

Downtown Berkeley Development Feasibility Study

City of Berkeley City Council Meeting

October 11, 2011



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Purpose of Study

- To inform policy debate on the extent to which new development can contribute financial resources to support a range of public benefit programs, while remaining financially viable.
- Policy makers have expressed interest in establishing impact fees for:
 - Affordable housing
 - Street and open space improvements
 - Transportation demand management
 - Parking

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Prototypes Tested

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Development Type

Condo

Rental Housing

Office

2

Location

Mid-Block

Corner

3

Lot Size

13,000 sft

20,000 sft

4

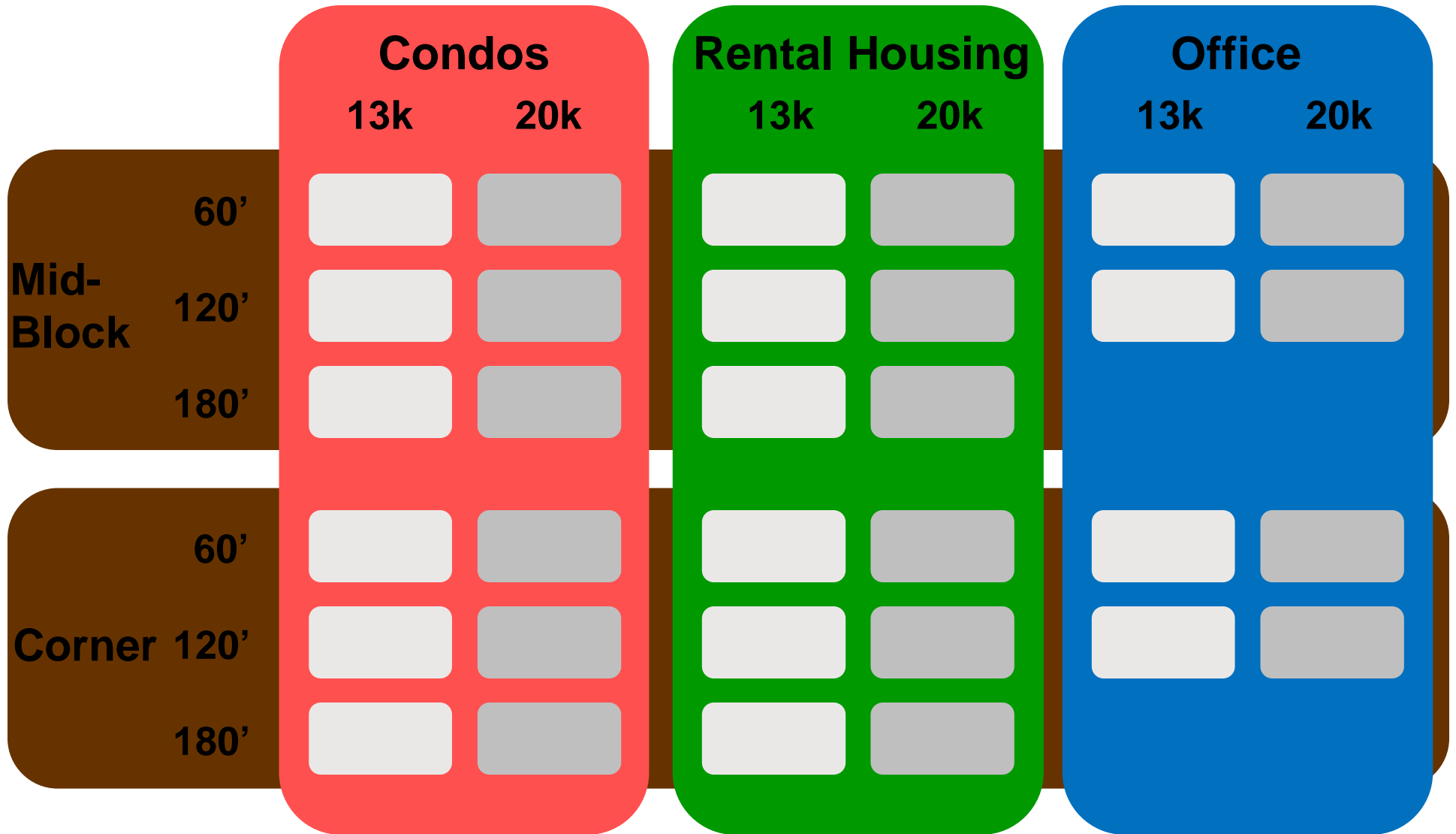
Building Height

60'

120'

180'

32 Scenarios



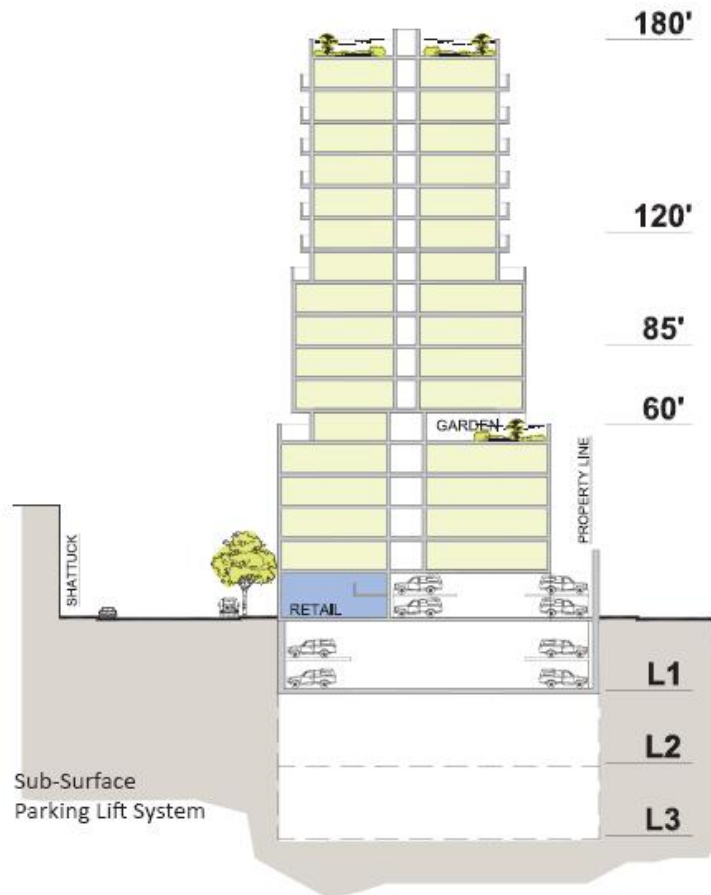
Static Pro-Forma Analysis

- Feasibility analysis performed using static pro-formas
- A static pro-forma analysis estimates future cash flows based on stabilized point in time
- Results in *net residual value* of parcel
- Net residual value = Amount available to contribute to public benefits

