

Education Workforce Housing Workshop

Innovative Housing Solutions to Live Near Work



Market Analysis (Rental Rates)

Preliminary Rental Rates

THE FEDERAL STANDARD FOR HOUSING AFFORDABILITY IS DIRECTLY RELATED TO A HOUSEHOLD'S GROSS INCOME.

- *Affordable* is up to 30% of a household's gross income
 - *Cost Burdened* is between 30.1% and 50% of a household's gross income
- *Unaffordable* is more than 50% of a household's gross income.

- While each district employee housing project must be evaluated based on its unique site characteristics and is informed by a district's housing affordability objectives, there is precedent for two distinct pathways for determining employee housing rental rates.
 - Rental rates as a percentage of market rates
 - Rental rates based on Area Median Income

Percentage of Market

Unit Type	Market Rental Rate	30% BMR
Studio	\$1,900	\$1,330
1 bed	\$2,300	\$1,610
2 bed	\$3,100	\$2,170

- Rental rates are set at a percentage of market rates.
- Districts can set rental rates based on projected annual expenses, including debt service, maintenance, etc. ,
- In this model, rents are typically set between 50% to 80% of market, depending on Area Median Income
- For the purposes of this example, rental rates are set at 30% below market rate, or 70% of market
 - Tenants would pay the same rental rate based on the type of unit
- With this model, it's important to compare rental rates to employee salary levels and Area Median Income to ensure affordability

Area Median Income

Unit Type	Market Rental Rate	50% AMI	55% AMI
Studio	\$1,900	\$1,598	\$1,758
1 bed	\$2,300	\$1,713	\$1,884
2 bed	\$3,100	\$2,056	\$2,261

- Area Median Income (AMI) is defined as the midpoint of a specific area’s income distribution; calculated by HUD and is often used as a key metric.
 - HCD publishes annual income limits and median household figures for all 58 counties
- Here, rental rates would be set on a tenant’s gross household income and the corresponding AMI they qualify for
 - Rental rates would vary based on the gross household income of each unit
 - Leaves room for fluctuations in rental rates and lacks predictability of revenue as the rental rate can vary from unit to unit.

EXAMPLE

Preliminary Cashflow Projections

Unit Type	# of Units	Gross Monthly Rent 30% BMR
Studio	36	\$1,295
1 bed	60	\$1,400
2 bed	24	\$1,680

- Assuming 120 units, standard expenses for operations and maintenance, a 5% vacancy rate, and reserves, the project anticipates a Net Operating Income (NOI) of \$1,246,420 for year one.
 - Cashflow projections assume a 2% year over year annual revenue increase and 3% year over year annual expense increase
- Based on the project NOI revenue stream, project revenues are estimated to support up to a **\$20.4 million Certificate of Participation (COP)** backed by the general fund or a **\$15.2 million Revenue Bond**.

Thank you



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