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Wood construction gets respect as economy slides

by Blanca Torres

Developers struggling with a miserable economy are turning to wood as their framing material of choice since it results in lower construction costs per square foot.

Wood framing limits building height, which could lead to smaller, less dense developments.

“Every developer is looking for ways to build projects more efficiently and cost effectively,” said Mike Ghielmetti, president of Pleasanton-based Signature Properties. “It comes down to what the consumer is willing to pay. Wood-frame is probably 30

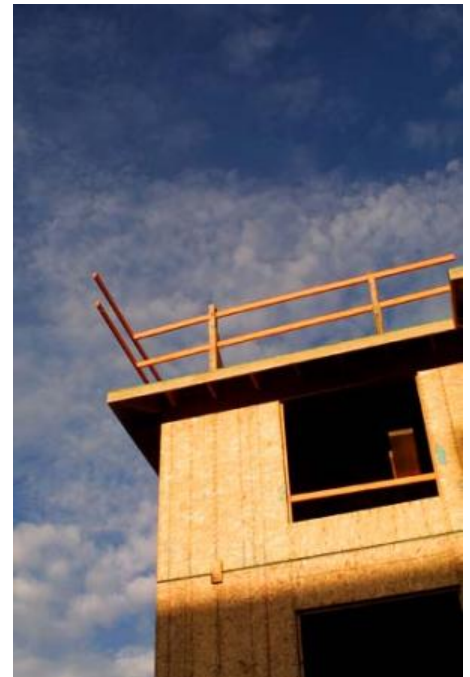


to 40 percent cheaper, so people are looking at the gross cost of the project, cost per unit and cost per foot. It all has to be put against the test.”

Building codes in California restrict wood-frame buildings to five stories.

Even with fluctuations in prices for steel and concrete, wood construction consistently costs less per square foot, Ghielmetti said. With house prices tanking, developers cannot recoup their costs if they build taller with steel or concrete, even if the result is more units.

For example, the Ellington, a 134-unit high-rise luxury condo tower, recently hit the market in Oakland with units offered at an average of \$540 per square foot — which is below construction cost. Construction on the steel-frame building started when home prices were still skyrocketing, but the project hit several delays and went into default last fall before finally opening this month. It was marketed last year with asking prices of \$475 per square foot for the smallest units and up to \$1,000 per square foot for a two-level penthouse.



Retooling plans

Signature Properties is going through the entitlement process for a four-story, wood-frame building with 275 units and a five-story parking garage with 275 spaces on a 3.4 acre parcel now used for surface parking near the Fruitvale BART station in Oakland. The original plan for the site called for a taller building with 450 units.

“People will build what they can sell,” Ghielmetti said. “We might be under-housed in the Bay Area, but temporarily we’re not, because less people are looking.”

Affordable developer **Bridge Housing Corp.** frequently weighs the question of what materials to use on which project.

The nonprofit affordable housing developer ends up using wood framing for most of its development, but does build with steel or concrete when funding is available. Affordable developers put together a complicated mix of funding from federal, state and local sources as well as tax-credit sales and their own equity to finance every project.

Bridge is currently building 131 for-sale condos and townhome units using steel framing in Mission Bay and a 150-unit senior apartment complex using concrete construction on Geary Boulevard, both in San Francisco.

The cost per square foot for those projects is \$366 and \$375 respectively.

Wood-frame developments Bridge is building near the Colma BART station and in West Oakland cost \$268 and \$298 per square foot — a difference of 23 percent to 40 percent compared with the San Francisco projects.



“San Francisco is very much committed to higher, dense housing ... and helped us close the gap with local funding,” said Lydia Tan, interim president of Bridge. “When push came to shove, there had to be a policy decision about height and density. Do we invest more dollars in increased density or do we invest less dollars and get fewer units?”

Question of land size

Most of the time, Tan said, the decision depends on how much land is available. Bridge tends to look at larger parcels where it can build with wood and still fit in a sizable number of units. Its West Oakland project, Ironhorse at Central Station, will include 99 affordable apartments.

“We think it’s a great size,” Tan said. “It’s small enough where residents will be able to get to know each other and big enough that we were able to get some economies of scale.”

Besides cost savings, wood has other advantages, said Bryan Schuyler, regional director of WoodWorks, a national wood construction advocacy group. One major selling point is that wood is a renewable resource and can be produced sustainably.

One of the group’s goals is to educate builders, architects and engineers to consider wood for different uses such as offices, schools, churches and retail centers. Many developers are combining construction methods such as in mixed-used developments that use a concrete podium for the ground floor and are topped with wood-frame stories above.



“There’s a misconception that you only use wood for residential construction,” Schuyler said. “With so much more emphasis put on costs this days, it creates an opportunity that many (builders) may not even have thought about.”