Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Mayor London Breed
President Aaron Peskin and Member of the Board of Supervisors

FROM: Ben Rosenfield, Controller
Ted Egan, Chief Economist

DATE: June 30, 2023

SUBJECT: **Inclusionary Housing: Triennial Review of Economic Feasibility**

Background

Section 415.10 of the Planning Code requires the Controller, with the assistance of a Technical Advisory Committee (TAC) and consultants, to prepare a feasibility study of the City's inclusionary housing requirements every three years. This work has recently been completed, and this report summarizes the findings and recommendations stemming from this study.

Inclusionary housing refers to the inclusion of permanently affordable housing units within a market-rate housing development. Since 2002, the City has required market-rate housing developers to provide inclusionary housing, either within a market-rate development, off-site, or through paying an in-lieu fee to fund other affordable housing projects. The City's policy has been to maximize the affordable housing requirements without harming the financial feasibility of market-rate development. Since market conditions change, the amount of affordable housing that a project can provide, while remaining financially feasible, can change as well.

Inclusionary housing requirements were changed in 2007, and again in 2012. In 2016, voters adopted a ballot measure that raised the requirements. The measure also required the Controller to conduct a feasibility analysis with input from the TAC and assistance from consultants. That work was completed in 2017.

The 2016 measure also required the Controller to conduct a feasibility study of the requirements no less frequently than every three years. This review was delayed both because of the COVID-19 emergency, and because of delays in re-appointing members of the TAC. This report is the first Triennial Feasibility Analysis required by Section 415.10.

Process

At the outset of the current analysis, the Controller's Office contracted with Century Urban, the consulting firm that conducted the financial feasibility analysis during the first Controller study of the City's inclusionary housing requirements in 2016-17. For this current engagement, Century Urban was joined by a sub-consultant, TBD Consultants (TBD). TBD is a construction cost-estimation firm that was brought on to provide construction cost estimates for the prototype projects to be analyzed.

In 2022 and 2023, the Controller's Office convened four meetings of the TAC. The four meetings covered the following general topics:

- October 27th, 2022: Review of Past Work and Discussion of Proposed Approach
- January 6th, 2023: Consultant Presentation of Feasibility Findings
- March 10th, 2023: Presentation of Controller Recommendations
- April 6th, 2023: Affordable Housing Context; Discussion of Options for Improving Feasibility; TAC Consideration of Recommendations

At the first meeting, members of the TAC and project team were introduced, past policy decisions were reviewed, and an approach for studying feasibility was presented. This approach is described below.

Approach

The consultants used a similar methodology for assessing financial feasibility to that used in the 2016 study. While it is not possible to assess the maximum inclusionary requirement that any potential project could support, it is common to analyze project prototypes that represent the types of projects that are typically built in the city. Following the approach from the 2016 study, the following base case prototypes were developed for this study: a low-rise, a mid-rise, two high-rise, and a small low-rise project.

1. Case A: Low-rise, Type V construction, 55 feet height
2. Case B: Mid-rise, Type III construction, 95 feet height
3. Case C: High-rise, Type I construction, 135 feet height
4. Case D: High-rise, Type I construction, 245 feet height
5. Case E: Small Low-rise, Type V construction, 45 feet height

For each of these five prototypes, four scenarios were analyzed to assess the feasibility of inclusionary requirements. These scenarios include apartment and condominium scenarios. Additionally, new projects now often utilize the State Density Bonus (SDB) program, a State policy that provides developers with the ability to build more units in a project based on the level of affordable housing included in the project. Accordingly, the analyzed scenarios also include SDB apartment and condominium scenarios resulting in a total of 20 scenarios.

Analyses of the 20 scenarios are based on research regarding the revenues that a project is projected to generate and expenses that a project is expected to incur in the current market environment, as well as the costs of development including financing, and inclusionary housing and other exactions. To ensure that development costs are estimated as accurately as possible, TBD provided construction cost estimates for each of the base case prototypes. Based on this research and TBD's estimates, the consulting team estimated revenues, expenses, and costs for each scenario and made adjustments after receiving feedback from the TAC. Additional detail regarding the underwriting assumptions for each scenario is provided in the Appendix.

