Sacramento Housing & Redevelopment Agency

REPORT TO CITY COUNCIL
City of Sacramento
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Staff Report
February 10, 2009

Honorable Mayor and
Members of the City Council

Title: Inclusionary Housing Workshop

Location/Council District: Citywide

Recommendation: Review results of economic analysis and neighborhood research. Provide direction on potential framework for changes to Mixed Income Housing (Inclusionary) Ordinance.

Contact: Lisa Bates, Deputy Executive Director, 440-1330, Cindy Cavanaugh, Assistant Director, 440-1317

Presenters: Emily Halcon, Management Analyst

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In updating the City of Sacramento's Housing Element over the past year, inclusionary housing policies and practices have consistently risen to the top as needing additional analysis and broader, deeper conversation. Council members have expressed interest in modifying the City's current inclusionary approach to meet City Housing Element goals, including:

- Expanding the application of inclusionary housing beyond the current "New Growth" boundaries;
- Encouraging inclusionary homeownership opportunities and increasing equity share for homeowners;
- Providing additional options for the development of inclusionary housing, especially for small developers and infill developers; and
- Diversifying inclusionary housing outcomes, such as promoting smaller, mixed-income rental developments.

This report builds on the May 2007 assessment that showed a highly productive inclusionary program that worked well for large developers in greenfield areas of the City during a period of strong and unique market conditions. It was less successful in producing affordable ownership units, or in providing meaningful options for smaller developments. This report presents additional information

(listed below and detailed in Attachment 1) to help inform the Council discussion on potential changes:

- An economic analysis prepared by Bay Area Economics that tests the feasibility of adding inclusionary options to several housing prototypes;
- A neighborhood characteristics survey that looks at relevant demographic and housing information;
- A review of other jurisdictional approaches to inclusionary housing; and
- Feedback from community and neighborhood groups on potential strategies and processes for changing the ordinance.

While conclusions are not uniform or entirely straightforward, staff has learned the following from these studies and outreach:

1. The economic analysis is limited because new housing development is infeasible in the current market, but additional inclusionary requirements could delay market recovery. The impact of inclusionary requirements among several prototypes is greater for small development and for dense, infill development. It also confirms rental as the most feasible option and suggests that a higher income target for homeownership is appropriate.
2. Neighborhoods vary greatly by growth potential, tenure, market prices, income and poverty levels thereby necessitating multiple housing strategies that not only enhance affordability in new developments but encourage rehabilitation of aging housing stock and improve overall neighborhood conditions in weaker housing markets.
3. To meet varying development and neighborhood conditions and to function in both strong and weak markets (and periods), a more flexible inclusionary program may be desirable. Examples of flexible policies seen in other jurisdictions include: targeting moderately affordable units in its for-sale products, allowing alternative options such as fees for some developments, and exempting some areas of the City or types of developments.

Developing realistic or productive ordinance modifications is challenging given these extraordinary times of real estate and economic uncertainty. Policy changes can impact market recovery. In addition, it is difficult to formulate options that will be viable under market conditions that do not currently exist. For these reasons, staff offers three policy alternatives:

1. Maintain current ordinance and revisit changes when market stabilizes;
2. Make ordinance changes that improve flexibility and homeownership outcomes, but do not change geographic application until market stabilizes.
3. Make ordinance changes as in option two, but expand geographic application of ordinance.

Should the Council wish to pursue ordinance changes, this report offers a beginning policy framework that allows for more exemptions and options than the current ordinance, recognizing the diversity of land, housing, and neighborhoods

that would be captured in a citywide approach. Key features of the suggested approach include:

- Increase exemptions for projects and areas. Exempt certain geographic areas, such as areas with high poverty concentrations or redevelopment areas meeting their affordable housing obligations within their boundaries. Increase the threshold for small project exemptions, currently at nine units.
- Create more compliance options, such as an in-lieu fee and/or compliance by building unregulated housing that achieves affordability through design or by location. Use the in-lieu fee to achieve other goals, such as deepening affordability in rental projects, allowing an equity share for homeowners while continuing affordability for homeownership units, and/or improving tenant services in multifamily developments
- Modify homeownership options to enhance feasibility, including targeting households with moderate incomes. Allow owners to achieve equity more comparable to the marketplace.

Staff is seeking feedback on the general policy direction, and, if changes are desired, on the approaches for improving flexibility and for expanding the ordinance citywide. If Council wishes to move forward with policy alternatives two or three on page two, staff recommends that a well defined stakeholder group which includes neighborhood representatives, builders, and advocacy groups be appointed to work out the details of several key provisions, such as exemptions, options and targeting.

Policy Considerations: Provision of affordable housing and creation of integrated communities are City of Sacramento priorities that the inclusionary housing program seeks to address. Program five of the Housing Element of the 2030 General Plan notes the importance of Inclusionary Housing and commits the City to exploring possible expansion of the ordinance citywide. This workshop begins that discussion with the Council, stakeholders and the community.

Environmental Considerations:

California Environmental Quality Act (CEQA): This is not a project as defined by the California Environmental Quality Act (CEQA) [CEQA Section 21065 and CEQA Guidelines Section 15378 (b)(4)].

Sustainability Considerations: The items discussed through the Inclusionary Housing Workshop are consistent with the goals, policies and targets of the City of Sacramento Sustainability Master Plan. Inclusionary housing policies help implement the Sacramento Area Council of Government (SACOG) Blueprint, a target of the "Urban Design, Land Use, Green Building and Transportation" focus area of the master plan by ensuring that new residential projects include units affordable to a diverse range of income groups.

Committee/Commission Action: Staff presented this report to the Sacramento Housing and Redevelopment Commission on February 4, 2009, and will be presenting it to the City of Sacramento Planning Commission on February 12, 2009. Staff will report out on any comments from the SHRA Commission during the Council workshop and on any comments from the Planning Commission at future Council discussions.

Rationale for Recommendation: As required in the recently adopted 2008-2013 Housing Element, staff is asking for initial Council input and direction on changes to the Inclusionary Ordinance.

Financial Considerations: There are no financial impacts associated with the Inclusionary Housing workshop.

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:_____
LA SHELLE DOZIER
Executive Director

Recommendation Approved:

_____
RAY KERRIDGE
City Manager

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Background

Economic Impact Analysis

Purpose. To understand the fiscal impacts on developments subject to inclusionary requirements, the Sacramento Housing and Redevelopment Agency (SHRA) commissioned Bay Area Economics (BAE) to complete an economic impact analysis of the current ordinance requirements and potential ordinance changes. Complete results and narrative findings are included in Exhibit A to this attachment.

Economic impact analyses are typically used as a tool to inform communities considering adoption of inclusionary policies. For the City of Sacramento, which already has a performing policy, the analysis is being used to explore potential changes to the current ordinance and potential expansion of the ordinance beyond the "New Growth" areas. The goals of the analysis included determining

- Homeownership income targets that are more economically viable;
- Potential impact of an inclusionary requirement outside the New Growth areas and;
- An appropriate "in-lieu" fee alternative.

Methodology. BAE first established an advisory panel of local land developers, builders, and housing professionals to review and comment on the analysis throughout the process. Using actual cost and building parameters from the advisory panel, BAE created five base prototype developments representative of typical for-sale developments you might find in Sacramento. The prototypes capture the differences inherent in residential developments based on location, density and development type, as follows:

- Small, single family detached subdivision, less than 30 units;
- Planned unit development (PUD) detached single family subdivision;
- PUD "cluster" (small lot) detached single family subdivision;
- Suburban condominium (low rise); and
- Urban condominium (mid rise).

Each prototype was "tested" against various affordable policy requirements, including no obligation, compliance with the current inclusionary policy, and a range of five alternative obligations. The analysis assumes current development standards and a market profit of twelve percent, and calculates the market sales prices that would be necessary for the project to support the various inclusionary alternatives. The analysis further tests the impact of an "in-lieu" fee alternative on each prototype, at varying amounts.

Findings. After running over forty models, BAE found that, given the deteriorating residential market and based on the theoretical prototypes, *no* new housing development was feasible, including development with no inclusionary requirement. Despite this, the results still provide insight into potential ordinance changes that could allow for better outcomes when the market recovers and that could more appropriately address the varying needs of developers citywide.

First, the analysis confirms that, if based solely on economic, large planned unit developments (PUDs) with multiple zoning designations will likely choose partnering to build a multi-family rental project if given the choice. Even if income limits are raised for for-sale inclusionary units, PUDs with large obligations will still fare better by providing rental inclusionary units with lower income limits. Building rental inclusionary units on- or off-site benefits the master developer in terms of land subsidy (higher density product requires less land) and funding availability (rental projects can access federal, state and local resources not available for sale projects).

Second, the analysis demonstrates more viable alternatives for smaller developments, including condominium and infill developments, which might not be able to access the multi-family partnership model. While none of the alternatives allow for high profitability in the current market, it is clear that increased income targeting, which allows for higher sales prices, benefits those developers providing inclusionary units on-site as for-sale units. Further raising homeownership income targets will not bring parity to the rental and ownership options, but will help narrow the gap, and allow meaningful alternatives for both developers of for-sale products and (with modifications to equity share) for homebuyers.

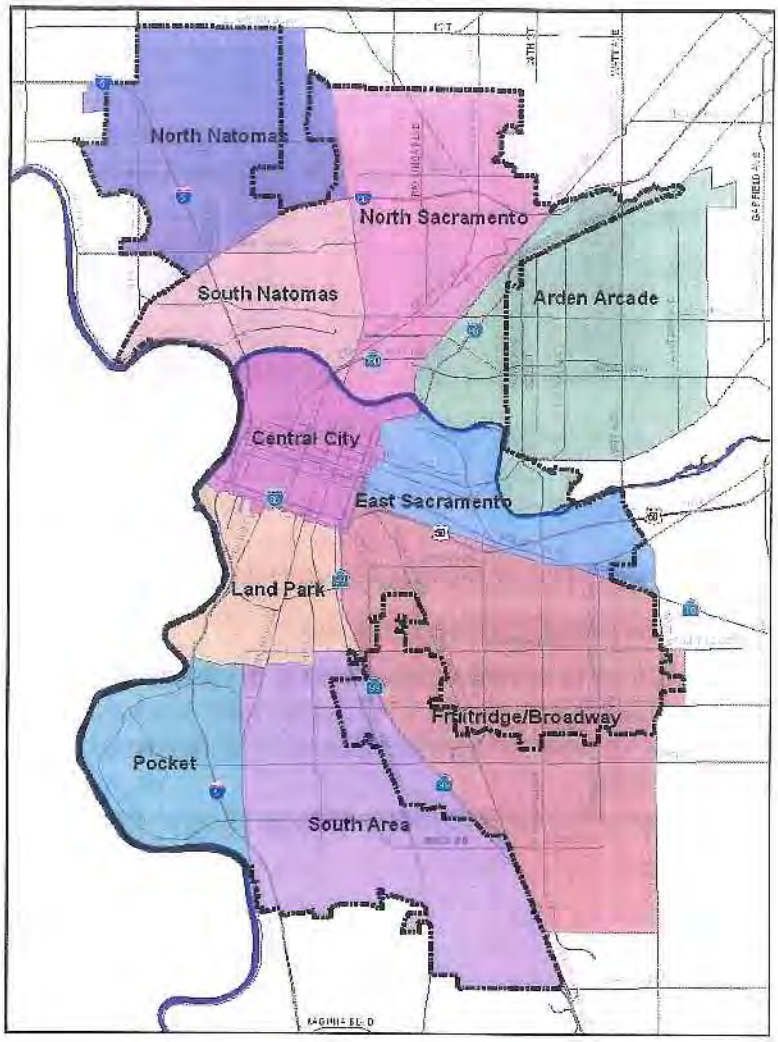
Finally, the analysis outlines potential in-lieu fee alternatives that can dually serve as an alternative for the smaller, infill developments and provide funding to deepen affordability in rental housing or to ensure long term affordability in for-sale housing. In-lieu fee methodologies vary greatly; jurisdictions may peg in-lieu fees as full cost recovery for an affordable unit or as a portion of the affordable subsidy, or anywhere in between. Lower per unit fees are not only more financially feasible for the development's bottom line, but also enhance the parity of the fee option with the rental partnership model.

Neighborhood Characteristics

To provide context for a review of the inclusionary program, this analysis compares certain relevant characteristics of each of the City's 10 Community Plan Areas (CPAs)

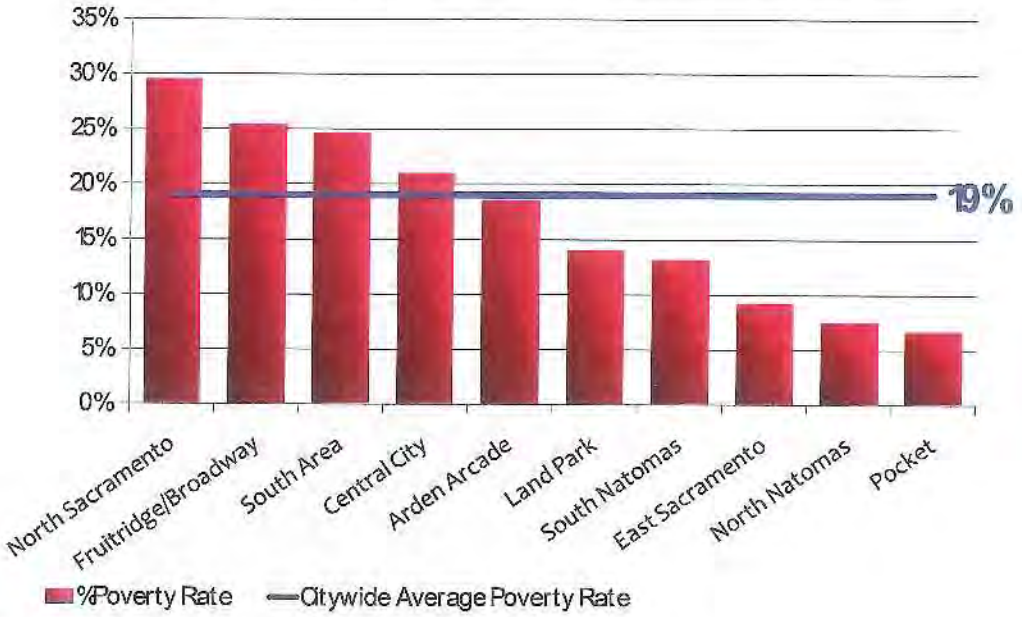
Community Plan Areas

- The City is divided into 10 CPAs, several of which extend beyond City boundaries.
- For purposes of this analysis, CPA areas outside City boundaries are excluded, with the exception of planned developments surrounding North Natomas.
- CPAs range in size from 6,200 housing units inside City limits (Arden Arcade) to 30,000 units (South Area). Average size is just under 18,000 housing units.



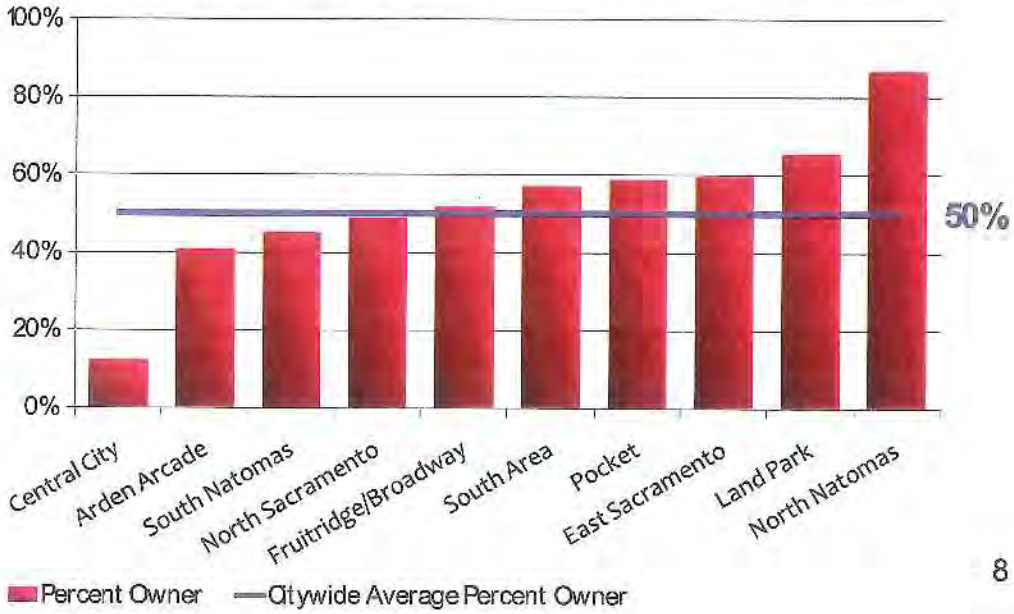
Poverty Rates Vary Widely

- Citywide poverty rate is 19 percent, compared to 13.6 percent for Sacramento County, 12.7 percent for the Sacramento metropolitan area, 13.2 percent for California, and 12.7 percent for the nation.
- Data are derived from the 2000 Census, so are unreliable for North Natomas, which has experienced rapid growth since that time.



Homeownership Varies by Area

- Citywide homeownership rate is 50 percent, compared to 58.2 percent for Sacramento County, 61.3 percent for the Sacramento metropolitan area, 56.9 percent for California, and 66.2 percent for the nation. (Source: 2000 Census)
- Areas with higher poverty tend to have lower homeownership rates.

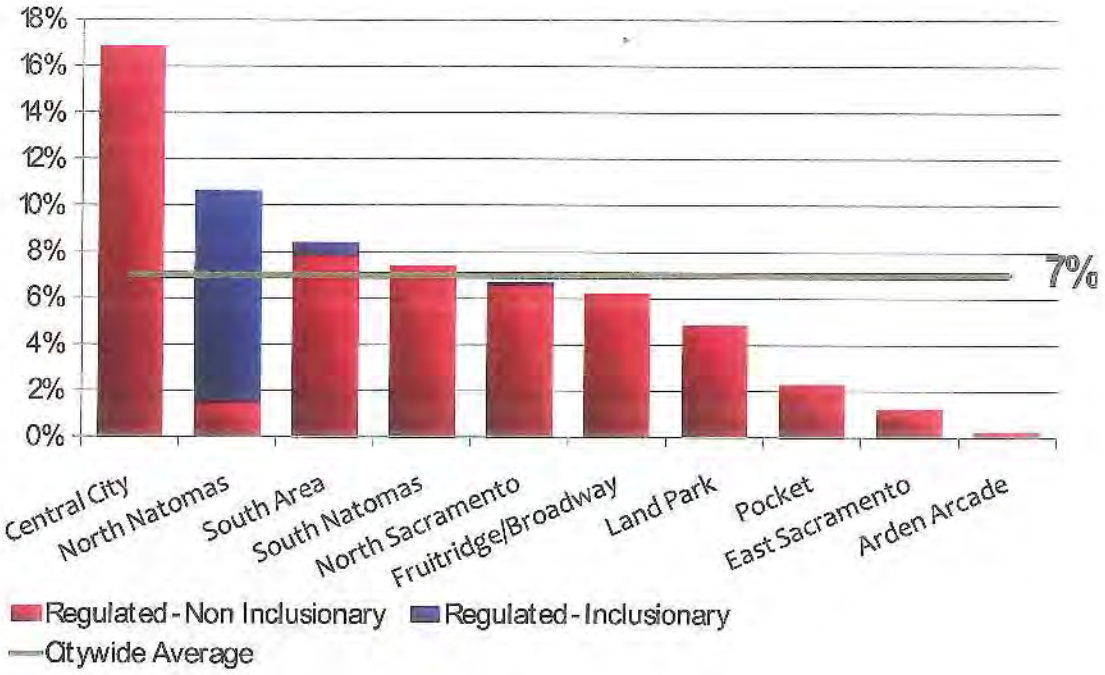


Housing Affordability has Increased in Many Areas

- Rental data is not available by CPA, but the average effective rent in the Sacramento Metropolitan Area in the third quarter of 2008 was $930/month (Source: Marcus & Millichap). This was affordable to a family of four making 80 percent of Area Median Income (AMI), but not affordable to a family of four making 50 percent of AMI.
- Home prices tend to be more naturally affordable in low income/high poverty areas, with average third quarter 2008 prices below the affordable sales price for a family of four making 80 percent of AMI in half of the CPAs in the City. (Source: SHRA analysis of data from Trulia.com)

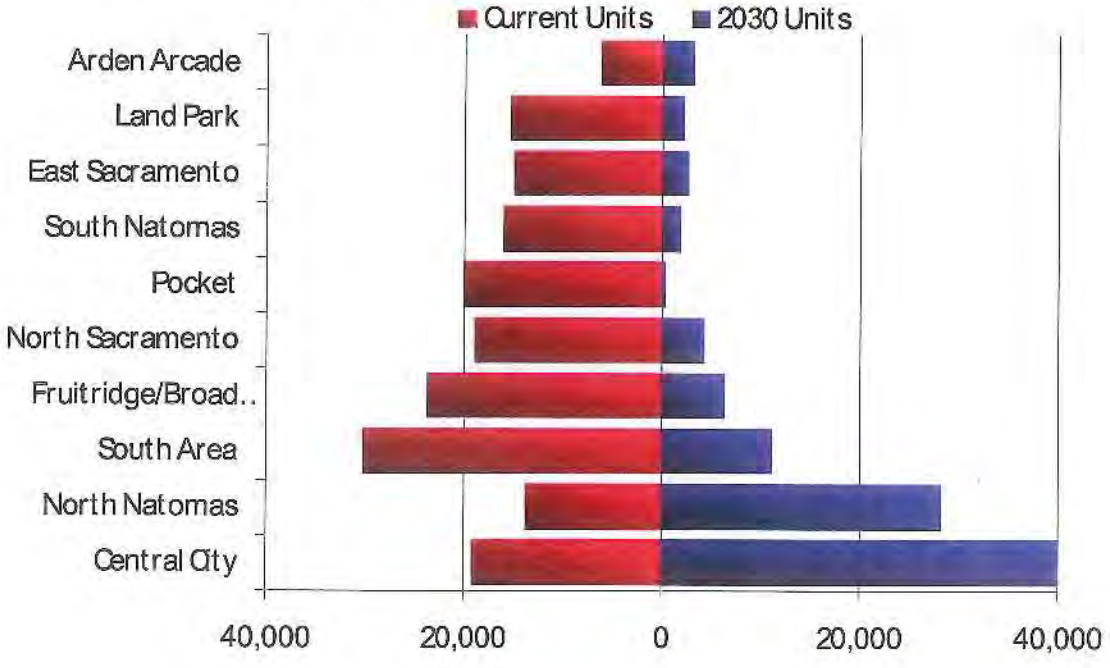
Regulated Affordable Units Exist Throughout the City

- About seven percent of housing units in the City have affordability restrictions. (Source: City Long Range Planning and SHRA)
- The highest percentage of regulated units (almost 18 percent) exists in the Central City, followed by the CPAs that contain New Growth Areas that are currently subject to the City's inclusionary ordinance.
- Older, wealthier areas of the City tend to have fewer regulated units.



Opportunities for Growth Are Limited in Some Areas

- Older areas of the City, including wealthier areas, tend to have little opportunity for growth. The following chart shows existing housing units and growth potential for each area based on General Plan projections. (Source: City Long Range Planning and SHRA)



Limited Growth Opportunity Limits Possible Effect of Citywide Inclusionary

- If a 15 percent inclusionary requirement were immediately implemented citywide, and ALL new regulated units were built pursuant to the inclusionary ordinance, some areas of the City would not see an appreciable change in the percentage of regulated units by 2030, due to low expected growth rates. (Source: SHRA)
- This analysis does not include likely affordable units to be produced in infill areas via redevelopment, preservation, and rehabilitation activities, nor does it reflect units that may have greater affordability due to their location.

CPA	Current % of Units Regulated	% of All Units Regulated by 2030 if 15% of New Units Regulated
Arden Arcade	0.2%	5.2%
Central City	17.7%	15.9%
East Sacramento	1.2%	3.3%
Fruitridge/Broadway	6.2%	8.1%
Land Park	3.7%	5.1%
North Natomas	9.4%	13.2%
North Sacramento	7.6%	8.9%
Pocket	2.3%	2.5%
South Area	8.4%	10.2%
South Natomas	7.4%	8.2%

Lessons Learned from the Data

1. Housing affordability, homeownership rates and poverty vary greatly among neighborhoods of City.
2. Some areas of the City have very high rates of poverty. These areas also have low homeownership rates and higher levels of "natural affordability".
3. The existing inclusionary ordinance has helped to extend affordability to New Growth areas of the City. The effect on the distribution of incomes throughout the City will not be known until after the next Census.
4. Regulated units exist and continue to be built citywide even without a citywide inclusionary ordinance as a function of financing programs and proactive policies and programs.
5. Limited opportunities for growth in established areas might limit the net impact of a citywide ordinance.

Other Jurisdictional Approaches

The table below gives comparable details on inclusionary ordinances throughout the State of California. Staff surveyed all mandatory ordinances in the Sacramento region, as well as eleven other ordinances in major metropolitan areas (San Francisco and San Diego) and in jurisdictions somewhat comparable in population to Sacramento. The table not only captures requirements and alternatives of the ordinances, but also production of affordable units as a result of the ordinance. All of the ordinances are unique, reflecting local development and political landscapes, and the nuances of each ordinance and each jurisdiction make them difficult to compare.

Overall, the review highlights several characteristics that may help frame changes to Sacramento's ordinance.

- Of the 17 jurisdictions surveyed, only four target homeownership inclusionary units below 80 percent area median income (AMI), including Sacramento City. Two of those four have a "sliding" scale, allowing for a lesser obligation overall in exchange for the deeper targeting.
- Eleven of the 17 jurisdictions target homeownership inclusionary units at 100 percent AMI or greater, up to 160 percent AMI.
- Only two of the jurisdictions surveyed (City of Sacramento and City of Folsom) have no in-lieu fee alternative, although many of the jurisdictions with in-lieu fees restrict access to this option based on obligation size, location or tenure.
- In-lieu fee amounts varied widely, with some calculated based on square footage of the market units, some on a percentage of market price or construction costs and some on the total number of market units. For those based on number of market units, the fees ranged from $4,518 per market unit (Salinas) to $74,942 per market unit (San Francisco).
- Most ordinances offered additional alternatives to constructing and in-lieu fees, including land dedication, rehabilitation, and off-site construction.

