Filbert Gardens:
A Catalyst for Change
in Richmond, California

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Introduction

Richmond is beset with a litany of challenges that would have made cities of lesser fortitude wilt under hopelessness and frustration. Although the housing crisis has afflicted communities of all types, some are forced to recover against even greater odds, with systemic challenges including disinvestment, lack of services and a negative perception among developers. Long one of the Bay Area's most productive industrial centers, Richmond has suffered from waves of manufacturing out-migration, leaving the once gritty, proud blue-collar community a mere shadow of its former self. Those previously employed in manufacturing and assembly are now left with service sector jobs that are less stable, lower paying, bereft of benefits, and void of advancement and self-development potential. As the job market has suffered, so too has the housing market. Residents displaced by foreclosures migrate to other cities for work, while others are determined to stay but unsuccessfully seek lower rents. Owners who were lured by the promise of cheap, sub-prime mortgages now sit in homes worth less than the balances on their mortgages, defaulting on payments and suffering the indignity of bank repossession. By no means less important than the preceding, environmental justice has been another challenge in Richmond's disadvantaged neighborhoods. Much of the postwar housing stock, including primarily small 2-bedroom 1-bathroom homes on narrow lots, is not only inadequate but energy inefficient and a public health liability. Lead paint still exists in many homes, causing chronic illness in residents. Outdated temperature control systems use a disproportionate amount of energy, keeping utility prices high and contributing to global climate change. These are but some of the situational imperatives that mandate a bold approach to change, and this is at the heart of the mission of Filbert Gardens.

Richmond has the potential to be the site of much community, economic and environmental innovation. It is the largest city in the United States with a Green party mayor. It is the north end of a proposed Green Technology Corridor, an economic development initiative also involving Oakland, Emeryville and Berkeley that targets environmentally conscious industries. The city is at a strategic confluence of transportation lines, including several interstates, BART and Amtrak lines, and water access. But most of all, Richmond has the advantage of something most communities lack. This is what makes the city a good bet for future development and it is at the heart of this project concept. On Filbert Street, and in Richmond as a whole, a community spirit thrives. Neighborhood development organizations actively represent the interests of forgotten constituents, foreclosure victims, and the economically disenfranchised. Churches serve as community gathering places where challenges are discussed. In March 2009, an overflow crowd of more than 500 people, organized by the Richmond Equitable Development Initiative, packed the pews of a small Catholic church in an economically forgotten neighborhood to brainstorm ideas about how to confront the rising tide of foreclosures. Community groups such as the Richmond Children's Foundation and the Bay Area Local Initiatives Support Coalition are teaming up to involve the residents in the redevelopment of Nystrom Elementary School and Martin Luther King Park. Additionally, not all progress is made through the institutional framework of organized community development. Locals collect along the newly developed Filbert Street corridor to hang out and tell stories. This is not top-down development. This is user-focused, community-centered, endogenous growth; it is *home* *rule*. Richmond is poised to be reborn in the mold of a vibrant, dynamic, equitably robust city, and the built environment can be a facilitator.

Filbert Gardens will be a catalyst for just this kind of growth. At the same time as it understands and conforms to the surrounding built and community environment, it looks forward to a time when the suburbs are urbanized, when neighbors interact spontaneously outside the institutional confines of churches and development organizations, when people of various income levels interact and collaborate daily, when the streets are free for every citizen to enjoy peacefully. The city has already invested in infrastructure improvement along the Filbert Street corridor, creating a welcoming streetscape that invites leisured perambulation and social spontaneity. A senior center has established a precedent for higher density, needs-centered housing. The storefronts are ready for a consumer market. Filbert Gardens will add to this momentum. Its design will compliment the design of new housing in the area. Its residents will provide a growing market for goods and services. Its very presence will signal to outsiders, potential residents, investors and politicians that something is going on in this neighborhood. This confidence will spill over into other redevelopment, enabling the project and neighborhood to compliment one another and realize their highest potential.

The physical environment is a challenge. This low-density area is largely comprised of single family homes on narrow lots. Few services are available. Despite the generous placement of improved sidewalks, benches and light posts along Filbert Street, the area suffers from a dearth of grocery stores and schools. One small store stands at the south end of Filbert Street, but appears too small to meet the community's demand for fresh food. An elementary school exists several blocks north. Other than these two things, the only support infrastructure that serves the community is a park, several empty store fronts, and numerous churches. It is fair to say that, besides a signature senior center, adjacent facilities, and several new single-family houses of new-urbanist style, Filbert Gardens will be among the first redevelopment initiatives the area has seen in decades.

Project Concept

EBALDC requested a project plan that included 36 units and as many townhomes as possible, with tuck-under parking and a mix of unit sizes. However, given the space constraints of the site, and the space requirements of the requested distribution of 2, 3 and 4 bedroom units, this proposal includes 34 units in total (12 two-bedroom units, 18 three-bedroom units and 4 four-bedroom units). Below is the proposed distribution of units, including the appropriation of AMI units. It is important from a market perspective to remember that while bonds will allow unit rents in the project to serve tenants up to 60% AMI, there is little indication that the demand in this area would support it.

9% TAX CREDIT
DEVELOPMENT PLAN

Unit Type	Number	Size	Total	Parking
2 Bedroom (30%)	2	993	1,986	2
2 Bedroom (40%)	5	993	4,965	5
2 Bedroom (50%) incl 1 Mgr U	5	993	4,965	5
3 Bedroom (30%)	2	1,314	2,628	4
3 Bedroom (40%)	8	1,314	10,512	16
3 Bedroom (50%)	8	1,314	10,512	16
4 Bedroom (50%)	4	1,600	6,400	8
TOTAL	34		41,968	56

Although zoning code stipulates 1.5 parking spaces per 2-bedroom unit, the size constraints on the parcels allow the current design to include only 1. Given that parking ratios is often a matter of negotiation, and considering that this project may be proposed as a Planned Unit Development (PUD), it is not unreasonable to expect some degree of freedom in regard to parking requirements. Because there are public transit options in the area, there may also be a case for allowing a reduced number of parking spaces.

Placing this large a number of units on a relatively small space of 86,900 square feet, while accounting both for setback requirements and environmental aesthetics, has mandated creative site layout and innovative unit design. The total building footprint is 14,658 square feet, for gross site coverage of 17%. This number has been calculated by taking a weighted average of the number of 2-bedroom units, which are 2 stories, and 3 and 4-bedroom units, which are 3 stories, to calculate a floor area ratio, which was divided into the total square footage of the built structure to yield an average of 2.65 floors. This project features a narrow townhouse design on the property street frontage, and smaller units along an axis towards the back of the property. A hallmark feature of the property is a central mews, an idea which has been borrowed the mews idea from English cities, in which back alleys play an integral role in the urban fabric and daily interconnectivity of residents and communities.

In addition to site-specific considerations, care has been taken to situate the design within the context of its neighborhood surroundings, and to render it at a human scale. One challenge is that there are two sites, catty-corner to each other and of different parcel sizes and shapes. Each fronts Filbert Street, a significant advantage from the perspective of both the project and the community, but each is also bordered by lots with substandard housing, making any new development an obvious decontextualized outlier. Therefore, design and layout sensitivity have duly informed the project concept. Generous setbacks have been appropriated along the front and back of the property. No unit rises above three stories, so as not to bisect the neighborhood with an imposing, menacing monolith. The senior housing project several blocks north has through design managed to minimize the impact of its structure on the surrounding area by including awnings, balconies, and welcoming street frontage. Filbert Gardens will achieve all of these things but with fewer floors. The design takes the unique challenge of two obtusely shaped parcels and creates two separate but inviting environments within each.

Market

The demographic characteristics of Richmond make affordable rental housing a worthwhile pursuit. The immediate area is middle to low-income, with many families and many renters. The following graph indicates the population distribution. There is a clear majority of the population of the age at which families are typically started (see Chart 1). As this age bubble moves upward in years, there will be a continued demand for multifamily affordable housing. Furthermore, households with children under the age of 18 constitute more than half of the overall households in Richmond (see Chart 2).

