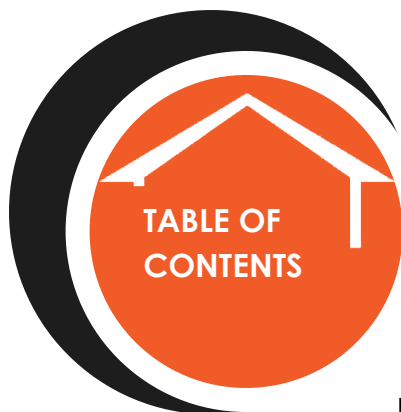


URBAN LAND INSTITUTE ORANGE COUNTY  
2018 YLG TECHNICAL ASSISTANCE PANEL

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# HomeAid Orange County Diaper Bank Feasibility Study





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# Introduction





**ULI's mission:**  
*to provide leadership  
 in the responsible  
 use of land and  
 in creating and  
 sustaining thriving  
 communities  
 worldwide*

**ULI TAP objectives:**  
*objectivity,  
 transparency,  
 and replicability*



## ABOUT ULI

The Urban Land Institute (ULI) was founded in 1936 as a nonprofit institute to conduct research and provide information on all aspects of real estate development and land use policy. ULI has nearly 40,000 public and private sector members comprised of professionals in all aspects of real estate development, policy, and regulation. ULI has 65 district councils in the Americas, Europe, the Middle East and Asia—a worldwide staff of 155 and a \$50 million annual operating budget.

ULI has been a leader in smart growth, mixed-use development, urban redevelopment, transportation and affordable housing. ULI Orange County/Inland Empire (OC/IE) is ranked among the top 10 largest district councils in the world, with over 1,000 individual members.

## THE TAP PROGRAM

Since 1947, ULI's Advisory Services Program has been assisting communities by bringing together panels of seasoned real estate, planning, financing, marketing, and development experts to provide unbiased pragmatic advice on complex land use and development issues. Often these panels meet with the sponsoring government or nonprofit entity for five days at a fee of about \$135,000, and typically address issues of a broad and long-range scope. ULI District Councils provide panel services of one day. A small fee of \$15,500 is charged, but the panel members are not compensated for their time.

TAPs are a way for members to give back to the community. ULI acknowledges all members who give their time and talent to support a local organization. To ensure objectivity, panel members may not be involved in matters pending before or be working for the sponsor and cannot solicit work from the sponsor during the panel's assignment period. The Young Leaders Group (YLG) of the ULI OC/IE began conducting TAPs in 2007, on a pro bono basis for charitable organizations. This type of TAP was the first of its kind for a ULI District Council.

Orange County's TAP is in its tenth program year, and typically consists of six to ten young leaders. Past causes include Orange County Rescue Mission, Moses House Ministries, United Cerebral Palsy, and Habitat for Humanity.



Salem Afeworki, Value Sustainability

Jessica Fritz, WHA Inc.

Chase Gilmore, Irvine Company

Brett Poirier, RSG

Stephanie Roxas, City of San Clemente

Nairi Siddiqi, Manatt, Phelps & Phillips, LLP

Noelle Steele, Michael Baker International

### **TAP Support**

*Advisor: Guillermo Aguilar, Aguilar Architects*

*Chair: John Marshall, Northmarq Capital*

*Report Writer: Aimee Snyder, Stantec*





**HomeAid's mission:  
to end homelessness  
through development,  
service, and advocacy**

*Click here to watch  
their day of giving video*

**7.5m+**

Items distributed by  
HomeAid OC since 2007

**13.5%**

Orange County's  
poverty rate

**1/3**

Orange County children  
under 12 live in poverty  
(OC Register, 2015)

## THE ORGANIZATION: HOMEAID ORANGE COUNTY

Since 1989, HomeAid Orange County has ended homelessness for thousands of families. HomeAid Orange County is a 501(c)(3) charitable non-profit organization that builds and renovates shelters to serve homeless individuals who are homeless due to sudden job loss, catastrophic illness, spousal desertion, and domestic violence. HomeAid Orange County has completed 62 developments, adding more than 1,560 shelter beds throughout Orange County. Through their efforts, HomeAid has housed 65,000 homeless individuals in the last 29 years.

## THEIR CHALLENGE: NOT ENOUGH STORAGE CAPACITY TO FULFILL COMMUNITY ESSENTIALS NEEDS

According to the Washington Post, the annual cost of raising a child is more than \$12,000 per year—this cost is greater in higher cost-of-living states. A nominal increase in childcare costs can mean the difference between current, late, or no rent payment for some families. To help offset these costs, HomeAid Orange County currently holds an annual community-wide Essentials Drive, where they collect diapers, wipes, and food for families in need. Through this, HomeAid's shelter network benefits from decreased operating costs and less at-risk individuals.

Since 2016, HomeAid has stored donations from the Essentials Drive at the OC Food Bank Distribution Center in Garden Grove. Past storage locations, offered at no cost from local donors, included: the El Toro Marine Corps Air Station in Irvine, the LA Times Building in Costa Mesa, and vacant office space located in Orange County. The Essentials Drive operates as a wholesale model. Goods collected by HomeAid are not open to the public for collection; they are distributed via authorized nonprofit organizations, who then distribute to families in need.

The most recent Essentials Drive produced more than 1,200,000 baby care items. Given the massive success and growth of this drive, HomeAid's leadership began exploring a path to a permanent facility for the program. A permanent facility would enable HomeAid to provide a greater community impact, access to National Diaper Bank resources and partners, and support HomeAid's core mission of eliminating homelessness.



