

The Daily Transcript[®]

Established 1882

www.sdtranscript.com

Gafcon, Nevin team up to upgrade old apartments

By Thor Kamban Biberman
Thursday, January 14, 2021



Gafcon, Inc. and real estate economist Alan Nevin have formed a partnership to rehabilitate and sell what are currently deteriorating apartments in the region.

The plan is to take existing Class B and C apartments with between 75 to 250 units and repair them to a level where they can make a substantial return on investment.

"Southern California is dotted with mid-20th Century-era, garden-style, multifamily housing complexes that are not only showing their age, but can also be out of compliance with safety regulations," the companies said in a joint statement.

Gafcon and Nevin are joining up "to help property owners realize the financial potential these complexes hold through a unique renovation process that weighs risk and gains before the first wall is knocked down or hammer is lifted."

The process starts with a no cost initial financial and physical assessment of the complex.

In addition to a rough order of magnitude cost estimates on anything from out-of-code balconies and railings to kitchen upgrades, this analysis also predicts market return on the renovation investment -- something the team said is often missing from most major-scale renovation projects.

These assessments will help property owners determine which upgrades and repairs will yield a return on investment in the form of rent increases, lower tenant turnover, reduced maintenance costs, and lower utility costs for tenants. They will also determine whether or not an apartment complex is worth keeping.

"There's a huge number of apartments that were built in the 1960s and 1970s," said Gafcon chairman and CEO Yehudi Gaffen.

He said the problem with these complexes, including many built in the 1980s, is they have incredibly low capitalization rates if they are even available at all. That makes the properties much more difficult to renovate in a cost effective manner.

"That's why we're making appeals to legacy owners," Gaffen said, adding so few apartment properties are on the market "there needs to be a way to help owners reposition their units."

Gaffen, who is helping lead the team redeveloping Seaport Village into Seaport San Diego, said he has been involved in the renovation of some 20,000 apartments and condominiums.

He has given up working on condominiums, saying the sector became too litigious. He has never lost his enthusiasm for well-located apartments that need some work, however.

Nevin, the economic and market research director for the real estate consulting firm Xpera, said he is looking forward to doing many projects with Gafcon.

Both Nevin and Gaffen have extensive apartment rehabilitation experience, though Nevin may be better known as an apartment expert, having utilized everything from his financial expertise to his expert witness skills in his assessment of thousands of apartments.

Nevin previously worked for ConAm Management and HomeFed Bank, a lender that was seized during another financial crisis in 1992.

Nevin provided market analysis work for the \$30 million renovation of the 196-unit Mission Ridge Apartments in Encinitas.

As noted on the Gafcon website, Mission Ridge was originally built by Urschel Development Corp. in 1985. With the growing economy and demand for luxury housing, Urschel decided to modernize and upgrade the property to be more competitive with other local apartments.

Urschel approached Gafcon after its work on the Solana Mar Apartments to help develop the scope, budget, and schedule of the Mission Ridge renovation.

Gafcon provided consultation and advisement on phasing, which included a property condition assessment (PCA) to evaluate the current condition of the site. Gafcon also selected of a small sample set of buildings with which to perform initial renovations to provide a model for the owners to determine appropriate interior design and finishes, and ultimately the complete renovation of the remaining property.

During the PCA, Gafcon assembled a core team of local consultants who understand the local community and market to provide high-quality advising and recommendations on how to proceed with the project.

This included working with Nevin to perform a market analysis, projecting the rents Urchel could expect to achieve as a result of the renovation — a significant 30 percent increase in revenue.

"This project may have been a bit of a unicorn, but it showed us how much of a market there exists for these properties." Gaffen said.

While most of projects will involve the rehabilitation of existing apartments, Nevin said there may be somewhat of a variant on the model. He said he and Gaffen are eyeing an office property where at least 30 studio units could be developed in the Gaslamp Quarter.

Nevin said another type of adaptive reuse may be to convert old hotel and motel rooms into studio units.

Gaffen said, more often than not however, the projects will just be an upgrade of an existing apartment complex, rather than an adaptive reuse.

Nevin and Gaffen's new service also will provide a one-stop shop for property owners to hire the whole renovation team under one contract, instead of separate contracts for financial assessments, architects, builders and project managers. Besides reducing hassle and confusion, this approach to apartment renovations ensures efficiency and less mistakes, saving property owners from paying for unexpected — and costly — fixes.

Nevin said he would like to do what's needed to bring more high quality units to the market that could be sold later.

"There's a dearth of apartments for sale," he said.

Gafcon's multifamily renovations team is led by senior manager Rob Devlin, who has more than 30 years of experience with apartment community renovation, including past positions with AvalonBay Communities and The Irvine Co.

Ron Takaki also is helping lead Gafcon's multifamily renovations team as business line leader. He brings more than 40 years of experience in architectural design and expert witness work, including past positions at Gensler and CBRE Group, Inc.

Gafcon, Inc. provides comprehensive services in construction, program, and project management, as well as construction consulting support.

Gafcon's diverse portfolio includes projects from the educational, residential, governmental, public works and commercial sectors.