Based on these analyses, a residual land value – the amount that a potential project can afford to pay for land based on the estimated revenues, expenses, costs, and developer return – is estimated. If the residual land value exceeds the estimated current market value of land, the project may be feasible; if it is below the estimated land value, it would generally not be considered feasible.

To assess current land values, Century Urban reviewed recent land transactions for proposed residential development projects. The number of recent land sale transactions is limited when compared to prior periods, but based on the available data, the average land cost per unit for an unentitled project is estimated to be in the range of $60,000 - $70,000.

Findings

In the second TAC meeting, the consulting team presented the economic analysis findings. In the tables below, the first two rows show the estimated residual land values for the base and SDB cases based on then-current (2022) inclusionary housing requirements. Purely for illustration, the third and fourth rows show the estimated residual land values for a case in which no in-lieu fee is required for any additional units afforded by the SDB, and a hypothetical case of a 100% market rate project, with no inclusionary housing requirement.

For both the base and SDB apartment cases, the estimated residual land values are negative, between -$48,000 and -$271,000 per unit, depending on the prototype. This means that, even if land for the project could be acquired at zero cost, the project is still not projected to be financially feasible.

While removing the in-lieu fee paid on additional SDB units makes a small difference, as shown in the third row, the estimated residual land values are still negative. Even the hypothetical 100% market-rate project, with no inclusionary housing requirement, is projected to generate a positive residual land value in only one scenario, and this land value still falls well below the current market average land cost.

Apartments	Residual Land Value per Unit				
Case	A	B	C	D	E
Building Type (Base Program)	Lowrise	Midrise	Highrise	Highrise	Lowrise
1.) Base Non-Density Bonus	($97,000)	($72,000)	($181,000)	($271,000)	($143,000)
2.) State Density Bonus	($92,000)	($188,000)	($166,000)	($262,000)	($48,000)
3.) State Density Bonus No Fee	($71,000)	($166,000)	($145,000)	($240,000)	($31,000)
4.) Hypothetical 100% Market Rate	($24,000)	$8,000	($96,000)	($194,000)	($44,000)

The estimated residual land values in the table above imply that the feasibility of developing apartments is limited in the current market environment.

For condominiums, the results are somewhat more mixed, as shown in the table below. The estimated residual land values for the base and SDB cases are either negative or below the $70,000 per unit land value threshold. However, the 100% market-rate scenarios did generate positive estimated residual land values, above or close to the land value threshold, for the low-rise, mid-rise, and one of the high-rise cases.

Condominiums	Residual Land Value per Unit				
Case	A	B	C	D	E
Building Type (Base Program)	Lowrise	Midrise	Highrise	Highrise	Lowrise
1.) Base Non-Density Bonus	$8,000	$18,000	($81,000)	($168,000)	($186,000)
2.) State Density Bonus	$14,000	($134,000)	($80,000)	($143,000)	($100,000)
3.) State Density Bonus No Fee	$36,000	($115,000)	($60,000)	($125,000)	($84,000)
4.) Hypothetical 100% Market Rate	$140,000	$143,000	$66,000	($17,000)	($87,000)

This suggested that low- and mid-rise projects that are similar to the prototypes may potentially be feasible with lower inclusionary requirements. At the third TAC meeting, the consultant team presented a sensitivity analysis for the condominium scenarios, which showed the estimated residual land values for the low-rise, mid-rise, and two high-rise prototypes, under different inclusionary requirements. As shown in the table below, with lower inclusionary requirements, the estimated residual land values for a few of the low- and mid-rise scenarios exceed the threshold land value range of $70,000 per unit. These are highlighted in green and indicate a project that is potentially feasible in the current market environment. Other scenarios are close to this threshold – these were shown in yellow and indicate marginal potential feasibility.

