



**KEYSER MARSTON ASSOCIATES**

**INCLUSIONARY HOUSING:  
FINANCIAL EVALUATION**

**Prepared for:**

**City of Redlands**

**Prepared by:**

**Keyser Marston Associates, Inc.**

**January 23, 2023**

# TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY</b>	<b>1</b>
A. BACKGROUND	1
B. PUBLIC POLICY OBJECTIVES	1
C. INCLUSIONARY HOUSING PROGRAM DESIGN	1
D. FINANCIAL ANALYSES	2
E. FINDINGS	3
<b>II. KEY COURT CASES AND STATE LEGISLATION</b>	<b>9</b>
A. COURT CASES	9
B. STATE LEGISLATION	10
<b>III. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS</b>	<b>12</b>
A. SURVEY OF EXISTING INCLUSIONARY HOUSING PROGRAMS	12
B. PROGRAM REQUIREMENTS	13
<b>IV. METHODOLOGY</b>	<b>16</b>
A. PARAMETERS	16
B. FINANCIAL EVALUATION APPROACH	17
C. FINANCIAL EVALUATION STRUCTURE	19
D. FINANCIAL EVALUATION ORGANIZATION	19
<b>V. APARTMENT DEVELOPMENT ANALYSIS</b>	<b>21</b>
A. PRO FORMA ANALYSIS ORGANIZATION AND ASSUMPTIONS	21
B. PRO FORMA ANALYSES	24
C. SUMMARY: APARTMENT DEVELOPMENT ANALYSES	29
<b>VI. OWNERSHIP HOUSING ANALYSIS</b>	<b>31</b>
A. PRO FORMA ANALYSIS ORGANIZATION	31
B. PRO FORMA ANALYSES	33
C. SUMMARY: OWNERSHIP HOUSING DEVELOPMENT ANALYSES	37
<b>VII. IN-LIEU FEE ANALYSES</b>	<b>39</b>
A. APARTMENT DEVELOPMENT	39
B. OWNERSHIP HOUSING DEVELOPMENT	40
<b>VIII. SUMMARY</b>	<b>42</b>
A. SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS	42
B. SUPPORTABLE IN-LIEU FEES	43
C. NEXT STEPS	44

# ATTACHMENTS

## Attachment 1: Inclusionary Housing Program Surveys

## Attachment 2: Affordable Housing Cost Calculation Methodologies

Appendix A: Affordable Rent Calculation Methodology

Appendix B: Affordable Sales Price Calculation Methodology

## Attachment 3: Apartment Development

Appendix A: Rent Survey: 4+ Star Properties

Appendix B: Affordable Rent Calculations

Appendix C: Pro Forma Analyses – Transit Village 1 Apartment Development Prototypes

Exhibit I Density @ 30 Units/Acre: 100% Market Rate Alternative

Exhibit II Density @ 30 Units/Acre: Low Income Requirement

Exhibit III Density @ 30 Units/Acre: Very Low Income Requirement

Appendix D: Pro Forma Analyses – Transit Village 2 Apartment Development Prototypes

Exhibit I Density @ 58 Units/Acre: 100% Market Rate Alternative

Exhibit II Density @ 58 Units/Acre: Low Income Requirement

Exhibit III Density @ 58 Units/Acre: Very Low Income Requirement

Appendix E: Pro Forma Analyses – R-3 Apartment Development Prototypes

Exhibit I Density @ 27 Units/Acre: 100% Market Rate Alternative

Exhibit II Density @ 27 Units/Acre: Low Income Requirement

Exhibit III Density @ 27 Units/Acre: Very Low Income Requirement

# ATTACHMENTS

## Attachment 4: Ownership Housing Development

Appendix A:	Home Sales Survey
Appendix B:	Affordable Sales Price Calculations
Appendix C:	Pro Forma Analyses –Citywide Townhome Prototype
Exhibit I	Market Rate Alternative
Exhibit II	Moderate Income Requirement
Appendix D:	Pro Forma Analyses –Citywide Detached Single Family Home Prototype
Exhibit I	Market Rate Alternative
Exhibit II	Moderate Income Requirement

## Attachment 5: In-Lieu Fee Analysis

Appendix A:	Apartment Development
Appendix B:	Ownership Housing Development

## I. EXECUTIVE SUMMARY

### A. Background

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Redlands (City) to assist the City in creating an Inclusionary Housing program. Over the past 20+ years, the KMA Los Angeles office has assisted 36 jurisdictions in the Inclusionary Housing program creation process. The KMA evaluation methodology has been continually evolving over this period, and it reflects a real world perspective based on the firm's core experience in real estate development economics, real estate transactions, and developer negotiations services.

KMA was engaged to prepare an Inclusionary Housing: Financial Evaluation (Financial Evaluation) to identify the supportable Inclusionary Housing program requirements. While each evaluation KMA undertakes is tailored to reflect the specific characteristics of the jurisdiction being studied, the primary objective is always to identify requirements that balance the interests of property owners and developers against the City's need for affordable housing.

### B. Public Policy Objectives

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

### C. Inclusionary Housing Program Design

In *California Building Industry Association v. City of San Jose*, 61 Cal 4<sup>th</sup> 435 (*San Jose*) the California Supreme Court found that the imposition of Inclusionary Housing requirements is a valid exercise of a jurisdiction's zoning powers. However, the *San Jose* ruling also imposed the following limitations on the requirements that jurisdictions can impose:

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

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

The first step in designing an Inclusionary Housing program is to identify the factors that will be considered in defining the program's goals. A common measurement is the unmet need for affordable housing in the jurisdiction. The findings presented in the City's Sixth Cycle Housing Element (Housing Element), which was certified by the California Department of Housing and Community Development (HCD) on September 26, 2022, have been used for this purpose.

#### **D. Financial Analyses**

Each affordable housing unit that is required to be provided in a market rate residential project creates an impact on the project economics. This is called the "Affordability Gap," which is defined as difference between the achievable market rate rent or sales price and the allowable rent or sales price for each "Inclusionary Unit." This Financial Evaluation uses pro forma analyses to estimate the Affordability Gaps generated at varying income and affordability levels.

Prototype apartment and ownership housing developments were created for analysis purposes. The apartment development prototypes were created for projects at varying sizes and densities. The ownership housing development prototypes were varied by housing product type. The prototypes can be generally described as follows:

Apartment and Ownership Development Prototypes	
<u>Apartment Development</u>	<u>Ownership Housing Development</u>
Transit Village 1 at 30 Units / Acre	Townhomes
Transit Village 2 at 58 Units / Acre	Detached Single Family Homes
R-3 Zoning Standards	

The prototype projects were created using the following resources:

1. The City’s Housing Element;
2. Specific Plans that have been adopted by the City;
3. Recently completed residential projects; and
4. Development plans for residential projects that have recently received entitlements and/or been submitted to the City’s Planning Division for review.

**E. Findings**

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS**

KMA used pro forma analyses to estimate the Affordability Gaps created by the Inclusionary Housing alternatives being tested. The results were then evaluated to identify affordable housing requirements that balance the interests of the property owner, the developer, and the City’s unmet need for affordable housing.

*Apartment Development*

Rent Estimates

The rent estimates that were used as part of the Affordability Gap analyses are presented in the following tables:

Projected Market Rate Rents Apartment Development Prototypes			
Number of Bedrooms	Transit Village 1	Transit Village 2	R-3
Studio		\$2,090	\$2,100
1	\$2,240	\$2,310	\$2,250
2	\$2,750	\$2,880	\$2,630
3	\$2,990		

Affordable Rents Apartment Development Prototypes		
Number of Bedrooms	Low Income	Very Low Income
Studio	\$1,094	\$635
1	\$1,240	\$716
2	\$1,351	\$761
3	\$1,459	\$804

### Affordability Gap Estimates

The Affordability Gaps, per Inclusionary Unit, are estimated as follows for the apartment development prototypes:

Affordability Gap Estimates Apartment Development Prototypes	
Transit Village 1	\$205,000
Transit Village 2	\$198,000
R-3	\$164,000
Weighted Average Affordability Gap Per Inclusionary Unit	\$188,200



## Supportable Inclusionary Housing Requirements – Apartment Development

Based on the results of the pro forma analyses, KMA concluded that the following Inclusionary Housing requirements can be supported by apartment development projects:

Supportable Inclusionary Housing Requirement Apartment Development Projects			
Income Level	Transit Village 1	Transit Village 2	R-3
Low	9%	8%	9%
Very Low	5%	5%	4%

Based on all the factors considered in the apartment development evaluation, KMA has concluded that a 9% low income Inclusionary Housing obligation can be supported. Given the conservative approach taken by KMA, it is reasonable to conclude that a requirement of this magnitude is not confiscatory and that it will not deprive a property owner of a fair and reasonable return on their investment.

It is important to consider that some developers may wish to mitigate the financial impact created by the imposition of Inclusionary Housing requirements by using the density bonus provided under California Government Code Section 65915 et seq. (Section 65915). In many cases it will be advantageous for a developer to provide very low income units to fulfill the Density Bonus requirements. In those instances, the City's low income Inclusionary Housing requirements would actually be fulfilled at a deeper affordability level.

### *Ownership Housing Development*

Inclusionary Housing programs generally 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.

## Sales Price Estimates

The sales price estimates that were used as part of the Affordability Gap analyses are presented in the following tables:

Projected Market Rate Sales Prices Ownership Housing Development Prototypes		
Number of Bedrooms	Townhomes	Detached Single Family Homes
2	\$525,000	
3	\$564,000	\$810,000
4		\$986,000
5		\$1,228,000

Estimated Affordable Sales Prices Moderate Income Units Ownership Housing Development		
Number of Bedrooms	Townhomes	Detached Single Family Homes
2	\$272,000	
3	\$292,500	\$262,800
4		\$270,400
5		\$278,100

## Affordability Gap Estimates

The weighted average Affordability Gaps per Inclusionary Unit are estimated as follows for the ownership housing development prototypes:

Affordability Gap Estimates Moderate Income Units Ownership Housing Development Prototypes	
Townhomes	\$259,500
Detached Single Family Homes	\$735,400
Weighted Average Affordability Gap Per Inclusionary Unit	\$463,500

**Supportable Inclusionary Housing Requirements – Ownership Housing Development**

Based on the results of the pro forma analyses, KMA concluded that the following Inclusionary Housing requirements can be supported by ownership housing development projects:

Supportable Inclusionary Housing Requirements Moderate Income Standard Ownership Housing Development Projects	
Townhomes	6%
Detached Single Family Homes	5%

Based on the results of the financial analysis, KMA has concluded that a 5% moderate income Inclusionary Housing requirement on ownership housing development can be supported. This will maximize the number of affordable ownership housing units that are produced, while minimizing the Affordability Gaps between the market rate sales prices and the Affordable Sales Prices.

**SUPPORTABLE IN-LIEU FEES**

KMA converted the Affordability Gaps associated with the supportable Inclusionary Housing obligations into the in-lieu fee payments that would be required to fulfill the affordable housing requirements on site within a proposed residential development. The resulting in lieu fee amounts are presented in the following table:

Inclusionary Housing In-Lieu Fees 9% Low Income Inclusionary Housing Standard Apartment Development	
Per Inclusionary Unit	\$188,200
Per Market Rate Unit in a 100% Market Rate Project	\$16,750
Per Square Foot of Leasable Area in a 100% Market Rate Project	\$19.80

Inclusionary Housing In-Lieu Fees 5% Moderate Income Inclusionary Housing Standard Ownership Housing Development		
	Townhome & Small Lot Home Development <sup>1</sup>	Detached Single Family Home Development
Per Inclusionary Unit	\$259,500	\$735,400
Per Market Rate Unit in a 100% Market Rate Project	\$14,420	\$36,770
Per Square Foot of Leasable Area /Saleable Area in a 100% Market Rate Project	\$10.00	\$15.50

Due to the fact that the in-lieu fee payment is an optional method of fulfilling the Inclusionary Housing obligation, the amount of the fee does not have to track with the Affordability Gap. The City may wish to consider applying a premium to the in-lieu fee payment amount to discourage its use, or they may wish to apply a discount to the in-lieu fee when the policy objective is to obtain funding sources for use in assisting dedicated affordable housing projects.

<sup>1</sup> For the purposes of the proposed Inclusionary Housing program, “Small Lot Home Development” is defined as homes constructed on lots that are 4,500 square feet and smaller.

## II. KEY COURT CASES AND STATE LEGISLATION

In structuring an Inclusionary Housing program, it is important to remember that the courts and the State Legislature have placed limitations on the income and affordability requirements imposed by Inclusionary Housing programs:

### A. Court Cases

#### 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. 4<sup>th</sup> 1396 (*Palmer*), that the 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 of rent controlled units 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 the affordable housing production requirement with a linkage or impact fee program that comported with the AB 1600 nexus requirements imposed by California Government Code §66000 et seq (Mitigation Fee Act); or
3. The jurisdiction imposed affordable housing requirements as part of negotiated Development Agreements for apartment projects.

## SAN JOSE CASE

In the 2015 *San Jose* case the California Supreme Court found 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 has been interpreted to mean that an in-lieu fee option included in an Inclusionary Housing program is not subject to the requirements imposed by the Mitigation Fee Act.

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

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

The court did not provide criteria under which jurisdictions can determine whether proposed affordable housing requirements are confiscatory and/or they deprive a property owner of a fair and reasonable return. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in establishing affordable housing standards that comport with the court's ruling.

## B. State Legislation

### ASSEMBLY BILL 1505

Assembly Bill (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.

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

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

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

### **CALIFORNIA GOVERNMENT CODE SECTION 65583 (A)**

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

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

### III. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

#### A. Survey of Existing Inclusionary Housing Programs

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

1. Table 1 presents survey results for the 93 jurisdictions; and
2. Table 2 provides more in-depth information for jurisdictions located in Los Angeles, Orange, San Diego, Ventura and Santa Barbara 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. In the KMA survey the median threshold is five units and the average threshold is seven 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.

## B. Program Requirements

### FULFILLMENT OPTIONS

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the rulings 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 Units within the new market rate residential project;
2. Construction of a defined percentage of Inclusionary 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 vast majority of Inclusionary Housing programs provide some form of an in-lieu fee payment option. The benefit provided by allowing in-lieu fee payments is that the Inclusionary Housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This advantageous for the following reasons:

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

## 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. However, it is important for the City to consider the following caveats as part of the Inclusionary Housing program adoption process:

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

In designing an Inclusionary Housing program, it is important to understand that some form of the following sequence of events will likely occur when the City begins imposing Inclusionary Housing requirements on residential development:

1. The immediate response will be that the financial impacts created by the affordable housing requirements will largely be borne by developers that purchased property prior to the City implementing the Inclusionary Housing program.
2. After the requirements are put in place, developers that have not purchased property will attempt to bargain for a lower land price that reflects the impacts created by the Inclusionary Housing requirements.
3. If the Inclusionary Housing requirements are too stringent, a property owner may take one of the following actions:
  - a. The owner of an improved site may continue leasing/using the existing improvements on the site even if they represent an underutilization of the property; or
  - b. The owner may choose to sell the site to the developer of a non-residential use.
4. If reasonable Inclusionary Housing requirements are imposed, it is likely that over time land prices will adjust to reflect the restrictions imposed on the property.

## IV. METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Redlands. The components of the financial feasibility analysis are described in this section of the Financial Evaluation.

### A. Parameters

#### RHNA ALLOCATION

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

Sixth Cycle RHNA Allocation October 2021 through October 2029		
Income Category	Total Obligation	% of Total
Very Low	967	27.5%
Low	615	17.5%
Moderate	652	18.5%
Above Moderate	1,282	36.5%
Totals	3,516	100%

#### FACTORS FOR CONSIDERATION

The City should consider the following notable factors in creating an Inclusionary Housing program:

1. The largest identified unmet need for affordable housing falls in the above moderate income category. Based on historical development patterns it can be assumed that these units will be produced by market rate developers without City intervention.

2. Outside financial assistance sources are widely available to affordable housing projects targeted to extremely low and very low income households. There are numerous nonprofit housing organizations in the region that have experience obtaining these funding sources.
3. There are a limited number of outside funding available to assist low income units and effectively no outside funding sources available to assist moderate income units.

As part of creating an Inclusionary Housing program it is 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. Based on current conditions, KMA recommends that the Inclusionary Housing program focus on attracting development that serves households at the low and moderate income levels.

## **B. Financial Evaluation Approach**

### **BASIC PARAMETERS**

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.