Sample Development Scenario

20,000 SF Mid-Block Parcel

180 Feet Height

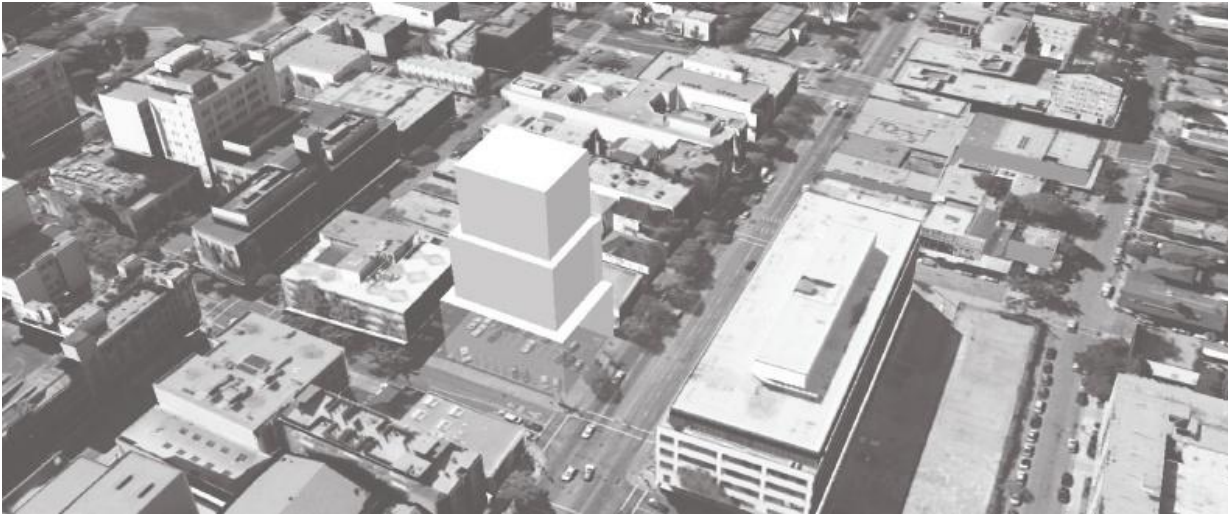


60 Feet Height



Sample Site Configuration

13,000 SF Development



20,000 SF Development



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Key Development Assumptions

Developer Land Cost and Return

- Land cost = \$100/SF
- Developer profit = 8% of total cost before leverage provided by financing
- Market rents and sales prices as of Q1 2011

Inclusionary Housing

- 20% of condo units
- \$20,000 per rental unit

Parking Requirements

- Rental residential = 0.33 space / unit
- Condo = 0.8 space / unit
- Office = 1 space / 1,000 SF
- Retail = 1 space / 1,000 SF

Land Cost

- Land cost = \$100/SF
- A nominal, baseline value
- Land values vary dramatically by site across Downtown Berkeley, and contingent on:
 - Economic use
 - Site configuration
 - Zoning / Regulations
- Historic transactions have been higher, but include existing structures on-site
- In 2008, Strategic Economics found land prices to be from \$80 to \$200/SF in Downtown Berkeley

Revenue Assumptions

- **Rental Housing**

- Average rent per square foot is approximately \$3.35 per square foot of living area.

- **Condominiums**

- \$550 / Square Foot
- 5% View Premium on units located at heights between 60' and 120'
- 10% View Premium on units located at heights between 120' and 180'

- **Office**

- \$3.00 / Sq. Ft. / Full Service

- **Retail**

- \$2.35 / Sq. Ft. Triple Net (NNN)

Public Benefit Fee Assumptions

Adopted

- 20% inclusionary housing or in-lieu fee for condominium projects
- \$4/SF affordable housing mitigation fee for commercial space
- \$1/SF child care fee for commercial space

Not Adopted (as of Oct 2011)

- Affordable housing mitigation fee for rental housing (proposed at \$20,000/unit)
- Parking in-lieu fee (proposed at \$35,000/space)