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

Notes:

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

The table indicates that low-and mid-rise prototypes may potentially be feasible, or marginally feasible, with onsite inclusionary requirements in the range of 12-16% for condominiums. The current onsite requirement for condominiums is 23.5%. The analysis also estimated that the equivalent in-lieu fee percentage would be in the range of 22-29%, which is below the current 33% in-lieu fee percentage for condominium projects. None of the high-rise prototypes generated feasible estimated residual land values under the range of inclusionary requirements analyzed in these scenarios.

Controller Recommendations

In the third TAC meeting, Controller's Office staff presented its policy recommendations, based on the consultants' findings discussed above. We made three recommendations:

1. That onsite requirements for both apartments and condominiums be set in the 12% - 16% range, and that in-lieu fee percentages be set in the 22% - 29% range.
2. That these requirements be in place only until April 2026, or three years after the final meeting where the recommendations were approved by the TAC.
3. That the term of TAC members should not expire (as they do currently) shortly after the publication of this report, but rather that TAC members continue in their positions unless replaced by their appointing authority (either the Mayor or the

Board of Supervisors). This change will ensure that the TAC is fully seated for the next feasibility assessment in three years, or earlier if needed.

Our recommendations are for the same requirements to apply to apartments and condominiums. Currently, different requirements apply to each. While we do not believe that the City should make them the same as a matter of policy, given that no apartment scenarios appear to be currently feasible, different requirements specific to apartments are not being recommended at this time.

As the consultants' analysis indicates, only some low- and mid-rise condominium scenarios are projected to be feasible at the recommended inclusionary requirement levels. Given the current market environment, the City should expect continued low rates of housing development. While the recommended inclusionary requirements are not projected to lead to feasibility for larger high-rise condominiums, we decided against recommending setting requirements based on the size of the project.

At the meeting, we also concurred with a point made by several members of the TAC, that the City has many ways to influence housing feasibility, and that inclusionary requirements are but one tool. The code-directed scope of this exercise is to recommend inclusionary housing requirements that are feasible, but the TAC wished to go on record recommending that the City consider other policies to improve the feasibility of new housing development, and the resources available for affordable housing.

Conclusion

At the fourth and final TAC meeting, discussion turned to the broader context of affordable housing in the city. TAC member Peter Cohen presented background data from the Planning Department regarding the city's track record in producing affordable housing, and its housing policy goals.

The City's recently adopted Housing Element reflects a Regional Housing Needs Assessment (RHNA) allocation averaging 10,258 units a year between 2023 and 2031, of which 57%, or 5,824, need to be affordable to moderate- or lower-income households. Over the 2015-22 period, an average of 1,062 units were built per year for moderate- or lower-income households. Approximately 31% of affordable units built during the 2018-2022 period were onsite inclusionary units.

The Housing Element represents a commitment to produce a far greater level of affordable housing than the City has been able to achieve in the past. Moreover, the current infeasibility of market-rate housing development suggests that onsite inclusionary housing, which has been a major source of affordable units in the past, may be limited in the future.

In this context, additional local funding is likely to be required to achieve the goals in the Housing Element, with estimates of the funding gap ranging from $1.3 billion in 2023 to $2.4 billion in 2029.

The TAC then proceeded to discuss the policy options available to the City to improve the feasibility of housing development in the current market environment. Century Urban facilitated a discussion of the following potential options:

1. A City subsidy or cost reimbursement, which might include City-sponsored grants, subsidies, and/or tax-exempt bond financing to support goal of producing new affordable housing units within market-rate projects.
2. Lowering onsite inclusionary housing percentages (as the Controller recommends) and reconsider the income limits of the affordability tiers.
3. Align the City's onsite inclusionary percentages and affordability tiers with the requirements of the State Density Bonus.
4. Reduce or temporarily abate property taxes for new development.
5. Phase-in inclusionary housing requirements over time.
6. Issue City-sponsored bonds to fund feasibility gap created by onsite inclusionary units to support production of affordable units within market-rate projects.
7. Evaluate City-imposed impact fees and potential for fee reductions to support production of affordable units within market rate projects.
8. Study City-specific building code requirements, which increase housing production costs, to identify code requirements that materially increase costs.
9. Review the impact of the City-imposed fee on SDB units on feasibility.
10. Review the impact of the transfer tax on economic feasibility of new residential development projects.
11. Evaluate and promote alternative construction types (e.g., cross-laminated timber & modular) to achieve cost savings.
12. Defer and spread-out the timing for payment of City-Imposed fees.

