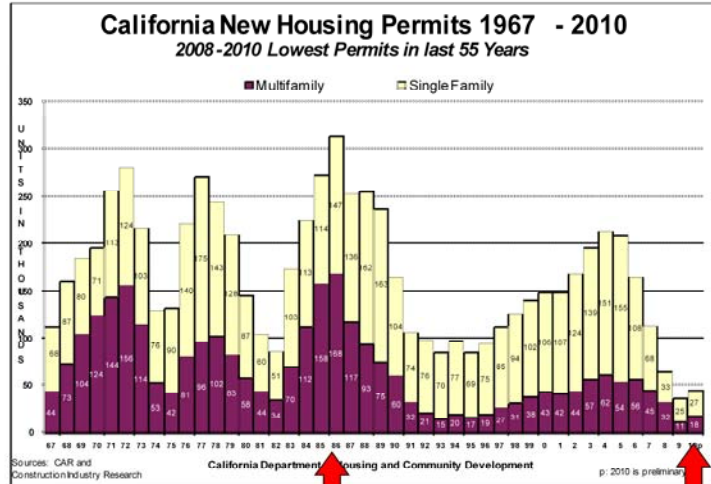


*UC Berkeley/UCLA Schools of Law*  
**The Future of Infill**

May 17, 2012  
Meea Kang  
Domus Development  
California Infill Builders Federation



# RECESSION RECORD LOW BUILDING



## RECESSION HOUSING MARKET GROWTH AREAS



Trending Inwards:

- Infill housing
- Multi-family, higher density, transit oriented rental and mixed use developments



*The Market Lofts: Los Angeles, California. LA's first supermarket in 50 years. Developed by CIM*

Infill Housing- includes affordable and market rate

Communities that offer housing for a mix of incomes in existing neighborhoods and near transit are in high demand

## ***2011 YEAR END REVIEW HOUSING MARKET IS IMPROVING***



### **Multifamily**

- 33% more permits were issued over 2010
- 1<sup>st</sup> time since 1986, multi-family exceeded single family housing starts
- Increases in multifamily construction was forecasted

Source: CAR and Construction Industry Research Board

\$285,920 up 1.8% from Nov. 2011,

Sales up 1.1% over 2010

MF

Historically single family outpaced multifamily

1<sup>st</sup> time since 1986 that more multifamily permits were issued over single family

## HOUSING TRENDS



Demand For Housing Near Transit ↑  
Supply of new housing ↔  
Prices in strong markets ↑  
Rental market ↑  
Home ownership rate ↓ (peak in 2004)  
“2 million more households renting” (Kenneth  
Rosen, Haas School of Business, UC Berkeley).

Demand For Housing Near Transit Is Growing, But the Supply of new infill housing in California Isn't Keeping Up, therefore Causing Prices to Escalate

Supply of new housing- flat...with the housing market still fraught with tight credit, free-falling home prices and an oversupply of distressed properties clogging the pipeline, the rental housing sector has heated up especially in job rich areas like the San Francisco Bay and Silicon Valley and LA.

Purchasing a more affordable house in the suburbs used to be a strategy for making ends meet, recent studies show that the savings can be wiped out by the increased cost of driving to and from jobs, schools and shopping in auto-oriented suburban communities, and the increased cost of maintaining multiple cars per household.

Families who might previously have bought homes are also staying in [rentals](#) longer. They may be waiting for the housing market to hit bottom or finding it difficult to qualify for a mortgage. Many others remain uncertain about their job prospects and wary of the obligations of ownership.

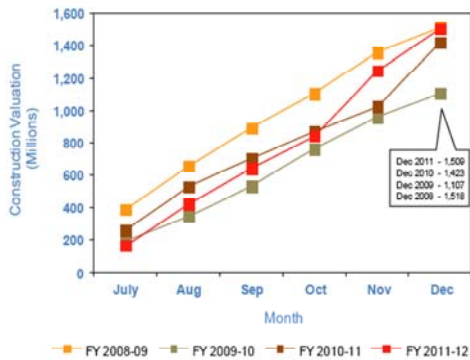
Even with higher rents, many consumers struggling to buy a home and see [renting as a more viable option](#) these days.

The home ownership rate has been falling from its peak of 69.4 percent in 2004, said Kenneth Rosen, an economist and professor of real estate at the Haas School of Business at the University of California, Berkeley.