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

1. The City's Housing Element;
2. Specific Plans that have been adopted by the City;
3. Recently completed residential projects; and
4. Development plans for residential projects that have recently received entitlements and/or been submitted to the City's Planning Division for review.

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 for development in Redlands, and the results of KMA market surveys.

## 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 the developer's return on total investment on apartment development and profit on ownership housing development; and
3. The increase in market rate rents/sales prices that would be needed to offset the proposed requirements.

KMA evaluates the results of each of these tests in order to develop a comprehensive perspective on the financial impacts created by Inclusionary Housing requirements. These analyses collaboratively inform the KMA 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 Affordability Gap between the achievable market rate rents or sales prices and the allowable rents or sales prices for the Inclusionary Units.
3. The KMA financial analyses identify the range of Inclusionary Housing production requirements that can be supported.

## D. Financial Evaluation Organization

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

Attachment 2: Affordable Housing Cost Calculation Methodology	
Appendix A	Affordable Rent Calculation Methodology
Appendix B	Affordable Sales Price Calculation Methodology
Attachment 3: Apartment Development	
Appendix A	Rent Survey
Appendix B	Affordable Rent Calculations
Appendix C	Pro Forma Analyses: Transit Village 1 Prototypes
Appendix D	Pro Forma Analyses: Transit Village 2 Prototypes
Appendix E	Pro Forma Analyses: R-3 Prototypes

Attachment 4: Ownership Housing Development

Appendix A	Home Sales Surveys
Appendix B	Affordable Sales Price Calculations
Appendix C	Pro Forma Analyses: Citywide Townhome Prototype
Appendix D	Pro Forma Analyses: Citywide Detached Single Family Home Prototype

Attachment 5: In-Lieu Fee Analyses

Appendix A	Apartment Development
Appendix B	Ownership Housing Development



## V. APARTMENT DEVELOPMENT ANALYSIS

The City adopted the Transit Villages Specific Plan in October 2022, and it is anticipated that the bulk of apartment development in Redlands will occur in this area. However, the Housing Element also identifies potential apartment development sites elsewhere in the community. To reflect this, the following prototype developments were evaluated:

1. A Transit Village prototype at a density of 30 units per acre;
2. A Transit Village prototype at a density of 58 units per acre; and
3. A prototype based on the City's R-3 zoning standards.

### A. Pro Forma Analysis Organization and Assumptions

#### MARKET RATE ALTERNATIVES

The 100% market rate unit apartment development prototypes provide baselines against which to measure the impacts created by affordable housing requirements. The pro forma analyses for the 100% market rate unit scenarios are organized as follows:

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

The stabilized returns on investment generated by the 100% market rate alternatives are used as the benchmark returns for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. KMA measured the financial impacts created by the imposition of Inclusionary Housing requirements using the tools described previously in this Financial Evaluation. These tools were used to identify the income and affordability requirements that can be feasibly imposed on apartment developments.

## AFFORDABLE HOUSING ALTERNATIVES

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

1. A low income alternative; and
2. A very low income alternative.

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

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

## KEY ASSUMPTIONS

### *Parking Standards*

The parking standards applied in the analyses are detailed in the following tables:

Parking Assumptions Transit Village Apartment Prototypes		
	Parking Spaces Per Unit	
	Transit Village Specific Plan	Section 65915 Density Bonus <sup>2</sup>
Studio Units	1.0	0.5
One-Bedroom Units	1.0	0.5
Two-Bedroom Units	1.5	1.0
Three-Bedroom Units	2.0	1.5
Guest	.25	0.0

Parking Assumptions R-3 Apartment Prototype		
	Parking Spaces Per Unit	
	Municipal Code	Section 65915 Density Bonus <sup>3</sup>
Studio Units	1.0	1.0
One-Bedroom Units	1.0	1.0
Two-Bedroom Units	1.5	2.0
Three-Bedroom Units	2.0	2.0
Guest	.25	0.0

<sup>2</sup> The parking ratios are based on the standards imposed by Section 65915 (p) for sites within ½ mile of a major transit stop, and then adjusted to reflect marketability issues.

<sup>3</sup> The parking ratios are based on the default standards imposed by Section 65915 (p).

### Affordable Rent Assumptions

The Affordable Rent calculation methodology is described in Attachment 2: Appendix A, and the Affordable Rent calculations are detailed in Attachment 3: Appendix B. The results are presented in the following table:

Affordable Rents Apartment Development Prototypes		
Number of Bedrooms	Low Income	Very Low Income
Studio	\$1,094	\$635
1	\$1,240	\$716
2	\$1,351	\$761
3	\$1,459	\$804

## B. Pro Forma Analyses

### TRANSIT VILLAGE 1 APARTMENT DEVELOPMENT

The characteristics of the Transit Village 1 apartment development prototype are summarized in the following table:

Development Scope Summary Transit Village 1 Apartment Development Prototype			
Site Area (Acres)	2.0	<u>Unit Mix</u>	
Total Number of Units	60	One-Bedroom Units	40%
Density (Units/Acre)	30	Two-Bedroom Units	50%
Parking	Covered and enclosed spaces for the units, and surface spaces for the guest parking.	Three-Bedroom Units	5%

The pro forma analyses for the Transit Village 1 development prototype are provided in Attachment 3: Appendix C. The results of the Transit Village 1 apartment development analyses are presented in the following sections of this Financial Evaluation.

*Estimated Development Costs:*

*Transit Village 1 Prototype Apartment Development*

The development costs for the Transit Village 1 prototype apartment development are estimated at \$22.1 million.<sup>4</sup> This equates to \$369,000 per unit, or \$379 per square foot of leasable area.

*Projected Market Rate Rents:*

*Transit Village 1 Prototype Apartment Development*

The market survey is presented in Attachment 3: Appendix A. The resulting market rents are summarized in the following table:

Projected Market Rate Rents Transit Village 1 Apartment Development Prototype	
One-Bedroom Units	\$2,240
Two-Bedroom Units	\$2,750
Three-Bedroom Units	\$2,990
Average Monthly Rent Per Square Foot of Leasable Area	\$2.60

*Findings:*

*Transit Village 1 Apartment Prototype Development*

The results of the KMA analyses of the Transit Village 1 apartment development prototype are summarized in the following table:

---

<sup>4</sup> There are minor variations in total development costs among the market rate and income restricted alternatives. The estimated development costs for the market rate alternative are presented throughout the report.

Supportable Inclusionary Housing Requirements / Financial Impacts: Inclusionary Housing Requirements Transit Village 1 Apartment Development Prototype		
	Low Income	Very Low Income
Supportable Inclusionary Housing Requirement	9%	5%
Reduction in Stabilized Return on Total Investment	4.7%	4.3%
Market Rent Increase Required to Offset the Impact	4.5%	3.9%

## TRANSIT VILLAGE 2 APARTMENT DEVELOPMENT

The characteristics of the Transit Village 2 apartment development prototype are summarized in the following table:

Development Scope Summary Transit Village 2 Apartment Development Prototype			
Site Area (Acres)	4.0	<u>Unit Mix</u>	
Total Number of Units	232	Studio Units	20%
Density (Units/Acre)	58	One-Bedroom Units	50%
Parking	Semi-subterranean spaces for the units, and surface spaces for the guest parking.	Two-Bedroom Units	30%

The pro forma analyses for the Transit Village 2 development prototype are provided in Attachment 3: Appendix D. The results of the Transit Village 2 apartment development analyses are presented in the following sections of this Financial Evaluation.

### *Estimated Development Costs:*

#### *Transit Village 2 Prototype Apartment Development*

The development costs for the Transit Village 2 prototype apartment development are estimated at \$81.2 million. This equates to \$350,000 per unit, or \$439 per square foot of leasable area.

*Projected Market Rate Rents:*

*Transit Village 2 Prototype Apartment Development*

The market survey is presented in Attachment 3: Appendix A. The resulting market rents are summarized in the following table:

Projected Market Rate Rents Transit Village 2 Apartment Development Prototype	
Studio Units	\$2,090
One-Bedroom Units	\$2,310
Two-Bedroom Units	\$2,880
Average Monthly Rent Per Square Foot of Leasable Area	\$3.06

*Findings:*

*Transit Village 2 Apartment Prototype Development*

The results of the KMA analyses of the Transit Village 2 apartment development prototype are summarized in the following table:

Supportable Inclusionary Housing Requirements / Financial Impacts: Inclusionary Housing Requirements Transit Village 2 Apartment Development Prototype	Low Income	Very Low Income
Supportable Inclusionary Housing Requirement	8%	5%
Reduction in Stabilized Return on Total Investment	4.8%	4.4%
Market Rent Increase Required to Offset the Impact	5.0%	4.5%

## R-3 APARTMENT DEVELOPMENT

The characteristics of the R-3 apartment development prototype are summarized in the following table:

Development Scope Summary R-3 Apartment Development Prototype			
Site Area (Acres)	5.0	<u>Unit Mix</u>	
Total Number of Units	135	Studio Units	35%
Density (Units/Acre)	27	One-Bedroom Units	55%
Parking	Covered and enclosed spaces for the units, and surface spaces for the guest parking.	Two-Bedroom Units	10%

The pro forma analyses for the R-3 development prototype are provided in Attachment 3: Appendix E. The results of the R-3 apartment development analyses are presented in the following sections of this Financial Evaluation.

### *Estimated Development Costs:*

#### *R-3 Prototype Apartment Development*

The development costs for the R-3 prototype apartment development are estimated at \$46 million. This equates to \$341,000 per unit, or \$392 per square foot of leasable area.

### *Projected Market Rate Rents:*

#### *R-3 Prototype Apartment Development*

The market survey is presented in Attachment 3: Appendix A. The resulting market rents are summarized in the following table:



Projected Market Rate Rents R-3 Apartment Development Prototype	
Studio Units	\$2,100
One-Bedroom Units	\$2,250
Two-Bedroom Units	\$2,630
Average Monthly Rent Per Square Foot of Leasable Area	\$2.58

*Findings:*

*R-3 Apartment Prototype Development*

The results of the KMA analyses of the R-3 apartment development prototype are summarized in the following table:

Supportable Inclusionary Housing Requirements / Financial Impacts: Inclusionary Housing Requirements R-3 Apartment Development Prototype		
	Low Income	Very Low Income
Supportable Inclusionary Housing Requirement	9%	6%
Reduction in Stabilized Return on Total Investment	4.3%	4.7%
Market Rent Increase Required to Offset the Impact	4.4%	4.6%

**C. Summary: Apartment Development Analyses**

The results of the KMA apartment development analyses indicate that the following Inclusionary Housing requirements can be supported.

Supportable Inclusionary Housing Requirement Apartment Development Projects			
Income Level	Transit Village 1	Transit Village 2	R-3
Low	9%	8%	9%
Very Low	5%	5%	4%

## VI. OWNERSHIP HOUSING ANALYSIS

Ownership housing development in Redlands is focused on detached single family homes and townhome developments. Stacked flat condominiums are not yet a factor in the ownership housing development inventory. In recognition of this, KMA created the following ownership housing development types:

1. Townhomes; and
2. Detached Single Family Homes.

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.

To determine whether this is the case in Redlands, KMA prepared pro forma analyses of the townhome and single family home prototypes to identify the percentage of units in a market rate project could feasibly be required to be sold to low income households. In both prototypes the pro forma analyses found that the magnitude of the Affordability Gap associated with low income units creates a financial impact that could potentially deprive a property owner or developer of a fair and reasonable return on their investment.

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

### A. Pro Forma Analysis Organization

Inclusionary Housing programs generally 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.

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for each prototype ownership housing project:

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

**MARKET RATE ALTERNATIVE**

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

Pro Forma Analysis – Market Rate Scenario Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

**AFFORDABLE HOUSING ALTERNATIVES**

The estimated developer profit for each of the 100% market rate scenarios is used as the benchmark profit percentage for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. The resulting financial gaps represent the impact created by the requirements being tested. The pro forma analyses for the affordable housing alternatives are organized as follows:

Pro Forma Analyses - Affordable Housing Alternatives Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Financial Impacts: Inclusionary Housing Requirements

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

**B. Pro Forma Analyses**

**TOWNHOME ANALYSIS**

The characteristics of the townhome development prototype are summarized in the following table:

Development Scope Summary Townhome Development Prototype			
Site Area (Acres)	4.0	<u>Unit Mix</u>	
Total Number of Units	72	Two-Bedroom Units	65%
Density (Units/Acre)	18	Three-Bedroom Units	35%
Parking	2-Car Attached Garages		

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

*Estimated Development Costs:*

*Townhome Development Prototype*

The total development cost for the Market Rate Alternative is estimated at \$34 million. This equates to \$472,000 per unit, or \$328 per square foot of saleable area.<sup>5</sup>

<sup>5</sup> The development costs for the affordable housing alternatives vary slightly from the costs for the Market Rate Alternative. This is attributable to minor interest cost savings and is the case for both ownership housing development prototypes.

*Projected Market Rate Sales Prices:*

*Townhome Development Prototype*

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for townhome projects located in Redlands. Based in part on this survey, the market rate sales prices that were applied in the townhome development prototype analysis are presented in the following table:

Projected Market Rate Sales Prices Townhome Development Prototype	
Two-Bedroom Units	\$525,000
Three-Bedroom Units	\$564,000
Average Price per Square Foot of Saleable Area	\$374

*Affordable Sales Price Calculations:*

*Townhome Development Prototype*

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix B, and the calculations presented in Attachment 4: Appendix B – Exhibit I, the Affordable Sales Prices for the townhome development prototype are:

Affordable Sales Price Estimates Moderate Income Units Townhome Development Prototype	
Two-Bedroom Units	\$272,000
Three-Bedroom Units	\$292,500

*Findings:*

*Townhome Development Prototype Analysis*

The results of the KMA analyses of the townhome development prototype are summarized in the following table:

Supportable Inclusionary Housing Requirements / Fiscal Impacts: Moderate Income Inclusionary Housing Requirement Townhome Development Prototype	
Supportable Inclusionary Housing Requirement	6%
Property Acquisition Cost Reduction Needed to Offset the Impact Created by the Affordability Requirements	35%
Market Price Increase Required to Offset the Impact	2.5%

## DETACHED SINGLE FAMILY HOME ANALYSIS

The characteristics of the detached single family home development prototype are summarized in the following table:

Development Scope Summary Detached Single Family Home Development Prototype			
Site Area (Acres)	10	<u>Unit Mix</u>	
Total Number of Units	60	Three-Bedroom Units	30%
Density (Units/Acre)	6	Four-Bedroom Units	40%
Parking	2-Car Attached Garages	Five-Bedroom Units	30%

The pro forma analyses for the detached single family home development prototype are provided in Attachment 4: Appendix D. The results of the detached single family home development analyses are summarized in the following sections of this Financial Evaluation.

### *Estimated Development Costs:*

#### *Detached Single Family Home Development Prototype*

The total development cost for the Market Rate Alternative is estimated at \$53.4 million. This equates to \$890,000 per unit, or \$376 per square foot of saleable area.

*Projected Market Rate Sales Prices:*

*Detached Single Family Home Development Prototype*

To assist in projecting the market rate sales prices, KMA compiled sales data for detached single family homes located in Redlands. Based in part on this survey, the market rate sales prices that were applied in the detached single family home prototype analysis are presented in the following table:

Projected Market Rate Sales Prices Detached Single Family Home Development Prototype	
Three-Bedroom Units	\$810,000
Four-Bedroom Units	\$986,000
Five-Bedroom Units	\$1,228,000
Average Price per Square Foot of Saleable Area	\$424

*Affordable Sales Price Calculations:*

*Detached Single Family Home Development Prototype*

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix B, and the calculations presented in Attachment 4: Appendix B – Exhibit II, the Affordable Sales Prices for the detached single family home development prototype are:

Affordable Sales Price Estimates Moderate Income Units Detached Single Family Home Development Prototype	
Three-Bedroom Units	\$262,800
Four-Bedroom Units	\$270,400
Five-Bedroom Units	\$278,100



*Findings:*

*Detached Single Family Home Development Prototype Analysis*

The results of the KMA analyses of the detached single family home development prototype are summarized in the following table:

Supportable Inclusionary Housing Requirements / Fiscal Impacts: Moderate Income Inclusionary Housing Requirement Detached Single Family Home Development Prototype	
Supportable Inclusionary Housing Requirement	5%
Property Acquisition Cost Reduction Needed to Offset the Impact Created by the Affordability Requirements	28%
Market Price Increase Required to Offset the Impact	3.2%

**C. Summary: Ownership Housing Development Analyses**

The preceding section of this Financial Evaluation used pro forma analyses of prototype ownership housing development projects to assist in identifying the Inclusionary Housing production requirements that can currently be supported. The ownership housing development types that were evaluated are:

1. Townhomes; and
2. Detached single family homes.

The results of the KMA ownership housing development analyses indicate that the following Inclusionary Housing requirements can be supported for ownership housing development projects.

