



KEYSER MARSTON ASSOCIATES™

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

**Prepared for:
City of Redondo Beach**

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SECTION I: OVERVIEW

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Redondo Beach (City) to prepare an Inclusionary Housing Program Financial Evaluation (Financial Evaluation). The following report presents the results of the Financial Evaluation, and is focused on the impacts created by the imposition of Inclusionary Housing requirements.

This Overview section describes the basic parameters that guide Inclusionary Housing programs throughout California.

A. KEY COURT CASES

It is important to review the key legal cases that guide the creation and implementation of Inclusionary Housing programs. A chronological summary of the relevant decisions follows.

Palmer Case

In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (*Palmer*), that the local affordable housing requirements being imposed by the City of Los Angeles violated the Costa-Hawkins Rental Housing Act (Costa-Hawkins). Specifically, Costa-Hawkins allows landlords to set the initial monthly rent for a new unit, and then to increase the monthly rent to the market level each time a unit is vacated. The Court found that the imposition of long-term income and affordability restrictions on apartment units is a violation of this provision.

It is commonly believed that the *Palmer* ruling prohibited jurisdictions from requiring developers to provide affordable apartment units as a part of an Inclusionary Housing program. In an effort to comply with *Palmer*, jurisdictions generally took one of the following actions:

1. The jurisdiction eliminated the requirement that market rate apartment projects provide affordable apartment units; or

2. The jurisdiction replaced affordable housing production models with a linkage or impact fee methodology; or
3. The jurisdiction imposed affordable housing requirements as part of negotiated Development Agreements for apartment projects.

San Jose Case

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. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This is interpreted to mean that an in-lieu fee payment option that is included in an Inclusionary Housing program, that includes an affordable housing production requirement, is not subject to the AB 1600 nexus requirements imposed by the "Mitigation Fee Act".¹

Price controls imposed by Inclusionary Housing programs must meet 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 *San Jose* ruling that Inclusionary Housing programs are not an exaction applies to both ownership housing and apartment development. However, the *San Jose* case did not overturn the limitations *Palmer* imposed on Inclusionary Housing programs for apartment projects.

The *San Jose* case is also relevant to apartment projects, because former Governor Brown publicly stated that he would not sign a bill that eliminated the *Palmer* limitations unless and until the California Supreme Court ruled in favor of the City of San Jose. As such, the *San Jose*

¹ The Mitigation Fee Act is codified in California Government Code §66000 et seq.

ruling opened the door for the subsequent passage and adoption of Assembly Bill (AB) 1505 in September 2017.

B. KEY LEGISLATION: AB 1505

AB 1505, which is otherwise known as the “*Palmer Fix*”, was signed into law on September 29, 2017. AB 1505 amended Section 65850 of the California Government Code and adds Section 65850.01. This legislation provides jurisdictions with the ability to adopt programs that impose Inclusionary Housing requirements on apartment projects.

Role of the California Department of Housing and Community Development (HCD)

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 restrictions imposed by an Inclusionary Housing program on apartment developments if it requires that more than 15% of the units 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.² 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

² For the 2013 – 2021 period the RHNA goal for above moderate income units is 564 units. By the end of 2019, 464 building permits issued were issued for above moderate income units. This equals 82% of the RHNA goal.

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) (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 deeper affordability standards on apartment development, HCD can potentially extend and complicate the approval process for the City's upcoming 6th Cycle Housing Element.

Additional AB 1505 Requirements

Section 65850 (g) requires jurisdictions to provide alternative means of fulfilling the affordable housing requirements imposed on apartment projects by an Inclusionary Housing program.

Options that can be provided to developers include, but are not limited to:

1. Off-site construction of "Inclusionary Units";
2. Payment of a fee in-lieu of producing Inclusionary Units;
3. Land donation; and
4. The acquisition and rehabilitation of existing units.

C. 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 options for creating an Inclusionary Housing program 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 74

Inclusionary Housing programs being implemented throughout California. The survey information is presented in Attachment 1:

1. Table 1 presents the survey results for the 74 jurisdictions; and
2. Table 2 provides more in depth information for the jurisdictions located in Los Angeles, Orange and San Diego Counties.

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. The average threshold project size found in the program survey is eight units.
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. To comply with the findings in the *San Jose* case, and the requirements imposed by Sections 65850 and 65850.01, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The most common options offered to developers are:

1. Construction of a defined percentage of Inclusionary Unit units within the new market rate residential project;
2. Construction of a defined percentage of Inclusionary Unit units in a project located in an off-site location;
3. Payment of a fee in lieu of producing Inclusionary Units that the jurisdiction will subsequently use to assist in the development of affordable housing units within the community;
4. The donation of land to the jurisdiction that is appropriate for the development of affordable housing; and
5. The acquisition and rehabilitation of existing units.

The key advantages associated with providing off-site and in-lieu fee options are that the Inclusionary Housing requirements can be transferred to 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 public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported

by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:

- a. Funds that are awarded by the United States Department of Housing and Urban Development (HUD) such as the HOME and Community Development Block Grant programs;
- 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 the Affordable Housing and Sustainable Communities (AHSC) Program; and
- e. Los Angeles County Development Authority (LACDA) funding programs.

D. STATE DENSITY BONUS AND INCLUSIONARY HOUSING REQUIREMENTS

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Sections 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 50% depending on the magnitude of the income and affordability restrictions being imposed.

Section 65915 requires the City to adopt an ordinance that specifies how it will comply with the State mandated density bonus requirements. The City's adopted ordinance is included in Redondo Beach Municipal Code Title 10 Chapter 5 Article 9 Section 10-5.2100 (Section 10-5.2100), and it was last amended in 2003. Section 65915 has been amended by the State Legislature several times since 2003, and Section 10-5.2100 has not been amended to reflect those modifications. Until such time as the modifications are amended into the City's density

bonus ordinance, State law will automatically prevail over any inconsistencies between State law and Section 10-5.2100.

In July 2013 the First District Court of Appeal held that jurisdictions must agree to count the affordable units used to fulfill the Section 65915 density bonus 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.

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, the City should recognize that if Inclusionary Housing requirements are imposed it is highly likely that many developers will request Section 65915 density bonuses. It is also important to understand that the City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers.⁴

E. STRUCTURING ISSUES

As discussed previously, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction. Sections 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on apartment projects.

It is important for the City to consider the following caveats as part of the Inclusionary Housing program adoption process:

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

⁴ Section 65915 (d) (1) identifies three conditions under which requested incentives or concessions can be denied. However, this does not relieve the City of the obligation to grant the number of incentives or concessions that the project is entitled to under Section 65915 (d) (2).

1. Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return. However, recognizing that the courts have not defined these terms, the City has some discretion in establishing evaluation parameters.
2. 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 the Inclusionary Housing Ordinance can only be expected to fulfill a small portion of the unmet need for affordable housing in Redondo Beach.

In designing an Inclusionary Housing program, it is important to recognize that the imposition of Inclusionary Housing requirements will have an economic impact on residential development. Typically, the result is that over time residential land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property. However, in some cases property owners may determine that it is more financially advantageous to maintain an existing use rather than to sell the property at a lower price. This can potentially reduce the availability of land for residential development.

The following key factors should be considered in creating Inclusionary Housing requirements:

1. The requirements should balance the interests of property owners and developers against the public benefit created by the production of income restricted units; and
2. The Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return on their investment.

SECTION II: METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Redondo Beach. 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 5th Cycle RHNA Allocation Plan covers the period between 2013 and 2021. At the end of 2020 the City's progress towards fulfilling the defined RHNA targets is detailed in the following table:

5 th Cycle RHNA Information				
City's Progress as of December 31, 2019				
Income Category	RHNA Targets – 2013 - 2021	Building Permits Issued	Unfilled RHNA Targets	
			Total	%
Very Low	372	0	372	100%
Low	223	25	198	89%
Moderate	238	0	238	100%
Above Moderate	564	464	100	18%
Totals	1,397	489	908	65%

The RHNA targets will all be reset at the commencement of the 6th RHNA Cycle.⁵ The current projections of the City's 6th Cycle RHNA allocation are presented in the following table:

6 th Cycle RHNA Allocation Projections October 2021 through October 2029		
Income Category	Total Obligation	% of Total
Very Low	933	38%
Low	507	20%
Moderate	489	20%
Above Moderate	554	22%
Totals	2,483	100%

By far, the largest identified unmet need for affordable housing is in the very low income category. This indicates that the City needs to focus on attracting development that serves these households. However, in creating an Inclusionary Housing program it is also important to evaluate the impact the restrictions will have on the developers of market rate housing projects to ensure that onerous requirements are not imposed.

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.

⁵ The HCD Housing Element Update Schedule allows a jurisdictions to take one-time RHNA credit for units approved (entitled or permitted) or built since the RHNA Projection Period, which is June 30, 2021.

To date, the courts have not provided guidance for determining how these requirements should be measured. As a result it has been necessary for KMA to create a methodology for testing the financial impacts associated with a proposed Inclusionary Housing program.

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 are based on prototype residential developments. To assist in creating the development prototypes, KMA reviewed the following:

1. City Staff Reports for proposed projects;
2. Development plans that were submitted to the City's Planning Department; and
3. The townhomes/condominiums and apartments 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 have recently been developed or proposed in Redondo Beach and the results of KMA market surveys. In some instances the development scope will be at a density that is actually less than the maximum density allowed by the City's zoning code. This reflects site characteristics and development types being exhibited.

Ownership Housing Development

The prototype ownership housing developments can be described as follows:

Base Zoning Prototype:

The Base Zoning Prototype can be described as follows:

1. The development site area is set at 2.0 acres.
2. The density is set at 17.5 units per acre.
3. The prototype includes 35 townhouse units in the following bedroom mix:
 - a. 15% one-bedroom units;
 - b. 34% two-bedroom units;
 - c. 34% three-bedroom units; and
 - d. 17% four-bedroom units.
4. The prototype is based on the assumption that the units are served by attached garages, and that the required guest parking spaces are provided at grade.

State Density Bonus Prototype

The State Density Bonus Prototype is based on the assumption that a developer uses Section 65915 to obtain a 35% density bonus on the 2.0 acre development site. A density increase of this magnitude still allows for a townhouse style project to be developed. The characteristics of the development can be described as follows:

1. The prototype includes 48 units in the following bedroom mix:
 - a. 17% one-bedroom units;
 - b. 33% two-bedroom units;
 - c. 33% three-bedroom units; and

- d. 17% four-bedroom units.
2. The prototype is based on the assumption the units are served by attached garages, and that the project utilizes the Section 65915 (p) waiver from the requirement to provide any guest parking spaces.

Apartment Development Prototype

Following KMA's review of the existing and proposed apartment development in Redondo Beach we noted that the existing inventory is comprised largely of older small apartment projects. However, we were able to identify one newly constructed 12 unit project and two proposed large-scale projects. Using this information along with information derived from our market surveys KMA created a Small Project Prototype and a Large Project Prototype. Section 65915 density bonus analyses were also prepared for the Small and Large Project Prototypes.

Small Project Prototype

1. The development site area is set at 15,000 square feet.
2. The density is set at 35 units per acre.
3. The prototype includes 10 two-bedroom units.
4. The parking is provided in above-ground spaces.

Large Project Prototype

1. The development site area is set at three acres.
2. The density is set at 30 units per acre.
3. The 90 units in the prototype are allocated as follows:
 - a. 40% one-bedroom units; and

- b. 60% two-bedroom units.
- 4. The parking is provided in above-ground spaces.

Pro Forma Analysis Thresholds

The KMA pro forma analyses test the following factors to assist in identifying Inclusionary Housing requirements that can reasonably be applied:

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;
2. The reduction in developer profit that is caused by the proposed requirements; and
3. The increase in market rate sales prices/rents that would be needed to offset the proposed requirements.

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

C. FINANCIAL EVALUATION STRUCTURE

The analysis structure applied by KMA can be described as follows:

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 difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Units. This is known as the “Affordability Gap.”

3. The KMA financial analyses identify the range of Inclusionary Housing production requirements that can be supported.

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: Ownership Housing Development	
Appendix A	Home Sales Survey
Appendix B	Affordability Analyses
Appendix C	Pro Forma Analyses: Base Zoning Prototype
Appendix D	Pro Forma Analyses: State Density Bonus Prototype
Attachment 3: Apartment Development	
Appendix A	Rent Survey
Appendix B	Affordable Rent Calculations
Appendix C	Pro Forma Analyses: Small Project Prototype
Appendix D	Pro Forma Analyses: Large Project Prototype
Attachment 4: In-Lieu Fee Analyses	
Appendix A	Ownership Housing Development
Appendix B	Apartment Development

SECTION III: 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. Based on this assumption, KMA estimated the supportable Inclusionary Housing production requirements.

A. PROTOTYPES: OWNERSHIP HOUSING DEVELOPMENT

The characteristics of the Ownership Housing development prototypes that were used in the Financial Evaluation are:

Development Scope Summaries		
Ownership Housing Development Prototypes		
	Base Zoning	Section 65915 Density Bonus
Site Area (Acres)	2.0	2.0
Total Number of Units	35	48
Density (Units Per Acre)	17.5	24.0
<u>Unit Mix</u>		
One-Bedroom Units	5	8
Two-Bedroom Units	12	16
Three-Bedroom Units	12	16
Four-Bedroom Units	6	8
Parking	Attached Garages + At Grade Spaces	Attached Garages

B. PROJECTED MARKET RATE SALES PRICES: OWNERSHIP HOUSING DEVELOPMENT

The prototype analyses reflect average or typical ownership housing projects rather than any specific project. It should be expected that specific projects will vary to some degree from the prototypes.