Additionally, the TAC was in receipt of a letter from the Council of Community Housing Organizations (CCHO) that made other recommendations, including:

1. Time-Limited Amendments: Ensure that amendments are temporary and sunset after two years since they are being adjusted in the context of a temporary downturn in the real estate market.
2. Equity Geographies: Retain existing affordability standards in equity geographies facing displacement and gentrification to achieve community stabilization goals.
3. Reduce only top Income tiers: Focus amendments on inclusionary requirements for smaller units with higher AMIs given the persistent under subscription in these units and the proximity of rents in these units to market rents.

4. Honor Community Benefits Agreements: Any rollback of inclusionary standards for pipeline projects that have been previously entitled should honor pre-existing community benefits agreements negotiated with local neighborhood groups.
5. Fee Deferrals for State Density Bonus Projects: Fee deferrals should be limited to projects that are utilizing the State Density Bonus and that the commitment to collect the fees with interest once the units are leased up remains intact.
6. Local Neighborhood AMIs: Adjust AMI levels in inclusionary housing units based on local neighborhood median incomes as opposed to citywide median incomes to provide meaningful affordability in local neighborhoods.
7. Proportional Reductions in Neighborhood Planning Areas: In neighborhood planning areas and special use districts where unique inclusionary standards are in place, any reductions in the inclusionary standard that the TAC might recommend should be a proportional reduction based on the pre-existing standards and/or should defer to those community planning processes that are currently underway.

At the end of the meeting, the TAC unanimously supported a motion that:

1. Endorsed the Controller's recommendations discussed above.
2. Acknowledged the affordable housing context provided by Peter Cohen, and the need for additional funding for affordable housing, in light of the expected decline in inclusionary housing production.
3. Urged the City to consider the other options for improving housing feasibility that were discussed at the meeting, and the recommendations submitted to the TAC by CCHO.

Appendix

The City's inclusionary requirements as of 2022, prototype programs, hard cost estimates, and scenario underwriting assumptions are summarized in the tables below.

Inclusionary Requirements as of 2022

2022 Citywide Inclusionary Requirements for Rental Housing		
10-24 Unit Projects	Onsite	Offsite
55% AMI	14.50%	20.00%
25+ Unit Projects		
55% AMI	12.00%	18.00%
80% AMI	4.75%	6.00%
110% AMI	4.75%	6.00%
Total	21.50%	30.00%
Offsite In-Lieu Fee Percentage		
10-24 Unit Projects	20.00%	
25+ Unit Projects	30.00%	

** Reflects percentage of total project residential unit square footage on which in-lieu fee payment amount is to be calculated.*

2022 Citywide Inclusionary Requirements for Ownership Housing		
10-24 Unit Projects	Onsite	Offsite
80% AMI	14.50%	20.00%
25+ Unit Projects		
80% AMI	12.00%	18.00%
105% AMI	5.75%	8.00%
130% AMI	5.75%	7.00%
Total	23.50%	33.00%
Offsite In-Lieu Fee Percentage		
10-24 Unit Projects	20.00%	
25+ Unit Projects	33.00%	

** Reflects percentage of total project residential unit square footage on which in-lieu fee payment amount is to be calculated.*

Prototype Programs

Product Type	For-Rent Apartments – Base Program				
Case	Case A	Case B	Case C	Case D	Case E
Building Type	Lowrise	Midrise	Highrise	Highrise	Lowrise
Construction Type	Type V	Type III	Type I	Type I	Type V
Building Height	55 Feet	85 Feet	135 Feet	245 Feet	45 Feet
Building Stories	5 Stories	8 Stories	13 Stories	24 Stories	4 Stories
Building Units	45 Units	130 Units	227 Units	341 Units	13 Units
Affordable Units (%)	12.0%	12.0%	12.0%	12.0%	14.5%
Average Unit Size	825 NSF	825 NSF	825 NSF	825 NSF	852 NSF
Parking Ratio	0.25:1	0.25:1	0.25:1	0.25:1	0.77:1

