



MYTHBUSTING

Affordable Housing Costs, Part II

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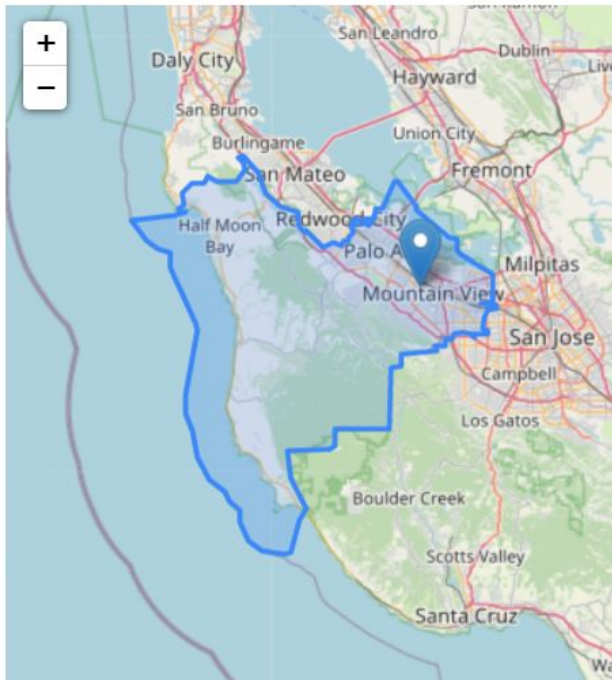
Mythbusting Affordable Housing Costs



1) Legislative Perspective



Marc Berman



ASSEMBLY DISTRICT 24

Myth 1

Affordable housing impact fees will lead to more affordable housing.

Myth 2

**There are no barriers to
affordable housing after a
project is built.**

2) Architect's Perspective



Key Points

- Sustainability
- Prevailing Wage
- Greater Scrutiny
- Sense of Ownership / Control
- Services
- Remnant Sites
- Parking Cost vs Income
- Cost of Construction 101

Rick Williams, VMWP

Myth 3

**Affordable Housing is
lower quality and cheaper than
market rate housing.**

Placing our Ambitions on Affordable Housing:

- Affordable Housing is now discussed as a “*Community Benefit*”
- Sustainability
- Prevailing Wage
- Greater Scrutiny
- Sense of Ownership / Control
- Services
- Remnant Sites
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Sustainability: in housing was led by Affordable Housing...

Sustainability



Bay Friendly Landscape

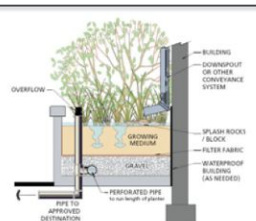


Low Flow Plumbing Fixtures
Drought Tolerant Landscape



Natural Ventilation
Low or No VOC Paints + Finishes
Formaldehyde Free Products

Indoor Air Quality



Storm Water Filtration and
Retention through Bioswales
and Plants

Storm Water Control & Best Practices

Water Conservation



Solar Hot Water
Energy Star Appliances
Building Envelope Efficiency
Renewable Energy
Generation



Energy Efficiency



Resource Conservation



USGBC LEED



Secured Bike Parking

- Exceeding T24
- All Electric
- Net Zero
- Low Carbon



Sense of Ownership / Control: Cities who help fund projects have a sense of ownership and with that they expect greater input into the type of housing, uses and design...

- Primary Issues Requested:
 - Senior Housing Not Family Housing
 - Particular Style: Often “Spanish Style” even if the City doesn’t have any similar buildings... “Like Santa Barbara”
- Often they want particular Retail Space and Uses, though they won’t help with costs.....
- Often Catalyst Projects: burdened by Plan Expectations....
Later they are more flexible when other projects don’t conform...



Greater Scrutiny: Communities Scrutinize and oppose Affordable Developments to a greater extent...

In eight years the project budget doubled \$\$\$\$\$\$



Traditional



Contemporary



Visionary

FIRST COMMUNITY MEETING! 2014!
2015 Constr. Budget \$14.5 mil.



FIFTH & FINAL DESIGN! GROUND BREAKING JUNE 2022!
2022 Constr. Budget - \$32 mil.

Prevailing Wage for Public Funding

Affordable Housing projects pay Prevailing Wages for Construction...

\$ Non Prevailing Wage

\$\$ Prevailing Wage

\$\$\$ Union Wages

- Labor Agreements are leveraged by threatening CEQA Lawsuits
- Some Jurisdictions are known for requiring Union and some union houses are known for being difficult

This all limits “coverage” in bidding construction....



Services: Affordable Housing provides a greater level of services

Services have their own costs and also require space which adds costs...



Family Services Program's financial literacy courses.



After School Program for youth residents.



Senior Services Program's activities and social opportunities.

Remnant Sites: Affordable Housing sites often leftovers – difficult Industrial, slopes, near Freeways or RR Tracks or too small, or All !!!



Colma Veterans Village Site



- **Parking Cost vs Income:** Unbundled parking can be charged by market rate but is free for affordable residents.

	Surface Parking	Podium Parking Above Grade	Partially Subgrade Parking	Subgrade Parking	Simple Lifts	Puzzle Lifts
Square Foot Cost	\$40-50 /g.s.f.	\$125-\$150 /g.s.f.	+/- \$150 /g.s.f.	\$175-\$185 /g.s.f.		Add +/- \$50/g.s.f. for taller garage
Per Space Cost	\$14,000-\$22,000/ space	\$60,000-\$70,000/ space	\$50,000-\$70,000/s pace	\$60,000-\$80,000 /space	\$10,000-\$15,000/s pace	\$20,000/space

When do you consider a podium? Small sites with no options!

