to them by this section:

Affordable housing means affordable ownership housing or affordable rental housing.

Affordable ownership housing is housing affordable, based upon mortgage payments or carrying charges paid by a member of a limited equity housing cooperative, to low, very low or moderate income households. No more than thirty-five percent of the targeted household income shall be applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable and adjusted for household size. In the case of the limited equity cooperative, the total monthly carrying charges for its members shall not exceed thirty-five percent, and the carrying charges shall include all monthly housing costs minus utilities.

Affordable rental housing is housing affordable, based upon monthly rent, to low, very low or moderate income households, adjusted for household size. Affordable rental housing payments are approximately thirty percent of gross monthly target income less utilities.

Area median income (AMI) means the median income level for Yolo County as determined annually by the U.S. Department of Housing and Urban Development (HUD), adjusted for household size.

Community based mutual housing association means a nonprofit tax exempt corporation that may develop, own or manage housing units. Association membership includes nonresident and community members. Resident members shall constitute a majority of the shareholders of the corporation. Each member has one shareholder vote. The corporation is governed by an elected volunteer board of directors representative of the association membership. Members shall have no equity interest in the project. Residents pay a one-time membership fee to be used to defray the cost of constructing the housing units. This fee is refundable with nominal interest when residents leave the association. Residents must be members of the association, pay the membership fee and meet resident selection criteria established by the association.

Community based nonprofit-controlled rental housing means rental housing owned and operated by an organization with 501(c)(3) status, that is either based in Yolo County, or has a board of directors that includes a minimum of thirty percent representation of Yolo County residents.

Complete environmental review means that the land has had all environmental reviews completed on the site to satisfy local requirements, state CEQA requirements, and the national NEPA requirements; resulting in no significant findings that could inhibit development on the site. Any reported findings on the site must be cleared prior to deeding the site for land dedication to the city.

Density bonus means entitlement to build additional residential units above the maximum number of units permitted pursuant to existing general plan, applicable specific plan and zoning designations. Density bonus units may be constructed only in the development where the units of affordable housing are located. "City density bonus" means a bonus of units awarded to a developer pursuant to this article. "State density bonus" means a bonus of units awarded to a developer pursuant to Government Code Section 65915 et seq.

Developer means the owner of record and his or her successors in interest.

Development means one or more projects or groups of projects of residential units constructed in a contiguous area. A development need not be limited to an area within an individual parcel, or subdivision plat.

Exempt condominiums are residential ownership units in a condominium development that is predominantly composed of stacked air space units not having separate ownership parcels. Townhouse or single-family developments are not considered "exempt condominiums" under this definition, even if they are subdivided as condominium units.

Family means all persons living in a single household unit and identifying as a family. Family may include, but shall not be limited to, persons who are related by birth, marriage or adoption.

Feasible means capable of being financed, demonstrating the required financing (if any) meets lenders investment standards with respect to the project's loan to value (LTV), debt coverage ratio (DCR), and return on asset (ROA), based on the prevailing interest and discount rates supported in the required appraisal for a like property. Feasible projects should be sustainable projects, taking into account the cost of construction and ongoing maintenance of the project, in addition to the site's essential services.

First time homebuyer, as used in this chapter, shall have the same meaning, as amended from time to time, as used by the Federal Department of Housing and Urban Development and included in the Code of Federal Regulations.

Household means "family" as defined in this section. This article shall not apply to households in which any member is claimed as a dependent for federal income tax purposes by a person or persons residing outside of the household unit unless such person or persons who reside outside the household qualify as very low, low or moderate income persons or families.

Limited equity housing cooperative means a housing cooperative organized pursuant to California Health and Safety Code Section 33007.6 and Business and Professional Code Section 11003.4. A limited equity housing cooperative is owned by a nonprofit corporation or nonprofit housing sponsor. Resident-owners own the cooperative as an undivided whole, rather than individual units, but each has the exclusive right to occupy a specific unit within the cooperative.

Low income means a household earning a gross income of no greater than eighty percent of the median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually.

Low target income means that the average income of residents of low income units will be sixty-five percent of median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually.

Moderate income means a household earning a gross income of no greater than one hundred twenty percent of the median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually.

Moderate target income means that the average income of residents of moderate income units will be one hundred percent of median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually.

Ownership units means housing units which provide an ownership opportunity including, but not limited to, single-family units, condominiums, land trusts, and cooperatives, except in circumstances where the unit is converted to rental use.

