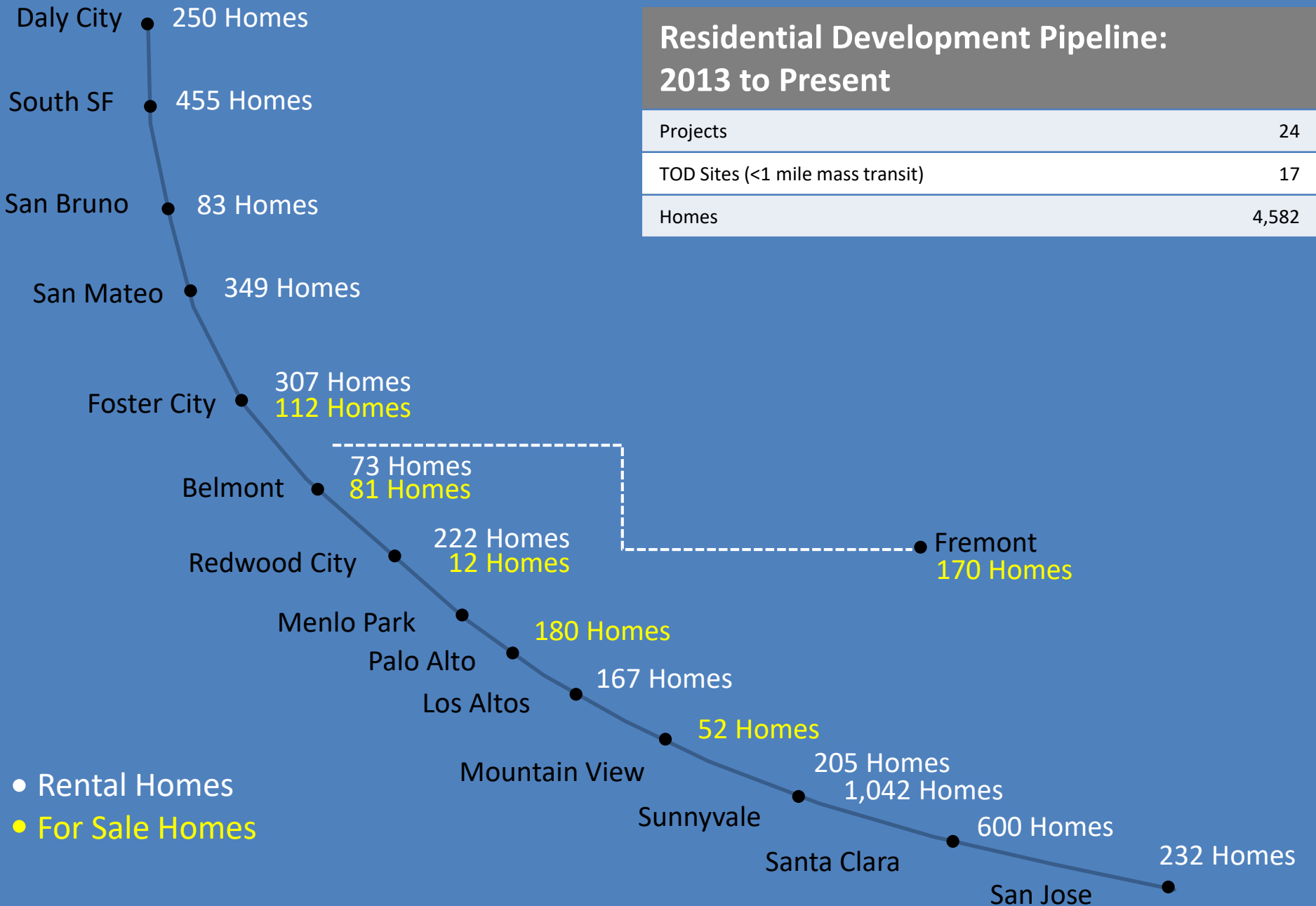




# Educator Housing: Understanding Process, Planning, and Business Strategy

# In our backyard



# 2017-2019 Deliveries



**6tenEAST - 2017**  
Sunnyvale



**1101 West – 2017**  
Mountain View



**Encore – 2018**  
Redwood City



**Stanford Cal Ave. – 2018**  
Palo Alto



**The Ashton – 2018**  
Belmont



**Aperture – 2018**  
San Bruno



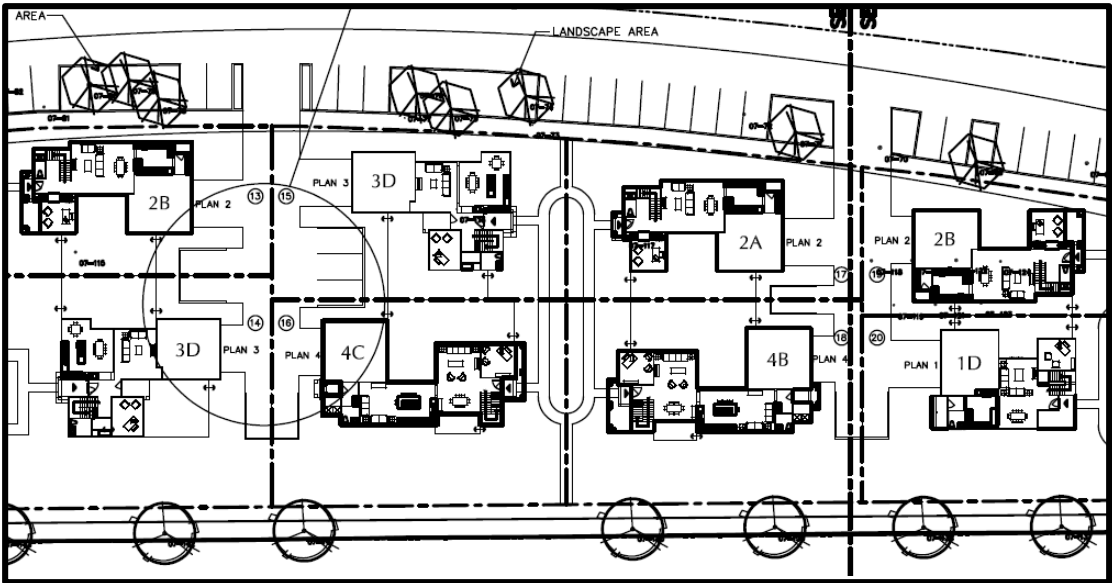
**The Flats – 2018**  
Sunnyvale



**Cadence – 2019**  
South San Francisco

8 Communities // 1,131 Homes

# Cluster Homes, 8 Units Per Acre (DUA)



**Typical Townhome Condominium (Split Level Living), 14 – 18 units per acre**



**Townhome Style Condominiums on Podium, 36 units per acre**



**2 Story Stacked Lofts on Podium, 40 units per acre**



**Stacked Condominium flats on Podium, 