

What affordable housing really means

\$375,000 'bungalows' on River Islands addresses affordable issue but not directly

By: Dennis Wyatt

The response was predictable.

Comments on social media about a Bulletin story on the coming bungalow homes on River Islands at Lathrop with a starting price of \$375,000 being a serious effort at providing at-market homes priced more affordable included a few people who posted reactions that were essentially, "how is that affordable for the valley?"

The answer is simple: It is, but not for everyone. Unlike other builders content to cash in on the never ending demand for traditional free-standing single family homes fed by the growing scarcity of such new homes west of the Altamont Pass, Cambay Group has deliberately pursued a smaller footprint for owner occupied homes in an attempt to lower the starting price point.

Simply shrinking the footprint would barely make a dent in the price given land costs as well as the expense in providing infrastructure to five to six homes an acre. Offering a home that isn't free-standing isn't popular with a lot of buyers that don't want townhouse or a condo lifestyle. Condos and townhouses can lower costs somewhat but not significantly given stepped up construction standards such as fire walls and more dicey development financing.

But there is more to it than just that. While the bungalows are free standing, their design and the realities they reflect — 21st century sensibilities instead of a newer version of post-World War II suburbia development patterns — is what makes them affordable.

The Van Daele neighborhood duplicates a successful endeavor in Brea in Southern California. The River Islands at Lathrop neighborhood will consist of 114 homes in clusters of three homes with each cluster repeating three distinct residences.

Two homes are in front facing the street in much the manner of a traditional single family home. There are courtyards along the front elevations of the 2-story homes with limited front yards.

The third home is accessed by a sidewalk between the two homes. The third home is above three two-car garages — one "condo" garage" unit for each home. The garages are accessed from the alley. The third home would have all of its living space on the second floor except for the front entrance and stairway.

All three homes have private patios and balconies. The only common walls are in the garages. The homes are all two stories each. There are 13 homes planned per acre in the bungalow neighborhood as opposed to five homes per acre among the 650 homes already sold on River Islands and occupied and the other 700 under contract in the master planned community that will include 11,000 homes at buildout.

One of the two forward homes has 1,728 square feet with a first floor master bedroom plus a second floor master bedroom and two secondary bedrooms on the second floor.

The other home in front has 1,588 square feet with a master bedroom and two secondary bedrooms. The home in the rear has 1,581 square feet with the option of either dual master bedrooms or a master suite with two other bedrooms.

One of the three residences is deliberately planned for a shared living arrangement while one offers that option. The dual master suites residences can be multi-generational but they really strike a chord in costly Orange County allowing two households — each with their private master suite — that share common areas.

There is a growing trend of two households buying a home or one household — single or couple — buying and then renting out rooms to help pay the mortgage. The plan option for the home above the garages that offers only two bedrooms in the form of master suites clearly is targeting that segment of the market.

Actually, it also reflects a South San Joaquin County trend that started in the run-up to the housing crisis in several Tracy, Manteca, and Lathrop neighborhoods of multiple families buying a so-called McMansion and splitting the mortgage and living space.

All three bungalows will qualify for FHA loans in San Joaquin County that are now maxed at \$488,750. The three homes are targeted to start selling at \$375,000 to \$425,000 making it the only new neighborhood in Ripon, Manteca, Tracy, and Lathrop where all three homes are eligible for FHA loans. As it stands now there are some new neighborhoods that don't have any models qualifying for FHA loans.

FHA loans bring a lot to the table in terms of affordability given they address the biggest problem nay first-time buyers have — the down payment. FHA allows a 3.5 percent down payment which is a godsend for people who can manage a monthly payment of \$1,720 a month — what an all-inclusive mortgage payment with property taxes, mortgage insurance, and hazard insurance — but lack the down payment.

From that aspect, splitting the payment or having someone pay you \$500 or so a month goes a long way to making an at-market new housing unit affordable. When building started in the 11,000-home planned community in 2014, homes started at \$300,000. Today there are seven active builders with 23 models with homes starting at \$450,000.

Three years ago nearly 80 percent of the buyers hailed from Tracy, Manteca (including Del Webb at Woodbridge), Mountain House and other valley communities with the rest from west of the Altamont. Today the split is roughly 50-50 between valley and Bay Area buyers.

You need to remember those valley buyers freed up resale homes that they often sold for less than the new home they bought. Built-up equity allowed them to either keep their housing payments the same or lower them. Meanwhile many of the homes that were resold were at prices more affordable than new homes.

People too often relate affordable housing to buying in lieu of renting. They also think of new homes and not resale homes. And when they think of affordable housing they think of "Leave it to Beaver" and not anything that doesn't mirror the tract home concept that has endured since the 1950s.

In lieu of anything else, all housing that closes escrow is affordable because someone obviously could afford to buy it. The bottom line is Cambay Group is rolling out a fairly unique, somewhat smaller home that is more effective at being affordable for more people than traditional single family homes in an at-market development.