



KEYSER MARSTON ASSOCIATES

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

Prepared for:

City of Monrovia

Prepared by:

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
A. BACKGROUND	1
B. PUBLIC POLICY OBJECTIVES	1
C. INCLUSIONARY HOUSING PROGRAM DESIGN	2
D. POLICY ISSUES FOR CONSIDERATION	2
E. FINANCIAL ANALYSES	3
F. FINDINGS	5
G. NEXT STEPS	6
II. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS	7
A. STATE DENSITY BONUS AND INCLUSIONARY HOUSING REQUIREMENTS.....	9
B. STRUCTURING ISSUES	9
III. METHODOLOGY.....	12
A. PARAMETERS	12
B. PROGRAM FOUNDATION.....	13
C. FINANCIAL EVALUATION STRUCTURE	15
D. FINANCIAL EVALUATION ORGANIZATION	16
IV. OWNERSHIP HOUSING ANALYSES.....	17
A. PRO FORMA ANALYSIS COMPONENTS.....	17
B. SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE PRO FORMA ANALYSIS	18
C. RECOMMENDED INCLUSIONARY HOUSING REQUIREMENT	20
V. APARTMENT DEVELOPMENT ANALYSIS	21
A. BASIC REQUIREMENTS.....	21
B. CREATION OF PROTOTYPE PROJECTS.....	21
C. PRO FORMA ANALYSIS ASSUMPTIONS.....	22
D. PRO FORMA ANALYSES.....	24
E. SUMMARY: APARTMENT DEVELOPMENT ANALYSES	32
F. RECOMMENDED INCLUSIONARY HOUSING REQUIREMENT	33

VI. IN-LIEU FEE ANALYSES	35
A. OWNERSHIP HOUSING DEVELOPMENT	35
B. APARTMENT DEVELOPMENT	37
VII. FINDINGS / PRELIMINARY POLICY RECOMMENDATIONS	40
A. SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS	40
B. SUPPORTABLE IN-LIEU FEES.....	40
C. PRELIMINARY POLICY RECOMMENDATIONS	41
D. NEXT STEPS	45

ATTACHMENTS

Attachment 1: Inclusionary Housing Program Surveys

Attachment 2: Affordable Housing Cost Calculation Methodologies

- Appendix A: Affordable Sales Price Calculation Methodology
- Appendix B: Affordable Rent Calculation Methodology

Attachment 3: Ownership Housing Development

- Appendix A: Home Sales Survey
- Appendix B: Affordable Sales Price Calculations
- Appendix C: Pro Forma Analyses – Specific Plan Ownership Housing Prototype
 - Exhibit I Market Rate Alternative
 - Exhibit II Moderate Income Alternative

Attachment 4: Apartment Development

- Appendix A: Rent Survey: 4+ Star Properties
- Appendix B: Affordable Rent Calculations
- Appendix C: Pro Forma Analyses – Station Square Adjacent Prototypes
 - Exhibit I Market Rate Alternative
 - Exhibit II Low Income Alternative – Supportable Requirement
 - Exhibit III Low Income Alternative – 10% Requirement
 - Exhibit IV Density Bonus Alternative

ATTACHMENTS

Attachment 4: Apartment Development (continued)

Appendix D:	Pro Forma Analyses – Myrtle Corridor Prototypes
Exhibit I	Market Rate Alternative
Exhibit II	Low Income Alternative – Supportable Requirement
Exhibit III	Low Income Alternative – 10% Requirement
Exhibit III	Density Bonus Alternative
Appendix E:	Pro Forma Analyses – PD-12 Prototypes
Exhibit I	Market Rate Alternative
Exhibit II	Density Bonus Alternative

Attachment 5: In-Lieu Fee Analyses

Appendix A:	Ownership Housing Development
Appendix B:	Apartment Development

I. EXECUTIVE SUMMARY

A. Background

The vast majority of land within the Monrovia city limits is located on undeveloped hillsides, while the urbanized area is limited to approximately five square miles. By design, it is anticipated that the majority of residential development in Monrovia will take place in the Station Square Transit Village, with ancillary development in the South Myrtle Avenue Old Town Extension District. To that end, In 2014, the City of Monrovia (City) invested \$25 million in Metro Gold Line Station infrastructure, the development of Station Square Park, and large scale road and traffic improvements, all of which support the development of high intensity residential uses.

In 2019 the Monrovia City Council adopted Planning Housing Opportunities for Monrovia (Planning HOME), which identifies a series of planning strategies intended to facilitate and streamline housing production. Planning HOME also includes a goal of exploring Inclusionary Housing policies in order to impose standardized affordable housing requirements on residential development rather than the current practice of negotiating affordable housing requirements on a case-by-case basis.

Keyser Marston Associates, Inc. (KMA) was engaged as a subconsultant to Sagecrest Planning + Environmental to assist the City in creating an Inclusionary Housing program. Over the past 20+ years, the KMA Los Angeles office has assisted 36 jurisdictions in the Inclusionary Housing program creation process. While each evaluation is tailored to reflect the specific characteristics of the jurisdiction being studied, the primary objective is always to identify requirements that balance the interests of property owners and developers against the City's need for affordable housing.

B. Public Policy Objectives

Inclusionary Housing programs are subject to both statutory parameters imposed by the State Legislature, and the rulings in the court cases that have challenged Inclusionary Housing programs over the past 30+ years. These statutes and court rulings are described in Section II of this Inclusionary Housing: Financial Evaluation (Financial Evaluation). It is important to understand the constraints and opportunities that are created by these statutes and court rulings.

C. Inclusionary Housing Program Design

In 2015, the California Supreme Court ruled in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing Programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. However, the *San Jose* ruling also imposed the following limitations on the requirements that jurisdictions can impose:

1. Inclusionary Housing requirements cannot be confiscatory; and
2. Inclusionary Housing requirements cannot deprive a property owner of a fair and reasonable return on their investment.

The court did not provide criteria under which jurisdictions can evaluate these limitations. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in establishing Inclusionary Housing requirements in order to comport with the court's ruling.

The first step in designing an Inclusionary Housing program is to identify the factors that will be considered in defining the program's goals. A common measurement is the unmet need for affordable housing. In this Financial Evaluation the findings presented in the City's Sixth Cycle Housing Element (Housing Element) have been used for this purpose.¹

D. Policy Issues for Consideration

The following policy decisions need to be made as part of the Inclusionary Housing program adoption process:

1. The minimum project size that will trigger the Inclusionary Housing requirements.
2. The target income and affordability standards to be applied.

¹ The Housing Element was certified by the California Department of Housing and Community Development (HCD) on December 29, 2022.

3. The allowable options for fulfilling the Inclusionary Housing requirements. Commonly used options include:
 - a. Providing the Inclusionary Units within the market rate project that triggered the requirement.
 - b. Production of the Inclusionary Units in an off-site location.
 - c. A payment to the City in lieu of producing required Inclusionary Units.
 - d. Dedication of land to the City for the subsequent development of the required Inclusionary Units.
 - e. The acquisition and rehabilitation of existing apartment units.

E. Financial Analyses

AFFORDABILITY GAPS

The imposition of income and affordability restrictions on units in a market rate project creates an impact on the project economics. This is called the “Affordability Gap”, which is defined as the difference between the achievable market rate sales price or rent and the allowable sales price or rent for each Inclusionary Unit. This Financial Evaluation uses pro forma analyses to estimate the Affordability Gaps generated at varying income and affordability levels.

PROTOTYPE DEVELOPMENTS

Prototype ownership housing and apartment developments were created for analysis purposes. The Ownership Housing Prototype is based on recent infill condominium/townhome development in Monrovia. The Apartment Development Prototypes were varied by density and location within Monrovia.

The prototypes were created using the following resources:

1. The Housing Element;
2. Specific Plans adopted by the City;
3. Recently developed residential projects in Monrovia; and
4. The residential projects identified in KMA's market surveys.

The resulting prototype development projects can be generally described as follows:

1. The City anticipates that ownership housing development will be limited to small-scale infill development. Based on that assumption KMA created a prototype townhome development that is subject to Specific Plan standards.
2. As discussed previously, the City created the improvements necessary to incentivize the development of high density apartment projects in proximity to the Metro Gold Line Station. Based on the available information KMA created apartment prototypes located in the following areas:
 - a. Station Square Adjacent Area;
 - b. Myrtle Corridor Area; and
 - c. PD-12 Area.

FINANCIAL IMPACTS

KMA uses pro forma analyses to quantify the Affordability Gaps associated with the imposition of Inclusionary Housing alternatives. The results are then evaluated to identify requirements that balance the interests of the property owner, the developer, and the City's unmet need for affordable housing. To measure the impacts created by the imposition of Inclusionary Housing requirements, the financial tests applied by KMA are focused on the following impacts:

1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed income and affordability requirements; and
2. The increase in market rate sales prices/rents that would be needed to offset the proposed requirements.

F. Findings

SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

KMA recommends that projects with five or more units be subject to Inclusionary Housing requirements. Based on the results of the Financial Evaluation KMA concluded that the following Inclusionary Housing requirements can be supported:

Supportable Inclusionary Housing Production Requirements Based on the Number of Units Allowed by the Site’s Base Zoning Standards	
Ownership Housing Development	10% Moderate Income
<u>Apartment Development</u>	
20 or Fewer Units	6% Low Income
More than 20 Units	10% Low Income

KMA recommends that different income and affordability standards be applied to projects that require modifications to a site’s zoning standards and/or General Plan designation. Specifically, KMA recommends that the identified Inclusionary Housing production requirements be based on the total number of units proposed to be developed in the project.²

² This recommendation does not apply to projects that are solely proposing to use the Section 65915 density bonus.

SUPPORTABLE IN-LIEU FEES

KMA recommends that ownership housing development projects of any size be allowed by right to pay a fee in lieu of producing any affordable units. Recognizing that small scale projects are disproportionately burdened by Inclusionary Housing requirements KMA also recommends that apartment development projects with 20 or fewer units, be allowed by right to pay an in-lieu fee.

In the Financial Evaluation, KMA pegged the in-lieu fee payment amount to the Affordability Gaps generated by the pro forma analyses. The resulting in lieu fee amounts are estimated as follows:

Supportable In-Lieu Fees		
Financial Evaluation		
	Ownership Housing Development	Apartment Development
<u>In-Lieu Fee Amounts</u>		
Per Inclusionary Unit	\$397,300	\$468,000
Per Square Foot of Saleable / Leasable Area	\$29.40	\$24.50

G. Next Steps

The Financial Evaluation is meant to provide the City with the context under which to establish Inclusionary Housing requirements that are not confiscatory and that do not deprive property owners of a fair and reasonable return on their investment. At the conclusion of this Financial Evaluation KMA offers a set of preliminary policy recommendations for City Council consideration.

II. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

Over 170 jurisdictions in California currently include an Inclusionary Housing Program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

To assist the City in evaluating the available options it is useful to identify the elements that are typically included in Inclusionary Housing Programs being implemented in California jurisdictions. To that end, KMA compiled information on 98 Inclusionary Housing Programs currently being implemented throughout California. The survey information is presented in Attachment 1.

The survey results can be summarized as follows:

1. In California, the majority of Inclusionary Housing Programs include a threshold project size below which projects are not subject to the Inclusionary Housing requirements. Common thresholds fall between three and 10 units, with a five unit median threshold and a seven unit average threshold.
2. The income and affordability standards imposed by Inclusionary Housing Programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being required.
 - b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement is sometimes used to mitigate these impacts.

- c. The length of the covenant period imposed on Inclusionary Units varies from jurisdiction-to-jurisdiction. California Health and Safety Code (H&SC) Section 33413 applies covenant periods of 45 years for ownership housing units and 55 years for apartment units. These standards are commonly used, but both shorter and longer covenant periods are imposed throughout Inclusionary Housing Programs in California.

Inclusionary Housing Programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. However, providing an in-lieu fee option can generate funds that the City can use to assist projects undertaken by developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.
2. Dedicated affordable housing projects have access to state and federal funding sources that are not available to market rate projects. These funding sources provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs targeted to dedicated affordable housing projects are:
 - a. Funds that are awarded by the Los Angeles County Development Authority (LACDA).
 - b. The funds allocated to the City by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017).
 - c. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42.
 - d. State funding sources such as:
 - i. The Affordable Housing and Sustainable Communities (AHSC) Program;
 - ii. The Multifamily Housing Program (MHP);
 - iii. The Mixed-Income Program (MIP); and

iv. The Infill Infrastructure Grant Program (IIG).

A. State Density Bonus and Inclusionary Housing Requirements

A tool that is commonly used to reduce the financial impact created by the imposition of Inclusionary Housing requirements is the California Government Code Section 65915 et seq. (Section 65915) density bonus. Sagecrest Planning + Environmental is currently in the process of preparing a density bonus guidelines to assist the City in implementing the requirements imposed by Section 65915.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to count the affordable units used to fulfill Section 65915 affordable housing requirements towards the Inclusionary Housing requirements that will be imposed on a project.³ Based on that ruling, a developer must be allowed to use the same affordable units to fulfill both the Inclusionary Housing requirements and the Section 65915 requirements. However, in order to exercise this option, the developer must apply the more stringent of the two programs' requirements.

B. Structuring Issues

In structuring an Inclusionary Housing Program it is important to remember that the courts and the State Legislature have placed limitations on the price controls imposed Inclusionary Housing Programs:

SAN JOSE CASE

In the San Jose case, the California Supreme Court ruled that Inclusionary Housing Programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This is interpreted to mean that Inclusionary Housing programs that are based on an affordable housing production requirement can offer an in-lieu fee payment alternative without triggering the AB 1600 nexus requirements imposed by the "Mitigation Fee Act".⁴

³ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (Napa).

⁴ The Mitigation Fee Act is codified in California Government Code Section 66000 et seq.

While Inclusionary Housing Programs are not subject to the Mitigation Fee Act, these programs must comply with the following criteria:

1. The requirements cannot be “Confiscatory”; and
2. The requirements cannot deprive a property owner of a fair and reasonable return on their investment.

The court did not provide criteria under which jurisdictions can determine whether proposed price controls are confiscatory and/or they deprive a property owner of a fair and reasonable return. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction’s need for affordable housing.

ASSEMBLY BILL 1505

Assembly Bill (AB) 1505 amended Section 65850 of the California Government Code and added Section 65850.01. This legislation provides jurisdictions with the ability to adopt programs that impose Inclusionary Housing requirements on apartment development projects.

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01 (a) gives HCD the authority to review the affordable housing restrictions imposed on apartment developments if more than 15% of the units are required to be restricted to households earning less than 80% of the area median income (AMI), and if one of the following conditions applies:

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

The City has fulfilled the requirements imposed by both of the standards identified above. As such, HCD does not have authority under Section 65850.01 (a) to review the Inclusionary Housing requirements the City proposes to impose on apartment development. However, in a technical guidance memorandum dated October 21, 2019, HCD reaffirmed its authority to review Inclusionary Housing ordinances as part of its review of a jurisdiction's Housing Element.

CALIFORNIA GOVERNMENT CODE SECTION 65583 (A)

California Government Code Section 65583 (a) (Section 65583 (a)) requires the City to analyze potential and actual constraints being placed on the development of housing. If the City chooses to impose a greater than 15% affordability requirement and/or a deeper affordability standard than 80% of AMI on apartment development, HCD can potentially require the City to demonstrate that the Inclusionary Housing requirement does not create a constraint to housing development.

Section 65583 (a) requires the City to analyze potential and actual constraints being placed on the development of housing. Within that context, it is important to recognize that the requirements imposed by an Inclusionary Housing Program can only be expected to fulfill a small portion of the unmet need for affordable housing in Monrovia.

III. METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Monrovia. The financial feasibility analysis is comprised of the following steps:

A. Parameters

As the first step in the evaluation process it is necessary to identify the parameters that will be applied in the analysis. One measurement is the RHNA, which is used as a tool in the Housing Element process. The Sixth Cycle RHNA Allocation Plan covers the period between 2021 and 2029, and the Monrovia allocations are detailed in the following table:

Sixth Cycle RHNA Allocation June 30, 2021 through October 15, 2029		
Income Category	Total Obligation	% of Total
Extremely / Very Low	519	31%
Low	262	16%
Moderate	254	15%
Above Moderate	635	38%
Totals	1,670	100%

Notable factors to be considered are:

1. The largest identified unmet need for affordable housing falls in the above moderate income category. It can be assumed that these units will be produced by market rate developers without City intervention.
2. The next largest category is extremely low and very low income units. Outside financial assistance sources are widely available to affordable housing projects targeted to extremely

low and very low income households. There are numerous nonprofit housing organizations in the market area that have experience obtaining these funding sources.

3. There are a limited number of outside funding available to assist low income units and effectively no outside funding sources available to assist moderate income units.

For these reasons it is KMA's opinion that the Inclusionary Housing Program should focus on attracting development that serves households at the low and moderate income levels. This also minimizes the chances that the restrictions will act a constraint to the development of market rate housing projects.