In addition to these commonalities, some ordinances have unique features that might be of interest as Sacramento contemplates changes.

- Pasadena, Salinas and Carlsbad "tier" their obligations, allowing for a lesser obligation for deeper affordability.
- San Diego has an exemption for "naturally" affordable projects whose market prices are at or below 150 percent AMI.
- Davis has an additional "middle income" requirement of 10 to 20 percent at 120 to 180 percent AMI for ownership projects.
- Woodland allows incomes for ownership projects to be greater than the targeted sales price, thus expanding potential buyer pools.

- Berkeley allows condominium projects to be rented at an affordable rent until affordable sales are feasible.
- Concord and San Diego both have provisions that allow exemptions for projects in redevelopment areas.
- Pasadena "tiers" its in-lieu fee to four sub-markets of the City, reflecting different land values among the four areas.

		INCLUSIONARY OBLIGATION [1]				PRODUCTION [2]			ALTERNATIVE COMPLIANCE OPTIONS					
	MIN. PROJECT SIZE	FOR SALE		FOR RENT		FOR SALE	FOR RENT	IN-LIEU FEES [3]	OFF-SITE BUILD	LAND?	REHAB?	IN-LIEU FEES		YEAR ADOPTED
		Percent	Income	Percent	Income							Available?	Amount [4]	
City of Sacramento	10	10% 5%	50% 80%	10% 5%	50% 80%	190	1,172	-	YES	YES	NO	NO	N/A	2000
Sacramento County [5]	5	15%	80%	3% 6% 6%	30% 50% 80%	41	211	$1.2 mil.	YES	YES	YES	< 100 units -or- < 20 acres	$10,000	2004
Folsom	10	10% 15%	50% 80%	10% 5%	50% 80%	73	114	-	YES	YES	YES	NO	N/A	2002
Davis	5	25%	Average to 100%	25% 10%	80% 50%	970		-	NO	YES	NO	Projects <15 units in downtown	$9,375	1987
West Sacramento	2	10% 5%	120% 80%	5% 5% 5%	50% 60% 110%	78	392	Added to HTF	YES	NO	NO	2-9 units -or- fractional units	$21,610	2005
Woodland	8(owner) 10 (rental)	10%	80% (income to 120%)	10% 20% -or- 25%	80% 50% 50%	68	200	-	NO	YES	NO	YES – initiated by City	Market value – 80% AMI sales price	2003
San Francisco	5	15%	Average to 100%	15%	Average to 60%				YES	NO	YES	YES	$30,592 - $74,942	1992
Berkeley	5	20%	80%	10% 10%	50% 80%				NO	NO	NO	YES – condo only	62.5% of market - IH price	1986
Fremont	7	15%	110%	9% 6%	50% 60%	93	1	-	YES	YES	NO	YES – sale, large lot, low density sites only	$39,077	2002
Concord	5	10% -or- 6%	120% 80%	10% -or- 6%	80% 50%	≈ 30	-	-	YES	NO	YES	5-9 units -or- < 20 acres	$4,903 (rental) $17,660 (owner)	2004

	MIN. PROJECT SIZE	INCLUSIONARY OBLIGATION [1]				PRODUCTION [2]			ALTERNATIVE COMPLIANCE OPTIONS					YEAR ADOPTED
		FOR SALE		FOR RENT		FOR SALE	FOR RENT	IN-LIEU FEES [3]	OFF-SITE BUILD	LAND?	REHAB?	IN-LIEU FEES		
		Percent	Income	Percent	Income							Available?	Amount [4]	
Napa	1	10%	120%	5% 5%	50% 80%				YES	YES	NO	YES (limited access for multifamily)	1%–2% of const. costs/sq. ft.	1992
Santa Rosa	1	15%	80%	15%	80%	47	72	-	YES	YES	NO	YES	$742-$33,075	1992
Salinas [6]	10	20% - 35%	50% - 160%	20%-35%	50% - 160%				NO	YES	NO	YES – for VLI and LI only, with land ded.	$4,518 - $14,748	1992
Monterey County	5	8% 6% 6%	120% 80% 50%	8% 6% 6%	120% 80% 50%				YES	NO	NO	2-4 units -or- fractional units	$36,727 - $67,927	1980
Pasadena	4	15%	80% - 120%	10% 5%	80% 120%	94	357	$13 mil.	YES	YES	YES	YES	$1.07 - $56.56 per sq. ft.	2001
Carlsbad	1	15%	80%	15%	80%	465	1,516	-	YES	NO	YES	1-6 units	$4,615	1993
San Diego		10%	100%	10%	65%				YES		NO	YES	$.50 - $2.50 per sq. ft.	1992

INFORMATION COMPILED BY SHRA STAFF THROUGH CONTACT WITH JURISDICTIONAL STAFF AND IS AS ACCURATE AND COMPLETE AS POSSIBLE. SUMMARIZING OF ORDINANCE CHARACTERISTICS MAY NOT BE ABLE TO CAPTURE ALL THE NUANCES AND OPTIONS; FOR COMPLETE INFORMATION, PLEASE CONSULT THE LOCAL JURISDICTION AND/OR THE PARTICULAR ORDINANCE.

[1] Income limits for inclusionary units are a percentage of Area Median Income (AMI).
[2] In some cases, includes units produced through in-lieu fees.
[3] In-lieu amount is the amount per market rate unit. Because some ordinances calculate fees per affordable unit, this calculation is based on build out assumptions/requirements in the ordinances, and may not be exact.
[4] In-lieu fees collected, but not spent or allocated for a specific project
[5] Sacramento County primarily reaches extremely low income (30% AMI) through the "buy down" of very low income units in rental projects, using in-lieu fees.
[6] Salinas has a very complex structure of options, which layers different income requirements, tenure requirements and access to alternatives. The minimum requirement is 20% construction, and the maximum is 35% construction plus fee, dedication and/or partnerships. Depending on the option and product type, the affordable units may be for rent, for sale, or a combination of the two, ranging from 50% AMI to 160% AMI.

Community Input

Throughout the month of November, SHRA staff reached out to stakeholders and neighborhood groups in preparation for the Council workshop. A brief presentation provided background to the ordinance, shared common challenges and concerns, and previewed economic and demographic information. While a citywide ordinance could impact every neighborhood, staff targeted those neighborhood associations with the greatest growth potential, and, therefore, the potential for greatest impact from inclusionary policies. In addition, staff attended each of the four area meetings, to capture other neighborhoods not specifically targeted.

Input from the community groups was varied. For many of the groups, the outreach served as an introduction to inclusionary policies and to its interplay with other housing and redevelopment strategies throughout the City. Others were more familiar with the current ordinance, and were most interested in potential changes. The diversity of the City's neighborhoods was reflected in the diversity of comments:

- New growth areas were generally supportive of expansion of inclusionary policies citywide, citing equity and parity as rationale.
- Infill areas were generally less supportive of expansion, citing current poverty concentrations and "naturally" affordable units.
- Many neighborhood groups were supportive of creating incentives for homeownership inclusionary units, including increasing income targets.
- Housing advocacy groups cautioned on creating too much of an incentive for homeownership, fearing that deeply affordable rental units would be compromised.
- Many groups generally agreed that when affordable rental complexes are built under the ordinance, efforts should be made to provide a mix of incomes, both regulated and unregulated, within the complexes.

Complete comments from each group are detailed in the matrix below, including some which are not specifically pertinent to the inclusionary workshop discussion.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
The River District	If the ordinance is expanded city-wide, need to ensure that there is not the ability to "buy out" of obligations, especially in privileged neighborhoods.
	Affordable housing should be distributed equally, and the ordinance needs clear rules to ensure this happens.
Del Paso Boulevard RAC	Ensure that homebuyers of inclusionary homes are provided assistance and/or education on how to be a responsible homeowner, including home maintenance and upkeep.
	Inclusionary homeownership units should be indistinguishable from market rate homeownership units.
	Consider the concentration of rental versus ownership housing in various communities as you craft the requirements.
North Natomas (comments on workshop)	Expand the inclusionary ordinance citywide.
	Change income targets for inclusionary housing, to include moderate income.
	Encourage more homeownership inclusionary housing.
	Encourage or require limits on the proportion of regulated units in an inclusionary apartment complex.
	Require concurrent development of market rate and inclusionary housing – do not allow an inclusionary apartment complex to be built before the market rate for sale product.
	If the inclusionary ordinance is not expanded citywide, other areas of the City should financially support the new growth areas, in terms of funding for schools, police and other services impacted by inclusionary housing.
	Ensure that inclusionary housing plans are part of the initial entitlement package and early community review. If inclusionary housing plans are changed, then the project should be re-routed through the community groups.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
North Natomas (other comments)	Poverty data used in presentation is outdated, and should not be used.
	Presentation should include information on occupancy rates in inclusionary rental complexes.
	Examine what tenant services are provided for clients in housing under the 10 Year Plan to End Chronic Homelessness.
	Data should be provided by Council Districts in addition to by Community Plan Area.
	Managers of affordable housing complexes should screen juvenile tenants for criminal background as well as their parents.
	Develop a policy for working with school districts to provide services to youth in inclusionary complexes.
	Work with the schools to have inclusionary apartment managers notified when students are expelled from school.
	Make sure that social services in inclusionary apartment complexes are appropriate for the population; include services for youth up to age 18.
	Natomas has other risks, including flood control, that are impacting the economy.
	Require new growth areas to have an economic development plan.
	Concern that providing inclusionary housing is creating a "magnet effect" and drawing low income people from other neighborhoods into Natomas.
East Sacramento/McKinley Park Neighborhood Association (MENA)	MENA is generally supportive of inclusionary housing requirements being expanded citywide, and is especially interested in capturing the McKinley Village project.
	Inclusionary housing units should be well integrated with market units, so that they are a part of a community, instead of a separate complex.
	MENA is supportive of incentives to encourage inclusionary homeownership over inclusionary rental units.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
Meadowview Development Commission (MDC)	Consider potential need for executive housing as a part of an inclusionary ordinance.
	Important to understand what other local jurisdictions are doing to provide affordable housing, including performance under inclusionary ordinance.
Area 4 Leadership	Encourage creation of inclusionary homeownership through construction of duplexes, halfplexes on corner lots.
	Support for citywide approach, rather than patchwork ordinance.
	Consideration for assistance with purchase price for homeownership inclusionary units.
	Consideration of design standards and integration into existing neighborhoods should be integral to inclusionary ordinance.
Oak Park Redevelopment Advisory Committee	Infrastructure needs in infill areas should be considered if expanding citywide.
	Consider raising the minimum threshold for application of the ordinance, as small infill projects will struggle to meet the requirements.
	Ensure that integration and dispersion of inclusionary units is required.
	Consider the role of redevelopment activities when considering expansion citywide.
	Economic analysis may be flawed, in that it doesn't show the benefit to bringing homeownership into poor areas. May encourage "dumping" of affordable units in poor areas to ensure higher return on investment in new areas.
	Interest in impact of SB 375 on inclusionary requirement.
	Some new growth areas with inclusionary have had "promises unfulfilled". As ordinance is expanded, consider accountability and safeguards to protect against this.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
Area 2 Leadership	Comment/question regarding applicability to very small projects, e.g, in Pocket. Would make small projects infeasible.
	What you hear and what you see are two different things: concerned with developers who are able to not include affordable onsite to their project and concentrate affordable in same infill neighborhoods. o JTS was later mentioned as an example that was allowed to move offsite. o It was questioned whether "CPA" is too broad or clearly defined.
	Distrust that some neighborhoods and developers know how to 'work the system' and not build in their project, e.g., Curtis Park Railyards and possibly Delta Shores were mentioned as specific examples.
	Do we know how many homes are used for homeless? Some areas have affordable homes that are not regulated.
	Suggestion that instead of inclusionary we create a program for purchasing foreclosed homes for affordable housing. The $13 million in NSP funds won't help that may people/homes.
Downtown Partnership Development Task Force	Initial presentation made, but insufficient time for discussion. SHRA will continue to work with the Downtown Partnership.
Stockton Boulevard Redevelopment Advisory Committee	Questions were asked about current functioning of the ordinance, but no specific comments on changes or new policy direction.
Area Congregations Together (ACT)	Concern over the need for extremely low income (ELI) housing and what role the inclusionary ordinance should play in meeting this need.
	Suggestion to look at jurisdictions outside of California for "best practices" as well.
	Suggest potential incentives to encourage developers to include ELI housing in their projects, such as reduced parking requirements.
	Suggest encouraging alternative compliance options to incentives production of ELI housing, for example, land dedication.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
Area Congregations Together (ACT)	Consider environmental justice when planning for inclusionary units; ensure that affordable units are not separated from market units and are not relegated to less attractive parts of the neighborhood (for example, abutting the freeway).
	Encourage asset building in rental complexes so that renters can become homeowners.
	ACT had many other questions about the how SHRA provides housing, including questions on the 10 Year Plan, the Housing Trust Fund and other programs/policies to create, preserve and rehabilitate affordable housing.
Neighborhood Advisory Group (NAG)	Consider size of projects – inclusionary should not impede infill development
	Preference for mixed-income projects (like 21st and L), with a mix of unit types and incomes. Providing a mix is better for the developers and does not stigmatize low income residents.
	The Central City census tracts in many ways mirror the mix of demographics statewide. Council should consider the Central City a "model" for diversity and integration.
	Current market conditions make it difficult to get people into homeownership, they are often competing with investors. Consider giving first time homebuyers preference.
	Don't tax infill areas to fund the gap for affordable production in Natomas that has generally be unsuccessful. Downtown developments that are denser and contain a mix of affordability have been key to success – consider duplicating this model in areas like Natomas.
	The availability and use of tax credits is key to many of the projects built, many of which are not mixed income. The economic analysis should show the greater disparity and cost to build what the community wants – mixed income developments.
	How will redevelopment requirements be overlaid with inclusionary requirements?
	Many developments, especially infill, are already struggling – lenders are weary of projects that can't financially support themselves. Expansion of the ordinance would exaccerbate this.
	Not everyone wants to live in a mixed income neighborhood, and imposing inclusionary is a socialist approach.

ORGANIZATION	INCLUSIONARY WORKSHOP COMMENTS
Land Park Community Association	Land Park Community Association heard the initial presentation, and then asked staff to return for a more in-depth discussion with the land use committee.
Army Depot Redevelopment Committee	Clarifying questions were asked about the presentation, but no specific comments on changes or new policy direction.
Area 3 Leadership	Inclusionary housing needs to be included in early community notifications, with opportunities to comment before the project is approved.
	Consider a fee application for small, infill projects.
	Ensure that multi-family rental projects are properly managed and maintained, so that they do not become the problem properties of the future.

In addition to these formal presentations, staff additionally met with the Sacramento Housing Alliance (SHA), the North State Building Industry Association (BIA) and the Capital Area Development Authority (CADA).

Unless otherwise noted, comments are those of individual group members and/or attendees, and are not an official stance of the named organization.

February 10, 2009

Inclusionary Housing Workshop

Exhibit A

bae

Sacramento
Mixed Income Housing Ordinance Update
Feasibility Analysis

Submitted to:
Sacramento Housing and Redevelopment Agency

November 4, 2008

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October 31, 2008

Emily Halcon
Sacramento Housing and Redevelopment Agency
Transmitted via email to: ehalcon@shra.org

Dear Ms. Halcon:

Attached please find the Final Mixed Income Housing Ordinance Update Feasibility Analysis. Since most residential development currently is not financially feasible within Sacramento due to the prevailing economic conditions, the analysis focuses on the financial attractiveness of potential policy updates, relative to the current developer requirements under the existing Mixed Income Housing Ordinance.

Having received and incorporated your comments into this version, we have updated and finalized the report for submittal to the City Council.

Please do not hesitate to contact either Sherry Rudnak in our Emeryville office, or me, if you have any questions as you review the document.

Sincerely,

Matt Kowta, M.C.P.
Principal

Sherry Rudnak, M.A.
Senior Associate

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Executive Summary

Background and Purpose of Report

Recognizing the importance of affordable housing, the City of Sacramento has maintained a long-standing commitment to affordable housing development. In addition to implementation of the City's inclusionary housing policy, this also includes various other programs and projects to encourage, facilitate, and assist affordable housing development. However, while the current Mixed Income Inclusionary Housing Ordinance has successfully generated thousands of affordable housing units, the majority are rental units.

As the City Council explores updating the current policy to provide more flexibility to small developers, encourage affordable for sale units, and/or expand the requirements of the ordinance beyond the City's new growth areas, this report seeks to inform Council discussions about development feasibility under a range of inclusionary requirement variations and potential in-lieu fee allowances.

It should be noted that the intent of the potential policy changes is not to remove current options for compliance with existing requirements. Rather, the goal is to identify additional options that would make it more financially attractive for developers to fulfill their inclusionary obligations by building affordable for-sale units.

The report analyzes the cost of developing various residential product types and the financial effect of applying different inclusionary housing requirements to prototype development projects, with the goal of understanding how ordinance modifications might create market incentives for developers to provide greater numbers of on-site inclusionary for-sale units. In addition, the report establishes the basis for an inclusionary housing in-lieu fee.

To provide for stakeholder input into the study process, the Sacramento Housing and Redevelopment Agency (SHRA) organized an Advisory Panel that included representatives with different areas of interest, including market rate developers, affordable housing developers, land brokers, building industry representatives, and affordable housing advocates. The Advisory Panel met three times between February and September 2008, at which time SHRA staff and consultants provided them with the background and purpose of the study, the proposed methodologies, the proposed prototypes, key assumptions, and the results of the feasibility analyses.

Inclusionary Housing Feasibility Analysis

Inclusionary programs require market rate residential developers to reserve a certain portion of units in a project for income-restricted affordable housing. While the City currently has an inclusionary requirement under the Mixed Income Housing Ordinance, the City Council has expressed interest in providing developers with additional compliance options to encourage the development of more on-site for sale affordable housing units.

Methodology

BAE formulated a series of financial feasibility pro-formas for prototype projects based on typical residential development in the City, applying the 15 percent inclusionary requirement under the current Mixed Income Housing Ordinance, where developers can either build the units, or partner with affordable housing developers to satisfy their inclusionary requirements.[1] BAE then varied the household income levels that the Inclusionary Housing Ordinance targets, to estimate the minimum market rate unit sale prices required to support a minimum developer return, such that developers would be willing to undertake the projects. This allows for a determination as to whether certain policy modifications would make construction of on-site inclusionary units more attractive.

Baseline Prototypes

BAE formulated pro-formas based on five prototype projects replicating typical residential development in the City. These prototypes are:

- Suburban single-family residential project, less than 30 units
- Suburban single-family residential project, large development
- Suburban small lot/cluster single-family residential project, large development
- Suburban condominium project
- Urban infill condominium project

The characteristics of prototype projects, including density, lot and unit size, parking, revenue and cost assumptions, and other details, were formulated with input from local developers, City and SHRA staff, and various technical resources.

Key Findings

- None of the prototypes are financially feasible given prevailing market rates for comparable new residential development within the City of Sacramento as of first quarter 2008. This means that residential development is not feasible under current market conditions, even without an inclusionary requirement.

- Since developers are not initiating new residential construction, even in locations that are not subject to inclusionary requirements, the existing ordinance is not the driving factor that is preventing developers from undertaking new residential development at this time.

- As the City has an existing inclusionary requirement, developers will decide to build when market housing prices recover such that the prototypical developments under the current inclusionary requirements provide sufficient returns on costs.

[1] Only single-family developers can partner with affordable housing developers to satisfy their inclusionary requirements.

- The results of the analysis demonstrate that for each of the prototypes, as the City allows developers to sell inclusionary units to higher income households, developer returns improve relative to projects subject to the current inclusionary requirements. This means that the changes in requirements would allow projects to achieve financial feasibility when market rate housing unit prices are lower than would otherwise be the case.

- Developers of large scale suburban single-family home and small lot/cluster home projects, who can partner with affordable developers to build multifamily rental units under the existing requirements, will likely continue to choose to partner because this option is most financially attractive of any of the options considered in this analysis.

- For suburban condominium developers and small single-family developers, who cannot partner with affordable rental housing developers, an updated policy that allows developers to target inclusionary units to higher income households will help them to increase profitability and make their projects more economically attractive.

- Updating the inclusionary ordinance to allow developers to comply with inclusionary requirements using one of the potential policy options that allows a higher maximum price for inclusionary units than under current policies would be more attractive to developers. This might encourage housing starts at a point in time that market housing prices are lower than would be the case if the current inclusionary requirements are maintained (i.e., earlier in the housing market recovery cycle).

- Developers of small single-family and condominium projects already build for-sale inclusionary units under existing policy, since they do not currently have a more attractive option. Modifying the requirements for these types of projects could increase the share of affordable units built for sale to the extent that increased feasibility due to policy modifications may bring additional small-scale single family and condominium developments to market.

- Although developers may find the production of on-site units marketed to households with incomes that are up to 110 percent of AMI more financially attractive than current requirements, if restricted prices for inclusionary units are relatively close to market rate prices, the developer may not be able to successfully market the affordable units. Thus, developers must consider a combination of financial viability and marketability when choosing among compliance options.

In-Lieu Fee Analysis

In-lieu fees can serve as an alternative compliance method for the inclusionary housing program, offering developers the option to pay a fee instead of constructing the affordable units on-site or entering into agreements to partner with affordable housing developers, to develop affordable housing units off-site. While the City does not currently offer an in-lieu fee option, in-lieu fees could be used to leverage other funds to maintain affordability in affordable for-sale units that are re-sold over time and to achieve deeper income targeting in certain affordable rental housing projects.

Methodology

The report presents three possible methods for calculating an in-lieu fee. These options were examined to allow the City and SHRA staff to evaluate the pros and cons of various fee levels, and to identify a fee that would effectively replace the unit that would otherwise have been built by a market rate developer. The three methods are presented below. In calculating the fee per market rate unit, the analysis assumes a 15 percent inclusionary requirement.

- **Option 1. Improved Land Value Plus Current Cash Contribution for Affordable Rental Unit Construction:** This option is modeled on a market rate developer's contribution to an affordable rental developer under typical recent partnering arrangements. It bases the in-lieu fee on the current value of improved land plus the amount of cash that large scale developers currently contribute, on average, to their affordable housing partners. Currently, this option would produce an in-lieu fee calculation of $7,000 per market rate unit. However, as the market recovers and land values increase, the value of the contributions would increase, and the equivalent in-lieu fee would increase commensurately.

- **Option 2. Affordable Rental Unit Financing Gap:** This option calculates the in-lieu fee based on the cost to build an affordable unit, minus the size of the permanent mortgage loan that an affordable rental housing developer can obtain, minus the equity that the affordable housing developer could raise by selling Low Income Housing Tax Credits (LIHTCs). Currently, this option results in an in-lieu fee of $24,400 per market rate unit. Changes in financial markets could change the value of LIHTCs, which could alter the financing gap and cause the need for adjustments in the in-lieu fee under this option.

- **Option 3. For-Sale Affordable Price Write-Down:** This calculation bases the in-lieu fee on the difference between the cost to build a market-rate unit (net of developer profit) and the affordable sale price. Currently, this option would require an in-lieu fee of $32,800 per market rate unit. However, as the market recovers and the relationship between market prices and development costs change, the in-lieu fee would also change.

If the City decides to offer an in-lieu fee option, it should select a method after considering the financial resources that would be necessary to produce affordable units that the market rate

developers would otherwise have been required to build. The intent of Options 2 and 3 is to set in-lieu fee amounts fully fund the required subsidies for rental or for-sale inclusionary units, respectively. Option 1 represents a partnership model that would set in-lieu fees considerably lower than Option 2 or Option 3. In so doing, it would place a burden on SHRA and its affordable housing developer partners to contribute a portion of the required subsidies that would not be contributed by the market rate housing developers. This is similar to the current situation, when market rate developers make relatively modest contributions to their affordable housing partners, and the remaining subsidy amounts are contributed by SHRA and other sources.

The pro-formas developed for the residential prototypes outlined previously were then used to analyze the feasibility of each in-lieu fee option. Again, the analysis assumed a 12 percent developer return on cost as the feasibility threshold.

Key Findings

The analysis indicates that a $7,000 in-lieu fee per market rate unit would be more attractive than the current requirements for developers of small-scale projects and suburban condominium developments. All of the other in-lieu fee options examined result in lower returns than the $7,000 fee option. However, a $7,000 fee is not sufficient to replace an affordable unit. This means that there would be a policy trade-off involved with easing the burden on small-scale single-family and suburban condominium developers, by offering the lowest in-lieu fee option, but then increasing the burden on SHRA and affordable housing developers to secure the subsidies required to produce affordable units. Some in-lieu fee options that are greater than $7,000 per market rate unit, would offer enhanced flexibility and financial feasibility to suburban condominium developers and urban infill condominium developers.

Introduction

This report presents the findings and recommendations from BAE's analysis of the City of Sacramento's existing inclusionary housing requirements. It evaluates options to modify requirements, to encourage developers to provide on-site affordable for-sale units.

Background

Currently the Sacramento housing market is contracting along with the regional, statewide, and national housing markets. Although median home prices are coming within reach for moderate-income households earning up to 120 percent of the Area Median Income (AMI), the City is interested in increasing the proportion of affordable housing units produced through its inclusionary program that are for sale. Once the housing market recovers, and a more normal balance of supply and demand is re-established, prices will rise and affordability will deteriorate. This will make it important to expand the supply of affordable for-sale units.

Housing affordability is also important for long-term economic development. In order to attract and retain firms that provide quality jobs, Sacramento must provide a wide range of housing to support workers at all income levels. The passage of SB 375 increases the importance of having a wide range of housing available to all income groups, as it ties access to transportation funds to a City's and region's ability to reduce greenhouse gas emissions from automotive activities. Thus, if Sacramento wishes to receive transportation funds, it must plan for workers to live close to job centers.

