Caught Underfunded: Addressing the Impacts of Construction Cost Escalation
Meet Your Speakers

Chris Apostolopoulos
Senior Associate
Dahlin Group
Architecture Planning

Jan Lindenthal
Vice President of Business
Chief Real Estate Development Officer
MidPen Housing

David Garcia
Policy Director
Terner Center, UC Berkeley

Chad Wanke
Principal
Orbis Capital Consultants

Johny Van Dyke
President
Vaquero Construction
LIHTC Development Cost Study
April 2019
Development Costs Have Greatly Increased Over the Past 4 Years

Note: Figures adjusted for inflation, 2018 base year. 2018 data limited to first round projects.
Bay Area Projects Cost More and Drive Up Statewide Average

Cost per square foot, 2008-2018

Note: Figures adjusted for inflation, 2018 base year. 2018 data limited to first round projects.
San Francisco and San Jose Projects Cost on Average $200 to $300 More per Square Foot

Cost per square foot by region, 2017

Note: Figures adjusted for inflation, 2018 base year. 2018 data limited to first round projects.
Construction Costs Are Driving Statewide Increases

Cost per unit by source, California

Note: Figures adjusted for inflation, 2018 base year. 2018 data limited to first round projects.
MidPen
Cost Efficiency Initiative
Fall 2018
Cost Drivers

- City Requirements
  - Recessed windows
  - Parking requirements
  - Façade modulation

- The “MidPen Special”
  - More hard flooring
  - Expanded services space
  - Low voltage package

- Title 24 – Cal Green

- C3 Stormwater Requirements
Opportunities to Reduce Costs

- **Reduce Common Area SF**
  - Corridor width reduce from 6’ to 5’
  - Eliminate alcoves unless long hallway runs
  - Reduce common area SF to minimum

- **Efficient Units**
  - No Second Baths unless 4BR+

- **Building Envelope**
  - Intentional decisions re: exceeding 60’ height
  - Eliminate decks unless required
  - Non vented roof
  - Avoid underground parking
Opportunities to Reduce Costs

<table>
<thead>
<tr>
<th>Proposed Cost Reduction</th>
<th>Cost Savings Projected</th>
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</thead>
<tbody>
<tr>
<td>Eliminate extra bath in 2&amp; 3 BR units</td>
<td>$26,206 per unit</td>
</tr>
<tr>
<td>Add ½ bath in lieu of full bath</td>
<td>$8,878 per unit</td>
</tr>
<tr>
<td>Add vanity to full bath to expand utility and privacy in lieu of extra bath</td>
<td>$19,173 per unit</td>
</tr>
<tr>
<td>Eliminate decks</td>
<td>$12,950 per unit</td>
</tr>
<tr>
<td>Reduce corridor width from 6’ to 5’</td>
<td>Savings of $453.72 per lineal foot. For 100’ run = $45,372</td>
</tr>
<tr>
<td>Eliminate Entry Alcove</td>
<td>$1,401 per alcove</td>
</tr>
</tbody>
</table>
Process Improvements

➢ MidPen’s Value Analysis Process Works

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Affordable</th>
<th>Market Rate</th>
<th>Starting Balance</th>
<th>Total Change Orders</th>
<th>% of Change Orders</th>
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</thead>
<tbody>
<tr>
<td>Laguna Commons</td>
<td>X</td>
<td>$18,249,922.35</td>
<td>$64,938.14</td>
<td>0.4%</td>
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<tr>
<td>Fair Oaks</td>
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<td>Sequoia Belle Haven</td>
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<td>$27,571,513.55</td>
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<tr>
<td>Stevenson Place</td>
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<tr>
<td>Foster Square</td>
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<td>$15,832,016.50</td>
<td>$430,595.25</td>
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<tr>
<td>Market 1</td>
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<td>$7,413,316.12</td>
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<tr>
<td>Market 2</td>
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<td>$5,425,258.45</td>
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<td>Market 3</td>
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<td>6800 Mission</td>
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<td>$20,814,460.00</td>
<td>$1,231,257.48</td>
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<td>Market 4</td>
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<td>$96,765,105.00</td>
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<td>Market 5</td>
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<td>$38,127,231.00</td>
<td>$2,920,999.98</td>
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<td>Market 6</td>
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<td>$101,542,992.00</td>
<td>$10,770,713.78</td>
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</table>

Note: 6800 Mission change orders included extensive unanticipated work in the Caltrans ROW and meeting City requirements for copper plumbing and wiring that were required post GMP.
Process Improvements

- Design/Build
  - Foundation
  - Electrical
  - Mechanical Package

- Consultant Selection
  - Landscape, Civil and Structural Engineer are key potential drivers – establish preferred list
  - MEP Consultant: The Best, now in high demand
    - “Buy capacity” for pipeline

- Leverage Standard Unit Plans
  - Training for Development Team and Architects
  - Establish “inventory” of most efficient plans
Next Steps

- Update of Building Guidelines

- Process Improvements
  - Evaluation of sub consultants
  - Training for MidPen team

- Continuous Update of Cost Study
Thank You | Q&A