

APPENDIX E

INCLUSIONARY HOUSING ANALYSIS



KEYSER MARSTON ASSOCIATES™

INCLUSIONARY HOUSING ANALYSIS

Prepared for:
County of Los Angeles

Prepared by:
Keyser Marston Associates, Inc.

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TABLE OF CONTENTS

I. OVERVIEW	1
A. Context.....	1
B. Key Court Cases and Statutes	1
C. Inclusionary Housing Program Characteristics	3
II. METHODOLOGY	5
A. Parameters.....	5
B. Financial Feasibility Analyses	7
C. Analysis Organization.....	8
III. RESIDENTIAL PROTOTYPES	9
IV. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS.....	14
V. OWNERSHIP HOUSING ANALYSES.....	15
A. Projected Market Rate Sales Prices	15
B. Affordable Sales Price Calculations.....	17
C. Inclusionary Housing Production Analyses: Ownership Housing	23
D. In-Lieu Fee Analyses: Ownership Housing	25
VI. RENTAL APARTMENT ANALYSES	39
A. Projected Market Rents.....	39
B. Affordable Rent Calculations	40
C. Inclusionary Housing Production Analyses: Rental Apartments	41
D. In-Lieu Fee Analyses: Rental Apartments	45
VII. SUMMARY	49
A. Submarket Characteristics	49
B. Financially Feasible Inclusionary Housing Requirements	51

APPENDICES

Appendix A: Submarket Area Maps

Ownership Housing Analyses

Appendix B: Affordable Sales Price Calculations

Appendix C: Single-Family Home Alternatives– Coastal South Los Angeles Submarket

Appendix D: Condominium Alternatives – Coastal South Los Angeles Submarket

Appendix E: Single-Family Home Alternatives –South Los Angeles Submarket

Appendix F: Single-Family Home Alternatives – East Los Angeles/Gateway Submarket

Appendix G: Condominium Alternatives – East Los Angeles/Gateway Submarket

Appendix H: Single-Family Home Alternatives – San Gabriel Valley Submarket

Appendix I: Condominium Alternatives – San Gabriel Valley Submarket

Appendix J: Single-Family Home Alternatives – Santa Clarita Valley Submarket

Appendix K: Condominium Alternatives – Santa Clarita Valley Submarket

Appendix L: Single-Family Home Alternatives – Antelope Valley Submarket

Rental Apartment Analyses

Appendix M: Rental Apartment Alternatives – Coastal South Los Angeles Submarket

Appendix N: Rental Apartment Alternatives – East Los Angeles/Gateway Submarket

Appendix O: Rental Apartment Alternatives – San Gabriel Valley Submarket

Appendix P: Rental Apartment Alternatives – Santa Clarita Valley Submarket

Appendix Q: Rental Apartment Alternatives – Antelope Valley Submarket

I. OVERVIEW

Keyser Marston Associates, Inc. (KMA) prepared the following Inclusionary Housing Analysis for the County of Los Angeles (County) pursuant to a contractual agreement with the County and three consulting firms: KMA, Estolano LeSar Perez Advisors, LLC (ELP) and LeSar Development Consultants (LDC) (collectively, the Consultant Team). The Consultant Team was tasked with preparing an Affordable Housing Action Plan (AHAP) for the County of which this Inclusionary Housing Analysis is one component.

A. Context

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.

B. Key Court Cases and Statutes

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

Palmer Case

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

It is commonly believed that the *Palmer* ruling prohibits jurisdictions from requiring developers to construct affordable rental housing units as a part of their Inclusionary Housing program. In an effort to comply with *Palmer*, many jurisdictions eliminated the requirement that market rate rental housing projects provide affordable rental housing units. Instead, some jurisdictions replaced affordable housing production models with a linkage or impact fee methodology.

San Jose Case

In 2015, the California Supreme Court ruled in the *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing ordinances should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. The *San Jose* ruling only applies to ownership residential development. The parameters of the *San Jose* case did not include inclusionary housing restrictions on rental development.

AB 1505

Assembly Bill (AB) 1505, which is otherwise known as the "*Palmer Fix*", was signed into law in September 2017. AB 1505 amends Section 65850 of the California Government Code, and adds Section 65850.01. This new legislation provides jurisdictions with the ability to adopt ordinances that require rental residential projects to include a defined percentage of affordable housing units.

AB 1505 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, if the ordinance requires that more than 15% of the units be restricted to households earning less than 80% of the area median income (AMI), the California Department of Housing and Community Development (HCD) can require the jurisdiction to prepare an economic feasibility study.

AB 1505 also requires jurisdictions to provide options for alternative means of fulfilling the affordable housing requirement imposed by an Inclusionary Housing ordinance. These options

include, but are not limited to, in-lieu fees, land dedication, off-site construction, and the acquisition and rehabilitation of existing units.

C. Inclusionary Housing Program Characteristics

Key components of Inclusionary Housing programs are as follows:

1. The vast majority of the California Inclusionary Housing programs impose affordable housing requirements on a mandatory basis. However, some programs limit the requirements to projects that are requesting a General Plan modification, a zone change, a density bonus, and/or other variances from the jurisdiction's building code requirements.
2. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds are five and 10 or fewer units.
3. 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 provided. For example, some programs allow developers to select between a 15% moderate income requirement and a 10% lower income requirement.
 - 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 can mitigate these impacts.

- c. In jurisdictions with disparate real estate and demographic conditions it is common to impose varying requirements based on defined submarkets.
- d. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Redevelopment Law standard of 45 years for ownership housing units and 55 years for rental units is commonly used. However, both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by the recently adopted AB 1505, 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 income restricted units within new market rate residential projects;
2. Construction of a defined percentage of income restricted units in a project located in an off-site location;
3. Payment of a fee in lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community; and
4. The dedication of land to the jurisdiction that is appropriate for the development of affordable housing.

The key advantages associated with providing off-site and in-lieu fee options is that the affordable housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.
2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:
 - a. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;
 - b. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program; and
 - c. Funding provided by the Community Development Commission of the County of Los Angeles.

The following analysis is focused on the impacts associated with the production of affordable housing units. This analysis also estimates the fee amounts that can be supported in each submarket for projects that are permitted to pay a fee in lieu of producing affordable housing.

II. METHODOLOGY

The purpose of this analysis is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in the unincorporated areas of Los Angeles County. The financial feasibility analysis is comprised of the following steps:

A. Parameters

As the first step in the evaluation process it is necessary to identify the parameters that will be applied in the analysis. A fundamental premise is that the Inclusionary Housing program should not place an onerous financial burden on the developers of market rate housing. Within that

context, it is clear that Inclusionary Housing can only be expected to fulfill a portion of the unmet need for affordable housing.

Another key parameter in the evaluation is that Los Angeles County is one of the largest counties in the United States, and the unincorporated areas exhibit a diverse mix of physical, demographic and economic conditions. Geographic factors that KMA considered are:

1. The unincorporated areas of Los Angeles County encompass approximately 60% of the total Los Angeles County land area. However, the vast majority of unincorporated land area is currently zoned for agricultural or open space uses. Only approximately 4.5% of the land area is zoned for residential development.
2. The unincorporated areas in northern Los Angeles County include large amounts of sparsely populated land, such as the Mojave Desert, the Angeles National Forest, and parts of the Los Padres National Forest. Comparatively, the unincorporated areas in southern Los Angeles County consist of many non-contiguous areas, which are often referred to as unincorporated urban islands.
3. Each year, the United States Housing and Urban Development Department (HUD) and HCD establish household income standards to be used in establishing “Affordable Sales Prices” and “Affordable Rents” for each county in California. In contrast, market rate home prices and monthly rents vary widely throughout unincorporated Los Angeles County. This results in a disproportionate disparity between market rate sales prices/monthly rents and Affordable Sales Prices/Affordable Rents.

In recognition of these factors, the Consultant Team and County staff agreed that it would be appropriate to prepare financial feasibility analyses for multiple submarkets. The process of defining the submarkets can be described as follows:

1. The 11 Planning Areas in the General Plan were used as the starting point for defining the submarkets.

2. As the next step, it was determined that the Coastal Islands and Santa Monica Mountains Planning Areas should be excluded from the analysis, because the potential for new residential development is limited in these areas.
3. Then, the boundaries of each of the identified submarkets were drawn to ensure that individual unincorporated areas were fully encapsulated within one submarket, rather than split between multiple submarkets.
4. Based on the results of this evaluation, six submarkets were identified for use in this Inclusionary Housing Analysis.¹ The submarket maps are presented in Appendix A, and the submarkets are identified as follows:
 - a. Coastal South Los Angeles
 - b. South Los Angeles
 - c. East Los Angeles/Gateway
 - d. San Gabriel Valley
 - e. Santa Clarita Valley
 - f. Antelope Valley

B. Financial Feasibility Analyses

The courts have held that affordable housing is a “public benefit,” and that locally imposed Inclusionary Housing ordinances are a legitimate means of providing this public benefit. The courts have also found that the Inclusionary Housing requirements cannot deprive an owner of “*all economically beneficial use*” of the property. However, all economically beneficial use has never been defined. The KMA financial feasibility analysis is based on the parameters that have

¹ The same six submarkets are analyzed in an accompanying Residential Nexus Study that KMA prepared.

been applied to a significant number of Inclusionary Housing programs that have been adopted in California jurisdictions.

In general terms, the financial impact associated with fulfilling the Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Housing units. This is known as the “Affordability Gap.”

KMA prepared financial analyses to assist in creating Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of income restricted units. The financial analyses identify the following:

1. The range of Inclusionary Housing production requirements that can be supported in each submarket; and
2. The range of in-lieu fees that can be supported in each submarket.

C. Analysis Organization

The Inclusionary Housing Analysis for each submarket is organized as follows:

Step Analysis

1. Identification of residential prototypes that are representative of new market rate development.
2. Projection of the market rate sales prices and rents for the prototype units.
3. Estimation of the Affordable Sales Prices and Affordable Rents.
4. Projection of the percentage of units that could be designated as Inclusionary Housing units on a financially feasible basis.

Step Analysis

5. Projection of the in-lieu fees per square foot of gross building area (GBA) that could be supported under the following methodologies:
 - a. Pro forma analyses are used to estimate the in-lieu fee amounts that could be supported if the financial impact is limited to amounts that result in a reduction in the land value that would not deprive the property owner of all economically beneficial use of the property.
 - b. Affordability gap analyses are used to estimate the in-lieu fee amounts that would be required to be imposed to generate sufficient revenue to attract the defined percentage of Inclusionary Housing units.

This Inclusionary Housing Analysis is supported by the following Appendices:

Appendix A	Submarket Area Maps
Appendices B – L	Ownership Housing Analyses
Appendices M – Q	Rental Apartment Analyses

III. RESIDENTIAL PROTOTYPES

For the purposes of this analysis, KMA used residential prototypes that were developed in consultation with the County staff for single-family home, condominium and apartment projects. KMA then undertook a market survey of representative projects to estimate the achievable market rate sales prices and rents for the prototype units in each of the identified submarkets.

Based on the market survey information, KMA determined that there has been an insufficient amount of recent condominium and apartment development in the South Los Angeles submarket, and an insufficient amount of condominium development in the Antelope Valley submarket, to create credible prototypes. Therefore, the analyses for the South Los Angeles

submarket do not include condominium or rental apartment prototypes, and the submarket analyses for the Antelope Valley do not include condominium prototypes.

The key characteristics of the prototype projects utilized in this Inclusionary Housing Analysis are summarized in the following tables:

Table 1.1: Coastal South Los Angeles Submarket Prototypes			
	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
Studio Units	N/A	N/A	21%
One-Bedroom Units	N/A	N/A	44%
Two-Bedroom Units	N/A	N/A	35%
Three-Bedroom Units	33%	70%	N/A
Four-Bedroom Units	67%	30%	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
Studio Units	N/A	N/A	570
One-Bedroom Units	N/A	N/A	719
Two-Bedroom Units	N/A	N/A	1,030
Three-Bedroom Units	1,850	1,630	N/A
Four-Bedroom Units	2,670	1,730	N/A

Table 1.2: South Los Angeles Submarket Prototypes			
	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
Three-Bedroom Units	42%	N/A	N/A
Four-Bedroom Units	58%	N/A	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
Three-Bedroom Units	1,300	N/A	N/A
Four-Bedroom Units	1,710	N/A	N/A

Table 1.3: East Los Angeles/Gateway Submarket Prototypes			
	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
Studio Units	N/A	N/A	9%
One-Bedroom Units	N/A	N/A	36%
Two-Bedroom Units	N/A	40%	47%
Three-Bedroom Units	30%	60%	8%
Four-Bedroom Units	70%	N/A	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
Studio Units	N/A	N/A	529
One-Bedroom Units	N/A	N/A	687
Two-Bedroom Units	N/A	970	946
Three-Bedroom Units	1,680	1,600	1,178
Four-Bedroom Units	2,140	N/A	N/A

Table 1.4: San Gabriel Valley Submarket Prototypes

	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
Studio Units	N/A	N/A	9%
One-Bedroom Units	N/A	N/A	42%
Two-Bedroom Units	N/A	15%	43%
Three-Bedroom Units	15%	75%	6%
Four-Bedroom Units	60%	10%	N/A
Five-Bedroom Units	25%	N/A	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
Studio Units	N/A	N/A	500
One-Bedroom Units	N/A	N/A	732
Two-Bedroom Units	N/A	1,350	965
Three-Bedroom Units	1,930	1,810	1,703
Four-Bedroom Units	2,900	2,150	N/A
Five-Bedroom Units	3,975	N/A	N/A

Table 1.5: Santa Clarita Valley Submarket Prototypes			
	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
One-Bedroom Units	N/A	N/A	34%
Two-Bedroom Units	N/A	20%	40%
Three-Bedroom Units	25%	80%	26%
Four-Bedroom Units	45%	N/A	N/A
Five-Bedroom Units	30%	N/A	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
One-Bedroom Units	N/A	N/A	712
Two-Bedroom Units	N/A	1,260	983
Three-Bedroom Units	2,290	1,690	1,225
Four-Bedroom Units	2,550	N/A	N/A
Five-Bedroom Units	3,450	N/A	N/A

Table 1.6: Antelope Valley Submarket Prototypes			
	Single-Family Homes	Condominiums	Apartments
<u>Unit Mix</u>			
One-Bedroom Units	N/A	N/A	41%
Two-Bedroom Units	N/A	N/A	49%
Three-Bedroom Units	40%	N/A	10%
Four-Bedroom Units	60%	N/A	N/A
<u>Average Unit Sizes (Sq Ft)</u>			
One-Bedroom Units	N/A	N/A	684
Two-Bedroom Units	N/A	N/A	880
Three-Bedroom Units	1,750	N/A	1,017
Four-Bedroom Units	2,500	N/A	N/A

IV. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

As discussed previously in this analysis, the *San Jose* court case provides validation for the imposition of Inclusionary Housing requirements on ownership housing projects, and AB 1505 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on rental housing projects. However, it is important to remember that Inclusionary Housing requirements cannot deprive an owner of all economically beneficial use of the property. Recognizing that the courts have not defined this term, the County has some discretion in establishing evaluation parameters.

It has been KMA's experience that the following sequence of events occurs when an Inclusionary Housing program is adopted:

1. Immediately following approval of an Inclusionary Housing program, the financial impacts created by the imposition of affordable housing requirements are largely borne by developers that had purchased property prior to the imposition of the requirements.
2. After an Inclusionary Housing program is adopted, developers that have not purchased land will attempt to bargain for a lower land price that reflects the impacts created by the Inclusionary Housing requirements.
3. During the initial implementation period for an Inclusionary Housing program, some property owners are reluctant to accept the fact that their land value has decreased, and they defer selling their property until market demand causes prices to increase.
4. As is the case with all development requirements, over time land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property.

It is likely that the imposition of an Inclusionary Housing program will impact the values supported by properties that are subject to the requirements. However, the courts have found that this is permissible as long as the property owner is not deprived of all economically

beneficial use of their property. A significant number of California Inclusionary Housing programs have been based on a projected land value reduction in the 30% range. In turn, this KMA analysis is focused on identifying income and affordability standards that would fall within that parameter.

V. OWNERSHIP HOUSING ANALYSES

A. Projected Market Rate Sales Prices

In the Summer of 2017, KMA undertook a market survey of projects similar to the defined ownership housing prototypes. As part of this survey, KMA obtained sales data for existing detached single-family homes and condominiums built since 2005.² The KMA market analysis is focused on the sales prices of new residential development in order to provide a perspective on the current sales prices for recently developed residential product types in each submarket.

The market rate sales prices used in the KMA analysis are presented in the following tables.³ It is important to note that the prototype analyses are intended to reflect average or typical ownership residential projects in each submarket rather than any specific project. It should be expected that specific projects would vary to some degree from the prototypes.

Table 2.1: Coastal South Los Angeles Submarket		
Projected Market Rate Sales Prices – Ownership Housing Units		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Three-Bedroom Units	\$518,000	\$505,300
Four-Bedroom Units	\$835,700	\$569,200
Average Price Per Square Foot of GBA	\$305	\$316

² Condominiums include both stacked flats and townhouse units.

³ Condominium analyses were not prepared for the South Los Angeles and Antelope Valley submarkets due to the relative lack of new condominium development currently occurring in these submarkets.

Table 2.2: South Los Angeles Submarket		
Projected Market Rate Sales Prices – Ownership Housing Units		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Three-Bedroom Units	\$390,000	N/A
Four-Bedroom Units	\$478,800	N/A
Average Price Per Square Foot of GBA	\$287	N/A

Table 2.3: East Los Angeles/Gateway Submarket		
Projected Market Rate Sales Prices		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Two-Bedroom Units	N/A	\$297,800
Three-Bedroom Units	\$515,800	\$500,800
Four-Bedroom Units	\$599,200	N/A
Average Price Per Square Foot of GBA	\$287	\$311

Table 2.4: San Gabriel Valley Submarket		
Projected Market Rate Sales Prices – Ownership Housing Units		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Two-Bedroom Units	N/A	\$541,400
Three-Bedroom Units	\$856,900	\$591,900
Four-Bedroom Units	\$1,322,400	\$651,500
Five-Bedroom Units	\$1,804,700	N/A
Average Price Per Square Foot of GBA	\$454	\$333

Table 2.5: Santa Clarita Valley Submarket		
Projected Market Rate Sales Prices – Ownership Housing Units		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Two-Bedroom Units	N/A	\$365,400
Three-Bedroom Units	\$533,600	\$410,700
Four-Bedroom Units	\$711,500	N/A
Five-Bedroom Units	\$1,235,200	N/A
Average Price Per Square Foot of GBA	\$299	\$250

Table 2.6: Antelope Valley Submarket		
Projected Market Rate Sales Prices – Ownership Housing Units		
	Single-Family Homes	Condominiums
<u>Average Unit Prices</u>		
Three-Bedroom Units	\$297,500	N/A
Four-Bedroom Units	\$425,000	N/A
Average Price Per Square Foot of GBA	\$170	N/A

B. Affordable Sales Price Calculations

For the purposes of this analysis, the maximum Affordable Sales Prices for the income restricted units were calculated based on the following information:

1. The household income information used in the calculations is based on income statistics for Los Angeles County as a whole.
2. The household incomes for lower income households are produced annually by HUD. This information is distributed by HCD.

3. The household incomes for moderate income households are produced and distributed annually by HCD.
4. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code Section 50052.5 (H&SC Section 50052.5). The calculations include the elements described in the following sections of this report.

Household Size

The household incomes applied in the Affordable Sales Price calculations are set at the number of bedrooms in the home plus one. For example, the imputed household size for a three-bedroom home is four persons. H&SC Section 50052.5 refers to this as “the household size appropriate for the unit.” However, this is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Sales Price.

Household Income

H&SC Section 50052.5 uses the following household income levels to calculate the Affordable Sales Prices:

1. Moderate Income: 110% of AMI for a household size equal to the number of bedrooms in the home plus one.
2. Lower Income: 70% of AMI for a household size equal to the number of bedrooms in the home plus one.

Income Allocated to Housing-Related Expenses

H&SC Section 50052.5 allocates the following amount of the applicable household income to housing-related expenses:

1. Moderate Income: The standard is set at 35% of the benchmark household income.

2. Lower Income: The standard is set at 30% of the benchmark household income.

Housing-Related Expenses

The annual housing-related expense estimates vary by submarket. Based on research undertaken by KMA, the variable expenses are based on the following assumptions:

Table 3: Annual Variable Expenses – Ownership Housing Units			
	Property Taxes as a % of ASP ⁴	Home Owners Insurance	Maintenance / HOA Fees
Submarket:			
Coastal South Los Angeles	1.30%	\$2,400	\$1,800
South Los Angeles	1.30%	\$1,200	\$1,300
East Los Angeles/Gateway	1.20%	\$2,000	\$1,800
San Gabriel Valley	1.25%	\$2,400	\$1,800
Santa Clarita Valley	1.30%	\$3,100	\$1,800
Antelope Valley	1.25%	\$1,100	\$1,800

For the purposes of calculating the Affordable Sales Prices, KMA assumed that the utilities costs incurred by home owners will be comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. Each year, the Housing Authority of the County of Los Angeles (HACoLA) publishes utilities allowances for use in Affordable Sales Price and Affordable Rent calculations. The allowances used in the Affordable Sales Price calculations are based on the standards placed into effect on July 1, 2017, and are presented in the following table:

⁴ ASP = Affordable Sales Price. KMA estimated the property tax rates based on a survey of home sales in each submarket. The rates being applied represent the average of the surveyed sale in each submarket.

Table 4: Utilities Allowances – Ownership Housing Units				
	Number of Bedrooms			
	2	3	4	5
Heating	\$14	\$18	\$25	\$30
Cooking	\$6	\$7	\$9	\$11
Water Heating	\$10	\$12	\$16	\$20
Basic Electric	\$22	\$28	\$34	\$42
Air Conditioning	\$16	\$21	\$28	\$34
Water	\$31	\$43	\$54	\$65
Trash	\$28	\$28	\$28	\$28
Total Monthly	\$127	\$157	\$194	\$230
Total Annually	\$1,524	\$1,884	\$2,328	\$2,760

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 analysis were based on a 30-year fully amortizing loan at a 4.80% interest rate. This reflects the 10-year average of published mortgage interest rates; and it is approximately 0.75% lower than the rates published in August 2017.⁵

Benchmark Down Payment

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

⁵ Based on the Freddie Mac Primary Mortgage Market Survey weekly average rates for the West Region for 30-year fixed rate mortgages during the period from 2006 through 2015.

Affordable Sales Prices

The Affordable Sales Prices are equal to the lesser of the amount calculated using the H&SC Section 50052.5 methodology, and the amount that home buyers will be willing to pay to acquire a home that is subject to long-term resale controls. Based on our experience with Inclusionary Housing programs and affordable home ownership projects, KMA set the discount at a 30% reduction in the market rate price.

The Affordable Sales Price estimates are presented in the following tables:

Table 5.1: Coastal South Los Angeles Submarket Affordable Sales Price Estimates – Ownership Housing Units		
	Moderate Income	Lower Income
Three-Bedroom Units	\$259,100	\$103,300
Four-Bedroom Units	\$280,400	\$112,200

Table 5.2: South Los Angeles Submarket Affordable Sales Price Estimates – Ownership Housing Units		
	Moderate Income	Lower Income
Three-Bedroom Units	\$273,000	⁶ \$126,600
Four-Bedroom Units	\$303,800	\$135,600

⁶ The H&SC Section 50052.5 calculations yield an Affordable Sales Price of \$282,500.

Table 5.3: East Los Angeles/Gateway Submarket Affordable Sales Price Estimates – Ownership Housing Units		
	Moderate Income	Lower Income
Two-Bedroom Units	\$208,500 ⁷	\$96,200
Three-Bedroom Units	\$268,300	\$110,400
Four-Bedroom Units	\$289,900	\$119,400

Table 5.4: San Gabriel Valley Submarket Affordable Sales Price Estimates – Ownership Housing Units		
	Moderate Income	Lower Income
Two-Bedroom Units	\$231,400	\$90,000
Three-Bedroom Units	\$260,900	\$104,100
Four-Bedroom Units	\$282,400	\$113,100
Five-Bedroom Units	\$303,800	\$121,900

Table 5.5: Santa Clarita Valley Submarket Affordable Sales Price Estimates – Ownership Housing Units		
	Moderate Income	Lower Income
Two-Bedroom Units	\$220,100	\$79,900
Three-Bedroom Units	\$249,600	\$93,700
Four-Bedroom Units	\$270,800	\$102,500
Five-Bedroom Units	\$292,100	\$111,500

⁷ The H&SC Section 50052.5 calculations yield an Affordable Sales Price of \$238,500.

Table 5.6: Antelope Valley Submarket Affordable Sales Price Estimates – Ownership Housing Units			
	Moderate Income		Lower Income
Three-Bedroom Units	\$208,300	⁸	\$122,000
Four-Bedroom Units	\$297,500	⁹	\$130,900

C. Inclusionary Housing Production Analyses: Ownership Housing

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

1. A 100% market rate unit scenario;
2. A scenario that includes a moderate income unit component; and
3. A scenario that includes a lower income unit component.

Market Rate Development Scenarios – Ownership Housing Projects

The 100% market rate unit scenarios provide a baseline against which to measure the impacts associated with affordable housing requirements. The pro forma analyses for the 100% market rate unit scenarios are organized as follows:

Base Case: 100% Market Rate Unit Scenarios Ownership Housing Projects	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

⁸ The H&SC Section 50052.5 calculations yield an Affordable Sales Price of \$278,800.

⁹ The H&SC Section 50052.5 calculations yield an Affordable Sales Price of \$300,300.

The developer profit projected to be generated by the 100% market rate scenarios is used as the threshold profit in the analyses of the moderate and lower income scenarios. The financial gaps generated by these scenarios represent the impact created by the Inclusionary Housing requirements.

Supportable Inclusionary Housing Production Requirements – Ownership Housing Projects

As discussed previously, the KMA analysis is calibrated to establish Inclusionary Housing requirements in each submarket that generate a financial impact equal to a +/- 30% reduction in land value. The moderate and lower income pro forma analyses are organized as follows:

Moderate and Lower Income Scenarios	
Ownership Housing Projects	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Supportable Inclusionary Housing Production Requirements

Based on the results of the land value reduction analyses, KMA estimated the supportable percentage of Inclusionary Housing units in ownership housing projects in each submarket as follows:¹⁰

¹⁰ Condominium analyses were not prepared for the South Los Angeles and Antelope Valley submarkets.

Table 6: Supportable Percentage of Inclusionary Housing Units Ownership Housing Projects		
	Moderate Income Scenario	Lower Income Scenario
<u>Coastal South Los Angeles Submarket</u>		
Single-Family Homes	16%	12%
Condominiums	18%	11%
<u>South Los Angeles Submarket</u>		
Single-Family Homes	19%	9%
Condominiums	N/A	N/A
<u>East Los Angeles/Gateway Submarket</u>		
Single-Family Homes	14%	9%
Condominiums	17%	9%
<u>San Gabriel Valley Submarket</u>		
Single-Family Homes	11%	9%
Condominiums	14%	10%
<u>Santa Clarita Valley Submarket</u>		
Single-Family Homes	5%	3%
Condominiums	6%	3%
<u>Antelope Valley Submarket</u>		
Single-Family Homes	6%	3%
Condominiums	N/A	N/A

D. In-Lieu Fee Analyses: Ownership Housing

KMA estimated the supportable in-lieu fee amounts for ownership housing projects under the following methodologies, which effectively establish the range of in-lieu fees that could be assessed:

1. The first approach is based on establishing in-lieu fee amounts that generate a financial impact equal to a +/- 30% reduction in land value. In this approach the in-lieu fee is treated as a development cost, and no Inclusionary Housing production requirement is imposed on the project.
2. The second approach is based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate ownership housing projects.