CHART 1

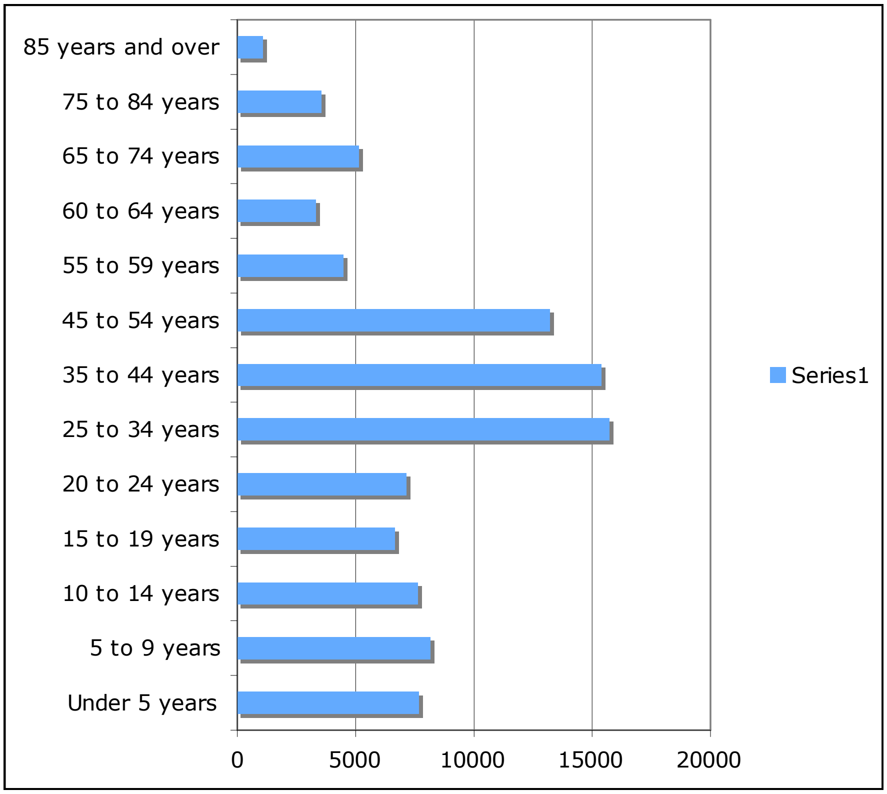
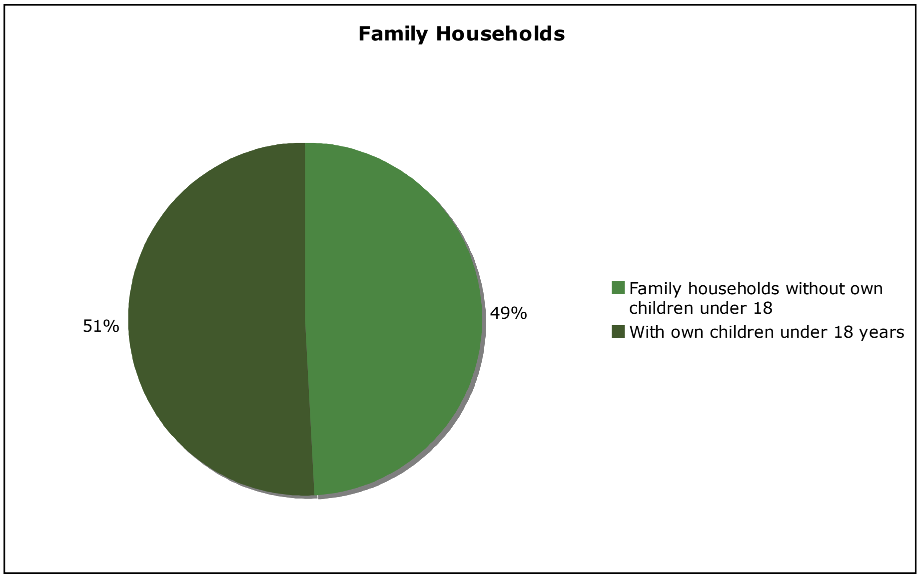
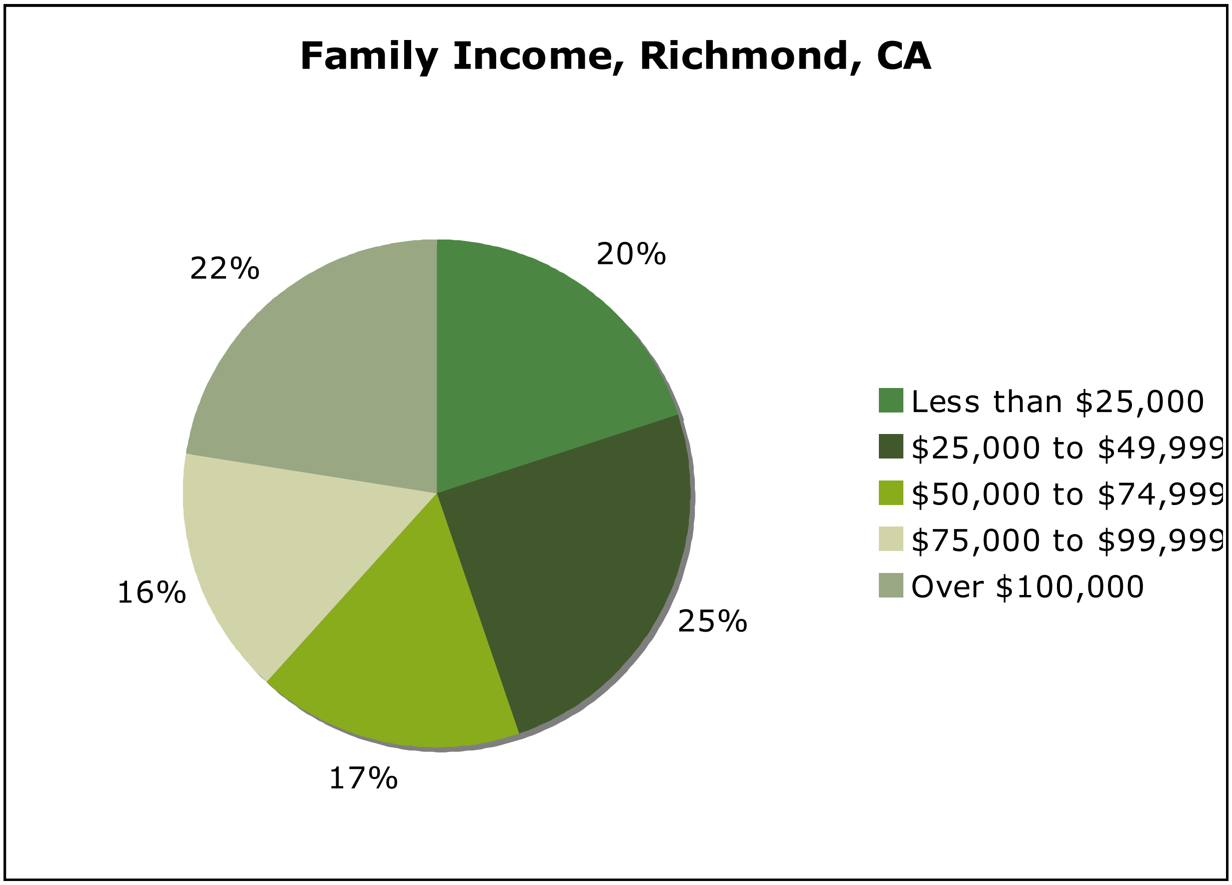


CHART 2



The income profile of Richmond indicates that low income housing will serve a large number of people. Almost hald of residents earn incomes below $50,000, far below the area median income (see Chart 3). One in five households earns less than $25,000, and the per capita income is $19,000. This is significantly lower than that of surrounding communities; El Cerrito has a per capita income of $32,000. Given that the cost of living in the Bay Area is among the highest in the country, continuing to move forward with affordable housing is critical. Additionally, many people who work in the service industry do so in San Francisco or nearby East Bay cities. To push lower income families people to the outer reaches of the metropolitan area, which may be the only place left with affordable housing, will lead to drastically increased transportation costs and further social marginalization. Such commuting patterns would also be inconsistent with local initiatives to reduce carbon emissions. When considering the data below, it is important to note that these statistics are for Richmond as a whole, and the localized income around the Filbert corridor is likely skewed more towards the lower end of the overall spectrum.

CHART 3



Housing tenure statistics reveal that there is a significant demand for rental units in Richmond. According to census data, 47% of residents live in rental housing (see Chart 4). As the housing market continues to falter, foreclosures mount. Renters are evicted from foreclosed properties and must compete with each other to remain in Richmond, close to their jobs and families. The fallout from the credit crisis also makes loans more difficult for people to obtain, and lost equity may cause potential homebuyers to be more wary. These factors will also contribute to increased demand for rental housing, an especially alarming trend given that vacancies are already quite low (see Chart 5).

CHART 4

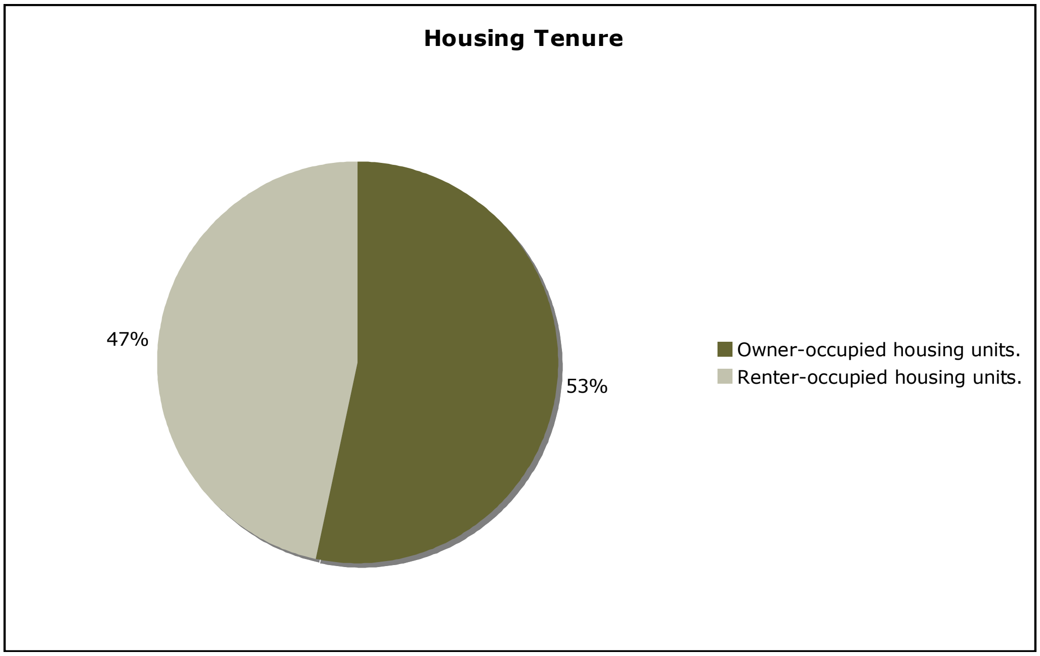
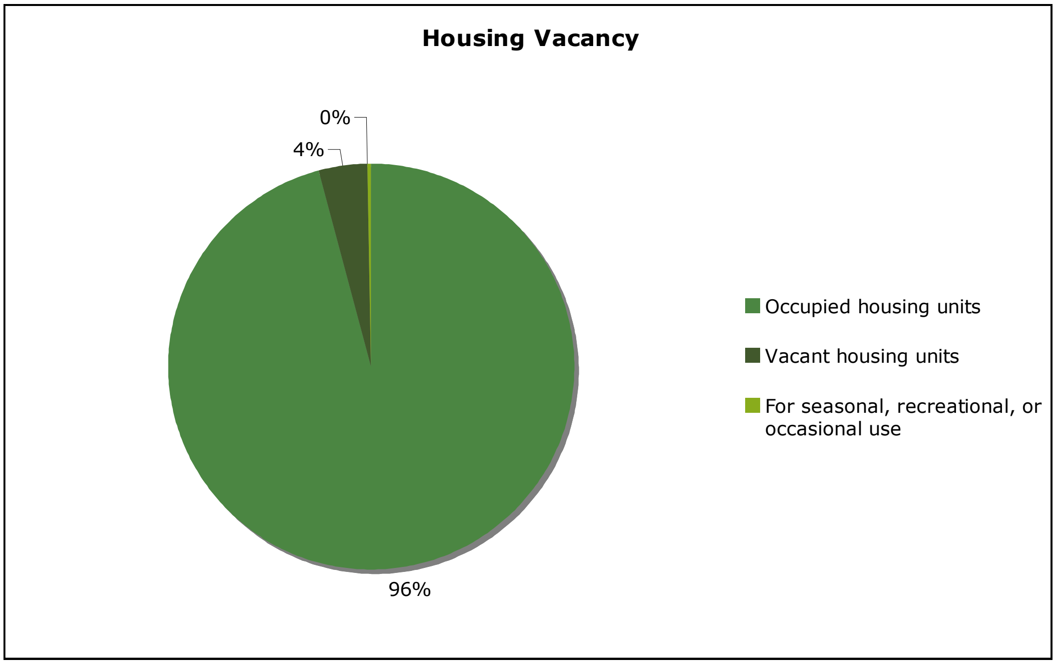
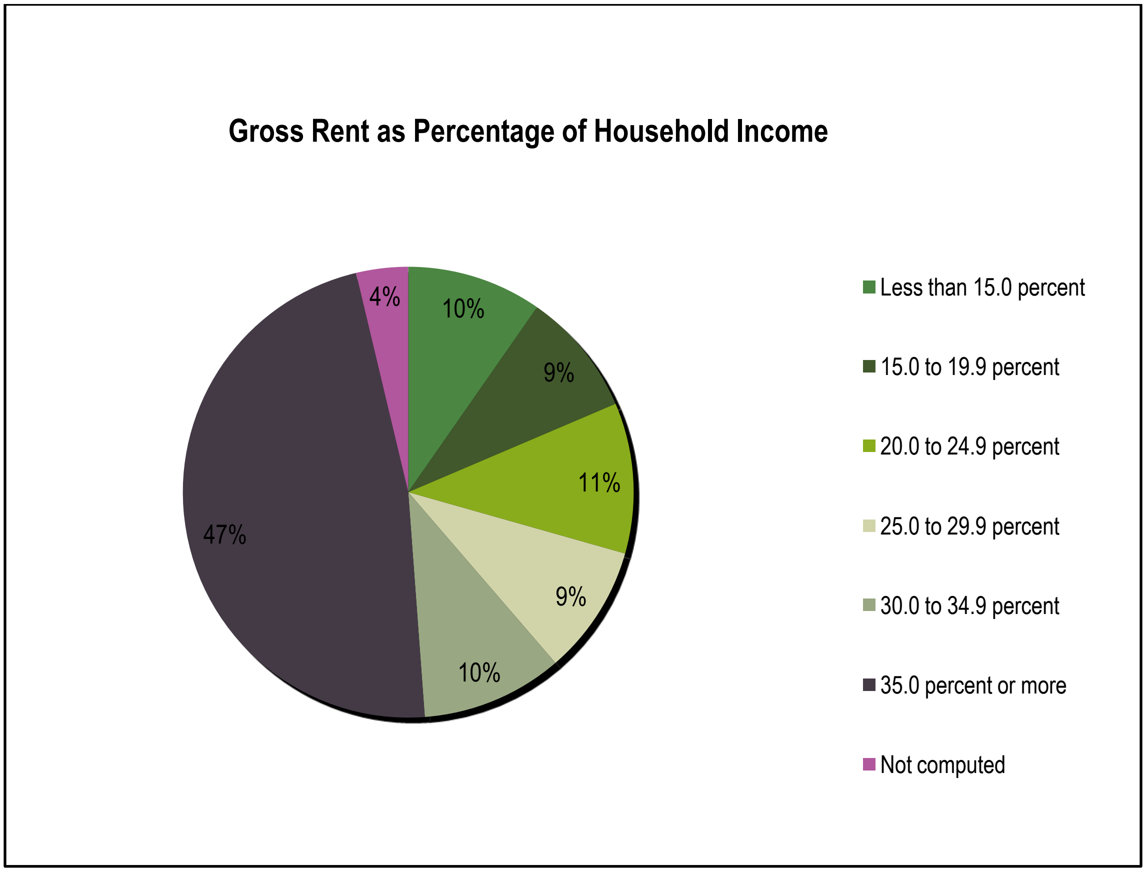


