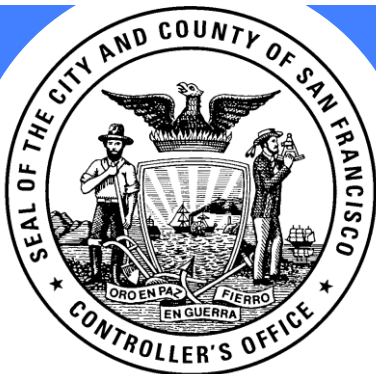


Inclusionary Housing Technical Advisory Committee Third Meeting



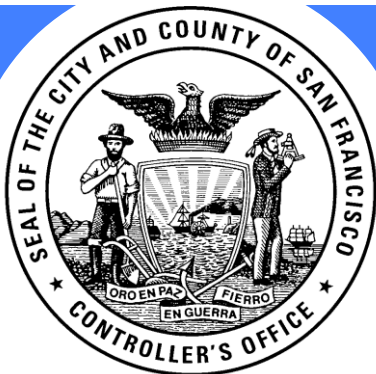
CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

March 10, 2023

- Inclusionary Feasibility Analysis
 - Feasibility Analysis - Condominiums
 - Feasibility Analysis - Apartments
 - Feasibility Gap - Apartments
- Additional Options for Improving Feasibility
- Appendix: Follow-Ups from Last Meeting

Inclusionary Feasibility Analysis



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Feasibility Analysis – Condominiums

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| Case | Current Onsite Requirement (a) | Scenario A | Scenario B | Scenario C | Scenario D |
|---|--------------------------------|--------------|--------------|--------------|-------------|
| 1.) Inclusionary Housing Scenario | | | | | |
| 2.) Onsite Units at 80% AMI Rent | 12.00% | 9.25% | 8.25% | 7.25% | 6.25% |
| 3.) Onsite Units at 105% AMI Rent | 5.75% | 4.50% | 4.00% | 3.50% | 3.00% |
| 4.) Onsite Units at 130% AMI Rent | 5.75% | 4.50% | 4.00% | 3.50% | 3.00% |
| 5.) Total Onsite Inclusionary Housing | 23.50% | 18.25% | 16.25% | 14.25% | 12.25% |
| 6.) Wtd. Average Onsite AMI Sale % | 98.4% | 98.5% | 98.5% | 98.4% | 98.4% |
| 7.) Wtd. Average Onsite AMI Sale Price | \$ 450,449 | \$ 451,334 | \$ 451,137 | \$ 450,885 | \$ 450,550 |
| 8.) Wtd. Average Density Bonus % | 38.75% | 25.51% | 23.36% | 21.69% | 20.00% |
| 9.) Implied Residual Land Values | | | | | |
| 10.) Case A - Type V, Lowrise | | | | | |
| 11.) - Base On-Site Inclusionary - No SDB | \$ 9,000 | \$ 37,000 | \$ 57,000 | \$ 67,000 | \$ 78,000 |
| 12.) - Base On-Site Inclusionary - By Right SDB | \$ 19,000 | \$ 34,000 | \$ 51,000 | \$ 58,000 | \$ 75,000 |
| 13.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 45.1% | 36.0% | 29.2% | 26.0% | 22.3% |
| 14.) Case B - Type III, Midrise | | | | | |
| 15.) - Base On-Site Inclusionary - No SDB | \$ 19,000 | \$ 43,000 | \$ 51,000 | \$ 62,000 | \$ 73,000 |
| 16.) - Base On-Site Inclusionary - By Right SDB | \$ (132,000) | \$ (115,000) | \$ (107,000) | \$ (97,000) | \$ 62,000 |
| 17.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 40.1% | 33.0% | 30.0% | 26.3% | 22.6% |
| 18.) Case C - Type I, Highrise | | | | | |
| 19.) - Base On-Site Inclusionary - No SDB | \$ (80,000) | \$ (49,000) | \$ (34,000) | \$ (24,000) | \$ (11,000) |
| 20.) - Base On-Site Inclusionary - By Right SDB | \$ (77,000) | \$ (57,000) | \$ (45,000) | \$ (28,000) | NA |
| 21.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 47.2% | 36.8% | 32.1% | 28.6% | 24.2% |
| 22.) Case D - Type I, Highrise | | | | | |
| 23.) - Base On-Site Inclusionary - No SDB | \$ (167,000) | \$ (133,000) | \$ (121,000) | \$ (109,000) | \$ (97,000) |
| 24.) - Base On-Site Inclusionary - By Right SDB | \$ (165,000) | \$ (143,000) | \$ (131,000) | \$ (120,000) | NA |
| 25.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 44.8% | 33.8% | 30.2% | 26.1% | 22.2% |

Notes:

- (a) Citywide inclusionary housing requirement for for-sale condominium projects effective as of January 1, 2022, greater than 25 units.
- (b) Fee out equivalent reflects in lieu fee percentage (i.e., percentage x residential GSF x \$230 PSF) equivalent to No SDB onsite inclusionary housing.