Land Value Reduction Approach – Ownership Housing Projects

Based on pro forma analyses that test the land value reduction created by the imposition of in-lieu fee payment requirements, KMA estimates the supportable in-lieu fees for ownership housing projects as follows:¹¹

Table 7: In-Lieu Fee Analyses – Land Value Reduction Approach		
Ownership Housing Projects		
	Single-Family Homes	Condominiums
Coastal South Los Angeles Submarket	\$21.60	\$20.00
South Los Angeles Submarket	\$13.33	N/A
East Los Angeles/Gateway Submarket	\$15.48	\$14.41
San Gabriel Valley Submarket	\$27.27	\$18.15
Santa Clarita Valley Submarket	\$6.17	\$4.00
Antelope Valley Submarket	\$2.40	N/A

¹¹ Condominium analyses were not prepared for the South Los Angeles and Antelope Valley submarkets.

Affordability Gap Approach – Ownership Housing Projects

KMA prepared the Affordability Gap approach analysis based on the assumption that 15% of the units in a market rate ownership housing project would be subject to the Inclusionary Housing requirements. KMA recognizes that a 15% on-site requirement cannot be supported in every submarket, but KMA made the following assumptions that mitigate the financial impacts:

1. Inclusionary Housing programs often target moderate income households for ownership housing. This is done to minimize the financial impacts created by the requirements, and to recognize that moderate income households have more discretionary income than lower income households to devote to the ongoing costs associated with home ownership.
2. It is KMA's assumption that the Inclusionary Housing program will provide developers with a variety of options to on-site production for fulfilling the affordable housing requirements.

The financial impact associated with fulfilling the Inclusionary Housing requirements within market rate ownership housing projects is equal to the Affordability Gaps associated with the income restricted units. For contextual purposes, KMA prepared Affordability Gap estimates for both moderate and lower income households. The results are presented in the following tables:¹²

¹² Condominium analyses were not prepared for the South Los Angeles and Antelope Valley submarkets.

Table 8.1: Coastal South Los Angeles Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$518,000	\$518,000
Affordable Sales Price	\$259,100	\$103,300
Affordability Gap Per Income Restricted Unit	\$258,900	\$414,700
<u>Four-Bedroom Units</u>		
Market Rate Price	\$835,700	\$835,700
Affordable Sales Price	\$280,400	\$112,200
Affordability Gap Per Income Restricted Unit	\$555,300	\$723,500
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$457,500	\$621,600
Per Square Foot of GBA	\$28.60	\$38.90

Table 8.2: Coastal South Los Angeles Submarket In-Lieu Fee Analysis – Affordability Gap Approach Condominiums		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$505,300	\$505,300
Affordable Sales Price	\$259,100	\$103,300
Affordability Gap Per Income Restricted Unit	\$246,200	\$402,000
<u>Four-Bedroom Units</u>		
Market Rate Price	\$569,200	\$569,200
Affordable Sales Price	\$280,400	\$112,200
Affordability Gap Per Income Restricted Unit	\$288,800	\$457,000
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$259,000	\$418,500
Per Square Foot of GBA	\$23.40	\$37.80

Table 8.3: South Los Angeles Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$390,000	\$390,000
Affordable Sales Price	\$273,000	\$126,600
Affordability Gap Per Income Restricted Unit	\$117,000	\$263,400
<u>Four-Bedroom Units</u>		
Market Rate Price	\$478,800	\$478,800
Affordable Sales Price	\$303,800	\$135,600
Affordability Gap Per Income Restricted Unit	\$175,000	\$343,200
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$150,600	\$309,700
Per Square Foot of GBA	\$14.70	\$30.20

Table 8.4: East Los Angeles/Gateway Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$515,800	\$515,800
Affordable Sales Price	\$268,300	\$110,400
Affordability Gap Per Income Restricted Unit	\$247,500	\$405,400
<u>Four-Bedroom Units</u>		
Market Rate Price	\$599,200	\$599,200
Affordable Sales Price	\$289,900	\$119,400
Affordability Gap Per Income Restricted Unit	\$309,300	\$479,800
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$290,800	\$457,500
Per Square Foot of GBA	\$21.80	\$34.30

Table 8.5: East Los Angeles/Gateway Submarket In-Lieu Fee Analysis – Affordability Gap Approach Condominiums		
	Moderate Income	Lower Income
<u>Two-Bedroom Units</u>		
Market Rate Price	\$297,800	\$297,800
Affordable Sales Price	\$208,500	\$96,200
Affordability Gap Per Income Restricted Unit	\$89,300	\$201,600
<u>Three-Bedroom Units</u>		
Market Rate Price	\$500,800	\$500,800
Affordable Sales Price	\$268,300	\$110,400
Affordability Gap Per Income Restricted Unit	\$232,500	\$390,400
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$175,200	\$314,900
Per Square Foot of GBA	\$19.50	\$35.00

Table 8.6: San Gabriel Valley Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$856,900	\$856,900
Affordable Sales Price	\$260,900	\$104,100
Affordability Gap Per Income Restricted Unit	\$596,000	\$752,800
<u>Four-Bedroom Units</u>		
Market Rate Price	\$1,322,400	\$1,322,400
Affordable Sales Price	\$282,400	\$113,100
Affordability Gap Per Income Restricted Unit	\$1,040,000	\$1,209,300
<u>Five-Bedroom Units</u>		
Market Rate Price	\$1,804,700	\$1,804,700
Affordable Sales Price	\$303,800	\$121,900
Affordability Gap Per Income Restricted Unit	\$1,500,900	\$1,682,800
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$1,088,600	\$1,259,200
Per Square Foot of GBA	\$54.00	\$62.50

Table 8.7: San Gabriel Valley Submarket In-Lieu Fee Analysis – Affordability Gap Approach Condominiums		
	Moderate Income	Lower Income
<u>Two-Bedroom Units</u>		
Market Rate Price	\$541,400	\$541,400
Affordable Sales Price	\$231,400	\$90,000
Affordability Gap Per Income Restricted Unit	\$310,000	\$451,400
<u>Three-Bedroom Units</u>		
Market Rate Price	\$591,900	\$591,900
Affordable Sales Price	\$260,900	\$104,100
Affordability Gap Per Income Restricted Unit	\$331,000	\$487,800
<u>Four-Bedroom Units</u>		
Market Rate Price	\$651,500	\$651,500
Affordable Sales Price	\$282,400	\$113,100
Affordability Gap Per Income Restricted Unit	\$369,100	\$538,400
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$331,700	\$487,400
Per Square Foot of GBA	\$28.00	\$41.20

Table 8.8: Santa Clarita Valley Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$533,600	\$533,600
Affordable Sales Price	\$249,600	\$93,700
Affordability Gap Per Income Restricted Unit	\$284,000	\$439,900
<u>Four-Bedroom Units</u>		
Market Rate Price	\$711,500	\$711,500
Affordable Sales Price	\$270,800	\$102,500
Affordability Gap Per Income Restricted Unit	\$440,700	\$609,000
<u>Five-Bedroom Units</u>		
Market Rate Price	\$1,235,200	\$1,235,200
Affordable Sales Price	\$292,100	\$111,500
Affordability Gap Per Income Restricted Unit	\$943,100	\$1,123,700
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$552,200	\$721,100
Per Square Foot of GBA	\$30.00	\$39.20

Table 8.9: Santa Clarita Valley Submarket In-Lieu Fee Analysis – Affordability Gap Approach Condominiums		
	Moderate Income	Lower Income
<u>Two-Bedroom Units</u>		
Market Rate Price	\$365,400	\$365,400
Affordable Sales Price	\$220,100	\$79,900
Affordability Gap Per Income Restricted Unit	\$145,300	\$285,500
<u>Three-Bedroom Units</u>		
Market Rate Price	\$410,700	\$410,700
Affordable Sales Price	\$249,600	\$93,700
Affordability Gap Per Income Restricted Unit	\$161,100	\$317,000
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$157,900	\$310,700
Per Square Foot of GBA	\$14.80	\$29.10

Table 8.10: Antelope Valley Submarket In-Lieu Fee Analysis – Affordability Gap Approach Single-Family Homes		
	Moderate Income	Lower Income
<u>Three-Bedroom Units</u>		
Market Rate Price	\$297,500	\$297,500
Affordable Sales Price	\$208,300	\$122,000
Affordability Gap Per Income Restricted Unit	\$89,200	\$175,500
<u>Four-Bedroom Units</u>		
Market Rate Price	\$425,000	\$425,000
Affordable Sales Price	\$297,500	\$130,900
Affordability Gap Per Income Restricted Unit	\$127,500	\$294,100
<u>In-Lieu Fee</u>		
Per Income Restricted Unit	\$112,200	\$246,700
Per Square Foot of GBA	\$7.70	\$16.80

The results of the two ownership housing in-lieu fee analyses are summarized in the following table:¹³

¹³ Condominium analyses were not prepared for the South Los Angeles and Antelope Valley submarkets.

Table 9: Supportable In-Lieu Fees Per Square Foot of GBA Ownership Housing Projects		
	Land Value Reduction Approach	Affordability Gap Approach ¹⁴
<u>Coastal South Los Angeles Submarket</u>		
Single-Family Homes	\$21.60	\$28.60
Condominiums	\$20.00	\$23.40
<u>South Los Angeles Submarket</u>		
Single-Family Homes	\$13.33	\$14.70
Condominiums	N/A	N/A
<u>East Los Angeles/Gateway Submarket</u>		
Single-Family Homes	\$15.48	\$21.80
Condominiums	\$14.41	\$19.50
<u>San Gabriel Valley Submarket</u>		
Single-Family Homes	\$27.27	\$54.00
Condominiums	\$18.15	\$28.00
<u>Santa Clarita Valley Submarket</u>		
Single-Family Homes	\$6.17	\$30.00
Condominiums	\$4.00	\$14.80
<u>Antelope Valley Submarket</u>		
Single-Family Homes	\$2.40	\$7.70
Condominiums	N/A	N/A

¹⁴ The Affordability Gap estimates are based on the affordable housing costs for moderate income households.

VI. RENTAL APARTMENT ANALYSES

A. Projected Market Rents

In the Summer of 2017, KMA surveyed rental apartment projects that have been constructed since 2005. The purpose of this survey was to derive estimates of the currently achievable market rents in the each submarket. The prototype analyses reflect typical rental apartment projects in each submarket. The characteristics of actual projects will vary to some degree from the prototypes.¹⁵

The market rate monthly rent estimates that are used in this analysis are presented in the following tables.

Table 10: Projected Market Rents – Rental Apartment Units					
	Submarkets				
	Coastal South Los Angeles	East Los Angeles / Gateway	San Gabriel Valley	Santa Clarita Valley	Antelope Valley
Number of Bedrooms					
0	\$2,246	\$1,307	\$1,635	N/A	N/A
1	\$2,481	\$1,683	\$1,742	\$1,709	\$1,094
2	\$2,946	\$2,006	\$2,152	\$1,995	\$1,302
3	N/A	\$2,544	\$2,844	\$2,499	\$1,464

¹⁵ Rental apartment project analyses were not prepared for the South Los Angeles submarket due to the relative lack of new apartment development currently occurring in this submarket.

B. Affordable Rent Calculations

For the purposes of this analysis, the maximum Affordable Rents for the income restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053 (H&SC 50053). The assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD, and are distributed by HCD.
2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As was the case in the Affordable Sales Price calculations, this is a benchmark, not an occupancy cap.
3. The household income is set at 60% of AMI for lower income households and 50% of AMI for very low income households.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. KMA's calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; and basic electric services. The July 1, 2017 HACoLA utilities allowances were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Table 11: Affordable Rent Calculations – Rental Apartment Units		
	Lower Income	Very Low Income
<u>Studio Units</u>		
Maximum Monthly Housing Cost	\$680	\$567
(Less) Monthly Utility Allowance	(29)	(29)
Affordable Rent	\$651	\$538
<u>One-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$778	\$648
(Less) Monthly Utility Allowance	(40)	(40)
Affordable Rent	\$738	\$608
<u>Two-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$875	\$729
(Less) Monthly Utility Allowance	(49)	(49)
Affordable Rent	\$826	\$680
<u>Three-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$972	\$810
(Less) Monthly Utility Allowance	(60)	(60)
Affordable Rent	\$912	\$750

C. Inclusionary Housing Production Analyses: Rental Apartments

A variety of tools are available to reduce the financial impact associated with the imposition of income and affordability restrictions on rental apartment projects. For 100% affordable housing projects, Tax Credit financing is commonly used to fill the financial gap. For mixed-income projects, the California Government Code Sections 65915 - 65918 (Section 65915) density bonus is often used.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to apply Inclusionary Housing units toward the fulfillment of the affordable unit requirements imposed by the Section 65915 density bonus.¹⁶ A developer can request a Section 65915 density bonus for a project as long as the affordable units meet the more restrictive of the jurisdiction's Inclusionary Housing requirements and the requirements imposed by Section 65915.

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, jurisdictions that impose Inclusionary Housing requirements should recognize the possibility that many developers will request Section 65915 density bonuses.

To evaluate the impacts created by the imposition of Inclusionary Housing requirements, KMA prepared the following pro forma analyses for the prototype projects in each submarket:

1. A 100% market rate unit scenario; and
2. A scenario that maximizes the Section 65915 density bonus, and that attains the threshold return generated by a 100% market rate development at the base zoning standard.

Market Rate Development Scenarios – Rental Apartment Projects

The 100% market rate unit scenarios provide a baseline against which to measure the impacts associated with affordable housing requirements. The purpose of the 100% market rate scenarios are to estimate the developer's stabilized return on total investment for a project that is not encumbered by income and affordability restrictions. The pro forma analyses for the 100% market rate unit scenarios are organized as follows:

¹⁶ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (*Napa*).

Base Case: 100% Market Rate Scenarios	
Rental Apartment Projects	
Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Stabilized Return on Total Investment

The stabilized developer returns derived from the 100% market rate scenarios are presented in the following table:

Table 12: Stabilized Developer Returns on Total Investment	
100% Market Rate Scenarios – Rental Apartment Projects	
<u>Submarket</u>	
Coastal South Los Angeles Submarket	5.4%
East Los Angeles/Gateway Submarket	4.1%
San Gabriel Valley Submarket	3.8%
Santa Clarita Valley Submarket	5.2%
Antelope Valley Submarket	3.5%

Supportable Inclusionary Housing Production Requirements – Rental Apartment Projects

As discussed previously, KMA evaluated the supportable Inclusionary Housing requirements based on the assumption that developers of rental apartment projects could use the Section 65915 density bonus to mitigate the financial impact created by Inclusionary Housing requirements. The Section 65915 density bonus allows developers to receive up to a 35% density bonus in return for including units subject to long-term income and affordability controls in market rate projects.

The Section 65915 affordability restrictions are calculated based on the number of units allowed by a site's base zoning. A 35% density bonus can be achieved by setting aside either 20% of the base units for lower income households or 11% of the base units for very low income households. To test the order-of-magnitude benefits created by the density bonus,

KMA applied the lower income standard, and the statutory maximum density bonus of 35% to the prototype projects in each submarket.

The density bonus pro forma analyses are organized as follows:

Density Bonus Scenarios Rental Apartment Projects	
Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Supportable Inclusionary Housing Production Requirements

Based on the findings in the *Napa* case, jurisdictions cannot impose Inclusionary Housing requirements on the additional units a developer receives by invoking the Section 65915 density bonus. Thus, the Inclusionary Housing production requirement must be calculated against the number of units permitted under the property's base zoning standards. However, a jurisdiction can impose a higher percentage requirement on those base zoning units than is applied under Section 65915.

The KMA pro forma analyses were structured to estimate the percentage of lower income units that could be supported by the prototype project in each submarket. Feasibility was measured by varying the number of lower income units in the project until the estimated stabilized return on total investment generated by the 100% market rate scenario was reached. It should be noted that when measured against the base zoning, the prototype projects in each submarket were projected to support an equal or greater percentage of lower income units than the 20% standard that maximizes the Section 65915 density bonus.

It is important to re-emphasize the fact that a jurisdiction can only apply Inclusionary Housing production requirements against the number of units allowed by a property's base zoning. The following table identifies the relevant percentages based on that requirement. For illustrative purposes, KMA translated these results into the percentage of the total units, including the

density bonus units, in projects that would be subject to Inclusionary Housing production requirements.

Table 13: Supportable Percentage of Inclusionary Housing Units Rental Apartment Projects		
	As a % of the Base Units Allowed by Zoning	As a % of the Total Units in the Project
<u>Submarket</u>		
Coastal South Los Angeles Submarket	25%	19%
East Los Angeles/Gateway Submarket	27%	20%
San Gabriel Valley Submarket	32%	24%
Santa Clarita Valley Submarket	22%	16%
Antelope Valley Submarket	32%	24%

D. In-Lieu Fee Analyses: Rental Apartments

KMA estimated the supportable in-lieu fee amounts for rental apartment projects under two methodologies to establish the range of in-lieu fees that could be assessed:

1. The first approach is based on establishing in-lieu fee amounts that generate a financial impact equal to a +/- 30% reduction in land value. In this approach the in-lieu fee is treated as a development cost, and no Inclusionary Housing production requirement is imposed on the project.
2. The second approach is based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate rental apartment projects.

Land Value Reduction Approach – Rental Apartment Projects

KMA prepared pro forma analyses to test the land value reduction created by the imposition of in-lieu fee payment requirements. Based on these pro forma analyses, KMA estimates the supportable in-lieu fees for rental apartment projects as follows:

Table 14: In-Lieu Fee Analyses – Land Value Reduction Approach Rental Apartment Projects	
Coastal South Los Angeles Submarket	\$6.64
East Los Angeles/Gateway Submarket	\$6.94
San Gabriel Valley Submarket	\$10.35
Santa Clarita Valley Submarket	\$2.61
Antelope Valley Submarket	\$2.13

Affordability Gap Approach – Rental Apartment Units

The Affordability Gap approach analysis is based on the assumption that 15% of the total units in a market rate ownership housing project would be subject to Inclusionary Housing requirements at the lower income level.¹⁷ KMA applied these standards for the following reasons:

1. As shown in Table 13, the pro forma analyses indicated that a 15% standard is supported in each submarket that was evaluated; and
2. AB 1505 identifies a set aside of 15% of the units at lower income as the threshold after which HCD can intervene in the adoption process for an Inclusionary Housing program.

¹⁷ KMA also estimated the Affordability Gaps for very low income units, because some developers may choose to impose a more stringent requirement to reduce the number of affordable units required under the Section 65915 density bonus.

The Affordability Gaps for rental apartment units in each submarket are estimated using the following methodology:

1. The difference between the estimated achievable market rate monthly rent and the defined Affordable Rent is calculated for studio, one-bedroom, two-bedroom and three-bedroom units.
2. The weighted average of the rent differential is estimated based on the distribution of units identified for each submarket.
3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the weighted average rent differential.
4. To assist in projecting the Affordability Gap created by the imposition of affordable housing requirements, KMA prepared pro forma analyses for the prototype market rate projects in each submarket. Based on these analyses, KMA estimated the stabilized return on total investment generated for each of these prototype projects.
5. The annual Affordability Gap for each income restricted unit was capitalized at the threshold return derived from the pro forma analyses for the market rate scenarios. The result of this calculation is defined as the net Affordability Gap per income restricted unit.

The results of the Affordability Gap approach analysis are summarized in the following table:

Table 15: In-Lieu Fee Analysis - Affordability Gap Approach		
Rental Apartment Units		
In-Lieu Fee	Lower Income	Very Low Income
<u>Submarket</u>		
Coastal South Los Angeles Submarket		
Per Income Restricted Unit	\$302,200	\$323,811
Per Square Foot of GBA	\$39.84	\$42.68
East Los Angeles/Gateway Submarket		
Per Income Restricted Unit	\$243,271	\$274,300
Per Square Foot of GBA	\$32.82	\$37.01
San Gabriel Valley Submarket		
Per Income Restricted Unit	\$281,872	\$314,151
Per Square Foot of GBA	\$34.04	\$37.93
Santa Clarita Valley Submarket		
Per Income Restricted Unit	\$207,798	\$232,596
Per Square Foot of GBA	\$24.51	\$27.44
Antelope Valley Submarket		
Per Income Restricted Unit	\$112,461	\$148,839
Per Square Foot of GBA	\$15.56	\$20.59

The following table provides a summary of the in-lieu fees supported under the two approaches that were analyzed by KMA:

Table 16: Supportable In-Lieu Fees Per Square Foot of GBA Rental Apartment Projects		
	Land Value Reduction Approach	Affordability Gap Approach
<u>Submarket</u>		
Coastal South Los Angeles Submarket	\$6.64	\$39.84
East Los Angeles/Gateway Submarket	\$6.94	\$32.82
San Gabriel Valley Submarket	\$10.35	\$34.04
Santa Clarita Valley Submarket	\$2.61	\$24.51
Antelope Valley Submarket	\$2.13	\$15.56

VII. SUMMARY

The results of the preceding analysis can be summarized as follows:

A. Submarket Characteristics

Los Angeles County is one of the largest counties in the United States, and the unincorporated areas exhibit a diverse mix of physical, demographic and economic conditions. Given the diversity of the unincorporated areas, it is KMA's conclusion that unique Inclusionary Housing requirements should be considered for each of the submarkets evaluated in this report.

The residential units found in the six identified submarkets embody a wide variety of characteristics. The ranges for key items can be summarized as follows:

Table 17: Weighted Average Prototype Home Sizes			
Square Feet of Livable Area			
	Single-Family Homes	Condominiums	Apartments
<u>Submarket</u>			
Coastal South Los Angeles	2,400	1,660	797
South Los Angeles	1,538	N/A	N/A
East Los Angeles/Gateway	2,002	1,348	834
San Gabriel Valley	3,023	1,775	870
Santa Clarita Valley	2,758	1,604	954
Antelope Valley	2,200	N/A	813

Table 18: Weighted Average Market Rate Sales Prices / Market Rate Monthly Rents

	Single-Family Homes	Condominiums	Apartments
<u>Submarket</u>			
Coastal South Los Angeles			
Total Price/Monthly Rent	\$730,900	\$524,500	\$2,594
Price/Monthly Rent Per Sq. Ft.	\$305	\$316	\$3.26
South Los Angeles			
Total Price/Monthly Rent	\$441,500	N/A	N/A
Price/Monthly Rent Per Sq. Ft.	\$287	N/A	N/A
East Los Angeles/Gateway			
Total Price/Monthly Rent	\$574,200	\$419,600	\$1,869
Price/Monthly Rent Per Sq. Ft.	\$287	\$311	\$2.24
San Gabriel Valley			
Total Price/Monthly Rent	\$1,373,200	\$590,300	\$1,975
Price/Monthly Rent Per Sq. Ft.	\$454	\$333	\$2.27
Santa Clarita Valley			
Total Price/Monthly Rent	\$824,100	\$401,600	\$2,029
Price/Monthly Rent Per Sq. Ft.	\$299	\$250	\$2.13
Antelope Valley			
Total Price / Rent	\$374,000	N/A	\$1,233
Price/Monthly Rent Per Sq. Ft.	\$170	N/A	\$1.52

B. Financially Feasible Inclusionary Housing Requirements

Based on the results of the preceding analysis, KMA determined that the following Inclusionary Housing requirements can be supported:

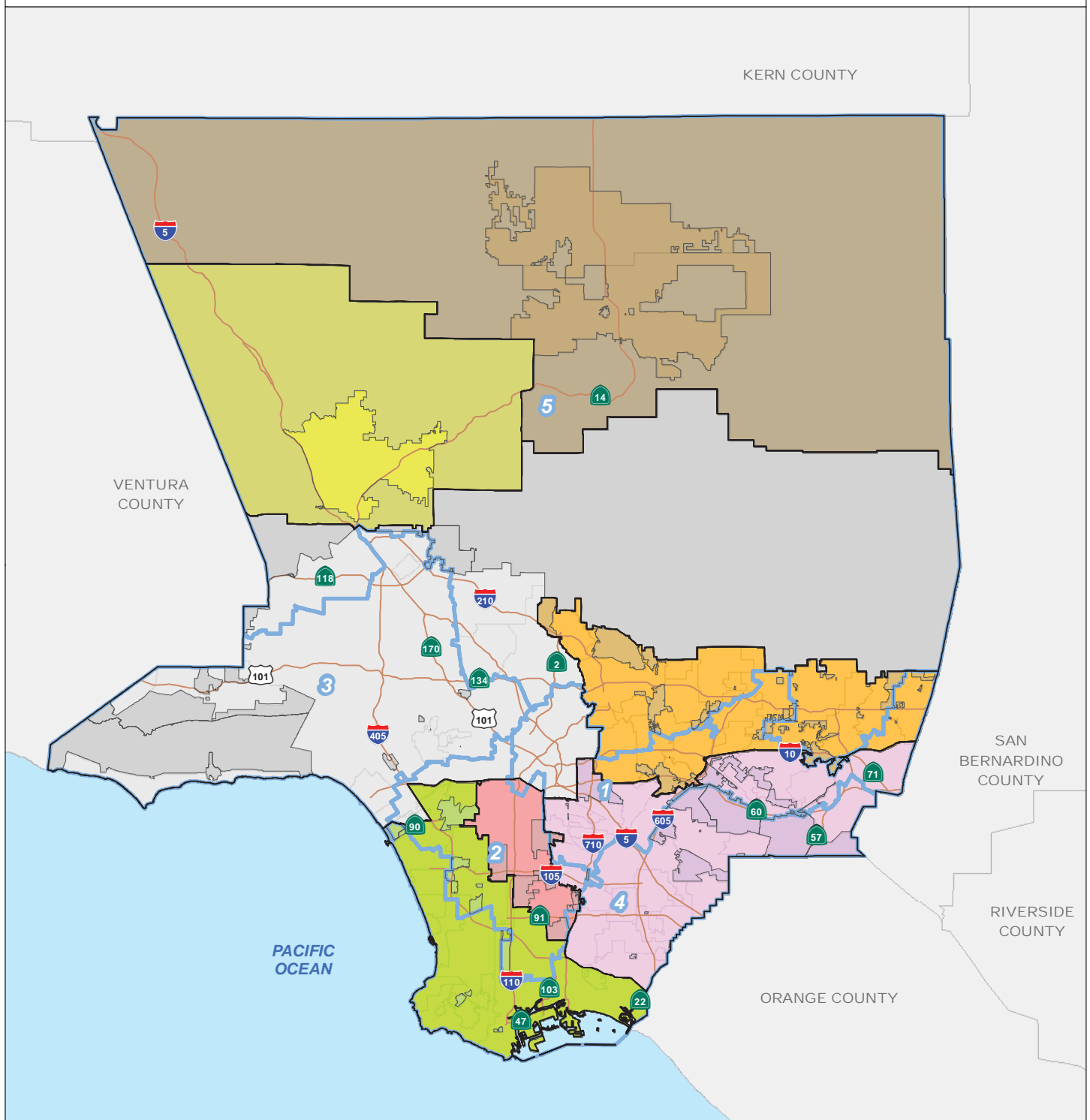
Table 19: Financially Feasible Inclusionary Housing Requirements










	Single-Family Homes	Condominiums	Apartments ¹⁸
<u>Submarket</u>			
Coastal South Los Angeles			
% of Units	12% - 16%	11% - 18%	19%
In-Lieu Fee Per Sq. Ft.	\$21.60 - \$28.60	\$20.00 - \$23.40	\$6.64 - \$39.84
South Los Angeles			
% of Units	9% - 19%	N/A	N/A
In-Lieu Fee Per Sq. Ft.	\$13.33 - \$14.70	N/A	N/A
East Los Angeles/Gateway			
% of Units	9% - 14%	9% - 17%	20%
In-Lieu Fee Per Sq. Ft.	\$15.48 - \$21.80	\$14.41 - \$19.50	\$6.94 - \$32.82
San Gabriel Valley			
% of Units	9% - 11%	10% - 14%	24%
In-Lieu Fee Per Sq. Ft.	\$27.27 - \$54.00	\$18.15 - \$28.00	\$10.35 - \$34.04
Santa Clarita Valley			
% of Units	3% - 5%	3% - 6%	16%
In-Lieu Fee Per Sq. Ft.	\$6.17 - \$30.00	\$4.00 - \$14.80	\$2.61 - \$24.51
Antelope Valley			
% of Units	3% - 6%	N/A	24%
In-Lieu Fee Per Sq. Ft.	\$2.40 - \$7.70	N/A	\$2.13 - \$15.56

¹⁸ The percentages of units are measured against the total number of units in the project.