Product Type	For-Rent Apartments – State Density Bonus Program				
Case	Case A	Case B	Case C	Case D	Case E
Building Type	Midrise	Highrise	Highrise	Highrise	Midrise
Construction Type	Type III	Type I	Type I	Type I	Type III
Building Height	75 Feet	125 Feet	185 Feet	345 Feet	65 Feet
Building Stories	7 Stories	12 Stories	18 Stories	34 Stories	6 Stories
Building Units	62 Units	180 Units	315 Units	473 Units	20 Units
Affordable Units (%)	8.6%	8.6%	8.6%	8.6%	9.7%
Average Unit Size	825 NSF	825 NSF	825 NSF	825 NSF	831 NSF
Parking Ratio	0.25:1	0.25:1	0.25:1	0.25:1	0.65:1

Product Type	For-Sale Condominiums – Base Program				
Case	Case A	Case B	Case C	Case D	Case E
Building Type	Lowrise	Midrise	Highrise	Highrise	Lowrise
Construction Type	Type V	Type III	Type I	Type I	Type V
Building Height	55 Feet	85 Feet	135 Feet	245 Feet	45 Feet
Building Stories	5 Stories	8 Stories	13 Stories	24 Stories	4 Stories
Building Units	37 Units	107 Units	188 Units	281 Units	13 Units
Affordable Units (%)	12.0%	12.0%	12.0%	12.0%	14.5%
Average Unit Size	1,000 NSF	1,000 NSF	1,000 NSF	1,000 NSF	852 NSF
Parking Ratio	0.50:1	0.50:1	0.50:1	0.50:1	0.77:1

Product Type	For-Sale Condominiums – State Density Bonus Program				
Case	Case A	Case B	Case C	Case D	Case E
Building Type	Lowrise	Midrise	Highrise	Highrise	Lowrise
Construction Type	Type III	Type I	Type I	Type I	Type V
Building Height	75 Feet	105 Feet	165 Feet	295 Feet	55 Feet
Building Stories	7 Stories	10 Stories	16 Stories	29 Stories	5 Stories
Building Units	46 Units	132 Units	231 Units	346 Units	17 Units
Affordable Units (%)	9.8%	9.8%	9.8%	9.8%	11.4%
Average Unit Size	1,000 NSF	1,000 NSF	1,000 NSF	1,000 NSF	838 NSF
Parking Ratio	0.50:1	0.50:1	0.50:1	0.50:1	0.76:1

Hard Cost Estimates

Product Type	For-Rent Apartments - Base Programs*				
Case	A	B	C	D	E
Building Type	Lowrise	Midrise	Highrise	Highrise	Lowrise
Construction Type	Type V	Type III	Type I	Type I	Type V
Building Stories	5 Stories	7 Stories	13 Stories	24 Stories	4 Stories
Total Project $/GSF	$442	$452	$550	$588	$503
Residential $/GSF	$471	$474	$584	$620	$587
Parking Location	At Grade	Below Grade	Below Grade	Below Grade	At Grade
Parking $/GSF	$223	$310	$320	$328	$294
Retail Shell $/GSF	$249	$208	$235	$241	$287

** Hard cost estimates prepared by TBD Consultants.*

Product Type	For-Sale Condominiums - Base Programs *				
Case	A	B	C	D	E
Building Type	Lowrise	Midrise	Highrise	Highrise	Lowrise
Construction Type	Type V	Type III	Type I	Type I	Type V
Building Stories	5 Stories	7 Stories	13 Stories	24 Stories	4 Stories
Total Project $/GSF	$428	$440	$538	$573	$516
Residential $/GSF	$473	$471	$584	$619	$603
Parking Location	At Grade	Below Grade	Below Grade	Below Grade	At Grade
Parking $/GSF	$198	$291	$321	$327	$297
Retail Shell $/GSF	$249	$208	$236	$242	$289

