



Project Report

**Barrio Logan Community Plan Economics:  
Market Support - Jobs Impacts -  
Development Feasibility**

Prepared for

**Barrio Logan Community Plan Committee  
City of San Diego**

Submitted by

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## I. Introduction

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The Barrio Logan Community Planning Area is located along the San Diego harbor, and is bounded by Interstate-5 to the east, National City to the South and Downtown San Diego to the North. Barrio Logan is located within close proximity to the San Diego Convention Center, East Village, Petco Park and the 32<sup>nd</sup> Street United States Naval Base. During the mid-1870's, this area was targeted for development as the western terminus of the Texas and Pacific Railroad. The terminus was never completed due to the stock market crash of the late 1870s, and Los Angeles later prevailed as the western terminus of the Santa Fe Railroad. By the turn of the century, the area had developed as a predominantly residential neighborhood. Settled in the 1910s and 1920s by Mexican immigrants escaping civil strife in Mexico, Barrio Logan became one of the largest Chicano communities on the West Coast.

With the American naval build-up between the world wars, San Diego was becoming a Navy town. By World War II, the landside requirements of the Navy pre-empted other land uses along the Bay front and encroached into the residential community. The Barrio Logan community lost parts of its residential neighborhood and direct access to the waterfront. During the 1950s, several major changes occurred to further impact this community. Industrial zoning and the construction of Interstate 5 and the Coronado Bridge fragmented this neighborhood. The neighborhood began to experience a proliferation of conflicting land uses. At the same time, paralleling the mainstream American trend of suburbanization, many households moved out of Barrio Logan.

The remaining Barrio Logan residents took an active role concerning the future of their community. They lobbied their elected representatives and staged demonstrations for a community park. In 1970 the City authorized the development of a park on a 1.8 acre plot of land under the Coronado Bridge. This park, known as Chicano Park, has been expanded to 7.9 acres and has gained recognition for its gallery of outdoor murals created by local Chicano artists. It was designated a San Diego Historical site in 1980. During the 1970s, the community seized the opportunity during the California Local Coastal Plan review process to revisit the community land use plan, and obtained important victories in terms of zoning and land use ordinances to restrict nuisance businesses in the neighborhood.

Realizing that new and powerful economic forces are once again challenging this community, the City of San Diego has decided to prepare a new Barrio Logan Community Plan. The City retained MIG Associates to prepare such a plan with a mandate to incorporate the interests and voices of the community. Wishing to gain a more insightful understanding of the economic forces at work, the City also retained Economics Research Associates (ERA) to prepare the economic analyses required to develop an effective community plan. ERA's role includes the preparation of first a real estate market

analysis. The market analysis, which describes the real estate market forces at work in this part of San Diego, was used to inform the City, the Barrio Logan community and MIG Associates to formulate three planning alternatives for the future of this area. ERA then evaluated these plan alternatives from several perspectives, including jobs generation and wage impact on the regional economy and development feasibility of prototype project to shape a revitalization strategy. This report summarizes the ERA work to date.

## II. Market Report Summary

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From 1990 to 2008, the population of San Diego County has increased by over 600,000 residents. San Diego Association of Governments (SANDAG) projects that the population growth of the county will continue to increase at approximately the same 1.3 percent per year rate from 2010 to 2030.

With considerable policy emphasis on downtown housing, the Centre City has added approximately 13,500 residents from 2000 to 2008. During this same period, the Barrio Logan Community Plan Area's gained about 400 residents to reach 4,000 currently. With the high cost of gasoline and in town living becoming more fashionable, a significant portion of the future population growth of the San Diego region is projected to be in the urban core. Barrio Logan could benefit from this shifting interest toward living in urban neighborhoods.

Historically, downtown San Diego has remained one of the largest employment centers in the city. In 2000, SANDAG reports that the Centre City Community Plan Area contained over 77,000 employees, or roughly 10 percent of the city's total workforce. The Barrio Logan Community Plan Area has an estimated 9,500 employees, accounting for slightly over one percent of the citywide labor force. Over the long term, as Downtown San Diego becomes increasingly built out, adjacent neighborhoods such as Barrio Logan are likely to experience development pressure for downtown type employment uses.

### Demographics of Barrio Logan

The following summarizes the current demographic composition of Barrio Logan residents:

- Historically, Barrio Logan has been a strong Hispanic community. According to ESRI Business Analyst, over 80 percent of the residents in Barrio Logan claimed to be of Hispanic decent, compared with 25 percent of those citywide.
- Compared with the citywide average, Barrio Logan has a significantly younger population. In 2007, the median age in Barrio Logan was 28, compared to 44 in the Centre City and 35 citywide. This is due to the fact that many of the households in Barrio Logan are made up of families with young children.
- Barrio Logan has larger households and lower incomes when compared to the San Diego average and particularly when compared to Centre City. The average income per household member in Barrio Logan was \$6,235 in 2008 as compared to \$20,275 in the Centre City Plan Area<sup>1</sup>.

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<sup>1</sup> ESRI

## **Real Estate Market Trends in Barrio Logan**

ERA reviewed regional and local real estate market trends for office, housing, retail, industrial, and hotel development. The following summarizes the market conditions in Barrio Logan for each of the land uses of interest to the development of this plan.

### **Office**

Barrio Logan has 62,000 square feet of Class C office space, and that space has been fully occupied for the last eight years. Recently, developers have started converting warehouse and industrial buildings into office and service commercial space in the East Village and in the portion of Barrio Logan north of the Coronado Bridge. These developers believe that selected areas of Barrio Logan have substantial opportunity for upside return over the long term and have targeted buildings that are well suited for redevelopment with creative, open floor plans. The tenants moving into these spaces include artists, architecture/design firms, technology companies, catering services, graphics and restaurants. These businesses are either start-ups or relocating and expanding from the downtown. Developers note that rental rates for new office space in Barrio Logan are typically \$0.10 to \$0.25 per square foot per month less than comparable space in the East Village. Other users of office space in Barrio Logan include specialized services that cater to both the maritime industry on the waterfront as well as to the 32<sup>nd</sup> Street Naval Base. Institutional office space, such as that utilized by the Family Health Centers of San Diego and Barrio Station also account for a small percentage of office users in Barrio Logan. Current challenges for office development in Barrio Logan include a limited supply of buildings suitable for adaptive reuse and high cost of new construction given the rents achievable.

### **Retail**

The amount of retail space in Barrio Logan has remained at 321,000 square feet over the past eight years with the occupancy rate fluctuating between 94 and 99 percent. Much of this retail space is small fast food eating establishments or local serving grocery stores. Presently, local residents must travel outside the community for many of their regular grocery or household purchases. It is anticipated that the proposed Mercado project, currently planned to include a Hispanic grocery store, restaurants, and other neighborhood serving retail, will help to meet the local demand for retail in Barrio Logan, as well as drawing from the greater San Diego region.