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for homes in Redondo Beach that were developed within the past 10 years and sold between March 2020 and March 2021 (Attachment 2: Appendix A). This information is used to establish the average sales price per square foot of saleable area for one-bedroom, two-bedroom, three-bedroom and four-bedroom homes.

Based on the results of the surveys, the market rate sales prices used in the KMA analysis are presented in the following table:

Projected Market Rate Sales Prices Ownership Housing Development Prototypes	
One-Bedroom Units	\$800,000
Two-Bedroom Units	\$1,143,000
Three-Bedroom Units	\$1,338,000
Four-Bedroom Units	\$1,493,000
Average Price Per Square Foot of Saleable Area	\$709

C. AFFORDABLE SALES PRICE CALCULATIONS: OWNERSHIP HOUSING DEVELOPMENT

The Affordable Sales Price calculations are presented in Attachment 2: Appendix B – Exhibit I.

The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2021 income statistics for Los Angeles County as a whole. The household incomes for moderate income households are produced and distributed annually by HCD.
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by H&SC Section 50052.5. The calculations include the elements described in the following sections of this Financial Evaluation.

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.⁶ 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 moderate income households, H&SC Section 50052.5 calculates the Affordable Sales Prices based on 110% of AMI for a household size equal to the number of bedrooms in the home plus one. This measurement is only used for setting the Affordable Sales Prices. Households with incomes of up to 120% AMI would qualify to reside in moderate income units.

Income Allocated to Housing-Related Expenses

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

⁶ For example, the imputed household size for a three-bedroom unit is four persons.

Housing-Related Expenses

Based on research undertaken by KMA, the variable housing related expense assumptions used in this analysis are presented in the following table:

Variable Housing Related Expenses		
Ownership Housing Development Prototypes		
	Monthly Utilities Allowances ⁷	Monthly HOA, Insurance & Maintenance
One-Bedroom Units	\$138	\$350
Two-Bedroom Units	\$164	\$375
Three-Bedroom Units	\$204	\$400
Four-Bedroom Units	\$252	\$425

The property tax expense estimate is based on 1.15% of the home's estimated Affordable Sales Price. This assumes that the City will impose the income and affordability covenants on an irrevocable basis during the covenant term.

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 3.84% interest rate.⁸

⁷Utilities allowances are based on utilities costs comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the LACDA schedule for single family homes effective as of July 1, 2021.

⁸ Based on a 50 basis points premium applied to the Bankrate site average APR as of July 1, 2021 for a fixed interest rate loan with a 30-year amortization period.

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.

Affordable Sales Prices

The Affordable Sales Price estimates for moderate income households are presented in the following table:

Affordable Sales Price Estimates	
Ownership Housing Development Prototypes	
One-Bedroom Units	\$289,500
Two-Bedroom Units	\$327,500
Three-Bedroom Units	\$363,000
Four-Bedroom Units	\$387,400

D. PRO FORMA ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

To assist in establishing the Inclusionary Housing requirements that can be supported, KMA prepared the following pro forma analyses for the ownership housing development analysis:

1. Base Zoning Prototype:
 - a. A 100% market rate alternative;
 - b. An alternative that includes a moderate income Inclusionary Housing component with the affordable units spread across the unit mix on a pro rata basis; and
 - c. An alternative that includes an moderate income Inclusionary Housing component in which the moderate income units are allowed to be provided in the smallest units in the project.

2. A State Density Bonus Prototype that includes a very low income rental Inclusionary Housing component.

Base Zoning Prototype - Market Rate Development Alternative

The 100% market rate alternative provides a baseline against which to measure the impacts associated with Inclusionary Housing requirements. The pro forma analyses for the 100% market rate unit alternative is presented in Attachment 2: Appendix C – Exhibit I.

The pro forma tables are organized as follows:

Pro Forma Analysis – Base Zoning Prototype 100% Market Rate Alternative Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The developer profit projected to be generated by the 100% market rate alternatives is used as the threshold profit in the evaluation of potential Inclusionary Housing requirements. This profit threshold is applied in the evaluation of two Inclusionary Housing alternatives for ownership development projects. The financial gaps generated by the alternatives being tested represent the impact created by the Inclusionary Housing requirements.

Base Zoning Prototype - Moderate Income Inclusionary Housing Component

As discussed previously, KMA measured the financial impacts created by the imposition of Inclusionary Housing requirements using three different measurement tools. These three tools were used collaboratively to identify the moderate income requirement that could be feasibly imposed on attached ownership housing development.

The pro forma analyses for the two Moderate Income Alternatives are presented in Attachment 2: Appendix C – Exhibits II and III. The pro forma analysis is organized as follows:

Pro Forma Analysis – Base Zoning Prototype Moderate Income Inclusionary Housing Component Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Inclusionary Housing Impacts

The results of these KMA analyses can be summarized as follows:

1. The developer profit for the market rate alternative is estimated at 15.1%.
2. The moderate income requirement that can be supported under the two Base Zoning Prototypes are:
 - a. A 7% requirement if the affordable units are required to be spread on a pro rata basis throughout the unit mix; or
 - b. A 9% requirement if the affordable units are allowed to be provided in the smallest units in the project.

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

Inclusionary Housing Production Impacts – Base Zoning Prototype		
Moderate Income Inclusionary Housing Component		
Ownership Housing Development Prototypes		
	Pro Rata Allocation	Small Unit Allocation
Required Property Acquisition Cost Reduction	12%	12%
Developer Profit as a % of Total Development Cost	10.6%	10.5%
Sales Price Increase Required to Offset the Impact	3.9%	4.0%

State Density Bonus Prototype - Very Low Income Rental Inclusionary Housing Component

The City Council expressed an interest in evaluating an Inclusionary Housing alternative for ownership housing development under which the developer would be allowed to fulfill the affordable housing requirement with rental units. In KMA's experience developers typically couple this option with the Section 65915 density bonus.

KMA tested this concept with the State Density Bonus Prototype, which is based on the following assumptions:

1. A 35% Section 65915 density bonus is applied to the Base Zoning Prototype. This results in a 48 unit project.⁹
2. The *Napa* ruling imposes the following requirements on the City:
 - a. A developer must be allowed to use the same affordable units to fulfill both the City's Inclusionary Housing requirements and the Section 65915 affordable housing requirements; and

⁹ The maximum allowable Section 65915 density bonus is 50%. KMA limited the density bonus to 35% percent in order to allow the prototype project to fulfill the parking requirements with attached garages.

- b. The affordable housing obligation must be calculated against the development site's base zoning standards.
- 3. The most efficient way to achieve a 35% density bonus under Section 65915 is to allocate 11% of the units allowed by the site's base zoning to very low income households (Section 65915 (f) (2):
 - a. The Affordable Rents must comport with the requirements imposed by H&SC Section 50053.
 - b. Under the *Napa* ruling, the City must allow very low income density bonus units to be counted towards the fulfillment of very low, low and/or moderate income Inclusionary Housing production requirements.
- 4. Parking:
 - a. At a density of 24 units per acre it is assumed that the parking to serve the units can be provided in attached garages.
 - b. Section 65915 (p) requires the City to grant a developer's request to waive the requirement to provide any guest parking spaces.
- 5. KMA estimated the value of the very low income Inclusionary Housing units in Attachment 2: Appendix B -Exhibit 2. The estimates are based on the following:
 - a. The Affordable Rents are calculated.
 - b. The operating costs associated with the units are estimated.
 - c. The resulting stabilized net operating income is capitalized at a 5% rate to establish the values of the very low income rental units.

The pro forma analyses is presented in Attachment 2: Appendix D, and it is organized as follows:

Pro Forma Analysis – State Density Bonus Prototype	
Very Low Income Rental	
Inclusionary Housing Component	
Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Inclusionary Housing Impacts

KMA measured the Inclusionary Housing impacts against the 15.1% developer profit generated by the Base Zoning Prototype – 100% Market Rate alternative. Based on that analysis KMA concluded that a 16% Inclusionary Housing requirement can be supported when measured against the number of units allowed by a site’s base zoning.

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

Inclusionary Housing Production Impacts – State Density Bonus Prototype	
Very Low Income Rental Inclusionary Housing Component	
Ownership Housing Development Prototypes	
Required Property Acquisition Cost Reduction	0%
Developer Profit as a % of Total Development Cost	16.5%
Sales Price Increase Required to Offset the Impact	0%

Summary: Ownership Housing Development

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

1. The Base Zoning Prototype supports the following moderate income Inclusionary Housing requirements:
 - a. A 7% requirement if the affordable units are distributed throughout the project on a pro rata basis; or
 - b. A 9% requirement if the units are allocated to the smallest units in the project.
2. Under the Section 65915 Density Bonus alternative the supportable Inclusionary Housing requirement increases to 16% of the units allowed by a site's base zoning. This conclusion is predicated on the assumption that the developer is allowed to provide rental units to fulfill the Inclusionary Housing obligation, and that the units must be rented to very low income households at an Affordable Rent.

SECTION IV: APARTMENT DEVELOPMENT ANALYSIS

The City is interested in identifying supportable Inclusionary Housing production requirements for the following income and affordability alternatives:

1. A very low income requirement;
2. A low income requirement; and
3. A moderate income requirement.

The apartment development pro forma analyses are used to estimate the supportable Inclusionary Housing production requirements under each of the identified alternatives.

A. CAVEATS

A variety of tools are available to reduce the financial impact associated with the imposition of income and affordability restrictions on apartment projects. For 100% affordable housing projects, Tax Credit financing is commonly used to fill the financial gap. For mixed income projects, the Section 65915 density bonus is often used.

The prototype analyses are intended to reflect average or typical apartment projects rather than any specific project. It should be expected that specific projects will vary to some degree from the prototype.

B. PROTOTYPES: APARTMENT DEVELOPMENT

The apartment development prototypes used in this analysis were created based on the results of the KMA market surveys, and a review of projects that have recently been proposed or constructed in Redondo Beach. The KMA market surveys were also used to estimate the achievable market rate rents for the prototype units.

The prototypes used in this analysis are described in the following table:

Development Scope Summaries		
Apartment Development Prototypes		
	Small Project Prototype 35 Units Per Acre	Large Project Prototype 30 Units Per Acre
Site Area	15,000 square feet	3.0 acres
Total Number of Units	10	90
<u>Unit Mix</u>		
One-Bedroom Units	N/A	36
Two-Bedroom Units	10	54
Parking Spaces Per Unit	2.33	2.33

C. PROJECTED MARKET RENTS: APARTMENT DEVELOPMENT

In the March 2021, KMA surveyed apartment projects that received three or four stars in the CoStar quality ranking system (Attachment 3: Appendix A). The purpose of this survey was to derive estimates of the currently achievable market rents for the types of projects likely to be constructed in Redondo Beach. However, the characteristics of actual projects will vary to some degree from the prototype being evaluated.

The market rate rent estimates that are used in this Inclusionary Evaluation are as follows:

Projected Average Monthly Market Rate Rents		
Apartment Development Prototypes		
	Small Project Prototype	Large Project Prototype
One-Bedroom Units	N/A	\$3,500
Two-Bedroom Units	\$3,721	\$3,908
Average Rent / Sq. Ft. of GLA ¹⁰	\$3.72	\$3.86

¹⁰ GLA = gross leasable area.

D. AFFORDABLE RENT CALCULATIONS: APARTMENT DEVELOPMENT

For the purposes of this Financial Evaluation, the maximum Affordable Rents for the Inclusionary Unit units were calculated based on the standards imposed by H&SC Section 50053. The calculations are presented in Attachment 3: Appendix B, and the assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on 2021 income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD and are 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. For the purposes of setting the Affordable Rents, the household income is set at 50% of AMI for very low income households, 60% of AMI for low income households, and 110% of AMI for moderate income households.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. KMA's calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; basic electric services; and air conditioning. The LACDA utilities allowances for apartments that went into effect on July 1, 2021, were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Affordable Rent Calculations			
Apartment Development Prototypes			
	Very-Low Income	Low Income	Moderate Income
<u>One-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$800	\$960	\$1,760
(Less) Monthly Utility Allowance	(63)	(63)	(63)
Affordable Rent	\$737	\$897	\$1,697
<u>Two-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$900	\$1,080	\$1,980
(Less) Monthly Utility Allowance	(80)	(80)	(80)
Affordable Rent	\$820	\$1,000	\$1,900

E. PRO FORMA ANALYSES: APARTMENT DEVELOPMENT

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA started with the following basic premises:

1. KMA evaluated a 100% market rate alternative to derive an estimate of the developer return that is generated if no income and affordability requirements are imposed. The return generated from the market rate alternative is used as the threshold return for the various Inclusionary Housing requirements being tested.
2. As discussed previously, this Financial Evaluation is calibrated to establish supportable Inclusionary Housing requirements for each alternative being tested.

Market Rate Development Alternative

The pro forma analyses for the market rate development alternatives are found in Exhibit I of Appendices C and D of Attachment 3, respectively:

The pro forma tables 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:	Estimated Developer Return

The estimated stabilized developer returns on total investment derived from the 100% market rate alternatives are estimated as follows:

1. The stabilized developer return is estimated at 4.76% for the Small Project Prototype;
and
2. The stabilized developer return is estimated at 4.55% for the Large Project Prototype.

Alternatives Testing – Apartment Development Prototypes

The pro forma analyses for the Inclusionary Housing production analyses are presented in the following appendices to Attachment 3:

Inclusionary Housing Production Alternatives Appendix C – Small Project Prototype Appendix D – Large Project Prototype Apartment Development	
Exhibit	Title
II	Very Low Income Alternative
III	Low Income Alternative
IV	Moderate Income Alternative
V	Density Bonus Alternative

The pro forma analyses are organized as follows:

Pro Forma Analyses	
Inclusionary Housing Production Alternatives	
Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Inclusionary Housing Impacts

Zoning Compliant Density Alternatives

Small Project Prototype

The Small Project Prototype consists of 10 Units. As a result, an Inclusionary Housing requirement for one affordable unit equates to a 10% requirement. The pro forma analyses of the Small Project Prototype indicate that only a fractional unit requirement can be supported at the very low, low and moderate income levels.

