



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: SAN DIEGO HOUSING COMMISSION

From: KEYSER MARSTON ASSOCIATES, INC.

Date: October 9, 2019

Subject: Updated Proposed Amendments to the San Diego Inclusionary Affordable Housing Ordinance – Addendum to Economic Feasibility Analysis

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I. OBJECTIVE

San Diego Housing Commission (SDHC) has requested that Keyser Marston Associates, Inc. (KMA) update portions of our Inclusionary Affordable Housing Ordinance Economic Feasibility Analysis dated June 27, 2019.

As background, KMA prepared the economic feasibility analysis in support of proposed Amendments to the City of San Diego's (City's) Inclusionary Affordable Housing Ordinance. The KMA economic feasibility analysis was undertaken to: (1) determine if the proposed inclusionary housing ordinance unduly constrains the production of housing; and (2) evaluate the financial feasibility of residential development with the affordable housing requirements in the proposed Amendments. The KMA economic feasibility analysis found that the proposed Amendments to the Ordinance – in combination with the proposed phase-in, incentives for on-site development, and range of alternatives – is economically feasible.

The City Council acted on July 30, 2019 and September 17, 2019 to approve the proposed Amendments to the Ordinance, with several modifications. One of the modifications replaced the three-year phase-in of the inclusionary requirements with a four-year phase-in.

At present, KMA understands that the City Council President's office is considering two further adjustments to the Council-approved Amendments, as follows:

- The 10% @ 50% of Area Median Income (AMI) requirement for rental housing would be replaced with 10% @ 60% AMI
- The stabilized year Inclusionary Housing In-lieu fee of \$22 per square foot (SF) of building area would be replaced with \$25 per SF

The four-year phase-in, combined with the new proposed in-lieu fee level, are illustrated in Table 1 below.

Table 1: Council-Approved Four-Year Phase-In of Inclusionary Requirements			
	Fee @ \$25/SF ⁽¹⁾	10% Set-aside Obligation	15% Set-aside Obligation
Year 1	\$12.73/SF ⁽²⁾	2.50%	3.75%
Year 2	\$16.82/sf	5.00%	7.50%
Year 3	\$20.91/SF	7.50%	11.25%
Year 4	\$25.00/SF	10.00%	15.00%
(1) Current proposal under consideration by the City Council President's office.			
(2) Existing Inclusionary Affordable Housing Fee as of July 2019.			

In light of the above, SDHC requested that KMA update our economic feasibility analysis to reflect both the Council modifications and the adjustments under consideration by the Council President's office (collectively, Updated Proposal). In responding to this request, KMA has modified only the relevant technical tables and exhibits from our June 27, 2019 final report.

II. UPDATED ECONOMIC FEASIBILITY ANALYSIS – KEY FINDINGS

Estimated Impacts of Inclusionary Requirements

Updated Exhibits A-H, attached, summarize the estimated impact of the Updated Proposal for each of the eight (8) development prototypes. For ease of reference, KMA notes that these updated exhibits can be compared to the corresponding exhibits in the June 2019 report, which appeared on pages 21-28. The updated exhibits present four measures of economic impact:

- Change in residual land value
- Change in market value at completion
- Change in developer return/profit
- Change in market-rate rent or price needed to offset the economic impact of the inclusionary requirement

The economic feasibility analysis expresses the feasibility outcomes of each inclusionary scenario using each of the four metrics. It is important to view development returns and feasibility as a continuum of outcomes, as opposed to hard and fast thresholds. This is particularly true when analyzing the economic feasibility of conceptual development prototypes, as opposed to specific development proposals.

The KMA updated estimates of economic impact of the Updated Proposal inclusionary requirements yield the same conclusions as found in the June 2019 report: for each development prototype, there exist one or more alternative methods of compliance that demonstrate a nominal to minor impact on project economics, as measured against one or more of the four metrics.

It is important to note that the June 2019 report compared the proposed inclusionary requirements against base case scenarios where market-rate developers would pay the then effective Inclusionary Affordable Housing Fee (IAHF) of \$10.82 per SF of gross building area. On July 1, 2019, the FY 2020 IAHF of \$12.73 per SF took effect. For purposes of this feasibility analysis of the Updated Proposal, KMA has not modified the financial parameters of the prior base case scenarios. In other words, the economic impacts measured in this updated analysis compare the inclusionary requirements of the Updated Proposal with conditions that were in effect prior to June 30, 2019. This simplification has the effect of overstating the economic impacts of the Updated Proposal.

Anticipated Method of Compliance – Rental Housing

Updated Exhibit III-5, below, presents the top three (3) anticipated methods of compliance for the rental development prototypes. For comparison purposes, the original exhibit appeared on page 15 of the June 2019 report.

The Updated Proposal offers developers a menu of options to comply with the inclusionary requirement, including payment of an in-lieu fee, building on-site, or building off-site. For each development prototype, KMA assessed the financial pro forma outcomes to determine which method of compliance developers would be most likely to use once the full requirement is effective, i.e., after July 1, 2023. KMA ranked the most likely (top three) methods of compliance for each rental prototype (in order of preference), as shown in Updated Exhibit III-5 below. For rental developments, KMA used the Return on Investment (ROI) metric, i.e., stabilized annual net operating income divided by total development costs. KMA estimated typical base case ROI targets in the range of 5.0% to 6.0% range.

Exhibit III-5: Anticipated Method of Compliance – Rental Prototypes Based on Estimated Impact to Developer Return ⁽¹⁾				
	Prototype A	Prototype B	Prototype C	Prototype D
	Garden Apartments	Stacked Flats over Tuck-under Parking	Stacked Flats over Podium	High-Rise with Subterranean Parking
<i>Base Case ROI ⁽²⁾</i>	5.8%	5.3%	5.0%	5.5%
Method of Compliance #1	Build Off-Site 10% @ 60% AMI	Build Off-Site 10% @ 60% AMI	Build Off-Site 10% @ 60% AMI	Build On-Site ⁽⁴⁾ w/Density Bonus 10% @ 50% AMI
<i>Change in ROI ⁽³⁾</i>	-0.05%	-0.05%	-0.04%	0.05% ⁽⁵⁾
Method of Compliance #2	Build On-Site without Density Bonus 10% @ 60% AMI	Build On-Site with 100% Density Bonus 10% @ 60% AMI	Pay In-Lieu Fee Year 4 @ \$25/SF	Build On-Site w/Density Bonus 10% @ 60% AMI
<i>Change in ROI ⁽³⁾</i>	-0.13%	-0.13%	-0.13%	0.01% ⁽⁵⁾
Method of Compliance #3	Pay In-Lieu Fee Year 4 @ \$25/SF	Pay In-Lieu Fee Year 4 @ \$25/SF	Build On-Site ⁽⁴⁾ w/Density Bonus 10% @ 50% AMI	Build Off-Site 10% @ 60% AMI
<i>Change in ROI ⁽³⁾</i>	-0.22%	-0.15%	-0.16%	-0.05%
<p>(1) Estimated impact on ROI assuming base case land value (without density bonus) held constant.</p> <p>(2) Base Case ROI assumes payment of the FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.</p> <p>(3) Reflects absolute change in ROI (e.g., base case ROI @ 5.5% - 0.1% change in ROI = 5.4% ROI).</p> <p>(4) Assumes developer will restrict units at 10% at 50% AMI in order to obtain greater density bonus.</p> <p>(5) Positive changes in ROI reflect beneficial impact of application of affordable housing density bonus.</p>				

As shown in the exhibit, the top three methods of compliance for these rental prototypes demonstrate relatively minor impacts on developer return. The magnitude of economic impacts from these top three methods is comparable to, or in fact lesser than, the impacts previously found in the June 2019 study. KMA notes that for two of the prototypes (C and D), developers including affordable units on-site are likely to restrict 10% of their units at 50% AMI in order to obtain a higher density bonus than would be available for 10% at 60% AMI.

Anticipated Method of Compliance - For-Sale Housing

Updated Exhibit III-6, below, presents the top three (3) anticipated methods of compliance for the for-sale development prototypes. For comparison purposes, the original exhibit appeared on page 17 of the June 2019 report.

For for-sale developments, KMA used a developer profit metric defined as percent of sales revenue. KMA estimated typical base case developer profit targets ranging from 8% to 10% for single-family detached homes to 12% to 15% for stacked flat condominiums. For purposes of this comparative feasibility analysis, KMA assumed that market-rate developers of for-sale housing who choose off-site compliance would meet their inclusionary obligation through the development of off-site affordable rental housing.

Exhibit III-6: Anticipated Method of Compliance – For-Sale Prototypes Based on Estimated Impact to Developer Profit⁽¹⁾				
	Prototype E	Prototype F	Prototype G	Prototype H
	Single-Family Detached	Townhomes	Small Lot Townhomes	Stacked Flats over Podium
<i>Base Case Profit⁽²⁾</i>	9.7%	8.8%	11.8%	13.6%
Method of Compliance #1	Build Off-Site 10% @ 60% AMI	Build Off-Site 10% @ 60% AMI	Build On-Site w/Density Bonus 15% @ 120% AMI	Build Off-Site 10% @ 60% AMI
<i>Change in Profit⁽³⁾</i>	2.05% ⁽⁴⁾	0.56% ⁽⁴⁾	0.82% ⁽⁵⁾	0.12% ⁽⁴⁾
Method of Compliance #2	Build On-Site w/Density Bonus 15% @ 120% AMI	Build On-Site w/o Density Bonus 10% @ 100% AMI	Build Off-Site 10% @ 60% AMI	Pay In-Lieu Fee Year 4 @ \$25/SF
<i>Change in Profit⁽³⁾</i>	-0.15%	-2.91%	0.39% ⁽⁴⁾	-2.29%
Method of Compliance #3	Build On-Site w/Density Bonus 10% @ 100% AMI	Pay In-Lieu Fee Year 4 @ \$25/SF	Pay In-Lieu Fee Year 4 @ \$25/SF	Build On-Site w/o Density Bonus 10% @ 100% AMI
<i>Change in Profit⁽³⁾</i>	-1.27%	-2.99%	-2.70%	-4.52%
<p>(1) Estimated impact on developer profit assuming base case (without density bonus) land value held constant.</p> <p>(2) Base Case developer profit assumes payment of the FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.</p> <p>(3) Reflects absolute change in developer profit (e.g., base case profit @ 10.0% - 1.0% change in profit = 9.0% profit).</p> <p>(4) Positive change in developer profit reflects the benefit of for-sale developer choosing the off-site requirement.</p> <p>(5) Positive change in developer profit reflects beneficial impact of application of affordable housing density bonus.</p>				

As shown in the exhibit, the top three methods of compliance for these for-sale prototypes demonstrate relatively minor impacts on developer return. The magnitude of economic impacts from these top three methods is comparable to the KMA findings in the June 2019 study.

Economic Feasibility of Updated Proposal

Based on feasibility analysis of the Updated Proposal inclusionary requirements, it is the KMA conclusion that the Updated Proposal is economically feasible and will not unduly constrain the production of housing. KMA found the projected impacts of alternative methods of compliance on developer financial pro formas, as measured against one or more economic metrics, to be low. The Updated Proposal offers developers a menu of options to comply with the requirement, including the in-lieu fee and building off-site. Some developments can partially, or even fully, offset the economic burden of the inclusionary requirements through an affordable housing density bonus.

For any new or increased requirement, a period of adjustment may be needed for the development marketplace to adjust to the new requirements. Specifically, developers and landowners will need to consider how to incorporate the new requirements and evaluate the alternative means of compliance available. The Updated Proposal would phase in both the set-aside requirement and the in-lieu fee. The in-lieu fee would be maintained at a level consistent with the current adopted policy for the first fiscal year with increases implemented in years two, three, and four. The affordable housing set-aside requirements would phase in equal one-quarter increments over four years, with the program fully vested starting July 1, 2023. Given the proposed phase-in, the Updated Proposal allows time for the development market to adjust and incorporate the modified requirement.

EXHIBIT A

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Rent
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in ROI ⁽³⁾	Change in Rent Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-17.7%		-0.22%	\$0.09/SF/Mo. \$78/Unit/Mo.
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	-4.1%		-0.05%	\$0.02/SF/Mo. \$18/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 60% AMI	-9.9%	-5.4%	-0.13%	\$0.11/SF/Mo. \$92/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI ⁽⁷⁾	-55.5%	22.4%	-0.52%	\$0.39/SF/Mo. \$309/Unit/Mo.
	10% @ 60% AMI	-63.4%	10.0%	-0.65%	\$0.41/SF/Mo. \$323/Unit/Mo.

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Estimated impact based on an income approach to value assuming a capitalization rate of 4.5%.
- (3) Estimated impact on ROI assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market rent needed to offset economic impact.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.
- (7) Assumes developer will restrict units at 10% at 50% AMI in order to obtain greater density bonus.

