

# Housing Innovated!

Creating affordable housing for lower  
income households

Converting Part Unleased Office  
Space to Residential Units

# Market Challenges

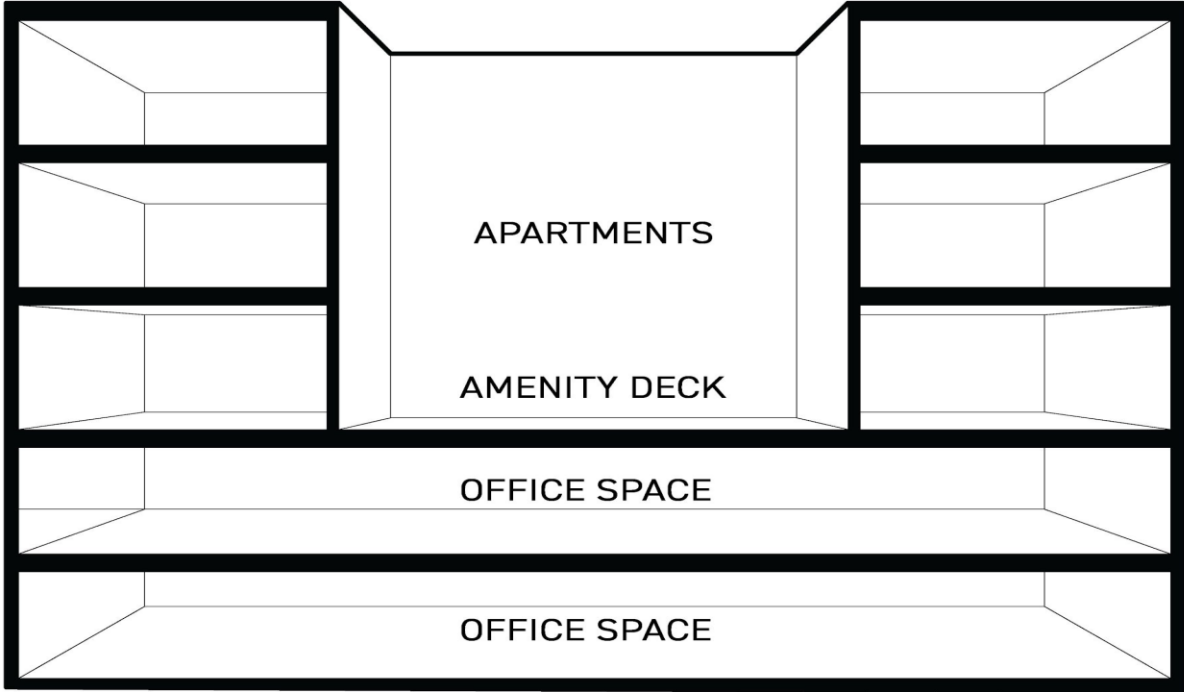
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- High Office Vacancies
  - Rising Rents for Multi-family

# Innovative Solution

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- Coordinate with businesses occupying large office buildings to convert unleased or vacant office space into residential units
- Work with local jurisdiction to change zoning from Commercial to a Mixed Use
- Offer smaller more affordable residential units in those spaces to those lower income employees
- Offset rental rate differences through vacancies, impact fees, tax incentives, and improved asset stability

# Our Model



# Converting Unleased Office Space to Residential Units

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- Coordinate closely with the big business occupying the office building to determine how many lower income employees need affordable housing offered to them
- Determine the proper mix of residential units
  - Studio, 1 bedroom, 2 bedroom
- Create distinct separate environments between office and residential so employees are able to disconnect and separate from the work environment

# Zoning Change

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- Most jurisdictions would be willing to change the zoning from a Commercial Use to a Mixed Use
  - Puts residents at their work
  - Alleviates traffic
  - Reduces sprawl in their city
  - Less impact on environment
  - Less impact on the city's infrastructure
  - Sustainable solution

# Affordable Units for Lower Income Households

- Median Income: \$80,400
- Lower Income Employees: \$40,200
- Studio Apartment at Market Rate: \$1.58/sq ft for 500 sq ft = \$790
  - Below 30% Housing Cost
- 1 Bedroom apartment at Market Rate: \$1.25/sq ft for 750 sq ft = \$937
- Doesn't show transportation savings for resident

Typical Household Monthly Budget			
		Median Income	Very Low Income
<b>Yearly Salary</b>		\$80,400	\$40,200
Housing Costs	30%	\$2,010.00	\$1,005.00
Food	15%	\$1,005.00	\$502.50
Transportation	12%	\$804.00	\$402.00
Giving	10%	\$670.00	\$335.00
Insurance	4%	\$268.00	\$134.00
Personal & Entertainment	10%	\$670.00	\$335.00
Utilities	5%	\$335.00	\$167.50
Healthcare	4%	\$268.00	\$134.00
Savings	5%	\$335.00	\$167.50
Debt	5%	\$335.00	\$167.50
<b>Total</b>	<b>100%</b>	<b>\$6,700.00</b>	<b>\$3,350.00</b>

# Rental Rate Offset

Cost Conversion Factors			
	Office	Multi-family	Difference
Change in Rental Rates	23.82	18.96	(\$2,430.00)
Change in Vacancy	13.4%	3.2%	\$612.00
Tax Incentive			
Transportation Impact Fee			\$708.00
Tax Break			\$1,206.00
Additional Added Value/Stability in converting Office space to Multi-family (Cap Rates)			
<b>Net Difference</b>			<b>\$96.00</b>

\*Transportation Impact Fee Cost for Lehi City (per multi-family unit)

\*Figures based on a 500 sq ft apartment for a Studio apartment and market lease rate for Office space

Assumption:

500



# Summary

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- Creative and unique solution pulling developers, big business and local jurisdictions together to solve affordable housing problems
- Ability to be used and adapted to any market area in the US where there are large office buildings and where affordable housing issues exist
- Feasibility can be met when bringing together developers, big business, and local jurisdictions (Cost Conversion Analysis)
- Creates a solution for Office vacancies as big business evolves policies/practices due to COVID 19
- Transfers racial equality issues out of zoning and into the hands of businesses who adhere to laws such as Equal Employment Opportunity.

# Thanks!



A big thank you to David Eccles School of  
Business and IvoryInnovations



# Appendix



# Market Challenges (Multi-family Affordability)

- Housing becoming more expensive
  - Demand (1.7% population growth)
  - Low Vacancy Rates on Multi-family pushing up rental rates
  - Rental Rates have gone up 5.6% over the past year



# Market Challenges (Office Vacancy)

- Office vacancies of gone up to 13.4%
  - COVID response
  - Negative Net absorption due to recently completed construction

Figure 1: Net Absorption, Completions (MSF) and Vacancy (%)



Source: CBRE Research, Q2 2020.