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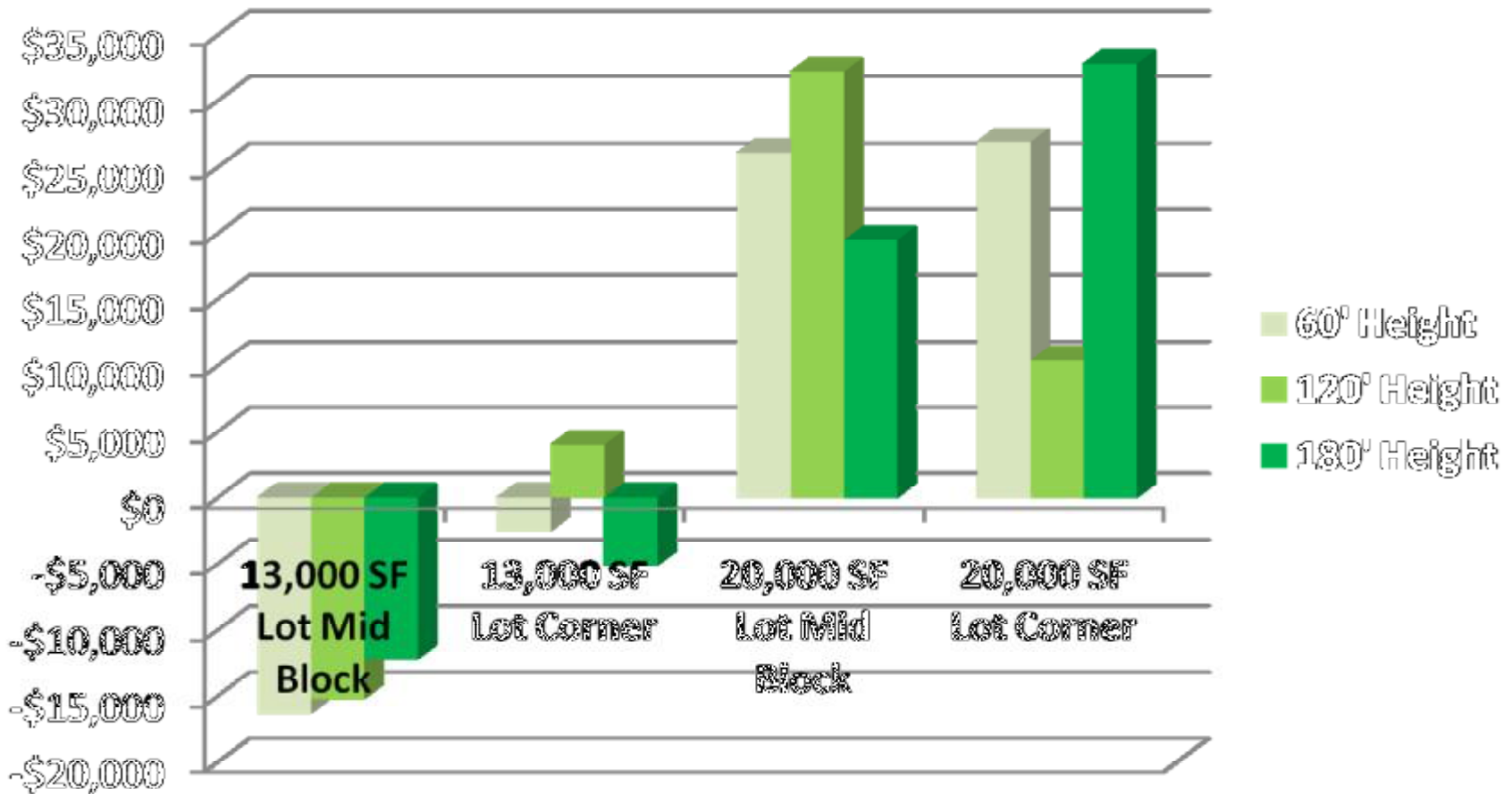