CHART 5



Finally, and perhaps most alarmingly, rent burden statistics tell the most compelling tale of Richmond's housing situation (see Chart 6). In 47% of households, rental costs make up 35% or more of gross income. This is a tremendous obligation for families living under already costly circumstances, in a faltering economy, and underscores the need for affordable family housing. According to recent research, one can rent a 2-bedroom apartment in Richmond for around $800 per month, and a 3-bedroom apartment for $1,400 per month. These seemingly low prices must, of course, be read in the context of the income profile of the community.

CHART 6



Mutual Housing

EBALDC has expressed interest in developing Filbert Gardens as a mutual housing facility. What follows is an exploration of the concept, followed by this team's recommendations.

Summary

A mutual housing development is one in which a private, nonprofit 501(C)(3) organization develops, owns and manages an affordable housing facility. Members of the organization may include residents or prospective residents, local and state government officials, and business leaders. The governing board or "resident council" of an individual property is primarily composed of residents, presumably giving the facility responsiveness to the needs and concerns of tenants. Often the stated mission of mutual housing associations is to provide safe housing to low income groups, and to protect them from displacement, especially in areas of rising property values. The mission may also include community stability and the empowerment of residents. Unlike cohousing, the association owns all of the units, and tenants rent them. Mutual housing and cohousing are terms often used interchangeably without regard to their important distinctions. There is no system of ownership in the mutual housing model. The concept of "mutual" derives from the idea that resident renters share in the decision making and determination of community policy. In this way, the mutuality is one of resident-directed management rather than resident ownership. The property owner, such as the developing company, maintains ownership of the property and rents to residents. Although residents do not have a proprietary claim or the right to sell units, they have "pride of ownership" through opportunities to participate democratically in community policymaking and governance, determining property standards and “house rules”, and planning for physical maintenance and amenity enhancements.

Frequently the goals of mutual housing associations go beyond the provision of housing and include programmatic elements. In Texas, the Alamo Area Mutual Housing Association, which operates 1,116 units in 8 properties, endeavors to promote resident education, self-sufficiency, leadership and volunteerism through various enrichment programs. It has on-site learning centers, offers a professional resident coordinator, and leverages the expertise and competence of local business leaders to assist in property issues such as design, development, finance, marketing and maintenance. This is at the heart of the mutual housing concept: sustainable community development through affordable housing, resident assistance programs, and neighborhood participation. It is important to note, however, that the service profile varies among individual mutual housing projects, and there are many different ways to approach the concept.

Benefits of Mutual Housing

There are several advantages to the mutual housing model. From the tenant perspective, residence in a mutual housing project is preferable to traditional rental residence first because residents have more input in the management process. Second, there is security of tenure, so that residents are guaranteed a place to live as long as they meet the expectations of the rental agreement. Third, affordability is maintained, as the housing is never sold and rents do not reflect market dynamics; theoretically the costs to residents do not exceed the costs of operation. From a community perspective, mutual housing is attractive first because it contributes to workforce stability by ensuring longer housing unit tenures, as residents do not have to relocate under the pressure of increasing housing costs. Second, a mutual housing facility provides a stable tax base. Third, the concept provides a sustainable supply of affordable housing for future generations. Finally, reliable permanent housing gives people an opportunity to stabilize their lives, reducing social problems such as crime, in the community.

The benefits of Mutual Housing projects are also more clearly seen when examining the social dynamics they foster in their immediate environments. Regardless of whether residents own or rent, the model gives participants a stake in their own community, fosters cooperation, increases interaction, and may lead to lower instances of vandalism and other anti-social behavior.[i] In general, the model fosters a greater sense of community than would exist in a traditional development, in which residents might participate in decision making but are only afforded a limited amount of control over the management of the property. This social cohesion can reduce turnover as well, and can be a catalyst for similar neighborhood-wide community development participation and development. This area of Richmond can benefit particularly well from this type of citizen involvement. With mutual housing, the process starts on a microcosmic level, but its spillover into the surrounding area can have positive effects.

Mutual housing is also seen by some to be an opposing force to gentrification. Because the tenants themselves comprise the management committee and therefore establish rental prices, they are presumably less likely to impose rental price increases that are as steep as those a private firm would impose. By keeping rents down on their properties, mutual housing associations are also less likely to exert upward pressure on rents in the immediate surrounding area. Additionally, a mutual housing arrangement is consistent with the overall localization of management, or *home rule*, that some community development activists view as a necessary counterbalance to the inconsiderate, profit-hungry motives of outside landlords, such as investment companies or management firms that may not have a neighborhood's best interests at heart. Few would argue that Richmond is at risk of gentrification in the near future, but a community that is built on sustainably low housing prices can thrive economically and socially, allowing Richmond to capture the benefits of an economic upswing without risking the loss of its rich demographic and income diversity.

Financial Issues and Drawbacks to Mutual Housing

From a financial perspective, there are several factors which define the nature of a mutual housing project. According to one Indiana bylaw concerning this model, a mutual housing project "must be managed in an efficient manner to permit the fixing of the rentals at the lowest possible rates consistent with providing decent, safe, and sanitary dwelling conditions" (IC 5-20-3-7). The bylaws also forbid associations from extracting a profit, and requirement to set rental rates no higher than is necessary to pay off loans and give a reasonable return on equity, which should then be reinvested into future development projects. The only financial obligation to residents of a mutual housing community may be, according to the individual requirements of the organization, a participation fee which acts as a deposit and is returned to the resident, with interest, upon his or her moving out. Participants contribute to the finances of the organization, and under certain models, may control those finances through a one-person-one-vote process. Mutual housing as it exists in the United States resembles what is known in the UK as Tenant Management Co-ops, and this term is at the heart of the concept. The residents have no claim to ownership of the property, but do participate in the management process.

Strictly speaking, the adoption of the mutual housing concept does not itself present any unique differences in the Pro Forma, which outlines a project no different than one utilizing a traditional management structure. However, a mutual housing project is likely to face challenges procuring financing. Banks and other lending institutions typically underwrite projects that are managed by firms with experience. Additionally, banks want the freedom to force out a certain management regime in the event that dereliction of duty begins to compromise the value of the property. In traditional rental projects, neither of these is often a challenge given that the property developer or management firm is presumed to have a certain level of managerial experience and competence. However, a mutual housing management structure has the potential to present a concern to lending banks. First, since the management association is made up of rental tenants, presumably the governing body lacks the kind of experience that a professional management firm would have. Since the rental profile might be a diverse variety of people, including age, income level, educational attainment and management experience, there is no guarantee that an autonomous governing body comprising of tenants would be equipped to handle the challenging task of property management. Second, since the management body would be made up of renters, the expedient removal of an inept management team would be more difficult, since it would be comprised of residents. If the lenders were not satisfied with the quality of management carried out by a firm, the best and quickest option would be the termination of the management contract. However, this is more difficult to do for mutual housing, since the management constituents are also renters. For these reasons, banks purchasing tax credits on the project might be unwilling to loan money necessary for new construction, or may require lower LTV ratios, higher interest rates, and shorter length mortgages. This is a possible explanation for the fact that in the Northeast, where mutual housing is popular, many of the projects are rehabilitation, in many instances requiring less of the up-front capital outlay that would need to be procured through bank loans. These projects are also often started by people who have already organized themselves according to their management needs, making bank loans a less risky prospect.

Other critics of social housing approach their arguments from a more community-level perspective. Assuming that tenant-run management organizations have the prerogative to screen applicants, they may be compelled to “skim-off” the best prospective tenants, in an effort to avoid admitting perceived “free-loaders” who might not be as willing to participate in the democratic style of management, or who might obstruct the progress of projects and policies adopted by a majority of the association’s constituent members. From a community perspective, the resulting un-housed population might constitute a greater percentage of “problem cases” that requires more social services. Also, as with any organization, factional politics and personal disputes may threaten the association’s ability to operate efficiently. Furthermore, effective property management relies on expertise in certain key areas, including financial management and maintenance. Unless all residents are keenly screened to ensure a balance of expertise in these areas (a laborious task for the facilitator and risky given the possibility of tenant turnover), the organization risks lacking the permanent institutional knowledge to carry out the basic duties and actions needed to manage a property.

The final challenge is more complex in nature. Originally, mutual and co-housing developed as a ground-up, endogenous response by consumers to an unmet market need. In a community suffering from a lack of quality affordable housing, residents may be inclined to organize and capture the financial and organizational benefits that accrue in collective bargaining rather than fighting for their housing and financial needs as individuals. Groups would assemble, procure funding, and rehabilitate old properties. The resulting "sweat equity," referring to the notion that residents of such mutual housing projects have invested their own money, time and efforts into the endeavor, would presumably lead to higher participation in the democratic governing process, more care in dealing with community policies, and less apathy. On the other hand, a project that is initiated by a developer, no matter how informed by market studies and focus groups, may still be seen as a top-down, paternalistic project. It presumes a need and counts on the market to react. As a result, the market may respond well to such a project, but the new tenants do not have a shared history of cooperating with each other on the development of the project through all phases. Therefore, the group dynamics of the management association have not been "tested" by the challenges of seeing the project through to completion, often a process that places great demands on patience and organizational dynamics. Residents are therefore expected to participate in the management process with people they do not know, having little stake in the project (no ownership, "sweat equity" or otherwise invested emotions), and perhaps coming to such a project inexperienced in management, group cooperation or democratic action. This is a great risk and places the sustainable existence of a very expensive project into the hands of people with presumably little management experience in comparison to that possessed by the developing firm. Furthermore, residents of areas where redevelopment is needed, including this area of Richmond, might be justifiably unconvinced that aggressive community action results in positive outcomes. Harboring this skepticism of the democratic, self-management process, they may be less active in community initiatives.