Permanently affordable means affordable in perpetuity and subject to an agreement between the developer and the city to maintain affordability. Such agreement shall be recorded to the property.

Primary residence means a residential property that will be owner-occupied and serve as the principal dwelling for the household receiving assistance.

Rental units means housing units which provide a rental opportunity including, but not limited to, multifamily units (excluding condominiums and cooperatives), duplexes (two units on one lot), triplexes, or four-plexes on single-family residential zoned property. Single-family units may be converted to rental units for the purposes of this article.

Resident controlled nonprofit housing corporation means a housing corporation established to manage for-sale or rental housing projects designated for very low, low or moderate income households in which the majority of households have formed a nonprofit housing corporation. Residents need not have equity interest in such projects.

Self-help housing means mutual self-help housing constructed for very low, low, and moderate income families in which a group of prospective homebuyers shall provide labor to assist in the construction of their units. The intent of this program is to transform the hours of labor into equity ("sweat equity") to reduce the purchase price of the unit.

Stacked condominiums are residential ownership units in a condominium development that is predominantly composed of stacked air space units not having separate ownership parcels. Townhouse or single-family developments are not considered "stacked condominiums" under this definition, even if they are subdivided as condominium units.

Student housing cooperative means a nonprofit housing organization owned and/or controlled by students.

Sustained affordability means that the affordable housing obligation being produced to meet the requirements of this ordinance is done so in a manner that maintains the affordability provided into the unforeseeable future, with minimal loss in affordability.

Vertical mixed use development means mixed-use structures that vertically integrate residential dwelling units above the ground floor with unrelated non-residential uses on the ground floor, including office, restaurant, retail, and other nonresidential uses. For purposes of this article, vertical mixed use does not include structures that vertically integrate uses ancillary to residential units, such as resident parking, laundry rooms, community rooms, or common space on the ground floor with the residential units above.

Very low income means a household earning a gross income of no greater than fifty percent of the median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually.

Very low target income means that the average income for residents of very low income units will be forty percent of median income for Yolo County, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development and affirmed by the Davis city council annually. (Ord. 2418 § 1, 2013; Ord. 2443 § 1, 2015; Ord. 2545 § 2, 2019; Ord. 2639 § 2, 2023; Ord. 2646 § 3, 2023; Ord. 2672, 2/4/2025)

§ 18.05.030. Applicability of article.

This article is enacted pursuant to the general police power of the city and is for the purpose of providing affordable housing in Davis consistent with the general plan. (Ord. 2418 § 1, 2013)

§ 18.05.040. Provision of affordable housing.

- (a) Affordable housing plan. The developer shall submit, concurrently with or prior to the submission of an application for a development, an application as provided by the city describing a proposed affordable housing plan, which shall provide a program to provide affordable housing in accordance with this article and the intended method for implementing such a program. To the extent allowed by law, any application resubmitted by a developer to amend an affordable housing plan after it has been approved by the city shall be deemed a new application for the development. Projects not requesting financial assistance from the city are not subject to a budget review. This review will allow for updated construction cost changes at the time of construction, which will again require review and approval by staff. These reviews also provide the city opportunity to act as an active partner to projects where local funds are requested.
- (b) Approval process of affordable housing plans. The approval process for affordable housing plans will include the following steps:
 - (1) Submission of the affordable housing plan as part of the project application submitted to the community development and sustainability department. Staff shall then refer the affordable housing plan to the social services commission. All plans, including proposals for payment of in-lieu fees, will be heard before the commission. Substantial amendments to affordable housing plans should also be considered by the commission.
 - (2) The social services commission will hold a duly noticed public hearing, where the plan shall be considered, if the application for the development is not going to be scheduled for a public hearing at the planning commission and/or city council. If the application for the development will be scheduled for a public hearing at the planning commission and/or city council, the social

services commission will consider the affordable housing plan at a regular or special meeting of the commission. The commission will review the plan for compatibility with this article, adopted city affordable housing goals, and currently identified city housing needs.

