Options That Might Impact Affordability of Student Family Apartments at UC Davis

In 2014-15, the Student Family Housing Redevelopment Committee considered many options in an effort to identify strategies to reduce the monthly rent of the units. We tried to identify all the variables that might impact the rental rates. Some would have little impact and are therefore not worth pursuing, especially if there are downsides to these options (e.g., adding retail space). Other options are not viable because of building codes, environmental constraints, fire marshal requirements, etc.

Options our committee considered:

1. Sale of townhomes
   It would take many homes to make any significant impact. For instance, it could take the sale of over 800 townhomes to make up a $40 million rental project shortfall. Each sold house might only subsidize $0.36 of monthly rent for 250 apartments.

2. Adding market-rate units
   If there is enough room on the site, additional market rate units may subsidize the affordable units. Based on current estimates, the previously proposed project may likely need to increase by 15-20% to cover the subsidy of 200+ units at current rents. Keep in mind, that the most recent proposal of 431 units had maximized the site yield by balancing tree and open space preservation, minimizing traffic impacts, and optimizing parking and fire access (which was a very limiting factor). Without compromising one or more of these, it could be difficult to add market rate units.

3. Going with a third-party developer
   Third-party delivery is a cost effective method of developing a real estate project. These developers are less constrained with contractor selection and construction/management standards. Because of this and the potential exemption from paying prevailing wages, a third-party construction project could cost 30% less than a university-delivered project.

4. Having retail space
   Unless the site has a proven history (or at least a likelihood) of high retail foot traffic, proximity to a strong commercial district, and high visibility, it is not a good location for retail use. Patronage by housing within the area is not sufficient to sustain such a use, and therefore, rental income would likely be far too low to make it feasible.

5. Having administrative office space
   If the university occupies any space within a project, it must be below 50% of each building’s square footage in order to avoid triggering prevailing wages. Office space probably cannot subsidize “affordable” housing any better than market-rate housing. Introducing office space within a housing building (mixed-use) increases construction costs because of the differing building codes associated with each occupancy and the physical separations that are required.
6. Having linoleum floors rather than carpeting
   Not a huge initial cost savings, but can save some money over the long run due to lower replacement costs. Rent impacts are not known at this time.

7. Decreasing the size of the units
   Lenders typically have issues with units that are smaller than competing properties. However, “micro units” are gaining traction nationwide. It may warrant another look in the current market, especially since UCSD is pursuing a large “micro unit” graduate student housing project. Smaller units may help the overall project feasibility.

8. Not providing overhead lights except in the kitchen and bathroom
   Could have building code implications, and likely only offer a minor cost savings. If there is a savings of $1000 per living unit, it may only translate to ½% savings on the rent. Supplementing with table or floor lamps would cost more than the yearly savings.

9. Not providing air conditioning
   Savings may be minor because of the combined nature of the heating and cooling systems these days. Once you install a heating system and the required air circulation, the additional cooling costs may not be significant.

10. Centralized versus in-unit laundry facilities
    University Student Living had told us that providing in-unit laundry facilities added $8 per month to the unit rents. If centralized, it’s possible that the residents would spend more for the coin operation of public machines.

11. Building some units that share a kitchen
    Any elimination of kitchens and bathrooms offer significant cost savings. However, such an arrangement may have impacts on financing for the developer because lenders have issues with product that is significantly different from the general market.

12. Use less expensive construction materials
    From a private developer standpoint, USL had pursued a proposal that already included cost-effective materials. Using the least expensive materials is not necessarily the most cost effective way to reduce rent. It takes a balance of construction material cost, maintenance requirements and life expectancy.

13. Have fewer parking spaces
    Creates opportunities for reducing construction costs and freeing up area for open space and higher housing density. The most recent site plan by USL included 0.68 spaces per bed. This equated to 0.75 spaces per “single/couple” bedroom plus 2 spaces per faculty/staff townhouse, and 1.23 spaces per family unit. Any significant deviations from market may impact financing for a private developer. There was some mention of possibly using campus parking lots for remote parking. We have had such discussions with campus, but was directed to keeping parking allocations within the project because of current campus policies.

14. Eliminate TV and wifi
    Student Housing has one package for all the student residences. Eliminating the apartments is unlikely to have much impact.
15. Not providing elevators
We never anticipated providing elevators in excess of what is required by code. There are some situations in the old development proposal where they are required, no exceptions.

16. Not having balconies
Balconies are an inexpensive way of providing more space to a living unit. It’s a huge benefit and creates a private outdoor opportunity. It’s difficult to determine the cost savings to eliminate them.

17. Salvaging anything possible from the current Orchard Park
It’s unlikely that anything is salvageable in any cost effective manner.

18. Giving residents the option of working in the community a few hours a week for a rent reduction
We would need to have Student Housing look into this more carefully to know if it’s an option and if it would save much money.

19. Installing meters so that the energy use of each apartment can be determined and residents who use less are charged less
It depends on if a developer installs community renewable energy (e.g. solar power). But, it would be best if the residents are directly billed.

How much extra it would cost to have:

1. Dual-paned windows that are better for energy conservation and noise reduction
High efficiency dual-paned windows are standard these days, and were included in the USL proposal. There are upgrades that improve upon energy efficiency and sound mitigations (e.g. triple-pane, tempered glass, gas-filling), but I don’t know the specific costs.

2. Construction materials in the walls that do a decent job of reducing the noise between apartments as well as the train (in Solano)
Today’s construction standards provide for very quiet separations. Assemblies between units are built as two separate walls with an air space. Both walls are insulated, layered with acoustical assemblies, and sealed around penetrations. There are now sound ratings that need to be met. With respect to train noise, it’s more of a vibration issue than anything else (train horns are so loud, they cannot be mitigated). Vibration isolation can be included in the building foundations, but the cost may be a factor. With respect to Solano Park, some of the biggest complaints are about the train horn being blown every time a train passes by the Arboretum Drive un-signaled crossing. From what I understand, if the Nishi Project is approved (with its new vehicular connection to Olive Drive and campus), the un-signaled crossing will be removed thus eliminating the frequent horn.