SMHA Partnership

The members of this team have explored the idea of suggesting that EBALDC partner with the Sacramento Mutual Housing Association. SMHA was founded in 1988 and operates 15 mutual housing communities serving 2,600 low-income residents. One particularly successful development is Lemon Hill, which is a low-income facility that is 100% occupied and includes facilities that serve the surrounding community. It has provided an incubation point for neighborhood initiatives, including school, business and health partnerships. SMHA has also successfully provided mutual housing in Davis, where the attractive design has dispelled some community members' myths about affordable housing. SMHA uses public and private capital to buy and rehabilitate old multifamily properties, including deteriorated bank and HUD REOs. It aims to develop future community leaders through involvement in the maintenance and decision-making of individual projects. SMHA also aims to develop residents as workers, and in response to welfare reform legislation in 1996 instituted a program to target at-risk residents, identify needs and opportunities for development, and connect these residents with already-existing community resources to improve their employability and encourage their financial self-sufficiency.

The proposed partnership between EBALDC and SMHA initially seemed attractive because the SMHA's portfolio of properties spanned beyond the local community. If the organization were willing to move outside of its immediate area, perhaps it would be interested in establishing itself in the Bay Area, rebranding itself as the *Northern California* Mutual Housing Association and taking advantage of the economies of scale that accrue to organizations having a wider reach. A significant benefit to EBALDC in the partnership would be the opportunity to work with a well-established organizational platform to support the mutual housing model. This would be the first mutual housing project for EBALDC, first for Richmond, and there may not be the institutional expertise to make it work successfully and efficiently on the first try. Therefore, it seemed like a good fit for both organizations.

However, there are some problems with this potential partnership. In considering this proposal, it became clear that the Richmond project, under this model, might end up being an exclusive partnership between the North Richmond Community Development Corporation and the Sacramento Mutual Housing Authority, leaving EBALDC out of the picture. It also may be risky to have mutual housing in conjunction with affordable housing. While there are benefits to this, namely that mutual housing would give tenants more of a stake in their own community and may reduce apartment turnover and improve maintenance, the disadvantages would be the procurement of funding, as lenders may be less comfortable to provide capital to a project with perceived instability in the management structure. Finally, whereas the firm has never engaged in this type of project before, and whereas this is a model that is unfamiliar to Richmond and even most of the West Coast, it may be too risky for the first mutual housing project to be put to the test under the many troublesome circumstances that exist in the area:

- A disinvested neighborhood that is still several grocery stores and schools away from supporting any new project that relies 9% tax credit funding
- An unstable housing market in which loss of equity is a continued possibility
- A faltering economy suffering from a persistently high unemployment rate
- The overall perception among developers and investors that Richmond is still a risky play

Recommendation

Therefore, with a pure mutual housing option having been discouraged, the recommendation of this report is for EBALDC to retain ownership and managerial control over the property, but to establish a constitution that allows for a greater degree of resident participation in the decision making process than would be typical for similar rental projects. This has been done with success under the Community Gateway Association of Preston, Wales, UK, where a system is in place that allows members and residents to determine the level of engagement and input with management that makes them comfortable.[ii] As residents become more familiar with the system, they can increase their level of involvement according to their knowledge and willingness. In this way, EBALDC still governs in a way that is best for the long-term sustainability of the project, reaping the advantages of expert management such as more willing lender participation, but also sewing the seeds of *home rule* in the neighborhood by providing for incrementally autonomous resident participation. In short, EBALDC gives away none of its managerial control but moves towards a model resembling mutual housing. The goal of mutual housing properties is not only to give rental tenants greater input in the management process, but also to regenerate neighborhoods, improve the local quality of life, and increase the stock of affordable housing.[iii] Introducing this type of *home rule* may be a catalyst that ignites a new regime of social activism and community involvement in an area that could benefit greatly.

If EBALDC were to pursue a partnership with SMHA, which has its advantages, the most feasible option would be to leave the North Richmond CDC out of the picture, so as to ensure EBALDC's continued sovereignty over the design and management aspects of the project to the degree negotiated with SMHA.

Design

The project design includes 12 two-bedroom units, 18 three-bedroom units and 4 four-bedroom units. There were significant space constraints and the design of the units creatively reflects this. The housing along the street includes the three and four-bedroom units, with the four-bedroom units at each of the four corners in order to maximize wall space for window requirements. Between these lie the three-bedroom units. In the interest of keeping a back mews available to residents for recreational purposes, parking enters from the street. Although it was debated whether this would compromise the community aesthetic the project planned to achieve along the street frontage, it is the only legitimate option given space and unit number requirements.

The overall style keeps with the prevailing atmosphere of the surrounding neighborhood, but densifies it. The vision is of a craftsman, Spanish-style aesthetic scheme. Efforts have been made to reduce the visual impact of front-entrance parking. Each unit is inverted so as to allow for only one driveway serving two units. This maximizes the amount of non-driveway street frontage. The design features of the building also deemphasize the type of suburban monotony found in the "cookie-cutter" houses such as those of Orange County, in which no single unit is distinguished from any other and physical monotony makes for social monotony as well. Individual *separateness* is achieved through elements such as gates, fences and defined covered entrances. The taller units at the end also serve to break the repetitiveness.

However, it is important not only to consider the needs of the overall community, but also the needs of the individual residents themselves, and this is addressed in the provision of a mews between the front row of units and the two-bedroom cluster of units that sits at the rear of the 100-foot deep property. The goal of the project is to facilitate community interaction among property residents, and such a space encourages this behavior. The lack of rear driveway space has cleared the way for units to face green space, and more importantly, each other. The 2 two-bedroom units on the street front were oriented perpendicular to the rest of the units to accommodate street parking and provide more street frontage for better window accessibility. This not only captures the benefits of an irregularly-shaped space that lacks the type of monotony discredited above, but also maximizes private open space.

The townhomes are narrow, three-story structures arranged tightly together along the major street of the neighborhood, giving the front-end of the development a decidedly urban feel.

Within the individual units, layout emphasizes ease of flow-through and an open, airy design feel. As one enters the street-frontage units, the 12-foot setback, typical for the immediate area, includes a short driveway but also a sidewalk to the street-facing door and a small but tidily landscaped front garden. One enters the premises through either the generously-sized double-load tandem two-car garage, or the front door, immediately beyond which is a welcoming foyer. There is also a door that leads from the parking area in to the house. First one encounters a staircase to the right, which goes up to the second floor. There is a washer/dryer unit and a closet tucked in next to the staircase. Beyond that there is a handicapped accessible bathroom, and a generously-sized bedroom that has a door to the back alley. The stairway up leads to the living and bedroom areas. One encounters a spacious layout featuring a fully-equipped kitchen, separate dining area and sprawling living room, all of which are integrated into the same street-facing living space. There is also a small terrace which affords a street view. Windows on both the front and back provide abundant light, and the units' east-west orientation allows for optimal use of the sun. Each of the two remaining bedrooms has a window facing the rear of the property, for noise abatement purposes.

The four-bedroom units are based on the three-bedroom units, with another floor added above which houses the master bedroom. There is another bathroom located off of the master bedroom. This floor is open to the floor below, thus allowing for a more airy feel.

The environmental experience of the two-bedroom units, arranged along the back half of the property, is different from the townhomes. Whereas the townhomes have an urban feel, the back part of the property is separated from the street and takes advantage of a swath of green recreational space, or mews, that would not have been possible without the arrangement of street-facing driveways. Parking for the two-bedroom units is along both side streets, three spaces on each for a total of one parking space per unit. Throughout both lots, certain urban design elements such as landscaping add to the character, including as much greenery as possible. Each unit has a small yard, either in front or back, or both. The placement of the mews also promotes the perception of security in its separation from the street, and will be well-lit at night.

The two-bedroom unit is oriented more towards a broad, shallow design, in contrast to the townhomes. This has allowed for maximum green space but also simplifies the design scheme. The unit is entered from this green space, whereupon one comes into a small foyer area with the kitchen directly in front and the living and dining areas to the right. One can exit the kitchen into the back porch. There is also a powder room. The second floor features two bedrooms and a full bathroom, with each bedroom having windows that open onto the green recreation space. The space behind the units is an additional private courtyard for outdoor recreational activities such as cooking out.

Overall, the most significant challenge in this project was its depth; it is too shallow to accommodate two rows of townhome structures but too deep to justify only one row. The compromise is one row of deep, narrow townhomes and one row of shallow, broad stand-alone units. The green space in between allows for better window views from both units. The additional parcel, adjacent to the south end of the property, will feature its own driveway and 4 3-bedroom townhome units. Ultimately, this challenge has actually become the property's benefit, because it has forced the design to feature two unique types of layouts and environments, taking a relatively small plot and transforming it most efficiently into a shared space of design variety, casual interaction and neighborhood atmosphere.

Financing

Two options were available for financing, the 9% tax credit option and the 4% bond option. Both have their drawbacks. The 4% option is challenging because it leaves a financing gap that would have to be covered by the Richmond Redevelopment agency with a large per-unit sum of $192,094. The only way to convince the agency to provide such a costly investment is to sell Filbert Gardens as a catalyst for change in the area, stimulating growth that will be worth several orders of magnitude more than its own cost. The multiplier effect of an investment in this project could be seen in its impact on future investment, increased demand for services, and improved community and social ecology. Under the 4% option, rents would have to be set at about 50% AMI, which probably yields market rates for the area, allowing for a 5% 35-year bond. This would provide $1.9 million for a first mortgage and the Section 8 mortgage would be $928,000 (since it is now tax exempt). Remaining sources would be the same as the 9% version.

This project's Pro Forma, however, assumes the 9% tax credit option, which is the likelier option pending the tax credit qualification. It is important to remember that to be competitive for 9% tax credit financing, the project must clear a hurdle score of 140 points. This particular project is at jeopardy of not achieving this, however, because of the lack of grocery stores and schools within ½ a mile. The project might register a positive score for mass transit, however, with the multiple bus lines that serve the area, and the relative proximity of BART.

The units have been distributed according to their Section 8 and AMI constraints in a way that maximizes revenue, while meeting the expectations of EBALDC. According to desired percentages, the total number of Section 8 units cannot exceed 25%. Therefore, all 8 have been appropriated to units with the highest rental difference potential, which includes all of the 4-bedroom 30% AMI units and all the 3-bedroom 30% AMI units (2), and 2 of the 8 3-bedroom 40% AMI units. This generates enough revenue, against $6,000 worth of annual per-unit operating expenses, to cover a permanent residential loan of $1,119,691, assuming a 1.15 debt coverage ratio.

