

Barrio Logan Alternatives – Economic Impacts and Development Feasibility

Barrio Logan Community Plan
City of San Diego
September 9, 2009

Economic Policy and Planning

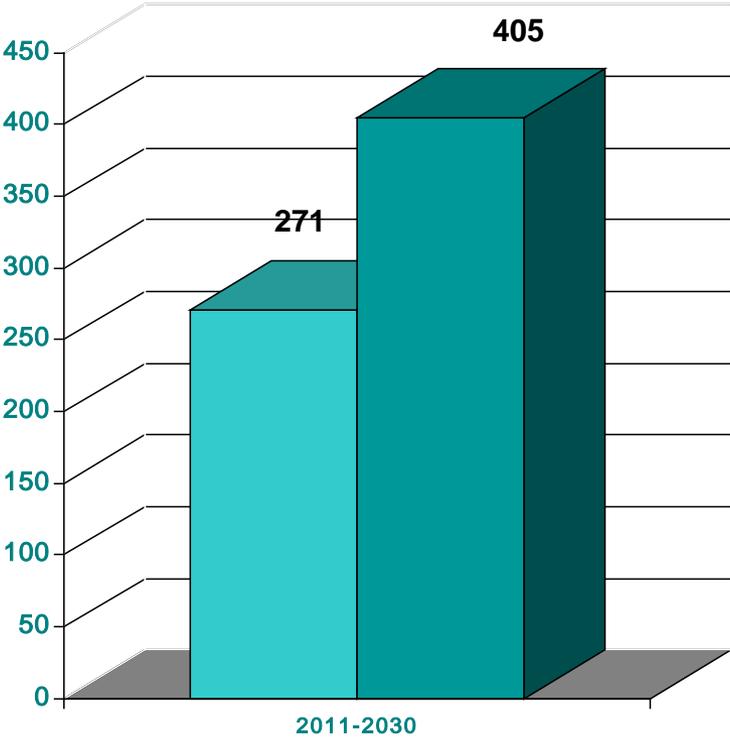


ERA's Role to Date

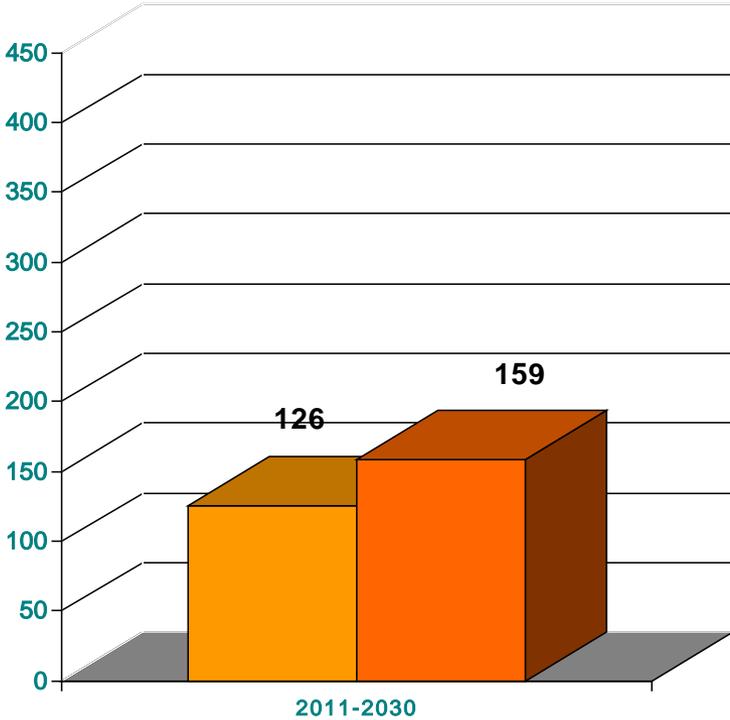
- In December 2008, ERA completed a Market Analysis
- At this Stage, ERA:
 - Assisted MIG with refining land use Alternatives
 - Evaluated economic impact of land use Alternatives
 - Tested feasibility of market-rate development and affordable housing scenarios
 - Studies are designed to help the community and decision-makers evaluate the pros and cons of each Alternative.

