

THE POPLAR: FINANCIAL FEASIBILITY CONSIDERATIONS

Construction Cost Considerations:

- Five story building construction types are more cost-effective construction types on a cost per unit basis than lower density buildings (i.e., less than five stories) with the same number of units.
- Design schemes A, B and C involve a podium parking garage since they are one story of concrete with five-story wood-framed Type III construction types. The building code does not allow for wood-framed Type III construction types of more than five stories, which is why an at-grade concrete podium is necessary to achieve the six-story building heights of design schemes A, B and C. The construction cost of an at-grade podium (i.e., concrete) parking garage is approx. \$60,000 per parking space and translates to a \$2.22 million price tag for The Poplar for design schemes A, B and C. This is approximately \$2.16 million more expensive than a surface parking solution.
- Because of Alameda's high water table, below-grade podium (i.e., concrete) parking structures are prohibitively expensive. This is why even market rate multifamily residential development generally do not adopt this parking solution in Alameda.

Development and Operating Cost Efficiencies and Economies of Scale:

- A building of at 50+ units has economies of scale during construction and in operations.
- Every affordable rental housing project with 16 or more units has to have one manager unit. There are other fixed costs such as audits and various funding monitoring requirements. Spreading these fixed costs over a larger project is more cost effective.
- A 50-unit project can have a full-time manager live on site, and a full-time maintenance person. If the project has less than 50 units, both of these positions need to be shared with another project and do not provide as much onsite attention.

Affordable Housing Financing Considerations:

- The vast majority of affordable rental housing projects in California rely on the Low Income Housing Tax Credit ("LIHTC") to finance most of the development cost of an affordable rental housing project. In California, LIHTC is administered by the California Tax Credit Allocation Committee ("TCAC"). This source provides 40-50% of the financing for new construction projects.
- TCAC has a "scoring penalty" for affordable rental housing projects below 50 LIHTC units. Smaller projects do not receive the scoring boost that projects with 50 or more LIHTC units are granted. Since this program is highly competitive, a scoring penalty greatly reduces the ability of the project to obtain a LIHTC award. [The numerator of affordable rental projects



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of 50 or more LIHTC units is multiplied by a size factor equal to seventy five percent plus the total number of LIHTC units divided by 200. This translates to a higher scoring boost with every additional LIHTC unit above 50 up to a limit of 150 LIHTC units.]

- Furthermore, TCAC will not approve any tax credits for a project that exceeds a certain high cost limit. TCAC publishes unit costs for every county, and a project cannot exceed that limit by more than 30%. The project tie breaker is also reduced for the cost of the project compared to these published limits.
- The rest of the development cost of an affordable rental housing project is financed with federal, state, county or local funding.
- The City of Alameda has very little available funding for affordable housing. Typically, less than 5% of the project comes from City of Alameda funds.
- Federal affordable housing programs have been impacted by budget cuts.
- In recent years, California's budget deficits have led to fluctuating, often reduced, funding for state affordable housing programs.
- Since the elimination of Redevelopment Agencies in 2011, local funding for affordable rental housing projects has been significantly impacted. Measure A1 was approved by voters in Alameda County in 2016 and provided local funding for affordable rental housing projects in the county. This source has been exhausted.