

**PROPOSED AMENDMENTS TO THE CITY OF SAN DIEGO
INCLUSIONARY AFFORDABLE HOUSING ORDINANCE
ECONOMIC FEASIBILITY ANALYSIS**

Prepared for:

San Diego Housing Commission

Prepared by:

Keyser Marston Associates, Inc.

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EXECUTIVE SUMMARY

**PROPOSED AMENDMENTS TO THE CITY OF SAN DIEGO
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ECONOMIC FEASIBILITY ANALYSIS**

I. OVERVIEW

This report presents the economic feasibility analysis prepared by Keyser Marston Associates, Inc. (KMA) to support updates to the City of San Diego's (City's) Inclusionary Affordable Housing Ordinance. For an inclusionary housing program to be an effective tool for creating housing, it must not burden new development to such a degree that it renders new development financially infeasible. To that end, the KMA economic feasibility analysis has been prepared 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 proposed updated affordable housing requirements.

The KMA economic feasibility analysis finds that the proposed ordinance – in combination with the proposed phase-in, incentives for on-site development, and range of alternatives – is economically feasible. In light of the KMA finding that the proposed requirement is economically feasible, it is the KMA view that the proposed ordinance would not unduly constrain residential development in the City, nor would it deprive property owners of a fair and reasonable return.

In undertaking this analysis, KMA performed the following technical analyses:

1. Real Estate Financial Feasibility Analysis – KMA evaluated the impact of updated inclusionary housing requirements on the feasibility of market-rate residential developments occurring throughout the City.
2. Affordability Gap Analysis – KMA estimated the financing gap that would need to be met in order to achieve targeted inclusionary production in an off-site location.

A. Organization of Report

This report is organized into the following key sections:

- *Section I, Overview* provides an introduction to the KMA economic feasibility analysis, reviews inclusionary housing legal cases and State legislation, presents the elements that are typically included in inclusionary housing programs, and reviews the City's existing Inclusionary Affordable Housing Ordinance and proposed amendments.
- *Section II, Methodology* identifies the key work tasks performed by KMA as part of this economic feasibility analysis.
- *Section III, Key Findings* summarizes the residential development prototypes used in the KMA economic feasibility analysis, describes the financial pro forma analyses prepared by KMA, and identifies the method of compliance a developer would likely select to fulfill their inclusionary housing obligation under the proposed ordinance.

- *Section IV, Build On-Site – Financial Feasibility Analysis – Rental* presents the findings and methodology for the financial feasibility analysis of rental developments providing on-site inclusionary units.
- *Section V, Build On-Site – Financial Feasibility Analysis – For-Sale* presents the findings and methodology for the financial feasibility analysis of for-sale developments providing on-site inclusionary units.
- *Section VI, Build Off-Site – Estimate of Affordability Gap* presents the findings and methodology for the financial feasibility of affordable housing production in an off-site location (“off-site compliance”).
- *Section VII, Impacts of Proposed In-Lieu Fee and Off-Site Compliance Alternatives* presents the methodology and assumptions used to estimate the impact of the proposed in-lieu fee and off-site compliance on market-rate rental and for-sale development.
- *Section VIII* presents limiting conditions pertaining to this report.

B. Authority to Implement Inclusionary Requirements

Current statute and case law are fully supportive of the City’s authority to implement an inclusionary requirement for both rental and for-sale residential development.

Enactment of Assembly Bill (“AB”) 1505, effective as of January 1, 2018, restored the ability of California jurisdictions to implement inclusionary requirements for rental residential developments. The ability to apply inclusionary requirements to rental residential developments had been suspended since a 2009 appeals court decision in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (“*Palmer*”).

The ability of local jurisdictions to implement inclusionary policies was upheld in a 2015 California Supreme Court decision in the *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*). The decision in the *San Jose* case affirmed inclusionary housing requirements as a valid exercise of local jurisdictions’ authority to regulate land use. Like other land use regulations, inclusionary policies must abide by criteria established through case law on regulatory takings. Specifically:

1. Requirements must not be “confiscatory;” and
2. Requirements must not deprive property owners of a fair and reasonable return.

C. HCD's Authority to Review Inclusionary Ordinances Under AB 1505

AB 1505 empowers the California Department of Housing and Community Development (HCD) to review a rental inclusionary housing ordinance if it requires more than 15% of the units be restricted to households earning less than 80% of the Area Median Income (AMI), if one of the following conditions applies:

- The jurisdiction has failed to meet at least 75% of its Regional Housing Needs Assessment (RHNA) allocation for above-moderate income units (over 120% AMI). This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years.
- HCD finds that the jurisdiction has not submitted their Housing Element report for at least two consecutive years.

Since the City's most recent annual Housing Report filing through calendar year 2018 indicates that the City has already exceeded 75% of its RHNA allocation for above-moderate units for the entire planning period and the City has been submitting required annual progress reports to the Housing Element, the City's ordinance would not be subject to HCD review at this time. The proposed ordinance also does not meet the threshold for HCD review in that it does not impose a requirement on rental housing development of 15% or more affordable to households at 80% AMI.

For ordinances subject to HCD review, Section 65850.01 (b) allows HCD to require a jurisdiction to submit an economic feasibility study as evidence that the ordinance does not unduly constrain the production of housing. Should the City's ordinance become subject to HCD review in the future, this economic feasibility study would satisfy the requirement to provide an economic feasibility study upon request.

State law requires jurisdictions to provide options for alternative means of fulfilling the affordable housing requirement imposed by a rental inclusionary housing ordinance. Alternatives may include, but are not limited to, off-site construction of affordable units, payment of a fee in-lieu of producing affordable housing units, land dedication, and the acquisition and rehabilitation of existing units.

D. Background on Inclusionary Housing Programs in California

More than 170 jurisdictions in California currently include an inclusionary housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to encourage affordable housing development, the characteristics of these programs vary widely from jurisdiction to jurisdiction.

To assist the City in evaluating options for updating the City's Inclusionary Affordable Housing Ordinance, it is useful to identify the elements that are typically included in inclusionary housing programs. Key components can be summarized as follows:

1. The vast majority of the California inclusionary housing programs impose affordable housing requirements on a mandatory basis. However, some programs limit the requirements to new residential developments that are requesting a General Plan modification, a zone change, a density bonus, and/or other variances from the jurisdiction's building code requirements.
2. In California, the majority of inclusionary housing programs include a threshold size below which developments are not subject to the affordable housing production requirements. Common size thresholds range from three (3) to 10 units.
3. The income and affordability standards imposed by inclusionary housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being provided. For example, some programs allow developers to select between a 15% moderate income requirement and a 10% low income requirement.
 - b. Inclusionary housing requirements may have a disproportionate impact on smaller developments, because there are fewer market-rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement can mitigate these impacts.
 - c. In jurisdictions with disparate real estate and demographic conditions, it is common to impose varying requirements based on defined sub-areas.
4. The length of the covenant period imposed on inclusionary housing units varies from jurisdiction to jurisdiction. The California Redevelopment Law standard of 45 years for ownership housing units and 55 years for rental units is commonly used. However, there are examples of programs that have covenant periods that are either shorter or longer in duration.

Inclusionary housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new residential development. Most programs provide a range of alternatives compliance options for meeting the requirement. Commonly provided compliance options include:

1. Construction of a defined percentage of income-restricted units within new market-rate residential developments.
2. Construction of a defined percentage of income restricted units in an off-site location.
3. Payment of a fee in-lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community.
4. Dedication of land appropriate for the development of affordable housing.
5. Acquisition and rehabilitation of existing units.

One key advantage associated with providing off-site and in-lieu fee options is that the affordable housing requirements can be transferred to developers that have experience in constructing affordable housing. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the financing, development, and long-term operation of affordable housing developments.
2. Dedicated affordable housing developments have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an inclusionary housing requirement. A representative sample of programs that are targeted to dedicated affordable housing includes:
 - a. HOME Program funds that are awarded to the City by the U. S. Department of Housing and Urban Development (HUD).
 - b. Low- and Moderate- Income Housing Asset Funds (LMIHAF) that are under the control of the Housing Successor to the former Redevelopment Agency of the City of San Diego.
 - c. The Federal and State Low Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42.
 - d. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program.
 - e. Funding available from the County of San Diego, Housing and Community Development Services.

E. City of San Diego Existing Inclusionary Affordable Housing Ordinance

Existing Ordinance

The City of San Diego adopted its inclusionary housing program in 2003. The City modified its program in 2011 to replace the inclusionary production requirement for rental developments with an affordable housing impact fee in response to the 2009 *Palmer* case which prevented enforcement of inclusionary requirements for rental developments.

The City's existing Inclusionary Affordable Housing Ordinance requires all residential development of two or more units to pay an Inclusionary Affordable Housing Fee. The City's current FY 2019 fee is \$10.82 per square foot (SF) of building area. In July 2019, the fee will increase to \$12.73 per SF. For for-sale developments, developers may instead elect to set aside at least 10% of the total number of for-sale dwelling units for households earning no more than 100% of AMI.

With enactment of AB 1505, the City's ability to implement an inclusionary housing requirement for rental developments has been restored effective January 1, 2018. Accordingly, the City is considering reactivating the prior rental inclusionary housing requirement, along with consideration of other updates to the City's Inclusionary Affordable Housing Ordinance.

Proposed Amendments

Salient aspects of the proposed amendments to the City's Inclusionary Affordable Housing Ordinance are summarized as follows:

- New rental developments will make available 10% of total units to households earning at or below 50% of AMI.
- New for-sale developments will make available 10% of total units to households at or below 100% AMI or 15% of total units at or below 120% AMI.
- Developers may build inclusionary units on the same site as the market-rate development or on a different site within the same Community Plan Area, City Council District, or within one mile from the premises of the development.
- If the inclusionary units are provided in a different Community Plan Area, City Council District, or more than one mile from the premises of the development, then the developer must provide 5% additional inclusionary units.
- Developers may pay an Inclusionary Housing In-lieu Fee initially set at \$22 per SF of building area.

- Developers may provide inclusionary units through the rehabilitation of existing units at a 2:1 ratio if the value of the rehabilitation work is 25% more than the value of the unit prior to rehabilitation, inclusive of land value. The existing units may be market-rate units or affordable units with expiring affordability restrictions, existing Single Room Occupancy (SRO) hotel rooms, or the conversion of non-residential motel rooms.
- Developers may comply with the inclusionary requirement through the dedication of land for affordable housing at a value equal or greater than the Inclusionary In-Lieu Fee.
- Developers may utilize affordable units constructed by another developer, including contracting with an affordable housing developer to facilitate such development.
- Developers will have the option to build a portion of their inclusionary unit requirement on-site and pay a portion in fees.
- Affordable units provided on-site will be exempt from the payment of Development Impact Fees (DIFs) and Facilities Benefit Assessment (FBA) District Fees, as long as 100% of the development's inclusionary set-aside requirement is met on-site.
- The Inclusionary Housing In-Lieu Fee and the inclusionary requirement percentages are proposed to be implemented over the course of three years, as presented in Exhibit I-1.

Exhibit I-1: Three-Year Phase-In			
	Fee @ \$22/SF	10% Set-aside Obligation	15% Set-aside Obligation
Year 1	\$12.73/SF ⁽¹⁾	3.33%	5.0%
Year 2	\$14.67/SF	6.67%	10.0%
Year 3	\$22.00/SF	10.0%	15.0%
(1) Existing Inclusionary Affordable Housing Fee beginning in July 2019.			

II. METHODOLOGY

The purpose of this economic feasibility analysis is to evaluate the feasibility of imposing inclusionary housing requirements on residential development in the City. Economic feasibility for residential developments is achieved when the projected return for a specific development (or investment) proposal equals or exceeds the required return of the developer (or investor). Financial pro formas are a standard tool utilized by developers and investors to analyze the feasibility of a proposed development. The pro forma estimates the costs to build the development, the operating income or sales revenue that can be achieved upon completion, and the anticipated development profit supported. It is important to keep in mind that financial pro formas for proposed developments represent a series of estimates of probable outcomes. While these are appropriate for planning purposes, they do not guarantee specific outcomes. For the purposes of this economic feasibility analysis, KMA identified and analyzed a series of development prototypes. These prototypes are illustrative of the types of developments occurring, and anticipated to occur, throughout the City. However, they are not intended to represent specific sites, neighborhoods, or developments. While this level of feasibility analysis is useful for conceptual planning purposes, the actual circumstances for individual residential developments – physical, planning, market, financial, and other factors – will likely vary from the KMA findings presented in this report.

In completing this analysis, KMA performed the following key work tasks:

- Reviewed background documentation and historical data relevant to the City’s Inclusionary Affordable Housing Ordinance.
- Evaluated market conditions for residential development.
- Reviewed market trends data, development cost estimates, and industry return requirements for both rental and for-sale residential development.
- Participated in meetings with the City, the San Diego Housing Commission (SDHC), and the 25-member Inclusionary Housing Stakeholder Working Group (Stakeholder Working Group) to formulate the residential development prototypes.
- Prepared base case financial models to estimate the residual land value and developer returns generated by each residential prototype assuming all units at 100% market-rate rent/price.
- Presented base case assumptions and financial models to the Stakeholder Working Group, and subsequently adjusted base case financial assumptions based on feedback from the Stakeholder Working Group.

- Prepared financial models testing a range of inclusionary set-asides and targeted household income levels to determine the impact of inclusionary requirements on residual land value, market value upon completion, developer profit, and the change in rent/sales price needed to offset the impact of an inclusionary requirement.
- Presented the preliminary findings and supporting pro forma financial models to the Stakeholder Working Group.
- Reviewed, evaluated, and catalogued comments and alternative pro forma analyses submitted by the Stakeholder Working Group.
- Prepared financial models estimating the financial feasibility of affordable housing production in an off-site location (“off-site compliance”).
- Worked with City and SDHC staff to prepare financial models testing additional inclusionary alternatives and methods of compliance under consideration for the proposed ordinance.

III. KEY FINDINGS

A. Residential Development Prototypes

The KMA feasibility analyses identified a range of rental and for-sale residential development prototypes currently planned, under development, or recently completed in the City. The development prototypes are described in Sections IV and V, and are listed in Exhibit III-1.

Exhibit III-1: Residential Development Prototypes			
Rental Residential Prototypes		Units/Acre	Units
Prototype A	Garden Apartments	24.9	50
Prototype B	Stacked Flats with Tuck-under Parking	53.0	12
Prototype C	Stacked Flats over Podium Parking	108.9	54
Prototype D	High-Rise with Subterranean Parking	290.0	217
For-Sale Residential Prototypes		Units/Acre	Units
Prototype E	Single-Family Detached	8.7	44
Prototype F	Townhomes	21.8	65
Prototype G	Townhomes (Small Lot)	24.9	11
Prototype H	Stacked Flats over Podium Parking	72.6	73

For each prototype noted above, KMA prepared base case financial pro forma models as well as a series of sensitivity tests to evaluate the impacts of a broad range inclusionary set-asides (percent of affordable units) and targeted household income levels (percent of Area Median Income) to determine the impact of inclusionary requirements against four measures:

1. Residual land value
2. Market value upon completion
3. Developer profit
4. The change in rent/sales price needed to offset the impact of an inclusionary requirement

Where selected inclusionary set-asides triggered the potential for an affordable housing density bonus and/or reduction in parking ratio, KMA factored these incentives into the feasibility models. In some cases, use of an affordable housing density bonus resulted in a change in the residential product type from the base case prototype. The impacts of density bonuses on construction typology are summarized in Exhibit III-2 for the rental prototypes and Exhibit III-3 for the for-sale prototypes.

Exhibit III-2: Prototype Project Descriptions with Density Bonus – Rental				
Base Case			With Density Bonus	
Prototype A	Garden Apartments	24.9 Units/Acre	Stacked Flats with Tuck-under Parking	33.5 Units/Acre
Prototype B	Stacked Flats with Tuck-under Parking	53.0 Units/Acre	Stacked Flats over Podium Parking	69.7-104.5 Units/Acre
Prototype C	Stacked Flats over Podium Parking	108.9 Units/Acre	Stacked Flats over Podium Parking	144.0 Units/Acre
Prototype D	High-Rise over Subterranean Parking	290.0 Units/Acre	High-Rise over Subterranean Parking	384.0 Units/Acre

Exhibit III-3: Prototype Project Descriptions with Density Bonus – For-Sale				
Base Case			With Density Bonus	
Prototype E	Single-Family Detached	8.7 Units/Acre	Small Lot Detached/ Townhomes	9.4 - 9.8 Units/Acre
Prototype F	Townhomes	21.8 Units/Acre	Townhomes	23.0 - 24.0 Units/Acre
Prototype G	Small Lot Townhomes	24.9 Units/Acre	Stacked Flats with Surface/Tuck-under Parking	26.1 - 28.3 Units/Acre
Prototype H	Stacked Flats over Podium Parking	72.6 Units/Acre	Stacked Flats over Podium Parking	77.0 - 81.0 Units/Acre

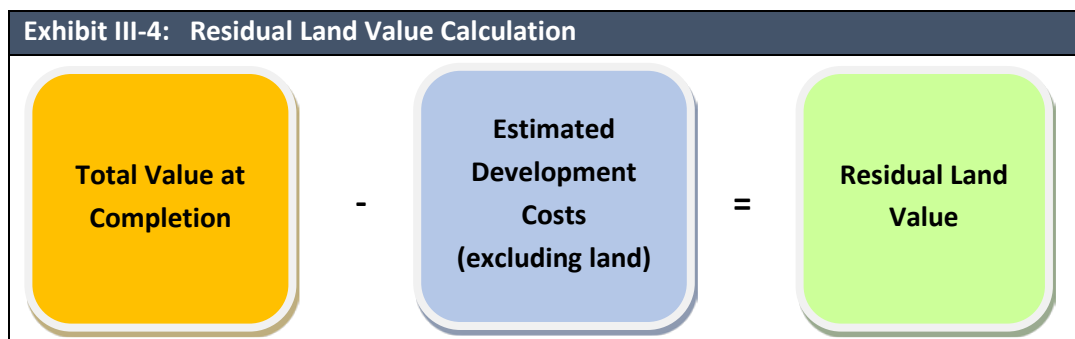
B. Financial Pro Forma Analysis

For each prototype, KMA prepared base case financial pro forma models and a series of sensitivity tests to evaluate the impact of alternative inclusionary housing requirements. The KMA economic feasibility analysis focuses only on the on-site inclusionary requirements currently under consideration in the draft Inclusionary Affordable Housing Ordinance, namely:

Rental	For-Sale
10% @ 50% AMI	10% @ 100% AMI or 15% @ 120% AMI

The purpose of the KMA pro forma analysis is to analyze the relationship between the development's revenue potential, the estimated development costs, and a reasonable developer return/profit commensurate with the cost of funds (interest expense) and development risk. This approach produces a residual land value that a developer of each prototype can afford to pay to acquire a site. Residual land value is defined as the maximum land value supported by a proposed development. It is calculated by estimating the total value upon completion (or total available funding sources) and subtracting the estimated total development costs (other than land acquisition costs) required to develop the project.

Specifically, the residual land value for each residential prototype is derived from the following calculation shown in Exhibit III-4.



If the residual land value exceeds the cost to acquire a site for development, the prototype is generally determined to be feasible. If the residual value is less than the cost to acquire the site, feasibility will be more challenging and some improvement in the economics of the development will likely be necessary for it to move forward. In preparing the base case financial pro forma models, KMA collected market and industry data to determine appropriate inputs and assumptions that resulted in balanced, i.e., feasible pro formas. The base case market-rate housing pro formas include the existing FY 2019 Inclusionary Affordable Housing Fee of \$10.82 per SF of building area in effect as of the date of this report. These balanced base case pro formas yield appropriate, market-based returns/profits for developers and residual land values for property owners.

Summaries of the KMA key findings regarding the feasibility measures for the eight development prototypes are presented in Exhibits A through H at the end of this section. The eight exhibits correlate to the eight development prototypes studied in the KMA economic analysis (four rental, four for-sale). As shown, each exhibit presents four selected means of compliance that would be available to developers under the proposed ordinance, specifically:

1. Payment of an in-lieu fee at \$22 per SF of building area.
2. Off-site production at each of the available set-asides/income levels (assuming that inclusionary units are built within the same Community Planning Area, City Council District, or within one mile of the developer's new market-rate development).
3. On-site production at each of the available set-asides/income levels.
4. On-site production at each of the available set-asides/income levels, with the available density bonus.

The exhibits present the following four measures of economic impact. Each is briefly described below, along with discussion of possible thresholds that would indicate whether a development prototype/scenario remains feasible. 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.

