

3 HOUSING CHARACTERISTICS

INTRODUCTION AND BACKGROUND

This chapter describes the supply and condition of the existing housing stock in Redwood City. The local housing supply is described in terms of total stock, tenure, unit size, unit age and condition, cost of housing and ability to pay, and vacancy rates. Also included is an analysis of existing multifamily housing developments that are, or will be, eligible to change to non-low-income housing uses by 2011 due to termination of subsidy contracts, mortgage prepayment, or expiration or use restrictions.

HOUSING SUPPLY, PRODUCTION AND COMPOSITION. (AS REVISED)

In 2000 there were 28,921 housing units in Redwood City, up from 26,847 in 1990 according to the U.S. Census. Another measure of the production of housing units, based on the issuance of building permits, is published by the California Department of Finance (DOF). Although the Census and DOF data vary, both are indicative of the level of housing production. Since 1988, Redwood City has produced the following number of new units as reported by the Department of Finance:

**Figure 3-1
Housing Production,
1988 - 2002
(building permits issued)**

Year	Units
1988	448
1989	476
1990	41
1991	95
1992	116
1993	82
1994	188
1995	505
1996	308
1997	321
1998	568
1999	54
2000	229
2001	38
2002	35
2003	11
Total Units	3,515

Source: City of Redwood City,
Consolidated Plan, 2000, as
updated

Figure 3-2 provides a detailed breakdown of the existing housing units in 2000 by type of structure for Redwood City and San Mateo County. Redwood City has a higher percentage of buildings with 5 or more housing units than San Mateo County, which is consistent with the greater number of rental units in Redwood City compared with the County.

Figure 3-2		Distribution of Housing Units in Redwood City: 2000 ¹		
Units in Structure	Redwood City (Total Units)	Redwood City (Percent of Total)	San Mateo County (Percent of Total)	
1 (Detached Single Family)	13,614	46%	57%	
1 (Attached Single Family)	3,052	10%	8%	
2 to 4	2,384	8%	7%	
5+	9,638	33%	27%	
Mobile Home	612	2%	1%	
Total Housing Units	29,300			

Source: California State Department of Finance (DOF), Population and Housing Estimates for California Cities and Counties, January 1, 2000.

Notes:

1. These estimates have not been updated by DOF to include the 2000 Census results.
2. Percentages may not add to 100 percent due to rounding.

TENURE

Tenure refers to the occupancy of housing units by owners or renters. Ownership has often been associated with security and permanence.

The 2000 Census indicates that 47 percent of all occupied units in Redwood City are renter occupied and 53 percent are owner occupied. In San Mateo County, 39 percent of all occupied units are renter occupied and 61 percent are owner occupied. Higher levels of renter occupancy in Redwood City are likely related to the marketplace response to the housing demand of Redwood City’s inhabitants, as well as individuals and families locating in Redwood City to achieve affordability.

AGE AND CONDITION OF HOUSING STOCK

The following chart shows the units built by decade through August 2001.

Figure 3-3 Units Built By Decade									
Total	Pre-1940	1940-49	1950-59	1960-69	1970-79	1980-89	1990-99	2000-01	
# of Units	29392	2887	3975	7632	5376	3610	3367	2278	267
% of Total	100%	10%	14%	26%	18%	12%	11%	8%	1%

Source: Redwood City Housing Element: 2000, updated.

As the existing housing stock ages it is important that the buildings are periodically rehabilitated in order to maintain safe and sanitary housing stock. Due to age, high density, and overcrowding, some of the City’s housing stock does not meet minimum standards, and code enforcement is needed to protect the remaining housing from loss of value, quality and function.

The City’s efforts in housing rehabilitation through the use of Block Grant funds and code enforcement has improved the overall quality of housing in Redwood City, although there are some areas where additional effort is needed to improve the condition of housing. In many years the City exceeds its commitment (stated in the *Consolidated Plan*) to make 45 rehabilitation loans per year. For example, in fiscal year 2000-2001, 160 rehabilitation loans were achieved. The

variable that makes issuance of a greater number of loans possible is full staffing of the Home Improvement Loan Program.

The 1990 and 2000 Census show that 77% (22,921) of the dwelling units in Redwood City were constructed prior to 1970. These units are now over 30 years old and could be in need of rehabilitation. Forty-six percent (13,194) of the dwelling units were built prior to 1950 and would have certainly required some rehabilitation to keep them in good condition.