### THE PROPOSED SOLUTION: BUILD A PERMANENT DIAPER BANK



National  
Diaper Bank  
Network

The National Diaper Bank Network (NDBN) defines a diaper bank as follows: an institution that collects diapers for distribution to people in need, including homeless shelters, food pantries, and family service agencies. The NDBN connects more than 300 diaper banks across the country, with the core mission of raising awareness of diaper need, supporting the national network, and distributing to families in need. The organization maintains standards for diaper bank best practices, procedural policies, and provides resources for developing programs. More than 20 million diapers are distributed by over 300 NDBN diaper banks annually.



## TAP SCOPE OF WORK

Working closely with HomeAid Orange County—and other non-profit organizations who have built and maintain successful diaper banks—the TAP established a case for the need of a permanent essentials storage facility (diaper bank) and blueprint to execute the path to a permanent facility.

HomeAid Orange County and TAP leadership established a scope of work that entails analyzing and addressing the following questions:

- What does it take to run a successful diaper bank?
- How much space does HomeAid need?
- What are the municipal approval processes for this use?
- What are suitable locations for the diaper bank?
- How much up front capital is needed?
- What are the ongoing annual operating and real estate expenses?

As part of their research, the TAP conducted case studies on two successful facilities—Baby2Baby, located in Los Angeles and the Southern Arizona Diaper Bank. These case studies provide an overview and best practices for opening and operating a large diaper bank, and guided the TAP's real estate research to help HomeAid OC grow the Essentials Drive and manage inventory in a permanent location. The TAP also conducted interviews with staff at the NDBN and other diaper bank operations in Chicago, D.C., Arizona, and California.

The TAP focused on establishing best practices for operations and understand how the facility would be used on a daily, as well as annual, basis. Working with HomeAid and NDBN chapters, the TAP determined storage capacity and space needs, features, costs, and operational recommendations. The TAP established an estimated budget based on comparable or like kind real estate, contractor estimates, and publicly available NDBN chapter tax returns. The TAP was able to assess financial feasibility of the site HomeAid Orange County identified in Orange, next to their emergency shelter. Findings are discussed in further detail on the following pages.

## DID YOU KNOW?

Diapers are not subsidized with SNAP (food stamps) or WIC—there is no state or federal funding specifically for this cause.





What does it take to  
build a successful  
diaper bank?





*Jessica Alba's Honest Company dropping off a donation at the Los Angeles, CA Baby2Baby diaper bank.*

# 220k+

Los Angeles area  
children served

# 171

Non-profits  
distributed to

# 1.5k

Weekly visitors

# 11k

SF facility

## Baby2Baby | Los Angeles, California

Baby2Baby provides low-income children—newborns to 12-year olds—with diapers, clothing and basic child care necessities. By distributing to non-profit partner organizations including homeless and domestic violence shelters, Head Start Programs, foster care programs and children's hospitals, Baby2Baby serves 171 nonprofit organizations in Los Angeles, and has served more than 180,000 children in Los Angeles in 2018.

Baby2Baby recently purchased an 11,000 SF warehouse facility in Culver City with separate areas designated for storage, delivery, and distribution. The warehouse was outfitted with shelving, storage, tables, and a pallet jack. Baby2Baby hired a full-time warehouse manager, and created an electronic inventory management system to track donations and distribution. The warehouse is open three days a week for partner agencies to pick up donations, serving up to 1,500 weekly visitors. Baby2Baby also uses a quarterly distribution report to follow up with the nonprofits that received donations from them.

Jessica Alba's Honest Company (pictured above) is a major corporate donor, along with Huggies and Pampers. The warehouse also receives donations from private individuals and has established a strong, self-sustaining, donor base that requires minimal prospecting or donation efforts.

Baby2Baby began hosting a black tie gala in 2017, sponsored by Paul Mitchell, Nordstrom, Kayne Anderson Capital Advisors, Buccellati, and Volvo. The evening's proceeds included tickets, sponsors, a silent auction and a giving appeal, and raised more than \$4m for Baby2Baby.



### Southern Arizona Diaper Bank | Tucson, Arizona

The Southern Arizona Diaper Bank brands itself as the first diaper bank concept, and established itself in 1994 after recognizing need from local shelters. The organization recently purchased 10,800 SF facility with loading docks and two dock doors. It is estimated that the facility has the storage capacity of over three-million diapers.

# 18k+

Southern AZ  
residents served

# 52

Non-profits  
distributed to

# 1.3m

Diapers distributed

# 3m

Diaper storage capacity

The diaper bank purchased the warehouse building two years ago with debt and recently started a capital campaign to pay off existing debt, with the Angel Charity for Children serving as the lead donor.

The Southern Arizona Diaper Bank serves more than 18,000 residents and distributes to 52 local nonprofit organizations.