The financial impacts associated with imposing a one-unit Inclusionary Housing requirement on a 10-unit project are summarized in the following table:

Inclusionary Housing Production Impacts – Small Project Prototype			
Apartment Development			
	Income Categories		
	Very Low	Low	Moderate
Supportable Inclusionary Unit Requirement	.5	.6	.9
Required Property Acquisition Cost Reduction	15%	16%	17%
Return on Total Investment	4.6%	4.5%	4.5%
% Rent Increase Required to the Offset Impact	4.0%	4.6%	4.8%

Large Project Prototype

The Large Project Prototype consists of 90 units, which provides significantly greater opportunities for imposing Inclusionary Housing requirements at various income levels. Based on the analysis of the Large Project prototype, KMA concluded that the following affordable housing requirements could be supported at the income levels being evaluated:

Supportable Inclusionary Housing Requirements Large Project Prototype Apartment Development	
Very Low Income	6%
Low Income	7%
Moderate Income	9%

The financial impacts associated with each of the identified requirements are presented in the following table:

Inclusionary Housing Production Impacts – Large Project Prototype Apartment Development			
	Income Categories		
	Very Low	Low	Moderate
Required Property Acquisition Cost Reduction	15%	17%	16%
Return on Total Investment	4.3%	4.3%	4.3%
% Rent Increase Required to Offset the Impact	4.7%	5.3%	5.0%

Density Bonus Alternatives

As discussed previously, the Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, it should be assumed that if the City enacts an Inclusionary Housing program, many developers will request Section 65915 density bonuses.

To maximize the benefits associated with the Section 65915 density bonus, while minimizing the financial impact created by the affordability requirements, KMA created the following development prototypes:

1. A 50% density bonus is applied. This represents the maximum density bonus allowed under Section 65915.
2. To achieve a 50% Section 65915 density bonus, 15% of the units allowed by the base zoning must be allocated to very low income households (Section 65915 (f) (2)).¹¹

The density bonus alternatives analyses are presented in Exhibit V of Appendices C and D of Attachment 3, respectively. The results of these KMA analyses indicate that the following Inclusionary Housing production requirements can be supported if the Section 65915 density bonus can be used on a financially efficient basis:

¹¹ Under the *Napa* ruling, the City must also allow these units to be counted towards the fulfillment of low and/or moderate income Inclusionary Housing production requirements.

Supportable Inclusionary Housing Production Requirements		
Density Bonus Alternatives		
Apartment Development Prototypes		
Affordable Housing Requirement as a % of Base Zoning Units	Small Project Prototype 49 Units Per Acre	Large Project Prototype 41 Units Per Acre
Density Bonus Requirements	20.0% ¹²	15.0%
Supportable Inclusionary Housing Requirements	20%	21%

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

Inclusionary Housing Production Impacts – State Density Bonus Prototypes		
Apartment Development Prototypes		
	Small Project Prototype 49 Units Per Acre	Large Project Prototype 41 Units Per Acre
Required Property Acquisition Cost Reduction	0%	0%
Developer Profit as a % of Total Development Cost	4.8%	4.7%
Rent Increase Required to Offset the Impact	0%	0%

As can be seen in the preceding tables, the use of the Section 65915 density bonus is projected to materially increase the Inclusionary Housing production requirements that can be supported. However, this finding is predicated on the assumption that a developer can efficiently make use of the density bonus in terms of both construction type and financial characteristics.

¹² The actual requirement imposed by the Section 65915 density bonus is for 15% of the units allowed by the site's base zoning standards. However, Section 65915 (q) requires all fractional numbers to be rounded up to the next whole number. This results in a requirement for two affordable units when the mathematical result is 1.5 units.

Summary: Apartment Development

The results of the apartment development analysis can be summarized as follows:

1. Small apartment projects are disproportionately impacted by the imposition of affordable housing requirements. The results of the KMA analysis indicate that a 10-unit apartment project can potentially support a one unit Inclusionary Housing requirement if the income threshold is set at the moderate income level.¹³
2. There is more flexibility with large scale apartment development. The KMA analysis found that any one of the following Inclusionary Housing requirements could be supported:

Very Low Income	6%
Low Income	7%
Moderate Income	9%

3. The use of the Section 65915 density bonus can potentially support an Inclusionary Housing requirement at 20% to 21% of the units allowed by a site's base zoning standards. However, given the HCD guidance tied to the adoption of AB 1505 KMA recommends that the standards be set as follows:
 - a. The requirement should be based on 15% of the units allowed by the site's base zoning; and
 - b. The income standard should be set at the low income level.

¹³ The analysis actually supports a 9% moderate income Inclusionary Housing requirement. This is rounded up to one unit.

SECTION V: IN-LIEU FEE ANALYSES

At a City Council meeting held on January 19, 2021 there appeared to be consensus among the City Council members that an in-lieu fee payment option should only be provided to developers in limited circumstances. 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 the Inclusionary Housing Program.

It is KMA's opinion that at a minimum the City should allow developers to pay an in-lieu fee if they can demonstrate that the production of the required affordable housing will create an extreme financial hardship. This leads to the following policy questions:

1. Does the City wish to provide an in-lieu fee payment option in any cases other than demonstrated extreme financial hardship?
2. Should an in-lieu fee schedule be created, or should the City establish a calculation methodology that is applied on a case-by-case basis for projects that are entitled to make an in-lieu fee payment?

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

KMA estimated the supportable in-lieu fee amounts for ownership housing development based on the Affordability Gap associated with the on-site development of Inclusionary Units within market rate ownership housing projects. The calculations are presented in Attachment 4: Appendix A.

The pro forma analyses presented in the Ownership Housing Development Analysis section of this Financial Evaluation supported a maximum on-site Inclusionary Housing requirement of

9%. Based on that requirement, KMA estimated the weighted average Affordability Gaps and arrived at the following in-lieu fee estimates:

Maximum Supportable In-Lieu Fees	
Affordability Gap Approach	
Ownership Housing Development Prototypes	
Moderate Income Unit Percentage	9%
In-Lieu Fee Per Inclusionary Unit	\$639,000
In-Lieu Fee Per Square Foot of Saleable Area	\$33.40

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. The Affordability Gaps for apartment units are estimated in Attachment 4: Appendix B – Exhibits I and II using the following methodology:

1. KMA prepared the analyses based on the supportable percentages of Inclusionary Units that were estimated in the Apartment Development Analysis section of this Financial Evaluation.
2. The differences between the estimated achievable market rate rents and the defined Affordable Rents were calculated for one- and two-bedroom units.
3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.
4. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.

5. The total Affordability Gaps were estimated by capitalizing the annual Affordability Gaps at the threshold returns derived from the pro forma analyses for the market rate alternatives. The results of these calculations are defined as the “Net Affordability Gap Per Inclusionary Unit”.
6. The Net Affordability Gap Per Inclusionary Unit were translated into the recommended in-lieu fees per square foot of leasable area.

If a 7% low income Inclusionary Housing production requirement is applied to apartment development projects, the supportable in-lieu fees are:

Maximum Supportable In-Lieu Fees	
Affordability Gap Approach	
Apartment Development	
Low Income Unit Percentage	7%
In-Lieu Fee Per Inclusionary Unit	\$547,000
Per Square Foot of Leasable Area	\$39.50

SECTION VI: SUMMARY

The following section summarizes the results of this Financial Evaluation. The findings provide the basis for KMA's recommendations for the package of requirements to be imposed by an Inclusionary Housing Ordinance. A detailed set of policy recommendations will be presented in a separate memorandum based on input provided by the City Council.

A. RESIDENTIAL DEVELOPMENT PROTOTYPES

The development scopes for the residential development prototypes that were analyzed in this Financial Evaluation are presented in the following tables:

Ownership Housing Development Prototypes		
	Base Zoning	Section 65915 Density Bonus
Site Area (Acres)	2.0	2.0
Total Number of Units	35	48
Density (Units Per Acre)	17.5	24.0

Apartment Development Prototypes		
	Small Project Prototype	Large Project Prototype
Site Area (Acres)	.29	3.0
Total Number of Units	10	90
Density (Units Per Acre)	35	30

B. PROJECTED MARKET RATE SALES PRICES AND RENTS

The market rate ownership housing sales price and apartment rent estimates applied in this analysis are provided in the following tables:

Projected Market Rate Sales Prices	
Ownership Housing Development Prototypes	
One-Bedroom Units	\$800,000
Two-Bedroom Units	\$1,143,000
Three-Bedroom Units	\$1,338,000
Four-Bedroom Units	\$1,493,000
Average Price Per Square Foot of Saleable Area	\$709

Projected Monthly Market Rate Rents		
Apartment Development Prototypes		
	Small Project Prototype	Large Project Prototype
<u>Average Monthly Rent</u>		
One-Bedroom Units	N/A	\$3,500
Two-Bedroom Units	\$3,721	\$3,908
Average Monthly Rent Per Square Foot of GLA	\$3.72	\$3.86

C. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

Based on the results of the preceding Financial Evaluation, KMA reached the following conclusions:

Inclusionary Housing Requirements:

The supportable Inclusionary Housing requirements are set as percentages of the number of units allowed by a site's base zoning standards:

1. A 7% to 16% Inclusionary Housing requirement can be supported for ownership housing development.

2. A 6% to 21% Inclusionary Housing requirement can be supported for apartment development. However, it is advisable to limit the maximum percentage to 15% in compliance with HCD guidance.

It is KMA's assumption that the Inclusionary Housing requirements will be set at the low end of the range for small projects and then stepped up for larger project. The actual percentage set asides will be determined based on City Council input.

Supportable In-Lieu Fees

The in-lieu fee amounts supported using the Affordability Gap Approach are currently estimated as follows:

Maximum Supportable In-Lieu Fees		
Affordability Gap Approach		
	Ownership Housing	Apartments
<u>In-Lieu Fee Amounts</u>		
Per Inclusionary Unit	\$639,000	\$547,000
Per Square Foot of Saleable / Leasable Area	\$33.40	\$39.50

It is currently anticipated that in-lieu fee payments will only be allowed in cases where extreme financial hardship has been demonstrated. However, this is a policy decision that is subject to additional discussion with the City Council members.

ATTACHMENT 1

INCLUSIONARY HOUSING PROGRAM SURVEYS INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development		Covenant Period	Ownership Development		Covenant Period
				Threshold Project Size	% of AMI		Threshold Project Size	% of AMI	
I. <u>Inclusionary Requirements: Both Rental and Ownership Projects</u>									
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	7	9% at 120% & 6% at 80%		7	9% at 120% & 6% at 80%	
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4		55	4		55
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	20	Not defined	55	20	120%	45
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55		120%	45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	50	80% /120%	Life of Bldg	50	80% /120%	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5		55	5		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
Contra Costa County ¹	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5			5		3
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	5% to 25%	No	5	80%	Perpetual	5	120%	Perpetual
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land	12.5%	No	20		55	20		55
Emeryville	Create on-site units; pay impact/linkage fee	12%/20%	No			55	10		55
Fremont	Has a production option, but the in-lieu fee option is more cost effective	18% to 21.6%	No	2	30% to 110%		2	30% to 110%	
Fort Bragg	Create on-site units	10% to 20%		5	80% /120%		5	100% /120%	15
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
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; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	50	50%, 80% & 120% Defined credits	30	50	50%, 80% & 120% Defined credits	30

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, 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
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod / 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	10	110%	45
Los Altos	1 Create on-site units; create off-site units	10%	No	10		30	10		30
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	1 Create on-site units; create off-site units		No	20		30	20		30
Oxnard	Create on-site units; pay in-lieu fee	10%	No	10		55	10		
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8		55	8		45
Palo Alto	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	15%	Yes			59			59
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			30			30
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			15		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
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land		No	5		30	5		30
Sacramento	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	15%	No	10		55	10		45
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	60%	55		10% @ 100% / 15% %120%	
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%	Perpetual	10	120%	Perpetual
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab	10%	No	2		55	2		55

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, 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 Mateo County	Create on-site units	10%	Yes	11	80%	Life of Bldg	11	120%	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; pay in-lieu fee	15% / 10%	No	5	10% @ 50%/ 15% @ 80%	55	5	120%	45
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	Yes	2	80%	Perpetual	2	120%	Perpetual
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 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	25%	Yes	5	120%	55	5	120%	55
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	Yes		60%	55		80%	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
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		Perpetual	3		Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee	15%	No	7			7		
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	Perpetual	2	Low / Mod	Perpetual

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development		Ownership Development	
				Threshold Project Size	Covenant % of AMI Period	Threshold Project Size	Covenant % of AMI Period
II. <u>Inclusionary Requirements: Ownership Projects Only</u>							
Alameda	Create on-site units; create off-site units; pay in-lieu fee	5%	No			5	59
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 ²	Create on-site units; create off-site units	15%	No			2	45
Monterey	Create on-site units; donate land	20%	No			6	Perpetual
Mountain View	Create on-site units; pay in-lieu fee	10%	No			3	100% 55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No			5	55
San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the Community Development Director.	4%	No			6	50%
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes				55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	No			5	55
Santa Barbara	Create on-site units; pay in-lieu fee; donate land	15%	No			2	160% 90

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, 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. <u>Inclusionary for Ownership Projects & Impact Fee for Rental Projects</u>									
Berkeley	Create on-site units; pay in-lieu fee	20%	No				5	80%	Perpetual
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2		45
Truckee	² Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land	15%	No	7		Perpetual	7		Perpetual
IV. <u>Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects</u>									
Pittsburg	Create on-site units; pay in-lieu fee	15%	Yes				5		
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%							
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3%	Yes			55	5		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. <u>Rental Projects Only</u>									
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%	55			

¹ The program requirements are only applied in designated areas of the jurisdiction.

