

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

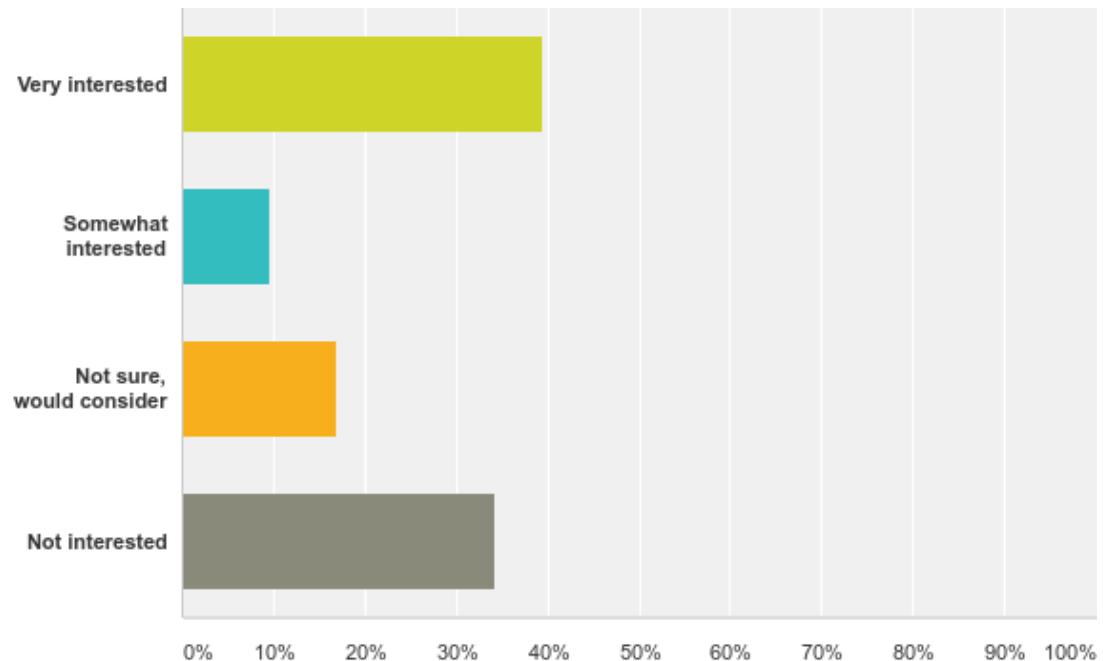
- Providing affordable housing for District employees is a Board priority.
- With the high cost of housing in Alameda and the Bay Area, there is significant demand for affordable employee housing.
- Economic & Planning Systems (EPS) has been assisting District staff with the process of identifying opportunities for employee housing.

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.

