

# Affordability: Lessons Learned

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# Real Estate Developers...

## the real problem!



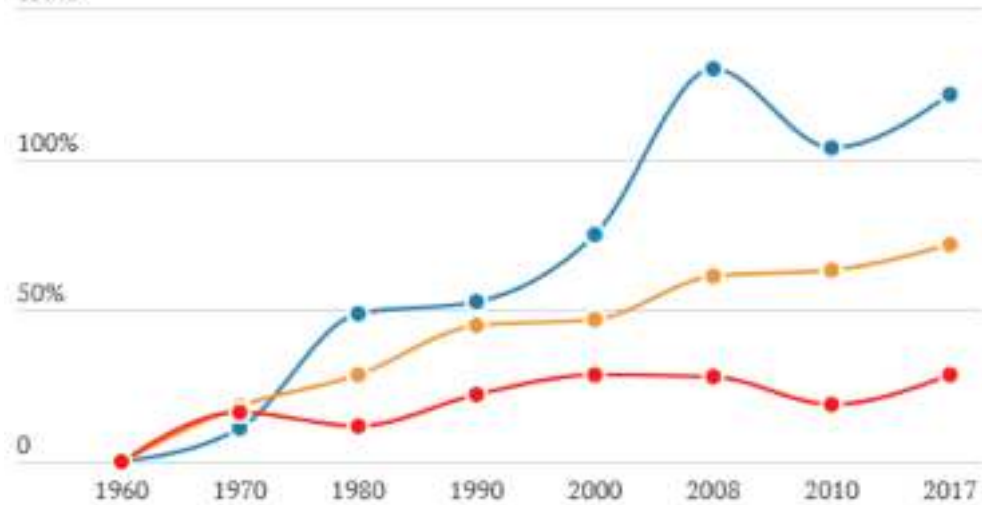


## US Nationwide:

- Median House Price
- Median Gross Rent per Month
- Median Household Income

Growth rate:

150%



## Housing Costs as Share of Income: 1980–2010





Petaluma Avenue Homes  
Sebastopol, CA  
Rental tax-credit financed affordable housing

# Cohousing costs more \$/sf than other housing because:

Subsidized affordable projects have "luxury" budgets. Architect always paid more on these projects, and have less liabilities. construction costs are high (prevailing wage) etc.

Market rate residential housing has much tougher budgets.

Housing costs inflate quicker than income. Very little creative thinking from HUD.

Most cohousers would not qualify for subsidized housing, but still cannot afford market rate builds. Sale price based on "how much does it really cost to build"?

Not about quality of a house, but the cost / sf.

Cohousing is a higher cost / sf than other \*new\* residential housing. Market is moving toward smaller homes anyway