EXHIBIT B

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Rent
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in ROI ⁽³⁾	Change in Rent Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-12.2%		-0.15%	\$0.08/SF/Mo. \$60/Unit/Mo.
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	-4.2%		-0.05%	\$0.03/SF/Mo. \$22/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 60% AMI	-29.7%	-9.6%	-0.38%	\$0.26/SF/Mo. \$202/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI ⁽⁷⁾	-79.3%	20.9%	-0.72%	\$0.62/SF/Mo. \$465/Unit/Mo.
	10% @ 60% AMI	-82.3%	14.5%	-0.77%	\$0.63/SF/Mo. \$475/Unit/Mo.
Build On-Site with 100% Density Bonus	10% @ 50% AMI ⁽⁷⁾	-22.6%	57.8%	-0.17%	\$0.55/SF/Mo. \$331/Unit/Mo.
	10% @ 60% AMI	17.4%	59.0%	-0.13%	\$0.53/SF/Mo. \$321/Unit/Mo.

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Estimated impact based on an income approach to value assuming a capitalization rate of 4.5%.
- (3) Estimated impact on ROI assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market rent needed to offset economic impact.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.
- (7) Assumes developer will restrict units at 10% at 50% AMI in order to obtain greater density bonus.

EXHIBIT C

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Rent
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in ROI ⁽³⁾	Change in Rent Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-16.1%		-0.13%	\$0.08/SF/Mo. \$62/Unit/Mo.
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	-5.2%		-0.04%	\$0.03/SF/Mo. \$21/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 60% AMI	-26.7%	-6.7%	-0.22%	\$0.17/SF/Mo. \$134/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI ⁽⁷⁾	-24.6%	21.9%	-0.16%	\$0.26/SF/Mo. \$186/Unit/Mo.
	10% @ 60% AMI	-31.4%	10.4%	-0.22%	\$0.20/SF/Mo. \$143/Unit/Mo.

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Estimated impact based on an income approach to value assuming a capitalization rate of 4.5%.
- (3) Estimated impact on ROI assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market rent needed to offset economic impact.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.
- (7) Assumes developer will restrict units at 10% at 50% AMI in order to obtain greater density bonus.

EXHIBIT D

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾

INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS

SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Rent
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in ROI ⁽³⁾	Change in Rent Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-19.5%		-0.12%	\$0.09/SF/Mo. \$62/Unit/Mo.
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	-8.5%		-0.05%	\$0.04/SF/Mo. \$28/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 60% AMI	-36.5%	-6.7%	-0.23%	\$0.20/SF/Mo. \$145/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI ⁽⁷⁾	10.7%	24.7%	0.05%	\$0.12/SF/Mo. \$81/Unit/Mo.
	10% @ 60% AMI	1.3%	13.1%	0.01%	\$0.12/SF/Mo. \$82/Unit/Mo.

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

(2) Estimated impact based on an income approach to value assuming a capitalization rate of 4.5%.

(3) Estimated impact on ROI assuming base case (without density bonus) land value held constant.

(4) Reflects increase in fair market rent needed to offset economic impact.

(5) Does not assume the payment of prevailing wages.

(6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.

(7) Assumes developer will restrict units at 10% at 50% AMI in order to obtain greater density bonus.

EXHIBIT E

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Price
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in Profit ⁽³⁾	Change in Price Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-30.0%		-4.75%	\$19/SF \$48,800/Unit
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	12.9%		2.05%	\$0/SF \$0/Unit
Build On-Site w/o Density Bonus	10% @ 100% AMI	-7.5%	-6.2%	-1.79%	\$18/SF \$48,100/Unit
	15% @ 120% AMI	-11.6%	-6.8%	-2.51%	\$22/SF \$57,400/Unit
Build On-Site with Density Bonus	10% @ 100% AMI	-6.0%	-3.3%	-1.27%	\$25/SF \$53,900/Unit
	15% @ 120% AMI	-1.3%	0.6%	-0.15%	\$25/SF \$55,100/Unit

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Reflects estimated impact to gross sales proceeds.
- (3) Estimated impact on developer profit assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market price needed to offset economic impact. Base case pro forma assumes current in-lieu fee of \$10.82 per SF GLA.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.

EXHIBIT F

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Price
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in Profit ⁽³⁾	Change in Price Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-10.7%		-2.99%	\$18/SF \$27,700/Unit
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	2.0%		0.56%	\$0/SF \$0/Unit
Build On-Site w/o Density Bonus	10% @ 100% AMI	-8.6%	-5.7%	-2.91%	\$27/SF \$41,400/Unit
	15% @ 120% AMI	-10.3%	-6.4%	-3.44%	\$32/SF \$48,900/Unit
Build On-Site with Density Bonus	10% @ 100% AMI	-19.8%	-5.9%	-6.06%	\$54/SF \$69,700/Unit
	15% @ 120% AMI	-16.4%	-1.9%	-4.76%	\$65/SF \$84,400/Unit

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

(2) Reflects estimated impact to gross sales proceeds.

(3) Estimated impact on developer profit assuming base case (without density bonus) land value held constant.

(4) Reflects increase in fair market price needed to offset economic impact.

(5) Does not assume the payment of prevailing wages.

(6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.

EXHIBIT G

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Price
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in Profit ⁽³⁾	Change in Price Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-14.5%		-2.70%	\$18/SF \$25,700/Unit
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	2.1%		0.39%	\$0/SF \$0/Unit
Build On-Site w/o Density Bonus	10% @ 100% AMI	-29.9%	-9.7%	-6.72%	\$37/SF \$51,000/Unit
	15% @ 120% AMI	-20.8%	-7.6%	-4.78%	\$27/SF \$37,800/Unit
Build On-Site with Density Bonus	10% @ 100% AMI	-17.7%	-5.6%	-3.96%	\$55/SF \$66,100/Unit
	15% @ 120% AMI	1.2%	5.1%	0.82%	\$38/SF \$46,100/Unit

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Reflects estimated impact to gross sales proceeds.
- (3) Estimated impact on developer profit assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market price needed to offset economic impact.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.

EXHIBIT H

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS ⁽¹⁾
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		A	B	C	D
		Residual Land Value	Market Value Upon Completion	Developer Return	Market Price
		% Change in Land Value	% Change in Market Value ⁽²⁾	Change in Profit ⁽³⁾	Change in Price Needed to Offset Economic Impact ⁽⁴⁾
Inclusionary Requirement for Projects with 9 Units or Fewer		No Obligation	No Obligation	No Obligation	No Obligation
Inclusionary Requirement for Projects with 10 Units or Greater ⁽⁵⁾					
Pay In-Lieu Fee	Year 4: \$25.00/SF	-19.4%		-2.29%	\$20/SF \$24,700/Unit
Build Off-Site ⁽⁶⁾	10% @ 60% AMI	1.0%		0.12%	\$0/SF \$0/Unit
Build On-Site w/o Density Bonus	10% @ 100% AMI	-30.3%	-6.9%	-4.52%	\$29/SF \$36,000/Unit
	15% @ 120% AMI	-36.2%	-7.8%	-5.34%	\$37/SF \$45,000/Unit
Build On-Site with Density Bonus	10% @ 100% AMI	-34.3%	-6.9%	-6.06%	\$61/SF \$61,100/Unit
	15% @ 120% AMI	-31.0%	-10.5%	-5.09%	\$63/SF \$63,400/Unit

- (1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.
- (2) Reflects estimated impact to gross sales proceeds.
- (3) Estimated impact on developer profit assuming base case (without density bonus) land value held constant.
- (4) Reflects increase in fair market price needed to offset economic impact.
- (5) Does not assume the payment of prevailing wages.
- (6) Assumes inclusionary units are built within same community planning area, City Council District, or within one mile of the premises of the developer's new market-rate development.

III. METHODOLOGY

Updated Technical Exhibits

In updating the economic feasibility analysis to address the Updated Proposal, KMA revised the following exhibits from the June 2019 report.

<i>Page # in June 2019 Report</i>	<i>Exhibit # in June 2019 Report</i>	<i>Exhibit Name</i>
p. 30	Exhibit IV-3	Affordable Rent Calculation
p. 32	Exhibit IV-4	Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes, Residual Land Value
p.32	Exhibit IV-5	Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes, Developer Return

These three updated exhibits are presented below.

Exhibit IV-3: Affordable Rent Calculations – 60% AMI		
	One Bedroom	Two Bedroom
Maximum Monthly Cost	\$1,284	\$1,445
(Less) Monthly Utility Allowance	<u>(\$63)</u>	<u>(\$83)</u>
Affordable Rent	\$1,221	\$1,362

Exhibit IV-4: Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes Residual Land Value				
		<i>Base Case Residual Land Value</i>	without Density Bonus	with Density Bonus
			10% @ 60% AMI	10% @ 60% AMI
Prototype A	Garden Apartments	\$40/SF	\$36/SF	\$15/SF
Prototype B	Stacked Flats with Tuck-under Parking	\$110/SF	\$78/SF	\$20/SF
Prototype B	Stacked Flats with Tuck-under Parking - 100% Density Bonus	\$110/SF	---	\$91/SF

Exhibit IV-4: Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes				
Residual Land Value				
		Base Case Residual Land Value	without Density Bonus	with Density Bonus
			10% @ 60% AMI	10% @ 60% AMI
Prototype C	Stacked Flats over Podium Parking	\$175/SF	\$128/SF	\$120/SF
Prototype D	High-Rise with Subterranean Parking	\$350/SF	\$222/SF	\$355/SF ⁽¹⁾
(1) Reflects increase in residual land value resulting from increased density.				

Exhibit IV-5: Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes				
Developer Return				
		Base Case Developer Return	without Density Bonus	with Density Bonus
			10% @ 60% AMI	10% @ 60% AMI
Prototype A	Garden Apartments	5.8%	5.7%	5.2%
Prototype B	Stacked Flats with Tuck-under Parking	5.3%	5.0%	4.6%
Prototype B	Stacked Flats with Tuck-under Parking – 100% Density Bonus	5.3%	---	5.2%
Prototype C	Stacked Flats over Podium Parking	5.0%	4.8%	4.8%
Prototype D	High-Rise with Subterranean Parking	5.5%	5.3%	5.5%

Updated Technical Appendices

The following updated KMA technical analyses are attached to this memorandum.

<i>Page # in June 2019 Report</i>	<i>Appendix/Attachment Number in June 2019 Report</i>	<i>Appendix/Attachment Name</i>
p. 45-81	Appendix 1	Rental Development Prototypes Technical Analysis
p. 116-120	Attachment I	Off-Site Rental Gap
p. 127-135	Attachment K	Impact of Proposed In-Lieu Fee
p. 136-144	Attachment L	Impact of Proposed Off-Site Compliance
p. 146	Attachment M	Estimate of Affordable Rents

IV. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

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6. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.
7. KMA is not advising or recommending any action be taken by the San Diego Housing Commission and/or City of San Diego with respect to any prospective, new or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms and other similar matters concerning such financial products or issues).
8. KMA is not acting as a Municipal Advisor to the San Diego Housing Commission and/or City of San Diego and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the San Diego Housing Commission or City of San Diego pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.
9. The San Diego Housing Commission and/or City of San Diego shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own municipal advisors, that it deems appropriate before acting on the information and material.

attachments

UPDATED PROPOSAL

APPENDIX 1

**RENTAL DEVELOPMENT PROTOTYPES
TECHNICAL ANALYSIS**

UPDATED PROPOSAL

ATTACHMENT A.1

Garden Apartments without Density Bonus Rental

TABLE A-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Garden Apartments			
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area		2.00 Acres	2.00 Acres
B. Base Case Zoning Classification		24.9 Units/Acre	24.9 Units/Acre
C. Number of Units (1)		50 Units	50 Units
D. Inclusionary Set-aside		0%	10% Low
E. Affordable Units (2)		0 Unit	5 Units
II. Density Bonus			
A. Density Bonus			0.0%
B. Density with Bonus			25.0 Units/Acre
C. Number of Units with Density Bonus			50 Units
D. Parking Spaces (3)		2.00 Spaces/Unit 100 Spaces	2.00 Spaces/Unit 96 Spaces
III. Affordability Mix			
A. Low - 60% AMI		0 Units 0%	5 Units 10%
B. Market-Rate		50 Units 100%	45 Units 90%
C. Total		50 Units 100%	50 Units 100%
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month		\$0	\$78,000
B. Market-Rate Units @ \$2,393 /Month (4)		\$1,436,000	\$1,292,000
C. Total Annual Rental Income Per Unit		\$1,436,000 \$28,700	\$1,370,000 \$27,400

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

(4) Market rent based on average unit size of 870 SF at \$2.75/SF.