**APPENDIX A
SUBMARKET MAPS
INCLUSIONARY HOUSING ANALYSIS
LOS ANGELES COUNTY**

Submarket Areas



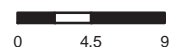
-  Antelope Valley
  Not a Part of Submarket
  South Los Angeles
-  Coastal South Los Angeles
  San Gabriel Valley
  Supervisorial District
-  East Los Angeles / Gateway
  Santa Clarita Valley
  Unincorporated Areas*

* Unincorporated areas are a transparent gray and come out as a darker color tone on the map

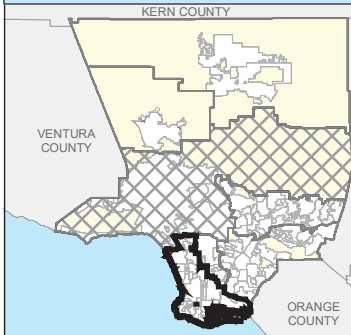
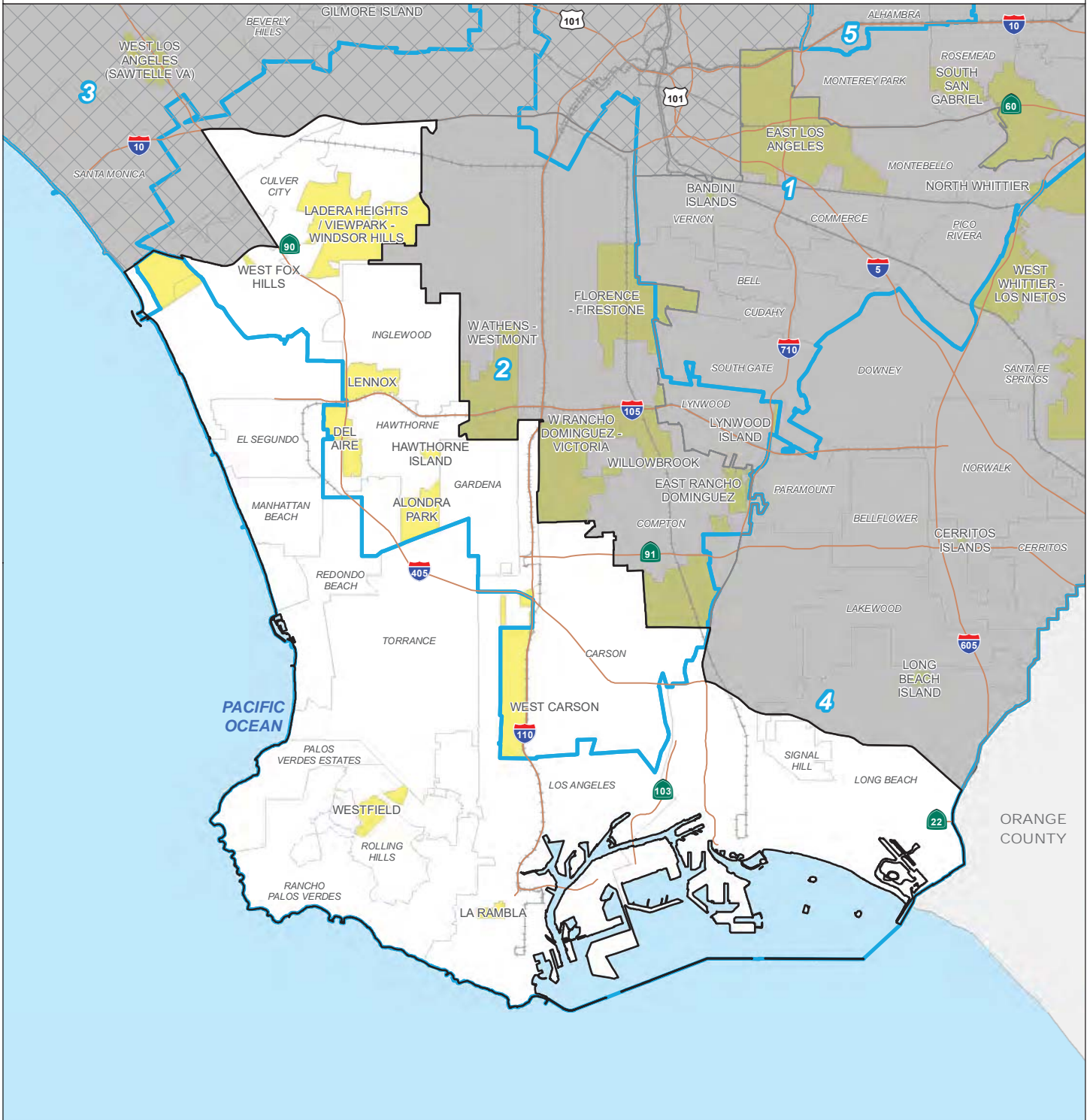
Source: Department of Regional Planning & KMA, June 2017











Miles



Coastal South Los Angeles Submarket Area



- | | | | |
|---|------------------------------|---|------------------------|
|  | Submarket Area |  | Freeway |
|  | Not a Part of Submarket Area | | Light Rail / Metrolink |
|  | Supervisorial District |  | Unincorporated Area |
|  | Surrounding Submarket Area |  | City |
|  | National Forest | | |

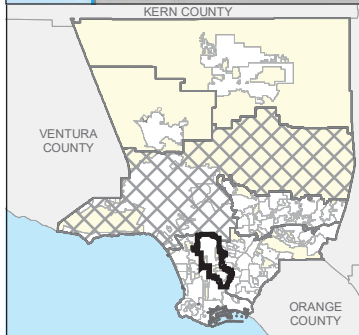
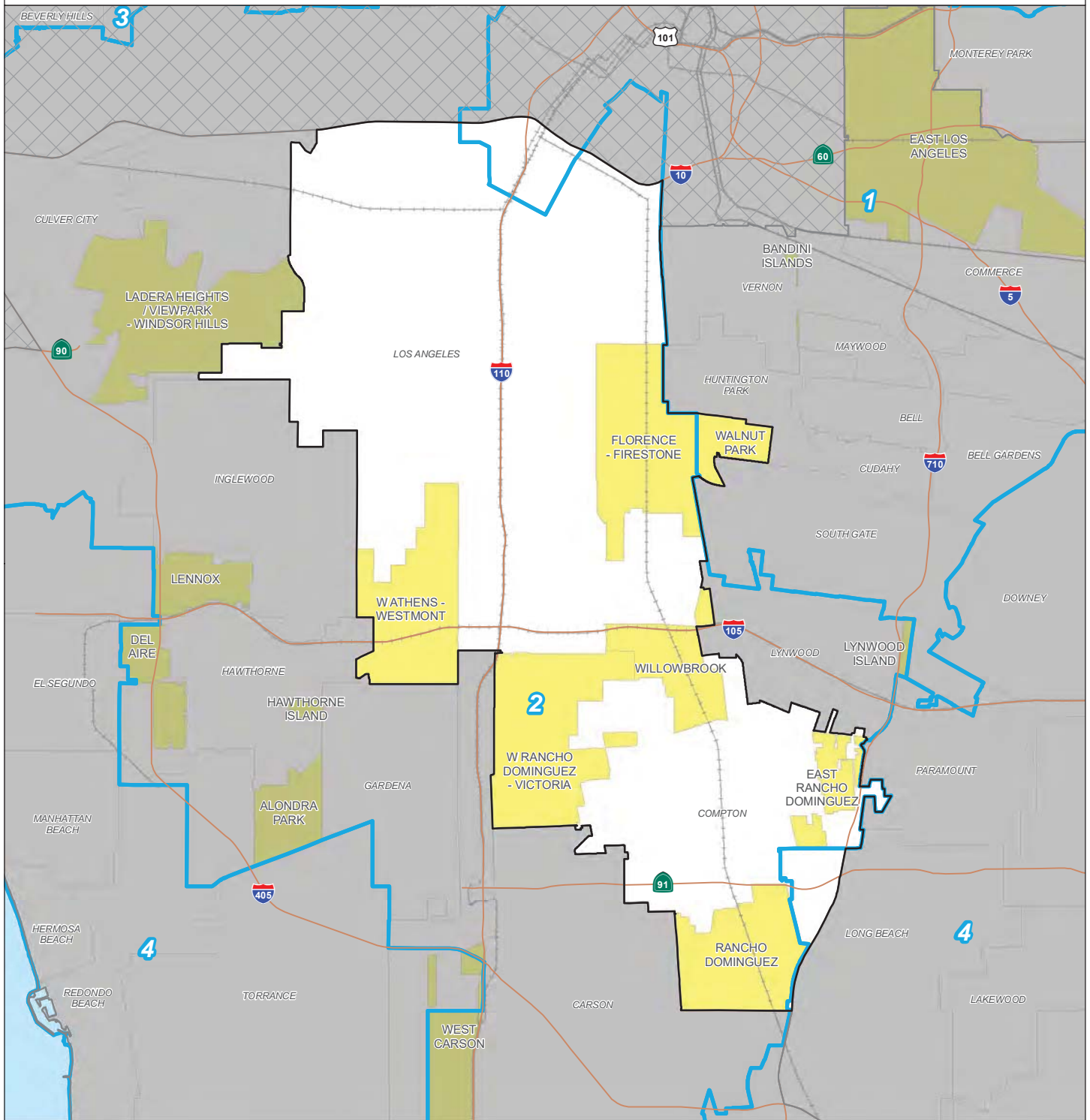
Source: Department of Regional Planning & KMA, June 2017



Miles



South Los Angeles Submarket Area

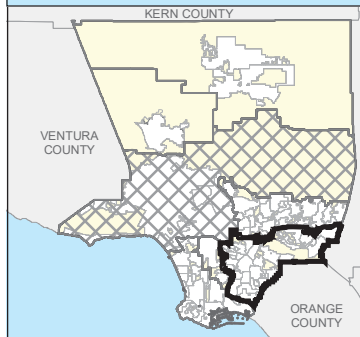
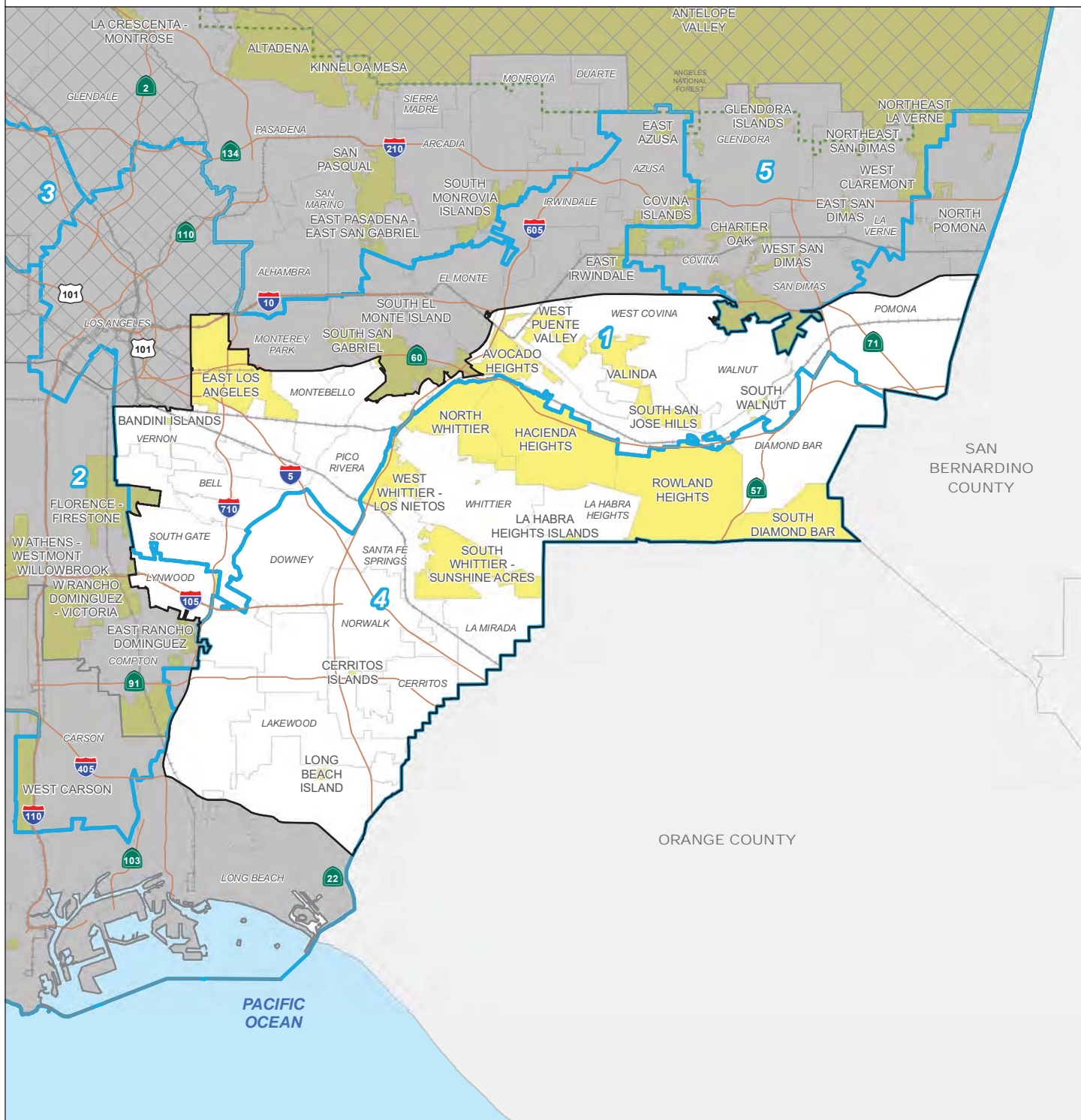


- | | | | |
|--|------------------------------|--|------------------------|
| | Submarket Area | | Freeway |
| | Not a Part of Submarket Area | | Light Rail / Metrolink |
| | Supervisorial District | | Unincorporated Area |
| | Surrounding Submarket Area | | City |
| | National Forest | | |

Source: Department of Regional Planning & KMA, June 2017

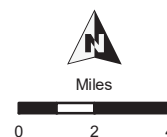


East Los Angeles / Gateway Submarket Area

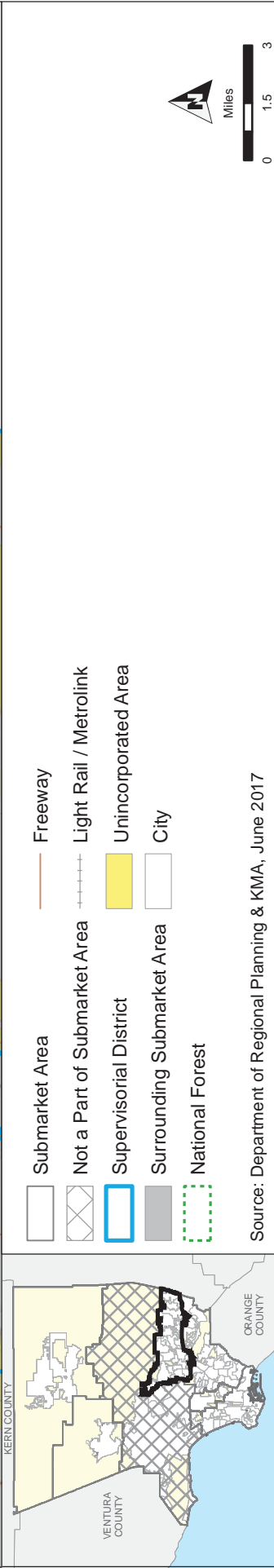


- | | |
|------------------------------|------------------------|
| Submarket Area | Freeway |
| Not a Part of Submarket Area | Light Rail / Metrolink |
| Supervisorial District | Unincorporated Area |
| Surrounding Submarket Area | City |
| National Forest | |

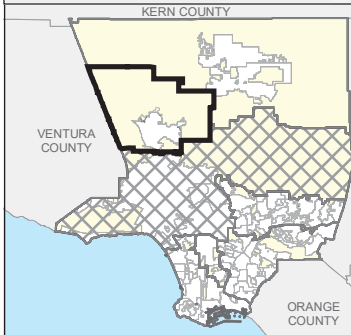
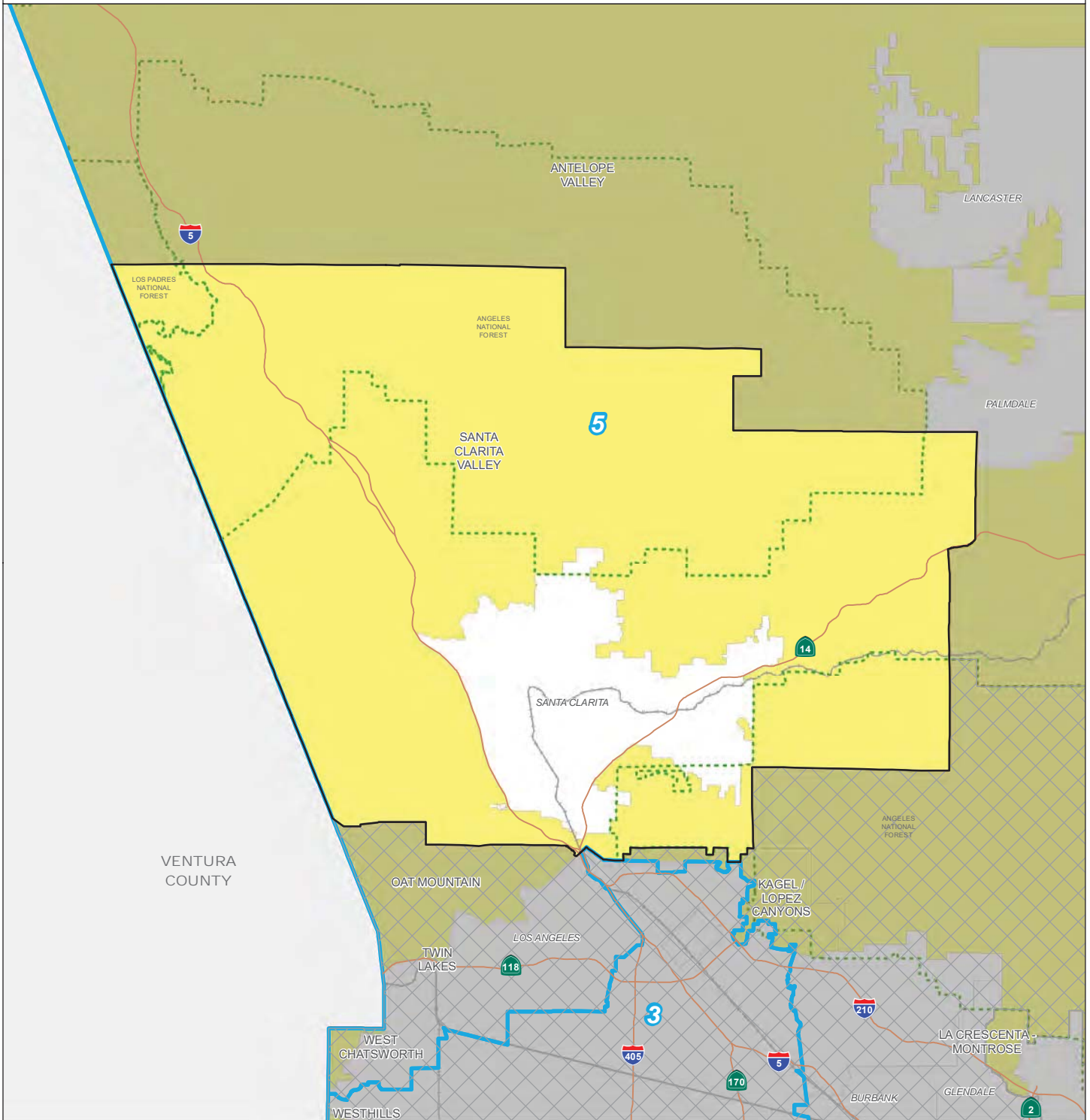
Source: Department of Regional Planning & KMA, June 2017












The map displays the geographical layout of San Bernardino County, highlighting various cities and regions. Key areas include Antelope Valley, Glendale, San Pasqual, San Gabriel, San Dimas, and San Bernardino. The map is color-coded with yellow and green areas, and includes a legend for 'SANTA ANA' and 'SANTA ANA'. Major highways and roads are shown, along with the county's boundaries. The map is oriented with North at the top.

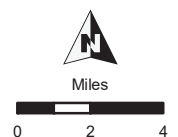


Santa Clarita Valley Submarket Area

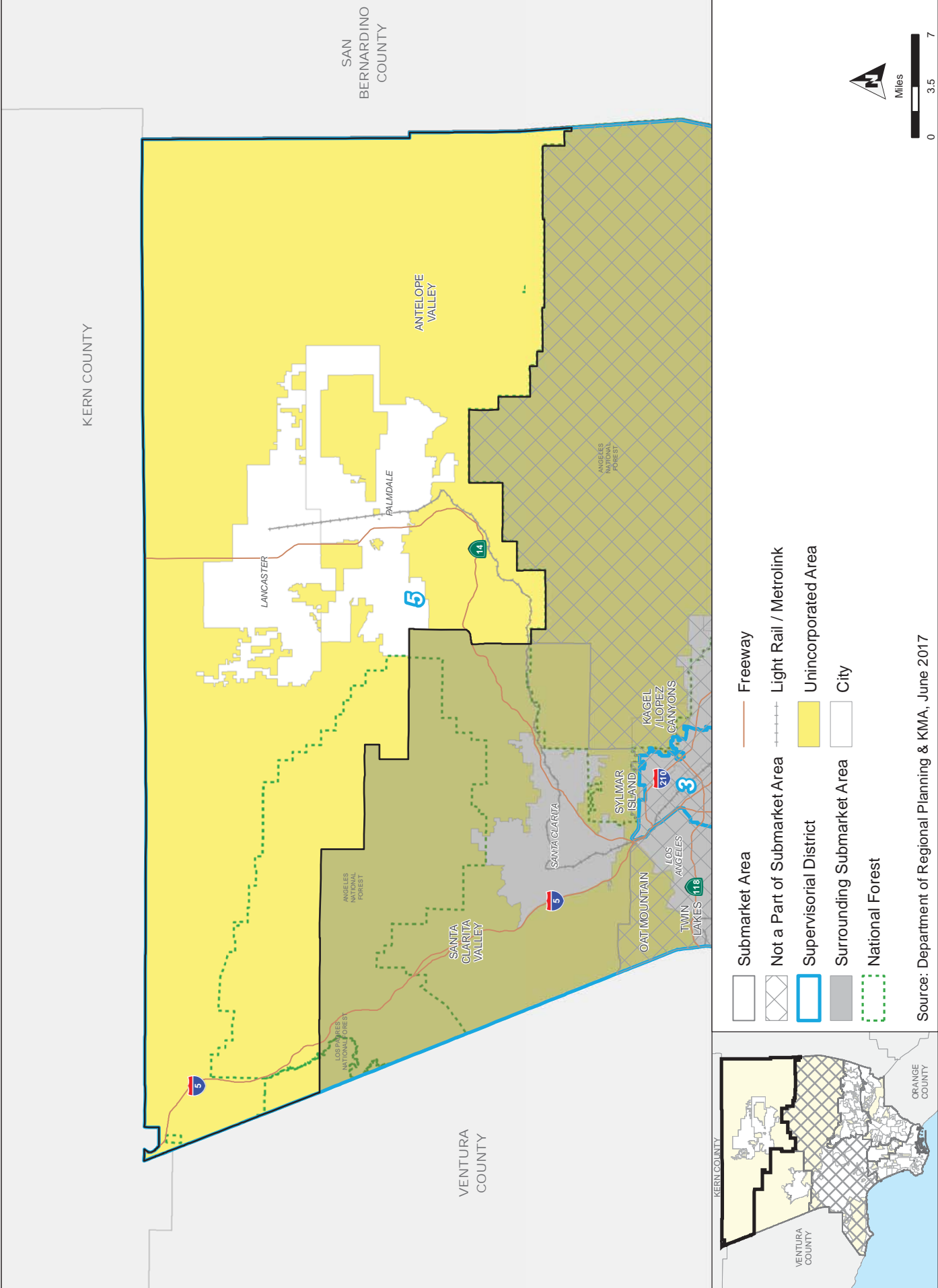


- | | | | |
|---|------------------------------|---|------------------------|
|  | Submarket Area |  | Freeway |
|  | Not a Part of Submarket Area |  | Light Rail / Metrolink |
|  | Supervisorial District |  | Unincorporated Area |
|  | Surrounding Submarket Area |  | City |
|  | National Forest | | |

Source: Department of Regional Planning & KMA, June 2017



Antelope Valley Submarket Area



APPENDIX B
AFFORDABLE SALES PRICE CALCULATIONS
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I.	Moderate Income Households			
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,200	4,200	4,200	4,200
Property Taxes @ 1.30% of Affordable Sales Price	2,990	3,370	3,650	3,920
Total Ongoing Expenses	\$8,714	\$9,454	\$10,178	\$10,880
C. Income Available for Mortgage	\$13,736	\$15,496	\$16,772	\$18,050
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$218,200	\$246,100	\$266,400	\$286,700
Home Buyer Down Payment @ 5% Aff Sales Price	11,500	13,000	14,000	15,100
Affordable Sales Price	\$229,700	\$259,100	\$280,400	\$301,800
II.	Lower Income Households			
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,200	4,200	4,200	4,200
Property Taxes @ 1.30% of Affordable Sales Price	1,160	1,350	1,460	1,580
Total Ongoing Expenses	\$6,884	\$7,434	\$7,988	\$8,540
C. Income Available for Mortgage	\$5,356	\$6,176	\$6,712	\$7,240
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$85,100	\$98,100	\$106,600	\$115,000
Home Buyer Down Payment @ 5% Aff Sales Price	4,500	5,200	5,600	6,100
Affordable Sales Price	\$89,600	\$103,300	\$112,200	\$121,100

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX B - EXHIBIT II

AFFORDABLE SALES PRICE CALCULATIONS
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I.	Moderate Income Households			
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	2,500	2,500	2,500	2,500
Property Taxes @ 1.30% of Affordable Sales Price	3,290	3,670	3,950	4,230
Total Ongoing Expenses	\$7,314	\$8,054	\$8,778	\$9,490
C. Income Available for Mortgage	\$15,136	\$16,896	\$18,172	\$19,440
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$240,400	\$268,400	\$288,600	\$308,800
Home Buyer Down Payment @ 5% Aff Sales Price	12,700	14,100	15,200	16,300
Affordable Sales Price	\$253,100	\$282,500	\$303,800	\$325,100
II.	Lower Income Households			
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	2,500	2,500	2,500	2,500
Property Taxes @ 1.30% of Affordable Sales Price	1,470	1,650	1,760	1,880
Total Ongoing Expenses	\$5,494	\$6,034	\$6,588	\$7,140
C. Income Available for Mortgage	\$6,746	\$7,576	\$8,112	\$8,640
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$107,100	\$120,300	\$128,800	\$137,200
Home Buyer Down Payment @ 5% Aff Sales Price	5,600	6,300	6,800	7,200
Affordable Sales Price	\$112,700	\$126,600	\$135,600	\$144,400

