

Inclusionary Housing Study Public Meeting #2

February 13, 2008

Northside Community Center

The meeting began at 1:30 pm at the Northside Community Center with a PowerPoint presentation by David Rosen of David Rosen and Associates. The PowerPoint presentation is available online at www.sjhousing.org under *Inclusionary Housing Study*.

Attendees: 6 City Staff and 40 public members representing non-profit and for-profit developers, market rate developers, community organizations, and interested public individuals.

Leah Rothstein of DRA began the meeting by reviewing the agenda which included reviewing the final housing prototypes, data on the development cost assumptions & methodology, and the total development costs, by prototype. Please refer to the DRA powerpoint presentation (located at www.sjhousing.org) for more information.

Questions/ public comment regarding prototypes:

Why does the renter prototype (renter 1) differ from the owner prototype #2?

- These prototypes are based on information received from proformas from 10 developers and the Housing Department and Redevelopment Agency. The difference is the result of land costs and residual land values and sales prices.

Questions/ public comment regarding development and land cost assumptions:

Questions were raised about how these numbers were derived.

- These numbers were pulled from proformas and interviews with developers.

Do these numbers consider podium landscaping since prototype 2 is twice as much as prototype 5? The audience member pointed out the large differences between market costs and suggested lowering prototype 4 and increase prototype 5.

Is parking cost considered in this data?

- Parking is considered under hard costs.

Where were the numbers for the site improvements cost derived from?

- These numbers were pulled from project data numbers provided by the Housing Department, Redevelopment Agency, and developer interviews.

For hard costs, the costs are similar for townhomes and stacked owners. I would recommend increased the townhome hard costs.

- What would you say these numbers are close to the average cost over the area?
 - Overall, if the divisor does not include the square footage from the garage then the numbers are too low.

Does this data consider mom and pop operations who are considering a remodel?

- No, this data is only for large projects.

Is the parking square footage included in the hard costs?

- The parking structure square footage is included in the hard costs.
- Audience members noted the residential square footage and the square footage parking numbers are too low.

Questions/ public comment regarding permit fees, taxes, insurance and selling/marketing costs:

Where is the selling and marketing costs data coming from?

- These numbers are from current to late 2007 estimates for for-sale housing.
- These numbers should be considered as a threshold and where the numbers provided by developers as the minimally acceptable profit.

Questions/ public comment regarding developer profit:

Some developers in the audience felt that the majority of projects would require between 13-14% profit considering land costs, etc.

- This data was collected from developers who are or have just completed projects in San Jose. It is important to remember that everyone would like to have 13-15% profit, but that is not always the case with all projects. It is important to come to an understanding of what profit would be acceptable. We would like developers to take a look at these proformas and provide comments line by line item in order for us to get a sense of concerns. We welcome all comments via email or letter format, but we do ask to received comments as soon as possible so we can include the information in our analysis.

Questions/ public comment regarding HOA and financing assumptions and total development costs:

Audience members mentioned that these numbers appear to indicate that units will sell within a year, and that is no longer the case in San Jose. Perhaps 50% will sell within a year. Especially for high rises and stacked flats since all must be built first before they are sold and you have to consider carrying costs.

- Based feedback, the high rise time period is to low? Is detached a little high?

Audience members pointed out that detached is around \$100-\$125, maybe \$150.

- Would you consider these numbers reasonable? Yes.

Have you considered the park fees?

- No park fees will be included in the City fees.

Please consider the differences in park fees based on the land you build on in the City.

Are school impact fees considered?

- No, they will also be included in the City fees.