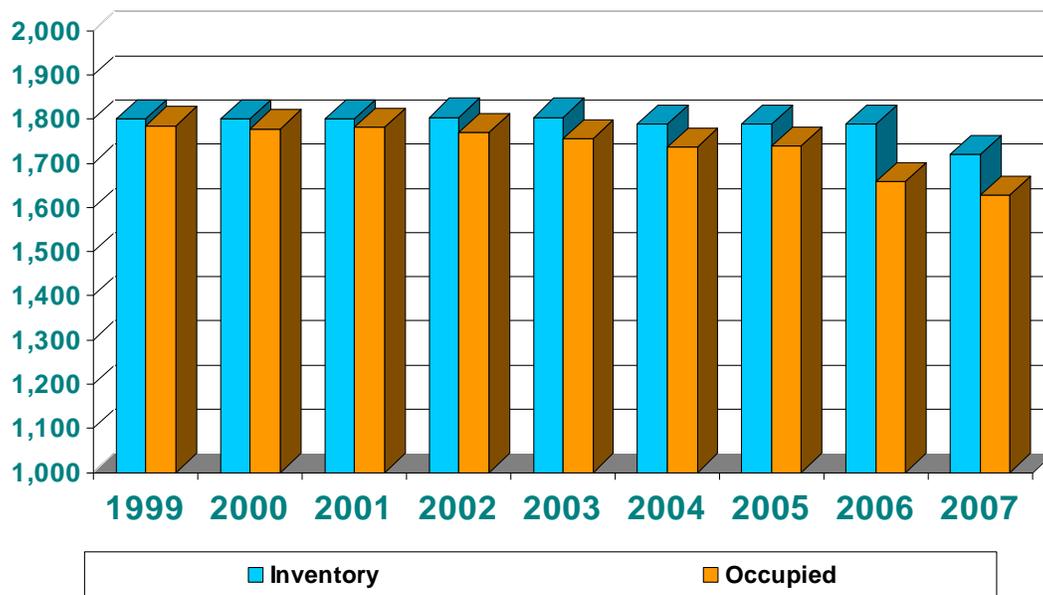
### **Industrial Space**

The amount of industrial square footage in Barrio Logan has been shrinking over the last eight years. This may be due to the demolition and conversion of existing industrial buildings. Some examples of these conversions include the renovation of a vacant warehouse building at the corner of Main Street and Sampson Street into an architectural school as well as the acquisition of a 4.2 acre parcel at Cesar Chavez Parkway and the west side of Harbor Drive by Restaurant Depot that will be used as a

wholesale distribution market. Between 1999 and 2007, the occupied industrial inventory in Barrio Logan dropped from 1.8 million square feet to 1.6 million square feet.

Most of the industrial tenants in Barrio Logan are either associated maritime trade operations at the Port of San Diego, services that supply downtown restaurants and retail users, or grandfathered uses that cannot be located to other parts of the city (i.e. transmission or auto/body welders). Industrial brokers note that most of the demand is for buildings in the 5,000 to 10,000 square foot range. Rental rates for industrial space ranges from \$0.60 NNN<sup>2</sup> per square foot per month (for enclosed warehouse space) to \$0.90 NNN per square foot per month (for buildings with outside yard). Moreover, most note that while demand remains high for industrial space in Barrio Logan, the rising land values and rental rates have made it increasingly difficult for existing tenants to expand their operations.

**Industrial Space Trend in Barrio Logan**



Source: CoStar

Based on the market demand for real estate moving forward in the San Diego region, ERA estimated the amount of development potential in Barrio Logan in the long term. Our estimates are summarized in **Table II-1**.

<sup>2</sup> Triple net lease – lessee pays taxes, insurance and maintenance in addition to rent

**Table II-1: Estimated Demand in Barrio Logan for Market-Rate Development**

	2011-2020		2021-2030		Total 2011-2030	
	Low	High	Low	High	Low	High
<b>Office Demand</b>						
Gross SF	75,000	125,000	196,000	280,000	271,000	405,000
Estimated Acreage	2	4	4	5	6	9
<b>Housing Demand (Market Rate)</b>						
Number of Units	510	630	900	1,100	1,410	1,730
Estimated Acreage	12	14	19	23	30	37
<b>Retail &amp; Restaurant Demand</b>						
Gross SF	44,550	56,650	81,800	102,000	126,350	158,650
Estimated Acreage	3	3	4	5	6	8
<b>Total Acreage for New Demand</b>	<b>16</b>	<b>21</b>	<b>26</b>	<b>33</b>	<b>43</b>	<b>54</b>

Source: Estimated by Economics Research Associates

While there is considerable interest in sustaining and encouraging industrial land uses in Barrio Logan, the long-term land market economics trend is the continued gradual displacement of industrial uses by higher density uses that generate greater residual land value. Therefore, the economic objectives of the proposed community plan update could be undermined by market trends unless adequate land use and zoning policies are utilized to ensure implementation of these objectives.

### III. Economic Importance of the Port of San Diego

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The Port of San Diego has historically influenced the development of Barrio Logan. Spread over five cities, the tidelands of the San Diego Unified Port District are home to a diverse selection of businesses, from hotels, marinas and retail centers to ship builders and deep sea shipping companies. Many of the firms on the tidelands rely on the unique waterfront locations offered by the Port of San Diego, either as a scenic amenity to draw customers or a functional necessity to conduct business. Moreover, many of these firms have invested significant resources towards capital improvements, making relocation to waterfront locations in other parts of the state nearly impossible.

The Port of San Diego's maritime cargo activity is split between two separate and distinct marine cargo terminals: the Tenth Avenue Marine Terminal (TAMT) adjacent to Barrio Logan, and the National City Marine Terminal (NCMT). Together the terminals handle containers, dry and liquid bulk cargos, refrigerated products, automobiles, and other cargos. The terminals are well positioned for future maritime activities and offer employment opportunities for Barrio Logan residents. Located ten miles north of the U.S./Mexico border, it is the first U.S. Port for northbound cargo ships sailing from the west coasts of Mexico and Central and South America. Moreover, only 125 miles from Los Angeles, the Port is well located to serve the entire Southern California market.

#### **Direct & Total Economic Impact**

In 2006 the Port retained ERA to estimate the Port's economic and fiscal impact to the region in Fiscal Year (FY) 2005. This report section provides a summary recap of that study prepared for the Port. It is included for the benefit of the Barrio Logan Plan Committee and City staff; it is not part of the work contracted for in this assignment. For this reason, this section makes no attempt to segregate the impacts of TAMT from that of NCMT. The estimates were based on data from direct business surveys, personal interviews, Port records, and other sources. ERA used the Regional Economic Model Inc. (REMI) impact modeling system to estimate indirect and induced impacts.

ERA estimated the direct and total economic impact generated by businesses located on the Port tidelands in terms of employment, output, personal income, and value-added GRP (the value-added to the region's GRP by the local economy, excluding the costs of imported inputs). Below, ERA highlights some of the key impacts on the regional economy.

**Table III - 1**  
**Port Tidelands Direct & Total Related Economic Impact in SD County**  
 FY 2005

	Direct Impact	Total Impact	Total San Diego Economy	Percent of San Diego Economy	Percent of Total Impact
<b>All Firms on Port Tidelands</b>					
Employment	30,468	66,995	1,869,736	3.6%	100%
Output (thousands of 2005 dollars)	\$5,211,468	\$9,607,000	\$219,462,482	4.4%	100%
Personal Income (thousands of 2005 dollars) <sup>1</sup>	n/a	\$4,512,000	\$118,076,000	3.8%	100%
Value Added GRP (thousands of 2005 dollars) <sup>2</sup>	n/a	\$5,043,000	\$159,335,058	3.2%	100%
<b>Industry &amp; Trade Firms</b>					
Employment	14,950	42,280	1,869,736	2.3%	63%
Output (thousands of 2005 dollars)	\$4,023,721	\$7,634,000	\$219,462,482	3.5%	79%
Personal Income (thousands of 2005 dollars) <sup>1</sup>	n/a	\$3,370,000	\$118,076,000	2.9%	75%
Value Added GRP (thousands of 2005 dollars) <sup>2</sup>	n/a	\$3,796,000	\$159,335,058	2.4%	75%
Avg Compensation Rate <sup>1</sup>	n/a	\$40,026	\$40,532	-1.2%	
<b>Travel &amp; Commercial Firms</b>					
Employment	15,518	24,715	1,869,736	1.3%	37%
Output (thousands of 2005 dollars)	\$1,187,746	\$1,973,000	\$219,462,482	0.9%	21%
Personal Income (thousands of 2005 dollars) <sup>1</sup>	n/a	\$1,142,000	\$118,076,000	1.0%	25%
Value Added GRP (thousands of 2005 dollars) <sup>2</sup>	n/a	\$1,247,000	\$159,335,058	0.8%	25%
Avg Compensation Rate <sup>1</sup>	n/a	\$40,679	\$40,532	-0.5%	