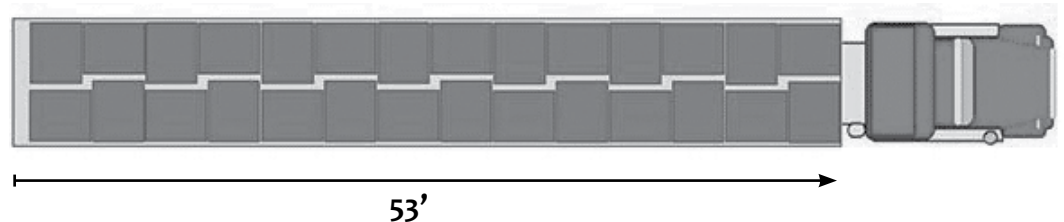


*The TAP developed standard sizing requirements to help determine how much space HomeAid needs for their diaper bank.*

## PHYSICAL REQUIREMENTS

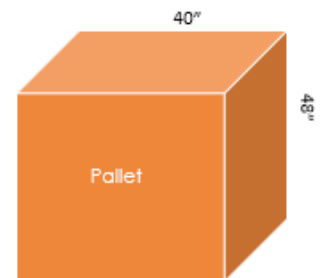
To determine the space needs of HomeAid's proposed facility, the TAP Panel combined research from interviews to "back in" to individual space needs. The main considerations were:

1. For most Chapters, as well as HomeAid's drive, the largest donations are delivered by a 53' Huggies truck in 48" cubed pallets.
2. Individual donations are delivered via walk ins as well as shorter box trucks.
3. There is no standard shelving system used. Diapers have been stored in original Pallet packaging, in makeshift boxes, and stacked bins.



The panel determined the following physical requirements:

- One pallet fits 4,800 diapers and measures 40"x48"x48".
  - » One pallet of larger diapers (sizes 4-6) will contain 3,600 diapers.
  - » One pallet of smaller diapers (sizes 1-3) will contain about 5,400 diapers.
- A 53' truck can hold 56 pallets, or 200,000 to 300,000 diapers



Using this baseline information, the TAP estimates that a 10,000 SF facility can accommodate two-million diapers at one time with additional space for baby care items of various sizes.





WHICH  
PERMITS ARE  
REQUIRED?

### City of Orange

The TAP contacted the City of Orange and worked with City staff to establish any permits or municipal approvals for the proposed real estate use. The TAP determined the path to occupancy was straightforward and highly-encouraged by City staff. The following approvals are needed:

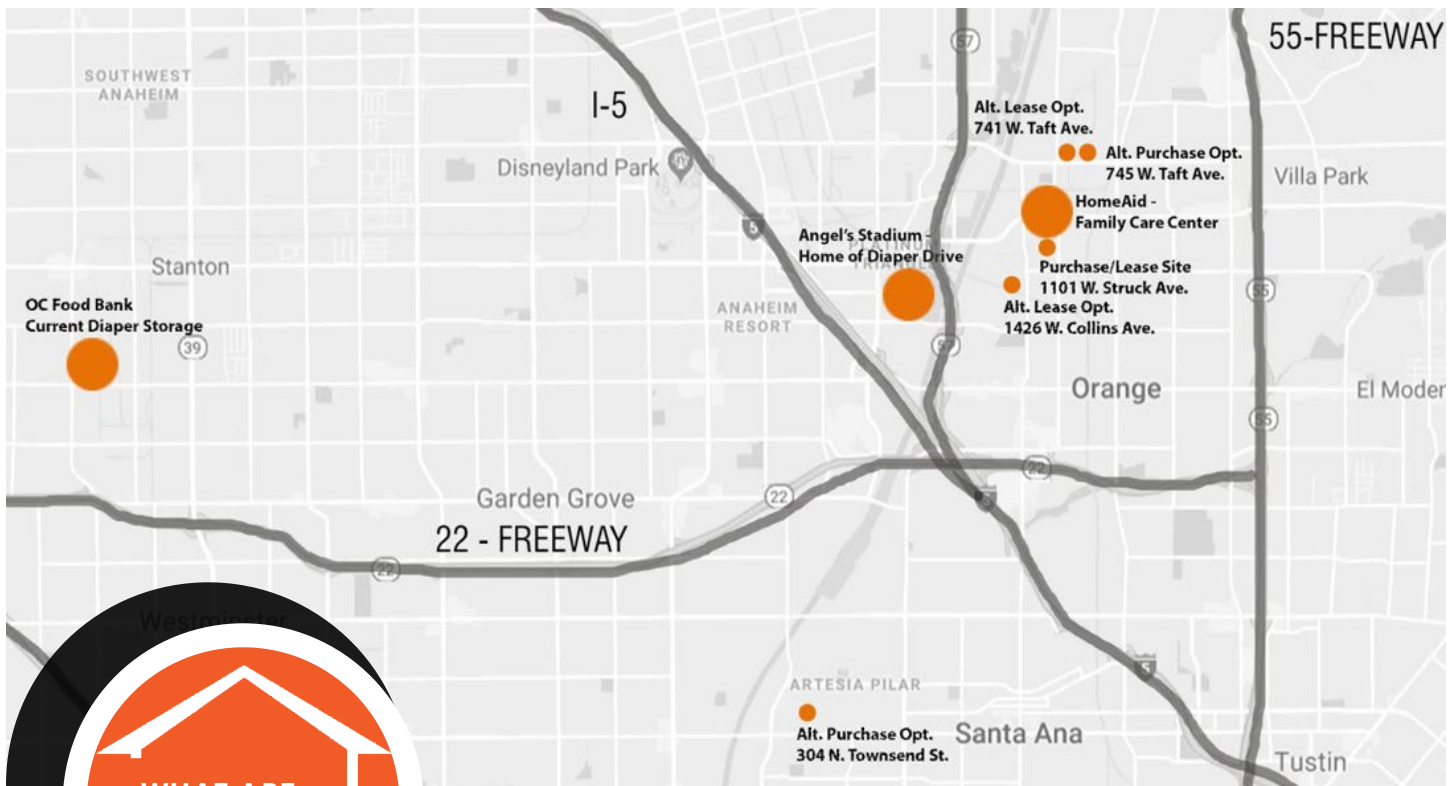
- “Warehouse and Distribution” uses are permitted by right
- Tenant Improvement Plan Check (Non-Residential)
- Worksheet for Commercial Planning Building
- Design Review approval required for exterior modifications
- No discretionary zoning permits are required

***HomeAid staff will not need to engage outside consultants, given their real estate expertise.***



# A Look at HomeAid's Options





WHAT ARE  
THE OPTIONS?