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX B - EXHIBIT III

AFFORDABLE SALES PRICE CALCULATIONS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I.	Moderate Income Households			
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	3,800	3,800	3,800	3,800
Property Taxes @ 1.20% of Affordable Sales Price	2,860	3,220	3,480	3,740
Total Ongoing Expenses	\$8,184	\$8,904	\$9,608	\$10,300
C. Income Available for Mortgage	\$14,266	\$16,046	\$17,342	\$18,630
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$226,600	\$254,900	\$275,400	\$295,900
Home Buyer Down Payment @ 5% Aff Sales Price	11,900	13,400	14,500	15,600
Affordable Sales Price	\$238,500	\$268,300	\$289,900	\$311,500
II.	Lower Income Households			
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	3,800	3,800	3,800	3,800
Property Taxes @ 1.20% of Affordable Sales Price	1,160	1,320	1,430	1,540
Total Ongoing Expenses	\$6,484	\$7,004	\$7,558	\$8,100
C. Income Available for Mortgage	\$5,756	\$6,606	\$7,142	\$7,680
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$91,400	\$104,900	\$113,400	\$122,000
Home Buyer Down Payment @ 5% Aff Sales Price	4,800	5,500	6,000	6,400
Affordable Sales Price	\$96,200	\$110,400	\$119,400	\$128,400

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX B - EXHIBIT IV

AFFORDABLE SALES PRICE CALCULATIONS
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I.	Moderate Income Households			
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,200	4,200	4,200	4,200
Property Taxes @ 1.25% of Affordable Sales Price	2,890	3,260	3,530	3,800
Total Ongoing Expenses	\$8,614	\$9,344	\$10,058	\$10,760
C. Income Available for Mortgage	\$13,836	\$15,606	\$16,892	\$18,170
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$219,800	\$247,900	\$268,300	\$288,600
Home Buyer Down Payment @ 5% Aff Sales Price	11,600	13,000	14,100	15,200
Affordable Sales Price	\$231,400	\$260,900	\$282,400	\$303,800
II.	Lower Income Households			
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,200	4,200	4,200	4,200
Property Taxes @ 1.25% of Affordable Sales Price	1,130	1,300	1,410	1,530
Total Ongoing Expenses	\$6,854	\$7,384	\$7,938	\$8,490
C. Income Available for Mortgage	\$5,386	\$6,226	\$6,762	\$7,290
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$85,500	\$98,900	\$107,400	\$115,800
Home Buyer Down Payment @ 5% Aff Sales Price	4,500	5,200	5,700	6,100
Affordable Sales Price	\$90,000	\$104,100	\$113,100	\$121,900

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX B - EXHIBIT V

AFFORDABLE SALES PRICE CALCULATIONS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I.	Moderate Income Households			
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,900	4,900	4,900	4,900
Property Taxes @ 1.30% of Affordable Sales Price	2,860	3,240	3,520	3,800
Total Ongoing Expenses	\$9,284	\$10,024	\$10,748	\$11,460
C. Income Available for Mortgage	\$13,166	\$14,926	\$16,202	\$17,470
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$209,100	\$237,100	\$257,300	\$277,500
Home Buyer Down Payment @ 5% Aff Sales Price	11,000	12,500	13,500	14,600
Affordable Sales Price	\$220,100	\$249,600	\$270,800	\$292,100
II.	Lower Income Households			
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	4,900	4,900	4,900	4,900
Property Taxes @ 1.30% of Affordable Sales Price	1,040	1,220	1,340	1,450
Total Ongoing Expenses	\$7,464	\$8,004	\$8,568	\$9,110
C. Income Available for Mortgage	\$4,776	\$5,606	\$6,132	\$6,670
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$75,900	\$89,000	\$97,400	\$105,900
Home Buyer Down Payment @ 5% Aff Sales Price	4,000	4,700	5,100	5,600
Affordable Sales Price	\$79,900	\$93,700	\$102,500	\$111,500

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX B - EXHIBIT VI

AFFORDABLE SALES PRICE CALCULATIONS
 ANTELOPE VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

1

	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units	Five-Bedroom Units
I. Moderate Income Households				
A. Income Information				
Household Income @ 110% Median	\$64,130	\$71,280	\$77,000	\$82,670
Income Allotted to Housing @ 35% of Income	\$22,450	\$24,950	\$26,950	\$28,930
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	2,900	2,900	2,900	2,900
Property Taxes @ 1.25% of Affordable Sales Price	3,120	3,490	3,760	4,020
Total Ongoing Expenses	\$7,544	\$8,274	\$8,988	\$9,680
C. Income Available for Mortgage	\$14,906	\$16,676	\$17,962	\$19,250
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$236,800	\$264,900	\$285,300	\$305,800
Home Buyer Down Payment @ 5% Aff Sales Price	12,500	13,900	15,000	16,100
Affordable Sales Price	\$249,300	\$278,800	\$300,300	\$321,900
II. Lower Income Households				
A. Income Information				
Household Income @ 70% Median	\$40,810	\$45,360	\$49,000	\$52,610
Income Allotted to Housing @ 30% of Income	\$12,240	\$13,610	\$14,700	\$15,780
B. Ongoing Expenses				
Annual Utilities Allowance	\$1,524	\$1,884	\$2,328	\$2,760
Maintenance & Insurance	2,900	2,900	2,900	2,900
Property Taxes @ 1.25% of Affordable Sales Price	1,350	1,530	1,640	1,750
Total Ongoing Expenses	\$5,774	\$6,314	\$6,868	\$7,410
C. Income Available for Mortgage	\$6,466	\$7,296	\$7,832	\$8,370
D. Affordable Sales Price				
Supportable Mtg @ 4.80% Interest	\$102,700	\$115,900	\$124,400	\$132,900
Home Buyer Down Payment @ 5% Aff Sales Price	5,400	6,100	6,500	7,000
Affordable Sales Price	\$108,100	\$122,000	\$130,900	\$139,900

¹ Based on 2017 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are based on HACoLA allowances for single family homes published on July 1, 2017. Assumes costs for gas heating, cooking, and water heating; basic electric; air conditioning; water; and trash services.

APPENDIX C
SINGLE-FAMILY HOME ALTERNATIVES
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX C - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$50 /Sf of Land		\$21,780,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		239,940	Sf of GBA	\$70 /Sf of GBA	16,796,000	
	Contractor Costs		20%	Other Direct Costs		5,102,000	
	Total Direct Costs						\$30,610,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,837,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		765,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		2,193,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		330,000	
	Total Indirect Costs						\$6,925,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,124,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	890,000	
	Total Financing Costs						\$4,014,000
V.	Total Construction Cost		100	Units	\$415,000 /Unit		\$41,549,000
	Total Development Cost		100	Units	\$633,000 /Unit		\$63,329,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. Gross Sales Revenue				¹
Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
Three-Bedroom Units	33 Units @	\$518,000 /Unit	17,094,000	
Four-Bedroom Units	67 Units @	\$835,700 /Unit	55,992,000	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue			\$73,086,000	
II. Cost of Sales				
Commissions	3.0% Gross Sales Revenue		\$2,193,000	
Closing	2.0% Gross Sales Revenue		1,462,000	
Warranty	0.5% Gross Sales Revenue		365,000	
Total Cost of Sales			(\$4,020,000)	
III.	Net Revenue			\$69,066,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$305 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$69,066,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$63,329,000</u>
III.	Developer Profit	9.1% Total Development Cost	<u>\$5,737,000</u>

**APPENDIX C - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$50 /Sf of Land		\$21,780,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		239,940	Sf of GBA	\$70 /Sf of GBA	16,796,000	
	Contractor Costs		20%	Other Direct Costs		5,102,000	
	Total Direct Costs						\$30,610,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,837,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		765,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,970,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		319,000	
	Total Indirect Costs						\$6,691,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,114,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	886,000	
	Total Financing Costs						\$4,000,000
V.	Total Construction Cost		100	Units	\$413,000 /Unit		\$41,301,000
	Total Development Cost		100	Units	\$631,000 /Unit		\$63,081,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 11 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	28 Units @	\$518,000 /Unit		14,504,000
Four-Bedroom Units	56 Units @	\$835,700 /Unit		46,799,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	5 Units @	\$259,100 /Unit		1,296,000
Four-Bedroom Units	11 Units @	\$280,400 /Unit		3,084,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$103,300 /Unit		0
Four-Bedroom Units	0 Units @	\$112,200 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$65,683,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue		\$1,970,000
Closing	2.0% Gross Sales Revenue		1,314,000
Warranty	0.5% Gross Sales Revenue		328,000
Total Cost of Sales			(\$3,612,000)

III. Net Revenue	\$62,071,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$305 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX C - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2	\$62,071,000
	(Less) Threshold Developer Profit	¹ 9.1% Total Development Cost	(\$5,715,000)
	Total Funds Available for Development Costs		\$56,356,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	\$63,081,000
III.	Land Value Reduction	31% As a % of Land Cost	\$6,725,000
	Inclusionary Housing Production Requirement	16% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX C - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$50 /Sf of Land		\$21,780,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		239,940	Sf of GBA	\$70 /Sf of GBA	16,796,000	
	Contractor Costs		20%	Other Direct Costs		5,102,000	
	Total Direct Costs						\$30,610,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,837,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		765,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,969,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		319,000	
	Total Indirect Costs						\$6,690,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,169,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	886,000	
	Total Financing Costs						\$4,055,000
V.	Total Construction Cost		100	Units	\$414,000 /Unit		\$41,355,000
	Total Development Cost		100	Units	\$631,000 /Unit		\$63,135,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 12 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	29 Units @	\$518,000 /Unit		15,022,000
Four-Bedroom Units	59 Units @	\$835,700 /Unit		49,306,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$259,100 /Unit		0
Four-Bedroom Units	0 Units @	\$280,400 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	4 Units @	\$103,300 /Unit		413,000
Four-Bedroom Units	8 Units @	\$112,200 /Unit		898,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$65,639,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,969,000
Closing	2.0% Gross Sales Revenue	1,313,000
Warranty	0.5% Gross Sales Revenue	328,000
Total Cost of Sales		(\$3,610,000)

III. Net Revenue	\$62,029,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$305 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX C - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX C - EXHIBIT III - TABLE 2	\$62,029,000
	(Less) Threshold Developer Profit	¹ 9.1% Total Development Cost	(\$5,719,000)
	Total Funds Available for Development Costs		\$56,310,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1	\$63,135,000
III.	Land Value Reduction	31% As a % of Land Cost	\$6,825,000
	Inclusionary Housing Production Requirement	12% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX C - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$50 /Sf of Land		\$21,780,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		239,940	Sf of GBA	\$70 /Sf of GBA	16,796,000	
	Contractor Costs		20%	Other Direct Costs		5,102,000	
	Total Direct Costs						\$30,610,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,837,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		239,940	Sf of GBA	\$21.60 /Sf of GBA	5,182,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		765,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		2,193,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		589,000	
	Total Indirect Costs						\$12,366,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,593,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	971,000	
	Total Financing Costs						\$4,564,000
V.	Total Construction Cost		100	Units	\$475,000 /Unit		\$47,540,000
	Total Development Cost		100	Units	\$693,000 /Unit		\$69,320,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	33 Units @	\$518,000 /Unit	17,094,000	
	Four-Bedroom Units	67 Units @	\$835,700 /Unit	55,992,000	
	Five-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$73,086,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$2,193,000	
	Closing	2.0% Gross Sales Revenue		1,462,000	
	Warranty	0.5% Gross Sales Revenue		365,000	
	Total Cost of Sales				(\$4,020,000)
III.	Net Revenue				\$69,066,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$305 per square foot of saleable area.

APPENDIX C - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX C - EXHIBIT IV - TABLE 2	\$69,066,000
	(Less) Threshold Developer Profit	¹ 9.1% Total Development Cost	<u>(\$6,280,000)</u>
	Total Funds Available for Development Costs		\$62,786,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1	<u>\$69,320,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$6,534,000
	In-Lieu Fee	See APPENDIX C - EXHIBIT IV - TABLE 1	\$21.60 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX C: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX C: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 COASTAL SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$518,000	\$518,000
	Affordable Sales Price	¹ 259,100	103,300
	Difference	\$258,900	\$414,700
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$835,700	\$835,700
	Affordable Sales Price	¹ 280,400	112,200
	Difference	\$555,300	\$723,500
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	33%	33%
	Four-Bedroom Units	67%	67%
	Five-Bedroom Units	0%	0%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$457,500	\$621,600
	Per Square Foot of GBA	\$28.60	\$38.90

¹ See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX D
CONDOMINIUM ALTERNATIVES
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX D - EXHIBIT I
PRO FORMA ANALYSIS
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		166,000	Sf of GBA	\$70 /Sf of GBA	11,620,000	
	Contractor Costs		20%	Other Direct Costs		3,486,000	
	Total Direct Costs						\$20,914,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,255,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		523,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,573,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		258,000	
	Total Indirect Costs						\$5,409,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,109,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	613,000	
	Total Financing Costs						\$2,722,000
V.	Total Construction Cost		100	Units	\$290,000 /Unit		\$29,045,000
	Total Development Cost		100	Units	\$436,000 /Unit		\$43,565,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		1		
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	70 Units @	\$505,300 /Unit		35,371,000
Four-Bedroom Units	30 Units @	\$569,200 /Unit		\$17,076,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$52,447,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue			\$1,573,000
Closing	2.0% Gross Sales Revenue			1,049,000
Warranty	0.5% Gross Sales Revenue			262,000
Total Cost of Sales				(\$2,884,000)
III. <u>Net Revenue</u>				\$49,563,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$316 per square foot of saleable area.

APPENDIX D - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX D - EXHIBIT I - TABLE 2	\$49,563,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$43,565,000</u>
III.	Developer Profit	13.8% Total Development Cost	<u>\$5,998,000</u>

**APPENDIX D - EXHIBIT II
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		166,000	Sf of GBA	\$70 /Sf of GBA	11,620,000	
	Contractor Costs		20%	Other Direct Costs		3,486,000	
	Total Direct Costs						\$20,914,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,255,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		523,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,434,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		251,000	
	Total Indirect Costs						\$5,263,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,060,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	610,000	
	Total Financing Costs						\$2,670,000
V.	Total Construction Cost		100	Units	\$288,000 /Unit		\$28,847,000
	Total Development Cost		100	Units	\$434,000 /Unit		\$43,367,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		57 Units @	\$505,300 /Unit	28,802,000
Four-Bedroom Units		25 Units @	\$569,200 /Unit	14,230,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		13 Units @	\$259,100 /Unit	3,368,000
Four-Bedroom Units		5 Units @	\$280,400 /Unit	1,402,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$103,300 /Unit	0
Four-Bedroom Units		0 Units @	\$112,200 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$47,802,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,434,000
Closing	2.0% Gross Sales Revenue	956,000
Warranty	0.5% Gross Sales Revenue	239,000
Total Cost of Sales		<u>(\$2,629,000)</u>

III. Net Revenue	\$45,173,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$316 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX D - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX D - EXHIBIT II - TABLE 2	\$45,173,000
	(Less) Threshold Developer Profit	¹ 13.8% Total Development Cost	(\$5,971,000)
	Total Funds Available for Development Costs		\$39,202,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1	\$43,367,000
III.	Land Value Reduction	29% As a % of Land Cost	\$4,165,000
	Inclusionary Housing Production Requirement	18% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX D - EXHIBIT III
PRO FORMA ANALYSIS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		166,000	Sf of GBA	\$70 /Sf of GBA	11,620,000	
	Contractor Costs		20%	Other Direct Costs		3,486,000	
	Total Direct Costs						\$20,914,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,255,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		523,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,436,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		251,000	
	Total Indirect Costs						\$5,265,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,115,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	610,000	
	Total Financing Costs						\$2,725,000
V.	Total Construction Cost		100	Units	\$289,000 /Unit		\$28,904,000
	Total Development Cost		100	Units	\$434,000 /Unit		\$43,424,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	62 Units @	\$505,300 /Unit		31,329,000
Four-Bedroom Units	27 Units @	\$569,200 /Unit		15,368,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$259,100 /Unit		0
Four-Bedroom Units	0 Units @	\$280,400 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	8 Units @	\$103,300 /Unit		826,000
Four-Bedroom Units	3 Units @	\$112,200 /Unit		337,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$47,860,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue		\$1,436,000
Closing	2.0% Gross Sales Revenue		957,000
Warranty	0.5% Gross Sales Revenue		239,000
Total Cost of Sales			(\$2,632,000)

III. Net Revenue	\$45,228,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$316 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX D - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX D - EXHIBIT III - TABLE 2	\$45,228,000
	(Less) Threshold Developer Profit	¹ 13.8% Total Development Cost	(\$5,979,000)
	Total Funds Available for Development Costs		\$39,249,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1	\$43,424,000
III.	Land Value Reduction	29% As a % of Land Cost	\$4,175,000
	Inclusionary Housing Production Requirement	11% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX D - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		166,000	Sf of GBA	\$70 /Sf of GBA	11,620,000	
	Contractor Costs		20%	Other Direct Costs		3,486,000	
	Total Direct Costs						\$20,914,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,255,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		166,000	Sf of GBA	\$20.00 /Sf of GBA	3,320,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		523,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,573,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		424,000	
	Total Indirect Costs						\$8,895,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,400,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	665,000	
	Total Financing Costs						\$3,065,000
V.	Total Construction Cost		100	Units	\$329,000 /Unit		\$32,874,000
	Total Development Cost		100	Units	\$474,000 /Unit		\$47,394,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>				¹
Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
Three-Bedroom Units	70 Units @	\$505,300 /Unit	35,371,000	
Four-Bedroom Units	30 Units @	\$569,200 /Unit	17,076,000	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue			\$52,447,000	
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,573,000	
Closing	2.0% Gross Sales Revenue		1,049,000	
Warranty	0.5% Gross Sales Revenue		262,000	
Total Cost of Sales			(\$2,884,000)	
III. <u>Net Revenue</u>			\$49,563,000	

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$316 per square foot of saleable area.

APPENDIX D - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX D - EXHIBIT IV - TABLE 2	\$49,563,000
	(Less) Threshold Developer Profit	¹ 13.8% Total Development Cost	(\$6,525,000)
	Total Funds Available for Development Costs		\$43,038,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1	\$47,394,000
III.	Land Value Reduction	30% As a % of Land Cost	\$4,356,000
	In-Lieu Fee	See APPENDIX D - EXHIBIT IV - TABLE 1	\$20.00 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: CONDOMINIUM: BASE CASE

**APPENDIX D: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX D: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 COASTAL SOUTH LOS ANGELES SUBMARKET - CONDOMINIUM ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$505,300	\$505,300
	Affordable Sales Price	¹ 259,100	103,300
	Difference	\$246,200	\$402,000
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$569,200	\$569,200
	Affordable Sales Price	¹ 280,400	112,200
	Difference	\$288,800	\$457,000
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	70%	70%
	Four-Bedroom Units	30%	30%
	Five-Bedroom Units	0%	0%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$259,000	\$418,500
	Per Square Foot of GBA	\$23.40	\$37.80

¹ See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX E
SINGLE-FAMILY HOME ALTERNATIVES
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX E - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$20 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		153,780	Sf of GBA	\$60 /Sf of GBA	9,227,000	
	Contractor Costs		20%	Other Direct Costs		3,588,000	
	Total Direct Costs						\$21,527,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,292,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		538,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,325,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		245,000	
	Total Indirect Costs						\$5,150,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,848,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	531,000	
	Total Financing Costs						\$2,379,000
V.	Total Construction Cost		100	Units	\$291,000 /Unit		\$29,056,000
	Total Development Cost		100	Units	\$378,000 /Unit		\$37,768,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	42 Units @	\$390,000 /Unit	16,380,000	
	Four-Bedroom Units	58 Units @	\$478,800 /Unit	27,770,000	
	Five-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$44,150,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$1,325,000	
	Closing	2.0% Gross Sales Revenue		883,000	
	Warranty	0.5% Gross Sales Revenue		221,000	
	Total Cost of Sales				(\$2,429,000)
III.	Net Revenue				\$41,721,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

APPENDIX E - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX E - EXHIBIT I - TABLE 2	\$41,721,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$37,768,000</u>
III.	Developer Profit	10.5% Total Development Cost	\$3,953,000

**APPENDIX E - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$20 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		153,780	Sf of GBA	\$60 /Sf of GBA	9,227,000	
	Contractor Costs		20%	Other Direct Costs		3,588,000	
	Total Direct Costs						\$21,527,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,292,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		538,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,239,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		241,000	
	Total Indirect Costs						\$5,060,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,783,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	529,000	
	Total Financing Costs						\$2,312,000
V.	Total Construction Cost		100	Units	\$289,000 /Unit		\$28,899,000
	Total Development Cost		100	Units	\$376,000 /Unit		\$37,611,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	34 Units @	\$390,000 /Unit		13,260,000
Four-Bedroom Units	47 Units @	\$478,800 /Unit		22,504,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	8 Units @	\$273,000 /Unit		2,184,000
Four-Bedroom Units	11 Units @	\$303,800 /Unit		3,342,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$126,600 /Unit		0
Four-Bedroom Units	0 Units @	\$135,600 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$41,290,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,239,000
Closing	2.0% Gross Sales Revenue	826,000
Warranty	0.5% Gross Sales Revenue	206,000
Total Cost of Sales		(\$2,271,000)

III. Net Revenue	\$39,019,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

² See APPENDIX B - EXHIBIT II. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX E - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX E - EXHIBIT II - TABLE 2	\$39,019,000
	(Less) Threshold Developer Profit	¹ 10.5% Total Development Cost	(\$3,937,000)
	Total Funds Available for Development Costs		\$35,082,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT II - TABLE 1	\$37,611,000
III.	Land Value Reduction	29% As a % of Land Cost	\$2,529,000
	Inclusionary Housing Production Requirement	19% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX E - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$20 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		153,780	Sf of GBA	\$60 /Sf of GBA	9,227,000	
	Contractor Costs		20%	Other Direct Costs		3,588,000	
	Total Direct Costs						\$21,527,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,292,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		538,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,241,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		241,000	
	Total Indirect Costs						\$5,062,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,849,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	530,000	
	Total Financing Costs						\$2,379,000
V.	Total Construction Cost		100	Units	\$290,000 /Unit		\$28,968,000
	Total Development Cost		100	Units	\$377,000 /Unit		\$37,680,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	38 Units @	\$390,000 /Unit		14,820,000
Four-Bedroom Units	53 Units @	\$478,800 /Unit		25,376,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$273,000 /Unit		0
Four-Bedroom Units	0 Units @	\$303,800 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	4 Units @	\$126,600 /Unit		506,000
Four-Bedroom Units	5 Units @	\$135,600 /Unit		678,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$41,380,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue		\$1,241,000
Closing	2.0% Gross Sales Revenue		828,000
Warranty	0.5% Gross Sales Revenue		207,000
Total Cost of Sales			(\$2,276,000)

III. Net Revenue	\$39,104,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

² See APPENDIX B - EXHIBIT II. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX E - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX E - EXHIBIT III - TABLE 2	\$39,104,000
	(Less) Threshold Developer Profit	¹ 10.5% Total Development Cost	(\$3,944,000)
	Total Funds Available for Development Costs		\$35,160,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT III - TABLE 1	\$37,680,000
III.	Land Value Reduction	29% As a % of Land Cost	\$2,520,000
	Inclusionary Housing Production Requirement	9% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX E - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX E - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$20 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		153,780	Sf of GBA	\$60 /Sf of GBA	9,227,000	
	Contractor Costs		20%	Other Direct Costs		3,588,000	
	Total Direct Costs						\$21,527,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,292,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		153,780	Sf of GBA	\$13.33 /Sf of GBA	2,050,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		538,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,325,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		348,000	
	Total Indirect Costs						\$7,303,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,029,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	563,000	
	Total Financing Costs						\$2,592,000
V.	Total Construction Cost		100	Units	\$314,000 /Unit		\$31,422,000
	Total Development Cost		100	Units	\$401,000 /Unit		\$40,134,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	42 Units @	\$390,000 /Unit	16,380,000	
	Four-Bedroom Units	58 Units @	\$478,800 /Unit	27,770,000	
	Five-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$44,150,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$1,325,000	
	Closing	2.0% Gross Sales Revenue		883,000	
	Warranty	0.5% Gross Sales Revenue		221,000	
	Total Cost of Sales				(\$2,429,000)
III.	Net Revenue				\$41,721,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

APPENDIX E - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX E - EXHIBIT IV - TABLE 2	\$41,721,000
	(Less) Threshold Developer Profit	¹ 10.5% Total Development Cost	<u>(\$4,201,000)</u>
	Total Funds Available for Development Costs		\$37,520,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT IV - TABLE 1	<u>\$40,134,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$2,614,000
	In-Lieu Fee	See APPENDIX E - EXHIBIT IV - TABLE 1	\$13.33 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SOUTH LOS ANGELES SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX E: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX E: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 SOUTH LOS ANGELES SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$390,000	\$390,000
	Affordable Sales Price	¹ 273,000	126,600
	Difference	\$117,000	\$263,400
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$478,800	\$478,800
	Affordable Sales Price	¹ 303,800	135,600
	Difference	\$175,000	\$343,200
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	42%	42%
	Four-Bedroom Units	58%	58%
	Five-Bedroom Units	0%	0%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$150,600	\$309,700
	Per Square Foot of GBA	\$14.70	\$30.20

¹ See APPENDIX B - EXHIBIT II. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX F
SINGLE-FAMILY HOME ALTERNATIVES
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX F - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX F - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		200,200	Sf of GBA	\$70 /Sf of GBA	14,014,000	
	Contractor Costs		20%	Other Direct Costs		4,545,000	
	Total Direct Costs						\$27,271,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,636,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		682,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,723,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		292,000	
	Total Indirect Costs						\$6,133,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,394,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	697,000	
	Total Financing Costs						\$3,091,000
V.	Total Construction Cost		100	Units	\$365,000 /Unit		\$36,495,000
	Total Development Cost		100	Units	\$496,000 /Unit		\$49,563,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX F - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹		
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	30 Units @	\$515,800 /Unit		15,474,000
Four-Bedroom Units	70 Units @	\$599,200 /Unit		41,944,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				<u>\$57,418,000</u>
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue			\$1,723,000
Closing	2.0% Gross Sales Revenue			1,148,000
Warranty	0.5% Gross Sales Revenue			287,000
Total Cost of Sales				<u>(\$3,158,000)</u>
III. <u>Net Revenue</u>				<u>\$54,260,000</u>

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

APPENDIX F - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX F - EXHIBIT I - TABLE 2	\$54,260,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT I - TABLE 1	<u>\$49,563,000</u>
III.	Developer Profit	9.5% Total Development Cost	<u>\$4,697,000</u>

**APPENDIX F - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX F - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		200,200	Sf of GBA	\$70 /Sf of GBA	14,014,000	
	Contractor Costs		20%	Other Direct Costs		4,545,000	
	Total Direct Costs						\$27,271,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,636,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		682,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,600,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		286,000	
	Total Indirect Costs						\$6,004,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,351,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	695,000	
	Total Financing Costs						\$3,046,000
V.	Total Construction Cost		100	Units	\$363,000 /Unit		\$36,321,000
	Total Development Cost		100	Units	\$494,000 /Unit		\$49,389,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX F - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		26 Units @	\$515,800 /Unit	13,411,000
Four-Bedroom Units		60 Units @	\$599,200 /Unit	35,952,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		4 Units @	\$268,300 /Unit	1,073,000
Four-Bedroom Units		10 Units @	\$289,900 /Unit	2,899,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$110,400 /Unit	0
Four-Bedroom Units		0 Units @	\$119,400 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$53,335,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,600,000
Closing	2.0% Gross Sales Revenue	1,067,000
Warranty	0.5% Gross Sales Revenue	267,000
Total Cost of Sales		<u>(\$2,934,000)</u>

III. Net Revenue	\$50,401,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

² See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX F - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX F - EXHIBIT II - TABLE 2	\$50,401,000
	(Less) Threshold Developer Profit	¹ 9.5% Total Development Cost	(\$4,681,000)
	Total Funds Available for Development Costs		\$45,720,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT II - TABLE 1	\$49,389,000
III.	Land Value Reduction	28% As a % of Land Cost	\$3,669,000
	Inclusionary Housing Production Requirement	14% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX F - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX F - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		200,200	Sf of GBA	\$70 /Sf of GBA	14,014,000	
	Contractor Costs		20%	Other Direct Costs		4,545,000	
	Total Direct Costs						\$27,271,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,636,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		682,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,600,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		286,000	
	Total Indirect Costs						\$6,004,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,407,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	695,000	
	Total Financing Costs						\$3,102,000
V.	Total Construction Cost		100	Units	\$364,000 /Unit		\$36,377,000
	Total Development Cost		100	Units	\$494,000 /Unit		\$49,445,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX F - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	27 Units @	\$515,800 /Unit		13,927,000
Four-Bedroom Units	64 Units @	\$599,200 /Unit		38,349,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$268,300 /Unit		0
Four-Bedroom Units	0 Units @	\$289,900 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	3 Units @	\$110,400 /Unit		331,000
Four-Bedroom Units	6 Units @	\$119,400 /Unit		716,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$53,323,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,600,000
Closing	2.0% Gross Sales Revenue	1,066,000
Warranty	0.5% Gross Sales Revenue	267,000
Total Cost of Sales		(\$2,933,000)

III. Net Revenue	\$50,390,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

² See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX F - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX F - EXHIBIT III - TABLE 2	\$50,390,000
	(Less) Threshold Developer Profit	¹ 9.5% Total Development Cost	(\$4,686,000)
	Total Funds Available for Development Costs		\$45,704,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT III - TABLE 1	\$49,445,000
III.	Land Value Reduction	29% As a % of Land Cost	\$3,741,000
	Inclusionary Housing Production Requirement	9% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX F - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX F - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		200,200	Sf of GBA	\$70 /Sf of GBA	14,014,000	
	Contractor Costs		20%	Other Direct Costs		4,545,000	
	Total Direct Costs						\$27,271,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,636,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		200,200	Sf of GBA	\$15.48 /Sf of GBA	3,100,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		682,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,723,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		447,000	
	Total Indirect Costs						\$9,388,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,671,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	746,000	
	Total Financing Costs						\$3,417,000
V.	Total Construction Cost		100	Units	\$401,000 /Unit		\$40,076,000
	Total Development Cost		100	Units	\$531,000 /Unit		\$53,144,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX F - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0	Units @	\$0 /Unit	\$0
	Three-Bedroom Units	30	Units @	\$515,800 /Unit	15,474,000
	Four-Bedroom Units	70	Units @	\$599,200 /Unit	41,944,000
	Five-Bedroom Units	0	Units @	\$0 /Unit	0
	Total Gross Sales Revenue				\$57,418,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0%	Gross Sales Revenue		\$1,723,000
	Closing	2.0%	Gross Sales Revenue		1,148,000
	Warranty	0.5%	Gross Sales Revenue		287,000
	Total Cost of Sales				(\$3,158,000)
III.	Net Revenue				\$54,260,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$287 per square foot of saleable area.