<sup>1</sup> Personal income includes proprietors' income, rental income, dividend income, and interest income

<sup>2</sup> GRP = Gross Regional Product or total value of goods and services produced

Note: Does not include impact of Convention Center or Cruise Terminal

Source: Port of San Diego, Economics Research Associates, REMI

- In FY 2005, tenants on Port tidelands accounted for nearly 67,000 jobs in the San Diego County economy. Of these, direct employment at the Port comprised 30,500 jobs, with the remaining 36,500 a result of indirect or induced jobs in San Diego County. With total employment for the County at 1.9 million in FY 2005, the economic impact generated by firms located on the tidelands accounted for 3.6 percent of the total region's employment. During FY 2005, Port related activities generated over 14,000 manufacturing jobs, and over 28,000 service related jobs.
- When including indirect and induced business activities as a result of secondary rounds of spending, the Port generated a total of \$4.5 billion in personal income for workers in San Diego County, or roughly 3.8 percent of the region's total income.
- Port generated workers averaged roughly \$50,500 in annual compensation in 2005. Port Industry & Trade firms and Port Travel & Commercial firms generated workers with average annual compensation rates of \$62,400 and \$29,600, respectively. Port Maritime Commerce firms generated employment with average compensation rates over \$59,000 per year.

## Port Cargo and Revenue Trends

From 2002 to 2007, cargo shipments at the Port of San Diego Marine Terminals have increased 36 percent from 2.47 to 3.35 million tons. In 2007, Port District completed a market assessment of future shipping opportunities at the Port of San Diego. The findings and the land demand implications are summarized below:

- The containerized fruit operation by Dole is expected to increase to supply food to a growing Southern California market. Increased operations would require a preferential berth at the TAMT and additional outside storage for refrigerated and empty containers.
- The Port could market to additional banana accounts now located at Port Hueneme. In 2005, this Port handled about 275,000 tons of break-bulk bananas and nearly 300,000 tons of containerized bananas. This new account would require the development of a new facility similar to the existing Dole terminal.
- There is a strong potential to develop a new break-bulk<sup>3</sup> fruit/melon service as well as a second seasonal avocado service that would quadruple the current break-bulk fruit cargo throughput during the next four years. A large refrigerated facility and more berth space would be required to accommodate this future demand.
- Cement operations are expected to increase with growth in the local economy, and the TAMT has the potential to bring an additional 75,000 tons of cement annually.
- Similarly, there exists the potential to develop a new sand import business, which would bring an additional 500,000 tons to TAMT immediately, growing to roughly one million tons per year. This market will demand a new sand import terminal consisting of additional outside storage in the area.
- The cargo market has been growing at the TAMT. The Port's consultant report estimates that future shipments may increase by 15 percent annually through 2010, and five percent annually through 2015.
- With the crowding out of break-bulk operations at the Los Angeles and Long Beach ports and the growing flagship building at NASSCO, the Port of San Diego could increase its steel shipments over time. This may require an entirely new terminal, with surrounding storage areas.

Many of the maritime commerce related industries at the Port of San Diego have expanded or are looking to expand their operations. The following is a summary of the Port tenants interested in expanding their activities and facilities:

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<sup>3</sup> Packaged but not containerized bulk cargo

- Dole Fresh Fruit operates a 20-acre ocean terminal that handles over 40,000 refrigerated containers of imported bananas and pineapples on the way to destinations west of the Rocky Mountains. Since relocating to the Port of San Diego in 2001, Dole has successfully competed with many fresh fruit carriers serving the Los Angeles/Long Beach ocean complex. As a result of this success, representatives note that the current facility has already reached its capacity, and that improving service to their customers would require expanding the amount of space available to them at the Port.
- Cemex imports cement from Taiwan and Thailand for distribution to the construction industry in Southern California, Arizona, and the southern border with Mexico. With operations running out of space, Cemex is currently working on modifications to an adjacent building that will allow them to expand.
- Harborside Refrigerated Services & San Diego Cold Storage provides temperature controlled warehousing for many of the commerce related operations at the Port. They have plans to increase their capacity by 50 percent, investing roughly \$25 million to replace their current building with a new larger facility.
- Marine Group Boat Works, in early 2007 completed a \$6 million renovation, the highlight of which is a 660-ton travel life that will help make San Diego Bay a major draw for mega yachts.
- Pasha Automotive Services processes over 300,000 vehicles annually for distribution throughout the United States. This firm has continued to exhibit strong growth over the last few years with new business coming from Mazda and Honda. In fact, attempting to keep up with their growing operations, Pasha added another 50 new jobs in FY 2005.
- Knight & Carver represents one of the leading firms in mega-yacht building and retrofitting. Representatives mentioned a desire to expand and reconfigure their facility at the Port as their current space does not allow them to service yachts longer than 200 feet.

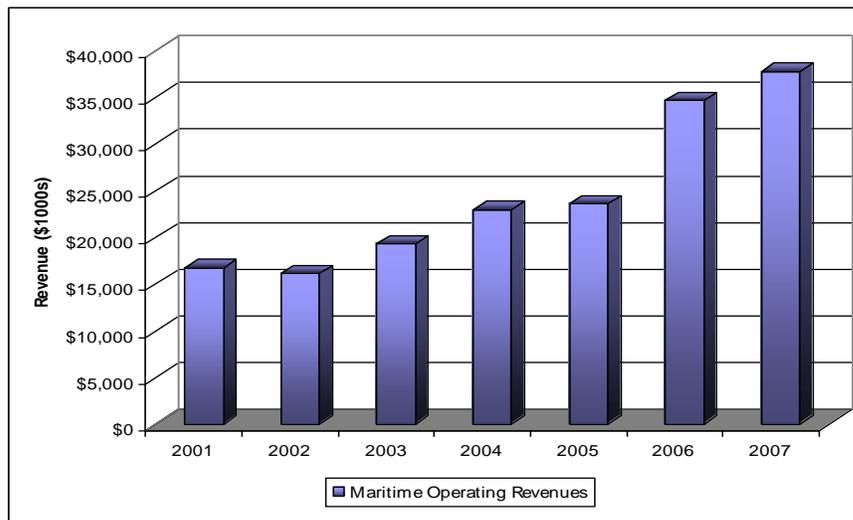
There is clearly demand for additional industrial space particularly from existing Port related business expansions. However, these fairly heavy industrial uses must compete for land in Barrio Logan with neighborhood interests and an expanding downtown.