# CITY OF LOS ANGELES 2010 & 2011 BUILDING TRENDS



Cumulative Fiscal Year Construction Valuation  
Comparison FY  
2008-09; 2009-10; 2010-11; 2011-12



- Housing starts were up 44%
- Approximately 3,699 units are underway
- Residential construction leading economic recovery
- According to Bud Ovrom, GM of LABDS, ***“Rental apartment construction is still the leader.”***
- Contrast: housing starts in new growth communities continue to fall sharply

Source: Build LA, Volume 11, Issue 7

## **SAN FRANCISCO BAY AND SILICON VALLEY HIGHEST RENT GROWTH IN THE NATION**



County	2007 Occupancy	2011 Occupancy	2007 Rent	2011 Rent	2011 Rent Growth
San Francisco	94.9%	96.1%	\$2,175	\$2,472	15.6%
San Mateo	96.1%	96.5%	\$1,668	\$1,803	13.1%
Santa Clara	96.7%	96.4%	\$1,594	\$1,747	12.1%

Source: Real facts via Gantz, Sarah. "Bay Area leads nation in rental price increases.", The Examiner, Jan 18, 2012

The Bay Area cities topped the nation for rising apartment rental prices in 2011, according to a report by RealFacts.

The tech industry, which is credited with contributing to the boom in both residential and commercial real estate, has created a renter profile of young, well-paid professionals who can afford the cream of the crop.

Nearly 60 percent of job gains in the last two years have gone to people who are 20 to 34, a crucial rental group, according to an analysis of Labor Department

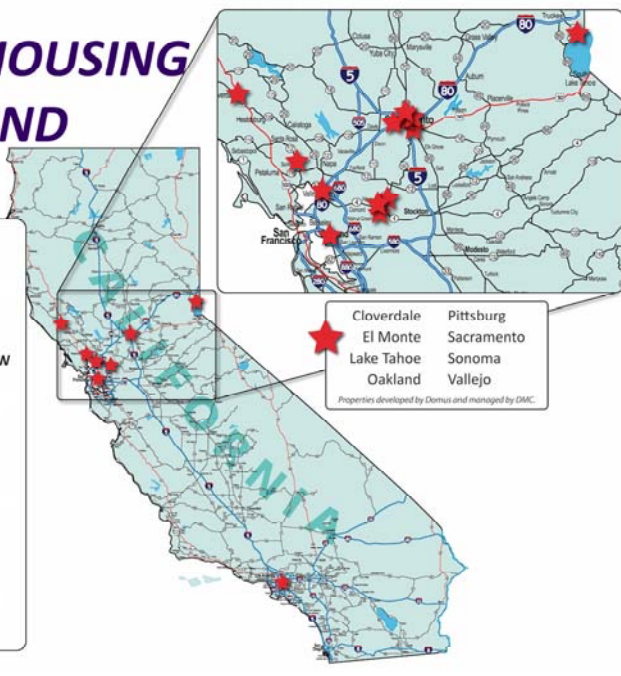
In the greater San Francisco and San Jose markets, average rental prices have increased by 12.4 and 15.6 percent, The S.F. region includes parts of the East Bay, and San Jose includes other parts of Santa Clara County.

Renters in these areas now have to compete for apartments, sometimes creating a bidding war, Vacancies are filled quickly, and for above-average prices.

# AFFORDABLE HOUSING IN HIGH DEMAND

**DOMUS PROJECTS OPENING IN 2012**

	<b>SIENNA COURT</b> Pittsburg, California Available Units: 111
	<b>KINGS BEACH HOUSING NOW</b> Kings Beach, California Available Units: 77
	<b>GARVEY COURT</b> El Monte, California Available Units: 63
	<b>LA VALENTINA</b> Sacramento, California Available Units: 81