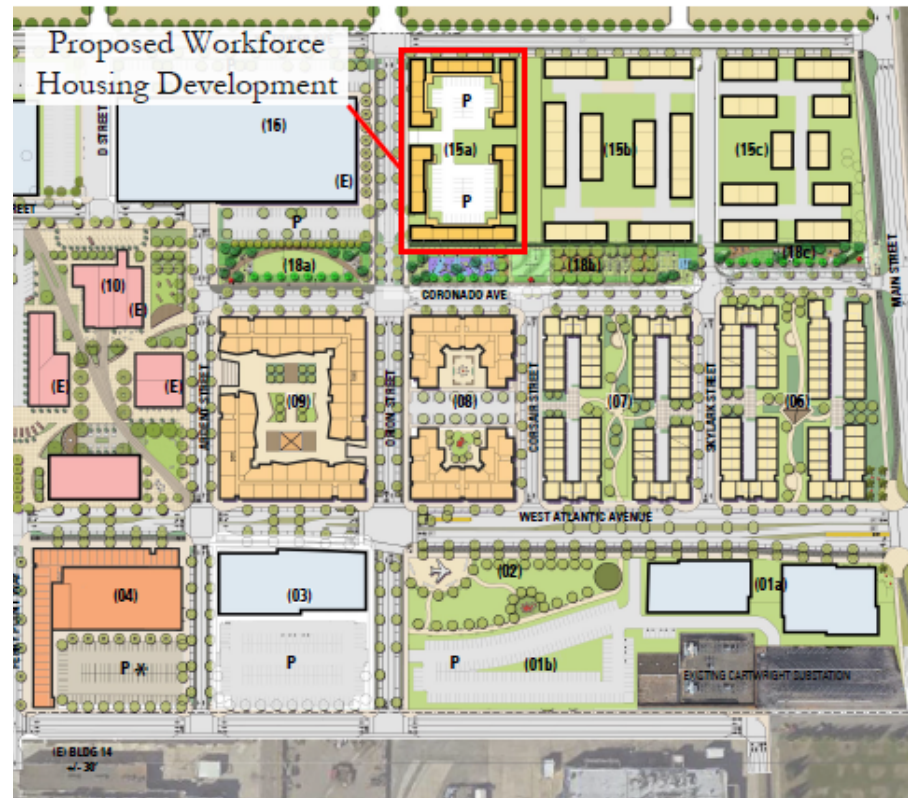


RFQ Process

- 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 were evaluated by District staff and EPS, and EHP was selected.

Education Housing Partners

- APP 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.



*THIS SITE PLAN & BUILDING CONFIGURATIONS ARE ILLUSTRATIVE ONLY. ALL IMPROVEMENTS SUBJECT TO DESIGN REVIEW APPROVAL.

*EXISTING BUILDINGS AND/OR SITES MAY BE OCCUPIED WITH USES CONSISTENT WITH THIS PLAN DURING ANY PHASE

ILLUSTRATIVE SITE PLAN - ALL PHASES

Financing

- District issues COPs to fund 100% of the pre-development costs (subject to agreed-upon cost maximums) and construction costs.
- Debt is funded from revenue from rents.
- The District's General Fund is not affected, unless revenues fail to cover COP repayment expenses.

Anticipated Process

Phase I: Conceptual Design and Programming

- EHP architect commences design work
- APP funds this phase; if both parties agree to proceed with the permitting phase, AUSD agrees to reimburse APP.
- Approximate cost of \$50K

Phase II Entitlement

- EHP works with their affiliate APP to secure entitlements
- Design review is the only discretionary review required
- APP funds this phase
- If both parties agree to proceed with the permitting phase, AUSD agrees to reimburse APP.

Phase III: Permitting

- Preparation of the construction drawings for permit issuance is the largest pre-development expense
- Permit drawings allow design build contractor to bid and GMAX bid is available
- APP funds this phase; if both parties agree to proceed with the permitting phase, AUSD agrees to reimburse APP.
- Approximate cost of \$750K to \$1M.