*A map of the potential locations assessed, in May 2018, as well as existing facilities depicting proximity.*

After assessing the physical requirements for diaper storage and working with HomeAid to establish current and anticipated distribution volume, the TAP researched and designed a small, 3,500 SF concept to house current operations and approximately 600,000 diapers at any given time, and a larger 10,000 SF concept for anticipated future growth with capacity for 1,200,000 diapers at one time. The TAP also set out to evaluate the economics of leasing versus buying a facility. The following options are presented in this section:

**1 3,500 SF FACILITY**  
(current need)  
a) Purchase (long-term)  
b) Lease (short-term)

**2 10,000 SF FACILITY**  
(future need)  
a) Purchase (long-term)  
b) Lease (short-term)

This section provides an analysis of each option, along with some potential facilities for HomeAid's consideration.

Key criteria for potential facilities included:

- Proximity to existing facility
- Affordability
- Availability
- Roll-up doors



1101 W. Struck Avenue | Orange, CA

**OPTION 1:  
3,500 SF  
FACILITY**

***A 3,500 SF  
facility adequately  
meets HomeAid's  
current storage needs.***

Before approaching the TAP for assistance, HomeAid identified the building next door (1101 W. Struck Avenue) to the HomeAid Family Care Facility as an ideal permanent distribution location. HomeAid has an existing relationship with the owner who occupies all 10,000 SF of building space for automotive use. However, HomeAid noted that the space is not efficiently used and there may be an opportunity to condense the existing floor plan. Additionally, the owner has expressed interest in a sale given favorable market conditions, but not immediately.

The TAP established that a 3,500 SF space would allow HomeAid to house at least 1,200,000 diapers per year given two full inventory turns. Consequently, the TAP established two viable occupancy options:

1. Approach the existing building owner to lease 3,500 SF of their space
2. Purchase the property and lease back 6,500 SF of space to the owner (seller) on a three to five year lease. After the lease expires, HomeAid would have the option to expand their operations, offer an extension to the existing tenant, or re-lease the space to a new tenant.

Based on the appraisal of the property prepared in June, 2014, by The Houston Company, the TAP designed a floor layout based on key criteria for the facility. Based on 15' clear heights, the building can accommodate rows of 40"x48" pallets double-stacked and tightly arranged within 3,500 SF to accommodate the following:

- Storage of 601,600 diapers of varying sizes
- Two roll up truck doors
- Six 30"x72" folding tables
- One pallet jack
- Three 800 SF offices
- One restroom



## OPERATIONAL RECOMMENDATIONS

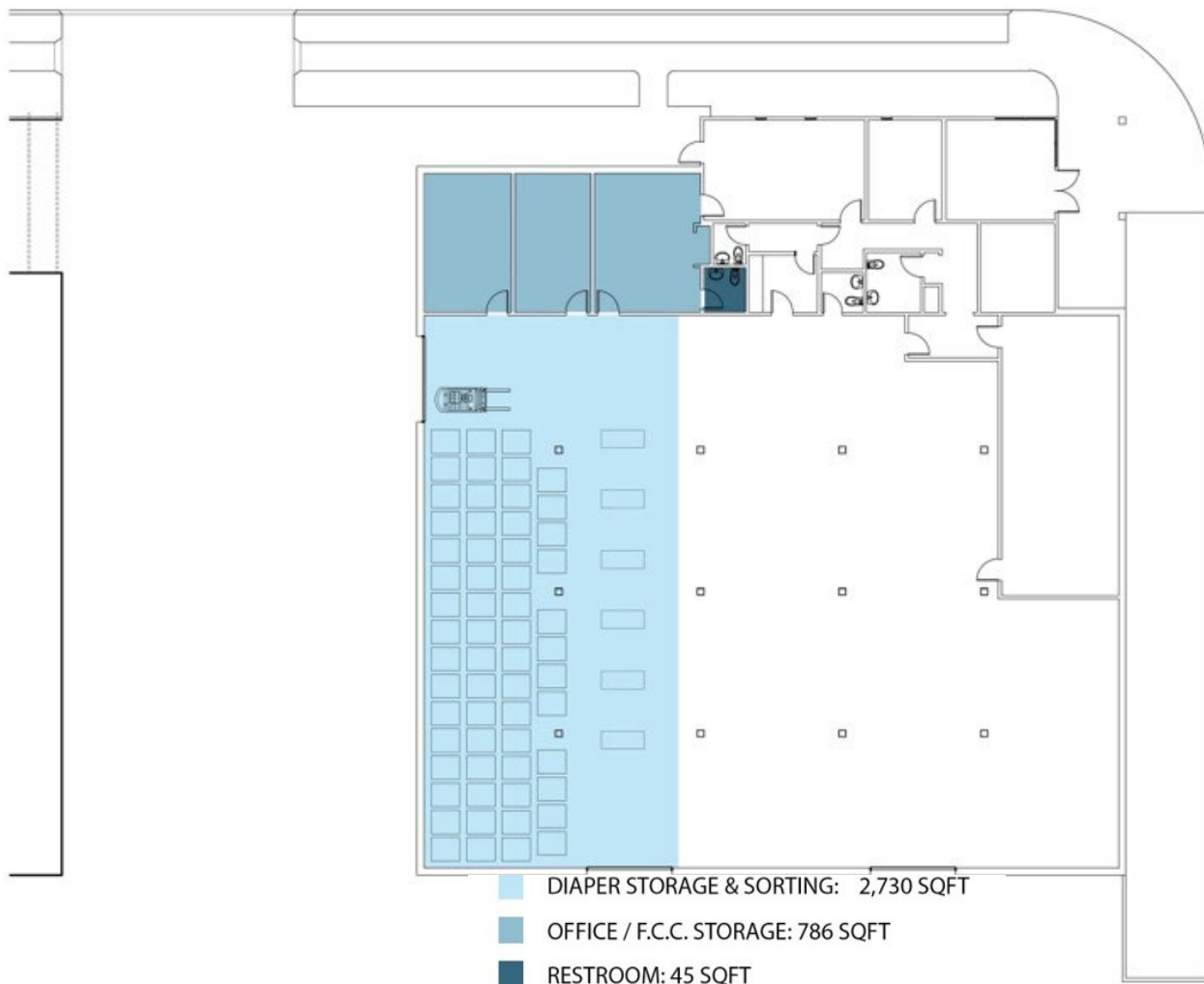
The TAP recommends the following floor layout as the most efficient potential use of space. The TAP suggests that 16 double-stacked pallets be placed along the longer walls, allowing room for up to four rows. Staff may use a hand operated pallet jack to load and unload diapers. The TAP suggests that diapers are organized by size (e.g., in a given row of four pallets, each row would house a single size, allowing up to 16 different sizes of diapers to be accessed without moving rows). Most major diaper brands—including Huggies and Pampers—have seven to eight diaper sizes: Newborn, and sizes one through six.