APPENDIX F - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX F - EXHIBIT IV - TABLE 2	\$54,260,000
	(Less) Threshold Developer Profit	¹ 9.5% Total Development Cost	<u>(\$5,036,000)</u>
	Total Funds Available for Development Costs		\$49,224,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT IV - TABLE 1	<u>\$53,144,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$3,920,000
	In-Lieu Fee	See APPENDIX F - EXHIBIT IV - TABLE 1	\$15.48 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX F: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX F: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 EAST LOS ANGELES/GATEWAY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$515,800	\$515,800
	Affordable Sales Price	¹ 268,300	110,400
	Difference	\$247,500	\$405,400
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$599,200	\$599,200
	Affordable Sales Price	¹ 289,900	119,400
	Difference	\$309,300	\$479,800
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	30%	30%
	Four-Bedroom Units	70%	70%
	Five-Bedroom Units	0%	0%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$290,800	\$457,500
	Per Square Foot of GBA	\$21.80	\$34.30

¹ See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX G
CONDOMINIUM ALTERNATIVES
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX G - EXHIBIT I
PRO FORMA ANALYSIS
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX G - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$30 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		134,800	Sf of GBA	\$70 /Sf of GBA	9,436,000	
	Contractor Costs		20%	Other Direct Costs		3,049,000	
	Total Direct Costs						\$18,293,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,098,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		457,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,259,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		231,000	
	Total Indirect Costs						\$4,845,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,599,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	478,000	
	Total Financing Costs						\$2,077,000
V.	Total Construction Cost		100	Units	\$252,000 /Unit		\$25,215,000
	Total Development Cost		100	Units	\$339,000 /Unit		\$33,927,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX G - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹		
Two-Bedroom Units	40 Units @	\$297,800 /Unit	\$11,912,000	
Three-Bedroom Units	60 Units @	\$500,800 /Unit	30,048,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue				\$41,960,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,259,000	
Closing	2.0% Gross Sales Revenue		839,000	
Warranty	0.5% Gross Sales Revenue		210,000	
Total Cost of Sales				(\$2,308,000)
III. <u>Net Revenue</u>				\$39,652,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$311 per square foot of saleable area.

APPENDIX G - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX G - EXHIBIT I - TABLE 2	\$39,652,000
II.	Total Development Cost	See APPENDIX G - EXHIBIT I - TABLE 1	<u>\$33,927,000</u>
III.	Developer Profit	16.9% Total Development Cost	<u>\$5,725,000</u>

**APPENDIX G - EXHIBIT II
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX G - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$30 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		134,800	Sf of GBA	\$70 /Sf of GBA	9,436,000	
	Contractor Costs		20%	Other Direct Costs		3,049,000	
	Total Direct Costs						\$18,293,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,098,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		457,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,170,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		226,000	
	Total Indirect Costs						\$4,751,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,555,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	476,000	
	Total Financing Costs						\$2,031,000
V.	Total Construction Cost		100	Units	\$251,000 /Unit		\$25,075,000
	Total Development Cost		100	Units	\$338,000 /Unit		\$33,787,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX G - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		33 Units @	\$297,800 /Unit	\$9,827,000
Three-Bedroom Units		50 Units @	\$500,800 /Unit	25,040,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		7 Units @	\$208,500 /Unit	1,460,000
Three-Bedroom Units		10 Units @	\$268,300 /Unit	2,683,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$96,200 /Unit	0
Three-Bedroom Units		0 Units @	\$110,400 /Unit	
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$39,010,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,170,000
Closing	2.0% Gross Sales Revenue	780,000
Warranty	0.5% Gross Sales Revenue	195,000
Total Cost of Sales		<u>(\$2,145,000)</u>

III. Net Revenue	\$36,865,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$311 per square foot of saleable area.

² See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX G - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX G - EXHIBIT II - TABLE 2	\$36,865,000
	(Less) Threshold Developer Profit	¹ 16.9% Total Development Cost	(\$5,701,000)
	Total Funds Available for Development Costs		\$31,164,000
II.	Total Development Cost	See APPENDIX G - EXHIBIT II - TABLE 1	\$33,787,000
III.	Land Value Reduction	30% As a % of Land Cost	\$2,623,000
	Inclusionary Housing Production Requirement	17% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX G - EXHIBIT III
PRO FORMA ANALYSIS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX G - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$30 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		134,800	Sf of GBA	\$70 /Sf of GBA	9,436,000	
	Contractor Costs		20%	Other Direct Costs		3,049,000	
	Total Direct Costs						\$18,293,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,098,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		457,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,176,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		227,000	
	Total Indirect Costs						\$4,758,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,603,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	476,000	
	Total Financing Costs						\$2,079,000
V.	Total Construction Cost		100	Units	\$251,000 /Unit		\$25,130,000
	Total Development Cost		100	Units	\$338,000 /Unit		\$33,842,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX G - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	36 Units @	\$297,800 /Unit	\$10,721,000	
Three-Bedroom Units	55 Units @	\$500,800 /Unit	27,544,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$208,500 /Unit	0	
Three-Bedroom Units	0 Units @	\$268,300 /Unit	0	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Lower Income Units	2			
Two-Bedroom Units	4 Units @	\$96,200 /Unit	385,000	
Three-Bedroom Units	5 Units @	\$110,400 /Unit	552,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue				\$39,202,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,176,000	
Closing	2.0% Gross Sales Revenue	784,000	
Warranty	0.5% Gross Sales Revenue	196,000	
Total Cost of Sales			(\$2,156,000)

III. Net Revenue	\$37,046,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$311 per square foot of saleable area.

² See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX G - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX G - EXHIBIT III - TABLE 2	\$37,046,000
	(Less) Threshold Developer Profit	¹ 16.9% Total Development Cost	(\$5,711,000)
	Total Funds Available for Development Costs		\$31,335,000
II.	Total Development Cost	See APPENDIX G - EXHIBIT III - TABLE 1	\$33,842,000
III.	Land Value Reduction	29% As a % of Land Cost	\$2,507,000
	Inclusionary Housing Production Requirement	9% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX G - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX G - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$30 /Sf of Land		\$8,712,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		134,800	Sf of GBA	\$70 /Sf of GBA	9,436,000	
	Contractor Costs		20%	Other Direct Costs		3,049,000	
	Total Direct Costs						\$18,293,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,098,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		134,800	Sf of GBA	\$14.41 /Sf of GBA	1,943,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		457,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,259,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		328,000	
	Total Indirect Costs						\$6,885,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,766,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	508,000	
	Total Financing Costs						\$2,274,000
V.	Total Construction Cost		100	Units	\$275,000 /Unit		\$27,452,000
	Total Development Cost		100	Units	\$362,000 /Unit		\$36,164,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX G - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹			
Two-Bedroom Units	40 Units @		\$297,800 /Unit	\$11,912,000	
Three-Bedroom Units	60 Units @		\$500,800 /Unit	30,048,000	
Four-Bedroom Units	0 Units @		\$0 /Unit	0	
Five-Bedroom Units	0 Units @		\$0 /Unit	0	
Total Gross Sales Revenue					\$41,960,000
II. <u>Cost of Sales</u>					
Commissions	3.0% Gross Sales Revenue			\$1,259,000	
Closing	2.0% Gross Sales Revenue			839,000	
Warranty	0.5% Gross Sales Revenue			210,000	
Total Cost of Sales					(\$2,308,000)
III.	Net Revenue				\$39,652,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$311 per square foot of saleable area.

APPENDIX G - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX G - EXHIBIT IV - TABLE 2	\$39,652,000
	(Less) Threshold Developer Profit	¹ 16.9% Total Development Cost	<u>(\$6,102,000)</u>
	Total Funds Available for Development Costs		\$33,550,000
II.	Total Development Cost	See APPENDIX G - EXHIBIT IV - TABLE 1	<u>\$36,164,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$2,614,000
	In-Lieu Fee	See APPENDIX G - EXHIBIT IV - TABLE 1	\$14.41 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: CONDOMINIUM: BASE CASE

**APPENDIX G: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX G: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 EAST LOS ANGELES/GATEWAY SUBMARKET - CONDOMINIUM ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		<u>Moderate Income</u>	<u>Lower Income</u>
I. <u>Sales Price Difference</u>			
A. <u>Two-Bedroom Units</u>			
Market Rate Units		\$297,800	\$297,800
Affordable Sales Price	¹	208,500	96,200
Difference		\$89,300	\$201,600
B. <u>Three-Bedroom Units</u>			
Market Rate Units		\$500,800	\$500,800
Affordable Sales Price	¹	268,300	110,400
Difference		\$232,500	\$390,400
C. <u>Four-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
D. <u>Five-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
II. <u>Distribution of Total Units</u>			
Two-Bedroom Units		40%	40%
Three-Bedroom Units		60%	60%
Four-Bedroom Units		0%	0%
Five-Bedroom Units		0%	0%
III. <u>In-Lieu Fee</u>			
Per Income Restricted Unit		\$175,200	\$314,900
Per Square Foot of GBA		\$19.50	\$35.00

¹ See APPENDIX B - EXHIBIT III. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX H
SINGLE-FAMILY HOME ALTERNATIVES
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX H - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX H - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$50 /Sf of Land		\$36,300,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$25 /Sf of Land	\$18,150,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		302,325	Sf of GBA	\$100 /Sf of GBA	30,233,000	
	Contractor Costs		20%	Other Direct Costs		9,677,000	
	Total Direct Costs						\$58,060,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$3,484,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,452,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		4,119,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		565,000	
	Total Indirect Costs						\$11,870,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$5,454,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	1,593,000	
	Total Financing Costs						\$7,047,000
V.	Total Construction Cost		100	Units	\$770,000 /Unit		\$76,977,000
	Total Development Cost		100	Units	\$1,133,000 /Unit		\$113,277,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX H - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹		
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	15 Units @	\$856,900 /Unit		12,854,000
Four-Bedroom Units	60 Units @	\$1,322,400 /Unit		79,344,000
Five-Bedroom Units	25 Units @	\$1,804,700 /Unit		45,118,000
Total Gross Sales Revenue				\$137,316,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue			\$4,119,000
Closing	2.0% Gross Sales Revenue			2,746,000
Warranty	0.5% Gross Sales Revenue			687,000
Total Cost of Sales				(\$7,552,000)
III.	Net Revenue			\$129,764,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$454 per square foot of saleable area.

APPENDIX H - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX H - EXHIBIT I - TABLE 2	\$129,764,000
II.	Total Development Cost	See APPENDIX H - EXHIBIT I - TABLE 1	<u>\$113,277,000</u>
III.	Developer Profit	14.6% Total Development Cost	\$16,487,000

**APPENDIX H - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX H - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$50 /Sf of Land		\$36,300,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$25 /Sf of Land	\$18,150,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		302,325	Sf of GBA	\$100 /Sf of GBA	30,233,000	
	Contractor Costs		20%	Other Direct Costs		9,677,000	
	Total Direct Costs						\$58,060,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$3,484,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,452,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		3,761,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		547,000	
	Total Indirect Costs						\$11,494,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$5,466,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	1,588,000	
	Total Financing Costs						\$7,054,000
V.	Total Construction Cost		100	Units	\$766,000 /Unit		\$76,608,000
	Total Development Cost		100	Units	\$1,129,000 /Unit		\$112,908,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX H - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	13 Units @	\$856,900 /Unit		11,140,000
Four-Bedroom Units	54 Units @	\$1,322,400 /Unit		71,410,000
Five-Bedroom Units	22 Units @	\$1,804,700 /Unit		39,703,000
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	2 Units @	\$260,900 /Unit		522,000
Four-Bedroom Units	6 Units @	\$282,400 /Unit		1,694,000
Five-Bedroom Units	3 Units @	\$303,800 /Unit		911,000
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$104,100 /Unit		0
Four-Bedroom Units	0 Units @	\$113,100 /Unit		0
Five-Bedroom Units	0 Units @	\$121,900 /Unit		0
Total Gross Sales Revenue				\$125,380,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue		\$3,761,000
Closing	2.0% Gross Sales Revenue		2,508,000
Warranty	0.5% Gross Sales Revenue		627,000
Total Cost of Sales			(\$6,896,000)

III. Net Revenue	\$118,484,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$454 per square foot of saleable area.

² See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX H - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX H - EXHIBIT II - TABLE 2	\$118,484,000
	(Less) Threshold Developer Profit	¹ 14.6% Total Development Cost	(\$16,433,000)
	Total Funds Available for Development Costs		\$102,051,000
II.	Total Development Cost	See APPENDIX H - EXHIBIT II - TABLE 1	\$112,908,000
III.	Land Value Reduction	30% As a % of Land Cost	\$10,857,000
	Inclusionary Housing Production Requirement	11% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX H - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX H - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$50 /Sf of Land		\$36,300,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$25 /Sf of Land	\$18,150,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		302,325	Sf of GBA	\$100 /Sf of GBA	30,233,000	
	Contractor Costs		20%	Other Direct Costs		9,677,000	
	Total Direct Costs						\$58,060,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$3,484,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,452,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		3,778,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		548,000	
	Total Indirect Costs						\$11,512,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$5,518,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	1,588,000	
	Total Financing Costs						\$7,106,000
V.	Total Construction Cost		100	Units	\$767,000 /Unit		\$76,678,000
	Total Development Cost		100	Units	\$1,130,000 /Unit		\$112,978,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX H - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		14 Units @	\$856,900 /Unit	11,997,000
Four-Bedroom Units		54 Units @	\$1,322,400 /Unit	71,410,000
Five-Bedroom Units		23 Units @	\$1,804,700 /Unit	41,508,000
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$260,900 /Unit	0
Four-Bedroom Units		0 Units @	\$282,400 /Unit	0
Five-Bedroom Units		0 Units @	\$303,800 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		1 Unit @	\$104,100 /Unit	104,000
Four-Bedroom Units		6 Units @	\$113,100 /Unit	679,000
Five-Bedroom Units		2 Units @	\$121,900 /Unit	244,000
Total Gross Sales Revenue				<u>\$125,942,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$3,778,000
Closing	2.0% Gross Sales Revenue	2,519,000
Warranty	0.5% Gross Sales Revenue	630,000
Total Cost of Sales		<u>(\$6,927,000)</u>

III. Net Revenue	\$119,015,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$454 per square foot of saleable area.

² See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX H - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX H - EXHIBIT III - TABLE 2	\$119,015,000
	(Less) Threshold Developer Profit	¹ 14.6% Total Development Cost	(\$16,443,000)
	Total Funds Available for Development Costs		\$102,572,000
II.	Total Development Cost	See APPENDIX H - EXHIBIT III - TABLE 1	\$112,978,000
III.	Land Value Reduction	29% As a % of Land Cost	\$10,406,000
	Inclusionary Housing Production Requirement	9% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX H - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX H - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$50 /Sf of Land		\$36,300,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$25 /Sf of Land	\$18,150,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		302,325	Sf of GBA	\$100 /Sf of GBA	30,233,000	
	Contractor Costs		20%	Other Direct Costs		9,677,000	
	Total Direct Costs						\$58,060,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$3,484,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		302,325	Sf of GBA	\$27.27 /Sf of GBA	8,245,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,452,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		4,119,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		978,000	
	Total Indirect Costs						\$20,528,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$6,174,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	1,723,000	
	Total Financing Costs						\$7,897,000
V.	Total Construction Cost		100	Units	\$865,000 /Unit		\$86,485,000
	Total Development Cost		100	Units	\$1,228,000 /Unit		\$122,785,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX H - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	15 Units @	\$856,900 /Unit	12,854,000	
	Four-Bedroom Units	60 Units @	\$1,322,400 /Unit	79,344,000	
	Five-Bedroom Units	25 Units @	\$1,804,700 /Unit	45,118,000	
	Total Gross Sales Revenue				\$137,316,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$4,119,000	
	Closing	2.0% Gross Sales Revenue		2,746,000	
	Warranty	0.5% Gross Sales Revenue		687,000	
	Total Cost of Sales				(\$7,552,000)
III.	Net Revenue				\$129,764,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$454 per square foot of saleable area.

APPENDIX H - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX H - EXHIBIT IV - TABLE 2	\$129,764,000
	(Less) Threshold Developer Profit	¹ 14.6% Total Development Cost	<u>(\$17,871,000)</u>
	Total Funds Available for Development Costs		\$111,893,000
II.	Total Development Cost	See APPENDIX H - EXHIBIT IV - TABLE 1	<u>\$122,785,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$10,892,000
	In-Lieu Fee	See APPENDIX H - EXHIBIT IV - TABLE 1	\$27.27 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX H: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX H: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 SAN GABRIEL VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price	¹ 0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$856,900	\$856,900
	Affordable Sales Price	¹ 260,900	104,100
	Difference	\$596,000	\$752,800
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$1,322,400	\$1,322,400
	Affordable Sales Price	¹ 282,400	113,100
	Difference	\$1,040,000	\$1,209,300
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$1,804,700	\$1,804,700
	Affordable Sales Price	¹ 303,800	121,900
	Difference	\$1,500,900	\$1,682,800
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	15%	15%
	Four-Bedroom Units	60%	60%
	Five-Bedroom Units	25%	25%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$1,088,600	\$1,259,200
	Per Square Foot of GBA	\$54.00	\$62.50

¹ See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX I
CONDOMINIUM ALTERNATIVES
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX I - EXHIBIT I
PRO FORMA ANALYSIS
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX I - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		177,500	Sf of GBA	\$80 /Sf of GBA	14,200,000	
	Contractor Costs		20%	Other Direct Costs		4,002,000	
	Total Direct Costs						\$24,010,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,441,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		600,000	
	Marketing		100	Units	\$5,000 /Unit	500,000	
	Development Management		3.0%	Gross Sales Revenue		1,771,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		291,000	
	Total Indirect Costs						\$6,103,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,219,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	669,000	
	Total Financing Costs						\$2,888,000
V.	Total Construction Cost		100	Units	\$330,000 /Unit		\$33,001,000
	Total Development Cost		100	Units	\$475,000 /Unit		\$47,521,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX I - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹		
Two-Bedroom Units	15 Units @	\$541,400 /Unit	\$8,121,000	
Three-Bedroom Units	75 Units @	\$591,900 /Unit	\$44,393,000	
Four-Bedroom Units	10 Units @	\$651,500 /Unit	\$6,515,000	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue				\$59,029,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,771,000	
Closing	2.0% Gross Sales Revenue		1,181,000	
Warranty	0.5% Gross Sales Revenue		295,000	
Total Cost of Sales				(\$3,247,000)
III. <u>Net Revenue</u>				\$55,782,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$333 per square foot of saleable area.

APPENDIX I - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX I - EXHIBIT I - TABLE 2	\$55,782,000
II.	Total Development Cost	See APPENDIX I - EXHIBIT I - TABLE 1	<u>\$47,521,000</u>
III.	Developer Profit	17.4% Total Development Cost	<u>\$8,261,000</u>

**APPENDIX I - EXHIBIT II
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX I - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		177,500	Sf of GBA	\$80 /Sf of GBA	14,200,000	
	Contractor Costs		20%	Other Direct Costs		4,002,000	
	Total Direct Costs						\$24,010,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,441,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		600,000	
	Marketing		100	Units	\$5,000 /Unit	500,000	
	Development Management		3.0%	Gross Sales Revenue		1,632,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		284,000	
	Total Indirect Costs						\$5,957,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,190,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	667,000	
	Total Financing Costs						\$2,857,000
V.	Total Construction Cost		100	Units	\$328,000 /Unit		\$32,824,000
	Total Development Cost		100	Units	\$473,000 /Unit		\$47,344,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX I - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		13 Units @	\$541,400 /Unit	\$7,038,000
Three-Bedroom Units		64 Units @	\$591,900 /Unit	37,882,000
Four-Bedroom Units		9 Units @	\$651,500 /Unit	\$5,864,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		2 Units @	\$231,400 /Unit	463,000
Three-Bedroom Units		11 Units @	\$260,900 /Unit	2,870,000
Four-Bedroom Units		1 Unit @	\$282,400 /Unit	282,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$90,000 /Unit	0
Three-Bedroom Units		0 Units @	\$104,100 /Unit	0
Four-Bedroom Units		0 Units @	\$113,100 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$54,399,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,632,000
Closing	2.0% Gross Sales Revenue	1,088,000
Warranty	0.5% Gross Sales Revenue	272,000
Total Cost of Sales		<u>(\$2,992,000)</u>

III. Net Revenue	\$51,407,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$332 per square foot of saleable area.

² See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX I - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX I - EXHIBIT II - TABLE 2	\$51,407,000
	(Less) Threshold Developer Profit	¹ 17.4% Total Development Cost	(\$8,230,000)
Total Funds Available for Development Costs			\$43,177,000
II.	Total Development Cost	See APPENDIX I - EXHIBIT II - TABLE 1	\$47,344,000
III.	Land Value Reduction	29% As a % of Land Cost	\$4,167,000
	Inclusionary Housing Production Requirement	14% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET:
CONDOMINIUM: BASE CASE.

**APPENDIX I - EXHIBIT III
PRO FORMA ANALYSIS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX I - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400 Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²				
	Site Improvement Costs		290,400 Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200 Spaces	\$0 /Space	0	
	Residential Building Costs		177,500 Sf of GBA	\$80 /Sf of GBA	14,200,000	
	Contractor Costs		20% Other Direct Costs		4,002,000	
	Total Direct Costs					\$24,010,000
III.	<u>Indirect Costs</u>					
	Architecture, Eng & Consulting		6.0% Direct Costs		\$1,441,000	
	Public Permits & Fees	³	100 Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5% Direct Costs		600,000	
	Marketing		100 Units	\$5,000 /Unit	500,000	
	Development Management		3.0% Gross Sales Revenue		1,625,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		283,000	
	Total Indirect Costs					\$5,949,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁴			\$2,232,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	667,000	
	Total Financing Costs					\$2,899,000
V.	Total Construction Cost		100 Units	\$329,000 /Unit		\$32,858,000
	Total Development Cost		100 Units	\$474,000 /Unit		\$47,378,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX I - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 SAN GABRIEL VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	13 Units @	\$541,400 /Unit		\$7,038,000
Three-Bedroom Units	68 Units @	\$591,900 /Unit		40,249,000
Four-Bedroom Units	9 Units @	\$651,500 /Unit		5,864,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$231,400 /Unit		0
Three-Bedroom Units	0 Units @	\$260,900 /Unit		0
Four-Bedroom Units	0 Units @	\$282,400 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	2 Units @	\$90,000 /Unit		180,000
Three-Bedroom Units	7 Units @	\$104,100 /Unit		729,000
Four-Bedroom Units	1 Unit @	\$113,100 /Unit		113,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$54,173,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,625,000
Closing	2.0% Gross Sales Revenue	1,083,000
Warranty	0.5% Gross Sales Revenue	271,000
Total Cost of Sales		(\$2,979,000)

III. Net Revenue	\$51,194,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$332 per square foot of saleable area.

² See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX I - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX I - EXHIBIT III - TABLE 2	\$51,194,000
	(Less) Threshold Developer Profit	¹ 17.4% Total Development Cost	(\$8,236,000)
	Total Funds Available for Development Costs		\$42,958,000
II.	Total Development Cost	See APPENDIX I - EXHIBIT III - TABLE 1	\$47,378,000
III.	Land Value Reduction	30% As a % of Land Cost	\$4,420,000
	Inclusionary Housing Production Requirement	10% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET:
CONDOMINIUM: BASE CASE.

**APPENDIX I - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX I - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$50 /Sf of Land		\$14,520,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		177,500	Sf of GBA	\$80 /Sf of GBA	14,200,000	
	Contractor Costs		20%	Other Direct Costs		4,002,000	
	Total Direct Costs						\$24,010,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,441,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		177,500	Sf of GBA	\$18.15 /Sf of GBA	3,221,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		600,000	
	Marketing		100	Units	\$5,000 /Unit	500,000	
	Development Management		3.0%	Gross Sales Revenue		1,771,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		452,000	
	Total Indirect Costs						\$9,485,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$2,497,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	720,000	
	Total Financing Costs						\$3,217,000
V.	Total Construction Cost		100	Units	\$367,000 /Unit		\$36,712,000
	Total Development Cost		100	Units	\$512,000 /Unit		\$51,232,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX I - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Gross Sales Revenue	1			
	Two-Bedroom Units	15	Units @	\$541,400 /Unit	\$8,121,000
	Three-Bedroom Units	75	Units @	\$591,900 /Unit	44,393,000
	Four-Bedroom Units	10	Units @	\$651,500 /Unit	6,515,000
	Five-Bedroom Units	0	Units @	\$0 /Unit	0
	Total Gross Sales Revenue				\$59,029,000
II.	Cost of Sales				
	Commissions	3.0%	Gross Sales Revenue		\$1,771,000
	Closing	2.0%	Gross Sales Revenue		1,181,000
	Warranty	0.5%	Gross Sales Revenue		295,000
	Total Cost of Sales				(\$3,247,000)
III.	Net Revenue				\$55,782,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$333 per square foot of saleable area.

