



KEYSER MARSTON ASSOCIATES

MEMORANDUM

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Affordable Housing
Economic Development

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To: Brian Desatnik, Director of Development Services
City of Redlands

From: Kathleen Head

Date: April 8, 2023

Subject: Inclusionary Housing: Supplemental In-Lieu Fee Analysis

In accordance with your request, Keyser Marston Associates, Inc. (KMA) prepared the following supplemental analysis to accompany the Inclusionary Housing: Financial Evaluation (Financial Evaluation) that KMA submitted on January 23, 2023. The purpose of this supplemental analysis is to evaluate the impacts created by modifying the market rate sales prices that were applied in the Financial Evaluation.

BACKGROUND

The Financial Evaluation presented the analysis and conclusions that led to the standards that KMA recommended for an Inclusionary Housing Program to be enacted by the City of Redlands (City). KMA presented the results of this analysis at a Planning Commission meeting held on February 14, 2023.

After public testimony and deliberation, the Planning Commission voted to recommend that a subcommittee be formed to seek out additional information from the residential development community. Specifically, the subcommittee was interested in obtaining input on the ownership housing development component of the Financial Evaluation.

Following the outreach meetings, the City staff requested that KMA prepare a supplemental analysis based on the following assumptions:

1. Market rate sales price estimates:
 - a. In the Financial Evaluation the estimated market rate sales prices were based on the maximum prices per square foot of building area identified in the market survey.
 - b. In this supplemental analysis the market rate sales prices are based on the average sale prices per square foot of saleable area plus a 10% premium to reflect the additional value achievable by newly constructed homes.
2. The development cost estimates are not changed from the estimates used in the Financial Evaluation.
3. The 5% moderate income Inclusionary Housing requirement derived from the Financial Evaluation is applied in this supplemental analysis.

ANALYSIS

This supplemental analysis is organized as follows:

Appendix A	Resale Home Sales Survey
Appendix B	Affordable Sales Price Calculations
Appendix C	In-Lieu Fee Calculations (5% Standard)

Market Rate Sales Price Estimates

The average resales prices, per square foot of saleable area, are based on the survey presented in Appendix A. The results are summarized in the following table:

Average Sales Price Per Square Foot of Saleable Area		
	Townhomes	Single Family Homes
Two Bedrooms	\$367	
Three Bedrooms	\$301	\$345
Four Bedrooms		\$282
Five Bedrooms		\$253

The average unit size applied in the analysis:

Average Unit Size (Square Foot of Saleable Area)		
	Townhomes	Single Family Homes
Two Bedrooms	1,300	
Three Bedrooms	1,700	1,800
Four Bedrooms		2,400
Five Bedrooms		2,900

When a 10% premium for new construction is applied, the market rate sales prices applied in this supplemental analysis are estimated as follows:

Market Rate Sales Price Estimates		
	Townhomes	Single Family Homes
Two Bedrooms	\$525,000	
Three Bedrooms	\$564,000	\$684,000
Four Bedrooms		\$744,000
Five Bedrooms		\$807,000

Affordable Sales Price Calculations

The Affordable Sales Price calculations are based on the same methodology as was applied in the Financial Evaluation. The only change to the assumptions is that the maintenance and insurance costs for the single family home units have been reduced to \$100 per month based on feedback received from the development community during the outreach process.

The resulting Affordable Sales Price calculations are detailed in Appendix B, and summarized in the following table:

Affordable Sales Prices Moderate Income Units		
	Townhomes	Single Family Homes
Two Bedrooms	\$272,000	
Three Bedrooms	\$292,500	\$314,700
Four Bedrooms		\$326,100
Five Bedrooms		\$337,500

In-Lieu Fee Calculations

The in-lieu fee calculations are presented in Appendix C. The assumptions applied in the analysis can be summarized as follows:

1. The Affordability Gap per unit is defined as difference between the achievable market rate sales price and the defined Affordable Sales Price for a moderate income unit.
2. A 5% moderate income Inclusionary Housing requirement is applied.
3. The unit allocation applied in the analysis is presented in the following table:

Unit Allocation		
	Townhomes	Single Family Homes
Two Bedrooms	65%	
Three Bedrooms	35%	30%
Four Bedrooms		40%
Five Bedrooms		30%