The Port of San Diego collects lease revenues for all tenants that are located on its property and separates these revenues into maritime or recreational operations. Lease rates are calculated either as a percentage of the revenues generated by the tenant or at the market rates of other similar buildings in the area. Operating revenues, calculated as a portion of the lease payments made to the maritime division at the Port, have increased substantially since the beginning of the decade. Between 2001 and 2007, maritime revenues jumped from \$16.8 million to \$37.8 million or

approximately \$3.5 million per year. The increased growth of revenues suggests that maritime tenants have performed well over the last several years and that rental rates in the area have grown as a result of increasing pressure for more intense land uses.

In addition to increasing operating revenues, the consistent capital improvement contributions have highlighted the Port's stability in the region. Since 2001, the Port has invested roughly \$26.3 million per year on capital investments for both the recreational and maritime areas of their property.

### Port of San Diego Maritime Operating Revenues



Source: Port of San Diego Annual Report

### Prominent Port Tenants

Several tenants on the Port run large scale industrial and/or commercial operations that not only impact the county of San Diego, but the nation as a whole. Together these firms represent some of the most prominent economic drivers on the tidelands. These tenants are described in more detail below. These tenants, located at either TAMT or NCMT, offer nearby employment opportunities for Barrio Logan residents.

#### National Steel and Shipbuilding Company (NASSCO)

NASSCO, which designs and builds Navy auxiliary vessels, oil tankers and carrier vessels for dry cargo containers, remains one of the most prominent businesses at the Port of San Diego. The largest employers on the tidelands with over 4,500 workers in FY 2005 and the only major shipbuilder on the West Coast, NASSCO is not only important to the region, but to the nation's shipbuilding operations as a whole.

In total, NASSCO maintains two inclined building ways, each 900 feet long by 110 feet wide; an 820 foot long, 136 foot wide floating dry dock with a lift capability of 44,000 tons; and a 1,000 foot long 170 foot wide graving dock. Boats are built or serviced using 10 on-site cranes each with individual lift capacities of up to 300 tons and several multi-crane lifts which together can lift up to 580 tons. Needless to say, with these facilities, NASSCO provides unique services to the region's water dependent commercial and military sectors, and cannot easily be replaced by other firms in San Diego County.

### **Pasha Automotive Services**

First opened in 1990, Pasha Services serves the region as a major auto transportation firm. Occupying 157 acres and over 300,000 square feet of warehousing space, Pasha provides San Diego with a port of entry for Acura, Hino Motors, Honda, Isuzu, Mitsubishi, and Volkswagen vehicles. With roughly 280 full time employees, Pasha provides vehicle processing that includes painting, body repair, post production retrofitting and inspection prior to land transport via truck or rail. Similar to NASSCO operations, the scale of activities at Pasha would be difficult to replicate at other locations along the West Coast. As a result, this firm will continue to be extremely important to the San Diego County, the West Coast and even parts of Latin America through its operations at the Port of San Diego.

### **Dixieline Lumber**

At the Port of San Diego, Dixieline Lumber is responsible for activities related to the importing and distribution of lumber and lumber materials from areas in the Pacific Northwest and Canada. Located in National City, this firm employs over 200 workers and is the largest tax revenue source for the City.

### **Dole Fresh Fruit**

Dole Fresh Fruit began its operations on the tidelands in 2002 following \$26 million of infrastructure investments and capital improvements made by the Port. Specializing in the shipment of bananas and pineapples to destinations west of the Rocky Mountains, this facility is among the most successful operations at the Port. In fact, Dole Fresh Fruit Co. was named Importer of the Year in 2004 by the San Diego World Trade Center during their 27th annual awards program. According to Dole representatives, their location at the Port near key cold storage facilities is integral for their ability to compete with other fresh fruit carriers serving the Los Angeles and Long Beach ocean complex.

### **Port of San Diego Land Issues**

ERA interviewed Port staff on their impressions of land use needs for operations at the TAMT and the likely impacts on the Barrio Logan community. As suggested by the statistics above, Port staff noted that demand has been increasing for more warehousing space in the area, but that limited industrial

land supply around the terminal and increased demand for more intense land uses has made land values unaffordable. Staff at the Port fear that encroaching uses which do not mix well with industrial tenants (i.e. residential units and some types of office developments) may further push industrial users out of the area. The loss of industrial inventory near the Port will hinder its ability to expand and reduce its attractiveness for supporting maritime tenants resulting in lower operating efficiencies for these maritime industries. Furthermore, the notable tenants described above are very important contributors to the regional and national economies and could not be easily replaced or accommodated elsewhere in San Diego County.

## IV. Barrio Logan Jobs, Business Survey and Economic Incentives

### Jobs in Barrio Logan

Contained within the Barrio Logan community planning area are businesses that include manufacturers and service-sector establishments which provide a wide range of goods and services to residents and other businesses in the greater downtown sub-market area. The largest employers in or immediately adjacent to Barrio Logan are maritime-related businesses such as defense contractors and their sub-contractors and suppliers of parts and maritime repair services. Major employers within Barrio Logan that occupy the majority of the waterfront along the San Diego Bay include *General Dynamics-NASSCO*; *Northrop Grumman – Continental Maritime*; *BAE Systems – Ship Repair, Inc.*; *CP Kelco Company*; and *Pacific Fabrication & Ship Repair*. In addition, three non-maritime-related businesses have significant operations within Barrio Logan. These include *Chevron-Texaco, Inc.*; *Altantic-Richfield Company (ARCO)*; and *Yarra International ASA*.

Furthermore, in November 2008, the City of San Diego distributed a survey intended to gather information related to businesses within Barrio Logan. The survey was distributed by mail to 416 businesses physically located throughout the community. A total of 77 businesses, or 19 percent, responded to the survey. The questions pertained to information about the business and employment. The survey asked how long the business had been located in Barrio Logan, whether their work is non-maritime or maritime related, and the number of full-time and part-time positions, as well as the zip codes of their current employees. The table below represents the results of the business survey and local employment estimates.

	Non-Maritime	Maritime	Total
Number of Businesses Responding	45	32	77
Reported Employees (full-time and part-time)	633	7,130	7,763
Barrio Logan Employees (residents of 92113 zip code)	59	369	428
Percent Barrio Logan Employees	9.3%	5.2%	5.5%

Together these businesses represent 7,763 jobs in Barrio Logan. Of these jobs, 7,596 are full-time positions and 167 are part-time positions. Barrio Logan residents currently hold approximately 428 of these positions. Overall, Barrio Logan residents hold approximately 5.5 percent of these 7,763 employment opportunities reported through this survey.

It is important to note that Barrio Logan is the only waterfront area in San Diego County which has a number of overlapping special incentive zones designed to increase the attractiveness of the community as a business location. All or a portion of Barrio Logan has been granted this special status by the State of California and by the federal government pursuant to formal applications filed by the City of San Diego:

## Incentives for Economic Development

A variety of incentives and assistance are available to Barrio Logan businesses from the City and the Redevelopment Agency.

### Special Incentive Zones

- **Enterprise Zone.** The San Diego Regional Enterprise Zone includes most of Barrio Logan, and provides businesses with lucrative State tax incentives.
- **Renewal Community.** The San Diego Renewal Community offers substantial federal tax incentives to encourage businesses make new investments within the area and to hire residents from the community. Barrio Logan is located within the San Diego Renewal Community. Significant federal tax incentives are available for eligible businesses.
- **Redevelopment Project Area Incentives.** The San Diego Redevelopment Agency offers valuable incentives to developers to build new projects within the Barrio Logan Redevelopment Project Area that help stimulate business and economic growth and further redevelopment goals. Redevelopment incentives can include:
  - ◆ Site assembly;
  - ◆ Fee reductions;
  - ◆ Permitting expediting assistance;
  - ◆ Off-site improvements;
  - ◆ Commercial façade loans and rebates; and
  - ◆ Agency land write-downs.