TABLE A-2

**ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Garden Apartments					
100% Market-Rate Base Case w/o Density Bonus			10% @ 60% AMI Low		
I. Project Description					
Site Area	2.00 Acres		2.00 Acres		
Average Unit Size	870 SF		870 SF		
Gross Building Area	44,500 SF		44,500 SF		
Number of Units	50 Units		50 Units		
Parking	100 Spaces		96 Spaces		
II. Development Costs					
A. Direct Costs					
Site Improvements	\$1,023,000	\$12 /SF Site Area	\$1,023,000	\$12 /SF Site Area	
Parking	\$0	Included Above	\$0	Included Above	
Shell Construction	\$6,898,000	\$155 /SF GBA	\$6,898,000	\$155 /SF GBA	
Other/Contingency	<u>\$396,000</u>	5.0% of Directs	<u>\$396,000</u>	5.0% of Directs	
Total Direct Costs	\$8,317,000	\$187 /SF GBA	\$8,317,000	\$187 /SF GBA	
		\$166,000 /Unit		\$166,000 /Unit	
B. Indirect Costs					
Permits & Fees - Market-Rate Units	\$1,250,000	\$25,000 /Unit	\$1,125,000	\$25,000 /Unit	
Permits & Fees - Affordable Units	\$0	\$0 /Unit	\$80,000	\$16,000 /Unit	
Inclusionary Affordable Housing Fee (1)	\$471,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA	
Developer Fee	\$333,000	4.0% of Directs	\$333,000	4.0% of Directs	
Other Indirects	<u>\$1,455,000</u>	17.5% of Directs	<u>\$1,455,000</u>	17.5% of Directs	
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$2,993,000	36.0% of Directs	
C. Financing Costs					
	\$665,000	8.0% of Directs	\$665,000	8.0% of Directs	
D. Total Development Costs					
	\$12,491,000	\$281 /SF GBA	\$11,975,000	\$269 /SF GBA	
Per Unit	\$250,000		\$240,000		

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE A-3

ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Garden Apartments	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$1,436,000	\$1,370,000
B. Other Income (\$/Unit/Month)	\$75	\$45,000	\$45,000
C. Gross Scheduled Income (GSI)		\$1,481,000	\$1,415,000
D. (Less) Vacancy	5.0% of GSI	(\$74,000)	(\$71,000)
E. Effective Gross Income		\$1,407,000	\$1,344,000
F. (Less) Operating Expenses	\$4,500 /Unit/Year	(\$225,000)	(\$225,000)
G. (Less) Property Taxes ⁽¹⁾	1.17%	(\$242,000)	(\$229,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$13,000)	(\$13,000)
I. Net Operating Income		\$927,000	\$877,000
II. Residual Land Value			
A. Net Operating Income		\$927,000	\$877,000
B. Return on Investment (ROI)	5.80%	5.80%	5.80%
C. Warranted Investment		\$15,976,000	\$15,114,000
D. (Less) Development Costs		(\$12,491,000)	(\$11,975,000)
E. Residual Land Value		\$3,485,000	\$3,139,000
Per Unit		\$70,000	\$63,000
Per SF Land		\$40	\$36
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$7,000)
Per SF Land			(\$4)
% Change			(10%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT A.2

Garden Apartments with Density Bonus Rental

TABLE A-1

**ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Garden Apartments	Stacked Flats with Surface/Tuck-Under Parking
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area	2.00 Acres	2.00 Acres	2.00 Acres
B. Base Case Zoning Classification	24.9 Units/Acre	24.9 Units/Acre	24.9 Units/Acre
C. Number of Units (1)	50 Units	50 Units	50 Units
D. Inclusionary Set-aside	0%	10% Low	10% Low
E. Affordable Units (2)	0 Unit	5 Units	5 Units
II. Density Bonus			
A. Density Bonus		20.0%	20.0%
B. Density with Bonus		30.0 Units/Acre	30.0 Units/Acre
C. Number of Units with Density Bonus		60 Units	60 Units
D. Parking Spaces (3)	2.00 Spaces/Unit 100 Spaces	1.47 Spaces/Unit 88 Spaces	1.47 Spaces/Unit 88 Spaces
III. Affordability Mix			
A. Low - 60% AMI	0 Units 0%	5 Units 8%	5 Units 8%
B. Market-Rate	50 Units 100%	55 Units 92%	55 Units 92%
C. Total	50 Units 100%	60 Units 100%	60 Units 100%
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month	\$0	\$78,000	\$78,000
B. Market-Rate Units @	\$2.75 /SF/Month 870 SF \$2,393 /Month \$1,436,000	\$2.95 /SF/Month 790 SF \$2,331 /Month \$1,538,000	\$2.95 /SF/Month 790 SF \$2,331 /Month \$1,538,000
C. Total Annual Rental Income Per Unit	\$1,436,000 \$28,700	\$1,616,000 \$26,900	\$1,616,000 \$26,900

- (1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.
- (2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.
- (3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE A-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Garden Apartments		Stacked Flats with Surface/Tuck-under Parking	
	100% Market-Rate Base Case w/o Density Bonus		10% @ 60% AMI Low	
I. Project Description				
Site Area	2.00	Acres	2.00	Acres
Average Unit Size	870	SF	790	SF
Gross Building Area	44,500	SF	49,895	SF
Number of Units	50	Units	60	Units
Parking	100	Spaces	88	Spaces
II. Development Costs				
A. Direct Costs				
Site Improvements	\$1,023,000	\$12 /SF Site Area	\$1,307,000	\$15 /SF Site Area
Parking	\$0	Included Above	\$880,000	\$10,000 /Space
Shell Construction	\$6,898,000	\$155 /SF GBA	\$8,732,000	\$175 /SF GBA
Other/Contingency	<u>\$396,000</u>	5.0% of Directs	<u>\$546,000</u>	5.0% of Directs
Total Direct Costs	\$8,317,000	\$187 /SF GBA	\$11,465,000	\$230 /SF GBA
		\$166,000 /Unit		\$191,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$1,250,000	\$25,000 /Unit	\$1,375,000	\$25,000 /Unit
Permits & Fees - Affordable Units	\$0	\$0 /Unit	\$80,000	\$16,000 /Unit
Inclusionary Affordable Housing Fee ⁽¹⁾	\$471,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA
Developer Fee	\$333,000	4.0% of Directs	\$459,000	4.0% of Directs
Other Indirects	<u>\$1,455,000</u>	17.5% of Directs	<u>\$2,006,000</u>	17.5% of Directs
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$3,920,000	34.2% of Directs
C. Financing Costs	\$665,000	8.0% of Directs	\$917,000	8.0% of Directs
D. Total Development Costs	\$12,491,000	\$281 /SF GBA	\$16,302,000	\$327 /SF GBA
Per Unit	\$250,000		\$272,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE A-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Garden Apartments	Stacked Flats with Surface/ Tuck-under Parking
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$1,436,000	\$1,616,000
B. Other Income (\$/Unit/Month)	\$75	\$45,000	\$75 \$54,000
C. Gross Scheduled Income (GSI)		\$1,481,000	\$1,670,000
D. (Less) Vacancy	5.0% of GSI	(\$74,000)	(\$84,000)
E. Effective Gross Income		\$1,407,000	\$1,586,000
F. (Less) Operating Expenses		\$4,500 /Unit/Year (\$225,000)	\$4,750 /Unit/Year (\$285,000)
G. (Less) Property Taxes (1)	1.17%	(\$242,000)	(\$266,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$13,000)	(\$15,000)
I. Net Operating Income		\$927,000	\$1,020,000
II. Residual Land Value			
A. Net Operating Income		\$927,000	\$1,020,000
B. Return on Investment (ROI)	5.80%	5.80%	5.80%
C. Warranted Investment		\$15,976,000	\$17,579,000
D. (Less) Development Costs		(\$12,491,000)	(\$16,302,000)
E. Residual Land Value		\$3,485,000	\$1,277,000
Per Unit		\$70,000	\$21,000
Per SF Land		\$40	\$15
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$49,000)
Per SF Land			(\$25)
% Change			(63%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT B.1

Stacked Flats over Tuck-under Parking (Small Lot) without Density Bonus Rental

TABLE B-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Tuck-under Parking (Small Lot)	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area	0.23 Acres	0.23 Acres	
B. Base Case Zoning Classification	53.0 Units/Acre	53.0 Units/Acre	
C. Number of Units ⁽¹⁾	12 Units	12 Units	
D. Inclusionary Set-aside	0%	10% Low	
E. Affordable Units ⁽²⁾	0 Unit	2 Units	
II. Density Bonus			
A. Density Bonus		0.0%	
B. Density with Bonus		52.3 Units/Acre	
C. Number of Units with Density Bonus		12 Units	
D. Parking Spaces ⁽³⁾	1.50 Spaces/Unit 18 Spaces	1.50 Spaces/Unit 18 Spaces	
III. Affordability Mix			
A. Low - 60% AMI	0 Units 0%	2 Units 17%	
B. Market-Rate	12 Units 100%	10 Units 83%	
C. Total	12 Units 100%	12 Units 100%	
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month	\$0	\$31,000	
B. Market-Rate Units @ \$3.35 /SF/Month 788 SF \$2,638 /Month	\$380,000	\$317,000	
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$348,000 \$29,000	

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE B-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Stacked Flats over Tuck-under Parking (Small Lot)					
100% Market-Rate Base Case w/o Density Bonus			10% @ 60% AMI Low		
I. Project Description					
Site Area	0.23 Acres		0.23 Acres		
Average Unit Size	788 SF		788 SF		
Gross Building Area	10,500 SF		10,500 SF		
Number of Units	12 Units		12 Units		
Parking	18 Spaces		18 Spaces		
II. Development Costs					
A. Direct Costs					
Site Improvements	\$175,000	\$17.50 /SF Site Area	\$175,000	\$17.50 /SF Site Area	
Parking	\$315,000	\$17,500 /Space	\$315,000	\$17,500 /Space	
Shell Construction	\$1,838,000	\$175 /SF GBA	\$1,838,000	\$175 /SF GBA	
Other/Contingency	<u>\$116,000</u>	5.0% of Directs	<u>\$116,000</u>	5.0% of Directs	
Total Direct Costs	\$2,444,000	\$233 /SF GBA	\$2,444,000	\$233 /SF GBA	
		\$204,000 /Unit		\$204,000 /Unit	
B. Indirect Costs					
Permits & Fees - Market-Rate Units	\$300,000	\$25,000 /Unit	\$250,000	\$25,000 /Unit	
Permits & Fees - Affordable Units			\$30,000	\$15,000 /Unit	
Inclusionary Affordable Housing Fee ⁽¹⁾	\$102,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA	
Developer Fee	\$98,000	4.0% of Directs	\$98,000	4.0% of Directs	
Other Indirects	<u>\$428,000</u>	17.5% of Directs	<u>\$428,000</u>	17.5% of Directs	
Total Indirect Costs	\$928,000	38.0% of Directs	\$806,000	33.0% of Directs	
C. Financing Costs	\$196,000	8.0% of Directs	\$196,000	8.0% of Directs	
D. Total Development Costs	\$3,568,000	\$340 /SF GBA	\$3,446,000	\$328 /SF GBA	
Per Unit	\$297,000		\$287,000		

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE B-3

**RENTAL
WITHOUT DENSITY BONUS**

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Tuck-under Parking (Small Lot)	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$380,000	\$348,000
B. Other Income (\$/Unit/Month)	\$100	<u>\$14,000</u>	<u>\$14,000</u>
C. Gross Scheduled Income (GSI)		\$394,000	\$362,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$20,000)</u>	<u>(\$18,000)</u>
E. Effective Gross Income		\$374,000	\$344,000
F. (Less) Operating Expenses	\$4,765 /Unit/Year	(\$57,000)	(\$57,000)
G. (Less) Property Taxes (1)	1.17%	(\$65,000)	(\$59,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$3,000)	(\$3,000)
I. Net Operating Income		\$249,000	\$225,000
II. Residual Land Value			
A. Net Operating Income		\$249,000	\$225,000
B. Return on Investment (ROI)		5.33%	5.33%
C. Warranted Investment		\$4,672,000	\$4,222,000
D. (Less) Development Costs		<u>(\$3,568,000)</u>	<u>(\$3,446,000)</u>
E. Residual Land Value		\$1,104,000	\$776,000
Per Unit		\$92,000	\$65,000
Per SF Land		\$110	\$78
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$27,000)
Per SF Land			(\$33)
% Change			(30%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT B.2

Stacked Flats over Tuck-under Parking (Small Lot) with Density Bonus Rental

TABLE B-1

**ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	Stacked Flats over Tuck-under Parking (Small Lot)	Stacked Flats over Podium Parking (Small Lot) with Density Bonus
	100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing		
A. Site Area	0.23 Acres	0.23 Acres
B. Base Case Zoning Classification	53.0 Units/Acre	53.0 Units/Acre
C. Number of Units (1)	12 Units	12 Units
D. Inclusionary Set-aside	0%	10% Low
E. Affordable Units (2)	0 Unit	2 Units
II. Density Bonus		
A. Density Bonus		20.0%
B. Density with Bonus		65.3 Units/Acre
C. Number of Units with Density Bonus		15 Units
D. Parking Spaces (3)	1.50 Spaces/Unit 18 Spaces	1.40 Spaces/Unit 21 Spaces
III. Affordability Mix		
A. Low - 60% AMI	0 Units 0%	2 Units 13%
B. Market-Rate	12 Units 100%	13 Units 87%
C. Total	12 Units 100%	15 Units 100%
IV. Estimate of Gross Annual Rental Income		
A. Affordable Units Low - 60% AMI @ \$1,306 /Month	\$0	\$31,000
B. Market-Rate Units @ \$3.35 /SF/Month 788 SF \$2,638 /Month	\$380,000	\$410,000
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$441,000 \$29,400

- (1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.
- (2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.
- (3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.
- (4) Reflects maximum rent for Low Income density bonus units at 30% of 60% AMI.