Supportable Inclusionary Housing Requirements Moderate Income Standard Ownership Housing Development Projects	
Townhomes	6%
Detached Single Family Homes	5%

## VII. IN-LIEU FEE ANALYSES

An option to pay a fee in lieu of producing affordable housing units is typically offered as part of an Inclusionary Housing program. For the purposes of this analysis, KMA calculated the in-lieu fee amounts based on the supportable Inclusionary Housing requirements identified in this Financial Evaluation.

### A. Apartment Development

The in-lieu fee calculations for apartment development are presented in Attachment 5: Appendix A, and are based on the following methodology:

1. The differences between the estimated achievable market rate rents and the defined Affordable Rents were calculated.
2. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value than a 100% market rate project 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.
3. The “Net Annual Rent Difference Per Inclusionary Unit” is equal to the “Annual Rent Difference Per Inclusionary Unit” minus the property tax savings.
4. The “Affordability Gap Per Inclusionary Unit” is equal to Annual Rent Difference Per Inclusionary Unit capitalized at the benchmark returns derived from the pro forma analyses of the market rate alternatives.
5. The Affordability Gaps Per Inclusionary Unit were translated into in-lieu fees per square foot of leasable area.

The KMA in-lieu fee estimates for apartment development projects is based on a 9% low income requirement. The results are presented in the following table:

In-Lieu Fee Payment Amounts 9% Low Income Inclusionary Housing Standard Apartment Development Prototypes			
In-Lieu Fee	Transit Village 1	Transit Village 2	R-3
Per Inclusionary Unit	\$205,000	\$198,000	\$164,000
Per Market Rate Unit in a 100% Market Rate Project	\$17,080	\$17,920	\$14,580
Per Square Foot of Leasable Area in a 100% Market Rate Project	\$17.60	\$22.50	\$16.80

The weighted average results of the three apartment development prototypes are:

Weighted Average In-Lieu Fee Payment Analysis 9% Low Income Inclusionary Housing Standard Apartment Development Prototypes	
Per Inclusionary Unit	\$188,200
Per Market Rate Unit in a 100% Market Rate Project	\$16,750
Per Square Foot of Leasable Area in a 100% Market Rate Project	\$19.80

## B. Ownership Housing Development

The KMA in-lieu fee estimates for ownership housing development projects is based on a 5% moderate income requirement. The calculations are presented in Attachment 5: Appendix B, and summarized in the following table:

In-Lieu Fee Payment Amounts 5% Moderate Income Inclusionary Housing Standard Ownership Housing Development Prototypes		
In-Lieu Fee	Townhome & Small Lot Home Development	Detached Single Family Home Development
Per Inclusionary Unit	\$259,500	\$734,400
Per Market Rate Unit in a 100% Market Rate Project	\$14,420	\$36,770
Per Square Foot of Saleable Area in a 100% Market Rate Project	\$10.00	\$15.50

Recognizing that payment of a fee in lieu of producing affordable units is an optional method for fulfilling the Inclusionary Housing obligation, the amount of the fee is not required to track with the Affordability Gap. The City may wish to consider applying a premium to the in-lieu fee to discourage its use, or they may wish to apply a discount to the in-lieu fee when the policy objective is to obtain funding sources for use in assisting dedicated affordable housing projects.

## VIII. SUMMARY

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

### A. Supportable Inclusionary Housing Production Requirements

#### APARTMENT DEVELOPMENT

KMA's analyses of prototype apartment development projects that comport with a site's base zoning requirements supports Inclusionary Housing requirements that fall within the following ranges:

Income Category	Inclusionary Housing Requirement
Low	8% - 9%
Very Low	4% - 5%

Based on all the factors considered in the apartment development evaluation, KMA concluded that a 9% low income Inclusionary Housing obligation can be supported. Given the conservative approach taken by KMA, it is reasonable to conclude that a requirement of this magnitude is not confiscatory and that it will not deprive a property owner of a fair and reasonable return on their investment.

Some developers may wish to mitigate the financial impact created by the Inclusionary Housing requirements by using the density bonus provided by Section 65915. In many cases it will be advantageous for a developer to provide very low income units to fulfill the Density Bonus requirements. In those instances, the City's low income requirements would actually be fulfilled at a deeper affordability level than required by the Inclusionary Housing program.

## OWNERSHIP HOUSING DEVELOPMENT

The results of the KMA ownership housing analysis indicate that Inclusionary Housing requirements that fall within the following ranges can be supported:

Supportable Inclusionary Housing Requirements Moderate Income Standard Ownership Housing Development Projects	
Townhomes	6%
Detached Single Family Homes	5%

As discussed previously, KMA takes a conservative approach in setting benchmark impact standards for evaluating the impact created by income and affordability controls. Based on our financial analyses, KMA recommends that a 5% moderate income Inclusionary Housing requirement be imposed on ownership housing development. This will maximize the number of affordable ownership housing units that are produced while minimizing the Affordability Gaps between the market rate sales prices and the Affordable Sales Prices.

### B. Supportable In-Lieu Fees

In this Financial Evaluation, KMA calculated the in-lieu fee amount based on the following standards:

Apartment Development	9% Low Income
Ownership Housing Development	5% Moderate Income

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

Weighted Average In-Lieu Fee Payment Analysis 9% Low Income Inclusionary Housing Standard Apartment Development Prototypes	
Per Inclusionary Unit	\$188,200
Per Market Rate Unit in a 100% Market Rate Project	\$16,750
Per Square Foot of Leasable Area in a 100% Market Rate Project	\$19.80

In-Lieu Fee Payment Amounts 5% Moderate Income Inclusionary Housing Standard Ownership Housing Development Prototypes		
In-Lieu Fee	Townhome & Small Lot Home Development	Detached Single Family Home Development
Per Inclusionary Unit	\$259,500	\$735,400
Per Market Rate Unit in a 100% Market Rate Project	\$14,420	\$36,770
Per Square Foot of Saleable Area in a 100% Market Rate Project	\$10.00	\$15.50

**C. Next Steps**

The preceding Financial Evaluation is meant to provide the City with the context under which to create an Inclusionary Housing program that is not confiscatory and that does not deprive property owners of a fair and reasonable return on their investment. In a separate memorandum, KMA has provided recommendations for specific requirements to be imposed if the City chooses to move forward to the adoption of an Inclusionary Housing Ordinance.



**ATTACHMENT 1**

**INCLUSIONARY HOUSING PROGRAM SURVEYS  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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
<b>I. Inclusionary Requirements: Both Rental and Ownership Projects</b>									
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	No	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45
Alameda	Create on-site units; create off-site units; pay in-lieu fee	15%	No	5	4% @ VL + 4% @ Low + 7% @ Mod	59	5	4% @ VL + 4% @ Low + 7% @ Mod	59
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	5		Perpetual	5		Perpetual
Alhambra	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5	9% @ 120% + 6% @ 80%		5	9% at 120% + 6% at 80%	
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4	Decided per project	55	4	Decided per project	55
Berkeley	Create on-site units; pay in-lieu fee;	20%	No	5	80% unless subsidies are available	Life of the Building	5	80%	Life of the Building
Brea	Create on-site units; pay in-lieu fee;	10%	No	20	Not defined	55	20	120%	45
Calabasas	Create on-site units; create off-site units; convert market rate units; preserve or rehab existing housing; pay in-lieu fee	20%	No	5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50%		5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50% of AMI	
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	10	6% @ VL + 9% @ Low	55	10	120%	45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Carlsbad	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income	15%	No	1	Low	55	1	Low	30
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	50	5% @ Low + 5% @ Mod	Life of Bldg	50	5% @ Low + 5% @ Mod	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5	5% @ VL + 5% @ Low + 10% @	55	5	5% @ VL + 5% @ Low + 10% @	45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	Yes	5		55	5		45

APPENDIX A

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

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

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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
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
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	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 or as long as resid	10	110%	>55 or as long as resid
Los Altos	Create on-site units; create off-site units. Program requirements are only imposed in designated areas.	Rental: 5-9 @ 15% & 10+ @ 30%. Ownership @ 15%	No	5	5-9: 15% @ Mod, 10+: 5% @ Low + 15% @ Mod	30	10	7.5% @ Mod, 7.5% @ Low	30
Los Angeles County	Create on-site units; create off-site units. Program requirements vary by subarea.	5%-20% depending on project size & income standard	No	5	Averages: <40% AMI: 10% or 5% - sm proj <65% AMI: 15% or 7% - sm proj <80% AMI: 20% or 10% sm proj	55 or Perpetual	5	Mod/Middle Inc: Avg 135% AMI: Coastal SLA, SLA (exc condos), & ELA: 20% or 10% - sm proj SG Valley: 15% or 7% - sm proj Santa Clarita & Antelope Valleys (exc condos): 5%	Equity share on first sale
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

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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
Nevada County	Create on-site units; create off-site units Program requirements are only applied in designated areas.		No	20		30	20		30
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low (80%)	55	3	Mod (120%)	55
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances	10%	No	10	5% @ VL + 5% Low	55	10	Low	20
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	6% @ VL + 4.5% @ Low + 4.5% @ Mod	55	8		45
Palo Alto	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	Yes	5	5% @ 35% + 10% @ 50% + 5% @ 60%	59	5	10% @ 80% + 10% @ 120%	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	5	7.5% @ VL; 7.5% @ Low	45	5	7.5% @ Low + 7.5% @ Mod	55
Pleasanton	Create on-site units; create off-site units; pay in-lieu fee; donate land; credit transfers; other alternate methods of compliance	15%	Yes	15	50% to 80%		15	50% to 120%	Perpetual
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45
Poway	Create on-site units; create off-site units; pay in-lieu fee	15% / 15%-20%	No		Very Low	55		15% @ Low or 20% @ Mod	45
Redondo Beach	Create on-site units; create off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Moderate	55
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land	20% / 15%	No	20	10% @ Mod + 5% @ Low + 5% @ VL	30	5	Moderate	30
Sacramento County	Has a production option, but the in-lieu fee option is more cost effective	10%	No	1	80%		1	80%	
San Bruno	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area	15%	No	10	6% VL + 4.5% Low + 4.5% Mod	55	10	6% Low + 9% Mod	45
San Buenaventura (Proposed Update)	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land	15% / 10%	No	7	Low	55	7	Mod	45

APPENDIX A

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

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
San Clemente	Create on-site units; pay in-lieu fee; donate land on- or off-site + development fees to a non-profit developer to construct at least as many units as required by the market rate project.	4%	No	6	Very Low	30	6	Very Low	30
San Diego	Create on-site units; create off-site units; rehabilitate existing units, SRO hotel rooms, or conversion of guest rooms; pay in-lieu fee; donate land. The amended requirements were approved in 2020 and are being phased in over five years.	10% to 15%	No	10	10% @ 60%	55	10	10% @ 100% or 15% 120%	15
San Francisco	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	15% to 20% / 15% to 26%	Yes	10	55% to 110%		10	80% to 130%	
San Jose	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers; reduction for deeper affordability	15%	Yes	10	5% @50% + 5% @ 60% + 5% @ 100%	Perpetual	10	120%	Perpetual
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
SLO County	Multiple subareas and requirements. Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	1, 2 or 11 depending on subarea	Coastal: 15% at Low or 15% at Mod	55	1, 2 or 11 depending on subarea	Coastal A: 5% VL + 5% Low + 5% Mod + 5% 120-150%. Coastal: 15% Low. Inland: 2% VL + 2% Low + 2% Mod + 2% 120-150%.	Coastal: 45 Inland: Perpetuity
San Mateo County	Create on-site units, pay in-lieu fee	20%	Yes	5	10% @ ELI + 10% @ Low	Life of Bldg	11	10% @ Low + 10% @ Mod	45
San Rafael	Create on-site units; pay in-lieu fee	10%	No	2			2	120%	
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; substantially rehab existing units; pay in-lieu fee	Rental: 5% - 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	Yes	2	80%	Perpetual	2	120%	Perpetual

APPENDIX A

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

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

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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
<b>II. Inclusionary Requirements: Ownership Projects Only</b>							
Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances	12%	No	5		200%	30
Danville	Create on-site units; pay in-lieu fee	10%	Yes	7		110%	20
Folsom	Create on-site units; create off-site units; pay in-lieu fee; donate land; acq/rehab; other proposals	10%	No	10		3% @ VL + 7% @ Low	
Lafayette	Create on-site units; create off-site units	15%	No	2		9% @ Mod + 6% @ VL	45
Monterey	Create on-site units; donate land	20%	No	6			Perpetual
Mountain View	Create on-site units; pay in-lieu fee	15%	No	3		100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No	50			55
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes	2		9% @ Mod + 6% @ Low	55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	No	5		10% @ Low + 10% @ Mod	55
Santa Barbara County	Create on-site units; create off-site units in the coastal zone; pay in-lieu fee for certain unit types	5% - 15%	Yes	5		5-19: 1 Mod. 20+: South Coast: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce Santa Ynez: No Workforce Santa Maria & Lompoc: 2.5% VL + 2.5 Low	45 - restarts up to 90
Thousand Oaks	Create on-site units; create off-site rental units; pay in-lieu fee	10%	No	5		Mod	45



APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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
<b>III. <u>Inclusionary for Ownership Projects &amp; Impact Fee for Rental Projects</u></b>									
Fontana	Create on-site units; pay in-lieu fee; develop a reduced percentage at deeper affordability	10%	No				5	4% @ VL + 4% @ Low + 2% @ Mod	55
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2	10% @ Mod + 5% @ Low	45
Truckee	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land. Requirements vary by zones, neighborhoods or districts.	15%	No	7		Perpetual	7		Perpetual
<b>IV. <u>Mandatory Inclusionary for Ownership Projects &amp; Voluntary Inclusionary for Rental Projects</u></b>									
Pittsburg	Create on-site units; pay in-lieu fee	15%/20%	Yes				5	9% @ Mod + 6% @ Low, or 20% @ Mod	
Salinas	Create on-site units; create off-site units; donate land	20%	No				10		30
San Juan Bautista	Create on-site units; pay impact/linkage fee	6%					6	80%	
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3%	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
<b>V. <u>Rental Projects Only</u></b>									
Fullerton	Applies only to the Transportation Specific Plan area. Create on-site units	15%	No			5% @ VL + 5% @ Low + 5% @ Mod	55		
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8		60%	55		

APPENDIX B

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

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

I. **Inclusionary Requirements: Both Rental and Ownership Projects**

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

APPENDIX B

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

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Fillmore	Create on-site units; pay in-lieu fee; donate land	15%	No	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9: 1 low	55	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9: 1 low		
Goleta	Create on-site units; create off-site units; donate land, pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremely low and very low income units to low and moderate income units in demonstrated extreme hardship.	25% - reduced to 20% with public benefit	No	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	Equal to the Affordability Gap associated with providing the requisite number of affordable units on site within the market rate project.
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45	Sliding Scale: 3 to 30 units. In-Lieu Fee allowed for projects up to 100 units. Rental: \$3.58 to \$35.80/SF Ownership: \$2.54 to \$25.36/SF. The per SF measurement caps at 2,000 SF.
Irvine	Projects with fewer than 50 units can create on-site units; 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.

