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

**MEMORANDUM**

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**To:** Heidi Vonblum, Program Manager
Environmental and Mobility Planning
City of San Diego

**From:** KEYSER MARSTON ASSOCIATES, INC.

**Date:** April 1, 2020

**Subject:** Citywide Active Transportation In Lieu Fee Program
Estimated Impacts and Cost Savings Analysis

## I. INTRODUCTION

The City of San Diego (City) engaged Keyser Marston Associates, Inc. (KMA) to undertake a technical analysis to evaluate the estimated impacts and potential cost savings for real estate developers resulting from the City's Active Transportation In Lieu Fee Program (Program) on new development within Mobility Zone 4. The City is currently developing new regulations to reduce Citywide Vehicles Miles Traveled (VMT), consistent with the requirements of Senate Bill (SB) 743 and the City's adopted Climate Action Plan. The new regulations, known as the Mobility Choices Regulations (Regulations), are intended to support investment and implementation of active transportation infrastructure in areas where VMT can be most efficiently and effectively reduced.

In completing this assignment, KMA undertook the following principal tasks:

- Reviewed background data, reports, maps, and the draft Complete Communities: Mobility Choices Regulations Ordinance (Ordinance)

- Conducted a limited review of market sales prices/rents for residential and non-residential land uses

- Surveyed comparable sales values for both vacant land and improved properties in Mobility Zone 4

- Identified six (6) potential development prototypes likely to occur in Mobility Zone 4 and prepared financial pro forma analyses to measure their financial feasibility

- Evaluated the potential impact on developer profit/return as a result of the proposed Program

This Report has been organized as follows:

- Section II presents the KMA key findings
- Section III provides background on SB 743 and the State requirement to adopt new guidelines for mitigating transportation impacts under the California Environmental Quality Act (CEQA)
- Section IV summarizes the City's proposed Program
- Section V provides an overview of the financial pro formas for the development prototypes
- Section VI presents estimates of potential cost savings for real estate developers resulting from implementation of the Program
- Section VII details limiting conditions pertaining to this memorandum report

## II. KEY FINDINGS

- By July 1, 2020, all CEQA Lead Agencies must analyze a project's transportation impacts using VMT. VMT accounts for a vehicle's true impact on the transportation system as it considers both the number of trips a driver makes along with the distance traveled during each of those trips.

- The City is proposing to implement a new Program through the proposed Mobility Choices Regulations. The intent of the Regulations is to reduce Citywide VMT to address impacts of development related to noise, air pollution, and greenhouse gas emissions (GHG), and to promote public health and enjoyment, by investing in multi-modal infrastructure and measures that will result in reductions to Citywide VMT.

  While the conversion from Level of Service (LOS) to VMT for purposes of measuring transportation impacts under CEQA becomes effective, lower-density development in areas not well-served by transit may be negatively impacted as VMT mitigation measures may be costly and render projects infeasible.

- The City's proposed Program intends to alleviate the burden of VMT-generated mitigation measures in Mobility Zone 4 by imposing an Active Transportation In Lieu Fee. Active

Transportation In Lieu Fee funds collected will be used to pay for multi-modal infrastructure that meets the City's VMT reduction goals.

- Working with City planning staff, KMA selected six (6) project descriptions that serve as tangible examples of development that could be anticipated to occur in Mobility Zone 4 in the future. KMA tested the financial feasibility of each prototype to determine the developer profit/Return on Investment (ROI) prior to implementation of the proposed Program.

- The Program will allow for an expedited entitlement process which will result in costs savings to developers within Mobility Zone 4. KMA estimates that the Program may result in the following types of cost savings to real estate developers:

    - Architecture and Engineering
    - Entitlement Costs
    - Traffic Studies/Environmental Documents
    - Developer Overhead Fee
    - Interest Carry
    - Off-Site Improvement Costs

- On this basis, then, KMA applied the cost savings to each prototype to recalibrate the developer profit and ROI, providing a measure of the potential benefit of the Program on private development. KMA found that the proposed Program has the potential to enhance the feasibility of development within Mobility Zone 4.

## III. SENATE BILL 743

In 2013, the California legislature enacted SB 743 with the intent to "more appropriately balance the needs of congestion management with Statewide goals related to in-fill development, promotion of public health through active transportation, and reduction of greenhouse gas emissions." When implemented, "traffic congestion shall not be considered a significant impact on the environment" within CEQA transportation analyses.

SB 743 required the Governor's Office of Planning and Research (OPR) to identify and adopt new guidelines for mitigating transportation impacts under CEQA. Current transportation impacts are based on a congestion-based analysis, or level of service (LOS). The new regulations will represent a significant shift in analyzing transportation impacts under CEQA. By July 1, 2020, all CEQA Lead Agencies must analyze a project's transportation impacts using VMT. VMT accounts for a vehicle's

true impact on the transportation system as it considers both the number of trips a driver makes along with the distance traveled during each of those trips.

VMT is currently used to assess environmental impacts under CEQA to measure a project's impact on greenhouse gas emissions, air quality, and energy. According to the OPR, using VMT for analyzing transportation impacts will emphasize the reduction in the number of trips and distances vehicles use to travel to, from, or within a development project. Projects located near transit and/or within in-fill areas generally have lower VMT than projects in rural or undeveloped areas. The shift to VMT analysis under CEQA is intended to encourage the development of jobs, housing, and commercial uses in closer proximity to each other and to transit. Conversely, lower-density development in areas not well-served by transit may be negatively impacted as VMT mitigation measures may be costly and hinder projects infeasible.

## IV. PROPOSED ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM

The City is proposing to implement the Program through the proposed Mobility Choices Regulations for the purpose of complying with SB 743. The intent of the Regulations is to reduce Citywide VMT to address impacts of development related to noise, air pollution, and greenhouse gas emissions, and to promote public health and enjoyment, by investing in active transportation infrastructure and measures that will result in reductions to Citywide VMT. The City has identified four (4) Mobility Zones, as follows:

- **Mobility Zone 1** – reflects the Downtown Community Planning Area boundary

- **Mobility Zone 2** – includes any parcel that falls wholly, or partially, within the State's identified Transit Priority Areas (TPAs)

- **Mobility Zone 3** – reflects any Community Planning Area boundary with a VMT efficiency that is 85% or less of the regional average for either VMT per capita or VMT per employee

- **Mobility Zone 4** – represents any area that is not located within Mobility Zones 1, 2, or 3; Mobility Zone 4 generally reflects the non-urban areas of the City

The Regulations will require that all development located in Mobility Zones 2 and 3 provide on-site Transportation Demand Management (TDM) amenities that reduce VMT. TDM amenities may include a variety of pedestrian improvements, bicycle supportive amenities, transit improvements, or other multi-modal enhancements.

Under the Program, all development located in Mobility Zone 4 will be required to pay an Active Transportation In Lieu Fee instead of funding the cost of VMT-generated mitigation measures. In addition, development projects in Mobility Zone 4 will not be required to provide on-site TDM amenities.

Funds collected from the Program will be used to pay for transportation and VMT-reducing multi-modal infrastructure projects within Mobility Zones 1, 2, and 3, thereby reducing Citywide VMT impacts.

## V. FINANCIAL FEASIBILITY ANALYSIS

In identifying potential development prototypes for the financial feasibility analysis, KMA selected project descriptions that serve as tangible examples of the types of development that could be anticipated to occur in Mobility Zone 4 in the future. The development prototypes were selected through a process which considered recent development patterns in comparable locations, and key market parameters for residential, commercial, and industrial uses within Mobility Zone 4.

Under the proposed Regulations, retail development located in Mobility Zone 4 that is local-serving will not be required to pay the Active Transportation In Lieu Fee. Instead, it will be required to provide active transportation measures that reduce VMT. In addition, affordable housing units that are deed-restricted at 120% of Area Median Income (AMI) or below will be exempt from paying the Active Transportation In Lieu Fee.