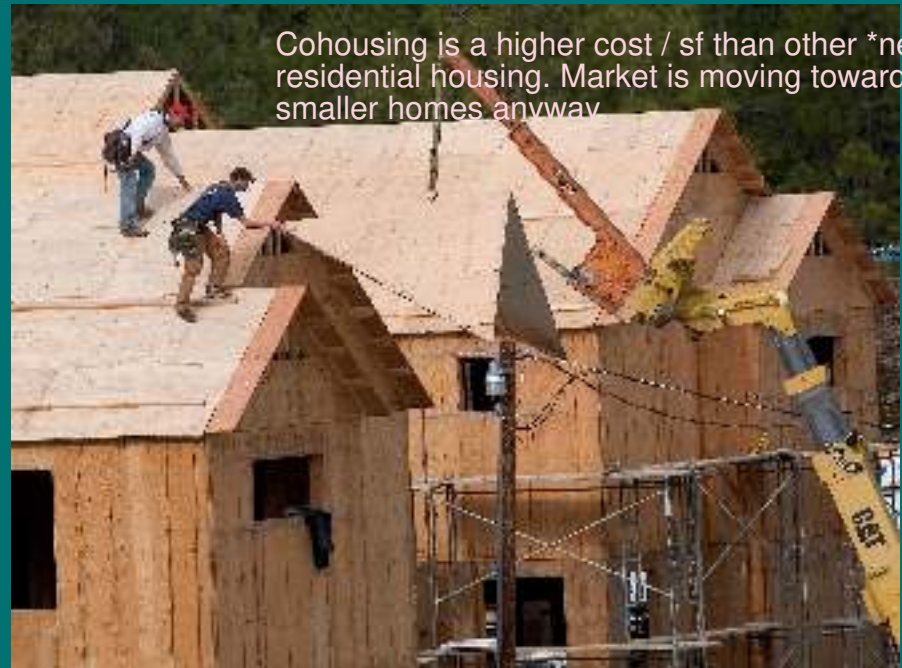
- Extensive common facilities

- More varied unit sizes, less overall SF

- Higher quality construction standard

- Energy-efficient sustainable design

- Scale of Development: 30 vs 300 units



# What it costs...

Land Costs 5 - 25% usually between 5-15%

Soft Costs consultants, predev financing costs 20 - 35%

Hard (Construction) Costs 50 - 65%

= Development Costs

+ Profit Margin typically market rate project is at least 25% profit  
or "Distributable Cash"  
(Developer Fee/Return on Investment)

10% used by Jim Leech for cohousing. JT would rather push for 12% profit margin. Considered "skinny budget". You need a profit margin to get construction financing.

= Sales Value (Prices)

100%



# Soft Costs

- Pre-development (surveys, soil test, toxics, etc.)
- Architecture/Engineering & Consultants
- Project Management
- Legal, Accounting, Insurance
- Permits, Fees, Utility Hook-up
- Financing
- Marketing & Membership

Sr. communities can  
PM for less, retirees  
able and willing to  
volunteer time

discounts / concessions for early committers





# Construction Costs

- **Site Work**

hopefully, can save if doing a new, modular build

- a. on-site work such as: grading, water/ sewer connections, etc.

- b. off-site work: street paving, street lights, etc.

if land is cheap, it may be a very expensive parcel to develop for a build (sewer lines, road improvements, streetlights etc.)

- c. Landscaping, pathways, and irrigation



# Construction Cost

- **Buildings:**

- Initially estimated as \$/square-foot basis for building area (materials and labor) from the foundation up.

cost / sf has gone up tremendously. Many left the construction industry after the '08 recession

- Contractor Fee and Overhead

- \$150/sf to \$350/sf

- **Contingency:** min 5% of construction costs



# 1. How to keep development costs down and value up



## 2. Subsidizing costs with outside sources

all subsidies come with income requirements and other requirements



# Optimize Value

- **Standardize Design: Keep it simple**
  - Minimum Unit and Building types
  - Minimum customization allows for higher quality materials

allows economies of scale: all same kitchen cabinets gets a cheaper cost

- **Do you own improvements after move-in**

collectively stewart improvements / modifications with membership. Custom designs increase construction costs heavily





Use existing housing  
Temescal Commons Cohousing  
(Oakland, CA) Built: 2000

## a. Utilize existing Housing Stock

modular could be an cost saver, but existing housing stock particularly important in low income housing markets

## b. Non Conventional

total rehab, retrofitting a factory is the same cost as a new construction

## c. Share your cohousing home

takeover of a rental condo or apartment property (may not really work for a nonprofit?)

## d. Work with your local affordable

housing developer or

community land trust

subsidized funds for CLT's are based on AMI's

## e. Most local money tends to be

the most flexible

## f. Set priorities, stay focused





# 500 Communities



*Training the next generation of cohousing professionals*



- Build on lessons learned
- Learn to initiate and support cohousing communities

## 500 Communities

### Live Webinar

Monday, Feb 24th 5:00 PST

[cohousing-solutions.com/about-the-program](http://cohousing-solutions.com/about-the-program)

- Collaborate
- Share Best Practices
- Have more fun doing it!