9% TAX CREDIT

FINANCIAL SUMMARY OF OPERATIONS

Unit Type	Gross Rent	Utilties	Net Rent	Monthly Rent	S8 Unit	S 8 Rent	'AL INCREMENT	TOTAL
2 Bedroom (30%)	603	136	467	934	0	1377	0	934
2 Bedroom (40%)	804	136	668	3340	0	1377	0	3,340
2 Bedroom (50%) incl 1 Mgr l	1005	136	869	3476	0	1377	0	3,476
3 Bedroom (30%)	696	169	527	1054	2	1867	2,342	3,396
3 Bedroom (40%)	928	169	759	6072	0	1867	0	6,072
3 Bedroom (50%)	1160	169	991	7928	0	1867	0	7,928
4 Bedroom (50%)	1295	202	1093	4372	6	2312	6,102	10,474
TOTAL MONTHLY RENT				27,176			8,444	35,620
ANNUAL RENT				326,112			101,328	427,440
Vacancy	5%			(16,306)			0	(16,306)
Operating Expense	6200			(210,800)				(210,800)
Reserves				(8,500)				(8,500)
NOI				90,506			101,328	191,834
MORTGE SUPPORTED (6.5%)				$1,065,170			856,358	$1,921,527.91

Many assumptions underlie the financials of this project, and several are listed in the table "Assumptions" that follows. These assumptions represent the best estimates based on market information and benchmarking against other projects.

Assumptions		
Land Cost	$20 per square foot	$1,738,000
Architecture & Engineering Fees	8% of Total Construction Cost	$722,746
Permits*	$8,000 per unit	$272,000
Soft Contingencies	10% of Predev and Soft Costs	$137,414
Parking Cost	$20,900 per space	$1,170,400
Personal Property	$3,374 per unit	$114,716
Hard Contingencies	10% of Hard Costs	$767,860
Construction Costs	**$160 per square foot**	**$6,208,000**
Tax Credits	$0.78 on the dollar	LP Pay-in for 9% option: $8,787,436
Yearly Operating Costs	$6,200 per unit	
* http://www.ci.richmond.ca.us/DocumentView.aspx?DID=2723		

The permit fees were calculated based on an itemized schedule provided by the City of Richmond building permit office. Tax credit numbers were assumed based on the recent market for tax credits, and the fact that the economy is still facing significant challenges. The operating costs were based on reasonable assumptions in comparison to other projects, and the fact that this is the minimum for an AHP grant. Finally, the construction costs are the most important assumption. A wide variety of costs could be proposed and justified for this project. On the low end, one could presume less than $140 based on the fact that this is simple construction and uses less expensive materials (wood) because of its low height. On the other hand, higher costs could be justified based on labor cost, building material commodity cost fluctuations, and precedents for new construction in the East Bay area. In the end, it is the market, and whether it will support this distribution of sizes in this distribution of AMI levels, that will determine the feasibility of this project in financial terms.

9% TAX CREDIT

SOURCES AND USES

	COST	Predevelopment	Construction	Permanent	After Close	TOTAL Per Unit
USES						
Land	1,738,000	1,738,000				51,118
Predevelopment	1,071,404	991,404	80,000			31,512
Construction	9,578,636		9,563,636		15,000	281,725
Finance/ Operating Reserve	564,138		246,507		317,632	16,592
Developer Profit	1,571,123			1,571,123		46,210
TOTAL PERMANENT NEEDS	14,523,302	2,729,404	9,890,143	1,571,123	332,632	427,156
Retire Interim Debt				0	0	0
Retire Predevelopment Loan				0	0	0
Retire Construction Loan	8,130,896			8,130,896	0	239,144
Retire Developer Loan	50,000			0	50,000	1,471
TOTAL NEEDS FOR CASH	22,704,198	2,729,404	9,890,143	9,702,019	382,632	667,771
SOURCES						
S8 Mortgage	856,358			856,358		25,187
Developer Fee Loan	250,000			250,000		7,353
Predevelopment Loan						
Construction Loan	8,130,896		8,130,896	0		239,144
Permanent Residential Loan	1,065,170			1,065,170		31,329
Permanent Retail Loan				0		
Limited Partner Pay in	8,787,436		878,744	7,469,320	439,372	258,454
AHP (10K per unit)	340,000		340,000			10,000
Redevelopment Loan	3,274,338	2,729,404	540,503	61,171	(56,740)	96,304
TOTAL SOURCES	22,704,198	2,729,404	9,890,143	9,702,019	382,632	667,771

4% TAX CREDIT

SOURCES AND USES

	COST	Predevelopment	Construction	Permanent	After Close	TOTAL Per Unit
USES						
Land	1,738,000	1,738,000				51,118
Predevelopment	1,009,101	929,101	80,000			29,679
Construction	9,356,420		9,341,420		15,000	275,189
Finance/ Operating Reserve	703,465		262,064		441,401	20,690
Developer Profit	1,534,401			1,534,401		45,129
TOTAL PERMANENT NEEDS	14,341,388	2,667,101	9,683,483	1,534,401	456,401	421,806
Retire Interim Debt				0	0	0
Retire Predevelopment Loan				0	0	0
Retire Construction Loan	7,932,489			7,932,489	0	233,308
Retire Developer Loan	50,000			0	50,000	1,471
TOTAL NEEDS FOR CASH	22,323,876	2,667,101	9,683,483	9,466,890	506,401	656,585
SOURCES						
S8 Mortgage	928,511			928,511		27,309
Developer Fee Loan	250,000			250,000		7,353
Predevelopment Loan						
Construction Loan	7,932,489		7,932,489	0		233,308
Permanent Residential Loan	1,904,888			1,904,888		56,026
Permanent Retail Loan				0		
Limited Partner Pay in	4,436,804		443,680	3,771,283	221,840	130,494
AHP (10K per unit)	340,000		340,000			10,000
Redevelopment Loan	6,531,184	2,667,101	967,314	2,612,207	284,561	192,094
TOTAL SOURCES	22,323,876	2,667,101	9,683,483	9,466,890	506,401	656,585

The above financial summary is based on the assumptions outlined and generates a fairly good case for the workability of this project. The most important figure is the amount that the Redevelopment Agency would have to supply to close the finance gap. In comparing the 9% and 4% options, this is the biggest difference ($192,094 per unit as opposed to $96,304 per unit). Therefore, the ultimate issue comes down to a matter of likelihood: does the project have a better chance of scoring enough for 9% tax credit financing, or is the Redevelopment Agency more likely to fund nearly $200,000 per unit in gap financing.

Conclusion

Filbert Gardens is an exciting first step in the rejuvenation of an area of Richmond that has long been overlooked by investors, community leaders and government officials. Streetscape improvements are not enough, nor are nicer buildings and homes. The solution to problems that plague this neighborhood, such as high crime, unemployment and a sense of resigned desperation, go deeper. They involve the fostering of a community, the empowerment of the individual, and the leverage of collective efforts. In a time when home equity has disappeared along with jobs, the last real resource also happens to be the most rich and reliable: the ability of people to come together to solve problems. Therefore, the solutions proposed must all have an eye towards this end. Filbert Gardens is not just another happy new-urbanist fairy tale. Tin awnings and flower planters will not save the city. Filbert Gardens is an idea, the hybrid embodiment of mutual housing but adjusted for the needs of this community and the capabilities of the organizations and firms willing to help.

[i] Greater London Authority, *Community Land Trusts and Mutual Housing Models*, November 2004.

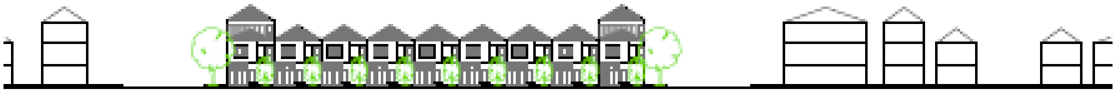
[ii] Greater London Authority, *Community Land Trusts and Mutual Housing Models*, November 2004.

[iii] Greater London Authority, *Community Land Trusts and Mutual Housing Models*, November 2004.

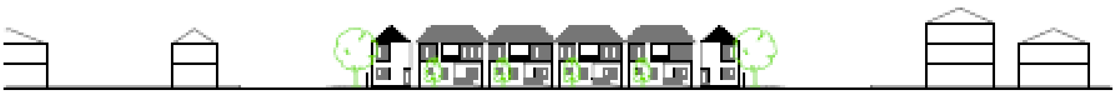
Design Appendix

Town House Details

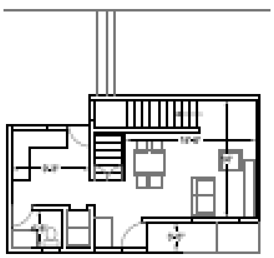
Site Elevation AA' ------------------------------ scale 1/8"= 1'



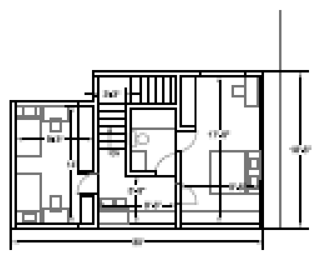
Site Elevation BB' ------------------------------ scale 1/8"= 1'



UNIT DETAILS: 2 Bedroom Apartment ------------------------------ scale 1/4"= 1'

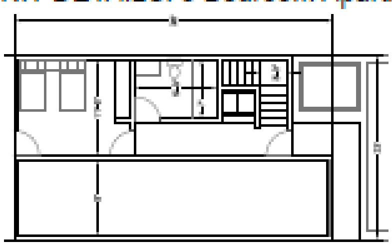


Level 1



Level 2

UNIT DETAILS: 3 Bedroom Apartment ----scale 1/4"= 1'



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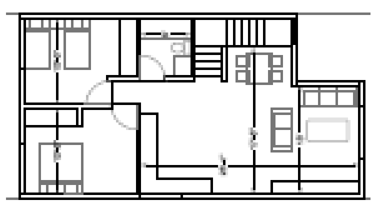
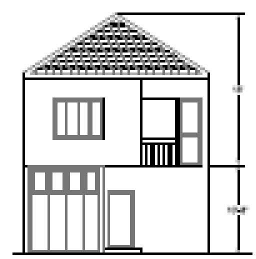
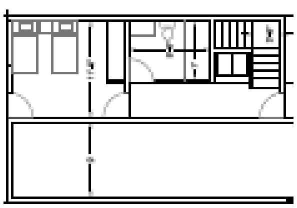


Level 2



Building Elevation

UNIT DETAILS: 4 Bedroom Apartment ----scale 1/4"= 1'



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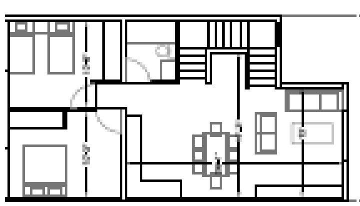

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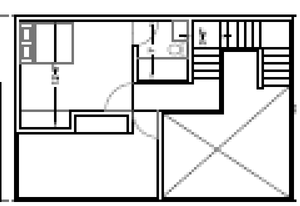