² The program requirements are applied in the entire jurisdiction, but the requirements vary by zones, neighborhood, or districts.

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE AND SAN DIEGO COUNTIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development		Covenant Period	Ownership Development		Covenant Period	In-Lieu Fee
				Threshold Project Size	% of AMI		Threshold Project Size	% of AMI		
I. <u>Inclusionary Requirements: Both Rental and Ownership Projects</u>										
Alhambra	On-site or pay in-lieu fee.	15%	No	7	9% at 120% & 6% at 80%		7	9% at 120% & 6% at 80%		Rental @ \$14.30/SF Ownership @ \$30.00/SF
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	20		55	20	120%	10	Calculated per project. Based on the Affordability Gap
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 Units @ \$19,360/Unit - 30 Units @ \$60,695/Unit
Irvine	Projects with fewer than 50 units can create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	50	50%, 80% & 120% Defined credits	30	50	50%, 80% & 120% Defined credits	30	Calculated per project. Based on an equivalent value calculation
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod / 6% VL & Low	55	10	110%	45	Calculated per project. Based on the estimated construction cost to produce the unit.
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	55	10	120%	45	Rental @ \$38.00/SF Ownership @ \$29.10/SF
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 Single Family @ \$11.40/SF Condominiums @ \$9.30/SF

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE AND SAN DIEGO COUNTIES INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, 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	
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%		Increases annually from \$15.18/SF in 2020/21 to \$22.55 in 2023/24
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	15%	No	5	10% @ 50%/ 15% @ 60%	55	5	120%	45	Fewer than 20 Units @ \$5/SF 20+ Units @ \$15/SF
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
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects	20%	No	2	Low / Mod	Perpetual	2	Low / Mod	Perpetual	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF

II. Inclusionary Requirements: Ownership Projects Only

San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the Community Development Director.	4%	No				6	50%		Based on the Affordability Gap associated with a prototype 1,100 SF unit.
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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

OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX A

HOME SALES SURVEY OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX A

HOME SALES SURVEY
TOWNHOME/CONDOMINIUM UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

1

Address			Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
One-Bedroom Units						
1920 Pacific Coast Hwy #206	Redondo Beach	90277	869	\$740,000	\$852	2019
1920 Pacific Coast Hwy #210	Redondo Beach	90277	869	\$689,000	\$793	2018
1920 S Pacific Coast Hwy #308	Redondo Beach	90277	885	\$825,000	\$932	2019
1920 S Pacific Coast Hwy #309	Redondo Beach	90277	885	\$835,000	\$944	2019
1920 S Pacific Coast Hwy #310	Redondo Beach	90277	885	\$815,000	\$921	2019
Minimum			869	\$689,000	\$793	2018
Maximum			885	\$835,000	\$944	2019
Average			879	\$780,800	\$889	2019
Two-Bedroom Units						
6152 Pacific Coast Hwy	Redondo Beach	90277	1,124	\$935,000	\$832	2020
6160 Pacific Coast Hwy	Redondo Beach	90277	1,198	\$970,000	\$810	2020
1920 S Pacific Coast Hwy #211	Redondo Beach	90277	1,230	\$922,000	\$750	2019
1920 S Pacific Coast Hwy #302	Redondo Beach	90277	1,420	\$1,060,000	\$746	2019
1920 S Pacific Coast Hwy #314	Redondo Beach	90277	1,426	\$1,040,000	\$729	2019
1920 S Pacific Coast Hwy #313	Redondo Beach	90277	1,526	\$1,110,000	\$727	2019
Minimum			1,124	\$922,000	\$727	2019
Maximum			1,526	\$1,110,000	\$832	2020
Average			1,321	\$1,006,167	\$762	2019
Three-Bedroom Units						
18510 Grevillea Ave	Redondo Beach	90278	1,575	\$960,000	\$610	2019
2416 Grant Ave Unit A	Redondo Beach	90278	1,740	\$980,000	\$563	2013
1920 S Pacific Coast Hwy #113	Redondo Beach	90277	1,749	\$1,150,000	\$658	2018
1920 S Pacific Coast Hwy #111	Redondo Beach	90277	1,749	\$1,125,000	\$643	2019
1920 S Pacific Coast #109	Redondo Beach	90277	1,749	\$1,130,000	\$646	2018
1920 S Pacific Coast Hwy #102	Redondo Beach	90277	1,749	\$1,075,000	\$615	2019
1920 S Pacific Coast Hwy #103	Redondo Beach	90277	1,749	\$1,040,000	\$595	2019
1920 S Pacific Coast Hwy #117	Redondo Beach	90277	1,950	\$1,050,000	\$538	2019
1920 S Pacific Coast Hwy #121	Redondo Beach	90277	1,950	\$1,150,000	\$590	2019
1920 S Pacific Coast Hwy #115	Redondo Beach	90277	1,950	\$1,050,000	\$538	2019
1920 S Pacific Coast Hwy #122	Redondo Beach	90277	1,950	\$1,169,000	\$599	2019
111 Vista Del Mar Unit C	Redondo Beach	90277	2,224	\$2,100,000	\$944	2019
111 Vista Del Mar Unit D	Redondo Beach	90277	2,324	\$2,200,000	\$947	2019
636 Vincent Park #A	Redondo Beach	90277	2,394	\$1,750,000	\$731	2019
Minimum			1,575	\$960,000	\$538	2013
Maximum			2,394	\$2,200,000	\$947	2019
Average			1,914	\$1,280,643	\$669	2018

APPENDIX A

HOME SALES SURVEY
TOWNHOME/CONDOMINIUM UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

1

Address			Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
Four-Bedroom Units						
18228 Grevillea Ave	Redondo Beach	90278	1,746	\$1,005,000	\$576	2018
2207 Rockefeller Ln Unit C	Redondo Beach	90278	1,820	\$1,100,000	\$604	2015
18307 Grevillea Ave	Redondo Beach	90278	1,879	\$930,000	\$495	2017
2505 Grant Ave Unit C	Redondo Beach	90278	1,915	\$1,100,000	\$574	2015
1608 Phelan Ln	Redondo Beach	90278	1,915	\$1,149,000	\$600	2017
1801 Rindge Ln	Redondo Beach	90278	2,080	\$1,230,000	\$591	2016
2707 Rockefeller Ln Unit B	Redondo Beach	90278	2,091	\$1,090,000	\$521	2019
2517 Voorhees Ave Unit A	Redondo Beach	90278	2,165	\$1,385,000	\$640	2020
2112 Carnegie Ln Unit B	Redondo Beach	90278	2,207	\$1,300,000	\$589	2021
2114 Carnegie Ln Unit B	Redondo Beach	90278	2,207	\$1,290,000	\$585	2021
123 S Guadalupe Ave Unit A	Redondo Beach	90277	2,220	\$1,500,000	\$676	2011
2517 Voorhees Ave Unit B	Redondo Beach	90278	2,282	\$1,415,000	\$620	2020
2713 Carnegie Ln Unit C	Redondo Beach	90278	2,293	\$1,230,000	\$536	
2505 HUNTINGTON Ln Unit B	Redondo Beach	90278	2,300	\$1,534,000	\$667	2020
2505 Huntington Ln Unit A	Redondo Beach	90278	2,300	\$1,574,000	\$684	2020
2713 Carnegie Ln Unit A	Redondo Beach	90278	2,304	\$1,125,000	\$488	2019
2017 Plant Ave Unit A	Redondo Beach	90278	2,390	\$1,630,000	\$682	2020
2420 Huntington Ln Unit A	Redondo Beach	90278	2,390	\$1,505,000	\$630	2020
2005 Curtis Ave Unit B	Redondo Beach	90278	2,390	\$1,595,000	\$667	2020
2420 Huntington Ln Unit B	Redondo Beach	90278	2,390	\$1,595,000	\$667	2020
2108 Harriman Ln Unit B	Redondo Beach	90278	2,400	\$1,585,000	\$660	2015
2108 Gates Unit A	Redondo Beach	90278	2,400	\$1,515,000	\$631	2017
2019 Morgan Ln Unit B	Redondo Beach	90278	2,428	\$1,540,000	\$634	2016
2227 Dufour Ave Unit B	Redondo Beach	90278	2,430	\$1,550,000	\$638	2017
1917 Farrell Ave Unit A	Redondo Beach	90278	2,446	\$1,595,000	\$652	2021
1917 Farrell Ave Unit B	Redondo Beach	90278	2,446	\$1,595,000	\$652	2021
613 N Lucia Ave Unit B	Redondo Beach	90277	2,476	\$1,530,000	\$618	2015
1806 Speyer Ln Unit A	Redondo Beach	90278	2,480	\$1,450,000	\$585	2014
2419 Huntington Ln Unit A	Redondo Beach	90278	2,480	\$1,400,000	\$565	2012
2202 Voorhees Ave Unit A	Redondo Beach	90278	2,500	\$1,430,000	\$572	2012
2403 Gates Ave Unit B	Redondo Beach	90278	2,508	\$1,355,000	\$540	2014
1712 Harriman Ln Unit B	Redondo Beach	90278	2,508	\$1,550,000	\$618	2018
1926 Ruhland Ave Unit A	Redondo Beach	90278	2,526	\$1,610,000	\$637	2020
1914 Marshallfield Ln Unit A	Redondo Beach	90278	2,526	\$1,599,000	\$633	2020
2203 Ruhland Ave Unit B	Redondo Beach	90278	2,540	\$1,550,000	\$610	2020
2203 Ruhland Ave Unit A	Redondo Beach	90278	2,540	\$1,559,000	\$614	2020
1917 Gates Ave Unit A	Redondo Beach	90278	2,585	\$1,350,000	\$522	2011
2006 Morgan Ln Unit A	Redondo Beach	90278	2,587	\$1,590,000	\$615	2020
2006 Morgan Ln Unit B	Redondo Beach	90278	2,587	\$1,595,000	\$617	2020
1914 Marshallfield Ln Unit B	Redondo Beach	90278	2,589	\$1,599,000	\$618	2020
528 N Francisca Ave Unit B	Redondo Beach	90277	2,600	\$1,575,000	\$606	2016
1905 Speyer Ln Unit A	Redondo Beach	90278	2,610	\$1,656,000	\$634	2012
2017 Huntington Ln Unit B	Redondo Beach	90278	2,612	\$1,515,000	\$580	2013
603 N Juanita Ave Unit A	Redondo Beach	90277	2,623	\$1,580,000	\$602	2014
709 Elvira Ave Unit B	Redondo Beach	90277	2,638	\$2,050,000	\$777	2020
2002 Pullman Ln Unit B	Redondo Beach	90278	2,650	\$1,405,000	\$530	2016
209 S Irena Ave Unit B	Redondo Beach	90277	2,670	\$1,550,000	\$581	2017

APPENDIX A

HOME SALES SURVEY
TOWNHOME/CONDOMINIUM UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

1

Address			Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
2019 Farrell Ave Unit B	Redondo Beach	90278	2,672	\$1,499,000	\$561	2015
1104 Vincent St Unit B	Redondo Beach	90277	2,688	\$1,575,000	\$586	2015
2215 A Robinson St Unit A	Redondo Beach	90278	2,697	\$1,350,000	\$501	2020
2215 Robinson St Unit B	Redondo Beach	90278	2,714	\$1,380,000	\$508	2020
2207 Mackay Ln	Redondo Beach	90278	2,777	\$1,581,000	\$569	2014
512 N Irena Unit A	Redondo Beach	90277	2,826	\$1,699,000	\$601	2020
1919 Gates Ave Unit B	Redondo Beach	90278	2,830	\$1,632,000	\$577	2019
709 Elvira Ave Unit A	Redondo Beach	90277	2,834	\$2,199,000	\$776	2020
535 Avenue B Unit B	Redondo Beach	90277	2,860	\$2,050,000	\$717	2016
216 N Prospect Ave Unit A	Redondo Beach	90277	2,915	\$1,775,000	\$609	2016
1921 Ruhland Ave Unit B	Redondo Beach	90278	2,927	\$1,545,000	\$528	2014
223 S Irena Ave Unit A	Redondo Beach	90277	2,949	\$1,800,000	\$610	2020
223 S Irena Ave Unit B	Redondo Beach	90277	3,005	\$1,800,000	\$599	2020
1011 Spencer St	Redondo Beach	90277	3,102	\$1,875,000	\$604	2020
232 S Irena Ave Unit B	Redondo Beach	90277	3,356	\$1,790,000	\$533	2014
Minimum			1,746	\$930,000	\$488	2011
Maximum			3,356	\$2,199,000	\$777	2021
Average			2,497	\$1,511,452	\$605	2017

¹ Source: Redfin. Based on homes constructed during the past 10 years and sold between March 2020 and March 2021.