B. Program Foundation

The courts have held that affordable housing is a "public benefit," and that locally imposed Inclusionary Housing programs are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive a property owner of a fair and reasonable return on their investment. It is KMA's practice to take a conservative approach in establishing affordable housing requirements that comport with the *San Jose* court's ruling.

The KMA approach is based on pro forma analyses of prototype projects that reflect the development types exhibited within the jurisdiction. The KMA methodology has been continually evolving over the past 20+ years, and each financial evaluation is tailored to reflect the specific characteristics of the jurisdiction in which KMA is performing the evaluation.

DEVELOPMENT PROTOTYPES

The pro forma analyses that KMA has prepared for this Financial Evaluation are based on prototype residential developments. To assist in creating the development prototypes, KMA reviewed the following:

1. The Housing Element;
2. Specific Plans adopted by the City;

3. Recently developed residential projects in Monrovia; and
4. Ownership housing and apartment projects identified in KMA's market surveys.

It is important to understand that the prototypes used in the Financial Evaluation do not represent actual projects. Instead, the prototypes represent composites of projects that were identified in our document review.

PRO FORMA ANALYSIS EVALUATION TESTS

It has been KMA's experience that the following series of events occurs following the enactment of an Inclusionary Housing program:

1. Profits are reduced for developers that have already purchased land.
2. Developers that have not purchased land attempt to bargain for a lower land price.
3. Some property owners are reluctant to accept the fact that their land value has decreased, and they defer selling the property until prices increase.

Each of these three factors is relevant in the assessment of the impact created by the imposition of Inclusionary Housing obligations. However, it is KMA's assumption that if the City chooses to enact an Inclusionary Housing program the requirements will not be imposed on projects that have already entered into the City approval process. This should provide relief to developers that purchased property prior to the adoption of an Inclusionary Housing program.

In recognition of this assumption, KMA has placed the most weight on the following impacts:

1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed income and affordability requirements; and
2. The increase in market rate sales prices and rents that would be needed to offset the proposed requirements.

The preceding tests are used to balance the impacts on developers and property owners that are created by the enactment of an Inclusionary Housing program. Specifically, the goals are:

1. To minimize the reduction in supportable land values so that there will not be a disincentive for property owners to sell their properties; and
2. To impose requirements of a magnitude that can be offset by near-term increases in achievable market rate sales prices and rents.

It is important to understand that every proposed project embodies unique characteristics. It is therefore KMA’s opinion that a conservative approach should be used in establishing the Inclusionary Housing requirements. The benchmarks standards KMA used in evaluating potential requirements are:

Benchmark Evaluation Standards	
Financial Evaluation	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	25%
OR	
The increase in market rate sales prices and rents that would be needed to offset the proposed requirements.	5%

KMA evaluates the results of these tests in order to develop a comprehensive perspective on the financial impacts created by Inclusionary Housing requirements. These analyses collaboratively inform the KMA conclusions as to the Inclusionary Housing requirements that can be supported.

C. Financial Evaluation Structure

KMA applied the following analysis structure in this Financial Evaluation:

1. KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.

2. In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the Affordability Gap between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Units.
3. The KMA financial analyses identify the range of Inclusionary Housing production requirements that can be supported.

D. Financial Evaluation Organization

The following sections of this Financial Evaluation describe the assumptions, analysis and findings related to ownership housing and apartment developments. The analyses are supported by the following Attachments and Appendices:

Attachment 2: Affordable Housing Cost Calculation Methodology	
Appendix A	Affordable Sales Price Calculation Methodology
Appendix B	Affordable Rent Calculation Methodology
Attachment 3: Ownership Housing Development	
Appendix A	Home Sales Survey
Appendix B	Affordable Sales Price Calculations
Appendix C	Pro Forma Analyses: Specific Plan Ownership Housing Prototype
Attachment 4: Apartment Development	
Appendix A	Rent Survey: 4 Star Properties
Appendix B	Affordable Rent Calculations
Appendix C	Pro Forma Analyses: Station Square Adjacent Prototypes
Appendix D	Pro Forma Analyses: Myrtle Corridor Prototypes
Appendix E	Pro Forma Analyses: PD-12 Prototypes
Attachment 5: In-Lieu Fee Analyses	
Appendix A	Ownership Housing Development
Appendix B	Apartment Development

IV. OWNERSHIP HOUSING ANALYSES

As a general rule, Inclusionary Housing programs tend to set the affordability requirements for ownership housing development at the moderate income level. This is done as a reflection of the fact that higher income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

The following ownership housing development analyses are based on the assumption that the Inclusionary Housing requirements will be set at the moderate income level. KMA estimated the supportable Inclusionary Housing production requirements based on this assumption.

A. Pro Forma Analysis Components

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the Specific Plan Ownership Housing Prototype:

1. A prototype in which 100% of the units are sold at unrestricted market rate sales prices; and
2. A prototype that includes a moderate income component.

The 100% market rate unit ownership housing development alternative provides a baseline against which to measure the impacts created by affordable housing requirements. The pro forma analysis for the 100% market rate unit alternative is organized as follows:

Pro Forma Analysis – Market Rate Alternative Specific Plan Ownership Housing Prototype	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The estimated developer profit for the 100% market rate alternative is used as the benchmark profit percentage for the purpose of estimating the impacts created by the imposition of Inclusionary

Housing obligations. The resulting financial gap represents the impact created by the requirements being tested. The pro forma analyses for the affordable housing alternative is organized as follows:

Pro Forma Analyses - Affordable Housing Alternative Specific Plan Ownership Housing Prototype	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Financial Impacts: Inclusionary Housing Requirements

KMA measured the financial impacts created by the imposition of Inclusionary Housing requirements using the tools described previously in this Financial Evaluation. These tools were used to identify the moderate income requirements that can be feasibly imposed on ownership housing developments.

B. Specific Plan Ownership Housing Prototype Pro Forma Analysis

The characteristics of the Specific Plan Ownership Housing Prototype are summarized in the following table:

Development Scope Summary Specific Plan Ownership Housing Prototype			
Site Area	36,000 Square Feet	<u>Unit Mix</u>	
Total Number of Units	30	Two-Bedroom Units	50%
Density	24 Units Per Acre	Three-Bedroom Units	50%
Parking	2-Car Attached Garages + At-Grade Guest Spaces		

The pro forma analyses for the Specific Plan Ownership Housing Prototype are provided in Attachment 3: Appendix C. The results of the analyses are summarized in the following sections of this Financial Evaluation.

ESTIMATED DEVELOPMENT COSTS:

SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE

The total development cost for the Market Rate Alternative is estimated at \$18.88 million. This equates to \$629,000 per unit, or \$466 per square foot of gross building area (GBA).⁵

PROJECTED MARKET RATE SALES PRICES:

SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE

To assist in projecting the market rate sales prices, KMA compiled sales data for townhomes and condominiums located in Monrovia (Attachment 3 – Appendix A). Based in part on this survey, the market rate sales prices that were applied in the detached single family home prototype analysis are presented in the following table:

Projected Market Rate Sales Prices Specific Plan Ownership Housing Prototype	
Two-Bedroom Units	\$660,000
Three-Bedroom Units	\$793,000
Average Price per Square Foot of Saleable Area	\$538

AFFORDABLE SALES PRICE CALCULATIONS:

SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix A, and the calculations presented in Attachment 3: Appendix B, the Affordable Sales Prices for the Specific Plan Ownership Housing Prototype are:

⁵ The development costs for the affordable housing alternative varies slightly from the costs for the Market Rate Alternative. This is attributable to minor interest cost savings.

Affordable Sales Price Estimates	
Specific Plan Ownership Housing Prototype	
Two-Bedroom Units	\$314,000
Three-Bedroom Units	\$344,400

FINDINGS:

SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE ANALYSIS

The results of the KMA ownership housing development analysis can be summarized as follows:

1. The developer profit for the market rate alternative is estimated at 9.1%.
2. A 10% moderate income requirement can be supported.

The financial impacts estimated in the KMA analyses are summarized in the following table:

10% Moderate Income Inclusionary Housing Requirement	
Specific Plan Ownership Housing Prototype	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	17%
OR	
The increase in market rate sales prices that would be needed to offset the proposed requirements.	5.1%

C. Recommended Inclusionary Housing Requirement

Based on our financial analyses, it is KMA’s recommendation that a 10% moderate income Inclusionary Housing requirement be imposed on ownership housing development. This will maximize the number of affordable ownership housing units that are produced while minimizing the Affordability Gaps between the market rate sales prices and the Affordable Sales Prices.

V. APARTMENT DEVELOPMENT ANALYSIS

A. Basic Requirements

With the passage of AB 1505, jurisdictions were once again allowed to impose Inclusionary Housing requirements on apartment development projects. However, in its October 21, 2019 technical memorandum HCD asserted the following:

1. HCD's has the authority to review Inclusionary Housing ordinances as part of the Housing Element review process; and
2. That a 15% standard, at an income threshold no more stringent than 80% of AMI, would not trigger an HCD review of a jurisdiction's Inclusionary Housing program.

Based on these factors, the apartment development analysis assumes that the Inclusionary Housing requirements will be set at the low income level.

B. Creation of Prototype Projects

KMA created three prototype apartment development alternatives in order to evaluate variations in locations and densities of the project types anticipated to be developed in Monrovia. Prototypes in the following areas were evaluated:

1. Station Square Adjacent Area;
2. Myrtle Corridor Area; and
3. PD-12 Area.

C. Pro Forma Analysis Assumptions

MARKET RATE ALTERNATIVES

The 100% market rate unit Apartment Development Prototypes provide baselines against which to measure the impacts created by affordable housing requirements. The pro forma analyses for the 100% market rate unit alternatives are organized as follows:

Pro Forma Analysis - 100% Market Rate Alternative Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Stabilized Return on Total Investment

The stabilized return on investment generated by the 100% market rate alternatives is used as the benchmark return for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. Using the measurement tools that were described in the ownership housing development section of this report, KMA estimated the financial impacts created by the imposition of low income Inclusionary Housing requirements on apartment development.

AFFORDABLE HOUSING ALTERNATIVES

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA created the following affordability alternatives:

1. The following low income alternatives:
 - a. The percentage allocation that can be supported under the defined impact standards;
and
 - b. A requirement set at 10% of the units in a project.

2. A Section 65915 density bonus alternative in which the affordability requirement is fulfilled with very low income units.⁶

The pro forma analyses for the affordable housing alternatives are organized as follows:

Pro Forma Analysis – Affordable Housing Alternatives Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Financial Impacts: Inclusionary Housing Requirements

The Affordable Rent calculation methodology is described in Attachment 2: Appendix B and the Affordable Rent calculations are detailed in Attachment 4: Appendix B. The results are presented in the following table:

Affordable Rents Apartment Development Prototypes		
Number of Bedrooms	Very Low Income	Low Income
0	\$773	\$1,289
1	\$868	\$1,457
2	\$960	\$1,623
3	\$1,050	\$1,786

PARKING ASSUMPTIONS

The parking assumptions applied in the base case zoning alternatives are based on the requirements imposed by Chapter 17.24 of the Monrovia Municipal Code. The parking standards defined in Section

⁶ Section 65915 (f) allows density bonuses to be received in return for the production of very low or low income apartment units. However, absent a requirement imposed by another source, the use of the very low income standard generates less of an income than is created by the low income standard.

65915 (p) are applied to the density bonus alternatives. The parking ratios are presented in the following table:

Parking Spaces Required Per Unit Apartment Development Prototypes		
Number of Bedrooms	Market Rate Alternatives	Section 65915 Alternatives
0	2.0	1.0
1	2.0	1.0
2	2.0	1.5
3	2.0	1.5
Guest	.5	N/A

D. Pro Forma Analyses

STATION SQUARE ADJACENT APARTMENT DEVELOPMENT ANALYSIS

The characteristics of the Station Square Adjacent Apartment Development Prototype are summarized in the following table:

Development Scope Summary Station Square Adjacent Apartment Development Prototype			
Site Area	28,314 square feet	<u>Unit Mix</u>	
Total Number of Units	35	Studio Units	20%
Density (Units/Acre)	54	One-Bedroom Units	40%
Parking	At-Grade + Above-Ground Parking Spaces	Two-Bedroom Units	40%

The pro forma analyses for the Station Square Adjacent development prototype are provided in Attachment 4: Appendix C. The results of the Station Square Adjacent apartment development analyses are summarized in the following sections of this Financial Evaluation.

Estimated Development Costs:

Station Square Adjacent Prototype Apartment Development

The development costs for the Station Square Adjacent prototype apartment development are estimated at \$17.56 million. This equates to \$502,000 per unit, or \$448 per square foot of GBA.

Projected Market Rate Rents:

Station Square Adjacent Prototype Apartment Development

Apartment development in the Station Square Adjacent area benefits from proximity to Metro Gold Line Station, which enhances the units' marketability. As a reflection of the rent premiums that can be obtained by these projects, KMA applied rents at the high end of the range identified in our market survey, which is presented in Attachment 4: Appendix A. The resulting market rents are summarized in the following table:

Projected Market Rate Rents Station Square Adjacent Apartment Development Prototype	
Studio Units	\$2,933
One-Bedroom Units	\$3,163
Two-Bedroom Units	\$4,034
Average Monthly Rent Per Square Foot of Leasable Area	\$4.13

Findings:

Station Square Adjacent Apartment Prototype Development

The KMA pro forma analysis of the Station Square Adjacent Apartment Prototype development generated a 5.5% estimated stabilized return on investment. This serves as the benchmark by which the two affordability alternatives were measured.

Low Income Alternatives

The analysis of a low income alternative that is developed in accordance with the property’s base zoning requirements supported an 6% inclusionary housing requirement. The financial impacts associated with this alternative are presented in the following table:

6% Low Income Inclusionary Housing Requirement Station Square Adjacent Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	21%
OR	
The increase in market rate rents that would be needed to offset the proposed requirements.	3.3%

At the City’s request, KMA also prepared a pro forma analysis to test the impacts that would be created by a 10% low income requirement. The results can be summarized as follows:

10% Low Income Inclusionary Housing Requirement Station Square Adjacent Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	38%
OR	
The increase in market rate rents that would be needed to offset the proposed requirements.	6.3%

Section 65915 Density Bonus Alternative

KMA also prepared a prototype analysis of an apartment development that makes use of the Section 65915 density bonus. Based on site constraints information described in the Housing Element, KMA limited the development scope to a 38% density bonus. This requires the project to set aside 12% of the base zoning units for very low income households.

Based on the preceding assumptions the KMA pro forma analysis indicates that the project could support an Inclusionary Housing requirement set at 20% of the units allowed by the site’s base zoning standards. This includes a 12% very low income requirement plus an 8% low income requirement.

MYRTLE CORRIDOR APARTMENT DEVELOPMENT ANALYSIS

The characteristics of the Myrtle Corridor Apartment Development Prototype are summarized in the following table:

Development Scope Summary			
Myrtle Corridor Apartment Development Prototype			
Site Area (Acres)	2.0 Acres	<u>Unit Mix</u>	
Total Number of Units	108	One-Bedroom Units	30%
Density (Units/Acre)	54	Two-Bedroom Units	45%
Parking	At-Grade and Above Grade Parking Spaces	Three-Bedroom Units	25%

The pro forma analyses for the Myrtle Corridor development prototype are provided in Attachment 4: Appendix D. The results of the Myrtle Corridor apartment development analyses are summarized in the following sections of this Financial Evaluation.

Estimated Development Costs:

Myrtle Corridor Prototype Apartment Development

The development costs for the Myrtle Corridor prototype apartment development are estimated at \$64.02 million. This equates to \$593,000 per unit, or \$402 per square foot of GBA.

Projected Market Rate Rents:

Myrtle Corridor Prototype Apartment Development

It is anticipated that development in the Myrtle Corridor will benefit from proximity to “Old Town Monrovia”. When that is coupled with the amenities being provided in new apartment developments it was KMA’s assumption that premium rents can be achieved. To reflect this, KMA applied rents that

are based on the high end of the range identified in the KMA market survey (Attachment 4: Appendix A). The resulting market rents are summarized in the following table:

Projected Market Rate Rents Myrtle Corridor Prototype Apartment Development	
One-Bedroom Units	\$3,064
Two-Bedroom Units	\$4,236
Three-Bedroom Units	\$5,088
Average Monthly Rent Per Square Foot of Leasable Area	\$3.71

Findings:

Myrtle Corridor Apartment Prototype Development

The KMA pro forma analysis of the Myrtle Corridor Apartment Prototype development generated a 5.6% estimated stabilized return on investment. This serves as the benchmark by which the two affordability alternatives were measured.