Feasibility Analysis - Apartments

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| Case | Current Onsite Requirement (a) | Scenario A | Scenario B | Scenario C | Scenario D |
|---|--------------------------------|--------------|--------------|--------------|--------------|
| 1.) Inclusionary Housing Scenario | | | | | |
| 2.) Onsite Units at 55% AMI Rent | 12.00% | 9.25% | 8.25% | 7.25% | 6.25% |
| 3.) Onsite Units at 80% AMI Rent | 4.75% | 4.50% | 4.00% | 3.50% | 3.00% |
| 4.) Onsite Units at 110% AMI Rent | 4.75% | 4.50% | 4.00% | 3.50% | 3.00% |
| 5.) Total Onsite Inclusionary Housing | 21.50% | 18.25% | 16.25% | 14.25% | 12.25% |
| 6.) Wtd. Average Onsite AMI Rent % | 72.7% | 74.7% | 74.7% | 74.6% | 74.6% |
| 7.) Wtd. Average Onsite AMI Rent/Month | \$ 1,966 | \$ 2,025 | \$ 2,024 | \$ 2,023 | \$ 2,021 |
| 8.) Wtd. Average Density Bonus % | 38.75% | 30.74% | 27.50% | 24.85% | 22.50% |
| 9.) Implied Residual Land Values | | | | | |
| 10.) Case A - Type V, Lowrise | | | | | |
| 11.) - Base On-Site Inclusionary - No SDB | \$ (97,000) | \$ (94,000) | \$ (84,000) | \$ (74,000) | \$ (73,000) |
| 12.) - Base On-Site Inclusionary - By Right SDB | \$ (90,000) | \$ (88,000) | \$ (80,000) | \$ (72,000) | \$ (72,000) |
| 13.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 27.8% | 26.5% | 22.8% | 18.8% | 18.0% |
| 14.) Case B - Type III, Midrise | | | | | |
| 15.) - Base On-Site Inclusionary - No SDB | \$ (72,000) | \$ (61,000) | \$ (52,000) | \$ (44,000) | \$ (35,000) |
| 16.) - Base On-Site Inclusionary - By Right SDB | \$ (185,000) | \$ (177,000) | \$ (170,000) | \$ (163,000) | \$ (154,000) |
| 17.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 31.8% | 27.4% | 24.0% | 20.8% | 17.0% |
| 18.) Case C - Type I, Highrise | | | | | |
| 19.) - Base On-Site Inclusionary - No SDB | \$ (181,000) | \$ (167,000) | \$ (159,000) | \$ (153,000) | \$ (142,000) |
| 20.) - Base On-Site Inclusionary - By Right SDB | \$ (164,000) | \$ (153,000) | \$ (146,000) | \$ (141,000) | \$ (132,000) |
| 21.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 33.5% | 27.8% | 24.8% | 22.5% | 18.3% |
| 22.) Case D - Type I, Highrise | | | | | |
| 23.) - Base On-Site Inclusionary - No SDB | \$ (271,000) | \$ (258,000) | \$ (250,000) | \$ (244,000) | \$ (236,000) |
| 24.) - Base On-Site Inclusionary - By Right SDB | \$ (260,000) | \$ (249,000) | \$ (242,000) | \$ (236,000) | \$ (229,000) |
| 25.) - Base On-Site Inclusionary - Fee Out Equivalent (b) | 29.5% | 24.8% | 21.5% | 19.0% | 16.0% |

Notes:

- (a) Citywide inclusionary housing requirement for for-rent apartment projects effective as of January 1, 2022, greater than 25 units.
- (b) Fee out equivalent reflects in lieu fee percentage (i.e., percentage x residential GSF x \$230 PSF) equivalent to No SDB onsite inclusionary housing.

Feasibility Gap - Apartments

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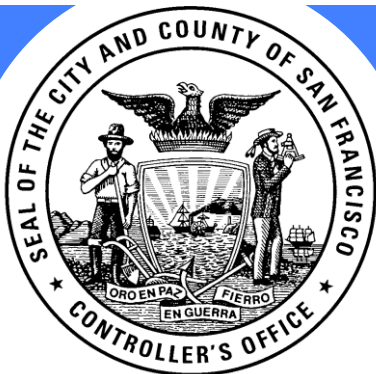
Apartment Feasibility Analysis (a)

| Program Scenario | Base Non-Density Bonus | | State Density Bonus - As-of-Right | |
|--|------------------------|-------------|-----------------------------------|-------------|
| Case | A | B | A | B |
| Building Type | Lowrise | Midrise | Midrise | Highrise |
| 1.) Implied Residual Land Value (b) | (\$97,000) | (\$72,000) | (\$90,000) | (\$185,000) |
| 2.) Development Cost Feasibility Gap (c) | (\$167,000) | (\$142,000) | (\$160,000) | (\$255,000) |
| 3.) Net Operating Income Feasibility Gap (d) | \$9,600 | \$8,200 | \$9,200 | \$15,000 |

Notes:

- (a) Reflects Citywide inclusionary housing requirement for for-rent apartment projects effective as of January 1, 2022, greater than 25 units.
- (b) Implied residual land value per unit estimated based on 5.25% target untrended return-on-cost.
- (c) Reflects estimated development cost per unit decrease required for case prototype implied residual land value to equal \$70,000 per unit .
- (d) Reflects NOI per unit increase required for case prototype implied residual land value to equal \$70,000 per unit.