### Business Expansion, Attraction, and Retention

- **Business and Industry Incentive Program.** Serving as the City's primary economic development platform, the Business and Industry Incentive Program offers assistance in determining density and development requirements for real property, and permit assistance. Businesses may also be eligible for reimbursement on all or a portion of building and development-related fees.

- ***Business Cooperation Program (BCP)***. The BCP includes financial incentives designed to encourage businesses and nonprofit corporations to allocate sales and use taxes to the City, increasing revenues used to provide a variety of services that support the business community.

#### **Business Finance**

- Financial assistance is available from several programs, including the San Diego Regional Revolving Loan Fund; and the Metro Revolving Loan Fund.
- The City of San Diego's Storefront Improvement Program provides small businesses with rebates (up to \$5,000) to assist with eligible storefront renovation costs in Barrio Logan.

## V. Wage Impact of Barrio Logan Planning Alternatives

### Evaluation of Plan Alternatives

In the preparation of community plans, an alternatives evaluation process is often used to compare and contrast the pros and cons of different future land use options. In evaluating planning alternatives for Barrio Logan, several factors must be taken into consideration:

- **Zoning Capacity** – these are maps that indicate the future zoning of each property. While the zoning capacity maps provides an outer envelope for the maximum amount of new development permitted for each block and each property, actual future development almost never reach zoning capacity because some parcels do not change and other are developed or redeveloped to less than their zoned capacity for various reasons (e.g. parking requirements, setbacks, views, light to windows, etc.). The environmental impact evaluation (e.g. traffic generation, water usage, etc.) based upon zoning capacity would invariably overstate the real world future impacts.
- **Market Forecasts** – These are forecasts prepared by the market analyst that predict the likely amount and pace of future development. However, since development tends to occur in cycles, impact assessment based upon market forecast may not adequately protect a community against a period of market exuberance resulting in more than projected development.
- **Planning Alternatives** – The planning alternatives are created not only to represent stakeholder interests but also to protect the community against future adverse effects of overly intensive development. From an environmental impact evaluation perspective (EIR), they can be viewed as the “likely worst case scenario in a real world context.” The amount of future new development tested in the planning alternatives typically exceeds the market forecasts but fall below zoning capacity.

Since the planning team and the community have had over a year of dialogue, substantial consensus had been reached for most of the Barrio Logan Community Plan Area in terms of desired future land uses. The single strongest planning concept to emerge from the numerous community workshops was the creation of a “transition zone” or buffer zone separating the heavy industrial uses related to the Port from the largely residential neighborhoods within Barrio Logan. This transition zone is to be one block in depth located on the northeast side of Harbor Drive and the light rail tracks and is to extend from just below South Evans Street on the northwest to just short of 28<sup>th</sup> Street on the southeast. MIG prepared three sets of maps representing the proposed zoning for three different

alternatives. Because of substantial community consensus, the three zoning alternatives differ only in the proposed land uses within the transition zone.

Informed by the market analysis, MIG's zoning maps and City staff's detailed knowledge of the area, ERA created three sets of planning alternatives for Barrio Logan:

- **Alternative 1 (Base Case)** assumes that structured parking is built within the transition zone. This Alternative has a total of 774,000 square feet of new development including 201,000 square feet of retail, 273,000 square feet of office, 260,000 square feet of light industrial and 40,000 square feet of institutional uses.
- **Alternative 2 (Light Industrial)** assumes that new light industrial development occurs within the transition zone and adds 259,000 square feet of light industrial to Alternative 1 in place of the structured parking.
- **Alternative 3 (Office)** assumes that office development occurs in the transition zone and adds 314,800 square feet of office development to Alternative 1 in lieu of the light industrial in Alternative 2.

The economic impact assessment shown in **Table V-1** below indicates that Alternative III accommodates the most new jobs within Barrio Logan and provides the highest average wages for the new jobs. It no doubt will also generate the highest level of peak hour traffic; and because the amount of office development assumed exceeds the high 20-year market forecast, it will take some time to achieve. Office development in the transition zone, if successful, would tend to enhance surrounding land values, reinforce gentrification, and contain the Port's desire for expansion of industrial uses.

**TableV-1  
SUMMARY OF ALTERNATIVE DEVELOPMENT SCENARIOS FOR BARRIO LOGAN**

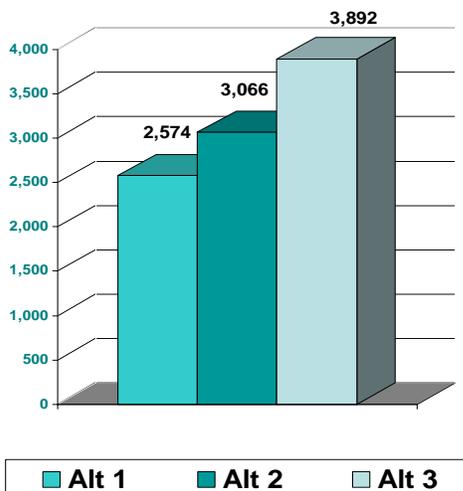
	Retail	Office	Lt Industrial	Institutional	Total
<b>Alternative 1: Base Case – Parking in Transition Zone</b>					
New Development (SF)	201,000	273,000	260,000	40,000	774,000
New Employment	491	1,143	822	118	2,574
Average Wage	\$24,400	\$66,300	\$66,300	\$48,100	\$57,473
Total New Wage (\$1,000)	\$11,980	\$75,781	\$54,499	\$5,676	\$147,936
Percent Earnings Per Dollar of Output	32.87%	46.26%	46.26%	40.52%	44.55%
Total New Output (\$1,000)	\$36,445	\$163,821	\$117,814	\$14,008	\$332,088

<b>Alternative 2: Light Industrial in Transition Zone (259,000 SF)</b>					
New Development (SF)	201,000	273,000	519,700	40,000	1,033,700
New Employment	491	1,143	1,314	118	3,066
Average Wage	\$24,400	\$66,300	\$66,300	\$48,100	\$58,890
Total New Wage (\$1,000)	\$11,980	\$75,781	\$87,118	\$5,676	\$180,555
Percent Earnings Per Dollar of Output	32.87%	46.26%	46.26%	40.52%	44.85%
Total New Output (\$1,000)	\$36,445	\$163,821	\$188,330	\$14,008	\$402,604

<b>Alternative 3: Office in Transition Zone (314,800 SF)</b>					
New Development (SF)	201,000	587,800	260,000	40,000	1,088,800
New Employment	491	2,461	822	118	3,892
Average Wage	\$24,400	\$66,300	\$66,300	\$48,100	\$60,462
Total New Wage (\$1,000)	\$11,980	\$163,165	\$54,499	\$5,676	\$235,320
Percent Earnings Per Dollar of Output	32.87%	46.26%	46.26%	40.52%	45.17%
Total New Output (\$1,000)	\$36,445	\$352,726	\$117,814	\$14,008	\$520,993

Source: ERA|AECOM

**Number of New Jobs Accommodated**



**Average Wage of New Jobs**



ERA's methodology was as follows:

- **Jobs** - Using the square footages by land use for each of the three alternative scenarios, ERA applied jobs per square foot numbers from SANDAG's San Diego Traffic Generators report. These numbers are specific to each land use and to the San Diego region. It should be noted that some of these jobs will not be net new to the region, but can be considered net new to the community.
- **Wages** - ERA obtained 2008 wage data from the Bureau of Labor Statistics for San Diego County. Based upon ERA's projections for broad categories of jobs likely to occur as part of the development scenario, we estimated average wages for each land use, which were applied to yield wage estimates for each alternative. These numbers represent direct wages for positions within Barrio Logan only and do not include any indirect or induced impacts.
- **Output** - Using calculated ratios from RIMS II multipliers from the Bureau of Economic Analysis, ERA calculated the percentage of each industry's output that is attributable to employee earnings. These percentages were applied to the wage data to determine the expected direct output from businesses that would occupy the newly developed space within Barrio Logan.