The detailed KMA financial pro forma models for the development prototypes are presented in the Appendices attached to this memorandum. The Appendices are organized as follows:

- Appendix A presents the for-sale residential development prototypes
- Appendix B presents the rental residential development prototype
- Appendix C presents the non-residential development prototypes

The following provides an overview of the financial pro forma tables contained in each Appendix.

### *A. Project Description*

KMA evaluated a total of six (6) development prototypes as shown in Exhibits V-1 and V-2 on the following page. KMA reviewed characteristics of residential product types with respect to typical unit mixes and sizes within Mobility Zone 4. In KMA's view, these typical unit mixes and sizes reflect the

most feasible development parameters for investors/developers in the current market. Two (2) prototypes (small lot single-family homes and townhomes) are modeled as for-sale housing and one (1) prototype was modeled as rental housing (garden apartments).

| Exhibit V-1: Residential Development Prototypes – Project Descriptions | | | |
|---|---|---|---|
| | Small Lot Single-Family Homes | Townhomes | Garden Apartments |
| **Site Size** | 2.5 Acres | 5.0 Acres | 5.0 Acres |
| **Product Type** | For-Sale | For-Sale | Rental |
| **Density** | 10 DU/Acre | 15 DU/Acre | 25 DU/Acre |
| **Number of Units** | 25 Units | 75 Units | 125 Units |
| **Unit Mix** | 3 to 4 Bedrooms | 2 to 3 Bedrooms | 1 to 3-Bedrooms |
| **Average Unit Size** | 2,010 SF | 1,450 SF | 910 SF |
| **Parking Type** | Attached Garages | Attached Garages | Surface/Carports |

KMA also reviewed characteristics of non-residential product types within the Mobility Zone 4. Floor Area Ratios (FARs) for non-residential development prototypes ranges from 0.35 to 0.57, with surface parking.

| Exhibit V-2: Non-Residential Development Prototypes – Project Descriptions | | | |
|---|---|---|---|
| | Low-Rise Office Building | Industrial Business Park | Select Service Hotel |
| **Site Size** | 5.0 Acres | 5.0 Acres | 3.0 Acres |
| **Construction Type** | Type III | Tilt-Up Concrete | Type V |
| **Number of Stories** | 2 - 3 Stories | 1 - 2 Stories | 4 - 5 Stories |
| **Floor Area Ratio** | 0.40 | 0.35 | 0.57 |
| **Gross Building Area (GBA)** | 87,000 SF | 76,000 SF | 75,000 SF |
| **Average Hotel Room Size (Gross)** | --- | --- | 500 SF/Room |
| **Parking Type** | Surface | Surface | Surface |

Tables A-1, B-1, and C-1 present the general project description, including site size, residential density or Floor Area Ratio (FAR), gross building area (GBA), residential unit mix, and parking type and count, as applicable, for each development prototype.

*B. Estimate of Development Costs*

KMA's estimate of development costs reflect costs under current market conditions and before any cost savings realized by the proposed Program. Tables A-2, B-2, and C-2 present estimated development costs for each prototype, including direct, indirect, permits and fees, financing, and land acquisition costs as described below.

- Direct construction costs consist of items such as on- and off-site improvements, parking, shell construction, residential amenities, tenant improvements, and contingency. KMA also worked with the City's transportation consultant, Chen Ryan Associates, to determine the appropriate level and cost for off-site improvements. For all prototypes, KMA has assumed no payment of prevailing wages. Direct construction costs assume that the hypothetical development sites do not require demolition of existing improvements or relocation of existing occupants.

- Indirect costs consist of architecture, engineering, entitlements, traffic studies/environmental documents, legal and accounting, taxes and insurance, developer fee, marketing/lease-up/sales, and contingency.

- Permits and fees consist of City Development and Impact Fees (DIFs), Regional Transportation Congestion Improvement (RTCIP) Fee, Inclusionary In Lieu Fee (for the residential prototypes), the City's Housing Impact Fee (for the non-residential prototypes), San Diego Unified School District Impact Fee, and other City permits and fees.

- Financing costs consist of such items as loan fees, interest during construction and lease-up/sales, and homeowner association dues on unsold units (for-sale residential).

- Land acquisition costs are based on KMA's evaluation of comparable land sales in Mobility Zone 4.

The development costs shown in Tables A-2, B-2, and C-2 do not assume any cost savings realized by the proposed Program.

*C. Project Revenues*

Table A-3 presents the estimated gross sales proceeds for the for-sale residential product types. Tables B-3 and C-3 present the estimated Net Operating Income (NOI) for the rental residential and non-residential product types. The KMA estimates of market prices and rental rates are based on an

assessment of current market conditions and review of current market rents/pricing for comparable developments in Mobility Zone 4.

*D. Developer Profit/Return on Investment*

For for-sale residential, KMA used the developer profit metric to gauge the feasibility of the single-family and townhome product types. Developer profit is calculated as gross sales revenue, less estimated development costs and an associated cost of sale. The estimated developer profit for each for-sale product type is expressed as a percent of sales value and can be found in Table A-3. Industry standard target returns for for-sale residential development typically range between 10% and 12% of project value.

For the rental product types, KMA used the Return on Investment (ROI) metric to gauge the feasibility of garden apartments, low-rise office building, industrial business park, and select-service hotel product types. ROI is calculated as stabilized annual NOI divided by total development costs. KMA estimates of developer profit and ROI for rental product types can be found in Tables B-4 and C-4. Industry standard target returns for these types of development typically range between 5% and 9%.

## VI. ESTIMATED IMPACTS AND POTENTIAL COST SAVINGS FROM PROGRAM

*A. Potential Cost Savings from Proposed Program*

The Program will allow for an expedited entitlement process which will result in costs savings to developers within Mobility Zone 4. KMA estimates that the Program may result in the types of beneficial impacts to developers summarized in Exhibit VI-1 below.

**Exhibit VI-1: Potential Cost Savings from Proposed Program**

| Type of Cost Savings | Nature of Impact | KMA Order-of-Magnitude Estimate of Cost Savings |
|---|---|---|
| Architecture & Engineering | Reduction due to expedited entitlement process | Approximately 10% reduction in Architecture and Engineering costs |
| Entitlement Costs | Reduction due to expedited entitlement process | Approximately 20% reduction in entitlement costs |
| Traffic Studies/ Environmental Documents | Eliminates need for full traffic study and other environmental documents | Cost of traffic study and other environmental documents ranging between $30,000 to $40,000 |

**Exhibit VI-1: Potential Cost Savings from Proposed Program**

| Type of Cost Savings | Nature of Impact | KMA Order-of-Magnitude Estimate of Cost Savings |
|---|---|---|
| Developer Overhead Fee | Expedited entitlement period results in time savings ranging between 3 to 6 months, or an average of 4.5 months | Decrease in overhead/project management due to reduced entitlement risk |
| Interest Carry | Expedited entitlement period results in time savings ranging between 3 to 6 months, or an average of 4.5 months | Decrease in interest carry costs during reduced entitlement period |
| Off-Site Improvement Costs | Eliminates off-site improvement costs required by current Level of Service regulations | Decrease in off-site improvements costs for industrial development (1) |

(1) Source: Chen Ryan Associates and City Planning Department. Based on a survey of recent non-residential development applications within Mobility Zone 4, only industrial development was required to implement transportation-related mitigation measures.

*B. Impact of Cost Savings on Developer Profit/ROI*

Exhibit VI-2 below presents the KMA estimate of potential cost savings for the residential development prototypes. Based on the above factors and assumptions, KMA estimates that developers of residential developments in Mobility Zone 4 may realize cost savings ranging from $5,100 to $11,200 per unit.

**Exhibit VI-2: Residential Development Prototypes – Potential Cost Savings from Program**

| | Small Lot Single-Family Homes | Townhomes | Garden Apartments |
|---|---|---|---|
| **Cost Savings on A&E** | $1,000/unit | $600/unit | $300/unit |
| **Cost Savings on Entitlement Costs** | $1,700/unit | $1,700/unit | $1,700/unit |
| **Cost Savings on Traffic Studies/ Environmental Documents** | $1,200/unit | $400/unit | $200/unit |
| **Cost Savings on Developer Fee** | $4,300/unit | $3,500/unit | $1,000/unit |
| **Interest Carry Savings** | $3,000/unit | $3,300/unit | $1,900/unit |
| **Total Potential Cost Savings from Program** | **$11,200/unit** | **$9,500/unit** | **$5,100/unit** |

Detailed calculations for the potential cost savings for residential development can be found in Tables A-4 and B-5.