50 – 60 units per acre**





**Townhome Style Condo Flats on Podium with at-grade Flats (4 story), 70+ units per acre**



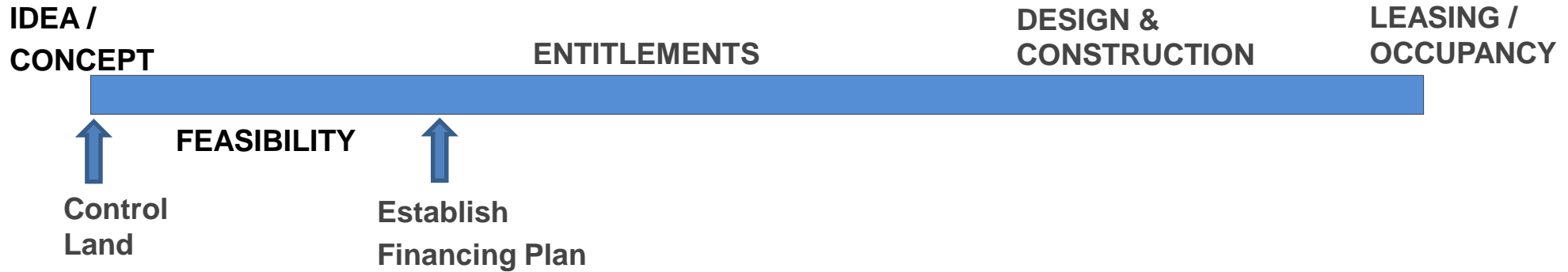
**Stacked Flats, 5-Story Mid-rise, 110 units per acre**



# Teacher Housing Opportunities

1. Site Control – use of owned land
2. Access to Inexpensive Capital and Philanthropy
3. Below Market Rate rental housing for District Staff
4. Housing for Local Employees
5. No Land Cost + Tax Exemption Creates Sustainable Model

# Development Process



## Key Financial Variables:

1. Land Cost
2. Cost of Capital
3. City Fees
4. Soft Costs
5. Construction Costs
6. Revenue

## Keys to Success:

1. Determine the need, confirm at every step in the process.
2. Build the team (ie. Get the “right people on the bus”)
3. Realistically anticipate timing and revenues.