Recognizing the importance of affordable housing, the City of Sacramento has maintained a long-standing commitment to affordable housing development, evidenced most recently by the City being a top performer in the production of affordable housing units. In 2006, the City of Sacramento constructed more affordable housing than any other jurisdiction in the State, consequently receiving $2,239,134 in workforce housing grant funds from the State of California.[2]

Currently, the City of Sacramento has an existing inclusionary ordinance, called the Mixed Income Housing Ordinance, which requires that all residential developments of 10 or more units that are located in new growth areas[3] set aside 15 percent of the housing as affordable units, with ten percent targeting very low income households and five percent targeting low income households.[4] Because the existing ordinance does not dictate the tenure of affordable units, many single-family developers, and particularly those with large PUD land holdings, choose to satisfy their

---

[2] Sacramento produced 10% of all affordable units in the state in 2006 (753), more than both Los Angeles (599) and San Francisco (426).

[3] New growth areas include North Natomas, Robla, Delta Shores, North Laguna Creek, Fruitridge/Florin Perkins corridor, Downtown Railyards, and Curtis Park Railyards.

[4] Single-family developments on less than five acres, and condominium developments can satisfy their inclusionary requirements with a different mix of affordability, discussed in the feasibility section of this report.

inclusionary requirement by partnering with affordable housing developers and contributing land or other external subsidies. However, as smaller developers often do not have the land, resources, or connections to partner with affordable housing developers, they typically must construct their required affordable units on-site.

To date, the existing inclusionary ordinance has been very successful in developing new affordable housing units. However, the vast majority of the affordable units produced were rental units built through partnerships with affordable housing developers. As the City Council deliberates updating the ordinance to potentially include areas not currently subject to the inclusionary ordinance (e.g., downtown), it is also interested in learning how the City might modify the ordinance in order to secure greater numbers of inclusionary for-sale units, address the unique challenge of infill development, and also provide flexibility to smaller single-family developers and condominium developers who are currently unable to satisfy their inclusionary requirements through partnerships with affordable developers due to various factors, particularly in the current "down" housing market.

This report provides the economic information necessary to inform future Council discussions regarding Mixed Income Housing Ordinance updates and potential in-lieu fee allowances.

Purpose of Report

The report analyzes the cost of developing various residential product types that can be expected in Sacramento's new growth areas. It analyzes the financial effect of applying different inclusionary housing requirements to these prototypes, to provide insight into what modifications might be necessary in order to create market incentives for developers to provide greater numbers of on-site inclusionary for-sale units.

In addition, the report establishes the basis for an inclusionary housing in-lieu fee. In-lieu fees can serve as a method of compliance that is an alternative to building affordable units within a market rate project. Three different in-lieu fee calculation methods were analyzed, to allow the City to evaluate the pros and cons of various fee levels and to identify the cost to replace the unit that would otherwise have been built by the market rate developer. The residential prototypes are then tested to identify the ways in which an in-lieu fee would affect the financial feasibility of development. Based on these analyses, the report outlines the primary elements of an in-lieu fee policy, namely the target income groups for affordable units and the corresponding in-lieu fee amounts.

Stakeholder Advisory Panel

To provide for stakeholder input into the study process, SHRA organized an Advisory Panel that included representatives from different areas of interest, including market rate developers, affordable housing developers, land brokers, building industry representatives, and affordable housing advocates. Appendix A contains the Advisory Panel roster.

The Advisory Panel met three times between February and September 2008, at which times they were provided with the background and purpose of the study, the proposed methodologies, the proposed prototypes, key assumptions, and the results of the feasibility analyses. The Advisory Panel provided feedback on the analysis, including assumptions and findings, and identified their main concerns regarding changes to the existing inclusionary ordinance.

Outline of Process

The following table provides a summary of the study process:

Project Initiation	December
Advisory Panel Meeting #1: Project and process overview, discussion of general concerns regarding inclusionary housing ordinance changes; discussion of proposed prototypes	February 15
Preliminary Analysis: Individual interviews with Panel members; residential market overview; preliminary needs assessment analysis; development of pro-forma models	February to March
Advisory Panel Meeting #2: Review of key pro-forma assumptions	March 14
Presentation to Council: Study process	March 18
Additional Analysis: Preliminary financial feasibility analysis	March to April
Advisory Panel Meeting #3: Review of refined assumptions and findings	September 25
Administrative Draft Report	October 17
Final Draft Report	November 4
Presentation to Council	December 9

Residential Market Conditions

The effectiveness and feasibility of any inclusionary housing program is tied to local development conditions. Communities (or sub-areas within communities) with strong residential markets and/or high production levels produce more inclusionary housing units and in-lieu fees. Conversely, areas with weak markets and/or limited new housing development produce fewer inclusionary units. A key policy consideration is to set the inclusionary requirements at levels where compliance is not so burdensome as to render market rate housing development economically infeasible. This can be a particular challenge when attempting to establish equitable policies within a community like Sacramento, where market conditions vary from neighborhood to neighborhood. Additionally, the current environment provides ample illustration that market conditions can change dramatically over time.

This section provides an overview of Sacramento's First Quarter 2008 residential real estate market, discussing for-sale and rental housing, as well as production trends over time. Information presented below comparing local conditions with other jurisdictions in the region, and discussing changes in the market over time, are intended to provide context for the current situation within the City of Sacramento.

For-Sale Housing

For-Sale Housing in Sacramento County

Between January 2006 and January 2008, median home prices in Sacramento County were typically lower than most of the other Counties within the region. As of January 2008, Sacramento had a median home sale price of $253,000. Among the six counties within the Sacramento Region, Sacramento County's median home prices were only consistently higher than Yuba County's median home prices.[5] As of January 2008, Sacramento's median home price was 38 percent lower than El Dorado's median home price, which had the highest median home price in the region, and eight percent higher than Yuba County's median home price, which represents the region's lowest median home price. These comparisons with other counties demonstrate that Sacramento County housing is relatively affordable, when compared to neighboring counties.

[5] Sacramento regional counties include: El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties.

Table 1: Median Home Prices, Sacramento Region

	Sale Volume				Sale Price			
All Homes	Jan 2006	Dec 2007	Jan 2008	06-08 % change	Jan 2006	Dec 2007	Jan 2008	06-08 % change
El Dorado	191	165	111	-41.90%	$450,000	$437,250	$407,500	-9.40%
Placer	512	525	354	-30.90%	$423,500	$373,000	$360,500	-14.90%
Sacramento	1,376	1,372	1,077	-21.70%	$345,500	$280,000	$253,000	-26.80%
Sutter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Yolo	163	161	129	-20.90%	$390,000	$330,250	$307,500	-21.20%
Yuba	77	78	64	-16.90%	$281,500	$245,000	$233,250	-17.10%

Sources: SacBee; BAE, 2008.

It is worth noting that the median home price in Sacramento County fell more sharply than in any of the region's other counties. Between January 2006 and January 2008, the median home price in Sacramento County fell almost 27 percent, compared to more limited declines of between 9.4 percent and 21.2 percent in the other counties. This trend shows that the current housing downturn is disproportionately affecting Sacramento County home prices. Although this is creating hardship for many households whose homes have lost value, it also means that Sacramento County housing has become significantly more affordable on an absolute basis, and relative to the region, during the last two years.

For-Sale Housing in City of Sacramento

To provide a snapshot of the current for-sale market in the City of Sacramento, Appendix B-1 contains a distribution of all "full"[6] and verified sales of newly constructed single-family home and condominiums in the City between August 2007 and January 2008. The data are drawn from DataQuick, a commercial service that compiles County Assessor's records. During this sample period, 76 full and verified sales were recorded, with a median sale price of $318,500 for new single-family homes and $260,000 for new condominiums.

Appendix B-2 lists new homes selling in the City of Sacramento as of March 2008, based on data from Hanley Wood Market Intelligence. Currently, this source shows several projects for sale in the City's new growth areas of Natomas and South Sacramento. The single-family developments have an average unit size of 1,900 square feet. Prices range from $196,500 to $845,000, with an average of $367,200 across all projects and models.

In addition, the ongoing downturn in the national, state, and regional housing markets is apparent within the City's housing market. DataQuick reports that between July 2006 and July 2007, the average median sale price for all homes decreased from $339,900 to $321,400, or 5.4 percent. Continued fallout from the sub-prime lending crisis, as well as lack of consumer confidence in the economy as a whole, may further impact local housing prices in upcoming years. This may mean that while housing production continues to languish, affordability may remain "good" relative to what was experienced in the previous boom market.

[6] "Full" means that the recorded sale price represented full consideration for the value of the property.

Rental Housing

Table 2 contains data on the City of Sacramento's residential rental market, drawn from RealFacts, a private data vendor that surveys apartment complexes with 50 or more units. The RealFacts database contains data for projects containing 40,185 rental units in Sacramento.

The data show that the Sacramento rental market is relatively strong compared to the for-sale market. Between 2006 and 2007, average rents rose from $894 to $908, a 1.6 percent increase. In fact, the City's rental market has experienced steady gains since 1999, with average rents rising by 41 percent over the last eight years. While for-sale housing has become more affordable over the last few years, this information indicates that the same is not true of rental apartments.

The City of Sacramento also shows strong but varying occupancy rates. Between 1999 and 2002, occupancy rates were above 95 percent, but dipped below this threshold starting in 2003 due to the development of approximately 2,300 new units in 2003 and 2004. However, starting in 2005, the market absorbed many of the new units and occupancy rates began to climb. Real estate economists consider a 95 percent occupancy rate a sign of a "balanced" market, allowing sufficient choice and mobility for tenants, while supporting adequate rents for property owners. As occupancy rates rise above 95 percent, the market becomes increasingly tight, demand exceeds supply, and rents rise. Year-to-date data for Sacramento show a 93.6 percent occupancy rate in 2007, indicating that the rental market is nearing equilibrium.

Sacramento County as a whole has also shown a stable rental market in recent years. Between 2006 and 2007, rents rose from $914 to $922, a 0.9 percent gain, while occupancy rates increased 1.3 percent from 91.9 percent to 93.2 percent. Although countywide average rental rates exceed rates within the City, complexes in the City tend to have marginally higher occupancy rates, indicating that renters are marginally willing to trade off newer units in the County to live in older, less expensive units within the City.

Table 2: Overview of the City of Sacramento Rental Housing Market, Fourth Quarter 2007

CURRENT MARKET DATA:

Unit Type	Number	Percent of Mix	Avg. Sq. Ft.	Avg. Rent	Avg. Rent/Sq. Ft.
Studio	1,021	2.5%	482	$729	$1.51
Jr I BR	319	0.8%	555	$771	$1.39
1 BR/1 BA	15,004	37.3%	689	$811	$1.18
1 BR Townhouse	70	0.2%	711	$769	$1.08
2 BR/1 BA	9,350	23.3%	837	$843	$1.01
2 BR/1.5 BA	915	2.3%	912	$977	$1.07
2 BR/2 BA	10,331	25.7%	967	$1,034	$1.07
2 BR/2.5 BA	157	0.4%	1,092	$1,416	$1.30
2 BR Townhouse	798	2.0%	1,071	$1,024	$0.96
3 BR/1 BA	7	0.0%	1,155	$1,085	$0.94
3 BR/1.5 BA	32	0.1%	1,053	$1,199	$1.14
3 BR/2 BA	1,719	4.3%	1,201	$1,278	$1.06
3 BR/3 BA	37	0.1%	996	$1,734	$1.74
3BR Townhouse	317	0.8%	1,405	$1,303	$0.93
4 BR	108	0.3%	1,172	$2,044	$1.74
Totals	40,185	100.0%	832	$912	$1.10

AVERAGE RENT HISTORY:

Unit Type	2005	2006	2005-2006 Change	2007	2006-2007 Change
Studio	$642	$676	5.3%	$722	6.8%
Jr 1 BR	$746	$750	0.5%	$766	2.1%
1 BR/1 BA	$768	$788	2.6%	$805	2.2%
2 BR/1 BA	$822	$831	1.1%	$839	1.0%
2 BR/2 BA	$978	$1,007	3.0%	$1,029	2.2%
2 BR/ TH	$997	$1,035	3.8%	$1,022	-1.3%
3 BD/ 2 BA	$1,262	$1,274	1.0%	$1,278	0.3%
3 BD TH	$1,398	$1,365	-2.4%	$1,308	-4.2%
All	$877	$894	1.9%	$908	1.6%

OCCUPANCY RATE:

Year	Average Occupancy
2002	95.7%
2003	94.2%
2004	92.0%
2005	92.6%
2006	93.1%
2007	93.6%

AGE OF HOUSING INVENTORY:

Year	Percent of Inventory
Pre-1960's	1%
1960's	14%
1970s	37%
1980s	33%
1990s	7%
2000s	10%

Notes:
(a) Represents only housing complexes with 50 units or more.
(b) Average rents for fourth quarters of each year listed.

Sources: Real Facts, Inc., 2007; Bay Area Economics, 2008.

Housing Production

While housing production in Sacramento has fluctuated over the last decade, building permit data from the U.S. Census indicates a marked decline between 2006 and 2007. Between 1998 and 2006, annual units permitted in the City of Sacramento increased from 424 in 1998 to 3,388 in 2006, with a peak of 6,016 units in 2003. During this time period, single-family homes represented approximately two-thirds of the housing production, with multifamily housing representing the remainder. By 2007, housing production had dropped to 1,973 units for the year (see Table 3). Although this production level represents a substantial reduction from the peak of 2003, the total was still greater than the annual totals from both 1998 and 1999.

Table 3: Residential Building Permits, 1998-2007

Building Type	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	10 Year Total Number	10 Year Total Percent
Single Family	350	922	1,954	2,739	3,242	3,603	3,155	1,856	1,785	1,337	20,943	66.8%
2 Family	18	0	2	16	40	56	96	0	10	8	246	0.8%
3 & 4 Family	0	8	15	8	3	4	12	71	121	40	282	0.9%
5 or More Family	56	184	818	829	1,448	2,353	989	1,165	1,472	588	9,902	31.6%
Total	424	1,114	2,789	3,592	4,733	6,016	4,252	3,092	3,388	1,973	31,373	100%

Sources: U.S. Census, 2008; BAE, 2008.

The City recently quantified the City's housing unit production objectives as part of its 2008 Housing Element update. Estimates from the Draft 2008-2013 City of Sacramento Housing Element project approximately 7,492 new single-family units and 7,199 new multifamily units in the City through 2013, for a total current capacity of 14,691 new units, assuming no new rezoning occurs.

This figure does not include additional capacity in North Natomas, as the Federal Emergency Management Agency (FEMA) has declared that the North Natomas area is located in a flood hazard zone following levee tests that indicated that the levees are not adequate to protect against a 30-year flood. Thus, development in the North Natomas growth area will be subject to a moratorium effective January 1, 2009 until the levees can be repaired to a minimum 100-year flood protection standard. Until the Federal Government removes the area from the flood hazard zone, the moratorium will continue, resulting in fewer new homes being built in Sacramento.[7] Once levee improvements are completed, the Natomas Basin could accommodate an additional 7,310 units.[8]

[7] Vellinga, Mary Lynne, and Matt Weiser. "Levee Report Shocks City: Feds Plan Tough Restrictions that could Halt Building in Natomas and Require Flood Insurance." Sacramento Bee. January 16, 2008.

[8] Draft 2008-2013 City of Sacramento Housing Element, page H 5-13.

Housing Needs Assessment

This section of the analysis examines Sacramento households' abilities to purchase market rate homes, and rent market rate apartments.

Households' Ability to Purchase a Home

As HUD bases the affordability of units on household size and income level, this analysis focuses on three-bedroom residential units. Three-bedroom units tend to reflect the majority of for-sale units, and thus act as a proxy for the market. Table 4 summarizes data for three-bedroom single-family home and condominium sales in Sacramento between November 2007 and January 2008. All documented sales are from the Sacramento County Assessor's Office, as compiled by DataQuick and the Sacramento Bee. Based on these data, 536 three-bedroom single-family homes and six three-bedroom condominiums sold in Sacramento over the three-month time period.

By comparing market rate sale prices with the maximum purchase prices and rents for affordable housing units as determined by HUD, the proportion of homes in the market that a household at each income category could afford can be estimated (see Table 5).[9] The analysis indicates that the for-sale housing market serves primarily households at the moderate-income level and above. Although limited proportions of the home sales (just over 35 percent) would have been affordable to lower-income households, most lower-income households are accommodated in the rental market.

[9] Each income category is defined as follows:
Very low income – 30% to 50% of Area Median Income (AMI)
Low income – 51% to 80% of AMI
Median income – 81% to 100% of AMI
Moderate income – 101% to 120% of AMI

Table 4: Residential Sales in Sacramento 11/07-1/08, Three-Bedroom Units

	THREE BEDROOM Number of Units	THREE BEDROOM % of Total
less than $200,000	169	31.2%
$200,000 to $249,999	161	29.7%
$250,000 to $299,999	96	17.7%
$300,000 to $349,999	50	9.2%
$350,000 to $399,999	20	3.7%
$400,000 to $449,999	18	3.3%
$450,000 to $499,999	9	1.7%
$500,000 to $549,999	4	0.7%
$550,000 to $599,999	4	0.7%
$600,000 to $649,999	1	0.2%
$650,000 to $699,999	1	0.2%
$700,000 to $749,999	3	0.6%
$750,000 to $799,999	1	0.2%
$800,000 to $849,999	1	0.2%
$850,000 to $899,999	1	0.2%
$900,000 to $949,999	0	0.0%
$950,000 to $999,999	1	0.2%
$1,000,000 to $1,999,999	2	0.4%
$2,000,000 +		
Total	**542**	**100.0%**
Median Sale Price	$230,000	
Average Sale Price	$253,115	
Avg. Square Feet	1,372	
Avg. Price per SF	$184	

Notes:

(a) Represents all residential sales between November 2007 and January 2008.

Sources: Sacramento Bee, 2008; BAE, 2008.

Table 5: Affordability of Market Rate For-Sale Housing in Sacramento and High Growth Areas, 11/07-1/08 (a)

Sacramento

Household Income	Range of Affordable Sale Price	Percent of SFRs on Market within Price Range (b)	Percent of Condos on Market within Price Range (b)
0 to 50% AMI	$0 to $131,427	7.3%	16.7%
51% to 80% AMI	$131,428 to $210,244	28.9%	16.7%
81% to 120% AMI	$210,245 to $315,268	46.8%	50.0%
Over 120% AMI	$315,267 or more	17.2%	16.7%
	Total Units Sold	536	6
		Single-Family Residence	Condominiums
Median Sale Price		$229,997	$257,500 (c)

South Sacramento - 95823

Household Income	Range of Affordable Sale Price	Percent of SFRs on Market within Price Range (b)	Percent of Condos on Market within Price Range (b)
0 to 50% AMI	$0 to $131,427	17.0%	N/A
51% to 80% AMI	$131,428 to $210,244	34.0%	N/A
81% to 120% AMI	$210,245 to $315,268	47.2%	N/A
Over 120% AMI	$315,267 or more	1.9%	N/A
	Total Units Sold	53	0
		Single-Family Residence	Condominiums
Median Sale Price		$209,295	N/A

Downtown - 95814, 95816

Household Income	Range of Affordable Sale Price	Percent of SFRs on Market within Price Range (b)	Percent of Condos on Market within Price Range (b)
0 to 50% AMI	$0 to $131,427	0.0%	0.0%
51% to 80% AMI	$131,428 to $210,244	0.0%	0.0%
81% to 120% AMI	$210,245 to $315,268	0.0%	0.0%
Over 120% AMI	$315,267 or more	100.0%	100.0%
	Total Units Sold	3	1
		Single-Family Residence	Condominiums
Median Sale Price		$475,000	$425,000

North Natomas - 95834, 95835

Household Income	Range of Affordable Sale Price	Percent of SFRs on Market within Price Range (b)	Percent of Condos on Market within Price Range (b)
0 to 50% AMI	$0 to $131,427	0.0%	0.0%
51% to 80% AMI	$131,428 to $210,244	13.0%	0.0%
81% to 120% AMI	$210,245 to $315,268	56.5%	100.0%
Over 120% AMI	$315,267 or more	30.4%	0.0%
	Total Units Sold	46	2
		Single-Family Residence	Condominiums
Median Sale Price		$277,625	$260,000

Notes:
(a) Affordable sale price and rent based on a four-person household in a three-bedroom unit, as defined by HUD and calculated by SHRA.
(b) Based on reported home sales in the City of Sacramento, 11/1/07 - 1/31/08.
(c) Significantly smaller number of condominiums sold compared to single family homes, resulting in higher median home sales price.
Sources: Sacramento Bee, 2008; BAE, 2008.

Households' Ability to Rent

Unlike the falling prices in the for-sale housing market, the Sacramento region as a whole has experienced a slight increase in rents, in recent years, in conjunction with the local economic downturn. This trend has impacted the City of Sacramento as well. Table 6 shows rent trends for the City of Sacramento, as reported by RealFacts. Average rents in Sacramento increased from $894 to $908 per month between 2006 and 2007, a 1.6 percent increase. The average occupancy rate also increased slightly, from 93.1 percent in 2006 to 93.6 percent in 2007.

Table 6: Average Rent History, City of Sacramento

Unit Type	2005	2006	2005-2006 Change	2007	2006-2007 Change
Studio	$642	$676	5.3%	$722	6.8%
Jr 1 BR	$746	$750	0.5%	$766	2.1%
1 BR/1 BA	$768	$788	2.6%	$805	2.2%
2 BR/1 BA	$822	$831	1.1%	$839	1.0%
2 BR/2 BA	$978	$1,007	3.0%	$1,029	2.2%
2 BR/ TH	$997	$1,035	3.8%	$1,022	-1.3%
3 BD/ 2 BA	$1,262	$1,274	1.0%	$1,278	0.3%
3 BD TH	$1,398	$1,365	-2.4%	$1,308	-4.2%
All	$877	$894	1.9%	$908	1.6%

Notes:
(a) Represents only housing complexes with 50 units or more.
(b) Average rents for fourth quarters of each year listed.

Sources: Real Facts, Inc., 2007; Bay Area Economics, 2008.

By comparing the maximum affordable rental rate for a four-person household (as determined by the City of Sacramento) with average rents for three-bedroom units (shown in Table 6), one can determine the affordability of rental units in Sacramento to four-person households at various income levels.[10]

This analysis shows that very low-income households are likely to encounter difficulty in locating an affordable unit, as the average three-bedroom unit rent ($1,278) exceeds the affordable rent for this income category ($751) by approximately $527. In addition, the average three-bedroom unit rent exceeds the affordable rent for the low-income category ($1,255) by approximately $23. However, the affordable rent levels for median and moderate-income households exceed the market rate rent, indicating that these households will have less difficulty locating an affordable unit. This finding suggests that Sacramento's rental market is serving households between 81 and 120 percent of AMI relatively well, with adequate vacancies and generally affordable rents.

[10] It is assumed that a four-person household, including a couple and two children, would require a three-bedroom unit.

Inclusionary Housing Financial Feasibility Analysis

This section of the report analyzes the feasibility of several inclusionary ordinance alternatives on five prototype projects that are representative of residential projects recently built or planned within the City of Sacramento.

Residential Development Prototypes

The five residential development prototypes defined for this analysis include the following:

The **suburban single-family home, less than 30 units** prototype has 2,200 square foot units on 5,000 square foot lots. The project has five units per acre in an R-1 zone. Since this prototype represents smaller developers without sufficient land to donate to affordable housing developers, under the current ordinance, developers typically construct affordable for-sale units on-site to satisfy their inclusionary requirement. However, the existing ordinance allows single-family developments that are five gross acres or less to sell all of their inclusionary units to low-income households.[11] This prototype is typical of the Robla area.

The **suburban single-family home, large development** prototype contains 2,200 square foot units on 5,000 square foot lots. Five units per acre are assumed in an R-1 zone. This prototype represents a project typical of larger developers who have the land available to donate to affordable developers, and typically they partner with affordable housing developers and donate approximately $20,000 per affordable unit in the form of in-kind land contributions and other financial contributions, in order to satisfy their inclusionary requirements. All of the affordable units constructed are rental units. Many examples of this prototype can be found in the North Natomas area.

The **suburban small lot/cluster single-family home, large development** prototype contains 1,600 square foot units on 2,500 square foot lots. Eleven units per acre are assumed in an R-1A zone. As with the prototype defined above, this type of project also involves developers who partner with affordable housing developers by donating land and making additional financial contributions, in order to satisfy their inclusionary requirement. All of the affordable units constructed are rental units. These types of projects can also be found in the North Natomas area.
The **suburban condominium** product is a townhouse development that includes 1,200 square foot units, with a density of 30 units per acre in an R-3 zone. Since this prototype occurs on multifamily-zoned land, the developer cannot partner with an affordable housing developer to satisfy its inclusionary requirement. Typically, the developer constructs the affordable units on-site as a for-sale product. However, the existing ordinance allows condominium developments with

[11] City of Sacramento Mixed Income Housing Ordinance, 17.190.030(B)(2) of the City Zoning Code.

less than 200 units to offer and sell 10 percent of the project to low-income households, and five percent to very low-income households.[12]

The **urban infill condominium** prototype has 950 square foot units. built at 85 units an acre in an RMX-UN zone. Since this prototype is located downtown, not in a new growth area, it is not currently subject to the existing Mixed Income Housing Ordinance. However, these types of units could be built in both the Curtis Park Railyard and Downtown Railyard areas, and these areas are subject to the inclusionary requirement. Additionally, the City is interested in potentially extending the ordinance outside the current new growth areas. Therefore, the analysis tests the prototype's feasibility the various inclusionary scenarios.

For each prototype, project characteristics, including density, lot and unit size, parking, and other details, were formulated with input from the Advisory Panel and SHRA staff.

Prototype Cost, Revenue, and Profit Assumptions

The prototype cost assumptions were developed through:

- In-depth interviews with local developers who served on the Advisory Panel;
- Research via RS Means *Square Foot Costs* (a widely-recognized construction cost estimating manual);
- Land appraisals supplied by SHRA;
- Research on comparable land sales in the area, and;
- Applicable fee and permit schedules.

Sale prices and rent assumptions were based primarily on third party market data from DataQuick and the Sacramento Bee.