- (3) After motion for approval or denial is given by the social services commission regarding the proposed affordable housing plan, it is then heard publicly before the planning commission and reviewed for their motion on the plan, if the planning entitlements requested by the project require this step. If the planning entitlements being requested do not require this step, then the social services commission's decision on the affordable housing plan is final, but, as is true with decisions of the planning commission, can be appealed to the city council through the city's appeal process as outlined in Article 40.35 of the Davis Municipal Code.
- (4) If the project is requesting planning approvals that require a city council hearing, the recommendations of both the social services commission, as well as the planning commission shall be included in the report to the city council.
- (c) Building permit issuance. No building permit shall be issued for any new residential unit unless the development containing such unit has received all approvals required with the standards and procedures provided for by this article. The location and type of proposed affordable housing in a development shall be disclosed in writing by each seller to each subsequent purchaser of lots or units within the development, until all the affordable housing units are completed.
- (d) Competitive contracting. In circumstances where local, state, or federal funds are being used to assist in the development of the project, an open bidding process shall be carried out that adequately addresses the requirements of all funding sources involved. In agreement with this requirement, the developer shall be aware of regulations accompanying all funding sources used for the development, and shall comply with the regulations from pre-construction and throughout the life of the development. Copies of all contracts that are requested for viewing by the city shall be submitted in a timely manner. The city may request evidence of open procurement and compliance with any and all government funding regulations on a project at any time. If the city believes the project to be out of compliance with the intent of this article and/or the regulations of the project's funding sources, the city has the ability to sanction the project developers for their conduct, including fining the project or withdrawing funding.
- (e) Development agreement. The city shall use the development agreement of the development to ensure that the developer adheres to the requirements and intent of this article by detailing within the agreement the sanctions involved if the developer does not comply with the requirements of this article during the construction process.
- (f) Rounding provisions. Where the total affordable units required by this article call for a portion of a unit, the developer may provide an additional affordable unit (for example, a requirement of one and one-half could result in two units) or may pay the applicable portion of the unit in in-lieu fees.
- (g) Buyer/tenant selection and screening. Buyer/tenant selection and screening shall be carried out by the developer, owner, city, or by the designated responsible party, at the sole expense of the developer. Included in the affordable housing plan submitted by the developer, shall be a proposed marketing plan with an estimated timeline of events, which must be approved by the city and shall adhere to the city's buyer/tenant selection and screening guidelines.

The City of Davis will monitor the buyer selection and screening process through required monthly reports, and through the ability to review any and all files regarding the process at any time that city staff requests to do so. The City of Davis will possess the ability to halt any sale or break any lease of an affordable unit at its discretion, for reasons to include, but not restricted to, the following: if the buyer selection and screening process was not strictly adhered to, or if the buying household is found not to meet the guidelines of qualification, as specified in the guidelines.

(Ord. 2418 § 1, 2013; Ord. 2646 § 5, 2023)

§ 18.05.050. Ownership development affordable housing standards.

A developer of residential ownership developments consisting of five or more units shall provide in each development, to the extent feasible, affordable housing for very low, low and moderate income households, as set forth in an affordable housing plan approved by the city, in accordance with the requirements of this section.

The approval process for affordable housing plans will adhere to that which is required by Section **18.05.040(b)**.

The price of all affordable ownership housing units will be calculated based on payments to be made by the buyer that make up no more than thirty-five percent of the gross monthly target income level designated for a specific unit and shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable and adjusted for household size. Percentages allowed for the qualifying of the mortgage loan shall be determined by the lender or lenders involved with the income-qualified household.

A developer may, at his or her option, provide affordable rental units to meet the requirements of this section, pursuant to state law, provided that such rental units must comply with the affordable housing standards for rental units in Section **18.05.060** of this article, and as adopted by the city.

To the maximum extent feasible, each developer must meet the ownership affordable unit requirement as it pertains to the project, as set forth below:

- (a) Standard ownership affordable housing requirements. Any development that is comprised in whole or in part of ownership units shall comply with the following requirements, which shall be included in the development's affordable housing plan.

- (1) Affordable Housing Requirements, by Residential Product Type.

- (A) For projects comprised of market rate single-family detached ownership units on lots larger than five thousand square feet in area, the developer must provide for a number of affordable housing units equivalent to twenty-five percent of the total units being developed, including the affordable units, by means of one of the methods set forth in this section.
- (B) For projects comprised of market rate single-family detached ownership units on lots smaller than five thousand square feet in area, the developer must provide for a number of affordable housing units equivalent to fifteen percent of the total units being developed, including the affordable units, by means of one of the methods set forth in this section.
- (C) For projects comprised of market rate single-family attached ownership units, the developer must provide for a number of affordable housing units equivalent to ten percent of the total units being developed including the affordable units, by means of one of the methods set forth in this section.
- (D) For projects comprised of market rate stacked condominiums or ownership units within vertical mixed-use development, the developer must provide for a number of affordable housing units equivalent to five percent of the total units being developed including the affordable units, by means of one of the methods set forth in this section.
- (E) Exempt projects as identified in Section **18.05.080** have no affordability requirements except as provided therein.
- (F) For developments that are comprised of more than one residential product type, the affordable housing obligation shall be calculated for each product type separately and then aggregated, before rounding, provided, however, if a development is comprised of ownership and rental product types, the affordable housing obligations for the ownership and rental units shall be calculated and applied separately.