Recap of Market Analysis Results (2011-2030)

In thousands of SF



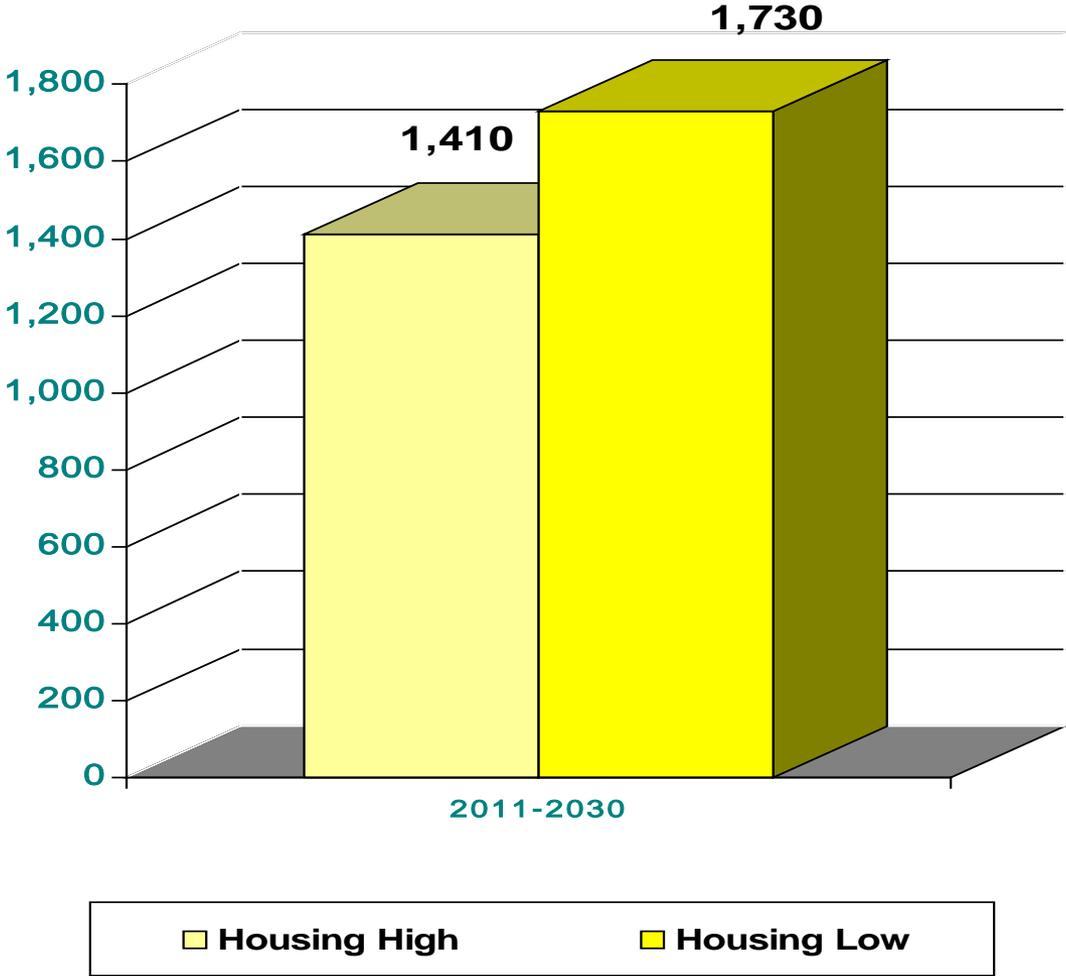
Office Low Office High



Retail Low Retail High

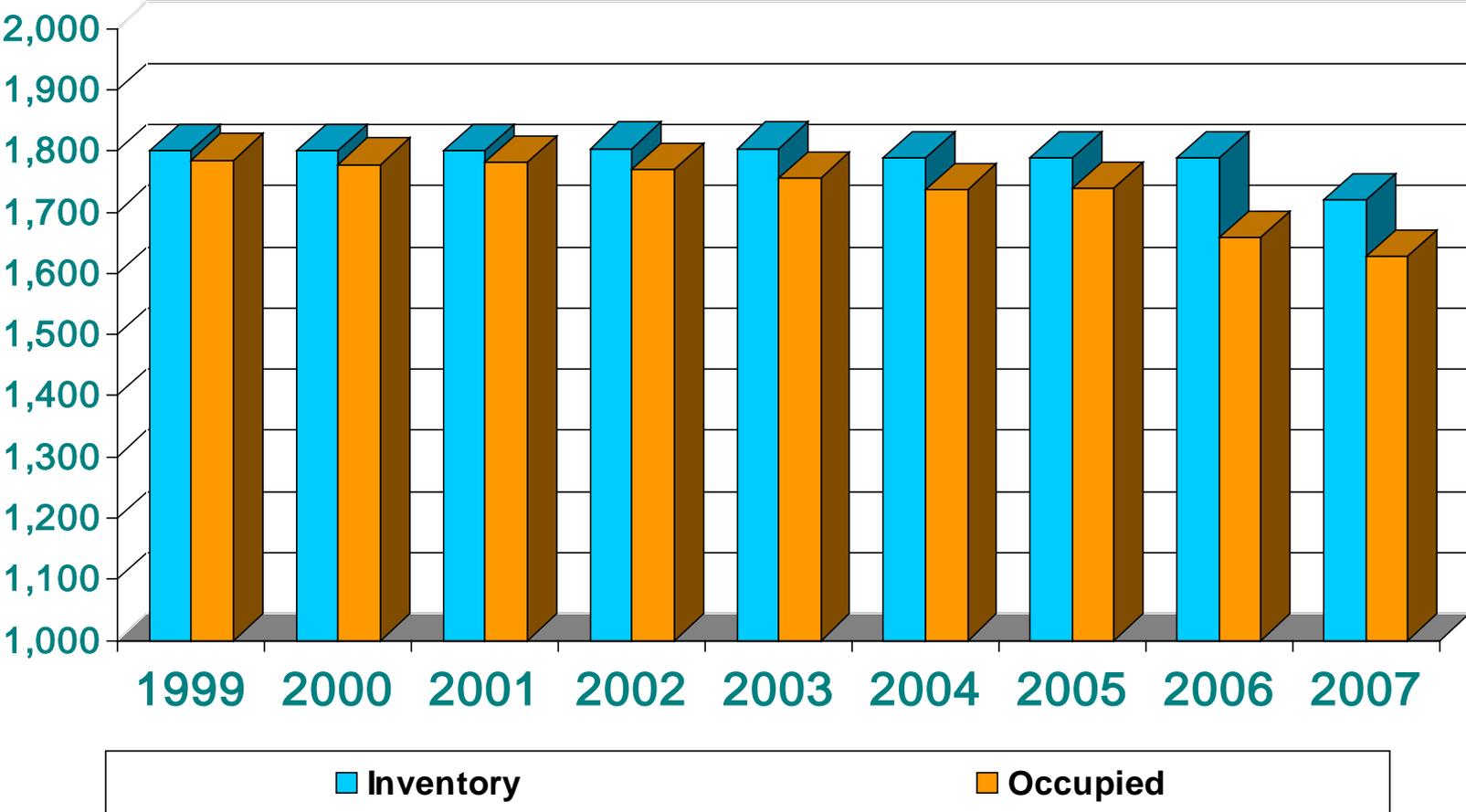
Recap of Market Analysis Results (2011-2030)

In Units



Barrio Logan Industrial Space Market Trends

In Thousands of SF



Refined Land Use Alternatives

Table 2: Total Area by Land Use for Three Alternatives for Barrio Logan

	Alternative 1	Alternative 2	Alternative 3
Land Use (in Square Feet)			
Retail Space	201,000	201,000	201,000
Office / Business Park Space	533,000	533,000	965,900
Light Industrial / Flex	-	259,700	-
Institutional	40,000	40,000	40,000
Housing Units	1,954	1,954	1,954

Source: ERA AECOM.

Economic Impacts of Alternatives: Methodology

- **Jobs**

- ERA applied jobs per square foot numbers from SANDAG's San Diego Traffic Generators report to each land use.

- **Wages**

- Analysis Based on 2008 wage data for San Diego County from the Bureau of Labor Statistics.
- Applied to Number of Jobs by Type.
- Results include direct wages for positions within Barrio Logan only and do not include any indirect or induced impacts.

- **Economic Output**

- Used RIMS II multipliers from the Bureau of Economic Analysis.
- Includes direct economic output only.