HomeAid expects both large (53' tractor trailer) and small (box truck) deliveries. Due to the layout of the parking lot and lack of a loading dock, the TAP recommends purchasing a truck cargo conveyor to unload diaper pallets into the warehouse more efficiently and having staff lower those pallets via a hand jack. Alternatively, staff may lower each pallet individually and roll those into the warehouse for storage. The TAP considered day to day operations of the building out of the scope of work and has deferred those practices to HomeAid staff.

## TENANT IMPROVEMENTS

The below table breaks down the estimated tenant improvements for a 3,500 SF facility.

Item	Estimated cost	Estimated total
Demising Wall	\$20/LF	\$1,600
Refurbish Offices	\$10/SF	\$7,860
Refurbish Restroom	\$450/SF	\$20,250
Pallet Jack		\$400
Soft Costs & Contingency		\$9,000
	<b>Total</b>	<b>\$39,110</b>



# AVAILABLE COMPS

Comparable sites available at the time of the TAP's research are provided in this section.



## OPTION 1A: LEASE SITES



### 741 W. TAFT AVENUE ORANGE, CA

#### Features:

- Industrial
- **\$14.16/SF/year**
- **4,594 SF** total space
  - » *2,794 SF warehouse space*
  - » *1,800 SF office space*
  - » *16' warehouse clearance*
- Two ground-level doors
- **0.9 miles** from HomeAid Family Care Center



### 1430 W. COLLINS AVENUE ORANGE, CA

#### Features:

- Industrial
- **\$11.88/SF/year**
- **3,503 SF** total space
  - » *3,300 SF warehouse space*
  - » *200 SF office space*
  - » *18' warehouse clearance*
- One ground-level door
- **0.6 miles** from HomeAid Family Care Center

# AVAILABLE COMPS

Comparable sites available at the time of the TAP's research are provided in this section.



## OPTION 1B: PURCHASE SITES



**304 N. TOWNSEND STREET  
UNITS G/H  
SANTA ANA, CA**

### Features:

- Industrial
- **\$901,250 (\$175/SF)**
- **5,150 SF** total space
  - » *3,600 SF warehouse space*
  - » *1,550 SF office space*
  - » *21' warehouse clearance*
- Three ground-level doors
- **6 miles** from HomeAid Family Care Center



**745 W. TAFT AVENUE  
ORANGE, CA**

### Features:

- Industrial
- **\$1,285,000 (\$268/SF)**
- **4,788 SF** total space
  - » *3,188 SF warehouse space*
  - » *1,600 SF office space*
  - » *16' warehouse clearance*
- One ground-level door
- **0.9 miles** from HomeAid Family Care Center



1101 W. Struck Avenue | Orange, CA

**OPTION 2:  
10,000 SF  
FACILITY**

***A 10,000 SF facility enables HomeAid to plan for future growth and expand operations.***

Given HomeAid's plan for future growth, the TAP evaluated the original subject property on Struck Avenue to determine total diaper storage for a 10,000 SF facility—the current industry standard. The property is approximately 75% warehouse space and 25% office space.

The space needs renovations to meet current code standards. To determine these renovations, the building would need to be split into two occupancies—'S' for the storage/warehouse space and 'B' for the office space. A fire separation is required between the two spaces. 'B' occupancy also requires a fire suppression system. The hallway to the offices should be reconfigured to allow a continuous path from the lobby through the rear exit, meeting egress requirements by creating two paths. This eliminates the current dead end corridor and provides a direct route from the Family Care Center into the building.