It is reasonable to expect that many of the apartment units will require some type of rehabilitation during the next decade based on the age of the housing stock. There is a trend toward units requiring more frequent rehabilitation due to the increasing occurrence of overcrowding in all type of housing units.

Rehabilitation costs are divided into two categories: the physical cost of rehabilitation and the cost of relocating tenants on a temporary or permanent basis. The cost of physical rehabilitation for rental housing in the City's Home Improvement Loan Program during the 2000/2001 program year averaged \$49,583 per unit in multi-family buildings and \$51,792 per single family unit. The higher per unit rehabilitation cost for detached, single-family housing can be attributed to a greater need for structural work, such as foundations, and the larger size of the dwelling. In both multifamily and single-family dwellings, an aging/neglected housing stock, overcrowding/overuse of individual units, the presence of lead-based paint, rising construction costs and predated energy efficiency systems contribute to the cost of rehabilitation.

Since 1977, the City has rehabilitated approximately 725 housing units under its housing rehabilitation loan programs. Between 1989 and June of 2001, approximately 472 units have been rehabilitated from seriously substandard/ uninhabitable to the standards of current health and safety codes.

Number of Substandard Units (AS REVISED)

On May 29, 2002, the City commissioned Keyser Marston to conduct a survey of substandard dwelling units within the City to provide a database that identifies the location of homes that are deteriorated and in need of repair and those older homes that are likely to have lead paint. The study also identified all historic residential units constructed prior to 1920 and, of those identified, which units were determined as deteriorated or dilapidated.

Deteriorated buildings were defined as needing of one or more major repairs and/or extensive maintenance; repairs to damaged building components are critical to prevent further decay or structural deterioration; or rehabilitation is considered necessary for continued occupancy of building. This category includes buildings that require a new roof, exterior building repair, limited window and door repair/replacement and minor foundation repair.

Dilapidated buildings were defined as having major damage or severe deterioration; rehabilitation is likely infeasible since the total cost of repairs would exceed the value of the structure or require replacement of major building components; occupancy is considered unsafe. This category includes buildings with roofs that have collapsed or have significant fire damage.

According to the survey, approximately 204 buildings, which include 275 *units*, were identified as substandard and/or dilapidated and in need of rehabilitation. In addition, 295 historic, pre-1920 residential buildings were identified, which include 357 historic *units*. Nine historic buildings were also identified as deteriorated or dilapidated.

Housing Rehabilitation for Low and Very-Low Income Households (AS REVISED)

Figure 3-4 depicts the 103 rehabilitated homes that meet required findings under AB438.¹ At the time of rehabilitation the four Main/ Stambaugh Street units were not in service as a housing use

and they were dilapidated to the point of being boarded up and determined uninhabitable by the City's Fire Chief. These units caught on fire and have remained unoccupied since the 1950s. Home Improvement Loans used to substantially restore these units to habitable use involved 30-year agreements tied to the term of financing and are still in service as exclusive affordable housing. Since tenants in these units lease via Section 8 contracts, annual re-certification documents the continued AB438 compliance of these units.

The City has also ensured the preservation of Redwood Court, a 27-unit affordable housing development that was at risk of being converted to market rate housing. The City's participation with the California Housing Finance Agency made it possible for a non-profit to purchase and rehabilitate these units and continue affordability to very low income households for 55 years. A Program in the Housing Element called Preservation Program was utilized by the City to grant funding to this project. A Public Hearing will be held by the Housing and Human Concerns Committee on September 23, 2003 making the finding that public funds will be used to prevent the units from converting to market rate because of termination of previous subsidies allocated to the development.

Finally, the City is working to ensure that the Hallmark Apartments meets the requirements of AB438 under the eligibility section B) Multifamily rental units to be converted from non-affordable to affordable. The City is currently working to provide \$650,000 in financing for the acquisition/ rehabilitation of this 72-unit apartment complex for 22 very-low income and 49 low-income units with a 55 year affordability term (manager's apartment is not counted).

Community Care Facilities

Figure 3-4 also depicts community care facilities located in Redwood City. As of year 2001 Redwood City houses the second largest number of community care facilities in San Mateo County (Appendix C).