Typically, pro-forma feasibility models measure a project's financial performance by the amount of developer profit generated as a percent of the project's total development cost ("return on cost"). For this study, a minimum developer return on cost threshold was set at 12 percent of costs. In order words, a project is deemed financially feasible if the profit, after accounting for development costs, is 12 percent or more. It should be noted that under current economic conditions developers may require as much as a 14 percent return on costs due to the greater risk in today's market. However, this analysis uses the 12 percent threshold, because it is assumed that no significant new development will occur until market conditions stabilize and there is less perceived risk.

Baseline Financial Feasibility Model

As a first step in the financial feasibility analysis, BAE formulated a series of pro-formas for each of the prototype projects defined above, assuming no inclusionary requirement. The pro-formas estimate the development costs and revenues associated with each prototype, and estimate project feasibility based on ability to achieve a targeted rate of financial return. Table 7 summarizes the

[12] City of Sacramento Mixed Income Housing Ordinance, Section 6.5.

primary project parameters and cost and revenue assumptions for each of the development prototypes. As any residential development will contain a range of unit sizes and model types, these prototypes reflect the averages for units in the project. Appendix C contains the complete set of financial feasibility pro-formas for prototype projects under the different inclusionary requirement options.

Financial Model for Current Inclusionary Requirements

Starting with the baseline financial model developed for each of the residential development prototypes, BAE then modified the pro-forma for each prototype so that they included 15 percent of each prototype's units as affordable units, per the current Mixed Income Housing Ordinance. The model for each prototype estimates the sale price for each market rate unit that would be necessary for the project to achieve financial feasibility. This approach is taken, since the baseline financial models indicate that none of the prototypes are feasible in the current market, even without any inclusionary a requirements.

Financial Model for Inclusionary Modification Options

BAE then developed another series of pro-forma models for each of the development prototypes. These models varied the household income levels that the Inclusionary Housing Ordinance targets, to estimate the minimum market rate unit sale prices that would be necessary in order to achieve the 12 percent minimum developer return. By comparing the minimum required market rate unit sales prices among various scenarios (baseline, current inclusionary requirements, inclusionary modification options), it is possible to determine whether policy modifications would make construction of on-site inclusionary units more economically attractive than under current requirements.

Through this sensitivity testing process, the analysis identified potential inclusionary housing policy updates that could create a financial incentive for developers to construct additional for-sale affordable units, as compared to what would be likely if current requirements are maintained.

Table 7: Primary Cost and Revenue Assumptions

	Suburban SFR <30 units	Planned Unit Developments: Suburban SFR >100 units	Planned Unit Developments: Small Lot/Cluster SFR, >100 units	Suburban Condo 100-200 units	Urban Infill Condo, 100 units
Project Characteristics (a)					
Number of Units	16	103	118	135	92
Market Rate	*16*	*100*	*114*	*131*	*89*
Affordable	*0*	*3*	*4*	*4*	*3*
Site Acreage	3.1	19.8	11.2	4.5	1.1
Density (Units/Acre)	5	5	11	30	85
Zoning	R-1	R-1	R-1A	R-3	RMX-UN
Lot Size	5,000	5,000	2,500	n/a	n/a
Average Mkt Rate Unit Size	2,200	2,200	1,600	1,200	950
Average Affordable Unit Size	1,500	1,500	1,300	1,000	650
Common Area	n/a	n/a	n/a	10%	10%
Parking Type	Garage	Garage	Garage	Garage	Podium
Parking Spaces/Unit	2.0	2.0	2.0	2.0	1.0
Guest Spaces/15 Units	n/a	n/a	n/a	1.0	0.0
Garage Sq. Ft. for SFR/# Pkg Spaces for MFR	400	400	400	400	92
Sale Prices/Rents (b)					
Market Sale Price/Rent	$387,500	$387,500	$350,000	$300,000	$300,000
Very Low (50% AMI)	$131,048	$131,048	$131,048	$83,137	$56,928
Low (80% AMI)	$209,676	$209,676	$209,676	$153,903	$111,968
100% AMI	$262,095	$262,095	$262,095	$201,080	$148,661
110% AMI	$288,305	$288,305	$288,305	$224,706	$166,934
Moderate (120% AMI)	$314,514	$314,514	$314,514	$248,331	$185,207
Annual HOA Fees				**$4,800**	**$5,400**
Development Costs (a)					
Land/Square Foot	$10	$5	$10	$10	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$80	$75	$75	$100	$240
Affordable Construction Costs (Per Sq. Ft.)	$80	$75	$75	$100	$240
On and Off-Site Costs/Unit	$40,000	$40,000	$47,500	$55,000	$12,000
Fees/Unit	$21,700	$48,500	$48,500	$26,100	$12,500
Developer Contribution/Affordable Unit	$29,050	$29,050	$29,050	$29,050	$29,050
Wrap Insurance/Unit	n/a	n/a	n/a	$18,000	$18,000
Other Soft Costs (AS % OF HARD)	20%	20%	20%	20%	20%
Cost/Sq. Ft. or Cost/Parking Space	$35	$35	$35	$35	$40,000
Guest Parking Cost/Space	n/a	n/a	n/a	$1,000	n/a
Construction Financing (b)					
Interest Rate	7.5%	7.5%	7.5%	7.5%	7.5%
Period of Initial Loan (months)	12	12	12	12	12
Initial Construction Loan Fee (points)	2.0%	2.0%	2.0%	2.0%	2%
Average Outstanding Balance	60.0%	60.0%	60.0%	60.0%	60%
Loan to Cost Ratio	70.0%	70.0%	70.0%	70.0%	70%
Minimum Required Return on Costs (b), (c)	12.0%	12.0%	12.0%	12.0%	12.0%
Total Dev't Cost per Unit	$403,658	$369,360	$323,259	$317,229	$482,807
Total Dev't Cost Without Land	$319,533	$327,475	$281,774	$302,709	$418,748

Notes:
(a) Based on developer interviews, BAE research, and City of Sacramento and SHRA staff input.
Prototypes reflect recently built projects in Sacramento, in addition to likely product types in future.
(b) Based on developer interviews and BAE market research.
(c) Represents the minimum profit as a percentage of total costs that the developer would require in order to undertake the project. This number will decrease as the market improves and developers become more optimistic about future home values.

Source: BAE, 2008.

Cost Assumption Sensitivities

The model uses current 2008 costs in developing pro-forma calculations. However, many factors could affect the development costs. These cost changes are most likely to occur in the construction costs, financing costs, and/or utility and impact fees.

Construction Costs. If the State or the City imposes more energy efficient building standards under an updated Title 24, or local building ordinance, residential construction hard costs could increase. Currently, the analysis does not include an assumption about cost increases due to new building requirements. However, Advisory Panel members were concerned that increased building costs won't be offset by higher selling prices for "green" homes. It should be noted that from a homebuyer's perspective, green design could justify a price premium above standard construction, as energy-saving design features and appliances would generate real utility cost savings over the home's life-cycle.

Financing Costs. The analysis assumes that developers will pay 7.5 percent interest on their construction loans, that the interest charged will reflect a drawdown factor that is 60 percent of the total construction loan amount, averaged over the construction period, and that they will only require a 12-month loan. These assumptions reflect the first quarter of 2008 construction lending market, and were verified by developers and lenders. In the current economic climate, with capital markets struggling, and banking firms unwilling or unable to loan capital, interest rates could increase dramatically, making borrowing funds more expensive, and squeezing developer returns. If borrowing money continues to be difficult, even after the housing market begins to recover, less favorable financing terms could delay new housing starts.

Utility and Impact Fees. The analysis uses 2008 planning, utility, and impact fees in modeling development feasibility. If fees increase disproportionately and/or if new fees are added, they could reduce feasibility and delay housing starts. With the passage of SB375, which promotes transit oriented development and infill, developers who focus on infill development will fare better as City fees are lower in previously developed areas than in greenfield areas.

Findings

Working from initial suggestions from SHRA staff, BAE tested the 15 percent inclusionary housing requirement on a range of modifications to the restricted affordable housing income levels for inclusionary units. These varied from very low income to 110 percent of AMI for the for-sale prototypes. Again, this analysis assumes a financial feasibility threshold of 12 percent profit on cost. Table 8 summarizes the results.

Table 8: Summary of Inclusionary Housing Pro-Forma Analysis

		Suburban SFR <30 units	Planned Unit Developments: Suburban SFR >100 units	Planned Unit Developments: Small Lot/Cluster SFR, >100 units	Suburban Condo 100-200 units	Urban Infill Condo, 100 units
	Market Prices, First Quarter 2008 (a)	$387,500	$387,500	$350,000	$300,000	$300,000
	Required Return on Costs (b)	12%	12%	12%	12%	12%
	Minimum Prices Required With No Ordinance					
	1- No Requirement	$468,000	$432,000	$376,000	$368,000	$562,000
	Minimum Prices Required Under Current Ordinance:					
	2- 10% Very Low, 5% Low, all for sale	$521,000	$465,000	$409,000	$408,000	$629,000
	3- Current Ordinance Compliance Option	$509,000 *15% LI, Sale*	$435,000 (c) *10% VLI, 5% LI, MF Rental*	$380,000 (c) *10% VLI, 5% LI, MF Rental*	$404,000 *5% VLI, 10% LI, Sale*	N/A *N/A*
	Minimum Prices Required Under Modified Affordability Options:					
All For Sale Inclusionary	4- 5% Very Low, 10% Low	$515,000	$461,000	$404,000	$404,000	$626,000
	5- 10% Low, 5% Median	$505,000	$453,000	$397,000	$396,000	$620,000
	6- 5% Low, 10% Median	$501,000	$450,000	$393,000	$394,000	$618,000
	7- 5% Median, 10% 110% AMI	$493,000	$444,000	$387,000	$388,000	$614,000
	8- 15% 110 AMI	$482,000	$443,000	$386,000	$387,000	$612,000
	9- Mixed Tenure 3% for sale to 100% AMI 4% contributions for Low rental units 8% contributions for Very Low rental units	N/A	$437,000	$382,000	N/A	N/A

Notes:
(a) Prices based on conversations with developers and market data between August 2007 and February 2008. As prices fluctuate rapidly, the analysis focuses on the relative impact of options.
(b) Project feasibility is defined as a developer profit on cost of at least 12%.
(c) These developers meet their inclusionary obligations through contributions to affordable multifamily developers.

Source: BAE, 2008.

The analysis found that none of the prototypes have minimum required sale prices that are less than or equal to the first quarter 2008 market prices, and are therefore not feasible. Even without an inclusionary requirement, the market could not support any of these residential developments. It should be noted that since developers are not initiating new residential construction, even in locations that are not subject to inclusionary requirements, the existing ordinance is not the driving factor that is preventing developers from initiating new construction at this time.

Since none of the prototypes are currently feasible without an inclusionary requirement, it follows that compliance with the current requirements, and all of the potential inclusionary requirement options are also infeasible.

As the City has an existing inclusionary requirement, developers will decide to build when housing market prices recover such that the prototypical developments subject to current requirements provide sufficient returns on costs. Updating the ordinance to allow developers to comply with inclusionary requirements using one of the potential policy options that allows a higher maximum sale price for affordable units than under the regulations (e.g., 15 percent inclusionary units targeted at 110 percent of AMI), would be more attractive to developers than the current requirements. Furthermore, projects subject to relaxed requirements would require a lower sales

price for market rate units in order to achieve feasibility. Such changes in requirements could encourage housing starts at a point in time (i.e., earlier in the housing market recovery cycle) that market housing prices are lower than would be the case if the current inclusionary requirements are maintained.

The results of the analysis demonstrate that for each of the prototypes, as the City allows developers to sell units to higher income households, developer returns improve relative to projects subject to current requirements. This translates into lower minimum required sale prices for market rate units in order to achieve feasibility. However, urban infill condominium developers would always be worse off, and require higher sale prices for market rate units, than they would at present, since they currently have no inclusionary requirement. In addition, developers of large scale suburban single-family home and small lot/cluster home projects, who can partner with affordable developers under the existing requirements, will continue to choose to partner with affordable housing developers to build rental units. This reflects the large cost savings of partnering with affordable developers and making contributions (in-kind land donation plus cash) currently valued at approximately $20,000 per affordable unit, rather than building affordable units on-site themselves.

The prototype project is infeasible for small developers under current regulations, and requires a higher minimum sale price for market rate units ($509,000) than the market rate unit price needed by larger developers who can partner with affordable developers ($435,000 and $380,000 for suburban SFR and small-lot/cluster SFR projects, respectively). Nevertheless, housing units produced by smaller developers typically have been able to profitably sell their market rate units at lower prices than units in larger-scale projects. This may be due to factors such as lower overhead, differences in the desirability/cost of land that smaller developers acquire, and lower profit margin expectations. As a result, when prices were higher during the recent boom, small developments with on-site inclusionary units were profitable.

In addition, these findings suggest that developers of larger suburban single-family projects with the ability to partner with affordable housing developers will continue to do so under an updated ordinance that allows them to continue with this practice. This is because none of the inclusionary ordinance modifications considered in this study would be more financially attractive than this current method of compliance. However, for suburban condominium developers and small single-family developers, who cannot partner with affordable developers, an updated policy that allows developers to target higher income households will help them to increase profitability and make their projects more economically attractive.

Thus, none of the policy changes considered in this study are likely to encourage developers who currently choose to partner with affordable housing developers to change their approach and build inclusionary units for sale. The options may, however, help developers of small single-family and condominium projects improve financial feasibility. If the increased feasibility brings additional

small-scale single family and condominium developers to market, this may indirectly increase the share of inclusionary units that are built for sale.

It should be noted that SHRA currently subsidizes affordable housing developments resulting from the partnerships between market-rate developers of large-scale single-family projects and affordable housing developers. The analysis assumes that SHRA would continue to provide this subsidy, which amounts to approximately $9,050 per affordable unit. Should SHRA become unable and/or unwilling to subsidize future units, the cost differential between building affordable for-sale units on-site and partnering with local affordable housing developers to construct off-site rental units would be smaller. Table 9 shows the minimum sale prices required to achieve feasibility under the current requirements, with SHRA subsidies and without subsidies.

Table 9: Pro-Forma Analysis for Current Requirments, With and Without SHRA Subsidy

		Planned Unit Developments			
	Suburban SFR <30 units	Suburban SFR >100 units	Small Lot/Cluster SFR, >100 units	Suburban Condo 100-200 units	Urban Infill Condo, 100 units
Market Prices, First Quarter 2008 (a)	$387,500	$387,500	$350,000	$300,000	$300,000
Required Return on Costs (b)	12%	12%	12%	12%	12%
Minimum Prices Required With No Ordinance					
1- No Requirement	$468,000	$432,000	$376,000	$368,000	$562,000
Minimum Prices Required Under Current Ordinance:					
2- 10% Very Low, 5% Low, all for sale	$521,000	$465,000	$409,000	$408,000	$629,000
Current Ordinance Compliance Option, with 3- SHRA subsidy	$509,000 *15% LI, Sale*	$435,000 (c) *10% VLI, 5% LI, MF Rental*	$380,000 (c) *10% VLI, 5% LI, MF Rental*	$404,000 *5% VLI, 10% LI, Sale*	N/A *N/A*
Current Ordinance Compliance Option, with 4- SHRA no subsidy	$509,000 *15% LI, Sale*	$440,000 (c) *10% VLI, 5% LI, MF Rental*	$384,000 (c) *10% VLI, 5% LI, MF Rental*	$404,000 *5% VLI, 10% LI, Sale*	N/A *N/A*

Notes:
(a) Prices based on conversations with developers and market data between August 2007 and February 2008. As prices fluctuate rapidly, the analysis focuses on the relative impact of options.
(b) Project feasibility is defined as a developer profit on cost of at least 12%.
(c) These developers meet their inclusionary obligations through contributions to affordable multifamily developers.

Source: BAE, 2008.

Furthermore, because liquidity in the Low Income Housing Tax Credit (LIHTC) market has decreased in recent months, particularly in the current economic climate, affordable housing developers will earn less revenue selling their tax credits, and will require greater subsidies from other sources, such as increased cash contributions from market rate developers, further reducing the cost differential between partnering with affordable housing developers and constructing for-sale units on-site.

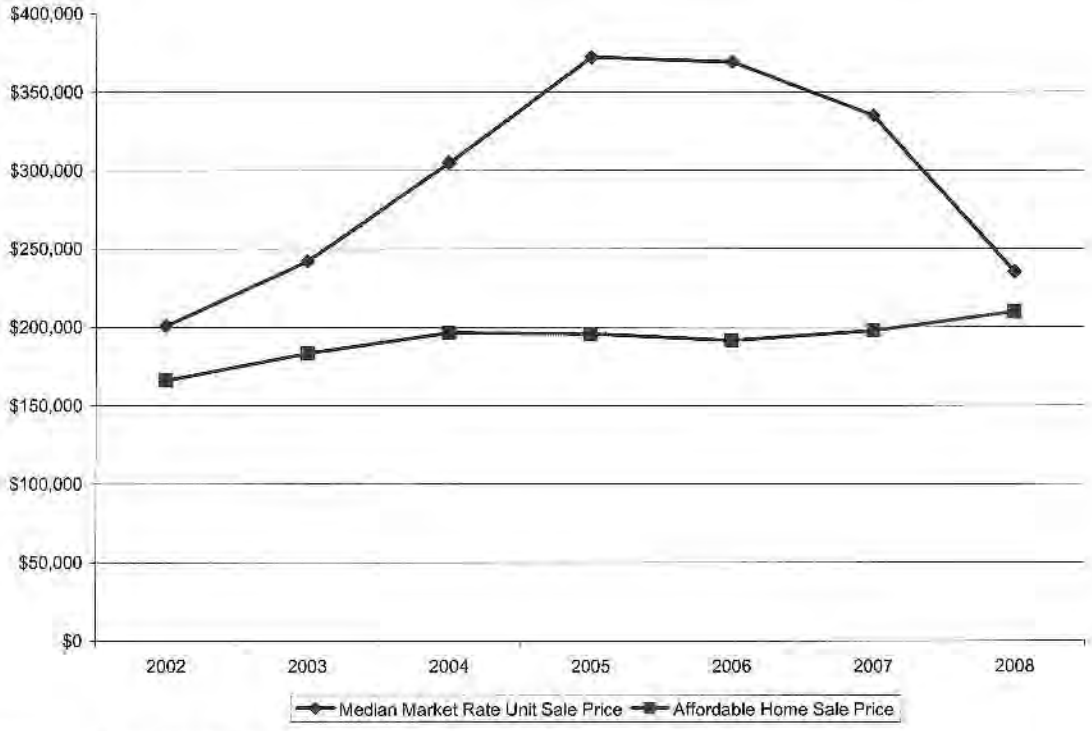
Feasibility Versus Marketability

Although developers may find the production of on-site units marketed to households with incomes that are up to 110 percent of AMI more financially attractive then current requirements, if affordable home prices are relatively close to market rate prices, the City may not be able to

successfully market the affordable units. Affordable units typically include deed restrictions and equity caps to ensure long-term affordability. If the gap between market prices and affordable prices is relatively narrow, households in the target income groups may be unwilling to accept equity appreciation caps associated with affordable units because they may not perceive a great enough economic benefit from the relatively shallow subsidy as a trade-off for the financial constraints of the equity appreciation cap. Figure 1 shows the historic housing affordability gap for Sacramento County and West Sacramento. This figure illustrates the fact that the subsidy built into the affordable home sale price peaked in 2005, declined slightly in 2006, and has since dropped precipitously since. At present, affordable homebuyers would realize little economic benefit from the affordable home price; thus, they will tend to be less willing to accept equity appreciation caps.

Regardless of whether ordinance changes increasing the sales price income target are adopted, the City has recognized the need to modify the current equity share cap on re-sale of inclusionary homes. SHRA staff anticipate working with stakeholders on this modification subsequent to any City Council recommendations for changes in income targets.

Figure 1: Historic Housing Affordability Gap



Sources: Sacramento Housing and Redevelopment Agency, 2008; BAE, 2008.

In-Lieu Fee Analysis

This section discusses the methodology and findings of the in-lieu fee analysis. Again, in-lieu fees can serve as an alternative compliance method for the inclusionary housing program, offering developers the option to pay a fee instead of constructing the affordable units on-site or entering into agreements to partner with affordable housing developers to develop affordable housing units off-site. Additionally, an in-lieu fee option may make sense in certain in-fill situations. In-fill projects often confront more complex development challenges than "greenfield" development projects due to such factors as need for land assembly and site clean-up, as well neighborhood compatibility concerns. These types of issues can make project design and site planning very challenging. An in-lieu fee option may provide flexibility that would assist project feasibility in such cases. These fees could be used to provide continued affordability for affordable units that are re-sold over time and providing deeper income targeting for certain affordable rental projects.

As stated in the previous section, the feasibility analysis indicates that smaller developers of single-family units and condominium developers cannot currently partner with affordable developers and must build their units on site. One method to level the playing field for these developers and the larger developers who can partner with affordable housing developers would be to allow the smaller developers to pay an in-lieu fee to satisfy their inclusionary housing requirement.

This section first presents three options for an in-lieu fee calculation method. These options were examined to allow SHRA to evaluate the pros and cons of various fee levels and to identify the cost to replace the unit that would otherwise have been built by the market rate developer. Next, a pro-forma analysis is conducted to identify whether any of the in-lieu fee levels allows for financially attractive alternatives, relative to current compliance options under the existing ordinance. Appendix D includes the complete set of detailed in-lieu fee pro-formas.

In-Lieu Fee Calculation Options

In calculating the in-lieu fee per market rate unit, all the options below assumed a 15 percent affordable requirement, the amount required under the existing Mixed Income Housing Ordinance. The calculations below involve estimates based on current economic conditions. Over time, changes in relationships between land costs, development costs, financing costs, household income levels, market rate housing prices, and other factors will change the results of this analysis. It is important that any in-lieu fees that are adopted are updated regularly, to reflect economic conditions that will change over time.

Option 1: Improved Land Value Plus Current Cash Contribution for Affordable Rental Unit Construction

This option is modeled on a market rate developer's contribution to an affordable rental developer under typical recent partnering arrangements. It bases the in-lieu fee on the current value of improved land, plus the amount of cash that large scale developers currently contribute, on average, to their affordable housing partners. Including the value of in-kind improved land contributions

and cash subsidies, developers currently contribute approximately $44,000 per affordable unit, or $7,000 per market rate unit.[13] This option would create the greatest parity in terms of the financial contributions required of larger developers and the smaller developers. However, in order for this fee to substitute for actual construction of required inclusionary units, SHRA would need to continue to provide additional subsidies for affordable units. As the market recovers and land values increase, the value of the contributions would increase, and the equivalent in-lieu fee should increase commensurately.

Option 2: Affordable Rental Unit Financing Gap

This option calculates the in-lieu fee on cost to build an affordable unit, less the size of the permanent mortgage loan that an affordable rental housing developer can obtain, less the equity that they could generate by selling Low Income Housing Tax Credits (LIHTCs). Currently, this option results in an in-lieu fee of $24,400 per market rate unit.

The following formula summarizes this method:

(Development cost of an affordable unit in Sacramento) – (Portion of costs that can be financed through a permanent mortgage) – (Equity raised through sale of LIHTCs) = In-Lieu Fee

The development cost of an affordable unit was based on interviews with local affordable developers, SHRA staff, and market information. This analysis resulted in a total current cost of $254,400 per affordable unit.

The supportable loan for this affordable unit was then calculated based on the net operating income (NOI) generated by the unit and typical financing terms encountered by affordable housing developers. This calculation led to a supportable loan of $44,500 per unit. In addition, the project could raise $56,100 per unit in Low Income Housing Tax Credits (LIHTC). This does not include additional subsidies from SHRA.

The difference between the affordable unit cost and the supportable loan plus LIHTCs results in an in-lieu fee of $153,800 per affordable unit, or $24,400 per market rate unit. However, if liquidity in the LIHTC market and the value of tax credits continue to decrease, the affordable unit financing gap will increase. Appendix E shows the assumptions and pro-forma analysis that calculate the affordable unit financing gap.

Option 3: For-Sale Affordable Price Write-Down

This calculation bases the in-lieu fee on the difference between the cost to build a market-rate unit (net of developer profit) and the weighted sale price affordable to very low- and low-income households. It assumes that two-thirds of the inclusionary requirement is targeted to very low-

[13] This is higher than the estimated current value of large-scale developers' contributions to their affordable housing developer partners under current requirements. This amount was calculated based on the value of improved land, whereas under the partnership model, developers contribute unimproved land.

income households and one-third is targeted to low-income households. The following formula summarizes this method:

(Development cost of a market rate unit in Sacramento) – (2/3 of inclusionary units*Home sale price affordable to very low income households + 1/3 of inclusionary units*Home sale price affordable to low income households) = In-Lieu Fee.

The development cost in this calculation was estimated as the average development cost per unit, absent an inclusionary requirement. This calculation resulted in a development cost of $363,800. The weighted affordable sale price of a unit was based on the HUD income limits, resulting in a weighted sale price of $157,300.

The difference between unit development cost and the affordable sale price leads to an in-lieu fee of $206,500 per affordable unit, or $32,800 per market rate unit.

Feasibility Analysis

In formulating an in-lieu fee amount, the three options above do not consider the fee's impact on a project's financial feasibility. Therefore, a second step is necessary to identify whether any of these potential in-lieu fees allow for an adequate return to the developer. Since a 100 percent market rate project for each of the prototypes is currently infeasible, this analysis focuses on the attractiveness of each of the potential in-lieu fees, relative to the baseline case.

Using a pro-forma analysis, BAE tested the baseline prototypes described in the Inclusionary Housing section of this report to see how developer profit would be affected by a given in-lieu fee amount. Again, a 15 percent inclusionary housing requirement was assumed as part of this analysis, the requirements under the existing Mixed Income Housing Ordinance. The analysis also assumes a 12 percent developer return on cost as the financial feasibility threshold. Table 10 presents the results of this analysis.