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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	
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	> of 55 yrs or as long as resid	10	120%	> of 55 yrs or as long as resid	Rental @ \$38.00/SF; Ownership @ \$29.10/SF
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low	55	3	Mod	55	In-lieu fee paid by right. The fee was set at \$15/SF on 1/1/23 and will increase to \$20/SF on 1/1/24.
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances	10%	No	10	5% @ VL + 5% Low	55	10	Low	20	Fee charged per total unit in the project. In 2022: SFH \$36,000; MF Ownership \$35,000; Rental \$28,000
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	1	5% @50% + 5% @ 80% + 10% @ 120%		1	110%	45	Sliding scale by sub-area & project size. Low at \$34.19/SF & High at \$73.52/SF
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%- 11%	Yes	3	120%	Perpetual	3	120%	45	Rental @ \$9.30/SF; SFH @ \$11.40/SF Condominiums @ \$9.30/SF
Poway	Create on-site units; create off-site units; pay in-lieu fee	15% / 15%- 20%	No		Very Low	55		15% @ Low or 20% @ Mod	45	In-lieu fee is payable by right and is set at \$500 per unit for both rental and ownership housing
Redondo Beach	Create on-site units; created off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Mod	55	Sliding scale for 2 to 9 unit projects: Rental: extrapolated from \$34.20/SF of total project area. Ownership: extrapolated from \$43.20/SF of total project area.
San Buenaventura (Proposed Update)	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land	15% / 10%	No	7	Low	55	7	Mod	45	Ownership @ \$29.80 - \$66.30/SF; Apartments @ \$20.30 - \$48.90/SF

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, 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 Clemente	Create on-site units; pay in-lieu fee; donate land on- or off-site + development fees to a non-profit developer to construct at least as many units as required by the market rate project.	4%	No	6	Very Low	30	6	Very Low	30	Based on the greater of 1% of construction costs as determined by the Building Division or 2% of the affordability gap determined by the formula in the Housing Element.
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%		In 2024 the in-lieu fee will be set a \$25/SF
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	2		55	2		55	Based on 90% of the Affordability Gap, which is updated monthly based on benchmark market prices
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	Rental: 5% - 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55	Fee charged per sf of habitable area: 5-9: \$6.00; 10-14: \$9.00; 15-19: \$12; 20+: \$15. Discounts for use of skilled and trained labor force
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale	In 2020 the in-lieu fee for rental projects was set at \$25 per SF. Adjusted annually by the Engineering News Record (ENR) Building Cost Index for Los Angeles. In-lieu fee for ownership units is calculated based on the median price for 2-bedroom condos, a low income standard, and the estimated production cost (sales price - 15% profit). A discount schedule is provided from small units.
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

APPENDIX B

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

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Santa Paula	Create on-site units; create off-site units; pay in-lieu fee	10% to 17%	Yes	10	15% Low or 10% VL	55	10		45	In-Lieu Fee is set on a project-by-project basis.
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects	20%	No	2	Low / Mod	As long as resid	2	Low / Mod	As long as resid	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF

APPENDIX B

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

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

II. Inclusionary Requirements: Ownership Projects Only

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

III. Inclusionary Requirements: Rental Projects Only

Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%	55				Sliding scale: 8 Units @ \$28.71/SF - 21 Units @ \$55/SF
----------	---	-----	----	---	-----	----	--	--	--	--

**ATTACHMENT 2**  
**AFFORDABLE HOUSING COST CALCULATION METHODOLOGIES**  
**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**  
**REDLANDS, CALIFORNIA**



# APPENDIX A

## AFFORDABLE RENT CALCULATION METHODOLOGY

The Affordable Rent calculations used in the apartment development pro forma analyses are presented in Attachment 3 – Appendix A. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2022 income statistics for San Bernardino County as a whole. This information is published annually by the United States Department of Housing and Urban Development (HUD) and distributed by the California Department of Housing and Community Development (HCD).
2. The household size appropriate for the unit is based on the California Health and Safety Code (H&SC) §50052.5 standard of the number of bedrooms in the home plus one.<sup>1</sup> H&SC §50052.5 refers to this as “the family size appropriate for the unit.” This is a benchmark that is used for calculation purposes only. It is neither an occupancy minimum nor a maximum.
3. The benchmark household incomes used in the Affordable Rent analyses are based on the following standards:
  - a. The low income rents are based on 80% of area median income (AMI). This percentage of AMI is based on the standard imposed in Assembly Bill 1505.
  - b. The very low income rents are based on 50% of AMI, which is the standard imposed by H&SC §50053.
  - c. The affordable rents used in the California Government Code §65915 et seq. density bonus analyses are based on the household income standards imposed by H&SC §50053.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. The following monthly utilities allowances were applied in this analysis.<sup>2</sup>

---

<sup>1</sup> For example, the imputed household size for a two-bedroom unit is three persons.

<sup>2</sup> Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; basic electric; and air conditioning. The allowances are based on the Housing Authority of the County of San Bernardino schedule effective as of December 1, 2022.

**Utilities Allowances**  
**Apartment Development**

<b>Number of Bedrooms</b>	<b>Monthly Utilities Allowances</b>
Studio	\$130
1	\$158
2	\$222
3	\$289

# APPENDIX B

## AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

The Affordable Sales Price calculations used in the ownership housing development pro forma analyses are presented in Attachment 4 – Appendix A. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2022 income statistics for San Bernardino County as a whole. This information is published by produced and published by HCD annually.
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by H&SC §50052.5.

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

### HOUSEHOLD SIZE

For the sole purposes of calculating Affordable Sales Prices, H&SC §50052.5 sets household sizes based on the number of bedrooms in the home plus one. As discussed previously, this is not an occupancy minimum or maximum. Rather, it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

### HOUSEHOLD INCOME

For calculation purposes only, H&SC §50052.5 applies benchmark household incomes as the standard for determining the Affordable Sales Prices. For moderate income households the benchmark is based on 110% of the San Bernardino County AMI:

The identified benchmark percentage of AMI is not an income cap. The household income qualification standards are based on 120% of AMI for moderate income households and are based on the actual size of the home buyer’s household.

### INCOME ALLOCATED TO HOUSING-RELATED EXPENSES

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

## 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			
	Monthly Utilities Allowances <sup>3</sup>	Monthly HOA, Insurance & Maintenance Townhomes	Single Family Detached Homes
Two-Bedroom Units	\$460	\$230	
Three-Bedroom Units	\$583	\$250	\$450
Four-Bedroom Units	\$706		\$500
Five-Bedroom Units	\$829		\$550

The property tax expense estimates are based on 1.15% of the defined Affordable Sales Prices. This assumes that the City will require the homes to be resold on an Affordable Sales Price throughout one cumulative 45-year covenant period.

## SUPPORTABLE MORTGAGE AMOUNT

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 6.14% interest rate. <sup>4</sup>

## 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.

<sup>3</sup>Utilities allowances are based on costs comprised of electric heating, cooking and water heating; basic electric; air conditioning; and water, sewer and trash services. The allowances are based on the Housing Authority of the County of San Bernardino schedule effective as of December 1, 2022.

<sup>4</sup> Based on a 100 basis points premium applied to the Freddie Mac monthly average, between January 2022 and December 2022, for a fixed-interest rate loan with a 30-year amortization period.

**ATTACHMENT 3**

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

**APPENDIX A**

**RENT ANALYSES**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX A

RENT SURVEY 4+ STAR PROPERTIES <sup>1</sup>  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built
						Total	Per SF	
<b>I. Studio Units</b>								
The Crossings at Redlands	26000 W Lugonia Ave	Redlands	92374	44	452	\$1,701	\$3.76	2019
Redlands Lawn and Tennis	1400 Barton Rd	Redlands	92373	32	510	\$1,712	\$3.36	1986
	Minimum				452	\$1,701	\$3.36	
	Maximum				510	\$1,712	\$3.76	
	Weighted Average				476	\$1,706	\$3.59	
<b>II. One-Bedroom Units</b>								
Redlands Park Apartments	1498 Brookside Ave	Redlands	92373	62	675	\$1,753	\$2.60	1978
Parkview Terrace	1601 Barton Rd	Redlands	92373	260	642	\$1,893	\$2.95	1987
Redlands Lawn and Tennis	1400 Barton Road	Redlands	92373	136	656	\$1,936	\$2.95	
The Crossings at Redlands	26000 W Lugonia Ave	Redlands	92734	171	718	\$2,018	\$2.81	
Barton Vineyard	26630 Barton Rd	Redlands	92373	120	778	\$2,045	\$2.63	2006
The Summit	27431 San Bernardino Ave	Redlands	92734	145	756	\$2,122	\$2.81	2019
Circa 2020	27000 W Lugonia Ave	Redlands	92734	171	836	\$2,157	\$2.58	2015
Cypress Villas Apt Homes	301 E Cypress Ave	Redlands	92373	14	610	\$2,294	\$3.76	2005
	Minimum				610	\$1,753	\$2.58	
	Maximum				836	\$2,294	\$3.76	
	Weighted Average				718	\$2,005	\$2.80	

APPENDIX A

RENT SURVEY 4+ STAR PROPERTIES <sup>1</sup>  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built
						Total	Per SF	
<b>III. Two-Bedroom Units</b>								
Redlands Park Apartments	1498 Brookside Ave	Redlands	92373	84	955	\$2,110	\$2.21	
Cypress Villas Apt Homes	301 E Cypress Ave	Redlands	92373	61	833	\$2,225	\$2.67	
Parkview Terrace	1601 Barton Rd	Redlands	92373	298	934	\$2,329	\$2.49	
The Village at Redlands	301 Wabash Ave	Redlands	92734	40	1,400	\$2,434	\$1.74	2005
Redlands Lawn and Tennis	1400 Barton Road	Redlands	92373	328	874	\$2,482	\$2.84	
The Crossings at Redlands	26000 W Lugonia Ave	Redlands	92374	128	1,177	\$2,531	\$2.15	
Circa 2020	27000 W Lugonia Ave	Redlands	92734	124	1,130	\$2,534	\$2.24	
Barton Vineyard	26630 Barton Rd	Redlands	92373	152	1,098	\$2,553	\$2.33	
The Summit	27431 San Bernardino Ave	Redlands	92734	124	1,019	\$2,831	\$2.78	
	Minimum				833	\$2,110	\$1.74	
	Maximum				1,400	\$2,831	\$2.84	
	Weighted Average				998	\$2,461	\$2.50	
<b>IV. Three-Bedroom Units</b>								
Cypress Villas Apt Homes	301 E Cypress Ave	Redlands	92373	7	1,178	\$2,598	\$2.21	
Barton Vineyard	26630 Barton Rd	Redlands	92373	24	1,320	\$2,973	\$2.25	
The Summit	27431 San Bernardino Ave	Redlands	92734	12	1,257	\$3,122	\$2.48	
Redlands Park Apartments	1498 Brookside Ave	Redlands	92373	12	1,106	\$3,128	\$2.83	
Circa 2020	27000 W Lugonia Ave	Redlands	92734	11	1,412	\$3,161	\$2.24	
	Minimum				1,106	\$2,598	\$2.21	
	Maximum				1,412	\$3,161	\$2.83	
	Weighted Average				1,270	\$3,020	\$2.39	

<sup>1</sup> Source: CoStar, December 2022.



**APPENDIX B**

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

APPENDIX B

AFFORDABLE RENT CALCULATIONS  
 2022 INCOME STANDARDS  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
<b>Very Low Income</b>					
<b>I. Household Income Assumptions</b>					
Area Median Income	<sup>1</sup>	\$61,200	\$69,900	\$78,650	\$87,400
% of AMI Used for Rent Setting Purposes	<sup>2</sup>	50%	50%	50%	50%
Benchmark Annual Household Income		\$30,600	\$34,950	\$39,325	\$43,700
<b>II. % of Income Allotted to Housing Expenses</b>		30%	30%	30%	30%
<b>III. Gross Affordable Rent</b>					
Annual		\$9,180	\$10,485	\$11,798	\$13,110
Monthly		\$765	\$874	\$983	\$1,093
<b>(Less) Monthly Utilities Allowance</b>	<sup>3</sup>	(\$130)	(\$158)	(\$222)	(\$289)
<b>IV. Net Affordable Rent</b>		\$635	\$716	\$761	\$804
<b>Low Income</b>					
<b>I. Household Income Assumptions</b>					
Area Median Income	<sup>1</sup>	\$61,200	\$69,900	\$78,650	\$87,400
% of AMI Used for Rent Setting Purposes	<sup>4</sup>	80%	80%	80%	80%
Benchmark Annual Household Income		\$48,960	\$55,920	\$62,920	\$69,920
<b>II. % of Income Allotted to Housing Expenses</b>		30%	30%	30%	30%
<b>III. Gross Affordable Rent</b>					
Annual		\$14,688	\$16,776	\$18,876	\$20,976
Monthly		\$1,224	\$1,398	\$1,573	\$1,748
<b>(Less) Monthly Utilities Allowance</b>	<sup>3</sup>	(\$130)	(\$158)	(\$222)	(\$289)
<b>IV. Net Affordable Rent</b>		\$1,094	\$1,240	\$1,351	\$1,459

<sup>1</sup> Based on the median income for San Bernardino County published annually by the California Department of Housing & Community Development (HCD).

<sup>2</sup> Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505.

<sup>3</sup> Utilities allowances are based on the Housing Authority of the County of San Bernardino utility allowance schedule for apartment development effective as of 12/1/22. Assumes: Electric Heating, Electric Cooking, and Electric Water Heater; Basic Electric; and Air Conditioning.

<sup>4</sup> Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053.

**APPENDIX C**

**PRO FORMA ANALYSES  
TRANSIT VILLAGE 1 PROTOTYPES  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

**APPENDIX C - EXHIBIT I**

**PRO FORMA ANALYSIS**

**DENSITY @ 30 UNITS/ACRE - MARKET RATE ALTERNATIVE**

**TRANSIT VILLAGE 1 PROTOTYPE**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 30 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	<sup>1</sup>	87,120	Sf of Land	\$25 /Sf of Land		\$2,178,000
II.	<b>Direct Costs</b>	<sup>2</sup>					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$20 /Sf of Land	\$1,742,000	
	Parking	<sup>3</sup>					
	At-Grade Spaces		15	Spaces	\$7,500 /Space	113,000	
	Covered & Enclosed Spaces		78	Spaces	\$15,000 /Space	1,170,000	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space	0	
	Building Costs		58,350	Sf of GLA	\$150 /Sf of GLA	8,753,000	
	Contractor/DC Contingency Allow	<sup>4</sup>	20%	Other Direct Costs		2,356,000	
	<b>Total Direct Costs</b>		58,350	Sf of GLA	\$242 /Sf of GLA		\$14,134,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$1,131,000	
	Public Permits & Fees	<sup>5</sup>	60	Units	\$32,000 /Unit	1,920,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		283,000	
	Marketing		60	Units	\$5,000 /Unit	300,000	
	Developer Fee		5.0%	Direct Costs		707,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		217,000	
	<b>Total Indirect Costs</b>						\$4,558,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	<sup>6</sup>	\$2,178,000	Cost	5.0% Avg Rate	\$163,000	
	Construction	<sup>7</sup>	\$19,952,000	Cost	5.0% Avg Rate	898,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	199,000	
	<b>Total Financing Costs</b>						\$1,260,000
V.	<b>Total Construction Cost</b>		60	Units	\$333,000 /Unit		\$19,952,000
	<b>Total Development Cost</b>		60	Units	\$369,000 /Unit		\$22,130,000

<sup>1</sup> Estimated in part based on a sales survey of properties located in Redlands.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

<sup>4</sup> Includes contractors' fees, general requirements, profit and builder's risk insurance.

<sup>5</sup> Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

<sup>6</sup> Based on an 18 month construction period, after receipt of entitlements, and a 100% average outstanding loan balance.

<sup>7</sup> Based on an 18 month construction period, after receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 30 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. <u>Gross Income</u></b>			
<b>A. Market Rate Units</b> <sup>1</sup>			
Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	27 Units @	\$2,240 /Unit/Month	726,000
Two-Bedroom Units	30 Units @	\$2,750 /Unit/Month	990,000
Three-Bedroom Units	3 Units @	\$2,990 /Unit/Month	108,000
<b>B. Laundry &amp; Miscellaneous Income</b>		60 Units @	\$25 /Unit/Month
			18,000
<b>Total Gross Income</b>			\$1,842,000
Vacancy & Collection Allowance		5% Gross Income	(92,000)
<b>II. Effective Gross Income</b>			\$1,750,000
<b>III. <u>Operating Expenses</u></b>			
General Operating Expenses	60 Units @	\$4,500 /Unit	\$270,000
Property Taxes	60 Units @	\$5,200 /Unit	313,000
Replacement Reserve Deposits	60 Units @	\$150 /Unit	9,000
<b>Total Operating Expenses</b>			(\$592,000)
<b>IV. <u>Stabilized Net Operating Income</u></b>			\$1,158,000

<sup>1</sup> The weighted average monthly rent equates to \$2.60 per square foot of leasable area.