** Hard cost estimates prepared by TBD Consultants.*

Underwriting Assumptions

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

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

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

For-Rent Apartments – State Density Bonus Program Typology

Apartments	Underwriting Assumptions - State Density Bonus Programs				
Case (a) (b)	**A**	**B**	**C**	**D**	**E**
Construction Type	**Type III**	**Type I**	**Type I**	**Type I**	**Type III**
Building Type	**Midrise**	**Highrise**	**Highrise**	**Highrise**	**Midrise**
1.) Building Stories	7 Stories	12 Stories	18 Stories	34 Stories	6 Stories
2.) Building Height	75 Feet	125 Feet	185 Feet	345 Feet	65 Feet
3.) Gross Square Feet	72,438	207,500	364,469	554,538	26,225
4.) Efficiency Factor	80.0%	80.0%	80.0%	78.0%	80.0%
5.) Apartment Unit Count	62	180	315	473	20
6.) Wtd. Average Market Rent	$4,278 / $5.17	$4,500 / $5.46	$4,778 / $5.79	$4,575 / $5.55	$5,467 / $6.58
7.) Wtd. Average BMR Rent	$1,941 / $2.39	$1,958 / $2.37	$1,990 / $2.42	$1,982 / $2.39	$1,517 / $1.93
8.) Hard Costs (Total / Unit) (c)	$34.5M / $557,200	$121.2M / $673,200	$212.5M / $674,600	$344.4M / $728,000	$13.9M / $694,300
9.) Soft Cost - Impact Fees (Total / Unit)	$1.0M/$23,100	$3.0M/$23,000	$7.4M/$23,600	$11.3M/$23,800	$0.6M/$27,900
10.) Soft Cost - Insurance Costs (Total / Unit)	$0.2M/$5,000	$0.7M/$5,000	$1.6M/$5,000	$2.4M/$5,000	$0.1M/$5,000
11.) Remaining Soft Costs (Total / Unit) (c)	$10.0M / $160,700	$32.8M / $182,400	$60.5M / $191,900	$104.4M / $220,800	$4.3M / $215,000
12.) Total Costs (Total / Unit) (c)	$44.2M / $720,300	$154.2M / $856,500	$272.9M / $866,600	$448.8M / $948.8	$18.2M / $909,300
13.) Total Hard & Soft Costs / GSF (c)	$617	$743	$749	$809	$693
14.) Untrended Annual NOI	$2,023,900	$6,125,700	$11,245,700	$16,017,500	$910,100
15.) Untrended Return-on-Cost (d)	5.25%	5.25%	5.25%	5.25%	5.25%

Notes:
(a) Cases A-D reflect current Citywide 22% onsite inclusionary housing requirement and State Density Bonus of 38.75% with inclusionary in-lieu fee applied to density bonus additional square footage.
(b) Case E reflects programmatic information provided by Planning Department (including current Citywide 15% onsite inclusionary housing requirement and State Density Bonus of 50% with inclusionary in-lieu fee applied to density bonus additional square footage) and underwriting assumptions utilized for residential prototype from recently completed analysis.
(c) Figures exclude land cost.
(d) Reflects untrended return-on-cost target to derive residual land value.
* All financial and programmatic estimates are preliminary in nature and not intended as formal feasibility analysis.
** Financial analyses shown above reflect institutional investment underwriting assumptions.