Table 10: Summary of In-Lieu Fee Pro-Forma Analysis

	Suburban SFR <30 units	Planned Unit Developments: Suburban SFR >100 units	Planned Unit Developments: Small Lot/Cluster SFR, >100 units	Suburban Condo 100-200 units	Urban Infill Condo, 100 units
Market Prices, January 2008	$387,500	$387,500	$350,000	$300,000	$300,000
Required Return on Costs	12%	12%	12%	12%	12%
Minimum Prices Required Under Current Ordinance:					
1- 10% Very Low, 5% Low, all for sale	$521,000	$465,000	$409,000	$408,000	$629,000
2- Current Ordinance Compliance Option	$493,000 *15% LI, Sale*	$435,000 *10% VLI, 5% LI, MF Rental*	$380,000 *10% VLI, 5% LI, MF Rental*	$404,000 *5% VLI, 10% LI, Sale*	N/A N/A
Minimum Prices Required Under In-Lieu Fee Alternatives					
Affordable Housing Contribution Based on Calculation of Improved Land Value 3- plus Cash: $7,000 per market rate unit	$478,000	$439,000	$384,000	$376,000	$571,000
Affordable Rental Unit Financing Gap: 4- $24,400 per market rate unit	$502,000	$458,000	$405,000	$396,000	$591,000
For Sale Affordability Gap: $32,800 per 5- market rate unit	$514,000	$467,000	$415,000	$406,000	$601,000

Notes:
(a) Project feasibility is defined as a developer profit on cost of at least 12%.
(b) Assumes a 15% inclusionary housing requirement.

Source: BAE, 2008.

The analysis indicates that while a $7,000 in-lieu fee per market rate unit would be more attractive to small developers and suburban condominium developers than compliance with current requirements, all of the other fees examined result in lower returns than the current compliance options. However, a $7,000 fee is not sufficient to replace an affordable unit.

Choosing Among In-Lieu Fee Options

In reviewing the three in-lieu fee options, the City should consider how the resulting in-lieu fees relate to the actual costs to replace the unit that would otherwise have been built by the market rate developer. The City will also want to consider how the options allocate the burden to secure the subsidies necessary to build housing affordable to the targeted income level households between the developer and other parties.

Option 1 places the heaviest burden on SHRA and affordable housing developers to secure the subsidies necessary fund affordable housing units. Under Option 1, the market rate developer makes a fairly modest subsidy contribution. Options 2 and 3 both place greater burdens on market rate developers to provide the required subsidies for the affordable units. Because Option 3 is calculated based on the cost to provide affordable for-sale units, which requires greater subsidy amounts than providing affordable rental units, it places the greatest burden on developers.

Furthermore, the choice among in-lieu fee options must also consider the financial incentives that the options would create. Establishing an in-lieu fee at a level that is low enough to be financially attractive, relative to complying with current requirements, will require that SHRA and its

affordable housing partners generate additional sources of revenue to subsidize the affordable units that otherwise would have been required. Setting fees at higher levels may not be attractive to developers of large projects who can currently partner with off-side affordable housing developers. Even at the higher levels, an in-lieu fee option may be attractive to developers of smaller projects, who do not currently have the option to partner with affordable housing developers. These smaller developers may benefit from the extra flexibility an in-lieu fee would give them to comply with inclusionary requirements.

Conclusions

This analysis has demonstrated a number of options to adjust the City of Sacramento's inclusionary housing requirements to increase the financial attractiveness of construction of onsite affordable for-sale housing units, compared to current requirements. In summary, Table 11 shows the percentage increase from current market rate unit sales prices that would be needed to achieve financial feasibility. By comparing the percentage increase needed to achievability for the various inclusionary options, for each prototype, it is possible to see the relative financial attractiveness of each option. For example, for the prototype that involves a suburban SFR project smaller than 30 units, an approximately 21 percent increase from current market rates is necessary to achieve financial feasibility, even with no inclusionary requirement. The percentage increases in market prices necessary to achieve feasibility for options 2 through 8, for this prototype, show the relative attractiveness of the different options. As shown in the table, for the small suburban SFR prototype, options 5 through 8 would each require comparatively smaller increases in market rate unit prices to achieve feasibility than options 2 or 3. Thus, any of the policy changes considered in those options would be more financially attractive than the options currently open to developers of small suburban SFR projects.

As shown in Table 11, the current options to comply with the existing inclusionary requirements for developers of large Planned Unit Development projects are more attractive than any of the options considered. This means, that none of the policy modifications considered in this study are likely to encourage large developers to build affordable for-sale units to fulfill their inclusionary requirements, as long as they continue to have the option to partner with affordable housing developers in exchange for relatively low contributions. For the Suburban Condo and Urban Infill Condo projects, Table 11 shows that the policy modifications represented in options 4 though 8 could potentially be more financially attractive to developers than compliance under the current regulations.

This summary demonstrates that the City could consider modifying the inclusionary requirements to conform with any of options 4 through 8; however, the impact on production of for-sale affordable housing units is likely to be marginal. This is because none of the options to encourage for-sale affordable unit production would be more financially attractive to the large-scale PUD developers than partnering with affordable housing developers to produce affordable rental units. The options would lessen the burden and be more financially attractive to the small suburban SFR developers, the suburban condo developers, and the urban infill condo developers compared to complying with current requirements. However, these types of developers typically must build affordable for-sale units onsite at present, because they do not have large enough sites to donate land to affordable housing developers. Therefore, any in increase construction of affordable for-sale units that would be attributable to adopting any of the revised inclusionary policies would be due to an overall increase in the number of market rate units coming to market, due to enhanced feasibility offered by the options.

Table 11: Percentage Change in Market Rate Unit Sale Prices from Current Values Required for Feasibility

		Suburban SFR <30 units	Planned Unit Developments: Suburban SFR >100 units	Planned Unit Developments: Small Lot/Cluster SFR, >100 units	Suburban Condo 100-200 units	Urban Infill Condo, 100 units
	Market Prices, First Quarter 2008 (a)	$387,600	$387,500	$350,000	$300,000	$300,000
	Required Return on Costs (b)	12%	12%	12%	12%	12%
	Minimum Price Increases Required With No Ordinance					
	1- No Requirement	20.8%	11.5%	7.4%	22.7%	87.3%
	Minimum Price Increases Required Under Current Ordinance:					
	2- 10% Very Low, 5% Low, all for sale	34.5%	20.0%	16.9%	36.0%	109.7%
	3- Current Ordinance Compliance Option	31.4% *15% LI, Sale*	12.3% (c) *10% VLI, 5% LI, MF Rental*	8.6% (c) *10% VLI, 6% LI, MF Rental*	34.7% *5% VLI, 10% LI, Sale*	N/A *N/A*
	Minimum Price Increases Required Under Modified Affordability Options:					
All For Sale Inclusionary	4- 5% Very Low, 10% Low	32.9%	19.0%	15.4%	34.7%	108.7%
	5- 10% Low, 5% Median	30.3%	16.9%	13.4%	32.0%	106.7%
	6- 5% Low, 10% Median	29.3%	16.1%	12.3%	31.3%	106.0%
	7- 5% Median, 10% 110% AMI	27.2%	14.6%	10.6%	29.3%	104.7%
	8- 15% 110 AMI	24.4%	14.3%	10.3%	29.0%	104.0%
	9- Mixed Tenure 3% for sale to 100% AMI 4% contributions for Low rental units 8% contributions for Very Low rental units	N/A	12.8%	9.1%	N/A	N/A
	Minimum Price Increases Required Under Minimal In-Lieu Fee Option:					
	10- Affordable Housing Contribution based on Calculation of Improved Land Value plus Cash: $7,000 per market rate unit	23.4%	13.3%	9.7%	25.3%	90.3%

Notes:
(a) Prices based on conversations with developers and market data between August 2007 and February 2008. As prices fluctuate rapidly, the analysis focuses on the relative impact of options.
(b) Project feasibility is defined as a developer profit on cost of at least 12%.
(c) These developers meet their inclusionary obligations through contributions to affordable multifamily developers.

Source: BAE, 2008.

In regard to potential in-lieu fees, the analysis indicates that a $7,000 in-lieu fee per market rate unit would be more attractive than the current requirements for developers of small-scale projects and suburban condominium developments. Each of the other in-lieu fee options examined results in lower developer returns than the $7,000 fee option. However, a $7,000 fee is not sufficient to replace an affordable unit. This means that there would be a policy trade-off involved with easing the burden on small-scale single-family and suburban condominium developers, by offering the lowest in-lieu fee option, but then increasing the burden on SHRA and affordable housing developers to secure the subsidies required to produce affordable units. Some in-lieu fee options that are greater than $7,000 per market rate unit would offer enhanced flexibility and financial feasibility to suburban condominium developers and urban infill condominium developers.

Appendix A: Advisory Panel Roster

Name	Organization	Relationship to Inclusionary Housing
Ainger, Paul	Mercy Housing	Non-profit builder who can do for-sale affordable housing development
Jim Migliore	Petrovich Development	For profit developer of Curtis Park Rail yards
Greene, Kevin	Downtown Partnership	Stakeholder for downtown development
Brown, Geoff	USA Properties	For-profit builder of many rental inclusionary projects
Cramer, Rick	GSD, Inc.	Developer who participated in an IH condo development that went under
Cross, Ken	Habitat for Humanity	Affordable ownership housing developer
Harlan, Mike	Syncom Homes	Small subdivision builder
Karvonen, Tom	SunCal	Developers of Delta Shores, large PUD in the South Area, subject to IH
Lawler, Bob	St. Anton	For-profit builder of many rental inclusionary projects
Manikas, John	Manikas Properties	Smaller land developer who has participated in two for-sale IH developments (100 units or less)
Nybo, David	Formerly with Signature Homes	Downtown, urban developer of mid-rise condominiums
Roller, Shamus Keasling, Stan	Sacramento Housing Alliance	Advocacy group representing many interest groups and organizations
Shattuck, Bob	Lennar Communities	Single family residence builder. IH rental partnership. Public builder
Stevens, Kevin	Sycamore Homes	Small subdivision builder
Zahedani, Ardie Rogers, Dennis	Building Industry Association	Residential developer industry representative

The City Staff that participated were Desmond Parrington and Greg Sandlund

Appendix B: City of Sacramento New Construction Market Sale Price Data

Appendix B-1: Full and Verified New Construction Home Sales, City of Sacramento

	Single Family		Condo		All Units	
Citywide	**Median Price**	**# Sold**	**Median Price**	**# Sold**	**Median Price**	**# Sold**
One Bedroom	N/A	0	N/A	0	N/A	0
Two Bedroom	$270,000	2	$187,750	4	$215,000	6
Three+ Bedroom	$318,500	62	$300,000	9	$310,679	71
All Units	$318,500	64	$260,000	13	$300,000	77

	One Bedroom Units		Two Bedroom Units		Three+ Bedroom Units		All Units	
High-Growth Area	**Median Price**	**# Sold**	**Median Price**	**# Sold**	**Median Price**	**# Sold**	**Median Price**	**# Sold**
Central City (b)	N/A	0	$330,000	1	N/A	0	$330,000	1
North Natomas (c)	N/A	0	$222,500	2	$327,750	32	$323,250	34
South Sacramento (d)	N/A	0	N/A	0	N/A	0	N/A	0

Notes:
(a) Includes homes constructed in 2007 and 2008 with sale dates between 8/1/07 and 1/31/08.
(b) Central City area includes homes sold in Zip Code areas 95816 & 95814.
(c) North Natomas area includes homes sold in Zip Code areas 95834 & 95835.
(d) South Sacramento area includes homes sold in Zip Code area 95823.

Sources: Dataquick, 2008; BAE, 2008.

Appendix B-2: New Homes Currently Selling in Sacramento, August 2007 - January 2008

Area	Unit Type	Project Name	Developer	Price Range		Square Feet Range	
Natomas	Condo	CARRIAGE LANE CONDOMINIUMS	D.R. Horton	$229,990 -	$344,179	1,156 -	1,650
Natomas	Condo	CORTILE AT ARTISAN SQUARE	Shea Homes	$258,850 -	$275,000	1,436 -	1,560
Natomas	Condo	HAMPTON VILLAGE	KB Home	$201,900 -	$271,900	1,089 -	1,984
Natomas	Condo	PORTISOL AT ARTISAN SQUARE	Shea Homes	$287,000 -	$309,300	1,635 -	1,806
Natomas	Condo	SERENADE AT REGENCY PARK	Warmington Homes California	$215,000 -	$250,000	1,254 -	1,453
Natomas	Condo	VILLE MAISON	D.R. Horton	$249,990 -	$269,990	1,293 -	1,650
Natomas	Duplex	ISLA DEL LAGO AT WESTSHORE	K. Hovnanian Homes	$301,490 -	$369,990	1,250 -	2,106
Natomas	Plex	MYSTIQUE	John Laing Homes	$219,990 -	$276,990	1,064 -	1,579
Natomas	Single Family	ALPINE AT WESTSHORE	K. Hovnanian Homes	$299,990 -	$341,990	1,502 -	1,703
Natomas	Single Family	AMERICAN COLLECTION	Beazer Homes	$259,990 -	$299,990	816 -	1,473
Natomas	Single Family	ARTISAN COLLECTION - BAROQUE SERIES	Reynen & Bardis Communities, Inc	$301,452 -	$342,678	1,114 -	1,652
Natomas	Single Family	ARTISAN COLLECTION - ROMANESQUE SERIES	Reynen & Bardis Communities, Inc	$409,950 -	$486,450	2,081 -	2,951
Natomas	Single Family	BUNGALOWS AT WESTSHORE	K. Hovnanian Homes	$275,100 -	$292,035	1,402 -	1,510
Natomas	Single Family	CANDELA AT WESTLAKE	John Laing Homes	$299,990 -	$339,990	1,541 -	1,801
Natomas	Single Family	CAPISTRANO AT WESTSHORE	Shea Homes	$512,800 -	$636,068	2,592 -	3,714
Natomas	Single Family	CARRIAGE AT WESTSHORE	K. Hovnanian Homes	$301,135 -	$339,195	1,414 -	1,816
Natomas	Single Family	COMMONS AT NATOMAS	Lennar Homes	$308,950 -	$374,950	1,228 -	1,805
Natomas	Single Family	COURTYARD AT WESTSHORE	K. Hovnanian Homes	$290,585 -	$320,275	1,463 -	1,941
Natomas	Single Family	FALLEN LEAF AT RIVERBEND	Treasure Homes	$284,990 -	$399,990	1,026 -	2,271
Natomas	Single Family	HAMPTONS (THE)/MONTAUK	KB Home	$325,900 -	$370,900	1,369 -	2,581
Natomas	Single Family	HAMPTONS (THE)/STONYBROOK	KB Home	$295,900 -	$370,900	1,699 -	2,277
Natomas	Single Family	HAMPTONS (THE)/WESTBURY	KB Home	$317,808 -	$336,400	1,708 -	1,992
Natomas	Single Family	MANOR ON THE LAKE	K. Hovnanian Homes	$343,220 -	$365,240	1,743 -	2,116
Natomas	Single Family	MAPLEWOOD	Griffin Industries	$265,990 -	$319,990	1,481 -	1,823
Natomas	Single Family	MORRISON HOMES AT WESTSHORE	Morrison Homes	$409,692 -	$449,810	2,126 -	2,822
Natomas	Single Family	NATOMAS MEADOWS/COTTONWOOD	Pardee Homes	$402,840 -	$459,140	2,159 -	2,900
Natomas	Single Family	NATOMAS MEADOWS/POPPY LANE	Pardee Homes	$309,990 -	$359,990	1,667 -	2,284
Natomas	Single Family	RIDGEFIELD AT WESTSHORE	K. Hovnanian Homes	$290,745 -	$344,970	1,398 -	2,170
Natomas	Single Family	SERENITY	John Laing Homes	$284,990 -	$389,990	1,696 -	2,131
Natomas	Single Family	SKYPARK AT NATOMAS FIELD	Homes by Towne	$315,990 -	$399,990	1,258 -	2,588
Natomas	Single Family	SONORA SPRINGS	D.R. Horton	$342,990 -	$392,990	1,425 -	2,320
Natomas	Single Family	SUNRISE COLLECTION	Beazer Homes	$266,805 -	$349,990	1,407 -	1,775
Natomas	Single Family	TRAILS AT WESTSHORE	K. Hovnanian Homes	$408,990 -	$594,910	2,229 -	3,245
Natomas	Single Family	VILLAGES AT NATOMAS	Kimball Hill Homes	$299,990 -	$349,990	1,653 -	2,200
Natomas	Single Family	WILDFLOWER AT WESTSHORE	K. Hovnanian Homes	$382,180 -	$408,990	1,932 -	2,229
Natomas	Townhouse	ASTORIA	Centex Homes	$249,990 -	$312,490	1,113 -	1,622
Natomas	Townhouse	DISCOVERY COLLECTION	Beazer Homes	$242,375 -	$308,450	1,027 -	1,837
Natomas	Townhouse	LANDING COLLECTION	Beazer Homes	$279,990 -	$379,990	964 -	1,871
Natomas	Townhouse	PROVENCE	D.R. Horton	$248,990 -	$257,990	1,265 -	1,351
Sacramento	Condo	500 N ST CONDOS	Housing Source Partners	$369,950 -	$675,950	832 -	1,680
Sacramento	Condo	AURA CONDOS	BCN Development, LLC	$455,999 -	$794,240	766 -	1,564
Sacramento	Condo	L STREET LOFTS	SKK Development	$389,990 -	$749,990	676 -	1,237
Sacramento	Condo	WASHINGTON PARK VILLAGE	Signature Properties	$381,863 -	$446,755	1,229 -	1,408
Sacramento	Single Family	MADISON ESTATES	BLDCO Inc.	$325,000 -	$360,000	1,096 -	1,325
Sacramento	Single Family	MORRISON BROOKS	CDB Development, Inc.	$299,500 -	$367,900	1,871 -	2,504
Sacramento	Single Family	ORLEANS AT PROVENCE MEADOWS	Cambridge Homes	$561,900 -	$603,990	2,973 -	3,699
Sacramento	Single Family	SHORES AT RIVERBEND	Tim Lewis Communities	$334,900 -	$399,900	1,518 -	2,447
Sacramento	Single Family	SULLY SUBDIVISION	Palace Development	$439,000 -	$549,000	1,994 -	2,748
Sacramento	Single Family	TAPESTRI SQUARE	Treasure Homes	$450,000 -	$845,000	1,200 -	2,600
Sacramento	Townhouse	30 CAP LOFTS	Regis Homes	$395,000 -	$453,390	1,179 -	1,207
Sacramento	Condo	ALICANTE VILLAS	Pacifica Companies	$155,900 -	$339,990	770 -	1,650
Sacramento	Condo	HIGHLANDS	Pacifica Companies	$144,990 -	$189,990	700 -	850
Sacramento	Townhouse	BLACKSTONE	Sixells, LLC	$335,000 -	$335,000	1,340 -	1,721
Sacramento	Townhouse	PAVILLIONS	Sixells, LLC	$635,000 -	$675,000	2,277 -	2,537
Sacramento	Townhouse	VILLAGGIO CONDOMINIUMS	Southern California Investments	$169,990 -	$199,990	850 -	850
Sacramento	Single Family	BARRINGTON SQUARE	Richmond American Homes	$302,990 -	$354,990	1,400 -	2,100
Sacramento	Single Family	BRITTANY PARK	Morrison Homes	$339,990 -	$555,555	1,839 -	2,459
Sacramento	Single Family	COBBLESTONE	Syncon Homes	$287,990 -	$362,990	1,346 -	2,200
Sacramento	Single Family	ISLANDS AT RIVERLAKE (THE)	Regis Homes	$389,990 -	$494,990	1,428 -	2,154
Sacramento	Single Family	LEGACY	Tim Lewis Communities	$286,900 -	$434,900	1,504 -	2,506
Sacramento	Single Family	REFLECTIONS AT RUSH RIVER	John E. Johnson, LLC	$434,515 -	$559,450	1,740 -	2,038
Sacramento	Single Family	RESIDENCES AT 65TH STREET (THE)	Caramazza Development Company	$345,990 -	$445,990	1,267 -	1,879
Sacramento	Single Family	SIENNA	Ryland Homes	$319,990 -	$354,990	2,054 -	2,436
Sacramento	Single Family	SOMERSET	Kimball Hill Homes	$203,990 -	$292,990	1,005 -	2,284
South Sacramento	Single Family	HAMPTON STATION	Woodside Homes	$258,990 -	$366,990	1,395 -	2,562
South Sacramento	Single Family	LIBERTY LANE	Ryland Homes	$284,990 -	$359,990	1,511 -	1,885
South Sacramento	Single Family	SUN MEADOWS	New Faze Development	$264,900 -	$320,900	1,100 -	1,525
South Sacramento	Single Family	VILLA TERRASSA	Regis Homes	$196,453 -	$267,605	1,041 -	1,785
South Sacramento	Single Family	WICKFORD SQUARE	Richmond American Homes	$234,990 -	$320,990	1,200 -	2,200
Average							
single family				**$367,183**		**1,903**	
condo/townhouse				**$326,912**		**1,349**	

Sources: Hanley Wood; BAE, 2008.

Appendix C: Inclusionary Policy Prototype Pro-formas

No Inclusionary Requirement

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*16*
Affordable	*0*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	16
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	35,200
Market Rate	35,200
Affordable	-
Common Area	n/a
Total Residential	35,200
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$207,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,762,004
Amount of Loan	$4,033,403

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,816,000
Affordable Construction Costs	$0
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$736,000
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$181,503
Points on Construction Loan	$80,668
Total Development Costs	$6,371,375
Total Development Costs/Unit	$398,211
Development Feasibility	
Minimum Profit Required	$764,565
Net Sales Required	$7,135,940
Add 5% Commissions/Marketing	$356,797
Gross Sales Revenue	$7,492,737
Less: Inclusionary Unit Sales	$0
Gross Market Rate Sales Revenue	$7,492,737
Minimum Sale Price/ Market Rate Unit	**$468,296**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*103*
Affordable	*0*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	103
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	226,600
Market Rate	226,600
Affordable	-
Common Area	n/a
Total Residential	226,600
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$207,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,382,515
Amount of Loan	$21,967,761

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,995,000
Affordable Construction Costs	$0
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,511,400
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$988,549
Points on Construction Loan	$439,355
Total Development Costs	$37,805,920
Total Development Costs/Unit	$367,048
Development Feasibility	
Minimum Profit Required	$4,536,710
Net Sales Revenue Required	$42,342,630
Add 5% Commissions/Marketing	$2,117,132
Gross Sales Revenue Required	$44,459,762
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$44,459,762
Minimum Sale Price/Market Rate Unit	**$431,648**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*118*
Affordable	*0*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	118
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	188,800
Market Rate	188,800
Affordable	-
Common Area	n/a
Total Residential	188,800
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$207,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,595,714
Amount of Loan	$21,417,000

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$14,160,000
Affordable Construction Costs	$0
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,283,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$963,765
Points on Construction Loan	$428,340
Total Development Costs	$37,710,819
Total Development Costs/Unit	$319,583
Development Feasibility	
Minimum Profit Required	$4,525,298
Net Sales Revenue Required	$42,236,118
Add 5% Commissions/Marketing	$2,111,806
Gross Sales Revenue Required	$44,347,923
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$44,347,923
Minimum Sale Price/Market Rate Unit	**$375,830**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*135*
Affordable	*0*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	135
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	162,000
Market Rate	162,000
Affordable	-
Common Area	16,200
Total Residential	178,200
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$246,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$207,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	535
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,684,200
Amount of Loan	$24,278,940

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$17,820,000
Affordable Construction Costs	$0
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,454,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,092,552
Points on Construction Loan	$485,579
Total Development Costs	$42,215,831
Total Development Costs/Unit	$312,710
Development Feasibility	
Minimum Profit Required	$5,065,900
Net Sales Revenue Required	$47,281,731
Add 5% Commissions/Marketing	$2,364,087
Gross Sales Revenue Required	$49,645,817
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$49,645,817
Minimum Sale Price/Market Rate Unit	**$367,747**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	92
Affordable	0
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	92
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	87,400
Market Rate	87,400
Affordable	-
Common Area	8,740
Total Residential	96,140
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$207,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$40,978,532
Amount of Loan	$28,684,972

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$23,073,600
Affordable Construction Costs	$0
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,571,520
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,290,824
Points on Construction Loan	$573,699
Total Development Costs	$43,993,055
Total Development Costs/Unit	$478,185
Development Feasibility	
Minimum Profit Required	$5,279,167
Net Sales Revenue Required	$49,272,222
Add 5% Commissions/Marketing	$2,463,611
Gross Sales Revenue Required	$51,735,833
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$51,735,833
Minimum Sale Price/Market Rate Unit	**$562,346**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Ten Percent Very Low, Five Percent Low, All For Sale

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*13*
Affordable	*3*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	2
Low (80% AMI)	1
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,894
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$471,771
Gross Market Rate Sales Revenue	$6,773,097
Minimum Sale Price/ Market Rate Unit	**$521,007**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*88*
Affordable	*15*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	10
Low (80% AMI)	5
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$2,358,856
Minimum Gross Market Rate Sales Revenue	$40,939,020
Minimum Sale Price/Market Rate Unit	**$465,216**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	12
Low (80% AMI)	6
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$948,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$2,830,628
Minimum Gross Market Rate Sales Revenue	$40,919,755
Minimum Sale Price/Market Rate Unit	**$409,198**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	20
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	14
Low (80% AMI)	7
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,980,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,078
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($2,241,246)
Minimum Gross Market Rate Sales Revenue	$46,917,687
Minimum Sale Price/Market Rate Unit	**$407,980**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	78
Affordable	14
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	9
Low (80% AMI)	5
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,760
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,385,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($1,072,191)
Minimum Gross Market Rate Sales Revenue	$49,027,708
Minimum Sale Price/Market Rate Unit	**$628,560**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Compliance with Current Requirements

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	13
Affordable	3
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	-
Low (80% AMI)	3
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$207,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$840,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,994
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$629,028
Gross Market Rate Sales Revenue	$6,615,840
Minimum Sale Price/ Market Rate Unit	**$508,911**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*103*
Affordable	*0*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	103
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	226,600
Market Rate	226,600
Affordable	-
Common Area	n/a
Total Residential	226,600
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,382,515
Amount of Loan	$21,967,761