Figure 3-4 Housing Rehabilitations for Very-Low Income Households and Community Care Facilities			
	Very Low-Income	Low-Income	Total
Housing Rehabs	26	77	103
Community Care	+ 10	+ 47	+ 57
Total	36	124	160

OVERCROWDING

Housing with more than one person per room in residence has been defined as "overcrowded." By this definition, 17.3% (2,185 out of 12,547) of all rental units in the city were reported to be overcrowded in 1990. Some 5.8% (485 out of 12,946) of owned units were also reported to be overcrowded.

There is a high incidence of overcrowding in one and two bedroom rental units because low-income families cannot afford three bedroom units without a housing subsidy. The majority of occupied units consist of studio, one- and two-bedroom units. The majority of rental units

¹ AB438 allows housing units to be counted as part of a city's fair share housing production if the existing units are determined uninhabitable (i.e. boarded up and not in service) and are rehabilitated to current code for very-low income household occupancy.

occupied by very low- and low-income households consist of studios and one-bedroom apartments, shown in Figure 3-8.

VACANCY

Generally, a five percent effective vacancy rate is considered desirable to provide for adequate

consumer choice and mobility as well as adequate returns to housing providers (this desirable, effective vacancy rate only applies to units for sale or for rent; it does not include units being held for occasional use or awaiting occupancy). However, given the problem of overcrowding, a five percent vacancy rate actually represent an under supply of housing in the city, particularly in the affordable ranges. The overcrowding problem demonstrates that the demand for housing by people with lower incomes exceeds the supply of housing at a price affordable to lower-income households. When vacancy rates are too low, population mobility is impaired, costs remain high, and substandard housing remains occupied.

The 1990 Census showed the vacancy rate for ownership housing was 1.1 percent and for rental housing was 2.9 percent. The 2000 Census showed the vacancy rate for ownership housing was 0.4 percent and for rental housing was 2.3 percent. At the time of the 2000 Census (April 2000), the nation and the region was at the height of the business cycle and demand for housing was at its peak. Since then, the stark change in the economy with job losses adding up, company earnings declining, and more newly built apartments coming on the market, vacancy rates have increased and rents have declined from the peak in 2000. In 2001 vacancy rates in the San Francisco and Oakland areas remain unchanged at 5 percent between the second and third quarters. In Santa Clara County, vacancy rates climbed from 4 percent to 6 percent during this period, according to a survey² conducted by Axiometrics, a Dallas firm that tracks 80 apartment markets nationwide. Although Axiometrics surveys large complexes, the trends hold true for smaller properties according to representatives of the Tri-County Apartment Association, a trade group for landlords in San Mateo, Santa Clara, and Santa Cruz counties. The San Francisco Metropolitan Statistical Area (MSA) includes San Mateo, San Francisco, and Marin counties. The Oakland MSA includes Alameda and Contra Costa counties.

HOUSING COSTS

In 1980 the median cost of a home was \$123,400. In 1990 the median cost of a home had risen to \$349,500 and in 2000, the median cost of a home was \$496,250, a 302% increase since 1980. Prices of a “home” in Redwood City vary depending on location and on whether the “home” refers to the group – condominiums, townhouses, and detached single family houses- or simply to detached single family houses. Please refer to figure 6-3 in Chapter 6, which depicts median prices of single family residences/condos and new houses by zip code, for a look at variation by zip code. In the second quarter of 2001, the median price of a detached, single family house in Redwood City was \$570,000, compared with \$550,000 during the second quarter of 2000.

Mean contract rent in 1980 was \$283 and increased to \$731 by 1990. According to a rent survey, dated April 17, 2000, the contract rent was \$1,200, representing a 40% increase since 1990.

Figure 3-5

**Median Single Family Home Price
August 2001³**

² The survey measures rents and vacancies at 97 Bay Area properties – a total of more than 26,000 apartments – owned by seven publicly held real estate investment trusts, including Avalon Bay Communities and Essex Property Trust. The firm conducts its quarterly surveys in the middle month of each quarter, meaning the information was gathered in August.

³ San Mateo County Association of Realtors (SAMCAR), 2001, based on 540 total sales in August 2001.