Low Income Alternatives

The analysis of a low income alternative that is developed in accordance with the property’s base zoning requirements supported an 6% inclusionary housing requirement. The financial impacts associated with this alternative are presented in the following table:

6% Low Income Inclusionary Housing Requirement Myrtle Corridor Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	25%
OR	
The increase in market rate rents that would be needed to offset the proposed requirements.	3.3%

At the City’s request, KMA also prepared a pro forma analysis to test the impacts that would be created by a 10% low income requirement. The results can be summarized as follows:

10% Low Income Inclusionary Housing Requirement Myrtle Corridor Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	46%
OR	
The increase in market rate rents that would be needed to offset the proposed requirements.	6.5%

Section 65915 Density Bonus Alternative

The pro forma analysis of the Section 65915 density bonus prototype indicates that the 50% density bonus could potentially be accommodated on the site. This requires the project to set aside 15% of the base zoning units for very low income households.

Based on the preceding assumptions the KMA pro forma analysis indicates that the project could support an Inclusionary Housing requirement that is set at 20% of the units allowed by the site’s base zoning standards. This is comprised of a 15% very low income requirement plus a 5% low income requirement.

PD-12 APARTMENT DEVELOPMENT ANALYSIS

No density cap is applied to properties that are subject to the PD-12 zoning standards. However, it has been the City’s experience that developers of PD-12 properties often apply for the Section 65915 density bonus in order to take advantage of the concessions or incentives and development standards waivers provided by the statute. Developers commonly request an increase in floor area ratio (FAR) over the 2.5 FAR cap that is imposed on projects that provide structured or subterranean parking.

KMA prepared the following pro forma analyses for prototype PD-12 apartment development projects:

1. A 100% market rate project at a 2.5 FAR; and
2. A Section 65915 density bonus project at a 3.2 FAR.

The characteristics of the zoning compliant PD-12 Apartment Development Prototype are summarized in the following table:

Development Scope Summary			
Zoning Compliant PD-12 Apartment Development Prototype			
Site Area	2.9 acres	<u>Unit Mix</u>	
Total Number of Units	290	Studio Units	20%
Density (Units/Acre)	100	One-Bedroom Units	50%
Parking	Subterranean Garage	Two-Bedroom Units	30%

The pro forma analysis for the PD-12 development prototype are provided in Attachment 4: Appendix E. The results of the PD-12 apartment development analyses are summarized in the following sections of this Financial Evaluation.

Estimated Development Costs:

Zoning Compliant PD-12 Prototype Apartment Development

The development costs for the zoning compliant PD-12 prototype apartment development are estimated at \$156 million. This equates to \$539,000 per unit, or \$493 per square foot of GBA.

Projected Market Rate Rents:

PD-12 Prototype Apartment Development

Properties located in the PD-12 area benefit from proximity to the Metro Gold Line Station. In recognition of the rent premiums that can be achieved by the highly amenitized projects being developed in this area, KMA applied the high end of the rents found in our market survey (Attachment 4: Appendix A). The resulting market rents are summarized in the following table:

Projected Market Rate Rents	
PD-12 Apartment Development Prototype	
Studio Units	\$2,933
One-Bedroom Units	\$3,163
Two-Bedroom Units	\$4,034
Average Monthly Rent Per Square Foot of Leasable Area	\$4.12

Findings:

Zoning Compliant PD-12 Apartment Prototype Development

The KMA pro forma analysis of the zoning compliant PD-12 Apartment Development Prototype generated a 5.0% estimated stabilized return on investment. This serves as the benchmark by which the Section 65915 density bonus alternative was measured.

The characteristics of the Section 65915 density bonus alternative can be described as follows:

1. The prototype includes 368 units.
2. The prototype has a 3.2 FAR and a density of 127 units per acre.
3. The bedroom mix is based on the same standards as were applied to the zoning compliant prototype.
4. The parking is based on the Section 65915 (p) standards.

The analysis of the Section 65915 density bonus alternative supports a 20% Inclusionary Housing requirement. This is comprised of a 5% very low income requirement plus a 15% low income requirement.

The stabilized return on investment for the Section 65915 density bonus alternative is estimated at 5.2%. This is slightly better than the estimated stabilized return for the zoning compliant PD-12 Apartment Prototype Development. As such it can be concluded that the imposition of income and

affordability requirements is completely offset by the benefits created by the increase in FAR and the reduced parking standards.

E. Summary: Apartment Development Analyses

The preceding section of this Financial Evaluation used pro forma analyses of prototype apartment development projects to assist in identifying the Inclusionary Housing production requirements that can currently be supported. Prototype apartment developments in the following areas were evaluated:

1. Station Square Adjacent Area;
2. Myrtle Corridor Area; and
3. PD-12 Area.

KMA's primary analysis is based on prototype apartment development projects that comport with the base zoning code standards imposed on the development sites. Under that assumption, the results of the analyses indicate that a 6% low income requirement can be supported.

It is important to remember that there is an incentive for developers that are subject to Inclusionary Housing obligations to use the Section 65915 density bonus to mitigate the impacts created by the income and affordability controls. However, the density bonus percentage that can be used on an efficient basis is dependent on the characteristics of the development site. The Apartment Development Prototypes that were analyzed in this Financial Evaluation are based on the following density bonus assumptions:

1. The Station Square Adjacent Apartment Development Prototype includes a 38% density bonus. This reflects the inefficiencies evidenced by small sites.
2. The Myrtle Corridor Apartment Development Prototype is based on the maximum 50% density bonus permitted by Section 65915.

- A density bonus is not required for PD-12 apartment development. However use of the Section 65915 density bonus provides the benefit of an FAR increase and parking standards relief.

In each case, an apartment development that can make use of the Section 65915 density bonus can support a 20% Inclusionary Housing requirement. This includes a mix of very low and low income units. The results are summarized in the following table:

Supportable Inclusionary Housing Requirements Section 65915 Density Bonus Development Alternatives					
	Very Low Income		Low Income		
Station Square Adjacent Area	12%	+	8%	=	20%
Myrtle Corridor Area	15%	+	5%	=	20%
PD-12 Area	5%	+	15%	=	20%

As discussed previously, to adhere to HCD guidance, KMA is recommending that the Inclusionary Housing production requirements for apartment development be set at the low income level. However, in accordance with the ruling in the *Napa* case, the City must allow a developer to use very low income units that are being provided to fulfill Section 65915 density bonus requirements to also fulfill a low income Inclusionary Housing requirement.

F. Recommended Inclusionary Housing Requirement

KMA identified the following range of Inclusionary Housing standards for apartment development:

- The financial analyses of prototype apartment developments at the base zoning level supports a 6% low income requirement.
- The City expressed interest in applying a 10% low income requirement to apartment development. The impacts created by this requirement exceed the metrics KMA applied in the analysis of the base zoning prototypes.

3. HCD provided technical guidance that tacitly approved a 15% low income requirement for apartment development.
4. The use of the Section 65915 density bonus for apartment development projects can potentially mitigate the impacts created by up to a 20% Inclusionary Housing requirement. However, a density bonus cannot be used efficiently on all development sites. This is particularly an issue for small sites and/or when more expensive construction and parking types are required by the increased density.

Based on all the factors considered in the apartment development projects evaluation, KMA recommends that the following two-tiered structure be applied:

1. In recognition of the disproportionate impact an Inclusionary Housing requirement has on small projects, KMA recommends that projects with 20 or fewer units should be provided with the option to fulfill a 6% low income requirement or to pay a fee in lieu of producing Inclusionary Units.
2. A 10% low income requirement should be imposed on projects that consist of more than 20 units. An in-lieu fee option should only be offered if a developer can prove that the affordable housing production requirement creates an extreme financial hardship.

It is important to remember that developers may choose to use the Section 65915 density bonus to mitigate the impacts created by the Inclusionary Housing obligation. In those cases it is likely that the developer will choose to fulfill the City's low income requirement with very low income units.

VI. IN-LIEU FEE ANALYSES

The following in-lieu fee analyses are provided to assist the City in creating specific in-lieu fee policies to be applied as part of an Inclusionary Housing program. KMA estimated the supportable in-lieu fee amounts based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate ownership housing and apartment development projects.

This section of the Financial Evaluation provides estimates of the in-lieu fees that would need to be charged in order to attract a developer to produce the required number of affordable units in off-site locations. The results can be used to create in-lieu fee schedules, or the format can be used to develop a methodology for calculating the in-lieu fee on a case by case basis.

A. Ownership Housing Development

The KMA in-lieu fee estimates for ownership housing development projects are presented in Attachment 5: Appendix A. The pro forma analysis presented in the Ownership Housing Development Analysis section of this Financial Evaluation supports a 10% moderate income Inclusionary Housing requirement. The KMA in-lieu fee estimates for ownership housing development are summarized in the following table:

In-Lieu Fee Payment Amounts	
30 Units – 40,500 Square Feet of Saleable Area	
10% Moderate Income Requirement	
Ownership Housing Development	
In-Lieu Fee Per Inclusionary Unit	
Total In-Lieu Fee Obligation	\$1,191,900
Number of Inclusionary Units	3
In-Lieu Fee Per Inclusionary Unit	\$397,300

In-Lieu Fee Payment Amounts (continued)	
30 Units – 40,500 Square Feet of Saleable Area	
10% Moderate Income Requirement	
Ownership Housing Development	
In-Lieu Fee Per Unit in the 100% Market Rate Project	
Total In-Lieu Fee Obligation	1,191,900
Number of Units in the Project	30
In-Lieu Fee Per Market Rate Unit	\$39,730
In-Lieu Fee Per Square Foot of Saleable Area in the 100% Market Rate Project	
Total In-Lieu Fee Obligation	\$1,191,900
Square Feet of Saleable Area	40,500
In-Lieu Fee Per Square Foot of Saleable Area	\$29.40

To mitigate the financial impact on small projects, KMA recommends that the following in-lieu fee schedule be applied to ownership housing development projects:

Recommended In-Lieu Fee Schedule Per Square Foot of Saleable Area	
Number of Units	In-Lieu Fee
5	\$4.90
6	\$9.80
7	\$14.70
8	\$19.60
9	\$24.50
10+	\$29.40

B. Apartment Development

KMA estimated the supportable in-lieu fee amounts for apartment development based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate apartment projects in the Station Square Adjacent and Myrtle Corridor areas.⁷ The Affordability Gaps for apartment units are estimated in Attachment 5: Appendix B using the following methodology:

1. KMA prepared the analyses based on the 6% low income Inclusionary Housing requirements that are supported by the zoning compliant apartment development pro forma analyses.
2. The differences between the estimated achievable market rate rents and the defined Affordable Rents were calculated.
3. KMA assumed that the property taxes for a mixed income project would be less than the property taxes for a 100% market project. KMA deducted this reduced property tax expense from the estimated rent difference.
4. The “Net Annual Rent Difference Per Inclusionary Unit” is equal to the “Annual Rent Difference Per Inclusionary Unit” minus the property tax savings.
5. The “Affordability Gap Per Inclusionary Unit” is equal to Annual Rent Difference Per Inclusionary Unit capitalized at the benchmark returns derived from the pro forma analyses of the market rate alternatives.
6. The Affordability Gaps Per Inclusionary Unit were translated into in-lieu fees per square foot of leasable area.

To arrive at one in-lieu fee amount KMA calculated the weighted average of the two apartment development in-lieu fee analyses. The results of the KMA analyses are presented in Attachment 5: Appendix B, and summarized in the following table:

⁷ In-lieu estimates were not prepared for properties with PD-12 zoning, because Section 65915 density bonus projects are required to construct the required affordable housing units on site within the market rate project.

In-Lieu Fee Payment Amounts 6% Low Income Inclusionary Standard Apartment Development		
In-Lieu Fee	Station Square Adjacent	Myrtle Corridor
Number of Units	35	108
Square Feet of Leasable Area	29,400	119,450
In-Lieu Fee Per Inclusionary Unit		
Total In-Lieu Fee Obligation	\$818,000	\$2,922,000
Number of Inclusionary Units	2	6
In-Lieu Fee Per Inclusionary Unit	\$409,000	\$487,000
In-Lieu Fee Per Unit in the 100% Market Rate Project		
Total In-Lieu Fee Obligation	\$818,000	\$2,922,000
Number of Units in the Project	35	108
In-Lieu Fee Per Market Rate Unit	\$22,446	\$27,340
In-Lieu Fee Per Square Foot of Leasable Area in the 100% Market Rate Project		
Total In-Lieu Fee Obligation	\$818,000	\$2,922,000
Square Feet of Leasable Area	29,400	119,450
In-Lieu Fee Per Square Foot of Leasable Area	\$27.80	\$24.50

Weighted Average Supportable In-Lieu Fee Payment Amounts 6% Low Income Inclusionary Standard Apartment Development	
Per Inclusionary Unit	\$468,000
Per Square Foot of Leasable Area in a 100% Market Rate Project	\$25.30

To reduce the impact on small projects, KMA recommends the following in-lieu fee schedule:

Recommended In-Lieu Fee Schedule Per Square Foot of Leasable Area	
Number of Units	In-Lieu Fee
5	\$4.22
6	\$8.43
7	\$12.65
8	\$16.87
9	\$21.08
10+	\$25.30

VII. FINDINGS / PRELIMINARY POLICY RECOMMENDATIONS

This section of the report summarizes the results of the Financial Evaluation. The analysis findings provide the first step towards developing a recommended package of requirements to be imposed by an Inclusionary Housing program.

A. Supportable Inclusionary Housing Production Requirements

Based on the results of the Financial Evaluation analyses, KMA recommends that the Inclusionary Housing production requirements be set at the following percentages:

Recommended Inclusionary Housing Production Requirements	
Ownership Housing Development	10% Moderate Income
<u>Apartment Development</u>	
20 or Fewer Units	6% Low Income
More than 20 Units	10% Low Income

The recommended Inclusionary Housing requirements are based on the following factors:

1. The courts have not provided guidance for defining the meaning of confiscatory or a reasonable return on a property owner's investment.
2. Using a conservative approach, KMA created benchmark impacts against which potential Inclusionary Housing requirements would be measured.
3. The recommended Inclusionary Housing requirements are based on the pro forma analyses KMA undertook as part of this Financial Evaluation, including analyses of the Section 65915 density bonus.

B. Supportable In-Lieu Fees

KMA applied the weighted averages of the in-lieu fee amounts that were supported by the prototypes being tested. The resulting in-lieu fee amounts are presented in the following table:

Supportable In-Lieu Fees		
Financial Evaluation		
	Ownership Housing Development	Apartment Development
<u>In-Lieu Fee Amounts</u>		
Per Inclusionary Unit	\$397,300	\$468,000
Per Square Foot of Saleable / Leasable Area	\$29.40	\$25.30

C. Preliminary Policy Recommendations

Based on the results of the Financial Evaluation, and to provide context to the City Council’s decision making process, KMA offers the following general policy recommendations for consideration.

THRESHOLD PROJECT SIZES

The KMA survey of Inclusionary Housing programs being implemented throughout California indicates that common thresholds fall between three and 10 units. KMA recommends that the City Council consider setting the threshold project size at five units. This represents the threshold project size that is applied to Section 65915 density bonus projects.

TARGET INCOME AND AFFORDABILITY STANDARDS

For projects that meet the General Plan and zoning standards imposed on as site KMA recommends that the Inclusionary Housing requirements be based on the number of units allowed by the site’s base zoning standards. Based on the results of the Financial Evaluation KMA recommends that the following standards be applied:

Supportable Inclusionary Housing Production Requirements
Based on the Number of Units Allowed by the Site’s Base Zoning Standards

Ownership Housing Development	10% Moderate Income
<u>Apartment Development</u>	
20 or Fewer Units	6% Low Income
More than 20 Units	10% Low Income

For projects that require modifications to the site’s zoning standards and/or General Plan designation KMA recommends that the identified Inclusionary Housing production requirements be based on the total number of units proposed to be developed in the project. The caveat is that the requirement must be limited to the number of units allowed by the site’s base zoning for projects that are solely proposing to apply the benefits provided by the Section 65915 density bonus.

COVENANT PERIODS

KMA recommends that the following covenant period requirements be considered:

1. Inclusionary Housing apartment units should be required to remain in place for as long as the property is developed with a residential use, but for not less than a 55 year period.
2. The covenant period for affordable ownership housing units be set at one cumulative 45-year period.

ALTERNATIVE MEANS OF FULFILLING INCLUSIONARY HOUSING OBLIGATIONS

AB 1505, which was adopted by the State Legislature in 2017, includes a provision that requires jurisdictions to provide alternative means of complying with the income and affordability requirements imposed by an Inclusionary Housing program. AB 1505 identifies the following potential alternatives to the on-site production of affordable housing units:⁸

⁸ AB 1505 only applies the restrictions imposed on apartment development. However, the provision of alternative means of compliance is a best practice and is commonly provided to ownership housing development as well.

1. A payment to the City in lieu of producing the required Inclusionary Units.
2. Alternative means of producing Inclusionary Units.
3. Dedication of land to the City for the subsequent development of the required Inclusionary Units.
4. The acquisition and rehabilitation of existing apartment units.