APPENDIX B

AFFORDABILITY ANALYSES OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS
MODERATE INCOME UNITS
2021 INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

1

		One-Bedroom Units	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units
I.	<u>Income Information</u>				
	Area Median Income	\$80,000	\$86,400	\$72,000	\$80,000
	Benchmark Household Income @ 110% of AMI	\$70,400	\$79,200	\$88,000	\$95,040
	Income Allotted to Housing @ 35% of Income	\$24,640	\$27,720	\$30,800	\$33,260
II.	<u>Expenses</u>				
	Annual Utilities Allowance ²	\$1,656	\$1,968	\$2,448	\$3,024
	HOA, Maintenance & Insurance ³	4,200	4,500	4,800	5,100
	Property Taxes @ 1.15% of ASP	3,330	3,770	4,180	4,460
	Total Expenses	\$9,186	\$10,238	\$11,428	\$12,584
III.	Income Available for Mortgage	\$15,454	\$17,482	\$19,372	\$20,676
IV.	<u>Affordable Sales Price</u>				
	Supportable Mtg @ 3.84% Interest ⁴	\$275,000	\$311,100	\$344,800	\$368,000
	Home Buyer Down Payment @ 5% of ASP	14,500	16,400	18,200	19,400
	Affordable Sales Price	\$289,500	\$327,500	\$363,000	\$387,400

¹ Based on 2021 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 7/1/21. Assumes: Gas Heating, Gas Cooking, Gas 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 Bankrate site average APR as of July 1, 2021 for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - EXHIBIT II

VALUE ESTIMATES: INCLUSIONARY UNITS
APARTMENT UNITS FULFILL THE INCLUSIONARY HOUSING REQUIREMENTS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

		One-Bedroom Units	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units
I. General Assumptions					
Area Median Income (AMI)	¹	\$64,000	\$72,000	\$80,000	\$86,400
Monthly Utilities Allowance		\$138	\$164	\$204	\$252
HOA, Maintenance & Insurance		\$350	\$375	\$400	\$425
II. Very Low Income - Rent Based on 50% AMI					
A. Benchmark Annual Household Income		\$32,000	\$36,000	\$40,000	\$43,200
B. Maximum Monthly Rent @ 30% of Household Income		\$800	\$900	\$1,000	\$1,080
C. Gross Annual Rent Income Per Unit		\$9,600	\$10,800	\$12,000	\$12,960
D. Ongoing Expenses					
Annual Utilities Allowance, HOA, Maintenance & Insurance	²	\$5,856	\$6,468	\$7,248	\$8,124
Management @ 5% Gross Rent Income		480	540	600	648
Property Taxes @ 1.15% of Restricted Value		611	710	776	783
Total Ongoing Expenses		\$6,947	\$7,718	\$8,624	\$9,555
E. Stabilized Net Operating Income		\$2,653	\$3,082	\$3,376	\$3,405
F. Capitalization Rate		5.0%	5.0%	5.0%	5.0%
G. Value Per Very Low Income Unit		\$53,100	\$61,600	\$67,500	\$68,100
III. Low Income - Rent Based on 60% AMI					
A. Benchmark Annual Household Income		\$38,400	\$43,200	\$48,000	\$51,840
B. Maximum Monthly Rent @ 30% of Household Income		\$960	\$1,080	\$1,200	\$1,296
C. Gross Annual Rent Income Per Unit		\$11,520	\$12,960	\$14,400	\$15,552
D. Ongoing Expenses					
Annual Utilities Allowance, HOA, Maintenance & Insurance	²	\$5,856	\$6,468	\$7,248	\$8,124
Management @ 5% Gross Rent Income		576	648	720	778
Property Taxes @ 1.15% of Restricted Value		951	1,093	1,203	1,243
Total Ongoing Expenses		\$7,383	\$8,209	\$9,171	\$10,145
E. Stabilized Net Operating Income		\$4,137	\$4,751	\$5,229	\$5,407
F. Capitalization Rate		5.0%	5.0%	5.0%	5.0%
G. Value Per Low Income Unit		\$82,700	\$95,000	\$104,600	\$108,100

¹ Based on the 2020 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 Assumes the landlord pays the utilities costs. The allowances are based on the LACDA Single Family Home utility allowance schedule effective as of 7/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, and Trash.

APPENDIX C

PRO FORMA ANALYSES BASE ZONING PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
BASE ZONING PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
BASE ZONING PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	87,120 Sf of Land	\$150 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		87,120 Sf of Land	\$20 /Sf of Land	\$1,742,000	
	Parking					
	Attached Garages	3	35 Spaces	\$0 /Space	0	
	At-Grade Spaces		12 Spaces	\$5,000 /Space	60,000	
	Building Costs		60,300 Sf of GBA	\$185 /Sf of GBA	11,156,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		2,592,000	
	Total Direct Costs					\$15,550,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,244,000	
	Public Permits & Fees	5	35 Units	\$40,000 /Unit	1,400,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		311,000	
	Marketing		35 Units	\$5,000 /Unit	175,000	
	Developer Fee		3.0% Gross Sales Revenue		1,282,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		221,000	
	Total Indirect Costs					\$4,633,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	6			\$1,340,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	499,000	
	Total Financing Costs					\$1,839,000
V.	Total Construction Cost		35 Units	\$629,000 /Unit		\$22,022,000
	Total Development Cost		35 Units	\$1,003,000 /Unit		\$35,090,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the attached garages is included in the building costs.

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 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
BASE ZONING PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. <u>Gross Sales Revenue</u>		1		
One-Bedroom Units	5 Units @	\$800,000 /Unit	\$4,000,000	
Two-Bedroom Units	12 Units @	\$1,143,000 /Unit	13,716,000	
Three-Bedroom Units	12 Units @	\$1,338,000 /Unit	16,056,000	
Four-Bedroom Units	6 Units @	\$1,493,000 /Unit	8,958,000	
Total Gross Sales Revenue				\$42,730,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,282,000	
Closing	2.0% Gross Sales Revenue		855,000	
Warranty	0.5% Gross Sales Revenue		214,000	
Total Cost of Sales				(\$2,351,000)
III. <u>Net Revenue</u>				\$40,379,000

¹ Based in part on a sales survey undertaken by KMA in March 2021. See APPENDIX A. The weighted average sales price equates to \$709 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE ALTERNATIVE
BASE ZONING PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$40,379,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$35,090,000</u>
III.	Developer Profit	15.1% Total Development Cost	\$5,289,000

APPENDIX C - EXHIBIT II

PRO FORMA ANALYSIS

BASE ZONING PROTOTYPE

MODERATE INCOME INCLUSIONARY HOUSING COMPONENT

PRO RATA INCLUSIONARY UNIT DISTRIBUTION

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 BASE ZONING PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	87,120 Sf of Land	\$150 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		87,120 Sf of Land	\$20 /Sf of Land	\$1,742,000	
	Parking					
	Attached Garages	3	35 Spaces	\$0 /Space	0	
	At-Grade Spaces		12 Spaces	\$5,000 /Space	60,000	
	Building Costs		60,300 Sf of GBA	\$185 /Sf of GBA	11,156,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		2,592,000	
	Total Direct Costs					\$15,550,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,244,000	
	Public Permits & Fees	5	35 Units	\$40,000 /Unit	1,400,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		311,000	
	Marketing		35 Units	\$5,000 /Unit	175,000	
	Developer Fee	6	35 Units	\$36,629 /Unit	1,282,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		221,000	
	Total Indirect Costs					\$4,633,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7			\$1,252,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	475,000	
	Total Financing Costs					\$1,727,000
V.	Total Construction Cost		35 Units	\$626,000 /Unit		\$21,910,000
	Total Development Cost		35 Units	\$999,000 /Unit		\$34,978,000

1 Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

2 Based on the estimated costs for similar uses.

3 Assumes that the cost for the attached garages is included in the building costs.

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 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
 BASE ZONING PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
One-Bedroom Units		5 Units @	\$800,000 /Unit	\$4,000,000
Two-Bedroom Units		11 Units @	\$1,143,000 /Unit	\$12,573,000
Three-Bedroom Units		11 Units @	\$1,338,000 /Unit	14,718,000
Four-Bedroom Units		6 Units @	\$1,493,000 /Unit	8,958,000
Moderate Income Units	²			
One-Bedroom Units		0 Units @	\$289,500 /Unit	0
Two-Bedroom Units		1 Unit @	\$327,500 /Unit	328,000
Three-Bedroom Units		1 Unit @	\$363,000 /Unit	363,000
Four-Bedroom Units		0 Units @	\$387,400 /Unit	0
Total Gross Sales Revenue				\$40,940,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,228,000
Closing	2.0% Gross Sales Revenue	819,000
Warranty	0.5% Gross Sales Revenue	205,000
Total Cost of Sales		(\$2,252,000)

III. Net Revenue	\$38,688,000
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¹ Based in part on a sales survey undertaken by KMA in March 2021. See APPENDIX A. The weighted average sales price equates to \$709 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
BASE ZONING PROTOTYPE
MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2		\$38,688,000
(Less) Threshold Developer Profit	¹ 15.1% Total Development Cost		(\$5,272,000)
Total Funds Available for Development Costs			\$33,416,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$34,978,000
III. Total Financial Impact			(\$1,562,000)
Property Acquisition Cost Reduction	12% of Estimated Current Acquisition Prices		
Developer Profit	10.6% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	3.9% Market Rate Units		

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

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS

BASE ZONING PROTOTYPE

MODERATE INCOME INCLUSIONARY HOUSING COMPONENT

SMALLEST UNITS FULFILL THE INCLUSIONARY REQUIREMENT

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 BASE ZONING PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	87,120 Sf of Land	\$150 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		87,120 Sf of Land	\$20 /Sf of Land		\$1,742,000
	Parking					
	Attached Garages	3	35 Spaces	\$0 /Space		0
	At-Grade Spaces		12 Spaces	\$5,000 /Space		60,000
	Building Costs		60,300 Sf of GBA	\$185 /Sf of GBA		11,156,000
	Contractor/DC Contingency Allow	4	20% Other Direct Costs			2,592,000
	Total Direct Costs					\$15,550,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$1,244,000
	Public Permits & Fees	5	35 Units	\$40,000 /Unit		1,400,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			311,000
	Marketing		35 Units	\$5,000 /Unit		175,000
	Developer Fee	6	35 Units	\$36,629 /Unit		1,282,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			221,000
	Total Indirect Costs					\$4,633,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7				\$1,246,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		475,000
	Total Financing Costs					\$1,721,000
V.	Total Construction Cost		35 Units	\$626,000 /Unit		\$21,904,000
	Total Development Cost		35 Units	\$999,000 /Unit		\$34,972,000

1 Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

2 Based on the estimated costs for similar uses.

3 Assumes that the cost for the attached garages is included in the building costs.

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 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 III - TABLE 2

PROJECTED NET SALES REVENUE
 BASE ZONING PROTOTYPE
 MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
One-Bedroom Units		3 Units @	\$800,000 /Unit	\$2,400,000
Two-Bedroom Units		11 Units @	\$1,143,000 /Unit	\$12,573,000
Three-Bedroom Units		12 Units @	\$1,338,000 /Unit	16,056,000
Four-Bedroom Units		6 Units @	\$1,493,000 /Unit	8,958,000
Moderate Income Units	²			
One-Bedroom Units		2 Units @	\$289,500 /Unit	579,000
Two-Bedroom Units		1 Unit @	\$327,500 /Unit	328,000
Three-Bedroom Units		0 Units @	\$363,000 /Unit	0
Four-Bedroom Units		0 Units @	\$387,400 /Unit	0
Total Gross Sales Revenue				\$40,894,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,227,000
Closing	2.0% Gross Sales Revenue	818,000
Warranty	0.5% Gross Sales Revenue	204,000
Total Cost of Sales		(\$2,249,000)

III. Net Revenue	\$38,645,000
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¹ Based in part on a sales survey undertaken by KMA in March 2021. See APPENDIX A. The weighted average sales price equates to \$702 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
BASE ZONING PROTOTYPE
MODERATE INCOME INCLUSIONARY HOUSING COMPONENT
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX C - EXHIBIT III - TABLE 2		\$38,645,000
(Less) Threshold Developer Profit	¹ 15.1% Total Development Cost		(\$5,271,000)
Total Funds Available for Development Costs			\$33,374,000
II. Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1		\$34,972,000
III. Total Financial Impact			(\$1,598,000)
Property Acquisition Cost Reduction	12% of Estimated Current Acquisition Prices		
Developer Profit	10.5% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	4.0% Market Rate Units		

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

APPENDIX D

PRO FORMA ANALYSES STATE DENSITY BONUS PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX D

PRO FORMA ANALYSIS STATE DENSITY BONUS PROTOTYPE VERY LOW INCOME RENTAL INCLUSIONARY HOUSING COMPONENT OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX D - TABLE 1

ESTIMATED DEVELOPMENT COSTS
STATE DENSITY BONUS PROTOTYPE
VERY LOW INCOME RENTAL INCLUSIONARY HOUSING COMPONENT
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	87,120 Sf of Land	\$150 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		87,120 Sf of Land	\$20 /Sf of Land	\$1,742,000	
	Parking	3	48 Spaces	\$0 /Space	0	
	Building Costs		81,600 Sf of GBA	\$185 /Sf of GBA	15,096,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		3,368,000	
	Total Direct Costs					\$20,206,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,616,000	
	Public Permits & Fees	5	48 Units	\$40,000 /Unit	1,920,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		404,000	
	Marketing		48 Units	\$5,000 /Unit	240,000	
	Developer Fee	6	48 Units	\$36,271 /Unit	1,741,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		296,000	
	Total Indirect Costs					\$6,217,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7			\$1,500,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	581,000	
	Total Financing Costs					\$2,081,000
V.	Total Construction Cost		48 Units	\$594,000 /Unit		\$28,504,000
	Total Development Cost		48 Units	\$866,000 /Unit		\$41,572,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the attached garages is included in the building costs. In accordance with Government Code Section 65915 (p) no guest spaces are required.