<sup>2</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN  
DENSITY @ 30 UNITS/ACRE - MARKET RATE ALTERNATIVE  
TRANSIT VILLAGE 1 PROTOTYPE  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA

---

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$1,158,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$22,130,000</u>
III.	<b>Stabilized Return on Total Investment</b>		<b>5.2%</b>

**APPENDIX C - EXHIBIT II**

**PRO FORMA ANALYSIS**

**DENSITY @ 30 UNITS/ACRE - LOW INCOME REQUIREMENT**

**TRANSIT VILLAGE 1 PROTOTYPE**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**



APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 30 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. Land Acquisition Costs</b>	<sup>1</sup>	87,120	Sf of Land	\$25 /Sf of Land		\$2,178,000
<b>II. Direct Costs</b>	<sup>2</sup>					
On-Site Improvements/Landscaping		87,120	Sf of Land	\$20 /Sf of Land		\$1,742,000
Parking	<sup>3</sup>					
At-Grade Spaces		15	Spaces	\$7,500 /Space		113,000
Covered & Enclosed Spaces		78	Spaces	\$15,000 /Space		1,170,000
Above-Grade Spaces		0	Spaces	\$20,000 /Space		0
Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space		0
Building Costs		58,350	Sf of GLA	\$150 /Sf of GLA		8,753,000
Contractor/DC Contingency Allow	<sup>4</sup>	20%	Other Direct Costs			2,356,000
<b>Total Direct Costs</b>		58,350	Sf of GLA	\$242 /Sf of GLA		\$14,134,000
<b>III. Indirect Costs</b>						
Architecture, Engineering & Consulting		8%	Direct Costs			\$1,131,000
Public Permits & Fees	<sup>5</sup>	60	Units	\$32,000 /Unit		1,920,000
Taxes, Insurance, Legal & Accounting		2%	Direct Costs			283,000
Marketing		60	Units	\$5,000 /Unit		300,000
Developer Fee		5%	Direct Costs			707,000
Soft Cost Contingency Allowance		5%	Other Indirect Costs			217,000
<b>Total Indirect Costs</b>						\$4,558,000
<b>IV. Financing Costs</b>						
Interest During Construction						
Land	<sup>6</sup>	\$2,099,600	Cost	5.0% Avg Rate		\$157,000
Construction	<sup>7</sup>	\$19,945,000	Cost	5.0% Avg Rate		898,000
Loan Origination Fees		60%	Loan to Cost	1.5 Points		199,000
<b>Total Financing Costs</b>						\$1,254,000
<b>V. Total Construction Cost</b>		60	Units	\$332,000 /Unit		\$19,946,000
<b>Total Development Cost</b>		60	Units	\$369,000 /Unit		\$22,124,000

<sup>1</sup> Estimated in part based on a sales survey of properties located in Redlands.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

<sup>4</sup> Includes contractors' fees, general requirements, profit and builder's risk insurance.

<sup>5</sup> Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

<sup>6</sup> Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$78,400 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

<sup>7</sup> Based on an 18 month construction period, after receipt of entitlements, and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 30 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. <u>Gross Income</u></b>				
<b>A. Market Rate Units</b> <span style="float: right;">1</span>				
Studio Units	0 Units @	\$0 /Unit/Month		\$0
One-Bedroom Units	25 Units @	\$2,240 /Unit/Month		672,000
Two-Bedroom Units	27 Units @	\$2,750 /Unit/Month		891,000
Three-Bedroom Units	3 Units @	\$2,990 /Unit/Month		108,000
<b>B. Low Income</b> <span style="float: right;">2</span>				
Studio Units	0 Units @	\$1,094 /Unit/Month		0
One-Bedroom Units	2 Units @	\$1,240 /Unit/Month		30,000
Two-Bedroom Units	3 Units @	\$1,351 /Unit/Month		49,000
Three-Bedroom Units	0 Units @	\$1,459 /Unit/Month		0
<b>C. Laundry &amp; Miscellaneous Income</b> <span style="float: right;">60 Units @</span>				
		\$25 /Unit/Month		18,000
<b>Total Gross Income</b>				\$1,768,000
Vacancy & Collection Allowance <span style="float: right;">5% Gross Income</span>				(88,000)
<b>II. Effective Gross Income</b> <span style="float: right;">\$1,680,000</span>				
<b>III. <u>Operating Expenses</u></b>				
General Operating Expenses	60 Units @	\$4,500 /Unit		\$270,000
Property Taxes	60 Units @	\$5,000 /Unit		298,000
Replacement Reserve Deposits	60 Units @	\$150 /Unit		9,000
<b>Total Operating Expenses</b>				(\$577,000)
<b>IV. <u>Stabilized Net Operating Income</u></b>				<b>\$1,103,000</b>

<sup>1</sup> The weighted average monthly rent equates to \$2.60 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX C - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 30 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I. <u>Supportable Investment</u></b>			
Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$1,103,000	
Threshold Return on Total Investment <sup>1</sup>		5.2%	
<b>Total Supportable Investment</b>			\$21,079,000
<b>II. Total Development Cost</b>			
	See APPENDIX C - EXHIBIT II - TABLE 1		\$22,124,000
<b>III. <u>Total Financial Impact</u></b>			(\$1,045,000)
Stabilized Return on Total Investment	5.0%		
% Market Rent Increase to Offset Impact	4.5% Market Rate Units		

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.

**APPENDIX C - EXHIBIT III**

**PRO FORMA ANALYSIS**

**DENSITY @ 30 UNITS/ACRE - VERY LOW INCOME REQUIREMENT**

**TRANSIT VILLAGE 1 PROTOTYPE**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 30 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	87,120	Sf of Land	\$25 /Sf of Land		\$2,178,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		87,120	Sf of Land	\$20 /Sf of Land	\$1,742,000	
	Parking	3					
	At-Grade Spaces		15	Spaces	\$7,500 /Space	113,000	
	Covered & Enclosed Spaces		78	Spaces	\$15,000 /Space	1,170,000	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space	0	
	Building Costs		58,350	Sf of GLA	\$150 /Sf of GLA	8,753,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		2,356,000	
	<b>Total Direct Costs</b>		58,350	Sf of GLA	\$242 /Sf of GLA		\$14,134,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$1,131,000	
	Public Permits & Fees	5	60	Units	\$32,000 /Unit	1,920,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		283,000	
	Marketing		60	Units	\$5,000 /Unit	300,000	
	Developer Fee		5%	Direct Costs		707,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		217,000	
	<b>Total Indirect Costs</b>						\$4,558,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$2,106,700	Cost	5.0% Avg Rate	\$158,000	
	Construction	7	\$19,947,000	Cost	5.0% Avg Rate	898,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	199,000	
	<b>Total Financing Costs</b>						\$1,255,000
V.	<b>Total Construction Cost</b>		60	Units	\$332,000 /Unit		\$19,947,000
	<b>Total Development Cost</b>		60	Units	\$369,000 /Unit		\$22,125,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

6 Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$71,300 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 30 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Income**

<b>A. Market Rate Units</b>	1			
Studio Units		0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units		26 Units @	\$2,240 /Unit/Month	699,000
Two-Bedroom Units		28 Units @	\$2,750 /Unit/Month	924,000
Three-Bedroom Units		3 Units @	\$2,990 /Unit/Month	108,000
<b>B. Very Low Income</b>	2			
Studio Units		0 Units @	\$635 /Unit/Month	0
One-Bedroom Units		1 Unit @	\$716 /Unit/Month	9,000
Two-Bedroom Units		2 Units @	\$761 /Unit/Month	18,000
Three-Bedroom Units		0 Units @	\$804 /Unit/Month	0
<b>C. Laundry &amp; Miscellaneous Income</b>		60 Units @	\$25 /Unit/Month	18,000
<b>Total Gross Income</b>				\$1,776,000
Vacancy & Collection Allowance		5% Gross Income		(89,000)

II. **Effective Gross Income** \$1,687,000

III. **Operating Expenses**

General Operating Expenses		60 Units @	\$4,500 /Unit	\$270,000
Property Taxes	3	60 Units @	\$5,000 /Unit	300,000
Replacement Reserve Deposits		60 Units @	\$150 /Unit	9,000
<b>Total Operating Expenses</b>		60 Units @	\$9,650 /Unit	(\$579,000)

IV. **Stabilized Net Operating Income** \$1,108,000

<sup>1</sup> The weighted average monthly rent equates to \$2.61 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX C - EXHIBIT III - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 30 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 1 PROTOTYPE  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I. <u>Supportable Investment</u></b>			
Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$1,108,000	
Threshold Return on Total Investment <sup>1</sup>		5.2%	
<b>Total Supportable Investment</b>			\$21,174,000
<b>II. Total Development Cost</b>			
	See APPENDIX C - EXHIBIT III - TABLE 1		\$22,125,000
<b>III. <u>Total Financial Impact</u></b>			(\$951,000)
Stabilized Return on Total Investment	5.0%		
% Market Rent Increase to Offset Impact	3.9% Market Rate Units		

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.

**APPENDIX D**

**PRO FORMA ANALYSES  
TRANSIT VILLAGE 2 PROTOTYPES  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**



**APPENDIX D - EXHIBIT I**

**PRO FORMA ANALYSIS  
DENSITY @ 58 UNITS/ACRE - MARKET RATE ALTERNATIVE  
TRANSIT VILLAGE 2 PROTOTYPE  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 58 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	174,240	Sf of Land	\$25 /Sf of Land		\$4,356,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000	
	Parking	3					
	At-Grade Spaces		58	Spaces	\$7,500 /Space	435,000	
	Covered & Enclosed Spaces		0	Spaces	\$15,000 /Space	0	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		267	Spaces	\$35,000 /Space	9,345,000	
	Building Costs		184,880	Sf of GLA	\$175 /Sf of GLA	32,354,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		9,124,000	
	<b>Total Direct Costs</b>		184,880	Sf of GLA	\$296 /Sf of GLA		\$54,743,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting			8% Direct Costs		\$4,379,000	
	Public Permits & Fees	5	232	Units	\$32,000 /Unit	7,424,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,095,000	
	Marketing		232	Units	\$5,000 /Unit	1,160,000	
	Developer Fee			5.0% Direct Costs		2,737,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		840,000	
	<b>Total Indirect Costs</b>						\$17,635,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$4,356,000	Cost	5.0% Avg Rate	\$327,000	
	Construction	7	\$76,896,000	Cost	5.0% Avg Rate	3,460,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	731,000	
	<b>Total Financing Costs</b>						\$4,518,000
V.	<b>Total Construction Cost</b>		232	Units	\$331,000 /Unit		\$76,896,000
	<b>Total Development Cost</b>		232	Units	\$350,000 /Unit		\$81,252,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

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

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

APPENDIX D - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 58 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. <u>Gross Income</u></b>			
<b>A. Market Rate Units</b> <sup>1</sup>			
Studio Units	46 Units @	\$2,090 /Unit/Month	\$1,154,000
One-Bedroom Units	116 Units @	\$2,310 /Unit/Month	3,216,000
Two-Bedroom Units	70 Units @	\$2,880 /Unit/Month	2,419,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0
<b>B. Laundry &amp; Miscellaneous Income</b>		232 Units @	\$25 /Unit/Month
			70,000
<b>Total Gross Income</b>			\$6,859,000
Vacancy & Collection Allowance	5% Gross Income		(343,000)
<b>II. Effective Gross Income</b>			\$6,516,000
<b>III. <u>Operating Expenses</u></b>			
General Operating Expenses	232 Units @	\$4,500 /Unit	\$1,044,000
Property Taxes	232 Units @	\$5,000 /Unit	1,158,000
Replacement Reserve Deposits	232 Units @	\$150 /Unit	35,000
<b>Total Operating Expenses</b>			(\$2,237,000)
<b>IV. <u>Stabilized Net Operating Income</u></b>			\$4,279,000

<sup>1</sup> The weighted average monthly rent equates to \$3.06 per square foot of leasable area.

<sup>2</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX D - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN  
DENSITY @ 58 UNITS/ACRE - MARKET RATE ALTERNATIVE  
TRANSIT VILLAGE 2 PROTOTYPE  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA

---

I.	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT I - TABLE 2	\$4,279,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$81,252,000</u>
III.	<b>Stabilized Return on Total Investment</b>		<b>5.3%</b>

**APPENDIX D - EXHIBIT II**

**PRO FORMA ANALYSIS  
DENSITY @ 58 UNITS/ACRE - LOW INCOME REQUIREMENT  
TRANSIT VILLAGE 2 PROTOTYPE  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 58 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. Land Acquisition Costs</b>	1	174,240	Sf of Land	\$25 /Sf of Land		\$4,356,000
<b>II. Direct Costs</b>	2					
On-Site Improvements/Landscaping		174,240	Sf of Land	\$20 /Sf of Land		\$3,485,000
Parking	3					
At-Grade Spaces		58	Spaces	\$7,500 /Space		435,000
Covered & Enclosed Spaces		0	Spaces	\$15,000 /Space		0
Above-Grade Spaces		0	Spaces	\$20,000 /Space		0
Semi-Subterranean Spaces		267	Spaces	\$35,000 /Space		9,345,000
Building Costs		184,880	Sf of GLA	\$175 /Sf of GLA		32,354,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			9,124,000
<b>Total Direct Costs</b>		184,880	Sf of GLA	\$296 /Sf of GLA		\$54,743,000
<b>III. Indirect Costs</b>						
Architecture, Engineering & Consulting			8% Direct Costs			\$4,379,000
Public Permits & Fees	5	232	Units	\$32,000 /Unit		7,424,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			1,095,000
Marketing		232	Units	\$5,000 /Unit		1,160,000
Developer Fee			5% Direct Costs			2,737,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			840,000
<b>Total Indirect Costs</b>						\$17,635,000
<b>IV. Financing Costs</b>						
Interest During Construction						
Land	6	\$4,065,700	Cost	5.0% Avg Rate		\$305,000
Construction	7	\$76,873,000	Cost	5.0% Avg Rate		3,459,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		731,000
<b>Total Financing Costs</b>						\$4,495,000
<b>V. Total Construction Cost</b>		232	Units	\$331,000 /Unit		\$76,873,000
<b>Total Development Cost</b>		232	Units	\$350,000 /Unit		\$81,229,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

6 Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$290,300 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX D - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 58 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Income**

<b>A. Market Rate Units</b>	1			
Studio Units		42 Units @	\$2,090 /Unit/Month	\$1,053,000
One-Bedroom Units		107 Units @	\$2,310 /Unit/Month	2,966,000
Two-Bedroom Units		64 Units @	\$2,880 /Unit/Month	2,212,000
Three-Bedroom Units		0 Units @	\$0 /Unit/Month	0
<b>B. Low Income</b>	2			
Studio Units		4 Units @	\$1,094 /Unit/Month	53,000
One-Bedroom Units		9 Units @	\$1,240 /Unit/Month	134,000
Two-Bedroom Units		6 Units @	\$1,351 /Unit/Month	97,000
Three-Bedroom Units		0 Units @	\$1,459 /Unit/Month	0
<b>C. Laundry &amp; Miscellaneous Income</b>		232 Units @	\$25 /Unit/Month	70,000
<b>Total Gross Income</b>				\$6,585,000
Vacancy & Collection Allowance		5% Gross Income		(329,000)

II. **Effective Gross Income** \$6,256,000

III. **Operating Expenses**

General Operating Expenses		232 Units @	\$4,500 /Unit	\$1,044,000
Property Taxes	3	232 Units @	\$4,800 /Unit	1,103,000
Replacement Reserve Deposits		232 Units @	\$150 /Unit	35,000
<b>Total Operating Expenses</b>		232 Units @	\$9,405 /Unit	(\$2,182,000)

<b>IV.</b>	<b>Stabilized Net Operating Income</b>	<b>\$4,074,000</b>
------------	--	--------------------

<sup>1</sup> The weighted average monthly rent equates to \$3.06 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX D - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 58 UNITS/ACRE - LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I. <u>Supportable Investment</u></b>			
Stabilized Net Operating Income	See APPENDIX D - EXHIBIT II - TABLE 2	\$4,074,000	
Threshold Return on Total Investment <sup>1</sup>		5.3%	
<b>Total Supportable Investment</b>			\$77,359,000
<b>II. Total Development Cost</b>	See APPENDIX D - EXHIBIT II - TABLE 1		\$81,229,000
<b>III. <u>Total Financial Impact</u></b>			(\$3,870,000)
Stabilized Return on Total Investment	5.0%		
% Market Rent Increase to Offset Impact	5.0% Market Rate Units		

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.