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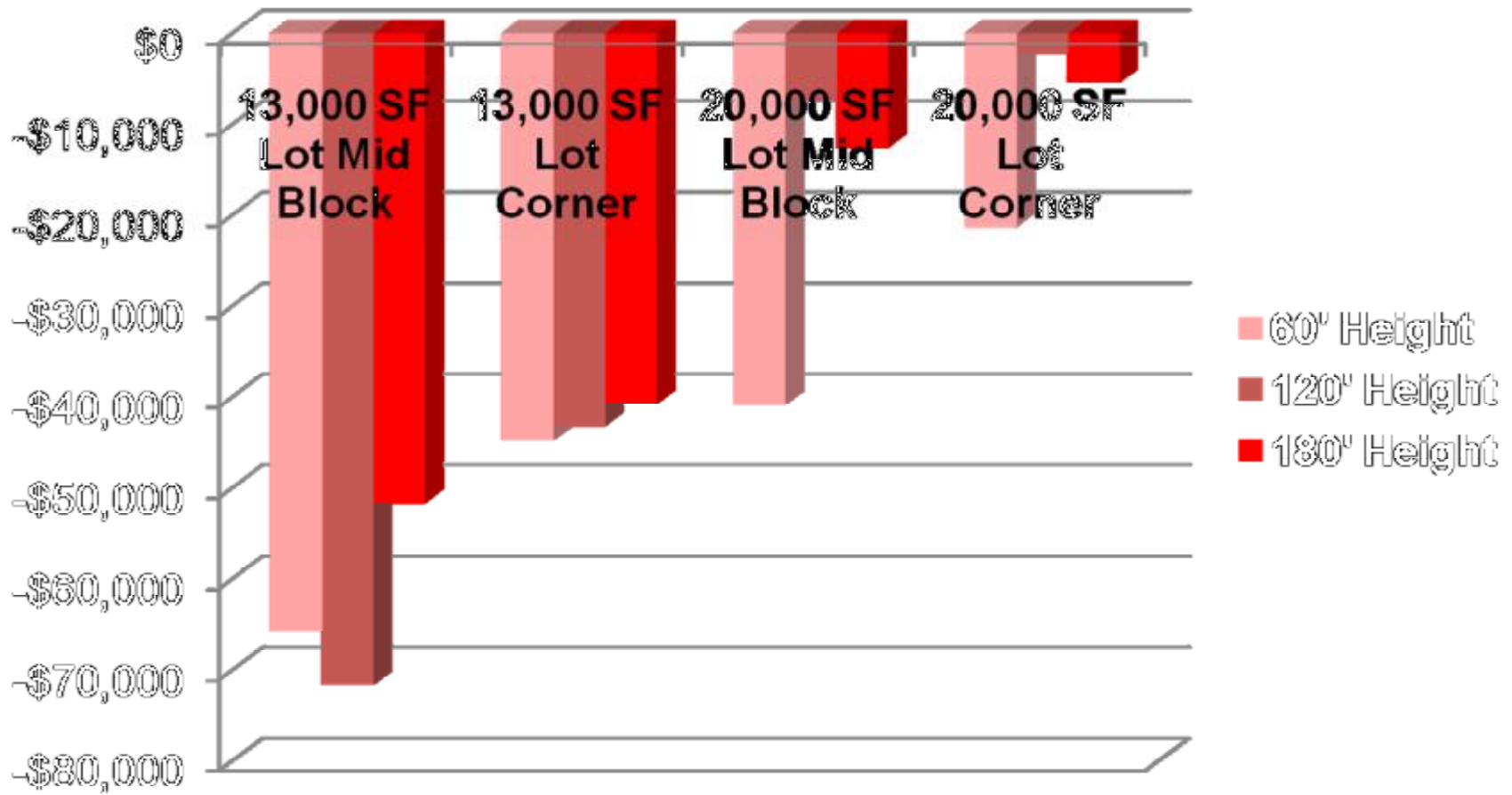
Assumptions

