



San Francisco Bay Area Planning and  
Urban Research Association

Riaz Capital Presentation | August 2021



Riaz Capital is a Bay Area-based development and asset management company, focused on addressing the changing housing needs of the urban workforce



# MICRO-LIVING: EVOLUTION BY EXPERIENCE

Our roots in luxury and workforce housing have led us to Micro-Living

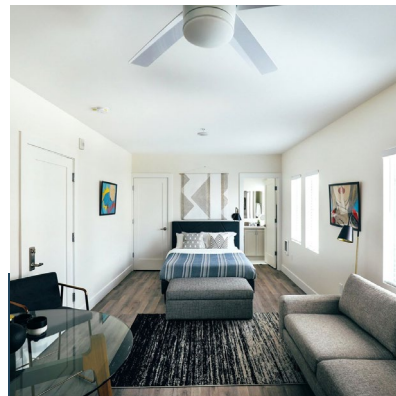


Luxury



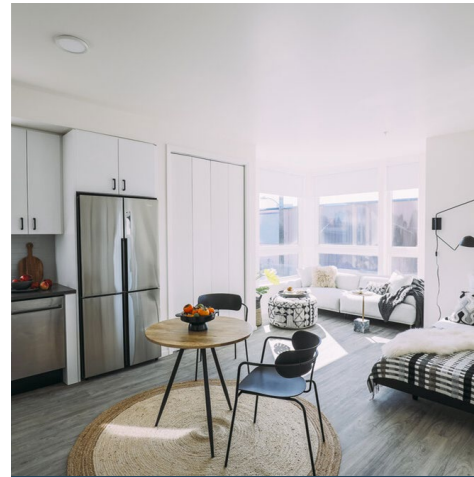
Mass Market

1999-2010



Micro Studios

2011-2018



