



What makes  
affordable  
housing so  
expensive?

An advocate  
perspective





## Community Opposition

### Prejudice:

- Belief that affordable housing doesn't belong in their neighborhood

### Height and density

- opposition to necessary elements that make affordable projects pencil out

### Design

- Communities often want features that make project untenable



Examples,  
then and  
now

1994



2017

NBC Bay Area

## Habitat for Humanity, Redwood City Residents in Fight Over Low-Income Housing Complex

Habitat for Humanity is in the works of constructing an apartment complex for low-income families in Redwood City, but some neighbors aren't ...





## Public Policy Impacts

### Fees, Fees, Fees!

- Parks, schools and more

### Parking

- Can't charge for/unbundle parking

### Quid Pro Quo

- In order to unlock public land, cities often ask for extras that they wouldn't get from MR developers



## Examples, county-wide

### Burlingame

 San Mateo Daily Journal

#### Burlingame affordable housing, parking structure move ahead | Local News

Burlingame officials are pushing ahead a proposal to transform downtown surface parking lots into a new affordable housing development and ...

### San Mateo

Slated to include a mix of studios and one-, two- and three-bedroom units in a five-story structure at 480 E. Fourth Ave. and more than 700 parking spaces planned for a five-story parking garage just south of the housing at 400 E. Fifth Ave., the nonprofit developer's plans for what is currently publicly-available surface parking lots



## Wrap Up

So...how can we help ensure affordable housing is easier to create?

- Educate communities on the definitions and realities of what constitutes affordable housing
- Promote public policies that recognize affordable housing itself as a community benefit





# AFFORDABLE HOUSING COSTS

*Intentions & consequences of  
affordable housing policies for  
building design & architecture*

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Breaking down the myth and reality of affordable housing costs!



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HOUSING



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# 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**
- **Parking Cost vs Income**
- **Cost of Construction 101**



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# Sustainability: in Housing was led by Affordable Housing...



- All Electric
- Net Zero
- Low Carbon



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# Prevailing Wage for Public Funding ....

Affordable Housing has to 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....





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

*Should the Building Design be more traditional, contemporary or look into the future of what San Rafael aspires to be ?*



Traditional



Contemporary



Visionary



FIFTH & FINAL DESIGN!

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**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..



# 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.*

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



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- **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	\$35-\$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	\$43,000-\$60,000/space	\$50,000-\$60,000/space	\$60,000-\$75,000/space	\$10,000-\$15,000/space	\$20,000/space

**When do you consider a podium?**

**When land value is approximately \$2.5M to \$3M an acre**

Basic calculation:

1 acre fits +/- 100 surface parked spaces, at \$20k a space = \$2M

Podium at \$50k a space for 100 spaces = \$5M

(Podium parking)-(Surface parking) >= (Land Value) \$5M - \$2M = \$3M

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# Costs of Construction 101:

## General Construction

	Type 5A		Costs		Type 3A	
	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	\$350-\$375/g.s.f.	\$375-\$400/g.s.f.	\$375-\$400/g.s.f.	\$400-\$450/g.s.f.	\$375-\$425/g.s.f.	\$450-\$500/g.s.f.

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# Costs of Construction 101:

CONSTRUCTION COST ESTIMATE		10.1.2019							
						Area (sf)	Cost/sf	Totals	
Overall Site Area (not including bike path)						43,560			
Site costs									
Offsite Grading of Park for bike path (needed for the building foundation)						12,500	6	\$75,000	
Grading (OffHaul); (Internal Estimate)						12,872	40	\$514,880	
Site Area Prep (clearing grading and utilites preparations						43,560	6	\$261,360	
Street Sidewalk Improvements / Site Landscape (NIC Bike Path)						18,600	35	\$651,000	
Total Site Cost								\$1,502,240	
\$								24,626.89	
Residential podium building / BUILDING B									
Residential Podium Parking						25,934	175	\$4,538,450	
Residential podium (Resid./Lobby/ liner)						3,028	350	\$1,059,800	
Gross Area Resid. And Common Area above Podium						64,880	350	\$22,708,000	
Courtyard						5,143	125	\$642,875	
TOTAL / BUILDING B								\$28,949,125	
TOTAL CONSTRUCTION COST						-	-	\$30,451,365	
Total Construction Cost per SF (building gross, including garage)						93,842	net sqft	\$324	
Total Construction Cost per SF (Residential gross)						67,908	net sqft	\$448	
Total Units and Cost per Unit						61	units	\$499,203	
Contingency Cost						10 % - 15% of Construction cost	\$3,045,136.50	to	\$4,567,705
TOTAL CONSTRUCTION COST WITH CONTINGENCY						\$33,496,501.50	to	\$35,019,070	

per unit

\$ 74,401

per sp.

per unit

- 5% of Costs

\$ 74,401

per sp.