- (2) Affordable Housing Requirements, by Project Size.

- (A) Exempt projects pursuant to Section **18.05.080**.

- (B) Projects Totalling Five or Greater Units for Purchase.

- (i) The required affordable units must be provided through: on-site construction of affordable ownership or rental units, acquisition and recordation of permanent affordability restrictions on existing housing units within the city, provision of a land dedication site, and/or through payment of in-lieu fees, as further defined in subsections (b) through (f).
 - (ii) The on-site construction of affordable ownership or rental units may be fulfilled through the on-site development of affordable units for purchase or rental, in conformance with all that is stated in subsection (b).
 - (iii) The land dedication option shall be fulfilled by the developer by making an irrevocable offer to the city of sufficient land, without abnormalities (shape and terrain) and with complete environmental review that can accommodate the affordable housing requirement for the project. The land dedication shall be in conformance with all that is stated in subsection (c), entitled land dedication.
 - (iv) The option of purchase and placement of permanent affordability restrictions on existing housing units within the city is only available when determined to be appropriate by the city council in its sole discretion, and must be in conformance with all that is stated in subsection (e).
 - (v) The payment of in-lieu fees to fulfill part or a project's entire affordable housing requirement is subject to city council review and must be in conformance with all that is stated in subsection (f), entitled in-lieu fees.
- (C) Projects Totaling Two Hundred One Ownership Units or More. The required affordable units shall be provided through the following methods, as more specifically described in subsections (b) through (f):
- (i) On-site construction of affordable ownership units;
 - (ii) On-site construction of accessory dwelling units for rental to fulfill up to half of the requirement;
 - (iii) Through payment of in-lieu fees for no more than fifty percent of the affordable housing obligation of the project, if approved by the city council;
 - (iv) Provision of a land dedication site; and/or
 - (v) On-site construction of affordable rental units, if the developer voluntarily requests to satisfy its requirements through this alternative.
- (3) Project Individualized Program.
- (A) The developer may meet the city's affordable housing requirement with a project individualized program that is determined to generate an amount of affordability equal to or greater than the amount that would be generated under the standard affordability requirements. The affordable units must, at a minimum, meet the same income targets specified in the standard ownership affordable housing provisions.
- (i) A project individualized program shall be developed by the developer and city staff, taken action on by the social services commission, and if the main project application requires, heard before the planning commission for decision.
 - (ii) If the main project is requesting planning entitlements that require city council approval, it shall then be heard before the city council for final decision.
 - (iii) If the main project does not require a city council hearing, the planning commission's or the social services commission's determination may be appealed to the city council by any member of the public.

(B) The project individualized program is not intended to allow exception to a public input and review process. The project individualized program is intended to be viewed thoroughly and scrutinized in public forums, allowing for input and competition from the public, other community-based nonprofits, staff, and at a minimum, the social services commission. The public hearing at the social services commission shall be noticed to all community-based housing nonprofits in the area, to the greatest extent possible, regardless of their involvement in the project. This public hearing shall scrutinize the project based on the following criteria:

- (i) Need for government subsidy;
- (ii) Sustainability of the project and its services;
- (iii) Community need of the project type based on recent needs assessments and recent projects completed;
- (iv) Uniqueness/innovation of the proposed project;
- (v) Overall benefits and drawbacks of the project;
- (vi) Project's compliance with the standards as outlined within the affordable housing Sections **18.05.010** through **18.05.070** of the Davis Municipal Code.

These meetings shall be carried out without any finite contracts in place between the parties involved, allowing for the potential direction to the developer to change the project. If the social services commission finds that the proposed project does not satisfy one or all of the criteria listed above, it may choose to direct the developer to fulfill his or her affordable housing requirement through a land dedication process. This decision may be altered at either the planning commission or city council public hearing, if the project requires review by either of these deciding bodies. Decision of either the social services commission or the planning commission to direct the developer to do a land dedication to meet his or her affordability requirement, may be appealed to the city council.