1. *Change in residual land value.* As described above, residual land value represents the supportable land payment assuming that the development generates an industry standard developer return/profit. The KMA base case pro formas were intended to represent economically feasible developments. Specifically, KMA developed pro formas for the base case scenarios that yield residual land values consistent with recent actual land acquisition costs for similar developments. As noted above, it is the KMA view that there is no single industry rule of thumb regarding how much decrease in residual land value a development can support before it becomes infeasible. However, it is the KMA experience that a number of California cities have adopted inclusionary requirements that were projected to generate reductions in residual land value as high as *minus* 30%. As shown in Exhibits A through H, for every prototype analyzed, KMA found at least three methods of compliance that resulted in an impact on residual land value of approximately *minus* 30% or less.
2. *Change in market value at completion.* This metric compares the total market value of the completed development under the base case (existing conditions) with the proposed inclusionary requirement. In some cases, when the development uses an affordable housing density bonus, the total market value is greater with the inclusionary requirement than in the base case. This metric is presented for informational purposes only. KMA has not identified a specific feasibility threshold for change in development value upon completion.
3. *Change in developer return/profit.* For this metric, KMA has relied on Return on Investment (ROI) for rental housing and developer profit as a percent of sales value for for-sale housing.
 - *Developer Return - ROI* is defined as the ratio of stabilized annual net operating income to the total investment in the development. Based on real estate industry research, and Stakeholder Working Group input, KMA estimated typical base case ROI targets in the range of 5.0% to 6.0% range. A number of stakeholders participating in the Stakeholder Working Group expressed the view that the minimum required ROI for a rental housing development was 5.5%, or even as high as 6.0%. Given this scale of target return, it is the KMA view that impacts on projected ROI up to *minus* 0.25% should be feasible for the marketplace to absorb within a reasonable time horizon. It is important to consider that the KMA feasibility analysis measures these return outcomes against conceptual planning prototypes. In the case of actual specific development proposals, developers would pursue a range of alternative approaches to absorb the impact of the inclusionary requirement, potentially resulting in a lower decrease in ROI. As shown in Exhibits A through D, for every rental prototype analyzed, KMA found at least three methods of compliance that resulted in an impact on ROI of *minus* 0.25% or less.

- *Developer Profit* - Based on real estate industry research, and Stakeholder Working Group input, 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. Given this scale of target profit, it is the KMA view that impacts on projected developer profit up to *minus* 3.0% should be feasible for the marketplace to absorb within a reasonable time horizon. It is important to consider that the KMA feasibility analysis measures these return outcomes against conceptual planning prototypes. In the case of actual specific development proposals, developers would pursue a range of alternative approaches to absorb the impact of the inclusionary requirement, potentially resulting in a lower decrease in developer profit. As shown in Exhibits E through H, for every for-sale prototype analyzed, KMA found at least two methods of compliance that resulted in an impact on developer profit of *minus* 3.0% or less.
4. *Change in market-rate rent or price needed to offset the economic impact of the inclusionary requirement.* It is important to note that this measure of impact is not a conclusion that developers can or should increase market rents or prices to offset the economic impact of the inclusionary requirement. Rather, this measure is meant to provide an order-of-magnitude estimate of the increase in market rent/price that would be sufficient to offset the economic impact of an inclusionary requirement. As shown in Exhibits A through D, for each rental prototype, KMA found two or more methods of compliance where the increase in market-rate rent needed to offset the economic impact of the inclusionary requirement would be less than \$0.15 per SF per month. Similarly, in Exhibits E through H, for each for-sale prototype, KMA found two or more methods of compliance where the increase in market-rate price needed to offset the economic impact of the inclusionary requirement was less than \$20 per SF.

Rental Housing with On-Site Inclusionary Requirement of 15% @ 80% AMI

The Council staff recommendation presented to the Rules Committee of the City of San Diego (Rules Committee) on May 15, 2019 included two options for on-site inclusionary housing production for rental housing: either 10% of the units at 50% AMI or 15% of the units at 80% AMI. The Rules Committee recommended City Council adoption of an ordinance that did not include an option for on-site inclusionary housing for rental housing of 15% of the units at 80% AMI, and only retained an inclusionary housing production requirement of 10% of the units at 50% AMI. The KMA feasibility analyses prepared for this report included the 15% at 80% AMI alternative for on-site rental housing. The KMA analyses also included the 15% at 80% AMI alternative for off-site rental housing as a means of alternative compliance for either rental or for-sale market-rate housing. The findings from the analysis of this alternative are presented in this report in the event that this information is useful to the City Council in evaluating inclusionary housing policy alternatives.

C. Anticipated Method of Compliance

As drafted, the proposed ordinance 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, 2021. This assessment is based solely on the KMA pro forma estimates for these selected methods of compliance, and does not consider the full range of options available to developers, such as land dedication, acquisition/rehabilitation, and others. KMA conducted this assessment using the developer return metric (specifically Return on Investment for rental developments), as this was the return metric most often cited by the Stakeholder Working Group as the key determinant of development feasibility.

Rental Housing

KMA ranked the most likely (top three) methods of compliance for each rental prototype (in order of preference), as shown in Exhibit III-5. For rental developments, KMA used the Return on Investment (ROI) metric, i.e., stabilized annual net operating income divided by total development costs. As noted above, 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
Base Case ROI ⁽²⁾	5.8%	5.3%	5.0%	5.5%
Method of Compliance #1	Build Off-Site 10% @ 50% AMI	Build Off-Site 10% @ 50% AMI	Build Off-Site 10% @ 50% AMI	Build On-Site w/Density Bonus 10% @ 50% AMI
Change in ROI ⁽³⁾	-0.11%	-0.10%	-0.08%	0.05% ⁽⁴⁾
Method of Compliance #2	Pay In-Lieu Fee \$22/SF	Pay In-Lieu Fee \$22/SF	Pay In-Lieu Fee \$22/SF	Build Off-Site 10% @ 50% AMI
Change in ROI ⁽³⁾	-0.17%	-0.12%	-0.10%	-0.091%
Method of Compliance #3	Build On-Site without Density Bonus 10% @ 50% AMI	Build On-Site w/100% Density Bonus 10% @ 50% AMI	Build On-Site w/Density Bonus 10% @ 50% AMI	Pay In-Lieu Fee \$22/SF
Change in ROI ⁽³⁾	-0.19%	-0.17%	-0.16%	-0.092%
⁽¹⁾ Estimated impact on ROI assuming base case land value held constant. ⁽²⁾ Base Case assumes payment of current \$10.82 per SF Inclusionary Affordable Housing Fee. ⁽³⁾ Reflects absolute change in ROI (e.g., base case ROI @ 5.5% - 0.1% change in ROI = 5.4% ROI). ⁽⁴⁾ Positive changes in ROI reflect beneficial impact of application of affordable housing density bonus.				

As shown in the exhibit, the top three methods of compliance for these rental prototypes demonstrate relatively minor impacts on developer return. For example, a developer of garden apartments (Prototype A) would likely select the option to build affordable units off-site as the most advantageous method of compliance. KMA estimates that the base case garden apartments development generates a 5.8% ROI, and that this return would *decrease* by -0.11% to 5.69% if the developer bore the additional cost of building affordable units off-site. Of the methods of compliance tested by KMA, this decrease in ROI represents the lowest impact of the options available to the garden apartments developer. By contrast, a developer of a high-rise with subterranean parking (Prototype D) is projected to select the option to build on-site using a density bonus as the preferred method of compliance. In this case, KMA estimates that a base case ROI of 5.52% would *increase* by 0.05% to 5.57%, reflecting an instance where the use of a density bonus more than offsets the inclusionary requirement, thereby resulting in an increased developer return.

For-Sale Housing

KMA conducted a similar ranking for the most likely (top three) methods of compliance for each for-sale prototype (in order of preference), as shown in Exhibit III-6. For for-sale developments, KMA used a developer profit metric defined as percent of sales revenue. Based on real estate industry research, and Stakeholder Working Group input, 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. It is the SDHC experience that market-rate developers seeking to transfer affordable housing requirements off-site have typically done so by forming a partnership with an affordable housing developer experienced in the development and funding of rental housing.

As shown in the exhibit, the top three methods of compliance for these for-sale prototypes demonstrate relatively minor impacts on developer return. In fact, for three of the for-sale prototypes, the top ranked method of compliance is shown to generate a positive impact. In the case of single-family detached (Prototype E) and townhomes (Prototype F), this finding reflects the lower cost of off-site compliance as compared to the existing \$10.82 per SF Inclusionary Affordable Housing Fee. For the small lot townhomes (Prototype G), the increase in developer profit results from the offsetting benefit derived from the use of the affordable housing density bonus.

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
Base Case Profit⁽²⁾	9.7%	8.8%	11.8%	13.6%
Method of Compliance #1	Build Off-Site 10% @ 50% AMI ⁽⁴⁾	Build Off-Site 10% @ 50% AMI ⁽⁴⁾	Build On-Site w/Density Bonus 15% @ 120% AMI	Build Off-Site 10% @ 50% AMI ⁽⁴⁾
Change in Profit⁽³⁾	1.60% ⁽⁵⁾	0.08% ⁽⁵⁾	0.81% ⁽⁶⁾	-0.34%
Method of Compliance #2	Build On-Site w/Density Bonus 15% @ 120% AMI	Pay In-Lieu Fee \$22/SF	Build Off-Site 10% @ 50% AMI ⁽⁴⁾	Pay In-Lieu Fee \$22/SF
Change in Profit⁽³⁾	-0.15%	-2.35%	-0.10%	-1.80%
Method of Compliance #3	Build On-Site w/Density Bonus 10% @ 100% AMI	Build On-Site w/o Density Bonus 10% @ 100% AMI	Pay In-Lieu Fee Year 3 @ \$22/SF	Build On-Site w/o Density Bonus 10% @ 100% AMI
Change in Profit⁽³⁾	-1.27%	-2.91%	-2.13%	-4.52%
(1) Estimated impact on developer profit assuming based case (without density bonus) land value held constant. (2) Base Case assumes payment of current \$10.82 per SF Inclusionary Affordable Housing Fee. (3) Reflects absolute change in developer profit (e.g., base case profit @ 10.0% - 1.0% change in profit = 9.0% profit). (4) Assumes developer choosing off-site requirement will restrict units at 10% at 50% AMI to access tax credit financing. (5) Positive change in developer profit reflects the benefit of for-sale developer choosing the off-site requirement. (6) Positive change in developer profit reflects beneficial impact of application of affordable housing density bonus.				

Rental Housing with On-Site or Off-Site Inclusionary Option of 15% at 80% AMI

As noted above, the KMA feasibility analyses prepared for this report included the 15% at 80% AMI alternative for on-site rental housing. The KMA analyses also included the 15% at 80% AMI alternative for off-site rental housing as a means of alternative compliance. In order to evaluate the 15% at 80% AMI alternative in context, KMA prepared rankings of the alternative methods of compliance available to developers with this additional option included. Inclusion of this additional option affects the range of choices available to rental housing developers both on- and off-site. It would also increase the range of off-site options available to for-sale housing developers. Exhibit III-7 summarizes the KMA rankings for the most likely (top three) methods of compliance for each of the four rental prototypes (in order of preference), with the 15% at 80% AMI alternative included as an option. As shown in the table, KMA found that only developers of garden apartments (Prototype A) and stacked flats over podium parking (Prototype C) would consider the 15% at 80% AMI off-site option to rank among the top three methods of compliance. (It should be noted that KMA has assumed that developers choosing the 15% at 80% AMI off-site requirement will restrict units at 60% AMI in order to access tax credit funding.) KMA found

the option of building 15% at 80% AMI on-site to rank among the top three methods of compliance for only one prototype -- stacked flats over tuck-under parking (Prototype B), assuming availability of a 100% Density Bonus.

Exhibit III-7: Anticipated Method of Compliance with 15% @ 80% AMI Option Included – 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
Base Case ROI⁽²⁾	5.8%	5.3%	5.0%	5.5%
Method of Compliance #1	Build On-Site 15% @ 80% AMI	Build Off-Site 10% @ 50% AMI	Build Off-Site 10% @ 50% AMI	Build On-Site w/Density Bonus 10% @ 50% AMI
Change in ROI⁽³⁾	-0.09%	-0.10%	-0.08%	0.05% ⁽⁴⁾
Method of Compliance #2	Build Off-Site 10% @ 50% AMI	Pay In-Lieu Fee \$22/SF	Pay In-Lieu Fee \$22/SF	Build Off-Site 10% @ 50% AMI
Change in ROI⁽³⁾	-0.11%	-0.12%	-0.10%	-0.09%
Method of Compliance #3	Build Off-Site 15% @ 60% ⁽⁵⁾	Build On-Site w/100% Density Bonus 15% @ 80% AMI	Build Off-Site 15% @ 60% ⁽⁵⁾	Pay In-Lieu Fee \$22/SF
Change in ROI⁽³⁾	-0.16%	0.12%	-0.11%	-0.09%
<p>(1) Estimated impact on ROI assuming base case land value held constant.</p> <p>(2) Base Case assumes payment of current \$10.82 per SF Inclusionary Affordable Housing Fee.</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) Positive change in developer profit reflects beneficial impact of application of affordable housing density bonus.</p> <p>(5) Assumes developers choosing 15% @ 80% AMI off-site requirement will restrict units at 60% AMI in order to access tax credit funding.</p>				

For-Sale Housing with Off-Site Rental Housing Option of 15% at 80% AMI

Inclusion of the rental housing option of 15% at 80% AMI would increase the range of off-site options available to for-sale housing developers. In order to evaluate the 15% at 80% AMI alternative in context, KMA also prepared rankings of the alternative methods of compliance available to for-sale housing developers with this additional option included. Exhibit III-8 summarizes the KMA rankings for the most likely (top three) methods of compliance for each of the four for-sale prototypes (in order of preference), with the 15% at 80% AMI alternative for off-site rental housing included as an option.

Exhibit III-8: Anticipated Method of Compliance with 15% @ 80% AMI Off-Site Rental Housing Option Included – 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
Base Case Profit⁽²⁾	9.7%	8.8%	11.8%	13.6%
Method of Compliance #1	Build Off-Site 10% @ 50% AMI ⁽⁴⁾	Build Off-Site 10% @ 50% AMI ⁽⁴⁾	Build On-Site w/Density Bonus 15% @ 120% AMI	Build Off-Site 10% @ 50% AMI ⁽⁴⁾
Change in Profit⁽³⁾	1.95% ⁽⁵⁾	0.35% ⁽⁵⁾	0.82% ⁽⁶⁾	0.07% ⁽⁵⁾
Method of Compliance #2	Build Off-Site 15% @ 60% AMI ⁽⁷⁾	Build Off-Site 15% @ 60% AMI ⁽⁷⁾	Build Off-Site 10% @ 50% AMI ⁽²⁾	Build Off-Site 15% @ 60% AMI ⁽⁷⁾
Change in Profit⁽³⁾	1.62% ⁽⁵⁾	-0.01%	0.26% ⁽⁵⁾	-0.27% ⁽³⁾
Method of Compliance #3	Build On-Site w/Density Bonus 15% @ 120% AMI	Pay In-Lieu Fee \$22/SF	Build Off-Site 15% @ 60% AMI ⁽⁷⁾	Pay In-Lieu Fee \$22/SF
Change in Profit⁽³⁾	-0.15%	-2.15%	-0.35%	-1.44%
<p>(1) Estimated impact on developer profit assuming based case (without density bonus) land value held constant.</p> <p>(2) Base Case assumes payment of current \$10.82 per SF Inclusionary Affordable Housing Fee.</p> <p>(3) Reflects absolute change in developer profit (e.g., base case profit @ 10.0% - 1.0% change in profit = 9% profit).</p> <p>(4) Assumes developers choosing off-site requirement will restrict units at 50% AMI in order to access tax credit funding.</p> <p>(5) Positive change in developer profit reflects the benefit of for-sale developer choosing the off-site requirement.</p> <p>(6) Positive change in developer profit reflects beneficial impact of application of affordable housing density bonus.</p> <p>(7) Assumes developers choosing 15% @ 80% AMI off-site requirement will restrict units at 60% AMI in order to access tax credit funding.</p>				

As shown in the exhibit, KMA found that the 15% at 80% AMI *off-site* rental housing option ranked in second or third position for all four of the for-sale prototypes. (It should be noted that KMA has assumed that for-sale housing developers choosing the 15% at 80% AMI off-site rental housing option will restrict units at 60% AMI in order to access tax credit funding.) For single-family detached (Prototype E), townhomes (Prototype F), and stacked flats over podium (Prototype H), off-site rental housing of 15% at 80% AMI ranked as the second most feasible method of compliance. For the small lot townhomes (Prototype G), this option ranked as the third most feasible option.

D. Economic Feasibility of Proposed Ordinance

Based on the feasibility analyses performed, the KMA conclusion is that the ordinance as proposed is economically feasible and will not unduly constrain the production of housing. KMA found the projected impacts on developer pro formas, as measured against one or more of the metrics described above, to

be low. As currently drafted, the proposed ordinance 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 proposed ordinance 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 year two and three. The affordable housing set-aside requirements would phase in equal one-third increments over three years, with the program fully vested starting July 1, 2021. Given the proposed phase in, the proposed ordinance allows time for the development market to adjust and incorporate the modified requirement.

Based on the extensive review and analysis conducted by KMA, it is KMA's opinion that the proposed ordinance – in combination with the proposed phase-in, incentives for on-site development, and range of alternatives – is economically feasible. In light of the KMA finding that the proposed requirement is economically feasible, it is the KMA view that the proposed ordinance would not unduly constrain residential development in the City, nor would it deprive property owners of a fair and reasonable return.

EXHIBIT A

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in ROI ⁽²⁾	Change in Rent Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-13.9%		-0.17%	\$0.07/SF/Mo. \$60/Unit/Mo.
Build Off-Site ⁽⁵⁾	10% @ 50% AMI	-9.2%		-0.11%	\$0.05/SF/Mo. \$42/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 50% AMI	-14.9%	-6.5%	-0.19%	\$0.13/SF/Mo. \$110/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI	-55.5%	22.4%	-0.52%	\$0.39/SF/Mo. \$309/Unit/Mo.

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

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

(3) Reflects increase in fair market rent needed to offset economic impact. Base case pro forma assumes current in-lieu fee of \$10.82 per SF GLA.

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

(5) 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 B

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in ROI ⁽²⁾	Change in Rent Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-9.6%		-0.12%	\$0.06/SF/Mo. \$49/Unit/Mo.
Build Off-Site ⁽⁵⁾	10% @ 50% AMI	-8.0%		-0.10%	\$0.06/SF/Mo. \$44/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 50% AMI	-36.5%	-11.2%	-0.47%	\$0.31/SF/Mo. \$241/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI	-79.3%	20.9%	-0.72%	\$0.62/SF/Mo. \$465/Unit/Mo.
Build On-Site with 100% Density Bonus	10% @ 50% AMI	-22.6%	57.8%	-0.17%	\$0.55/SF/Mo. \$331/Unit/Mo.

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

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

(3) Reflects increase in fair market rent needed to offset economic impact. Base case pro forma assumes current in-lieu fee of \$10.82 per SF GLA.

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

(5) 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 C

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in ROI ⁽²⁾	Change in Rent Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-12.6%		-0.10%	\$0.06/SF/Mo. \$47/Unit/Mo.
Build Off-Site ⁽⁵⁾	10% @ 50% AMI	-10.2%		-0.08%	\$0.05/SF/Mo. \$41/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 50% AMI	-33.4%	-7.8%	-0.28%	\$0.20/SF/Mo. \$159/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI	-24.6%	21.9%	-0.16%	\$0.26/SF/Mo. \$186/Unit/Mo.

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

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

(3) Reflects increase in fair market rent needed to offset economic impact. Base case pro forma assumes current in-lieu fee of \$10.82 per SF GLA.

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

(5) 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 D

SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in ROI ⁽²⁾	Change in Rent Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-15.3%		-0.09%	\$0.06/SF/Mo. \$45/Unit/Mo.
Build Off-Site ⁽⁵⁾	10% @ 50% AMI	-15.0%		-0.09%	\$0.06/SF/Mo. \$45/Unit/Mo.
Build On-Site w/o Density Bonus	10% @ 50% AMI	-43.7%	-7.5%	-0.27%	\$0.23/SF/Mo. \$165/Unit/Mo.
Build On-Site with Density Bonus	10% @ 50% AMI	10.7%	24.7%	0.05%	\$0.12/SF/Mo. \$81/Unit/Mo.

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

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

(3) Reflects increase in fair market rent needed to offset economic impact. Base case pro forma assumes current in-lieu fee of \$10.82 per SF GLA.

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

(5) 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 E

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in Profit ⁽²⁾	Change in Price Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-23.6%		-3.75%	\$15/SF \$38,300/Unit
Build Off-Site ⁽⁵⁾⁽⁶⁾	10% @ 50% AMI	10.1%		1.60%	\$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) Reflects estimated impact to gross sales proceeds.

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

(3) 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.

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

(5) 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.

(6) Assumes developers choosing off-site requirement will restrict units at 10% @ 50% AMI in order to access tax credit funding.

EXHIBIT F

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in Profit ⁽²⁾	Change in Price Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-8.4%		-2.35%	\$15/SF \$22,400/Unit
Build Off-Site ⁽⁵⁾⁽⁶⁾	10% @ 50% AMI	0.3%		0.08%	\$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) Reflects estimated impact to gross sales proceeds.

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

(3) 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.

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

(5) 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.

(6) Assumes developers choosing off-site requirement will restrict units at 10% @ 50% AMI in order to access tax credit funding.

EXHIBIT G

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in Profit ⁽²⁾	Change in Price Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-11.4%		-2.13%	\$15/SF \$20,300/Unit
Build Off-Site ⁽⁵⁾⁽⁶⁾	10% @ 50% AMI	-0.5%		-0.10%	\$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	-20.9%	-7.6%	-4.79%	\$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	1.1%	5.1%	0.81%	\$38/SF \$46,100/Unit

(1) Reflects estimated impact to gross sales proceeds.