TABLE B-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Stacked Flats over Tuck-under Parking (Small Lot)		Stacked Flats over Podium Parking (Small Lot) - with Density Bonus	
	100% Market-Rate Base Case w/o Density Bonus		10% @ 60% AMI Low	
I. Project Description				
Site Area	0.23 Acres		0.23 Acres	
Average Unit Size	788 SF		750 SF	
Gross Building Area	10,500 SF		13,235 SF	
Number of Units	12 Units		15 Units	
Parking	18 Spaces		21 Spaces	
II. Development Costs				
A. Direct Costs				
Site Improvements	\$175,000	\$17.50 /SF Site Area	\$200,000	\$20 /SF Site Area
Parking	\$315,000	\$17,500 /Space	\$682,500	\$32,500 /Space
Shell Construction	\$1,838,000	\$175 /SF GBA	\$2,647,000	\$200 /SF GBA
Other/Contingency	<u>\$116,000</u>	5.0% of Directs	<u>\$176,000</u>	5.0% of Directs
Total Direct Costs	\$2,444,000	\$233 /SF GBA	\$3,705,500	\$280 /SF GBA
		\$204,000 /Unit		\$247,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$300,000	\$25,000 /Unit	\$325,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$30,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee (1)	\$102,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$98,000	4.0% of Directs	\$148,000	4.0% of Directs
Other Indirects	<u>\$428,000</u>	17.5% of Directs	<u>\$648,000</u>	17.5% of Directs
Total Indirect Costs	\$928,000	38.0% of Directs	\$1,151,000	31.1% of Directs
C. Financing Costs	\$196,000	8.0% of Directs	\$296,000	8.0% of Directs
D. Total Development Costs	\$3,568,000	\$340 /SF GBA	\$5,153,000	\$389 /SF GBA
Per Unit	\$297,000		\$344,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE B-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Tuck-under Parking (Small Lot)	Stacked Flats over Podium Parking (Small Lot) with Density Bonus
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$380,000	\$441,000
B. Other Income (\$/Unit/Month)	\$100	<u>\$14,000</u>	<u>\$18,000</u>
C. Gross Scheduled Income (GSI)		\$394,000	\$459,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$20,000)</u>	<u>(\$23,000)</u>
E. Effective Gross Income		\$374,000	\$436,000
F. (Less) Operating Expenses		\$4,765 /Unit/Year <u>(\$57,000)</u>	\$4,875 /Unit/Year <u>(\$73,000)</u>
G. (Less) Property Taxes ⁽¹⁾	1.17%	<u>(\$65,000)</u>	<u>(\$74,000)</u>
H. (Less) Replacement Reserves	\$250 /Unit/Year	<u>(\$3,000)</u>	<u>(\$4,000)</u>
I. Net Operating Income		\$249,000	\$285,000
II. Residual Land Value			
A. Net Operating Income		\$249,000	\$285,000
B. Return on Investment (ROI)		5.33%	5.33%
C. Net Sales Proceeds		\$4,672,000	\$5,348,000
D. (Less) Development Costs		<u>(\$3,568,000)</u>	<u>(\$5,153,000)</u>
E. Residual Land Value		\$1,104,000	\$195,000
Per Unit		\$92,000	\$13,000
Per SF Land		\$110	\$20
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$79,000)
Per SF Land			(\$91)
% Change			(82%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT B.3

Stacked Flats over Tuck-under Parking (Small Lot) with 100% Density Bonus Rental

TABLE B-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Stacked Flats over Tuck-under Parking (Small Lot)	Stacked Flats over Podium Parking (Small Lot) with Density Bonus
	100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing		
A. Site Area	0.23 Acres	0.23 Acres
B. Base Case Zoning Classification	53.0 Units/Acre	53.0 Units/Acre
C. Number of Units (1)	12 Units	12 Units
D. Inclusionary Set-aside	0%	10% Low
E. Affordable Units (2)	0 Unit	2 Units
II. Density Bonus		
A. Density Bonus		100.0%
B. Density with Bonus		104.5 Units/Acre
C. Number of Units with Density Bonus		24 Units
D. Parking Spaces (3)	1.50 Spaces/Unit 18 Spaces	1.00 Spaces/Unit 24 Spaces
III. Affordability Mix		
A. Low - 60% AMI	0 Units 0%	2 Units 8%
B. Market-Rate	12 Units 100%	22 Units 92%
C. Total	12 Units 100%	24 Units 100%
IV. Estimate of Gross Annual Rental Income		
A. Affordable Units Low - 60% AMI @ \$1,306 /Month	\$0	\$31,000
B. Market-Rate Units @ \$3.35 /SF/Month 788 SF \$2,638 /Month	\$380,000	\$594,000
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$625,000 \$26,000

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

(4) Reflects maximum rent for Low Income density bonus units at 30% of 60% AMI.

TABLE B-2

**ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	Stacked Flats over Tuck-under Parking (Small Lot)		Stacked Flats over Podium Parking (Small Lot) - with Density Bonus	
	100% Market-Rate Base Case w/o Density Bonus		10% @ 60% AMI Low	
I. Project Description				
Site Area	0.23	Acres	0.23	Acres
Average Unit Size	788	SF	600	SF
Gross Building Area	10,500	SF	16,941	SF
Number of Units	12	Units	24	Units
Parking	18	Spaces	24	Spaces
II. Development Costs				
A. Direct Costs				
Site Improvements	\$175,000	\$17.50 /SF Site Area	\$200,000	\$20 /SF Site Area
Parking	\$315,000	\$17,500 /Space	\$780,000	\$32,500 /Space
Shell Construction	\$1,838,000	\$175 /SF GBA	\$3,388,000	\$200 /SF GBA
Other/Contingency	<u>\$116,000</u>	5.0% of Directs	<u>\$218,000</u>	5.0% of Directs
Total Direct Costs	\$2,444,000	\$233 /SF GBA	\$4,586,000	\$271 /SF GBA
		\$204,000 /Unit		\$191,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$300,000	\$25,000 /Unit	\$550,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$30,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee (1)	\$102,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$98,000	4.0% of Directs	\$183,000	4.0% of Directs
Other Indirects	<u>\$428,000</u>	17.5% of Directs	<u>\$803,000</u>	17.5% of Directs
Total Indirect Costs	\$928,000	38.0% of Directs	\$1,566,000	34.1% of Directs
C. Financing Costs	\$196,000	8.0% of Directs	\$367,000	8.0% of Directs
D. Total Development Costs	\$3,568,000	\$340 /SF GBA	\$6,519,000	\$385 /SF GBA
Per Unit	\$297,000		\$272,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE B-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Tuck-under Parking (Small Lot)	Stacked Flats over Podium Parking (Small Lot) with Density Bonus
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$380,000	\$625,000
B. Other Income (\$/Unit/Month)	\$100	\$14,000	\$29,000
C. Gross Scheduled Income (GSI)		\$394,000	\$654,000
D. (Less) Vacancy	5.0% of GSI	(\$20,000)	(\$33,000)
E. Effective Gross Income		\$374,000	\$621,000
F. (Less) Operating Expenses	\$4,765 /Unit/Year	(\$57,000)	\$4,800 /Unit/Year (\$115,000)
G. (Less) Property Taxes (1)	1.17%	(\$65,000)	(\$104,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$3,000)	(\$6,000)
I. Net Operating Income		\$249,000	\$396,000
II. Residual Land Value			
A. Net Operating Income		\$249,000	\$396,000
B. Return on Investment (ROI)		5.33%	5.33%
C. Net Sales Proceeds		\$4,672,000	\$7,431,000
D. (Less) Development Costs		(\$3,568,000)	(\$6,519,000)
E. Residual Land Value		\$1,104,000	\$912,000
Per Unit		\$92,000	\$38,000
Per SF Land		\$110	\$91
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$54,000)
Per SF Land			(\$19)
% Change			(17%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT C.1

Stacked Flats over Podium without Density Bonus Rental

TABLE C-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Podium Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area		0.50 Acres	0.50 Acres
B. Base Case Zoning Classification		108.9 Units/Acre	108.9 Units/Acre
C. Number of Units (1)		54 Units	54 Units
D. Inclusionary Set-aside		0%	10% Low
E. Affordable Units (2)		0 Unit	6 Units
II. Density Bonus			
A. Density Bonus			0.0%
B. Density with Bonus			108.0 Units/Acre
C. Number of Units with Density Bonus			54 Units
D. Parking Spaces (3)		1.33 Spaces/Unit 72 Spaces	1.31 Spaces/Unit 71 Spaces
III. Affordability Mix			
A. Low - 60% AMI		0 Units 0%	6 Units 11%
B. Market-Rate		54 Units 100%	48 Units 89%
C. Total		54 Units 100%	54 Units 100%
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month		\$0	\$94,000
B. Market-Rate Units @		\$3.50 /SF/Month 798 SF \$2,794 /Month \$1,810,000	\$3.50 /SF/Month 798 SF \$2,794 /Month \$1,609,000
C. Total Annual Rental Income Per Unit		\$1,810,000 \$33,500	\$1,703,000 \$31,500

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE C-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Stacked Flats over Podium Parking				
100% Market-Rate Base Case w/o Density Bonus			10% @ 60% AMI Low	
I. Project Description				
Site Area	0.50 Acres		0.50 Acres	
Average Unit Size	798 SF		798 SF	
Gross Building Area	52,240 SF		52,242 SF	
Number of Units	54 Units		54 Units	
Parking	72 Spaces		71 Spaces	
II. Development Costs				
A. Direct Costs				
Site Improvements	\$436,000	\$20 /SF Site Area	\$436,000	\$20 /SF Site Area
Parking	\$2,520,000	\$35,000 /Space	\$2,485,000	\$35,000 /Space
Shell Construction	\$10,448,000	\$200 /SF GBA	\$10,448,000	\$200 /SF GBA
Other/Contingency	<u>\$670,000</u>	5% of Directs	<u>\$668,000</u>	5% of Directs
Total Direct Costs	\$14,074,000	\$269 /SF GBA	\$14,037,000	\$269 /SF GBA
		\$261,000 /Unit		\$260,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$1,350,000	\$25,000 /Unit	\$1,200,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$90,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee ⁽¹⁾	\$466,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA
Developer Fee	\$563,000	4.0% of Directs	\$561,000	4.0% of Directs
Other Indirects	<u>\$2,463,000</u>	17.5% of Directs	<u>\$2,456,000</u>	17.5% of Directs
Total Indirect Costs	\$4,842,000	34.4% of Directs	\$4,307,000	30.7% of Directs
C. Financing Costs	\$1,126,000	8.0% of Directs	\$1,123,000	8.0% of Directs
D. Total Development Costs	\$20,042,000	\$384 /SF GBA	\$19,467,000	\$373 /SF GBA
Per Unit	\$371,000		\$361,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE C-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Podium Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$1,810,000	\$1,703,000
B. Other Income (\$/Unit/Month)	\$125	<u>\$81,000</u>	<u>\$81,000</u>
C. Gross Scheduled Income (GSI)		\$1,891,000	\$1,784,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$95,000)</u>	<u>(\$89,000)</u>
E. Effective Gross Income		\$1,796,000	\$1,695,000
F. (Less) Operating Expenses	\$5,000 /Unit/Year	<u>(\$270,000)</u>	<u>(\$270,000)</u>
G. (Less) Property Taxes ⁽¹⁾	1.17%	<u>(\$313,000)</u>	<u>(\$292,000)</u>
H. (Less) Replacement Reserves	\$250 /Unit/Year	<u>(\$14,000)</u>	<u>(\$14,000)</u>
I. Net Operating Income		\$1,199,000	\$1,119,000
II. Residual Land Value			
A. Net Operating Income		\$1,199,000	\$1,119,000
B. Return on Investment (ROI)		5.03%	5.03%
C. Warranted Investment		\$23,854,000	\$22,262,000
D. (Less) Development Costs		<u>(\$20,042,000)</u>	<u>(\$19,467,000)</u>
E. Residual Land Value		\$3,812,000	\$2,795,000
Per Unit		\$71,000	\$52,000
Per SF Land		\$175	\$128
III. Difference from Base Case w/o Density Base			
Per Unit			(\$19,000)
Per SF Land			(\$47)
% Change			(27%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT C.2