# Feasibility

## ONGOING – ITERATIVE – INTERDISCIPLINARY

- Assess Physical Characteristics of the Site
- Identify Opportunities and Constraints
- Check Validity of Development Concept
- Define Market – Area, Depth, Maturity, Limits
- Consider Political Environment (Including Community Values)
- Consider Regulatory Requirements
- Estimate Development Costs
- Analyze Financial Performance
  - Income, Expense, Return
- *Feedback Loop - Continual Through Entire Development Process*

# Feasibility: Factors in Site Selection

## Zoning

- Legal use of the site; reuse?
- Restrictions on density and layout
- Contiguous land uses
- Likelihood of obtaining variances

## Physical Features – Opportunities/Constraints

- Size
- Soils
- Environmental Condition
- Topography
- Hydrology (floodplains, subsurface water)

## Utilities

- Drainage – Storm and Sewer
- Water
- Dry Utilities – gas, electric, and communication

## Transportation (all modes)

- Transportation linkages
- Traffic
- Public transportation
- Access –ingress, egress, and visibility

## Land Cost

## Environmental Impact

- Adverse impacts on air, water, and noise levels
- Other areas of concern, including historic districts, parks, open space, trees, wildlife habitats

## Government Services

- Schools, health facilities, and other government services
- Impact fees, property taxes, and permit fees
- Parks/Recreation

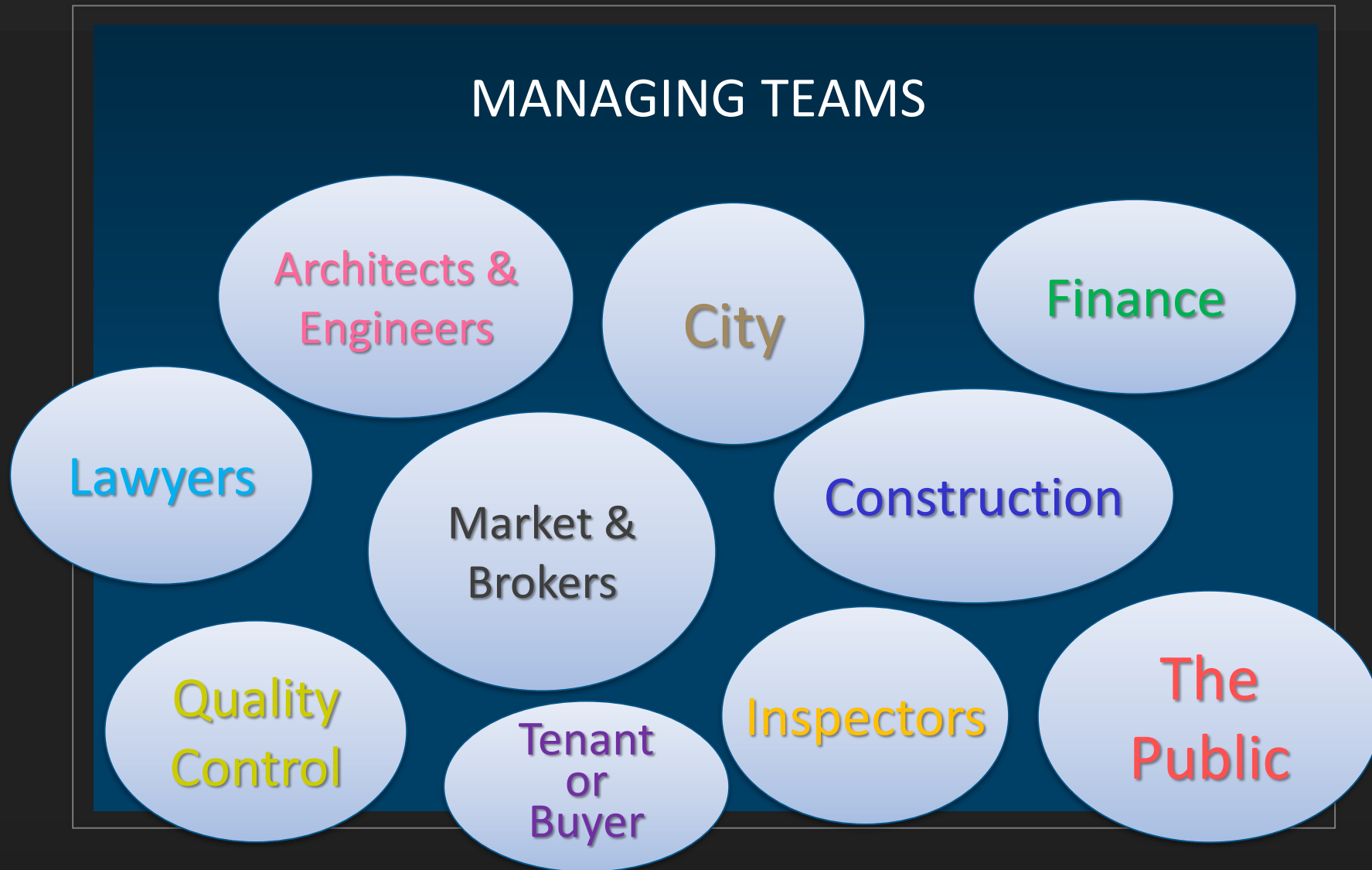
## Local Attitudes

- Defensive (How powerful are antidevelopment forces?)
- Neutral (What social costs does the project impose? What are the benefits to the locality? Is the project in the public interest?)
- Offensive (What are local attitudes toward growth and how can they be used to help shape, refine, and specify the project to be built)

