Strengthening Our Schools and Communities through Workforce Housing

June 27, 2018
Our Team - DCG & MADI

About DCG Strategies – Dominic Dutra

A registered Benefit Corporation which specializes in mission-based organizations like K-12 School districts

Helps districts more effectively use their real property resources to:

- Improve fiscal sustainability
- Repurpose assets in support of district initiatives like developing workforce housing for teachers, administrators and staff

About MADI – Ralph LeRoux

- A San Francisco Bay Area design firm with educational and residential experience
Why Now for Workforce Housing?

- Housing prices are unaffordable for educators
- In CA’s most populous counties, only 17% of homes are affordable on the average teacher salary
- Median rent for a 1 bdrm in Contra Costa County is +$2,100 / month

- Teachers make “too much” to qualify for traditional affordable housing
- Having essential workers living locally strengthens community ties, reduces traffic congestion and helps retention efforts

- Recent legislation to help district convert property into teacher/staff housing (SB 1413, AB 1157 and proposed AB 2788)
- Construction costs increasing
- 75% of CA schools reported a teacher shortage last year

(*Source: Learning Policy Institute)
Employee Survey on Housing

~25% of employees filled out the April 2018 survey to help understand links between housing affordability and teacher and staff retention

Key findings:

● 27% live outside of Contra Costa County and 12% spend more than 45 minutes commuting to work and the vast majority of all employees drive alone to work (89%)

● For those that don’t own their residence, 51% pay over 35% of their household’s gross income towards rent (12% of non-owners pay over 55% of their income on rent!)

● 70% of those that don’t already own a home have considered leaving his or her current job due to housing costs

● 62% of non-homeowners are somewhat or very interested in a District-owned rental housing complex with below market rate rents (i.e. 42% very interested)
General Principles of Workforce Housing

- Goal of improving employee recruitment and retention while minimizing financial risk to the District
- Transitional rental housing (~5 years occupancy)
- Target rents at ~70% of market rate
- District/COE hires 3rd party operator to manage the units (doesn’t act as the landlord)
- Projected development costs (entitlement and construction costs) can range from $400,000 - $540,000 per unit
- Funding sources can include: Certificates of Participation plus school bonds, sale of surplus property, City/County affordable housing funds or joint use projects (with for-profit builder)
Characteristics of a Workforce Housing Site

● Minimum of 2 acres of developable land
● Flat and vacant or semi-vacant site
● Proximity to existing residential uses
● Proximity to transit systems (including buses and BART stations)
● Minimal environmental or geological constraints such as creeks or earthquake fault lines
● Ability and likelihood of conversion from public use to residential use
Seaview Elementary School – Not Recommended

Address: 2000 Southwood Drive, San Pablo, CA 94806
APN: 403-482-043-3
Size: 198,634 SF (4.56 AC)
Zoning: R-6 (Residential) – Contra Costa County
General Plan: PS (Public / Semi-public) – Contra Costa County
Current Use: Vacant

Major Constraints for Workforce Housing:
- Adjacent active railroad tracks
- Proximity to Garrity Creek and San Pablo Bay
- Multiple utility and drainage easements serving other lands, rights of the railroad, rights of the public, etc. cross the property
- CC&R restrict development to 6,000 sqft single family lots

REPORT RECOMMENDATION:
Determine yield count and value for single-family residential and then use funds from sale of the site to fund workforce housing at alternative site
Adams Middle School – Not Recommended

Address: 5000 Patterson Circle, Richmond, CA 94805
APN: 520-042-13, -050-01, -032-02, -070-04, -062-01
Size: 382,892 SF (8.7 AC)
Zoning: R-6 (Residential) – Contra Costa County
General Plan: PS (Public / Semi-public) – Contra Costa County
Current Use: vacant except for a small community garden

REPORT RECOMMENDATION:
Determine yield count and value for alternative use and then use funds from sale of the site to fund workforce housing at alternative site.

Major Constraints for Workforce Housing:
- Hayward fault line runs through the site which requires significant setbacks for new development and geotechnical review
- CC&Rs have an 18 foot height restriction on portions of the site (which is too low for workforce housing)
- Existing buildings need to be demolished
Ohio St. Warehouse – Not Recommended

REPORT RECOMMENDATION: Determine if District needs and if not, put on the market and then use funds from sale of the site to fund workforce housing at alternative site.

