



Affordable Housing in a Smart-Growth Community

California faces the daunting challenge of balancing two important city policies – promoting smart growth and encouraging the development of affordable housing. Fifteen miles west of Sacramento and adjacent to the University of California-Davis (UC-Davis), this city of 65,622 is one of the more desirable communities in the region. Its famously bicycle-friendly reputation and highly ranked school district, along with its small town feel and numerous cultural and recreational amenities, account for Davis’s popularity, according to Danielle Foster, superintendent of the city’s Division of Housing and Human Services. This desirability, however, comes at a price; development activity puts pressure on agricultural and environmental systems in the city and strains Davis’s ability to fund affordable housing.



New Harmony Mutual Housing includes solar power for its 69 affordable residential units and community building.

Photo by Donny Lieberman.

TABLE 1: HOUSING COSTS IN DAVIS AND CALIFORNIA, 2007–2011

	CALIFORNIA	DAVIS
Median Home Value	\$421,600	\$560,500
Median Gross Rent	\$1,185	\$1,248
Renter Households Paying More Than 30% of Income for Housing	55.7%	66.0%
Owner-Occupied Households with a Mortgage Paying More Than 30% of Income for Housing	51.9%	30.6%

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Growth Management and Expensive Housing

Davis has implemented growth management policies to limit sprawl and preserve agricultural land. In addition to policies and regulations addressing transportation management and environmental protection, perhaps the most stringent policy is the city’s one percent growth cap. This cap restricts the number of building permits issued annually for new residences to 1 percent of the existing housing stock – currently about 260 new dwellings. Foster believes that, although the one percent policy has not limited development since its adoption in 2006, the city’s improving economy may require Davis to coordinate development approvals so they do not exceed the annual growth cap. To foster a diverse housing supply, the city exempts permanently affordable housing units, accessory apartments, and units in mixed-use buildings from the one percent cap.

Foster notes that Davis “has smart growth policies and conservation policies [that are] probably a little bit stricter than other cities in the region, so there’s a certain amount of supply and demand issue going on.” However, she considers the city’s strong housing market to be a larger factor in affordability than its land use policies. In any case, the demand for housing from potential Davis residents, including those associated with UC-Davis (which has nearly 33,000 students and 28,000 employees), exceeds the city’s limited housing supply. Not surprisingly, the costs of ownership and renting are higher in Davis than the statewide averages, according to the 2007–2011 American Community Survey (table 1).



Developers of New Harmony Mutual Housing also constructed a bike path linking the development to Davis's extensive bicycle network. Photo by Jon Orovecz.

Affordable Housing at New Harmony

To help meet the city's affordable housing needs, Mutual Housing California and its partners have recently completed New Harmony, Davis' first new affordable housing in several years. Holly Wunder Stiles, Mutual Housing California's director of housing development, notes, "One of the reasons we built the project is that people who work in Davis and work at the university cannot afford to live in town. So we wanted to cut down on their commutes; we wanted to make sure that people who worked in Davis could afford to live in Davis."

The three-story, stacked-flats-style development features one-, two-, and three-bedroom apartments. With an elevator in each building and other design features throughout the development, all of the apartments are accessible to (or can be adapted to accommodate) disabled residents. Rents for the 69 units are targeted at households earning 30, 40, and 50 percent of the area median income. The development's green features are expected to reduce utility costs. The energy-efficiency features include a solar-powered community building, energy-efficient apartments, high quality air filtration systems, and ENERGY STAR® appliances. The onsite

photovoltaic solar system is designed to supply more than 70 percent of the electrical energy needed for the apartments and common areas. Vanessa Guerra, a project manager for Mutual Housing California, notes, "We recently received the official Build it Green certification and scored 197, which is fairly high for multifamily development in California."

Complementing the development's green features, New Harmony also reinforces the city's commitment to bicycling as a mode of transportation. Mutual Housing California installed a bike path as part of the development, completing the city's 53-mile bikeway network. The bike path, along with a nearby bus stop, provides New Harmony residents with realistic alternatives to expensive automobile travel.

Financing

New Harmony's total development cost was approximately \$28.8 million, including the cost of the bike path. The city provided \$6.6 million through its redevelopment agency and \$1.8 million from the HOME Investment Partnerships program. The city also donated the site, which was acquired through the city's inclusionary requirement for affordable housing or land in lieu of affordable housing. Funding also came from a 9 percent federal low-income housing tax credit partnership with Merritt Community Capital Corporation and \$680,000 from the Federal Home Loan Bank of Atlanta. In addition, Yolo County's housing authority is providing project-based housing choice vouchers for residents with extremely low and very low incomes.

New Harmony was one of Davis's last recipients of redevelopment agency funding; a recent state law dissolved those local agencies for budgetary reasons. Noting that the redevelopment agency's funds were instrumental in leveraging funding that made the project competitive for the tax credits, Foster says, "Without redevelopment money, New Harmony wouldn't be built right now. It wouldn't be finished." She believes the loss of redevelopment agency funding "is, and will continue to be, a huge challenge for us." Foster also believes that the decline in state support will make developing affordable housing projects more challenging. Other organizations in the county will have to be creative and make difficult choices. For example, UC-Davis is preparing a master plan for a neighborhood on university-owned land to provide student housing that likely would not be built off campus.

Lessons

Even as New Harmony residents enjoy shorter commutes and more affordable housing, local policymakers continue to grapple with both the desire for sustainable land use practices and the need for an adequate supply of housing. Davis's exemptions for affordable housing are a policy tool municipalities can consider in their efforts to accommodate affordable housing while managing growth. Nevertheless, the city – like all communities in California – has a new, perhaps greater, obstacle now that redevelopment agency funding is no longer available. Davis will have to consider smaller scale projects, creative financing methods, and other solutions to fulfill its commitment to continue building affordable housing.