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,995,000
Affordable Construction Costs	$0
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$300,000
Other Soft Costs	$4,511,400
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$988,549
Points on Construction Loan	$439,355
Total Development Costs	$38,105,920
Total Development Costs/Unit	$369,960
Development Feasibility	
Minimum Profit Required	$4,572,710
Net Sales Revenue Required	$42,678,630
Add 5% Commissions/Marketing	$2,133,932
Gross Sales Revenue Required	$44,812,562
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$44,812,562
Minimum Sale Price/Market Rate Unit	**$435,073**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*118*
Affordable	*0*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	118
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	188,800
Market Rate	188,800
Affordable	-
Common Area	n/a
Total Residential	188,800
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,955,714
Amount of Loan	$21,669,000

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$14,160,000
Affordable Construction Costs	$0
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$360,000
Other Soft Costs	$4,283,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$975,105
Points on Construction Loan	$433,380
Total Development Costs	$38,087,199
Total Development Costs/Unit	$322,773
Development Feasibility	
Minimum Profit Required	$4,570,464
Net Sales Revenue Required	$42,657,663
Add 5% Commissions/Marketing	$2,132,883
Gross Sales Revenue Required	$44,790,546
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$44,790,546
Minimum Sale Price/Market Rate Unit	**$379,581**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	20
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	7
Low (80% AMI)	14
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,078
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($2,736,606)
Minimum Gross Market Rate Sales Revenue	$46,422,327
Minimum Sale Price/Market Rate Unit	**$403,672**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	92
Affordable	0
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	92
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	87,400
Market Rate	87,400
Affordable	-
Common Area	8,740
Total Residential	96,140
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$40,978,532
Amount of Loan	$28,684,972

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$23,073,600
Affordable Construction Costs	$0
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,571,520
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,290,824
Points on Construction Loan	$573,699
Total Development Costs	$43,993,055
Total Development Costs/Unit	$478,185
Development Feasibility	
Minimum Profit Required	$5,279,167
Net Sales Revenue Required	$49,272,222
Add 5% Commissions/Marketing	$2,463,611
Gross Sales Revenue Required	$51,735,833
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$51,735,833
Minimum Sale Price/Market Rate Unit	**$562,346**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Five Percent Very Low, Ten Percent Low, All For Sale

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*13*
Affordable	*3*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	1
Low (80% AMI)	2
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,994
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$550,400
Gross Market Rate Sales Revenue	$6,694,469
Minimum Sale Price/ Market Rate Unit	**$514,959**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	88
Affordable	15
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	5
Low (80% AMI)	10
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$2,751,999
Minimum Gross Market Rate Sales Revenue	$40,545,878
Minimum Sale Price/Market Rate Unit	**$460,749**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	6
Low (80% AMI)	12
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$948,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$3,302,399
Minimum Gross Market Rate Sales Revenue	$40,447,984
Minimum Sale Price/Market Rate Unit	**$404,480**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	*20*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	7
Low (80% AMI)	14
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,708
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,078
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($2,736,606)
Minimum Gross Market Rate Sales Revenue	$46,422,327
Minimum Sale Price/Market Rate Unit	**$403,672**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	*78*
Affordable	*14*
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	5
Low (80% AMI)	9
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,828
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,780
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,385,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($1,292,351)
Minimum Gross Market Rate Sales Revenue	$48,807,548
Minimum Sale Price/Market Rate Unit	**$625,738**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Ten Percent Low, Five Percent Median, All For Sale

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*13*
Affordable	*3*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	-
Low (80% AMI)	2
Median (100% AMI)	1
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,994
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$681,447
Gross Market Rate Sales Revenue	$6,563,421
Minimum Sale Price/ Market Rate Unit	**$504,879**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*88*
Affordable	*15*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	-
Low (80% AMI)	10
Median (100% AMI)	5
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$3,407,237
Minimum Gross Market Rate Sales Revenue	$39,890,640
Minimum Sale Price/Market Rate Unit	**$453,303**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,800
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	-
Low (80% AMI)	12
Moderate (120% AMI)	6
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$848,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$4,088,684
Minimum Gross Market Rate Sales Revenue	$39,661,699
Minimum Sale Price/Market Rate Unit	**$396,617**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	*20*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	-
Low (80% AMI)	14
Median (100% AMI)	7
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,078
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($3,562,205)
Minimum Gross Market Rate Sales Revenue	$45,596,727
Minimum Sale Price/Market Rate Unit	**$396,493**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	*78*
Affordable	*14*
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	-
Low (80% AMI)	9
Median (100% AMI)	5
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,760
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,386,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($1,751,017)
Minimum Gross Market Rate Sales Revenue	$48,348,881
Minimum Sale Price/Market Rate Unit	**$619,857**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Five Percent Low, Ten Percent Median, All For Sale

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*13*
Affordable	*3*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	-
Low (80% AMI)	1
Median (100% AMI)	2
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,994
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$733,866
Gross Market Rate Sales Revenue	$6,511,002
Minimum Sale Price/ Market Rate Unit	**$500,846**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*88*
Affordable	*15*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	-
Low (80% AMI)	5
Median (100% AMI)	10
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$3,669,332
Minimum Gross Market Rate Sales Revenue	$39,628,545
Minimum Sale Price/Market Rate Unit	**$450,324**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	-
Low (80% AMI)	6
Moderate (120% AMI)	12
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$948,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$4,403,198
Minimum Gross Market Rate Sales Revenue	$39,347,184
Minimum Sale Price/Market Rate Unit	**$393,472**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	115
Affordable	20
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	-
Low (80% AMI)	7
Median (100% AMI)	14
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,078
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($3,892,445)
Minimum Gross Market Rate Sales Revenue	$45,266,487
Minimum Sale Price/Market Rate Unit	**$393,622**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	*78*
Affordable	*14*
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	-
Low (80% AMI)	5
Median (100% AMI)	9
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,760
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,385,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($1,897,790)
Minimum Gross Market Rate Sales Revenue	$48,202,108
Minimum Sale Price/Market Rate Unit	**$617,976**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Five Percent Median, Ten Percent 110% AMI, All For Sale

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*13*
Affordable	*3*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	13
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	1
110% AMI	2
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	33,100
Market Rate	28,600
Affordable	4,500
Common Area	n/a
Total Residential	33,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,560,404
Amount of Loan	$3,892,283

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,288,000
Affordable Construction Costs	$360,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$702,400
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$175,153
Points on Construction Loan	$77,846
Total Development Costs	$6,160,602
Total Development Costs/Unit	$385,038
Development Feasibility	
Minimum Profit Required	$739,272
Net Sales Required	$6,899,875
Add 5% Commissions/Marketing	$344,994
Gross Sales Revenue	$7,244,868
Less: Inclusionary Unit Sales	-$838,704
Gross Market Rate Sales Revenue	$6,406,164
Minimum Sale Price/ Market Rate Unit	**$492,782**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	88
Affordable	15
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	5
110% AMI	10
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$4,193,522
Minimum Gross Market Rate Sales Revenue	$39,104,354
Minimum Sale Price/Market Rate Unit	**$444,368**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	6
110% AMI	12
Workforce (150% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$948,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$5,032,227
Minimum Gross Market Rate Sales Revenue	$38,718,156
Minimum Sale Price/Market Rate Unit	**$387,182**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	*20*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	7
110% AMI	14
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	159,000
Market Rate	138,000
Affordable	21,000
Common Area	15,900
Total Residential	174,900
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,288,200
Amount of Loan	$24,001,740

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,390,000
Affordable Construction Costs	$2,100,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,388,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,080,079
Points on Construction Loan	$480,035
Total Development Costs	$41,801,813
Total Development Costs/Unit	$309,643
Development Feasibility	
Minimum Profit Required	$5,016,218
Net Sales Revenue Required	$46,818,031
Add 5% Commissions/Marketing	$2,340,902
Gross Sales Revenue Required	$49,158,932
Less Inclusionary Unit Sales Revenue	($4,553,442)
Minimum Gross Market Rate Sales Revenue	$44,605,491
Minimum Sale Price/Market Rate Unit	**$387,874**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	78
Affordable	14
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	5
110% AMI	9
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,760
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,385,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($2,245,712)
Minimum Gross Market Rate Sales Revenue	$47,854,186
Minimum Sale Price/Market Rate Unit	**$613,515**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

15 Percent at 110% AMI

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*14*
Affordable	*2*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	14
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	2
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	33,800
Market Rate	30,800
Affordable	3,000
Common Area	n/a
Total Residential	33,800
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,627,604
Amount of Loan	$3,939,323

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,464,000
Affordable Construction Costs	$240,000
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$0
Other Soft Costs	$713,600
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$177,270
Points on Construction Loan	$78,786
Total Development Costs	$6,230,860
Total Development Costs/Unit	$389,429
Development Feasibility	
Minimum Profit Required	$747,703
Net Sales Required	$6,978,563
Add 5% Commissions/Marketing	$348,928
Gross Sales Revenue	$7,327,491
Less: Inclusionary Unit Sales	-$576,609
Gross Market Rate Sales Revenue	$6,750,882
Minimum Sale Price/ Market Rate Unit	**$482,206**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*88*
Affordable	*15*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	88
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	15
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	216,100
Market Rate	193,600
Affordable	22,500
Common Area	n/a
Total Residential	216,100
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,437,515
Amount of Loan	$21,306,261

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$14,520,000
Affordable Construction Costs	$1,687,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$0
Other Soft Costs	$4,353,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$958,782
Points on Construction Loan	$426,125
Total Development Costs	$36,817,922
Total Development Costs/Unit	$357,456
Development Feasibility	
Minimum Profit Required	$4,418,151
Net Sales Revenue Required	$41,236,073
Add 5% Commissions/Marketing	$2,061,804
Gross Sales Revenue Required	$43,297,877
Less Inclusionary Unit Sales Revenue	-$4,324,570
Minimum Gross Market Rate Sales Revenue	$38,973,307
Minimum Sale Price/Market Rate Unit	**$442,878**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*100*
Affordable	*18*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	18
Workforce (150% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	183,400
Market Rate	160,000
Affordable	23,400
Common Area	n/a
Total Residential	183,400
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,109,714
Amount of Loan	$21,076,800

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$12,000,000
Affordable Construction Costs	$1,755,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$0
Other Soft Costs	$4,202,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$948,456
Points on Construction Loan	$421,536
Total Development Costs	$37,202,706
Total Development Costs/Unit	$315,277
Development Feasibility	
Minimum Profit Required	$4,464,325
Net Sales Revenue Required	$41,667,031
Add 5% Commissions/Marketing	$2,083,352
Gross Sales Revenue Required	$43,750,383
Less Inclusionary Unit Sales Revenue	-$5,189,484
Minimum Gross Market Rate Sales Revenue	$38,560,899
Minimum Sale Price/Market Rate Unit	**$385,609**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*115*
Affordable	*20*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	115
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	20
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	158,000
Market Rate	138,000
Affordable	20,000
Common Area	15,800
Total Residential	173,800
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,156,200
Amount of Loan	$23,909,340

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$15,380,000
Affordable Construction Costs	$2,000,000
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$0
Insurance	$2,430,000
Other Soft Costs	$5,366,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,075,920
Points on Construction Loan	$478,187
Total Development Costs	$41,663,807
Total Development Costs/Unit	$308,621
Development Feasibility	
Minimum Profit Required	$4,999,657
Net Sales Revenue Required	$46,663,464
Add 5% Commissions/Marketing	$2,333,173
Gross Sales Revenue Required	$48,996,637
Less Inclusionary Unit Sales Revenue	($4,494,114)
Minimum Gross Market Rate Sales Revenue	$44,502,523
Minimum Sale Price/Market Rate Unit	**$386,978**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	*78*
Affordable	*14*
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	78
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	14
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	83,200
Market Rate	74,100
Affordable	9,100
Common Area	8,320
Total Residential	91,520
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,988
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$20,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$39,647,972
Amount of Loan	$27,753,580

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$19,780,800
Affordable Construction Costs	$2,184,000
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$0
Insurance	$1,656,000
Other Soft Costs	$5,349,760
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,248,911
Points on Construction Loan	$555,072
Total Development Costs	$42,601,954
Total Development Costs/Unit	$463,065
Development Feasibility	
Minimum Profit Required	$5,112,235
Net Sales Revenue Required	$47,714,189
Add 5% Commissions/Marketing	$2,385,709
Gross Sales Revenue Required	$50,099,898
Less Inclusionary Unit Sales Revenue	($2,337,077)
Minimum Gross Market Rate Sales Revenue	$47,762,822
Minimum Sale Price/Market Rate Unit	**$612,344**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Mixed Tenure: Three Percent For Sale at 100% AMI, Four Percent Contributions for Low Income Rental Units, and Eight Percent Contributions for Very Low Income Rental Units

Only the two prototypes that are able to satisfy their inclusionary requirement under current conditions by partnering to create affordable rental units are analyzed under this potential policy.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*100*
Affordable	*3*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	100
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	3
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	224,500
Market Rate	220,000
Affordable	4,500
Common Area	n/a
Total Residential	224,500
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,046
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$20,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,193,515
Amount of Loan	$21,835,461

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,500,000
Affordable Construction Costs	$337,500
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$240,000
Other Soft Costs	$4,479,900
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$982,596
Points on Construction Loan	$436,709
Total Development Costs	$37,848,320
Total Development Costs/Unit	$367,459
Development Feasibility	
Minimum Profit Required	$4,541,798
Net Sales Revenue Required	$42,390,119
Add 5% Commissions/Marketing	$2,119,506
Gross Sales Revenue Required	$44,509,625
Less Inclusionary Unit Sales Revenue	-$786,285
Minimum Gross Market Rate Sales Revenue	$43,723,339
Minimum Sale Price/Market Rate Unit	**$437,233**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*114*
Affordable	*4*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	114
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	4
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	187,600
Market Rate	182,400
Affordable	5,200
Common Area	n/a
Total Residential	187,600
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$20,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$30,767,714
Amount of Loan	$21,537,400

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$13,680,000
Affordable Construction Costs	$390,000
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$280,000
Other Soft Costs	$4,265,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$969,183
Points on Construction Loan	$430,748
Total Development Costs	$37,890,645
Total Development Costs/Unit	$321,107
Development Feasibility	
Minimum Profit Required	$4,546,877
Net Sales Revenue Required	$42,437,523
Add 5% Commissions/Marketing	$2,121,876
Gross Sales Revenue Required	$44,559,399
Less Inclusionary Unit Sales Revenue	-$1,048,381
Minimum Gross Market Rate Sales Revenue	$43,511,018
Minimum Sale Price/Market Rate Unit	**$381,676**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Appendix D: Affordable Rental Development Assumptions and Pro-formas

Appendix D-1: Affordable Rental Project Assumptions

	Affordable Rental (a)	
Project Characteristics		
Number of Units (b)	168	
Very Low (50% AMI)	*168*	
Site Acreage	8.7	
Lot Size	378,972	
Density (Units/Acre)	20	
Average Affordable Unit Size, Sq. Ft.	1,000	
Common Area	15%	
Parking Spaces/Unit	2	
Parking Type	Surface	
# Resident Spaces	336	
Guest Spaces/Unit	0.07	
Parking Type	Surface	
# Guest Pkg Spaces	11	
Net Operating Income		
Annual Rent/Very Low (50% AMI) Unit	$9,582	
Annual Operating Cost/Unit (c)	$5,800	
Occupancy Rate	95%	
Development Costs		
Land/Lot Square Foot (d)	$10.00	
On- and Off-Site Costs/Unit	$30,000	
Developer Fee (e)	$1,792,334	
Residential		
Affordable Construction Costs (Per Sq. Ft.)	$110.00	assumes prevailing wage
Fees/Unit (f)	$26,100	
Other Soft Costs as a Percentage of Hard Costs	20%	
Grg Cost/Pkg Space	$1,000	
Guest Parking Cost/Space	$1,000	
LIHTC Equity		
Total Eligible Basis (g)	$11,948,895	(h)
Current IRS Rate	8.3%	
Number of Years for Credit	10	
Current Value of Future Tax Credit (% of total credit)	95%	
Permanent Financing		
Debt Coverage Ratio on NOI	1.2	
Mortgage Interest Rate (i)	5.0%	
Supportable Debt Service (monthly)	$43,740	
Term of Loan (years)	25	
Loan Amount	$7,482,107	
Loan Fees/Points (i)	1.5%	

Notes:
(a) Low-rise construction consists of Type V, wood frame construction.
(b) All units assumed as three bedroom/one bath.
(c) Per LISC Operating Cost database 2006. This figure includes property management fees.
(d) Land value based on suburban Sacramento values.
(e) The maximum developer fee under a four percent project is the lesser of 15 percent of the eligible basis or $2.5 million. CTCAC Regulations.
(f) Based on multifamily developments in new growth areas, per City staff.
(g) The portion of the eligible basis available for sale as tax credits.
(h) Eligible basis per mid-rise unit exceeds TCAC specified threshold basis limits. Analysis uses TCAC threshold basis limits adjusted 22 percent to account for location and prevailing wages.
(i) Community Development Loan Officers.

Sources: City of Sacramento Regulations; Local Brokers; Union Bank staff; The John Stewart Company staff; HUD; CTCAC; SHRA staff; local affordable housing developers; LISC, 2008; BAE, 2008.

Appendix D-2: Affordable Rental Housing Pro Forma

Major Assumptions	
Number of Units	168
Very Low (50% AMI)	168
Site Acreage	8.7
Density (Units/Acre)	20
Average Affordable Unit Size	1,000
Common Area	15%
Parking Spaces/Unit	2.07
Project Size (Sq. Ft.):	
Unit Total	168,000
Very Low (50% AMI)	168,000
Common Area	25,200
Total Residential	193,200
Net Operating Income	
Very Low (50% AMI) Annual Rent	$9,582
Annual Operating Cost/Unit	$5,800
Occupancy Rate	95%
Development Costs (b)	
Land/Square Foot	$10
Affordable Construction Costs (Per Sq. Ft.)	$110
On and Off-Site Costs/Unit	$30,000
Developer Fees	$1,792,334
Fees/Unit	$26,100
Other Soft Costs (AS % OF HARD) (c)	20%
Cost per Parking Space	$1,000
LIHTC Equity	
Total Eligible Basis (h)	$11,948,895
Current IRS Rate	5.3%
Number of Years for Credit	10
Current Value of Future Tax Credit (% of total credit)	$0.95
Permanent Financing	
Debt Coverage Ratio on NOI	1.2
Mortgage Interest Rate (j)	5%
Supportable Debt Service (monthly)	$43,740
Term of Loan (years)	25
Loan Amount	$7,482,107
Loan Fees/Points (j)	1.5%

Pro Forma Analysis	
Development Cost Summary	
Land	***$3,789,720***
On- and Off-Site Costs	$5,040,000
Residential Construction Hard Costs	$21,252,000
Parking Costs	$347,200
Subtotal Construction Costs	***$26,639,200***
Soft Costs	$6,016,344
Fees	$4,384,800
Loan Fees	$112,232
Developer Fees	$1,792,334
Subtotal Soft Costs/Fees	***$12,305,710***
Total Development Costs	**$42,734,630**
Annual Revenues and Expenses	
Rental Revenues, Very Low (50% AMI)	$1,529,287
Less Operating Expenditures (b)	($925,680)
Total NOI	**$603,607**
Development Feasibility	
Development Costs	$42,734,630
Less: LIHTC Value (Equity)	$9,421,703
Less: Loan	$7,482,107
Feasibility Gap	**$25,830,819**
Gap Per Unit	*$153,755*
Note:	
(a) TCAC imposed maximum.	
(b) Includes property management fees.	
Source: BAE, 2007.	

Source: BAE, 2007.

Appendix E: In-Lieu Fee Prototype Pro-formas

Improved Land Value Plus Current Cash Contributions

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*16*
Affordable	*0*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	16
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	35,200
Market Rate	35,200
Affordable	-
Common Area	n/a
Total Residential	35,200
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$44,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,762,004
Amount of Loan	$4,033,403

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,816,000
Affordable Construction Costs	$0
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$132,000
Other Soft Costs	$736,000
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$181,503
Points on Construction Loan	$80,668
Total Development Costs	$6,503,375
Total Development Costs/Unit	$406,461
Development Feasibility	
Minimum Profit Required	$780,405
Net Sales Required	$7,283,780
Add 5% Commissions/Marketing	$364,189
Gross Sales Revenue	$7,647,969
Less: Inclusionary Unit Sales	$0
Gross Market Rate Sales Revenue	$7,647,969
Minimum Sale Price/ Market Rate Unit	**$477,998**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*103*
Affordable	*0*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	103
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	226,600
Market Rate	226,600
Affordable	-
Common Area	n/a
Total Residential	226,600
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$44,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,382,515
Amount of Loan	$21,967,761

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,995,000
Affordable Construction Costs	$0
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$660,000
Other Soft Costs	$4,511,400
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$988,549
Points on Construction Loan	$439,355
Total Development Costs	$38,465,920
Total Development Costs/Unit	$373,456
Development Feasibility	
Minimum Profit Required	$4,615,910
Net Sales Revenue Required	$43,081,830
Add 5% Commissions/Marketing	$2,154,092
Gross Sales Revenue Required	$45,235,922
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$45,235,922
Minimum Sale Price/Market Rate Unit	**$439,184**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*118*
Affordable	*0*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	118
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	188,800
Market Rate	188,800
Affordable	-
Common Area	n/a
Total Residential	188,800
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$44,000
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,387,714
Amount of Loan	$21,971,400

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$14,160,000
Affordable Construction Costs	$0
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$792,000
Other Soft Costs	$4,283,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$988,713
Points on Construction Loan	$439,428
Total Development Costs	$38,538,855
Total Development Costs/Unit	$326,600
Development Feasibility	
Minimum Profit Required	$4,624,663
Net Sales Revenue Required	$43,183,518
Add 5% Commissions/Marketing	$2,158,176
Gross Sales Revenue Required	$45,321,694
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$45,321,694
Minimum Sale Price/Market Rate Unit	**$384,082**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	135
Affordable	0
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	135
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	162,000
Market Rate	162,000
Affordable	-
Common Area	16,200
Total Residential	178,200
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$44,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,684,200
Amount of Loan	$24,278,940

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$17,820,000
Affordable Construction Costs	$0
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$924,000
Insurance	$2,430,000
Other Soft Costs	$5,454,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,092,552
Points on Construction Loan	$485,579
Total Development Costs	$43,139,831
Total Development Costs/Unit	$319,554
Development Feasibility	
Minimum Profit Required	$5,176,780
Net Sales Revenue Required	$48,316,611
Add 5% Commissions/Marketing	$2,415,831
Gross Sales Revenue Required	$50,732,441
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$50,732,441
Minimum Sale Price/Market Rate Unit	**$375,796**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	92
Affordable	0
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	92
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	87,400
Market Rate	87,400
Affordable	-
Common Area	8,740
Total Residential	96,140
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$58,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$44,000
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$41,594,532
Amount of Loan	$29,116,172

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$23,073,600
Affordable Construction Costs	$0
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$616,000
Insurance	$1,656,000
Other Soft Costs	$5,571,520
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,310,228
Points on Construction Loan	$582,323
Total Development Costs	$44,637,083
Total Development Costs/Unit	$485,186
Development Feasibility	
Minimum Profit Required	$5,356,450
Net Sales Revenue Required	$49,993,533
Add 5% Commissions/Marketing	$2,499,677
Gross Sales Revenue Required	$52,493,210
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$52,493,210
Minimum Sale Price/Market Rate Unit	**$570,578**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Affordable Rental Unit Financing Gap

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*16*
Affordable	*0*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	16
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	35,200
Market Rate	35,200
Affordable	-
Common Area	n/a
Total Residential	35,200
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$153,800
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,762,004
Amount of Loan	$4,033,403

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,816,000
Affordable Construction Costs	$0
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$461,400
Other Soft Costs	$736,000
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$181,503
Points on Construction Loan	$80,668
Total Development Costs	$6,832,775
Total Development Costs/Unit	$427,048
Development Feasibility	
Minimum Profit Required	$819,933
Net Sales Required	$7,652,708
Add 5% Commissions/Marketing	$382,635
Gross Sales Revenue	$8,035,344
Less: Inclusionary Unit Sales	$0
Gross Market Rate Sales Revenue	$8,035,344
Minimum Sale Price/ Market Rate Unit	**$502,209**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*103*
Affordable	*0*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	103
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	226,600
Market Rate	226,600
Affordable	-
Common Area	n/a
Total Residential	226,600
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$153,800
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,382,515
Amount of Loan	$21,967,761

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,995,000
Affordable Construction Costs	$0
On and Off-Site Costs	$4,120,000
Fees	$4,996,500
Contributions for Affordable Units	$2,307,000
Other Soft Costs	$4,511,400
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$988,549
Points on Construction Loan	$439,355
Total Development Costs	$40,112,920
Total Development Costs/Unit	$389,446
Development Feasibility	
Minimum Profit Required	$4,813,550
Net Sales Revenue Required	$44,926,470
Add 5% Commissions/Marketing	$2,246,324
Gross Sales Revenue Required	$47,172,794
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$47,172,794
Minimum Sale Price/Market Rate Unit	**$457,988**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*118*
Affordable	*0*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	118
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	188,800
Market Rate	188,800
Affordable	-
Common Area	n/a
Total Residential	188,800
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$153,800
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$33,364,114
Amount of Loan	$23,354,880

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$14,160,000
Affordable Construction Costs	$0
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$2,768,400
Other Soft Costs	$4,283,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$1,050,970
Points on Construction Loan	$467,098
Total Development Costs	$40,605,181
Total Development Costs/Unit	$344,112
Development Feasibility	
Minimum Profit Required	$4,872,622
Net Sales Revenue Required	$45,477,803
Add 5% Commissions/Marketing	$2,273,890
Gross Sales Revenue Required	$47,751,693
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$47,751,693
Minimum Sale Price/Market Rate Unit	**$404,675**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	135
Affordable	0
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	135
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	162,000
Market Rate	162,000
Affordable	-
Common Area	16,200
Total Residential	178,200
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$153,800
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,684,200
Amount of Loan	$24,279,940