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

(3) 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.

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

(5) 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.

(6) Assumes developers choosing off-site requirement will restrict units at 10% @ 50% AMI in order to access tax credit funding.

EXHIBIT H

**SUMMARY OF ESTIMATED IMPACTS OF INCLUSIONARY REQUIREMENTS
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 ⁽¹⁾	Change in Profit ⁽²⁾	Change in Price Needed to Offset Economic Impact ⁽³⁾
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 ⁽⁴⁾					
Pay In-Lieu Fee	Year 3: \$22.00/SF	-15.3%		-1.80%	\$16/SF \$19,200/Unit
Build Off-Site ⁽⁵⁾⁽⁶⁾	10% @ 50% AMI	-2.9%		-0.34%	\$3/SF \$4,114/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) Reflects estimated impact to gross sales proceeds.

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

(3) 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.

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

(5) 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.

(6) Assumes developers choosing off-site requirement will restrict units at 10% @ 50% AMI in order to access tax credit funding.

METHODOLOGY AND ASSUMPTIONS

**PROPOSED AMENDMENTS TO THE CITY OF SAN DIEGO
INCLUSIONARY AFFORDABLE HOUSING ORDINANCE
ECONOMIC FEASIBILITY ANALYSIS**

IV. BUILD ON-SITE: FINANCIAL FEASIBILITY ANALYSIS – RENTAL

A. The Rental Prototypes

Four new construction rental residential prototypes were identified based on extensive discussion with the Stakeholder Working Group and City/SDHC staff. The prototypes reflect current and anticipated residential development in the City of San Diego. Exhibit IV-1 provides a description of the four rental prototypes representative of new market-rate rental development in San Diego.

Exhibit IV-1: Project Descriptions for Rental Development Prototypes				
	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
Description	Type V with Surface/Carport	Type V over Tuck-under	Type III over Podium	Type I with Subterranean
Site Area	2.0 Acres	0.23 Acres	0.50 Acres	0.75 Acres
Density	24.9 Units/Acre	53 Units/Acre	108.9 Units/Acre	290.0 Units/Acre
Number of Units	50 Units	12 Units	54 Units	217 Units
Unit Mix	1 and 2 Bedrooms	1 and 2 Bedrooms	1 and 2 Bedrooms	1 and 2 Bedrooms
Stories	3 Stories	4 Stories	6 Stories	20+ Stories
Average Unit Size	870 SF	788 SF	798 SF	720 SF

B. Projected Market Rents

KMA surveyed new rental apartments throughout San Diego. The purpose of the survey was to derive estimates of the currently achievable market rent for the types of rental developments likely to be constructed in the City. The base case market-rate monthly rent estimates that are used in the financial feasibility analyses are presented in Exhibit IV-2.

Exhibit IV-2: Projected Monthly Market Rents				
	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
\$/SF/Month	\$2.75	\$3.35	\$3.50	\$4.50
Average Unit Size	870 SF	788 SF	798 SF	720 SF
Market-Rate Rent	\$2,393/Mo.	\$2,638/Mo.	\$2,794/Mo.	\$3,241/Mo.

C. Affordable Rent Calculation

For the purposes of this economic feasibility analysis, the maximum affordable rents for the income-restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053 (H&SC 50053). The calculations are presented in Appendix 5, and the assumptions and results can be summarized as follows:

- The household income information used in the calculations is based on 2019 income statistics for San Diego County as a whole. The household incomes are published annually by HUD.
- The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. It should be noted that this is a benchmark, not an occupancy cap.
- The household income at 50% of AMI represents the income level for very low income households.
- Thirty percent (30%) of defined household income is allocated to housing-related expenses.

The KMA calculations are based on the assumption that the tenants will be required to pay for gas cooking and water heating, electric heating, and other basic electric services. The April 1, 2019 San Diego Housing Commission utilities allowances were applied to this analysis. The resulting affordable rents are presented in Exhibit IV-3.

Exhibit IV-3: Affordable Rent Calculations – 50% AMI		
	One Bedroom	Two Bedroom
Maximum Monthly Cost	\$1,070	\$1,204
(Less) Monthly Utility Allowance	<u>(\$63)</u>	<u>(\$83)</u>
Affordable Rent	\$1,007	\$1,121

D. Financial Pro Forma Analysis

To estimate the impact of alternative inclusionary housing requirements on market-rate residential development economics, KMA prepared base case financial pro forma models and conducted a series of sensitivity tests to evaluate the impacts of a broad range of inclusionary set-asides and targeted household income levels. In addition, where selected inclusionary set-asides triggered the potential for a density bonus and/or reduction in parking ratio, KMA factored these incentives into the feasibility models.

The models present comparative impacts of the proposed inclusionary requirement on residual land value, as compared to the current Inclusionary Affordable Housing Ordinance. Other metrics also

measured by KMA for ease of understanding the potential impacts of the proposed ordinance included: impact on value upon completion; impact on developer return; and the change in rent for the market-rate units would need to offset the impact of the inclusionary requirement.

KMA met with the Stakeholder Working Group on September 4, 2018 and September 11, 2018 to discuss the KMA methodology and residential prototypes proposed for the KMA analysis. A preliminary draft of the KMA technical analyses, including all of the supporting financial pro forma models, was presented to the Stakeholder Working Group on October 25, 2018. Subsequently, selected Stakeholders submitted extensive comments, suggested revisions, and alternative financial pro formas. KMA thoroughly catalogued these responses, evaluated the information provided, and made substantial modifications to the financial pro forma analyses. The revised KMA findings and supporting pro forma models were then presented to the Stakeholder Working Group on February 27, 2019.

Since that time, KMA continued to work with SDHC and City staff to test additional inclusionary alternatives and potential incentives. One such incentive included an exemption from the payment of Development Impact Fees (DIFs) and Facilities Benefit Assessments (FBAs) for on-site inclusionary housing units. On May 15, 2019, the Rules Committee met to consider the proposed amendments to the City's Inclusionary Housing Ordinance. With respect to the on-site inclusionary requirement for rental housing, the direction of the Rules Committee was to evaluate an inclusionary housing production requirement of 10% of the units at 50% AMI.

A pro forma analysis is used to validate that a requirement of this magnitude is supported by the project economics. Appendix 1 provides the supporting pro forma analyses prepared by KMA for each residential rental prototype. Each attachment within Appendix 1 is organized as follows:

Table 1	Estimate of Gross Rental Income
Table 2	Estimate of Development Costs
Table 3	Estimate of Residual Land Value

Each attachment displays a pro forma estimating the residual land value for a market-rate base case development alongside a pro forma estimating the residual land value for a development with the proposed inclusionary set-aside alternative of 10% at 50% AMI.

The 100% market-rate base case development pro formas provide a baseline scenario under which developers pay the current Inclusionary Affordable Housing Fee of \$10.82 per SF. This residual land value outcome can then be measured against the residual land value that is generated when affordability requirements of 10% at 50% AMI are imposed. For each rental prototype, KMA also ran an alternative scenario factoring in an affordable housing density bonus and/or reduction in parking ratio in cases where the development would be eligible for these incentives. For Prototype B, stacked flats with tuck-under parking, KMA modeled an additional scenario assuming the development of micro-units, which would allow for a 100% density bonus.

The results of these feasibility analyses -- in terms of residual land value impacts for each rental prototype -- are summarized in Exhibit IV-4.

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% @ 50% AMI	10% @ 50% AMI
Prototype A	Garden Apartments	\$40/SF	\$34/SF	\$18/SF
Prototype B	Stacked Flats with Tuck-under Parking	\$110/SF	\$70/SF	\$23/SF
Prototype B	Stacked Flats with Tuck-under Parking - 100% Density Bonus	\$110/SF	---	\$86/SF
Prototype C	Stacked Flats over Podium Parking	\$175/SF	\$116/SF	\$132/SF
Prototype D	High-Rise with Subterranean Parking	\$350/SF	\$197/SF	\$387/SF ⁽¹⁾
(1) Reflects increase in residual land value resulting from increased density.				

In addition, KMA analyzed the impact of the inclusionary set-asides on the developer's Return on Investment (ROI) assuming that the base case land value is held constant. The results of these analyses are summarized in Exhibit IV-5.

Exhibit IV-5: Estimated Impact of Potential Inclusionary Requirement – Rental Prototypes				
Developer Return				
		Base Case Developer Return	without Density Bonus	with Density Bonus
			10% @ 50% AMI	10% @ 50% AMI
Prototype A	Garden Apartments	5.8%	5.6%	5.3%
Prototype B	Stacked Flats with Tuck-under Parking	5.3%	4.9%	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%	4.9%
Prototype D	High-Rise with Subterranean Parking	5.5%	5.3%	5.6%

V. BUILD ON-SITE: FINANCIAL FEASIBILITY ANALYSIS – FOR-SALE

A. The For-Sale Prototypes

Four for-sale residential prototypes were identified based on extensive discussion with the Stakeholder Working Group and City/SDHC staff. The prototypes reflect current and anticipated residential development in the City of San Diego. Exhibit V-1 provides a description of the four for-sale prototypes representative of new market rate for-sale development in San Diego.

Exhibit V-1: Project Descriptions for For-Sale Development Prototypes				
	Prototype E	Prototype F	Prototype G	Prototype H
	Single-Family Detached	Townhomes	Townhomes (Small Lot)	Stacked Flats over Podium
Description	Type V with Attached Garages	Type V with Attached Garages	Type V with Attached Garages	Type V over Podium
Site Area	5.0 Acres	3.0 Acres	0.46 Acres	1.0 Acre
Density	8.7 Units/Acre	21.8 Units/Acre	24.9 Units/Acre	72.6 Units/Acre
Number of Units	44 Units	65 Units	11 Units	73 Units
Unit Mix	3 and 4 Bedrooms	2 and 3 Bedrooms	2 and 3 Bedrooms	1 to 3 Bedrooms
Stories	2 Stories	2-3 Stories	3 Stories	5 Stories
Average Unit Size	2,600 SF	1,510 SF	1,391 SF	1,222 SF

B. Projected Market Prices

KMA surveyed new for-sale developments throughout San Diego. The purpose of the survey was to derive estimates of the currently achievable market prices for the types of for-sale developments likely to be constructed in the City. The market-rate price estimates that are used in the financial feasibility analyses are presented in Exhibit V-2.

Exhibit V-2: Projected Market Prices				
	Prototype E	Prototype F	Prototype G	Prototype H
	Single-Family Detached	Townhomes	Townhomes (Small Lot)	Stacked Flats over Podium
\$/SF	\$300/SF	\$475/SF	\$525/SF	\$620/SF
Average Unit Size	2,600 SF	1,510 SF	1,391 SF	1,222 SF
Market-Rate Price	\$780,000	\$717,000	\$730,000	\$758,000

C. Affordable Price Calculation

For the purposes of this economic feasibility analysis, the maximum affordable prices for the income-restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053 (H&SC 50053). The calculations are presented in Appendix 5, and the assumptions and results can be summarized as follows:

- The price restrictions were calculated for the four different for-sale residential prototypes.
- The household income information used in the calculations is based on 2019 income statistics for San Diego County as a whole. The household incomes are published annually by HUD.
- The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. It should be noted that this is a benchmark, not an occupancy cap.
- The household incomes at 100% and 120% of AMI represent the income level for median and moderate income households, respectively.
- Thirty-five percent (35%) of defined household income is allocated to housing-related expenses.
- Housing-related costs reflect the specifics of the residential prototype. KMA has assumed the following housing-related costs based on current lending industry underwriting criteria:
 - Utilities based on the April 1, 2019 San Diego Housing Commission utility allowance schedule and the assumption that the homeowner's utility costs are comprised of gas cooking and water heating, electric heating, other basic electric services, and water and sewer.
 - HOA dues (reflects allowance for structure insurance, maintenance, and reserves).
 - Property taxes assuming a typical City tax rate of 1.10% of assessed value.
 - Supportable mortgage assuming a 30-year loan; 4.5% interest; and a 5.0% down payment.

The resulting affordable sales prices are presented in Exhibit V-3.

Exhibit V-3: Affordable Sales Prices									
		One Bedroom		Two Bedroom		Three Bedroom		Four Bedroom	
		100% AMI	120% AMI	100% AMI	120% AMI	100% AMI	120% AMI	100% AMI	120% AMI
Prototype E	Single-Family	---	---	---	---	\$345,000	\$433,000	\$363,000	\$458,000
Prototype F	Townhomes	---	---	\$323,000	\$402,000	\$345,000	\$433,000	---	---
Prototype G	Small Lot Townhomes	---	---	\$327,000	\$406,000	\$350,000	\$437,000	---	---
Prototype H	Stacked Flats over Podium	\$251,000	\$321,000	\$275,000	\$354,000	\$293,000	\$381,000	---	---

D. Financial Pro Forma Analysis

To estimate the impact of alternative inclusionary housing requirements on market-rate residential development economics, KMA prepared base case financial pro forma models and conducted a series of sensitivity tests to evaluate the impacts of a broad range of inclusionary set-asides and targeted household income levels. In addition, where selected inclusionary set-asides triggered the potential for a density bonus and/or reduction in parking ratio, KMA factored these incentives into the feasibility models.

The models present comparative impacts of the proposed for-sale inclusionary requirement on residual land value, as compared to the current Inclusionary Affordable Housing Ordinance. Other metrics also measured by KMA for ease of understanding the potential impacts of the proposed ordinance included: impact on value upon completion; impact on developer return; and the change in rent for the market-rate units would need to offset the impact of the inclusionary requirement.

A preliminary draft of the KMA technical analyses, including all of the supporting financial pro forma models, was presented to the Stakeholder Working Group on October 25, 2018. Subsequently, selected Stakeholders submitted extensive comments, suggested revisions, and alternative financial pro formas. KMA thoroughly catalogued these responses, evaluated the information provided, and made substantial modifications to the financial pro forma analyses. The revised KMA findings and supporting pro forma models were then presented to the Stakeholder Working Group on February 27, 2019.

Since that time, KMA continued to work with SDHC and City staff to test additional inclusionary alternatives and potential incentives. One such incentive included an exemption from the payment of Development Impact Fees (DIFs) and Facilities Benefit Assessments (FBAs) for on-site inclusionary housing units. On May 15, 2019, the Rules Committee met to consider the proposed amendments to the City's Inclusionary Affordable Housing Ordinance. With respect to the on-site inclusionary requirement for for-sale housing, the direction of the Rules Committee was to evaluate an inclusionary

housing production requirement of either 10% of the units at 100% AMI or 15% of the units at 120% AMI.

A pro forma analysis is used to validate that a requirement of this magnitude is supported by the project economics. Appendix 2 provides the supporting pro forma analyses prepared by KMA for each for-sale prototype. Each attachment within Appendix 2 is organized as follows:

Table 1	Estimate of Gross Sales Proceeds
Table 2	Estimate of Development Costs
Table 3	Estimate of Residual Land Value

The 100% market-rate base case development pro formas provide a baseline scenario under which developers pay the current Inclusionary Affordable Housing Fee of \$10.82 per SF. This residual land value outcome can then be measured against the residual land value that is generated when affordability requirements of either 10% at 100% AMI or 15% at 120% AMI are imposed. For each for-sale prototype, KMA also ran an alternative scenario factoring in an affordable housing density bonus in cases where the development would be eligible for these incentives.

The results of these feasibility analyses in terms of residual land value impacts for each for-sale prototype are summarized in Exhibit V-4.

Exhibit V-4: Estimated Impact of Potential Inclusionary Requirement – For-Sale Prototypes						
Residual Land Value						
		Base Case Residual Land Value	without Density Bonus		with Density Bonus	
			10% @ 100% AMI	15% @ 120% AMI	10% @ 100% AMI	15% @ 120% AMI
Prototype E	Single-Family Detached	\$25/SF	\$23/SF	\$22/SF	\$24/SF	\$25/SF
Prototype F	Townhomes	\$100/SF	\$91/SF	\$90/SF	\$80/SF	\$84/SF
Prototype G	Small Lot Townhomes	\$75/SF	\$53/SF	\$59/SF	\$62/SF	\$76/SF
Prototype H	Stacked Flats over Podium	\$150/SF	\$104/SF	\$96/SF	\$99/SF	\$104/SF

In addition, KMA analyzed the impact of the inclusionary set-asides on the developer's profit assuming that the base case land value is held constant. The results of these analyses are summarized in Exhibit V-5.

Exhibit V-5: Estimated Impact of Potential Inclusionary Requirement – For-Sale Prototypes						
Developer Profit						
		<i>Base Case Developer Profit</i>	without Density Bonus		with Density Bonus	
			10% @ 100% AMI	15% @ 120% AMI	10% @ 100% AMI	15% @ 120% AMI
Prototype E	Single-Family Detached	9.7%	8.0%	7.2%	8.5%	9.6%
Prototype F	Townhomes	8.8%	5.9%	5.4%	2.8%	4.1%
Prototype G	Small Lot Townhomes	11.8%	5.0%	7.0%	7.8%	12.6%
Prototype H	Stacked Flats over Podium	13.6%	9.0%	8.2%	7.5%	8.5%

VI. BUILD OFF-SITE: ESTIMATES OF AFFORDABILITY GAPS

A. Estimate of Affordability Gap for Off-Site Compliance

KMA prepared financial pro forma analyses for off-site compliance alternatives available to developers of market-rate residential developments. Under the proposed ordinance, developers may build inclusionary units on the same site as the market-rate development or on a different site within the same Community Plan Area, City Council District, or within one mile from the premises of the development. If the inclusionary units are provided in a different Community Plan Area, City Council District, or more than one mile from the premises of the development, then the developer must provide 5% additional inclusionary units. The purpose of the KMA financial pro formas was to estimate the affordability gap per inclusionary unit assuming a 100% affordable housing development in an off-site location.

The affordability gap was calculated assuming that off-site housing developments would comprise stacked-flats over podium/subterranean parking with all units affordable to very low income households (earning up to 50% AMI) for rental, and all units affordable to moderate income households (earning up to 100% AMI or 120% AMI) for for-sale. The detailed KMA pro forma analyses, and calculation of affordability gaps, for off-site affordable housing prototypes, are presented in Appendix 3.

Exhibit VI-1 provides a summary of the estimate of off-site affordability gaps that would be required to meet an inclusionary requirement of 10% @ 50% AMI for rental housing and 10% @ 100% AMI or 15% @ 120% AMI for for-sale housing. The affordability gaps are expressed both on a per-inclusionary-unit and per-market-rate unit basis.

Exhibit VI-1: Estimate of Affordability Gap per Unit – Off-Site Compliance			
	Rental	For-Sale	
	10% @ 50% AMI	10% @ 100% AMI	15% @ 120% AMI
Warranted Investment	\$244,000	\$275,000	\$344,000
(Less) Development Costs	<u>(\$401,000)</u>	<u>(\$439,000)</u>	<u>(\$439,000)</u>
Affordability Gap per Inclusionary Unit	(\$158,000)	(\$164,000)	(\$95,000)
Inclusionary Requirement	<u>10%</u>	<u>10%</u>	<u>15%</u>
Affordability Gap per Market-Rate Unit	(\$15,800)	(\$16,400)	(\$14,250)

As shown above, the affordability gaps for each set-aside/income level are almost identical on a per-market-rate-unit basis, ranging from \$14,250 to \$16,400. These figures reflect the cost burden that developers of 100% market-rate developments would bear if they elected to develop affordable housing off-site. An assessment of the comparative impact of these options relative to the base case development prototypes under existing conditions is presented in the next section.

VII. IMPACTS OF PROPOSED IN-LIEU FEE AND OFF-SITE COMPLIANCE ALTERNATIVES

A. Impact of Proposed In-Lieu Fee

The proposed amendments to the Inclusionary Affordable Housing Ordinance will allow developers to comply with their inclusionary requirement with the payment of an in-lieu fee at \$22 per SF of building area. Appendix 4, Attachment K provides an estimate of the impact of the in-lieu fee on a residual land value and developer return for each of the eight residential prototypes. The KMA findings are summarized in Exhibit VII-1.

Exhibit VII-1: Estimated Impact of In-Lieu Fee on Residual Land Value and Developer Return/Profit					
		Residual Land Value		Developer Return	
		<i>Base Case Residual Land Value</i>	<i>Impact on Residual Land Value</i>	<i>Base Case Developer Return</i>	<i>Impact on Developer Return</i>
Rental Prototypes					
Prototype A	Garden Apartments	\$40/SF	\$34/SF	5.8%	5.6%
Prototype B	Stacked Flats with Tuck-under Parking	\$110/SF	\$99/SF	5.3%	5.2%
Prototype C	Stacked Flats over Podium Parking	\$175/SF	\$153/SF	5.0%	4.9%
Prototype D	High-Rise with Subterranean Parking	\$350/SF	\$296/SF	5.5%	5.4%
For-Sale Prototypes					
Prototype E	Single-Family Detached	\$25/SF	\$19/SF	9.7%	6.0%
Prototype F	Townhomes	\$100/SF	\$92/SF	8.8%	6.5%
Prototype G	Small Lot Townhomes	\$75/SF	\$66/SF	11.8%	9.6%
Prototype H	Stacked Flats Over Podium Parking	\$150/SF	\$127/SF	13.6%	11.8%

As shown in the exhibit, payment of the proposed \$22 per SF Affordable Housing In-Lieu Fee is projected to have a relatively minor impact on the rental prototypes in terms of either residual land value or developer return. For example, a developer of garden apartments (Prototype A) paying the fee would experience a 13.9% reduction in land value, from \$40 per SF to \$34 SF. If land value were held constant at \$40 per SF, a garden apartment developer paying the fee would experience an 0.17% decrease in ROI, from 5.8% to 5.6%. By comparison, a developer of high-rise residential development (Prototype D)

paying the fee would experience a 15.3% reduction in land value, from \$350 per SF to \$296 per SF, or a 0.092% decrease in ROI from 5.5% to 5.4%.