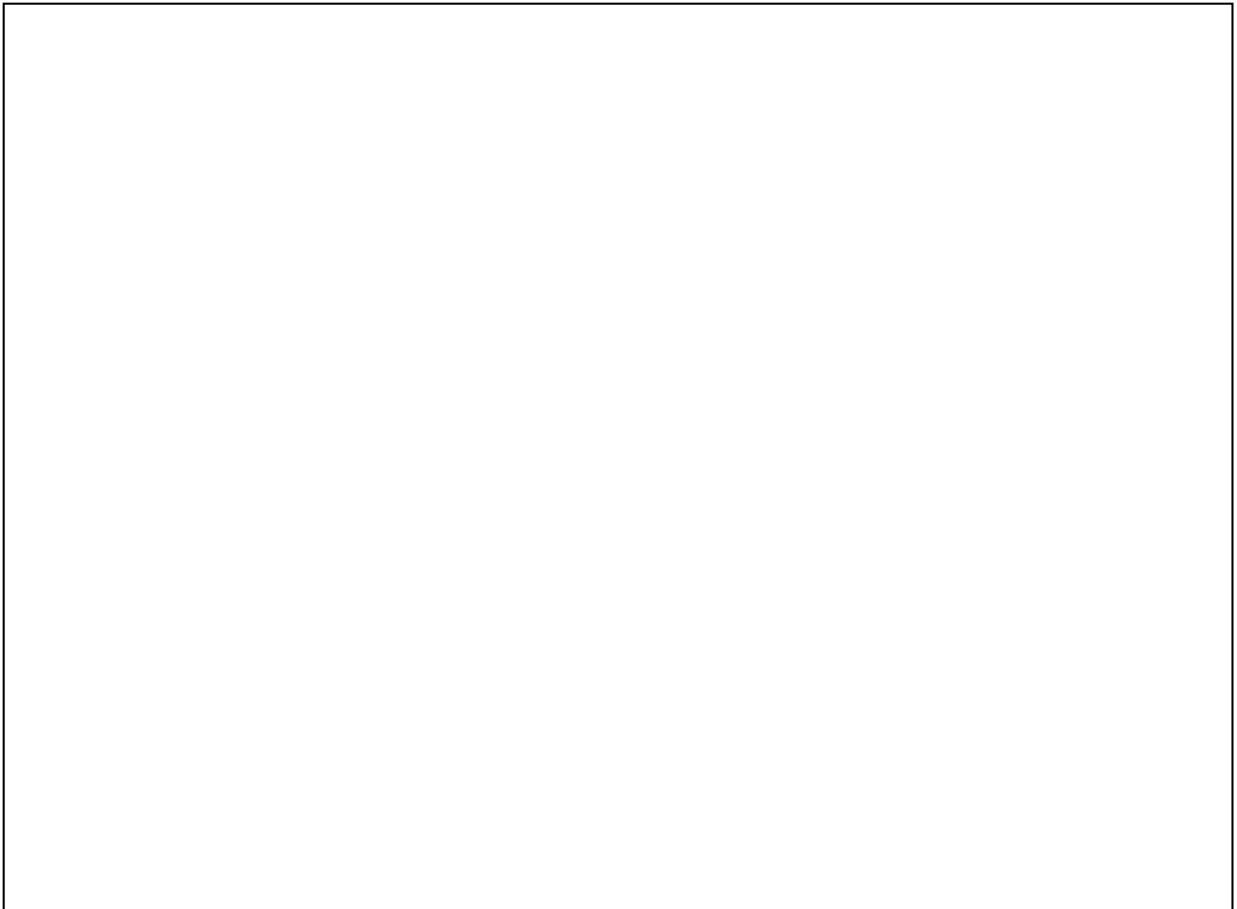
Properties developed by Domus and managed by DMC.

There have been 1.2 million foreclosures in the state since 2008, with the number expected to exceed 2 million by the end of 2012. California is the hardest hit of all fifty states

The household income of low-income renters is failing to keep pace with inflation while rental rates in places like the Bay Area continue to rise.

The market is not producing enough of the kind of housing options needed at the lower end of the income scale.





# ***WHY IS INFILL IMPORTANT TO ECONOMIC RECOVERY?***



REMOVES BLIGHT & CREATES AFFORDABLE HOUSING-  
La Valentina, Sacramento



Before



After

# WHY IS INFILL IMPORTANT?

## ECONOMIC DEVELOPMENT- Mission Bay, San Francisco



Encompass 303 acres. After 3 years of planning the current redevelopment plans and related documents were approved.

- 6,000 residential units, including 1,900 affordable units
- new 2.56 million square foot UCSF life sciences research campus being developed on 43 acres of land contributed by Catellus and the City and a new specialty children's/women's/cancer hospital to be developed by UCSF
- 4.4 million square feet of commercial industrial uses: including
- 50,000 sq ft of retail uses
- a 500 room hotel
- 41 acres of public open space plus 8 open acres on UCSF campus
- a new 500 student public school, a new public library and new police and fire stations
- Mission Bay will be well served by public transportation with the Muni's new 3<sup>rd</sup> Street Light Rail system, bus lines, and the regional serving Caltrain.

## **WHY IS INFILL IMPORTANT?**



### **INCREASES VALUE & MEETS MARKET DEMAND**

- **TAX REVENUES**

In Modesto, a Target generates \$1,500 / Acre in tax revenue vs. a higher density housing project that generates \$41,000/ Acre.