Exhibit VI-3 presents the KMA estimates of potential cost savings for the non-residential development prototypes. Based on the above factors and assumptions, it is estimated that developers of non-residential development in Mobility Zone 4 may realize cost savings of $6.25 per SF GBA for a low-rise office building; $5.65 per SF GBA for an industrial business park; and $2,800 per room for a hotel development.

**Exhibit VI-3: Non-Residential Development Prototypes – Potential Cost Savings from Program**

| | Low-Rise Office Building | Industrial Business Park | Select-Service Hotel |
|---|---|---|---|
| **Cost Savings from Off-Site Improvement Costs** | $0.00/SF GBA | $1.94/SF GBA | $0.00/SF GBA |
| **Cost Savings on A&E** | $0.63/SF GBA | $0.26/SF GBA | $0.69/SF GBA |
| **Cost Savings on Entitlement Costs** | $0.84/SF GBA | $0.52/SF GBA | $0.91/SF GBA |
| **Cost Savings on Traffic Studies/ Environmental Documents** | $0.46/SF GBA | $0.53/SF GBA | $0.53/SF GBA |
| **Cost Savings on Developer Overhead Fee** | $1.27/SF GBA | $0.67/SF GBA | $1.19/SF GBA |
| **Interest Carry Savings** | $3.04/SF GBA | $1.74/SF GBA | $2.21/SF GBA |
| **Total Potential Cost Savings from Program** | **$6.25/SF GBA** | **$5.65/SF GBA** | **$5.53/SF GBA**<br>**$2,800/Room** |

Detailed calculations for the potential cost savings for non-residential development can be found in Table C-5.

KMA applied the estimated cost savings to each development prototype to measure the impact on developer profit and ROI. It should be noted that the development budgets do not include the proposed Active Transportation In Lieu Fee. Exhibit VI-4 presents a comparison of developer profit and ROI for the residential development prototypes before and after the Program.

**Exhibit VI-4: Residential Development Prototypes – Developer Profit/Return on Investment**

| | Small Lot Single-Family Homes | Townhomes | Garden Apartments |
|---|---|---|---|
| **Developer Profit** | | | |
| Before Program | $74,700/unit | $60,300/unit | $77,900/unit |
| After Program | $85,900/unit | $69,800/unit | $83,000/unit |

| Exhibit VI-4: Residential Development Prototypes – Developer Profit/Return on Investment | | | |
|---|---|---|---|
| | Small Lot Single-Family Homes | Townhomes | Garden Apartments |
| **% of Project Value** | | | |
| Before Program | 10.4% | 10.4% | 18.9% |
| After Program | 11.9% | 12.0% | 20.2% |
| **Return on Investment (ROI)** | | | |
| Before Program | *does not apply* | *does not apply* | 5.8% |
| After Program | | | 5.9% |

Exhibit VI-5 below illustrates the KMA findings regarding estimated developer profits/ROI for the non-residential development prototypes, after applying the potential cost savings estimated to result from the proposed Program.

| Exhibit VI-5: Non-Residential Development Prototypes – Developer Profit/Return on Investment | | | |
|---|---|---|---|
| | Low-Rise Office Building | Industrial Business Park | Select-Service Hotel |
| **Developer Profit** | | | |
| Before Program | $38/SF GBA | $25/SF GBA | $34,000/Room |
| After Program | $44/SF GBA | $30/SF GBA | $36,300/Room |
| **% of Project Value** | | | |
| Before Program | 8.8% | 9.7% | 15.0% |
| After Program | 10.2% | 11.9% | 16.3% |
| **Return on Investment (ROI)** | | | |
| Before Program | 7.4% | 8.0% | 9.1% |
| After Program | 7.5% | 8.2% | 9.3% |

## VII. LIMITING CONDITIONS

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties.

2. 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. No guarantee is made as to the possible effect on development of current or future Federal, State, or local legislation including environmental or ecological matters.

3. 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.

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. If an unforeseen change occurs in the local or national economy, the analysis and conclusions contained herein may no longer be valid.

5. Any estimates of development costs, project income, and/or value in this evaluation are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be predictions of the future for the specific project. No warranty or representation is made that any of these estimates or projections will actually materialize.

6. It has been assumed that the value of the property will not be impacted by the presence of any soils, toxic, or hazardous conditions that require remediation to allow development. Additionally, it is assumed that perceived toxic conditions (if any) on surrounding properties will not affect the value of the property.

7. KMA is not advising or recommending any action be taken by the City 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 City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City 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; and

9. The City 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

# APPENDIX A

# FOR-SALE RESIDENTIAL DEVELOPMENT PROTOTYPES

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## Citywide Active Transportation In Lieu Fee Program
## Estimated Impacts and Cost Savings Analysis
## City of San Diego

**TABLE A-1**

**PROJECT DESCRIPTION**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Small Lot Single-Family Homes | | | Townhomes | | |
|---|---|---|---|---|---|---|---|
| **I.** | **Site Size** | 2.5 | Acres [1] | | 5.0 | Acres | |
| | Average Lot Size (Net) | 3,500 | SF/Lot | | --- | | |
| **II.** | **Construction Type** | Type V | | | Type V | | |
| **III.** | **Number of Stories** | 2 | Stories | | 3 | Stories | |
| **IV.** | **Density (Gross)** | 10 | Units/Acre | | 15 | Units/Acre | |
| **V.** | **Number of Units** | 25 | Units | | 75 | Units | |
| **VI.** | **Gross Building Area** | | | | | | |
| | Net Saleable SF | 50,200 | SF | 100% | 108,900 | SF | 98% |
| | Community/Recreation Room | 0 | SF | 0% | 2,500 | SF | 2% |
| | Common Area/Circulation | 0 | SF | 0% | 0 | SF | 0% |
| | Gross Building Area (GBA) | 50,200 | SF | 100% | 111,400 | SF | 100% |
| | Average Unit Size | 2,010 | SF | | 1,450 | SF | |
| **VII.** | **Parking** | | | | | | |
| | Parking Spaces | 50 | Spaces | | 150 | Spaces | |
| | Parking Ratio | 2.00 | Spaces/Unit | | 2.00 | Spaces/Unit | |
| | Type | Attached Garages | | | Attached Garages | | |

(1) Assumes 20% of gross site area is dedicated to roads, open space, and environmental easements.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