For the for-sale prototypes, payment of the fee is estimated to have the greatest impact on single-family development (Prototype E), reducing residual land value by 23.6%, from \$25 per SF to \$19 per SF. Alternatively, paying the fee for single-family development is estimated to reduce developer profit by 3.75%, from 9.7% of value to 6.0% of value. By contrast, the for-sale prototype experiencing the least impact from payment of the fee is townhome development (Prototype F), which is estimated to experience an 8.4% decrease in residual land value, from \$100 per SF to \$92 per SF. Alternatively, paying the fee for townhome development is estimated to reduce developer profit by 2.35%, from 8.8% of value to 6.5% of value.

B. Impact of Off-Site Compliance Alternative

The proposed amendments to the Inclusionary Affordable Housing Ordinance also allow developers to comply with their inclusionary requirement with the development of inclusionary affordable units in an off-site location. As discussed in Section VI, the affordability gaps associated with the off-site development of an affordable housing prototype development represent the financial impact on market-rate developers who select this method of compliance. Exhibit VII-2 summarizes these estimated affordability gaps on a per-market-rate-unit basis for both rental housing (10% @ 50% AMI) and for-sale housing (10% @ 100% AMI or 15% @ 120% AMI).

Exhibit VII-2: Estimate of Affordability Gap per Market-Rate Unit – Off-Site Compliance			
	Rental	For-Sale	
	10% @ 50% AMI	10% @ 100% AMI	15% @ 120% AMI
Affordability Gap per Market-Rate Unit	\$15,800	\$16,400	\$14,250

For purposes of the analysis of financial impact on market-rate development, KMA assumed that market-rate developers of both rental and for-sale housing who choose off-site compliance would meet their inclusionary obligation through the development of off-site affordable rental housing. The associated gap is estimated at \$15,800 per market-rate unit. It is the SDHC experience that market-rate developers seeking to transfer affordable housing requirements off-site have typically done so by forming a partnership with affordable housing developers experienced in the funding and development of rental housing. These affordable housing developers have expertise in securing various source of funds for affordable housing such as Low Income Housing Tax Credits.

Appendix 4, Attachment L provides an estimate of the impact of off-site compliance on residual land value and developer return for each of the eight residential prototypes. The KMA findings are summarized in Exhibit VII-3.

Exhibit VII-3: Estimated Impact of Off-Site Compliance on Residual Land Value and Developer Return/Profit					
		Residual Land Value		Developer Return	
		Base Case Residual Land Value	Impact on Residual Land Value	Base Case Developer Return	Impact on Developer Return
Rental Prototypes					
Prototype A	Garden Apartments	\$40/SF	\$36/SF	5.8%	5.7%
Prototype B	Stacked Flats with Tuck-under Parking	\$110/SF	\$101/SF	5.3%	5.2%
Prototype C	Stacked Flats over Podium Parking	\$175/SF	\$157/SF	5.0%	4.9%
Prototype D	High-Rise with Subterranean Parking	\$350/SF	\$297/SF	5.5%	5.4%
For-Sale Prototypes					
Prototype E	Single-Family Detached	\$25/SF	\$28/SF	9.7%	11.3%
Prototype F	Townhomes	\$100/SF	\$100/SF	8.8%	8.9%
Prototype G	Small Lot Townhomes	\$75/SF	\$75/SF	11.8%	11.7%
Prototype H	Stacked Flats Over Podium Parking	\$150/SF	\$146/SF	13.6%	13.2%

As shown in the exhibit, rental housing developers who choose off-site compliance are projected to experience a minor impact in terms of either residual land value or developer return. For example, stacked flats with tuck-under parking (Prototype B) are projected to experience the smallest impact, reducing residual land value from \$110 per SF to \$101 per SF, a reduction of \$9 per SF, or *negative* 8.0%. By comparison, a high-rise rental developer (Prototype D) choosing off-site compliance is projected to experience the largest impact on residual land value, decreasing land value from \$350 per SF to \$297 per SF, a decrease of \$53 per SF, or *negative* 15.0%. As for impact on developer profit, off-site compliance is projected to have the least impact on stacked flats with podium parking (Prototype C), reducing developer ROI from 5.0% to 4.9%, a decrease of *negative* 0.08%. By contrast, off-site compliance is projected to have the greatest impact on garden apartment developers (Prototype A), reducing developer ROI from 5.8% to 5.7%, or *negative* 0.11%.

For the for-sale prototypes, off-site compliance is projected to have a small positive impact for single-family (Prototype E) and townhomes (Prototype F), as for-sale developers will have the benefit of choosing to fulfill their inclusionary obligation through the development of off-site affordable rental housing restricted at 50% AMI. This positive impact reflects the lower cost of off-site compliance as compared to the existing \$10.82 per SF Inclusionary Affordable Housing Fee. Developers of small lot

townhomes (Prototype G) and stacked flats over podium (Prototype H) who select off-site compliance are projected to experience a slight decrease in developer profit, estimated at *negative* 0.10% and *negative* 0.34%, respectively.

VIII. 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.
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.

APPENDIX 1

RENTAL DEVELOPMENT PROTOTYPES TECHNICAL ANALYSIS

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% @ 50% AMI Very 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% Very 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. Very Low - 50% 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 Very Low - 50% AMI @ \$1,075 /Month	\$0	\$65,000	
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	\$1,357,000 \$27,100	

(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.

(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% @ 50% AMI Very 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 \$166,000 /Unit	\$8,317,000 \$187 /SF GBA \$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		\$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

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$1,436,000	\$1,357,000
B. Other Income (\$/Unit/Month)	\$75	\$45,000	\$45,000
C. Gross Scheduled Income (GSI)		\$1,481,000	\$1,402,000
D. (Less) Vacancy	5.0% of GSI	(\$74,000)	(\$70,000)
E. Effective Gross Income		\$1,407,000	\$1,332,000
F. (Less) Operating Expenses	\$4,500 /Unit/Year	(\$225,000)	(\$225,000)
G. (Less) Property Taxes (1)	1.17%	(\$242,000)	(\$226,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$13,000)	(\$13,000)
I. Net Operating Income		\$927,000	\$868,000
II. Residual Land Value			
A. Net Operating Income		\$927,000	\$868,000
B. Return on Investment (ROI)	5.80%	5.80%	5.80%
C. Warranted Investment		\$15,976,000	\$14,959,000
D. (Less) Development Costs		(\$12,491,000)	(\$11,975,000)
E. Residual Land Value		\$3,485,000	\$2,984,000
Per Unit		\$70,000	\$60,000
Per SF Land		\$40	\$34
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$10,000)
Per SF Land			(\$6)
% Change			(14%)

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

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% @ 50% AMI Very 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% Very Low
E. Affordable Units (2)	0 Unit	5 Units
II. Density Bonus		
A. Density Bonus		32.5%
B. Density with Bonus		33.5 Units/Acre
C. Number of Units with Density Bonus		67 Units
D. Parking Spaces (3)	2.00 Spaces/Unit 100 Spaces	1.48 Spaces/Unit 99 Spaces
III. Affordability Mix		
A. Very Low - 50% AMI	0 Units 0%	5 Units 7%
B. Market-Rate	50 Units 100%	62 Units 93%
C. Total	50 Units 100%	67 Units 100%
IV. Estimate of Gross Annual Rental Income		
A. Affordable Units Very Low - 50% AMI @ \$1,075 /Month	\$0	\$65,000
B. Market-Rate Units @ \$2.75 /SF/Month 870 SF \$2,393 /Month	\$1,436,000	\$1,734,000
C. Total Annual Rental Income Per Unit	\$1,436,000 \$28,700	\$1,799,000 \$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

**RENTAL
WITH DENSITY BONUS**

**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% @ 50% AMI Very 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		55,716 SF	
Number of Units	50 Units		67 Units	
Parking	100 Spaces		99 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	\$990,000	\$10,000 /Space
Shell Construction	\$6,898,000	\$155 /SF GBA	\$9,750,000	\$175 /SF GBA
Other/Contingency	<u>\$396,000</u>	5.0% of Directs	<u>\$602,000</u>	5.0% of Directs
Total Direct Costs	\$8,317,000	\$187 /SF GBA	\$12,649,000	\$227 /SF GBA
		\$166,000 /Unit		\$189,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$1,250,000	\$25,000 /Unit	\$1,550,000	\$25,000 /Unit
Permits & Fees - Affordable Units	\$0	\$0 /Unit	\$80,000	\$16,000 /Unit
Inclusionary Affordable Housing Fee	\$471,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GLA
Developer Fee	\$333,000	4.0% of Directs	\$506,000	4.0% of Directs
Other Indirects	<u>\$1,455,000</u>	17.5% of Directs	<u>\$2,214,000</u>	17.5% of Directs
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$4,350,000	34.4% of Directs
C. Financing Costs	\$665,000	8.0% of Directs	\$1,012,000	8.0% of Directs
D. Total Development Costs	\$12,491,000	\$281 /SF GBA	\$18,011,000	\$323 /SF GBA
Per Unit	\$250,000		\$269,000	

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$1,436,000	\$1,799,000
B. Other Income (\$/Unit/Month)	\$75	\$45,000	\$60,000
C. Gross Scheduled Income (GSI)		\$1,481,000	\$1,859,000
D. (Less) Vacancy	5.0% of GSI	(\$74,000)	(\$93,000)
E. Effective Gross Income		\$1,407,000	\$1,766,000
F. (Less) Operating Expenses		\$4,500 /Unit/Year (\$225,000)	\$4,750 /Unit/Year (\$318,000)
G. (Less) Property Taxes ⁽¹⁾	1.17%	(\$242,000)	(\$296,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$13,000)	(\$17,000)
I. Net Operating Income		\$927,000	\$1,135,000
II. Residual Land Value			
A. Net Operating Income		\$927,000	\$1,135,000
B. Return on Investment (ROI)	5.80%	5.80%	5.80%
C. Warranted Investment		\$15,976,000	\$19,561,000
D. (Less) Development Costs		(\$12,491,000)	(\$18,011,000)
E. Residual Land Value		\$3,485,000	\$1,550,000
Per Unit		\$70,000	\$23,000
Per SF Land		\$40	\$18
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$47,000)
Per SF Land			(\$22)
% Change			(56%)

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

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% @ 50% AMI Very 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% Very 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. Very Low - 50% 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 Very Low - 50% AMI @ \$1,075 /Month	\$0	\$26,000	
B. Market-Rate Units @	\$3.35 /SF/Month 788 SF \$2,638 /Month \$380,000	\$3.35 /SF/Month 788 SF \$2,638 /Month \$317,000	
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$343,000 \$28,600	

(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% @ 50% AMI Very 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		\$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	

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)	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$380,000	\$343,000
B. Other Income (\$/Unit/Month)	\$100	<u>\$14,000</u>	<u>\$14,000</u>
C. Gross Scheduled Income (GSI)		\$394,000	\$357,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$20,000)</u>	<u>(\$18,000)</u>
E. Effective Gross Income		\$374,000	\$339,000
F. (Less) Operating Expenses	\$4,765 /Unit/Year	(\$57,000)	(\$57,000)
G. (Less) Property Taxes (1)	1.17%	(\$65,000)	(\$58,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$3,000)	(\$3,000)
I. Net Operating Income		\$249,000	\$221,000
II. Residual Land Value			
A. Net Operating Income		\$249,000	\$221,000
B. Return on Investment (ROI)		5.33%	5.33%
C. Warranted Investment		\$4,672,000	\$4,147,000
D. (Less) Development Costs		<u>(\$3,568,000)</u>	<u>(\$3,446,000)</u>
E. Residual Land Value		\$1,104,000	\$701,000
Per Unit		\$92,000	\$58,000
Per SF Land		\$110	\$70
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$34,000)
Per SF Land			(\$40)
% Change			(37%)

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

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% @ 50% AMI Very 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% Very Low
E. Affordable Units ⁽²⁾	0 Unit	2 Units
II. Density Bonus		
A. Density Bonus		32.5%
B. Density with Bonus		69.7 Units/Acre
C. Number of Units with Density Bonus		16 Units
D. Parking Spaces ⁽³⁾	1.50 Spaces/Unit 18 Spaces	1.31 Spaces/Unit 21 Spaces
III. Affordability Mix		
A. Very Low - 50% AMI	0 Units 0%	2 Units 13%
B. Market-Rate	12 Units 100%	14 Units 88%
C. Total	12 Units 100%	16 Units 100%
IV. Estimate of Gross Annual Rental Income		
A. Affordable Units Very Low - 50% AMI @ \$1,075 /Month	\$0	\$26,000
B. Market-Rate Units @ \$3.35 /SF/Month 788 SF \$2,638 /Month	\$380,000	\$441,000
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$467,000 \$29,200

(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% @ 50% AMI Very 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		14,118 SF	
Number of Units	12 Units		16 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	\$2,824,000	\$200 /SF GBA
Other/Contingency	<u>\$116,000</u>	5.0% of Directs	<u>\$185,000</u>	5.0% of Directs
Total Direct Costs	\$2,444,000	\$233 /SF GBA	\$3,891,500	\$276 /SF GBA
		\$204,000 /Unit		\$243,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$300,000	\$25,000 /Unit	\$350,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$30,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee	\$102,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$98,000	4.0% of Directs	\$156,000	4.0% of Directs
Other Indirects	<u>\$428,000</u>	17.5% of Directs	<u>\$681,000</u>	17.5% of Directs
Total Indirect Costs	\$928,000	38.0% of Directs	\$1,217,000	31.3% of Directs
C. Financing Costs	\$196,000	8.0% of Directs	\$311,000	8.0% of Directs
D. Total Development Costs	\$3,568,000	\$340 /SF GBA	\$5,420,000	\$384 /SF GBA
Per Unit	\$297,000		\$339,000	

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% @ 15% AMI Very Low
I. Net Operating Income		
A. Gross Rental Income	\$380,000	\$467,000
B. Other Income (\$/Unit/Month)	\$100 \$14,000	\$100 \$19,000
C. Gross Scheduled Income (GSI)	\$394,000	\$486,000
D. (Less) Vacancy 5.0% of GSI	(\$20,000)	(\$24,000)
E. Effective Gross Income	\$374,000	\$462,000
F. (Less) Operating Expenses	\$4,765 /Unit/Year (\$57,000)	\$4,875 /Unit/Year (\$78,000)
G. (Less) Property Taxes (1) 1.17%	(\$65,000)	(\$79,000)
H. (Less) Replacement Reserves \$250 /Unit/Year	(\$3,000)	(\$4,000)
I. Net Operating Income	\$249,000	\$301,000
II. Residual Land Value		
A. Net Operating Income	\$249,000	\$301,000
B. Return on Investment (ROI)	5.33%	5.33%
C. Net Sales Proceeds	\$4,672,000	\$5,648,000
D. (Less) Development Costs	(\$3,568,000)	(\$5,420,000)
E. Residual Land Value	\$1,104,000	\$228,000
Per Unit	\$92,000	\$14,000
Per SF Land	\$110	\$23
III. Difference from Base Case w/o Density Bonus		
Per Unit		(\$78,000)
Per SF Land		(\$88)
% Change		(79%)

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

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% @ 50% AMI Very 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% Very 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. Very Low - 50% 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 Very Low - 50% AMI @ \$1,075 /Month	\$0	\$26,000
B. Market-Rate Units @	\$3.35 /SF/Month 788 SF \$2,638 /Month \$380,000	\$3.75 /SF/Month 600 SF \$2,250 /Month \$594,000
C. Total Annual Rental Income Per Unit	\$380,000 \$31,700	\$620,000 \$25,800

(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.

(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% @ 50% AMI Very 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	\$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	

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% @ 50% AMI Very Low
I. Net Operating Income		
A. Gross Rental Income	\$380,000	\$620,000
B. Other Income (\$/Unit/Month)	\$100 <u>\$14,000</u>	\$100 <u>\$29,000</u>
C. Gross Scheduled Income (GSI)	\$394,000	\$649,000
D. (Less) Vacancy 5.0% of GSI	<u>(\$20,000)</u>	<u>(\$32,000)</u>
E. Effective Gross Income	\$374,000	\$617,000
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)	(\$103,000)
H. (Less) Replacement Reserves \$250 /Unit/Year	(\$3,000)	(\$6,000)
I. Net Operating Income	\$249,000	\$393,000
II. Residual Land Value		
A. Net Operating Income	\$249,000	\$393,000
B. Return on Investment (ROI)	5.33%	5.33%
C. Net Sales Proceeds	\$4,672,000	\$7,374,000
D. (Less) Development Costs	<u>(\$3,568,000)</u>	<u>(\$6,519,000)</u>
E. Residual Land Value	\$1,104,000	\$855,000
Per Unit	\$92,000	\$36,000
Per SF Land	\$110	\$86
III. Difference from Base Case w/o Density Bonus		
Per Unit		(\$56,000)
Per SF Land		(\$25)
% Change		(23%)

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

ATTACHMENT C.1

Stacked Flats over Podium without Density Bonus Rental

TABLE C-1

**RENTAL
WITHOUT DENSITY BONUS**

**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% @ 50% AMI Very 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% Very 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. Very Low - 50% 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 Very Low - 50% AMI @ \$1,075 /Month	\$0	\$77,000	
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	\$1,686,000 \$31,200	

(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% @ 50% AMI Very 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	\$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	

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$1,810,000	\$1,686,000
B. Other Income (\$/Unit/Month)	\$125	<u>\$81,000</u>	<u>\$81,000</u>
C. Gross Scheduled Income (GSI)		\$1,891,000	\$1,767,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$95,000)</u>	<u>(\$88,000)</u>
E. Effective Gross Income		\$1,796,000	\$1,679,000
F. (Less) Operating Expenses	\$5,000 /Unit/Year	(\$270,000)	(\$270,000)
G. (Less) Property Taxes ⁽¹⁾	1.17%	(\$313,000)	(\$289,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$14,000)	(\$14,000)
I. Net Operating Income		\$1,199,000	\$1,106,000
II. Residual Land Value			
A. Net Operating Income		\$1,199,000	\$1,106,000
B. Return on Investment (ROI)		5.03%	5.03%
C. Warranted Investment		\$23,854,000	\$22,004,000
D. (Less) Development Costs		<u>(\$20,042,000)</u>	<u>(\$19,467,000)</u>
E. Residual Land Value		\$3,812,000	\$2,537,000
Per Unit		\$71,000	\$47,000
Per SF Land		\$175	\$116
III. Difference from Base Case w/o Density Base			
Per Unit			(\$24,000)
Per SF Land			(\$59)
% Change			(33%)

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

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% @ 50% AMI Very 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% Very Low	
E. Affordable Units (2)	0 Unit	6 Units	
II. Density Bonus			
A. Density Bonus		32.5%	
B. Density with Bonus		144.0 Units/Acre	
C. Number of Units with Density Bonus		72 Units	
D. Parking Spaces (3)	1.33 Spaces/Unit 72 Spaces	1.32 Spaces/Unit 95 Spaces	
III. Affordability Mix			
A. Very Low - 50% AMI	0 Units 0%	6 Units 8%	
B. Market-Rate	54 Units 100%	66 Units 92%	
C. Total	54 Units 100%	72 Units 100%	
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Very Low - 50% AMI @ \$1,075 /Month	\$0	\$77,000	
B. Market-Rate Units @	798 SF \$3.50 /SF \$2,794 /Month \$1,810,000	725 SF \$3.75 /SF \$2,719 /Month \$2,153,000	
C. Total Annual Rental Income Per Unit	\$1,810,000 \$33,500	\$2,230,000 \$31,000	

(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 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% @ 50% AMI Very 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		63,273 SF	
Number of Units	54 Units		72 Units	
Parking	72 Spaces		95 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	\$3,325,000	\$35,000 /Space
Shell Construction	\$10,448,000	\$200 /SF GBA	\$14,236,000	\$225 /SF GBA
Other/Contingency	<u>\$670,000</u>	5.0% of Directs	<u>\$900,000</u>	5% of Directs
Total Direct Costs	\$14,074,000	\$269 /SF GBA	\$18,897,000	\$299 /SF GBA
		\$261,000 /Unit		\$262,000 /Unit
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$1,350,000	\$25,000 /Unit	\$1,650,000	\$25,000 /Unit
Permits & Fees - Affordable Units			\$90,000	\$15,000 /Unit
Inclusionary Affordable Housing Fee	\$466,000	\$10.82 /SF GLA	\$0	\$0.00 /SF GBA
Developer Fee	\$563,000	4.0% of Directs	\$756,000	4.0% of Directs
Other Indirects	<u>\$2,463,000</u>	17.5% of Directs	<u>\$3,307,000</u>	17.5% of Directs
Total Indirect Costs	\$4,842,000	34.4% of Directs	\$5,803,000	30.7% of Directs
C. Financing Costs	\$1,126,000	8.0% of Directs	\$1,512,000	8.0% of Directs
D. Total Development Costs	\$20,042,000	\$384 /SF GBA	\$26,212,000	\$414 /SF GBA
Per Unit	\$371,000		\$364,000	