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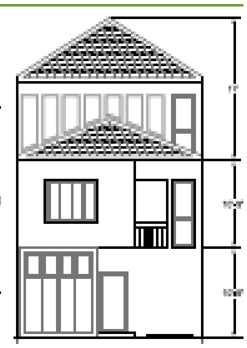
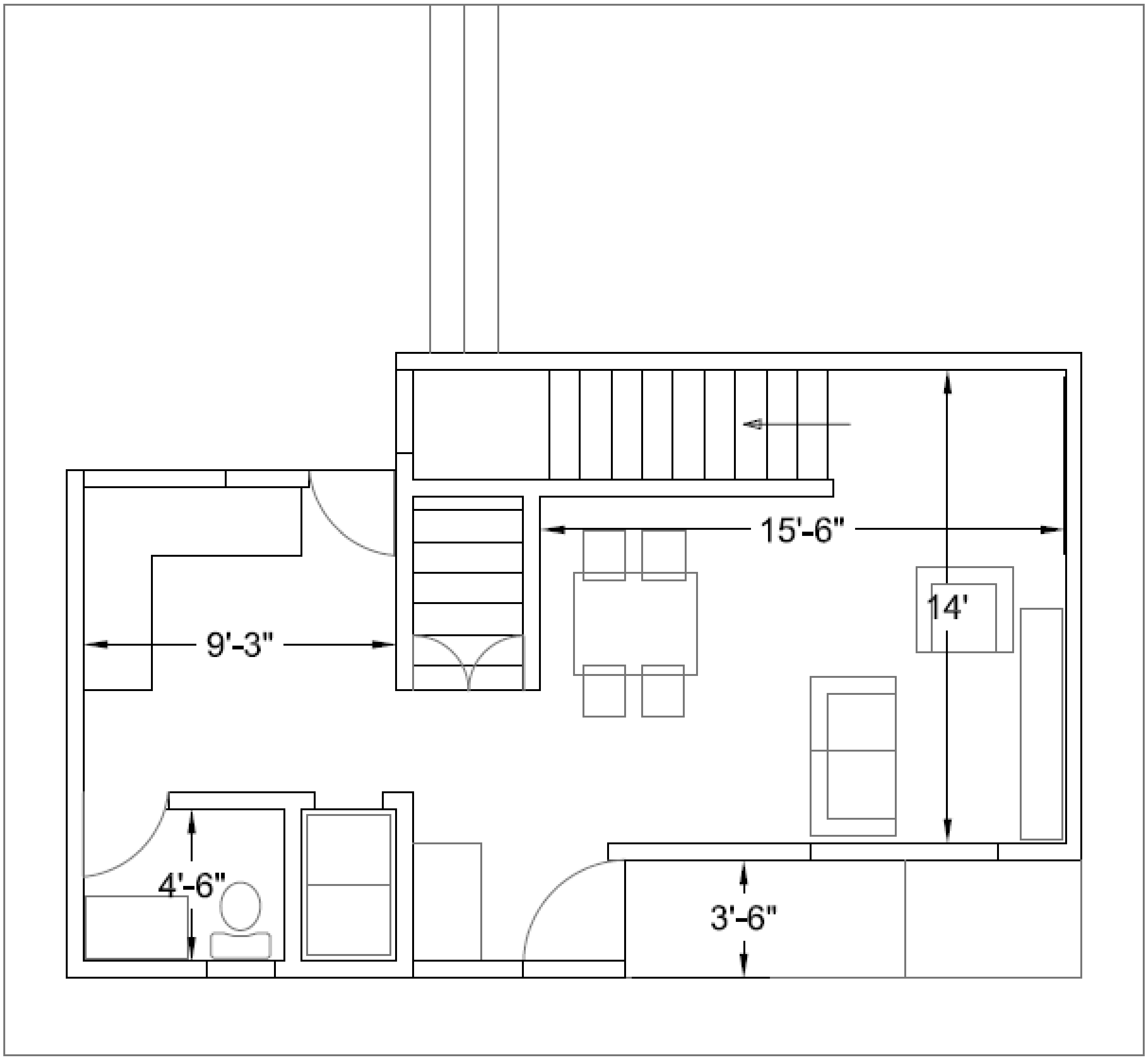


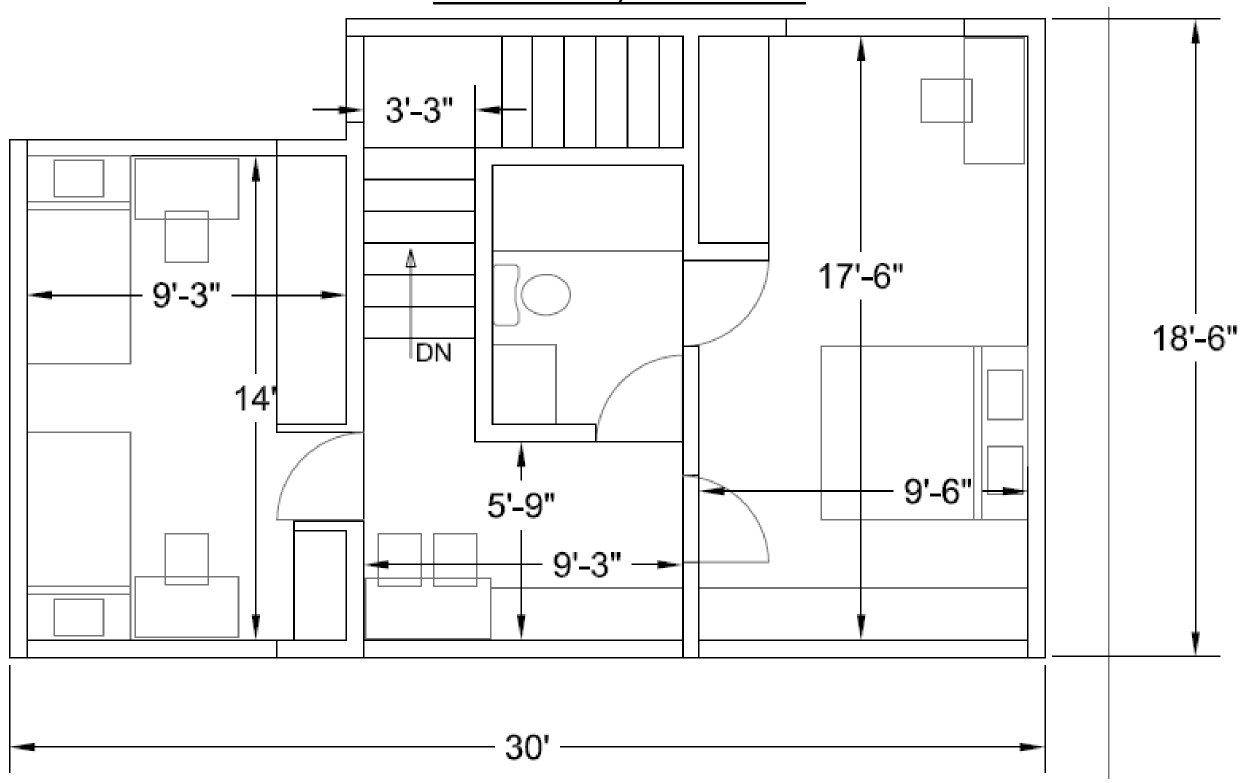
Building Elevation

Town House Development - The units were designed as open plans to allow flexibility of programing spaces according to individual users. Elevations of homes were designed in accordance with the neighborhood context and a height restriction was maintained with respect to the surrounding