San Mateo County	\$575,000
Redwood City	\$575,000
Redwood Shores	\$689,500

Source: Peninsula Regional Data Services, Data are completed home sales in San Mateo County, with 488 total sales in March 2000.

Over Payment Issues

The California State Legislature requires each housing element to analyze and document household characteristics, as done above, and also to show the level of payment compared with ability to pay and housing characteristics including overcrowding and housing stock condition. This section reports the Association of Bay Area Government’s findings regarding “overpayment” for housing.

According to HUD’s definition of overpayment, a low or very low-income household that pays more than 30% of its income for housing is living in unaffordable housing.

**Figure 3-6
Households Overpaying for Housing**

City	Low-income Households Owning	Low Income Households Renting	Low Income Households Overpaying (Owners)	Low Income Households Overpaying (Renters)	% of Low Income Renters Overpaying	% of Low Income Owners Over-paying
Belmont	743	1,759	345	1,437	46%	82%
E. Palo Alto	1,281	2,495	636	1,899	50%	76%
Foster City	481	1,149	280	992	58%	86%
Menlo Park	1,343	2,623	506	2,085	38%	79%
Redwood City	2,564	6,711	928	5,121	76%	36%
San Carlos	1,508	1,382	611	1,110	41%	80%
San Mateo	3,747	7,594	1,377	5,972	37%	79%

According to a press release by HUD on March 27, 2000, it is estimated that the low-income households paying more than 50% of their income for housing increased by 12% since the economic recovery began in 1991.

Renter and Owner Needs

The majority of apartment units in Redwood City are one and two bedrooms built in the 1950s and 1960s. Larger units with 3 or more bedrooms required by larger families are mostly ownership dwellings. The number of these units that are available for rent is partially dependent on the market conditions. In 2000-2001, a low-income household could not afford a 3 bedroom unit in Redwood City unless: 1) it had Section 8 housing assistance to subsidize the rent, 2) it lived in an overcrowded situation with at least one other household, 3) the housing is owned by a non-profit organization, sponsored by a public agency, or 4) the owner-resident owned the house for a long period of time and does not have a mortgage.

The cost of rental housing responds to market forces. The lack of inventory, therefore, limits housing choice and availability to many middle and moderate-income persons and particularly most low-income and elderly households. When several families together compete for a housing unit based on the strength of multiple, combined incomes, elderly households have little or no ability to compete. The result has been more and more senior households applying for homeless assistance.

Figure 3-7 is a comparison of affordable rents for each income group (based on a standard of housing expenditures not exceeding 30% of median income) compared to the average cost of available units based on a rent survey in 2000 as follows:

Figure 3-7 Comparison of Affordable Rents: 2001⁴

Unit Sizes	Rent Surveyed	Average Rent	Affordable Rent	Income Required
1 BR (1-2 people)	15	\$1,161	\$850	\$34,000
2 BR (2-4 people)	7	\$1,534	\$1,062	\$42,500
3 Bedroom (5+people)	3	\$2,283	\$1,147	\$45,900

New construction of multifamily units requires available land to develop. Large parcels of unencumbered land do not exist within the City limits. Possible future sites currently contain older businesses and homes that will have to be demolished before new construction can begin. Since the major value in many older residential areas is in the land, acquisition and relocation will be an expensive process.

The density of housing must be fairly high to lower the per unit land costs to a level where affordable housing can be built. In addition to the land cost, building costs can reach up to \$288 per square foot⁵ for multifamily units. Building fees and taxes can run an additional 1-3% of the total construction costs according to the Redwood City Building Division. An estimate of fees is shown in figure 6-2 in Chapter 6.

The definition of affordability varies depending on State or Federal interpretations. The State of California defines affordability as expenditures for housing of 30% of income. Expenditures on housing include utilities for rentals and mortgage insurance, taxes, homeowner fees, etc., for ownership housing. A large amount of subsidy is required to meet the affordability requirements, especially for very low-income households. A typical ownership-housing unit would sell to a very low-income family between \$134,000 and \$150,000. The Federal definition of affordability addresses 30-35% of income for housing in subsidized rentals. In an area with extremely high housing costs, these definitions and variables make it challenging to leverage private funds with a combination of redevelopment and federal dollars to create housing that is affordable to the very low-income.