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$1,810,000	\$2,230,000
B. Other Income (\$/Unit/Month)	\$125	<u>\$81,000</u>	<u>\$108,000</u>
C. Gross Scheduled Income (GSI)		\$1,891,000	\$2,338,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$95,000)</u>	<u>(\$117,000)</u>
E. Effective Gross Income		\$1,796,000	\$2,221,000
F. (Less) Operating Expenses		\$5,000 /Unit/Year (\$270,000)	\$5,000 /Unit/Year (\$360,000)
G. (Less) Property Taxes (1)	1.17%	(\$313,000)	(\$381,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$14,000)	(\$18,000)
I. Net Operating Income		\$1,199,000	\$1,462,000
II. Residual Land Value			
A. Net Operating Income		\$1,199,000	\$1,462,000
B. Return on Investment (ROI)		5.03%	5.03%
C. Warranted Investment		\$23,854,000	\$29,086,000
D. (Less) Development Costs		<u>(\$20,042,000)</u>	<u>(\$26,212,000)</u>
E. Residual Land Value		\$3,812,000	\$2,874,000
Per Unit		\$71,000	\$40,000
Per SF Land		\$175	\$132
III. Difference from Base Case w/o Density Base			
Per Unit			(\$31,000)
Per SF Land			(\$43)
% Change			(25%)

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

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% @ 50% AMI Very 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% Very 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. Very Low - 50% 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 Very Low - 50% AMI @ \$1,075 /Month	\$0	\$284,000	
B. Market-Rate Units @ \$4.50 /SF/Month 720 SF \$3,241 /Month	\$8,439,000	\$7,584,000	
C. Total Annual Rental Income Per Unit	\$8,439,000 \$38,900	\$7,868,000 \$36,300	

(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% @ 50% AMI Very 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	\$980,000 \$30 /SF Site Area
Parking	\$12,240,000 \$45,000 /Space	\$11,610,000 \$45,000 /Space	\$11,610,000 \$45,000 /Space
Shell Construction	\$49,063,000 \$250 /SF GBA	\$49,063,000 \$250 /SF GBA	\$49,063,000 \$250 /SF GBA
Other/Contingency	\$3,114,000 5.0% of Directs	\$3,083,000 5.0% of Directs	\$3,083,000 5.0% of Directs
Total Direct Costs	\$65,397,000 \$333 /SF GBA \$301,000 /Unit	\$64,736,000 \$330 /SF GBA \$298,000 /Unit	\$64,736,000 \$330 /SF GBA \$298,000 /Unit
B. Indirect Costs			
Permits & Fees - Market-Rate Units	\$5,642,000 \$26,000 /Unit	\$5,070,000 \$26,000 /Unit	\$5,070,000 \$26,000 /Unit
Permits & Fees - Affordable Units		\$352,000 \$16,000 /Unit	\$352,000 \$16,000 /Unit
Inclusionary Affordable Housing Fee	\$1,699,000 \$10.82 /SF GLA	\$0 \$0.00 /SF GLA	\$0 \$0.00 /SF GLA
Developer Fee	\$2,616,000 4.0% of Directs	\$2,589,000 4.0% of Directs	\$2,589,000 4.0% of Directs
Other Indirects	\$11,444,000 17.5% of Directs	\$11,329,000 17.5% of Directs	\$11,329,000 17.5% of Directs
Total Indirect Costs	\$21,401,000 32.7% of Directs	\$19,340,000 29.9% 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

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$8,439,000	\$7,868,000
B. Other Income (\$/Unit/Month)	\$150	<u>\$391,000</u>	<u>\$391,000</u>
C. Gross Scheduled Income (GSI)		\$8,830,000	\$8,259,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$442,000)</u>	<u>(\$413,000)</u>
E. Effective Gross Income		\$8,388,000	\$7,846,000
F. (Less) Operating Expenses	\$5,200 /Unit/Year	<u>(\$1,128,000)</u>	<u>(\$1,128,000)</u>
G. (Less) Property Taxes ⁽¹⁾	1.17%	<u>(\$1,492,000)</u>	<u>(\$1,379,000)</u>
H. (Less) Replacement Reserves	\$250 /Unit/Year	<u>(\$54,000)</u>	<u>(\$54,000)</u>
I. Net Operating Income		\$5,714,000	\$5,285,000
II. Residual Land Value			
A. Net Operating Income		\$5,714,000	\$5,285,000
B. Return on Investment (ROI)		5.52%	5.52%
C. Warranted Investment		\$103,465,000	\$95,697,000
D. (Less) Development Costs		<u>(\$92,030,000)</u>	<u>(\$89,255,000)</u>
E. Residual Land Value		\$11,435,000	\$6,442,000
Per Unit		\$53,000	\$30,000
Per SF Land		\$350	\$197
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$23,000)
Per SF Land			(\$153)
% Change			(44%)

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

ATTACHMENT D.2

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% @ 50% AMI Very 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% Very Low	
E. Affordable Units (2)	0 Unit	22 Units	
II. Density Bonus			
A. Density Bonus		32.5%	
B. Density with Bonus		384.0 Units/Acre	
C. Number of Units with Density Bonus		288 Units	
D. Parking Spaces (3)	1.25 Spaces/Unit 272 Spaces	1.20 Spaces/Unit 347 Spaces	
III. Affordability Mix			
A. Very Low - 50% AMI	0 Units 0%	22 Units 8%	
B. Market-Rate	217 Units 100%	266 Units 92%	
C. Total	217 Units 100%	288 Units 100%	
IV. Estimate of Gross Annual Rental Income			
A. Affordable Units Very Low - 50% AMI @ \$1,075 /Month	\$0	\$284,000	
B. Market-Rate Units @ \$4.50 /SF/Month 720 SF \$3,241	\$8,439,000	\$4.75 /SF/Month 680 SF \$3,230 \$10,310,000	
C. Total Annual Rental Income Per Unit	\$8,439,000 \$38,900	\$10,594,000 \$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% @ 50% AMI Very 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	244,800 SF
Number of Units		217 Units	288 Units
Parking		272 Spaces	347 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	\$15,615,000 \$45,000 /Space
Shell Construction		\$49,063,000 \$250 /SF GBA	\$63,648,000 \$260 /SF GBA
Other/Contingency		<u>\$3,114,000</u> 5.0% of Directs	<u>\$4,012,000</u> 5.0% of Directs
Total Direct Costs		\$65,397,000 \$333 /SF GBA \$301,000 /Unit	\$84,255,000 \$344 /SF GBA \$293,000 /Unit
B. Indirect Costs			
Permits & Fees - Market-Rate Units		\$5,642,000 \$26,000 /Unit	\$6,916,000 \$26,000 /Unit
Permits & Fees - Affordable Units			\$352,000 \$16,000 /Unit
Inclusionary Affordable Housing Fee		\$1,699,000 \$10.82 /SF GLA	\$0 \$0.00 /SF GBA
Developer Fee		\$2,616,000 4.0% of Directs	\$3,370,000 4.0% of Directs
Other Indirects		<u>\$11,444,000</u> 17.5% of Directs	<u>\$14,745,000</u> 17.5% of Directs
Total Indirect Costs		\$21,401,000 32.7% of Directs	\$25,383,000 30.1% of Directs
C. Financing Costs		\$5,232,000 8.0% of Directs	\$6,740,000 8.0% of Directs
D. Total Development Costs		\$92,030,000 \$469 /SF GBA	\$116,378,000 \$475 /SF GBA
Per Unit		\$424,000	\$404,000

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% @ 50% AMI Very Low
I. Net Operating Income			
A. Gross Rental Income		\$8,439,000	\$10,594,000
B. Other Income (\$/Unit/Month)	\$150	<u>\$391,000</u>	\$150 <u>\$518,000</u>
C. Gross Scheduled Income (GSI)		\$8,830,000	\$11,112,000
D. (Less) Vacancy	5.0% of GSI	<u>(\$442,000)</u>	<u>(\$556,000)</u>
E. Effective Gross Income		\$8,388,000	\$10,556,000
F. (Less) Operating Expenses		\$5,200 /Unit/Year (\$1,128,000)	\$5,200 /Unit/Year (\$1,498,000)
G. (Less) Property Taxes (1)	1.17%	(\$1,492,000)	(\$1,860,000)
H. (Less) Replacement Reserves	\$250 /Unit/Year	(\$54,000)	(\$72,000)
I. Net Operating Income		\$5,714,000	\$7,126,000
II. Residual Land Value			
A. Net Operating Income		\$5,714,000	\$7,126,000
B. Return on Investment (ROI)		5.52%	5.52%
C. Warranted Investment		\$103,465,000	\$129,032,000
D. (Less) Development Costs		<u>(\$92,030,000)</u>	<u>(\$116,378,000)</u>
E. Residual Land Value		\$11,435,000	\$12,654,000
Per Unit		\$53,000	\$44,000
Per SF Land		\$350	\$387
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$9,000)
Per SF Land			\$37
% Change			11%

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

APPENDIX 2

FOR-SALE DEVELOPMENT PROTOTYPES TECHNICAL ANALYSIS

ATTACHMENT E.1

Single-Family Detached without Density Bonus For-Sale

TABLE E-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Single-Family Detached			
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Inclusionary Housing					
A. Site Area	5.00 Acres	5.00 Acres		5.00 Acres	5.00 Acres
B. Base Case Zoning Classification	8.72 Units/Acre	8.72 Units/Acre		8.72 Units/Acre	8.72 Units/Acre
C. Number of Units (1)	44 Units	44 Units		44 Units	44 Units
D. Inclusionary Set-aside	0%	10% Moderate		10% Moderate	15% Moderate
E. Affordable Units (2)	0 Unit	5 Units		5 Units	7 Units
II. Density Bonus					
A. Density Bonus		0.0%		0.0%	0.0%
B. Density with Bonus		8.8 Units/Acre		8.8 Units/Acre	8.8 Units/Acre
C. Number of Units with Density Bonus		44 Units		44 Units	44 Units
D. Parking Spaces	2.00 Spaces/Unit 88 Spaces	2.00 Spaces/Unit 88 Spaces		2.00 Spaces/Unit 88 Spaces	2.00 Spaces/Unit 88 Spaces
III. Affordability Mix					
A. Low @ 80%	0 Units 0%	0 Units 0%		0 Units 0%	0 Units 0%
B. Moderate @ 100%	0 Units 0%	5 Units 11%		5 Units 11%	0 Units 0%
C. Moderate @ 120%	0 Units 0%	0 Units 0%		0 Units 0%	7 Units 16%
D. Middle Income @ 150%	0 Units 0%	0 Units 0%		0 Units 0%	0 Units 0%
E. Market-Rate	44 Units 100%	39 Units 89%		39 Units 89%	37 Units 84%
	44 Units 100%	44 Units 100%		44 Units 100%	44 Units 100%
IV. Estimate of Sales Proceeds					
A. Affordable Units					
Moderate @ 100%	\$354,000 \$0	\$1,770,000 \$0		\$1,770,000 \$0	\$0
Moderate @ 120%	\$445,500 \$0	\$0		\$0	\$3,119,000
Total Affordable Units	\$0	\$1,770,000		\$1,770,000	\$3,119,000
B. Market-Rate Units @	\$780,000 (3)	\$34,320,000		\$30,420,000	\$28,860,000
C. Total Sales Proceeds Per Unit	\$34,320,000 \$780,000	\$32,190,000 \$732,000		\$32,190,000 \$732,000	\$31,979,000 \$727,000

(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) Market price based on average unit size of 2,600 SF at \$300/SF.

TABLE E-2

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

		Single-Family Detached			
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	
				15% @ 120% AMI Moderate	
I. Project Description					
Site Area		5.0 Acres		5.0 Acres	
Average Unit Size		2,600 SF		2,600 SF	
Gross Building Area		115,000 SF		115,000 SF	
Number of Units		44 Units		44 Units	
Parking		88 Spaces		88 Spaces	
II. Development Costs					
A. Direct Costs					
On/Off Site Improvements		\$2,860,000	\$65,000 /Unit	\$2,860,000	\$65,000 /Unit
Parking		\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction		\$12,650,000	\$110 /SF GBA	\$12,650,000	\$110 /SF GBA
Other/Contingency		<u>\$776,000</u>	5.0% of Directs	<u>\$776,000</u>	5.0% of Directs
Total Direct Costs		\$16,286,000	\$142 /SF GBA	\$16,286,000	\$142 /SF GBA
Per Unit		\$370,000		\$370,000	
B. Indirect Costs					
Permits & Fees - Market-Rate Units		\$2,420,000	\$55,000 /Unit	\$2,145,000	\$55,000 /Unit
Permits & Fees - Affordable Units				\$225,000	\$45,000 /Unit
Inclusionary Affordable Housing Fee		\$1,244,000	\$10.82 /SF GLA	\$0	\$0 /SF GLA
Developer Fee		\$1,373,000	4.0% of Sales Proceeds	\$1,217,000	4.0% of Sales Proceeds
Other Indirects		<u>\$2,036,000</u>	12.5% of Directs	<u>\$2,036,000</u>	12.5% of Directs
Total Indirect Costs		\$7,073,000	43.4% of Directs	\$5,623,000	34.5% of Directs
C. Financing Costs		\$1,140,000	7.0% of Directs	\$1,140,000	7.0% of Directs
D. Total Development Costs		\$24,499,000	\$213 /SF GBA	\$23,049,000	\$200 /SF GBA
Per Unit		\$557,000		\$524,000	
				\$23,091,000	\$201 /SF GBA
				\$525,000	

TABLE E-3

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

		Single-Family Detached	
		100% Market-Rate Base Case w/o Density Bonus	
			10% @ 100% AMI Moderate 15% @ 120% AMI Moderate
I. Net Sales Proceeds			
A. Gross Sales Proceeds		\$34,320,000	\$32,190,000
B. (Less) Cost of Sale @ 3.0% of Value		<u>(\$1,030,000)</u>	<u>(\$966,000)</u>
C. Net Sales Proceeds		\$33,290,000	\$31,224,000
II. Residual Land Value			
A. Net Sales Proceeds		\$33,290,000	\$31,224,000
B. (Less) Developer Profit @ 9.7% of Value		<u>(\$3,346,000)</u>	<u>(\$3,138,000)</u>
C. Warranted Investment		\$29,944,000	\$28,086,000
D. (Less) Development Costs		<u>(\$24,499,000)</u>	<u>(\$23,049,000)</u>
E. Residual Land Value		\$5,445,000	\$5,037,000
Per Unit		\$124,000	\$114,000
Per SF Land		\$25	\$23
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$10,000)
Per SF Land			(\$2)
% Change			(7%)

ATTACHMENT E.2

Single-Family Detached with Density Bonus For-Sale

TABLE E-1

**FOR-SALE
WITH DENSITY BONUS**

**ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

		Single-Family Detached		Small Lot Detached/Townhome					
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate			
I. Inclusionary Housing									
A. Site Area		5.00 Acres		5.00 Acres		5.00 Acres		5.00 Acres	
B. Base Case Zoning Classification		8.72 Units/Acre		8.72 Units/Acre		8.72 Units/Acre		8.72 Units/Acre	
C. Number of Units (1)		44 Units		44 Units		44 Units		44 Units	
D. Inclusionary Set-aside		0%		10% Moderate		15% Moderate			
E. Affordable Units (2)		0 Unit		5 Units		7 Units			
II. Density Bonus									
A. Density Bonus				5.0%		10.0%			
B. Density with Bonus				9.4 Units/Acre		9.8 Units/Acre			
C. Number of Units with Density Bonus				47 Units		49 Units			
D. Parking Spaces		2.00 Spaces/Unit 88 Spaces		2.00 Spaces/Unit 94 Spaces		2.00 Spaces/Unit 98 Spaces			
III. Affordability Mix									
A. Low @ 80%		0 Units		0%		0 Units		0%	
B. Moderate @ 100%		0 Units		0%		5 Units		11%	
C. Moderate @ 120%		0 Units		0%		0 Units		0%	
D. Middle Income @ 150%		0 Units		0%		0 Units		0%	
E. Market-Rate		44 Units		100%		42 Units		89%	
		44 Units		100%		47 Units		100%	
IV. Estimate of Sales Proceeds									
A. Affordable Units									
Moderate @ 100%		\$354,000		\$0		\$1,770,000		\$0	
Moderate @ 120%		\$445,500		\$0		\$0		\$3,119,000	
Total Affordable Units				\$0		\$1,770,000		\$3,119,000	
B. Market-Rate Units @									
		2,600 SF \$300 /SF \$780,000		2,200 SF \$340 /SF \$748,000		2,200 SF \$340 /SF \$748,000			
		\$34,320,000		\$31,416,000		\$31,416,000			
C. Total Sales Proceeds Per Unit		\$34,320,000 \$780,000		\$33,186,000 \$706,000		\$34,535,000 \$705,000			

(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.

TABLE E-2

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

	Single-Family Detached		Small Lot Detached / Townhome	
	100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Project Description				
Site Area	5.0 Acres		5.0 Acres	5.0 Acres
Average Unit Size	2,600 SF		2,200 SF	2,200 SF
Gross Building Area	115,000 SF		104,000 SF	108,000 SF
Number of Units	44 Units		47 Units	49 Units
Parking	88 Spaces		94 Spaces	98 Spaces
II. Development Costs				
A. Direct Costs				
On/Off Site Improvements	\$2,860,000	\$65,000 /Unit	\$2,585,000	\$2,695,000
Parking	\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction	\$12,650,000	\$110 /SF GBA	\$13,520,000	\$14,040,000
Other/Contingency	\$776,000	5.0% of Directs	\$805,000	\$837,000
Total Direct Costs	\$16,286,000	\$142 /SF GBA	\$16,910,000	\$17,572,000
Per Unit	\$370,000		\$360,000	\$359,000
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$2,420,000	\$55,000 /Unit	\$2,100,000	\$2,100,000
Permits & Fees - Affordable Units			\$200,000	\$280,000
Inclusionary Affordable Housing Fee	\$1,244,000	\$10.82 /SF GLA	\$0	\$0
Developer Fee	\$1,373,000	4.0% of Sales Proceeds	\$1,327,000	\$1,381,000
Other Indirects	\$2,036,000	12.5% of Directs	\$2,114,000	\$2,197,000
Total Indirect Costs	\$7,073,000	43.4% of Directs	\$5,741,000	\$5,958,000
C. Financing Costs	\$1,140,000	7.0% of Directs	\$1,184,000	\$1,230,000
D. Total Development Costs	\$24,499,000	\$213 /SF GBA	\$23,835,000	\$24,760,000
Per Unit	\$557,000		\$507,000	\$505,000

TABLE E-3

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

		Single-Family Detached	Small Lot Detached / Townhome	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Net Sales Proceeds				
A. Gross Sales Proceeds		\$34,320,000	\$33,186,000	\$34,535,000
B. (Less) Cost of Sale @ 3.0% of Value		<u>(\$1,030,000)</u>	<u>(\$996,000)</u>	<u>(\$1,036,000)</u>
C. Net Sales Proceeds		\$33,290,000	\$32,190,000	\$33,499,000
II. Residual Land Value				
A. Net Sales Proceeds		\$33,290,000	\$32,190,000	\$33,499,000
B. (Less) Developer Profit @ 9.7% of Value		<u>(\$3,346,000)</u>	<u>(\$3,235,000)</u>	<u>(\$3,367,000)</u>
C. Warranted Investment		\$29,944,000	\$28,955,000	\$30,132,000
D. (Less) Development Costs		<u>(\$24,499,000)</u>	<u>(\$23,835,000)</u>	<u>(\$24,760,000)</u>
E. Residual Land Value		\$5,445,000	\$5,120,000	\$5,372,000
Per Unit		\$124,000	\$109,000	\$110,000
Per SF Land		\$25	\$24	\$25
III. Difference from Base Case w/o Density Bonus				
Per Unit			(\$15,000)	(\$14,000)
Per SF Land			(\$1)	(\$0)
% Change			(6%)	(1%)

ATTACHMENT F.1

Townhomes without Density Bonus For-Sale

TABLE F-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Townhomes			
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Inclusionary Housing					
A. Site Area	3.00 Acres	3.00 Acres		3.00 Acres	3.00 Acres
B. Base Case Zoning Classification	21.78 Units/Acre	21.78 Units/Acre		21.78 Units/Acre	21.78 Units/Acre
C. Number of Units ⁽¹⁾	65 Units	65 Units		65 Units	65 Units
D. Inclusionary Set-aside	0%	10% Moderate		10% Moderate	15% Moderate
E. Affordable Units ⁽²⁾	0 Unit	7 Units		7 Units	10 Units
II. Density Bonus					
A. Density Bonus		0.0%		0.0%	0.0%
B. Density with Bonus		21.7 Units/Acre		21.7 Units/Acre	21.7 Units/Acre
C. Number of Units with Density Bonus		65 Units		65 Units	65 Units
D. Parking Spaces	2.00 Spaces/Unit 130 Spaces	2.00 Spaces/Unit 130 Spaces		2.00 Spaces/Unit 130 Spaces	2.00 Spaces/Unit 130 Spaces
III. Affordability Mix					
A. Moderate @ 100%	0 Units 0%	7 Units	11%	0 Units	0%
B. Moderate @ 120%	0 Units 0%	0 Units	0%	10 Units	15%
C. Market-Rate	65 Units 100%	58 Units	89%	55 Units	85%
D. Total	65 Units 100%	65 Units	100%	65 Units	100%
IV. Estimate of Sales Proceeds					
A. Affordable Units					
Moderate @ 100%	\$336,200	\$0		\$2,353,000	\$0
Moderate @ 120%	\$420,600	\$0		\$0	\$4,206,000
Total Affordable Units		\$0		\$2,353,000	\$4,206,000
B. Market-Rate Units @	\$717,000 ⁽³⁾	\$46,605,000		\$41,586,000	\$39,435,000
C. Total Sales Proceeds Per Unit		\$46,605,000 \$717,000		\$43,939,000 \$676,000	\$43,641,000 \$671,400

- (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) Market price based on average unit size of 1,510 SF at \$475/SF.