- **LAND VALUE**

Mission Bay land value now estimated at ~\$300 billion.

- **JOB CREATION**

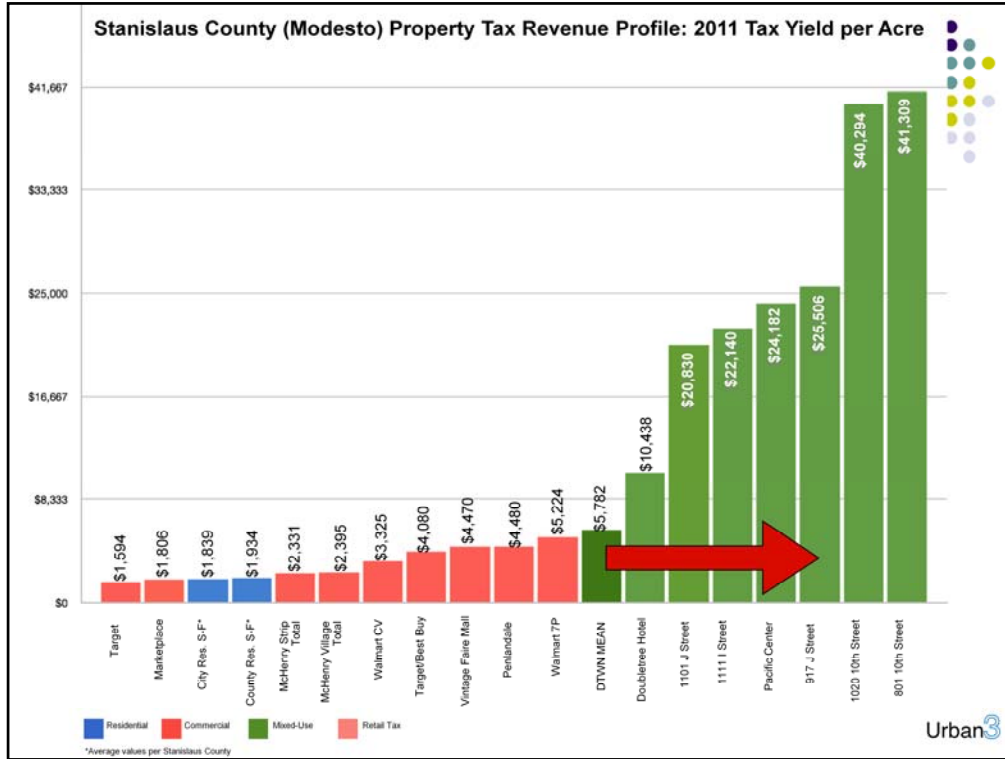
La Valentina alone created 400+ jobs (construction of 81 units)  
Mission Bay- 30,000 permanent jobs in addition to hundreds of ongoing construction jobs.

- **SHIFTING MARKET DEMAND FOR WELL LOCATED HIGHER DENSITY HOUSING**

Prices lower-income families out of urban hubs and job centers if availability does not keep up.

**The master developer will construct more than \$700 million in public infrastructure in Mission Bay. Including: improved streets, traffic lights, street lights, sewer and water systems.**

**Total development cost for Mission Bay is expected to exceed \$4 billion. (over 20-30 years)**



Joseph Minicozz, the New Projects Director Public Interest Projects, Inc. Asheville, NC,

"Bootstrapping Entrepreneurs for Successful Downtown Development " where he looked at county property tax dollars of several different types of developments within one city.

## ***WITHOUT NEW INVESTMENT & LEGISLATION:***



- Affordable housing is critically at risk
- Keep current RDA projects afloat
- New sources of infrastructure investment needed
- Reduce non-market barriers: CEQA and Parking
- Must create certainty for private lending & investment community.

The demand for affordable housing is critical- however the supply of new affordable housing is not keeping up.

Federal programs have been slashed by 60%, with the loss of Redevelopment funding and local revenues down- there are few options remaining continue to build new affordable housing.

There are an estimated 6800 units that could be helped if the RDA low mod funds can remain with the Successor agencies. This means we can build the housing that the funds were intended for, create jobs and continue to keep the pipe of future affordable projects going.

Keeping Current Projects Afloat -- Fixes to Provide Flexibility, Clarity and Local Funding Options for Existing Projects, - fixes needed, billions of dollars are waiting to be invested, will go elsewhere if this does not get fixed

Thank you!

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