Mass Luxury

2018-2020

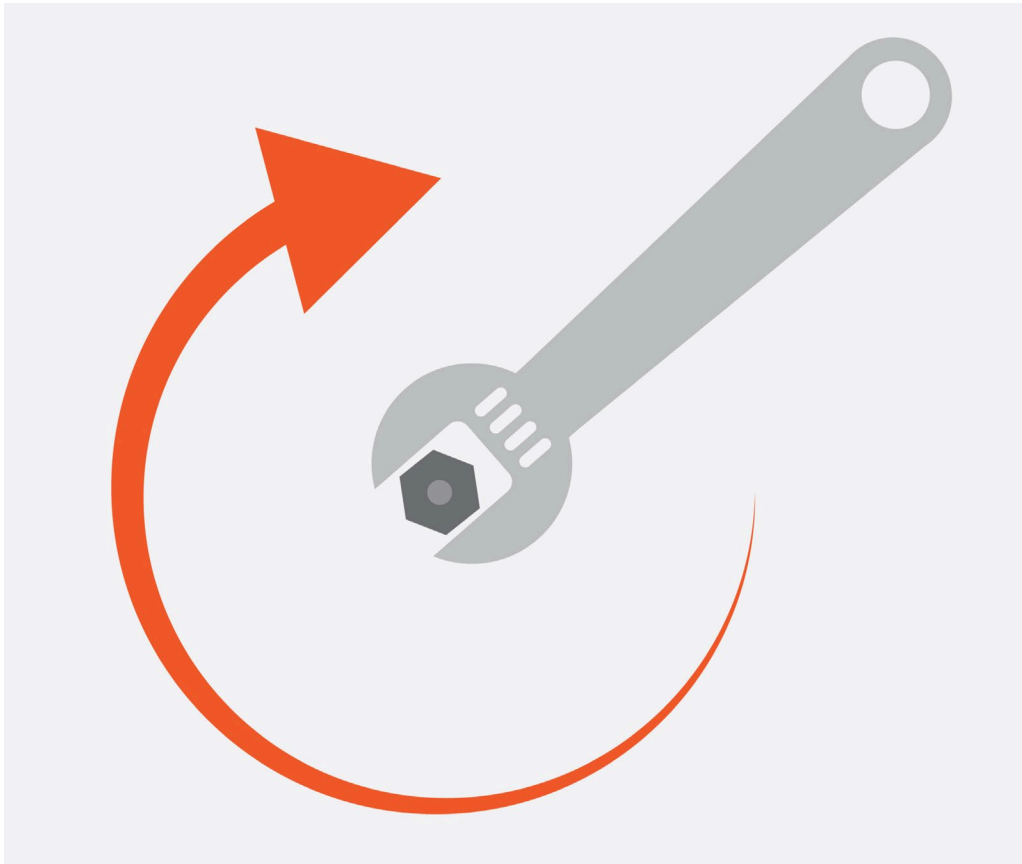


Micro-Living

2020-

# CALIFORNIA IS SLOWING THE PRODUCTION OF HOUSING

Municipal hurdles are tightening the valve of housing production



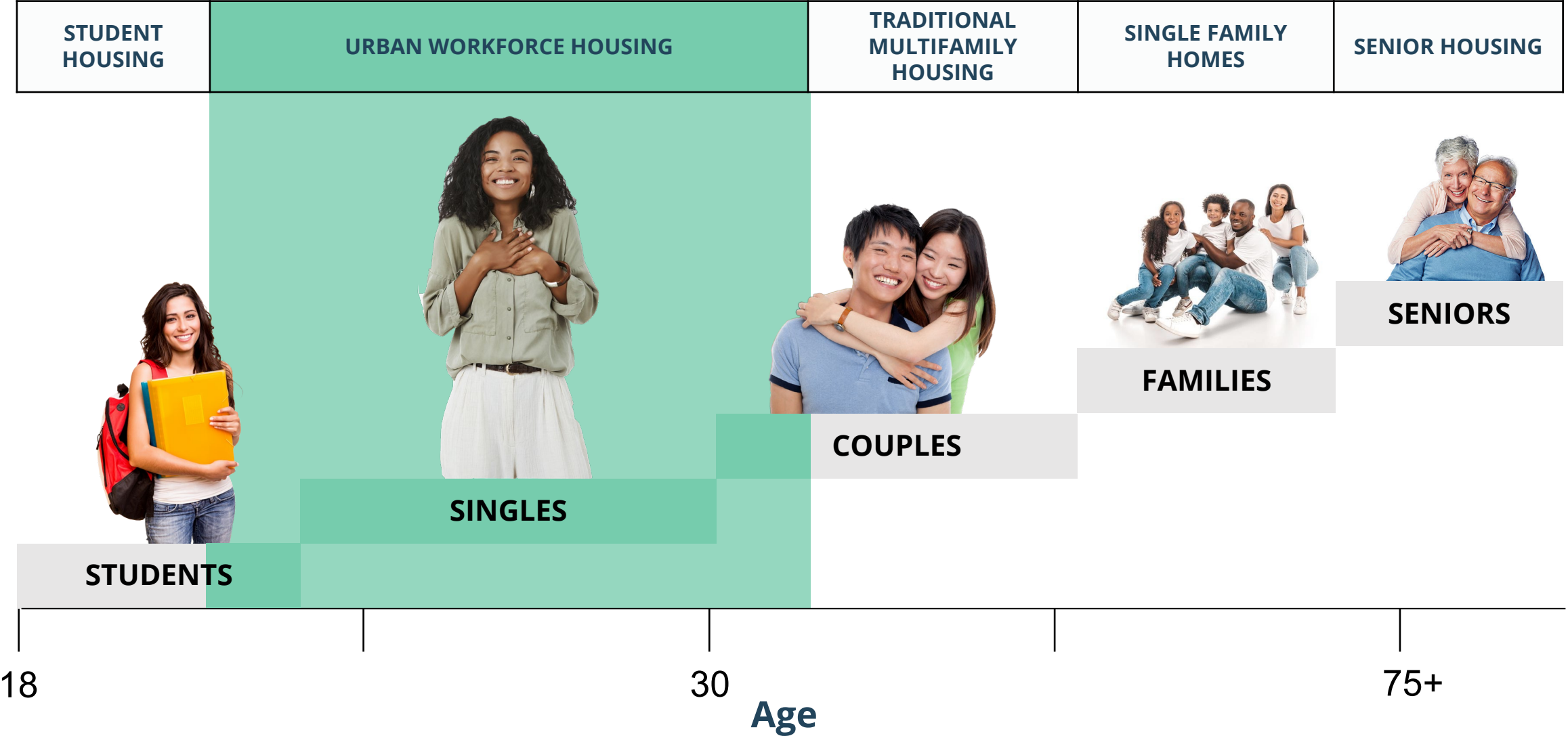
1. Zoning / Planning Issues
2. Inefficient Buildings – *Parking, Open Space*
3. Construction Costs - *Wood-Frame, no podium, low frills*
4. Timeline – *Unpredictable entitlement timelines*
5. Taxing Housing (Fees)
6. Taxing Housing (Property Taxes)
7. Cost of Capital