Findings

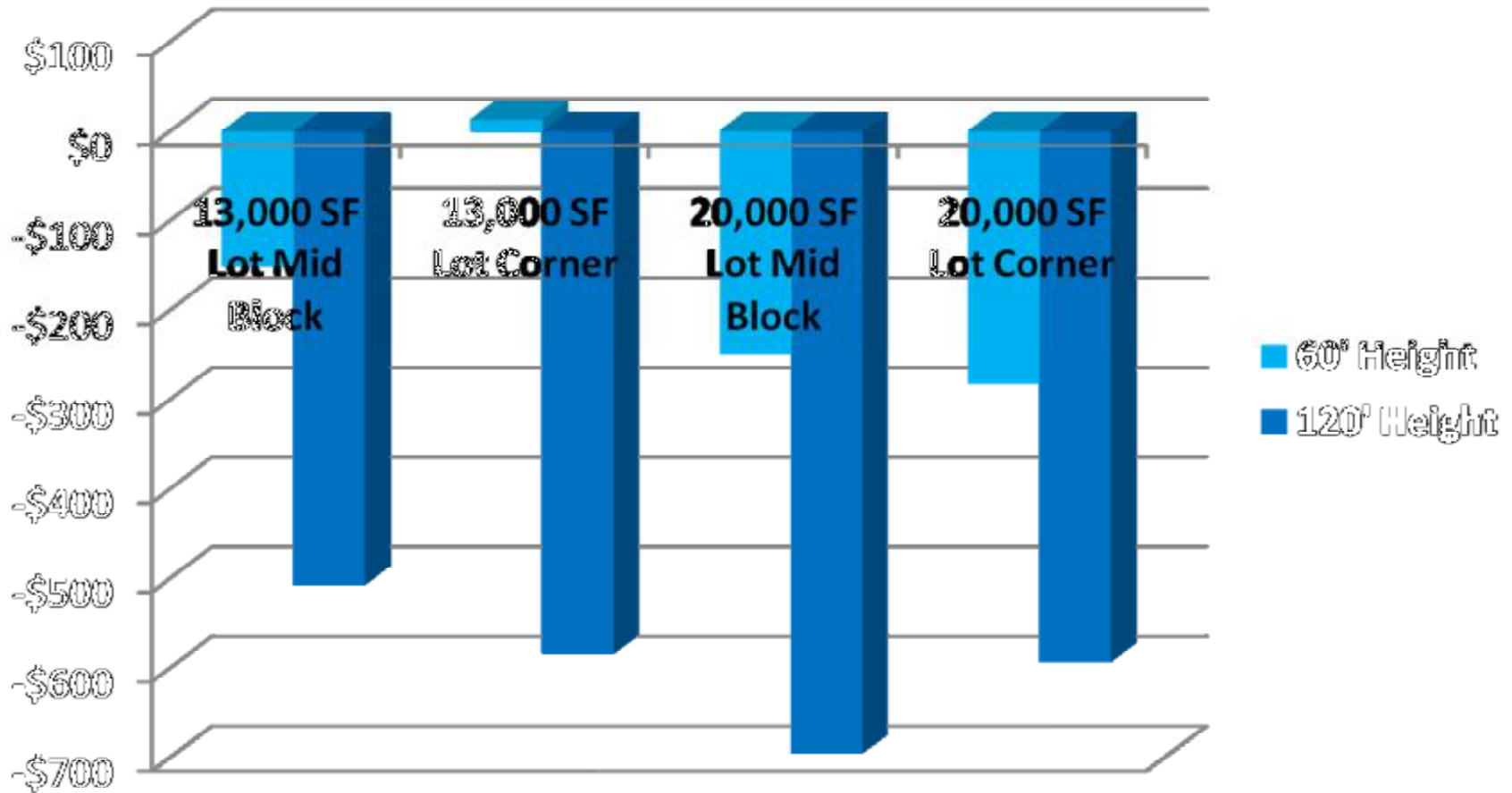
Public Benefit Estimate for Rental Housing Development in Downtown Berkeley (Per Unit Estimate)



Public Benefit Estimate for Condo Development in Downtown Berkeley (Per Unit Estimate)



Public Benefit Estimate for Office Development in Downtown Berkeley (Per SF Estimate)



Total of 8 Feasible Scenarios

		Condos		Rental Housing		Office	
		13k	20k	13k	20k	13k	20k
Mid-Block	60'	-\$66k	-\$41k	-\$16k	\$26k	-\$151	-\$248
	120'	-\$72k	-\$7k	-\$15k	\$32k	-\$506	-\$694
	180'	-\$51k	-\$13k	-\$12k	\$19k		
Corner	60'	-\$45k	-\$21k	-\$3k	\$27k	\$13	-\$281
	120'	-\$43k	-\$2k	\$4k	\$10k	-\$583	-\$592
	180'	-\$41k	-\$5k	-\$5k	\$33k		