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 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 6 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 D - TABLE 2

PROJECTED NET SALES REVENUE
STATE DENSITY BONUS PROTOTYPE
VERY LOW INCOME RENTAL INCLUSIONARY HOUSING COMPONENT
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. **Gross Sales Revenue**

A. Market Rate Units

¹

One-Bedroom Units	7 Units @	\$800,000 /Unit	\$5,600,000
Two-Bedroom Units	14 Units @	\$1,143,000 /Unit	16,002,000
Three-Bedroom Units	14 Units @	\$1,338,000 /Unit	18,732,000
Four-Bedroom Units	7 Units @	\$1,493,000 /Unit	10,451,000

B. Inclusionary Units

Very Low Income Density Bonus Units

²

One-Bedroom Units	1 Unit @	\$53,100 /Unit	53,000
Two-Bedroom Units	1 Unit @	\$61,600 /Unit	62,000
Three-Bedroom Units	1 Unit @	\$67,500 /Unit	68,000
Four-Bedroom Units	1 Unit @	\$68,100 /Unit	68,000

Inclusionary Units

³

One-Bedroom Units	0 Units @	\$82,700 /Unit	0
Two-Bedroom Units	1 Unit @	\$95,000 /Unit	95,000
Three-Bedroom Units	1 Unit @	\$104,600 /Unit	105,000
Four-Bedroom Units	0 Units @	\$108,100 /Unit	0

Total Gross Sales Revenue

\$51,236,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,537,000
Closing	2.0% Gross Sales Revenue	1,025,000
Warranty	0.5% Gross Sales Revenue	256,000

Total Cost of Sales

(\$2,818,000)

III. **Net Revenue**

\$48,418,000

¹ Based in part on a sales survey undertaken by KMA in March 2021. See APPENDIX A. The weighted average sales price equates to \$711 per square foot of saleable area.

² Under Section 65915 (f) (2), 11% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B - EXHIBIT II for the valuation estimates.

³ The balance of the affordable units are set aside for very low income households. Under Section 50053, the very low income rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B - EXHIBIT II for the valuation estimates.

APPENDIX D - TABLE 3

INCLUSIONARY HOUSING IMPACTS
STATE DENSITY BONUS PROTOTYPE
VERY LOW INCOME RENTAL INCLUSIONARY HOUSING COMPONENT
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX D - TABLE 2		\$48,418,000
(Less) Threshold Developer Profit	¹ 15.1% Total Development Cost		(\$6,266,000)
Total Funds Available for Development Costs			\$42,152,000
II. Total Development Cost	See APPENDIX D - TABLE 1		\$41,572,000
III. Total Financial Impact			\$580,000
Property Acquisition Cost Reduction	-4% of Estimated Current Acquisition Prices		
Developer Profit	16.5% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	-1.1% Market Rate Units		

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

ATTACHMENT 3

APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX A

RENT SURVEY

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX A

RENT SURVEY - 3 & 4 STAR PROPERTIES

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
Studio Units							
Holiday Riviera Apartments	1302 Esplanade	Redondo Beach	6	380	\$1,304	\$3.43	1971
Crystal Cove	211 Yacht Club Way	Redondo Beach	73	395	\$2,261	\$5.72	1969
Ocean Club	300 The Village Dr	Redondo Beach	58	517	\$2,162	\$4.18	1972
Elements 616	616 Esplanade	Redondo Beach	16	631	\$2,754	\$4.36	1971
	Minimum			380	\$1,304	\$3.43	
	Maximum			631	\$2,754	\$5.72	
	Weighted Average			465	\$2,237	\$4.91	
One-Bedroom Units							
Tallman Apartments	1400 1/2 Esplanade	Redondo Beach	3	500	\$2,263	\$4.53	1954
Ocean Club	300 The Village Dr	Redondo Beach	58	680	\$2,435	\$3.58	
Beachbrook Village Apartments	420 S. Catalina Avenue	Redondo Beach	9	725	\$2,204	\$3.04	1971
King Harbor	208 Yacht Club Way	Redondo Beach	17	750	\$2,564	\$3.42	1965
Elements 616	616 Esplanade	Redondo Beach	68	759	\$3,055	\$4.03	
Crystal Cove	211 Yacht Club Way	Redondo Beach	22	859	\$3,184	\$3.71	
Riviera Coast	129-131 Palos Verdes	Redondo Beach	4	1,029	\$3,982	\$3.87	2009
	Minimum			500	\$2,204	\$3.04	
	Maximum			1,029	\$3,982	\$4.53	
	Weighted Average			745	\$2,791	\$3.74	

APPENDIX A

RENT SURVEY - 3 & 4 STAR PROPERTIES APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
Two-Bedroom Units							
Tallman Apartments	1400 1/2 Esplanade	Redondo Beach	2	729	\$2,376	\$3.26	1958
Crystal Cove	211 Yacht Club Way	Redondo Beach	66	765	\$3,330	\$4.35	
Pacific Apartment Homes	312 Calle Miramar	Redondo Beach	8	900	\$4,418	\$4.91	
Elements 616	616 Esplanade	Redondo Beach	21	947	\$3,864	\$4.08	
Ocean Club	300 The Village Dr	Redondo Beach	58	1,067	\$3,725	\$3.49	1958
Ten Ten	1010 Esplanade	Redondo Beach	24	1,078	\$2,715	\$2.52	
Beachbrook Village Apartments	420 S. Catalina Avenue	Redondo Beach	86	1,100	\$2,744	\$2.49	
Riviera Coast	129-131 Palos Verdes	Redondo Beach	19	1,353	\$4,599	\$3.40	
	Minimum			729	\$2,376	\$2.49	
	Maximum			1,353	\$4,599	\$4.91	
	Weighted Average			1,011	\$3,330	\$3.38	

APPENDIX B

AFFORDABLE RENT CALCULATIONS APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX B

AFFORDABLE RENT CALCULATIONS 2021 INCOME STANDARDS APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

		One-Bedroom Units	Two-Bedroom Units
I.	<u>General Assumptions</u>		
	Area Median Income (AMI)	¹ \$64,000	\$72,000
	Monthly Utilities Allowance	² \$63	\$80
II.	<u>Affordable Rent Calculations</u>	³	
	<u>A. Very Low Income - Rent Based on 50% AMI</u>		
	Benchmark Annual Household Income	\$32,000	\$36,000
	Percentage of Income Allotted to Housing Expenses	30%	30%
	Monthly Income Available for Housing Expenses	\$800	\$900
	(Less) Monthly Utilities Allowance	(63)	(80)
	Maximum Allowable Rent	\$737	\$820
	<u>B. Low Income - Rent Based on 60% AMI</u>		
	Benchmark Annual Household Income	\$38,400	\$43,200
	Percentage of Income Allotted to Housing Expenses	30%	30%
	Monthly Income Available for Housing Expenses	\$960	\$1,080
	(Less) Monthly Utilities Allowance	(63)	(80)
	Maximum Allowable Rent	\$897	\$1,000
	<u>C. Moderate Income - Rent Based on 110% AMI</u>		
	Benchmark Annual Household Income	\$70,400	\$79,200
	Percentage of Income Allotted to Housing Expenses	30%	30%
	Monthly Income Available for Housing Expenses	\$1,760	\$1,980
	(Less) Monthly Utilities Allowance	(63)	(80)
	Maximum Allowable Rent	\$1,697	\$1,900

¹ Based on the 2021 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 7/1/21. Assumes: Gas Heating, Gas Cooking, and Gas Water Heater; Basic Electric; and Air Conditioning.

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

APPENDIX C

PRO FORMA ANALYSES SMALL PROJECT PROTOTYPE APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

SMALL PROJECT PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	12,500	Sf of Land	\$150 /Sf of Land		\$1,875,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		12,500	Sf of Land	\$15 /Sf of Land	\$188,000	
	Parking	3					
	At-Grade Spaces		3	Spaces	\$5,000 /Space	15,000	
	Above-Ground Spaces		21	Spaces	\$25,000 /Space	525,000	
	Building Costs		13,333	Sf of GBA	\$150 /Sf of GBA	2,000,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		546,000	
	Total Direct Costs		13,333	Sf of GBA	\$246 /Sf of GBA		\$3,274,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$196,000	
	Public Permits & Fees	5	10	Units	\$40,000 /Unit	400,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		65,000	
	Marketing		10	Units	\$1,000 /Unit	10,000	
	Developer Fee		5%	Direct Costs		164,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		42,000	
	Total Indirect Costs						\$877,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$1,875,000	Cost	5.0% Avg Rate	\$117,000	
	Construction	7	\$4,494,000	Cost	5.0% Avg Rate	169,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	57,000	
	Total Financing Costs						\$343,000
V.	Total Construction Cost		10	Units	\$449,000 /Unit		\$4,494,000
	Total Development Cost		10	Units	\$637,000 /Unit		\$6,369,000

- ¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.
- ² Based on the estimated costs for similar uses.
- ³ The base requirement is 2.0 spaces for Two-Bedroom Units and 0.33 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 and a 60% average outstanding loan balance.
- ⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	0 Units @	\$0 /Unit/Month	\$0
Two-Bedroom Units	10 Units @	\$3,721 /Unit/Month	446,570

B. Laundry & Miscellaneous Income

10 Units @	\$25 /Unit/Month	3,000
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Total Gross Income		\$449,570
Vacancy & Collection Allowance	5% Gross Income	(22,480)

II. **Effective Gross Income** \$427,090

III. Operating Expenses

General Operating Expenses	10 Units @	\$4,500 /Unit	\$45,000
Property Taxes	10 Units @	\$7,800 /Unit	77,500
Replacement Reserve Deposits	10 Units @	\$150 /Unit	1,500

Total Operating Expenses		(\$124,000)
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IV. **Stabilized Net Operating Income** \$303,090

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.72 per square foot of leasable area.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
MARKET RATE ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$303,090
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$6,369,000</u>
III.	Return on Total Investment		4.8%

APPENDIX C - EXHIBIT II

**PRO FORMA ANALYSIS
VERY LOW INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 VERY LOW INCOME ALTERNATIVE
 SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	12,500	Sf of Land	\$150 /Sf of Land		\$1,875,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		12,500	Sf of Land	\$15 /Sf of Land	\$188,000	
	Parking	3					
	At-Grade Spaces		3	Spaces	\$5,000 /Space	15,000	
	Above-Ground Spaces		21	Spaces	\$25,000 /Space	525,000	
	Building Costs		13,333	Sf of GBA	\$150 /Sf of GBA	2,000,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		546,000	
	Total Direct Costs		13,333	Sf of GBA	\$246 /Sf of GBA		\$3,274,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$196,000	
	Public Permits & Fees	5	10	Units	\$40,000 /Unit	400,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		65,000	
	Marketing		10	Units	\$1,000 /Unit	10,000	
	Developer Fee		5%	Direct Costs		164,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		42,000	
	Total Indirect Costs						\$877,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$1,857,900	Cost	5.0% Avg Rate	\$116,000	
	Construction	7	\$4,492,000	Cost	5.0% Avg Rate	168,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	57,000	
	Total Financing Costs						\$341,000
V.	Total Construction Cost		10	Units	\$449,000 /Unit		\$4,492,000
	Total Development Cost		10	Units	\$637,000 /Unit		\$6,367,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Two-Bedroom Units and 0.33 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 and a 100% average outstanding loan balance. Includes a \$17,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 VERY LOW INCOME ALTERNATIVE
 SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	0 Units @	\$0 /Unit/Month	0
Two-Bedroom Units	9.5 Units @	\$3,721 /Unit/Month	424,250

B. Very Low Income Units

²

One-Bedroom Units	0 Units @	\$737 /Unit/Month	0
Two-Bedroom Units	0.5 Units @	\$820 /Unit/Month	4,920

C. Laundry & Miscellaneous Income

10 Units @	\$25 /Unit/Month	3,000
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Total Gross Income

\$432,170

Vacancy & Collection Allowance

5% Gross Income

(21,610)

II. Effective Gross Income

\$410,560

III. Operating Expenses

General Operating Expenses	10 Units @	\$4,500 /Unit	\$45,000
Property Taxes	10 Units @	\$7,400 /Unit	74,100
Replacement Reserve Deposits	10 Units @	\$150 /Unit	1,500

Total Operating Expenses

10 Units @	\$12,060 /Unit	(\$120,600)
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IV. Stabilized Net Operating Income

\$289,960

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.72 per square foot of leasable area.