TABLE A-2

**RESIDENTIAL FOR-SALE**

**DEVELOPMENT COSTS**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Small Lot Single-Family Homes | | | Townhomes | | |
|---|---|---|---|---|---|---|
| | Total | Per Unit | Comments | Total | Per Unit | Comments |
| **I. Direct Costs** | | | | | | |
| Off-Site Improvements [(1)(2)] | $0 | $0 | $0 /SF Land | $0 | $0 | $0 /SF Land |
| On-Site Improvements [(1)(2)] | $1,634,000 | $65,400 | $15 /SF Land | $1,525,000 | $20,300 | $7 /SF Land |
| Parking | $0 | $0 | Included Below | $0 | $0 | Included Below |
| Shell Construction | $6,024,000 | $241,000 | $120 /SF GBA | $15,596,000 | $207,900 | $140 /SF GBA |
| FF&E/Amenities | $38,000 | $1,500 | Allowance | $131,000 | $1,750 | Allowance |
| Contingency | $385,000 | $15,400 | 5.0% of Directs | $863,000 | $11,500 | 5.0% of Directs |
| Subtotal Direct Costs | $8,081,000 | $323,200 | $161 /SF GBA | $18,115,000 | $241,500 | $163 /SF GBA |
| **II. Indirect Costs** | | | | | | |
| Architecture & Engineering | $242,000 | $9,700 | 3.0% of Directs | $453,000 | $6,000 | 2.5% of Directs |
| Cost of Entitlements | $213,000 | $8,500 | 2.6% of Directs | $638,000 | $8,500 | 3.5% of Directs |
| Traffic Studies/Environmental Documents | $30,000 | $1,200 | 0.4% of Directs | $30,000 | $400 | 0.2% of Directs |
| Legal & Accounting | $162,000 | $6,500 | 2.0% of Directs | $362,000 | $4,800 | 2.0% of Directs |
| Taxes & Insurance | $162,000 | $6,500 | 2.0% of Directs | $362,000 | $4,800 | 2.0% of Directs |
| Developer Fee | $722,000 | $28,900 | 4.0% of Value | $1,742,000 | $23,200 | 4.0% of Value |
| Marketing/Sales | $541,000 | $21,600 | 3.0% of Value | $1,306,000 | $17,400 | 3.0% of Value |
| Contingency | $104,000 | $4,200 | 5.0% of Indirects | $245,000 | $3,300 | 5.0% of Indirects |
| Subtotal Indirect Costs | $2,176,000 | $87,000 | 26.9% of Directs | $5,138,000 | $68,500 | 28.4% of Directs |
| **III. Permits and Fees** | | | | | | |
| City Development Impact Fees (DIFs) [(3)(4)] | $925,000 | $37,000 | $18 /SF GBA | $2,775,000 | $37,000 | $25 /SF GBA |
| RTCIP Fee [(3)] | $74,000 | $2,950 | $2,950 /Unit | $177,000 | $2,360 | $2,360 /Unit |
| Inclusionary In Lieu Fee [(4)] | $762,000 | $30,500 | $15.18 /SF Net | $1,653,000 | $22,000 | $15.18 /SF Net |
| San Diego Unified School District Impact Fee [(5)] | $205,000 | $8,200 | $4.08 /SF GBA | $455,000 | $6,100 | $4.08 /SF GBA |
| Other City Permits and Fees [(2)(7)] | $151,000 | $6,000 | $3 /SF GBA | $334,000 | $4,500 | $3 /SF GBA |
| Subtotal Permits & Fees | $2,117,000 | $84,700 | 26.2% of Directs | $5,394,000 | $71,900 | 29.8% of Directs |
| **IV. Financing Costs** | $808,000 | $32,300 | 10.0% of Directs | $1,449,000 | $19,300 | 8.0% of Directs |
| **V. Subtotal Development Costs** | **$13,182,000** | **$527,300** | **$263 /SF GBA** | **$30,096,000** | **$401,300** | **$270 /SF GBA** |
| **VI. Add: Land Acquisition Costs** | $2,178,000 | $87,100 | $20 /SF Land | $7,623,000 | $101,600 | $35 /SF Land |
| **VII. Total Development Costs** | **$15,360,000** | **$614,400** | **$306 /SF GBA** | **$37,719,000** | **$502,900** | **$339 /SF GBA** |

(1) Does not include allowance for demolition, remediation, or other extraordinary site conditions.
(2) Estimate; not verified by KMA or City.
(3) Source: City of San Diego FY 2020 Planning Department Fee and Deposit Schedule.
(4) Reflects the median rates for single-family and multi-family residential in the FBA communities.
(5) Source: City of San Diego Inclusionary Ordinance, as of July 1, 2020.
(6) Source: San Diego Unified School District, as of January 1, 2020.
(7) Reflects plan check, building permit, inspections, and other processing fees; water and sewer capacity charges; and fire permit fees.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

**TABLE A-3**

**GROSS SALES PROCEEDS AND DEVELOPER PROFIT**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Small Lot Single-Family Homes | | | | | Townhomes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **I. Gross Sales Proceeds** | # Units | Unit Size | $/SF | $/Unit | Total | # Units | Unit Size | $/SF | $/Unit | Total |
| Two Bedroom | 0 | -- | -- | -- | -- | 37 | 1,300 SF | $425 | $552,500 | $20,442,500 |
| Three Bedroom | 12 | 1,800 SF | $385 | $693,000 | $8,316,000 | 38 | 1,600 SF | $380 | $608,000 | $23,104,000 |
| Four Bedroom | 13 | 2,200 SF | $340 | $748,000 | $9,724,000 | 0 | -- | -- | -- | -- |
| Total/Average | 25 | 2,010 SF | $359 | $721,600 | $18,040,000 | 75 | 1,450 SF | $400 | $580,620 | $43,546,500 |
| **II. Developer Profit** | | | | | | | | | | |
| Gross Sales Proceeds | | | | | $18,040,000 | | | | | $43,546,500 |
| (Less) Cost of Sale | | | 4.50% of Value | | ($812,000) | | | 3.00% of Value | | ($1,306,000) |
| (Less) Total Development Costs | | | | | ($15,360,000) | | | | | ($37,719,000) |
| **Total Developer Profit - Prior to VMT Fee Program** | | | | | **$1,868,000** | | | | | **$4,521,500** |
| **Per Unit** | | | | | **$74,700** | | | | | **$60,300** |
| **% of Total Development Costs** | | | | | **12.2%** | | | | | **12.0%** |
| **% of Value** | | | | | **10.4%** | | | | | **10.4%** |

Prepared by: Keyser Marston Associates, Inc.
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**TABLE A-4**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Small Lot Single-Family Homes | Townhomes |
|---|---|---|---|
| **I. Cost Savings on Architecture & Engineering Due to Expedited Entitlements** | | | |
| Typical Architecture & Engineering Costs Per Unit | | $9,700 /Unit | $6,000 /Unit |
| (Less) Reduction in Architecture & Engineering Costs @ | 10% | ($1,000) /Unit | ($600) /Unit |
| Net Architecture and Engineering Costs | | $8,700 /Unit | $5,400 /Unit |
| **II. Cost Savings on Entitlement Costs Due to Expedited Entitlements** | | | |
| Typical Entitlement Costs Per Unit | | $8,500 /Unit | $8,500 /Unit |
| (Less) Reduction in Entitlement Costs @ | 20% | ($1,700) /Unit | ($1,700) /Unit |
| Net Entitlement Costs | | $6,800 /Unit | $6,800 /Unit |
| **III. Cost Savings on Traffic Studies/Environmental Documents** | | | |
| Typical Traffic Study/Environmental Document Costs Per Unit | | $1,200 /Unit | $400 /Unit |
| Reduction in Traffic Study/Environmental Document Costs @ | | ($1,200) /Unit | ($400) /Unit |
| Net Traffic Study/Environnmental Document Costs | | $0 /Unit | $0 /Unit |
| **IV. Cost Savings on Developer Overhead Fee** | | | |
| A. Development Period [1] | | | |
| Predevelopment Period | | 12 Months | 12 Months |
| Construction Period | | 15 Months | 12 Months |
| Sales Period | | 3 Months | 6 Months |
| Total Development Period [1] | | 30 Months | 30 Months |
| B. Estimated Time Savings | | 4.5 Months | 4.5 Months |
| Time Savings as % of Total Development Period | | 15% | 15% |
| C. Developer Fee During Total Development Period | | $28,900 /Unit | $23,200 /Unit |
| Estimated Reduction in Savings per Unit | | 15% | 15% |
| Reduction in Developer Fee | | ($4,300) /Unit | ($3,500) /Unit |
| Net Developer Overhead Fee | | $24,600 /Unit | $19,700 /Unit |

(1) Assumes development period phases overlap.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3;4/1/2020;ema