Additional Options for Improving Feasibility



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Additional Options for Improving Feasibility

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1. City Subsidy / Cost Reimbursement to Support Economic Feasibility
 - May include City-sponsored grants, subsidies, and/or tax-exempt bond financing to support goal of producing new affordable housing units within market-rate projects.

2. Provide City Subsidy Equivalent to Reducing or Temporarily Abating Property Taxes for Period of Time
 - Review potential to provide City subsidy to offset property taxes on incremental value created by improvements (i.e., implied net initial property tax basis equates to underlying land value instead of land and improvements value) potentially in exchange for higher onsite inclusionary percentage.
 - Project would receive City subsidy during construction and for set period (e.g., 10 years) after project completion.
 - Subsidy term and phase-out may vary based on location, onsite inclusionary percentage, and other governmental subsidies.

Additional Options for Improving Feasibility

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3. Lower Onsite Inclusionary Percentage & Review AMI Affordability Tiers
 - Lower Citywide onsite inclusionary housing percentage (e.g., 10%-14%) and revise AMI affordability tiers (e.g., 90% AMI average with range of 50% to 120% AMI, etc.) to support production of middle-income housing units given lack of federal, state, and local funding sources.
4. Align Onsite Inclusionary Percentages and AMI Tiers with State Density Bonus
 - Align MOHCD AMI tier rental rates and sales prices with HCD AMI tier rental rates and sales prices.
 - Support incremental flexibility, by tenure, to align onsite inclusionary percentages and AMI tiers further to optimize State Density Bonus ("SDB") usage based on actual SDB utilization.
5. Phase-In Inclusionary Housing Units Over Time
 - Establish minimum onsite inclusionary requirements for new development, by tenure, to enhance/achieve economic feasibility.
 - Phase-in incremental onsite inclusionary units over set period (e.g., 5 years) based on pre-established performance benchmarks.

Additional Options for Improving Feasibility

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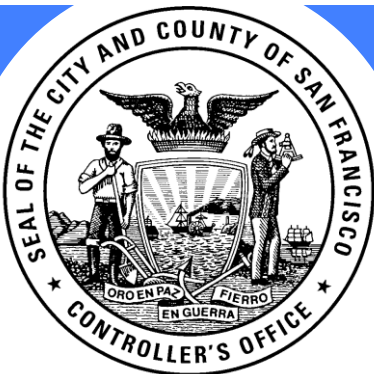
6. City Bond Issuance to Fund Affordable Housing
 - Explore and study opportunity to issue City-sponsored tax-exempt bonds to fund feasibility gap created by onsite inclusionary units to support production of affordable units within market-rate projects.
7. Reduce City-Imposed Impact Fees
 - Evaluate City-imposed impact fees and potential for fee reductions to support production of affordable units within market rate projects.
8. Defer and Spread Out Timing for Payment of City-Imposed Fees
 - Review and study impact of deferring and spreading out timing for payment of City-Imposed fees on economic feasibility of new residential development projects.
9. Reduce and/or Eliminate City-Imposed Fee on State Density Bonus Units
 - Review and study further impact of City-imposed fee on SDB units on economic feasibility of new residential development projects that utilize SDB.

Additional Options for Improving Feasibility

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10. Reduce and/or Eliminate City-Imposed Transfer Tax
 - Review and study impact of City-imposed transfer tax on economic feasibility of new residential development projects.
11. Revise City Building Code Requirements to Reduce Project Costs
 - Study City-specific building code requirements, which increase housing production costs, to identify code requirements that materially increase costs.
12. Evaluate and Promote Alternative Construction Types (e.g., CLT & Modular) to Achieve Cost Savings
 - Evaluate potential alternative construction types to confirm potential cost savings and identify measures City may deploy to encourage use of alternative construction types.