² Under Section 50053, the very low income rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
VERY LOW INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$289,960
	Threshold Return on Total Investment	¹	4.8%
	Total Supportable Investment		\$6,093,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	\$6,367,000
III.	<u>Total Financial Impact</u>		(\$274,000)
	Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.6% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	4.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS

LOW INCOME ALTERNATIVE

SMALL PROJECT PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LOW INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	12,500	Sf of Land	\$150 /Sf of Land		\$1,875,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		12,500	Sf of Land	\$15 /Sf of Land	\$188,000	
	Parking	3					
	At-Grade Spaces		3	Spaces	\$5,000 /Space	15,000	
	Above-Ground Spaces		21	Spaces	\$25,000 /Space	525,000	
	Building Costs		13,333	Sf of GBA	\$150 /Sf of GBA	2,000,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		546,000	
	Total Direct Costs		13,333	Sf of GBA	\$246 /Sf of GBA		\$3,274,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$196,000	
	Public Permits & Fees	5	10	Units	\$40,000 /Unit	400,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		65,000	
	Marketing		10	Units	\$1,000 /Unit	10,000	
	Developer Fee		5%	Direct Costs		164,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		42,000	
	Total Indirect Costs						\$877,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$1,855,700	Cost	5.0% Avg Rate	\$116,000	
	Construction	7	\$4,492,000	Cost	5.0% Avg Rate	168,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	57,000	
	Total Financing Costs						\$341,000
V.	Total Construction Cost		10	Units	\$449,000 /Unit		\$4,492,000
	Total Development Cost		10	Units	\$637,000 /Unit		\$6,367,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Two-Bedroom Units and 0.33 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 and a 100% average outstanding loan balance. Includes a \$19,300 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
LOW INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	0 Units @	\$0 /Unit/Month	\$0
Two-Bedroom Units	9 Units @	\$3,721 /Unit/Month	419,780

B. Low Income Units

²

One-Bedroom Units	0 Units @	\$897 /Unit/Month	0
Two-Bedroom Units	1 Units @	\$1,000 /Unit/Month	7,200

C. Laundry & Miscellaneous Income

10 Units @	\$25 /Unit/Month	3,000
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Total Gross Income

\$429,980

Vacancy & Collection Allowance

5% Gross Income

(21,500)

II. Effective Gross Income

\$408,480

III. Operating Expenses

General Operating Expenses	10 Units @	\$4,500 /Unit	\$45,000
Property Taxes	10 Units @	\$7,400 /Unit	73,700
Replacement Reserve Deposits	10 Units @	\$150 /Unit	1,500

Total Operating Expenses

10 Units @	\$12,020 /Unit	(\$120,200)
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IV. Stabilized Net Operating Income

\$288,280

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.72 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
LOW INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$288,280
	Threshold Return on Total Investment	¹	4.8%
	Total Supportable Investment		\$6,058,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1	\$6,367,000
III.	<u>Total Financial Impact</u>		(\$309,000)
	Property Acquisition Cost Reduction	16% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.5% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	4.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT IV

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MODERATE INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	12,500	Sf of Land	\$150 /Sf of Land		\$1,875,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		12,500	Sf of Land	\$15 /Sf of Land	\$188,000	
	Parking	3					
	At-Grade Spaces		3	Spaces	\$5,000 /Space	15,000	
	Above-Ground Spaces		21	Spaces	\$25,000 /Space	525,000	
	Building Costs		13,333	Sf of GBA	\$150 /Sf of GBA	2,000,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		546,000	
	Total Direct Costs		13,333	Sf of GBA	\$246 /Sf of GBA		\$3,274,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$196,000	
	Public Permits & Fees	5	10	Units	\$40,000 /Unit	400,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		65,000	
	Marketing		10	Units	\$1,000 /Unit	10,000	
	Developer Fee		5%	Direct Costs		164,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		42,000	
	Total Indirect Costs						\$877,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$1,855,600	Cost	5.0% Avg Rate	\$116,000	
	Construction	7	\$4,492,000	Cost	5.0% Avg Rate	168,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	57,000	
	Total Financing Costs						\$341,000
V.	Total Construction Cost		10	Units	\$449,000 /Unit		\$4,492,000
	Total Development Cost		10	Units	\$637,000 /Unit		\$6,367,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for Two-Bedroom Units and 0.33 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 and a 100% average outstanding loan balance. Includes a \$19,400 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MODERATE INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	0 Units @	\$0 /Unit/Month	\$0
Two-Bedroom Units	9 Units @	\$3,721 /Unit/Month	406,380

B. Moderate Income Units

²

One-Bedroom Units	0 Units @	\$1,697 /Unit/Month	0
Two-Bedroom Units	1 Units @	\$1,900 /Unit/Month	20,520

C. Laundry & Miscellaneous Income

10 Units @	\$25 /Unit/Month	3,000
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Total Gross Income

\$429,900

Vacancy & Collection Allowance

5% Gross Income

(21,500)

II. Effective Gross Income

\$408,400

III. Operating Expenses

General Operating Expenses	10 Units @	\$4,500 /Unit	\$45,000
Property Taxes	10 Units @	\$7,400 /Unit	73,700
Replacement Reserve Deposits	10 Units @	\$150 /Unit	1,500

Total Operating Expenses

10 Units @	\$12,020 /Unit	(\$120,200)
------------	----------------	-------------

IV. Stabilized Net Operating Income

\$288,200

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.72 per square foot of leasable area.

² Under Section 50053, the moderate income rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
MODERATE INCOME ALTERNATIVE
SMALL PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT IV - TABLE 2	\$288,200
	Threshold Return on Total Investment	¹	4.8%
	Total Supportable Investment		\$6,056,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1	\$6,367,000
III.	<u>Total Financial Impact</u>		(\$311,000)
	Property Acquisition Cost Reduction	17% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.5% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	4.8% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT V

PRO FORMA ANALYSIS

DENSITY BONUS ALTERNATIVE

**SMALL PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DENSITY BONUS ALTERNATIVE
SMALL PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	12,500	Sf of Land	\$150 /Sf of Land		\$1,875,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		12,500	Sf of Land	\$15 /Sf of Land	\$188,000	
	Parking	3					
	At-Grade Spaces		0	Spaces	\$5,000 /Space	0	
	Above-Ground Spaces		30	Spaces	\$25,000 /Space	750,000	
	Building Costs		20,000	Sf of GBA	\$150 /Sf of GBA	3,000,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		788,000	
	Total Direct Costs		20,000	Sf of GBA	\$236 /Sf of GBA		\$4,726,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$284,000	
	Public Permits & Fees	5	15	Units	\$40,000 /Unit	606,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		95,000	
	Marketing		15	Units	\$1,000 /Unit	15,000	
	Developer Fee		5%	Direct Costs		236,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		62,000	
	Total Indirect Costs						\$1,298,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$1,875,000	Cost	5.0% Avg Rate	\$117,000	
	Construction	7	\$6,458,000	Cost	5.0% Avg Rate	242,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	75,000	
	Total Financing Costs						\$434,000
V.	Total Construction Cost		15	Units	\$426,000 /Unit		\$6,458,000
	Total Development Cost		15	Units	\$550,000 /Unit		\$8,333,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³

For sites within 1/4 mile of transit stops, Section 65915 (p) sets the parking standards at 1.0 spaces for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and no guest spaces can be required. This analysis assumes that 2.0 spaces per unit are provided.

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 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 and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS ALTERNATIVE
 SMALL PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	0 Units @	\$0 /Unit/Month	\$0
Two-Bedroom Units	13 Units @	\$3,721 /Unit/Month	580,550

B. Inclusionary Units

Density Bonus Units

²

One-Bedroom Units	0 Units @	\$737 /Unit/Month	0
Two-Bedroom Units	2 Units @	\$820 /Unit/Month	19,680

Low Income Inclusionary Units

³

One-Bedroom Units	0 Units	\$897 /Unit/Month	0
Two-Bedroom Units	0 Units	\$1,000 /Unit/Month	0

C. Laundry & Miscellaneous Income

15 Units @	\$25 /Unit/Month	4,550
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Total Gross Income

\$604,780

Vacancy & Collection Allowance

5% Gross Income

(30,240)

II. Effective Gross Income

\$574,540

III. Operating Expenses

General Operating Expenses	15 Units @	\$4,500 /Unit	\$68,200
Property Taxes	15 Units @	\$6,800 /Unit	102,600
Replacement Reserve Deposits	15 Units @	\$150 /Unit	2,300

Total Operating Expenses

15 Units @	\$11,426 /Unit	(\$173,100)
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IV. Stabilized Net Operating Income

\$401,440

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.72 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. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

³ The balance of the affordable units are set aside for low income households. Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
DENSITY BONUS ALTERNATIVE
SMALL PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT V - TABLE 2	\$401,440
	Threshold Return on Total Investment	¹	4.8%
	Total Supportable Investment		\$8,436,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT V - TABLE 1	\$8,333,000
III.	<u>Total Financial Impact</u>		\$103,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.8% 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 ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX D

PRO FORMA ANALYSES LARGE PROJECT PROTOTYPE APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX D - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

**LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	130,680	Sf of Land	\$150 /Sf of Land		\$19,602,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	3					
	At-Grade Spaces		30	Spaces	\$5,000 /Space	150,000	
	Above-Ground Spaces		180	Spaces	\$25,000 /Space	4,500,000	
	Building Costs		109,125	Sf of GBA	\$165 /Sf of GBA	18,006,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		4,923,000	
	Total Direct Costs		109,125	Sf of GBA	\$271 /Sf of GBA		\$29,539,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$1,772,000	
	Public Permits & Fees	5	90	Units	\$40,000 /Unit	3,600,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		591,000	
	Marketing		90	Units	\$1,000 /Unit	90,000	
	Developer Fee		5%	Direct Costs		1,477,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		377,000	
	Total Indirect Costs						\$7,907,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$19,602,000	Cost	5.0% Avg Rate	\$1,225,000	
	Construction	7	\$40,742,000	Cost	5.0% Avg Rate	1,528,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	543,000	
	Total Financing Costs						\$3,296,000
V.	Total Construction Cost		90	Units	\$453,000 /Unit		\$40,742,000
	Total Development Cost		90	Units	\$670,000 /Unit		\$60,344,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for One-Bedroom Units; 2.0 space for Two-Bedroom Units; and 0.33 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 and a 60% average outstanding loan balance.

⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	36 Units @	\$3,500 /Unit/Month	\$1,512,000
Two-Bedroom Units	54 Units @	\$3,908 /Unit/Month	2,532,000

B. Laundry & Miscellaneous Income

90 Units @	\$25 /Unit/Month	27,000
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Total Gross Income

\$4,071,000

Vacancy & Collection Allowance

5% Gross Income

(204,000)

II. **Effective Gross Income**

\$3,867,000

III. Operating Expenses

General Operating Expenses	90 Units @	\$4,500 /Unit	\$405,000
Property Taxes	90 Units @	\$7,800 /Unit	702,000
Replacement Reserve Deposits	90 Units @	\$150 /Unit	14,000

Total Operating Expenses

(\$1,121,000)

IV. **Stabilized Net Operating Income**

\$2,746,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.86 per square foot of leasable area.

APPENDIX D - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
MARKET RATE ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT I - TABLE 2	\$2,746,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$60,344,000</u>
III.	Return on Total Investment		4.6%

APPENDIX D - EXHIBIT II

**PRO FORMA ANALYSIS
VERY LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
VERY LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	130,680	Sf of Land	\$150 /Sf of Land		\$19,602,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	3					
	At-Grade Spaces		30	Spaces	\$5,000 /Space	150,000	
	Above-Ground Spaces		180	Spaces	\$25,000 /Space	4,500,000	
	Building Costs		109,125	Sf of GBA	\$165 /Sf of GBA	18,006,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		4,923,000	
	Total Direct Costs		109,125	Sf of GBA	\$271 /Sf of GBA		\$29,539,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$1,772,000	
	Public Permits & Fees	5	90	Units	\$40,000 /Unit	3,600,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		591,000	
	Marketing		90	Units	\$1,000 /Unit	90,000	
	Developer Fee		5%	Direct Costs		1,477,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		377,000	
	Total Indirect Costs						\$7,907,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$19,418,700	Cost	5.0% Avg Rate	\$1,214,000	
	Construction	7	\$40,730,000	Cost	5.0% Avg Rate	1,527,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	543,000	
	Total Financing Costs						\$3,284,000
V.	Total Construction Cost		90	Units	\$453,000 /Unit		\$40,730,000
	Total Development Cost		90	Units	\$670,000 /Unit		\$60,332,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for One-Bedroom Units; 2.0 space for Two-Bedroom Units; and 0.33 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 and a 100% average outstanding loan balance. Includes a \$183,300 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on a 15 month construction period and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 VERY LOW INCOME ALTERNATIVE
 LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	34 Units @	\$3,500 /Unit/Month	\$1,428,000
Two-Bedroom Units	51 Units @	\$3,908 /Unit/Month	2,391,000

B. Very Low Income Units

²

One-Bedroom Units	2 Units @	\$737 /Unit/Month	18,000
Two-Bedroom Units	3 Units @	\$820 /Unit/Month	30,000

C. Laundry & Miscellaneous Income

90 Units @	\$25 /Unit/Month	27,000
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Total Gross Income

\$3,894,000

Vacancy & Collection Allowance

5% Gross Income

(195,000)

II. **Effective Gross Income**

\$3,699,000

III. Operating Expenses

General Operating Expenses	90 Units @	\$4,500 /Unit	\$405,000
Property Taxes	90 Units @	\$7,400 /Unit	668,000
Replacement Reserve Deposits	90 Units @	\$150 /Unit	14,000

Total Operating Expenses

90 Units @ \$12,078 /Unit (\$1,087,000)

IV. **Stabilized Net Operating Income**

\$2,612,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.86 per square foot of leasable area.