KMA offers the following general recommendations for City Council consideration:

In-Lieu Fee Payment

Some form of an in-lieu fee payment option is offered in nearly all Inclusionary Housing programs.

KMA recommends that the following alternatives be considered:

1. An in-lieu fee should be allowed to be paid for any fractional Inclusionary Unit that is required to be produced.
2. The following in-lieu fee payment options should be offered to proposed apartment projects:
 - a. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. KMA recommends that an in-lieu fee payment be allowed by right for apartment projects with 20 or fewer units.
 - b. As a baseline, apartment projects with more than 20 units should be required to produce the requisite number of Inclusionary Units. However, the City Council should be provided with the discretion to allow an in-lieu fee to be paid for apartment projects with more than 20 units if the obligation is deemed to create an extreme financial hardship circumstance.
3. Ownership housing developments of any size should be provided with the option to pay a fee in lieu of producing affordable units.

Alternative Means of Producing Inclusionary Units

1. KMA recommends against the City offering an off-site production option for apartment developments. It is our opinion that, from a public policy perspective, it is better to integrate market rate and affordable rental units into the same project.
2. KMA recommends that the developers of ownership housing development projects be given the option to produce affordable apartment units to fulfill the Inclusionary Housing obligation. The recommended options are:
 - a. The off-site production of affordable apartment units; or
 - b. The creation of a parcel within an ownership housing development site on which affordable apartment units are constructed concurrently with the market rate ownership housing development project.

Land Dedication

The City Council should have the discretion, but not the requirement, to approve a developer's proposal to dedicate property in lieu of producing Inclusionary Units. If a land dedication option is provided, it should be subject to a detailed list of requirements that maximize the potential for an affordable housing project to be developed in a timely fashion.

Acquisition and Rehabilitation of Existing Apartment Units

Acquisition and rehabilitation projects must be identified in a jurisdiction's Housing Element in order to receive RHNA credit. No projects were identified in the City's Housing Element. As such, it will not be possible for the City to obtain RHNA credit for this type of project during the sixth cycle, which runs through 2029.

D. Next Steps

The Financial Evaluation is meant to provide the City with the context under which to create Inclusionary Housing requirements that are not confiscatory and that do not deprive property owners of a fair and reasonable return on their investment. If the City Council chooses to go forward with an Inclusionary Housing program it will be necessary to define the specific requirements that will be applied.

ATTACHMENT 1

INCLUSIONARY HOUSING PROGRAM SURVEYS INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	No	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45
Alameda	Create on-site units; create off-site units; pay in-lieu fee	15%	No	5	4% @ VL + 4% @ Low + 7% @ Mod	59	5	4% @ VL + 4% @ Low + 7% @ Mod	59
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	5		Perpetual	5		Perpetual
Alhambra	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5	9% @ 120% + 6% @ 80%		5	9% at 120% + 6% at 80%	
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4	Decided per project	55	4	Decided per project	55
Berkeley	Create on-site units; pay in-lieu fee;	20%	No	5	80% unless subsidies are available	Life of the Building	5	80%	Life of the Building
Brea	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement	10%	No	20	Undefined Percentages of Very Low & Low	55	20	120%	45
Calabasas	Create on-site units; create off-site units; convert market rate units; preserve or rehab existing housing; pay in-lieu fee	20%	No	5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50%		5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50% of AMI	
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	10	6% @ VL + 9% @ Low	55	10	120%	45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Carlsbad	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income	15%	No	1	Low	55	1	Low	30
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	50	5% @ Low + 5% @ Mod	Life of Bldg	50	5% @ Low + 5% @ Mod	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5	5% @ VL + 5% @ Low + 10% @ Mod	55	5	5% @ VL + 5% @ Low + 10% @ Mod	45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	Yes	5		55	5		45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Contra Costa County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	5	3% @ VL + 12% @ Lower		5		3
Coronado	Create units; pay in-lieu fee	20%	No	2	Low		2	Mod	
Cupertino	1-7 units pays in-lieu fee. Create on-site units; create off-site units; pay impact/linkage fee; donate land	15%	No	7	50% / 80%	99	7	50% /120%	99
Davis	Create on-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10% - 25%	No	5-19 , 20+	5-19: 15% @ 80% or 10% @ 50%. 20+: 25% @ 80% or 10% @ 50%	Perpetual	5	120%	Perpetual
Downey	Create on-site units; create off-site units; pay in-lieu fee in the case of extreme hardship for apartments	11%/10%	No		Mod	>55 or as long as resid		Mod	45
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land	12.5%	No	20	50% @ 120% + 20% @ 80% + 30% @ 50%	55	20	5% @ 80% + 7.5% @ 120%	55
Emeryville	Create on-site units; pay impact/linkage fee	12%/20%	No		4% @ VL + 8% @ Low	55	10		55
Encinitas	Create on-site units; create off-site units; create ADU's; preserve at-risk units; pay in-lieu fee; donate land	10%/15%	No	7	10% @ VL or 15% @ Low	Perpetual	7	10% VL or 15% @ Low	Perpetual
Fillmore	Create on-site units; pay in-lieu fee; donate land	15%	No	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9:: 1 low	55	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9: 1 low	45
Fremont	Has a production option, but the in-lieu fee option is more cost effective	15%	No	2	10% @ Low		2	5% @ Mod + 10% @ Low	
Fort Bragg	Create on-site units	10% to 20%		5	80% / 120%		5	100% /120%	15
Goleta	Create on-site units; create off-site units; donate land; pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremley low and very low income units to low and moderate income units in demonstrated extreme hardship.	25% - reduced to 20% with public benefit	No	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years
Hayward	Create on-site units; create off-site units; pay in-lieu fee; pay impact/linkage fee; donate land	6% / 7.5% - 10%	No	2	3% @ 50% + 3% @ 60%	55	2	110%	45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45
Irvine	Projects with fewer than 50 units can create on-site units; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonpfot housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	50	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30
Jurupa Valley	Create on-site units; create off-site units; pay in-lieu fee; convert market rate units to affordable units; preserve at-risk housing; donate land.	7%	No	1	25% Mod + 25% Low + 50% VL	55	1	25% Mod + 25% Low + 50% VL	45
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	9% / 15%	No	10	9% @ Mod or 6% @ VL & Low	55	10	110%	45
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	>55 or as long as resid	10	110%	>55 or as long as resid
Los Altos	Create on-site units; create off-site units. Program requirements are only imposed in designated areas.	Rental: 5-9 @ 15% & 10+ @ 30%. Ownership @ 15%	No	5	5-9: 15% @ Mod, 10+: 5% @ Low + 15% @ Mod	30	10	7.5% @ Mod, 7.5% @ Low	30
Los Angeles County	Create on-site units; create off-site units. Program requirements vary by subarea.	5%-20% depending on project size & income standard	No	5	Averages: <40% AMI: 10% or 5% - sm proj <65% AMI: 15% or 7% - sm proj <80% AMI: 20% or 10% sm proj	55 or Perpetual	5	Mod/Middle Inc: Avg 135% AMI: Coastal SLA, SLA (exc condos), & ELA: 20% or 10% - sm proj SG Valley: 15% or 7% - sm proj Santa Clarita & Antelope Valleys (exc condos): 5%	Equity share on first sale

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee	10%	Yes	5	80% /120%		5	80% /120%	
Mill Valley	Create on-site units	25%	Yes	4	120%	Perpetual	4	120%	Perpetual
Nevada County	Create on-site units; create off-site units Program requirements are only applied in designated areas.		No	20		30	20		30
Norco	Create on-site units; create off-site units; pay in-lieu fee for projects with 20 or fewer units; donate land.	15%	No	5	6% Mod+9% Low Credits for deeper affordability	Perpetual	5	6% Mod+9% Low Credits for deeper affordability	45%
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low (80%)	55	3	Mod (120%)	55
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances	10%	No	10	5% @ VL + 5% Low	55	10	Low	20
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	6% @ VL + 4.5% @ Low + 4.5% @ Mod	55	8		45
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	1	5% @ 50% + 5% @ 80% + 10% @ 120%	Perpetual	1	110%	45
Petaluma	Create on-site units; pay in-lieu fee; donate land	15%	No	5	7.5% @ VL; 7.5% @ Low	45	5	7.5% @ Low + 7.5% @ Mod	55
Pleasanton	Create on-site units; create off-site units; pay in-lieu fee; donate land; credit transfers; other alternate methods of compliance	15%	Yes	15	50% to 80%		15	50% to 120%	Perpetual
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45
Poway	Create on-site units; create off-site units; pay in-lieu fee	15% / 15%-20%	No		Very Low	55		15% @ Low or 20% @ Mod	45
Redondo Beach (Proposed)	Create on-site units; create off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Moderate	55
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land	20% / 15%	No	20	10% @ Mod + 5% @ Low + 5% @ VL	30	5	Moderate	30
Sacramento County	Has a production option, but the in-lieu fee option is more cost effective	10%	No	1	80%		1	80%	
San Bruno	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area	15%	No	10	6% VL + 4.5% Low + 4.5% Mod	55	10	6% Low + 9% Mod	45
San Buenaventura	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land	15% / 10%	No	7	Low	55	7	Mod	45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
San Clemente	Create on-site units; create off-site units, pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30
San Diego	Create on-site units; create off-site units; rehabilitate existing units, SRO hotel rooms, or conversion of guest rooms; pay in-lieu fee; donate land. The amended requirements were approved in 2020 and are being phased in over five years.	10% to 15%	No	10	10% @ 60%	55	10	10% @ 100% or 15% 120%	15
San Francisco	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	15% to 20% / 15% to 26%	Yes	10	55% to 110%		10	80% to 130%	
San Jose	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers; reduction for deeper affordability	15%	Yes	10	5% @50% + 5% @ 60% + 5% @ 100%	99	10	120%	99
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	2		55	2	120%	55
San Luis Obispo (City)	Create on-site units; pay an in-lieu fee to fulfill the entire obligation and pay an in-lieu fee for fractional unit obligations	6% / 10%	No	1	5% Very Low + 5% Low	55	1	5% Low + 5% Moderate	45
San Mateo County	Create on-site units, pay in-lieu fee	20%	Yes	5	10% @ ELI + 10% @ Low	Life of Bldg	11	10% @ Low + 10% @ Mod	45
San Rafael	Create on-site units; pay in-lieu fee	10%	No	2			2	120%	
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; substantially rehab existing units; pay in-lieu fee	Rental: 5% - 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale
Santa Clara (City)	Create on-site units; create off-site units; dedicate land; pay an in-lieu fee for fractional unit obligations.	15%	No	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	55	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	20
Santa Clara County (Excludes Unincorp Areas and Stanford Community Plan Area)	Create on-site units; create off-site units; in-lieu fee payments for projects with six or fewer units and for fractional unit obligations; conversion of existing market rate units	16%	No	4	Lower	55	4	Moderate	55
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	Yes	2	50% for SRO's 80% all other	Perpetual	2	120%	Perpetual

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2	50%, 80% & 120% Defined credits	55
Santa Paula	Create on-site units; create off-site units; pay in-lieu fee	10% to 17%	Yes	10	15% Low or 10% VL	55	10	15% Low or 10% VL	45
Santa Rosa	Has a production option, but the in-lieu fee option is more cost effective	5% to 8% / 10%	No	1	5% @ 50% or 8% @ 60%		2	110%	
Sonoma	Create on-site units	20%	Yes	5	120%	55	5	120%	55
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% or 15% / 20%	Yes	1	7.5% @ VL + 7.5% @ Low, or 5% @ ELI + 5% @ VL	55	1	10% @ Low + 10% @ Mod	30
South San Francisco	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	No	4		55	4		55
South Pasadena	Create on-site units; create off-site units; pay in-lieu fee for 3 or 4 rental unit projects, ownership for any size project, & fractional units; rehab existing market rate units; donate land	20%	No	3	10 or fewer units: multiple options 11 or more units: 10% ELI or VL + 10% Low	55	3	Moderate	55
Sunnyvale	Create on-site units; create off-site units; pay in-lieu fee; donate land, unit conversion, other proposals	15.0%	No	7	5% @ 50% + 10% @ 60%	55	7	100%	30
Tiburon	Create on-site units; create off-site units; pay in-lieu fee	15%		3	5% @ Low + 10% @ Mod	Perpetual	3	5% @ Low + 10% @ Mod	Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee	15%	No	7	4.5% @ VL + 10.5% @ Low		7	1.5% @ Low + 4.5% @ 100% + 9% @ 120%	
West Sacramento	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	5	5% @ 50% + 5% @ 60%	55	5	70%	45
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 unit projects	20%	No	2	Low / Mod	As long as resid	2	Low / Mod	As long as resid

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
II. Inclusionary Requirements: Ownership Projects Only									
Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances	12%	No				5	200%	30
Danville	Create on-site units; pay in-lieu fee	10%	Yes				7	110%	20
Folsom	Create on-site units; create off-site units; pay in-lieu fee; donate land; acq/rehab; other proposals	10%	No				10	3% @ VL + 7% @ Low	
Lafayette	Create on-site units; create off-site units	15%	No				2	9% @ Mod + 6% @ VL	45
Monterey	Create on-site units; donate land	20%	No				6		Perpetual
Mountain View	Create on-site units; pay in-lieu fee	15%	No				3	100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No				50		55
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes				2	9% @ Mod + 6% @ Low	55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	No				5	10% @ Low + 10% @ Mod	55
Santa Barbara County	Create on-site units; create off-site units in the coastal zone; pay in-lieu fee for certain unit types	5% - 15%	Yes				5	5-19: 1 Mod. 20+: South Coast: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce Santa Ynez: No Workforce Santa Maria & Lompoc: 2.5% VL + 2.5 Low	45 - restarts up to 90
Thousand Oaks	Create on-site units; create off-site rental units; pay in-lieu fee	10%	No				5	Mod	45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period

III. Inclusionary for Ownership Projects & Impact Fee for Rental Projects

Fontana	Create on-site units; pay in-lieu fee; develop a reduced percentage at deeper affordability	10%	No				5	4% @ VL + 4% @ Low + 2% @ Mod	55
Palo Alto	Create on-site units; create off-site units; in-lieu for fractional unit; convert market rate units to affordable units; preserve at-risk housing; donate land.	15% < 5 / 20% 5 acres +	Yes		\$22.69/sf Impact Fee		1	67% @ 80-100% 33% @ 100-120%	99
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2	10% @ Mod + 5% @ Low	45
Truckee	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land. Requirements vary by zones, neighborhoods or districts.	15%	No	7		Perpetual	7		Perpetual

IV. Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects

Pittsburg	Create on-site units; pay in-lieu fee	15%/20%	Yes				5	9% @ Mod + 6% @ Low, or 20% @ Mod	
Salinas	Create on-site units; create off-site units; donate land	20%	No				10		30
San Juan Bautista	Create on-site units; pay impact/linkage fee	6%					6	80%	
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3% or 5%	Yes			55	5	3% low or 5% Moderate	45
San Marcos	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55		120%	55
Solana Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay impact/linkage fee	15%	No	5		55	5		45

V. Rental Projects Only

Fullerton	Applies only to the Transportation Specific Plan area. Create on-site units	15%	No		5% @ VL + 5% @ Low + 5% @ Mod		55		
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%		55		

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
I. Inclusionary Requirements: Both Rental and Ownership Projects										
Alhambra	On-site or pay in-lieu fee.	15%	No	7	9% at 120% & 6% at 80%		7	9% at 120% + 6% at 80%		Fee Schedule: 5 -20 units. Rental: \$0.89 - \$14.30/SF; Ownership: \$1.88 - \$30.00/SF
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	N/A	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45	Set in 2018 to be consistent with the Affordability gap. \$285,336 per VL apartment unit, \$262,541 per low income condominium unit, and \$427,002 per moderate income single family home.
Brea	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement	10%	No	20	Undefined Percentages of Very Low & Low Income	55	20	120%	10	Calculated per project. Based on the Affordability Gap
Carlsbad	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income	15%	No	1	Low		1	Low		Available up to 6 units. \$8,529 for on SFH. \$15.00/SF for 2-6 unit projects.
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	50	5% @ Low + 5% @ Mod	Life of Bldg	50	5% @ Low + 5% @ Mod	Life of Bldg	In-lieu fee is based on the median home price minus the affordable home price
Coronado	Create units; pay in-lieu fee	20%	No	2	Low		2	Mod		In-lieu fee paid by right. \$7,000 per market rate unit
Downey	Create on-site units; create off-site units; pay in-lieu fee	11%/10%	No	10	Mod	>55 or as long as resid	10	Mod	45	Rental: \$23.50/SF - only allowed under extreme hardship. Ownership: \$15.90/SF payable based on City Council criteria
Encinitas	Create on-site units; create off-site units; create ADU's; preserve at-risk units; pay in-lieu fee; donate land	10%/15%	No	7	10% VL or 15% Low	Perpetual	7	10% VL or 15% Low	45	One to 6 unit projects pay an in-lieu fee based on a sliding scale. 7+ unit projects pay \$20 per sf in-lieu fee.