Appendix: Follow-Ups from Last Meeting



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Office of the Controller

Key Market Condition Changes 2016 to 2022

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| | Apartments | | | |
|-------------------------------------|------------|---------|----------|------------|
| | 2022 | 2016 | Variance | Variance % |
| 1.) Average Construction Cost / SF | \$508 | \$373 | \$136 | 36.4% |
| 2.) Average Market Rent / Unit | \$4,402 | \$4,175 | \$227 | 5.4% |
| 3.) Average Market Rent / SF | \$5.33 | \$5.57 | (\$0.24) | -4.3% |
| 4.) Target Untrended Return-on-Cost | 5.25% | 5.05% | 0.20% | 4.0% |

| | Condominiums | | | |
|--------------------------------------|--------------|-------------|-----------|------------|
| | 2022 | 2016 | Variance | Variance % |
| 1.) Average Construction Cost / SF | \$495 | \$368 | \$127 | 34.6% |
| 2.) Average Market Sale Price / Unit | \$1,424,500 | \$1,131,500 | \$293,000 | 25.9% |
| 3.) Average Market Sale Price / SF | \$1,425 | \$1,340 | \$85 | 6.3% |
| 4.) Target Profit as % of Revenue | 20.00% | 20.00% | 0.00% | 0.0% |

State Density Bonus Utilization

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| <i>Apartments</i> | Density Bonus Utilization | | | |
|-----------------------|---------------------------|------------------------|---------------------------------|--------------------------------|
| Case | Total Projects | Density Bonus Projects | Density Bonus Utilization % (a) | Wtd. Average Density Bonus (b) |
| 1.) Case A - Lowrise | 13 | 9 | 69% | 37% |
| 2.) Case B - Midrise | 13 | 11 | 85% | 35% |
| 3.) Case C - Highrise | 10 | 6 | 60% | 40% |
| 4.) Case D - Highrise | 1 | 0 | 0% | 0% |
| 5.) Case E - Lowrise | 6 | 5 | 83% | 34% |

| <i>Condominiums</i> | Density Bonus Utilization | | | |
|-----------------------|---------------------------|------------------------|---------------------------------|--------------------------------|
| Case | Total Projects | Density Bonus Projects | Density Bonus Utilization % (a) | Wtd. Average Density Bonus (b) |
| 1.) Case A - Lowrise | 7 | 7 | 100% | 25% |
| 2.) Case B - Midrise | 6 | 2 | 33% | 29% |
| 3.) Case C - Highrise | 2 | 1 | 50% | 23% |
| 4.) Case D - Highrise | 1 | 0 | 0% | 0% |
| 5.) Case E - Lowrise | 6 | 6 | 100% | 26% |

Notes:

- (a) Reflects percentage of projects that have submitted planning applications since 2018 that utilize State Density Bonus.
- (b) Reflects weighted average of density bonus percentage requested in planning applications submitted since 2018.

Summary of Prototypes by Tenure

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For-Rent Apartments – State Density Bonus Program Typology

| Product Type | For-Rent Apartments – State Density Bonus Program | | | | |
|------------------------|---|------------|------------|------------|-----------|
| Case | Case A | Case B | Case C | Case D | Case E |
| Building Type | Midrise | Highrise | Highrise | Highrise | Midrise |
| Construction Type * | Type III | Type I | Type I | Type I | Type III |
| Building Height | 75 Feet | 125 Feet | 185 Feet | 345 Feet | 65 Feet |
| Building Stories | 7 Stories | 12 Stories | 18 Stories | 34 Stories | 6 Stories |
| Building Units | 62 Units | 180 Units | 315 Units | 473 Units | 20 Units |
| Average Unit Size ** | 825 NSF | 825 NSF | 825 NSF | 825 NSF | 831 NSF |
| Affordable Units (%) | 16% | 16% | 16% | 16% | 10% |
| In-Lieu Fee / Unit *** | \$238,100 | \$238,100 | \$238,100 | \$244,200 | \$228,400 |
| Parking Ratio | 0.25:1 | 0.25:1 | 0.25:1 | 0.25:1 | 0.65:1 |

* Case A shifts from Type V to Type III and Case B from Type III to Type I construction types under State Density Bonus Program scenarios.

** Average unit size for Cases A-D adjusted to meet Planning Code Section 207.7 Required Minimum Dwelling Unit Mix requirements.

*** Per unit based on unit and mix count equating to 30% of State Density Bonus units.

Summary of Prototypes by Tenure

16

For-Sale Condominiums – State Density Bonus Program Typology

| Product Type | For-Sale Condominiums – State Density Bonus Program | | | | |
|------------------------|---|------------|------------|------------|-----------|
| Case | Case A | Case B | Case C | Case D | Case E |
| Building Type | Midrise | Highrise | Highrise | Highrise | Lowrise |
| Construction Type * | Type III | Type I | Type I | Type I | Type V |
| Building Height | 75 Feet | 115 Feet | 175 Feet | 325 Feet | 55 Feet |
| Building Stories | 7 Stories | 11 Stories | 17 Stories | 32 Stories | 5 Stories |
| Building Units | 48 Units | 140 Units | 245 Units | 367 Units | 17 Units |
| Average Unit Size ** | 1,000 NSF | 1,000 NSF | 1,000 NSF | 1,000 NSF | 838 NSF |
| Affordable Units (%) | 19% | 18% | 18% | 18% | 12% |
| In-Lieu Fee / Unit *** | \$285,400 | \$286,500 | \$292,300 | \$294,900 | \$220,000 |
| Parking Ratio | 0.50:1 | 0.50:1 | 0.50:1 | 0.50:1 | 0.76:1 |

* Case A shifts from Type V to Type III and Case B from Type III to Type I construction types under State Density Bonus Program scenarios.