Rents are expected to continue to increase in the next five years as the population of the Bay Area continues to rise and more affluent housing seekers are competing for a limited supply of rental housing. For example, the population of Redwood City is projected to increase 1.3⁶ percent per year for the period 2001 – 2006 and the population of San Mateo County is projected to increase 2 percent a year according to San Mateo County Economic Development Association's (SAMCEDA). Overcrowding is expected to increase as renters move more than one household into units in an effort to avoid homelessness.

The outlook for decent, safe, and sanitary affordable housing could improve over the next few years if the private sector, local, state and the federal government form partnerships to require affordable housing development for all income groups. Absent this type of partnership, the economic climate is most conducive to market rate housing. Land costs are at a premium and developers have few incentives to build at below market rate. Rental costs of existing units are already out of reach for the very low-income and fixed income households, including elderly persons. As a result, the need for low-income affordable housing for families and elderly households is expected to increase continuously over the next five years.

⁴ Affordable Rents are calculated based on incomes at 50% of median.

⁵ Building Standards, ICBO

⁶ Redwood City Planning and Redevelopment, 2001

Figure 3-8 shows the number rental units within the City of Redwood City that are affordable to people with low- and very low-incomes.

Figure 3-8 Rental Units Affordable to Very Low- and Low-Income Households: 1990									
Unit Size	0 and 1 Bedroom Units			2 Bedrooms			3 or more Bedrooms		
Income as a percent of County median income	0 - 30%	0 - 50%	0 - 80%	0 - 30%	0 - 50%	0 - 80%	0 - 30%	0 - 50%	0 - 80%
Number of Occupied Rental Units	284	816	3,506	145	491	1,714	113	217	327

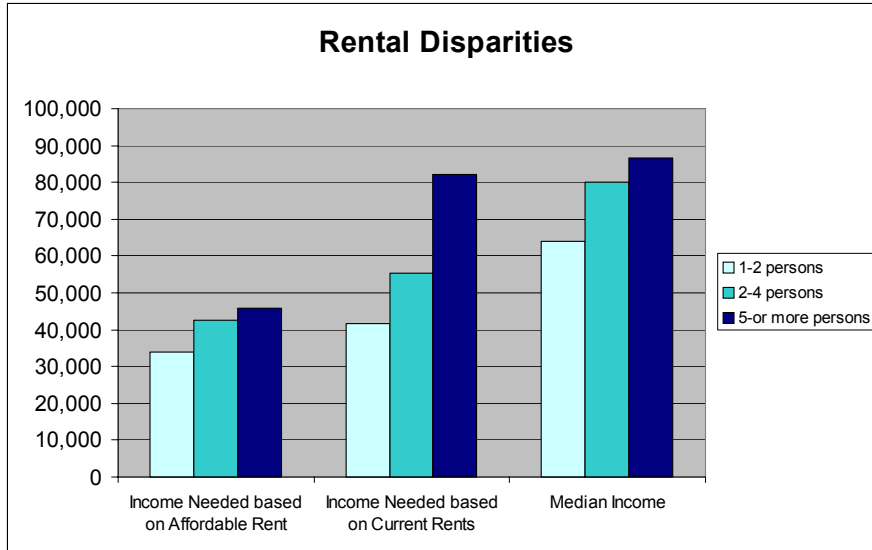
Source: Consolidated Plan 2000 - 2005, City of Redwood City, 2000, p. II-5

Figure 3-9 Vacant Rental Units Affordable to Very Low- and Low-Income Households: 1990									
Unit Size	0 and 1 Bedroom Units			2 Bedrooms			3 or more Bedrooms		
Income as a percent of County median income	0 - 30%	0 - 50%	0 - 80%	0 - 30%	0 - 50%	0 - 80%	0 - 30%	0 - 50%	0 - 80%
Number of Vacant Rental Units	0	626	190	0	28	55	0	0	0

Source: Consolidated Plan 2000 - 2005, City of Redwood City, 2000, p. II-5

Data provided by HUD illustrate vacant units for rent to low- and very low-income families and the incidence of overcrowding in rental units. Figures 3-9 and 3-10 support the observation that larger families are forced to choose smaller units due to the lack of larger, subsidized, affordable rental units. The overcrowded conditions of the smaller units have led to the higher incidence of housing problems. The choices available to very low-income families are further constrained by affordability. Redwood City has implemented a comprehensive housing strategy to organize and provide programs to benefit households earning less than 80 percent of the County median income. This housing strategy is described in the *Consolidated Plan 2000 – 2005*.