TABLE F-2

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

		Townhomes			
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	
				15% @ 120% AMI Moderate	
I. Project Description					
Site Area		3.0 Acres		3.0 Acres	
Average Unit Size		1,510 SF		1,510 SF	
Gross Building Area		99,150 SF		99,150 SF	
Number of Units		65 Units		65 Units	
Parking		130 Spaces		130 Spaces	
II. Development Costs					
A. Direct Costs					
On/Off Site Improvements		\$3,900,000	\$60,000 /Unit	\$3,900,000	\$60,000 /Unit
Parking		\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction		\$13,881,000	\$140 /SF GBA	\$13,881,000	\$140 /SF GBA
Other/Contingency		\$889,000	5.0% of Directs	\$889,000	5.0% of Directs
Total Direct Costs		\$18,670,000	\$188 /SF GBA	\$18,670,000	\$188 /SF GBA
Per Unit		\$287,000		\$287,000	
B. Indirect Costs					
Permits & Fees - Market-Rate Units		\$2,600,000	\$40,000 /Unit	\$2,320,000	\$40,000 /Unit
Permits & Fees - Affordable Units				\$217,000	\$31,000 /Unit
Inclusionary Affordable Housing Fee		\$1,062,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA
Developer Fee		\$1,864,000	4.0% of Sales Proceeds	\$1,758,000	4.0% of Sales Proceeds
Other Indirects		\$2,334,000	12.5% of Directs	\$2,334,000	12.5% of Directs
Total Indirect Costs		\$7,860,000	42.1% of Directs	\$6,629,000	35.5% of Directs
C. Financing Costs		\$1,494,000	8.0% of Directs	\$1,494,000	8.0% of Directs
D. Total Development Costs		\$28,024,000	\$283 /SF GBA	\$26,793,000	\$270 /SF GBA
Per Unit		\$431,000		\$412,000	

TABLE F-3

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

			Townhomes		
			100% Market-Rate Base Case w/o Density Bonus	10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Net Sales Proceeds					
A. Gross Sales Proceeds			\$46,605,000	\$43,939,000	\$43,641,000
B. (Less) Cost of Sale @	3.0% of Value		<u>(\$1,398,000)</u>	<u>(\$1,318,000)</u>	<u>(\$1,309,000)</u>
C. Net Sales Proceeds			\$45,207,000	\$42,621,000	\$42,332,000
II. Residual Land Value					
A. Net Sales Proceeds			\$45,207,000	\$42,621,000	\$42,332,000
B. (Less) Developer Profit @	8.8% of Value		<u>(\$4,115,000)</u>	<u>(\$3,880,000)</u>	<u>(\$3,853,000)</u>
C. Warranted Investment			\$41,092,000	\$38,741,000	\$38,479,000
D. (Less) Development Costs			<u>(\$28,024,000)</u>	<u>(\$26,793,000)</u>	<u>(\$26,754,000)</u>
E. Residual Land Value			\$13,068,000	\$11,948,000	\$11,725,000
Per Unit			\$201,000	\$184,000	\$180,000
Per SF Land			\$100	\$91	\$90
III. Difference from Base Case w/o Density Bonus					
Per Unit				(\$17,000)	(\$21,000)
Per SF Land				(\$9)	(\$10)
% Change				(9%)	(10%)

ATTACHMENT F.2

Townhomes with Density Bonus For-Sale

TABLE F-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Townhomes	
		100% Market-Rate Base Case w/o Density Bonus	
I. Inclusionary Housing			
A. Site Area		3.00 Acres	
B. Base Case Zoning Classification		21.78 Units/Acre	
C. Number of Units ⁽¹⁾		65 Units	
D. Inclusionary Set-aside		0%	
E. Affordable Units ⁽²⁾		0 Unit	
II. Density Bonus			
A. Density Bonus			
B. Density with Bonus			
C. Number of Units with Density Bonus			
D. Parking Spaces ⁽³⁾		2.00 Spaces/Unit 130 Spaces	
III. Affordability Mix			
A. Moderate @ 100%		0 Units	0%
B. Moderate @ 120%		0 Units	0%
C. Market-Rate		65 Units	100%
D. Total		65 Units	100%
IV. Estimate of Sales Proceeds			
A. Affordable Units			
Moderate @ 100%	\$336,200	\$0	
Moderate @ 120%	\$420,600	\$0	
Total Affordable Units		\$0	
B. Market-Rate Units @		1,510 SF \$475 /SF \$717,000 \$46,605,000	
C. Total Sales Proceeds Per Unit		\$46,605,000 \$717,000	

		Townhomes	
		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
		3.00 Acres	3.00 Acres
		21.78 Units/Acre	21.78 Units/Acre
		65 Units	65 Units
		10% Moderate	15% Moderate
		7 Units	10 Units
		5.0%	10.0%
		23.0 Units/Acre	24.0 Units/Acre
		69 Units	72 Units
		1.51 Spaces/Unit 104 Spaces	1.50 Spaces/Unit 108 Spaces
		7 Units 10%	0 Units 0%
		0 Units 0%	10 Units 14%
		62 Units 90%	62 Units 86%
		69 Units 100%	72 Units 100%
		\$2,353,000	\$0
		\$0	\$4,206,000
		\$2,353,000	\$4,206,000
		1,300 SF \$515 /SF \$669,500	1,300 SF \$515 /SF \$669,500
		\$41,509,000	\$41,509,000
		\$43,862,000	\$45,715,000
		\$635,700	\$634,900

(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 Density Bonus parking standards for all units.

TABLE F-2

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

	Townhomes		Townhomes	
	100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Project Description				
Site Area	3.0 Acres		3.0 Acres	3.0 Acres
Average Unit Size	1,510 SF		1,300 SF	1,300 SF
Gross Building Area	99,150 SF		90,700 SF	94,600 SF
Number of Units	65 Units		69 Units	72 Units
Parking	130 Spaces		104 Spaces	108 Spaces
II. Development Costs				
A. Direct Costs				
On/Off Site Improvements	\$3,900,000	\$60,000 /Unit	\$3,795,000	\$3,960,000
Parking	\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction	\$13,881,000	\$140 /SF GBA	\$14,966,000	\$15,609,000
Other/Contingency	\$889,000	5.0% of Directs	\$938,000	\$978,000
Total Direct Costs	\$18,670,000	\$188 /SF GBA	\$19,699,000	\$20,547,000
Per Unit	\$287,000		\$285,000	\$285,000
B. Indirect Costs				
Permits & Fees - Market-Rate Units	\$2,600,000	\$40,000 /Unit	\$2,480,000	\$2,480,000
Permits & Fees - Affordable Units			\$217,000	\$310,000
Inclusionary Affordable Housing Fee	\$1,062,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA
Developer Fee	\$1,864,000	4.0% of Sales Proceeds	\$1,754,000	\$1,829,000
Other Indirects	\$2,334,000	12.5% of Directs	\$2,462,000	\$2,568,000
Total Indirect Costs	\$7,860,000	42.1% of Directs	\$6,913,000	\$7,187,000
C. Financing Costs	\$1,494,000	8.0% of Directs	\$1,576,000	\$1,644,000
D. Total Development Costs	\$28,024,000	\$283 /SF GBA	\$28,188,000	\$29,378,000
Per Unit	\$431,000		\$409,000	\$408,000

TABLE F-3

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

		Townhomes	
		100% Market-Rate Base Case w/o Density Bonus	
I. Net Sales Proceeds		10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
A. Gross Sales Proceeds		\$43,862,000	\$45,715,000
B. (Less) Cost of Sale @	3.0% of Value	<u>(\$1,316,000)</u>	<u>(\$1,371,000)</u>
C. Net Sales Proceeds		\$42,546,000	\$44,344,000
II. Residual Land Value			
A. Net Sales Proceeds		\$42,546,000	\$44,344,000
B. (Less) Developer Profit @	8.8% of Value	<u>(\$3,873,000)</u>	<u>(\$4,036,000)</u>
C. Warranted Investment		\$38,673,000	\$40,308,000
D. (Less) Development Costs		<u>(\$28,188,000)</u>	<u>(\$29,378,000)</u>
E. Residual Land Value		\$10,485,000	\$10,930,000
Per Unit		\$152,000	\$152,000
Per SF Land		\$80	\$84
III. Difference from Base Case w/o Density Bonus			
Per Unit		(\$49,000)	(\$49,000)
Per SF Land		(\$20)	(\$16)
% Change		(20%)	(16%)

ATTACHMENT G.1

Small Lot Townhomes without Density Bonus For-Sale

TABLE G-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Small Lot Townhomes					
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate	
I. Inclusionary Housing							
A. Site Area		0.46 Acres		0.46 Acres		0.46 Acres	
B. Base Case Zoning Classification		24.89 Units/Acre		24.89 Units/Acre		24.89 Units/Acre	
C. Number of Units ⁽¹⁾		11 Units		11 Units		11 Units	
D. Inclusionary Set-aside		0%		10% Moderate		15% Moderate	
E. Affordable Units ⁽²⁾		0 Unit		2 Units		2 Units	
II. Density Bonus							
A. Density Bonus				0.0%		0.0%	
B. Density with Bonus				24.0 Units/Acre		24.0 Units/Acre	
C. Number of Units with Density Bonus				11 Units		11 Units	
D. Parking Spaces ⁽³⁾		2.00 Spaces/Unit 22 Spaces		2.00 Spaces/Unit 22 Spaces		2.00 Spaces/Unit 22 Spaces	
III. Affordability Mix							
A. Moderate @ 100%		0 Units		2 Units		0 Units	
B. Moderate @ 120%		0 Units		0 Units		2 Units	
C. Market-Rate		11 Units		9 Units		9 Units	
D. Total		11 Units		11 Units		11 Units	
IV. Estimate of Sales Proceeds							
A. Affordable Units							
Moderate @ 100%		\$340,800		\$682,000		\$0	
Moderate @ 120%		\$424,600		\$0		\$849,000	
Total Affordable Units				\$682,000		\$849,000	
B. Market-Rate Units @		\$730,000 ⁽⁴⁾		\$6,570,000		\$6,570,000	
C. Total Sales Proceeds Per Unit		\$8,030,000 \$730,000		\$7,252,000 \$659,300		\$7,419,000 \$674,500	

(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 or 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).

(4) Market price based on average unit size of 1,391 SF at \$525/SF.

TABLE G-2

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

		Small Lot Townhomes			
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate	
				15% @ 120% AMI Moderate	
I. Project Description					
Site Area		0.5 Acres		0.5 Acres	
Average Unit Size		1,391 SF		1,391 SF	
Gross Building Area		15,300 SF		15,300 SF	
Number of Units		11 Units		11 Units	
Parking		22 Spaces		22 Spaces	
II. Development Costs					
A. Direct Costs					
On/Off Site Improvements		\$715,000	\$65,000 /Unit	\$715,000	\$65,000 /Unit
Parking		\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction		\$2,448,000	\$160 /SF GBA	\$2,448,000	\$160 /SF GBA
Other/Contingency		<u>\$158,000</u>	5.0% of Directs	<u>\$158,000</u>	5.0% of Directs
Total Direct Costs		\$3,321,000	\$217 /SF GBA	\$3,321,000	\$217 /SF GBA
Per Unit		\$302,000		\$302,000	
B. Indirect Costs					
Permits & Fees - Market-Rate Units		\$440,000	\$40,000 /Unit	\$360,000	\$40,000 /Unit
Permits & Fees - Affordable Units				\$62,000	\$31,000 /Unit
Inclusionary Affordable Housing Fee		\$166,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA
Developer Fee		\$321,000	4.0% of Sales Proceeds	\$290,000	4.0% of Sales Proceeds
Other Indirects		<u>\$830,000</u>	25.0% of Directs	<u>\$830,000</u>	25.0% of Directs
Total Indirect Costs		\$1,757,000	52.9% of Directs	\$1,542,000	46.4% of Directs
C. Financing Costs		\$266,000	8.0% of Directs	\$266,000	8.0% of Directs
D. Total Development Costs		\$5,344,000	\$349 /SF GBA	\$5,129,000	\$335 /SF GBA
Per Unit		\$486,000		\$466,000	

TABLE G-3

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

Small Lot Townhomes			
		100% Market-Rate Base Case w/o Density Bonus	
			10% @ 100% AMI Moderate
			15% @ 120% AMI Moderate
I. Net Sales Proceeds			
A. Gross Sales Proceeds		\$8,030,000	\$7,252,000
B. (Less) Cost of Sale @ 3.0% of Value		<u>(\$241,000)</u>	<u>(\$218,000)</u>
C. Net Sales Proceeds		\$7,789,000	\$7,034,000
II. Residual Land Value			
A. Net Sales Proceeds		\$7,789,000	\$7,034,000
B. (Less) Developer Profit @ 11.8% of Value		<u>(\$945,000)</u>	<u>(\$853,000)</u>
C. Warranted Investment		\$6,844,000	\$6,181,000
D. (Less) Development Costs		<u>(\$5,344,000)</u>	<u>(\$5,129,000)</u>
E. Residual Land Value		\$1,500,000	\$1,052,000
Per Unit		\$136,000	\$96,000
Per SF Land		\$75	\$53
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$40,000)
Per SF Land			(\$22)
% Change			(30%)
			(\$28,000)
			(\$16)
			(21%)

ATTACHMENT G.2

Small Lot Townhomes with Density Bonus For-Sale

TABLE G-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

			Small Lot Townhomes		Stacked Flats with Surface/Tuck-under Parking - with Density Bonus			
			100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate	
I. Inclusionary Housing								
A. Site Area			0.46 Acres		0.46 Acres		0.46 Acres	
B. Base Case Zoning Classification			24.9 Units/Acre		24.9 Units/Acre		24.9 Units/Acre	
C. Number of Units (1)			11 Units		11 Units		11 Units	
D. Inclusionary Set-aside			0%		10% Moderate		15% Moderate	
E. Affordable Units (2)			0 Unit		2 Units		2 Units	
II. Density Bonus								
A. Density Bonus					5.0%		10.0%	
B. Density with Bonus					26.1 Units/Acre		28.3 Units/Acre	
C. Number of Units with Density Bonus					12 Units		13 Units	
D. Parking Spaces (3)			2.00 Spaces/Unit 22 Spaces		1.50 Spaces/Unit 18 Spaces		1.54 Spaces/Unit 20 Spaces	
III. Affordability Mix								
A. Moderate @ 100%			0 Units0%		2 Units17%		0 Units0%	
B. Moderate @ 120%			0 Units0%		0 Units0%		2 Units15%	
C. Market-Rate			11 Units100%		10 Units83%		11 Units85%	
D. Total			11 Units100%		12 Units100%		13 Units100%	
IV. Estimate of Sales Proceeds								
A. Affordable Units								
Moderate @ 100%			\$340,800\$0		\$682,000\$0		\$0\$849,000	
Moderate @ 120%			\$424,600\$0		\$0\$682,000		\$849,000\$849,000	
Total Affordable Units			\$0		\$682,000		\$849,000	
B. Market-Rate Units @			\$525 /SF 1,391 SF \$730,000 \$8,030,000		\$575 /SF 1,200 SF \$690,000 \$6,900,000		\$575 /SF 1,200 SF \$690,000 \$7,590,000	
C. Total Sales Proceeds Per Unit			\$8,030,000 \$730,000		\$7,582,000 \$631,800		\$8,439,000 \$649,200	

(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 Density Bonus parking standards for all units.

TABLE G-2

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

	Small Lot Townhomes		Stacked Flats with Surface/Tuck-under Parking - with Density Bonus			
	100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate	
I. Project Description						
Site Area	0.5 Acres		0.5 Acres		0.5 Acres	
Average Unit Size	1,391 SF		1,200 SF		1,200 SF	
Gross Building Area	15,300 SF		14,400 SF		15,600 SF	
Number of Units	11 Units		12 Units		13 Units	
Parking	22 Spaces		18 Spaces		20 Spaces	
II. Development Costs						
A. Direct Costs						
On/Off Site Improvements	\$715,000	\$65,000 /Unit	\$720,000	\$60,000 /Unit	\$780,000	\$60,000 /Unit
Parking	\$0	\$0 /Space	\$0	\$0 /Space	\$0	\$0 /Space
Shell Construction	\$2,448,000	\$160 /SF GBA	\$2,520,000	\$175 /SF GBA	\$2,730,000	\$175 /SF GBA
Other/Contingency	<u>\$158,000</u>	5.0% of Directs	<u>\$162,000</u>	5.0% of Directs	<u>\$176,000</u>	5.0% of Directs
Total Direct Costs	\$3,321,000	\$217 /SF GBA	\$3,402,000	\$236 /SF GBA	\$3,686,000	\$236 /SF GBA
Per Unit	\$302,000		\$284,000		\$284,000	
B. Indirect Costs						
Permits & Fees - Market-Rate Units	\$440,000	\$40,000 /Unit	\$350,000	\$35,000 /Unit	\$385,000	\$35,000 /Unit
Permits & Fees - Affordable Units			\$50,000	\$25,000 /Unit	\$50,000	\$25,000 /Unit
Inclusionary Affordable Housing Fee	\$166,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA	\$0	\$0 /SF GBA
Developer Fee	\$321,000	4.0% of Sales Proceeds	\$303,000	4.0% of Sales Proceeds	\$338,000	4.0% of Sales Proceeds
Other Indirects	<u>\$830,000</u>	25.0% of Directs	<u>\$851,000</u>	25.0% of Directs	<u>\$922,000</u>	25.0% of Directs
Total Indirect Costs	\$1,757,000	52.9% of Directs	\$1,554,000	45.7% of Directs	\$1,695,000	46.0% of Directs
C. Financing Costs	\$266,000	8.0% of Directs	\$272,000	8.0% of Directs	\$295,000	8.0% of Directs
D. Total Development Costs	\$5,344,000	\$349 /SF GBA	\$5,228,000	\$363 /SF GBA	\$5,676,000	\$364 /SF GBA
Per Unit	\$486,000		\$436,000		\$437,000	

TABLE G-3

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

		Small Lot Townhomes	Stacked Flats with Surface/Tuck-under Parking - with Density Bonus	
		100% Market-Rate Base Case w/o Density Bonus	10% @ 100% AMI Moderate	15% @ 120% AMI Moderate
I. Net Sales Proceeds				
A. Gross Sales Proceeds		\$8,030,000	\$7,582,000	\$8,439,000
B. (Less) Cost of Sale @	3.0% of Value	<u>(\$241,000)</u>	<u>(\$227,000)</u>	<u>(\$253,000)</u>
C. Net Sales Proceeds		\$7,789,000	\$7,355,000	\$8,186,000
II. Residual Land Value				
A. Net Sales Proceeds		\$7,789,000	\$7,355,000	\$8,186,000
B. (Less) Developer Profit @	11.8% of Value	<u>(\$945,000)</u>	<u>(\$892,000)</u>	<u>(\$993,000)</u>
C. Warranted Investment		\$6,844,000	\$6,463,000	\$7,193,000
D. (Less) Development Costs		<u>(\$5,344,000)</u>	<u>(\$5,228,000)</u>	<u>(\$5,676,000)</u>
E. Residual Land Value		\$1,500,000	\$1,235,000	\$1,517,000
Per Unit		\$136,000	\$103,000	\$117,000
Per SF Land		\$75	\$62	\$76
III. Difference from Base Case w/o Density Bonus				
Per Unit			(\$33,000)	(\$19,000)
Per SF Land			(\$13)	\$1
% Change			(18%)	1%

ATTACHMENT H.1

Stacked Flats over Podium Parking without Density Bonus For-Sale

TABLE H-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

				Stacked Flats over Podium Parking											
				100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate							
I. Inclusionary Housing															
A. Site Area				1.00 Acres		1.00 Acres		1.00 Acres							
B. Base Case Zoning Classifications				72.6 Units/Acre		72.6 Units/Acre		72.6 Units/Acre							
C. Number of Units ⁽¹⁾				73 Units		73 Units		73 Units							
D. Inclusionary Set-aside				0%		10% Moderate		15% Moderate							
E. Affordable Units ⁽²⁾				0 Unit		8 Units		11 Units							
II. Density Bonus															
A. Density Bonus						0.0%		0.0%							
B. Density with Bonus						73.0 Units/Acre		73.0 Units/Acre							
C. Number of Units Density Bonus						73 Units		73 Units							
D. Parking Spaces ⁽³⁾				1.50 Spaces/Unit 110 Spaces		1.50 Spaces/Unit 110 Spaces		1.50 Spaces/Unit 110 Spaces							
III. Affordability Mix															
A. Moderate @ 100%				0 Units		0%		8 Units		11%		0 Units		0%	
B. Moderate @ 120%				0 Units		0%		0 Units		0%		11 Units		15%	
C. Market-Rate				73 Units		100%		65 Units		89%		62 Units		85%	
D. Total				73 Units		100%		73 Units		100%		73 Units		100%	
IV. Estimate of Sales Proceeds															
A. Affordable Units															
Moderate @ 100%				\$281,600		\$0		\$2,253,000						\$0	
Moderate @ 120%				\$364,200		\$0		\$0						\$4,006,000	
Total Affordable Units						\$0		\$2,253,000						\$4,006,000	
B. Market-Rate Units @				\$758,000 ⁽⁴⁾		\$55,334,000		\$49,270,000						\$46,996,000	
C. Total Sales Proceeds Per Unit						\$55,334,000 \$758,000		\$51,523,000 \$705,800						\$51,002,000 \$698,700	

(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 or 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).