## VI. Financial Feasibility of Market Rate Prototypes

In order to develop some cost effective community development strategies, the City requested that ERA test the financial feasibility of several development prototypes to determine if the private sector is likely to build such developments. In testing feasibility, we compare recent actual land transaction prices in and around Barrio Logan to what developers of market rate projects would likely be willing to pay for land.

### Recent Property Transactions

As shown in **Table VI-1**, ERA found five property transactions within one-half mile of the intersection of Newton Avenue and Cesar Chavez Parkway. These transactions have all taken place since October of 2008. Since a number of these property transactions included both building and land, it was not possible to obtain a “pure” land value. However, as a benchmark, a \$45 to \$50 per square foot range is a reasonable land value range for Barrio Logan property in the northern portions of the project area

**Table VI-1**  
**SALES COMPS FOR TRANSACTIONS WITHIN HALF MILE OF NEWTON & CESAR CHAVEZ**

Property Description	Date of Sale	Bldg Area (SF)	Land Area (SF)	Sales Price	Sales Price Per SF Bldg Area	Sales Price Per SF Land Area	Comments
Industrial	12/5/2008	NA	182,952	\$9,400,000	NA	\$51.38	Assemblage
Manufacturing	12/5/2008	32,956	41,817	\$2,500,000	\$75.86	\$59.78	Assemblage
Manufacturing	4/2/2009	5,951	7,013	\$1,000,000	\$168.04	\$142.59	None
General Freestanding	6/12/2009	2,576	14,000	\$710,000	\$275.62	\$50.71	None
Auto Repair	10/3/2008	3,000	7,000	\$440,000	\$146.67	\$62.86	Soil contamination
<b>Total</b>			<b>252,782</b>	<b>\$14,050,000</b>		<b>\$55.58</b>	

Source: CoStar Group

### Residual Land Value and Feasibility Determination

In order to estimate what developers would be willing to pay for land in Barrio Logan for new development or redevelopment, ERA used pro forma financial analysis to estimate the “residual land value” based upon the development economics of prototype development projects. Feasibility is determined by comparing supportable residual land value against actual land sales prices. Residual land value is what a developer would be willing to pay for land after all development cost and the required profit are covered. In preparing the development pro formas to compute residual land value, ERA incorporates all of the following variables:

- Parcel land area

- Development program in units and square feet
- Net rentable area
- Gross building area
- Average monthly rent per unit and per square foot
- Rate of rent increase
- Rate of project lease-up
- Direct construction cost for building area and parking spaces
- Indirect construction cost
- Construction financing
- Long-term financing
- Debt coverage ratio in year four (reflect project stabilization)
- Project capitalization rate
- Operating cost and revenue
- Longer loan amortization
- Project terminal value
- Developer's internal rate of return

The development prototypes we tested include:

- Prototype 1 – 66 units of market rate apartments with surface parking
- Prototype 2 – 12 live/work loft apartments with retail space and surface parking
- Prototype 3 – 12 townhouse units with one parking space per unit
- Prototype 4 – A three-story office building with surface parking
- Prototype 5 – A one-story industrial/flex building with surface parking

The analysis results, presented in **Table VI-2** below, show that with current market rents, the residual land value of all these prototypes are well below recent land transaction prices. In other words, none of the prototypes are feasible. Through sensitivity testing, we found that parking requirements and parking cost is a major consideration in determining feasibility. Until land values reach \$85 or \$90 per square foot, the development economics work in favor of surface rather than structured parking. In other words, it is still less expensive to buy more land for parking than to build parking structures. The analysis also shows that the office and small unit loft housing with ground floor retail (assuming strong street retail location) were the prototypes most likely to be constructed as rents increase with economic recovery. This financial analysis reinforces ERA's market analysis findings that Barrio Logan is under pressure from the expansion of Downtown San Diego.

**Table VI-2  
SUMMARY OF RESIDUAL VALUE AND DEVELOPMENT FEASIBILITY FOR MARKET RATE PROTOTYPES**

	Prototype 1 Market Apts	Prototype 2 Live/Work Loft	Prototype 3 Townhouses	Prototype 4 3 Story Office	Prototype 5 Industrial/Flex
<b>Rental Apartment Units</b>	<b>66</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>
<b>Average Unit Size (SF)</b>	<b>856</b>	<b>563</b>	<b>1,700</b>		
<b>Gross Building Area in SF</b>	<b>65,693</b>	<b>14,489</b>	<b>20,400</b>	<b>17,935</b>	<b>12,000</b>
Net Building Area in SF	56,496	12,750	20,400	16,500	12,000
Retail & Restaurant	0	6,000	0	0	0
Office	0	0	0	16,500	0
Industrial/Flex	0	0	0	0	12,000
Residential Apartments	56,496	6,750	20,400	0	0
<b>Total Parking Spaces</b>	<b>70</b>	<b>16</b>	<b>12</b>	<b>48</b>	<b>35</b>
Above Ground Podium	0	0	0	0	0
Ground Level Garage	0	0	12	0	0
Surface Lots	70	16	0	48	35
<b>Total Land Area</b>	<b>90,000</b>	<b>14,000</b>	<b>10,800</b>	<b>24,000</b>	<b>24,000</b>
<b>Estimated Residual Value per SF Land Area</b>					
Alternative A (current market rents)	(\$13.60)	\$17.41	(\$28.15)	\$5.38	\$8.40
Alternativa B (20% above current market rents)	\$6.30	\$46.69	\$28.13	\$48.29	\$25.47
Alternativa B (40% above current market rents)	\$19.84	\$72.32	\$84.42	\$76.09	\$42.55

Source: Economics Research Associates

## Policy Considerations

Since Barrio Logan is well served by public transportation, including bus and light rail service, the reduction of parking requirements for private development is a cost effective way for the community to narrow the feasibility gap in order to encourage private investment. For market rate residential development, ERA would recommend a reduced set of parking standards that bring the requirements to 1.0 to 1.2 parking spaces per residential unit. This policy may be most appropriate for the areas within a half mile of the light rail stations. We would also recommend that the smaller street front retail spaces within mixed use project not have any parking requirement. This set of parking standards will generate more demand for on on-street public parking. To accommodate this additional demand, ERA would also recommend that the City increase the supply of public parking by adding 200 to 300 public parking stalls through a combination of two approaches:

- Convert parallel parking to diagonal parking on streets not critical to through traffic circulation. Such a parking configuration would also reduce through truck traffic on the smaller residential and commercial streets.
- Provide small public parking lots in strategic locations. These would be paid parking lots that would have some spaces that could be leased on a monthly basis with the balance available for hourly parking.