A survey of rental units in Redwood City showed that a reasonable number of units fell within the low- and moderate-income categories, but few were in the very low category. The units surveyed were advertised in the Redwood City Independent and the San Francisco Chronicle in September 2001.



50% of Median Income	Affordable Rent	Current Average Rent	Income Needed Based on Affordable Rent	Income Needed Based on Current Average Rent
1-2 persons	\$850	1 BR - \$1161	34,000	41,796
2-4 persons	\$1063	2 BR - \$1,534	42,500	55,224
5-or more persons	\$1148	3 BR - \$2,283	45,900	82,188

Based on this survey, the market rate for rents is greater than what most very low-income families can afford. For example, a family needs an income of \$82,188 per year to afford to rent the average three-bedroom unit. A very low-income family makes only 50% or about \$45,900 of the needed income per year to afford this rent. For a low-income family with three children, the only options may be to crowd five into a two-bedroom apartment, move out of the area, or obtain a Section 8 rent subsidy. The graph above illustrates the disparity between the income needed to rent at the average and affordable rent levels with the high county median income.

In 1990, a significant number of renters, approximately 76%, were paying more than 35% of their income for housing, and 36% of homeowners were paying more than 35% of their income for housing. It is expected that the 2000 Census will show a 12 percent increase in the percentage of people paying more than 35 percent of their incomes for housing.

Housing to Accommodate the Disabled

All new housing will be required to meet Title 24 (State) regulations and/or ADA (Federal) regulations with respect to housing accessibility and/or adaptability, where appropriate.

ASSISTED HOUSING AS REVISED

There are four projects containing a total of 325 federally assisted housing units in Redwood City. The Federally Assisted Housing chart (Appendix D-1) identifies the projects, the date when federally insured assistance matures, and the status of each development. Three of the four projects, Casa de Redwood, Heron Court, and Redwood Court are owned or controlled by non-profit organizations and are prohibited by law from prepaying their federally insured mortgages prior to their maturity dates. These projects are not at risk as long as the U.S. Department of Housing and Urban Development (HUD) continues to renew the existing Section 8 contracts on these projects. HUD renews the project-based contracts annually.

The remaining development, Redwood City Commons, (850 Main Street) consists of 58 senior housing units. This is a for-profit development and so could convert to market rate, since private owners have the option of not accepting a project-based, Section 8 subsidy. However, it is unlikely that an owner would refuse the economic incentive of a Section 8 subsidy.

If the development converted to market rate status, HUD would offer tenant-based, Section 8 certificates to the tenants residing in the project so they could continue to be assisted by individual Section 8 contracts. Since Section 8 rents exceed the local market rents for similar housing units, the reality is that there is an incentive for apartment owners to house people with Section 8 certificates as long as this differential continues.

In the event that the owner desired to sell Redwood City Commons, HUD would encourage the owner to sell the property to a community-based organization with non-profit status, who would have other options for owning and maintaining these units. In October 2001, a representative of Redwood City Commons informed staff that they are renewing their leases annually with HUD to maintain affordability for existing and future occupants.

In Redwood City, there are also seven affordable projects containing 141 units, all of which are locally assisted housing. An eighth project, the Franklin St. apartments, was completed in the fall of 2002. This project contains 31 affordable units. There are no public housing units in Redwood City owned by the Housing Authority. The Locally Assisted Housing chart (Appendix D-2) identifies the projects, the date when the financing aid expires, and the status of each development. None of the seven projects are at risk during the 2001 to 2011 period.

The non-profit organizations that own Casa de Redwood (on Veterans Blvd.), Heron Court (on Gunter Lane), and Redwood Court (on Spruce St.) have a mission to provide affordable housing. They have limited options for selling their property and must hold their mortgages for the required period. The 20-year contract for the provision of Section 8 subsidies for the 27-(very low income) unit Redwood Court expires in 2003. The owner of this building could convert the units to market rate rents because of the termination of subsidies and expiration of the HUD contract. As such, the City is participating with a non-profit and the California Housing Finance Agency to assist the non-profit in acquiring and rehabilitating the housing with 55 year deed restrictions to ensure the units remain affordable to very-low income households through June of 2085.

