

The Economics of Land Use



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AUSD Employee Housing

Prepared for

Alameda Unified School District

Prepared by

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Employee Housing Background

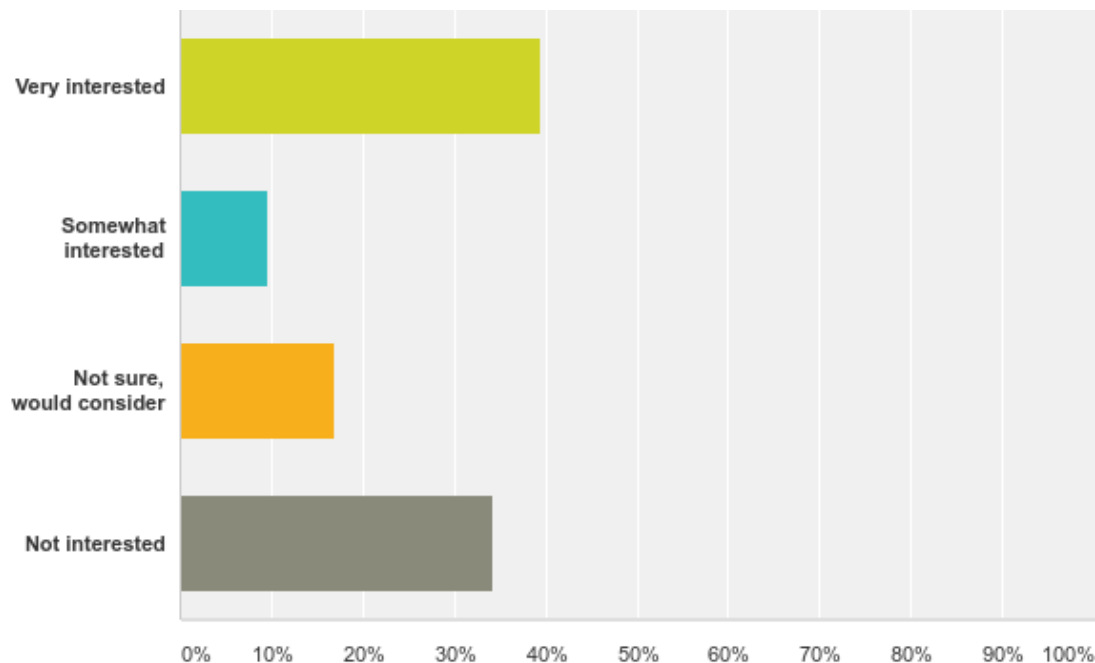
- Providing affordable housing for District employees is a Board priority.
- With the high cost of housing in Alameda and the Bay Area, there is significant demand for affordable employee housing.
- EPS has been assisting District staff with the process of identifying opportunities for employee housing.
- Housing needs to be located on District-owned property in order to not violate the Fair Housing Act.

Employee Survey and Findings

- Staff issued a survey to District employees to assess need for and interest in employee housing opportunities.
 - 523 responses, greater than 50% response rate
- Respondents are evenly split between renters and owners.
- 45% of respondents do not live in the City of Alameda, with nearly 80% citing cost as the primary reason.
- Nearly 20% indicated they are considering leaving AUSD within the next five years and relocating because of a dissatisfaction with the cost, availability, and/or proximity of housing.

Employee Survey and Findings

- Of renters, nearly 50% spend more than 30% of their household income on rent.
- 50% of respondents would be “somewhat interested” or “very interested” in living in rental housing provided at below-market rents that might be offered to AUSD employees.



RFQ Process

- A Request for Qualifications (RFQ) was issued the week of 3/27/17.
- RFQ requested the following:
 - Concept and approach
 - Firm experience and qualifications, including references
 - Firm resources
- Two complete responses were received:
 - Education Housing Partners (EHP)
 - The Pacific Companies
- Responses have been evaluated by District staff and EPS.

Evaluation Criteria

1. Proposal Concept
2. Site/Land
3. Number of Units
4. Affordability Target
5. Financing/Risk Management for District
6. Operations
7. Project Timing
8. District's Role
9. Firm Qualifications
10. References

Evaluation: Proposal Concept

Education Housing Partners

- EHP donates 2.5 acres of land at Alameda Point.
- As a Design/Build Contractor for the District, EHP delivers the housing on a turnkey basis.
- District sells Certificates of Participation (COPs) which are repaid with revenue from rents.
- Day-to-day operations are managed by a third-party property management firm; District establishes a Housing Board to oversee ongoing operations.
- Site capacity would yield approximately 70 below market rate units for District employees, with access to parks, walkable retail, and public transit.