# TARGETED HOUSING LOWERS COST OF RENT

- 1 Average Cost per Resident Reduction **\$600k → \$250k**
- 2 Average Rent per Month Reduction **\$4,600 → \$2,100**

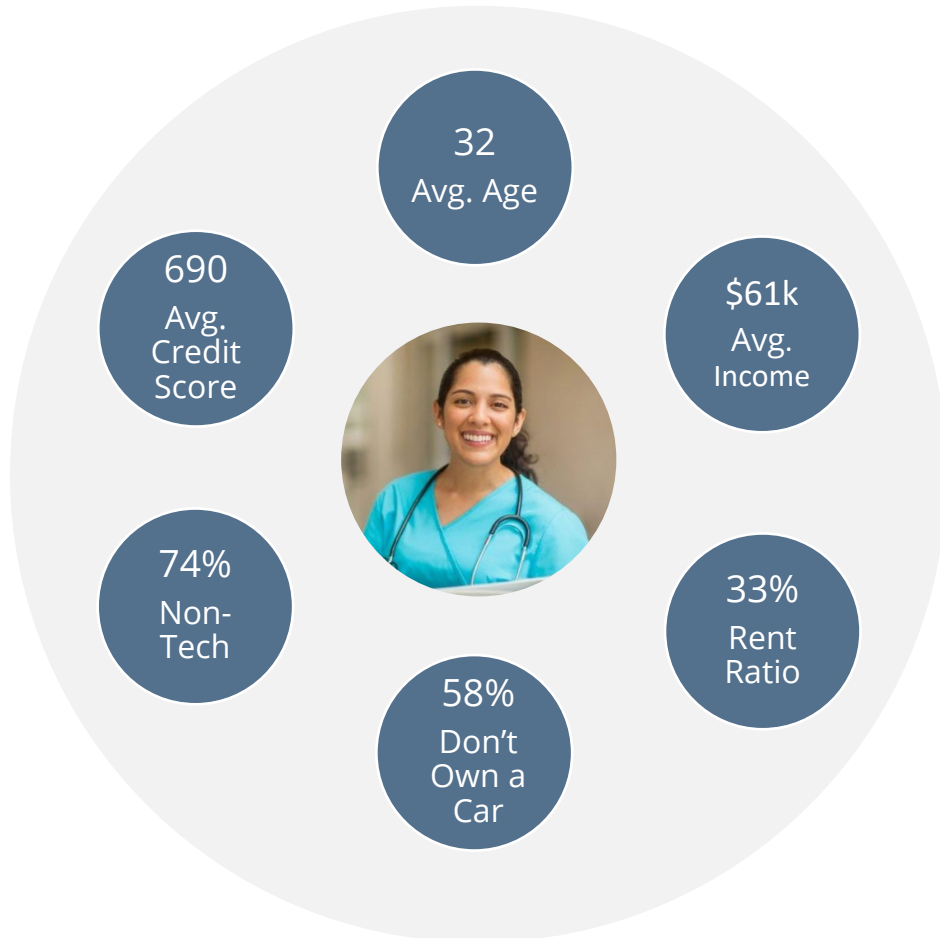
# WE ARE BRIDGING THE OVERLOOKED GAP...