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee	
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period		
Fillmore	Create on-site units; pay in-lieu fee; donate land	15%	No	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9:: 1 low	55	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9:: 1 low			
Goleta	Create on-site units; create off-site units; donate land, pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremely low and very low income units to low and moderate income units in demonstrated extreme hardship.	25% - reduced to 20% with public benefit	No	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	Equal to the Affordability Gap associated with providing the requisite number of affordable units on site within the market rate project.	
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45	Sliding Scale: 3 to 30 units. In-Lieu Fee allowed for projects up to 100 units. Rental: \$3.58 to \$35.80/SF Ownership: \$2.54 to \$25.36/SF. The per SF measurement caps at 2,000 SF.	
Irvine	Projects with fewer than 50 units can create on-site units; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonprofit housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No		Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	Calculated per project. The calculation methodology is based on the average land value in Irvine, the average density of housing in Irvine, and a defined predevelopment cost allowance. Formula: [(Land Value ÷ Density) + Predevelopment Allowance] x Percentage Share of Cost related to affordable units not being produced
Jurupa Valley	Create on-site units; create off-site units; pay in-lieu fee; convert market rate units to affordable units; preserve at-risk housing; donate land.	7%	No	1	25% Mod + 25% Low + 50% VL	55	1	25% Mod + 25% Low + 50% VL	45	\$2.50 per net square foot of living area including garages.	

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45	In-lieu fee is allowed for ownership housing developments that can prove to the City Council's satisfaction that including affordable units is financially infeasible. The fee is calculated based on: the median price of homes sold in Laguna Woods during the last quarter of the previous calendar year minus the affordable price for a 2-bedroom unit.
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod or 6% VL & Low	55	10	110%	45	\$6.50 per square foot of total building area
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	> of 55 yrs or as long as resid	10	120%	> of 55 yrs or as long as resid	Rental @ \$38.00/SF; Ownership @ \$29.10/SF
Norco	Create on-site units; create off-site units; pay in-lieu fee for projects with 20 or fewer units; donate land.	15%	No	5	6% Mod+9% Low Credits for deeper affordability	Perpetual	5	6% Mod+9% Low Credits for deeper affordability	45%	Sliding scale based on square feet of leasable/saleable area: Rental: \$1.34 - \$21.50 Ownership: \$2.91 - \$46.50
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low	55	3	Mod	55	In-lieu fee paid by right. The fee was set at \$15/SF on 1/1/23 and will increase to \$20/SF on 1/1/24.
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances	10%	No	10	5% @ VL + 5% Low	55	10	Low	20	Fee charged per total unit in the project. In 2022: SFH \$36,000; MF Ownership \$35,000; Rental \$28,000
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	1	5% @50% + 5% @ 80% + 10% @ 120%		1	110%	45	Sliding scale by sub-area & project size. Low at \$34.19/SF & High at \$73.52/SF
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45	Rental @ \$9.30/SF; SFH @ \$11.40/SF Condominiums @ \$9.30/SF

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Poway	Create on-site units; create off-site units; pay in-lieu fee	15% / 15%-20%	No		Very Low	55		15% @ Low or 20% @ Mod	45	In-lieu fee is payable by right and is set at \$500 per unit for both rental and ownership housing
Redondo Beach (Proposed)	Create on-site units; create off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Mod	55	Sliding scale for 2 to 9 unit projects: Rental: extrapolated from \$34.20/SF of total project area. Ownership: extrapolated from \$43.20/SF of total project area.
San Buenaventura	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land	15% / 10%	No	7	Low	55	7	Mod	45	Ownership @ \$29.80 - \$66.30/SF; Apartments @ \$20.30 - \$48.90/SF
San Clemente	Create on-site units; create off-site units, pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30	Based on the greater of 1% of construction costs as determined by the Building Division or 2% of the affordability gap determined by the formula in the Housing Element.
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%		In 2024 the in-lieu fee will be set a \$25/SF
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	2		55	2		55	Based on 90% of the Affordability Gap, which is updated monthly based on benchmark market prices
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	Rental: 5% / 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55	Fee charged per sf of habitable area: 5-9: \$6.00; 10-14: \$9.00; 15-19: \$12; 20+: \$15. Discounts for use of skilled and trained labor force
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale	In 2020 the in-lieu fee for rental projects was set at \$25 per SF. Adjusted annually by the Engineering News Record (ENR) Building Cost Index for Los Angeles. In-lieu fee for ownership units is calculated based on the median price for 2-bedroom condos, a low income standard, and the estimated production cost (sales price - 15% profit). A discount schedule is provided from small units.

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2	50%, 80% & 120% Defined credits	55	Rental @ \$35.70/SF Ownership @ \$41.70/SF
Santa Paula	Create on-site units; create off-site units; pay in-lieu fee	10% to 17%	Yes	10	15% Low or 10% VL	55	10		45	In-Lieu Fee is set on a project-by-project basis.
South Pasadena	Create on-site units; create off-site units; pay in-lieu fee for 3 or 4 rental unit projects, ownership for any size project, & fractional units; rehab existing market rate units; donate land	20%	No	3	10 or fewer units: multiple options 11 or more units: 10% ELI or VL + 10% Low	55	3	Moderate	55	The in-lieu fee will be set by the City Council. Until that occurs, the fee will be calculated on a project-by-project basis.
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects	20%	No	2	Low / Mod	As long as resid	2	Low / Mod	As long as resid	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	

II. Inclusionary Requirements: Ownership Projects Only

Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances	12%	No				5	200%	30	In-lieu fee allowed if infeasibility can be proved. The fee is based on the difference between the median sales price of condominiums and/or single family homes and the affordable price at 121% of AMI with 30% of income dedicated to housing expenses
Santa Barbara County	Create on-site units; create off-site units in the coastal zone; pay in-lieu fee for certain unit types	5% - 15%	Yes				5	5-19: 1 Mod. 20+: South Coast: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce Santa Ynez: No Workforce Santa Maria & Lompoc: 2.5% VL + 2.5 Low	45 - restarts up to 90	In-Lieu fee is measured per affordable unit. Varies by HMA & income / affordability level. Fee: Very Low & Low are based on the estimated cost for the County to subsidize very low & low income units. Cost of Construction Fee: Moderate & Workforce are based on the median condo sales prices minus 15% of the median price of condos. 2020 Very Low & Low Fees: South Coast \$176,000; Santa Maria \$96,600; Santa Ynez \$146,200; Lompoc \$99,500 2020 Mod & Workforce Fees: South Coast \$658,000; Santa Maria \$248,000; Santa Ynez \$431,600; Lompoc \$227,600

III. Inclusionary Requirements: Rental Projects Only

Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%	55				Sliding scale: 8 Units @ \$28.71/SF - 21 Units @ \$55/SF
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ATTACHMENT 2
AFFORDABLE HOUSING COST CALCULATION METHODOLOGIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA

APPENDIX A

AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

The Affordable Sales Price calculations are presented in Attachment 3 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2023 income statistics for Los Angeles County as a whole. The household incomes for low and moderate income households are produced and distributed annually by the California Department of Housing and Community Development (HCD).
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code (H&SC) Section 50052.5.

The elements included in the Affordable Sales Price calculations are described in the following sections of this Attachment.

HOUSEHOLD SIZE

For the sole purposes of calculating Affordable Sales Prices, H&SC Section 50052.5 sets household sizes based on the number of bedrooms in the home plus one.¹ H&SC Section 50052.5 refers to this as “the family size appropriate for the unit.” This is not an occupancy cap; it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

HOUSEHOLD INCOME

For calculation purposes only, H&SC Section 50052.5 applies benchmark household incomes as the standard for determining the Affordable Sales Prices. The benchmark for moderate income households is set at 110% of the area median income (AMI) for Los Angeles County.

The identified benchmark percentages of AMI are not income caps. The household income qualification standard is based on 120% of AMI for moderate income households based on the actual size of the home buyer’s household.

¹ For example, the imputed household size for a three-bedroom unit is four persons.

INCOME ALLOCATED TO HOUSING-RELATED EXPENSES

H&SC Section 50052.5 allocates 35% of the benchmark household income to the payment of housing-related expenses.

HOUSING-RELATED EXPENSES

The variable housing related expense assumptions used in this analysis are presented in the following table:

Variable Housing Related Expenses – Monthly Ownership Housing Development Prototypes		
	Utilities Allowances ²	HOA, Insurance & Maintenance ³
Two-Bedroom Units	\$268	\$350
Three-Bedroom Units	\$318	\$400

The property tax expense estimate is based on 1.10% of the home’s estimated market rate sales price. This assumes that the City will allow the homes to be resold on an unrestricted basis in return for the City receiving a share of the equity appreciation received by the home owner.

SUPPORTABLE MORTGAGE AMOUNT

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 6.73% interest rate. ⁴

BENCHMARK DOWN PAYMENT

KMA set the benchmark down payment at 5% of the estimated Affordable Sales Price. A down payment of this magnitude is commonly allowed by affordable housing programs.

²Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; basic electric; air conditioning; and water, sewer and trash services. The allowances are based on the Los Angeles County Development Authority (LACDA) schedule effective as of July 1, 2022.

³ Based in part on the HOA dues identified in the home sales survey.

⁴ Based on a 50 basis points premium applied to the Freddie Mac monthly average, between July 2022 and June 2023, for a fixed interest rate loan with a 30-year amortization period.

APPENDIX B

AFFORDABLE RENT CALCULATION METHODOLOGY

The Affordable Rent calculations are presented in Attachment 4 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2023 income statistics for Los Angeles County as published annually by HUD and distributed by HCD.
2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As discussed previously, this is a benchmark for calculation purposes only. It is neither an occupancy minimum nor a maximum.
3. The benchmark household incomes used in the analyses are based on the following standards:
 - a. The low income rents are based on 80% of AMI. This percentage of AMI is based on the standard imposed in Assembly Bill 1505.
 - b. The very low income rents are based on 50% of AMI, which is the standard imposed by H&SC Section 50053.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. The following monthly utilities allowances were applied in this analysis.⁵

Utilities Allowances	
Apartment Development	
Number of Bedrooms	Monthly Utilities Allowances
Studio	\$86
1	\$114
2	\$145
3	\$178

⁵ Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; basic electric; and air conditioning. The allowances are based on the LACDA schedule effective as of July 1, 2022.

ATTACHMENT 3

SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX A

HOME SALES SURVEY SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX A

HOME SALES SURVEY
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

1

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Two-Bedroom Units						
714 S Canyon Blvd Unit F	Monrovia	91016	821	\$565,000	\$688	1993
172 W Lemon Ave Unit B	Monrovia	91016	834	\$564,000	\$676	1985
744 W Walnut Ave Unit B	Monrovia	91016	964	\$520,000	\$539	1991
845 E Foothill Blvd Unit D	Monrovia	91016	975	\$590,000	\$605	1978
150 W Lemon Ave Unit B	Monrovia	91016	984	\$665,000	\$676	1985
1420 S Primrose Ave Unit C	Monrovia	91016	992	\$512,000	\$516	1989
421 Genoa St Unit D	Monrovia	91016	1,006	\$585,000	\$582	1986
1814 8th Ave Unit N	Monrovia	91016	1,013	\$500,000	\$494	1990
419 Violet Ave Unit B	Monrovia	91016	1,023	\$655,000	\$640	1978
1045 E Huntington Dr Unit F	Monrovia	91016	1,032	\$590,000	\$572	1980
1824 S 5th Ave Unit A	Monrovia	91016	1,039	\$590,000	\$568	1984
313 Genoa St #3	Monrovia	91016	1,089	\$590,000	\$542	1992
617 Monterey, Unit A	Monrovia	91016	1,113	\$625,000	\$562	1984
1608 S Mayflower Ave Unit G	Monrovia	91016	1,115	\$615,000	\$552	1986
235 E Foothill Blvd Unit B	Monrovia	91016	1,134	\$575,000	\$507	1981
818 Alta St Unit D	Monrovia	91016	1,170	\$530,000	\$453	1989
509 W Duarte Rd Unit E	Monrovia	91016	1,193	\$585,000	\$490	1982
509 W Duarte Rd Unit G	Monrovia	91016	1,193	\$588,000	\$493	1982
341 W Central Ave Unit E	Monrovia	91016	1,221	\$570,000	\$467	1989
210 E Walnut Ave Unit F	Monrovia	91016	1,244	\$725,000	\$583	1988
510 W Foothill Blvd Unit C	Monrovia	91016	1,260	\$615,000	\$488	1979
530 W Foothill Blvd Unit E	Monrovia	91016	1,260	\$572,000	\$454	1979
751 Ocean View Ave Unit A	Monrovia	91016	1,280	\$680,000	\$531	1987
200 W Lime Ave Unit C	Monrovia	91016	1,288	\$630,000	\$489	1981
836 W Foothill Blvd Unit B	Monrovia	91016	1,348	\$672,500	\$499	1979
836 W Foothill Blvd Unit A	Monrovia	91016	1,348	\$642,500	\$477	1979
267 Linwood Ave Unit F	Monrovia	91016	1,371	\$696,000	\$508	1979
801 W Foothill Blvd Unit C	Monrovia	91016	1,374	\$735,000	\$535	1991
253 Linwood Ave Unit E	Monrovia	91016	1,562	\$760,000	\$487	1979
1002 Royal Oaks Dr Unit B	Monrovia	91016	1,901	\$679,000	\$357	1993
Minimum			821	\$500,000	\$357	1978
Maximum			1,901	\$760,000	\$688	1993
Average			1,172	\$614,000	\$524	1985

APPENDIX A

HOME SALES SURVEY
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

1

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Three-Bedroom Units						
411 Fig Ln	Monrovia	91016	1,474	\$780,000	\$529	1994
215 E Chestnut Ave Unit K	Monrovia	91016	1,552	\$760,000	\$490	1982
815 S California Ave Unit C	Monrovia	91016	1,696	\$825,000	\$486	1984
810 S Canyon Blvd Unit J	Monrovia	91016	1,552	\$758,000	\$488	1983
2628 Doray Cir	Monrovia	91016	1,521	\$788,000	\$518	1987
605 W Duarte Rd Unit B	Monrovia	91016	1,574	\$710,000	\$451	2001
120 N Mountain Ave Unit A	Monrovia	91016	1,355	\$850,000	\$627	1979
1040 Royal Oaks Dr Unit B	Monrovia	91016	1,192	\$590,000	\$495	1979
1220 S Alta Vista Ave Unit B	Monrovia	91016	1,233	\$640,000	\$519	1981
316 Genoa St Unit B	Monrovia	91016	1,228	\$550,000	\$448	1996
236 E Walnut Ave Unit H	Monrovia	91016	1,696	\$790,000	\$466	1982
428 W Duarte Rd Unit C	Monrovia	91016	1,582	\$765,000	\$484	2016
539 W Lemon Ave	Monrovia	91016	1,530	\$920,000	\$601	2015
1048 Royal Oaks Dr Unit B	Monrovia	91016	1,192	\$632,000	\$530	1979
215 E Chestnut Ave Unit B	Monrovia	91016	1,696	\$750,000	\$442	1982
2634 Doray Cir	Monrovia	91016	1,521	\$775,000	\$510	1987
Minimum			1,192	\$550,000	\$442	1979
Maximum			1,696	\$920,000	\$627	2016
Average			1,475	\$742,700	\$504	1989

¹ Source: Redfin. Based on homes sold between March 2022 and March 2023.

APPENDIX B

AFFORDABLE SALES PRICE CALCULATIONS SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX B

AFFORDABLE SALES PRICE CALCULATIONS
 MODERATE INCOME UNITS
 2023 INCOME STANDARDS
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

1

	Two-Bedroom Units	Three- Bedroom Units
I. Estimated Market Rate Sales Price	\$660,000	\$793,000
II. <u>Income Information</u>		
Area Median Income	\$88,400	\$98,200
Benchmark Household Income @ 110% of AMI	\$97,240	\$108,020
Income Allotted to Housing @ 35% of Income	\$34,030	\$37,810
III. <u>Expenses</u>		
Annual Utilities Allowance ²	\$3,216	\$3,816
HOA, Maintenance & Insurance ³	4,200	4,800
Property Taxes @ 1.10% of Affordable Sales Price	3,450	3,790
Total Expenses	\$10,866	\$12,406
IV. Income Available for Mortgage	\$23,164	\$25,404
V. <u>Affordable Sales Price</u>		
Supportable Mtg @ 6.73% Interest ⁴	\$298,300	\$327,200
Home Buyer Down Payment @ 5% of ASP	15,700	17,200
Affordable Sales Price	\$314,000	\$344,400

¹ Based on 2023 Los Angeles County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on the LACDA Single Family Home utility allowance schedule effective as of 7/1/22. Assumes: Electric Heating, Electric Cooking, Electric Water Heater, Basic Electric, Air Conditioning, Water, and Trash.