(4) Market price based on average unit size of 1,222 SF at \$620/SF.

TABLE H-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% @ 100% AMI Moderate	
				15% @ 120% AMI Moderate	
I. Project Description					
Site Area		1.0 Acres		1.0 Acres	
Average Unit Size		1,222 SF		1,222 SF	
Gross Building Area		108,121 SF		108,121 SF	
Number of Units		73 Units		73 Units	
Parking		110 Spaces		110 Spaces	
II. Development Costs					
A. Direct Costs					
On/Off Site Improvements		\$1,825,000	\$25,000 /Unit	\$1,825,000	\$25,000 /Unit
Parking		\$3,850,000	\$35,000 /Space	\$3,850,000	\$35,000 /Space
Shell Construction		\$22,705,000	\$210 /SF GBA	\$22,705,000	\$210 /SF GBA
Other/Contingency		\$1,419,000	5.0% of Directs	\$1,419,000	5.0% of Directs
Total Direct Costs		\$29,799,000	\$276 /SF GBA	\$29,799,000	\$276 /SF GBA
Per Unit		\$408,000		\$408,000	
B. Indirect Costs					
Permits & Fees - Market-Rate Units		\$2,190,000	\$30,000 /Unit	\$1,950,000	\$30,000 /Unit
Permits & Fees - Affordable Units				\$160,000	\$20,000 /Unit
Inclusionary Affordable Housing Fee		\$965,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA
Developer Fee		\$2,213,000	4.0% of Sales Proceeds	\$2,061,000	4.0% of Sales Proceeds
Other Indirects		\$2,980,000	10.0% of Directs	\$2,980,000	10.0% of Directs
Total Indirect Costs		\$8,348,000	28.0% of Directs	\$7,151,000	24.0% of Directs
C. Financing Costs		\$1,490,000	5.0% of Directs	\$1,490,000	5.0% of Directs
D. Total Development Costs		\$39,637,000	\$367 /SF GBA	\$38,440,000	\$356 /SF GBA
Per Unit		\$543,000		\$527,000	
				\$38,389,000	\$355 /SF GBA
				\$526,000	

TABLE H-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% @ 100% AMI Moderate
			15% @ 120% AMI Moderate
I. Net Sales Proceeds			
A. Gross Sales Proceeds		\$55,334,000	\$51,523,000
B. (Less) Cost of Sale @	3.0% of Value	<u>(\$1,660,000)</u>	<u>(\$1,546,000)</u>
C. Net Sales Proceeds		\$53,674,000	\$49,977,000
II. Residual Land Value			
A. Net Sales Proceeds		\$53,674,000	\$49,977,000
B. (Less) Developer Profit @	13.6% of Value	<u>(\$7,503,000)</u>	<u>(\$6,986,000)</u>
C. Warranted Investment		\$46,171,000	\$42,991,000
D. (Less) Development Costs		<u>(\$39,637,000)</u>	<u>(\$38,440,000)</u>
E. Residual Land Value		\$6,534,000	\$4,551,000
Per Unit		\$90,000	\$62,000
Per SF Land		\$150	\$104
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$28,000)
Per SF Land			(\$46)
% Change			(30%)
			(\$33,000)
			(\$54)
			(36%)

ATTACHMENT H.2

Stacked Flats over Podium Parking with Density Bonus For-Sale

TABLE H-1

ESTIMATE OF GROSS SALES PROCEEDS
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Stacked Flats over Podium Parking					
		100% Market-Rate Base Case w/o Density Bonus		10% @ 100% AMI Moderate		15% @ 120% AMI Moderate	
I. Inclusionary Housing							
A. Site Area		1.00 Acres		1.00 Acres		1.00 Acres	
B. Base Case Zoning Classifications		72.6 Units/Acre		72.6 Units/Acre		72.6 Units/Acre	
C. Number of Units ⁽¹⁾		73 Units		73 Units		73 Units	
D. Inclusionary Set-aside		0%		10% Moderate		15% Moderate	
E. Affordable Units ⁽²⁾		0 Unit		8 Units		11 Units	
II. Density Bonus							
A. Density Bonus				5.0%		10.0%	
B. Density with Bonus				77.0 Units/Acre		81.0 Units/Acre	
C. Number of Units Density Bonus				77 Units		81 Units	
D. Parking Spaces ⁽³⁾		1.51 Spaces/Unit 110 Spaces		1.51 Spaces/Unit 116 Spaces		1.51 Spaces/Unit 122 Spaces	
III. Affordability Mix							
A. Moderate @ 100%		0 Units 0%		8 Units 10%		0 Units 0%	
B. Moderate @ 120%		0 Units 0%		0 Units 0%		11 Units 14%	
C. Market-Rate		73 Units 100%		69 Units 90%		70 Units 86%	
D. Total		73 Units 100%		77 Units 100%		81 Units 100%	
IV. Estimate of Sales Proceeds							
A. Affordable Units							
Moderate @ 100% \$281,600		\$0		\$2,253,000		\$0	
Moderate @ 120% \$364,200		\$0		\$0		\$4,006,000	
Total Affordable Units		\$0		\$2,253,000		\$4,006,000	
B. Market-Rate Units @		1,222 SF \$620 /SF \$758,000		1,000 SF \$650 /SF \$650,000		1,000 SF \$650 /SF \$650,000	
		\$55,334,000		\$44,850,000		\$45,500,000	
C. Total Sales Proceeds Per Unit		\$55,334,000 \$758,000		\$47,103,000 \$611,700		\$49,506,000 \$611,200	

(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 Density Bonus parking standards for all units.

TABLE H-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% @ 100% AMI Moderate		15% @ 120% AMI Moderate	
I. Project Description							
Site Area	1.0 Acres		1.0 Acres		1.0 Acres		
Average Unit Size	1,222 SF		1,000 SF		1,000 SF		
Gross Building Area	108,121 SF		93,333 SF		98,182 SF		
Number of Units	73 Units		77 Units		81 Units		
Parking	110 Spaces		116 Spaces		122 Spaces		
II. Development Costs							
A. Direct Costs							
On/Off Site Improvements	\$1,825,000	\$25,000 /Unit	\$1,925,000	\$25,000 /Unit	\$2,025,000	\$25,000 /Unit	
Parking	\$3,850,000	\$35,000 /Space	\$4,060,000	\$35,000 /Space	\$4,270,000	\$35,000 /Space	
Shell Construction	\$22,705,000	\$210 /SF GBA	\$19,600,000	\$210 /SF GBA	\$20,618,000	\$210 /SF GBA	
Other/Contingency	<u>\$1,419,000</u>	5.0% of Directs	<u>\$1,279,000</u>	5.0% of Directs	<u>\$1,346,000</u>	5.0% of Directs	
Total Direct Costs	\$29,799,000	\$276 /SF GBA	\$26,864,000	\$288 /SF GBA	\$28,259,000	\$288 /SF GBA	
Per Unit	\$408,000		\$349,000		\$349,000		
B. Indirect Costs							
Permits & Fees - Market-Ra	\$2,190,000	\$30,000 /Unit	\$2,070,000	\$30,000 /Unit	\$2,100,000	\$30,000 /Unit	
Permits & Fees - Affordable Units			\$160,000	\$20,000 /Unit	\$220,000	\$20,000 /Unit	
Inclusionary Affordable Ho	\$965,000	\$10.82 /SF GLA	\$0	\$0 /SF GBA	\$0	\$0 /SF GBA	
Developer Fee	\$2,213,000	4.0% of Sales Proceeds	\$1,884,000	4.0% of Sales Proceeds	\$1,980,000	4.0% of Sales Proceeds	
Other Indirects	<u>\$2,980,000</u>	10.0% of Directs	<u>\$2,686,000</u>	10.0% of Directs	<u>\$2,826,000</u>	10.0% of Directs	
Total Indirect Costs	\$8,348,000	28.0% of Directs	\$6,800,000	25.3% of Directs	\$7,126,000	25.2% of Directs	
C. Financing Costs	\$1,490,000	5.0% of Directs	\$1,343,000	5.0% of Directs	\$1,413,000	5.0% of Directs	
D. Total Development Costs	\$39,637,000	\$367 /SF GBA	\$35,007,000	\$375 /SF GBA	\$36,798,000	\$375 /SF GBA	
Per Unit	\$543,000		\$455,000		\$454,000		

TABLE H-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% @ 100% AMI Moderate
			15% @ 120% AMI Moderate
I. Net Sales Proceeds			
A. Gross Sales Proceeds		\$55,334,000	\$47,103,000
B. (Less) Cost of Sale @ 3.0% of Value		<u>(\$1,660,000)</u>	<u>(\$1,413,000)</u>
C. Net Sales Proceeds		\$53,674,000	\$45,690,000
II. Residual Land Value			
A. Net Sales Proceeds		\$53,674,000	\$45,690,000
B. (Less) Developer Profit @ 13.6% of Value		<u>(\$7,503,000)</u>	<u>(\$6,387,000)</u>
C. Warranted Investment		\$46,171,000	\$39,303,000
D. (Less) Development Costs		<u>(\$39,637,000)</u>	<u>(\$35,007,000)</u>
E. Residual Land Value		\$6,534,000	\$4,296,000
Per Unit		\$90,000	\$56,000
Per SF Land		\$150	\$99
III. Difference from Base Case w/o Density Bonus			
Per Unit			(\$34,000)
Per SF Land			(\$51)
% Change			(34%)
			(\$34,000)
			(\$46)
			(31%)

APPENDIX 3

ESTIMATE OF AFFORDABILITY GAP OFF-SITE COMPLIANCE

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>\$343,000</u>	<u>\$3,430</u>	1.5% of Directs
Total Financing Costs	\$3,229,000	\$32,290	14.6% of Directs
IV. Total Development Costs excl. Acquisition	\$34,314,000	\$343,140	\$365 Per SF GBA
V. Acquisition Costs	\$5,808,000	\$58,080	\$100 Per SF Site
VI. Total Development Costs with Acquisition	\$40,122,000	\$401,220	\$426 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

Very Low Income
50% of AMI

I. Affordable Rent - Per Unit

A. Family Size

3.0

Number of Bedrooms

2

Household Income (1)

\$48,150

B. Income Allocation to Housing

30%

Monthly Housing Cost

\$1,204

(Less) Utility Allowance (2)

(\$83)

C. Maximum Monthly Rent

\$1,121

II. Stabilized Net Operating Income

A. Units

100

1

B. Gross Scheduled Income (GSI)

Monthly

\$112,075

\$1,121

Annual

\$1,345,000

\$13,450

C. Other Income

\$25

\$30,000

\$300

(Less) Vacancy

5.0%

(\$67,000)

(\$670)

Effective Gross Income (EGI)

\$1,308,000

\$13,080

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)

\$713,000

\$7,130

(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.

TABLE I-4

**ESTIMATED AFFORDABILITY GAP
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	<div style="border: 1px solid black; padding: 5px; text-align: center;"> 4% Tax Credits </div> <div style="border: 1px solid black; padding: 5px; text-align: center; background-color: #4f81bd; color: white;"> Very Low Income 50% AMI </div>	
I. Affordability Gap	<u>Total</u>	<u>Per Unit</u>
A. Warranted Investment		
Supportable Permanent Loan	\$9,099,000	\$91,000
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	\$24,349,000	\$244,000
B. (Less) Total Development Costs	<u>(\$40,122,000)</u>	<u>(\$401,000)</u>
C. Affordability Gap	(\$15,773,000)	(\$158,000)
II. Inclusionary Requirement		
A. Affordability Gap per Unit		\$158,000
B. Inclusionary Requirement		<u>10%</u>
C.	<div style="display: flex; justify-content: space-between;"> Affordability Gap per Market-Rate Unit \$15,800 </div>	

ATTACHMENT J

Estimate of Affordability Gap Off-Site Compliance For-Sale

TABLE J-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	For-Sale		
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	1,000 SF	
V. Density	75.0 Units/Acre		
VI. Gross Building Area			
Residential Net Building Area	100,000 SF	85%	
Building Efficiency	<u>17,600</u> SF	<u>15%</u>	
Total Gross Building Area (GBA)	117,600 SF	100%	
VII. Floor Area Ratio (FAR)	2.02		
VIII. Parking			
Type	Podium/Subterranean		
Number of Parking Spaces	200 Spaces		
Parking Ratio (Space/Unit)	2.00 Spaces/Unit		

TABLE J-2

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

	<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	\$20,580,000	\$205,800	\$175 Per SF GBA
Parking	\$6,000,000	\$60,000	\$30,000 /Space
Amenities/FF&E	<u>\$300,000</u>	<u>\$3,000</u>	Allowance
Subtotal	\$27,925,000	\$279,250	\$237 Per SF GBA
Add: Prevailing Wages	\$0	\$0	0.0% of Directs
Contingency	<u>\$1,396,000</u>	<u>\$13,960</u>	5.0% of Directs
Total Direct Costs	\$29,321,000	\$293,210	\$249 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$1,466,000	\$14,660	5.0% of Directs
Permits & Fees ⁽²⁾⁽³⁾	\$2,500,000	\$25,000	Allowance
Inclusionary Affordable Housing Fee	\$0	\$0	\$0.00 /SF GLA
Legal & Accounting	\$293,000	\$2,930	1.0% of Directs
Taxes & Insurance	\$293,000	\$2,930	1.0% of Directs
xcludes the payment of prevailing wages.	\$1,173,000	\$11,730	4.0% of Directs
Marketing/Sales	\$300,000	\$3,000	Allowance
Contingency	<u>\$301,000</u>	<u>\$3,010</u>	5.0% of Indirects
Total Indirect Costs	\$6,326,000	\$63,260	21.6% of Directs
III. Financing Costs			
Loan Fees	\$610,000	\$6,100	2.1% of Directs
Interest During Construction	\$1,189,000	\$11,890	4.1% of Directs
Interest During Sales	\$594,000	\$5,940	2.0% of Directs
HOA Dues on Unsold Units	<u>\$63,000</u>	<u>\$630</u>	0.2% of Directs
Total Financing Costs	\$2,456,000	\$24,560	8.4% of Directs
IV. Total Development Costs excl. Acquisition	\$38,103,000	\$381,030	\$324 Per SF GBA
V. Acquisition Costs	\$5,808,000	\$58,080	\$100 Per SF Site
VI. Total Development Costs with Acquisition	\$43,911,000	\$439,110	\$373 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 J-3

**AFFORDABLE SALES PRICES
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	Moderate Income 100% of AMI		Moderate Income 120% of AMI	
I. Affordable Rent - Per Unit				
A. Family Size		3.0		3.0
Number of Bedrooms		2		2
Household Income (1)		\$77,680		\$93,220
B. Income Allocation to Housing		35%		35%
Amount Available for Housing		\$27,188		\$32,627
C. Annual HOA (2)	\$175 /Month	\$2,100		\$2,100
Annual Utilities (3)		\$3,168		\$3,168
Tax Rate		1.17%		1.17%
Annual Taxes (4)		\$3,700		\$4,628
D. Available for Mortgage		\$18,220		\$22,731
E. Interest Rate		4.5%		4.5%
Down payment		5.0%		5.0%
Supportable Mortgage		\$299,660		\$373,852
Add Down Payment		<u>\$15,750</u>		<u>\$19,700</u>
F. Maximum Unit Price (Rounded)		\$315,000		\$394,000
II. Sales Proceeds		Total Per Unit		Total Per Unit
A. Units		100 1		100 1
B. Gross Sales Proceeds		\$31,500,000 \$315,000		\$39,400,000 \$394,000
C. (Less) Cost of Sale @ 3.0% of Value		<u>(\$945,000)</u> <u>(\$9,450)</u>		<u>(\$1,182,000)</u> <u>(\$11,820)</u>
III. Net Sales Proceeds		\$30,555,000 \$306,000		\$38,218,000 \$382,000

- (1) Source: U.S. Department of Housing and Urban Development 2019 Income Limits.
- (2) Allowance for structure insurance, maintenance, and reserves.
- (3) Assumes San Diego Housing Commission (SDHC) 2019 utility allowances for two bedroom unit, as follows:
- | | |
|------------------|------------|
| Electric Heat | \$26 |
| Gas Cooking | \$8 |
| Gas Water Heater | \$11 |
| Other Electric | \$38 |
| Water & Sewer | \$181 |
| Trash | <u>\$0</u> |
| Total Utilities | \$264 |
- (4) Based on affordable unit price. Property tax assessment may be based on market value of actual unit.

TABLE J-4

ESTIMATED AFFORDABILITY GAP
INCLUSIONARY HOUSING ECONOMIC ANALYSIS
SAN DIEGO HOUSING COMMISSION

		Moderate Income 100% of AMI		Moderate Income 120% of AMI	
		Total	Per Unit	Total	Per Unit
I. Affordability Gap					
A.	Net Sales Proceeds	\$30,555,000	\$306,000	\$38,218,000	\$382,000
B.	(Less) Developer Profit 10% of Value	<u>(\$3,056,000)</u>	<u>(\$31,000)</u>	<u>(\$3,822,000)</u>	<u>(\$38,000)</u>
C.	Warranted Investment	\$27,499,000	\$275,000	\$34,396,000	\$344,000
D.	(Less) Total Development Costs	<u>(\$43,911,000)</u>	<u>(\$439,000)</u>	<u>(\$43,911,000)</u>	<u>(\$439,000)</u>
E.	Affordability Gap	(\$16,412,000)	(\$164,000)	(\$9,515,000)	(\$95,000)
II. Inclusionary Requirement					
A.	Affordability Gap per Unit		\$164,000		\$95,000
B.	Inclusionary Requirement		<u>10%</u>		<u>15%</u>
C.	Affordability Gap per Market-Rate Unit		\$16,400		\$14,250

APPENDIX 4

IMPACT OF PROPOSED IN-LIEU FEE AND OFF-SITE COMPLIANCE

ATTACHMENT K

Impact of Proposed In-Lieu Fee

TABLE K-1

PROTOTYPE A: GARDEN APARTMENTS

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 @ \$22/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	\$957,000 \$22 /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	\$3,995,000 48.0% 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	\$12,977,000 \$292 /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% 5.6%
C. Warranted Investment	\$15,976,000		\$15,976,000 \$16,462,000
D. (Less) Development Costs	<u>(\$12,491,000)</u>		<u>(\$12,977,000)</u> <u>(\$12,977,000)</u>
E. Residual Land Value	\$3,485,000		\$2,999,000 \$3,485,000
Per Unit	\$70,000		\$60,000 \$70,000
Per SF Land	\$40		\$34 \$40
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.07 /SF/ Month
Per Unit @	870 SF		\$60 /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 @ \$22/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	\$208,000	\$22 /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	\$1,034,000	42.3% 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	\$3,675,000	\$350 /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		\$4,775,000
D. (Less) Development Costs	<u>(\$3,569,000)</u>		<u>(\$3,675,000)</u>		<u>(\$3,675,000)</u>
E. Residual Land Value	\$1,100,000		\$994,000		\$1,100,000
Per Unit	\$92,000		\$83,000		\$92,000
Per SF Land	\$110		\$99		\$110
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.06 /SF/ Month		
Per Unit @	788 SF		\$49 /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 @ \$22/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	\$948,000	\$22 /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	\$5,324,000	37.8% 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	\$20,524,000	\$393 /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	\$24,336,000
D. (Less) Development Costs	<u>(\$20,042,000)</u>		<u>(\$20,524,000)</u>	<u>(\$20,524,000)</u>
E. Residual Land Value	\$3,812,000		\$3,330,000	\$3,812,000
Per Unit	\$71,000		\$62,000	\$71,000
Per SF Land	\$175		\$153	\$175
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.06 /SF/ Month	
Per Unit @ 798 SF			\$47 /Unit/Month	