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$17,820,000
Affordable Construction Costs	$0
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$3,229,800
Insurance	$2,430,000
Other Soft Costs	$5,454,000
Garage Cost or Parking Structure Cost	$2,025,000
Finance Costs:	
Interest on Construction Loan	$1,092,552
Points on Construction Loan	$485,579
Total Development Costs	$45,445,631
Total Development Costs/Unit	$336,634
Development Feasibility	
Minimum Profit Required	$5,453,476
Net Sales Revenue Required	$50,899,107
Add 5% Commissions/Marketing	$2,544,955
Gross Sales Revenue Required	$53,444,062
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$53,444,062
Minimum Sale Price/Market Rate Unit	**$395,882**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	92
Affordable	0
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	92
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	87,400
Market Rate	87,400
Affordable	-
Common Area	8,740
Total Residential	96,140
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$153,800
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$43,131,732
Amount of Loan	$30,192,212

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$23,073,600
Affordable Construction Costs	$0
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$2,153,200
Insurance	$1,656,000
Other Soft Costs	$5,571,520
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,358,650
Points on Construction Loan	$603,844
Total Development Costs	$46,244,226
Total Development Costs/Unit	$502,655
Development Feasibility	
Minimum Profit Required	$5,549,307
Net Sales Revenue Required	$51,793,533
Add 5% Commissions/Marketing	$2,589,677
Gross Sales Revenue Required	$54,383,209
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$54,383,209
Minimum Sale Price/Market Rate Unit	**$591,122**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

For Sale Affordability Gap

SFR, < 30 Units

Major Assumptions	
Characteristics of Project	
Number of Units	16
Market Rate	*16*
Affordable	*0*
Site Acreage	3
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	16
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	35,200
Market Rate	35,200
Affordable	-
Common Area	n/a
Total Residential	35,200
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$80
Affordable Construction Costs (Per Sq. Ft.)	$80
On and Off-Site Costs/Unit	$40,000
Impact Fees/Unit	$21,700
In-Lieu Fee/Affordable Unit	$206,500
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$5,762,004
Amount of Loan	$4,033,403

Pro Forma Analysis	
Development Cost Survey	
Land	$1,346,004
Mkt Rate Construction Costs	$2,816,000
Affordable Construction Costs	$0
On and Off-Site Costs	$640,000
Impact Fees	$347,200
In-Lieu Fees	$619,500
Other Soft Costs	$736,000
Garage Cost or Parking Structure Cost	$224,000
Finance Costs:	
Interest on Construction Loan	$181,503
Points on Construction Loan	$80,668
Total Development Costs	$6,990,875
Total Development Costs/Unit	$436,930
Development Feasibility	
Minimum Profit Required	$838,905
Net Sales Required	$7,829,780
Add 5% Commissions/Marketing	$391,489
Gross Sales Revenue	$8,221,269
Less: Inclusionary Unit Sales	$0
Gross Market Rate Sales Revenue	$8,221,269
Minimum Sale Price/ Market Rate Unit	**$513,829**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban SFR, 100+ Units

Major Assumptions	
Characteristics of Project	
Number of Units	103
Market Rate	*103*
Affordable	*0*
Site Acreage	20
Density (Units/Acre)	5
Average Mkt Rate Unit Size	2,200
Average Affordable Unit Size	1,500
Common Area	n/a
Parking Spaces/Unit	2
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	103
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	226,600
Market Rate	226,600
Affordable	-
Common Area	n/a
Total Residential	226,600
Sale Prices: (a)	
Market	$387,500
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$5
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$40,000
Fees/Unit	$48,500
Contribution/Affordable Unit	$206,500
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	1200.0%
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$31,382,515
Amount of Loan	$21,967,761

Pro Forma Analysis	
Development Cost Survey	
Land	$4,314,115
Mkt Rate Construction Costs	$16,995,000
Affordable Construction Costs	$0
On and Off-Site Costs	$4,120,000
Fees	$4,995,500
Contributions for Affordable Units	$3,097,500
Other Soft Costs	$4,511,400
Garage Cost or Parking Structure Cost	$1,442,000
Finance Costs:	
Interest on Construction Loan	$988,549
Points on Construction Loan	$439,355
Total Development Costs	$40,903,420
Total Development Costs/Unit	$397,121
Development Feasibility	
Minimum Profit Required	$4,908,410
Net Sales Revenue Required	$45,811,830
Add 5% Commissions/Marketing	$2,290,592
Gross Sales Revenue Required	$48,102,422
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$48,102,422
Minimum Sale Price/Market Rate Unit	**$467,014**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Small Lot Single-Family Residential

Major Assumptions	
Characteristics of Project	
Number of Units	118
Market Rate	*118*
Affordable	*0*
Site Acreage	11
Density (Units/Acre)	11
Average Mkt Rate Unit Size	1,600
Average Affordable Unit Size	1,300
Common Area	n/a
Parking Spaces/Unit	2
Guest Space/Unit	n/a
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	118
Very Low (50% AMI)	-
Low (80% AMI)	-
Moderate (120% AMI)	-
110% AMI	-
Workforce (150% AMI)	-
Project Size (Sq. Ft.)	
Unit Total	188,800
Market Rate	188,800
Affordable	-
Common Area	n/a
Total Residential	188,800
Sale Prices: (a)	
Market	$350,000
Very Low (50% AMI)	$131,048
Low (80% AMI)	$209,676
Median (100% AMI)	$262,095
110% AMI	$288,305
Moderate (120% AMI)	$314,514
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$75
Affordable Construction Costs (Per Sq. Ft.)	$75
On and Off-Site Costs/Unit	$47,500
Fees/Unit	$48,500
Contributions/Affordable Unit	$206,500
Insurance/Unit	n/a
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$35
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,312,714
Amount of Loan	$24,018,900

Pro Forma Analysis	
Development Cost Survey	
Land	$4,895,314
Mkt Rate Construction Costs	$14,160,000
Affordable Construction Costs	$0
On and Off-Site Costs	$5,605,000
Fees	$5,723,000
Contributions for Affordable Units	$3,717,000
Other Soft Costs	$4,283,400
Garage Cost or Parking Structure Cost	$1,652,000
Finance Costs:	
Interest on Construction Loan	$1,080,851
Points on Construction Loan	$480,378
Total Development Costs	$41,596,943
Total Development Costs/Unit	$352,516
Development Feasibility	
Minimum Profit Required	$4,991,633
Net Sales Revenue Required	$46,588,576
Add 5% Commissions/Marketing	$2,329,429
Gross Sales Revenue Required	$48,918,005
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$48,918,005
Minimum Sale Price/Market Rate Unit	**$414,559**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Suburban Townhouse Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	135
Market Rate	*135*
Affordable	*0*
Site Acreage	5
Density (Units/Acre)	30
Average Mkt Rate Unit Size	1,200
Average Affordable Unit Size	1,000
Common Area	10%
Parking Spaces/Unit	2
Guest Space/Unit	1
Garage Sq. Ft./Parking Spaces	400
Product Mix (# of Units)	
Market	135
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	162,000
Market Rate	162,000
Affordable	-
Common Area	16,200
Total Residential	178,200
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$83,137
Low (80% AMI)	$153,903
Median (100% AMI)	$201,080
110% AMI	$224,706
Moderate (120% AMI)	$248,331
Development Costs (b)	
Land/Square Foot	$10
Mkt Rate Construction Costs (Per Sq. Ft.)	$100
Affordable Construction Costs (Per Sq. Ft.)	$100
On and Off-Site Costs/Unit	$55,000
Fees/Unit	$26,100
Contributions/Affordable Unit	$206,500
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Resident Parking/Garage Sq. Ft.	$35
Guest Parking/Space	$1,000
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$34,684,200
Amount of Loan	$24,278,940

Pro Forma Analysis	
Development Cost Survey	
Land	$1,960,200
Mkt Rate Construction Costs	$17,820,000
Affordable Construction Costs	$0
On and Off-Site Costs	$7,425,000
Fees	$3,523,500
Contributions for Affordable Units	$4,336,500
Insurance	$2,430,000
Other Soft Costs	$5,454,000
Garage Cost or Parking Structure Cost	$2,026,000
Finance Costs:	
Interest on Construction Loan	$1,092,552
Points on Construction Loan	$485,579
Total Development Costs	$46,552,331
Total Development Costs/Unit	$344,832
Development Feasibility	
Minimum Profit Required	$5,586,280
Net Sales Revenue Required	$52,138,611
Add 5% Commissions/Marketing	$2,606,931
Gross Sales Revenue Required	$54,745,541
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$54,745,541
Minimum Sale Price/Market Rate Unit	**$405,523**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

Source: BAE, 2007.

Urban Infill Condominium

Major Assumptions	
Characteristics of Project	
Number of Units	92
Market Rate	92
Affordable	0
Site Acreage	1
Density (Units/Acre)	85
Average Mkt Rate Unit Size	950
Average Affordable Unit Size	650
Common Area	10%
Parking Spaces/Unit	1
Guest Space/Unit	0.0
Garage Sq. Ft./Parking Spaces	92
Product Mix (# of Units)	
Market	92
Very Low (50% AMI)	-
Low (80% AMI)	-
Median (100% AMI)	-
110% AMI	-
Moderate (120% AMI)	-
Project Size (Sq. Ft.):	
Unit Total	87,400
Market Rate	87,400
Affordable	-
Common Area	8,740
Total Residential	96,140
Sale Prices: (a)	
Market	$300,000
Very Low (50% AMI)	$56,928
Low (80% AMI)	$111,968
Median (100% AMI)	$148,661
110% AMI	$166,934
Moderate (120% AMI)	$185,207
Development Costs (b)	
Land/Square Foot	$125
Mkt Rate Construction Costs (Per Sq. Ft.)	$240
Affordable Construction Costs (Per Sq. Ft.)	$240
On and Off-Site Costs/Unit	$12,000
Impact Fees/Unit	$12,500
Contribution/Affordable Unit	$206,500
Insurance/Unit	$18,000
Other Soft Costs (AS % OF HARD) (c)	20%
Grg Cost/Sq. Ft. or Pkg Structure Cost/Space	$40,000
Guest Parking/Space	n/a
Profit as a % of Development Costs	12%
Construction Financing Assumptions (d)	
Interest Rate	7.5%
Period of Initial Loan (months)	12
Initial Construction Loan Fee (points)	2.0%
Average Outstanding Balance	60.0%
Loan to Cost Ratio	70.0%
Hard & Soft Costs, Land, Site Costs	$43,869,532
Amount of Loan	$30,708,672

Pro Forma Analysis	
Development Cost Survey	
Land	$5,893,412
Mkt Rate Construction Costs	$23,073,600
Affordable Construction Costs	$0
On and Off-Site Costs	$1,104,000
Impact Fees	$1,150,000
Contributions for Affordable Units	$2,891,000
Insurance	$1,656,000
Other Soft Costs	$5,571,520
Garage Cost or Parking Structure Cost	$3,680,000
Finance Costs:	
Interest on Construction Loan	$1,381,890
Points on Construction Loan	$614,173
Total Development Costs	$47,015,595
Total Development Costs/Unit	$511,039
Development Feasibility	
Minimum Profit Required	$5,641,871
Net Sales Revenue Required	$52,657,467
Add 5% Commissions/Marketing	$2,632,873
Gross Sales Revenue Required	$55,290,340
Less Inclusionary Unit Sales Revenue	$0
Minimum Gross Market Rate Sales Revenue	$55,290,340
Minimum Sale Price/Market Rate Unit	**$600,982**

NOTES:

(a) Based on conversations with local developers and analysis of local housing market conditions. Affordable sale prices based on conventional financing terms and HCD income limits.

(b) Based on interviews with local developers, local land value comparables, and BAE estimates.

(c) Soft cost as % of all land and hard costs. Includes A&E, legal, general conditions, taxes, closing costs, contingency, permit fees, portion of overhead.

(d) Based on conversations with local developers and BAE estimates.

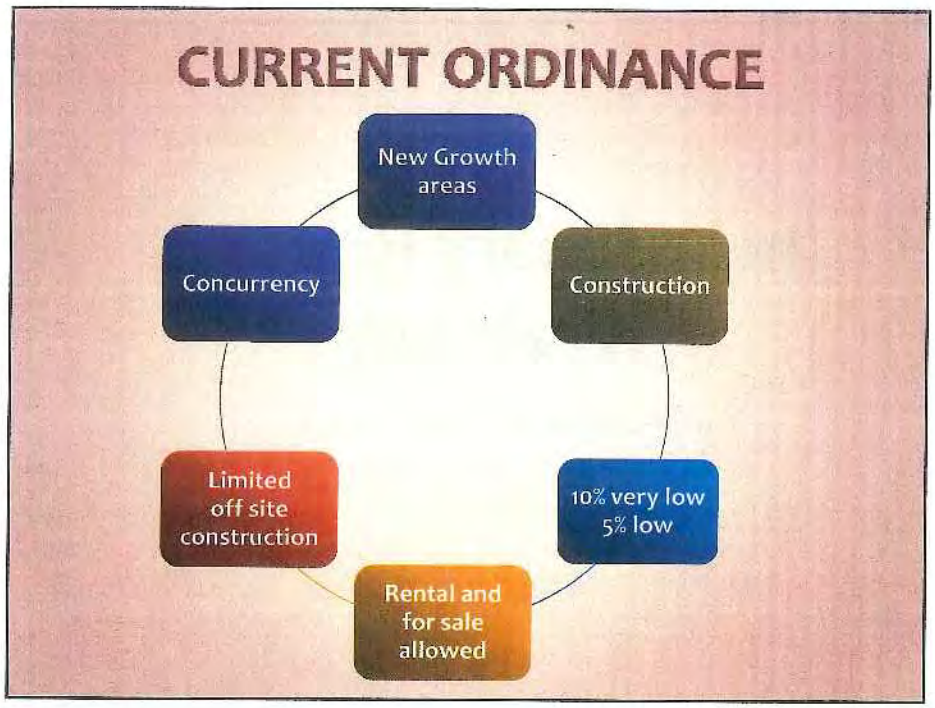
Source: BAE, 2007.

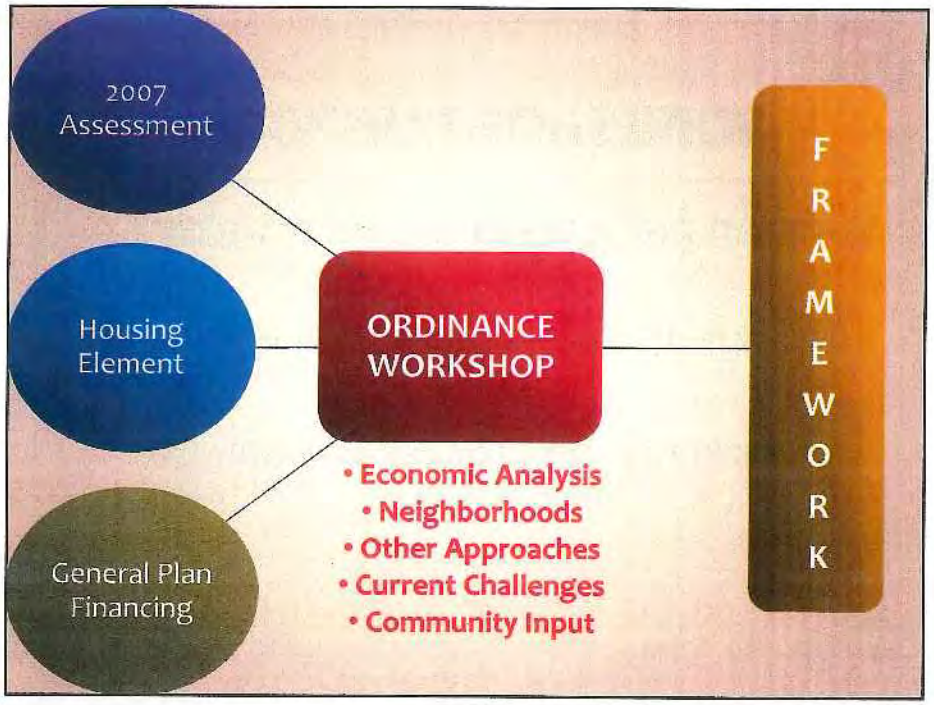
Inclusionary Housing Workshop

Sacramento City Council
February 10, 2009

WORKSHOP PURPOSE

- Share on-going research and context
- Get input on potential approach
- Seek direction on process and timeline


CURRENT ORDINANCE
New Growth areas
Construction
10% very low
5% low
Rental and for sale allowed
Limited off site construction
Concurrency


2007 Assessment
Housing Element
General Plan Financing
ORDINANCE WORKSHOP
• Economic Analysis
• Neighborhoods
• Other Approaches
• Current Challenges
• Community Input
FRAMEWORK

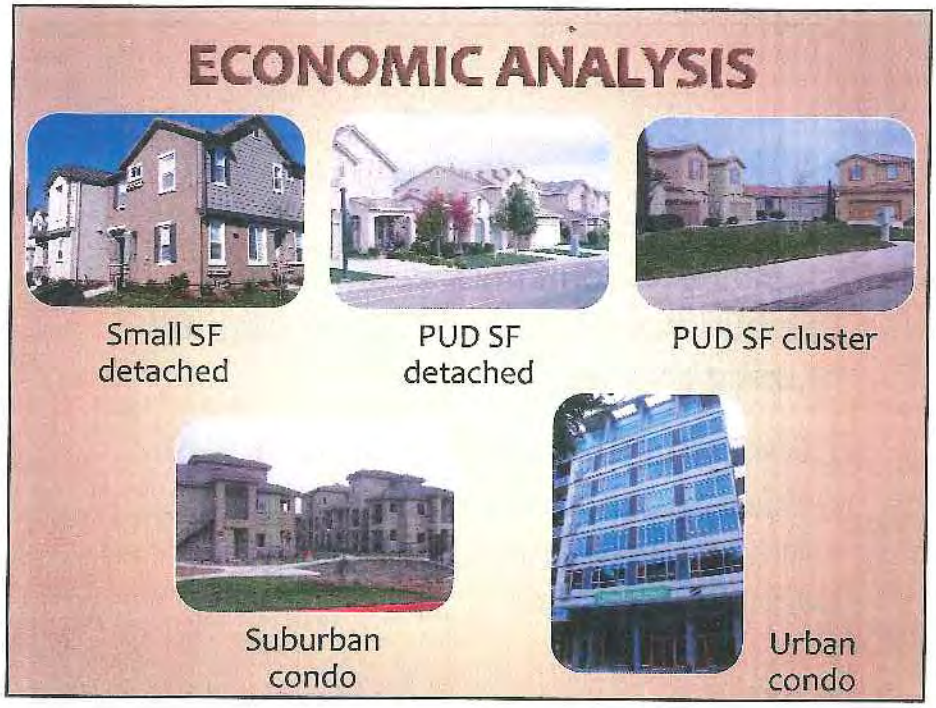
GOALS

- Citywide approach
  - Similar developments treated fairly
  - Neighborhoods economically integrated
  - Housing choices
- Economically feasible ordinance
  - Viable and productive homeownership
  - Ability to weather market changes
  - Meaningful options

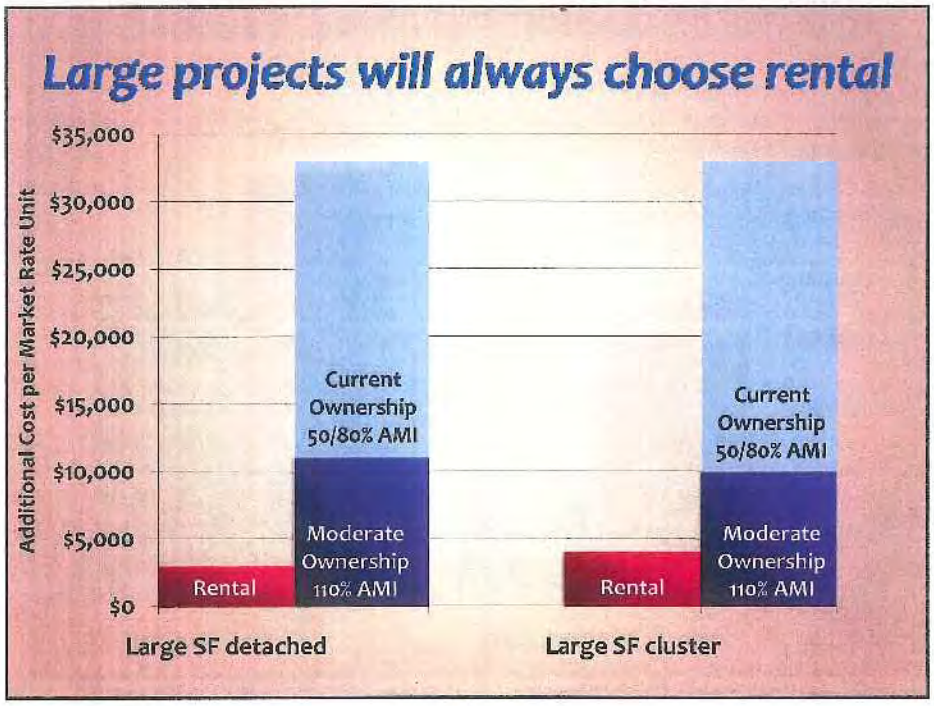
FINDINGS

Economic and Neighborhood Indicators

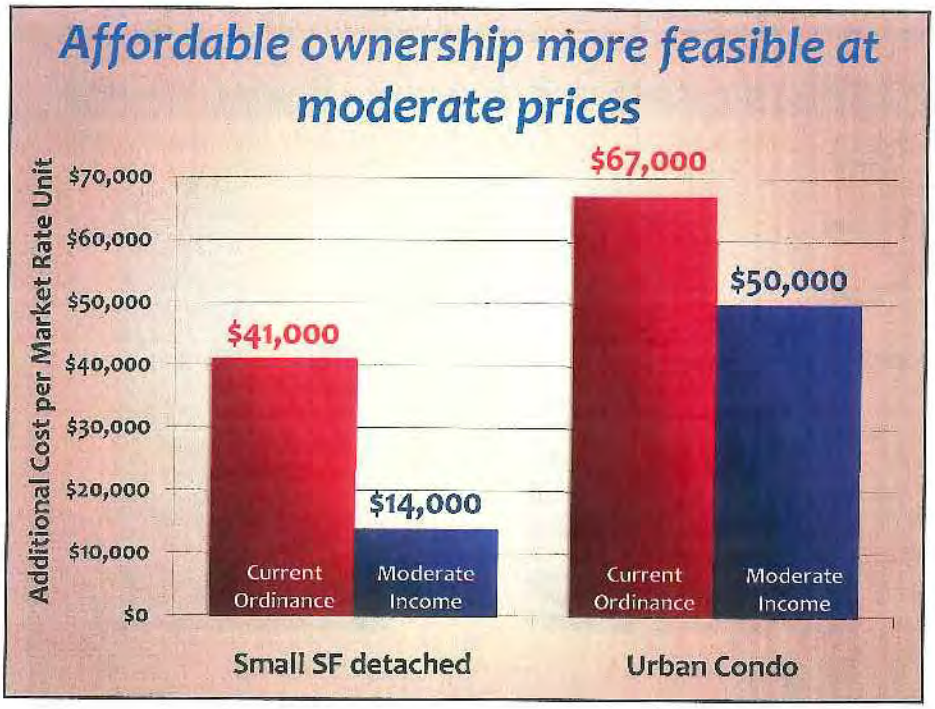
- Market development is infeasible
- Not all development products are equal
- Not all neighborhoods are on equal footing
- Citywide application requires flexibility

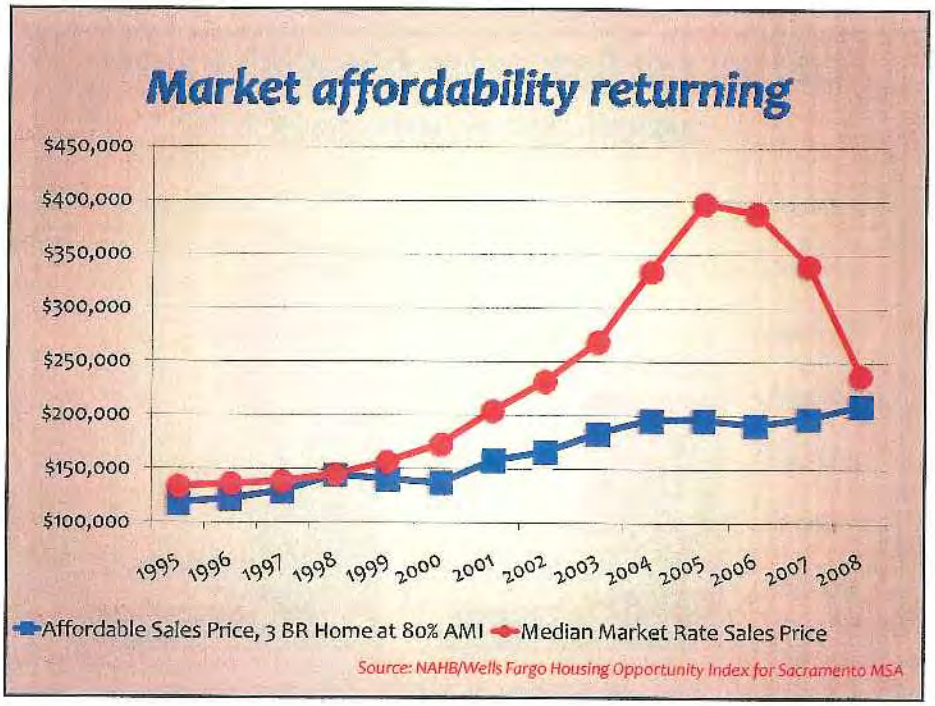

ECONOMIC ANALYSIS
Small SF detached
PUD SF detached
PUD SF cluster
Suburban condo
Urban condo

Market development is not feasible
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Small SF Detatched
Large SF Detatched
Large SF Cluster
Suburban Condo
Urban Condo
Prices Necessary - No Inclusionary
Market Prices, Q1 2008


Large projects will always choose rental
Additional Cost per Market Rate Unit
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Current Ownership 50/80% AMI
Moderate Ownership 110% AMI
Rental
Current Ownership 50/80% AMI
Moderate Ownership 110% AMI
Rental
Large SF detached
Large SF cluster