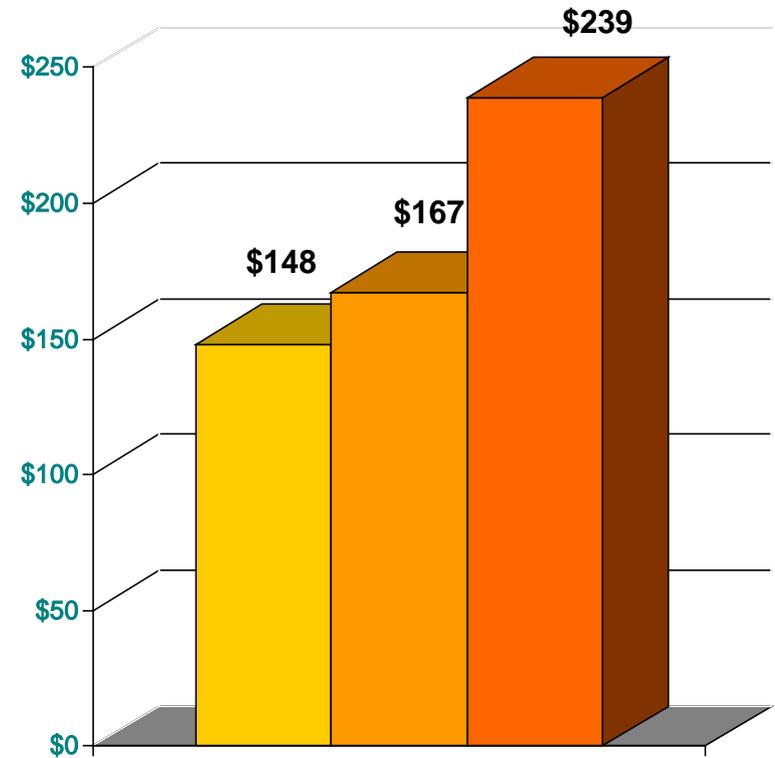
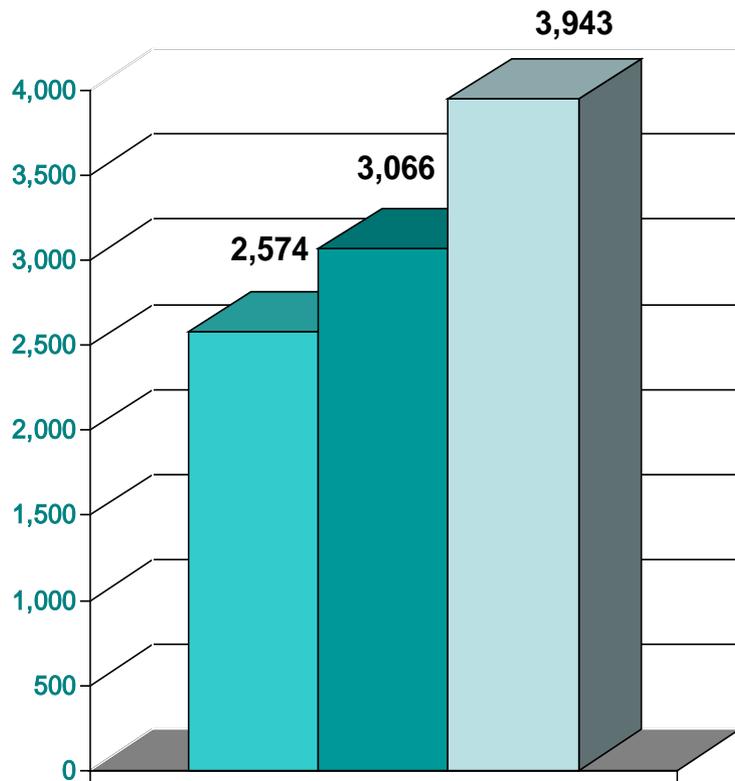
Economic Impacts of Alternatives: Findings

Table 3: Summary Table of Land Uses, Jobs, Wages, and Outputs for Alternatives 1, 2 and 3

	Alternative 1	Alternative 2	Alternative 3
Land Use			
Retail Space (SF)	201,000	201,000	201,000
Office / Business Park Space (SF)	533,000	533,000	965,900
Light Industrial / Flex (SF)	-	259,700	-
Institutional (SF)	40,000	40,000	40,000
Housing (units)	1,954	1,954	1,954
Total On-Site Employees	2,574	3,066	3,943
Total Direct Wages	\$ 147,970,000	\$ 167,404,200	\$ 238,758,400
Total Direct Output	\$ 324,398,000	\$ 367,697,000	\$ 520,662,000

Source: ERA AECOM.