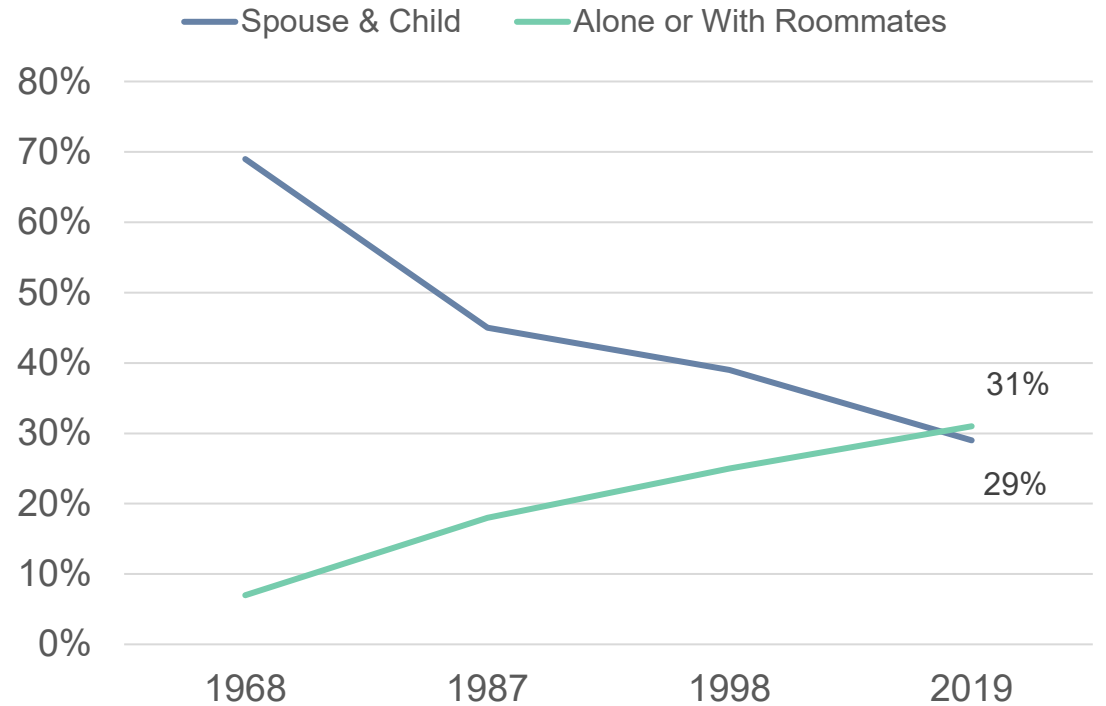
## ESSENTIAL PROFESSIONALS

Young, single workforce professionals making \$50,000 to \$120,000 per year



## FAMILY HOUSEHOLDS HAVE DROPPED: 69% TO 29%

Household Arrangements of Americans (Age 23-38)



Source: [The Brookings Institution](#), December 2020

# THE CALIFORNIA STATE DENSITY BONUS

The California State Density Bonus Gives Developers Powerful Tools for Housing Creation

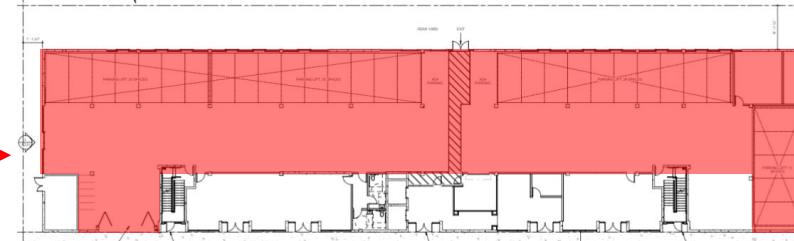
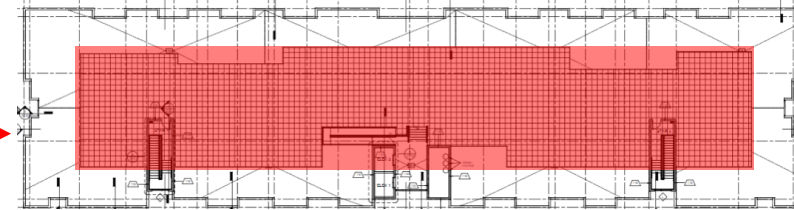
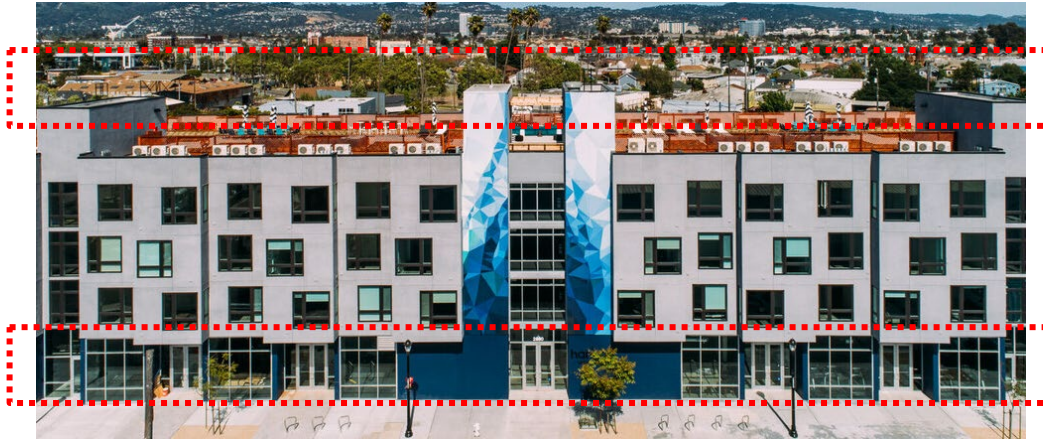