Stacked Flats over Podium with Density Bonus Rental

TABLE C-1

**ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Podium Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area		0.50 Acres	0.50 Acres
B. Base Case Zoning Classification		108.9 Units/Acre	108.9 Units/Acre
C. Number of Units (1)		54 Units	54 Units
D. Inclusionary Set-aside		0%	10% Low
E. Affordable Units (2)		0 Unit	6 Units
II. Density Bonus			
A. Density Bonus			20.0%
B. Density with Bonus			130.0 Units/Acre
C. Number of Units with Density Bonus			65 Units
D. Parking Spaces (3)		1.33 Spaces/Unit 72 Spaces	1.32 Spaces/Unit 86 Spaces
III. Affordability Mix			
A. Low - 60% AMI		0 Units 0%	6 Units 9%
B. Market-Rate		54 Units 100%	59 Units 91%
C. Total		54 Units 100%	65 Units 100%
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month		\$0	\$94,000
B. Market-Rate Units @		798 SF \$3.50 /SF \$2,794 /Month \$1,810,000	725 SF \$3.75 /SF \$2,719 /Month \$1,925,000
C. Total Annual Rental Income Per Unit		\$1,810,000 \$33,500	\$2,019,000 \$31,100

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE C-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Stacked Flats over Podium Parking			
	100% Market-Rate Base Case w/o Density Bonus		10% @ 60% AMI Low	
I. Project Description				
Site Area	0.50	Acres	0.50	Acres
Average Unit Size	798	SF	725	SF
Gross Building Area	52,240	SF	57,121	SF
Number of Units	54	Units	65	Units
Parking	72	Spaces	86	Spaces
II. Development Costs				
A. Direct Costs				
Site Improvements	\$436,000	\$20 /SF Site Area	\$436,000	\$20 /SF Site Area
Parking	\$2,520,000	\$35,000 /Space	\$3,010,000	\$35,000 /Space
Shell Construction	\$10,448,000	\$200 /SF GBA	\$12,852,000	\$225 /SF GBA
Other/Contingency	<u>\$670,000</u>	5.0% of Directs	<u>\$815,000</u>	5% of Directs
Total Direct Costs	\$14,074,000	\$269 /SF GBA	\$17,113,000	\$300 /SF GBA
		\$261,000 /Unit		\$263,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$1,350,000	\$25,000 /Unit	\$1,475,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$90,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee (1)	\$466,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$563,000	4.0% of Directs	\$685,000	4.0% of Directs
Other Indirects	<u>\$2,463,000</u>	17.5% of Directs	<u>\$2,995,000</u>	17.5% of Directs
Total Indirect Costs	\$4,842,000	34.4% of Directs	\$5,245,000	30.6% of Directs
C. Financing Costs	\$1,126,000	8.0% of Directs	\$1,369,000	8.0% of Directs
D. Total Development Costs	\$20,042,000	\$384 /SF GBA	\$23,727,000	\$415 /SF GBA
Per Unit	\$371,000		\$365,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE C-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Podium Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$1,810,000	\$2,019,000
B. Other Income (\$/Unit/Month)	\$125	<u>\$81,000</u>	<u>\$98,000</u>
C. Gross Scheduled Income (GSI)		\$1,891,000	\$2,117,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$95,000)</u>	<u>(\$106,000)</u>
E. Effective Gross Income		\$1,796,000	\$2,011,000
F. (Less) Operating Expenses		\$5,000 /Unit/Year (\$270,000)	\$5,000 /Unit/Year (\$325,000)
G. (Less) Property Taxes (1)	1.17%	(\$313,000)	(\$346,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$14,000)	(\$16,000)
I. Net Operating Income		\$1,199,000	\$1,324,000
II. Residual Land Value			
A. Net Operating Income		\$1,199,000	\$1,324,000
B. Return on Investment (ROI)		5.03%	5.03%
C. Warranted Investment		\$23,854,000	\$26,341,000
D. (Less) Development Costs		<u>(\$20,042,000)</u>	<u>(\$23,727,000)</u>
E. Residual Land Value		\$3,812,000	\$2,614,000
Per Unit		\$71,000	\$40,000
Per SF Land		\$175	\$120
III. Difference from Base Case w/o Density Base			
Per Unit			(\$31,000)
Per SF Land			(\$55)
% Change			(31%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT D.1

High-Rise with Subterranean Parking without Density Bonus Rental

TABLE D-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		High-Rise with Subterranean Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area	0.75 Acres	0.75 Acres	
B. Density	290.0 Units/Acre	290.0 Units/Acre	
C. Number of Units (1)	217 Units	217 Units	
D. Inclusionary Set-aside	0%	10% Low	
E. Affordable Units (2)	0 Unit	22 Units	
II. Density Bonus			
A. Density Bonus		0.0%	
B. Density with Bonus		289 Units/Acre	
C. Number of Units with Density Bonus		217 Units	
D. Parking Spaces (3)	1.25 Spaces/Unit 272 Spaces	1.19 Spaces/Unit 258 Spaces	
III. Affordability Mix			
A. Low - 60% AMI	0 Units 0%	22 Units 10%	
B. Market-Rate	217 Units 100%	195 Units 90%	
C. Total	217 Units 100%	217 Units 100%	
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month	\$0	\$345,000	
B. Market-Rate Units @	\$4.50 /SF/Month 720 SF \$3,241 /Month \$8,439,000	\$4.50 /SF/Month 720 SF \$3,241 /Month \$7,584,000	
C. Total Annual Rental Income Per Unit	\$8,439,000 \$38,900	\$7,929,000 \$36,500	

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE D-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

High-Rise with Subterranean Parking				
100% Market-Rate Base Case w/o Density Bonus			10% @ 60% AMI Low	
I. Project Description				
Site Area	0.75 Acres		0.75 Acres	
Average Unit Size	720 SF		720 SF	
Gross Building Area	196,250 SF		196,250 SF	
Number of Units	217 Units		217 Units	
Parking	272 Spaces		258 Spaces	
II. Development Costs				
A. Direct Costs				
Site Improvements	\$980,000	\$30 /SF Site Area	\$980,000	\$30 /SF Site Area
Parking	\$12,240,000	\$45,000 /Space	\$11,610,000	\$45,000 /Space
Shell Construction	\$49,063,000	\$250 /SF GBA	\$49,063,000	\$250 /SF GBA
Other/Contingency	<u>\$3,114,000</u>	5.0% of Directs	<u>\$3,083,000</u>	5.0% of Directs
Total Direct Costs	\$65,397,000	\$333 /SF GBA	\$64,736,000	\$330 /SF GBA
		\$301,000 /Unit		\$298,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$5,642,000	\$26,000 /Unit	\$5,070,000	\$26,000 /Unit
Permits & Fees - Affordable Units			\$352,000	\$16,000 /Unit
Inclusionary Affordable Housing Fee (1)	\$1,699,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA
Developer Fee	\$2,616,000	4.0% of Directs	\$2,589,000	4.0% of Directs
Other Indirects	<u>\$11,444,000</u>	17.5% of Directs	<u>\$11,329,000</u>	17.5% of Directs
Total Indirect Costs	\$21,401,000	32.7% of Directs	\$19,340,000	29.9% of Directs
C. Financing Costs				
	\$5,232,000	8.0% of Directs	\$5,179,000	8.0% of Directs
D. Total Development Costs	\$92,030,000	\$469 /SF GBA	\$89,255,000	\$455 /SF GBA
Per Unit	\$424,000		\$411,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE D-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		High-Rise with Subterranean Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income			
A. Gross Rental Income		\$8,439,000	\$7,929,000
B. Other Income (\$/Unit/Month)	\$150	<u>\$391,000</u>	<u>\$391,000</u>
C. Gross Scheduled Income (GSI)		\$8,830,000	\$8,320,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$442,000)</u>	<u>(\$416,000)</u>
E. Effective Gross Income		\$8,388,000	\$7,904,000
F. (Less) Operating Expenses	\$5,200 /Unit/Year	(\$1,128,000)	(\$1,128,000)
G. (Less) Property Taxes ⁽¹⁾	1.17%	(\$1,491,000)	(\$1,391,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$54,000)	(\$54,000)
I. Net Operating Income		\$5,715,000	\$5,331,000
II. Residual Land Value			
A. Net Operating Income		\$5,715,000	\$5,331,000
B. Return on Investment (ROI)		5.52%	5.52%
C. Warranted Investment		\$103,465,000	\$96,513,000
D. (Less) Development Costs		<u>(\$92,030,000)</u>	<u>(\$89,255,000)</u>
E. Residual Land Value		\$11,435,000	\$7,258,000
Per Unit		\$53,000	\$33,000
Per SF Land		\$350	\$222
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$20,000)
Per SF Land			(\$128)
% Change			(37%)

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

**High-Rise with Subterranean Parking
with Density Bonus
Rental**

TABLE D-1

ESTIMATE OF GROSS ANNUAL INCOME
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		High-Rise with Subterranean Parking	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Inclusionary Housing			
A. Site Area		0.75 Acres	0.75 Acres
B. Density		290.0 Units/Acre	290.0 Units/Acre
C. Number of Units ⁽¹⁾		217 Units	217 Units
D. Inclusionary Set-aside		0%	10% Low
E. Affordable Units ⁽²⁾		0 Unit	22 Units
II. Density Bonus			
A. Density Bonus			20.0%
B. Density with Bonus			348.0 Units/Acre
C. Number of Units with Density Bonus			261 Units
D. Parking Spaces ⁽³⁾		1.25 Spaces/Unit 272 Spaces	1.20 Spaces/Unit 313 Spaces
III. Affordability Mix			
A. Low - 60% AMI		0 Units 0%	22 Units 8%
B. Market-Rate		<u>217 Units</u> <u>100%</u>	<u>239 Units</u> <u>92%</u>
C. Total		217 Units 100%	261 Units 100%
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Low - 60% AMI @ \$1,306 /Month		\$0	\$345,000
B. Market-Rate Units @		\$4.50 /SF/Month 720 SF \$3,241 \$8,439,000	\$4.75 /SF/Month 680 SF \$3,230 \$9,264,000
C. Total Annual Rental Income Per Unit		\$8,439,000 \$38,900	\$9,609,000 \$36,800

(1) Maximum number of dwelling units allowed based on site area multiplied by density. Density calculations are rounded up if the calculation exceeds a whole number by 0.50 or more and rounded down if not.

(2) Assumes affordable units for inclusionary housing are rounded up to the next whole number.

(3) Reflects the lesser of assumed market-rate parking ratios; Affordable Housing Parking Regulations for Extremely Low, Very Low, and Low Income units (assumes family housing development with medium parking demand, also includes parking for visitors and staff); or Transit Priority parking standards for all units.

TABLE D-2

ESTIMATE OF DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

High-Rise with Subterranean Parking				
100% Market-Rate Base Case w/o Density Bonus			10% @ 60% AMI Low	
I. Project Description				
Site Area	0.75 Acres		0.75 Acres	
Average Unit Size	720 SF		680 SF	
Gross Building Area	196,250 SF		221,850 SF	
Number of Units	217 Units		261 Units	
Parking	272 Spaces		313 Spaces	
II. Development Costs				
A. Direct Costs				
Site Improvements	\$980,000	\$30 /SF Site Area	\$980,000	\$30 /SF Site Area
Parking	\$12,240,000	\$45,000 /Space	\$14,085,000	\$45,000 /Space
Shell Construction	\$49,063,000	\$250 /SF GBA	\$57,681,000	\$260 /SF GBA
Other/Contingency	<u>\$3,114,000</u>	5.0% of Directs	<u>\$3,637,000</u>	5.0% of Directs
Total Direct Costs	\$65,397,000	\$333 /SF GBA	\$76,383,000	\$344 /SF GBA
		\$301,000 /Unit		\$293,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$5,642,000	\$26,000 /Unit	\$6,214,000	\$26,000 /Unit
Permits & Fees - Affordable Units			\$352,000	\$16,000 /Unit
Inclusionary Affordable Housing Fee (1)	\$1,699,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$2,616,000	4.0% of Directs	\$3,055,000	4.0% of Directs
Other Indirects	<u>\$11,444,000</u>	17.5% of Directs	<u>\$13,367,000</u>	17.5% of Directs
Total Indirect Costs	\$21,401,000	32.7% of Directs	\$22,988,000	30.1% of Directs
C. Financing Costs	\$5,232,000	8.0% of Directs	\$6,111,000	8.0% of Directs
D. Total Development Costs	\$92,030,000	\$469 /SF GBA	\$105,482,000	\$475 /SF GBA
Per Unit	\$424,000		\$404,000	

(1) Base Case assumes payment of FY 2019 \$10.82 per SF Inclusionary Affordable Housing Fee. The KMA updated analysis does not reflect the increased FY 2020 fee of \$12.73 per SF.