The restrooms require a remodel to meet California Accessibility Standards. Per the attached layout space, it is feasible to keep the plumbing in the current locations and remodel the existing walls to meet the spacing requirements. Once these improvements are complete the facility will provide the following:

- 6,780 SF of diaper storage and sorting space
- 773 SF of additional item storage with shelving
- 753 SF of miscellaneous storage space or office space (possible counseling center for Family Care Center)
- 284 SF of lobby/entrance space
- 11 parking spaces surrounding the facility
- Three accessible restrooms
- Three offices of just over 100 SF each
- One janitorial closet



*The below layout leaves enough space for two 15' open aisles to the delivery truck doors and 10 sorting tables.*

## FLOOR PLAN

Focusing on the 6,780 SF of warehouse space with our current layout, HomeAid can comfortably fit 1.2 million diapers with extra room for sorting and additional item storage.

This layout consists of:

- 100 pallets double-stacked
  - » 200 pallets total
  - » approximately 1,000,000 diapers evenly split between sizes one through six
- 52 pallets single-stacked
  - » approximately 245,000 diapers evenly split between sizes one through six



If an accurate pallet racking system is installed that maximizes the storage capabilities of the space, the TAP estimates that it will be possible to store up to three-million diapers in 10,000 SF.

## TENANT IMPROVEMENTS

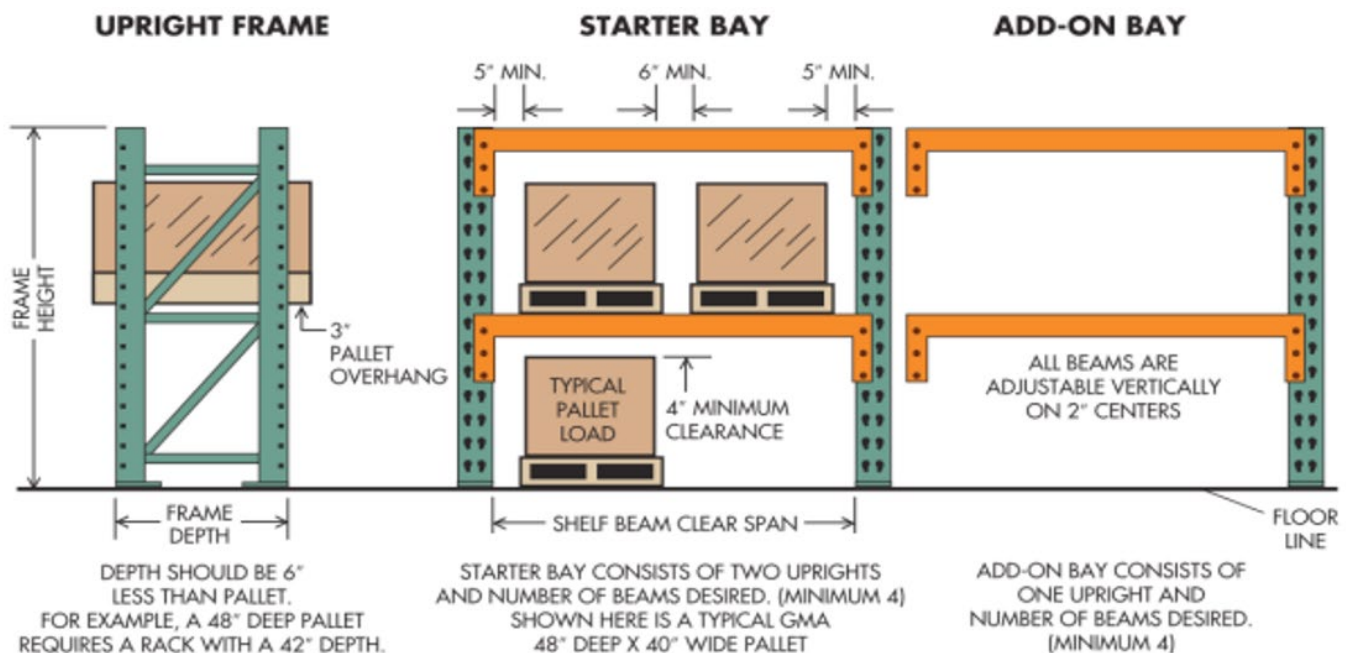
The below table breaks down the estimated tenant improvements for a 10,000 SF facility.

Item	Unit cost	Estimated total
Refurbish Lobby	\$30/LF	\$8,520
Refurbish Offices/ Counseling Center	\$10/SF	\$11,450
Refurbish Restroom	\$450/SF	\$94,500
Pallet Rack	\$100/LF	\$19,000
Additional Storage	\$2.50/SF	\$1,883
Used Stacker Forklifts	\$3,500 EA	\$7,000
Soft Costs & Contingency		\$29,450
<b>Total</b>		<b>\$159,700</b>

## OPERATIONAL RECOMMENDATIONS

The 10,000 SF facility is the market standard for a high-volume diaper bank. Promoting organized growth, the flexible design concept presented best meets HomeAid's current and future storage needs.

To maximize storage capacity, the TAP recommends that diapers are double-stacked on pallets against the walls. Single racks (pictured above) in the middle of the warehouse can be used to provide easy access to all diaper sizes and other items. This would allow HomeAid to host regular distribution days to partner agencies. Additionally, HomeAid would also be able to accept year-round diaper donations, as this facility has adequate storage capacity.