100 Unit Project → 150 Unit Project

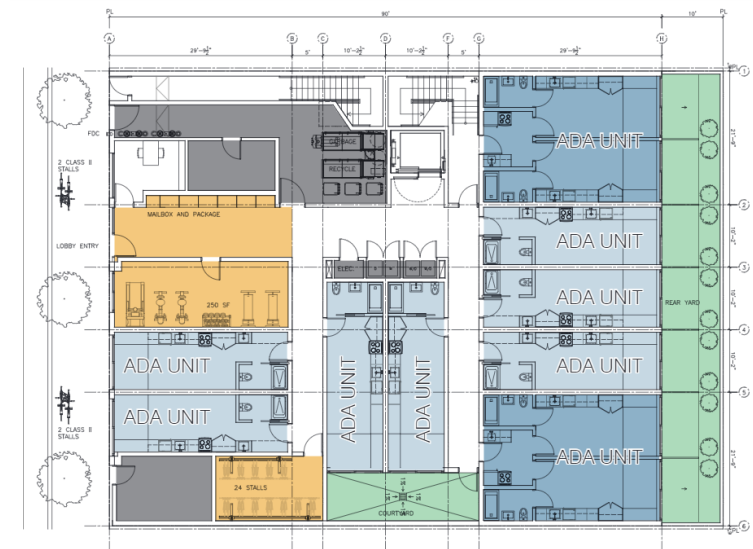
1. **Increase in Housing Units** – Density bonus of up to 50%
2. **Waivers & Concessions** – Reduction in on-site parking, required open space, property line setbacks or height
3. **Predictable Entitlement Timeline** – 60-day comment period