(b) On-site construction of affordable units for ownership developments. When a developer constructs on-site affordable ownership or rental units to satisfy its obligations under this article, the units shall be constructed in conformance with the requirements of this subsection **(b)**.

- (1) Density Bonus. A one-for-one city density bonus shall be awarded for construction of on-site affordable units meeting the requirements for a state density bonus.
- (2) Housing Mix. The developer must provide a mix of two- and three-bedroom units, with a minimum of fifty percent of the units as three-bedroom units and in a combination of unit types as approved within the affordable housing plan through the appropriate review process. Smaller and larger unit sizes shall be provided as an option, based on local housing needs and project character, as approved during the affordable housing plan review process.
- (3) Price of Affordable Ownership Units. The affordable ownership units will be affordable to moderate income households, households with incomes ranging from eighty percent of area median income to one hundred twenty percent of area median income, with the average affordability targeted at households with incomes at one hundred percent of area median income, the moderate target income.

The community development and sustainability director shall determine the maximum sales price for these units on an annual basis. The community development and sustainability director shall propose annual adjustments to the maximum purchase prices based on changes in the area median income, as determined by the U.S. Department of Housing and Urban Development. This price shall be reviewed annually for adoption by the city council.

- (4) Rent for Affordable Rental Units. The affordable rental units will be leased at an affordable rent to low and very low income households. The average affordable price for each size category of affordable rental units, based on number of bedrooms, shall not exceed the low target income,

sixty-five percent of median income. The maximum income level served shall not be greater than eighty percent of area median income. The developer shall offer affordable rental units in each size categories to multiple income levels to ensure that the rental units achieve the required average target income. For example, if three-bedroom units are offered to families at eighty percent of median income, the same number of three-bedroom units must be offered to households at fifty percent of area median income, making the average rent for the unit type sixty-five percent of area median income. Lower rents or an average that meets the same affordability target can be approved through the affordable housing plan review process.

- (5) Buyer/Tenant Selection and Screening. Please refer to Section **18.05.040(g)** for the selection and screening requirements applicable to affordable units.
- (6) Owner-Occupancy Restrictions. Any person who purchases a designated ownership affordable unit pursuant to this article shall occupy that unit as his or her principal personal residence for as long as he or she owns the affordable unit. Such occupancy shall commence within six months following completion of the purchase. The purchases shall comply with the provisions of Sections **18.04.020.** through 18.04.060, inclusive, of this Code.
- (7) Sustained Affordability. Restrictions shall be placed on the affordable housing units produced, in order to ensure a measure of sustained affordability. In an effort to maintain the greatest number of units as affordable for the greatest period of time, one of the following restrictions shall be adhered to:
 - (A) Appreciation Capped at Three Percent per Year plus a Three-Quarters of a Percent Maintenance Credit for Necessary Maintenance Costs of the Unit. The unit appreciates based on the average annual increase in Yolo County Area Median Income—Three percent, plus an additional three-quarters percent as a credit for maintenance costs of the unit. This restricts the total appreciation of an ownership unit to a maximum of three and three-quarters percent, compounded annually.
 - (B) Affordability Covenant. In order to qualify as affordable rental units pursuant to this subsection, such units shall be maintained in perpetuity as affordable units. The owner of the rental units shall enter into an agreement with the city to ensure the continued affordability of these affordable rental housing units in perpetuity. This agreement shall be recorded.
 - (C) Alternative Proposal. Any other program that proves its ability to provide for sustainable affordability, as approved by staff, the social services commission, and other public governing bodies as required by the individual project. Proposing an alternative method for sustained affordability must be justified based on current market trends and/or other prevailing circumstances.
- (8) Right of First Refusal. All affordable ownership units constructed after January 1, 2005, shall deed to the City of Davis a permanent right of first refusal on the property, allowing the city the ability to either purchase the unit, or designate an appropriate buyer for the unit at its resale. The deed restriction shall allow the city to designate a third party to carry out its right of first refusal, and shall also allow for a one percent fee to be taken from the real estate transaction in order to pay for the costs of carrying out the right of first refusal.
- (9) Resale Report. The owners of all affordable for-sale units that include a resale restriction or were constructed after January 1, 2005, shall be required to clear all resale reports completed on these units prior to the close of escrow on the resale of each unit. The findings of the resale inspection that are required to be addressed cannot be transferred to the household purchasing the affordable unit.
- (c) Land dedication. When a developer makes a land dedication in order to satisfy the requirements of this article, it shall comply with the following requirements:

The developer shall make an irrevocable offer to the city of sufficient land, without abnormalities (shape and terrain) and with complete environmental review, which can accommodate the land

dedication requirement for the project in its entirety. The land dedicated shall be of sufficient size to make the development of the required affordable units economically feasible, no less than two acres. The density of development for the purpose of calculating the acreage to be dedicated under this section shall be fifteen units per acre. The proposed use of such land must be consistent with the general plan. The city may approve, conditionally approve, or reject such an offer of dedication. If the city rejects such an offer of dedication, the developer shall be required to meet the affordable housing obligation by other means set forth in this article and approved by the city.

The dedicated site shall be economically feasible to develop, of sufficient size to build the required number of affordable units, and physically suitable for development of the required affordable units prior to dedication of the land. The dedicated site shall also have appropriate general plan designation and zoning to accommodate the required units, be fully improved with infrastructure, frontage improvements (i.e., curb, gutter, walk), paved street access, utility (i.e., water, gas, sewer, and electric) service connections stubbed to the property lines, and other such off-site improvements as may be necessary for development of the required affordable units or required by the city.

The developer must identify the land to be dedicated at the time the developer applies for a pre-zoning or zoning amendment, but in no event later than the application for the tentative subdivision map. Building permits shall not be issued prior to identification of land to be dedicated under this section.

- (1) Density Bonus. A one-for-one city density bonus shall be awarded for land dedication on the basis of fifteen units per net acre.
- (2) Housing Types on Dedicated Land. Housing built on land provided by dedication for affordable housing shall be permanently affordable. The city shall adopt a resolution establishing a process whereby property dedicated to the city pursuant to this section may be conveyed to third parties who shall enter into an agreement with the city to produce affordable housing within a specified period of time. The city shall consult with the social services commission, nonprofit corporations, affordable housing organizations, and developers in designing this process. Housing on land dedicated pursuant to this section may consist of any of the following:
 - (A) Resident controlled nonprofit housing corporation;
 - (B) Community based mutual housing association;
 - (C) Community based nonprofit controlled rental housing;
 - (D) Student housing cooperative;
 - (E) Limited equity housing cooperative;
 - (F) Public housing;
 - (G) Land trust;
 - (H) Self-help housing;
 - (I) Other forms of nonprofit housing containing a permanent affordability provision.
- (3) Price of Units. The average affordable price for each size category of units on land dedication sites shall not exceed the low target income, sixty-five percent of median income. The maximum income level served by any of the units located on a land dedication site shall not be greater than eighty percent of area median income. The developer shall offer affordable rental units in each size categories to multiple income levels to ensure that the rental units achieve the required average target income. For example, if three-bedroom units are offered to families at eighty percent of median income, the same number of three-bedroom units must be offered to households at fifty percent of area median income, making the average rent for the unit type sixty-five percent of area median income. Lower rents or an average that meets the same affordability target can be approved through the plan review process.