In addition to altering parking standards and using public parking to stimulate private investment, the City or its Redevelopment Agency has several other policy options to stimulate private investment:

- Continue to invest in public infrastructure and amenities.
- Assemble larger parcels to provide better efficiency of development in order to attract more substantial developers.
- Assemble land and then take a “write down” to make projects more feasible for developers by using tax increments from either the project itself or from pooled funds.
- Utilize creative approaches to design for small lot development (e.g. allowing for second unit in the backyard of single family homes).

## VII. Affordable Housing Analysis

ERA modeled seven scenarios (A through G) to evaluate the impact of various policy alternatives regarding density, parking requirements, and affordability restrictions, on the feasibility of a hypothetical affordable housing project. This is not a residual land value analysis because we have incorporated the cost of the land into the development costs. We assume land costs of \$50 per square foot to measure the financing gap generated by each scenario. The amount reported as 'surplus/gap' under each of the different scenarios is the amount of funding which will be required from local or state sources to make the project work. We assumed that the projects are financed with nine percent Low Income Housing Tax Credits (LIHTCs). This type of financing is one of the most powerful financing mechanisms for the construction of affordable housing, but it is also extremely competitive to secure. Only a few projects receive Nine Percent Tax Credit Awards in a given year.

In preparing the affordable housing financial analysis, ERA reviewed the cost and parameters of three affordable housing pro formas recently prepared for the Redevelopment Agency by Keyser Marston Associates for Gateway I Family Apartments, La Entrada Family Apartments and Los Vientos Family Apartments. Our pro forma analysis incorporated the following variables:

- Parcel land area
- Development program in units and square feet
- Net rentable area
- Gross building area
- Average monthly rent and utility payments per unit
- Rate of rent increase
- Direct construction cost for building area and parking stall
- Indirect construction cost
- Construction interest terms and cost
- Construction and permanent financing terms and cost
- Debt coverage ratios
- Operating cost and revenue
- Permanent mortgage amortization
- Developer's fee
- Tax credits basis and pricing
- Awards from other sources such as the Federal Home Loan Bank's Affordable Housing Program

The values of these variables are mainly based on regulations by the California Tax Credit Allocation Committee, which is the organization that oversees the Low Income Housing Tax Credit Program in the State of California.

It is probable that an affordable housing project will be developed as a mixed-use project, which incorporates commercial space. Our analysis excludes commercial space because affordable housing developers and most investors typically separate commercial space from rental apartments, at least on paper, so that even though the spaces may be in the same building, the income from the spaces, and much of the risk, will flow to different entities. By excluding commercial space we are in fact assuming that the commercial space will not generate significant profits which could subsidize the affordable housing project.

The results of the analysis are presented in **Table VII-1**. The first part of the table describes the main characteristics of each scenario. The scenarios seek to capture the effect on project feasibility of changing the project size (i.e. lot size), as well as its density, parking requirements, and affordability. The following are the main conclusions of the analysis:

- Substantial local subsidies will be needed. Most affordable housing projects financed with Low Income Housing Tax Credits (LIHTC) require a commitment of local sources. The gap shown in each of the different scenarios presented can be thought of as the amount that the local agencies will have to provide to make the project feasible. Under the assumptions described above, Scenario D (larger project with 129 units, moderately affordable for people earning 60 percent of the Area Median Income [AMI]<sup>4</sup> and tuck under parking) appears to be

<sup>4</sup> The U.S. Department of Housing and Urban Development (HUD) publishes annual Income Limits applicable to low income housing funded with tax credits (LIHTC projects). The California Tax Credit Allocation Committee (CTCAC) utilizes the information published by HUD to calculate maximum rents and income limits for California LIHTC projects. CTCAC publishes maximum rents and income limits adjusted for household size for 58 counties in California. These maximum rents, adjusted for utility allowances, are used by affordable housing developers as guidelines for establishing rents for affordable housing units that qualify for Low Income Housing Tax Credits. The published gross maximum rents for the County of San Diego are as follows:

	Efficiency	1 BR	2 BR	3 BR	4 BR	5 BR
<b>100% Income Level</b>	\$1,444	\$1,548	\$1,856	\$2,146	\$2,394	\$2,642
<b>60% Income Level</b>	\$867	\$929	\$1,114	\$1,288	\$1,437	\$1,585
<b>55% Income Level</b>	\$794	\$851	\$1,021	\$1,181	\$1,317	\$1,453
<b>50% Income Level</b>	\$722	\$774	\$928	\$1,073	\$1,197	\$1,321
<b>45% Income Level</b>	\$650	\$696	\$835	\$966	\$1,077	\$1,189
<b>40% Income Level</b>	\$578	\$619	\$743	\$859	\$958	\$1,057
<b>35% Income Level</b>	\$505	\$542	\$650	\$751	\$838	\$924
<b>30% Income Level</b>	\$433	\$464	\$557	\$644	\$718	\$792

- the most financially feasible given that it has the lowest gap per unit. However, this project is only feasible because it is not deeply affordable. This puts the project at a disadvantage when applying for nine percent tax credits which are extremely competitive. In order to be competitive a project needs to be more affordable than the minimum required.
- Deeply affordable projects (i.e. a project where all rents are restricted to households earning 30 percent or less than the area median income) will require operating subsidies in addition to capital contributions. Scenarios E and F, where rents are restricted at 30 percent of AMI, fail to generate positive cash flow from year one. Reducing the rent affordability (i.e. restricting rents at 60 percent of AMI), such as in Scenarios C and D, allows projects to generate positive cash flow and to repay deferred developer fee and perhaps repay some of the local conditional loans. However, decreasing affordability reduces the chances that the project will receive a tax credit allocation. Allocations of nine percent tax credits tend to favor projects that are more affordable (more affordable projects score higher during the application process). These contradictory forces can be overcome by creating projects with more units. See below.
  - Increasing density does not make projects more feasible if parking requirements are not relaxed. Scenarios B and C, and E and F compare projects of similar affordability levels. Scenarios B and E have a 25 percent density bonus and Scenarios C and F have a 75 percent density bonus. In our analysis, Scenarios C and F are less feasible than B and E respectively because we have assumed that, due to parking requirements, as density increases it becomes necessary to build podium parking which tends to drive prices up. If parking minimums were relaxed and density increased, the projects with higher density would be more feasible than those with lower density.
  - Projects with fewer than 40 units are difficult to finance. Some development costs such as attorney, developer, and syndication fees do not vary by size of the project. Therefore, costs are higher on a per unit basis. Also, smaller projects generate less rent revenue which limits the ability of the developer to cover operating expenses and to increase the affordability of the project (a developer has to charge the highest rents possible to make the project feasible). Affordable housing projects typically consist of 80 to 125 units. Scenarios D and G present hypothetical developments of 129 units (23 units per acre). Both of those projects

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In a nutshell, we are using County AMI when calculating baseline rents. This is per CTCAC regulations. The only other CTCAC requirement is that rents for low-income units that receive LIHTCs must be 10% below market rents. 'Market rents' are established by a market study of the area. The market area in this case is to be defined by the analyst taking into account the demographic and socio-economic characteristics, target tenant population, political jurisdictional boundaries, natural boundaries, experience of nearby comparable developments, accessibility to mass transit or key transportation corridors and commute patterns, and market perceptions.

require lower per unit subsidies than projects with similar affordability restrictions (Scenario D vs. Scenarios B and C, and Scenario G vs. Scenarios E and F). Increasing the number of units in the project allows the developer to maintain deep affordability levels and still produce positive cash flows through year 14 (e.g. Scenario G).<sup>5</sup>

## Policy Considerations

Based on the analysis of affordable housing scenarios ERA would recommend the following:

- Set flexible affordability targets. Setting affordability restrictions too low limits the feasibility of projects.
- Reduce parking standards that bring the requirements to 1 to 1.2 parking spaces per unit.
- Set aside funds for affordable housing development. State funds for affordable housing such as Prop 1C funds are becoming scarce and there is no prospect for new funds at the state level given the budgeting issues in California. Affordable housing development will increasingly depend on local funds to bridge the funding gaps.
- Assemble larger parcels to enable development of projects with more units. Increasing density could also help, but it also requires relaxing parking requirements.