² Under Section 50053, the very low income rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
VERY LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT II - TABLE 2	\$2,612,000
	Threshold Return on Total Investment	¹	4.6%
	Total Supportable Investment		\$57,399,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1	\$60,332,000
III.	<u>Total Financial Impact</u>		(\$2,933,000)
	Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	4.7% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT III

PRO FORMA ANALYSIS

LOW INCOME ALTERNATIVE

LARGE PROJECT PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	130,680	Sf of Land	\$150 /Sf of Land	\$19,602,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000
	Parking	3				
	At-Grade Spaces		30	Spaces	\$5,000 /Space	150,000
	Above-Ground Spaces		180	Spaces	\$25,000 /Space	4,500,000
	Building Costs		109,125	Sf of GBA	\$165 /Sf of GBA	18,006,000
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		4,923,000
	Total Direct Costs		109,125	Sf of GBA	\$271 /Sf of GBA	\$29,539,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6%	Direct Costs		\$1,772,000
	Public Permits & Fees	5	90	Units	\$40,000 /Unit	3,600,000
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		591,000
	Marketing		90	Units	\$1,000 /Unit	90,000
	Developer Fee		5%	Direct Costs		1,477,000
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		377,000
	Total Indirect Costs					\$7,907,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	6	\$19,396,900	Cost	5.0% Avg Rate	\$1,212,000
	Construction	7	\$40,728,000	Cost	5.0% Avg Rate	1,527,000
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	543,000
	Total Financing Costs					\$3,282,000
V.	Total Construction Cost		90	Units	\$453,000 /Unit	\$40,728,000
	Total Development Cost		90	Units	\$670,000 /Unit	\$60,330,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for One-Bedroom Units; 2.0 space for Two-Bedroom Units; and 0.33 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 an 15 month construction period and a 100% average outstanding loan balance. Includes a \$205,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on an 15 month construction period and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	33 Units @	\$3,500 /Unit/Month	\$1,386,000
Two-Bedroom Units	51 Units @	\$3,908 /Unit/Month	2,391,000

B. Low Income Units

²

One-Bedroom Units	3 Units @	\$897 /Unit/Month	32,000
Two-Bedroom Units	3 Units @	\$1,000 /Unit/Month	36,000

C. Laundry & Miscellaneous Income

90 Units @	\$25 /Unit/Month	27,000
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Total Gross Income

\$3,872,000

Vacancy & Collection Allowance

5% Gross Income

(194,000)

II. Effective Gross Income

\$3,678,000

III. Operating Expenses

General Operating Expenses	90 Units @	\$4,500 /Unit	\$405,000
Property Taxes	90 Units @	\$7,400 /Unit	663,000
Replacement Reserve Deposits	90 Units @	\$150 /Unit	14,000

Total Operating Expenses

90 Units @	\$12,022 /Unit	(\$1,082,000)
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IV. Stabilized Net Operating Income

\$2,596,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.86 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
LOW INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT III - TABLE 2	\$2,596,000
	Threshold Return on Total Investment	¹	4.6%
	Total Supportable Investment		\$57,048,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1	\$60,330,000
III.	<u>Total Financial Impact</u>		(\$3,282,000)
	Property Acquisition Cost Reduction	17% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.3% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT IV

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MODERATE INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	130,680	Sf of Land	\$150 /Sf of Land		\$19,602,000
II.	<u>Direct Costs</u>	2					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	3					
	At-Grade Spaces		30	Spaces	\$5,000 /Space	150,000	
	Above-Ground Spaces		180	Spaces	\$25,000 /Space	4,500,000	
	Building Costs		109,125	Sf of GBA	\$165 /Sf of GBA	18,006,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		4,923,000	
	Total Direct Costs		109,125	Sf of GBA	\$271 /Sf of GBA		\$29,539,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$1,772,000	
	Public Permits & Fees	5	90	Units	\$40,000 /Unit	3,600,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		591,000	
	Marketing		90	Units	\$1,000 /Unit	90,000	
	Developer Fee		5%	Direct Costs		1,477,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		377,000	
	Total Indirect Costs						\$7,907,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	6	\$19,411,900	Cost	5.0% Avg Rate	\$1,213,000	
	Construction	7	\$40,729,000	Cost	5.0% Avg Rate	1,527,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	543,000	
	Total Financing Costs						\$3,283,000
V.	Total Construction Cost		90	Units	\$453,000 /Unit		\$40,729,000
	Total Development Cost		90	Units	\$670,000 /Unit		\$60,331,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ The base requirement is 2.0 spaces for One-Bedroom Units; 2.0 space for Two-Bedroom Units; and 0.33 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 an 15 month construction period and a 100% average outstanding loan balance. Includes a \$190,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

⁷ Based on an 15 month construction period and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MODERATE INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	33 Units @	\$3,500 /Unit/Month	\$1,386,000
Two-Bedroom Units	49 Units @	\$3,908 /Unit/Month	2,298,000

B. Moderate Income Units

²

One-Bedroom Units	3 Units @	\$1,697 /Unit/Month	61,000
Two-Bedroom Units	5 Units @	\$1,900 /Unit/Month	114,000

C. Laundry & Miscellaneous Income

90 Units @	\$25 /Unit/Month	27,000
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Total Gross Income

\$3,886,000

Vacancy & Collection Allowance

5% Gross Income

(194,000)

II. **Effective Gross Income**

\$3,692,000

III. Operating Expenses

General Operating Expenses	90 Units @	\$4,500 /Unit	\$405,000
Property Taxes	90 Units @	\$7,400 /Unit	666,000
Replacement Reserve Deposits	90 Units @	\$150 /Unit	14,000

Total Operating Expenses

90 Units @	\$12,056 /Unit	(\$1,085,000)
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IV. **Stabilized Net Operating Income**

\$2,607,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.86 per square foot of leasable area.

² Under Section 50053, the moderate income rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
MODERATE INCOME ALTERNATIVE
LARGE PROJECT PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT IV - TABLE 2	\$2,607,000
	Threshold Return on Total Investment	¹	4.6%
	Total Supportable Investment		\$57,289,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1	\$60,331,000
III.	<u>Total Financial Impact</u>		(\$3,042,000)
	Property Acquisition Cost Reduction	16% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT V

PRO FORMA ANALYSIS

DENSITY BONUS ALTERNATIVE

LARGE PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

REDONDO BEACH, CALIFORNIA

APPENDIX D - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS ALTERNATIVE
 LARGE PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	130,680	Sf of Land	\$150 /Sf of Land	\$19,602,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000
	Parking	3				
	At-Grade Spaces		0	Spaces	\$5,000 /Space	0
	Above-Ground Spaces		216	Spaces	\$25,000 /Space	5,400,000
	Building Costs		163,688	Sf of GBA	\$165 /Sf of GBA	27,008,000
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		6,874,000
	Total Direct Costs		163,688	Sf of GBA	\$252 /Sf of GBA	\$41,242,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6%	Direct Costs		\$2,475,000
	Public Permits & Fees	5	135	Units	\$40,000 /Unit	5,406,000
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		825,000
	Marketing		135	Units	\$1,000 /Unit	135,000
	Developer Fee		5%	Direct Costs		2,062,000
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		545,000
	Total Indirect Costs					\$11,448,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	6	\$19,602,000	Cost	5.0% Avg Rate	\$1,225,000
	Construction	7	\$56,729,000	Cost	5.0% Avg Rate	2,127,000
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	687,000
	Total Financing Costs					\$4,039,000
V.	Total Construction Cost		135	Units	\$420,000 /Unit	\$56,729,000
	Total Development Cost		135	Units	\$565,000 /Unit	\$76,331,000

¹ Estimated in part based on a sales survey of properties in Redondo Beach with residential and mixed-use zoning.

² Based on the estimated costs for similar uses.

³ For sites within 1/4 mile of transit stops, Section 65915 (p) sets the parking standards at 1.0 spaces for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and no guest spaces can be required. This analysis assumes that 1.0 space per one-bedroom units and 2.0 spaces per two-bedroom unit are provided.

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 an 15 month construction period 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 an 15 month construction period and a 60% average outstanding loan balance.

APPENDIX D - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS ALTERNATIVE
 LARGE PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 REDONDO BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

One-Bedroom Units	46 Units @	\$3,500 /Unit/Month	1,932,000
Two-Bedroom Units	70 Units @	\$3,908 /Unit/Month	3,282,000

B. Inclusionary Units

Density Bonus Units

²

One-Bedroom Units	6 Units @	\$737 /Unit/Month	53,000
Two-Bedroom Units	8 Units @	\$820 /Unit/Month	79,000

Low Income Inclusionary Units

³

One-Bedroom Units	2 Units	\$897 /Unit/Month	22,000
Two-Bedroom Units	3 Units	\$1,000 /Unit/Month	36,000

C. Laundry & Miscellaneous Income

135 Units @	\$25 /Unit/Month	41,000
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Total Gross Income

\$5,445,000

Vacancy & Collection Allowance

5% Gross Income

(272,000)

II. Effective Gross Income

\$5,173,000

III. Operating Expenses

General Operating Expenses	135 Units @	\$4,500 /Unit	\$608,200
Property Taxes	135 Units @	\$6,800 /Unit	925,000
Replacement Reserve Deposits	135 Units @	\$150 /Unit	20,000

Total Operating Expenses

135 Units @	\$11,492 /Unit	(\$1,553,200)
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IV. Stabilized Net Operating Income

\$3,619,800

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$3.86 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. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

³ The balance of the affordable units are set aside for low income households. Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
DENSITY BONUS ALTERNATIVE
LARGE PROJECT PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT V - TABLE 2	\$3,619,800
	Threshold Return on Total Investment	¹	4.6%
	Total Supportable Investment		\$79,546,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT V - TABLE 1	\$76,331,000
III.	<u>Total Financial Impact</u>		\$3,215,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Return on Total Investment	4.7% 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 ZONING COMPLIANT: MARKET RATE ALTERNATIVE.

ATTACHMENT 4

**IN-LIEU FEE ANALYSES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA**

APPENDIX A

IN-LIEU FEE ANALYSIS OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX A

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH - MODERATE INCOME
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

		Base Zoning Prototype
I.	<u>Sales Price Difference</u>	1
	A. One-Bedroom Units	
	Market Rate Sales Price	\$800,000
	Affordable Sales Price	289,500
	Difference	\$510,500
	B. Two-Bedroom Units	
	Market Rate Sales Price	\$1,143,000
	Affordable Sales Price	327,500
	Difference	\$815,500
	C. Three-Bedroom Units	
	Market Rate Sales Price	\$1,338,000
	Affordable Sales Price	363,000
	Difference	\$975,000
	D. Four-Bedroom Units	
	Market Rate Sales Price	\$1,493,000
	Affordable Sales Price	387,400
	Difference	\$1,105,600
II.	<u>Distribution of Total Units</u>	2
	One-Bedroom Units	16%
	Two-Bedroom Units	34%
	Three-Bedroom Units	34%
	Four-Bedroom Units	16%
III.	<u>In-Lieu Fee</u>	
	Per Inclusionary Unit	3 \$639,000
	Inclusionary Housing Percentage	9%
	Per Total Unit in the Project	4 \$57,500
	Per Square Foot of Saleable Area	5 \$33.40

¹ The market rate sales prices are drawn from the pro forma analyses. (See APPENDIX C - EXHIBIT I and APPENDIX D - EXHIBIT I).
The Affordable Sales Prices are based on the H&SC Section 50052.5 calculation methodology. (See APPENDIX B - EXHIBIT I).

³ 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.

⁵ Based on the Affordability Gap Per Inclusionary Unit multiplied times the Inclusionary Housing Percentage.

⁶ Based on the Affordability Gap Per Inclusionary Unit divided by the average saleable area per unit.

APPENDIX B

IN-LIEU FEE ANALYSES APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDONDO BEACH, CALIFORNIA

APPENDIX B - EXHIBIT I

IN-LIEU FEE ANALYSES
AFFORDABILITY GAP APPROACH
SMALL PROJECT PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

		<u>Moderate Income</u>
I.	<u>Rent Difference</u>	¹
	<u>Two-Bedroom Units</u>	
	Market Rate Units	\$3,721
	Inclusionary Units	<u>1,900</u>
	Difference	\$1,821
III.	Annual Affordability Gap Per Inclusionary Unit	\$21,857
	Less: Property Tax Difference	² <u>(5,590)</u>
	Annual Affordability Gap Per Inclusionary Unit	\$16,267
IV.	Net Affordability Gap Per Inclusionary Unit	³ \$342,000
V.	Inclusionary Housing Percentage	⁴ 9.0%
VI.	<u>In-Lieu Fee</u>	
	Per Total Unit in the Project	⁵ \$30,800
	Per Square Foot of Leasable Area	⁶ \$31.10

¹ The market rents are drawn from the pro forma analyses. The Affordable Rents are based on the H&SC Section 50053 calculation methodology. (See APPENDIX B).

² Based on the rent differential capitalized at a 4.5% rate to establish the value, and a 1.15% property tax rate.

³ Based on the Annual Affordability Gap Per Inclusionary Unit capitalized at the Threshold Return on Total Investment.

⁴ Based on the results of the pro forma analyses.

⁵ Based on the Affordability Gap Per Inclusionary Unit multiplied times the Inclusionary Housing Percentage.

⁶ Based on the Affordability Gap Per Inclusionary Unit divided by the average leasable area per unit.

APPENDIX B - EXHIBIT II

IN-LIEU FEE ANALYSES
AFFORDABILITY GAP APPROACH
LARGE PROJECT PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
REDONDO BEACH, CALIFORNIA

		Very Low Income	Low Income	Moderate Income
I. Rent Difference	¹			
A. One-Bedroom Units				
Market Rate Units		\$3,500	\$3,500	\$3,500
Inclusionary Units		737	897	1,697
Difference		\$2,763	\$2,603	\$1,803
B. Two-Bedroom Units				
Market Rate Units		\$3,908	\$3,908	\$3,908
Inclusionary Units		820	1,000	1,900
Difference		\$3,088	\$2,908	\$2,008
II. Distribution of Total Units	²			
One-Bedroom Units		40%	40%	40%
Two-Bedroom Units		60%	60%	60%
III. Annual Affordability Gap Per Inclusionary Unit		\$35,491	\$33,427	\$23,107
Less: Property Tax Difference	³	(9,070)	(8,540)	(5,910)
Annual Affordability Gap Per Inclusionary Unit		\$26,421	\$24,887	\$17,197
IV. Net Affordability Gap Per Inclusionary Unit	⁴	\$581,000	\$547,000	\$378,000
V. Inclusionary Housing Percentage	⁵	6.0%	7.0%	9.0%
VI. In-Lieu Fee				
Per Total Unit in the Project	⁶	\$34,900	\$38,300	\$34,000
Per Square Foot of Leasable Area	⁷	\$36.00	\$39.50	\$35.10

¹ The market rents are drawn from the pro forma analyses. The Affordable Rents are based on the H&SC Section 50053 calculation methodology. (See APPENDIX B).

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

³ Based on the rent differential capitalized at a 4.5% rate to establish the value, and a 1.15% property tax rate.

⁴ Based on the Annual Affordability Gap Per Inclusionary Unit capitalized at the Threshold Return on Total Investment.

⁵ Based on the results of the pro forma analyses.

⁶ Based on the Affordability Gap Per Inclusionary Unit multiplied times the Inclusionary Housing Percentage.

⁷ Based on the Affordability Gap Per Inclusionary Unit divided by the average leasable area per unit.