## Demand and Supply

- Population growth, trends, and projection
- Employment
- Income distribution
- Existing and planned supply
- Competitive Market
- Amenities or Features

# Real Estate Development



# Teacher Housing Pro Forma

WORKFORCE HOUSING DRAFT PROFORMA		
Site Area		1.2 AC (gross) / 0.8 AC (net)
Total Apartments / Rentable Area		22 apts / 19,150 sf
<b>Development Costs:</b>		
Land Costs		\$0
Hard Construction Costs	\$500 per rentable SF	\$9,575,000
Offsite Construction Costs	\$20,000 per unit	\$440,000
Soft Costs / Consultants	\$35,000 per unit	\$770,000
City Fees (permits only, no impact fees)	\$15,000 per unit	\$330,000
Furnishings, Fixtures, Equip.	\$7,500 per unit	\$165,000
Contingency	5% of hard and soft costs	\$500,000
<b>Total Project Cost</b>		<b><u>\$11,780,000 (\$535,000 per unit)</u></b>
Annual Market Gross Revenue	\$3.50 gross rent per SF per month	\$804,300
<b>50% of Market Gross Annual Revenue</b>		<b><u>\$402,150</u></b>
<b>Annual Operating Expenses:</b>		
Property Taxes		\$0
Management Fees	\$3,500/month plus 5% of gross revenue	\$85,000
Variable Expenses	\$8,000 per unit per year	\$176,000
<b>Total Annual Operating Expenses</b>		<b><u>\$261,000</u></b>
<b>Approx \$140,000 per year available to service debt.</b>		





# Teacher & School Employee Housing: The Critical Role of an Owner's Representative

**October 25, 2019**

**Sarah Chaffin**

**Founder**

**SupportTeacherHousing.org**

**Sarah@SupportTeacherHousing.org**

# Sarah

- **Over 15 years of experience in real estate finance:** land use and entitlement, Below Market Programs, commercial and residential real estate.
- **Founded SupportTeacherHousing.org**
- **Expertise: alternative financial and construction models for Teachers and essential workers.**
- **Popularized the term “Missing Middle”** : low to moderate income earners who make too much money to qualify for traditional affordable housing but cannot afford to live where they work.
- **Building a Teacher & School Employee Housing Prototype** on Town land in Los Gatos.
- **Teaches Financial Empowerment classes** to Teachers and the Missing Middle.
- **Simitian Teacher Housing in Palo Alto in collaboration with Mercy Housing & Abode**



# **What is an Owner's Representative?**

# Owner's Representative:

An Individual hired by an **owner (School District)** to manage and execute a design and construction project on their behalf – particularly when they don't have the industry knowledge, judgement, experience, time, or resources in-house to do it themselves.

## Experience/ Qualities Needed:

Feasibility Study, Land Use & Entitlements, Below Market Guidelines, Fair Housing, Cost Estimates, Project Finance, Construction, Architectural & Engineering, Community Outreach, Media, Government Relations, Common Sense, Persistent, Leader, Consensus Builder, Problem Solver, Likeable.

# Why do Schools need an Owner's Representative?

- Technical complexity and economic risk associated with modern construction projects
- Specialization of design professionals
- Supplement internal management and administrative capabilities
- Gaps in services by the design professional, commissioning agent, and construction contractor.
- Fiduciary Responsibility
- Community Outreach/Media
- **Communication!!!!!!!!!!!!!!**

# National Trend

- On public projects, use of owner's representatives is proscribed by law in many states and local jurisdictions.
- Owner's Manager required on local Massachusetts public building projects over \$1.5 million



# **Terminology: Owner's Representative is not!!!!**

- Project Manager
- Program Manager
- Tenant Representative
- Construction Manager Agent/Advisor
- Active Real Estate Broker

# Teacher Housing Failures Due to Lack of Owner's Representative

- Wolf in Sheep's Clothing
- Be aware of the Swap!!!! ( 1031 Exchanges)
- "Superintendent Syndrome"
  - Over achievers with a full time job!!!
  - Disneyland
  - Consensus Factor
  - Location, Location, Location!!!
  - Oops: I meant for school Employees!!!!





**HEART**  
OF SAN MATEO COUNTY