**TABLE A-4**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Small Lot Single-Family Homes | Townhomes |
|---|---|---|
| **V. Cost Savings on Interest Carry** | | |
| A. Land | | |
| Land Costs per Unit | $87,100 /Unit | $101,600 /Unit |
| Average Balance Out | 100% | 100% |
| Amount Financed | $87,100 /Unit | $101,600 /Unit |
| B. Predevelopment Costs | | |
| Net Architecture & Engineering Costs | $8,700 /Unit | $5,400 /Unit |
| Net Entitlement Costs | $6,800 /Unit | $6,800 /Unit |
| Net Traffic Studies/Environmental Documents | $0 /Unit | $0 /Unit |
| Net Developer Overhead Fee | $24,600 /Unit | $19,700 /Unit |
| Total Predevelopment Costs | $40,100 /Unit | $31,900 /Unit |
| Average Balance Out | 50% | 50% |
| Amount Financed | $20,050 /Unit | $15,950 /Unit |
| C. Total Amount Financed (A+B) | $107,150 /Unit | $117,550 /Unit |
| D. Time Savings | 4.5 Months | 4.5 Months |
| E. Cost of Funds | 7.5% /Year | 7.5% /Year |
| F. Total Savings on Interest Carry | $3,000 /Unit | $3,300 /Unit |
| G. Total Financing Costs | $32,300 /Unit | $19,300 /Unit |
| (Less) Savings on Interest Carry | ($3,000) /Unit | ($3,300) /Unit |
| Net Financing Costs | $29,300 /Unit | $16,000 /Unit |
| **VI. Total Potential Cost Savings from Program** | | |
| A. Architecture and Engineering (I) | $1,000 /Unit | $600 /Unit |
| B. Entitlement Costs (II) | $1,700 /Unit | $1,700 /Unit |
| C. Traffic Studies/Environmental Documents (III) | $1,200 /Unit | $400 /Unit |
| D. Developer Overhead Fee (IV) | $4,300 /Unit | $3,500 /Unit |
| E. Interest Carry (V) | $3,000 /Unit | $3,300 /Unit |
| **Total Potential Cost Savings from Program** | **$11,200 /Unit** | **$9,500 /Unit** |

**TABLE A-5**

**IMPACT ON DEVELOPER PROFIT FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Small Lot Single-Family Homes | Townhomes |
|---|---|---|
| **I. Developer Profit - Before Program** | | |
| Per Unit | $74,700 /Unit | $60,300 /Unit |
| % of Total Development Costs | 12.2% | 12.0% |
| % of Value | 10.4% | 10.4% |
| **II. Adjusted Developer Profit - After Program** | | |
| Per Unit | $85,900 /Unit | $69,800 /Unit |
| % of Total Development Costs | 14.0% | 13.9% |
| % of Value | 11.9% | 12.0% |
| **III. Difference (B-A)** | | |
| Per Unit | $11,200 /Unit | $9,500 /Unit |

# APPENDIX B

# RENTAL RESIDENTIAL DEVELOPMENT PROTOTYPE

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## Citywide Active Transportation In Lieu Fee Program
## Estimated Impacts and Cost Savings Analysis
## City of San Diego

**TABLE B-1**

**PROJECT DESCRIPTION**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Garden Apartments | | |
|---|---|---|---|---|
| **I.** | **Site Size** | 5.0 | Acres | |
| **II.** | **Construction Type** | Type V | | |
| **III.** | **Number of Stories** | 3 | Stories | |
| **IV.** | **Density (Gross)** | 25 | Units/Acre | |
| **V.** | **Number of Units** | 125 | Units | |
| **VI.** | **Gross Building Area** | | | |
| | Net Rentable SF | 113,250 | SF | 98% |
| | Community Room/Leasing Office | 2,500 | SF | 2% |
| | Common Area/Circulation | 0 | SF | 0% |
| | Gross Building Area (GBA) | 115,750 | SF | 100% |
| | Average Unit/Room Size | 910 | SF | |
| **VII.** | **Parking** | | | |
| | Parking Spaces | 225 | Spaces | |
| | Parking Ratio | 1.80 | Spaces/Unit | |
| | Type | Surface/Carports | | |

**TABLE B-2**

**DEVELOPMENT COSTS**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Garden Apartments | | |
|---|---|---|---|
| | Total | Per Unit | Comments |
| **I. Direct Costs** | | | |
| Off-Site Improvements [(1)(2)] | $0 | $0 | $0 /SF Land |
| On-Site Improvements [(1)(2)] | $1,525,000 | $12,200 | $7 /SF Land |
| Parking | $0 | $0 | Included Above |
| Shell Construction | $17,363,000 | $138,900 | $150 /SF GBA |
| FF&E/Amenities | $344,000 | $2,750 | Allowance |
| Contingency | $962,000 | $7,700 | 5.0% of Directs |
| Subtotal Direct Costs | $20,194,000 | $161,600 | $174 /SF GBA |
| **II. Indirect Costs** | | | |
| Architecture & Engineering | $404,000 | $3,200 | 2.0% of Directs |
| Cost of Entitlements | $1,063,000 | $8,500 | 5.3% of Directs |
| Traffic Studies/Environmental Documents | $30,000 | $200 | 0.1% of Directs |
| Legal & Accounting | $303,000 | $2,400 | 1.5% of Directs |
| Taxes & Insurance | $303,000 | $2,400 | 1.5% of Directs |
| Developer Fee | $808,000 | $6,500 | 4.0% of Directs |
| Marketing/Lease-Up | $188,000 | $1,500 | Allowance |
| Contingency | $155,000 | $1,200 | 5.0% of Indirects |
| Subtotal Indirect Costs | $3,254,000 | $26,000 | 16.1% of Directs |
| **III. Permits and Fees** | | | |
| City Development Impact Fees (DIFs) [(3)(4)] | $4,625,000 | $37,000 | $40 /SF GBA |
| RTCIP Fee [(3)] | $295,000 | $2,360 | $2,360 /Unit |
| Inclusionary In Lieu Fee [(5)] | $1,719,000 | $13,800 | $15.18 /SF Net |
| San Diego Unified School District Impact Fee [(6)] | $472,000 | $3,800 | $4.08 /SF GBA |
| Other City Permits and Fees [(2)(7)] | $347,000 | $2,800 | $3 /SF GBA |
| Subtotal Permits & Fees | $7,458,000 | $59,700 | 36.9% of Directs |
| **IV. Financing Costs** | $1,616,000 | $12,900 | 8.0% of Directs |
| **V. Subtotal Development Costs** | **$32,522,000** | **$260,200** | **$281 /SF GBA** |
| **VI. Add: Land Acquisition Costs** | $7,623,000 | $61,000 | $35 /SF Land |
| **VII. Total Development Costs** | **$40,145,000** | **$321,200** | **$347 /SF GBA** |

(1) Does not include allowance for demolition, remediation, or other extraordinary site conditions.
(2) Estimate; not verified by KMA or City.
(3) Source: City of San Diego FY 2020 Planning Department Fee and Deposit Schedule.
(4) Reflects the median rate for multi-family residential in the FBA communities.
(5) Source: City of San Diego Inclusionary Ordinance, as of July 1, 2020.
(6) Source: San Diego Unified School District, as of January 1, 2020.
(7) Reflects plan check, building permit, inspections, and other processing fees; water and sewer capacity charges; and fire permit fees.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

**TABLE B-3**

**NET OPERATING INCOME**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Garden Apartments | | | | |
|---|---|---|---|---|---|
| **I. Gross Scheduled Income** | # Units | Unit Size | $/SF | Monthly Rent | Total |
| One Bedroom | 50 | 700 SF | $2.85 | $1,995 | $1,197,000 |
| Two Bedroom | 62 | 1,000 SF | $2.35 | $2,350 | $1,748,000 |
| Three Bedroom | 13 | 1,250 SF | $2.15 | $2,688 | $419,000 |
| Total/Average | 125 | 910 SF | $2.46 | $2,243 | $3,364,000 |
| Add: Other Income | | $75 | /Unit/Month | | $113,000 |
| Total Gross Scheduled Income (GSI) | | | | | $3,477,000 |
| **II. Effective Gross Income** | | | | | |
| (Less) Vacancy | | 5.0% | of GSI | | ($174,000) |
| Total Effective Gross Income (EGI) | | | | | $3,303,000 |
| **III. Operating Expenses** | | | | | |
| (Less) Operating Expenses | | $4,500 | /Unit/Year | | ($563,000) |
| (Less) Property Taxes | | $3,104 | /Unit/Year | | ($388,000) |
| (Less) Replacement Reserves | | $300 | /Unit/Year | | ($38,000) |
| Total Operating Expenses | | $7,912 | /Unit/Year | | ($989,000) |
| | | 29.9% | of EGI | | |
| **IV. Total Net Operating Income (NOI)** | | | | | **$2,314,000** |

(1) Based on the cost approach to value assuming a 1.10% tax rate.