- (4) Buyer/Tenant Selection and Screening. Please refer to Section **18.05.040(g)** for the selection and screening requirements applicable to affordable units.
 - (5) Owner-Occupancy Restrictions. Any person who purchases a designated affordable unit pursuant to this article shall occupy that unit as his or her principal personal residence for as long as he or she owns the affordable unit. Such occupancy shall commence within six months following completion of the purchase. The purchases shall comply with the provisions of Sections **18.04.020** through **18.04.060**, inclusive, of this Code.
- (d) Options for small developments. Small developments of fifteen ownership units or fewer, and totaling no greater than thirty-eight bedrooms in the development, that are not otherwise exempt pursuant to Section **18.05.080**, that are located within the core area and are found to meet a specified community goal, can request to fulfill the affordable housing requirement through one of the following options, which shall be considered during the review process of the development's affordable housing plan:
- (1) Construction Subsidy. City staff will work with the developer to provide financial assistance to be used in the construction of the affordable unit(s) required on-site, in order to assist in ensuring the project's feasibility. The developer shall present a pro forma (for the affordable units) to staff showing the necessary amount of construction assistance needed through supplemental city funds, in order to make the project economically feasible. The project will require the standard review process, and the necessary funding approval from the city council.
 - (2) Combination of On-Site Construction and In-Lieu Fees. The affordability requirement may be fulfilled through a combination that includes the on-site development of a portion of the required affordable units, with the remaining amount of the affordability requirement fulfilled through in-lieu fees paid in accordance with subsection (f) of this section. The exact split of the combination shall be determined during the review of the project's affordable housing plan, based on the developer's stated ability to provide affordable units on-site.
- (e) Acquisition and recordation of permanent affordability restrictions on existing housing units. As an alternative to constructing affordable housing within a development project or providing for affordable housing through the payment of in-lieu fees, the affordability requirement may be fulfilled through the provision of off-site units being purchased/acquired and placed permanently into the city's affordable housing program through the recordation of affordability deed restrictions, subject to discretionary approval by the city council following review of the project's affordable housing plan. The city council may determine in its sole discretion whether this alternative is appropriate on a case-by-case basis. These units are required to have recorded permanent affordability deed restrictions recorded against them, in a form consistent with the affordability restrictions that are recorded against on-site affordable units constructed pursuant to the requirements of this affordable housing ordinance. In its review of an affordable housing plan that provides affordable housing pursuant to this option, the city council will consider the following:
- (1) The condition and usable life of the units;
 - (2) Potential displacement of existing residents;
 - (3) The location and size of the proposed affordable units relative to disbursement of units throughout the city and local housing needs;
 - (4) Long-term ownership and maintenance of the units; and
 - (5) The level of affordability offered by the proposed alternative.

Any units provided under this option must ensure a unit life of no less than thirty years and may require rehabilitation prior to qualifying. Sale or long-term rental of these units would be at the sole expense and responsibility of the project developer, unless otherwise approved by the city council.

- (f) In-lieu fees. As an alternative to constructing on-site affordable housing within a development as required by this article, the affordability requirement may be fulfilled through the payment of in-lieu

fees pursuant to an adopted fee schedule to be revised on an annual basis, provided that the payment of in-lieu fees has been approved by the city council following review of the project's affordable housing plan. The city council will review a request for payment of in-lieu fees taking into consideration the following:

- (1) Project gross and net density;
- (2) Project size;
- (3) Economic or planning feasibility of affordable unit provision by another means within the development;
- (4) Projected housing costs of the project's market rate housing/overall housing affordability of the project; and
- (5) Accomplishment and tradeoffs of other local policy objectives, including smart growth principles, accessibility, energy efficiency, etc.

A payment plan may be approved by the city council in the event that the developer does not have the necessary funds available for payment; however, the majority of in-lieu fees shall be paid prior to the issuance of the certificate of occupancy on any of the market rate units. In addition to the standard in-lieu fee, the city maintains the right to adopt an in-lieu fee for use in future resource-pooled projects. This special in-lieu fee would apply to projects within a specific project area where the fee is intended to be used towards a planned resource-pooled project.

(Ord. 2418 § 1, 2013; Ord. 2443 §§ 2, 3, 2015; Ord. 2545 § 3, 2019)

§ 18.05.060. Rental development affordable housing standards.

A developer of rental housing developments containing seven or more units shall provide at least fifteen percent of the total number of units as affordable housing units on-site. Of the total number of affordable housing units provided fifty percent shall be made affordable to low-income households and the other fifty percent shall be made affordable to very low income households. Alternatively, the project may comply with an alternative means of compliance as provided for in the Rental Housing Inclusionary Guidelines, which shall be adopted by resolution of City Council.

- (a) On-site construction of affordable units for rent. A developer of a development containing seven or more units may meet the rental affordable housing requirement by constructing fifteen percent of the total number of units to be permanently affordable. Fifty percent of the fifteen percent of the total number of units made affordable on site shall be permanently affordable to low income households. The other fifty percent of the fifteen percent of the total number of units on site shall be permanently affordable to very low income households.
 - (1) Criteria for On-Site Construction. Affordable housing units shall not be clustered together in any building, complex or area of the development. Affordable housing units constructed on site shall be constructed using the same building materials and including equivalent amenities as the market rate units.
 - (2) Affordability Agreement. In order to qualify as affordable units pursuant to this section, such units shall be maintained in perpetuity as affordable units. The developer shall enter into an agreement with the city to ensure the continued affordability of all affordable rental housing units in perpetuity. This agreement shall be recorded.
 - (3) Density Bonus. A one-for-one city density bonus shall be awarded for the construction of on-site affordable units.
 - (4) Annual Monitoring. Affordable units must be managed by the developer or his or her agent. Each developer shall submit an annual report to the city identifying which units are affordable units, the monthly rent, vacancy information for each affordable unit for the prior year, gross annual incomes for the households of each affordable unit during the prior year, and other

information as required by city staff. This annual monitoring shall include the inspection of ten percent of the on-site affordable units. Inspection reports created by an acceptable third party and completed within the same city fiscal year will be accepted in lieu of city staff performing the on-site inspection for that given monitoring year.