** Average unit size for Cases A-D adjusted to meet Planning Code Section 207.7 Required Minimum Dwelling Unit Mix requirements.

*** Per unit based on unit count and mix equating to 33% of State Density Bonus units.

Research & Underwriting Assumptions

17

For-Rent Apartments – Base Non-Density Bonus Program Typology

| <i>Apartments</i> | Underwriting Assumptions - Base Programs | | | | |
|---|--|---------------------|----------------------|----------------------|-----------------------|
| Case (a) (b) | A | B | C | D | E |
| Construction Type | Type V | Type III | Type I | Type I | Type V |
| Building Type | Lowrise | Midrise | Highrise | Highrise | Lowrise |
| 1.) Building Stories | 5 Stories | 8 Stories | 13 Stories | 24 Stories | 4 Stories |
| 2.) Building Height | 55 Feet | 85 Feet | 135 Feet | 245 Feet | 45 Feet |
| 3.) Gross Square Feet | 53,031 | 151,438 | 265,469 | 402,548 | 19,350 |
| 4.) Efficiency Factor | 80.0% | 80.0% | 80.0% | 78.0% | 80.0% |
| 5.) Apartment Unit Count | 45 | 130 | 227 | 341 | 13 |
| 6.) Wtd. Average Market Rent | \$4,152 / \$4.98 | \$4,371 / \$5.31 | \$4,643 / \$5.62 | \$4,442 / \$5.39 | \$5,518 / \$6.56 |
| 7.) Wtd. Average BMR Rent | \$1,941 / \$2.44 | \$1,922 / \$2.31 | \$1,971 / \$2.40 | \$1,966 / \$2.37 | \$1,517 / \$1.93 |
| 8.) Hard Costs (Total / Unit) (c) | \$24.9M / \$552,400 | \$72.3M / \$556,100 | \$154.1M / \$678,800 | \$249.2M / \$730,800 | \$10.4M / \$800,200 |
| 9.) Soft Costs - Impact Fees (Total / Unit) | \$1.0M / \$23,100 | \$3.0M / \$23,000 | \$5.4M / \$23,700 | \$8.1M / \$23,900 | \$0.4M / \$33,600 |
| 10.) Soft Costs - Insurance (Total / Unit) | \$0.2M / \$5,000 | \$0.7M / \$5,000 | \$1.1M / \$5,000 | \$1.7M / \$5,000 | \$0.0M / \$5,000 |
| 11.) Other Soft Costs (Total / Unit) (c) | \$6.4M / \$142,400 | \$17.3M / \$132,900 | \$36.7M / \$161,700 | \$61.8M / \$181,200 | \$3.2M / \$242,500 |
| 12.) Total Costs (Total / Unit) (c) | \$31.4M / \$698,100 | \$89.6M / \$688,900 | \$190.8M / \$840,500 | \$311.2M / \$912,000 | \$13.7M / \$1,054,200 |
| 13.) Total Hard & Soft Costs / GSF (c) | \$590 | \$591 | \$719 | \$773 | \$708 |
| 14.) Untrended Annual NOI | \$1,399,100 | \$4,171,300 | \$7,620,400 | \$10,840,100 | \$600,400 |
| 15.) Untrended Return-on-Cost (d) | 5.25% | 5.25% | 5.25% | 5.25% | 5.25% |

Notes:

- (a) Cases A-D reflect 2022 Citywide 21.5% onsite inclusionary housing requirement.
- (b) Case E reflects programmatic information provided by Planning Department (including 2022 Citywide 14.5% onsite inclusionary housing requirement) and underwriting assumptions utilized for residential prototype from recently completed analysis.
- (c) Figures exclude land cost.
- (d) Reflects untrended return-on-cost target to derive residual land value.
- * All financial and programmatic estimates are preliminary in nature and not intended as formal feasibility analysis.
- ** Financial analyses shown above reflect institutional investment underwriting assumptions.