³ Based in part on the HOA dues identified in the home sales survey.

⁴ Based on a 50 basis points premium applied to the Freddie Mac monthly average, between July 2022 and June 2023, for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX C

PRO FORMA ANALYSES SPECIFIC PLAN PROTOTYPE SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX C - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
SPECIFIC PLAN PROTOTYPE
SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE ALTERNATIVE
 SPECIFIC PLAN PROTOTYPE
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	54,000	Sf of Land	\$110 /Sf of Land		\$5,940,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		54,000	Sf of Land	\$25 /Sf of Land	\$1,350,000	
	Parking						
	Attached Garages	3	30	Spaces	\$0 /Space	0	
	At-Grade Spaces		15	Spaces	\$2,500 /Space	38,000	
	Building Costs		40,500	Sf of GBA	\$160 /Sf of GBA	6,480,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		1,574,000	
	Total Direct Costs						\$9,442,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			8.0% Direct Costs		\$755,000	
	Public Permits & Fees	5	30	Units	\$21,900 /Unit	657,000	
	Taxes, Insurance, Legal & Accounting			2.0% Direct Costs		189,000	
	Marketing		30	Units	\$5,000 /Unit	150,000	
	Developer Fee			3.0% Gross Sales Revenue		654,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		120,000	
	Total Indirect Costs						\$2,525,000
IV.	Financing Costs						
	Interest During Construction	6				\$703,000	
	Loan Origination Fees			60.0% Loan to Cost	2.5 Points	269,000	
	Total Financing Costs						\$972,000
V.	Total Construction Cost		30	Units	\$431,000 /Unit		\$12,939,000
	Total Development Cost		30	Units	\$629,000 /Unit		\$18,879,000

¹ Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces at 0.5 spaces per unit.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided by the City staff and in the draft Housing Element constraints analysis.

⁶ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 MARKET RATE ALTERNATIVE
 SPECIFIC PLAN PROTOTYPE
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Two-Bedroom Units		15 Units @ \$660,000 /Unit	\$9,900,000
	Three-Bedroom Units		15 Units @ \$793,000 /Unit	11,895,000
	Total Gross Sales Revenue			\$21,795,000
II.	<u>Cost of Sales</u>			
	Commissions		3.0% Gross Sales Revenue	\$654,000
	Closing		2.0% Gross Sales Revenue	436,000
	Warranty		0.5% Gross Sales Revenue	109,000
	Total Cost of Sales			(\$1,199,000)
III.	<u>Net Revenue</u>			\$20,596,000

¹ Based in part on a sales survey undertaken by KMA in March 2023. See APPENDIX A. The weighted average sales price equates to \$538 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE ALTERNATIVE
SPECIFIC PLAN PROTOTYPE
SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$20,596,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$18,879,000</u>
III.	Developer Profit	9.1% Total Development Cost	\$1,717,000

APPENDIX C - EXHIBIT II

**PRO FORMA ANALYSIS
SPECIFIC PLAN PROTOTYPE
MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 SPECIFIC PLAN PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	54,000 Sf of Land	\$110 /Sf of Land		\$5,940,000
II.	Direct Costs	2				
	On-Site Improvements/Landscaping Parking		54,000 Sf of Land	\$25 /Sf of Land		\$1,350,000
	Attached Garages	3	30 Spaces	\$0 /Space		0
	At-Grade Spaces		15 Spaces	\$2,500 /Space		38,000
	Building Costs		40,500 Sf of GBA	\$160 /Sf of GBA		6,480,000
	Contractor/DC Contingency Allow	4	20% Other Direct Costs			1,574,000
	Total Direct Costs					\$9,442,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$755,000
	Public Permits & Fees	5	30 Units	\$21,900 /Unit		657,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			189,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	6	30 Units	\$21,800 /Unit		654,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			120,000
	Total Indirect Costs					\$2,525,000
IV.	Financing Costs					
	Interest During Construction	7				\$643,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		253,000
	Total Financing Costs					\$896,000
V.	Total Construction Cost		30 Units	\$429,000 /Unit		\$12,863,000
	Total Development Cost		30 Units	\$627,000 /Unit		\$18,803,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces at 0.5 spaces per unit.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on estimates provided by the City staff and in the draft Housing Element constraints analysis.

6 Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

7 Assumes a 5.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 SPECIFIC PLAN PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		13 Units @	\$660,000 /Unit	\$8,580,000
Three-Bedroom Units		14 Units @	\$793,000 /Unit	11,102,000
Moderate Income Units	2			
Two-Bedroom Units		2 Units @	\$314,000 /Unit	628,000
Three-Bedroom Units		1 Unit @	\$344,400 /Unit	344,000
Total Gross Sales Revenue				\$20,654,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$620,000
Closing		2.0% Gross Sales Revenue		413,000
Warranty		0.5% Gross Sales Revenue		103,000
Total Cost of Sales				(\$1,136,000)
III. <u>Net Revenue</u>				\$19,518,000

¹ Based in part on a sales survey undertaken by KMA in March 2023. See APPENDIX A. The weighted average sales price equates to \$538 per square foot of saleable area.

² See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 SPECIFIC PLAN PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2		\$19,518,000
(Less) Threshold Developer Profit	¹ 9.1% Total Development Cost		<u>(\$1,710,000)</u>
Total Funds Available for Development Costs			\$17,808,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$18,803,000
III. <u>Total Financial Impact</u>			(\$995,000)
Property Acquisition Cost Reduction	17% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	5.1% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

ATTACHMENT 4

**APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX A

MARKET SURVEYS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX A

MARKET SURVEYS - 4 STAR PROPERTIES
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built	
						Total	Per SF		
I. Studio Units									
Moda at Monrovia Station	228 Pomona Ave	Monrovia	91016	2	620	\$2,433	\$3.92	2018	
Bell Pasadena	3330 E Foothill Blvd	Pasadena	91107	4	602	\$2,478	\$4.12	2016	
Areum Apartments	1110 S 5th Ave	Monrovia	91016	7	574	\$2,651	\$4.62	2017	
Bradbury Park Apartments	2222 E Huntington Dr	Duarte	91010	20	540	\$1,804	\$3.34	1979/2012	
Luxe	1769 E Walnut St	Pasadena	91106	20	514	\$2,513	\$4.89	2016	
Esperanza at Duarte Station	1700 Fasana Rd	Duarte	91010	61	585	\$2,551	\$4.36	2022	
					Minimum	514	\$1,804	\$3.34	
					Maximum	620	\$2,651	\$4.89	
					Weighted Average	565	\$2,415	\$4.27	
II. One-Bedroom Units									
Bradbury Park Apartments	2222 E Huntington Dr	Duarte	91010	25	765	\$1,991	\$2.60		
Avalon Monrovia	825 S Myrtle Ave	Monrovia	91016	45	773	\$3,056	\$3.95		
Luxe	1769 E Walnut St	Pasadena	91106	79	664	\$2,431	\$3.66		
The Orchard	626 N Azusa Ave	Azusa	91702	80	707	\$2,537	\$3.59	2022	
Paragon at Old Town	700 S Myrtle Ave	Monrovia	91016	82	768	\$2,722	\$3.54	2010	
Areum Apartments	1110 S 5th Ave	Monrovia	91016	91	747	\$2,755	\$3.69		
The Stuart at Sierra Madre Villa	3360 E Foothill Blvd	Pasadena	91107	106	719	\$2,520	\$3.50	2007	
Moda at Monrovia Station	228 Pomona Ave	Monrovia	91016	161	728	\$2,591	\$3.56		
Bell Pasadena	3330 E Foothill Blvd	Pasadena	91107	165	792	\$2,879	\$3.64		
Esperanza at Duarte Station	1700 Fasana Rd	Duarte	91010	183	707	\$2,551	\$3.61		
The Colony at the Lakes	301 S Glendora Ave	West Covina	91790	250	684	\$2,459	\$3.60	2015	
					Minimum	664	\$1,991	\$2.60	
					Maximum	792	\$3,056	\$3.95	
					Weighted Average	725	\$2,602	\$3.59	

APPENDIX A

**MARKET SURVEYS - 4 STAR PROPERTIES
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built
						Total	Per SF	
III. Two-Bedroom Units								
Luxe	1769 E Walnut St	Pasadena	91106	32	934	\$2,720	\$2.91	
Bell Pasadena	3330 E Foothill Blvd	Pasadena	91107	43	1,168	\$3,637	\$3.11	
Bradbury Park Apartments	2222 E Huntington Dr	Duarte	91010	52	967	\$2,409	\$2.49	
Areum Apartments	1110 S 5th Ave	Monrovia	91016	56	1,081	\$4,361	\$4.03	
Avalon Monrovia	825 S Myrtle Ave	Monrovia	91016	70	1,044	\$3,530	\$3.38	
The Orchard	626 N Azusa Ave	Azusa	91702	73	1,042	\$2,967	\$2.85	
Esperanza at Duarte Station	1700 Fasana Rd	Duarte	91010	79	1,038	\$3,291	\$3.17	
Paragon at Old Town	700 S Myrtle Ave	Monrovia	91016	81	1,056	\$3,193	\$3.02	
The Stuart at Sierra Madre Villa	3360 E Foothill Blvd	Pasadena	91107	82	1,129	\$3,379	\$2.99	
Moda at Monrovia Station	228 Pomona Ave	Monrovia	91016	98	1,077	\$3,190	\$2.96	
The Colony at the Lakes	301 S Glendora Ave	West Covina	91790	200	1,066	\$2,945	\$2.76	
	Minimum				934	\$2,409	\$2.49	
	Maximum				1,168	\$4,361	\$4.03	
	Weighted Average				1,061	\$3,203	\$3.01	
IV. Three-Bedroom Units								
The Orchard	626 N Azusa Ave	Azusa	91702	10	1,242	\$3,856	\$3.10	
Bradbury Park Apartments	2222 E Huntington Dr	Duarte	91010	15	1,027	\$2,706	\$2.63	
Esperanza at Duarte Station	1700 Fasana Rd	Duarte	91010	21	1,152	\$3,663	\$3.18	
Avalon Monrovia	825 S Myrtle Ave	Monrovia	91016	36	1,588	\$4,711	\$2.97	
	Minimum				1,027	\$2,706	\$2.63	
	Maximum				1,588	\$4,711	\$3.18	
	Weighted Average				1,332	\$3,972	\$2.98	

Source: CoStar, March 2023

APPENDIX B

**AFFORDABLE RENT CALCULATIONS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX B

**AFFORDABLE RENT CALCULATIONS
2023 INCOME STANDARDS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

		Studio Units	One Bedroom Units	Two Bedroom Units	Three Bedroom Units
I. <u>General Assumptions</u>					
Area Median Income (AMI)	1	\$68,750	\$78,550	\$88,400	\$98,200
Monthly Utilities Allowance	2	\$86	\$114	\$145	\$178
II. <u>Affordable Rent Calculations</u>					
A. <u>Very Low Income - Rent Based on 50% AMI</u>	3				
Benchmark Annual Household Income		\$34,375	\$39,275	\$44,200	\$49,100
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$859	\$982	\$1,105	\$1,228
(Less) Monthly Utilities Allowance		(86)	(114)	(145)	(178)
Maximum Allowable Rent		\$773	\$868	\$960	\$1,050
B. <u>Low Income - Rent Based on 80% AMI</u>	4				
Benchmark Annual Household Income		\$55,000	\$62,840	\$70,720	\$78,560
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$1,375	\$1,571	\$1,768	\$1,964
(Less) Monthly Utilities Allowance		(86)	(114)	(145)	(178)
Maximum Allowable Rent		\$1,289	\$1,457	\$1,623	\$1,786

¹ Based on the 2023 Los Angeles County household incomes published by the California Housing & Community Development Department (HCD). The benchmark household size is set at the number of bedrooms in the unit plus one.

² Based on the LACDA Multifamily utility allowance schedule effective as of 7/1/22. Assumes: Electric Heating, Electric Cooking, and Electric Water Heater; Basic Electric; and Air Conditioning.

³ Based on the California Health & Safety Code Section 50053 calculation methodology.

⁴ Based on 80% of the median income published by HCD.

APPENDIX C

**PRO FORMA ANALYSES
STATION SQUARE ADJACENT PROTOTYPES
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

STATION SQUARE ADJACENT PROTOTYPES:

BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE ALTERNATIVE
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	28,314	Sf of Land	\$110 /Sf of Land		\$3,115,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		28,314	Sf of Land	\$25 /Sf of Land	\$708,000	
	Parking	3					
	At-Grade Spaces		18	Spaces	\$5,000 /Space	90,000	
	Above-Ground Spaces		70	Spaces	\$25,000 /Space	1,750,000	
	Building Costs		39,200	Sf of GBA	\$175 /Sf of GBA	6,860,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		1,882,000	
	Total Direct Costs		39,200	Sf of GBA	\$288 /Sf of GBA		\$11,290,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$677,000	
	Public Permits & Fees	5	35	Units	\$18,500 /Unit	648,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		226,000	
	Marketing		35	Units	\$1,000 /Unit	35,000	
	Developer Fee			5% Direct Costs		565,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		108,000	
	Total Indirect Costs						\$2,259,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$3,115,000	Cost	5.0% Avg Rate	\$195,000	
	Construction	7	\$14,444,000	Cost	5.0% Avg Rate	542,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	158,000	
	Total Financing Costs						\$895,000
V.	Total Construction Cost		35	Units	\$413,000 /Unit		\$14,444,000
	Total Development Cost		35	Units	\$502,000 /Unit		\$17,559,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE ALTERNATIVE
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	7 Units @	\$2,933 /Unit/Month	\$246,400
One Bedroom Units	14 Units @	\$3,163 /Unit/Month	531,300
Two Bedroom Units	14 Units @	\$4,034 /Unit/Month	677,800
Three Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Laundry & Miscellaneous Income**

35 Units @	\$25 /Unit/Month	10,500
------------	------------------	--------

Total Gross Income

\$1,466,000

Vacancy & Collection Allowance

5% Gross Income

(73,300)

II. **Effective Gross Income**

\$1,392,700

III. **Operating Expenses**

General Operating Expenses	35 Units @	\$4,500 /Unit	\$157,500
Property Taxes	35 Units @	\$7,600 /Unit	265,500
Replacement Reserve Deposits	35 Units @	\$150 /Unit	5,300

Total Operating Expenses

(\$428,300)

IV. **Stabilized Net Operating Income**

\$964,400

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.13 per square foot of leasable area.

APPENDIX C - EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
MARKET RATE ALTERNATIVE
STATION SQUARE ADJACENT PROTOTYPES:
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$964,400
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$17,559,000</u>
III.	Return on Total Investment		5.5%

APPENDIX C - EXHIBIT II

PRO FORMA ANALYSIS

LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT

STATION SQUARE ADJACENT PROTOTYPES:

BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	¹	28,314	Sf of Land	\$110 /Sf of Land		\$3,115,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		28,314	Sf of Land	\$25 /Sf of Land	\$708,000	
	Parking	³					
	At-Grade Spaces		18	Spaces	\$5,000 /Space	90,000	
	Above-Ground Spaces		70	Spaces	\$25,000 /Space	1,750,000	
	Building Costs		39,200	Sf of GBA	\$175 /Sf of GBA	6,860,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		1,882,000	
	Total Direct Costs		39,200	Sf of GBA	\$288 /Sf of GBA		\$11,290,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$677,000	
	Public Permits & Fees	⁵	35	Units	\$18,500 /Unit	648,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		226,000	
	Marketing		35	Units	\$1,000 /Unit	35,000	
	Developer Fee			5% Direct Costs		565,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		108,000	
	Total Indirect Costs						\$2,259,000
IV.	Financing Costs						
	Interest During Construction						
	Land	⁶	\$3,073,600	Cost	5.0% Avg Rate	\$192,000	
	Construction	⁷	\$14,441,000	Cost	5.0% Avg Rate	542,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	158,000	
	Total Financing Costs						\$892,000
V.	Total Construction Cost		35	Units	\$413,000 /Unit		\$14,441,000
	Total Development Cost		35	Units	\$502,000 /Unit		\$17,556,000

¹ Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on impact fee information provided by the City staff plus an allowance for building permit fees.

⁶ Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$41,400 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	7 Units @	\$2,933 /Unit/Month		\$246,400
One Bedroom Units	13 Units @	\$3,163 /Unit/Month		493,400
Two Bedroom Units	13 Units @	\$4,034 /Unit/Month		629,300
Three Bedroom Units	0 Units @	\$0 /Unit/Month		0
B. Low Income Units ²				
Studio Units	0 Units @	\$1,289 /Unit/Month		0
One Bedroom Units	1 Unit @	\$1,457 /Unit/Month		17,500
Two Bedroom Units	1 Unit @	\$1,623 /Unit/Month		19,500
Three Bedroom Units	0 Units @	\$1,786 /Unit/Month		0
C. Laundry & Miscellaneous Income	35 Units @	\$25 /Unit/Month		10,500
Total Gross Income				\$1,416,600
Vacancy & Collection Allowance	5% Gross Income			(70,800)
II. Effective Gross Income				\$1,345,800
III. <u>Operating Expenses</u>				
General Operating Expenses	35 Units @	\$4,500 /Unit		\$157,500
Property Taxes	35 Units @	\$7,300 /Unit		255,100
Replacement Reserve Deposits	35 Units @	\$150 /Unit		5,300
Total Operating Expenses	35 Units @	\$11,940 /Unit		(\$417,900)
IV. <u>Stabilized Net Operating Income</u>				\$927,900

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.13 per square foot of leasable area.