# PARKING & CIRCULATION CAN BE A 50% TAX ON HOUSING

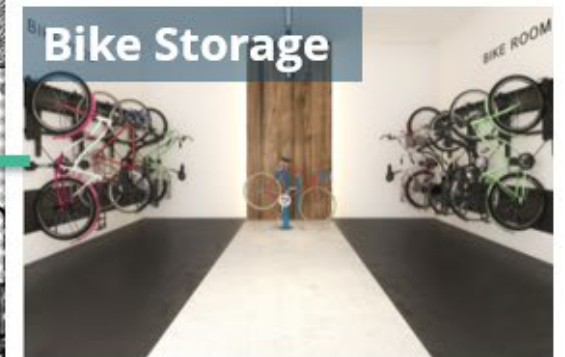
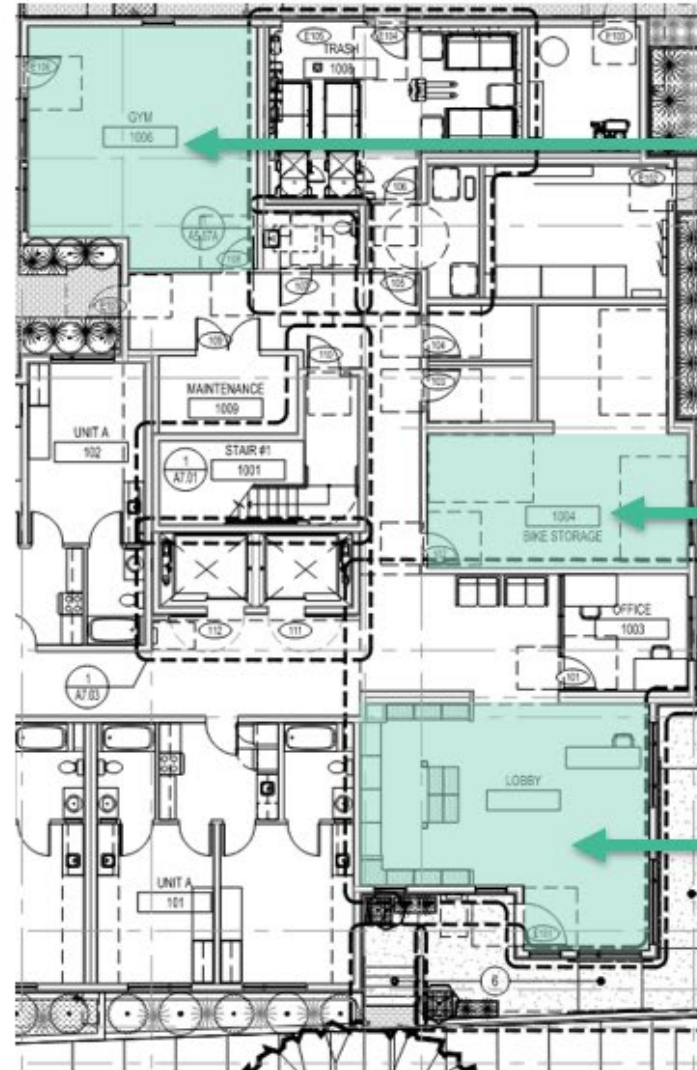
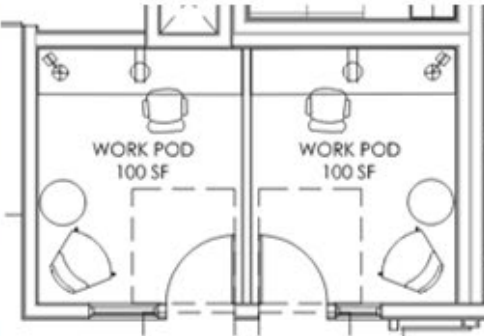
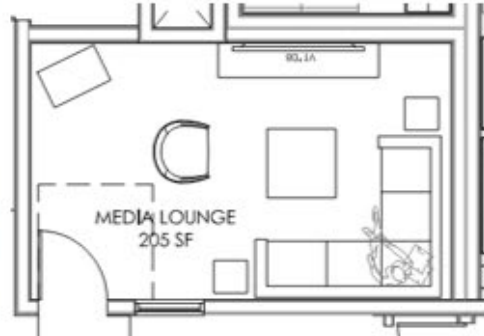


PARKING  
AND LARGE  
AMENITIES  
ARE A TAX  
ON  
HOUSING



REDUCTION IN  
PARKING AND  
AMENITIES  
REDUCES COST  
TO RESIDENTS

# FUNCTIONAL AMENITIES





# STANDARDIZATION DRIVES EFFICIENCY

Replication and repetition allow for value engineering principles to make large-scale impact



# ASSEMBLY LINE APPROACH TO WORKFORCE HOUSING

30 MONTHS vs. 72 MONTHS

Month 1

## Site Acquired

Property acquired



Month 9

## Project Entitled

Project designed is accepted and approved by the City Planning Department



Month 25

## Construction End

Construction is finished, residents begin moving in



Month 30

## Stabilization

All residents are moved in



TARGET: The full project lifecycle, from acquisition to stabilization in 30months



