**APPENDIX D - EXHIBIT III**

**PRO FORMA ANALYSIS**

**DENSITY @ 58 UNITS/ACRE - VERY LOW INCOME REQUIREMENT**

**TRANSIT VILLAGE 2 PROTOTYPE**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 58 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	174,240	Sf of Land	\$25 /Sf of Land		\$4,356,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000	
	Parking	3					
	At-Grade Spaces		58	Spaces	\$7,500 /Space	435,000	
	Covered & Enclosed Spaces		0	Spaces	\$15,000 /Space	0	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		267	Spaces	\$35,000 /Space	9,345,000	
	Building Costs		184,880	Sf of GLA	\$175 /Sf of GLA	32,354,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		9,124,000	
	<b>Total Direct Costs</b>		184,880	Sf of GLA	\$296 /Sf of GLA		\$54,743,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting			8% Direct Costs		\$4,379,000	
	Public Permits & Fees	5	232	Units	\$32,000 /Unit	7,424,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,095,000	
	Marketing		232	Units	\$5,000 /Unit	1,160,000	
	Developer Fee			5% Direct Costs		2,737,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		840,000	
	<b>Total Indirect Costs</b>						\$17,635,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$4,091,200	Cost	5.0% Avg Rate	\$307,000	
	Construction	7	\$76,880,000	Cost	5.0% Avg Rate	3,460,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	731,000	
	<b>Total Financing Costs</b>						\$4,498,000
V.	<b>Total Construction Cost</b>		232	Units	\$331,000 /Unit		\$76,876,000
	<b>Total Development Cost</b>		232	Units	\$350,000 /Unit		\$81,232,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed in the Specific Plan areas: studio units at 1.0 space; one-bedroom units at 1.0 space; two-bedroom units at 1.5 spaces; three-bedroom units at 2.0 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

6 Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$264,800 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX D - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 58 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Income**

<b>A. Market Rate Units</b>	1			
Studio Units		44 Units @	\$2,090 /Unit/Month	\$1,104,000
One-Bedroom Units		110 Units @	\$2,310 /Unit/Month	3,049,000
Two-Bedroom Units		66 Units @	\$2,880 /Unit/Month	2,281,000
Three-Bedroom Units		0 Units @	\$0 /Unit/Month	0
<b>B. Very Low Income</b>	2			
Studio Units		2 Units @	\$635 /Unit/Month	15,000
One-Bedroom Units		6 Units @	\$716 /Unit/Month	52,000
Two-Bedroom Units		4 Units @	\$761 /Unit/Month	37,000
Three-Bedroom Units		0 Units @	\$804 /Unit/Month	0
<b>C. Laundry &amp; Miscellaneous Income</b>		232 Units @	\$25 /Unit/Month	70,000
<b>Total Gross Income</b>				\$6,608,000
Vacancy & Collection Allowance		5% Gross Income		(330,000)

II. **Effective Gross Income** \$6,278,000

III. **Operating Expenses**

General Operating Expenses		232 Units @	\$4,500 /Unit	\$1,044,000
Property Taxes	3	232 Units @	\$4,800 /Unit	1,107,000
Replacement Reserve Deposits		232 Units @	\$150 /Unit	35,000
<b>Total Operating Expenses</b>		232 Units @	\$9,422 /Unit	(\$2,186,000)

<b>IV. Stabilized Net Operating Income</b>	<b>\$4,092,000</b>
--	--------------------

<sup>1</sup> The weighted average monthly rent equates to \$3.06 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX D - EXHIBIT III - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 58 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 TRANSIT VILLAGE 2 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

I.	<b>Supportable Investment</b>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT III - TABLE 2	\$4,092,000
	Threshold Return on Total Investment <sup>1</sup>		5.3%
	<b>Total Supportable Investment</b>		\$77,701,000
II.	<b>Total Development Cost</b>	See APPENDIX D - EXHIBIT III - TABLE 1	\$81,232,000
III.	<b>Total Financial Impact</b>		(\$3,531,000)
	Stabilized Return on Total Investment	5.0%	
	% Market Rent Increase to Offset Impact	4.5% Market Rate Units	

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.

**APPENDIX E**

**PRO FORMA ANALYSES**

**R-3 PROTOTYPES**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

**APPENDIX E - EXHIBIT I**

**PRO FORMA ANALYSIS**

**DENSITY @ 27 UNITS/ACRE - MARKET RATE ALTERNATIVE**

**R-3 PROTOTYPE**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 27 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	217,800	Sf of Land	\$15 /Sf of Land		\$3,267,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$20 /Sf of Land	\$4,356,000	
	Parking	3					
	At-Grade Spaces		153	Spaces	\$7,500 /Space	1,148,000	
	Covered & Enclosed Spaces		135	Spaces	\$15,000 /Space	2,025,000	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space	0	
	Building Costs		117,250	Sf of GLA	\$150 /Sf of GLA	17,588,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		5,023,000	
	<b>Total Direct Costs</b>		117,250	Sf of GLA	\$257 /Sf of GLA		\$30,140,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$2,411,000	
	Public Permits & Fees	5	135	Units	\$32,000 /Unit	4,320,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		603,000	
	Marketing		135	Units	\$5,000 /Unit	675,000	
	Developer Fee		5.0%	Direct Costs		1,507,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		476,000	
	<b>Total Indirect Costs</b>						\$9,992,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$3,267,000	Cost	5.0% Avg Rate	\$245,000	
	Construction	7	\$42,713,000	Cost	5.0% Avg Rate	1,922,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	414,000	
	<b>Total Financing Costs</b>						\$2,581,000
V.	<b>Total Construction Cost</b>		135	Units	\$316,000 /Unit		\$42,713,000
	<b>Total Development Cost</b>		135	Units	\$341,000 /Unit		\$45,980,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed by the Municipal Code: studio units at 1.0 space; one-bedroom units at 1.5 spaces; two-bedroom units at 2.0 spaces; three-bedroom units at 2.5 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

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

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

APPENDIX E - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 27 UNITS/ACRE - MARKET RATE ALTERNATIVE  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. <u>Gross Income</u></b>			
<b>A. Market Rate Units</b> <sup>1</sup>			
Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	47 Units @	\$2,100 /Unit/Month	1,184,000
Two-Bedroom Units	74 Units @	\$2,250 /Unit/Month	1,998,000
Three-Bedroom Units	14 Units @	\$2,630 /Unit/Month	442,000
<b>B. Laundry &amp; Miscellaneous Income</b>	135 Units @	\$25 /Unit/Month	<u>41,000</u>
<b>Total Gross Income</b>			\$3,665,000
Vacancy & Collection Allowance	5% Gross Income		<u>(183,000)</u>
<b>II. Effective Gross Income</b>			\$3,482,000
<b>III. <u>Operating Expenses</u></b>			
General Operating Expenses	135 Units @	\$4,500 /Unit	\$608,000
Property Taxes	135 Units @	\$4,500 /Unit	608,000
Replacement Reserve Deposits	135 Units @	\$150 /Unit	<u>20,000</u>
<b>Total Operating Expenses</b>			(\$1,236,000)
<b>IV. <u>Stabilized Net Operating Income</u></b>			<u>\$2,246,000</u>

<sup>1</sup> The weighted average monthly rent equates to \$2.58 per square foot of leasable area.

<sup>2</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.



APPENDIX E - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN  
DENSITY @ 27 UNITS/ACRE - MARKET RATE ALTERNATIVE  
R-3 PROTOTYPE  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA

---

I.	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT I - TABLE 2	\$2,246,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$45,980,000</u>
III.	<b>Stabilized Return on Total Investment</b>		<b>4.9%</b>

**APPENDIX E - EXHIBIT II**

**PRO FORMA ANALYSIS**

**DENSITY @ 27 UNITS/ACRE - LOW INCOME REQUIREMENT**

**R-3 PROTOTYPE**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 27 UNITS/ACRE - LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	217,800	Sf of Land	\$15 /Sf of Land		\$3,267,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$20 /Sf of Land	\$4,356,000	
	Parking	3					
	At-Grade Spaces		153	Spaces	\$7,500 /Space	1,148,000	
	Covered & Enclosed Spaces		135	Spaces	\$15,000 /Space	2,025,000	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space	0	
	Building Costs		117,250	Sf of GLA	\$150 /Sf of GLA	17,588,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		5,023,000	
	<b>Total Direct Costs</b>		117,250	Sf of GLA	\$257 /Sf of GLA		\$30,140,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$2,411,000	
	Public Permits & Fees	5	135	Units	\$32,000 /Unit	4,320,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		603,000	
	Marketing		135	Units	\$5,000 /Unit	675,000	
	Developer Fee		5%	Direct Costs		1,507,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		476,000	
	<b>Total Indirect Costs</b>						\$9,992,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$3,118,900	Cost	5.0% Avg Rate	\$234,000	
	Construction	7	\$42,702,000	Cost	5.0% Avg Rate	1,922,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	414,000	
	<b>Total Financing Costs</b>						\$2,570,000
V.	<b>Total Construction Cost</b>		135	Units	\$316,000 /Unit		\$42,702,000
	<b>Total Development Cost</b>		135	Units	\$341,000 /Unit		\$45,969,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed by the Municipal Code: studio units at 1.0 space; one-bedroom units at 1.5 spaces; two-bedroom units at 2.0 spaces; three-bedroom units at 2.5 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

6 Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$148,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX E - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 27 UNITS/ACRE - LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Income**

<b>A. Market Rate Units</b>	1			
Studio Units		0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units		43 Units @	\$2,100 /Unit/Month	1,084,000
Two-Bedroom Units		67 Units @	\$2,250 /Unit/Month	1,809,000
Three-Bedroom Units		13 Units @	\$2,630 /Unit/Month	410,000
<b>B. Low Income</b>	2			
Studio Units		0 Units @	\$1,094 /Unit/Month	0
One-Bedroom Units		4 Units @	\$1,240 /Unit/Month	60,000
Two-Bedroom Units		7 Units @	\$1,351 /Unit/Month	113,000
Three-Bedroom Units		1 Unit @	\$1,459 /Unit/Month	18,000
<b>C. Laundry &amp; Miscellaneous Income</b>		135 Units @	\$25 /Unit/Month	41,000
<b>Total Gross Income</b>				\$3,535,000
Vacancy & Collection Allowance		5% Gross Income		(177,000)

II. **Effective Gross Income**

\$3,358,000

III. **Operating Expenses**

General Operating Expenses		135 Units @	\$4,500 /Unit	\$608,000
Property Taxes	3	135 Units @	\$4,300 /Unit	581,000
Replacement Reserve Deposits		135 Units @	\$150 /Unit	20,000
<b>Total Operating Expenses</b>		135 Units @	\$8,956 /Unit	(\$1,209,000)

<b>IV.</b>	<b>Stabilized Net Operating Income</b>	<b>\$2,149,000</b>
------------	--	--------------------

<sup>1</sup> The weighted average monthly rent equates to \$2.58 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.

APPENDIX E - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 27 UNITS/ACRE - LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

I.	<b><u>Supportable Investment</u></b>		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT II - TABLE 2	\$2,149,000
	Threshold Return on Total Investment <sup>1</sup>		4.9%
	<b>Total Supportable Investment</b>		\$43,994,000
II.	<b>Total Development Cost</b>	See APPENDIX E - EXHIBIT II - TABLE 1	\$45,969,000
III.	<b><u>Total Financial Impact</u></b>		(\$1,975,000)
	Stabilized Return on Total Investment	4.7%	
	% Market Rent Increase to Offset Impact	4.4% Market Rate Units	

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.

**APPENDIX E - EXHIBIT III**

**PRO FORMA ANALYSIS**

**DENSITY @ 27 UNITS/ACRE - VERY LOW INCOME REQUIREMENT**

**R-3 PROTOTYPE**

**APARTMENT DEVELOPMENT**

**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**

**REDLANDS, CALIFORNIA**

APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 DENSITY @ 27 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	217,800	Sf of Land	\$15 /Sf of Land		\$3,267,000
II.	<b>Direct Costs</b>	2					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$20 /Sf of Land	\$4,356,000	
	Parking	3					
	At-Grade Spaces		153	Spaces	\$7,500 /Space	1,148,000	
	Covered & Enclosed Spaces		135	Spaces	\$15,000 /Space	2,025,000	
	Above-Grade Spaces		0	Spaces	\$20,000 /Space	0	
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space	0	
	Building Costs		117,250	Sf of GLA	\$150 /Sf of GLA	17,588,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		5,023,000	
	<b>Total Direct Costs</b>		117,250	Sf of GLA	\$257 /Sf of GLA		\$30,140,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$2,411,000	
	Public Permits & Fees	5	135	Units	\$32,000 /Unit	4,320,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		603,000	
	Marketing		135	Units	\$5,000 /Unit	675,000	
	Developer Fee		5%	Direct Costs		1,507,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		476,000	
	<b>Total Indirect Costs</b>						\$9,992,000
IV.	<b>Financing Costs</b>						
	Interest During Construction						
	Land	6	\$3,105,100	Cost	5.0% Avg Rate	\$233,000	
	Construction	7	\$42,701,000	Cost	5.0% Avg Rate	1,922,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	414,000	
	<b>Total Financing Costs</b>						\$2,569,000
V.	<b>Total Construction Cost</b>		135	Units	\$316,000 /Unit		\$42,701,000
	<b>Total Development Cost</b>		135	Units	\$341,000 /Unit		\$45,968,000

1 Estimated in part based on a sales survey of properties located in Redlands.

2 Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

3 The parking ratios are based on the following standards imposed by the Municipal Code: studio units at 1.0 space; one-bedroom units at 1.5 spaces; two-bedroom units at 2.0 spaces; three-bedroom units at 2.5 spaces; and guest spaces at 0.25 spaces per unit.

4 Includes contractors' fees, general requirements, profit and builder's risk insurance.

5 Based on estimates presented in the City's adopted Housing Element for the period between 2021 and 2029.

6 Based on an 18 month construction period after receipt of entitlements and a 100% average outstanding loan balance. Includes a \$161,900 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX E - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME  
 DENSITY @ 27 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Income**

<b>A. Market Rate Units</b>	1			
Studio Units		0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units		44 Units @	\$2,100 /Unit/Month	1,109,000
Two-Bedroom Units		70 Units @	\$2,250 /Unit/Month	1,890,000
Three-Bedroom Units		13 Units @	\$2,630 /Unit/Month	410,000
<b>B. Very Low Income</b>	2			
Studio Units		0 Units @	\$635 /Unit/Month	0
One-Bedroom Units		3 Units @	\$716 /Unit/Month	26,000
Two-Bedroom Units		4 Units @	\$761 /Unit/Month	37,000
Three-Bedroom Units		1 Unit @	\$804 /Unit/Month	10,000
<b>C. Laundry &amp; Miscellaneous Income</b>		135 Units @	\$25 /Unit/Month	41,000
<b>Total Gross Income</b>				\$3,523,000
Vacancy & Collection Allowance		5% Gross Income		(176,000)

II. **Effective Gross Income** \$3,347,000

III. **Operating Expenses**

General Operating Expenses		135 Units @	\$4,500 /Unit	\$608,000
Property Taxes	3	135 Units @	\$4,300 /Unit	579,000
Replacement Reserve Deposits		135 Units @	\$150 /Unit	20,000
<b>Total Operating Expenses</b>		135 Units @	\$8,941 /Unit	(\$1,207,000)

<b>IV.</b>	<b>Stabilized Net Operating Income</b>	<b>\$2,140,000</b>
------------	--	--------------------

<sup>1</sup> The weighted average monthly rent equates to \$2.58 per square foot of leasable area.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> The assessed value is estimated based on a 4.3% capitalization rate. The property tax rate is set at 1.15%.



APPENDIX E - EXHIBIT III - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 DENSITY @ 27 UNITS/ACRE - VERY LOW INCOME REQUIREMENT  
 R-3 PROTOTYPE  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

I.	<b><u>Supportable Investment</u></b>		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT III - TABLE 2	\$2,140,000
	Threshold Return on Total Investment <sup>1</sup>		4.9%
	<b>Total Supportable Investment</b>		<b>\$43,810,000</b>
II.	<b>Total Development Cost</b>	See APPENDIX E - EXHIBIT III - TABLE 1	<b>\$45,968,000</b>
III.	<b><u>Total Financial Impact</u></b>		<b>(\$2,158,000)</b>
	Stabilized Return on Total Investment	4.7%	
	% Market Rent Increase to Offset Impact	4.6% Market Rate Units	

---

<sup>1</sup> Based on the Developer Return estimated to be generated by the MARKET RATE ALTERNATIVE.