² The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$927,900
	Threshold Return on Total Investment ¹		5.5%
	Total Supportable Investment		\$16,894,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	\$17,556,000
III.	Total Financial Impact		(\$662,000)
	Property Acquisition Cost Reduction	21% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	3.3% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT III

**PRO FORMA ANALYSIS
LOW INCOME ALTERNATIVE - 10% REQUIREMENT
STATION SQUARE ADJACENT PROTOTYPES:
BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	28,314	Sf of Land	\$110 /Sf of Land		\$3,115,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		28,314	Sf of Land	\$25 /Sf of Land	\$708,000	
	Parking	3					
	At-Grade Spaces		18	Spaces	\$5,000 /Space	90,000	
	Above-Ground Spaces		70	Spaces	\$25,000 /Space	1,750,000	
	Building Costs		39,200	Sf of GBA	\$175 /Sf of GBA	6,860,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		1,882,000	
	Total Direct Costs		39,200	Sf of GBA	\$288 /Sf of GBA		\$11,290,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$677,000	
	Public Permits & Fees	5	35	Units	\$18,500 /Unit	648,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		226,000	
	Marketing		35	Units	\$1,000 /Unit	35,000	
	Developer Fee			5% Direct Costs		565,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		108,000	
	Total Indirect Costs						\$2,259,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$3,040,200	Cost	5.0% Avg Rate	\$190,000	
	Construction	7	\$14,441,000	Cost	5.0% Avg Rate	542,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	158,000	
	Total Financing Costs						\$890,000
V.	Total Construction Cost		35	Units	\$413,000 /Unit		\$14,439,000
	Total Development Cost		35	Units	\$502,000 /Unit		\$17,554,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$74,800 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units 1			
Studio Units	5 Units @	\$2,933 /Unit/Month	\$176,000
One Bedroom Units	13 Units @	\$3,163 /Unit/Month	493,400
Two Bedroom Units	13 Units @	\$4,034 /Unit/Month	629,300
Three Bedroom Units	0 Units @	\$0 /Unit/Month	0
B. Low Income Units 2			
Studio Units	2 Units @	\$1,289 /Unit/Month	30,900
One Bedroom Units	1 Unit @	\$1,457 /Unit/Month	17,500
Two Bedroom Units	1 Unit @	\$1,623 /Unit/Month	19,500
Three Bedroom Units	0 Units @	\$1,786 /Unit/Month	0
C. Laundry & Miscellaneous Income	35 Units @	\$25 /Unit/Month	10,500
Total Gross Income			\$1,377,100
Vacancy & Collection Allowance	5% Gross Income		(68,900)
II. Effective Gross Income			\$1,308,200
III. <u>Operating Expenses</u>			
General Operating Expenses	35 Units @	\$4,500 /Unit	\$157,500
Property Taxes	35 Units @	\$7,100 /Unit	247,000
Replacement Reserve Deposits	35 Units @	\$150 /Unit	5,300
Total Operating Expenses	35 Units @	\$11,709 /Unit	(\$409,800)
IV. <u>Stabilized Net Operating Income</u>			\$898,400

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$0.10 per square foot of leasable area.

² The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT III - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 STATION SQUARE ADJACENT PROTOTYPES:
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$898,400
	Threshold Return on Total Investment ¹		5.5%
	Total Supportable Investment		\$16,357,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1	\$17,554,000
III.	Total Financial Impact		(\$1,197,000)
	Property Acquisition Cost Reduction	38% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.1% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	6.3% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

DENSITY BONUS ALTERNATIVE

STATION SQUARE ADJACENT PROTOTYPES: 38% §65915 DENSITY BONUS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS ALTERNATIVE
 STATION SQUARE ADJACENT PROTOTYPES: 38% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	28,314	Sf of Land	\$110 /Sf of Land		\$3,115,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		28,314	Sf of Land	\$25 /Sf of Land	\$708,000	
	Parking	3					
	At-Grade Spaces		0	Spaces	\$5,000 /Space	0	
	Above-Ground Spaces		59	Spaces	\$25,000 /Space	1,475,000	
	Building Costs		54,933	Sf of GBA	\$175 /Sf of GBA	9,613,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		2,359,000	
	Total Direct Costs		54,933	Sf of GBA	\$258 /Sf of GBA		\$14,155,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$849,000	
	Public Permits & Fees	5	49	Units	\$18,200 /Unit	892,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		283,000	
	Marketing		49	Units	\$1,000 /Unit	49,000	
	Developer Fee			5% Direct Costs		708,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		139,000	
	Total Indirect Costs						\$2,920,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$3,115,000	Cost	5.0% Avg Rate	\$195,000	
	Construction	7	\$18,141,000	Cost	5.0% Avg Rate	680,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	191,000	
	Total Financing Costs						\$1,066,000
V.	Total Construction Cost		49	Units	\$370,000 /Unit		\$18,141,000
	Total Development Cost		49	Units	\$434,000 /Unit		\$21,256,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 For sites within 1/2 mile of an accessible major transit stop, and at least 11% very low income units or 20% low income units, Section 65915 (p) sets the parking standards at .5 spaces per unit. In this analysis the parking is set at 1.0 space for Studio Units; 1.0 space for One Bedroom Units; 1.5 spaces for Two Bedroom Units; 1.5 spaces for Three Bedroom Units; and 0.0 spaces per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$0 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS ALTERNATIVE
 STATION SQUARE ADJACENT PROTOTYPES: 38% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	8 Units @	\$2,933 /Unit/Month	\$281,600
One Bedroom Units	17 Units @	\$3,163 /Unit/Month	645,200
Two Bedroom Units	17 Units @	\$4,034 /Unit/Month	823,000
Three Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Inclusionary Units**

% of Base Zoning Units

²

Studio Units	1 Unit @	\$773 /Unit/Month	9,300
One Bedroom Units	1 Unit @	\$868 /Unit/Month	10,400
Two Bedroom Units	2 Units @	\$960 /Unit/Month	23,000
Three Bedroom Units	0 Units @	\$1,050 /Unit/Month	0

Low Income Inclusionary Units

³

Studio Units	1 Unit	\$1,289 /Unit/Month	15,500
One Bedroom Units	1 Unit	\$1,457 /Unit/Month	17,500
Two Bedroom Units	1 Unit	\$1,623 /Unit/Month	19,500
Three Bedroom Units	0 Units	\$1,786 /Unit/Month	0

C. **Laundry & Miscellaneous Income**

49 Units @	\$25 /Unit/Month	14,700
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Total Gross Income

\$1,859,700

Vacancy & Collection Allowance

5% Gross Income

(93,000)

II. **Effective Gross Income**

\$1,766,700

III. **Operating Expenses**

General Operating Expenses	49 Units @	\$4,500 /Unit	\$220,500
Property Taxes	49 Units @	\$6,800 /Unit	331,900
Replacement Reserve Deposits	49 Units @	\$150 /Unit	7,400

Total Operating Expenses

49 Units @	\$11,424 /Unit	(\$559,800)
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IV. **Stabilized Net Operating Income**

\$1,206,900

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.12 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households.

³ The balance of the affordable units are set aside for low income households. The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT IV - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 DENSITY BONUS ALTERNATIVE
 STATION SQUARE ADJACENT PROTOTYPES: 38% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT IV - TABLE 2	\$1,206,900
	Threshold Return on Total Investment ¹		5.5%
	Total Supportable Investment		\$21,974,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1	\$21,256,000
III.	<u>Total Financial Impact</u>		\$718,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.7% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX D

**PRO FORMA ANALYSES
MYRTLE CORRIDOR PROTOTYPES
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX D - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE ALTERNATIVE
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	87,120	Sf of Land	\$110 /Sf of Land		\$9,583,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$25 /Sf of Land	\$2,178,000	
	Parking	3					
	At-Grade Spaces		54	Spaces	\$5,000 /Space	270,000	
	Above-Ground Spaces		216	Spaces	\$25,000 /Space	5,400,000	
	Building Costs		159,267	Sf of GBA	\$175 /Sf of GBA	27,872,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		7,144,000	
	Total Direct Costs		159,267	Sf of GBA	\$269 /Sf of GBA		\$42,864,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$2,572,000	
	Public Permits & Fees	5	108	Units	\$21,100 /Unit	2,279,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		857,000	
	Marketing		108	Units	\$1,000 /Unit	108,000	
	Developer Fee			5% Direct Costs		2,143,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		398,000	
	Total Indirect Costs						\$8,357,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$9,583,000	Cost	5.0% Avg Rate	\$599,000	
	Construction	7	\$54,437,000	Cost	5.0% Avg Rate	2,041,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	576,000	
	Total Financing Costs						\$3,216,000
V.	Total Construction Cost		108	Units	\$504,000 /Unit		\$54,437,000
	Total Development Cost		108	Units	\$593,000 /Unit		\$64,020,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE ALTERNATIVE
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One Bedroom Units	32 Units @	\$3,064 /Unit/Month	1,176,500
Two Bedroom Units	49 Units @	\$4,236 /Unit/Month	2,490,700
Three Bedroom Units	27 Units @	\$5,088 /Unit/Month	1,648,400

B. **Laundry & Miscellaneous Income**

108 Units @	\$25 /Unit/Month	32,400
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Total Gross Income

\$5,348,000

Vacancy & Collection Allowance

5% Gross Income

(267,400)

II. **Effective Gross Income**

\$5,080,600

III. **Operating Expenses**

General Operating Expenses	108 Units @	\$4,500 /Unit	\$486,000
Property Taxes	108 Units @	\$9,100 /Unit	987,500
Replacement Reserve Deposits	108 Units @	\$150 /Unit	16,200

Total Operating Expenses

(\$1,489,700)

IV. **Stabilized Net Operating Income**

\$3,590,900

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.71 per square foot of leasable area.

APPENDIX D - EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT

MARKET RATE ALTERNATIVE

MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT I - TABLE 2	\$3,590,900
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$64,020,000</u>
III.	Return on Total Investment		5.6%

APPENDIX D - EXHIBIT II

PRO FORMA ANALYSIS

LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT

MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	87,120	Sf of Land	\$110 /Sf of Land		\$9,583,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$25 /Sf of Land	\$2,178,000	
	Parking	3					
	At-Grade Spaces		54	Spaces	\$5,000 /Space	270,000	
	Above-Ground Spaces		216	Spaces	\$25,000 /Space	5,400,000	
	Building Costs		159,267	Sf of GBA	\$175 /Sf of GBA	27,872,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		7,144,000	
	Total Direct Costs		159,267	Sf of GBA	\$269 /Sf of GBA		\$42,864,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$2,572,000	
	Public Permits & Fees	5	108	Units	\$21,100 /Unit	2,279,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		857,000	
	Marketing		108	Units	\$1,000 /Unit	108,000	
	Developer Fee			5% Direct Costs		2,143,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		398,000	
	Total Indirect Costs						\$8,357,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$9,433,900	Cost	5.0% Avg Rate	\$590,000	
	Construction	7	\$54,427,000	Cost	5.0% Avg Rate	2,041,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	576,000	
	Total Financing Costs						\$3,207,000
V.	Total Construction Cost		108	Units	\$504,000 /Unit		\$54,428,000
	Total Development Cost		108	Units	\$593,000 /Unit		\$64,011,000

¹ Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on impact fee information provided by the City staff plus an allowance for building permit fees.

⁶ Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$149,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	0 Units @	\$0 /Unit/Month	\$0
One Bedroom Units	30 Units @	\$3,064 /Unit/Month	1,103,000
Two Bedroom Units	47 Units @	\$4,236 /Unit/Month	2,389,100
Three Bedroom Units	25 Units @	\$5,088 /Unit/Month	1,526,300
B. Low Income Units ²			
Studio Units	0 Units @	\$1,289 /Unit/Month	0
One Bedroom Units	2 Units @	\$1,457 /Unit/Month	35,000
Two Bedroom Units	2 Units @	\$1,623 /Unit/Month	39,000
Three Bedroom Units	2 Units @	\$1,786 /Unit/Month	42,900
C. Laundry & Miscellaneous Income	108 Units @	\$25 /Unit/Month	32,400
Total Gross Income			\$5,167,700
Vacancy & Collection Allowance	5% Gross Income		(258,400)
II. Effective Gross Income			\$4,909,300
III. <u>Operating Expenses</u>			
General Operating Expenses	108 Units @	\$4,500 /Unit	\$486,000
Property Taxes	108 Units @	\$8,800 /Unit	950,500
Replacement Reserve Deposits	108 Units @	\$150 /Unit	16,200
Total Operating Expenses	108 Units @	\$13,451 /Unit	(\$1,452,700)
IV. <u>Stabilized Net Operating Income</u>			\$3,456,600

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.71 per square foot of leasable area.

² The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 LOW INCOME ALTERNATIVE - SUPPORTABLE REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT II - TABLE 2	\$3,456,600
	Threshold Return on Total Investment ¹		5.6%
	Total Supportable Investment		\$61,626,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1	\$64,011,000
III.	Total Financial Impact		(\$2,385,000)
	Property Acquisition Cost Reduction	25% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.4% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	3.3% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT III

PRO FORMA ANALYSIS

LOW INCOME ALTERNATIVE - 10% REQUIREMENT

MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	87,120	Sf of Land	\$110 /Sf of Land		\$9,583,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$25 /Sf of Land	\$2,178,000	
	Parking	3					
	At-Grade Spaces		54	Spaces	\$5,000 /Space	270,000	
	Above-Ground Spaces		216	Spaces	\$25,000 /Space	5,400,000	
	Building Costs		159,267	Sf of GBA	\$175 /Sf of GBA	27,872,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		7,144,000	
	Total Direct Costs		159,267	Sf of GBA	\$269 /Sf of GBA		\$42,864,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$2,572,000	
	Public Permits & Fees	5	108	Units	\$21,100 /Unit	2,279,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		857,000	
	Marketing		108	Units	\$1,000 /Unit	108,000	
	Developer Fee			5% Direct Costs		2,143,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		398,000	
	Total Indirect Costs						\$8,357,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$9,307,200	Cost	5.0% Avg Rate	\$582,000	
	Construction	7	\$54,420,000	Cost	5.0% Avg Rate	2,041,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	576,000	
	Total Financing Costs						\$3,199,000
V.	Total Construction Cost		108	Units	\$504,000 /Unit		\$54,420,000
	Total Development Cost		108	Units	\$593,000 /Unit		\$64,003,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$275,800 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units 1			
Studio Units	0 Units @	\$0 /Unit/Month	\$0
One Bedroom Units	29 Units @	\$3,064 /Unit/Month	1,066,200
Two Bedroom Units	44 Units @	\$4,236 /Unit/Month	2,236,600
Three Bedroom Units	24 Units @	\$5,088 /Unit/Month	1,465,200
B. Low Income Units 2			
Studio Units	0 Units @	\$1,289 /Unit/Month	0
One Bedroom Units	3 Units @	\$1,457 /Unit/Month	52,500
Two Bedroom Units	5 Units @	\$1,623 /Unit/Month	97,400
Three Bedroom Units	3 Units @	\$1,786 /Unit/Month	64,300
C. Laundry & Miscellaneous Income	108 Units @	\$25 /Unit/Month	<u>32,400</u>
Total Gross Income			\$5,014,600
Vacancy & Collection Allowance	5% Gross Income		<u>(250,700)</u>
II. Effective Gross Income			\$4,763,900
III. <u>Operating Expenses</u>			
General Operating Expenses	108 Units @	\$4,500 /Unit	\$486,000
Property Taxes	108 Units @	\$8,500 /Unit	919,200
Replacement Reserve Deposits	108 Units @	\$150 /Unit	<u>16,200</u>
Total Operating Expenses	108 Units @	\$13,161 /Unit	<u>(\$1,421,400)</u>
IV. <u>Stabilized Net Operating Income</u>			<u>\$3,342,500</u>

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.71 per square foot of leasable area.