TABLE D-3

**ESTIMATE OF RESIDUAL LAND VALUE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

High-Rise with Subterranean Parking		
	100% Market-Rate Base Case w/o Density Bonus	10% @ 60% AMI Low
I. Net Operating Income		
A. Gross Rental Income	\$8,439,000	\$9,609,000
B. Other Income (\$/Unit/Month)	\$150 <u>\$391,000</u>	\$150 <u>\$470,000</u>
C. Gross Scheduled Income (GSI)	\$8,830,000	\$10,079,000
D. (Less) Vacancy 5.0% of GSI	<u>(\$442,000)</u>	<u>(\$504,000)</u>
E. Effective Gross Income	\$8,388,000	\$9,575,000
F. (Less) Operating Expenses	\$5,200 /Unit/Year (\$1,128,000)	\$5,200 /Unit/Year (\$1,357,000)
G. (Less) Property Taxes (1) 1.17%	(\$1,491,000)	(\$1,688,000)
H. (Less) Replacement Reserves \$250 /Unit/Year	(\$54,000)	(\$65,000)
I. Net Operating Income	\$5,715,000	\$6,465,000
II. Residual Land Value		
A. Net Operating Income	\$5,715,000	\$6,465,000
B. Return on Investment (ROI)	5.52%	5.52%
C. Warranted Investment	\$103,483,000	\$117,064,000
D. (Less) Development Costs	<u>(\$92,030,000)</u>	<u>(\$105,482,000)</u>
E. Residual Land Value	\$11,453,000	\$11,582,000
Per Unit	\$53,000	\$44,000
Per SF Land	\$351	\$355
III. Difference from Base Case w/o Density Bonus		
Per Unit		(\$9,000)
Per SF Land		\$4
% Change		1%

(1) Based on capitalized income approach; assumes a 4.5% capitalization rate and 1.17% tax rate.

UPDATED PROPOSAL

ATTACHMENT I

Estimate of Affordability Gap Off-Site Compliance Rental

TABLE I-1

**PROJECT DESCRIPTION - OFF-SITE AFFORDABLE HOUSING PROTOTYPE
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION**

I. Product Type	Stacked Flats		
Construction Type	Type V		
Tenure	Rental		
II. Site Area	58,080 SF 1.3 Acres		
III. Number of Stories	4 Stories over parking		
IV. Unit Mix	<u># of Units</u>	<u>Unit Size</u>	
Two Bedroom	100 Units	800 SF	
V. Density	75.0 Units/Acre		
VI. Gross Building Area			
Residential Net Building Area	80,000 SF	85%	
Building Efficiency	<u>14,100</u> SF	<u>15%</u>	
Total Gross Building Area (GBA)	94,100 SF	100%	
VII. Floor Area Ratio (FAR)	1.62		
VIII. Parking			
Type	Podium/Subterranean		
Number of Parking Spaces ⁽¹⁾	143 Spaces		
Parking Ratio (Space/Unit)	1.43 Spaces/Unit		

(1) Reflects reduced parking standards for Low and Very Low Income housing. Assumes family housing development with medium parking demand; also includes parking for visitors, staff, and assigned spaces. Per City of San Diego Municipal Code, §142.0527.

TABLE I-2

**ESTIMATED DEVELOPMENT COSTS
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION**

with 4% Tax Credits			
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$174,000	\$1,740	\$3 Per SF Site
On-Sites/Landscaping	\$871,000	\$8,710	\$15 Per SF Site
Shell Construction	\$15,527,000	\$155,270	\$165 Per SF GBA
Parking	\$4,290,000	\$42,900	\$30,000 /Space
Amenities/FF&E	<u>\$250,000</u>	<u>\$2,500</u>	Allowance
Subtotal	\$21,112,000	\$211,120	\$224 Per SF GBA
Add: Prevailing Wages	\$0	\$0	0.0% of Directs
Contingency	<u>\$1,056,000</u>	<u>\$10,560</u>	5.0% of Directs
Total Direct Costs	\$22,168,000	\$221,680	\$236 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$1,108,000	\$11,080	5.0% of Directs
Permits & Fees ⁽²⁾⁽³⁾	\$2,500,000	\$25,000	Allowance
Inclusionary Affordable Housing Fee	\$0	\$0	\$0 /SF GLA
Legal & Accounting	\$222,000	\$2,220	1.0% of Directs
Taxes & Insurance	\$222,000	\$2,220	1.0% of Directs
Developer Fee	\$4,190,000	\$41,900	18.9% of Directs
Marketing/Lease-Up	\$250,000	\$2,500	Allowance
Contingency	<u>\$425,000</u>	<u>\$4,250</u>	5.0% of Indirects
Total Indirect Costs	\$8,917,000	\$89,170	40.2% of Directs
III. Financing Costs			
Loan Fees	\$1,252,000	\$12,520	5.6% of Directs
Interest During Construction	\$939,000	\$9,390	4.2% of Directs
Interest During Lease-Up	\$522,000	\$5,220	2.4% of Directs
TCAC/Syndication Fees	\$173,000	\$1,730	0.8% of Directs
Operating Lease-Up/Reserves	<u>\$363,000</u>	<u>\$3,630</u>	1.6% of Directs
Total Financing Costs	\$3,249,000	\$32,490	14.7% of Directs
IV. Total Development Costs excl. Acquisition	\$34,334,000	\$343,340	\$365 Per SF GBA
V. Acquisition Costs	\$5,808,000	\$58,080	\$100 Per SF Site
VI. Total Development Costs with Acquisition	\$40,142,000	\$401,420	\$427 Per SF GBA

(1) Excludes the payment of prevailing wages.

(2) Estimate. Not verified by KMA or the City.

(3) Excludes Inclusionary Affordable Housing Fee.

TABLE I-3

**AFFORDABLE RENTS AND STABILIZED NET OPERATING INCOME
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION**

4% Tax Credits
Low Income 60% of AMI

I. Affordable Rent - Per Unit

A. Family Size	3.0
Number of Bedrooms	2
Household Income (1)	\$57,780
B. Income Allocation to Housing	30%
Monthly Housing Cost	\$1,444
(Less) Utility Allowance (2)	(\$83)
C. Maximum Monthly Rent	\$1,361

	<u>Total</u>	<u>Per Unit</u>
II. Stabilized Net Operating Income		
A. Units	100	1
B. Gross Scheduled Income (GSI)		
Monthly	\$136,100	\$1,361
Annual	\$1,633,000	\$16,330
C. Other Income	\$25	\$300
(Less) Vacancy	5.0%	(\$820)
Effective Gross Income (EGI)	\$1,581,000	\$15,810
D. (Less) Operating Expenses (3)	(\$595,000)	(\$5,950)
(Less) Property Taxes (4)	\$0	\$0
Total Operating Expenses	(\$595,000)	(\$5,950)
III. Net Operating Income (NOI)	\$986,000	\$9,860

(1) Source: U.S. Department of Housing and Urban Development 2019 Income Limits.

(2) Assumes San Diego Housing Commission (SDHC) 2019 utility allowances for two bedroom unit, as follows:

Electric Heating	\$26
Gas Cooking	\$8
Gas Water Heating	\$38
Other Electric	\$11
Total Utility Allowance	\$83

(3) Includes operating expenses (\$5,500/per unit), replacement reserves (\$300/per unit), and monitoring fee (\$150/per unit).

(4) Assumes development is tax-exempt based on a partnership with a non-profit developer.

OFF-SITE COMPLIANCE RENTAL

TABLE I-4

ESTIMATED AFFORDABILITY GAP INCLUSIONARY HOUSING ECONOMIC ANALYSIS SAN DIEGO HOUSING COMMISSION

	<div>4% Tax Credits</div> <div>Low Income 60% AMI</div>	
	<u>Total</u>	<u>Per Unit</u>
I. Affordability Gap		
A. Warranted Investment		
Supportable Permanent Loan	\$12,583,000	\$126,000
Warranted Equity Investment	\$0	\$0
Tax Credit Equity Investment	\$13,560,000	\$136,000
Deferred Developer Fee	<u>\$1,690,000</u>	<u>\$17,000</u>
Total Warranted Investment	\$27,833,000	\$279,000
B. (Less) Total Development Costs	<u>(\$40,142,000)</u>	<u>(\$401,000)</u>
C. Affordability Gap	(\$12,309,000)	(\$123,000)
II. Inclusionary Requirement		
A. Affordability Gap per Unit		\$123,000
B. Inclusionary Requirement		<u>10%</u>
C.	<div>Affordability Gap per Market-Rate Unit</div> <div>\$12,300</div>	

UPDATED PROPOSAL

ATTACHMENT K

Impact of Proposed In-Lieu Fee

TABLE K-1

IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Garden Apartments					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$8,317,000	\$187 /SF GBA \$191 /SF Net	\$8,317,000	\$187 /SF GBA \$191 /SF Net	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$471,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$1,087,500	\$25 /SF Net	
Other Indirects	<u>\$3,038,000</u>	36.5% of Directs	<u>\$3,038,000</u>	36.5% of Directs	
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$4,125,500	49.6% of Directs	
C. Financing Costs	<u>\$665,000</u>	8.0% of Directs	<u>\$665,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$12,491,000	\$281 /SF GBA	\$13,107,500	\$295 /SF GBA	
II. Net Operating Income			\$927,000	\$18,540 /Year	
III. Residual Land Value			Impact on RLV Impact on ROI		
A. Net Operating Income	\$927,000		\$927,000		\$927,000
B. Return on Investment	5.8%		5.8%		5.6%
C. Warranted Investment	\$15,976,000		\$15,976,000		\$16,592,500
D. (Less) Development Costs	<u>(\$12,491,000)</u>		<u>(\$13,107,500)</u>		<u>(\$13,107,500)</u>
E. Residual Land Value	\$3,485,000		\$2,868,500		\$3,485,000
Per Unit	\$70,000		\$57,000		\$70,000
Per SF Land	\$40		\$33		\$40
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap					
Per Unit @	870 SF		\$0.09 /SF/ Month		\$78 /Unit/Month

**PROTOTYPE B: STACKED FLATS OVER
TUCK-UNDER PARKING (SMALL LOT)**

TABLE K-2

**IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Stacked Flats over Tuck-under Parking (Small Lot)					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$2,445,000	\$233 /SF GBA \$258 /SF Net	\$2,445,000	\$233 /SF GBA \$258 /SF Net	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$102,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$236,000	\$25 /SF Net	
Other Indirects	<u>\$826,000</u>	33.8% of Directs	<u>\$826,000</u>	33.8% of Directs	
Total Indirect Costs	\$928,000	38.0% of Directs	\$1,062,000	43.4% of Directs	
C. Financing Costs	<u>\$196,000</u>	8.0% of Directs	<u>\$196,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$3,569,000	\$340 /SF GBA	\$3,703,000	\$352 /SF GBA	
II. Net Operating Income			\$248,820	\$20,735 /Year	
III. Residual Land Value			Impact on RLV Impact on ROI		
A. Net Operating Income	\$248,820		\$248,820	\$248,820	
B. Return on Investment	5.3%		5.3%	5.2%	
C. Warranted Investment	\$4,669,000		\$4,669,000	\$4,803,000	
D. (Less) Development Costs	<u>(\$3,569,000)</u>		<u>(\$3,703,000)</u>	<u>(\$3,703,000)</u>	
E. Residual Land Value	\$1,100,000		\$966,000	\$1,100,000	
Per Unit	\$92,000		\$81,000	\$92,000	
Per SF Land	\$110		\$97	\$110	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.08 /SF/ Month		
Per Unit @	788 SF		\$60 /Unit/Month		

TABLE K-3

IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Podium	
		100% Market-Rate Base Case w/o Density Bonus	In-Lieu Fee @ \$25/SF GLA
I. Development Costs			
A. Direct Costs	\$14,074,000	\$269 /SF GBA \$327 /SF Net	\$14,074,000 \$327 /SF GBA \$327 /SF Net
B. Indirect Costs			
Existing Inclusionary Affordable Housing Fee	\$466,000	\$10.82 /SF Net	\$0 \$0 /Unit
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$1,078,000 \$25 /SF Net
Other Indirects	<u>\$4,376,000</u>	31.1% of Directs	<u>\$4,376,000</u> 31.1% of Directs
Total Indirect Costs	\$4,842,000	34.4% of Directs	\$5,454,000 38.8% of Directs
C. Financing Costs	<u>\$1,126,000</u>	8.0% of Directs	<u>\$1,126,000</u> 8.0% of Directs
D. Total Development Costs - Excluding Land	\$20,042,000	\$384 /SF GBA	\$20,654,000 \$395 /SF GBA
II. Net Operating Income	\$1,199,000	\$22,204 /Year	\$1,199,000 \$22,204 /Year
III. Residual Land Value			Impact on RLV Impact on ROI
A. Net Operating Income	\$1,199,000		\$1,199,000 \$1,199,000
B. Return on Investment	5.0%		5.0% 4.9%
C. Warranted Investment	\$23,854,000		\$23,854,000 \$24,466,000
D. (Less) Development Costs	<u>(\$20,042,000)</u>		<u>(\$20,654,000)</u> <u>(\$20,654,000)</u>
E. Residual Land Value	\$3,812,000		\$3,200,000 \$3,812,000
Per Unit	\$71,000		\$59,000 \$71,000
Per SF Land	\$175		\$147 \$175
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.08 /SF/ Month
Per Unit @	798 SF		\$62 /Unit/Month