*Pallet rack dimensions used to determine warehouse layout options*

## Inventory Management

To effectively manage donations and diaper bank inventory, HomeAid should consider adopting software to automate the process and streamline management. To facilitate inventory management, two systems were considered—Finale and Diaper Base—and are outlined below.

### Finale Inventory Management

Finale Inventory is a multi-channel inventory management system used by the Los Angeles Diaper Bank to efficiently manage donations and distributions. Finale is an online, cloud based inventory control software with several pricing options depending on the size of inventory, number of users and number of locations. Finale offers several pricing systems, is a month to month service. There are no long-term commitments required or set up fees.

Finale provides central inventory tracking and barcode system capabilities. This system allows to leverage existing universal product codes (UPC) codes to simplify the set up. Thus, when donations are received, volunteers can scan any existing UPC code. If donations do not have a UPC code, Finale can generate custom barcodes.

In addition, Finale offers centralized purchasing and replenishment features that could be modified to fit the needs of HomeAid. Finale can conduct advanced restock forecasting capability using product sales velocity data. While HomeAid will not be conducting sales, donations and distributions would be tracked using the same forecasting capability. This software would assist HomeAid in identifying the diaper size or other items that are in high demands, and tailor donation requests as such. More details regarding the software can be found here: <https://www.finaleinventory.com/>

### Diaper Base

The Portland Diaper Bank partnered with Ruby For Good in 2016, an origination that matches nonprofits with programmers to create applications that assist in improving operations. The application created, Diaper Base, is built to address the specific needs of Diaper Banks: maintain inventory, receive donations and other means of diaper intake (and related supplies), and issue distributions to community partner organizations. The application specifically offers these features:

- Report generation: Generate PDFs of partner distribution invoices for easy printing and sending.
- Barcode scanning: Quickly add or remove inventory with the scan of a barcode. The adjusting and transferring of inventory is also supported, as well as creating your own barcodes.
- Inventory management: Easily keep track of the items in your inventory regardless of their storage location.
- Dashboard visualization: Quickly view your inventory, donations, purchases and distributions on a single page.

The application aims to serve operation needs specific to diaper banks and would require the purchase of Bluetooth scanners and scales available via Amazon. Diaper Base will be offered free to users and anticipates fundraising to offset software maintenance expenses. The goal is to make a great automated application system, regardless of capacity to pay for the service.

The system is currently in the beta trial period with five diaper banks across the Country, and will soon be available for general use. More details regarding the software can be found here: <https://diaperbase.org/>

The TAP recommends that HomeAid test several inventory management systems on a trial basis before committing to one, particularly if it is a paid service. It is also highly recommended to employ a bar code scanning system, to save time and energy while inventorying items. It is more efficient to scan in bar codes than typing them out manually, and a computer-based system will have a smaller margin for error.



# AVAILABLE COMPS

Comparable sites available at the time of the TAP's research are provided in this section.



## OPTION 2A: LEASE SITES



### 835 N CYPRESS STREET ORANGE, CA

#### Features:

- Industrial
- **\$13.20/ig**
- **10,080 SF** total space
  - » *8,680 SF warehouse space*
  - » *1,400 SF office space*
  - » *16' warehouse clearance*
- Four ground-level doors
- **0.7 miles** from HomeAid Family Care Center



### 1550 S LEWIS STREET ANAHEIM, CA

#### Features:

- Industrial
- **\$12.60/ig**
- **9,306 SF** total space
  - » *7,826 SF warehouse space*
  - » *1,480 SF office space*
  - » *16' warehouse clearance*
- One ground-level door
- **2.5 miles** from HomeAid Family Care Center



# AVAILABLE COMPS

Comparable sites available at the time of the TAP's research are provided in this section.



## OPTION 2B: PURCHASE SITES



**528 BRIARDALE AVENUE  
ORANGE, CA**

### Features:

- Industrial
- **\$2,618,880 (\$240/SF)**
- **10,912 SF** total space
  - » *9,412 SF warehouse space*
  - » *1,500 SF office space*
  - » *15' warehouse clearance*
- One ground-level door
- **1.2 miles** from HomeAid Family Care Center



**845 N. ELM STREET  
ORANGE, CA**

### Features:

- Industrial
- **\$2,936,430 (\$210/SF)**
- **13,983 SF** total space
  - » *11,532 SF warehouse space*
  - » *2,451 SF office space*
  - » *16' warehouse clearance*
- Two ground-level doors
- **0.7 miles** from HomeAid Family Care Center



ULI YLG TAP

Recommendations





***Recommendation: Hybrid Option—Purchase a 10,000 SF building and lease out the portion of the building that is currently excess, reserving it for HomeAid’s future growth.***

## **THE HYBRID OPTION**

The TAP decided a Hybrid Option would allow for HomeAid to keep ongoing costs to a minimum while investing for future growth. The TAP recommends HomeAid purchase a 10,000 SF building, use a portion of the building for its current diaper bank needs, and lease out the unused portion of the building until HomeAid needs more space to expand its diaper bank operations.

## **BENEFITS**

Owning real estate provides permanence for HomeAid Orange County’s operations and locks in the cost of real estate allowing HomeAid to avoid future rent increases and continue building its balance sheet. It also provides flexibility to lease out the extra space for ancillary income, allowing for future growth. With a permanent facility, there is no need to relocate after the lease term expires. When HomeAid is ready to expand its operations, it will own the space to do so.