Two bedroom / First floor

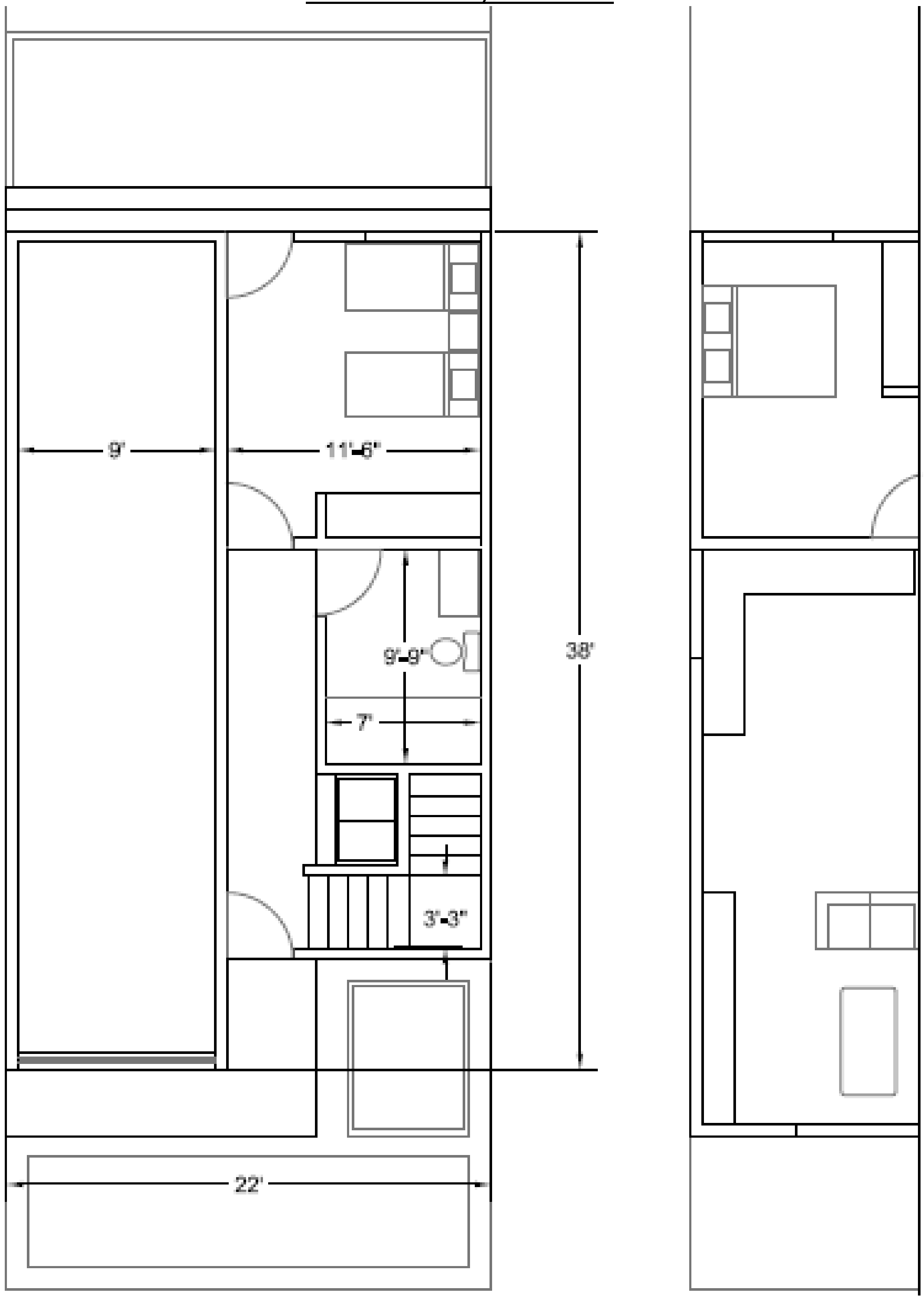


<u>*Two Bedroom / Second Floor*</u>

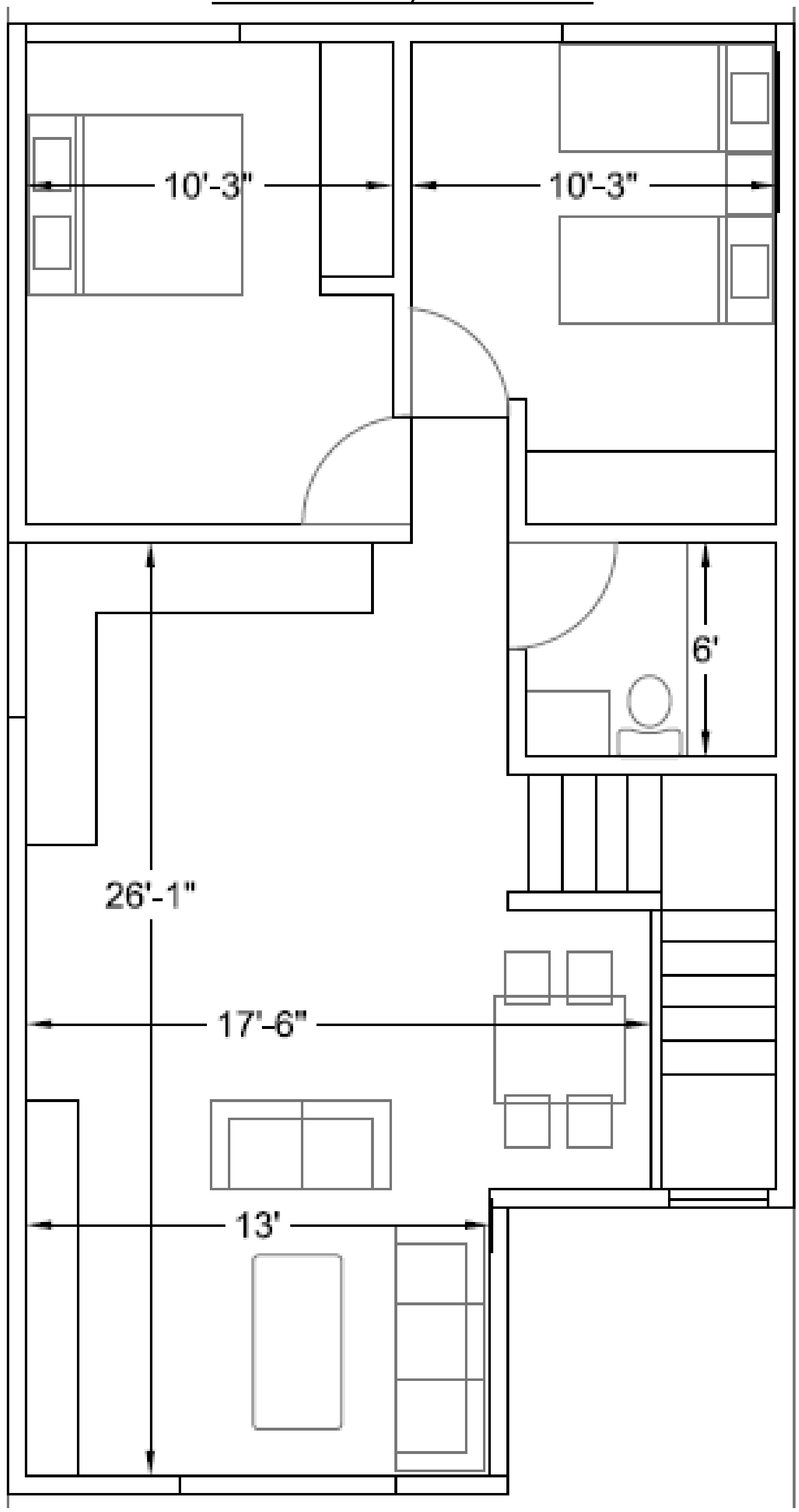


Two Bedroom / Elevation

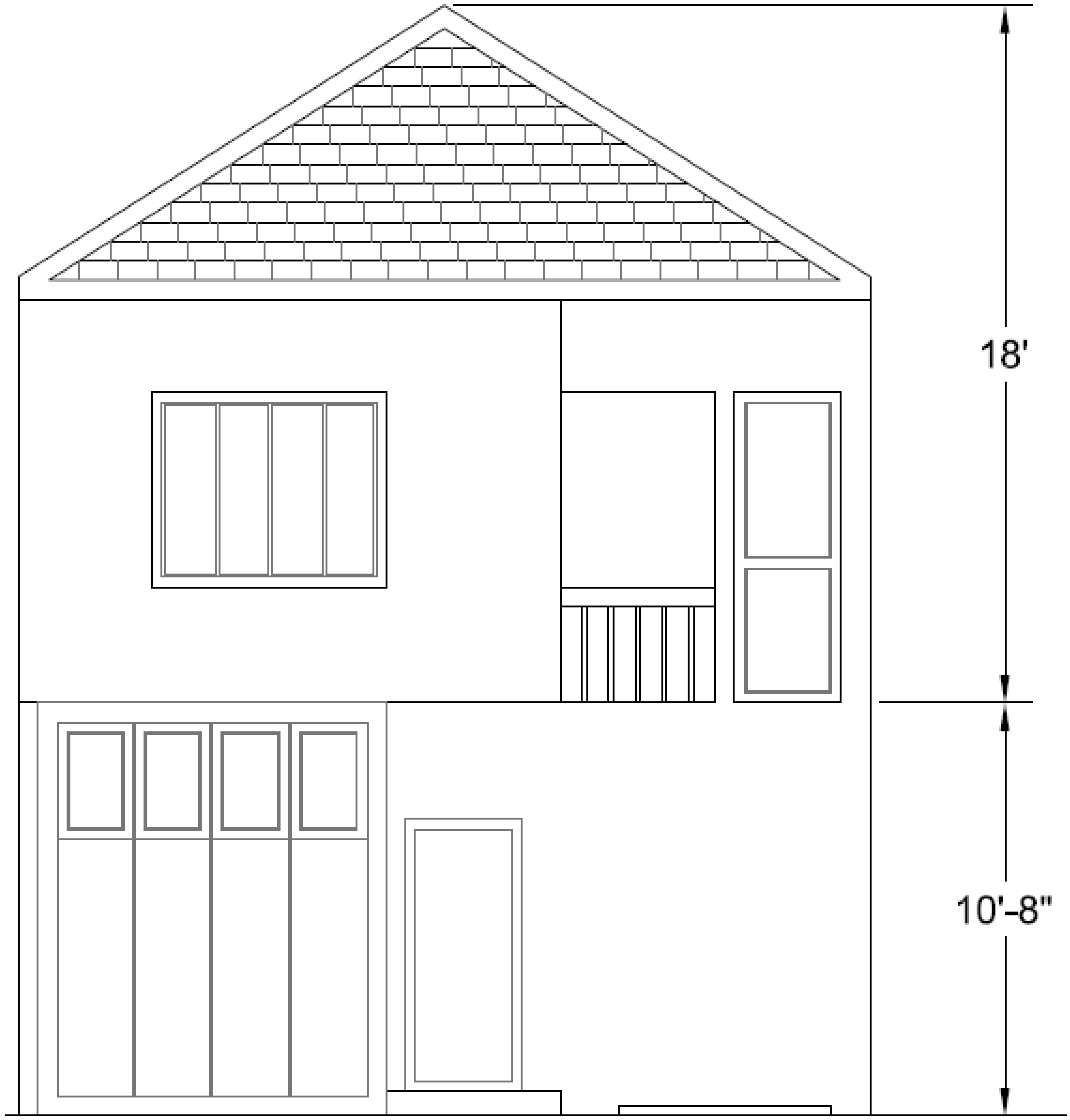
Three Bedroom / First Floor



Three Bedroom / Second Floor

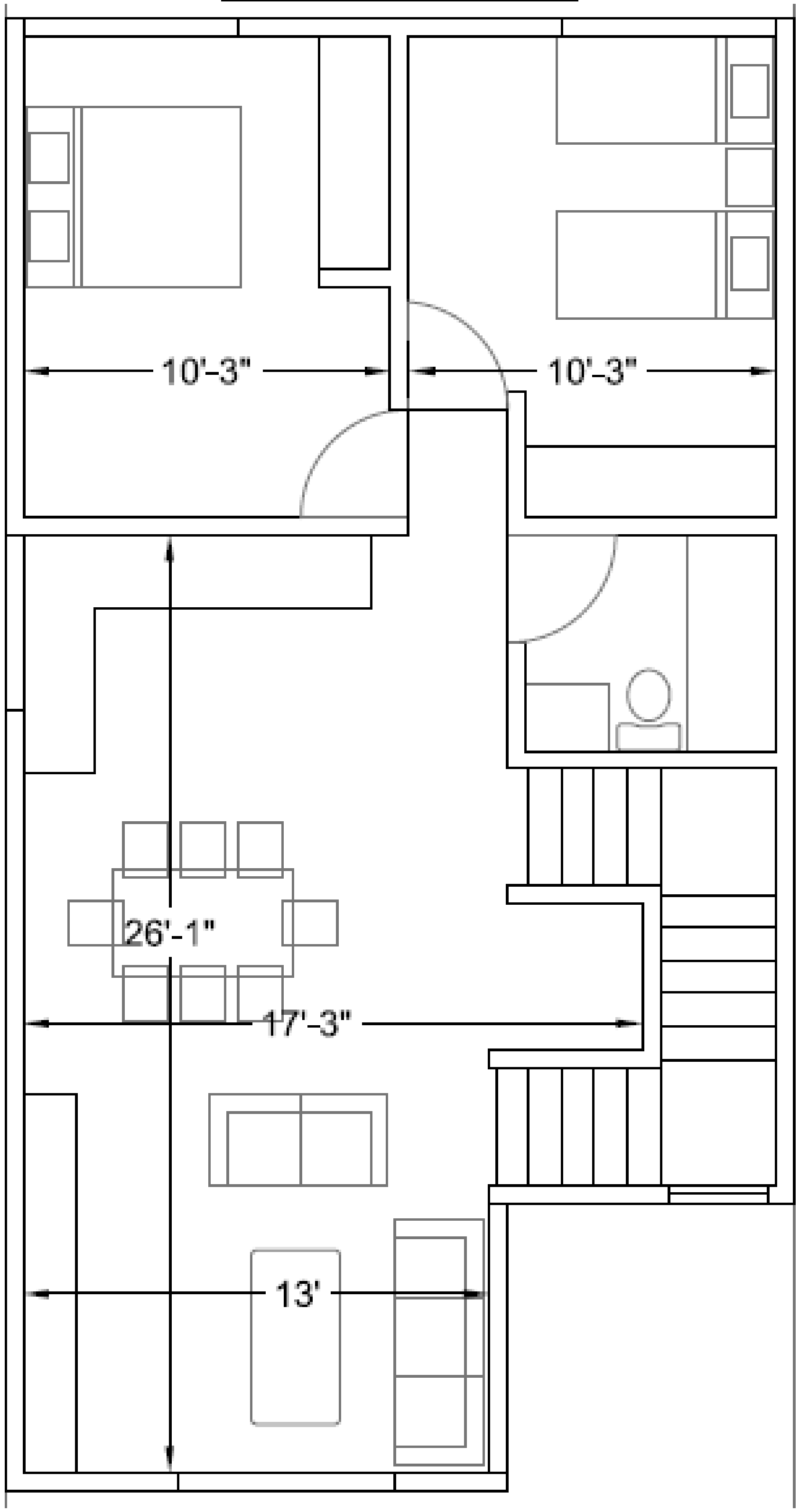