**Table VII-2** illustrates the impact that these policies could have. Reducing the parking requirement so that a higher density project would not require podium parking reduces the amount of local subsidies needed significantly (see Scenario C two alternatives). Increasing the size of the project to 129 units on 3 acre lots and reducing parking requirements would allow the developer to have a project that is feasible in the long run (i.e. demonstrates positive cash flow through year 30) and still maintain the project at a relatively low average affordability by restricting rents from 30 to 60 percent AMI (see Scenario G two alternatives).

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<sup>5</sup> Most lenders and funding sources would require 20 or 30 years of positive cash flow.

Table VII-1  
SUMMARY OF AFFORDABLE HOUSING SCENARIOS FOR BARRIO LOGAN

Scenario	A	B	C	D	E	F	G
Site Area (SF)	14,000	14,000	14,000	130,680	14,000	14,000	130,680
Description	25% Density Bonus	50% Density Bonus	75% Density Bonus	No Density Bonus	50% Density Bonus	75% Density Bonus	No Density Bonus
Affordability/Type	120% AMI For Sale	60% AMI Rental	60% AMI Rental	60% AMI Rental	30% AMI Rental	30% AMI Rental	30% AMI Rental
Total Units	17	21	25	129	21	25	21
Parking Spaces per Unit	2	1.60	1.59	1.59	1.60	1.59	1.59
<b>Sources of Funding</b>							
Unit Sales/Permanent Loan	\$5,516,281	\$1,860,212	\$2,216,749	\$11,423,695	\$415,025	\$495,143	\$2,547,732
Low Income Tax Credits (9%)	\$0	\$3,708,042	\$4,435,138	\$22,770,584	\$3,708,042	\$4,435,138	\$22,770,584
Affordable Housing Program	\$0	\$168,000	\$200,000	\$1,000,000	\$168,000	\$200,000	\$1,000,000
Deferred Developer Fee	\$0	\$358,028	\$455,310	\$1,000,000	\$358,028	\$455,310	\$1,000,000
Total Sources	\$5,516,281	\$6,094,281	\$7,307,197	\$36,194,279	\$4,649,095	\$5,585,591	\$27,318,317
<b>Uses of Funding</b>							
Development costs <sup>1</sup>	\$6,891,416	\$7,040,115	\$8,746,786	\$41,700,669	\$7,040,115	\$8,746,786	\$41,700,669
per Net Sq. Ft.	\$574	\$444	\$463	\$428	\$444	\$463	\$428
<b>Gap/Surplus</b>							
Per Unit	(\$1,375,135)	(\$945,834)	(\$1,439,588)	(\$5,506,390)	(\$2,391,021)	(\$3,161,195)	(\$14,382,352)
Per SF Site Area	(\$98)	(\$68)	(\$103)	(\$42)	(\$171)	(\$226)	(\$110)
<b>Cash Flow</b>							
Project generates cashflow through		Year 30	Year 30	Year 30	Year 0	Year 0	Year 14
<b>Per Unit Costs</b>							
Direct Costs	\$239,815	\$209,381	\$226,466	\$209,378	\$209,381	\$226,466	\$209,378
Indirect Costs	\$95,830	\$69,905	\$72,037	\$43,816	\$69,905	\$72,037	\$43,816
Financing Costs	\$28,556	\$22,625	\$23,368	\$19,416	\$22,625	\$23,368	\$19,416
Development Costs w/o land	\$364,201	\$301,910	\$321,871	\$272,610	\$301,910	\$321,871	\$272,610
Development Costs w/ land	\$405,377	\$335,244	\$349,871	\$323,261	\$335,244	\$349,871	\$323,261
<b>% of Total Costs</b>							
Direct Costs	66%	69%	70%	77%	69%	70%	77%
Indirect Costs	26%	23%	22%	16%	23%	22%	16%
Financing Costs	8%	7%	7%	7%	7%	7%	7%

<sup>1</sup> Includes land costs at \$50/sq.ft. Does not account for prevailing wages.

**Table VII-2  
Policy Changes Impacts on Affordable Housing Development**

Scenario	C	C (w/ lower parking)	G	G (w/ lower parking and mixed affordability)
<b>Site Area (SF)</b>	<b>14,000</b>	<b>14,000</b>	<b>130,680</b>	<b>130,680</b>
<b>Description</b>	<b>75% Density Bonus</b>	<b>75% Density Bonus</b>	<b>No Density Bonus</b>	<b>No Density Bonus</b>
<b>Affordability/Type</b>	<b>60% AMI Rental</b>	<b>60% AMI Rental</b>	<b>30% AMI Rental</b>	<b>36% AMI</b>
<b>Total Units</b>	<b>25</b>	<b>25</b>	<b>21</b>	<b>129</b>
<b>Parking Spaces per Unit</b>	<b>1.59</b>	<b>1.04</b>	<b>1.59</b>	<b>1.05</b>
<b>Sources of Funding</b>				
Unit Sales/Permanent Loan	\$2,216,749	\$2,216,749	\$2,547,732	\$4,423,061
Low Income Tax Credits (9%)	\$4,435,138	\$4,435,138	\$22,770,584	\$22,770,584
Affordable Housing Program	\$200,000	\$200,000	\$1,000,000	\$1,000,000
Deferred Developer Fee	\$455,310	\$415,796	\$1,000,000	\$1,000,000
Total Sources	\$7,307,197	\$7,267,683	\$27,318,317	\$29,193,645
<b>Uses of Funding</b>				
Development costs <sup>1</sup>	\$8,746,786	\$8,040,288	\$41,700,669	\$41,017,050
per Net Sq. Ft.	\$463	\$426	\$428	\$421
<b>Gap/Surplus</b>	<b>(\$1,439,588)</b>	<b>(\$772,605)</b>	<b>(\$14,382,352)</b>	<b>(\$11,823,405)</b>
Per Unit	(\$57,584)	(\$30,904)	(\$111,491)	(\$91,654)
Per SF Site Area	(\$103)	(\$55)	(\$110)	(\$90)
<b>Cash Flow</b>				
Project generates cashflow through	Year 30	Year 30	Year 14	Year 30
<b>Per Unit Costs</b>				
Direct Costs	\$226,466	\$204,728	\$209,378	\$204,783
Indirect Costs	\$72,037	\$67,301	\$43,816	\$43,483
Financing Costs	\$23,368	\$21,582	\$19,416	\$19,045
Development Costs w/o land	\$321,871	\$293,612	\$272,610	\$267,310
Development Costs w/ land	\$349,871	\$321,612	\$323,261	\$317,962
<b>% of Total Costs</b>				
Direct Costs	70%	70%	77%	77%
Indirect Costs	22%	23%	16%	16%
Financing Costs	7%	7%	7%	7%

<sup>1</sup> Includes land costs at \$50/sq.ft. Does not account for prevailing wages.

## General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates, an AECOM company (ERA) and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of August 2009 and Economics Research Associates has not undertaken any update of its research effort since such date.

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