- 15% of Costs

- 15% is Prevailing Wage  
Cost Premium = \$4.35 mil.

- \$500,000 per unit

- Escalation at 5% per year  
typ. for past 10 years

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# Placing our Ambitions on Affordable Housing:

- Affordable Housing is a “***Community Benefit***”
- Sustainability Leader
- Prevailing Wage for Construction Workers
- Greater Scrutiny - Responds well to community
- Sense of Ownership – Meets Cities Goals and Desires
- Services - Provides enhances services to support residents
- Remnant Sites - Helps cities mend their community through catalyst sites
- Parking Cost vs Income – Need to rethink parking for residents...
- Cost of Construction 101 – Shows how 25% of construction Costs directly relate to Community Benefits

**Affordable Housing Does a Lot More than “*Just Provide a Home*”**

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The background of the slide features a black and white photograph of a modern building. On the right side, there is a large glass window reflecting the sky. On the left side, a staircase with a metal railing is visible, leading upwards. The overall aesthetic is clean and architectural.

# Mythbusting Affordable Housing Cost

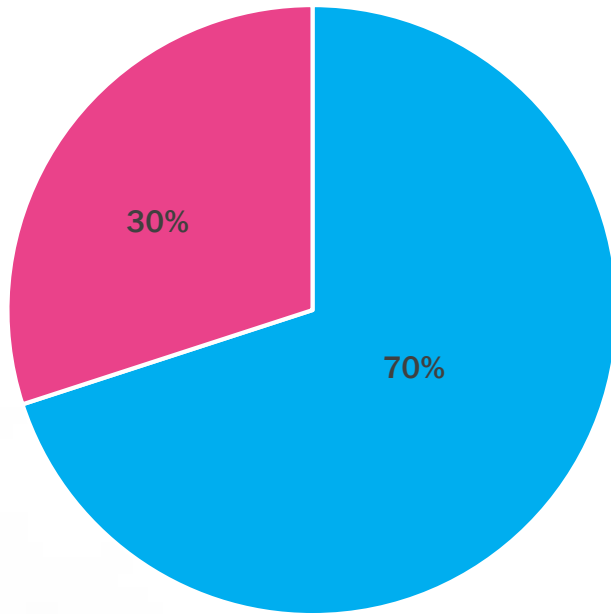
**MYTH:** “Affordable Housing is expensive because Affordable Housing Developers aren’t as good at housing development as Market Rate Developers.”



# Affordable vs. Market Rate Housing

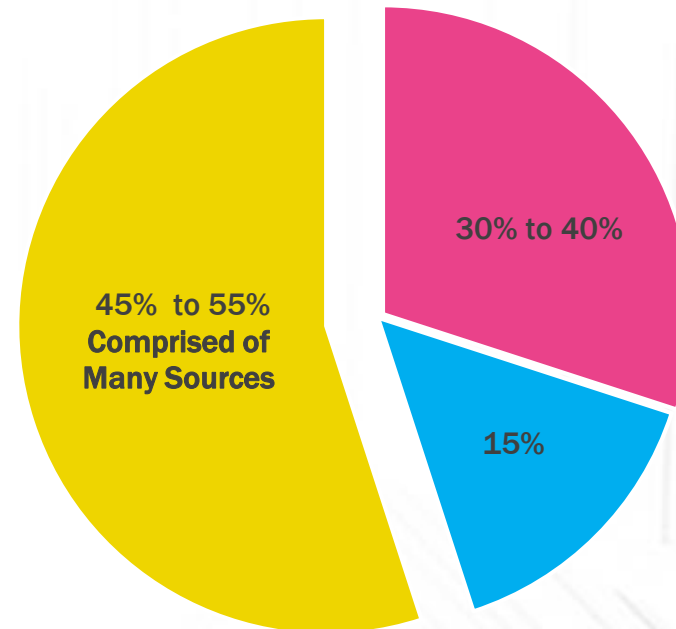
## *The Capital Stack*

Market Rate Developer:



■ Bank Loan ■ Investor Equity

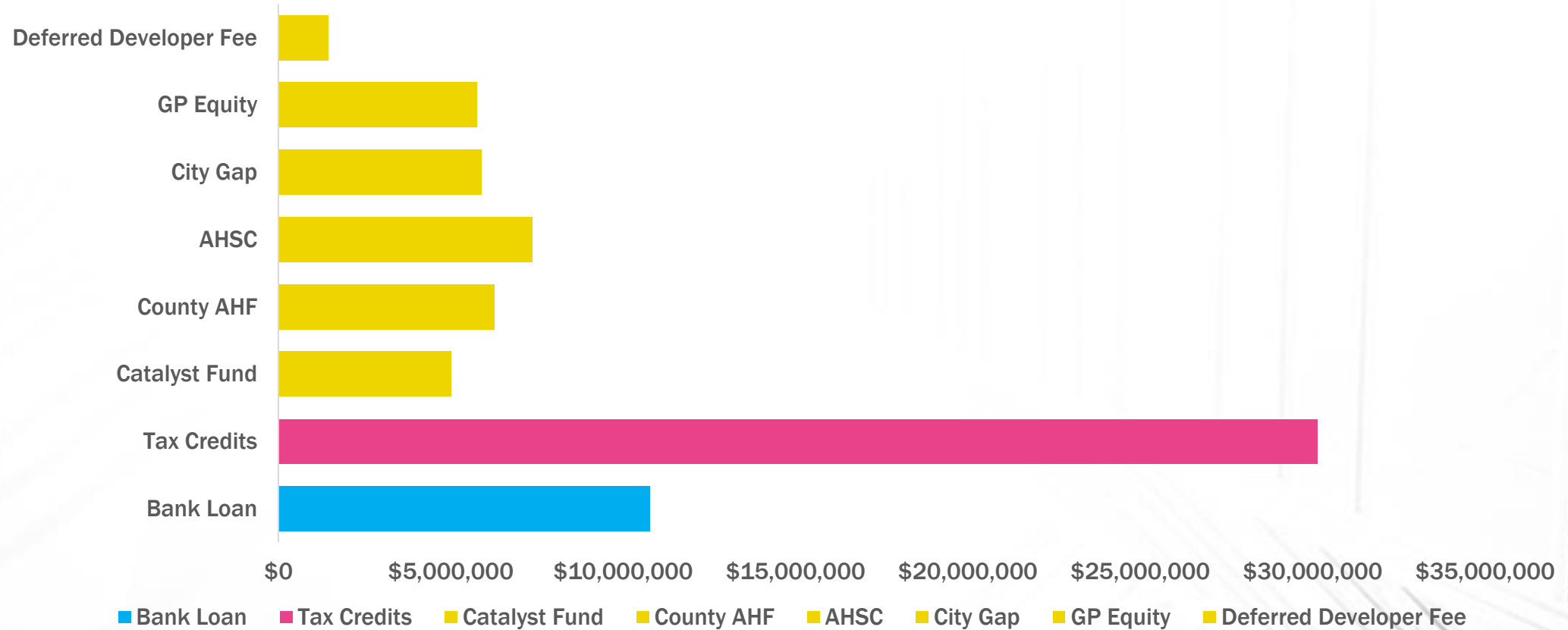
Affordable Housing Developer:



■ Tax Credits ■ Bank Loan ■ Gap Financing

# Affordable vs. Market Rate Housing

## *The Capital Stack*



# Affordable Housing Not Only Houses People it Houses Our Values

Values	For Affordable Housing Per Unit	For Market Rate
Active Streets/ Retail Space	\$6,150 to \$61,500 (1% to 10%)	Can usually underwrite
Green Building	\$18,450 to \$43,050 (3% to 7%)	Marketing Opportunity & rental up charge
Community Input: Time Value of Money & Competitive Financing	\$18,450 to \$73,800 (0.5% per month escalation)	Fewer months of escalations
Parking	\$30,750 to \$92,250 (5% to 15%)	Additional revenue source
Prevailing Wage	\$123,000 (20%)	Typically not required
Place Making/ Elevated Design	\$25,000 plus	Marketing Opportunity & potential rental up charge
Impact Fees	\$25,000 to \$75,000	Same cost, without the additional community benefits
Land Costs	\$100,000 plus	Rents support land cost

# Benner Plaza

Zero Net Carbon

**\$300K**





# Firehouse Square

Commercial Space

**\$1.8MM**

Parking

**\$7.3MM**





# Peninsula Station

Design

**\$300K**

Impact Fee

**\$1.6MM**





MYTHBUSTED

A rectangular, rusted metal sign with the word "MYTHBUSTED" in white, raised, block letters. The sign is mounted on a white wall. In the bottom right corner, there is a stylized graphic of a window frame and some radiating lines.





**Questions?**