TABLE K-4

IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

High-Rise with Subterranean Parking					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$65,397,000	\$333 /SF GBA \$417 /SF Net	\$65,397,000	\$333 /SF GBA \$417 /SF Net	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$1,699,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$3,925,000	\$25 /SF Net	
Other Indirects	<u>\$19,702,000</u>	30.1% of Directs	<u>\$19,702,000</u>	30.1% of Directs	
Total Indirect Costs	\$21,401,000	32.7% of Directs	\$23,627,000	36.1% of Directs	
C. Financing Costs	<u>\$5,232,000</u>	8.0% of Directs	<u>\$5,232,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$92,030,000	\$469 /SF GBA	\$94,256,000	\$480 /SF GBA	
II. Net Operating Income	\$5,714,000	\$26,332 /Year	\$5,714,000	\$26,332 /Year	
III. Residual Land Value			Impact on RLV	Impact on ROI	
A. Net Operating Income	\$5,714,000		\$5,714,000	\$5,714,000	
B. Return on Investment	5.5%		5.5%	5.4%	
C. Warranted Investment	\$103,465,000		\$103,465,000	\$105,691,000	
D. (Less) Development Costs	<u>(\$92,030,000)</u>		<u>(\$94,256,000)</u>	<u>(\$94,256,000)</u>	
E. Residual Land Value	\$11,435,000		\$9,209,000	\$11,435,000	
Per Unit	\$53,000		\$42,000	\$53,000	
Per SF Land	\$350		\$282	\$350	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.09 /SF/ Month		
Per Unit @	720 SF		\$62 /Unit/Month		

TABLE K-5

**IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Single-Family Detached					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$16,286,000	\$142 /SF GBA	\$16,286,000	\$142 /SF GBA	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$1,244,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$2,875,000	\$25 /SF Net	
Other Indirects	\$5,829,000	35.8% of Directs	\$5,829,000	35.8% of Directs	
Total Indirect Costs	\$7,073,000	43.4% of Directs	\$8,704,000	53.4% of Directs	
C. Financing Costs	\$1,140,000	7.0% of Directs	\$1,140,000	7.0% of Directs	
D. Total Development Costs - Excluding Land	\$24,499,000	\$213 /SF GBA	\$26,130,000	\$227 /SF GBA	
II. Net Sales Proceeds			\$33,290,000		
III. Residual Land Value					
A. Net Sales Proceeds	\$33,290,000		\$33,290,000	\$33,290,000	
B. (Less) Developer Profit	(\$3,346,000)	9.7% of Value	(\$3,346,000)	9.7% (\$1,715,000)	5.0%
C. Warranted Investment	\$29,944,000		\$29,944,000	\$31,575,000	
D. (Less) Development Costs	(\$24,499,000)		(\$26,130,000)	(\$26,130,000)	
E. Residual Land Value	\$5,445,000		\$3,814,000	\$5,445,000	
Per Unit	\$124,000		\$87,000	\$124,000	
Per SF Land	\$25		\$18	\$25	
IV. Increase in Market Price Required to Offset Increase in Fee/Gap					
Per Unit @	2,600 SF		\$19 /SF	\$48,800 /Unit	

TABLE K-6

**IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Townhomes					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$18,670,000	\$188 /SF GBA	\$18,670,000	\$188 /SF GBA	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$1,062,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$2,454,000	\$25 /SF Net	
Other Indirects	\$6,798,000	36.4% of Directs	\$6,798,000	36.4% of Directs	
Total Indirect Costs	\$7,860,000	42.1% of Directs	\$9,252,000	49.6% of Directs	
C. Financing Costs	\$1,494,000	8.0% of Directs	\$1,494,000	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$28,024,000	\$283 /SF GBA	\$29,416,000	\$297 /SF GBA	
II. Net Sales Proceeds			\$45,207,000		
III. Residual Land Value					
A. Net Sales Proceeds	\$45,207,000		Impact on RLV	Impact on Profit	
B. (Less) Developer Profit	(\$4,115,000)	8.8% of Value	(\$4,115,000)	8.8%	(\$2,723,000) 5.8%
C. Warranted Investment	\$41,092,000		\$41,092,000		\$42,484,000
D. (Less) Development Costs	(\$28,024,000)		(\$29,416,000)		(\$29,416,000)
E. Residual Land Value	\$13,068,000		\$11,676,000		\$13,068,000
Per Unit	\$201,000		\$180,000		\$201,000
Per SF Land	\$100		\$89		\$100
IV. Increase in Market Price Required to Offset Increase in Fee/Gap					
Per Unit @	1,510 SF		\$18 /SF		\$27,700 /Unit

TABLE K-7

**IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Small Lot Townhomes					
100% Market-Rate Base Case w/o Density Bonus			In-Lieu Fee @ \$25/SF GLA		
I. Development Costs					
A. Direct Costs	\$3,321,000	\$217 /SF GBA	\$3,321,000	\$217 /SF GBA	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$166,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Proposed Affordable Housing In-Lieu Fee	\$0	\$0 /Unit	\$383,000	\$25 /SF Net	
Other Indirects	<u>\$1,591,000</u>	47.9% of Directs	<u>\$1,591,000</u>	47.9% of Directs	
Total Indirect Costs	\$1,757,000	52.9% of Directs	\$1,974,000	59.4% of Directs	
C. Financing Costs	<u>\$266,000</u>	8.0% of Directs	<u>\$266,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$5,344,000	\$349 /SF GBA	\$5,561,000	\$363 /SF GBA	
II. Net Sales Proceeds	\$7,789,000		\$7,789,000		
III. Residual Land Value			Impact on RLV	Impact on Profit	
A. Net Sales Proceeds	\$7,789,000		\$7,789,000	\$7,789,000	
B. (Less) Developer Profit	<u>(\$945,000)</u>	11.8% of Value	<u>(\$945,000)</u>	11.8%	<u>(\$728,000)</u> 9.1%
C. Warranted Investment	\$6,844,000		\$6,844,000	\$7,061,000	
D. (Less) Development Costs	<u>(\$5,344,000)</u>		<u>(\$5,561,000)</u>	<u>(\$5,561,000)</u>	
E. Residual Land Value	\$1,500,000		\$1,283,000	\$1,500,000	
Per Unit	\$136,000		\$117,000	\$136,000	
Per SF Land	\$75		\$64	\$75	
IV. Increase in Market Price Required to Offset Increase in Fee/Gap			\$18 /SF		
Per Unit @	1,391 SF		\$25,700 /Unit		

PROTOTYPE H: STACKED FLATS OVER PODIUM PARKING

TABLE K-8

IMPACT OF PROPOSED IN-LIEU FEE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Podium			
		100% Market-Rate Base Case w/o Density Bonus		In-Lieu Fee @ \$25/SF GLA	
I. Development Costs					
A. Direct Costs		\$29,799,000	\$276 /SF GBA	\$29,799,000	\$276 /SF GBA
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee		\$965,000	\$10.82 /SF Net	\$0	\$0 /Unit
Proposed Affordable Housing In-Lieu Fee		\$0	\$0 /Unit	\$2,230,000	\$25 /SF Net
Other Indirects		<u>\$7,383,000</u>	24.8% of Directs	<u>\$7,383,000</u>	24.8% of Directs
Total Indirect Costs		\$8,348,000	28.0% of Directs	\$9,613,000	32.3% of Directs
C. Financing Costs		<u>\$1,490,000</u>	5.0% of Directs	<u>\$1,490,000</u>	5.0% of Directs
D. Total Development Costs - Excluding Land		\$39,637,000	\$367 /SF GBA	\$40,902,000	\$378 /SF GBA
II. Net Sales Proceeds		\$53,674,000		\$53,674,000	
III. Residual Land Value					
A. Net Sales Proceeds		\$53,674,000		<u>Impact on RLV</u>	<u>Impact on Profit</u>
B. (Less) Developer Profit		<u>(\$7,503,000)</u>	13.6% of Value	<u>(\$7,503,000)</u>	13.6% <u>(\$6,238,000)</u> 11.3%
C. Warranted Investment		\$46,171,000		\$46,171,000	\$47,436,000
D. (Less) Development Costs		<u>(\$39,637,000)</u>		<u>(\$40,902,000)</u>	<u>(\$40,902,000)</u>
E. Residual Land Value		\$6,534,000		\$5,269,000	\$6,534,000
Per Unit		\$90,000		\$72,000	\$90,000
Per SF Land		\$150		\$121	\$150
IV. Increase in Market Price Required to Offset Increase in Fee/Gap					
Per Unit @		1,222 SF		\$20 /SF	\$24,700 /Unit

UPDATED PROPOSAL

ATTACHMENT L

Impact of Proposed Off-Site Compliance

TABLE L-1

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Garden Apartments	
		100% Market-Rate Base Case w/o Density Bonus	Affordability Gap @ 10% @ 60% AMI
I. Development Costs			
A. Direct Costs	\$8,317,000	\$187 /SF GBA \$191 /SF Net	\$8,317,000 \$187 /SF GBA \$191 /SF Net
B. Indirect Costs			
Existing Inclusionary Affordable Housing Fee	\$471,000	\$10.82 /SF Net	\$0 \$0 /Unit
Impact of Off-Site Compliance	\$0	\$0 /Unit	\$615,000 \$12,300 /Unit ⁽¹⁾
Other Indirects	<u>\$3,038,000</u>	36.5% of Directs	<u>\$3,038,000</u> 36.5% of Directs
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$3,653,000 43.9% of Directs
C. Financing Costs	<u>\$665,000</u>	8.0% of Directs	<u>\$665,000</u> 8.0% of Directs
D. Total Development Costs - Excluding Land	\$12,491,000	\$281 /SF GBA	\$12,635,000 \$284 /SF GBA
II. Net Operating Income	\$927,000	\$18,540 /Year	\$927,000 \$18,540 /Year
III. Residual Land Value			Impact on RLV Impact on ROI
A. Net Operating Income	\$927,000		\$927,000 \$927,000
B. Return on Investment	5.8%		5.8% 5.8%
C. Warranted Investment	\$15,976,000		\$15,976,000 \$16,120,000
D. (Less) Development Costs	<u>(\$12,491,000)</u>		<u>(\$12,635,000)</u> <u>(\$12,635,000)</u>
E. Residual Land Value	\$3,485,000		\$3,341,000 \$3,485,000
Per Unit	\$70,000		\$67,000 \$70,000
Per SF Land	\$40		\$38 \$40
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			
Per Unit @	870 SF		\$0.02 /SF/ Month \$18 /Unit/Month

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

**PROTOTYPE B: STACKED FLATS OVER
TUCK-UNDER PARKING (SMALL LOT)**

TABLE L-2

**IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Stacked Flats over Tuck-under Parking	
		100% Market-Rate Base Case w/o Density Bonus	Affordability Gap @ 10% @ 60% AMI
I. Development Costs			
A. Direct Costs	\$2,445,000	\$233 /SF GBA \$258 /SF Net	\$2,445,000 S /SF GBA \$258 /SF Net
B. Indirect Costs			
Existing Inclusionary Affordable Housing Fee	\$102,000	\$10.82 /SF Net	\$0 \$0 /Unit
Impact of Off-Site Compliance	\$0	\$0.00 /Unit	\$148,000 \$12,300 /Unit ⁽¹⁾
Other Indirects	<u>\$826,000</u>	33.8% of Directs	<u>\$826,000</u> 33.8% of Directs
Total Indirect Costs	\$928,000	38.0% of Directs	\$974,000 39.8% of Directs
C. Financing Costs	<u>\$196,000</u>	8.0% of Directs	<u>\$196,000</u> 8.0% of Directs
D. Total Development Costs - Excluding Land	\$3,569,000	\$340 /SF GBA	\$3,615,000 \$344 /SF GBA
II. Net Operating Income	\$248,820	\$20,735 /Year	\$248,820 \$20,735 /Year
III. Residual Land Value			Impact on RLV Impact on ROI
A. Net Operating Income	\$248,820		\$248,820 \$248,820
B. Return on Investment	5.3%		5.3% 5.3%
C. Warranted Investment	\$4,669,000		\$4,669,000 \$4,715,000
D. (Less) Development Costs	<u>(\$3,569,000)</u>		<u>(\$3,615,000)</u> <u>(\$3,615,000)</u>
E. Residual Land Value	\$1,100,000		\$1,054,000 \$1,100,000
Per Unit	\$92,000		\$88,000 \$92,000
Per SF Land	\$110		\$105 \$110
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.03 /SF/ Month
Per Unit @ 788 SF			\$22 /Unit/Month

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

TABLE L-3

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Stacked Flats over Podium					
100% Market-Rate Base Case w/o Density Bonus			Affordability Gap @ 10% @ 60% AMI		
I. Development Costs					
A. Direct Costs	\$14,074,000	\$269 /SF GBA \$327 /SF Net	\$14,074,000	\$327 /SF GBA \$327 /SF Net	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$466,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Impact of Off-Site Compliance	\$0	\$0 /Unit	\$664,000	\$12,300 /Unit ⁽¹⁾	
Other Indirects	<u>\$4,376,000</u>	31.1% of Directs	<u>\$4,376,000</u>	31.1% of Directs	
Total Indirect Costs	\$4,842,000	34.4% of Directs	\$5,040,000	35.8% of Directs	
C. Financing Costs	<u>\$1,126,000</u>	8.0% of Directs	<u>\$1,126,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$20,042,000	\$384 /SF GBA	\$20,240,000	\$387 /SF GBA	
II. Net Operating Income			\$1,199,000	\$22,204 /Year	
III. Residual Land Value					
A. Net Operating Income	\$1,199,000		<u>Impact on RLV</u>	<u>Impact on ROI</u>	
B. Return on Investment	5.0%		\$1,199,000	\$1,199,000	
C. Warranted Investment	\$23,854,000		5.0%	5.0%	
D. (Less) Development Costs	<u>(\$20,042,000)</u>		\$23,854,000	\$24,052,000	
E. Residual Land Value	\$3,812,000		<u>(\$20,240,000)</u>	<u>(\$20,240,000)</u>	
Per Unit	\$71,000		\$3,614,000	\$3,812,000	
Per SF Land	\$175		\$67,000	\$71,000	
			\$166	\$175	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.03 /SF/ Month		
Per Unit @	798 SF		\$21 /Unit/Month		

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

Prepared by: Keyser Marston Associates, Inc.