Property Class: Industrial Warehouse
Owner: West Contra Costa Unified School District
Current Use: Warehouse for storage
Address: 600 Ohio Avenue, Richmond, CA 94804
APN: 550-212-002-4
Lot Size: 17,581 SF (0.4 AC)
Building Size: 17,500sf
Zoning: CM-4 (Commercial Mixed-Use, Gateway/Node)
General Plan: Business/Light Industrial

Major Constraints for Workforce Housing:
- Too small for housing and in a commercial corridor
- Limited parking
- Existing buildings need to be demolished or updated
- Given size of the property, it could be sold (after surplus) for +$1,600,000.
Former Portola Middle School – Recommended

**Address:** 1021 Navellier Street, El Cerrito, CA  
**APN:** 503-190-001-1, 503-181-001-2  
**Size:** 272,686 SF (6.26 AC) (entire site is 10.94 acres)  
**Zoning:** PS (Public / Semi-public)  
**General Plan:** Institutional / Utility  
**Current Use:** vacant (portable buildings on lower portion of the campus)

**Major Constraints for Workforce Housing:**
- Major slope requires additional geotechnical and civil engineering review to determine actual development area
- Potential landslide zone so mitigation measures must be incorporated
- Site must be re-zoned for medium density residential (68-125 units / acre)
- Potential concerns from existing neighbors regarding development
Former Portola Middle School – Recommended

Major Opportunities:
- Sufficient space for medium density development
- Ability to build into the slope to reduce visual impacts on surrounding neighborhood
- Proximity to public transit (near two BART stations)
- Ability to reserve the lower portion of the campus for current/future use
- Close proximity to 5 schools
  Ability to develop +50 units (after re-zoning)

RECOMMENDATION: Focus on this site for workforce housing and authorize staff to begin site planning (including updated geotech/civil engineering studies) and financial feasibility
Overview of Financing & Rent Rates (Part 1 of 2)

- Development costs (entitlement & construction): $450,000-$550,000 per unit
- District can utilize property sales for workforce housing (like Seaview and Adams) in addition to other external funding sources
- Majority of costs would be covered by Certificates of Participation but will not likely cover all costs so a secondary source is needed to close the “gap”
- A new teacher with WCCUSD typically makes approximately $47,000 gross annual salary so 30% of gross income devoted to housing would be: $1,100 per month which is feasible for this project if District can sell underutilized sites
**Overview of Financing & Rent Rates (Part 2 of 2)**

**EXAMPLE OF POTENTIAL RENT RATES FOR PORTOLA SITE:**

<table>
<thead>
<tr>
<th>UNIT*</th>
<th>MARKET RATE MONTHLY RENT (based on price per sqft)</th>
<th>SUBSIDIZED RENT RATE (70% of market)</th>
<th>VERY SUBSIDIZED RENT (50% of market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio (540 sqft)</td>
<td>$1,971</td>
<td>$1,380</td>
<td>$986</td>
</tr>
<tr>
<td>One bedroom (620 sqft)</td>
<td>$2,220</td>
<td>$1,554</td>
<td>$1,110</td>
</tr>
<tr>
<td>Two bedroom (900 sqft)</td>
<td>$2,934</td>
<td>$2,054</td>
<td>$1,467</td>
</tr>
</tbody>
</table>

Reminder: potentially unit mix and pricing would be detailed in Phase II
Recommendation & Next Steps

- District should focus on the “upper” area of Portola site for workforce housing
- District should consider selling Seaview and Adams Middle Schools to fund construction (including starting the 7-11 process if required)

NEXT STEPS SUBJECT TO BOARD INPUT:

1. Begin geotechnical and civil engineering review of Portola to determine developable area and impacts on cost
2. Begin site planning and valuation on Seaview and Adams for single-family residential as a funding source for workforce housing
3. Begin site planning for most efficient design at Portola to determine # of WH units
4. Complete financial feasibility assessment to determine costs and funding options
Questions?