**TABLE B-4**

**DEVELOPER PROFIT AND RETURN ON INVESTMENT**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Garden Apartments |
|---|---|---|
| **I. Developer Profit** | | |
| Net Operating Income (NOI) | | $2,314,000 |
| Capitalized Value of NOI | 4.50% Cap Rate | $51,422,000 |
| (Less) Cost of Sale | 3.00% of Value | ($1,543,000) |
| Total Development Costs | | ($40,145,000) |
| **Developer Profit** | | **$9,734,000** |
| **Per Unit** | | **$77,900** |
| **% of Total Development Costs** | | **24.2%** |
| **% of Value** | | **18.9%** |
| **II. Return on Investment** | | |
| Stabilized NOI | | $2,314,000 |
| Total Development Costs | | $40,145,000 |
| **Return on Investment** | | **5.8%** |

**TABLE B-5**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Garden Apartments | |
|---|---|---|---|
| **I. Cost Savings on Architecture & Engineering Due to Expedited Entitlements** | | | |
| Typical Architecture & Engineering Costs Per Unit | | $3,200 | /Unit |
| (Less) Reduction in Architecture & Engineering Costs @ | 10% | ($300) | /Unit |
| Net Architecture and Engineering Costs | | $2,900 | /Unit |
| **II. Cost Savings on Entitlement Costs Due to Expedited Entitlements** | | | |
| Typical Entitlement Costs Per Unit | | $8,500 | /Unit |
| (Less) Reduction in Entitlement Costs @ | 20% | ($1,700) | /Unit |
| Net Entitlement Costs | | $6,800 | /Unit |
| **III. Cost Savings on Traffic Studies/Environmental Documents** | | | |
| Typical Traffic Study/Environmental Document Costs Per Unit | | $200 | /Unit |
| Reduction in Traffic Study/Environmental Document Costs @ | | ($200) | /Unit |
| Net Traffic Study/Environnmental Document Costs | | $0 | /Unit |
| **IV. Cost Savings on Developer Overhead Fee** | | | |
| A. Development Period [1] | | | |
| Predevelopment Period | | 12 | Months |
| Construction Period | | 12 | Months |
| Leasing Period | | 6 | Months |
| Total Development Period [1] | | 30 | Months |
| B. Estimated Time Savings | | 4.5 | Months |
| Time Savings as % of Total Development Period | | 15% | |
| C. Developer Fee During Total Development Period | | $6,500 | /Unit |
| Estimated Reduction in Savings per Unit | | 15% | |
| Reduction in Developer Fee | | ($1,000) | /Unit |
| Net Developer Overhead Fee | | $5,500 | /Unit |

(1) Assumes development period phases overlap.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3;4/1/2020;ema

**TABLE B-5**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Garden Apartments | |
|---|---|---|
| **V. Cost Savings on Interest Carry** | | |
| A. Land | | |
| Land Costs per Unit | $61,000 | /Unit |
| Average Balance Out | 100% | |
| Amount Financed | $61,000 | /Unit |
| B. Predevelopment Costs | | |
| Net Architecture & Engineering Costs | $2,900 | /Unit |
| Net Entitlement Costs | $6,800 | /Unit |
| Net Traffic Studies/Environmental Documents | $0 | /Unit |
| Net Developer Overhead Fee | $5,500 | /Unit |
| Total Predevelopment Costs | $15,200 | /Unit |
| Average Balance Out | 50% | |
| Amount Financed | $7,600 | /Unit |
| C. Total Amount Financed (A+B) | $68,600 | /Unit |
| D. Time Savings | 4.5 | Months |
| E. Cost of Funds | 7.5% | /Year |
| F. Total Savings on Interest Carry | $1,900 | /Unit |
| G. Total Financing Costs | $12,900 | /Unit |
| (Less) Savings on Interest Carry | ($1,900) | /Unit |
| Net Financing Costs | $11,000 | /Unit |
| **VI. Total Potential Cost Savings from Program** | | |
| A. Architecture and Engineering (I) | $300 | /Unit |
| B. Entitlement Costs (II) | $1,700 | /Unit |
| C. Traffic Studies/Environmental Documents (III) | $200 | /Unit |
| D. Developer Overhead Fee (IV) | $1,000 | /Unit |
| E. Interest Carry (V) | $1,900 | /Unit |
| **Total Potential Cost Savings from Program** | **$5,100** | **/Unit** |

**TABLE B-6**

**IMPACT ON DEVELOPER PROFIT AND RETURN ON INVESTMENT FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Garden Apartments |
|---|---|
| **I. Developer Profit** | |
| A. Developer Profit - Before Program | $77,900 /Unit |
| B. Adjusted Developer Profit - After Program | $83,000 /Unit |
| C. Difference (B-A) | $5,100 /Unit |
| **II. Return on Investment** | |
| A. Return on Investment - Before Program | 5.8% |
| B. Adjusted Return on Investment - After Program | 5.9% |

# APPENDIX C

# NON-RESIDENTIAL
# DEVELOPMENT PROTOTYPES

---

## Citywide Active Transportation In Lieu Fee Program
## Estimated Impacts and Cost Savings Analysis
## City of San Diego

**TABLE C-1**

**PROJECT DESCRIPTION**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Low-Rise Office Building | | Industrial Business Park | | Select Service Hotel | |
|---|---|---|---|---|---|---|---|
| **I.** | **Site Size** | 5.0 Acres | | 5.0 Acres | | 3.0 Acres | |
| **II.** | **Construction Type** | Type III | | Tilt-Up Concrete | | Type V | |
| **III.** | **Number of Stories** | 2 to 3 Stories | | 1 to 2 Stories | | 4 to 5 Stories | |
| **IV.** | **Floor Area Ratio (FAR)** | 0.40 | | 0.35 | | 0.57 | |
| **VI.** | **Number of Hotel Rooms** | --- | | --- | | 150 Rooms | |
| | Rooms per Acre | | | | | 50 Rooms/Acre | |
| **VII.** | **Gross Building Area** | | | | | | |
| | Net Rentable SF | 82,650 SF | 95% | 76,000 SF | 100% | | |
| | Common Area/Circulation | 4,350 SF | 5% | 0 SF | 0% | | |
| | Gross Building Area (GBA) | 87,000 SF | 100% | 76,000 SF | 100% | 75,000 SF | 100% |
| | Average Hotel Room Size (Gross) | --- | | --- | | 500 SF | |
| **VIII.** | **Parking** | | | | | | |
| | Parking Spaces | 348 Spaces | | 190 Spaces | | 135 Spaces | |
| | Parking Ratio | 4.00 Spaces/1,000 SF | | 2.50 Spaces/1,000 SF | | 0.90 Spaces/Room | |
| | Type | Surface | | Surface | | Surface | |