Three Bedroom / Elevation

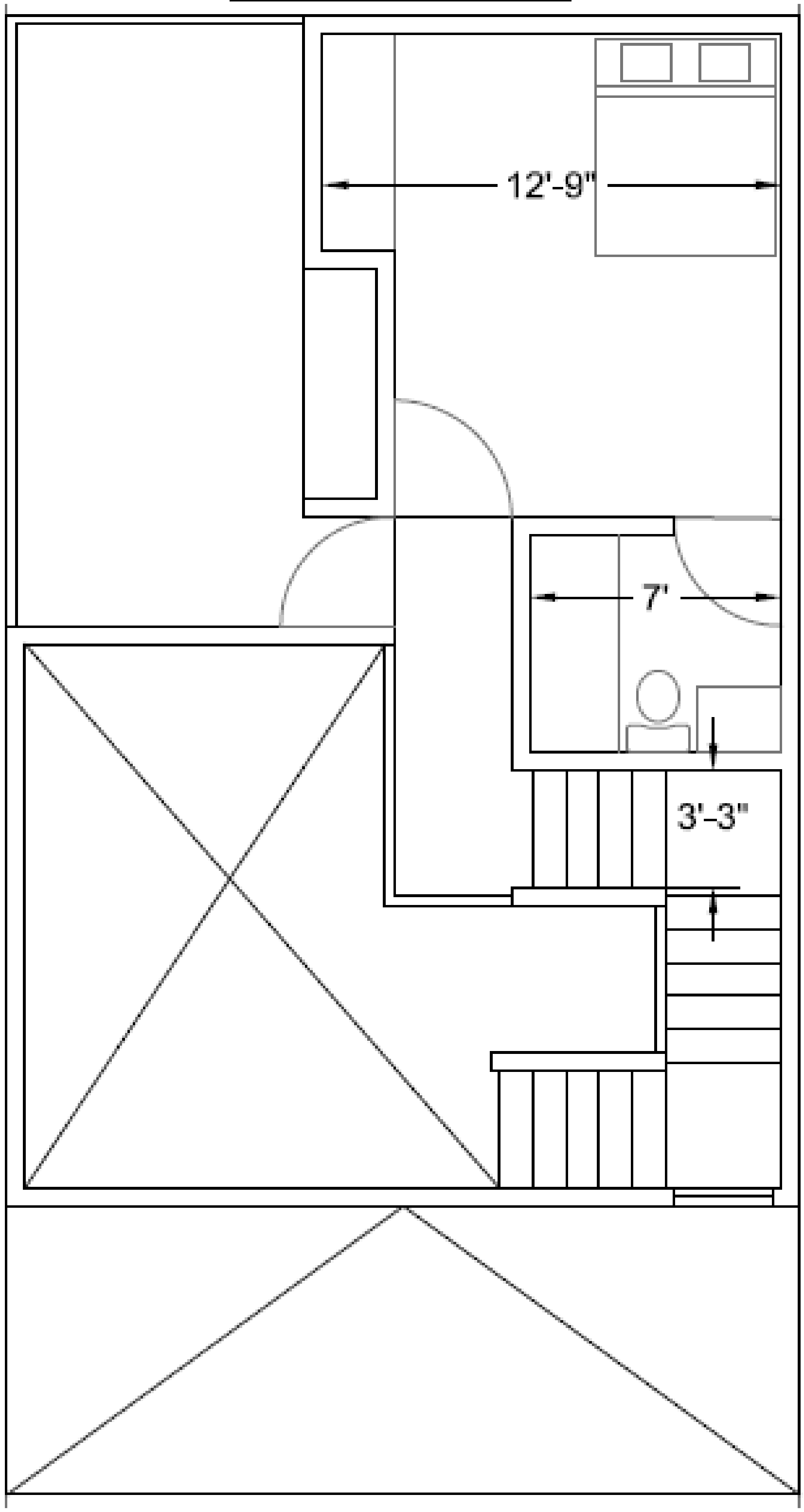


Four Bedroom / First Floor

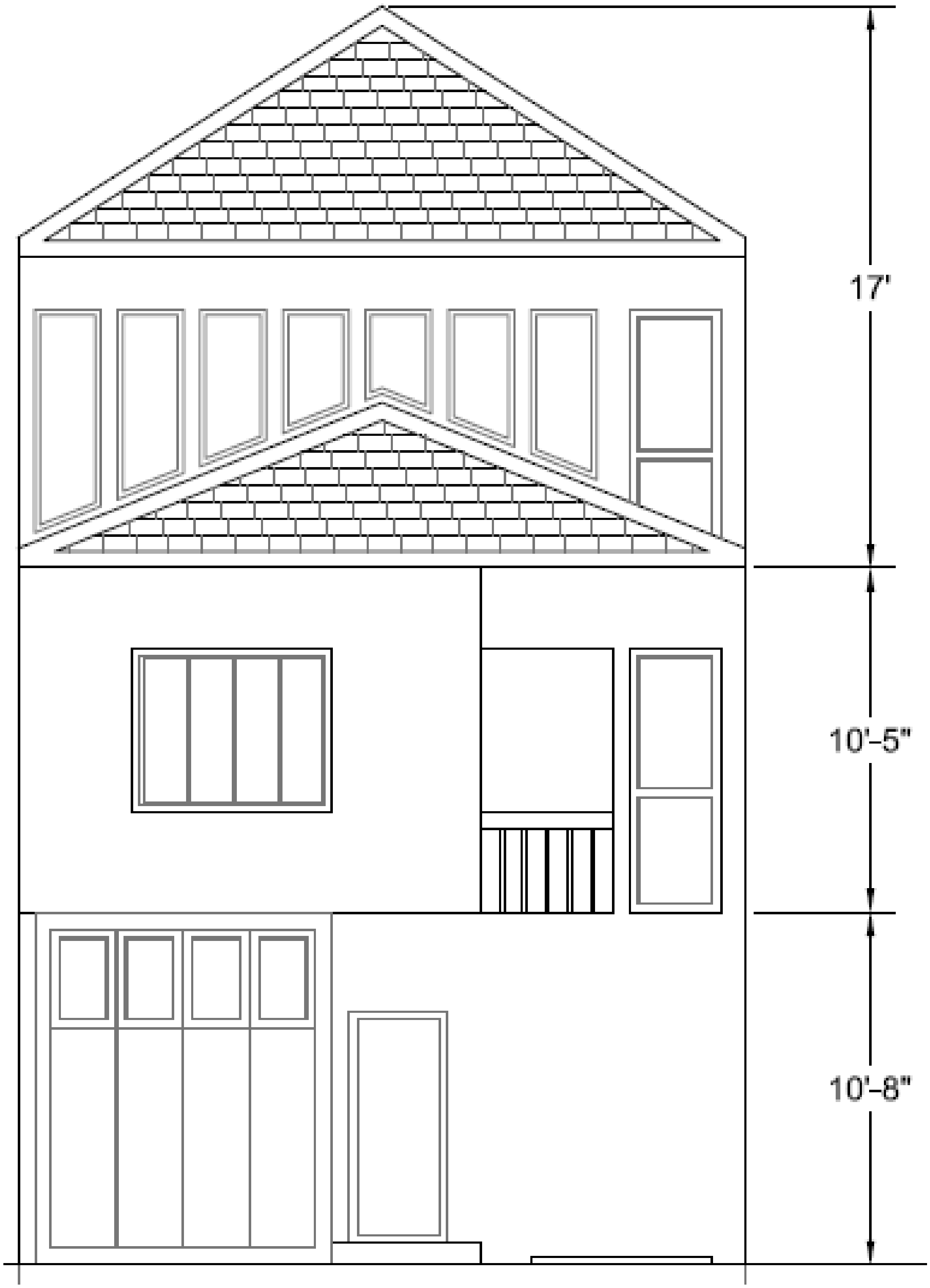
Four Bedroom / Second Floor



Four Bedroom / Third Floor

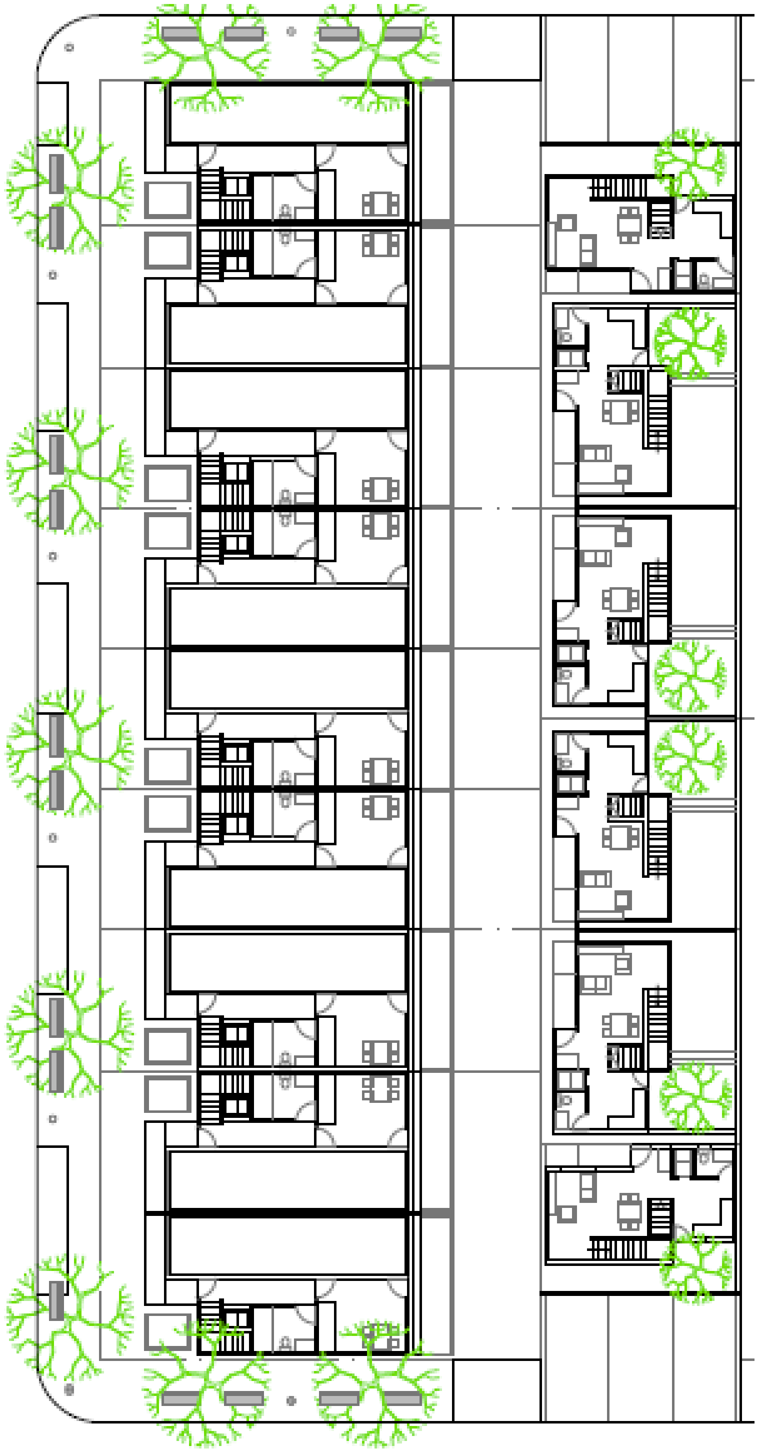


Four Bedroom / Elevation



Site Elevation

Site Layout Block 1



Site Layout Block 2