**ATTACHMENT 4**

**OWNERSHIP HOUSING DEVELOPMENT  
CITYWIDE ANALYSIS  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

**APPENDIX A**

**HOME SALES SURVEY  
OWNERSHIP HOUSING DEVELOPMENT  
CITYWIDE ANALYSIS  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX A

RESALE HOME SALES SURVEY 1  
 OWNERSHIP HOUSING DEVELOPMENT - CITYWIDE ANALYSIS  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

	Address		Unit Size (SF)	Sales Price		Year Built	
				Total	Per SF		
<b>I. <u>Townhomes and Condominiums</u></b>							
Two-Bedroom Units							
	93 Kansas St #407	Redlands	92373	1,070	\$375,000	\$350	2006
	93 Kansas St #102	Redlands	92373	1,070	\$381,000	\$356	2006
	93 Kansas St #302	Redlands	92373	1,070	\$377,860	\$353	2006
	93 Kansas St #203	Redlands	92373	1,010	\$425,000	\$421	2006
	1510 Orange Ave #405	Redlands	92373	1,306	\$470,000	\$360	2012
	Minimum			1,010	\$375,000	\$350	2006
	Maximum			1,306	\$470,000	\$421	2012
	Average			1,105	\$405,800	\$367	2007
Three-Bedroom Units							
	93 Kansas St #301	Redlands	92373	1,451	\$495,000	\$341	2006
	93 Kansas St #701	Redlands	92373	1,451	\$398,500	\$275	2007
	93 Kansas St #501	Redlands	92373	1,451	\$490,000	\$338	2007
	1510 Orange Ave #1106	Redlands	92373	1,600	\$475,500	\$297	2011
	1510 Orange Ave #1005	Redlands	92373	1,600	\$485,000	\$303	2012
	1200 E Highland Ave #208	Redlands	92374	1,730	\$454,000	\$262	2007
	Minimum			1,451	\$398,500	\$262	2006
	Maximum			1,730	\$495,000	\$341	2012
	Average			1,547	\$466,300	\$301	2008
<b>II. <u>Single Family Homes</u></b>							
Three-Bedroom Units							
	918 Lawton St	Redlands	92374	1,200	\$540,000	\$450	2019
	1018 Lawton St	Redlands	92374	1,289	\$475,000	\$369	2021
	926 Herald St	Redlands	92374	1,370	\$535,000	\$391	2017
	1459 Galway Ave	Redlands	92374	1,627	\$515,990	\$317	2020
	1442 Galway Ave	Redlands	92374	1,627	\$528,990	\$325	2020
	1490 Galway Ave	Redlands	92374	1,627	\$502,990	\$309	2020
	1499 Shannon Ave	Redlands	92374	1,627	\$647,821	\$398	2021
	1483 Shannon Ave	Redlands	92374	1,627	\$623,797	\$383	2021
	1475 Claire Ave	Redlands	92374	1,627	\$644,857	\$396	2021
	1710 Camellia Ln	Redlands	92374	1,864	\$532,450	\$286	2022
	1676 Camellia Ln	Redlands	92374	1,864	\$581,175	\$312	2022
	1696 Camellia Ln	Redlands	92374	1,864	\$536,990	\$288	2022
	2060 Clementine St	Redlands	92374	1,940	\$675,000	\$348	2017
	2065 Clementine St	Redlands	92374	1,940	\$615,000	\$317	2017
	2010 Desert Lime Ct	Redlands	92374	1,940	\$672,000	\$346	2017
	1890 Clementine St	Redlands	92374	1,940	\$688,000	\$355	2017
	915 Dahlia	Redlands	92374	1,949	\$675,000	\$346	2022
	943 Dahlia Ave	Redlands	92374	1,949	\$667,888	\$343	2022
	Minimum			1,200	\$475,000	\$286	2017
	Maximum			1,949	\$688,000	\$450	2022
	Average			1,715	\$592,100	\$345	2020

APPENDIX A

RESALE HOME SALES SURVEY 1  
 OWNERSHIP HOUSING DEVELOPMENT - CITYWIDE ANALYSIS  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Four-Bedroom Units						
906 Lawton St	Redlands	92374	1,430	\$550,000	\$385	2022
1410 Galway	Redlands	92374	1,853	\$549,835	\$297	2020
1434 Claire Ave	Redlands	92374	1,853	\$594,335	\$321	2020
1450 Claire Ave	Redlands	92374	1,853	\$600,270	\$324	2021
1443 Claire	Redlands	92374	1,853	\$576,070	\$311	2021
31040 Sutherland Dr	Redlands	92373	2,191	\$900,000	\$411	2018
1450 Galway Ave	Redlands	92374	2,227	\$528,990	\$238	2020
1499 Galway Ave	Redlands	92374	2,227	\$521,990	\$234	2020
1498 Galway Ave	Redlands	92374	2,227	\$495,990	\$223	2020
1426 Galway Ave	Redlands	92374	2,227	\$567,700	\$255	2020
1451 Galway Ave	Redlands	92374	2,227	\$571,035	\$256	2020
1451 Claire Ave	Redlands	92374	2,227	\$589,990	\$265	2021
1482 Galway Ave	Redlands	92374	2,227	\$545,990	\$245	2021
26634 Fino Ct	Redlands	92373	2,386	\$836,000	\$350	2019
1652 Penny Ln	Redlands	92374	2,397	\$922,000	\$385	2018
1998 Clementine St	Redlands	92374	2,409	\$699,900	\$291	2017
842 Royal Knight Trl	Redlands	92374	2,449	\$633,190	\$259	2022
1825 Montecito	Redlands	92374	2,650	\$680,000	\$257	2020
1459 Shane Ct	Redlands	92374	2,726	\$812,500	\$298	2019
1580 Adeline Ave	Redlands	92374	2,741	\$715,000	\$261	2018
2005 Clementine St	Redlands	92374	2,810	\$705,000	\$251	2017
1895 Clementine St	Redlands	92374	2,810	\$670,000	\$238	2017
1744 Sunny Heights Ln	Redlands	92374	2,877	\$677,056	\$235	2022
1683 Lucas Ln	Redlands	92374	2,924	\$800,000	\$274	2019
1462 Elliott Ct	Redlands	92374	3,090	\$910,000	\$294	2019
1475 Lucas Ln	Redlands	92374	3,152	\$950,000	\$301	2018
1815 Clementine St	Redlands	92374	3,163	\$785,000	\$248	2017
Minimum			1,430	\$495,990	\$223	2017
Maximum			3,163	\$950,000	\$411	2022
Average			2,415	\$681,000	\$282	2019

APPENDIX A

RESALE HOME SALES SURVEY 1  
 OWNERSHIP HOUSING DEVELOPMENT - CITYWIDE ANALYSIS  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Five-Bedroom Units						
1721 Camellia Ln	Redlands	92374	2,010	\$555,990	\$277	2022
1459 Shannon Ave	Redlands	92374	2,537	\$798,990	\$315	2019
1475 Galway Ave	Redlands	92374	2,537	\$675,000	\$266	2020
1447 Wicklow	Redlands	92374	2,537	\$670,000	\$264	2020
1495 Wicklow Ave	Redlands	92374	2,537	\$562,970	\$222	2020
1458 Galway Ave	Redlands	92374	2,537	\$574,410	\$226	2020
1504 Galway Ave	Redlands	92374	2,537	\$565,505	\$223	2020
1434 Galway Ave	Redlands	92374	2,537	\$540,990	\$213	2020
1506 Shannon Ave	Redlands	92374	2,537	\$731,272	\$288	2021
1426 Claire Ave	Redlands	92374	2,537	\$576,990	\$227	2021
1499 Claire Ave	Redlands	92374	2,537	\$627,490	\$247	2021
1488 Claire Ave	Redlands	92374	2,537	\$620,990	\$245	2021
1454 Shane Ct	Redlands	92374	2,726	\$870,000	\$319	2019
1827 Montecito	Redlands	92374	2,908	\$650,500	\$224	2020
26553 Citrus Ave	Redlands	92373	3,152	\$695,000	\$220	2018
1826 Montecito Ln	Redlands	92374	3,167	\$840,000	\$265	2020
1814 Pansy Ct	Redlands	92374	3,297	\$955,000	\$290	2019
1630 Camden Ct	Redlands	92374	3,306	\$745,000	\$225	2017
10985 Sunny Cove Ct	Redlands	92373	3,320	\$890,000	\$268	2018
138 Jacinto Ranches Ln	Redlands	92374	3,462	\$1,001,000	\$289	2020
1611 Penny Ln	Redlands	92374	3,966	\$835,000	\$211	2018
1685 Halsey St	Redlands	92373	4,004	\$1,695,000	\$423	2020
Minimum			2,010	\$540,990	\$211	2017
Maximum			4,004	\$1,695,000	\$423	2022
Average			2,874	\$758,000	\$264	2020

<sup>1</sup> Source: Redfin. Based on townhomes/condominiums built after 2005 and single family homes built after 2017. The sales occurred between January 2021 and December 2022.

**APPENDIX B**

**AFFORDABLE SALES PRICE CALCULATIONS  
OWNERSHIP HOUSING DEVELOPMENT  
CITYWIDE ANALYSIS  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS 1  
 TOWNHOME PROTOTYPE  
 MODERATE INCOME - 2022 INCOME STANDARDS  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

		Two-Bedroom Units	Three-Bedroom Units
<b>I. <u>General Assumptions</u></b>			
Benchmark Household Size	2	3	4
Area Median Income	3	\$78,650	\$87,400
Annual Utilities Allowance	4	\$5,520	\$6,996
HOA, Maintenance & Insurance	5	\$2,760	\$3,000
<b>II. <u>Calculations</u></b>			
<b>A. <u>Income Allotted to Housing Based on 110% AMI</u></b>			
Benchmark Annual Household Income		\$86,515	\$96,140
Income Allotted to Housing @ 35% of Income		\$30,280	\$33,650
<b>B. <u>Property Taxes @ 1.15% of Affordable Sales Price</u></b>			
		\$3,130	\$3,360
<b>C. <u>Income Available for Mortgage Debt Service</u></b>			
	6	\$18,870	\$20,294
<b>D. <u>Affordable Sales Price</u></b>			
Supportable Mtg @ 6.14% Interest	7	\$258,400	\$277,900
Home Buyer Down Payment @ 5% of ASP		13,600	14,600
<b>Affordable Sales Price</b>		<b>\$272,000</b>	<b>\$292,500</b>

---

<sup>1</sup> The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

<sup>2</sup> Under the California Health & Safety Code Section 50052.5 calculation methodology, the "family size appropriate for the unit" benchmark is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

<sup>3</sup> Based on 2022 San Bernardino County household incomes published by the California Department of Housing & Community Development (HCD).

<sup>4</sup> Utilities allowances are based on the Housing Authority of the County of San Bernardino utility allowance schedule for detached homes effective as of 12/1/22. Assumes: Electric Heating, Electric Cooking, Electric Water Heater, Basic Electric, Air Conditioning, Water, Sewer; and Trash.

<sup>5</sup> Based in part on the HOA dues identified in the home sales survey presented in APPENDIX A.

<sup>6</sup> Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Affordable Sales Price.

<sup>7</sup> Based on a 100 basis points premium applied to the Freddie Mac monthly average, between January 2022 and December 2022, for a fixed-interest rate loan with a 30-year amortization period.



APPENDIX B - EXHIBIT II

AFFORDABLE SALES PRICE CALCULATIONS 1  
 DETACHED SINGLE FAMILY HOME PROTOTYPE  
 MODERATE INCOME - 2022 INCOME STANDARDS  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

		Three-Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
<b>I. <u>General Assumptions</u></b>				
Benchmark Household Size	2	4	5	6
Area Median Income	3	\$87,400	\$94,400	\$101,400
Annual Utilities Allowance	4	\$6,996	\$8,472	\$9,948
Maintenance & Insurance	5	\$5,400	\$6,000	\$6,600
<b>II. <u>Calculations</u></b>				
<b>A. <u>Income Allotted to Housing Based on 110% AMI</u></b>				
Benchmark Annual Household Income		\$96,140	\$103,840	\$111,540
Income Allotted to Housing @ 35% of Income		\$33,650	\$36,340	\$39,040
<b>B. <u>Property Taxes @ 1.15% of Affordable Sales Price</u></b>				
		\$3,020	\$3,110	\$3,200
<b>C. <u>Income Available for Mortgage Debt Service</u></b>				
	6	\$18,234	\$18,758	\$19,292
<b>D. <u>Affordable Sales Price</u></b>				
Supportable Mtg @ 6.14% Interest	7	\$249,700	\$256,900	\$264,200
Home Buyer Down Payment @ 5% of ASP		13,100	13,500	13,900
<b>Affordable Sales Price</b>		<b>\$262,800</b>	<b>\$270,400</b>	<b>\$278,100</b>

---

<sup>1</sup> The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

<sup>2</sup> Under the California Health & Safety Code Section 50052.5 calculation methodology, the "family size appropriate for the unit" benchmark is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

<sup>3</sup> Based on 2022 San Bernardino County household incomes published by the California Department of Housing & Community Development (HCD).

<sup>4</sup> Utilities allowances are based on the Housing Authority of the County of San Bernardino utility allowance schedule for detached homes effective as of 12/1/22. Assumes: Electric Heating, Electric Cooking, Electric Water Heater, Basic Electric, Air Conditioning, Water,

<sup>5</sup> Based in part on the HOA dues identified in the home sales survey presented in APPENDIX A.

<sup>6</sup> Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Affordable Sales Price.

<sup>7</sup> Based on a 100 basis points premium applied to the Freddie Mac monthly average, between January 2022 and December 2022, for a fixed-interest rate loan with a 30-year amortization period.

## **APPENDIX C**

### **PRO FORMA ANALYSES CITYWIDE TOWNHOME PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION REDLANDS, CALIFORNIA**

**APPENDIX C - EXHIBIT I**

**PRO FORMA ANALYSIS**  
**MARKET RATE ALTERNATIVE**  
**CITYWIDE TOWNHOME PROTOTYPE**  
**OWNERSHIP HOUSING DEVELOPMENT**  
**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**  
**REDLANDS, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 MARKET RATE ALTERNATIVE  
 CITYWIDE TOWNHOME PROTOTYPE  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. Land Acquisition Costs</b>	1	174,240 Sf of Land	\$15 /Sf of Land		\$2,614,000
<b>II. Direct Costs</b>	2				
On- and Off-Site Improvements		174,240 Sf of Land	\$20 /Sf of Land	\$3,485,000	
Parking	3	50 Spaces	\$0 /Space	0	
Building Costs		103,600 Sf of GBA	\$150 /Sf of GBA	15,540,000	
Contractor/DC Contingency Allow	4	20% Other Direct Costs		3,805,000	
<b>Total Direct Costs</b>					\$22,830,000
<b>III. Indirect Costs</b>					
Architecture, Engineering & Consulting		6.0% Direct Costs		\$1,370,000	
Public Permits & Fees	5	72 Units	\$47,200 /Unit	3,398,000	
Taxes, Insurance, Legal & Accounting		1.5% Direct Costs		342,000	
Marketing		72 Units	\$5,000 /Unit	360,000	
Developer Fee		3.0% Gross Sales Revenue		1,163,000	
Soft Cost Contingency Allowance		5.0% Other Indirect Costs		332,000	
<b>Total Indirect Costs</b>					\$6,965,000
<b>IV. Financing Costs</b>					
Interest During Construction	6			\$1,255,000	
Loan Origination Fees		60.0% Loan to Cost	1.5 Points	292,000	
<b>Total Financing Costs</b>					\$1,547,000
<b>V. Total Construction Cost</b>		72 Units	\$435,000 /Unit		\$31,342,000
<b>Total Development Cost</b>		72 Units	\$472,000 /Unit		\$33,956,000

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A - EXHIBIT I.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> Assumes that the required parking is provided in attached garages.

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

<sup>5</sup> Based on estimates presented in the February 2022 draft Housing Element.

