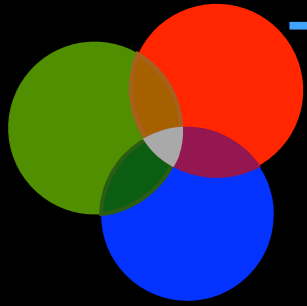


Nicholas Arenson

Deal Approach



There will be 2.1 million new people in
the Bay Area by 2040

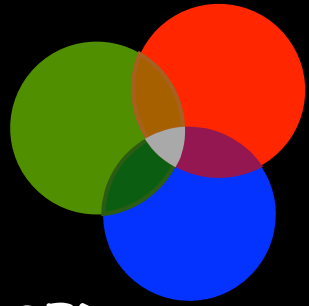
Quick math

2.1 million / 3 people per household = 700,000 units

or

Since each person uses about 700 square feet...
700 x 2.1 million = 1.47 billion sf of living space

Primary Housing Types



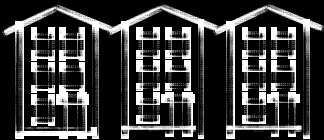
SFD



5 du/ac,
2,750 sf/du
2 story

Feasible without subsidy in any market

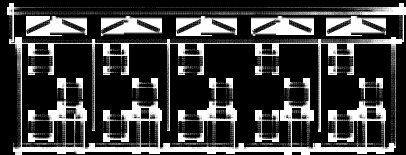
SFD- Small lot



15 du/ac
2,400 sf/du
3 story

Feasible without subsidy in most markets
Material and Labor Costs 1.3X /sf SFD,
sells at a discount to SFD

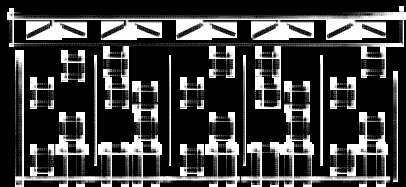
Townhome



20 du/ac
2,000 sf/du
3 story

Feasible without subsidy in most markets
Material and Labor Costs 1.5X /sf SFD,
sells at a discount to all SFD

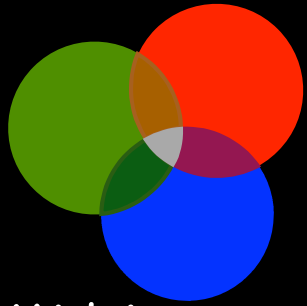
Townhome/Condo



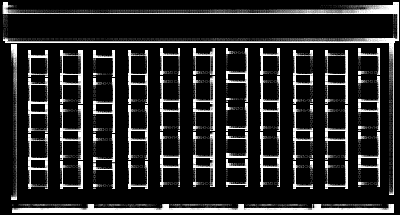
26 du/ac
1,900 sf/du
4 story

Feasible without subsidy in more expensive
markets; Material and Labor Costs 2.0X /sf more
than SFD, sells at a further discount.

Primary Housing Types



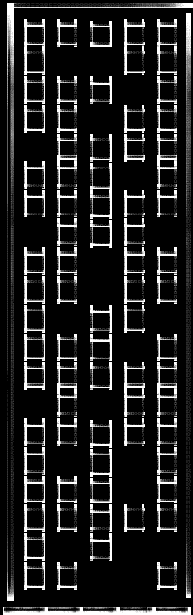
Midrise



50 du/ac,
1,050 sf/du
5 story + Garage

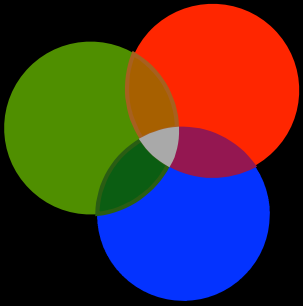
Feasible without subsidy in only expensive markets; Material and Labor Costs 3.0X to 4.0X /sf than SFD

Highrise



>100 du/ac
1,050 sf/du
8-50 story

Feasible without subsidy in only **EXTREMELY** expensive markets; Material and Labor Costs 5.5X to 7.5X /sf than SFD



Increasing density to get more units

Does it work in any location? Check feasibility in a traditional and moderately priced Single Family area- Brentwood, CA.

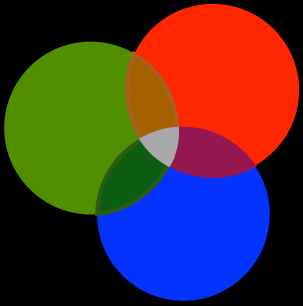
PRO FORMA

Brentwood, CA		SFD	Midrise
		2,750 sf	1,050 sf
Home Price	\$200/sf	\$550,000	\$315,000
Soft Cost		20,000	20,000
Municipal Fees		90,000	80,000
Land Development		45,000	25,000
Constr. Cost	\$69/sf	190,000	231,000
SG&A		50,000	30,000
10% Investor Return		55,000	31,500
Raw Land Cost*		\$100,000*	-\$102,500**
Total		\$550,000	\$315,000

NOT FEASIBLE

→ *at 5 units/acre = \$500,000/acre, a feasible land price for that area

→ **at 50 units/acre = -\$5.1 Million/acre
 (Aside: Cost to subsidize this project is (\$5.1 Million + \$500k)/acre)



Increasing density to get more units

Check premium

This is why mid-rise condominiums have not been built outside San Francisco for a decade.