Research & Underwriting Assumptions

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For-Rent Apartments – State Density Bonus Program Typology

| <i>Apartments</i> | Underwriting Assumptions - State Density Bonus Programs | | | | |
|---|---|----------------------|----------------------|----------------------|---------------------|
| Case (a) (b) | A | B | C | D | E |
| Construction Type | Type III | Type I | Type I | Type I | Type III |
| Building Type | Midrise | Highrise | Highrise | Highrise | Midrise |
| 1.) Building Stories | 7 Stories | 12 Stories | 18 Stories | 34 Stories | 6 Stories |
| 2.) Building Height | 75 Feet | 125 Feet | 185 Feet | 345 Feet | 65 Feet |
| 3.) Gross Square Feet | 72,438 | 207,500 | 364,469 | 554,538 | 26,225 |
| 4.) Efficiency Factor | 80.0% | 80.0% | 80.0% | 78.0% | 80.0% |
| 5.) Apartment Unit Count | 62 | 180 | 315 | 473 | 20 |
| 6.) Wtd. Average Market Rent | \$4,278 / \$5.17 | \$4,501 / \$5.46 | \$4,777 / \$5.79 | \$4,577 / \$5.55 | \$5,467 / \$6.58 |
| 7.) Wtd. Average BMR Rent | \$1,1941 / \$2.39 | \$1,922 / \$2.32 | \$1,971 / \$2.40 | \$1,966 / \$2.37 | \$1,517 / \$1.93 |
| 8.) Hard Costs (Total / Unit) (c) | \$34.5M / \$557,200 | \$121.2M / \$673,200 | \$212.5M / \$674,600 | \$344.4M / \$728,000 | \$13.9M / \$694,300 |
| 9.) Soft Costs - Impact Fees (Total / Unit) | \$1.0M / \$23,100 | \$3.0M / \$23,000 | \$7.4M / \$23,600 | \$11.3M / \$23,800 | \$0.6M / \$27,900 |
| 10.) Soft Costs - Insurance (Total / Unit) | \$0.2M / \$5,000 | \$0.7M / \$5,000 | \$1.6M / \$5,000 | \$2.4M / \$5,000 | \$0.1M / \$5,000 |
| 11.) Other Soft Costs (Total / Unit) (c) | \$10.0M / \$160,700 | \$32.8M / \$182,400 | \$60.5M / \$191,900 | \$104.4M / \$220,800 | \$4.3M / \$215,000 |
| 12.) Total Costs (Total / Unit) (c) | \$44.2M / \$720,300 | \$154.2M / \$856,500 | \$272.9M / \$866,600 | \$448.8M / \$948.8 | \$18.2M / \$909,300 |
| 13.) Total Hard & Soft Costs / GSF (c) | \$617 | \$743 | \$749 | \$809 | \$693 |
| 14.) Untrended Annual NOI | \$2,023,900 | \$6,140,700 | \$11,259,300 | \$16,057,700 | \$910,100 |
| 15.) Untrended Return-on-Cost (d) | 5.25% | 5.25% | 5.25% | 5.25% | 5.25% |

Notes:

- (a) Cases A-D reflect 2022 Citywide 21.5% onsite inclusionary housing requirement and State Density Bonus of 38.75% with inclusionary in-lieu fee applied to density bonus additional square footage.
- (b) Case E reflects programmatic information provided by Planning Department (including current Citywide 14.5% onsite inclusionary housing requirement and State Density Bonus of 50% with inclusionary in-lieu fee applied to density bonus additional square footage) and underwriting assumptions utilized for residential prototype from recently completed analysis.
- (c) Figures exclude land cost.
- (d) Reflects untrended return-on-cost target to derive residual land value.
- * All financial and programmatic estimates are preliminary in nature and not intended as formal feasibility analysis.
- ** Financial analyses shown above reflect institutional investment underwriting assumptions.

Research & Underwriting Assumptions

19

For-Sale Condominiums – Base Non-Density Bonus Program Typology

| <i>Condominiums</i> | Underwriting Assumptions - Base Programs | | | | |
|---|--|-----------------------|------------------------|------------------------|-----------------------|
| Case (a) (b) | A | B | C | D | E |
| Construction Type | Type V | Type III | Type I | Type I | Type V |
| Building Type | Lowrise | Midrise | Highrise | Highrise | Low Rise |
| 1.) Building Stories | 5 Stories | 8 Stories | 13 Stories | 24 Stories | 4 Stories |
| 2.) Building Height | 55 Feet | 85 Feet | 135 Feet | 245 Feet | 45 Feet |
| 3.) Gross Square Feet | 56,031 | 159,313 | 279,344 | 423,548 | 19,350 |
| 4.) Efficiency Factor | 80.0% | 80.0% | 80.0% | 78.0% | 80.0% |
| 5.) Condominium Unit Count | 37 | 107 | 188 | 281 | 13 |
| 6.) Wtd. Average Market Sales Price | \$1,342,000 / \$1,342 | \$1,359,000 / \$1,359 | \$1,500,000 / \$1,500 | \$1,497,000 / \$1,497 | \$1,198,000 / \$1,406 |
| 7.) Wtd. Average BMR Sales Price | \$450,000 | \$450,000 | \$450,000 | \$450,000 | \$352,000 |
| 8.) Hard Costs (Total / Unit) (c) | \$25.4M / \$686,400 | \$74.0M / \$691,600 | \$158.7M / \$844,300 | \$256.0M / \$911,000 | \$10.7M / \$819,600 |
| 9.) Soft Costs - Impact Fees (Total / Unit) | \$0.9M / \$25,300 | \$2.6M / \$24,400 | \$4.8M / \$25,300 | \$7.1M / \$25,300 | \$0.1M / \$10,600 |
| 10.) Soft Costs - Insurance (Total / Units) | \$0.3M / \$6,900 | \$0.7M / \$6,900 | \$1.6M / \$8,400 | \$2.6M / \$9,100 | \$0.1M / \$8,200 |
| 11.) Other Soft Costs (Total / Unit) (c) | \$5.8M / \$156,700 | \$15.9M / \$148,900 | \$33.3M / \$177,200 | \$52.6M / \$187,000 | \$3.3M / \$252,000 |
| 12.) Total Costs (Total / Unit) (c) | \$32.4M / \$875,300 | \$93.3M / \$871,800 | \$198.4M / \$1,055,300 | \$318.2M / \$1,132,400 | \$14.2M / \$1,090,300 |
| 13.) Total Hard & Soft Costs / GSF (c) | \$578 | \$586 | \$710 | \$751 | \$733 |
| 14.) Profit as % of Revenue (d) | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |

Notes:

- (a) Cases A-D reflect current Citywide 23.5% onsite inclusionary housing requirement.
- (b) Case E reflects programmatic information provided by Planning Department (including current Citywide 14.5% onsite inclusionary housing requirement) and underwriting assumptions utilized for residential prototype from recently completed analysis.
- (c) Figures exclude land cost.
- (d) Reflects profit margin target to derive residual land value.
- * All financial and programmatic estimates are preliminary in nature, and are not intended as formal feasibility analysis.
- ** Financial analyses shown above reflect institutional investment underwriting assumptions.

Research & Underwriting Assumptions

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For-Sale Condominiums – State Density Bonus Program Typology

| <i>Condominiums</i> | Underwriting Assumptions - State Density Bonus Programs | | | | |
|---|---|------------------------|------------------------|------------------------|-----------------------|
| Case (a) (b) | A | B | C | D | E |
| Construction Type | Type III | Type I | Type I | Type I | Type V |
| Building Type | Midrise | Highrise | Highrise | Highrise | Low Rise |
| 1.) Building Stories | 7 Stories | 11 Stories | 17 Stories | 32 Stories | 5 Stories |
| 2.) Building Height | 75 Feet | 115 Feet | 175 Feet | 325 Feet | 55 Feet |
| 3.) Gross Square Feet | 71,500 | 206,250 | 362,375 | 549,513 | 23,109 |
| 4.) Efficiency Factor | 80.0% | 80.0% | 80.0% | 78.0% | 80.0% |
| 5.) Condominium Unit Count | 48 | 140 | 245 | 367 | 17 |
| 6.) Wtd. Average Market Sales Price | \$1,345,000 / \$1,345 | \$1,356,000 / \$1,356 | \$1,500,000 / \$1,500 | \$1,498,000 / \$1,498 | \$1,218,000 / \$1,453 |
| 7.) Wtd. Average BMR Sales Price | \$450,000 | \$450,000 | \$450,000 | \$450,000 | \$352,000 |
| 8.) Hard Costs (Total / Unit) (c) | \$32.9M / \$685,000 | \$116.7M / \$833,700 | \$206.6M / \$843,300 | \$332.9M / \$907,000 | \$12.5M / \$734,800 |
| 9.) Soft Costs - Impact Fees (Total / Unit) | \$2.2M / \$46,200 | \$6.5M / \$46,500 | \$11.6M / \$47,500 | \$17.6M / \$47,900 | \$0.3M / \$19,100 |
| 10.) Soft Costs - Insurance (Total / Units) | \$0.3M / \$6,900 | \$1.2M / \$8,300 | \$2.1M / \$8,400 | \$3.3M / \$8,900 | \$0.1M / \$7,300 |
| 11.) Other Soft Costs (Total / Unit) (c) | \$7.6M / \$157,500 | \$23.2M / \$165,900 | \$46.3M / \$188,900 | \$75.3M / \$205,200 | \$3.8M / \$226,000 |
| 12.) Total Costs (Total / Unit) (c) | \$43.0M / \$895,600 | \$147.6M / \$1,054,400 | \$266.6M / \$1,088,200 | \$429.0M / \$1,169,000 | \$16.8M / \$987,300 |
| 13.) Total Hard & Soft Costs / GSF (c) | \$601 | \$716 | \$736 | \$781 | \$726 |
| 14.) Profit as % of Revenue (d) | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |

Notes:

- (a) Cases A-D reflect current Citywide 23.5% onsite inclusionary housing requirement and State Density Bonus of 30.50% with inclusionary in-lieu fee applied to density bonus additional square footage.
- (b) Case E reflects programmatic information provided by Planning Department (including current Citywide 14.5% onsite inclusionary housing requirement and DB of 27.5% with inclusionary in-lieu fee applied to density bonus additional square footage) and underwriting assumptions utilized for residential prototype from recently completed analysis.
- (c) Figures exclude land cost.
- (d) Reflects profit margin target to derive residual land value.
- * All financial and programmatic estimates are preliminary in nature, and are not intended as formal feasibility analysis.
- ** Financial analyses shown above reflect institutional investment underwriting assumptions.