<sup>6</sup> Assumes a 5.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 10 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE  
 MARKET RATE ALTERNATIVE  
 CITYWIDE TOWNHOME PROTOTYPE  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Gross Sales Revenue</b>		1		
	Two-Bedroom Units	47 Units @		\$525,000 /Unit	\$24,675,000
	Three-Bedroom Units	25 Units @		\$564,000 /Unit	14,100,000
	<b>Total Gross Sales Revenue</b>				<b>\$38,775,000</b>
II.	<b>Cost of Sales</b>				
	Commissions	3.0% Gross Sales Revenue			\$1,163,000
	Closing	2.0% Gross Sales Revenue			776,000
	Warranty	0.5% Gross Sales Revenue			194,000
	<b>Total Cost of Sales</b>				<b>(\$2,133,000)</b>
III.	<b>Net Revenue</b>				<b>\$36,642,000</b>

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A. The weighted average sales price equates to \$374 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT  
MARKET RATE ALTERNATIVE  
CITYWIDE TOWNHOME PROTOTYPE  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA

---

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$36,642,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$33,956,000</u>
III.	<b>Developer Profit</b>	7.9% Total Development Cost	<b>\$2,686,000</b>

**APPENDIX C - EXHIBIT II**

**PRO FORMA ANALYSIS  
MODERATE INCOME REQUIREMENT  
CITYWIDE TOWNHOME PROTOTYPE  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 CITYWIDE TOWNHOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	174,240 Sf of Land	\$15 /Sf of Land		\$2,614,000
II.	<b>Direct Costs</b>	2				
	On- and Off-Site Improvements		174,240 Sf of Land	\$20 /Sf of Land	\$3,485,000	
	Parking	3	50 Spaces	\$0 /Space	0	
	Building Costs		103,600 Sf of GBA	\$150 /Sf of GBA	15,540,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		3,805,000	
	<b>Total Direct Costs</b>					\$22,830,000
III.	<b>Indirect Costs</b>					
	Architecture, Engineering & Consulting		6.0% Direct Costs		\$1,370,000	
	Public Permits & Fees	5	72 Units	\$47,200 /Unit	3,398,000	
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs		342,000	
	Marketing		72 Units	\$5,000 /Unit	360,000	
	Developer Fee	6	72 Units	\$16,153 /Unit	1,163,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		332,000	
	<b>Total Indirect Costs</b>					\$6,965,000
IV.	<b>Financing Costs</b>					
	Interest During Construction	7			\$1,192,000	
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points	283,000	
	<b>Total Financing Costs</b>					\$1,475,000
V.	<b>Total Construction Cost</b>		72 Units	\$434,000 /Unit		\$31,270,000
	<b>Total Development Cost</b>		72 Units	\$471,000 /Unit		\$33,884,000

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A - EXHIBIT I.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> Assumes that the required parking is provided in attached garages.

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

<sup>5</sup> Based on estimates presented in the February 2022 draft Housing Element.

<sup>6</sup> Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

<sup>7</sup> Assumes a 5.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 9 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.



APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE  
 CITYWIDE TOWNHOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. <u>Gross Sales Revenue</u></b>				
Market Rate Units	1			
Two-Bedroom Units		45 Units @	\$525,000 /Unit	\$23,625,000
Three-Bedroom Units		23 Units @	\$564,000 /Unit	12,972,000
Moderate Income Units	2			
Two-Bedroom Units		2 Units @	\$272,000 /Unit	544,000
Three-Bedroom Units		2 Units @	\$292,500 /Unit	585,000
<b>Total Gross Sales Revenue</b>				<b>\$37,726,000</b>
<b>II. <u>Cost of Sales</u></b>				
Commissions		3.0% Gross Sales Revenue		\$1,132,000
Closing		2.0% Gross Sales Revenue		755,000
Warranty		0.5% Gross Sales Revenue		189,000
<b>Total Cost of Sales</b>				<b>(\$2,076,000)</b>
<b>III. <u>Net Revenue</u></b>				<b>\$35,650,000</b>

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A. The weighted average sales price equates to \$375 per square foot of saleable area.

<sup>2</sup> See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 CITYWIDE TOWNHOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I. <u>Funds Available for Development Costs</u></b>			
Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2		\$35,650,000
(Less) Threshold Developer Profit	<sup>1</sup> 7.9% Total Development Cost		<u>(\$2,680,000)</u>
<b>Total Funds Available for Development Costs</b>			\$32,970,000
<b>II. Total Development Cost</b>	See APPENDIX C - EXHIBIT II - TABLE 1		\$33,884,000
<b>III. <u>Total Financial Impact</u></b>			<b>(\$914,000)</b>
Developer Profit	5.2% Total Development Cost		
% Price Increase to Offset Impact	2.5% Market Rate Units		

---

<sup>1</sup> 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  
CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

**APPENDIX D - EXHIBIT I**

**PRO FORMA ANALYSIS**  
**MARKET RATE ALTERNATIVE**  
**CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE**  
**OWNERSHIP HOUSING DEVELOPMENT**  
**INCLUSIONARY HOUSING: FINANCIAL EVALUATION**  
**REDLANDS, CALIFORNIA**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 MARKET RATE ALTERNATIVE  
 CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

<b>I. Land Acquisition Costs</b>	1	435,600	Sf of Land	\$15 /Sf of Land		\$6,534,000
<b>II. Direct Costs</b>	2					
On- and Off-Site Improvements		435,600	Sf of Land	\$25 /Sf of Land		\$10,890,000
Parking	3	120	Spaces	\$0 /Space		0
Building Costs		142,200	Sf of GBA	\$135 /Sf of GBA		19,197,000
Contractor/DC Contingency Allow	4	20%	Other Direct Costs			6,017,000
<b>Total Direct Costs</b>						\$36,104,000
<b>III. Indirect Costs</b>						
Architecture, Engineering & Consulting		6.0%	Direct Costs			\$2,166,000
Public Permits & Fees	5	60	Units	\$53,200 /Unit		3,192,000
Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs			542,000
Marketing		60	Units	\$2,500 /Unit		150,000
Developer Fee		3.0%	Gross Sales Revenue			1,810,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			393,000
<b>Total Indirect Costs</b>						\$8,253,000
<b>IV. Financing Costs</b>						
Interest During Construction	6					\$2,079,000
Loan Origination Fees		60.0%	Loan to Cost	1.5 Points		458,000
<b>Total Financing Costs</b>						\$2,537,000
<b>V. Total Construction Cost</b>		60	Units	\$782,000 /Unit		\$46,894,000
<b>Total Development Cost</b>		60	Units	\$890,000 /Unit		\$53,428,000

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A - EXHIBIT I.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> Assumes that the required parking is provided in attached garages.

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

<sup>5</sup> Based on estimates presented in the February 2022 draft Housing Element.

<sup>6</sup> Assumes a 5.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 8 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE  
 MARKET RATE ALTERNATIVE  
 CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I.</b>	<b><u>Gross Sales Revenue</u></b>	1		
	Three-Bedroom Units	18 Units @	\$810,000 /Unit	\$14,580,000
	Four-Bedroom Units	24 Units @	\$986,000 /Unit	23,664,000
	Five-Bedroom Units	18 Units @	\$1,228,000 /Unit	22,104,000
	<b>Total Gross Sales Revenue</b>			<b>\$60,348,000</b>
<b>II.</b>	<b><u>Cost of Sales</u></b>			
	Commissions	3.0% Gross Sales Revenue		\$1,810,000
	Closing	2.0% Gross Sales Revenue		1,207,000
	Warranty	0.5% Gross Sales Revenue		302,000
	<b>Total Cost of Sales</b>			<b>(\$3,319,000)</b>
<b>III.</b>	<b>Net Revenue</b>			<b>\$57,029,000</b>

---

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A. The weighted average sales price equates to \$424 per square foot of saleable area.

APPENDIX D - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT  
MARKET RATE ALTERNATIVE  
CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA

---

I.	Net Revenue	See APPENDIX D - EXHIBIT I - TABLE 2	\$57,029,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$53,428,000</u>
III.	<b>Developer Profit</b>	6.7% Total Development Cost	<b>\$3,601,000</b>

**APPENDIX D - EXHIBIT II**

**PRO FORMA ANALYSIS  
MODERATE INCOME REQUIREMENT  
CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**



APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I.	<b>Land Acquisition Costs</b>	1	435,600	Sf of Land	\$15 /Sf of Land		\$6,534,000
II.	<b>Direct Costs</b>	2					
	On- and Off-Site Improvements		435,600	Sf of Land	\$25 /Sf of Land	\$10,890,000	
	Parking	3	120	Spaces	\$0 /Space	0	
	Building Costs		142,200	Sf of GBA	\$135 /Sf of GBA	19,197,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		6,017,000	
	<b>Total Direct Costs</b>						\$36,104,000
III.	<b>Indirect Costs</b>						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$2,166,000	
	Public Permits & Fees	5	59	Units	\$53,200 /Unit	3,139,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		542,000	
	Marketing		59	Units	\$2,500 /Unit	148,000	
	Developer Fee	6	59	Units	\$30,167 /Unit	1,780,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		389,000	
	<b>Total Indirect Costs</b>						\$8,164,000
IV.	<b>Financing Costs</b>						
	Interest During Construction	7				\$1,959,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	441,000	
	<b>Total Financing Costs</b>						\$2,400,000
V.	<b>Total Construction Cost</b>		59	Units	\$791,000 /Unit		\$46,668,000
	<b>Total Development Cost</b>		59	Units	\$902,000 /Unit		\$53,202,000

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A - EXHIBIT I.

<sup>2</sup> Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> Assumes that the required parking is provided in attached garages.

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

<sup>5</sup> Based on estimates presented in the February 2022 draft Housing Element.

<sup>6</sup> Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

<sup>7</sup> Assumes a 5.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 8 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE  
 CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Three-Bedroom Units		17 Units @	\$810,000 /Unit	\$13,770,000
Four-Bedroom Units		23 Units @	\$986,000 /Unit	22,678,000
Five-Bedroom Units		17 Units @	\$1,228,000 /Unit	20,876,000
Moderate Income Units	2			
Three-Bedroom Units		1 Unit @	\$262,800 /Unit	263,000
Four-Bedroom Units		1 Unit @	\$270,400 /Unit	270,000
Five-Bedroom Units		1 Unit @	\$278,100 /Unit	278,000
<b>Total Gross Sales Revenue</b>				<b>\$58,135,000</b>

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,744,000
Closing		2.0% Gross Sales Revenue		1,163,000
Warranty		0.5% Gross Sales Revenue		291,000
<b>Total Cost of Sales</b>				<b>(\$3,198,000)</b>

<b>III.</b>	<b>Net Revenue</b>	<b>\$54,937,000</b>
-------------	--------------------	---------------------

<sup>1</sup> Estimated in part based on the survey presented in APPENDIX A. The weighted average sales price equates to \$424 per square foot of saleable area.

<sup>2</sup> See APPENDIX B.

APPENDIX D - EXHIBIT II - TABLE 3

FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENTS  
 CITYWIDE DETACHED SINGLE FAMILY HOME PROTOTYPE  
 MODERATE INCOME REQUIREMENT  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

---

<b>I. <u>Funds Available for Development Costs</u></b>			
Net Revenue	See APPENDIX D - EXHIBIT II - TABLE 2		\$54,937,000
(Less) Threshold Developer Profit	<sup>1</sup> 6.7% Total Development Cost		<u>(\$3,586,000)</u>
<b>Total Funds Available for Development Costs</b>			\$51,351,000
<b>II. Total Development Cost</b>	See APPENDIX D - EXHIBIT II - TABLE 1		\$53,202,000
<b>III. <u>Total Financial Impact</u></b>			<b>(\$1,851,000)</b>
Developer Profit	3.3% Total Development Cost		
% Price Increase to Offset Impact	3.2% Market Rate Units		

---

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

**ATTACHMENT 5**

**IN-LIEU FEE CALCULATIONS  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

**APPENDIX A**

**IN-LIEU FEE CALCULATIONS  
APARTMENT DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX A

IN-LIEU FEE CALCULATIONS  
 APARTMENT DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

		Transit Village 1 Prototypes	Transit Village 2 Prototypes	R-3 Prototypes
<b>I. Rent Difference</b>				
<b>A. Studio Units</b>				
Market Rents	<sup>1</sup>	\$0	\$2,090	\$0
Affordable Rent	<sup>2</sup>	0	1,094	0
<b>Difference</b>		\$0	\$996	\$0
<b>B. One-Bedroom Units</b>				
Market Rents	<sup>1</sup>	\$2,240	\$2,310	\$2,100
Affordable Rent	<sup>2</sup>	1,240	1,240	1,240
<b>Difference</b>		\$1,000	\$1,070	\$860
<b>C. Two-Bedroom Units</b>				
Market Rents	<sup>1</sup>	\$2,750	\$2,880	\$2,250
Affordable Rent	<sup>2</sup>	1,351	1,351	1,351
<b>Difference</b>		\$1,399	\$1,529	\$899
<b>D. Three-Bedroom Units</b>				
Market Rents	<sup>1</sup>	\$2,990	\$0	\$2,630
Affordable Rent	<sup>2</sup>	1,459	0	1,459
<b>Difference</b>		\$1,531	\$0	\$1,171
<b>II. Distribution of Total Units</b>	<sup>3</sup>			
Studio Units		0%	20%	0%
One-Bedroom Units		45%	50%	35%
Two-Bedroom Units		50%	30%	55%
Three-Bedroom Units		5%	0%	10%
<b>III. Annual Rent Difference Per Inclusionary Unit</b>		\$14,713	\$14,315	\$10,951
<b>Less: Property Tax Difference</b>	<sup>4</sup>	(3,980)	(3,870)	(2,960)
<b>Net Annual Rent Difference Per Inclusionary Unit</b>		\$10,733	\$10,445	\$7,991
<b>IV. Assumptions</b>				
Total Units		60	232	135
Total Leasable Area		58,350	184,880	117,250
Weighted Avg Unit Size (Sf)		973	797	869
Inclusionary Housing Percentage		9%	9%	9%
Inclusionary Units		5	21	12
<b>V. Supportable In-Lieu Fee</b>				Weighted Averages
Affordability Gap Per Inclusionary Unit	<sup>5</sup>	\$205,000	\$198,000	\$164,000
Total		\$1,025,000	\$4,158,000	\$1,968,000
Per Total Unit in the Project		\$17,080	\$17,920	\$14,580
Per Square Foot of Total Leasable Area		\$17.60	\$22.50	\$16.80

<sup>1</sup> The market rents are drawn from the pro forma analyses.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> Based on the unit mix distribution applied in the pro forma analysis.

<sup>4</sup> Based on the rent differential capitalized at a 4.3% rate to establish the value, and a 1.15% property tax rate.

<sup>5</sup> Based on the Net Annual Rent Difference Per Inclusionary Unit capitalized at the Threshold Return on Total Investment generated by each prototype apartment development.

**APPENDIX B**

**IN-LIEU FEE CALCULATIONS  
OWNERSHIP HOUSING DEVELOPMENT  
INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
REDLANDS, CALIFORNIA**

APPENDIX B

IN-LIEU FEE CALCULATIONS (5% STANDARD)  
 OWNERSHIP HOUSING DEVELOPMENT  
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION  
 REDLANDS, CALIFORNIA

		Citywide Townhome Prototype	Citywide Detached Single Family Home Prototype
<b>I.</b>	<b><u>Sales Price Difference</u></b>		
	<b>A. Two-Bedroom Units</b>		
	Market Rate Sales Price	\$525,000	
	Affordable Sales Price	272,000	
	<b>Difference</b>	\$253,000	
	<b>B. Three-Bedroom Units</b>		
	Market Rate Sales Price	\$564,000	\$810,000
	Affordable Sales Price	292,500	262,800
	<b>Difference</b>	\$271,500	\$547,200
	<b>C. Four-Bedroom Units</b>		
	Market Rate Sales Price		\$986,000
	Affordable Sales Price		270,400
	<b>Difference</b>		\$715,600
	<b>D. Five-Bedroom Units</b>		
	Market Rate Sales Price		\$1,228,000
	Affordable Sales Price		278,100
	<b>Difference</b>		\$949,900
<b>II.</b>	<b><u>Distribution of Total Units</u></b>		
	Two-Bedroom Units	65%	
	Three-Bedroom Units	35%	30%
	Four-Bedroom Units		40%
	Five-Bedroom Units		30%
<b>III.</b>	<b><u>Assumptions</u></b>		
	Total Units	72	60
	Total Saleable Area	103,600	142,200
	Weighted Avg Unit Size (Sf)	1,440	2,370
	Inclusionary Housing Percentage	5%	5%
	Inclusionary Units	4	3
<b>IV.</b>	<b><u>In-Lieu Fee</u></b>		
	Affordability Gap Per Inclusionary Unit	\$259,500	\$735,400
	Total In-Lieu Fee	\$1,038,000	\$2,206,200
	Per Total Unit in the Project	\$14,420	\$36,770
	Per Sf of Total Saleable Area	\$10.00	\$15.50

<sup>1</sup> The market rate sales prices are drawn from the pro forma analyses.

<sup>2</sup> See APPENDIX B.

<sup>3</sup> Based on the unit mix distribution applied in the pro forma analyses.

<sup>4</sup> Based on unit mix distribution and the weighted average difference between the Market Rate Sales Prices and the Affordable Sales Prices.