APPENDIX I - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX I - EXHIBIT IV - TABLE 2	\$55,782,000	
(Less) Threshold Developer Profit	¹ 17.4% Total Development Cost	(\$8,906,000)	
Total Funds Available for Development Costs			\$46,876,000
II. Total Development Cost	See APPENDIX I - EXHIBIT IV - TABLE 1		\$51,232,000
III. Land Value Reduction	30% As a % of Land Cost	\$4,356,000	
In-Lieu Fee	See APPENDIX I - EXHIBIT IV - TABLE 1	\$18.15 /Sf of GBA	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET:
CONDOMINIUM: BASE CASE

**APPENDIX I: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX I: EXHIBIT V

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SAN GABRIEL VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

		<u>Moderate Income</u>	<u>Lower Income</u>
I. <u>Sales Price Difference</u>			
A. <u>Two-Bedroom Units</u>			
Market Rate Units		\$541,400	\$541,400
Affordable Sales Price	¹	231,400	90,000
Difference		\$310,000	\$451,400
B. <u>Three-Bedroom Units</u>			
Market Rate Units		\$591,900	\$591,900
Affordable Sales Price	¹	260,900	104,100
Difference		\$331,000	\$487,800
C. <u>Four-Bedroom Units</u>			
Market Rate Units		\$651,500	\$651,500
Affordable Sales Price	¹	282,400	113,100
Difference		\$369,100	\$538,400
D. <u>Five-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
II. <u>Distribution of Total Units</u>			
Two-Bedroom Units		15%	15%
Three-Bedroom Units		75%	75%
Four-Bedroom Units		10%	10%
Five-Bedroom Units		0%	0%
III. <u>In-Lieu Fee</u>			
Per Income Restricted Unit		\$331,700	\$487,400
Per Square Foot of GBA		\$28.00	\$41.20

¹ See APPENDIX B - EXHIBIT IV. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX J
SINGLE-FAMILY HOME ALTERNATIVES
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX J - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX J - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$10 /Sf of Land		\$7,260,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$30 /Sf of Land	\$21,780,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		275,800	Sf of GBA	\$70 /Sf of GBA	19,306,000	
	Contractor Costs		20%	Other Direct Costs		8,217,000	
	Total Direct Costs						\$49,303,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$2,958,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,233,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		2,472,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		446,000	
	Total Indirect Costs						\$9,359,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,304,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	989,000	
	Total Financing Costs						\$4,293,000
V.	Total Construction Cost		100	Units	\$630,000 /Unit		\$62,955,000
	Total Development Cost		100	Units	\$702,000 /Unit		\$70,215,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX J - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Gross Sales Revenue	¹		
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0
	Three-Bedroom Units	25 Units @	\$533,600 /Unit	13,340,000
	Four-Bedroom Units	45 Units @	\$711,500 /Unit	32,018,000
	Five-Bedroom Units	30 Units @	\$1,235,200 /Unit	37,056,000
	Total Gross Sales Revenue			\$82,414,000
II.	Cost of Sales			
	Commissions	3.0% Gross Sales Revenue		\$2,472,000
	Closing	2.0% Gross Sales Revenue		1,648,000
	Warranty	0.5% Gross Sales Revenue		412,000
	Total Cost of Sales			(\$4,532,000)
III.	Net Revenue			\$77,882,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$299 per square foot of saleable area.

APPENDIX J - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX J - EXHIBIT I - TABLE 2	\$77,882,000
II.	Total Development Cost	See APPENDIX J - EXHIBIT I - TABLE 1	<u>\$70,215,000</u>
III.	Developer Profit	10.9% Total Development Cost	<u>\$7,667,000</u>

APPENDIX J - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX J - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$10 /Sf of Land		\$7,260,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$30 /Sf of Land	\$21,780,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		275,800	Sf of GBA	\$70 /Sf of GBA	19,306,000	
	Contractor Costs		20%	Other Direct Costs		8,217,000	
	Total Direct Costs						\$49,303,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$2,958,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,233,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		2,401,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		442,000	
	Total Indirect Costs						\$9,284,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,282,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	988,000	
	Total Financing Costs						\$4,270,000
V.	Total Construction Cost		100	Units	\$629,000 /Unit		\$62,857,000
	Total Development Cost		100	Units	\$701,000 /Unit		\$70,117,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX J - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		23 Units @	\$533,600 /Unit	12,273,000
Four-Bedroom Units		43 Units @	\$711,500 /Unit	30,595,000
Five-Bedroom Units		29 Units @	\$1,235,200 /Unit	35,821,000
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		2 Units @	\$249,600 /Unit	499,000
Four-Bedroom Units		2 Units @	\$270,800 /Unit	542,000
Five-Bedroom Units		1 Unit @	\$292,100 /Unit	292,000
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$93,700 /Unit	0
Four-Bedroom Units		0 Units @	\$102,500 /Unit	0
Five-Bedroom Units		0 Units @	\$111,500 /Unit	0
Total Gross Sales Revenue				<u>\$80,022,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$2,401,000
Closing	2.0% Gross Sales Revenue	1,600,000
Warranty	0.5% Gross Sales Revenue	400,000
Total Cost of Sales		<u>(\$4,401,000)</u>

III. Net Revenue	\$75,621,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$300 per square foot of saleable area.

² See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX J - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX J - EXHIBIT II - TABLE 2	\$75,621,000
	(Less) Threshold Developer Profit	¹ 10.9% Total Development Cost	(\$7,656,000)
	Total Funds Available for Development Costs		\$67,965,000
II.	Total Development Cost	See APPENDIX J - EXHIBIT II - TABLE 1	\$70,117,000
III.	Land Value Reduction	30% As a % of Land Cost	\$2,152,000
	Inclusionary Housing Production Requirement	5% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX J - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX J - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$10 /Sf of Land		\$7,260,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$30 /Sf of Land	\$21,780,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		275,800	Sf of GBA	\$70 /Sf of GBA	19,306,000	
	Contractor Costs		20%	Other Direct Costs		8,217,000	
	Total Direct Costs						\$49,303,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$2,958,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,233,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		2,407,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		442,000	
	Total Indirect Costs						\$9,290,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,315,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	988,000	
	Total Financing Costs						\$4,303,000
V.	Total Construction Cost		100	Units	\$629,000 /Unit		\$62,896,000
	Total Development Cost		100	Units	\$702,000 /Unit		\$70,156,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX J - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		24 Units @	\$533,600 /Unit	12,806,000
Four-Bedroom Units		44 Units @	\$711,500 /Unit	31,306,000
Five-Bedroom Units		29 Units @	\$1,235,200 /Unit	35,821,000
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$249,600 /Unit	0
Four-Bedroom Units		0 Units @	\$270,800 /Unit	0
Five-Bedroom Units		0 Units @	\$292,100 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		1 Unit @	\$93,700 /Unit	94,000
Four-Bedroom Units		1 Unit @	\$102,500 /Unit	103,000
Five-Bedroom Units		1 Unit @	\$111,500 /Unit	112,000
Total Gross Sales Revenue				<u>\$80,242,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$2,407,000
Closing	2.0% Gross Sales Revenue	1,605,000
Warranty	0.5% Gross Sales Revenue	401,000
Total Cost of Sales		<u>(\$4,413,000)</u>

III. Net Revenue	\$75,829,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$299 per square foot of saleable area.

² See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX J - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX J - EXHIBIT III - TABLE 2	\$75,829,000
	(Less) Threshold Developer Profit	¹ 10.9% Total Development Cost	(\$7,661,000)
	Total Funds Available for Development Costs		\$68,168,000
II.	Total Development Cost	See APPENDIX J - EXHIBIT III - TABLE 1	\$70,156,000
III.	Land Value Reduction	27% As a % of Land Cost	\$1,988,000
	Inclusionary Housing Production Requirement	3% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX J - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX J - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	726,000	Sf of Land	\$10 /Sf of Land		\$7,260,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		726,000	Sf of Land	\$30 /Sf of Land	\$21,780,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		275,800	Sf of GBA	\$70 /Sf of GBA	19,306,000	
	Contractor Costs		20%	Other Direct Costs		8,217,000	
	Total Direct Costs						\$49,303,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$2,958,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		275,800	Sf of GBA	\$6.17 /Sf of GBA	1,702,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		1,233,000	
	Marketing		100	Units	\$7,500 /Unit	750,000	
	Development Management		3.0%	Gross Sales Revenue		2,472,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		531,000	
	Total Indirect Costs						\$11,146,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$3,454,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	1,016,000	
	Total Financing Costs						\$4,470,000
V.	Total Construction Cost		100	Units	\$649,000 /Unit		\$64,919,000
	Total Development Cost		100	Units	\$722,000 /Unit		\$72,179,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX J - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹			
Two-Bedroom Units	0 Units @		\$0 /Unit		\$0
Three-Bedroom Units	25 Units @		\$533,600 /Unit		13,340,000
Four-Bedroom Units	45 Units @		\$711,500 /Unit		32,018,000
Five-Bedroom Units	30 Units @		\$1,235,200 /Unit		37,056,000
Total Gross Sales Revenue					\$82,414,000
II. <u>Cost of Sales</u>					
Commissions	3.0% Gross Sales Revenue				\$2,472,000
Closing	2.0% Gross Sales Revenue				1,648,000
Warranty	0.5% Gross Sales Revenue				412,000
Total Cost of Sales					(\$4,532,000)
III.	Net Revenue				\$77,882,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$299 per square foot of saleable area.

APPENDIX J - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX J - EXHIBIT IV - TABLE 2	\$77,882,000
	(Less) Threshold Developer Profit	¹ 10.9% Total Development Cost	<u>(\$7,881,000)</u>
	Total Funds Available for Development Costs		\$70,001,000
II.	Total Development Cost	See APPENDIX J - EXHIBIT IV - TABLE 1	<u>\$72,179,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$2,178,000
	In-Lieu Fee	See APPENDIX J - EXHIBIT IV - TABLE 1	\$6.17 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX J: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX J: EXHIBIT V

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

		<u>Moderate Income</u>	<u>Lower Income</u>
I. <u>Sales Price Difference</u>			
A. <u>Two-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
B. <u>Three-Bedroom Units</u>			
Market Rate Units		\$533,600	\$533,600
Affordable Sales Price	¹	249,600	93,700
Difference		\$284,000	\$439,900
C. <u>Four-Bedroom Units</u>			
Market Rate Units		\$711,500	\$711,500
Affordable Sales Price	¹	270,800	102,500
Difference		\$440,700	\$609,000
D. <u>Five-Bedroom Units</u>			
Market Rate Units		\$1,235,200	\$1,235,200
Affordable Sales Price	¹	292,100	111,500
Difference		\$943,100	\$1,123,700
II. <u>Distribution of Total Units</u>			
Two-Bedroom Units		0%	0%
Three-Bedroom Units		25%	25%
Four-Bedroom Units		45%	45%
Five-Bedroom Units		30%	30%
III. <u>In-Lieu Fee</u>			
Per Income Restricted Unit		\$552,200	\$721,100
Per Square Foot of GBA		\$30.00	\$39.20

¹ See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX K
CONDOMINIUM ALTERNATIVES
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

**APPENDIX K - EXHIBIT I
PRO FORMA ANALYSIS
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX K - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$10 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		160,400	Sf of GBA	\$80 /Sf of GBA	12,832,000	
	Contractor Costs		20%	Other Direct Costs		3,728,000	
	Total Direct Costs						\$22,368,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,342,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		559,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,205,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		243,000	
	Total Indirect Costs						\$5,099,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,382,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	456,000	
	Total Financing Costs						\$1,838,000
V.	Total Construction Cost		100	Units	\$293,000 /Unit		\$29,305,000
	Total Development Cost		100	Units	\$322,000 /Unit		\$32,209,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX K - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹		
Two-Bedroom Units	20 Units @	\$365,400 /Unit	\$7,308,000	
Three-Bedroom Units	80 Units @	\$410,700 /Unit	\$32,856,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	\$0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue				\$40,164,000
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,205,000	
Closing	2.0% Gross Sales Revenue		803,000	
Warranty	0.5% Gross Sales Revenue		201,000	
Total Cost of Sales				(\$2,209,000)
III. <u>Net Revenue</u>				\$37,955,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$250 per square foot of saleable area.

APPENDIX K - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
CONDOMINIUM: BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX K - EXHIBIT I - TABLE 2	\$37,955,000
II.	Total Development Cost	See APPENDIX K - EXHIBIT I - TABLE 1	<u>\$32,209,000</u>
III.	Developer Profit	17.8% Total Development Cost	<u>\$5,746,000</u>

**APPENDIX K - EXHIBIT II
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX K - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$10 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		160,400	Sf of GBA	\$80 /Sf of GBA	12,832,000	
	Contractor Costs		20%	Other Direct Costs		3,728,000	
	Total Direct Costs						\$22,368,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,342,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		559,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,176,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		241,000	
	Total Indirect Costs						\$5,068,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,366,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	455,000	
	Total Financing Costs						\$1,821,000
V.	Total Construction Cost		100	Units	\$293,000 /Unit		\$29,257,000
	Total Development Cost		100	Units	\$322,000 /Unit		\$32,161,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX K - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: MODERATE INCOME ALTERNATIVE
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		19 Units @	\$365,400 /Unit	\$6,943,000
Three-Bedroom Units		75 Units @	\$410,700 /Unit	30,803,000
Four-Bedroom Units		0 Units @	\$0 /Unit	\$0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		1 Unit @	\$220,100 /Unit	220,000
Three-Bedroom Units		5 Units @	\$249,600 /Unit	1,248,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$79,900 /Unit	0
Three-Bedroom Units		0 Units @	\$93,700 /Unit	0
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$39,214,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,176,000
Closing	2.0% Gross Sales Revenue	784,000
Warranty	0.5% Gross Sales Revenue	196,000
Total Cost of Sales		<u>(\$2,156,000)</u>

III. Net Revenue	\$37,058,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$250 per square foot of saleable area.

² See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX K - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX K - EXHIBIT II - TABLE 2	\$37,058,000
	(Less) Threshold Developer Profit	¹ 17.8% Total Development Cost	(\$5,737,000)
	Total Funds Available for Development Costs		\$31,321,000
II.	Total Development Cost	See APPENDIX K - EXHIBIT II - TABLE 1	\$32,161,000
III.	Land Value Reduction	29% As a % of Land Cost	\$840,000
	Inclusionary Housing Production Requirement	6% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX K - EXHIBIT III
PRO FORMA ANALYSIS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX K - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$10 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		160,400	Sf of GBA	\$80 /Sf of GBA	12,832,000	
	Contractor Costs		20%	Other Direct Costs		3,728,000	
	Total Direct Costs						\$22,368,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,342,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		559,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,177,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		241,000	
	Total Indirect Costs						\$5,069,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,384,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	455,000	
	Total Financing Costs						\$1,839,000
V.	Total Construction Cost		100	Units	\$293,000 /Unit		\$29,276,000
	Total Development Cost		100	Units	\$322,000 /Unit		\$32,180,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX K - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 CONDOMINIUM: LOWER INCOME ALTERNATIVE
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	19 Units @	\$365,400 /Unit	\$6,943,000	
Three-Bedroom Units	78 Units @	\$410,700 /Unit	32,035,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$220,100 /Unit	0	
Three-Bedroom Units	0 Units @	\$249,600 /Unit	0	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Lower Income Units	2			
Two-Bedroom Units	1 Unit @	\$79,900 /Unit	80,000	
Three-Bedroom Units	2 Units @	\$93,700 /Unit	187,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Five-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue				\$39,245,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,177,000	
Closing	2.0% Gross Sales Revenue	785,000	
Warranty	0.5% Gross Sales Revenue	196,000	
Total Cost of Sales			(\$2,158,000)

III. Net Revenue	\$37,087,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$250 per square foot of saleable area.

² See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX K - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
CONDOMINIUM: LOWER INCOME ALTERNATIVE
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX K - EXHIBIT III - TABLE 2	\$37,087,000
	(Less) Threshold Developer Profit	¹ 17.8% Total Development Cost	(\$5,741,000)
	Total Funds Available for Development Costs		\$31,346,000
II.	Total Development Cost	See APPENDIX K - EXHIBIT III - TABLE 1	\$32,180,000
III.	Land Value Reduction	29% As a % of Land Cost	\$834,000
	Inclusionary Housing Production Requirement	3% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: CONDOMINIUM: BASE CASE.

**APPENDIX K - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX K - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	290,400	Sf of Land	\$10 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		290,400	Sf of Land	\$20 /Sf of Land	\$5,808,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		160,400	Sf of GBA	\$80 /Sf of GBA	12,832,000	
	Contractor Costs		20%	Other Direct Costs		3,728,000	
	Total Direct Costs						\$22,368,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,342,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		160,400	Sf of GBA	\$4.00 /Sf of GBA	642,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		559,000	
	Marketing		100	Units	\$2,500 /Unit	250,000	
	Development Management		3.0%	Gross Sales Revenue		1,205,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		275,000	
	Total Indirect Costs						\$5,773,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,437,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	466,000	
	Total Financing Costs						\$1,903,000
V.	Total Construction Cost		100	Units	\$300,000 /Unit		\$30,044,000
	Total Development Cost		100	Units	\$329,000 /Unit		\$32,948,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX K - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. <u>Gross Sales Revenue</u>		¹			
Two-Bedroom Units	20 Units @		\$365,400 /Unit	\$7,308,000	
Three-Bedroom Units	80 Units @		\$410,700 /Unit	32,856,000	
Four-Bedroom Units	0 Units @		\$0 /Unit	0	
Five-Bedroom Units	0 Units @		\$0 /Unit	0	
Total Gross Sales Revenue					\$40,164,000
II. <u>Cost of Sales</u>					
Commissions	3.0% Gross Sales Revenue			\$1,205,000	
Closing	2.0% Gross Sales Revenue			803,000	
Warranty	0.5% Gross Sales Revenue			201,000	
Total Cost of Sales					(\$2,209,000)
III. <u>Net Revenue</u>					\$37,955,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$250 per square foot of saleable area.

APPENDIX K - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX K - EXHIBIT IV - TABLE 2	\$37,955,000
	(Less) Threshold Developer Profit	¹ 17.8% Total Development Cost	<u>(\$5,878,000)</u>
	Total Funds Available for Development Costs		\$32,077,000
II.	Total Development Cost	See APPENDIX K - EXHIBIT IV - TABLE 1	<u>\$32,948,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$871,000
	In-Lieu Fee	See APPENDIX K - EXHIBIT IV - TABLE 1	\$4.00 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: CONDOMINIUM: BASE CASE

**APPENDIX K: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX K: EXHIBIT V

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET - CONDOMINIUM ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

		<u>Moderate Income</u>	<u>Lower Income</u>
I. <u>Sales Price Difference</u>			
A. <u>Two-Bedroom Units</u>			
Market Rate Units		\$365,400	\$365,400
Affordable Sales Price	¹	220,100	79,900
Difference		\$145,300	\$285,500
B. <u>Three-Bedroom Units</u>			
Market Rate Units		\$410,700	\$410,700
Affordable Sales Price	¹	249,600	93,700
Difference		\$161,100	\$317,000
C. <u>Four-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
D. <u>Five-Bedroom Units</u>			
Market Rate Units		\$0	\$0
Affordable Sales Price	¹	0	0
Difference		\$0	\$0
II. <u>Distribution of Total Units</u>			
Two-Bedroom Units		20%	20%
Three-Bedroom Units		80%	80%
Four-Bedroom Units		0%	0%
Five-Bedroom Units		0%	0%
III. <u>In-Lieu Fee</u>			
Per Income Restricted Unit		\$157,900	\$310,700
Per Square Foot of GBA		\$14.80	\$29.10

¹ See APPENDIX B - EXHIBIT V. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX L
SINGLE-FAMILY HOME ALTERNATIVES
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX L - EXHIBIT I
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

APPENDIX L - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$5 /Sf of Land		\$2,178,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		220,000	Sf of GBA	\$50 /Sf of GBA	11,000,000	
	Contractor Costs		20%	Other Direct Costs		3,942,000	
	Total Direct Costs						\$23,654,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,419,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		591,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,122,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		247,000	
	Total Indirect Costs						\$5,179,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,522,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	465,000	
	Total Financing Costs						\$1,987,000
V.	Total Construction Cost		100	Units	\$308,000 /Unit		\$30,820,000
	Total Development Cost		100	Units	\$330,000 /Unit		\$32,998,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX L - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Gross Sales Revenue	1		
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0
	Three-Bedroom Units	40 Units @	\$297,500 /Unit	11,900,000
	Four-Bedroom Units	60 Units @	\$425,000 /Unit	25,500,000
	Five-Bedroom Units	0 Units @	\$0 /Unit	0
	Total Gross Sales Revenue			\$37,400,000
II.	Cost of Sales			
	Commissions	3.0% Gross Sales Revenue		\$1,122,000
	Closing	2.0% Gross Sales Revenue		748,000
	Warranty	0.5% Gross Sales Revenue		187,000
	Total Cost of Sales			(\$2,057,000)
III.	Net Revenue			\$35,343,000

¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$170 per square foot of saleable area.

APPENDIX L - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
SINGLE-FAMILY HOME: BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Net Revenue	See APPENDIX L - EXHIBIT I - TABLE 2	\$35,343,000
II.	Total Development Cost	See APPENDIX L - EXHIBIT I - TABLE 1	<u>\$32,998,000</u>
III.	Developer Profit	7.1% Total Development Cost	\$2,345,000

**APPENDIX L - EXHIBIT II
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX L - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$5 /Sf of Land		\$2,178,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		220,000	Sf of GBA	\$50 /Sf of GBA	11,000,000	
	Contractor Costs		20%	Other Direct Costs		3,942,000	
	Total Direct Costs						\$23,654,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,419,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		591,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,101,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		246,000	
	Total Indirect Costs						\$5,157,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,500,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	465,000	
	Total Financing Costs						\$1,965,000
V.	Total Construction Cost		100	Units	\$308,000 /Unit		\$30,776,000
	Total Development Cost		100	Units	\$330,000 /Unit		\$32,954,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX L - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units	0 Units @	\$0 /Unit		\$0
Three-Bedroom Units	38 Units @	\$297,500 /Unit		11,305,000
Four-Bedroom Units	56 Units @	\$425,000 /Unit		23,800,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Moderate Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	2 Units @	\$208,300 /Unit		417,000
Four-Bedroom Units	4 Units @	\$297,500 /Unit		1,190,000
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Lower Income Units	2			
Two-Bedroom Units	0 Units @	\$0 /Unit		0
Three-Bedroom Units	0 Units @	\$122,000 /Unit		0
Four-Bedroom Units	0 Units @	\$130,900 /Unit		0
Five-Bedroom Units	0 Units @	\$0 /Unit		0
Total Gross Sales Revenue				\$36,712,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue		\$1,101,000
Closing	2.0% Gross Sales Revenue		734,000
Warranty	0.5% Gross Sales Revenue		184,000
Total Cost of Sales			(\$2,019,000)

III. Net Revenue	\$34,693,000
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¹ Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$170 per square foot of saleable area.

² See APPENDIX B - EXHIBIT VI. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX L - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: MODERATE INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX L - EXHIBIT II - TABLE 2	\$34,693,000
	(Less) Threshold Developer Profit	¹ 7.1% Total Development Cost	(\$2,342,000)
	Total Funds Available for Development Costs		\$32,351,000
II.	Total Development Cost	See APPENDIX L - EXHIBIT II - TABLE 1	\$32,954,000
III.	Land Value Reduction	28% As a % of Land Cost	\$603,000
	Inclusionary Housing Production Requirement	6% Moderate Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the ANTELOPE VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX L - EXHIBIT III
PRO FORMA ANALYSIS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX L - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$5 /Sf of Land		\$2,178,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		220,000	Sf of GBA	\$50 /Sf of GBA	11,000,000	
	Contractor Costs		20%	Other Direct Costs		3,942,000	
	Total Direct Costs						\$23,654,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,419,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		591,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,099,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		245,000	
	Total Indirect Costs						\$5,154,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,522,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	465,000	
	Total Financing Costs						\$1,987,000
V.	Total Construction Cost		100	Units	\$308,000 /Unit		\$30,795,000
	Total Development Cost		100	Units	\$330,000 /Unit		\$32,973,000

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX L - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I. **Gross Sales Revenue**

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		39 Units @	\$297,500 /Unit	11,603,000
Four-Bedroom Units		58 Units @	\$425,000 /Unit	24,650,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		0 Units @	\$208,300 /Unit	0
Four-Bedroom Units		0 Units @	\$297,500 /Unit	0
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Lower Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		1 Unit @	\$122,000 /Unit	122,000
Four-Bedroom Units		2 Units @	\$130,900 /Unit	262,000
Five-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				<u>\$36,637,000</u>

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$1,099,000
Closing	2.0% Gross Sales Revenue	733,000
Warranty	0.5% Gross Sales Revenue	183,000
Total Cost of Sales		<u>(\$2,015,000)</u>

III. Net Revenue	\$34,622,000
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¹ Based on sales comparable information applied in the KMA Residential Nexus Study. The weighted average price equates to \$170 per square foot of saleable area.

² See APPENDIX B - EXHIBIT VI. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX L - EXHIBIT III - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
SINGLE-FAMILY HOME: LOWER INCOME ALTERNATIVE
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX L - EXHIBIT III - TABLE 2	\$34,622,000
	(Less) Threshold Developer Profit	¹ 7.1% Total Development Cost	(\$2,343,000)
	Total Funds Available for Development Costs		\$32,279,000
II.	Total Development Cost	See APPENDIX L - EXHIBIT III - TABLE 1	\$32,973,000
III.	Land Value Reduction	32% As a % of Land Cost	\$694,000
	Inclusionary Housing Production Requirement	3% Lower Income Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the ANTELOPE VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE.

**APPENDIX L - EXHIBIT IV
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX L - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	Land Acquisition Costs	¹	435,600	Sf of Land	\$5 /Sf of Land		\$2,178,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		435,600	Sf of Land	\$20 /Sf of Land	\$8,712,000	
	Attached Garage		200	Spaces	\$0 /Space	0	
	Residential Building Costs		220,000	Sf of GBA	\$50 /Sf of GBA	11,000,000	
	Contractor Costs		20%	Other Direct Costs		3,942,000	
	Total Direct Costs						\$23,654,000
III.	<u>Indirect Costs</u>						
	Architecture, Eng & Consulting		6.0%	Direct Costs		\$1,419,000	
	Public Permits & Fees	³	100	Units	\$15,000 /Unit	1,500,000	
	Affordable Housing In-Lieu Fee		220,000	Sf of GBA	\$2.40 /Sf of GBA	529,000	
	Taxes, Ins. Legal & Accounting		2.5%	Direct Costs		591,000	
	Marketing		100	Units	\$3,000 /Unit	300,000	
	Development Management		3.0%	Gross Sales Revenue		1,122,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		273,000	
	Total Indirect Costs						\$5,734,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁴				\$1,569,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	473,000	
	Total Financing Costs						\$2,042,000
V.	Total Construction Cost		100	Units	\$314,000 /Unit	\$31,430,000	
	Total Development Cost		100	Units	\$336,000 /Unit	\$33,608,000	

¹ Estimated based on a survey of recent land sales in the submarket.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within the County.

⁴ Assumes a 5.5% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX L - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	40 Units @	\$297,500 /Unit	11,900,000	
	Four-Bedroom Units	60 Units @	\$425,000 /Unit	25,500,000	
	Five-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$37,400,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$1,122,000	
	Closing	2.0% Gross Sales Revenue		748,000	
	Warranty	0.5% Gross Sales Revenue		187,000	
	Total Cost of Sales				(\$2,057,000)
III.	Net Revenue				\$35,343,000

1 Based on sales comparables information applied in the KMA Residential Nexus Study. The weighted average price equates to \$170 per square foot of saleable area.