In-lieu fee increases feasibility for small developments
Additional Cost per Market Rate Unit
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
$41,000
$7,000
$67,000
$7,000
Ownership
In-lieu Fee
Ownership
In-lieu Fee
Small SF detached
Urban condo


Affordable ownership more feasible at moderate prices
Additional Cost per Market Rate Unit
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
$41,000
$14,000
$67,000
$50,000
Current Ordinance
Moderate Income
Current Ordinance
Moderate Income
Small SF detached
Urban Condo

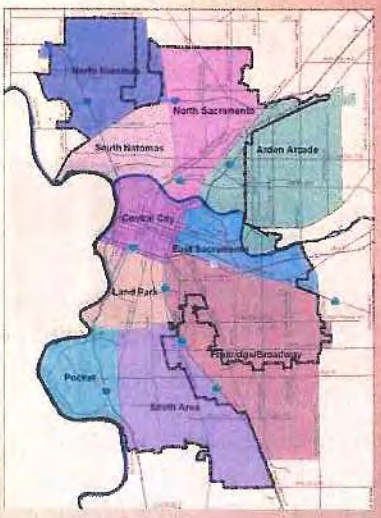

Market affordability returning
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Affordable Sales Price, 3 BR Home at 80% AMI
Median Market Rate Sales Price
Source: NAHB/Wells Fargo Housing Opportunity Index for Sacramento MSA

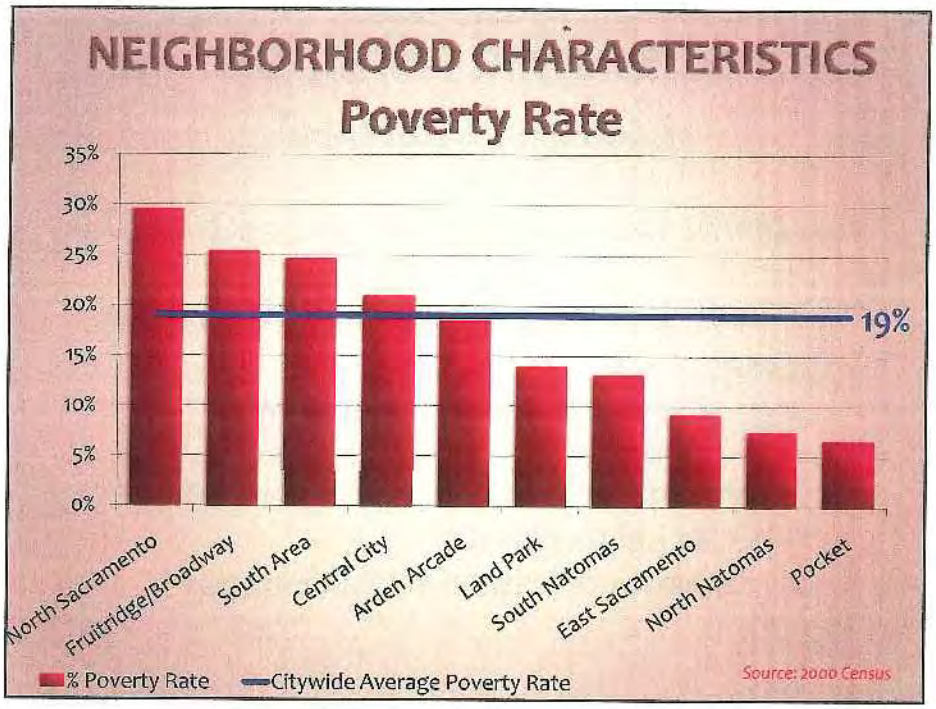
ECONOMIC ANALYSIS
Lessons Learned

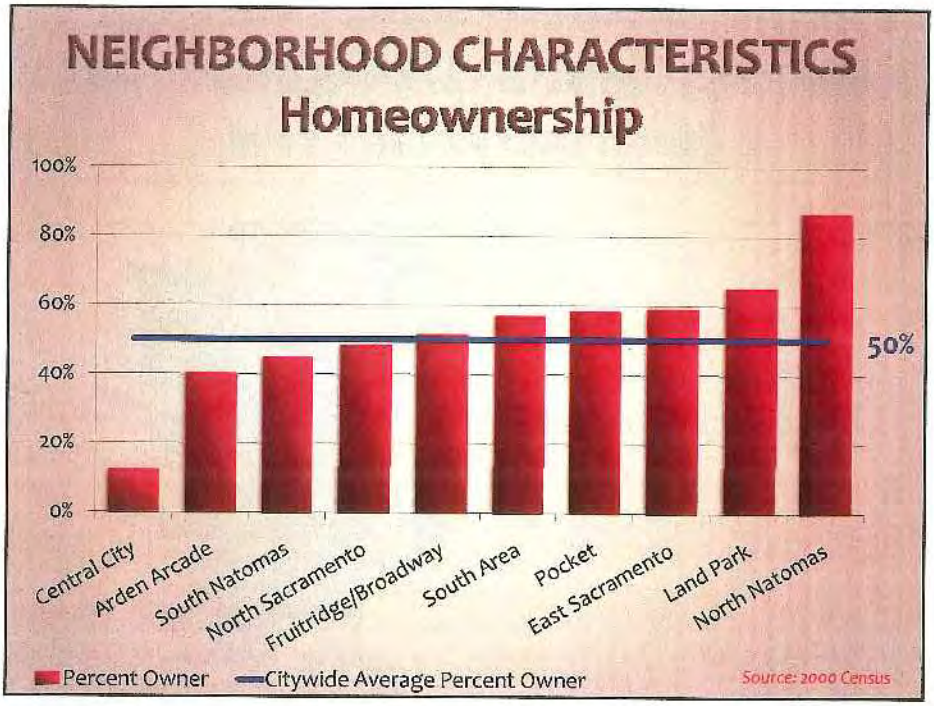
- Market infeasible, inclusionary impacts recovery
- Deep income targets & financing drive rental outcomes
  - Large projects will always choose rental
- Developments who can't do rental need options
  - In-lieu fee helps feasibility
  - Ownership more feasible at higher incomes

NEIGHBORHOOD CHARACTERISTICS
Community Plan Areas

- 10 Areas
- 6,200 – 30,000 units







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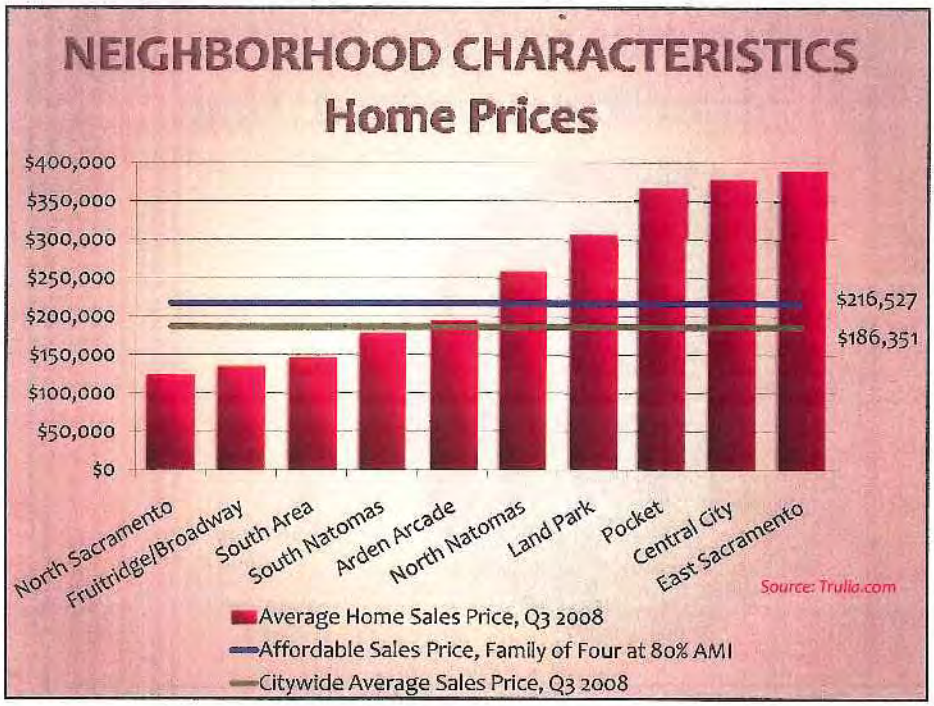
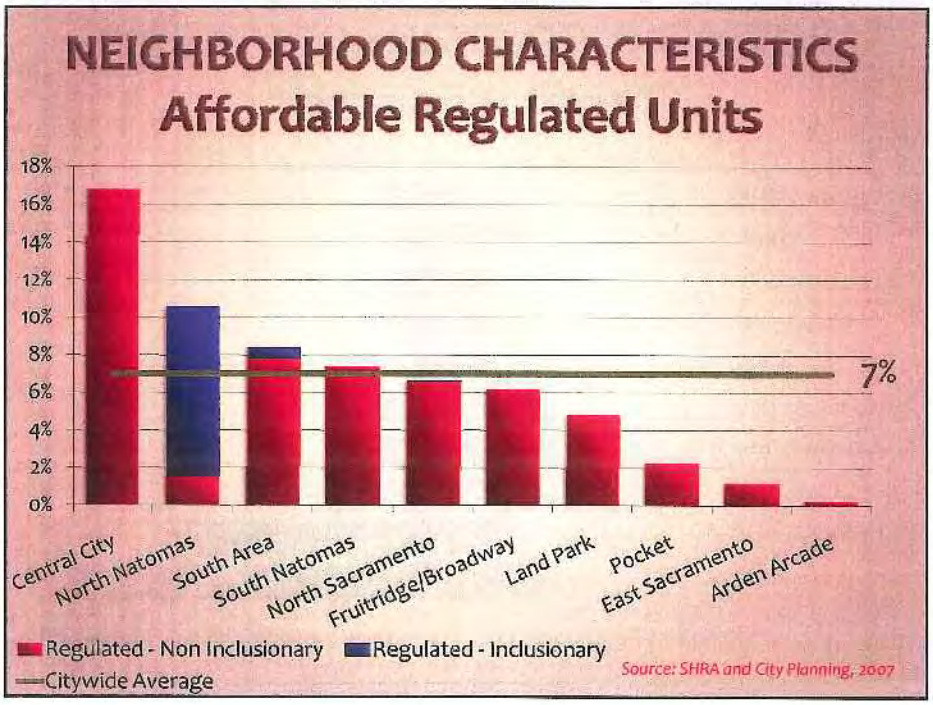
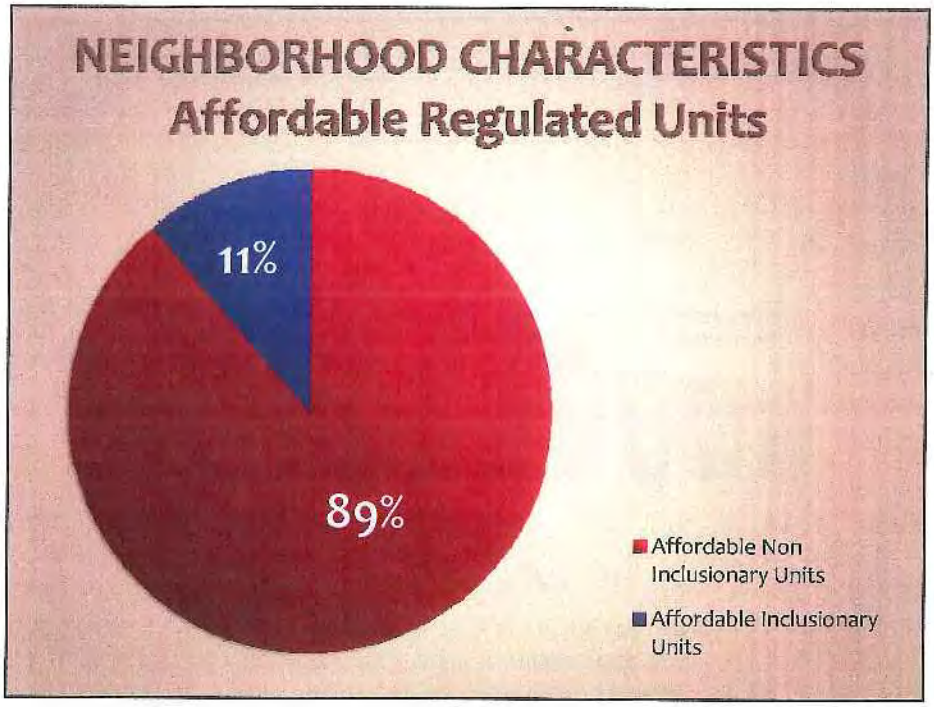
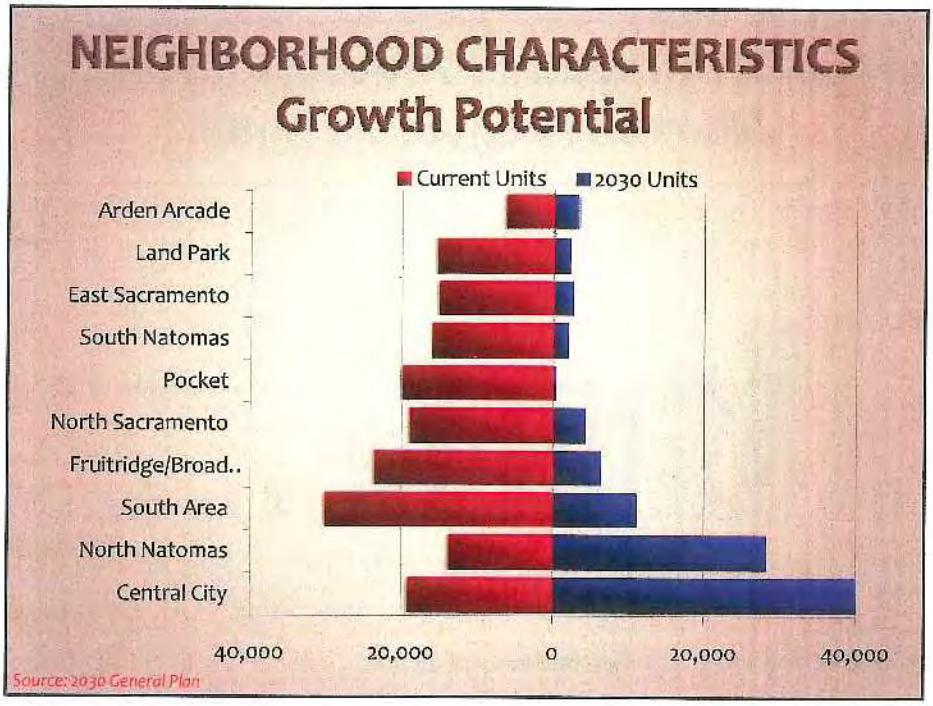

NEIGHBORHOOD CHARACTERISTICS
Home Prices
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$216,527
$186,351
North Sacramento
Fruitridge/Broadway
South Area
South Natomas
Arden Arcade
North Natomas
Land Park
Pocket
Central City
East Sacramento
Source: Trulia.com
Average Home Sales Price, Q3 2008
Affordable Sales Price, Family of Four at 80% AMI
Citywide Average Sales Price, Q3 2008


NEIGHBORHOOD CHARACTERISTICS
Affordable Regulated Units
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
7%
Central City
North Natomas
South Area
South Natomas
North Sacramento
Fruitridge/Broadway
Land Park
Pocket
East Sacramento
Arden Arcade
Regulated - Non Inclusionary
Regulated - Inclusionary
Citywide Average
Source: SHRA and City Planning, 2007


NEIGHBORHOOD CHARACTERISTICS
Affordable Regulated Units
11%
89%
Affordable Non Inclusionary Units
Affordable Inclusionary Units


NEIGHBORHOOD CHARACTERISTICS
Growth Potential
Current Units
2030 Units
Arden Arcade
Land Park
East Sacramento
South Natomas
Pocket
North Sacramento
Fruitridge/Broad..
South Area
North Natomas
Central City
40,000
20,000
0
20,000
40,000
Source: 2030 General Plan

NEIGHBORHOOD CHARACTERISTICS
Lessons Learned

- Some City neighborhoods are weaker markets.
- Inclusionary policies help bring affordability to New Growth areas of the City.
- SHRA creates affordable units citywide, even without citywide inclusionary.
- Inclusionary policies will not impact neighborhoods with little growth potential.

OTHER JURISDICTIONS

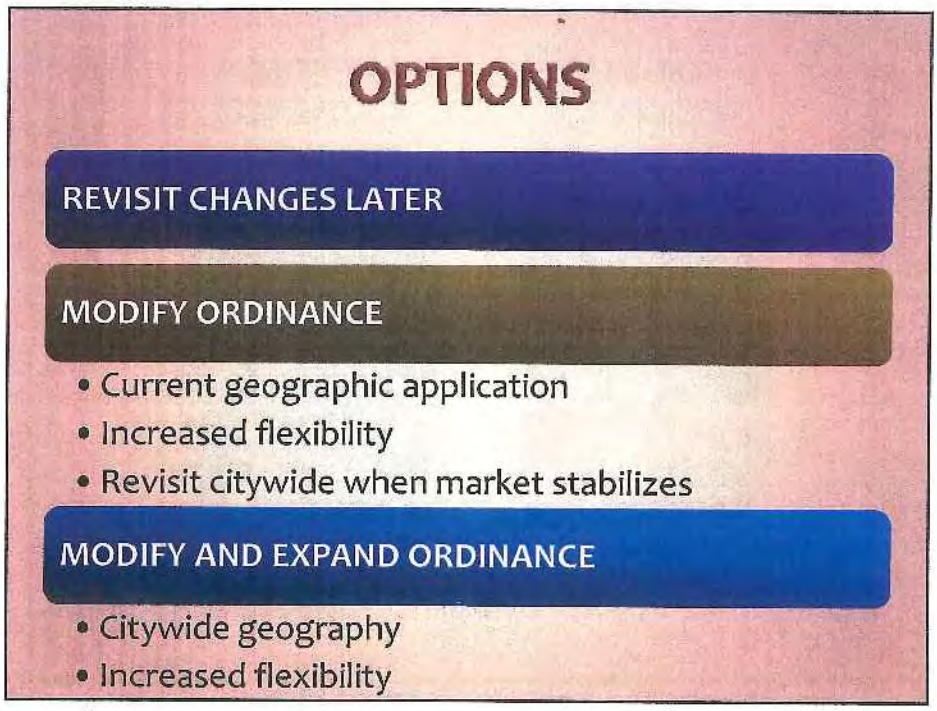
- Requirements vary greatly
- Sacramento among most productive
- Common themes found
  - Homeownership typically at low & moderate levels
  - Fee alternatives common, amounts fluctuate
- Intriguing approaches
  - Affordability by design or area
  - Tiered fees by geography or housing type
  - Sliding scale obligation by affordability

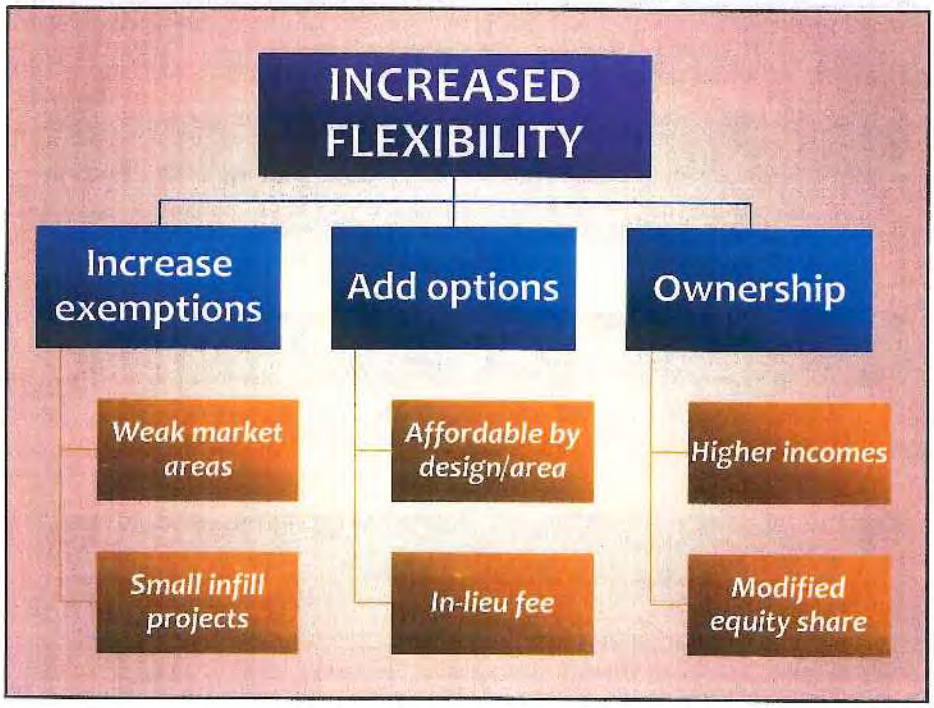
COMMUNITY INPUT
Current Challenges

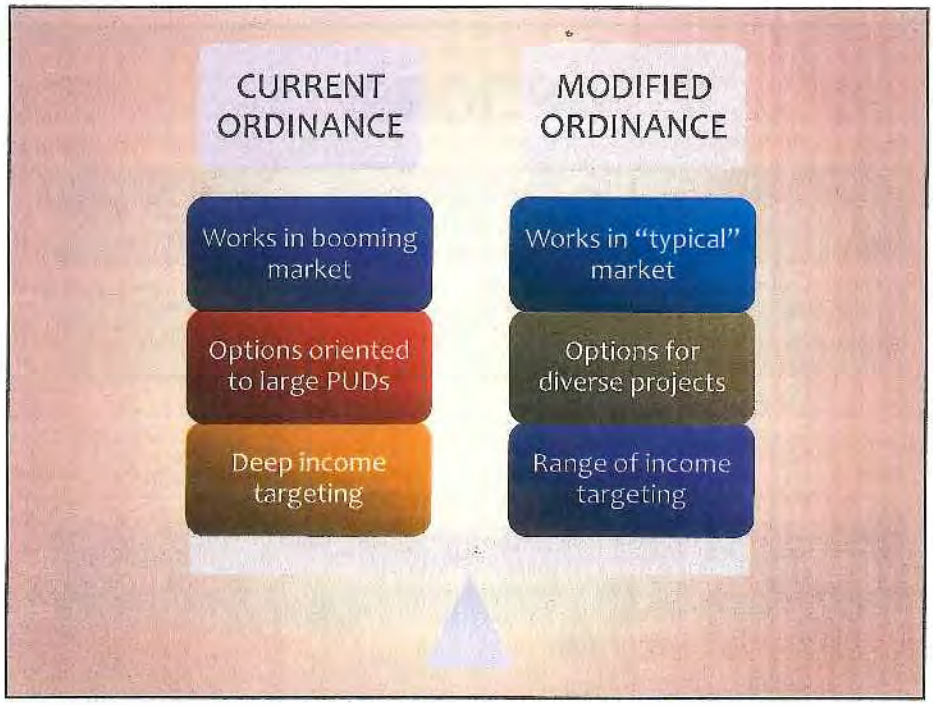
- Large affordable rental complexes
- Sales of inclusionary for-sale homes
- Concurrency of market and affordable

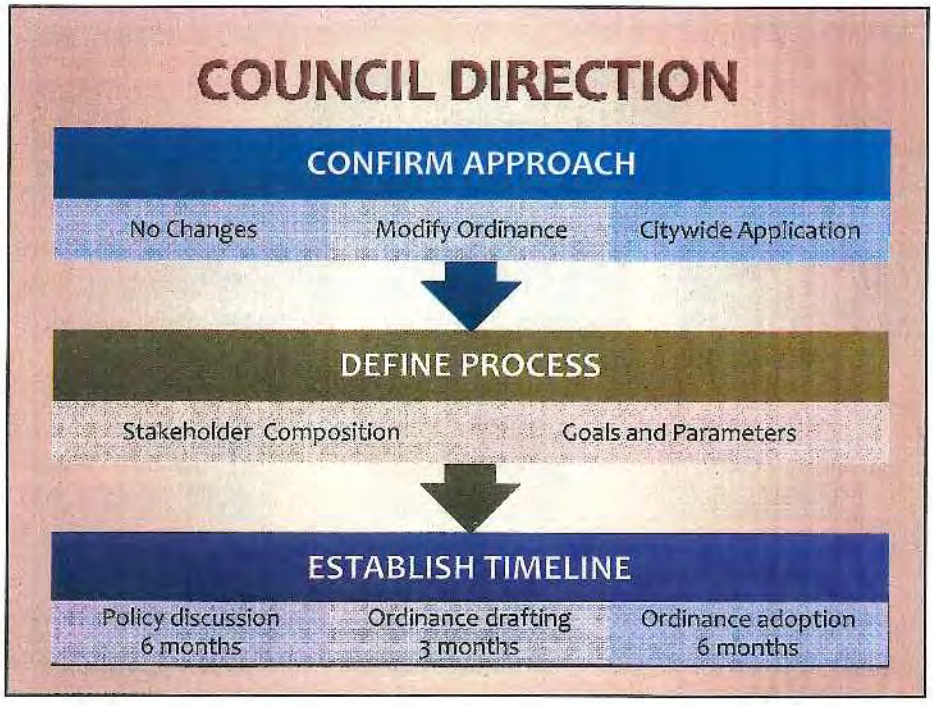
COMMUNITY INPUT
Ordinance Changes

- Encourage affordable homeownership
- Inclusionary ownership at higher incomes
- Provision for ELI housing
- Better integration into neighborhoods
- Concerns for small, infill developments
- Citywide expansion - varied opinions


OPTIONS
REVISIT CHANGES LATER
MODIFY ORDINANCE
• Current geographic application
• Increased flexibility
• Revisit citywide when market stabilizes
MODIFY AND EXPAND ORDINANCE
• Citywide geography
• Increased flexibility


INCREASED FLEXIBILITY
Increase exemptions
Add options
Ownership
Weak market areas
Small infill projects
Affordable by design/area
In-lieu fee
Higher incomes
Modified equity share





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