

**NON-GOVERNMENTAL CONSTRAINTS  
SAMPLE ANALYSIS  
CITY OF YUBA CITY (2003)**

**5.2 MARKET CONSTRAINTS**

Market constraints significantly affect the cost of housing, and can pose barriers to housing production and affordability.

**Residential Land and Site Development Costs**

Due to the wide availability of land in the Yuba City area, developers do not compete for new properties; land is much cheaper on average than in the rest of the State.

According to Valley Development, land costs for single-family housing are about \$60,000 per acre in the northern City (where much construction is currently taking place); at 4 to 5 units per acre, land costs average \$12,000 to \$15,000 per lot. Site work (grading and other infrastructure improvements) would total approximately \$20,000 for a 1,900 square foot house. The cost of a finished site (including grading, street paving, and other pre-construction improvements) makes up less than 20 percent of total development costs.

Due to the infrequency of multi-unit/apartment construction in the City, there is little data available regarding multi-unit costs. The California Human Development Corporation, which built the 98-unit, 7.9-acre Mahal Plaza, reports that their total land cost was \$310,000, or about \$3,160 per unit, representing approximately 4 percent of the total development costs.

**Construction and Soft Costs**

Valley Development states that construction costs average around \$50 per square foot for single family homes. Total construction costs for a 1,900 square foot single-family house average about \$80,000 (see Table 5.2-1). Soft costs (permitting fees, etc.) are somewhat less dependent on the size of the unit, averaging about \$13,000 plus \$2 per square foot for school fees.

While there are no exact figures for multifamily construction costs available, the R.S. Means QuickCost Calculator estimates total project costs for a low-rise 20,000-square foot apartment complex in the Marysville area to be \$1.74 million overall, including \$173,000 of site work.

**Availability of Financing**

Residential developers generally do not encounter difficulty in obtaining financing for projects in the City. Financing costs currently contribute about \$30,000 to \$40,000 toward the price of a single-family home.

Current interest rates for home loans are between six and seven percent, depending on the terms of down payment. In general, credit-worthy buyers in Yuba City do not have difficulty obtaining loans. Home Mortgage Disclosure Act data for 1997 through 2000 indicate that Yuba City residents have about the same rates of home purchase loan approval as other Sutter County residents, though the rate of approvals for home improvement is slightly lower.

It can be difficult for Very Low, Low, and Moderate income first-time homebuyers to acquire sufficient savings and income to pay for a downpayment, closing costs, monthly mortgage, and tax and insurance payments. To address this problem, Yuba City administers the First Time Homebuyer Program (FTHB), a special low-interest, deferred-payment loan program designed to provide "silent" second mortgages of up to \$35,000, funded by the Home Investment Partnerships Program. Applicants must demonstrate financial need and pre-approval for a first mortgage; the second mortgage will be financed as a three-percent-interest, 30-year deferred loan payment. The Consolidated Area Housing Authority's Mortgage Credit Certificate program ended in 1997, due to a decrease in allocations from the state. The Housing Authority could no longer afford to run the program; by its final year of the program, the Authority was only able to distribute three certificates per year. Sutter County elected to focus on the FTHB program, which operates through a fund pooled by several counties in the region.

The City of Yuba City Housing Rehabilitation Program, funded through the Community Development Block Grant (CDBG) and State HOME Funds, distributes loans to low-income owner- and tenant-occupied households to achieve cost-effective repairs. Priority is accorded to health and safety needs, followed by energy conservation needs, extension of the unit's useful life, and converting to the Uniform Building Code. The maximum loan amount is \$40,000 for non-mobile units and \$7,500 for mobile homes. Costs will be financed as a three-percent-interest amortized loan for owner-occupied properties; owner-investors will be offered five-percent fixed rate loans amortized for 15 years. Units must remain affordable for five years after rehabilitation.

### **Rental Housing in Yuba City**

While the City is currently in the process of conducting its Annual Apartment Survey, preliminary data estimates a near zero percent vacancy rate with rental rates increasing by as much as 20% since April 2000. This data validates the need for additional multi-family units in Yuba City. With no new market rate rental housing built in over eleven years, Yuba City will continue to rely upon rental housing rehabilitation programs to maintain the condition of its current housing stock. Rental subsidy programs will also continue to be used locally to assist tenants with rising costs for rent.

### Cost Summary for a Typical Single-Family Home

Based on the example of a 1,900 square foot house built on a vacant lot in northern Yuba City, Valley Development suggested approximate development costs for a \$189,000 home, as presented in Table 5.2-1. While much of the City's development is occurring to the north, land in this part of the City is generally more costly than in other regions.

According to the Housing and Redevelopment Department, pre-financing costs (land, site development, construction, and soft costs) average \$77 per square foot for single family homes and average \$65 per square foot for multi-family developments. Based on the single-family estimates from Valley Development, these costs average about \$70 per square foot in the northern City.

<b>Table 5.2-1: Example of Development Costs for a Model Single-Family Home</b>		
<i>Type of Cost</i>	<i>Approximate Value (in thousands)</i>	<i>Percent of Total</i>
Land	\$15	8%
Site Development (grading, street paving)	20	11%
Construction	80	42%
Soft Costs (permitting, school fees)	17	9%
Financing (overhead, commission, real estate fees)	35	19%
<b>Subtotal – Developer's Costs</b>	<b>167</b>	<b>88%</b>
Profit	22	12%
<b>Total Sale Price</b>	<b>189</b>	<b>100%</b>
<p>The numbers included here are based on estimates for a 1,900 sq.ft. house in northern Yuba City and are only meant to illustrate relative costs as a general proportion of total house value. Land and site development costs will be lower in other parts of the City, while soft costs and financing would likely remain constant. Financing costs and profit margin are particular to the developer; costs would be different for an owner-built home.</p> <p><i>Source: Valley Development, 2002</i></p>		