## **COST COMPARISON**

We have compared the ten-year cost of five different building options for HomeAid:

- Buying 3,500 SF
- Leasing 3,500 SF
- Buying 10,000 SF
- Leasing 10,000 SF
- Buying 10,000 SF and leasing out the unused space

**DID YOU KNOW?****\$11k**

Average annual pay for bottom 20% of income spectrum

**\$100**

Average monthly cost of diapers, per baby

**1/3**

Families reports needing diapers

The TAP compared the initial capital costs, ongoing expenses, and terminal values (for purchase options only) for each of the four proposals, detailed in the table below. The terminal TAP applied a simple 3% long term growth rate to the value of the asset and did not consider potential lease rates, exit cap rates, or traditional underwriting to value the asset after ten years. Since any ownership structure Home Aid will consider will be non-taxable and investors expect no return of or on capital, the TAP sought the lowest net nominal cost for the project.

Options	3,500 SF		10,000 SF		Buy/
	Buy	Lease	Buy	Lease	Lease Out
<b>Initial Costs</b>					
Purchase Price	\$ (850,000)	\$ -	\$ (2,420,000)	\$ -	\$ (2,420,000)
Tenant Improvements	(39,110)	(39,110)	(176,720)	(176,720)	(176,720)
Total Initial Costs	\$ (889,110)	\$ (39,110)	\$ (2,596,720)	\$ (176,720)	\$ (2,596,720)
<b>Annual Ongoing Costs/Revenue<sup>1</sup></b>					
Annual Rent/Taxes	(10,364)	(47,025)	(28,187)	(134,357)	(28,187)
Annual Rent Revenue <sup>2</sup>	-	-	-	-	40,445
Total Annual (Costs)/Revenue	\$ (10,364)	\$ (47,025)	\$ (28,187)	\$ (134,357)	\$ 12,258
<b>Total Value</b>					
Asset Value @ Year 10 <sup>3</sup>	1,140,000	-	3,260,000	-	3,260,000
10 Year Costs (Initial + Annual Costs)	(992,747)	(509,358)	(2,878,590)	(1,520,287)	(2,474,140)
<b>Net Asset (Cost)/Gain</b>	<b>\$ 147,253</b>	<b>\$ (509,358)</b>	<b>\$ 381,410</b>	<b>\$ (1,520,287)</b>	<b>\$ 785,860</b>

<sup>1</sup> Annual average over 10 years<sup>2</sup> Assumes rental revenue for 5 years<sup>3</sup> Assumes annual appreciation of 3%





What could  
it look like?





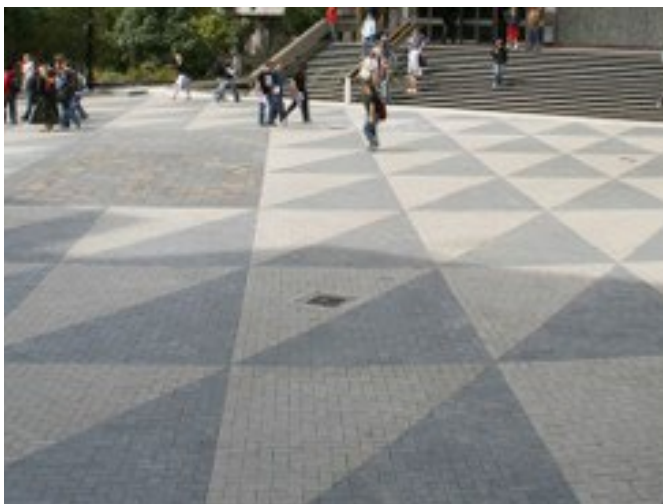
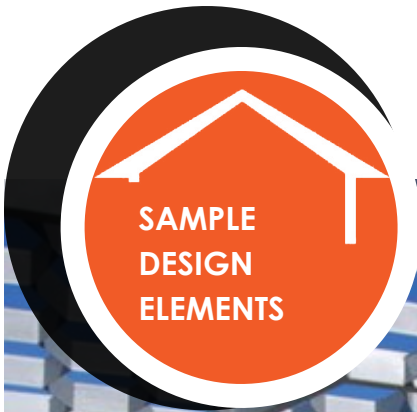
## SITE RECOMMENDATIONS

The proximity of the two facilities—the Family Care Center and the adjacent property as a possible storage facility—presents opportunities for exterior space renovations. The shared courtyard space between the two buildings could possibly be used as a fun outdoor space for the kids and families staying in the Family Care Center. Although the site is limited with its parking capabilities, and will need the space to allow for parking during business hours, there are moderate adjustments that can take place to create a comfortable outdoor space.

With two industrial spaces it is important to maintain the functionality of the outdoor space and the low maintenance of that space, but can also be a great place to implement creative solutions that encourages people to spend time outdoors and interact with one another.

## Suggested Exterior improvements

- Exterior paving that can still be driven on by a car but also distinguishes a difference between the typical street and the courtyard space can promote people gathering here. If light colored materials are used it will lessen the height transfer and be easier for children to play on.
- An industrial shade structure, primarily metal/aluminum will provide shade for the space but will also be durable, and tall enough to allow delivery trucks to pass through.
- Landscaping and a low wall made of wood to match the family care center will create continuity between the two buildings.







*Caption*





Caption





# Resources and Acknowledgments

*National Diaper Bank Network*

*L.A. Diaper Bank*

*Honest Company Donation*

*Arizona Diaper Bank*

*Lewis Group of Companies*

