

Back to the Basics Series
Project Feasibility Analysis:
How a Developer Assesses Land Use
Potential for Future Affordable Housing

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AGENDA

- **Site Planning: Selection & Site Criteria**
- **Feasibility Analysis**
- **Entitlements**
- **Moving Forward: Site Control & Risk Management**
- **Public Agency Best Practices**

SITE SELECTION - WHERE TO FIND OPPORTUNITIES

Public Agency Requests for Proposals (RFPs)

- City/County
- Transportation Agency (METRO)
- School District
- Surplus Land Act Notices of Availability

Private Market: Real Estate Brokers/Agents

- Vacant Land
- Existing Buildings:
 - Demo/NC
 - Rehab
 - Adaptive Reuse

Joint Ventures/Partnerships

- Churches
- Nonprofit organizations
- Market-rate developers w/ inclusionary affordable requirement

Other Resources

- City Housing Element
- New Specific or Community Plan Areas

SITE CRITERIA: THINGS TO KNOW

- Minimum site area → Minimum number of units
- High density zoning or favorable land use process for adjustments
- Resource Area designation
- Existing/Previous uses
- Proximity to important neighborhood amenities
 - High quality public transit
 - Public School
 - Public Library
 - Public Park
 - Grocery store
 - Pharmacy, hospital/medical clinic



Preliminary Site Feasibility Analysis - "Back of the Envelope" Analysis

- **What is the current zoning?**
 - **How many units can I build here?**
 - *Family vs. Senior vs. PSH*
 - *Other non-residential space required (office, community room, retail, etc.)*
 - **How much parking is required?**
 - **Entitlements Process?**
 - *By-Right vs. Ministerial/Streamlining vs. Discretionary Approval*
 - **How tall would the building(s) be**
 - Four stories or \leq requires payment of residential prevailing wages
 - Five stories+ = requires payment of commercial prevailing wages
 - **Prelim permanent capital stack options**
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NON-ZONING SITE ANALYSIS

Slope and Soils

Both can be variably expensive to work with; flat and sandy are best

Lot Shape

Rectangular is always easier and cheaper; Adequate size can be severely compromised by irregular shape

Wires and Utilities

Electric power and CalOSHA issues can be costly and complex

Fire Department Access

Avoid deep lots with limited access at sides and rear; Fire Department requirements can severely limit site feasibility

Easements

Identified through surveys - property rights owned by another entity

Existing Uses

Historic resource issues?
Commercial or residential relocation requirements?

Environmental Conditions

Phase I & II analyses are important early reports

Zoning is based on a jurisdiction's Municipal Code, not the Building Code ("CBC") + generally, municipal codes are about quality of life issues

Jurisdictions that accommodate multifamily housing have similar, if often less complex, zone regulations and information resources

Issues covered by zoning include use, density, height, setbacks, parking, minimum lot size, open space, and floor-area ratio (FAR), etc.

Streamlining tools like State Density Bonus can provide relief/flexibility on zoning standards

"BY-RIGHT" OR ENTITLEMENTS PROCESS REQUIRED?

- **Entitlements** are the product of the Planning/Zoning approval process by which a project is given the right by a jurisdiction to be built, usually through a determination letter
- **Projects that are "by right"** typically don't need a lengthy or risky entitlements process or determination letter because they conform to established zoning/ plans
- **Majority of affordable projects:** utilize streamlined ministerial (staff) approval process; some go through discretionary approval (public process/hearing)

"BY-RIGHT" OR ENTITLEMENTS PROCESS REQUIRED?

- **Discretionary** = Least Desirable, Slow & Risky/Expensive
- **Ministerial** = Better, Faster & Less Expensive
- **By-Right** = Best, Fastest & Cost-Efficient

- **Entitlements process will yield a determination letter** with conditions of approval that a project must follow to receive a building permit

- Environmental (CEQA) clearance process is a key companion to entitlements:
 - Exemption
 - Mitigated Negative Declaration
 - Environmental Impact Report (EIR)
- Entitlements are required to compete for most public funding sources!

BUILDING COMMUNITY SUPPORT



Entitlements

Will you need entitlements approvals for the project?



Outreach to Community Stakeholders

This includes: Neighborhood councils;
Block watch groups; Nonprofit organizations; churches, stakeholders;
Local businesses



Local Political Support

From City Councilmember;
County Supervisor etc.

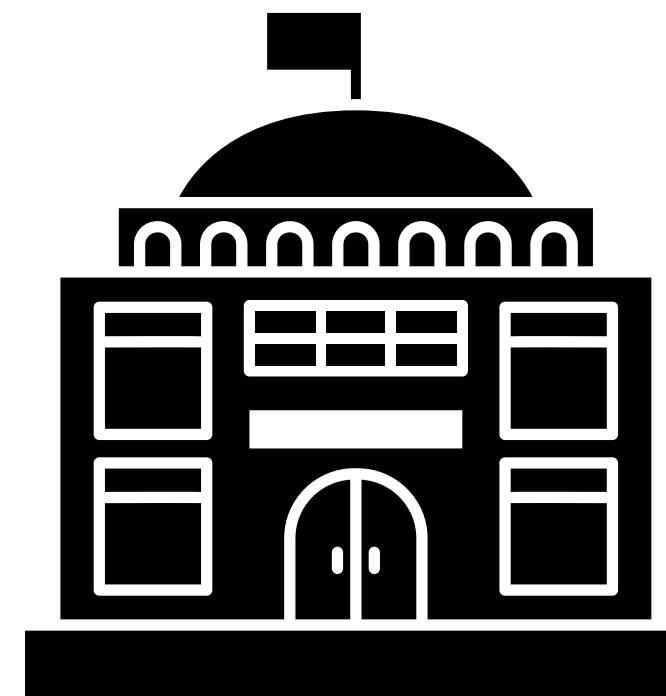
SITE CONTROL AND RISK MANAGEMENT

Private Market Transaction



Patient Seller with long escrow vs.
Acquisition Loan for quick close

Public Agency



No acquisition risk typically, but still have
significant predevelopment costs

SITE CONTROL AND RISK MANAGEMENT

Either way, you need to know what your Development Timeline is:

- Concept Design & Entitlements (6-12 months)
- Secure all financing (2+ years)
- Construction Drawings & Permitting
(concurrent with last phase of financing)
- Construction Phase (15-20 months)
- Lease-up & Stabilization (6-9 months)



PROJECT COST TRAJECTORY

Decisions made during site selection and conceptual design will largely determine the project cost trajectory.

In a high cost environment, realize potential savings by avoiding:

- NIMBY roadblocks that could delay or jeopardize your project
- Expensive design elements
- Unnecessary programming “extras”
- Late-stage design changes, coordination and fees

BEST PRACTICES FOR PUBLIC AGENCIES

- Realistic housing elements; general plan and zoning code align
- Updated zoning already accommodates multifamily residential and doesn't require a mixed use
- Best Case = yields by-right development opportunity
- Worst Case = ministerial-only process utilizing one of the streamlining tools

BEST PRACTICES FOR PUBLIC AGENCIES

- Sufficient utility infrastructure to accommodate urban infill development
- Facilitate working partnership with affordable housing developers
- **EARLY FUNDING COMMITMENTS!**