* Public Benefit/unit

* Public Benefit/unit

* Public Benefit/sft

Findings

- **Land Use**

- Only **rental housing** shows financial feasibility

- **Site Configuration**

- **Corner parcels** more profitable than mid-block parcels

- **Heights**

- Mixed results – **greater heights** *generally* result in higher profitability

- **Size**

- **20,000 SF parcel** significantly more profitable than 13,000 SF parcel

Land Costs

What happens when land costs increase from \$100/SF to \$200/SF?

From 8 Feasible Scenarios

		Condos		Rental Housing		Office	
		13k	20k	13k	20k	13k	20k
Mid-Block	60'	-\$66k	-\$41k	-\$16k	\$26k	-\$151	-\$248
	120'	-\$72k	-\$7k	-\$15k	\$32k	-\$506	-\$694
	180'	-\$51k	-\$13k	-\$12k	\$19k		
Corner	60'	-\$45k	-\$21k	-\$3k	\$27k	\$13	-\$281
	120'	-\$43k	-\$2k	\$4k	\$10k	-\$583	-\$592
	180'	-\$41k	-\$5k	-\$5k	\$33k		

* Public Benefit/unit

* Public Benefit/unit

* Public Benefit/sft

To 5 Feasible Scenarios (all large site rental housing)

		Condos		Rental Housing		Office	
		13k	20k	13k	20k	13k	20k
Mid-Block	60'	-\$110k	-\$72k	-\$54k	-\$0.5k	-\$258	-\$356
	120'	-\$91k	-\$20k	-\$32k	\$22k	-\$614	-\$802
	180'	-\$62k	-\$22k	-\$22k	\$12k		
Corner	60'	-\$88k	-\$21k	-\$39k	\$27k	-\$95	-\$281
	120'	-\$60k	-\$2k	-\$10k	\$10k	-\$691	-\$592
	180'	-\$52k	-\$5k	-\$15k	\$33k		

* Public Benefit/unit

* Public Benefit/unit

* Public Benefit/sft

Setting Public Benefit Fee Levels

- Setting public benefit fees at appropriate level is critical to facilitating more development, which in turn would generate more public benefit revenue potential
- What happens when the rental affordable housing mitigation fee is set to \$10,000 instead of \$20,000?

From 8 Feasible Scenarios

		Condos		Rental Housing		Office	
		13k	20k	13k	20k	13k	20k
Mid-Block	60'	-\$66k	-\$41k	-\$16k	\$26k	-\$151	-\$248
	120'	-\$72k	-\$7k	-\$15k	\$32k	-\$506	-\$694
	180'	-\$51k	-\$13k	-\$12k	\$19k		
Corner	60'	-\$45k	-\$21k	-\$3k	\$27k	\$13	-\$281
	120'	-\$43k	-\$2k	\$4k	\$10k	-\$583	-\$592
	180'	-\$41k	-\$5k	-\$5k	\$33k		

* Public Benefit/unit

* Public Benefit/unit

* Public Benefit/sft

To 11 Feasible Scenarios

		Condos		Rental Housing		Office	
		13k	20k	13k	20k	13k	20k
Mid-Block	60'	-\$66k	-\$41k	-\$4k	\$39k	-\$151	-\$248
	120'	-\$72k	-\$7k	-\$3k	\$45k	-\$506	-\$694
	180'	-\$51k	-\$13k	\$.2k	\$32k		
Corner	60'	-\$45k	-\$21k	\$9k	\$40k	\$13	-\$281
	120'	-\$43k	-\$2k	\$16k	\$23k	-\$583	-\$592
	180'	-\$41k	-\$5k	\$7k	\$45k		

* Public Benefit/unit

* Public Benefit/unit

* Public Benefit/sft

Thank you! Q + A / Discussion