² The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT III - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 LOW INCOME ALTERNATIVE - 10% REQUIREMENT
 MYRTLE CORRIDOR PROTOTYPES: BASE CASE DENSITY: 1.83 FAR - 54 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT III - TABLE 2	\$3,342,500
	Threshold Return on Total Investment ¹		5.6%
	Total Supportable Investment		\$59,591,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1	\$64,003,000
III.	Total Financial Impact		(\$4,412,000)
	Property Acquisition Cost Reduction	46% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	6.5% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT IV

**PRO FORMA ANALYSIS
DENSITY BONUS ALTERNATIVE
MYRTLE CORRIDOR PROTOTYPES: 50% §65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS ALTERNATIVE
 MYRTLE CORRIDOR PROTOTYPES: 50% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	1	87,120	Sf of Land	\$110 /Sf of Land		\$9,583,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$25 /Sf of Land	\$2,178,000	
	Parking	3					
	At-Grade Spaces		0	Spaces	\$5,000 /Space	0	
	Above-Ground Spaces		219	Spaces	\$25,000 /Space	5,475,000	
	Building Costs		238,167	Sf of GBA	\$175 /Sf of GBA	41,679,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		9,866,000	
	Total Direct Costs		238,167	Sf of GBA	\$249 /Sf of GBA		\$59,198,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$3,552,000	
	Public Permits & Fees	5	162	Units	\$20,700 /Unit	3,353,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,184,000	
	Marketing		162	Units	\$1,000 /Unit	162,000	
	Developer Fee			5% Direct Costs		2,960,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		561,000	
	Total Indirect Costs						\$11,772,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$9,583,000	Cost	5.0% Avg Rate	\$599,000	
	Construction	7	\$75,150,000	Cost	5.0% Avg Rate	2,818,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	763,000	
	Total Financing Costs						\$4,180,000
V.	Total Construction Cost		162	Units	\$464,000 /Unit		\$75,150,000
	Total Development Cost		162	Units	\$523,000 /Unit		\$84,733,000

1 Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

2 Based on the estimated costs for similar uses.

3 For sites within 1/2 mile of an accessible major transit stop, and at least 11% very low income units or 20% low income units, Section 65915 (p) sets the parking standards at .5 spaces per unit. In this analysis the parking is set at 1.0 space for Studio Units; 1.0 space for One Bedroom Units; 1.5 spaces for Two Bedroom Units; 1.5 spaces for Three Bedroom Units; and 0.0 spaces per unit for Guest Parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on impact fee information provided by the City staff plus an allowance for building permit fees.

6 Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$0 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

7 Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS ALTERNATIVE
 MYRTLE CORRIDOR PROTOTYPES: 50% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	0 Units @	\$0 /Unit/Month	\$0
One Bedroom Units	42 Units @	\$3,064 /Unit/Month	1,544,200
Two Bedroom Units	63 Units @	\$4,236 /Unit/Month	3,202,400
Three Bedroom Units	35 Units @	\$5,088 /Unit/Month	2,136,800
B. Inclusionary Units			
% of Base Zoning Units ²			
Studio Units	0 Units @	\$773 /Unit/Month	0
One Bedroom Units	5 Units @	\$868 /Unit/Month	52,100
Two Bedroom Units	8 Units @	\$960 /Unit/Month	92,200
Three Bedroom Units	4 Units @	\$1,050 /Unit/Month	50,400
Low Income Inclusionary Units ³			
Studio Units	0 Units	\$1,289 /Unit/Month	0
One Bedroom Units	2 Units	\$1,457 /Unit/Month	35,000
Two Bedroom Units	2 Units	\$1,623 /Unit/Month	39,000
Three Bedroom Units	1 Unit	\$1,786 /Unit/Month	21,400
C. Laundry & Miscellaneous Income	162 Units @	\$25 /Unit/Month	48,600
Total Gross Income			\$7,222,100
Vacancy & Collection Allowance	5% Gross Income		(361,100)
II. Effective Gross Income			\$6,861,000
III. <u>Operating Expenses</u>			
General Operating Expenses	162 Units @	\$4,500 /Unit	\$729,000
Property Taxes	162 Units @	\$8,100 /Unit	1,318,200
Replacement Reserve Deposits	162 Units @	\$150 /Unit	24,300
Total Operating Expenses	162 Units @	\$12,787 /Unit	(\$2,071,500)
IV. <u>Stabilized Net Operating Income</u>			\$4,789,500

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.71 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households.

³ The balance of the affordable units are set aside for low income households. The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT IV - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 DENSITY BONUS ALTERNATIVE
 MYRTLE CORRIDOR PROTOTYPES: 50% §65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT IV - TABLE 2	\$4,789,500
	Threshold Return on Total Investment ¹		5.6%
	Total Supportable Investment		\$85,389,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1	\$84,733,000
III.	Total Financial Impact		\$656,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.7% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

APPENDIX E

PRO FORMA ANALYSES

PD-12 PROTOTYPES

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX E - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

PD-12 PROTOTYPES: PD-12 COMPLIANT FAR: 2.5 FAR - 100 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE ALTERNATIVE
 PD-12 PROTOTYPES: PD-12 COMPLIANT FAR: 2.5 FAR - 100 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	¹	126,324	Sf of Land	\$110 /Sf of Land		\$13,896,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		126,324	Sf of Land	\$25 /Sf of Land	\$3,158,000	
	Parking	³					
	Above-Ground Spaces		145	Spaces	\$25,000 /Space	3,625,000	
	1st Level Subterranean		580	Spaces	\$40,000 /Space	23,200,000	
	Building Costs		317,067	Sf of GBA	\$200 /Sf of GBA	63,413,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		18,679,000	
	Total Direct Costs		317,067	Sf of GBA	\$353 /Sf of GBA		\$112,075,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$6,725,000	
	Public Permits & Fees	⁵	290	Units	\$19,000 /Unit	5,510,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		2,242,000	
	Marketing		290	Units	\$1,000 /Unit	290,000	
	Developer Fee			5% Direct Costs		5,604,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		1,019,000	
	Total Indirect Costs						\$21,390,000
IV.	Financing Costs						
	Interest During Construction						
	Land	⁶	\$13,896,000	Cost	5.0% Avg Rate	\$1,042,000	
	Construction	⁷	\$142,317,000	Cost	5.0% Avg Rate	6,404,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	1,406,000	
	Total Financing Costs						\$8,852,000
V.	Total Construction Cost		290	Units	\$491,000 /Unit		\$142,317,000
	Total Development Cost		290	Units	\$539,000 /Unit		\$156,213,000

¹ Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Studio Units; 2.0 spaces for One Bedroom Units; 2.0 spaces for Two Bedroom Units; 2.0 spaces for Three Bedroom Units; and 0.5 space per unit for Guest Parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on impact fee information provided by the City staff plus an allowance for building permit fees.

⁶ Based on a 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on a 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX E - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE ALTERNATIVE
 PD-12 PROTOTYPES: PD-12 COMPLIANT FAR: 2.5 FAR - 100 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	58 Units @	\$2,933 /Unit/Month	\$2,041,700
One Bedroom Units	145 Units @	\$3,163 /Unit/Month	5,503,200
Two Bedroom Units	87 Units @	\$4,034 /Unit/Month	4,211,700
Three Bedroom Units	0 Units @	\$0 /Unit/Month	0
B. Laundry & Miscellaneous Income	290 Units @	\$25 /Unit/Month	<u>87,000</u>
Total Gross Income			\$11,843,600
Vacancy & Collection Allowance	5% Gross Income		<u>(592,200)</u>
II. Effective Gross Income			\$11,251,400
III. <u>Operating Expenses</u>			
General Operating Expenses	290 Units @	\$4,500 /Unit	\$1,305,000
Property Taxes	290 Units @	\$7,400 /Unit	2,135,900
Replacement Reserve Deposits	290 Units @	\$150 /Unit	<u>43,500</u>
Total Operating Expenses	290 Units @	\$12,015 /Unit	<u>(\$3,484,400)</u>
IV. <u>Stabilized Net Operating Income</u>			\$7,767,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.12 per square foot of leasable area.

APPENDIX E - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
PD-12 PROTOTYPES: PD-12 COMPLIANT FAR: 2.5 FAR - 100 UNITS/ACRE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT I - TABLE 2	\$7,767,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$156,213,000</u>
III.	Return on Total Investment		5.0%

APPENDIX E - EXHIBIT II

PRO FORMA ANALYSIS

ADDITIONAL AFFORDABLE UNIT ALTERNATIVE

PD-12 PROTOTYPES: DENSITY BONUS FAR CONCESSION: 3.2 FAR / 127 UNITS/ACRE

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

MONROVIA, CALIFORNIA

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 ADDITIONAL AFFORDABLE UNIT ALTERNATIVE
 PD-12 PROTOTYPES: DENSITY BONUS FAR CONCESSION: 3.2 FAR / 127 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	Property Acquisition Costs	¹	126,324	Sf of Land	\$110 /Sf of Land		\$13,896,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		126,324	Sf of Land	\$25 /Sf of Land	\$3,158,000	
	Parking	³					
	Above-Ground Spaces		0	Spaces	\$25,000 /Space	0	
	1st Level Subterranean		423	Spaces	\$40,000 /Space	16,920,000	
	Building Costs		402,133	Sf of GBA	\$200 /Sf of GBA	80,427,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		20,101,000	
	Total Direct Costs		402,133	Sf of GBA	\$300 /Sf of GBA		\$120,606,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$7,236,000	
	Public Permits & Fees	⁵	368	Units	\$18,400 /Unit	6,771,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		2,412,000	
	Marketing		368	Units	\$1,000 /Unit	368,000	
	Developer Fee			5% Direct Costs		6,030,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		1,141,000	
	Total Indirect Costs						\$23,958,000
IV.	Financing Costs						
	Interest During Construction						
	Land	⁶	\$13,896,000	Cost	5.0% Avg Rate	\$1,042,000	
	Construction	⁷	\$154,050,000	Cost	5.0% Avg Rate	6,932,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	1,512,000	
	Total Financing Costs						\$9,486,000
V.	Total Construction Cost		368	Units	\$419,000 /Unit		\$154,050,000
	Total Development Cost		368	Units	\$456,000 /Unit		\$167,946,000

¹ Estimated in part based on a sales survey of properties in Monrovia with residential zoning.

² Based on the estimated costs for similar uses.

³ For sites within 1/2 mile of an accessible major transit stop, and at least 11% very low income units or 20% low income units, Section 65915 (p) sets the parking standards at .5 spaces per unit. In this analysis the parking is set at 1.0 space for Studio Units; 1.0 space for One Bedroom Units; 1.5 spaces for Two Bedroom Units; 1.5 spaces for Three Bedroom Units; and 0.0 spaces per unit for Guest Parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on impact fee information provided by the City staff plus an allowance for building permit fees.

⁶ Based on a 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance. Includes a \$0 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX E - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 ADDITIONAL AFFORDABLE UNIT ALTERNATIVE
 PD-12 PROTOTYPES: DENSITY BONUS FAR CONCESSION: 3.2 FAR / 127 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	62 Units @	\$2,933 /Unit/Month		\$2,182,500
One Bedroom Units	154 Units @	\$3,163 /Unit/Month		5,844,700
Two Bedroom Units	94 Units @	\$4,034 /Unit/Month		4,550,600
Three Bedroom Units	0 Units @	\$0 /Unit/Month		0
B. Inclusionary Units				
% of Base Zoning Units ²				
Studio Units	3 Units @	\$773 /Unit/Month		27,800
One Bedroom Units	8 Units @	\$868 /Unit/Month		83,300
Two Bedroom Units	4 Units @	\$960 /Unit/Month		46,100
Three Bedroom Units	0 Units @	\$1,050 /Unit/Month		0
Low Income Inclusionary Units ³				
Studio Units	9 Units	\$1,289 /Unit/Month		139,200
One Bedroom Units	22 Units	\$1,457 /Unit/Month		384,600
Two Bedroom Units	12 Units	\$1,623 /Unit/Month		233,700
Three Bedroom Units	0 Units	\$1,786 /Unit/Month		0
C. Laundry & Miscellaneous Income				
	368 Units @	\$25 /Unit/Month		110,400
Total Gross Income				\$13,602,900
Vacancy & Collection Allowance	5% Gross Income			(680,100)
II. Effective Gross Income				\$12,922,800
III. <u>Operating Expenses</u>				
General Operating Expenses	368 Units @	\$4,500 /Unit		\$1,656,000
Property Taxes	368 Units @	\$6,600 /Unit		2,418,400
Replacement Reserve Deposits	368 Units @	\$150 /Unit		55,200
Total Operating Expenses				(\$4,129,600)
IV. <u>Stabilized Net Operating Income</u>				\$8,793,200

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.12 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households.

³ The balance of the affordable units are set aside for low income households. The low income rent calculations are based on household income at 80% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS
 ADDITIONAL AFFORDABLE UNIT ALTERNATIVE
 PD-12 PROTOTYPES: DENSITY BONUS FAR CONCESSION: 3.2 FAR / 127 UNITS/ACRE
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT II - TABLE 2	\$8,793,200
	Threshold Return on Total Investment ¹		5.0%
	Total Supportable Investment		\$176,852,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT II - TABLE 1	\$167,946,000
III.	<u>Total Financial Impact</u>		\$8,906,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the BASE CASE DENSITY: 1.38 FAR - 54 UNITS/ACRE: MARKET RATE ALTERNATIVE.

ATTACHMENT 5

IN-LIEU FEE ANALYSES INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX A

IN-LIEU FEE ANALYSIS SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE INCLUSIONARY HOUSING: FINANCIAL EVALUATION MONROVIA, CALIFORNIA

APPENDIX A

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH - MODERATE INCOME
SPECIFIC PLAN OWNERSHIP HOUSING PROTOTYPE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA

		Specific Plan Prototype
I. <u>Sales Price Difference</u>		
A. Two-Bedroom Units		
Market Rate Sales Price	1	\$660,000
Affordable Sales Price	2	<u>314,000</u>
Difference		\$346,000
B. Three-Bedroom Units		
Market Rate Sales Price	1	\$793,000
Affordable Sales Price	2	<u>344,400</u>
Difference		\$448,600
II. <u>Distribution of Total Units</u>		
	3	
Two-Bedroom Units		50%
Three-Bedroom Units		50%
III. <u>Assumptions</u>		
Total Units		30
Saleable Area		40,500
Weighted Average Unit Size		1,350
Inclusionary Housing Percentage		10%
Inclusionary Units		3
Affordability Gap Per Inclusionary Unit	4	\$397,300
IV. <u>In-Lieu Fee</u>		
Total In-Lieu Fee		\$1,191,900
Per Total Unit in the Project		\$39,730
Per Square Foot of Saleable Area		\$29.40

¹ The market rate sales prices are drawn from the pro forma analyses. (See APPENDIX C - EXHIBIT I).

² See APPENDIX B.

² Based on the unit mix distribution applied in the pro forma analysis.

⁴ Based on the weighted average difference between the Market Rate Prices and the Affordable Sales Prices.

APPENDIX B

**IN-LIEU FEE ANALYSIS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
MONROVIA, CALIFORNIA**

APPENDIX B

IN-LIEU FEE ANALYSIS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 MONROVIA, CALIFORNIA

		STATION SQUARE ADJACENT PROTOTYPES	MYRTLE CORRIDOR PROTOTYPES	
I. Rent Difference				
A. Studio Units				
Market Rents	1	\$2,933	\$0	
Affordable Rents	2	773	0	
Difference		\$2,160	\$0	
One Bedroom Units				
Market Rents	1	\$3,163	\$3,064	
Affordable Rents	2	868	868	
Difference		\$2,295	\$2,196	
B. Two Bedroom Units				
Market Rents	1	\$4,034	\$4,236	
Affordable Rents	2	960	960	
Difference		\$3,074	\$3,276	
C. Three Bedroom Units				
Market Rents	1	\$0	\$5,088	
Affordable Rents	2	0	1,050	
Difference		\$0	\$4,038	
II. Distribution of Total Units	3			
Studio Units		20%	0%	
One Bedroom Units		40%	30%	
Two Bedroom Units		40%	45%	
Three Bedroom Units		0%	25%	
III. Annual Rent Difference Per Inclusionary Unit		\$30,956	\$37,710	
Less: Property Tax Difference	4	(8,510)	(10,370)	
Net Annual Rent Difference Per Inclusionary Unit		\$22,446	\$27,340	
IV. Assumptions				
Total Units		35	108	
Total Leasable Area		29,400	119,450	
Weighted Average Unit Size		840	1,106	
Inclusionary Housing Percentage		6.0%	6.0%	
Inclusionary Units		2	6	
Affordability Gap Per Inclusionary Unit	5	\$409,000	\$487,000	<u>Weighted Average</u> \$468,000
V. In-Lieu Fee				
Total In-Lieu Fee		\$818,000	\$2,922,000	
Per Total Unit in the Project		\$23,370	\$27,060	
Per Square Foot of Total Leasable Area		\$27.80	\$24.50	\$25.30

¹ The market rents are drawn from the pro forma analyses.

² See APPENDIX B.

³ Based on the unit mix distribution applied in the pro forma analysis.

⁴ Based on the rent differential capitalized at a 4.0% rate to establish the value, and a 1.10% property tax rate.

⁵ Based on the Annual Affordability Gap Per Inclusionary Unit capitalized at the Threshold Return on Total Investment.