The in-lieu fee calculations generate the following results:

In-Lieu Fee Payment Amounts 5% Moderate Income Inclusionary Housing Standard Ownership Housing Development		
In-Lieu Fee	Townhome & Small Lot Home Development	Single Family Home Development
Per Inclusionary Unit	\$259,500	\$735,400
Per Square Foot of Saleable Area in a 100% Market Rate Project	\$10.00	\$8.80

APPENDIX A

**HOME SALES SURVEY
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS
REDLANDS, CALIFORNIA**

APPENDIX A

RESALE HOME SALES SURVEY
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS
 REDLANDS, CALIFORNIA

1

	Address		Unit Size (SF)	Sales Price		Year Built	
				Total	Per SF		
I. Townhomes and Condominiums							
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
II. Single Family Homes							
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
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS
 REDLANDS, CALIFORNIA

1

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
 INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS
 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
Minimum			2,010	\$540,990	\$211	2017
Maximum			3,966	\$1,001,000	\$319	2022
Average			2,820	\$713,400	\$253	2020

¹ 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 INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS REDLANDS, CALIFORNIA

APPENDIX B - EXHIBIT I

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

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

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

² 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.

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

⁴ 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.

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

⁶ 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.

⁷ 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: SUPPLEMENTAL ANALYSIS
 REDLANDS, CALIFORNIA

		Three-Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I. <u>General Assumptions</u>				
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	\$1,200	\$1,500	\$1,800
II. <u>Calculations</u>				
A. <u>Income Allotted to Housing Based on 110% AMI</u>				
Benchmark Annual Household Income		\$96,140	\$103,840	\$111,540
Income Allotted to Housing @ 35% of Income		\$33,650	\$36,340	\$39,040
B. <u>Property Taxes @ 1.15% of Affordable Sales Price</u>				
		\$3,620	\$3,750	\$3,880
C. <u>Income Available for Mortgage Debt Service</u>				
	6	\$21,834	\$22,618	\$23,412
D. <u>Affordable Sales Price</u>				
Supportable Mtg @ 6.14% Interest	7	\$299,000	\$309,800	\$320,600
Home Buyer Down Payment @ 5% of ASP		15,700	16,300	16,900
Affordable Sales Price		\$314,700	\$326,100	\$337,500

1 The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.
 2 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.
 3 Based on 2022 San Bernardino County household incomes published by the California Department of Housing & Community Development (HCD).
 4 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,
 5 Based in part on the HOA dues identified in the home sales survey presented in APPENDIX A.
 6 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.
 7 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

IN-LIEU FEE CALCULATIONS OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: SUPPLEMENTAL ANALYSIS REDLANDS, CALIFORNIA

APPENDIX C

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

		Townhome Prototype	Single Family Home Prototype
I.	<u>Sales Price Difference</u>		
	A. Two-Bedroom Units		
	Market Rate Sales Price	\$525,000	
	Affordable Sales Price	272,000	
	Difference	\$253,000	
	B. Three-Bedroom Units		
	Market Rate Sales Price	\$564,000	\$684,000
	Affordable Sales Price	292,500	314,700
	Difference	\$271,500	\$369,300
	C. Four-Bedroom Units		
	Market Rate Sales Price		\$744,000
	Affordable Sales Price		326,100
	Difference		\$417,900
	D. Five-Bedroom Units		
	Market Rate Sales Price		\$807,000
	Affordable Sales Price		337,500
	Difference		\$469,500
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	65%	
	Three-Bedroom Units	35%	30%
	Four-Bedroom Units		40%
	Five-Bedroom Units		30%
III.	<u>Assumptions</u>		
	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
IV.	<u>In-Lieu Fee</u>		
	Affordability Gap Per Inclusionary Unit	\$259,500	\$418,800
	Total In-Lieu Fee	\$1,038,000	\$1,256,400
	Per Total Unit in the Project	\$14,420	\$20,940
	Per Sf of Total Saleable Area	\$10.00	\$8.80

¹ The market rate sales prices are drawn from the pro forma analyses.

² See APPENDIX B.

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

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