PROTOTYPE D: HIGH-RISE WITH SUBTERRANEAN PARKING

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 @ \$22/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	\$3,454,000	\$22 /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	\$23,156,000	35.4% 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	\$93,785,000	\$478 /SF GBA	
II. Net Operating Income			\$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		\$105,220,000
D. (Less) Development Costs	<u>(\$92,030,000)</u>		<u>(\$93,785,000)</u>		<u>(\$93,785,000)</u>
E. Residual Land Value	\$11,435,000		\$9,680,000		\$11,435,000
Per Unit	\$53,000		\$45,000		\$53,000
Per SF Land	\$350		\$296		\$350
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.06 /SF/ Month		
Per Unit @	720 SF		\$45 /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 @ \$22/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	\$2,530,000	\$22 /SF Net
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	\$8,359,000	51.3% 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	\$25,785,000	\$224 /SF GBA
II. Net Sales Proceeds		\$33,290,000		\$33,290,000	
III. Residual Land Value				<u>Impact on RLV</u>	<u>Impact on Profit</u>
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>(\$2,060,000)</u>
C. Warranted Investment		\$29,944,000		\$29,944,000	\$31,230,000
D. (Less) Development Costs		<u>(\$24,499,000)</u>		<u>(\$25,785,000)</u>	<u>(\$25,785,000)</u>
E. Residual Land Value		\$5,445,000		\$4,159,000	\$5,445,000
Per Unit		\$124,000		\$95,000	\$124,000
Per SF Land		\$25		\$19	\$25
IV. Increase in Market Price Required to Offset Increase in Fee/Gap				\$15 /SF	
Per Unit @		2,600 SF		\$38,300 /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 @ \$22/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	\$2,159,000	\$22 /SF Net
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	\$8,957,000	48.0% 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	\$29,121,000	\$294 /SF GBA
II. Net Sales Proceeds		\$45,207,000		\$45,207,000	
III. Residual Land Value				Impact on RLV	Impact on Profit
A. Net Sales Proceeds		\$45,207,000		\$45,207,000	\$45,207,000
B. (Less) Developer Profit		<u>(\$4,115,000)</u>	8.8% of Value	<u>(\$4,115,000)</u>	8.8% <u>(\$3,018,000)</u> 6.5%
C. Warranted Investment		\$41,092,000		\$41,092,000	\$42,189,000
D. (Less) Development Costs		<u>(\$28,024,000)</u>		<u>(\$29,121,000)</u>	<u>(\$29,121,000)</u>
E. Residual Land Value		\$13,068,000		\$11,971,000	\$13,068,000
Per Unit		\$201,000		\$184,000	\$201,000
Per SF Land		\$100		\$92	\$100
IV. Increase in Market Price Required to Offset Increase in Fee/Gap				\$15 /SF	
Per Unit @		1,510 SF		\$22,400 /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 @ \$22/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	\$337,000 \$22 /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	\$1,928,000 58.1% 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	\$5,515,000 \$360 /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>(\$774,000)</u> 9.6%
C. Warranted Investment		\$6,844,000	\$6,844,000 \$7,015,000
D. (Less) Development Costs		<u>(\$5,344,000)</u>	<u>(\$5,515,000)</u> <u>(\$5,515,000)</u>
E. Residual Land Value		\$1,500,000	\$1,329,000 \$1,500,000
Per Unit		\$136,000	\$121,000 \$136,000
Per SF Land		\$75	\$66 \$75
IV. Increase in Market Price Required to Offset Increase in Fee/Gap			\$15 /SF
Per Unit @		1,391 SF	\$20,300 /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 @ \$22/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	\$1,962,000	\$22 /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	\$9,345,000	31.4% 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	\$40,634,000	\$376 /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>(\$6,506,000)</u> 11.8%
C. Warranted Investment		\$46,171,000		\$46,171,000	\$47,168,000
D. (Less) Development Costs		<u>(\$39,637,000)</u>		<u>(\$40,634,000)</u>	<u>(\$40,634,000)</u>
E. Residual Land Value		\$6,534,000		\$5,537,000	\$6,534,000
Per Unit		\$90,000		\$76,000	\$90,000
Per SF Land		\$150		\$127	\$150
V. Increase in Market Price Required to Offset Increase in Fee/Gap				\$16 /SF	
Per Unit @		1,222 SF		\$19,200 /Unit	

ATTACHMENT L

Impact of Proposed Off-Site Compliance

TABLE L-1

PROTOTYPE A: GARDEN APARTMENTS

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% @ 50% 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	\$790,000	\$15,800 /Unit ⁽¹⁾	
Other Indirects	\$3,038,000	36.5% of Directs	\$3,038,000	36.5% of Directs	
Total Indirect Costs	\$3,509,000	42.2% of Directs	\$3,828,000	46.0% of Directs	
C. Financing Costs	\$665,000	8.0% of Directs	\$665,000	8.0% of Directs	
D. Total Development Costs - Excluding Land	\$12,491,000	\$281 /SF GBA	\$12,810,000	\$288 /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%	5.7%	
C. Warranted Investment	\$15,976,000		\$15,976,000	\$16,295,000	
D. (Less) Development Costs	(\$12,491,000)		(\$12,810,000)	(\$12,810,000)	
E. Residual Land Value	\$3,485,000		\$3,166,000	\$3,485,000	
Per Unit	\$70,000		\$63,000	\$70,000	
Per SF Land	\$40		\$36	\$40	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap					
Per Unit @	870 SF		\$0.05 /SF/ Month	\$42 /Unit/Month	

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% 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% @ 50% AMI	
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
Impact of Off-Site Compliance	\$0	\$0.00 /Unit	\$190,000	\$15,800 /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	\$1,016,000	41.6% 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	\$3,657,000	\$348 /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%	5.2%
C. Warranted Investment	\$4,669,000		\$4,669,000	\$4,757,000
D. (Less) Development Costs	<u>(\$3,569,000)</u>		<u>(\$3,657,000)</u>	<u>(\$3,657,000)</u>
E. Residual Land Value	\$1,100,000		\$1,012,000	\$1,100,000
Per Unit	\$92,000		\$84,000	\$92,000
Per SF Land	\$110		\$101	\$110
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.06 /SF/ Month	
Per Unit @ 788 SF			\$44 /Unit/Month	

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% 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% @ 50% 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	\$853,000	\$15,800 /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	\$5,229,000	37.2% 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	\$20,429,000	\$391 /SF GBA
II. Net Operating Income			\$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	\$24,241,000
D. (Less) Development Costs	<u>(\$20,042,000)</u>		<u>(\$20,429,000)</u>	<u>(\$20,429,000)</u>
E. Residual Land Value	\$3,812,000		\$3,425,000	\$3,812,000
Per Unit	\$71,000		\$63,000	\$71,000
Per SF Land	\$175		\$157	\$175
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.05 /SF/ Month	
Per Unit @	798 SF		\$41 /Unit/Month	

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% AMI (see Appendix 3, Attachment I).

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% @ 50% 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	\$3,429,000	\$15,800 /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	\$23,131,000	35.4% 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	\$93,760,000	\$478 /SF GBA	
II. Net Operating Income			\$5,714,000	\$26,332 /Year	
III. Residual Land Value			<u>Impact on RLV</u>	<u>Impact on ROI</u>	
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	\$105,195,000	
D. (Less) Development Costs	<u>(\$92,030,000)</u>		<u>(\$93,760,000)</u>	<u>(\$93,760,000)</u>	
E. Residual Land Value	\$11,435,000		\$9,705,000	\$11,435,000	
Per Unit	\$53,000		\$45,000	\$53,000	
Per SF Land	\$350		\$297	\$350	
IV. Increase in Market Rent Required to Offset Increase in Fee/Gap			\$0.06 /SF/ Month		
Per Unit @	720 SF		\$45 /Unit/Month		

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% AMI (see Appendix 3, Attachment I).

TABLE L-5

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% @ 50% 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	\$695,000 \$15,800 /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	\$6,524,000 40.1% 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	\$23,950,000 \$208 /SF GBA
II. Net Sales Proceeds		\$33,290,000	\$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>(\$3,895,000)</u> 11.3%
C. Warranted Investment	\$29,944,000		\$29,944,000 \$29,395,000
D. (Less) Development Costs	<u>(\$24,499,000)</u>		<u>(\$23,950,000)</u> <u>(\$23,950,000)</u>
E. Residual Land Value	\$5,445,000		\$5,994,000 \$5,445,000
Per Unit	\$124,000		\$136,000 \$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% @ 50% AMI (see Appendix 3, Attachment I).

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% @ 50% 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	\$1,027,000	\$15,800 /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	\$7,825,000	41.9% 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	\$27,989,000	\$282 /SF GBA
II. Net Sales Proceeds	\$45,207,000		\$45,207,000	
III. Residual Land Value			Impact on RLV	Impact on Profit
A. Net Sales Proceeds	\$45,207,000		\$45,207,000	\$45,207,000
B. (Less) Developer Profit	<u>(\$4,115,000)</u>	8.8% of Value	<u>(\$4,115,000)</u>	8.8% <u>(\$4,150,000)</u> 8.9%
C. Warranted Investment	\$41,092,000		\$41,092,000	\$41,057,000
D. (Less) Development Costs	<u>(\$28,024,000)</u>		<u>(\$27,989,000)</u>	<u>(\$27,989,000)</u>
E. Residual Land Value	\$13,068,000		\$13,103,000	\$13,068,000
Per Unit	\$201,000		\$202,000	\$201,000
Per SF Land	\$100		\$100	\$100
IV. Increase in Market Price Required to Offset Increase in Fee/Gap			\$0 /SF	
Per Unit @	1,510 SF		\$0 /Unit	

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% 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% @ 50% 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	\$174,000	\$15,800 /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	\$1,765,000	53.1% 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	\$5,352,000	\$350 /SF GBA	
II. Net Sales Proceeds			\$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>(\$937,000)</u> 11.7%
C. Warranted Investment	\$6,844,000		\$6,844,000	\$6,852,000	
D. (Less) Development Costs	<u>(\$5,344,000)</u>		<u>(\$5,352,000)</u>	<u>(\$5,352,000)</u>	
E. Residual Land Value	\$1,500,000		\$1,492,000	\$1,500,000	
Per Unit	\$136,000		\$136,000	\$136,000	
Per SF Land	\$75		\$75	\$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% @ 50% AMI (see Appendix 3, Attachment I).

PROTOTYPE H: STACKED FLATS OVER PODIUM PARKING

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% @ 50% 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	\$1,153,000 \$15,800 /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	\$8,536,000 28.6% 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	\$39,825,000 \$368 /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>(\$7,315,000)</u> 13.2%
C. Warranted Investment	\$46,171,000		\$46,171,000 \$46,359,000
D. (Less) Development Costs	<u>(\$39,637,000)</u>		<u>(\$39,825,000)</u> <u>(\$39,825,000)</u>
E. Residual Land Value	\$6,534,000		\$6,346,000 \$6,534,000
Per Unit	\$90,000		\$87,000 \$90,000
Per SF Land	\$150		\$146 \$150
V. Increase in Market Price Required to Offset Increase in Fee/Gap			\$3 /SF
Per Unit @	1,222 SF		\$4,114 /Unit

(1) Reflects affordability gap per unit for off-site compliance assuming inclusionary requirement of 10% @ 50% AMI (see Appendix 3, Attachment I).

APPENDIX 5

ESTIMATE OF AFFORDABLE RENTS AND SALES PRICES

ATTACHMENT M

Estimate of Affordable Rents

TABLE M-1

**ESTIMATE OF MAXIMUM AFFORDABLE RENT - 50% AMI
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	<u>One Bedroom</u>	<u>Two Bedroom</u>
I. Percent of AMI	50%	50%
Assumed Family Size	2.0	3.0
Household Income (Rounded) (1)	\$42,800	\$48,150
II. Income Allocation to Housing	30%	30%
Monthly Housing Cost	\$1,070	\$1,204
(Less) Utility Allowance (2)	<u>(\$63)</u>	<u>(\$83)</u>
III. Maximum Monthly Rent	\$1,007	\$1,121

(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

ATTACHMENT N

Estimate of Affordable Sales Prices

TABLE N-1

ESTIMATE OF MAXIMUM AFFORDABLE PRICE - SINGLE-FAMILY
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Single-Family Detached					
		Three Bedroom		Four Bedroom	
		@ 100% AMI	@ 120% AMI	@ 100% AMI	@ 120% AMI
I.	Number of Bedrooms	3	3	4	4
	Percent of AMI	100%	120%	100%	120%
	Assumed Family Size	4.0	4.0	5.0	5.0
	Household Income (Rounded) ⁽¹⁾	\$86,300	\$103,550	\$93,206	\$111,850
II.	Income Allocation to Housing	35%	35%	35%	35%
	Amount Available for Housing	\$30,205	\$36,243	\$32,622	\$39,148
III.	HOA/Month ⁽²⁾	\$175	\$175	\$200	\$200
	Annual HOA	\$2,100	\$2,100	\$2,400	\$2,400
IV.	Annual Utilities ⁽³⁾	\$4,368	\$4,368	\$5,280	\$5,280
V.	Tax Rate	1.10%	1.10%	1.10%	1.10%
	Annual Taxes ⁽⁴⁾	\$3,795	\$4,763	\$3,993	\$5,038
VI.	Available for Mortgage	\$19,942	\$25,012	\$20,949	\$26,430
	Interest Rate	4.5%	4.5%	4.5%	4.5%
	Down Payment	5.0%	5.0%	5.0%	5.0%
VII.	Supportable Mortgage	\$327,981	\$411,358	\$344,545	\$434,680
	Add: Down Payment	<u>\$17,250</u>	<u>\$21,650</u>	<u>\$18,150</u>	<u>\$22,900</u>
VIII.	Maximum Unit Price (Rounded)	\$345,000	\$433,000	\$363,000	\$458,000

(1) HUD 2019 Income Limits.

(2) Allowance for structure insurance, maintenance, and reserves.

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

	3 Bedroom	4 Bedroom
Electric Heat	\$29	\$31
Gas Cooking	\$9	\$11
Gas Water Heater	\$15	\$19
Other Electric	\$48	\$65
Water & Sewer	\$263	\$314
Trash	\$0	\$0
Total Utilities	\$364	\$440

(4) Based on affordable unit price. Property tax assessment may be based on market value of actual unit.

TABLE N-2

ESTIMATE OF MAXIMUM AFFORDABLE PRICE - TWO BEDROOM - TOWNHOMES
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION

Townhomes				
	Two Bedroom		Three Bedroom	
	@ 100% AMI	@ 120% AMI	@ 100% AMI	@ 120% AMI
I. Number of Bedrooms	2	2	3	3
Percent of AMI	100%	120%	100%	120%
Assumed Family Size	3.0	3.0	4.0	4.0
Household Income (Rounded) (1)	\$77,650	\$93,200	\$86,300	\$103,560
II. Income Allocation to Housing	35%	35%	35%	35%
Amount Available for Housing	\$27,178	\$32,620	\$30,205	\$36,246
III. HOA/Month (2)	\$150	\$150	\$175	\$175
Annual HOA	\$1,800	\$1,800	\$2,100	\$2,100
IV. Annual Utilities (3)	\$3,168	\$3,168	\$4,368	\$4,368
V. Tax Rate	1.10%	1.10%	1.10%	1.10%
Annual Taxes (4)	\$3,553	\$4,422	\$3,795	\$4,763
VI. Available for Mortgage	\$18,657	\$23,230	\$19,942	\$25,015
Interest Rate	4.5%	4.5%	4.5%	4.5%
Down Payment	5.0%	5.0%	5.0%	5.0%
VII. Supportable Mortgage	\$306,839	\$382,058	\$327,981	\$411,416
Add: Down Payment	<u>\$16,150</u>	<u>\$20,100</u>	<u>\$17,250</u>	<u>\$21,650</u>
VIII. Maximum Unit Price (Rounded)	\$323,000	\$402,000	\$345,000	\$433,000

(1) HUD 2019 Income Limits.

(2) Allowance for structure insurance, maintenance, and reserves.

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

	2 Bedroom	3 Bedroom
Electric Heat	\$26	\$29
Gas Cooking	\$8	\$9
Gas Water Heater	\$11	\$15
Other Electric	\$38	\$48
Water & Sewer	\$181	\$263
Trash	<u>\$0</u>	<u>\$0</u>
Total Utilities	\$264	\$364

(4) Based on affordable unit price. Property tax assessment may be based on market value of actual unit.

TABLE N-3

ESTIMATE OF MAXIMUM AFFORDABLE PRICE - TWO BEDROOM - SMALL LOT TOWNHOMES
 INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
 SAN DIEGO HOUSING COMMISSION

Small Lot Townhomes					
		Two Bedroom		Three Bedroom	
		@ 100% AMI	@ 120% AMI	@ 100% AMI	@ 120% AMI
I.	Number of Bedrooms	2	2	3	3
	Percent of AMI	100%	120%	100%	120%
	Assumed Family Size	3.0	3.0	4.0	4.0
	Household Income (Rounded) ⁽¹⁾	\$77,650	\$93,200	\$86,300	\$103,560
II.	Income Allocation to Housing	35%	35%	35%	35%
	Amount Available for Housing	\$27,178	\$32,620	\$30,205	\$36,246
III.	HOA/Month ⁽²⁾	\$125	\$125	\$150	\$150
	Annual HOA	\$1,500	\$1,500	\$1,800	\$1,800
IV.	Annual Utilities ⁽³⁾	\$3,168	\$3,168	\$4,368	\$4,368
V.	Tax Rate	1.10%	1.10%	1.10%	1.10%
	Annual Taxes ⁽⁴⁾	\$3,597	\$4,477	\$3,850	\$4,807
VI.	Available for Mortgage	\$18,913	\$23,475	\$20,187	\$25,271
	Interest Rate	4.5%	4.5%	4.5%	4.5%
	Down Payment	5.0%	5.0%	5.0%	5.0%
VII.	Supportable Mortgage	\$311,049	\$386,088	\$332,011	\$415,626
	Add: Down Payment	<u>\$16,350</u>	<u>\$20,350</u>	<u>\$17,500</u>	<u>\$21,850</u>
VIII.	Maximum Unit Price (Rounded)	\$327,000	\$406,000	\$350,000	\$437,000

(1) HUD 2019 Income Limits.

(2) Allowance for structure insurance, maintenance, and reserves.

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

	2 Bedroom	3 Bedroom
Electric Heat	\$26	\$29
Gas Cooking	\$8	\$9
Gas Water Heater	\$11	\$15
Other Electric	\$38	\$48
Water & Sewer	\$181	\$263
Trash	<u>\$0</u>	<u>\$0</u>
Total Utilities	\$264	\$364

(4) Based on affordable unit price. Property tax assessment may be based on market value of actual unit.

TABLE N-4

**ESTIMATE OF MAXIMUM AFFORDABLE PRICE
INCLUSIONARY HOUSING ECONOMIC FEASIBILITY ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Stacked Flats							
		One Bedroom		Two Bedroom		Three Bedroom	
		@ 100% AMI	@ 120% AMI	@ 100% AMI	@ 120% AMI	@ 100% AMI	@ 120% AMI
Maximum Affordable Price							
I.	Number of Bedrooms	1	1	2	2	3	3
	Percent of AMI	100%	120%	100%	120%	100%	120%
	Assumed Family Size	2.0	2.0	3.0	3.0	4.0	4.0
	Household Income (Rounded) (1)	\$69,060	\$82,870	\$77,650	\$93,200	\$86,300	\$103,560
II.	Income Allocation to Housing	35%	35%	35%	35%	35%	35%
	Amount Available for Housing	\$24,171	\$29,005	\$27,178	\$32,620	\$30,205	\$36,246
III.	HOA/Month (2)	\$375	\$375	\$425	\$425	\$475	\$475
	Annual HOA	\$4,500	\$4,500	\$5,100	\$5,100	\$5,700	\$5,700
IV.	Annual Utilities (3)	\$2,436	\$2,436	\$3,168	\$3,168	\$4,368	\$4,368
V.	Tax Rate	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
	Annual Taxes (4)	\$2,761	\$3,531	\$3,025	\$3,894	\$3,223	\$4,191
VI.	Available for Mortgage	\$14,474	\$18,538	\$15,885	\$20,458	\$16,914	\$21,987
	Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
	Down Payment	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
VII.	Supportable Mortgage	\$238,050	\$304,882	\$261,249	\$336,468	\$278,181	\$361,615
	Add: Down Payment	<u>\$12,550</u>	<u>\$16,050</u>	<u>\$13,750</u>	<u>\$17,700</u>	<u>\$14,650</u>	<u>\$19,050</u>
VIII.	Maximum Unit Price (Rounded)	\$251,000	\$321,000	\$275,000	\$354,000	\$293,000	\$381,000

(1) HUD 2019 Income Limits.

(2) Allowance for structure insurance, maintenance, and reserves.

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

	1 Bedroom	2 Bedroom	3 Bedroom
Electric Heat	\$22	\$26	\$29
Gas Cooking	\$6	\$8	\$9
Gas Water Heater	\$8	\$11	\$15
Other Electric	\$27	\$38	\$48
Water & Sewer	\$140	\$181	\$263
Trash	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Utilities	\$203	\$264	\$364

(4) Based on affordable unit price. Property tax assessment may be based on market value of actual unit.