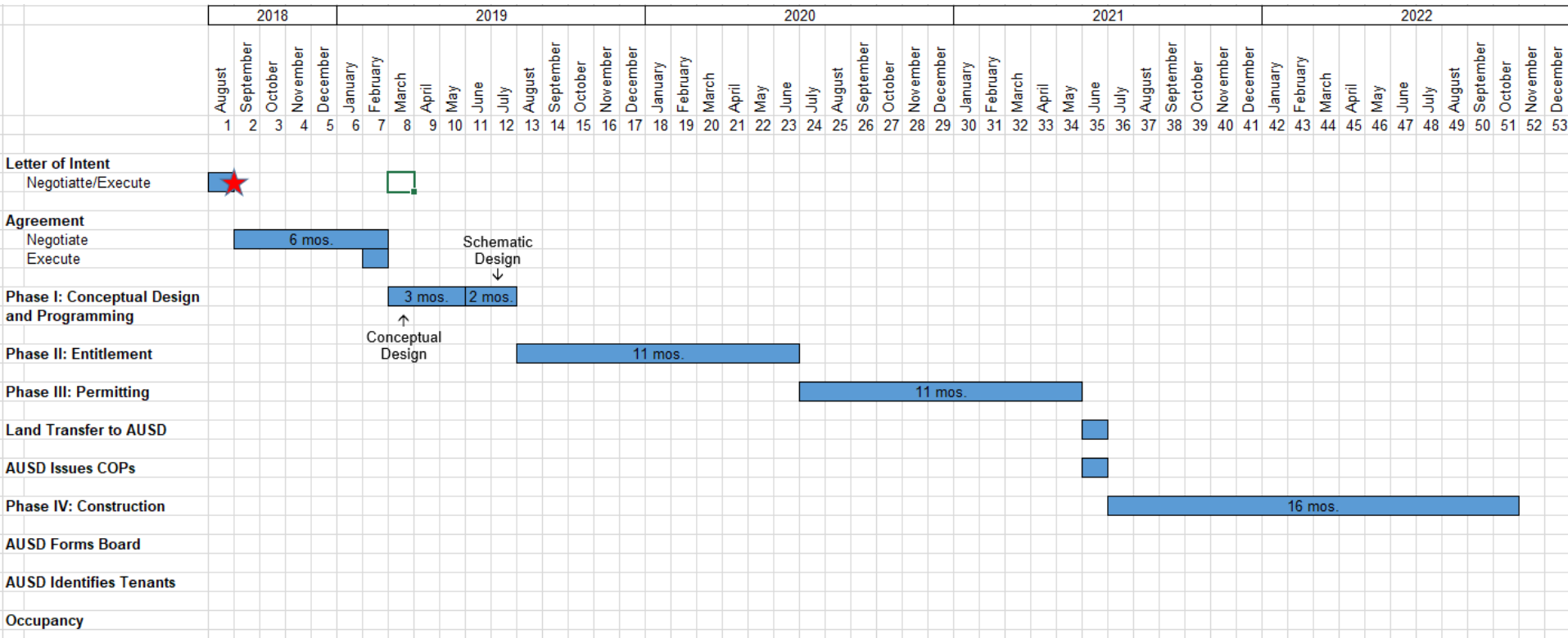
Phase IV: Construction

- If project economics remain feasible, construction proceeds
- AUSD capitalizes the development - all costs incurred to-date plus construction costs.
- Expectation is that the District would use COPs

Preliminary Transaction Schedule

1. District Board approval of LOI: **August 28, 2018**
2. Expiration of Negotiation Period and District Feasibility Period for physical condition of the property: **February 28, 2019**
3. District and APP execute Dedication Agreement: **February 28, 2019**
4. APP submits Preliminary Project Documents for District Board approval: **90 Days after District and execution of Dedication Agreement**
5. Preparation of Project Schematic Documents and City of Alameda's issuance of design review approval for the Project: **60 days after District Board approval of Preliminary Project Documents**
6. District and EHP execute Design Build Contract: **Simultaneous to issuance of design review approval**
7. Preparation of Project construction documents and City of Alameda's plan check approval of the same: **180 days from issuance of design review approval**
8. Submittal of GMP for District's Board's approval: **Simultaneous to plan check approval**
9. District's confirmation of Project funding: **90 days from Board's approval of GMP**
10. APP transfers land to District upon issuance of the building permit and project financing: **30 days**
11. Construction Commencement: **30 days**

Preliminary Project Schedule



- Board Approves LOI – end of August 2018
- Design phase begins Spring 2019
- Construction begins Summer 2021
- Occupancy targeted for Fall 2022

District's Role

1. Negotiate Letter of Intent
2. Site due diligence (third-party review of APP site documentation)
3. Negotiate Agreement with APP and EHP
 - Agreement retains EHP as a Design/Build Contractor
4. Review and provide input during design process
5. Regular financial analysis to monitor feasibility
6. Capitalize the development
7. Establish Housing Board to oversee operations

Known Risks

- At the beginning of the permitting phase, the District becomes responsible for pre-development costs incurred to date (up to not-to-exceed maximums)
- If District decides not to proceed once the final cost estimates are prepared, there are pre-development costs to be reimbursed but no project to finance the costs

Board Action

- Authorization to sign the Letter of Intent
 - LOI is non-binding
 - Establishes the broad business terms that will be reflected and detailed in the Development/Dedication Agreement
 - Commences site due diligence work and negotiation of Agreement