- (5) Affordable Rents. Affordable rents shall be determined annually on a city-wide basis by city staff based upon the area median income and utility allowances for Yolo County, as determined by the Federal Department of Housing and Urban Development, the State Department of Housing and Community Development, and the Yolo County housing authority. If these agencies do not provide the information, the City of Davis will determine monthly rent amounts based on thirty percent of the targeted household's gross monthly income.
 - (6) Tenant Selection and Screening. Please refer to Section **18.05.040(g)** for the guidelines of this section.
 - (b) Alternative Compliance for Legislative Projects. An applicant for a project that requires a general plan amendment or zoning change and is subject to council discretion may propose an alternative rental affordable housing plan that meets the criteria for discretionary projects set out in the Rental Housing Inclusionary Guidelines, which shall be adopted by resolution of city council.
 - (c) Alternative Compliance for Non-Discretionary Projects. An applicant for a project claiming protection under state housing laws that limit city discretion, including, but not limited to, projects eligible for review under Government Code Section **65589.5**, may propose an alternative rental affordable housing plan that meets the objective requirements for non-discretionary projects as described in the Rental Housing Inclusionary Guidelines, which shall be adopted by resolution of city council.
- (Ord. 2418 § 1, 2013; Ord. 2525 § 2, 2018; Ord. 2544 § 2, 2018; Ord. 2545 §§ 4, 5, 2019; Ord. 2550 § 2, 2019; Ord. 2561 § 2, 2019; Ord. 2578 § 2, 2020; Ord. 2594 § 2, 2020; Ord. 2612 § 2, 2021; Ord. 2632 § 2, 2022; Ord. 2644 § 2, 2023; Ord. 2646 § 6, 2023)

§ 18.05.070. Fees.

The city council may, by resolution, establish fees and deposits for processing of applications as required by this article.

(Ord. 2418 § 1, 2013)

§ 18.05.080. Down payment assistance program.

- (a) Purpose. The purpose of this section is to establish the framework for a down payment assistance program ("Program") funded by the city to assist eligible households with purchasing a primary residence within the city limits.
- (b) Program Establishment. The city council hereby establishes the down payment assistance program to provide financial assistance to eligible low income and moderate income households for the purchase of a primary residence within the city limits, subject to the following parameters:
 - (1) Program Funding. The program shall be funded through appropriations made by the city council and may include finds from local, state, federal, or private sources, as permitted by law.
 - (2) Down Payment Assistance Loan Agreement. Assistance pursuant to this program shall be provided pursuant to the terms of a loan agreement with the eligible household which shall take the form of a deferred payment loan with no interest and no required monthly payments. The form of the agreement shall be consistent with all state and federal laws regulating lending and shall be subject to the approval of the city attorney. The loan agreement shall be recorded on title and made a lien against the value of the property.

- (3) Assistance Amount. The maximum amount of financial assistance available to each eligible household shall be established by resolution of the city council and may be adjusted periodically based on housing market conditions and funding availability. Levels of assistance may also vary based on program funding source rules and regulations. Any assistance that is received under the program shall be used only toward the purchasing of a primary residence within the city limits.
 - (c) Repayment. Repayment shall be due upon sale, transfer, or refinancing of the property, or as otherwise specified in the program guidelines. The total amount for loan repayment shall be calculated based on estimated shared appreciation that is proportional to the city's loan provided at the time of purchase and the house's initial purchase price. Funds that are repaid shall be returned to the city's affordable housing fund or as required by the terms of a grant if applicable.
 - (d) Eligibility Criteria. To qualify for assistance, households must:
 - (1) Have a gross annual income at or below one hundred twenty percent of AMI, adjusted for household size.
 - (2) Meet the definition of first-time homebuyer or meet criteria for housing displacement as defined in the program guidelines.
 - (3) Complete a city-approved homebuyer education course.
 - (4) Provide evidence of qualification for a primary mortgage loan from a lender that meets financial soundness criteria.
- (Ord. 2672, 2/4/2025)