Representatives of Casa de Redwood and Heron Court have stated an intention to continue the affordability of these units with project-based Section 8 contracts, which are renewed annually. Representatives of Redwood City Commons indicate they are renewing their leases annually with HUD to maintain affordability for existing and future occupants.

Congress adopted the Mark-up to Market Option as an emergency initiative in June 1999 to provide an incentive to owners of certain below-market properties located in strong markets to renew the Section 8 contract and continue to provide affordable housing. This program is useful for cities and nonprofits to preserve affordable housing. For example, the program is used in Homestead Park in Sunnyvale to preserve assisted housing.

Program to Preserve Assisted Housing

As the City has done in the case of Redwood Court, the City could also consider playing a role in furthering the preservation of Redwood Commons by:

- Establish a list of qualified, community-based organizations, such as Mid-Peninsula Housing Coalition, to be ready to step in and assume ownership and management of the units.
- Hold public hearings upon receipt of any Notice of Intent to Sell or Notice of Intent to Convert to Market Rate Housing, pursuant to Section 65863.10 of the Government Code.
- Identify a qualified, eligible buyer to purchase and hold the units as long term affordable housing.

- Seek to provide “financing necessary to assist a qualified, eligible buyer” to purchase the units at risk of being converted to market rate.
- In the event of either the future loss of Section 8 subsidies for rental assistance, or the termination of the Section 8 program, the City and/or the Redevelopment Agency have available and shall consider appropriating HOME funds and Redevelopment Tax Increment funds to reduce operating costs on these units as a short term solution. In addition, the City and/or the Redevelopment Agency shall seek other local, state and federal dollars to make rental subsidy payments.
- Consider using funds from any source available at the time, up to and including CDBG/HOME funds, Redevelopment Housing Funds, General Funds, loan guarantees, bond funds, or any other source of funds available to the City.

Analysis of Replacement Costs for Assisted Housing

This section is intended to respond to the requirement for an analysis of replacement costs for federally and locally assisted housing that is at risk of being converted to market rate. Since non-profit developers own 267 units in the City’s federally assisted housing inventory and 126 in the City’s locally assisted inventory, they are not considered to be at risk. The remaining 58 units at Redwood Commons are privately owned. This analysis, therefore, addresses the 58 units at Redwood Commons.

Considering the current economic climate and the great need for senior housing, based on the number of seniors who are being priced out of the housing market, this analysis assumes outright replacement of the units rather than rehabilitation or conversion of an existing housing development that could serve this need.

Development assumed at risk: Redwood Commons Senior Housing⁷
 Number of Units: 58

Replacement Cost Analysis⁸

<i>Construction Costs per Sq. Ft.:</i>	<i>\$200.00⁹ per sq. ft. including services and community space</i>
<i>Minimum cost per unit¹⁰:</i>	<i>650 sq. ft x \$200 = \$130,000</i>
<i>Minimum cost for 58 units</i>	<i>\$130,000 x 58 units = \$7,540,000.</i>
<i>Method of Replacement:</i>	<i>Utilize public subsidy and non-profit developer</i>
<i>Sponsor:</i>	<i>City and Redevelopment Agency¹¹</i>
<i>Financing Mechanism:</i>	<i>Federal funds, Redevelopment Housing Funds, Bond issue or tax credits</i>
<i>Timing to Replace Units:</i>	<i>2 – 5 years</i>

⁷ In October 2001, a representative of Redwood City Commons informed staff that they are renewing their leases annually with HUD to maintain affordability for existing and future occupants.

⁸ Axiometrics, as reported in the San Jose Mercury News, September 11, 2001, page 1C.

⁹ Represents current cost of construction for similar projects based on today’s construction and materials costs in 1999, and does not include the cost of land. Actual cost at a future date may be higher or lower, depending on the local economy and construction industry.

¹⁰ Assumes affordability to 50% and below median income, with the majority of units assisting seniors with incomes from poverty level to 30% of median.

¹¹ The Redevelopment Agency would serve as sponsor where eminent domain power is required to assemble site for replacement housing or when site development is within the Redevelopment Plan Area. The City would sponsor any revenue bond issues required to finance such a project. (Eminent domain is the authority of a government to take, or to authorize the taking of, private property for public use.)