Increasing prices will make it feasible in some expensive locations.

Given a choice, most buyers will pick existing homes rather than make compromises necessary for mid-rise living.

PRO FORMA

Fremont, CA

Home Price

Soft Cost
Municipal Fees
Land Development
Constr. Cost
SG&A
10% Investor Return

Raw Land Cost*

Total

\$280,000*

\$950,000

Midrise

1,050 sf

\$551,250

50,000

85,000

35,000

262,500

70,000

55,125

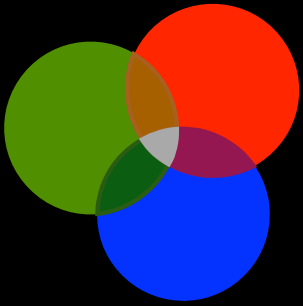
-\$6,375**

\$551,250

NOT FEASIBLE

*at 20 units/acre = \$5.6 Million/acre, a feasible land price for that area

**at 50 units/acre = -\$320k/acre. Land would have to be subsidized for this project



Feasibly building 1.47 Billion square feet

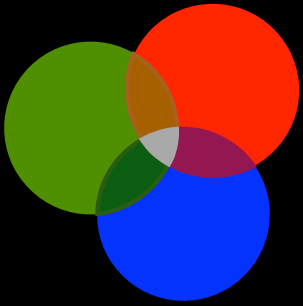
People use about 700 sq. ft. each. Maximize Floor Area Ratio* within feasible home types to help get us to the goal.

*FAR = (Built Square Footage) / (Land Square Footage).
 e.g., (2,750 sf x 5 units/ac) / (43,560 sf/ac) = 0.32

FAR gives an accurate picture of density

Type	Avg . Sf	Density	F.A.R.	Increase
SFD	2,750	5 du/ac	0.32	
SFD- Small lot	2,400	15 du/ac	0.83	2.6X
Townhome	2,000	20 du/ac	0.92	2.9X
Townhome Condo	1,900	26 du/ac	1.13	3.5X
Midrise	1,050	50 du/ac	1.21	3.8X
Midrise-Rental.	800	70 du/ac	1.29	4.0X
Highrise	1,050	100 du/ac	2.41	7.5X

Feasible everywhere, Similar range... high demand... about the same number of people per acre at very high prices, low demand



Fiscal zoning... updated

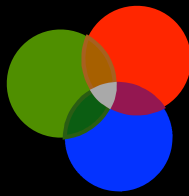
The idea that “housing doesn’t pay it’s way” came from anti-growth 1990’s studies. At the time the Prop. 13 began limiting city revenues.

Because of our severe and chronic housing shortage and dramatic price increases, market rate housing provides fiscal surpluses in most Bay Area jurisdictions.

FISCAL ZONING EXAMPLE

Home Price	300,000	500,000	700,000	900,000
Property Tax (14.99%)	578	963	1,348	1,733
Property tax in lieu ov VLF (~4.27%)	69	115	161	207
Other taxes, fees, charges	124	207	289	372
TOTAL ANNUAL REVENUE	771	1,285	1,798	2,312
General Government	35	35	35	35
Public Safety	891	891	891	891
Public works and community services	219	219	219	219
Transfers out	189	189	189	189
TOTAL ANNUAL COST	1,334	1,334	1,334	1,334
SURPLUS (DEFICIT)	(\$563)	(\$49)	\$464	\$978

Things MTC/ABAG Can Do To Encourage Housing Production



Action	Effect
Require more of PDA's: Make planning funding contingent upon zone changes/specific plan approval	Limited available funding will go to areas that provide real chances to create new housing units
Require PDA progress on project approvals and unit deliveries; encourage FEASIBLE project types (not high rises); expand to more than ¼ mile	Cause local officials to evaluate feasibility of PDA's and make necessary changes to facilitate actual housing production
Structure PDA/Zoning/SP CEQA compliance to allow for more categorical exemptions of compliant projects, streamline review, more non-discretionary review	Discourage non-nexus, frivolous, anti-competitive, or interest group related CEQA exactions/litigation
Limit/cap fees and exactions	Increased fees limit number of feasible projects
Encourage jurisdictions to modestly change zoning standards to allow more infill on smaller sites	By right second units all R zones (SFR, duplex etc.) subject to liberal site standards (20% size main unit(s), no added off-street/tandem parking Reduce parking in TOD locations below 1 stall/unit
Identify and secure significant sources of national/State grant dollars for affordable housing (100's of millions)	Using GHG Cap and Trade funds a good start-advocate for increasing share of these funds for housing
<u>Help communicate conclusion of LAO report-we need to change the way we plan and zone for housing to get more units in production</u>	<u>Eliminate fiscal barriers to housing: share sales taxes</u> <u>Advocate for more "by right" zoning along transit corridors get more owners building, smaller deals, simpler process (4 stories, no structured parking, design review only, ¼ mile transit?), remove "hooks" opponents have to stop housing</u>