## Renters Have a Mental Checklist

### "DOES IT MEET MY NEEDS?"

1. Comfortable bed ☒
2. Closet space ☒
3. Private bathroom ☒
4. Kitchenette ☒
5. Living Space ☒
6. Workspace ☒

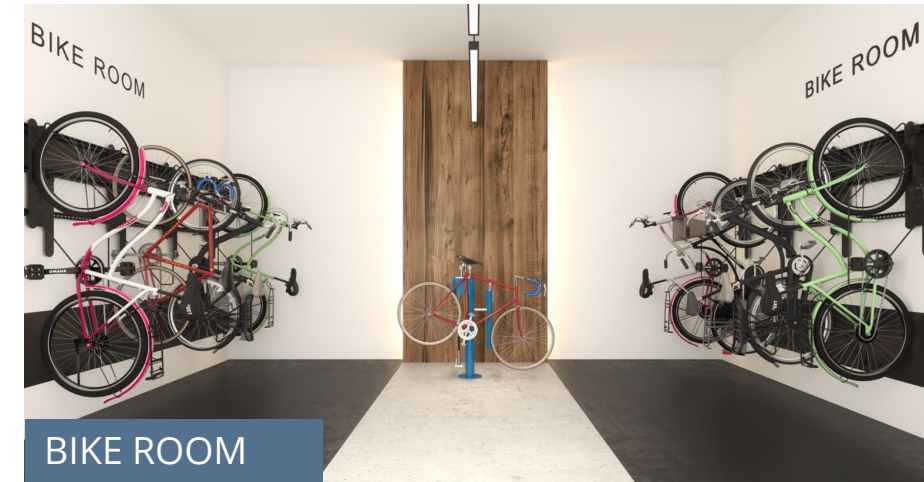


325 Sq Ft



275 Sq Ft

# LOCATION AND CONVENIENCE ARE DECISION DRIVERS



# COMMITTED TO IMPACT: ~2,000 PEOPLE HOUSED

## Transit

92

Walk Score

48 National Urban Average

88

Bike Score

53 National Urban Average

75

Transit Score

37 National Urban Average

## Equitable Housing

24%

Rent/ Median Income

0

People Displaced

32%

Affordability Index Score  
Housing + Transportation

68% National Average

## Emissions & Efficiency

240

Square Feet /Resident\*

526 National Average

69%

Lower Emissions using  
wood-frame vs. concrete

100%

Electric (No Gas)

\*Presumes 1 resident per Micro-Studio and 1.25 residents per traditional studio.



1. Average Cost per Resident  
\$600k → \$250k
2. Average Rent per Month  
\$4,600 → \$2,100

	Industry Standard	Micro Living
Construction Cost Per Unit	\$600,000	\$250,000
Yield on Cost	5.50%	6.50%
NOI (Per Unit)	\$33,000	\$16,250
Real Estate Taxes (Per Unit)	\$700	\$219
Vacancy and Other Expenses (Per Unit)	\$21,300	\$8,531
Total Expenses and Vacancy (Per Unit)	\$22,000	\$8,750
Annualized Gross Revenue (Per Unit)	\$55,000	\$25,000
Monthly Gross Revenue (Per Unit)	\$4,583	\$2,083
Project Returns (10 Year IRR)	20%	20%

# LOWERING TAXES & RETURNS LOWER THE COST OF HOUSING

1. Lower Fees
2. Lower Property Taxes
3. Lower Returns

	ABD With Welfare Exemption	Welfare Exemption With 12% Return	Welfare Exemption With 8% Return
Construction Cost Per Unit	\$250,000	\$250,000	\$250,000
Yield on Cost	6.50%	6.50%	6.50%
NOI (Per Unit)	\$16,250	\$16,250	\$16,250
Real Estate Taxes (Per Unit)	\$0	\$0	\$219
Vacancy and Other Expenses (Per Unit)	\$8,531	\$8,531	35%
Total Vacancy and Other Expenses (Per Unit)	\$8,531	\$8,531	\$22,157
Annual Gross Revenue (Per Unit)	\$24,781	\$24,781	\$1,846
Monthly Gross Revenue (Per Unit)	\$2,065	\$2,065	\$2,065
Effective Rent Adjusting for Welfare Exemption	\$1,846	\$1,846	\$1,846
Effective Rent Adjusting for Desired Return	\$1,846	\$1,632	\$1,291
Project Returns (10 Year IRR)	20%	12%	8%

# THANK YOU

Follow us on social media:  
<https://www.linkedin.com/company/riaz-capital/>