The Pacific Companies

- Concept envisions using District-owned land at Alameda Point and demolishing the Bachelors' Officers Quarters (BOQ).
- Proposal is conceptual only and indicates a desire to work with the District to define the project.
- As proposed, the concept indicates development of 162 units (mix of 1-, 2-, and 3-bedroom units) in seven separate residential buildings and a large community room.
- Proposal requires feasibility work for BOQ site, including infrastructure needs (approx. \$1 million/acre) and historical requirements.

Evaluation: Site/Land

Education Housing Partners

- APP will donate 2.5 acre site within the Site A Development at Alameda Point; does not impact AUSD's existing portfolio.

The Pacific Companies

- Concept reflects use of the District's BOQ, but could use other District-owned land. Or District could acquire appropriate land.

Evaluation: Number of Units

Education Housing Partners

- Approximately 70 units.

The Pacific Companies

- Approximately 162 units (assuming BOQ parcel at Alameda Point).

Evaluation: Affordability Target

Education Housing Partners

- Target is 25% to 33% below market for comparable units; rents are set at levels that cover the debt, operating expenses and capital reserves.
- “Moderate” income households are those earning between 80% and 120% of the Area Median Income (AMI).
 - Up to \$81,850 for a 1-person household.
 - Up to \$93,500 for a 2-person household.
 - Up to \$105,200 for a 3-person household.
 - Up to \$116,900 for a 4-person household.

The Pacific Companies

- Target is up to 60% of Alameda County Area Median Income (AMI), but Proposal is flexible on this target. If Project uses affordable housing tax credits, income limits will be imposed, which may be incompatible with employee salaries. Further analysis may be needed on this point.

Evaluation: Financing

Education Housing Partners

- District issues COPs to fund 100% of the development costs - EHP estimates a total project cost of around \$25 million. The District's General Fund is not affected, unless revenues fail to cover COP repayment expenses.

The Pacific Companies

- Proposal anticipates tax-exempt, private activity bond financing and the use of 4% or 9% tax credits. Assumes total project costs of \$50.7 million (not including land acquisition if needed).

Evaluation: Operations

Education Housing Partners

- A third-party property manager is responsible for the day-to-day operations. The District will create a Housing Board to oversee ongoing operations.

The Pacific Companies

- Not clear, but list of completed projects suggests The Pacific Companies owns/operates many of its developments.

Evaluation: Project Timing

Education Housing Partners

- Estimate of final project delivery:
March 2020.

The Pacific Companies

- Not indicated at this time.

Evaluation: District's Role

Education Housing Partners

1. Retain EHP as a Design/Build Contractor.
2. Contract with General Contractor.
3. Capitalize the development.
4. Establish Housing Board to oversee operations.

The Pacific Companies

1. Work with The Pacific Companies to define the project.
2. Contribute land (or acquire appropriate site).
3. Issue tax-exempt bonds and apply for 4% tax credits.
4. Assist with entitlements.
5. Develop plan for managing/operating.

Evaluation: Firm Qualifications

Education Housing Partners

- EHP is an affiliate of APP, the Alameda Point developer.
- APP knows the City well and understands the City's processes.
- Concept has been delivered employee housing for the Santa Clara Unified School District and the San Mateo Community College District.
- Experienced team members.
- References provided.

The Pacific Companies

- The Pacific Companies is experienced in developing affordable units in the larger Bay Area and the western US; demonstrated by a long list of completed projects.
- No specific City of Alameda experience.
- Employee housing for school districts not specifically called out.
- References provided.

Recommendation

- Authorize District staff, with support from EPS and other advisors as needed, to enter into discussions with EHP.
 - EHP will donate the land and obtain entitlements
 - Concept is more defined and reflects a proven model
 - Minimizes impact on General Fund
 - Affordability targets are more appropriate for District employees
 - Firm has successfully delivered employee housing for school districts
 - Firm has local, City of Alameda, knowledge and experience

Next Steps

- Next steps include further evaluation of the financial implications and discussions regarding risk management for the District.
 - Protect District's General Fund