Economic Impact of Alternatives Jobs & Direct Wages in Millions



Residual Land Value Analysis

- **“Residual Land Value”** is what a developer would pay for land for any development after all development costs and the required profit are covered.
- **Six Hypothetical Prototypes Tested**
 - Prototype 1 – Affordable housing
 - Prototype 2 – 21 units of market rate apartments with podium parking
 - Prototype 3 – 12 live/work loft apartments with retail & surface parking
 - Prototype 4 – 12 townhouse units using vertical tandem parking
 - Prototype 5 – A three-story office building with surface parking
 - Prototype 6 – A one-story industrial/flex building with surface parking

Affordable Housing Scenarios

Tested Five Scenarios - All assume a lot size of 14,000 SF

Scenario	Units	Density Bonus	Density (du / acre)	Product Type	Affordability (% AMI)
A	17	25%	55	For sale	120%
B	21	50%	65	Rental	60%
C	25	75%	75	Rental	60%
D	21	50%	65	Rental	30%
E	25	75%	75	Rental	30%

Source: ERA AECOM.

Affordable Housing Analysis Findings

- Project financing typically require 80 to 125 units in scale
- Increasing density does not necessarily make projects more feasible due to the high cost of podium or structured parking
- Projects that are deeply affordable (30% AMI) fail to generate sufficient revenue
- Projects that barely CTCACs threshold for affordability (60% AMI) tend to be not competitive for 9% tax credits
- Key to success – projects of 80 to 125 units, moderate affordability and reduced parking requirements

Residual Land Value Analysis

Summary of Residual Value and Development Feasibility for Market-Based Prototypes

	Prototype 2 Market Apts	Prototype 3 Live/Work Loft	Prototype 4 Townhouses	Prototype 5 3 Story Office	Prototype 6 Industrial/Flex
Rental Apartment Units	21	12	12	0	0
Average Unit Size (SF)	884	563	2,000		
Gross Building Area in SF	21,593	14,489	24,000	17,935	12,000
Net Building Area in SF	18,570	12,750	24,000	16,500	12,000
Retail & Restaurant	0	6,000	0	0	0
Office	0	0	0	16,500	0
Industrial/Flex	0	0	0	0	12,000
Residential Apartments	18,570	6,750	24,000	0	0
Total Parking Spaces	38	16	24	48	35
Above Ground Podium	38	0	0	0	0
Vertical Lift Tandem	0	0	24	0	0
Surface Lots	0	16	0	48	35
Total Land Area	21,000	14,000	10,800	24,000	24,000
Estimated Residual Value per SF Land					
Alt A: Current Market Rent	(\$50.00)	\$12.93	(\$90.13)	\$15.31	\$9.08
Alt B: 20% Over Current Market Rent	(\$31.45)	\$38.56	(\$49.56)	\$43.12	\$25.71
Alt C: 40% Over Current Market Rent	(\$12.90)	\$64.20	(\$8.99)	\$70.92	\$42.33

Residual Land Value Analysis Findings

- The analysis shows that with current market rents, the residual land value for Prototypes 2 – 6 are well below recent land transaction prices.
- In other words, Prototypes 2 – 6 are not feasible without subsidy.
- As rent increases with economic recovery and public investment in Barrio Logan, the live/work lofts with retail and the office building become feasible.

No Free Lunch in Moving Forward

- **Rezoning for housing/mixed use could decrease land values** – financial impact for property owners
- **Reduce parking requirements** – will decrease cost to enhance feasibility but may limit marketability of development and create parking congestion on-street
- **Bring more public & non profit organization resources to bear** – resources scarce in a recession
- **Provide improved public infrastructure and amenities** – increases rents to enhance feasibility but will also increase land values

Thank You

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