Filename i:\SDHC_Inclusionary_Feasibility Analysis_v17_ADDENDUM;10/8/2019;lag

TABLE L-4

PROTOTYPE D: HIGH-RISE WITH SUBTERRANEAN PARKING

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

High-Rise with Subterranean Parking					
100% Market-Rate Base Case w/o Density Bonus			Affordability Gap @ 10% @ 60% AMI		
I. Development Costs					
A. Direct Costs	\$65,397,000	\$333 /SF GBA \$417 /SF Net	\$65,397,000	\$333 /SF GBA \$417 /SF Net	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$1,699,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Impact of Off-Site Compliance	\$0	\$0 /Unit	\$2,669,000	\$12,300 /Unit ⁽¹⁾	
Other Indirects	<u>\$19,702,000</u>	30.1% of Directs	<u>\$19,702,000</u>	30.1% of Directs	
Total Indirect Costs	\$21,401,000	32.7% of Directs	\$22,371,000	34.2% of Directs	
C. Financing Costs	<u>\$5,232,000</u>	8.0% of Directs	<u>\$5,232,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$92,030,000	\$469 /SF GBA	\$93,000,000	\$474 /SF GBA	
II. Net Operating Income	\$5,714,000	\$26,332 /Year	\$5,714,000	\$26,332 /Year	
III. Residual Land Value			Impact on RLV	Impact on ROI	
A. Net Operating Income	\$5,714,000		\$5,714,000	\$5,714,000	
B. Return on Investment	5.5%		5.5%	5.5%	
C. Warranted Investment	\$103,465,000		\$103,465,000	\$104,435,000	
D. (Less) Development Costs	<u>(\$92,030,000)</u>		<u>(\$93,000,000)</u>	<u>(\$93,000,000)</u>	
E. Residual Land Value	\$11,435,000		\$10,465,000	\$11,435,000	
Per Unit	\$53,000		\$48,000	\$53,000	
Per SF Land	\$350		\$320	\$350	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap					
Per Unit @ 720 SF			\$0.04 /SF/ Month \$28 /Unit/Month		

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

TABLE L-5

PROTOTYPE E: SINGLE-FAMILY DETACHED

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Single-Family Detached					
100% Market-Rate Base Case w/o Density Bonus			Affordability Gap @ 10% @ 60% AMI		
I. Development Costs					
A. Direct Costs	\$16,286,000	\$142 /SF GBA	\$16,286,000	\$142 /SF GBA	
B. Indirect Costs					
Existing Inclusionary Affordable Housing Fee	\$1,244,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Impact of Off-Site Compliance	\$0	\$0 /Unit	\$541,000	\$12,300 /Unit ⁽¹⁾	
Other Indirects	<u>\$5,829,000</u>	35.8% of Directs	<u>\$5,829,000</u>	35.8% of Directs	
Total Indirect Costs	\$7,073,000	43.4% of Directs	\$6,370,000	39.1% of Directs	
C. Financing Costs	<u>\$1,140,000</u>	7.0% of Directs	<u>\$1,140,000</u>	7.0% of Directs	
D. Total Development Costs - Excluding Land	\$24,499,000	\$213 /SF GBA	\$23,796,000	\$207 /SF GBA	
II. Net Sales Proceeds			\$33,290,000		
III. Residual Land Value			Impact on RLV Impact on Profit		
A. Net Sales Proceeds	\$33,290,000		\$33,290,000	\$33,290,000	
B. (Less) Developer Profit	<u>(\$3,346,000)</u>	9.7% of Value	<u>(\$3,346,000)</u>	9.7%	<u>(\$4,049,000)</u> 11.8%
C. Warranted Investment	\$29,944,000		\$29,944,000	\$29,241,000	
D. (Less) Development Costs	<u>(\$24,499,000)</u>		<u>(\$23,796,000)</u>	<u>(\$23,796,000)</u>	
E. Residual Land Value	\$5,445,000		\$6,148,000	\$5,445,000	
Per Unit	\$124,000		\$140,000	\$124,000	
Per SF Land	\$25		\$28	\$25	
IV. Increase in Market Price Required to Offset Increase in Fee/Gap			\$0.00 /SF		
Per Unit @	2,600 SF		\$0 /Unit		

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

Prepared by: Keyser Marston Associates, Inc.

Filename i:\SDHC_Inclusionary_Feasibility Analysis_v17_ADDENDUM;10/8/2019;lag

TABLE L-6

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Townhomes					
100% Market-Rate Base Case w/o Density Bonus			Affordability Gap @ 10% @ 60% AMI		
I. Development Costs					
A. Direct Costs	\$18,670,000	\$188 /SF GBA	\$18,670,000	\$188 /SF GBA	
B. Indirect Costs					
Existing Inclusionary Affordable Housing F	\$1,062,000	\$10.82 /SF Net	\$0	\$0 /Unit	
Impact of Off-Site Compliance	\$0	\$0 /Unit	\$800,000	\$12,300 /Unit ⁽¹⁾	
Other Indirects	<u>\$6,798,000</u>	36.4% of Directs	<u>\$6,798,000</u>	36.4% of Directs	
Total Indirect Costs	\$7,860,000	42.1% of Directs	\$7,598,000	40.7% of Directs	
C. Financing Costs	<u>\$1,494,000</u>	8.0% of Directs	<u>\$1,494,000</u>	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$28,024,000	\$283 /SF GBA	\$27,762,000	\$280 /SF GBA	
II. Net Sales Proceeds			\$45,207,000		
III. Residual Land Value					
A. Net Sales Proceeds	\$45,207,000		<u>\$45,207,000</u>	<u>\$45,207,000</u>	
B. (Less) Developer Profit	<u>(\$4,115,000)</u>	8.8% of Value	<u>(\$4,115,000)</u>	8.8%	<u>(\$4,377,000)</u> 9.4%
C. Warranted Investment	\$41,092,000		\$41,092,000	\$40,830,000	
D. (Less) Development Costs	<u>(\$28,024,000)</u>		<u>(\$27,762,000)</u>	<u>(\$27,762,000)</u>	
E. Residual Land Value	\$13,068,000		\$13,330,000	\$13,068,000	
Per Unit	\$201,000		\$205,000	\$201,000	
Per SF Land	\$100		\$102	\$100	
IV. Increase in Market Price Required to Offset Increase in Fee/Gap					
Per Unit @	1,510 SF		\$0 /SF	\$0 /Unit	

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

TABLE L-7

PROTOTYPE G: SMALL LOT TOWNHOMES

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Small Lot Townhomes	
		100% Market-Rate Base Case w/o Density Bonus	Affordability Gap @ 10% @ 60% AMI
I. Development Costs			
A. Direct Costs		\$3,321,000 \$217 /SF GBA	\$3,321,000 \$217 /SF GBA
B. Indirect Costs			
Existing Inclusionary Affordable Housing Fee		\$166,000 \$10.82 /SF Net	\$0 \$0 /Unit
Impact of Off-Site Compliance		\$0 \$0 /Unit	\$135,000 \$12,300 /Unit ⁽¹⁾
Other Indirects		<u>\$1,591,000</u> 47.9% of Directs	<u>\$1,591,000</u> 47.9% of Directs
Total Indirect Costs		\$1,757,000 52.9% of Directs	\$1,726,000 52.0% of Directs
C. Financing Costs		<u>\$266,000</u> 8.0% of Directs	<u>\$266,000</u> 8.0% of Directs
D. Total Development Costs - Excluding Land		\$5,344,000 \$349 /SF GBA	\$5,313,000 \$347 /SF GBA
II. Net Sales Proceeds		\$7,789,000	\$7,789,000
III. Residual Land Value			Impact on RLV Impact on Profit
A. Net Sales Proceeds		\$7,789,000	\$7,789,000 \$7,789,000
B. (Less) Developer Profit		<u>(\$945,000)</u> 11.8% of Value	<u>(\$945,000)</u> 11.8% <u>(\$976,000)</u> 12.2%
C. Warranted Investment		\$6,844,000	\$6,844,000 \$6,813,000
D. (Less) Development Costs		<u>(\$5,344,000)</u>	<u>(\$5,313,000)</u> <u>(\$5,313,000)</u>
E. Residual Land Value		\$1,500,000	\$1,531,000 \$1,500,000
Per Unit		\$136,000	\$139,000 \$136,000
Per SF Land		\$75	\$77 \$75
IV. Increase in Market Price Required to Offset Increase in Fee/Gap			\$0 /SF
Per Unit @		1,391 SF	\$0.00 /Unit

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

TABLE L-8

IMPACT OF OFF-SITE COMPLIANCE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Podium	
		100% Market-Rate Base Case w/o Density Bonus	Affordability Gap @ 10% @ 60% AMI
I. Development Costs			
A. Direct Costs		\$29,799,000 \$276 /SF GBA	\$29,799,000 \$276 /SF GBA
B. Indirect Costs			
Existing Inclusionary Affordable Housing Fee		\$965,000 \$10.82 /SF Net	\$0 \$0 /Unit
Impact of Off-Site Compliance		\$0 \$0 /Unit	\$898,000 \$12,300 /Unit ⁽¹⁾
Other Indirects		<u>\$7,383,000</u> 24.8% of Directs	<u>\$7,383,000</u> 24.8% of Directs
Total Indirect Costs		\$8,348,000 28.0% of Directs	\$8,281,000 27.8% of Directs
C. Financing Costs		<u>\$1,490,000</u> 5.0% of Directs	<u>\$1,490,000</u> 5.0% of Directs
D. Total Development Costs - Excluding Land		\$39,637,000 \$367 /SF GBA	\$39,570,000 \$366 /SF GBA
II. Net Sales Proceeds		\$53,674,000	\$53,674,000
IV. Residual Land Value			Impact on RLV Impact on Profit
A. Net Sales Proceeds		\$53,674,000	\$53,674,000 \$53,674,000
B. (Less) Developer Profit		<u>(\$7,503,000)</u> 13.6% of Value	<u>(\$7,503,000)</u> 13.6% <u>(\$7,570,000)</u> 13.7%
C. Warranted Investment		\$46,171,000	\$46,171,000 \$46,104,000
D. (Less) Development Costs		<u>(\$39,637,000)</u>	<u>(\$39,570,000)</u> <u>(\$39,570,000)</u>
E. Residual Land Value		\$6,534,000	\$6,601,000 \$6,534,000
Per Unit		\$90,000	\$90,000 \$90,000
Per SF Land		\$150	\$152 \$150
V. Increase in Market Price Required to Offset Increase in Fee/Gap			\$0 /SF
Per Unit @		1,222 SF	\$0 /Unit

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 60% AMI (see Appendix 3, Attachment I).

UPDATED PROPOSAL

ATTACHMENT M

Estimate of Affordable Rents

TABLE M-1

**ESTIMATE OF MAXIMUM AFFORDABLE RENT - 60% AMI
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	<u>One Bedroom</u>	<u>Two Bedroom</u>
I. Percent of AMI	60%	60%
Assumed Family Size	2.0	3.0
Household Income (Rounded) (1)	\$51,360	\$57,780
II. Income Allocation to Housing	30%	30%
Monthly Housing Cost	\$1,284	\$1,445
(Less) Utility Allowance (2)	<u>(\$63)</u>	<u>(\$83)</u>
III. Maximum Monthly Rent	\$1,221	\$1,362

(1) HUD 2019 Income Limits.

(2) KMA estimate. Utility allowances based on San Diego Housing Commission utility allowances issued April 1, 2019. KMA assumed utility allowance profile as follows:

	<u>1 Bedroom</u>	<u>2 Bedroom</u>
Electric Heating	\$22	\$26
Gas Cooking	\$6	\$8
Other Electric	\$27	\$38
Gas Water Heating	<u>\$8</u>	<u>\$11</u>
Total	\$63	\$83