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

Condominiums	Underwriting Assumptions - Base Programs				
Case (a) (b)	**A**	**B**	**C**	**D**	**E**
Construction Type	**Type V**	**Type III**	**Type I**	**Type I**	**Type V**
Building Type	**Lowrise**	**Midrise**	**Highrise**	**Highrise**	**Low Rise**
1.) Building Stories	5 Stories	8 Stories	13 Stories	24 Stories	4 Stories
2.) Building Height	55 Feet	85 Feet	135 Feet	245 Feet	45 Feet
3.) Gross Square Feet	56,031	159,313	279,344	423,548	19,450
4.) Efficiency Factor	80.0%	80.0%	80.0%	78.0%	80.0%
5.) Condominium Unit Count	37	107	188	281	13
6.) Wtd. Average Market Sales Price	$1,342,000 / $1,342	$1,359,000 / $1,359	$1,500,000 / $1,500	$1,497,000 / $1,497	$1,198,000 / $1,406
7.) Wtd. Average BMR Sales Price	$450,000	$450,000	$450,000	$450,000	$352,000
8.) Hard Costs (Total / Unit) (c)	$25.4M / $686,000	$74.0M / $692,000	$158.7M / $844,000	$256.0M / $911,000	$10.7M / $820,000
9.) Soft Costs (Total / Unit) (c)	$7.0M / $189,000	$19.3M / $180,000	$39.7M / $211,000	$62.2M / $221,000	$3.5M / $271,000
10.) Total Costs (Total / Unit) (c)	$32.4M / $875,000	$93.3M / $872,000	$198.4M / $1,055,000	$318.2M / $1,132,000	$14.2M / $1,090,000
11.) Total Hard & Soft Costs / GSF (c)	$578	$586	$710	$751	$729
12.) Profit as % of Revenue (d)	20.00%	20.00%	20.00%	20.00%	20.00%

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

For-Sale Condominiums – State Density Bonus Program Typology

Condominiums	Underwriting Assumptions - State Density Bonus Programs				
Case (a) (b)	**A**	**B**	**C**	**D**	**E**
Construction Type	**Type III**	**Type I**	**Type I**	**Type I**	**Type V**
Building Type	**Midrise**	**Highrise**	**Highrise**	**Highrise**	**Low Rise**
1.) Building Stories	7 Stories	10 Stories	16 Stories	29 Stories	5 Stories
2.) Building Height	75 Feet	105 Feet	165 Feet	295 Feet	55 Feet
3.) Gross Square Feet	68,625	194,750	342,250	507,375	23,109
4.) Efficiency Factor	80.0%	80.0%	80.0%	78.0%	80.0%
5.) Condominium Unit Count	46	132	231	346	17
6.) Wtd. Average Market Sales Price	$1,345,000 / $1,345	$1,357,000 / $1,357	$1,501,000 / $1,501	$1,497,000 / $1,497	$1,218,000 / $1,453
7.) Wtd. Average BMR Sales Price	$450,000	$450,000	$450,000	$450,000	$352,000
8.) Hard Costs (Total / Unit) (c)	$31.5M / $686,000	$110.1M / $834,000	$195.0M / $844,000	$306.8M / $887,000	$12.5M / $735,000
9.) Soft Costs (Total / Unit) (c)	$9.6M / $209,000	$28.3M / $214,000	$54.9M / $238,000	$86.3M / $249,000	$4.3M / $253,000
10.) Total Costs (Total / Unit) (c)	$41.2M / $895,000	$138.5M / $1,049,000	$249.9M / $1,082,000	$393.0M / $1,136,000	$16.8M / $987,000
11.) Total Hard & Soft Costs / GSF (c)	$600	$711	$730	$775	$726
12.) Profit as % of Revenue (d)	20.00%	20.00%	20.00%	20.00%	20.00%

Notes:

(a) Cases A-D reflect current Citywide 23.5% onsite inclusionary housing requirement and State Density Bonus of 23.00% with inclusionary in-lieu fee applied to density bonus additional square footage.

(b) Case E reflects programmatic information provided by Planning Department (including current Citywide 14.5% onsite inclusionary housing requirement and State Density Bonus of 27.5% with inclusionary in-lieu fee applied to density bonus additional square footage) and underwriting assumptions utilized for residential prototype from recently completed analysis.

(c) Figures exclude land cost.

(d) Reflects profit margin target to derive residual land value.

* All financial and programmatic estimates are preliminary in nature, and are not intended as formal feasibility analysis.

** Financial analyses shown above reflect institutional investment underwriting assumptions.