APPENDIX L - EXHIBIT IV - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH
ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX L - EXHIBIT IV - TABLE 2	\$35,343,000
	(Less) Threshold Developer Profit	¹ 7.1% Total Development Cost	<u>(\$2,388,000)</u>
	Total Funds Available for Development Costs		\$32,955,000
II.	Total Development Cost	See APPENDIX L - EXHIBIT IV - TABLE 1	<u>\$33,608,000</u>
III.	Land Value Reduction	30% As a % of Land Cost	\$653,000
	In-Lieu Fee	See APPENDIX L - EXHIBIT IV - TABLE 1	\$2.40 /Sf of GBA

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the ANTELOPE VALLEY SUBMARKET: SINGLE-FAMILY HOME: BASE CASE

**APPENDIX L: EXHIBIT V
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
15% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
LOS ANGELES COUNTY**

APPENDIX L: EXHIBIT V

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 ANTELOPE VALLEY SUBMARKET - SINGLE-FAMILY HOME ALTERNATIVES
 15% INCLUSIONARY REQUIREMENT
 INCLUSIONARY HOUSING ANALYSIS - OWNERSHIP HOUSING PROJECTS
 LOS ANGELES COUNTY

		Moderate Income	Lower Income
I.	<u>Sales Price Difference</u>		
A.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price ¹	0	0
	Difference	\$0	\$0
B.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$297,500	\$297,500
	Affordable Sales Price ¹	208,300	122,000
	Difference	\$89,200	\$175,500
C.	<u>Four-Bedroom Units</u>		
	Market Rate Units	\$425,000	\$425,000
	Affordable Sales Price ¹	297,500	130,900
	Difference	\$127,500	\$294,100
D.	<u>Five-Bedroom Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Sales Price ¹	0	0
	Difference	\$0	\$0
II.	<u>Distribution of Total Units</u>		
	Two-Bedroom Units	0%	0%
	Three-Bedroom Units	40%	40%
	Four-Bedroom Units	60%	60%
	Five-Bedroom Units	0%	0%
III.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	\$112,200	\$246,700
	Per Square Foot of GBA	\$7.70	\$16.80

¹ See APPENDIX B - EXHIBIT VI. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX M
RENTAL APARTMENT PROJECTS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

**APPENDIX M: EXHIBIT I
PRO FORMA ANALYSIS
BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX M: EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

BASE CASE: 100% MARKET RATE UNITS

COASTAL SOUTH LOS ANGELES SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	58,080	Sf of Land	\$50 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		58,080	Sf of Land	\$20 /Sf of Land	\$1,162,000	
	Parking	³					
	Surface Parking		0	Spaces	\$2,500 /Space	0	
	Podium Parking		182	Spaces	\$20,000 /Space	3,640,000	
	Building Costs		113,794	Sf of GBA	\$150 /Sf of GBA	17,069,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs		4,374,000	
	Total Direct Costs						\$26,245,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,837,000	
	Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		787,000	
	Marketing / Leasing		100	Units	\$3,500 /Unit	350,000	
	Developer Fee		4.0%	Direct Costs		1,050,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		276,000	
	Total Indirect Costs						\$5,800,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁴	\$2,904,000	Cost	5.0% Interest	\$254,000	
	Construction	⁵	\$34,749,000	Cost	5.0% Interest	1,998,000	
	Loan Origination Fees		\$22,591,800	Loan	2.00 Points	452,000	
	Total Financing Costs						\$2,704,000
V.	Total Development Cost		100	Units	\$377,000 /Unit		\$37,653,000
	Total Construction Cost		100	Units	\$347,000 /Unit		\$34,749,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX M: EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME

BASE CASE: 100% MARKET RATE UNITS

COASTAL SOUTH LOS ANGELES SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units	21 Units	\$2,246 /Unit/Month	\$566,000	
One-Bedroom Units	44 Units	\$2,481 /Unit/Month	1,310,000	
Two-Bedroom Units	35 Units	\$2,946 /Unit/Month	1,237,000	
Three-Bedroom Units	0 Units	\$0 /Unit/Month	0	
Laundry & Miscellaneous Income	100 Units	\$25 /Unit/Month	30,000	
Gross Income			\$3,143,000	
Vacancy & Collection Allowance	5.0% Gross Income		(157,000)	
Effective Gross Income				\$2,986,000

II. Operating Expenses

General Operating Expenses	²	100 Units	\$4,000 /Unit	\$400,000
Property Taxes		100 Units	\$5,310 /Unit	531,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$9,460) /Unit	(\$946,000)

Stabilized Net Operating Income				\$2,040,000
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¹ Market rents are estimated at a weighted average of \$3.26 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX M: EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
BASE CASE: 100% MARKET RATE UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Stabilized Net Operating Income	See APPENDIX M: EXHIBIT I - TABLE 2	\$2,040,000
II.	Total Development Cost	See APPENDIX M: EXHIBIT I - TABLE 1	\$37,653,000
III.	Stabilized Return on Total Investment		5.4%

**APPENDIX M - EXHIBIT II
PRO FORMA ANALYSIS
DENSITY BONUS: 135 UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX M - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS: 135 UNITS
 COASTAL SOUTH LOS ANGELES SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	58,080	Sf of Land	\$50 /Sf of Land	\$2,904,000
II.	<u>Direct Costs</u>	²				
	Site Improvement Costs		58,080	Sf of Land	\$20 /Sf of Land	\$1,162,000
	Parking					
	Surface Parking		0	Spaces	\$2,500 /Space	0
	Podium Parking	³	68	Spaces	\$20,000 /Space	1,360,000
	Building Costs		134,325	Sf of GBA	\$165 /Sf of GBA	22,164,000
	Contractor/DC Contingency Allow		20.0%	Other Direct Costs		4,937,000
	Total Direct Costs		135	Units	\$219,400 /Unit	\$29,623,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		7%	Direct Costs		\$2,074,000
	Public Permits & Fees		135	Units	\$15,000 /Unit	2,025,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		889,000
	Marketing / Leasing		135	Units	\$3,500 /Unit	473,000
	Developer Fee		4.0%	Direct Costs		1,185,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		332,000
	Total Indirect Costs					\$6,978,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁴	\$2,904,000	Cost	5.00% Interest	\$266,000
	Construction	⁵	\$40,209,000	Cost	5.00% Interest	2,480,000
	Loan Origination Fees		\$43,113,000	Loan	2.00 Points	862,000
	Total Financing Costs					\$3,608,000
V.	Total Construction Cost		135	Units	\$297,800 /Unit	\$40,209,000
	Total Development Cost		135	Units	\$319,400 /Unit	\$43,113,000

¹ The property acquisition costs are based on a survey of recent land sales. Density is set at 101 units per acre, which represents a 35% density bonus.

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

³ Based on 0.5 spaces per unit.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

APPENDIX M - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME

DENSITY BONUS: 135 UNITS

COASTAL SOUTH LOS ANGELES SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. **Income**

Market Rate Units				
Studios	23 Units	\$2,246 /Unit/Month	\$619,800	
One-Bedroom Units	49 Units	\$2,481 /Unit/Month	1,458,600	
Two-Bedroom Units	38 Units	\$2,946 /Unit/Month	1,343,300	
Three-Bedroom Units	0 Units	\$0 /Unit/Month	0	
Lower Income	¹			
Studios	5 Units	\$651 /Unit/Month	39,100	
One-Bedroom Units	11 Units	\$738 /Unit/Month	97,400	
Two-Bedroom Units	9 Units	\$826 /Unit/Month	89,200	
Three-Bedroom Units	0 Units	\$912 /Unit/Month	0	
Laundry & Miscellaneous Income	135 Units	\$25 /Unit/Month	40,500	
Gross Income			\$3,687,900	
(Less) Vacancy & Collection Allowance	5.0% Gross Income		(184,000)	
Effective Gross Income				\$3,503,900

II. **Operating Expenses**

General Operating Expenses	135 Units	\$4,000 /Unit	\$540,000	
Property Taxes	² 135 Units	\$4,504 /Unit	608,000	
Reserves Deposits	135 Units	\$150 /Unit	20,000	
Total Operating Expenses	135 Units	\$8,650 /Unit		\$1,168,000

III. Stabilized Net Operating Income				\$2,335,900
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¹ Based on 2017 household incomes published by HCD. The gross monthly Affordable Rents are based on the California Health and Safety Code Section 50053 methodology. The net rent includes a deduction for utilities allowances that are based on the amounts published by HACoLA on 7/1/17. The allowances are based on costs for gas heating, cooking and water heating; and basic electric services.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX M - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
DENSITY BONUS: 135 UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Stabilized Net Operating Income	See APPENDIX M - EXHIBIT II - TABLE 2	\$2,335,900
	Threshold Developer Return		5.4%
	Total Funds Available for Development Costs		\$43,115,000
II.	Total Development Cost	See APPENDIX M - EXHIBIT II - TABLE 1	(\$43,113,000)
III.	Surplus / (Financial Gap)		\$2,000
IV.	Supportable Number of Inclusionary Units		25.0
V.	Supportable Percentage of Inclusionary Units		19%

**APPENDIX M: EXHIBIT III
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX M: EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

COASTAL SOUTH LOS ANGELES SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	58,080	Sf of Land	\$50 /Sf of Land	\$2,904,000
II. Direct Costs	²				
Site Improvement Costs		58,080	Sf of Land	\$20 /Sf of Land	\$1,162,000
Parking	³				
Surface Parking		0	Spaces	\$2,500 /Space	0
Podium Parking		182	Spaces	\$20,000 /Space	3,640,000
Building Costs		113,794	Sf of GBA	\$150 /Sf of GBA	17,069,000
Contractor/DC Contingency Allow		20%	Other Direct Costs		4,374,000
Total Direct Costs					\$26,245,000
III. Indirect Costs					
Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,837,000
Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000
Affordable Housing In-Lieu Fee		113,794	Sf of GBA	\$6.64 /Sf of GBA	756,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		787,000
Marketing / Leasing		100	Units	\$3,500 /Unit	350,000
Developer Fee		4.0%	Direct Costs		1,050,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		314,000
Total Indirect Costs					\$6,594,000
IV. Financing Costs					
Interest During Construction					
Land	⁴	\$2,904,000	Cost	5.0% Interest	\$254,000
Construction	⁵	\$35,602,000	Cost	5.0% Interest	2,047,000
Loan Origination Fees		\$23,103,600	Loan	2.00 Points	462,000
Total Financing Costs					\$2,763,000
V. Total Development Cost		100	Units	\$385,000 /Unit	\$38,506,000
Total Construction Cost		100	Units	\$356,000 /Unit	\$35,602,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX M: EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

COASTAL SOUTH LOS ANGELES SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units	21	Units	\$2,246 /Unit/Month	\$566,000
One-Bedroom Units	44	Units	\$2,481 /Unit/Month	1,310,000
Two-Bedroom Units	35	Units	\$2,946 /Unit/Month	1,237,000
Three-Bedroom Units	0	Units	\$0 /Unit/Month	0
Laundry & Miscellaneous Income	100	Units	\$25 /Unit/Month	30,000
Gross Income				\$3,143,000
Vacancy & Collection Allowance	5.0%	Gross Income		(157,000)
Effective Gross Income				\$2,986,000

II. Operating Expenses

General Operating Expenses	²	100	Units	\$4,000 /Unit	\$400,000
Property Taxes		100	Units	\$5,310 /Unit	531,000
Reserves Deposits		100	Units	\$150 /Unit	15,000
Total Operating Expenses		100	Units	(\$9,460) /Unit	(\$946,000)

Stabilized Net Operating Income					\$2,040,000
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¹ Market rents are estimated at a weighted average of \$3.26 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX M: EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I. <u>Funds Available for Development Costs</u>			
Stabilized Net Operating Income	See APPENDIX M: EXHIBIT III - TABLE 2	\$2,040,000	
Threshold Developer Return	¹	5.4%	
Total Funds Available for Development Costs			\$37,653,000
II. Total Development Cost	See APPENDIX M: EXHIBIT III - TABLE 1		\$38,506,000
III.	Land Value Reduction	29% As a % of Land Cost	\$853,000
	In-Lieu Fee	See APPENDIX M: EXHIBIT III - TABLE 1	\$6.64 /Sf of GBA

¹ Based on the return on total cost estimated to be generated by the COASTAL SOUTH LOS ANGELES SUBMARKET: BASE CASE: 100% MARKET RATE UNITS.

**APPENDIX M: EXHIBIT IV
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX M: EXHIBIT IV

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
COASTAL SOUTH LOS ANGELES SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

	Lower Income	Very Low Income
I. <u>Rent Difference</u>		
A. <u>Studio Units</u>		
Market Rate Units	\$2,246	\$2,246
Affordable Rent	651	538
Difference	\$1,595	\$1,708
B. <u>One-Bedroom Units</u>		
Market Rate Units	\$2,481	\$2,481
Affordable Rent	738	608
Difference	\$1,743	\$1,872
C. <u>Two-Bedroom Units</u>		
Market Rate Units	\$2,946	\$2,946
Affordable Rent	826	680
Difference	\$2,120	\$2,266
D. <u>Three-Bedroom Units</u>		
Market Rate Units	\$0	\$0
Affordable Rent	0	0
Difference	\$0	\$0
II. <u>Distribution of Total Units</u>		
Studio Units	21%	21%
One-Bedroom Units	44%	44%
Two-Bedroom Units	35%	35%
Three-Bedroom Units	0%	0%
III. <u>Annual Affordability Gap Per Income Restricted Unit</u>	\$22,126	\$23,708
Less: Property Tax Difference	¹ (5,753)	(6,164)
Annual Affordability Gap Per Income Restricted Unit	\$16,373	\$17,544
IV. <u>In-Lieu Fee</u>		
Per Income Restricted Unit	² \$302,200	\$323,811
Per Square Foot of GBA	³ \$39.84	\$42.68

¹ Based on the rent differential capitalized at a 5% rate, and a 1.30% tax rate.

² Based on the Annual Affordability Gap Per Income Restricted Unit capitalized at the threshold return on total investment.

³ 15% Set Aside Requirement.

APPENDIX N
RENTAL APARTMENT PROJECTS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

**APPENDIX N: EXHIBIT I
PRO FORMA ANALYSIS
BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX N: EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

BASE CASE: 100% MARKET RATE UNITS

EAST LOS ANGELES/GATEWAY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	96,800	Sf of Land	\$30 /Sf of Land		\$2,904,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land	\$1,936,000	
	Parking	³					
	Surface Parking		0	Spaces	\$2,500 /Space	0	
	Podium Parking		198	Spaces	\$20,000 /Space	3,960,000	
	Building Costs		111,172	Sf of GBA	\$125 /Sf of GBA	13,897,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs		3,959,000	
	Total Direct Costs						\$23,752,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,663,000	
	Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		713,000	
	Marketing / Leasing		100	Units	\$3,500 /Unit	350,000	
	Developer Fee		4.0%	Direct Costs		950,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		259,000	
	Total Indirect Costs						\$5,435,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁴	\$2,904,000	Cost	5.0% Interest	\$254,000	
	Construction	⁵	\$31,677,000	Cost	5.0% Interest	1,821,000	
	Loan Origination Fees		\$20,748,600	Loan	2.00 Points	415,000	
	Total Financing Costs						\$2,490,000
V.	Total Development Cost		100	Units	\$346,000 /Unit		\$34,581,000
	Total Construction Cost		100	Units	\$317,000 /Unit		\$31,677,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX N: EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME
 BASE CASE: 100% MARKET RATE UNITS
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I. <u>Income</u>				
Market Rate Units	¹			
Studio Units	9 Units	\$1,307 /Unit/Month	\$141,000	
One-Bedroom Units	36 Units	\$1,683 /Unit/Month	727,000	
Two-Bedroom Units	47 Units	\$2,006 /Unit/Month	1,131,000	
Three-Bedroom Units	8 Units	\$2,544 /Unit/Month	244,000	
Laundry & Miscellaneous Income	100 Units	\$25 /Unit/Month	30,000	
Gross Income			\$2,273,000	
Vacancy & Collection Allowance	5.0% Gross Income		(114,000)	
Effective Gross Income				\$2,159,000
II. <u>Operating Expenses</u>				
General Operating Expenses	100 Units	\$4,000 /Unit	\$400,000	
Property Taxes	² 100 Units	\$3,380 /Unit	338,000	
Reserves Deposits	100 Units	\$150 /Unit	15,000	
Total Operating Expenses	100 Units	(\$7,530) /Unit		(\$753,000)
Stabilized Net Operating Income				\$1,406,000

¹ Market rents are estimated at a weighted average of \$2.24 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.20% tax rate.

APPENDIX N: EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
BASE CASE: 100% MARKET RATE UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Stabilized Net Operating Income	See APPENDIX N: EXHIBIT I - TABLE 2	\$1,406,000
II.	Total Development Cost	See APPENDIX N: EXHIBIT I - TABLE 1	\$34,581,000
III.	Stabilized Return on Total Investment		4.1%

**APPENDIX N - EXHIBIT II
PRO FORMA ANALYSIS
DENSITY BONUS: 135 UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX N - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS: 135 UNITS
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	96,800	Sf of Land	\$30 /Sf of Land	\$2,904,000
II.	<u>Direct Costs</u>	²				
	Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land	\$1,936,000
	Parking					
	Surface Parking		0	Spaces	\$2,500 /Space	0
	Podium Parking	³	68	Spaces	\$20,000 /Space	1,360,000
	Building Costs		140,738	Sf of GBA	\$138 /Sf of GBA	19,422,000
	Contractor/DC Contingency Allow		20.0%	Other Direct Costs		4,544,000
	Total Direct Costs		135	Units	\$201,900 /Unit	\$27,262,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		7%	Direct Costs		\$1,908,000
	Public Permits & Fees		135	Units	\$15,000 /Unit	2,025,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		818,000
	Marketing / Leasing		135	Units	\$3,500 /Unit	473,000
	Developer Fee		4.0%	Direct Costs		1,090,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		316,000
	Total Indirect Costs					\$6,630,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁴	\$2,904,000	Cost	5.00% Interest	\$266,000
	Construction	⁵	\$37,259,000	Cost	5.00% Interest	2,298,000
	Loan Origination Fees		\$40,163,000	Loan	2.00 Points	803,000
	Total Financing Costs					\$3,367,000
V.	Total Construction Cost		135	Units	\$276,000 /Unit	\$37,259,000
	Total Development Cost		135	Units	\$297,500 /Unit	\$40,163,000

¹ The property acquisition costs are based on a survey of recent land sales. Density is set at 61 units per acre, which represents a 35% density bonus.

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

³ Based on 0.5 spaces per unit.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

APPENDIX N - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME
 DENSITY BONUS: 135 UNITS
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I. **Income**

Market Rate Units				
Studios	10 Units	\$1,307 /Unit/Month	\$156,800	
One-Bedroom Units	39 Units	\$1,683 /Unit/Month	787,700	
Two-Bedroom Units	50 Units	\$2,006 /Unit/Month	1,203,300	
Three-Bedroom Units	9 Units	\$2,544 /Unit/Month	274,800	
Lower Income	¹			
Studios	2 Units	\$651 /Unit/Month	15,600	
One-Bedroom Units	10 Units	\$738 /Unit/Month	88,500	
Two-Bedroom Units	13 Units	\$826 /Unit/Month	128,800	
Three-Bedroom Units	2 Units	\$912 /Unit/Month	21,900	
Laundry & Miscellaneous Income	135 Units	\$25 /Unit/Month	40,500	
Gross Income			\$2,717,900	
(Less) Vacancy & Collection Allowance	5.0% Gross Income		(136,000)	
Effective Gross Income				\$2,581,900

II. **Operating Expenses**

General Operating Expenses	135 Units	\$4,000 /Unit	\$540,000	
Property Taxes	² 135 Units	\$2,896 /Unit	391,000	
Reserves Deposits	135 Units	\$150 /Unit	20,000	
Total Operating Expenses	135 Units	\$7,040 /Unit	\$951,000	

III. Stabilized Net Operating Income				\$1,630,900
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¹ Based on 2017 household incomes published by HCD. The gross monthly Affordable Rents are based on the California Health and Safety Code Section 50053 methodology. The net rent includes a deduction for utilities allowances that are based on the amounts published by HACoLA on 7/1/17. The allowances are based on costs for gas heating, cooking and water heating; and basic electric services.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.20% tax rate.

APPENDIX N - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
DENSITY BONUS: 135 UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Stabilized Net Operating Income	See APPENDIX N - EXHIBIT II - TABLE 2	\$1,630,900
	Threshold Developer Return		4.1%
	Total Funds Available for Development Costs		\$40,112,000
II.	Total Development Cost	See APPENDIX N - EXHIBIT II - TABLE 1	(\$40,163,000)
III.	Surplus / (Financial Gap)		(\$51,000)
IV.	Supportable Number of Inclusionary Units		27.0
V.	Supportable Percentage of Inclusionary Units		20%

**APPENDIX N: EXHIBIT III
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX N: EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

EAST LOS ANGELES/GATEWAY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	96,800	Sf of Land	\$30 /Sf of Land		\$2,904,000
II. Direct Costs	²					
Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land		\$1,936,000
Parking	³					
Surface Parking		0	Spaces	\$2,500 /Space		0
Podium Parking		198	Spaces	\$20,000 /Space		3,960,000
Building Costs		111,172	Sf of GBA	\$125 /Sf of GBA		13,897,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			3,959,000
Total Direct Costs						\$23,752,000
III. Indirect Costs						
Architecture, Engineering & Consulting		7.0%	Direct Costs			\$1,663,000
Public Permits & Fees		100	Units	\$15,000 /Unit		1,500,000
Affordable Housing In-Lieu Fee		111,172	Sf of GBA	\$6.94 /Sf of GBA		772,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			713,000
Marketing / Leasing		100	Units	\$3,500 /Unit		350,000
Developer Fee		4.0%	Direct Costs			950,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			297,000
Total Indirect Costs						\$6,245,000
IV. Financing Costs						
Interest During Construction						
Land	⁴	\$2,904,000	Cost	5.0% Interest		\$254,000
Construction	⁵	\$32,547,000	Cost	5.0% Interest		1,871,000
Loan Origination Fees		\$21,270,600	Loan	2.00 Points		425,000
Total Financing Costs						\$2,550,000
V. Total Development Cost		100	Units	\$355,000 /Unit		\$35,451,000
Total Construction Cost		100	Units	\$325,000 /Unit		\$32,547,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX N: EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

EAST LOS ANGELES/GATEWAY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units	9	Units	\$1,307 /Unit/Month	\$141,000
One-Bedroom Units	36	Units	\$1,683 /Unit/Month	727,000
Two-Bedroom Units	47	Units	\$2,006 /Unit/Month	1,131,000
Three-Bedroom Units	8	Units	\$2,544 /Unit/Month	244,000
Laundry & Miscellaneous Income	100	Units	\$25 /Unit/Month	30,000
Gross Income				\$2,273,000
Vacancy & Collection Allowance	5.0%	Gross Income		(114,000)
Effective Gross Income				\$2,159,000

II. Operating Expenses

General Operating Expenses	²	100	Units	\$4,000 /Unit	\$400,000
Property Taxes		100	Units	\$3,380 /Unit	338,000
Reserves Deposits		100	Units	\$150 /Unit	15,000
Total Operating Expenses		100	Units	(\$7,530) /Unit	(\$753,000)

Stabilized Net Operating Income					\$1,406,000
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¹ Market rents are estimated at a weighted average of \$2.24 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.20% tax rate.

APPENDIX N: EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I. <u>Funds Available for Development Costs</u>			
Stabilized Net Operating Income	See APPENDIX N: EXHIBIT III - TABLE 2	\$1,406,000	
Threshold Developer Return	¹	4.1%	
Total Funds Available for Development Costs			\$34,581,000
II. Total Development Cost	See APPENDIX N: EXHIBIT III - TABLE 1		\$35,451,000
III.			
Land Value Reduction	30% As a % of Land Cost	\$870,000	
In-Lieu Fee	See APPENDIX N: EXHIBIT III - TABLE 1	\$6.94	/Sf of GBA

¹ Based on the return on total cost estimated to be generated by the EAST LOS ANGELES/GATEWAY SUBMARKET: BASE CASE: 100% MARKET RATE UNITS.

**APPENDIX N: EXHIBIT IV
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
EAST LOS ANGELES/GATEWAY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX N: EXHIBIT IV

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH
 EAST LOS ANGELES/GATEWAY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

	Lower Income	Very Low Income
I. <u>Rent Difference</u>		
A. <u>Studio Units</u>		
Market Rate Units	\$1,307	\$1,307
Affordable Rent	651	538
Difference	\$655	\$769
B. <u>One-Bedroom Units</u>		
Market Rate Units	\$1,683	\$1,683
Affordable Rent	738	608
Difference	\$945	\$1,075
C. <u>Two-Bedroom Units</u>		
Market Rate Units	\$2,006	\$2,006
Affordable Rent	826	680
Difference	\$1,180	\$1,326
D. <u>Three-Bedroom Units</u>		
Market Rate Units	\$2,544	\$2,544
Affordable Rent	912	750
Difference	\$1,632	\$1,794
II. <u>Distribution of Total Units</u>		
Studio Units	9%	9%
One-Bedroom Units	36%	36%
Two-Bedroom Units	47%	47%
Three-Bedroom Units	8%	8%
III. <u>Annual Affordability Gap Per Income Restricted Unit</u>	\$13,014	\$14,674
Less: Property Tax Difference	¹ (3,123)	(3,522)
Annual Affordability Gap Per Income Restricted Unit	\$9,891	\$11,153
IV. <u>In-Lieu Fee</u>		
Per Income Restricted Unit	² \$243,271	\$274,300
Per Square Foot of GBA	³ \$32.82	\$37.01

¹ Based on the rent differential capitalized at a 5% rate, and a 1.20% tax rate.

² Based on the Annual Affordability Gap Per Income Restricted Unit capitalized at the threshold return on total investment.

³ 15% Set Aside Requirement.

