



CHARTER OAK COMMUNITIES

FACTORS AFFECTING DEVELOPMENT COSTS

The cost of developing affordable housing is affected by many factors. Some, such as the costs of land, labor, and building materials, are similar to developing market rate housing. However, as described below, the cost of affordable housing is affected by unique factors such as the choice of building materials for long term durability, restrictive conditions of public funding sources, and certain requirements of obtaining neighborhood support.

The key factors affecting the cost of affordable housing as developed by Charter Oak Communities (COC) are summarized below.

Affordable Housing in General

1. State Requirements: The primary capital subsidy is the federal Low-Income Housing Tax Credit program administered by the Connecticut Housing Finance Authority (CHFA).
 - a. CHFA design standards include many requirements that exceed those found in State or City building codes.
 - b. These standards include expensive sustainability and energy saving measures along with other features required to qualify for LEED gold and platinum certification.
2. Soft Costs:
 - a. The requirements of using multiple public funding sources result in higher costs for architecture and engineering, legal and accounting services, and environmental testing.
 - b. They also require costly, ongoing compliance with several layers of federal, State and City regulations that impose strict reporting and operating requirements.

Affordable Housing Developed by Charter Oak Communities

1. Target Resident Population: COC is committed to including housing for all income levels in its developments.
 - a. Many affordable housing sponsors only serve households at the upper income ranges, requiring less subsidy, fewer funding sources, and many fewer compliance requirements.
 - b. COC serves households across the full range of eligible incomes, including families of low- ($\leq 50\%$ AMI) and extremely low-income ($\leq 30\%$ AMI).
2. Prevailing Wages: COC typically includes HUD Section 8 rent subsidy in its developments to ensure affordability for low- and extremely low-income households.

- a. Federal subsidies require application of federal (Davis-Bacon) and State prevailing wage rules.
 - b. These generally higher wages result in significantly higher construction costs.
3. Soft Costs: To serve lower income households, additional capital subsidy is needed.
 - a. COC typically uses half dozen or more different public and private funding sources, each with its own legal counsel, fiscal oversight, construction inspectors, and operating and reporting requirements.
 - b. Many financial sources require the funding of multiple reserve accounts in addition to the more common replacement reserve.
4. Higher Quality Building Materials: Unlike many private developers, COC does not sell its developments upon initial lease-up but retains long-term ownership as a municipal asset.
 - a. To limit costly repairs and replacement of major components for as long as possible, COC uses high quality materials and equipment, including roofing, doors and windows, siding, heating, and cooling systems, and interior cabinets and fixtures.
 - b. COC family developments primarily feature two and three bedrooms, introducing greater wear and tear which is forestalled by using better quality materials.
5. Demolition: COC has completed several projects that required the demolition of existing buildings, underground utility systems and existing roads and walkways.
 - a. Examples are the redevelopment of Southfield Village into Southwood Square, Fairfield Court into Fairgate, and Vidal Court into Greenfield and Park 215.
 - b. The demolition of these existing structures, utilities, roads, and walks adds significantly to total development costs.
6. Infrastructure: Following demolition and removal of old material, new roads and walks must be constructed and new underground utilities installed.
 - a. With large redevelopment sites, such as the planned redevelopment of Oak Park, the installation of a new street system and new utility lines adds significant cost.
 - b. By contrast, the cost of building on a vacant and compact urban site with all utilities available at the property line will always be less costly than a redevelopment effort involving the demolition of existing structures and the installation of all new roads and utilities.
7. Marketability: COC serves both very low-income households as well as households with no income restrictions (i.e., mixed income).
 - a. Higher income residents have other housing options besides COC properties, and it is necessary that the properties be well designed and maintained to attract the full range of the target population.
 - b. The rents paid by higher income tenants help enable COC to serve lower income households (i.e., cross-subsidize) while ensuring financial and social sustainability.
8. Land Use Approvals and Neighborhood Acceptance: COC aims to be a good neighbor everywhere it develops and owns property.

- a. COC developments are designed to fit in with existing neighborhoods in terms of density and scale, building height, design style and overall quality of appearance.
 - b. COC designs its developments to be *unidentifiable* as affordable housing and to improve any area in which they are located.
 - c. Opposition to COC development proposals from local residents and land use boards is very rare, primarily because of the quality of its developments.
9. Stabilizing Neighborhoods and Encouraging Private Investment: Housing developed by COC has two primary purposes: to provide high quality, sustainable affordable housing and to improve the areas in which it is located.
 - a. Studies have found that attractive and well-built affordable housing can help stabilize neighborhoods and encourage additional private investment, leading to increased property values.
 - b. Neighboring owners become more confident of the neighborhood's prospects and are more willing to invest in repairing and improving their properties.
 - c. COC has seen this take place on the West Side where many of our developments built since 2009 are located.
10. Resident Social Services: COC retains Family Centers, Inc. to provide professional supportive services to the residents of all properties in its portfolio.
 - a. The operating budget for each development supports the cost of staffing by the Resident Services Coordinator along with funding programs, events, and equipment to create strong, safe and stable resident communities.
11. Resident Relocation: Redevelopment of occupied developments requires significant expenditures for resident relocation, including counseling, moving expenses, and the provision of either temporary or permanent new housing for relocating households.
 - a. COC funds security deposits for residents leaving the site permanently and assists residents in identifying and applying for off-site housing using Housing Choice Vouchers.
 - b. COC makes repairs and improvements to temporary relocation units following the standard practice for unit turnovers and pays moving expenses for those moving to and from temporary housing.