Preliminary Economic Analysis - Apartments

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| <i>Apartments</i> | Residual Land Value per Unit (g) | | | | |
|--|----------------------------------|-------------|-------------|-------------|-------------|
| Case | A | B | C | D | E |
| Building Type (Base Program) | Lowrise | Midrise | Highrise | Highrise | Lowrise |
| 1.) Base Non-Density Bonus (a) | (\$97,000) | (\$72,000) | (\$181,000) | (\$271,000) | (\$143,000) |
| 2.) Base Non-Density Bonus + Fee Out (b) | (\$103,000) | (\$68,000) | (\$172,000) | (\$262,000) | (\$72,000) |
| 3.) State Density Bonus - As-of-Right (c) | (\$90,000) | (\$185,000) | (\$164,000) | (\$260,000) | (\$46,000) |
| 4.) State Density Bonus - As-of-Right + No Fee (d) | (\$69,000) | (\$164,000) | (\$143,000) | (\$238,000) | (\$29,000) |
| 5.) State Density Bonus - Maximum 50% (e) | (\$120,000) | (\$215,000) | (\$198,000) | (\$290,000) | (\$46,000) |
| 6.) Hypothetical 100% Market Rate (f) | (\$24,000) | \$8,000 | (\$96,000) | (\$194,000) | (\$44,000) |

Notes:

- (a) Reflects Citywide onsite inclusionary requirement of 21.5% for Cases A-D and 14.5% for Case E.
- (b) Reflects Citywide inclusionary in-lieu fee requirement (payment of in lieu fee on 30% of residential square footage).
- (c) Reflects Citywide onsite inclusionary requirement of 21.5% and State Density Bonus of 38.75% for Cases A-D and Citywide onsite inclusionary requirement of 14.5% and State Density Bonus of 50.0% for Case E with inclusionary in-lieu fee applied to density bonus additional GSF.
- (d) Reflects (c) above with no inclusionary in-lieu fee applied to density bonus square footage for illustrative purposes only.
- (e) Reflects addition of HCD 50% AMI units to qualify for maximum 50.0% State Density Bonus.
- (f) Reflects no onsite or offsite inclusionary housing requirements or in-lieu fees for illustrative purposes only.
- (g) Residual land value per unit estimated based on 5.25% target going-in return-on-cost.

Preliminary Economic Analysis - Condominiums

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| <i>Condominiums</i> | Residual Land Value per Unit (g) | | | | |
|--|----------------------------------|-------------|-------------|-------------|-------------|
| Case | A | B | C | D | E |
| Building Type (Base Program) | Lowrise | Midrise | Highrise | Highrise | Lowrise |
| 1.) Base Non-Density Bonus (a) | \$9,000 | \$19,000 | (\$80,000) | (\$167,000) | (\$186,000) |
| 2.) Base Non-Density Bonus + Fee Out (b) | \$46,000 | \$43,000 | (\$37,000) | (\$130,000) | (\$87,000) |
| 3.) State Density Bonus - As-of-Right (c) | \$19,000 | (\$132,000) | (\$77,000) | (\$165,000) | (\$100,000) |
| 4.) State Density Bonus - As-of-Right + No Fee (d) | \$42,000 | (\$109,000) | (\$53,000) | (\$141,000) | (\$84,000) |
| 5.) State Density Bonus - Maximum 50% (e) | \$6,000 | (\$161,000) | (\$105,000) | (\$192,000) | (\$117,000) |
| 6.) Hypothetical 100% Market Rate (f) | \$141,000 | \$144,000 | \$68,000 | (\$15,000) | (\$87,000) |

Notes:

- (a) Reflects Citywide onsite inclusionary requirement of 23.5% for Cases A-D and 14.5% for Case E.
- (b) Reflects Citywide inclusionary in-lieu fee requirement (payment of in lieu fee on 33% of residential square footage).
- (c) Reflects Citywide onsite inclusionary requirement of 23.5% and State Density Bonus of 30.5% for Cases A-D and Citywide onsite inclusionary requirement of 14.5% and State Density Bonus of 27.5% for Case E with inclusionary in-lieu fee applied to density bonus additional square footage.
- (d) Reflects (c) above with no inclusionary in-lieu fee applied to density bonus square footage for illustrative purposes only.
- (e) Reflects addition of HCD 80% AMI units to qualify for maximum 50.0% State Density Bonus.
- (f) Reflects no onsite or offsite inclusionary housing requirements or in-lieu fees for illustrative purposes only.
- (g) Residual land value per unit estimated based on 20.00% target profit margin (profit as % of revenue).