When land value is approximately \$3M to \$4M an acre

Basic calculation for 1acre:

Surface Parking +/- 100 surface parked spaces, at \$20k a space = \$2M

Podium Parking: 100 spaces @ \$60k = \$6M

(Podium parking)-(Surface parking) >= (Land Value) \$6M - \$2M = \$4M

So when around \$4mil./ acre it makes sense to build podiums...

In Urban Projects Parking Costs are currently approx. \$70,000 per space



Costs of Construction 101:

General Construction Cost by Building Type

	<u>Type 5A</u>			<u>Type 3A</u>		
	Type 5A	Type 5A	Type 5A (3 or 4 over 1)	Type 3A (5 over 1)	Type 3A (5 over 1)	Type 3A (5 OVER 1 or 2)
Type	Family 1, 2 & 3 bedrooms	Senior 1 bedrooms		1 and 2 bedrooms	Family 1, 2 & 3 bedrooms	Primarily studio units
Parking	Surface +/-1.5sp unit	Surface +/- 0.5-0.7 sp unit	Podium (1:1 or less)	Podium (1:1 or less)		
+/-Cost	\$450-\$475/g.s.f.	\$450-\$500/g.s.f.	\$450-\$500/g.s.f.	\$475-\$525/g.s.f.	\$450-\$500/g.s.f.	450-\$525 +/-g.s.f.

Costs per s.f. Lower Higher Typical Higher Lower Highest

Cost Per Unit: Small Unit projects cost less per unit but more per s.f. relative to family developments

Parking Ratio at \$70K /space makes a difference in per unit cost.....



Costs of Construction 101:

Site Area	Area (sf)	Cost/sf	Total	Notes
Overall Site Area	87,120			2.00 acres
Demo (site parking)	87,120	5	\$435,600	
Demo (existing buildings)	-	10	\$0	\$6-10/sf
Site Area Prep	87,120	6	\$772,720	\$250K for PG&E
Street C+G Sidewalk and Driveway Improvements	15,980	50	\$816,500	partial grind and lift, re-paving
Courtyard Development	14,444	250	\$3,611,000	stormwater planters, paving and
At-Grade Parking Podium (2 levels)	61,696	175	\$10,796,800	\$ 71,032 /standard space
Lobby Residential and Utilities in Podium	25,870	550	\$14,228,500	
Daycare Shell	4,500	200	\$900,000	cold shell
Daycare Interiors	4,000	400	\$1,600,000	Tenant Improvement
3rd Level through 7th Level (Type 3A)	184,950	500	\$92,475,000	
Site Landscape and Walkways and Plaza	24,623	65	\$1,600,495	
Total Cost			\$127,236,615	includes Day Care shell and TI
Total Units and Cost per Unit	210	/unit	\$605,889	/unit
Total Cost per SF (building gross)	277,016	gross sf	\$459	/gross sf Incl. Daycare

5% of Costs for Site

10% of Costs for Parking at
.5-.7 sp/unit
15-20% at 1:1

15% is Prevailing Wage
Cost Premium = \$19 mil.

\$600,000 per apt unit

Escalation at 5% per year
Typ. for past 10 years



Placing our Ambitions on Affordable Housing:

Affordable Housing:

- is a “**Community Benefit**”
- is a **Sustainability Leader**
- provides **Enhanced Services** to support residents
- comes under **Greater Scrutiny** – and **Responds well to community concerns**
- responds to a community’s **Sense of Ownership** by meeting goals and desires
- provides **Prevailing Wage** for Construction Workers
- deals with **Remnant Sites** - **Helping cities mend their community**
- doesn’t pass-on **Parking Cost vs Income** – to residents...
- **Cost of Construction 101** – Shows how 25-30% of construction Costs directly related to Community Benefits

Affordable Housing meets multiple objectives and goals to become very high quality homes. Not cheap at \$600k/unit!





3) Developer's Perspective



Kelly Hollywood

Mercy Housing

Key Points

- > Program and Funding Requirements
- > Impact/Utility Fees
- > Upgrade Infrastructure
- > Innovation in Design and Energy Use
- > Post construction - Resident Services & Maintenance

Myth 4

Affordable Developers get kickbacks, special permission, and easier rules to build.

Entitlement Myth

Affordable Developers get kickback, special permission, and easier rules to build their developments.

- > Affordable Developers are handed “Free Land”, waived local fees, streamlined entitlement approval (SB35), public funding and operating subsidy...

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- > Affordable Developers are handed “Free Land”, waived local fees, streamline entitlement approval (SB35), public funding and operating subsidy...

BUT that's not the full picture

- > Requirements for Program, Design Review, Impact Fees, Funding Restrictions, Local Sustainable Reach Code, Accessibility, Infrastructure, Community Outreach

Myth 5

Affordable Developers build cheap because they make all their money off the building

Building & Construction Myth

Affordable Developers build cheap because they make all their money off the building

> Affordable Developers don't just build housing, we create stable, vibrant, healthy communities...

Neighborhoods that include infrastructure, transportation system upgrades, roadway improvements, community services, commercial spaces, and amenities community centers, childcare centers, and community gardens.

> Challenges of increasing costs, high competition for funding dollars and subsidies

Mythbusting Affordable Housing Costs



Myth 6

Affordable Developers just want to maximize profit and short term gains

Operations Myth

Developers just want to maximize profit & short term gains.

- > Affordable Developers retain long term ownership, leverage debt and require to pay out a majority of our returns to funding partners.

We provide real property management and services to our tenants so that they can be stably housed, in a quality, healthy community.

- > Cash from property goes to operations, services, staffing and maintaining new sustainable building systems.

What can you do?

- > Reduce costs to incentivize construction
- > Increase innovation in financing, policy, and construction
- > Promote policy that reduce burdens on developments

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**VAN METER
WILLIAMS
POLLACK**

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