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

TABLE C-2

**NON-RESIDENTIAL**

**DEVELOPMENT COSTS**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Low-Rise Office Building | | Industrial Business Park | | Select Service Hotel | |
|---|---|---|---|---|---|---|
| | Total | Comments | Total | Comments | Total | Comments |
| **I. Direct Costs** | | | | | | |
| Off-Site Improvements [(1)(2)] | $0 | $0 /SF Land | $147,000 | $1.94 /SF GBA [(3)] | $0 | $0 /SF Land |
| On-Site Improvements [(1)(2)] | $1,525,000 | $7 /SF Land | $871,000 | $4 /SF Land | $1,307,000 | $10 /SF Land |
| Parking | $0 | Included Above | $0 | Included Above | $0 | Included Above |
| Shell Construction | $13,050,000 | $150 /SF GBA | $8,360,000 | $110 /SF GBA | $12,000,000 | $160 /SF GBA |
| FF&E/Amenities | --- | --- | --- | --- | $3,000,000 | $20,000 /Room |
| Tenant Improvements | $2,893,000 | $35 /SF Net | $0 | $0 /SF Net | --- | --- |
| Contingency | $873,000 | 5.0% of Directs | $469,000 | 5.0% of Directs | $815,000 | 5.0% of Directs |
| Subtotal Direct Costs | $18,341,000 | $211 /SF GBA | $9,847,000 | $130 /SF GBA | $17,122,000 | $228 /SF GBA |
| **II. Indirect Costs** | | | | | | |
| Architecture & Engineering | $550,000 | 3.0% of Directs | $197,000 | 2.0% of Directs | $514,000 | 3.0% of Directs |
| Cost of Entitlements | $367,000 | 2.0% of Directs | $197,000 | 2.0% of Directs | $342,000 | 2.0% of Directs |
| Traffic Studies/Environmental Documents | $40,000 | 0.2% of Directs | $40,000 | 0.4% of Directs | $40,000 | 0.2% of Directs |
| Legal & Accounting | $183,000 | 1.0% of Directs | $98,000 | 1.0% of Directs | $257,000 | 1.5% of Directs |
| Taxes & Insurance | $275,000 | 1.5% of Directs | $98,000 | 1.0% of Directs | $257,000 | 1.5% of Directs |
| Developer Fee | $734,000 | 4.0% of Directs | $394,000 | 4.0% of Directs | $685,000 | 4.0% of Directs |
| Marketing/Lease-Up | $661,000 | $8 /SF Net | $228,000 | $3 /SF Net | $300,000 | $2,000 /Room |
| Contingency | $141,000 | 5.0% of Indirects | $63,000 | 5.0% of Indirects | $120,000 | 5.0% of Indirects |
| Subtotal Indirect Costs | $2,951,000 | 16.1% of Directs | $1,315,000 | 13.4% of Directs | $2,515,000 | 14.7% of Directs |
| **III. Permits and Fees** | | | | | | |
| City Development Impact Fees (DIFs) [(4)(5)] | $1,150,000 | $230,000 /Acre | $400,000 | $80,000 /Acre | $690,000 | $230,000 /Acre |
| Housing Impact Fee [(4)] | $184,000 | $2.12 /SF GBA | $61,000 | $0.80 /SF GBA | $96,000 | $1.28 /SF GBA |
| San Diego Unified School District Impact Fee [(6)] | $57,000 | $0.66 /SF GBA | $50,000 | $0.66 /SF GBA | $50,000 | $0.66 /SF GBA |
| Other City Permits and Fees [(2)(7)] | $435,000 | $5 /SF GBA | $380,000 | $5 /SF GBA | $375,000 | $5 /SF GBA |
| Subtotal Permits & Fees | $1,826,000 | 10.0% of Directs | $891,000 | 9.0% of Directs | $1,211,000 | 7.1% of Directs |
| **IV. Financing Costs** | $1,467,000 | 8.0% of Directs | $591,000 | 6.0% of Directs | $1,370,000 | 8.0% of Directs |
| **V. Subtotal Development Costs** | **$24,585,000** | **$283 /SF GBA** | **$12,644,000** | **$166 /SF GBA** | **$22,218,000** | **$296 /SF GBA** |
| **VI. Add: Land Acquisition Costs** | $8,712,000 | $40 /SF Land | $4,356,000 | $20 /SF Land | $5,227,000 | $40 /SF Land |
| **VII. Total Development Costs** | **$33,297,000** | **$383 /SF GBA** | **$17,000,000** | **$224 /SF GBA** | **$27,445,000** | **$366 /SF GBA** |

(1) Does not include allowance for demolition, remediation, or other extraordinary site conditions.
(2) Estimate; not verified by KMA or City.
(3) Reflects estimated cost of transportation-related mitigation costs, prior to adoption of the proposed Program. Based on a survey of recent industrial development applications within Mobility Zone 4.
(4) Source: City of San Diego FY 2020 Planning Department Fee and Deposit Schedule.
(5) Reflects the median rate for commercial uses in the FBA communities.
(6) Source: San Diego Unified School District, as of January 1, 2020.
(7) Reflects plan check, building permit, inspections, and other processing fees; water and sewer capacity charges; and fire permit fees.

Prepared by: Keyser Marston Associates, Inc.
Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

**TABLE C-3**

**NET OPERATING INCOME**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Low Rise Office Building | | | Industrial Business Park | | | Select-Service Hotel | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **I. Gross Scheduled Income** | Rentable SF | Rent/SF/ Month[1] | Total | Rentable SF | Rent/SF/ Month[2] | Total | Rooms | ADR | Occupancy | Total |
| Total/Average | 82,650 SF | $3.70 /SF | $3,670,000 | 76,000 SF | $1.85 /SF | $1,687,000 | 150 Rooms | $160 | 78.0% | $6,833,000 |
| Add: Other Income | | | $0 | | | $0 | 5.0% of Room Revenue | | | $342,000 |
| Total Gross Scheduled Income (GSI) | | | $3,670,000 | | | $1,687,000 | | | | $7,175,000 |
| **II. Effective Gross Income** | | | | | | | | | | |
| (Less) Vacancy | 5.0% of GSI | | ($184,000) | 5.0% of GSI | | ($84,000) | | | | $0 |
| Total Effective Gross Income (EGI) | | | $3,486,000 | | | $1,603,000 | | | | $7,175,000 |
| **III. Operating Expenses** | | | | | | | | | | |
| (Less) Operating Expenses | $12.50 /SF Net | | ($1,033,000) | 15.0% of EGI[3] | | ($240,000) | 65% of EGI | | | ($4,664,000) |
| **IV. Net Operating Income (NOI)** | | | $2,453,000 | | | $1,363,000 | | | | $2,511,000 |

(1) Lease rate assumes full-service gross (FSG).
(2) Lease rate assumes industrial-gross.
(3) Includes allowance for property taxes, insurance, and other unreimbursed operating expenses.

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Filename: City of SD-RECON_VMT Fee Program EIA_v3\4/1/2020;ema

**TABLE C-4**

**DEVELOPER PROFIT AND RETURN ON INVESTMENT**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Low Rise Office Building | | Industrial Business Park | | Select-Service Hotel | |
|---|---|---|---|---|---|---|
| **I. Developer Profit** | | | | | | |
| Net Operating Income (NOI) | | $2,453,000 | | $1,363,000 | | $2,511,000 |
| Capitalized Value of NOI | 6.5% Cap Rate | $37,738,000 | 7.0% Cap Rate | $19,471,000 | 7.5% Cap Rate | $33,480,000 |
| (Less) Cost of Sale | 3.0% of Value | ($1,132,000) | 3.0% of Value | ($584,000) | 3.0% of Value | ($1,004,000) |
| Total Development Costs | | ($33,297,000) | | ($17,000,000) | | ($27,445,000) |
| **Developer Profit** | | **$3,309,000** | | **$1,887,000** | | **$5,031,000** |
| **Per SF GBA** | | **$38** | | **$25** | | **$67** |
| **Per Hotel Room** | | **---** | | **---** | | **$33,500** |
| **% of Total Development Costs** | | **9.9%** | | **11.1%** | | **18.3%** |
| **% of Value** | | **8.8%** | | **9.7%** | | **15.0%** |
| **II. Return on Investment** | | | | | | |
| Stabilized NOI | | $2,453,000 | | $1,363,000 | | $2,511,000 |
| Total Development Costs | | $33,297,000 | | $17,000,000 | | $27,445,000 |
| **Return on Investment** | | **7.4%** | | **8.0%** | | **9.1%** |

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**TABLE C-5**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | | Low Rise Office Building | Industrial Business Park | Select-Service Hotel |
|---|---|---|---|---|
| **I. Cost Savings on Off-Site Improvement Costs Due to Reduced Mitigation Measures** | | | | |
| Typical Off-Site Improvement Costs Per GBA | | $0.00 /SF GBA | $1.94 /SF GBA | $0.00 /SF GBA |
| (Less) Reduction in Off-Site Mitigation Costs @ | | $0.00 /SF GBA | ($1.94) /SF GBA | $0.00 /SF GBA |
| Net Off-Site Improvement Costs | | $0.00 /SF GBA | $0.00 /SF GBA | $0.00 /SF GBA |
| **II. Cost Savings on Architecture & Engineering Due to Expedited Entitlements** | | | | |
| Typical Architecture & Engineering Costs Per GBA | | $6.32 /SF GBA | $2.59 /SF GBA | $6.85 /SF GBA |
| (Less) Reduction in Architecture & Engineering Costs @ | 10% | ($0.63) /SF GBA | ($0.26) /SF GBA | ($0.69) /SF GBA |
| Net Architecture and Engineering Costs | | $5.69 /SF GBA | $2.33 /SF GBA | $6.17 /SF GBA |
| **III. Cost Savings on Entitlement Costs Due to Expedited Entitlements** | | | | |
| Typical Entitlement Costs Per GBA | | $4.22 /SF GBA | $2.59 /SF GBA | $4.56 /SF GBA |
| (Less) Reduction in Entitlement Costs @ | 20% | ($0.84) /SF GBA | ($0.52) /SF GBA | ($0.91) /SF GBA |
| Net Entitlement Costs | | $3.37 /SF GBA | $2.07 /SF GBA | $3.65 /SF GBA |
| **IV. Cost Savings on Traffic Studies/Environmental Documents** | | | | |
| Typical Traffic Study/Environmental Document Costs Per GBA | | $0.46 /SF GBA | $0.53 /SF GBA | $0.53 /SF GBA |
| Reduction in Traffic Study/Environmental Document Costs @ | | ($0.46) /SF GBA | ($0.53) /SF GBA | ($0.53) /SF GBA |
| Net Traffic Study/Environnmental Document Costs | | $0.00 /SF GBA | $0.00 /SF GBA | $0.00 /SF GBA |
| **V. Cost Savings on Developer Overhead Fee** | | | | |
| A. Development Period (2) | | | | |
| Predevelopment Period | | 12 Months | 15 Months | 15 Months |
| Construction Period | | 12 Months | 12 Months | 18 Months |
| Leasing Period | | 6 Months | 6 Months | 0 Months |
| Total Development Period (2) | | 30 Months | 33 Months | 33 Months |
| B. Estimated Time Savings | | 4.5 Months | 4.5 Months | 4.5 Months |
| Time Savings as % of Total Development Period | | 15% | 13% | 13% |
| C. Developer Fee During Total Development Period | | $8.44 /SF GBA | $5.18 /SF GBA | $9.13 /SF GBA |
| Estimated Reduction in Savings per GBA | | 15% | 13% | 13% |
| Reduction in Developer Fee | | ($1.27) /SF GBA | ($0.67) /SF GBA | ($1.19) /SF GBA |
| Net Developer Overhead Fee | | $7.17 /SF GBA | $4.51 /SF GBA | $7.95 /SF GBA |

(1) Reflects estimated cost of transportation-related mitigation costs, prior to adoption of the proposed Program. Based on a survey of recent industrial development applications within Mobility Zone 4.

(2) Assumes development period phases overlap.

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Filename: City of SD-RECON_VMT Fee Program EIA_v3;4/1/2020;ema

**TABLE C-5**

**ESTIMATED POTENTIAL COST SAVINGS FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Low Rise Office Building | Industrial Business Park | Select-Service Hotel |
|---|---|---|---|
| **VI. Cost Savings on Interest Carry** | | | |
| A. Land | | | |
| Land Costs per GBA | $100.14 /SF GBA | $57.32 /SF GBA | $69.69 /SF GBA |
| Average Balance Out | 100% | 100% | 100% |
| Amount Financed | $100.14 /SF GBA | $57.32 /SF GBA | $69.69 /SF GBA |
| B. Predevelopment Costs | | | |
| Net Architecture & Engineering Costs | $5.69 /SF GBA | $2.33 /SF GBA | $6.17 /SF GBA |
| Net Entitlement Costs | $3.37 /SF GBA | $2.07 /SF GBA | $3.65 /SF GBA |
| Net Traffic Studies/Environmental Documents | $0.00 /SF GBA | $0.00 /SF GBA | $0.00 /SF GBA |
| Net Developer Overhead Fee | $7.17 /SF GBA | $4.51 /SF GBA | $7.95 /SF GBA |
| Total Predevelopment Costs | $16.24 /SF GBA | $8.92 /SF GBA | $17.76 /SF GBA |
| Average Balance Out | 50% | 50% | 50% |
| Amount Financed | $8.12 /SF GBA | $4.46 /SF GBA | $8.88 /SF GBA |
| C. Total Amount Financed (A+B) | $108.26 /SF GBA | $61.77 /SF GBA | $78.57 /SF GBA |
| D. Time Savings | 4.5 Months | 4.5 Months | 4.5 Months |
| E. Cost of Funds | 7.5% /Year | 7.5% /Year | 7.5% /Year |
| F. Total Savings on Interest Carry | $3.04 /SF GBA | $1.74 /SF GBA | $2.21 /SF GBA |
| G. Total Financing Costs | $16.86 /SF GBA | $7.78 /SF GBA | $18.27 /SF GBA |
| (Less) Savings on Interest Carry | ($3.04) /SF GBA | ($1.74) /SF GBA | ($2.21) /SF GBA |
| Net Financing Costs | $13.82 /SF GBA | $6.04 /SF GBA | $16.06 /SF GBA |
| **VII. Total Potential Cost Savings from Program** | | | |
| A. Off-Site Improvement Costs (I) | $0.00 /SF GBA | $1.94 /SF GBA | $0.00 /SF GBA |
| B. Architecture and Engineering (II) | $0.63 /SF GBA | $0.26 /SF GBA | $0.69 /SF GBA |
| C. Entitlement Costs (III) | $0.84 /SF GBA | $0.52 /SF GBA | $0.91 /SF GBA |
| D. Traffic Studies/Environmental Documents (IV) | $0.46 /SF GBA | $0.53 /SF GBA | $0.53 /SF GBA |
| E. Developer Overhead Fee (V) | $1.27 /SF GBA | $0.67 /SF GBA | $1.19 /SF GBA |
| F. Interest Carry (VI) | $3.04 /SF GBA | $1.74 /SF GBA | $2.21 /SF GBA |
| **Total Potential Cost Savings from Program** | **$6.25 /SF GBA** | **$5.65 /SF GBA** | **$5.53 /SF GBA** |
| **Per Hotel Room** | --- | --- | **$2,800 /Room** |

**TABLE C-6**

**IMPACT ON DEVELOPER PROFIT AND RETURN ON INVESTMENT FROM PROGRAM**
**CITYWIDE ACTIVE TRANSPORTATION IN LIEU FEE PROGRAM**
**CITY OF SAN DIEGO**

| | Low Rise Office Building | Industrial Business Park | Select-Service Hotel |
|---|---|---|---|
| **I. Developer Profit** | | | |
| A. Developer Profit - Before Program | | | |
| Per SF GBA | $38 /SF GBA | $25 /SF GBA | $67 /SF GBA |
| Per Hotel Room | --- | --- | $33,500 /Room |
| B. Adjusted Developer Profit - After Program | | | |
| Per SF GBA | $44 /SF GBA | $30 /SF GBA | $73 /SF GBA |
| Per Hotel Room | --- | --- | $36,300 /Room |
| C. Difference (B-A) | | | |
| Per SF GBA | $6 /SF GBA | $6 /SF GBA | $6 /SF GBA |
| Per Hotel Room | --- | --- | $2,800 /Room |
| **II. Return on Investment** | | | |
| A. Return on Investment - Before Program | 7.4% | 8.0% | 9.1% |
| B. Adjusted Return on Investment - After Program | 7.5% | 8.2% | 9.3% |