APPENDIX O
RENTAL APARTMENT PROJECTS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

**APPENDIX O: EXHIBIT I
PRO FORMA ANALYSIS
BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX O: EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

BASE CASE: 100% MARKET RATE UNITS

SAN GABRIEL VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	96,800	Sf of Land	\$50 /Sf of Land		\$4,840,000
II. Direct Costs	²					
Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land		\$1,936,000
Parking	³					
Surface Parking		0	Spaces	\$2,500 /Space		0
Podium Parking		195	Spaces	\$20,000 /Space		3,900,000
Building Costs		124,224	Sf of GBA	\$125 /Sf of GBA		15,528,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			4,273,000
Total Direct Costs						\$25,637,000
III. Indirect Costs						
Architecture, Engineering & Consulting		7.0%	Direct Costs			\$1,795,000
Public Permits & Fees		100	Units	\$15,000 /Unit		1,500,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			769,000
Marketing / Leasing		100	Units	\$3,500 /Unit		350,000
Developer Fee		4.0%	Direct Costs			1,025,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			272,000
Total Indirect Costs						\$5,711,000
IV. Financing Costs						
Interest During Construction						
Land	⁴	\$4,840,000	Cost	5.0% Interest		\$424,000
Construction	⁵	\$34,208,000	Cost	5.0% Interest		1,967,000
Loan Origination Fees		\$23,428,800	Loan	2.00 Points		469,000
Total Financing Costs						\$2,860,000
V. Total Development Cost		100	Units	\$390,000 /Unit		\$39,048,000
Total Construction Cost		100	Units	\$342,000 /Unit		\$34,208,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX O: EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME

BASE CASE: 100% MARKET RATE UNITS

SAN GABRIEL VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		9 Units	\$1,635 /Unit/Month	\$177,000
One-Bedroom Units		42 Units	\$1,742 /Unit/Month	878,000
Two-Bedroom Units		43 Units	\$2,152 /Unit/Month	1,110,000
Three-Bedroom Units		6 Units	\$2,844 /Unit/Month	205,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$2,400,000
Vacancy & Collection Allowance		5.0% Gross Income		(120,000)
Effective Gross Income				\$2,280,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$3,730 /Unit	373,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$7,880) /Unit	(\$788,000)

Stabilized Net Operating Income				\$1,492,000
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¹ Market rents are estimated at a weighted average of \$2.27 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX O: EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
BASE CASE: 100% MARKET RATE UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Stabilized Net Operating Income	See APPENDIX O: EXHIBIT I - TABLE 2	\$1,492,000
II.	Total Development Cost	See APPENDIX O: EXHIBIT I - TABLE 1	\$39,048,000
III.	Stabilized Return on Total Investment		3.8%

**APPENDIX O - EXHIBIT II
PRO FORMA ANALYSIS
DENSITY BONUS: 135 UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX O - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DENSITY BONUS: 135 UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	96,800	Sf of Land	\$50 /Sf of Land	\$4,840,000
II.	<u>Direct Costs</u>	²				
	Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land	\$1,936,000
	Parking					
	Surface Parking		0	Spaces	\$2,500 /Space	0
	Podium Parking	³	68	Spaces	\$20,000 /Space	1,360,000
	Building Costs		146,644	Sf of GBA	\$138 /Sf of GBA	20,237,000
	Contractor/DC Contingency Allow		20.0%	Other Direct Costs		4,707,000
	Total Direct Costs		135	Units	\$209,200 /Unit	\$28,240,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		7%	Direct Costs		\$1,977,000
	Public Permits & Fees		135	Units	\$15,000 /Unit	2,025,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		847,000
	Marketing / Leasing		135	Units	\$3,500 /Unit	473,000
	Developer Fee		4.0%	Direct Costs		1,130,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		323,000
	Total Indirect Costs					\$6,775,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁴	\$4,840,000	Cost	5.00% Interest	\$444,000
	Construction	⁵	\$38,718,000	Cost	5.00% Interest	2,388,000
	Loan Origination Fees		\$43,558,000	Loan	2.00 Points	871,000
	Total Financing Costs					\$3,703,000
V.	Total Construction Cost		135	Units	\$286,800 /Unit	\$38,718,000
	Total Development Cost		135	Units	\$322,700 /Unit	\$43,558,000

¹ The property acquisition costs are based on a survey of recent land sales. Density is set at 61 units per acre, which represents a 35% density bonus.

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

³ Based on 0.5 spaces per unit.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

APPENDIX O - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME

DENSITY BONUS: 135 UNITS

SAN GABRIEL VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units				
Studios	9 Units	\$1,635 /Unit/Month	\$176,600	
One-Bedroom Units	44 Units	\$1,742 /Unit/Month	919,900	
Two-Bedroom Units	44 Units	\$2,152 /Unit/Month	1,136,200	
Three-Bedroom Units	6 Units	\$2,844 /Unit/Month	204,800	
Lower Income	¹			
Studios	3 Units	\$651 /Unit/Month	23,400	
One-Bedroom Units	13 Units	\$738 /Unit/Month	115,100	
Two-Bedroom Units	14 Units	\$826 /Unit/Month	138,700	
Three-Bedroom Units	2 Units	\$912 /Unit/Month	21,900	
Laundry & Miscellaneous Income	135 Units	\$25 /Unit/Month	40,500	
Gross Income			\$2,777,100	
(Less) Vacancy & Collection Allowance	5.0% Gross Income		(139,000)	
Effective Gross Income				\$2,638,100

II. Operating Expenses

General Operating Expenses	135 Units	\$4,000 /Unit	\$540,000	
Property Taxes	² 135 Units	\$3,081 /Unit	416,000	
Reserves Deposits	135 Units	\$150 /Unit	20,000	
Total Operating Expenses	135 Units	\$7,230 /Unit		\$976,000

III. Stabilized Net Operating Income				\$1,662,100
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¹ Based on 2017 household incomes published by HCD. The gross monthly Affordable Rents are based on the California Health and Safety Code Section 50053 methodology. The net rent includes a deduction for utilities allowances that are based on the amounts published by HACoLA on 7/1/17. The allowances are based on costs for gas heating, cooking and water heating; and basic electric services.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX O - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
DENSITY BONUS: 135 UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Stabilized Net Operating Income	See APPENDIX O - EXHIBIT II - TABLE 2	\$1,662,100
	Threshold Developer Return		3.8%
	Total Funds Available for Development Costs		\$43,500,000
II.	Total Development Cost	See APPENDIX O - EXHIBIT II - TABLE 1	<u>(\$43,558,000)</u>
III.	Surplus / (Financial Gap)		(\$58,000)
IV.	Supportable Number of Inclusionary Units		32.0
V.	Supportable Percentage of Inclusionary Units		24%

**APPENDIX O: EXHIBIT III
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX O: EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

SAN GABRIEL VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	96,800	Sf of Land	\$50 /Sf of Land		\$4,840,000
II. Direct Costs	²					
Site Improvement Costs		96,800	Sf of Land	\$20 /Sf of Land		\$1,936,000
Parking	³					
Surface Parking		0	Spaces	\$2,500 /Space		0
Podium Parking		195	Spaces	\$20,000 /Space		3,900,000
Building Costs		124,224	Sf of GBA	\$125 /Sf of GBA		15,528,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			4,273,000
Total Direct Costs						\$25,637,000
III. Indirect Costs						
Architecture, Engineering & Consulting		7.0%	Direct Costs			\$1,795,000
Public Permits & Fees		100	Units	\$15,000 /Unit		1,500,000
Affordable Housing In-Lieu Fee		124,224	Sf of GBA	\$10.35 /Sf of GBA		1,286,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			769,000
Marketing / Leasing		100	Units	\$3,500 /Unit		350,000
Developer Fee		4.0%	Direct Costs			1,025,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			336,000
Total Indirect Costs						\$7,061,000
IV. Financing Costs						
Interest During Construction						
Land	⁴	\$4,840,000	Cost	5.0% Interest		\$424,000
Construction	⁵	\$35,658,000	Cost	5.0% Interest		2,050,000
Loan Origination Fees		\$24,298,800	Loan	2.00 Points		486,000
Total Financing Costs						\$2,960,000
V. Total Development Cost		100	Units	\$405,000 /Unit		\$40,498,000
Total Construction Cost		100	Units	\$357,000 /Unit		\$35,658,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX O: EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

SAN GABRIEL VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		9 Units	\$1,635 /Unit/Month	\$177,000
One-Bedroom Units		42 Units	\$1,742 /Unit/Month	878,000
Two-Bedroom Units		43 Units	\$2,152 /Unit/Month	1,110,000
Three-Bedroom Units		6 Units	\$2,844 /Unit/Month	205,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$2,400,000
Vacancy & Collection Allowance		5.0% Gross Income		(120,000)
Effective Gross Income				\$2,280,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$3,730 /Unit	373,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$7,880) /Unit	(\$788,000)

Stabilized Net Operating Income				\$1,492,000
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¹ Market rents are estimated at a weighted average of \$2.27 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX O: EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I. <u>Funds Available for Development Costs</u>			
Stabilized Net Operating Income	See APPENDIX O: EXHIBIT III - TABLE 2	\$1,492,000	
Threshold Developer Return	¹	3.8%	
Total Funds Available for Development Costs			\$39,048,000
II. Total Development Cost	See APPENDIX O: EXHIBIT III - TABLE 1		\$40,498,000
III. Land Value Reduction	30% As a % of Land Cost	\$1,450,000	
In-Lieu Fee	See APPENDIX O: EXHIBIT III - TABLE 1	\$10.35	/Sf of GBA

¹
Based on the return on total cost estimated to be generated by the SAN GABRIEL VALLEY SUBMARKET: BASE CASE: 100% MARKET RATE UNITS.

**APPENDIX O: EXHIBIT IV
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX O: EXHIBIT IV

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SAN GABRIEL VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

		Lower Income	Very Low Income
I.	<u>Rent Difference</u>		
A.	<u>Studio Units</u>		
	Market Rate Units	\$1,635	\$1,635
	Affordable Rent	651	538
	Difference	\$984	\$1,097
B.	<u>One-Bedroom Units</u>		
	Market Rate Units	\$1,742	\$1,742
	Affordable Rent	738	608
	Difference	\$1,004	\$1,134
C.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$2,152	\$2,152
	Affordable Rent	826	680
	Difference	\$1,326	\$1,472
D.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$2,844	\$2,844
	Affordable Rent	912	750
	Difference	\$1,932	\$2,094
II.	<u>Distribution of Total Units</u>		
	Studio Units	9%	9%
	One-Bedroom Units	42%	42%
	Two-Bedroom Units	43%	43%
	Three-Bedroom Units	6%	6%
III.	Annual Affordability Gap Per Income Restricted Unit	\$14,360	\$16,005
	Less: Property Tax Difference	¹ (3,590)	(4,001)
	Annual Affordability Gap Per Income Restricted Unit	\$10,770	\$12,004
IV.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	² \$281,872	\$314,151
	Per Square Foot of GBA	³ \$34.04	\$37.93

¹ Based on the rent differential capitalized at a 5% rate, and a 1.25% tax rate.

² Based on the Annual Affordability Gap Per Income Restricted Unit capitalized at the threshold return on total investment.

³ 15% Set Aside Requirement.

APPENDIX P
RENTAL APARTMENT PROJECTS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

**APPENDIX P: EXHIBIT I
PRO FORMA ANALYSIS
BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX P: EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 BASE CASE: 100% MARKET RATE UNITS
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	124,457	Sf of Land	\$10 /Sf of Land		\$1,245,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		124,457	Sf of Land	\$20 /Sf of Land	\$2,489,000	
	Parking	³					
	Surface Parking		208	Spaces	\$2,500 /Space	520,000	
	Podium Parking		0	Spaces	\$20,000 /Space	0	
	Building Costs		127,171	Sf of GBA	\$115 /Sf of GBA	14,625,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs		3,527,000	
	Total Direct Costs						\$21,161,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,481,000	
	Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		635,000	
	Marketing / Leasing		100	Units	\$3,500 /Unit	350,000	
	Developer Fee		4.0%	Direct Costs		846,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		241,000	
	Total Indirect Costs						\$5,053,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁴	\$1,245,000	Cost	5.0% Interest	\$109,000	
	Construction	⁵	\$28,306,000	Cost	5.0% Interest	1,628,000	
	Loan Origination Fees		\$17,730,600	Loan	2.00 Points	355,000	
	Total Financing Costs						\$2,092,000
V.	Total Development Cost		100	Units	\$296,000 /Unit		\$29,551,000
	Total Construction Cost		100	Units	\$283,000 /Unit		\$28,306,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX P: EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME

BASE CASE: 100% MARKET RATE UNITS

SANTA CLARITA VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		0 Units	\$0 /Unit/Month	\$0
One-Bedroom Units		34 Units	\$1,709 /Unit/Month	697,000
Two-Bedroom Units		40 Units	\$1,995 /Unit/Month	958,000
Three-Bedroom Units		26 Units	\$2,499 /Unit/Month	780,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$2,465,000
Vacancy & Collection Allowance		5.0% Gross Income		(123,000)
Effective Gross Income				\$2,342,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$3,980 /Unit	398,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$8,130) /Unit	(\$813,000)

Stabilized Net Operating Income				\$1,529,000
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¹ Market rents are estimated at a weighted average of \$2.13 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX P: EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
BASE CASE: 100% MARKET RATE UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Stabilized Net Operating Income	See APPENDIX P: EXHIBIT I - TABLE 2	\$1,529,000
II.	Total Development Cost	See APPENDIX P: EXHIBIT I - TABLE 1	\$29,551,000
III.	Stabilized Return on Total Investment		5.2%

**APPENDIX P - EXHIBIT II
PRO FORMA ANALYSIS
DENSITY BONUS: 135 UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX P - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS: 135 UNITS
 SANTA CLARITA VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	124,457	Sf of Land	\$10 /Sf of Land	\$1,245,000
II.	<u>Direct Costs</u>	²				
	Site Improvement Costs		124,457	Sf of Land	\$20 /Sf of Land	\$2,489,000
	Parking					
	Surface Parking		0	Spaces	\$2,500 /Space	0
	Podium Parking	³	68	Spaces	\$20,000 /Space	1,360,000
	Building Costs		160,819	Sf of GBA	\$105 /Sf of GBA	16,886,000
	Contractor/DC Contingency Allow		20.0%	Other Direct Costs		4,147,000
	Total Direct Costs		135	Units	\$184,300 /Unit	\$24,882,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		7%	Direct Costs		\$1,742,000
	Public Permits & Fees		135	Units	\$15,000 /Unit	2,025,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		746,000
	Marketing / Leasing		135	Units	\$3,500 /Unit	473,000
	Developer Fee		4.0%	Direct Costs		995,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		299,000
	Total Indirect Costs					\$6,280,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁴	\$1,245,000	Cost	5.00% Interest	\$114,000
	Construction	⁵	\$34,085,000	Cost	5.00% Interest	2,102,000
	Loan Origination Fees		\$35,330,000	Loan	2.00 Points	707,000
	Total Financing Costs					\$2,923,000
V.	Total Construction Cost		135	Units	\$252,500 /Unit	\$34,085,000
	Total Development Cost		135	Units	\$261,700 /Unit	\$35,330,000

¹ The property acquisition costs are based on a survey of recent land sales. Density is set at 47 units per acre, which represents a 35% density bonus.

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

³ Based on 0.5 spaces per unit.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

APPENDIX P - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME

DENSITY BONUS: 135 UNITS

SANTA CLARITA VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. **Income**

Market Rate Units				
Studios	0 Units	\$0 /Unit/Month		\$0
One-Bedroom Units	39 Units	\$1,709 /Unit/Month		799,700
Two-Bedroom Units	45 Units	\$1,995 /Unit/Month		1,077,600
Three-Bedroom Units	29 Units	\$2,499 /Unit/Month		869,700
Lower Income	¹			
Studios	0 Units	\$651 /Unit/Month		0
One-Bedroom Units	7 Units	\$738 /Unit/Month		62,000
Two-Bedroom Units	9 Units	\$826 /Unit/Month		89,200
Three-Bedroom Units	6 Units	\$912 /Unit/Month		65,700
Laundry & Miscellaneous Income	135 Units	\$25 /Unit/Month		40,500
Gross Income				\$3,004,400
(Less) Vacancy & Collection Allowance	5.0% Gross Income			(150,000)
Effective Gross Income				\$2,854,400

II. **Operating Expenses**

General Operating Expenses	135 Units	\$4,000 /Unit		\$540,000
Property Taxes	² 135 Units	\$3,504 /Unit		473,000
Reserves Deposits	135 Units	\$150 /Unit		20,000
Total Operating Expenses	135 Units	\$7,650 /Unit		\$1,033,000

III. Stabilized Net Operating Income				\$1,821,400
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¹ Based on 2017 household incomes published by HCD. The gross monthly Affordable Rents are based on the California Health and Safety Code Section 50053 methodology. The net rent includes a deduction for utilities allowances that are based on the amounts published by HACoLA on 7/1/17. The allowances are based on costs for gas heating, cooking and water heating; and basic electric services.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX P - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
DENSITY BONUS: 135 UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Stabilized Net Operating Income	See APPENDIX P - EXHIBIT II - TABLE 2	\$1,821,400
	Threshold Developer Return		5.2%
	Total Funds Available for Development Costs		\$35,202,000
II.	Total Development Cost	See APPENDIX P - EXHIBIT II - TABLE 1	<u>(\$35,330,000)</u>
III.	Surplus / (Financial Gap)		(\$128,000)
IV.	Supportable Number of Inclusionary Units		22.0
V.	Supportable Percentage of Inclusionary Units		16%

**APPENDIX P: EXHIBIT III
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX P: EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

SANTA CLARITA VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	124,457	Sf of Land	\$10 /Sf of Land	\$1,245,000
II. Direct Costs	²				
Site Improvement Costs		124,457	Sf of Land	\$20 /Sf of Land	\$2,489,000
Parking	³				
Surface Parking		208	Spaces	\$2,500 /Space	520,000
Podium Parking		0	Spaces	\$20,000 /Space	0
Building Costs		127,171	Sf of GBA	\$115 /Sf of GBA	14,625,000
Contractor/DC Contingency Allow		20%	Other Direct Costs		3,527,000
Total Direct Costs					\$21,161,000
III. Indirect Costs					
Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,481,000
Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000
Affordable Housing In-Lieu Fee		127,171	Sf of GBA	\$2.61 /Sf of GBA	332,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		635,000
Marketing / Leasing		100	Units	\$3,500 /Unit	350,000
Developer Fee		4.0%	Direct Costs		846,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		257,000
Total Indirect Costs					\$5,401,000
IV. Financing Costs					
Interest During Construction					
Land	⁴	\$1,245,000	Cost	5.0% Interest	\$109,000
Construction	⁵	\$28,679,000	Cost	5.0% Interest	1,649,000
Loan Origination Fees		\$17,954,400	Loan	2.00 Points	359,000
Total Financing Costs					\$2,117,000
V. Total Development Cost		100	Units	\$299,000 /Unit	\$29,924,000
Total Construction Cost		100	Units	\$287,000 /Unit	\$28,679,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX P: EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

SANTA CLARITA VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		0 Units	\$0 /Unit/Month	\$0
One-Bedroom Units		34 Units	\$1,709 /Unit/Month	697,000
Two-Bedroom Units		40 Units	\$1,995 /Unit/Month	958,000
Three-Bedroom Units		26 Units	\$2,499 /Unit/Month	780,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$2,465,000
Vacancy & Collection Allowance		5.0% Gross Income		(123,000)
Effective Gross Income				\$2,342,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$3,980 /Unit	398,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$8,130) /Unit	(\$813,000)

Stabilized Net Operating Income				\$1,529,000
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¹ Market rents are estimated at a weighted average of \$2.13 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.30% tax rate.

APPENDIX P: EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I. <u>Funds Available for Development Costs</u>			
Stabilized Net Operating Income	See APPENDIX P: EXHIBIT III - TABLE 2	\$1,529,000	
Threshold Developer Return	¹	5.2%	
Total Funds Available for Development Costs			\$29,551,000
II. Total Development Cost	See APPENDIX P: EXHIBIT III - TABLE 1		\$29,924,000
III. Land Value Reduction	30% As a % of Land Cost	\$373,000	
In-Lieu Fee	See APPENDIX P: EXHIBIT III - TABLE 1	\$2.61	/Sf of GBA

¹ Based on the return on total cost estimated to be generated by the SANTA CLARITA VALLEY SUBMARKET: BASE CASE: 100% MARKET RATE UNITS.

**APPENDIX P: EXHIBIT IV
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX P: EXHIBIT IV

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
SANTA CLARITA VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

	Lower Income	Very Low Income
I. <u>Rent Difference</u>		
A. <u>Studio Units</u>		
Market Rate Units	\$0	\$0
Affordable Rent	0	0
Difference	\$0	\$0
B. <u>One-Bedroom Units</u>		
Market Rate Units	\$1,709	\$1,709
Affordable Rent	738	608
Difference	\$971	\$1,101
C. <u>Two-Bedroom Units</u>		
Market Rate Units	\$1,995	\$1,995
Affordable Rent	826	680
Difference	\$1,170	\$1,316
D. <u>Three-Bedroom Units</u>		
Market Rate Units	\$2,499	\$2,499
Affordable Rent	912	750
Difference	\$1,587	\$1,749
II. <u>Distribution of Total Units</u>		
Studio Units	0%	0%
One-Bedroom Units	34%	34%
Two-Bedroom Units	40%	40%
Three-Bedroom Units	26%	26%
III. <u>Annual Affordability Gap Per Income Restricted Unit</u>	\$14,529	\$16,263
Less: Property Tax Difference	¹ (3,778)	(4,228)
Annual Affordability Gap Per Income Restricted Unit	\$10,752	\$12,035
IV. <u>In-Lieu Fee</u>		
Per Income Restricted Unit	² \$207,798	\$232,596
Per Square Foot of GBA	³ \$24.51	\$27.44

¹ Based on the rent differential capitalized at a 5% rate, and a 1.30% tax rate.

² Based on the Annual Affordability Gap Per Income Restricted Unit capitalized at the threshold return on total investment.

³ 15% Set Aside Requirement.

APPENDIX Q
RENTAL APARTMENT PROJECTS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

**APPENDIX Q: EXHIBIT I
PRO FORMA ANALYSIS
BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX Q: EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

BASE CASE: 100% MARKET RATE UNITS

ANTELOPE VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	174,240	Sf of Land	\$5 /Sf of Land		\$871,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000	
	Parking	³					
	Surface Parking		205	Spaces	\$2,500 /Space	513,000	
	Podium Parking		0	Spaces	\$20,000 /Space	0	
	Building Costs		108,445	Sf of GBA	\$90 /Sf of GBA	9,760,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs		2,752,000	
	Total Direct Costs						\$16,510,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		7.0%	Direct Costs		\$1,156,000	
	Public Permits & Fees		100	Units	\$15,000 /Unit	1,500,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		495,000	
	Marketing / Leasing		100	Units	\$3,500 /Unit	350,000	
	Developer Fee		4.0%	Direct Costs		660,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		208,000	
	Total Indirect Costs						\$4,369,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁴	\$871,000	Cost	5.0% Interest	\$76,000	
	Construction	⁵	\$22,532,000	Cost	5.0% Interest	1,296,000	
	Loan Origination Fees		\$14,041,800	Loan	2.00 Points	281,000	
	Total Financing Costs						\$1,653,000
V.	Total Development Cost		100	Units	\$234,000 /Unit		\$23,403,000
	Total Construction Cost		100	Units	\$225,000 /Unit		\$22,532,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX Q: EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME

BASE CASE: 100% MARKET RATE UNITS

ANTELOPE VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		0 Units	\$0 /Unit/Month	\$0
One-Bedroom Units		41 Units	\$1,094 /Unit/Month	538,000
Two-Bedroom Units		49 Units	\$1,302 /Unit/Month	766,000
Three-Bedroom Units		10 Units	\$1,464 /Unit/Month	176,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$1,510,000
Vacancy & Collection Allowance		5.0% Gross Income		(76,000)
Effective Gross Income				\$1,434,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$2,040 /Unit	204,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$6,190) /Unit	(\$619,000)

Stabilized Net Operating Income				\$815,000
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¹ Market rents are estimated at a weighted average of \$1.52 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX Q: EXHIBIT I - TABLE 3

STABILIZED RETURN ON TOTAL INVESTMENT
BASE CASE: 100% MARKET RATE UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	Stabilized Net Operating Income	See APPENDIX Q: EXHIBIT I - TABLE 2	\$815,000
II.	Total Development Cost	See APPENDIX Q: EXHIBIT I - TABLE 1	\$23,403,000
III.	Stabilized Return on Total Investment		3.5%

**APPENDIX Q - EXHIBIT II
PRO FORMA ANALYSIS
DENSITY BONUS: 135 UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX Q - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS: 135 UNITS
 ANTELOPE VALLEY SUBMARKET
 INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
 LOS ANGELES COUNTY

I.	Property Acquisition Costs	¹	174,240	Sf of Land	\$5 /Sf of Land		\$871,000
II.	<u>Direct Costs</u>	²					
	Site Improvement Costs		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000	
	Parking						
	Surface Parking		68	Spaces	\$2,500 /Space	170,000	
	Podium Parking	³	0	Spaces	\$20,000 /Space	0	
	Building Costs		137,363	Sf of GBA	\$90 /Sf of GBA	12,363,000	
	Contractor/DC Contingency Allow		20.0%	Other Direct Costs		3,204,000	
	Total Direct Costs		135	Units	\$142,400 /Unit		\$19,222,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		7%	Direct Costs		\$1,346,000	
	Public Permits & Fees		135	Units	\$15,000 /Unit	2,025,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		577,000	
	Marketing / Leasing		135	Units	\$3,500 /Unit	473,000	
	Developer Fee		4.0%	Direct Costs		769,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		260,000	
	Total Indirect Costs						\$5,450,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁴	\$871,000	Cost	5.00% Interest	\$80,000	
	Construction	⁵	\$26,972,000	Cost	5.00% Interest	1,663,000	
	Loan Origination Fees		\$27,843,000	Loan	2.00 Points	557,000	
	Total Financing Costs						\$2,300,000
V.	Total Construction Cost		135	Units	\$199,800 /Unit		\$26,972,000
	Total Development Cost		135	Units	\$206,200 /Unit		\$27,843,000

- ¹ The property acquisition costs are based on a survey of recent land sales. Density is set at 34 units per acre, which represents a 35% density bonus.
- ² Direct costs assume that prevailing wage requirements will not be imposed on the Project.
- ³ Based on 0.5 spaces per unit.
- ⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.
- ⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 4-month lease-up period with a 100% average outstanding balance.

APPENDIX Q - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME

DENSITY BONUS: 135 UNITS

ANTELOPE VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units				
Studios	0 Units	\$0 /Unit/Month	\$0	
One-Bedroom Units	42 Units	\$1,094 /Unit/Month	551,600	
Two-Bedroom Units	50 Units	\$1,302 /Unit/Month	781,400	
Three-Bedroom Units	11 Units	\$1,464 /Unit/Month	193,300	
Lower Income	¹			
Studios	0 Units	\$651 /Unit/Month	0	
One-Bedroom Units	13 Units	\$738 /Unit/Month	115,100	
Two-Bedroom Units	16 Units	\$826 /Unit/Month	158,500	
Three-Bedroom Units	3 Units	\$912 /Unit/Month	32,800	
Laundry & Miscellaneous Income	135 Units	\$25 /Unit/Month	40,500	
Gross Income			\$1,873,200	
(Less) Vacancy & Collection Allowance	5.0% Gross Income		(94,000)	
Effective Gross Income				\$1,779,200

II. Operating Expenses

General Operating Expenses	135 Units	\$4,000 /Unit	\$540,000	
Property Taxes	² 135 Units	\$1,807 /Unit	244,000	
Reserves Deposits	135 Units	\$150 /Unit	20,000	
Total Operating Expenses	135 Units	\$5,960 /Unit		\$804,000

III. Stabilized Net Operating Income				\$975,200
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¹ Based on 2017 household incomes published by HCD. The gross monthly Affordable Rents are based on the California Health and Safety Code Section 50053 methodology. The net rent includes a deduction for utilities allowances that are based on the amounts published by HACoLA on 7/1/17. The allowances are based on costs for gas heating, cooking and water heating; and basic electric services.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX Q - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
DENSITY BONUS: 135 UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I.	<u>Funds Available for Development Costs</u>		
	Stabilized Net Operating Income	See APPENDIX Q - EXHIBIT II - TABLE 2	\$975,200
	Threshold Developer Return		3.5%
	Total Funds Available for Development Costs		\$28,003,000
II.	Total Development Cost	See APPENDIX Q - EXHIBIT II - TABLE 1	(\$27,843,000)
III.	Surplus / (Financial Gap)		\$160,000
IV.	Supportable Number of Inclusionary Units		32.0
V.	Supportable Percentage of Inclusionary Units		24%

**APPENDIX Q: EXHIBIT III
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX Q: EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

ANTELOPE VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Property Acquisition Costs	¹	174,240	Sf of Land	\$5 /Sf of Land		\$871,000
II. Direct Costs	²					
Site Improvement Costs		174,240	Sf of Land	\$20 /Sf of Land		\$3,485,000
Parking	³					
Surface Parking		205	Spaces	\$2,500 /Space		513,000
Podium Parking		0	Spaces	\$20,000 /Space		0
Building Costs		108,445	Sf of GBA	\$90 /Sf of GBA		9,760,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			2,752,000
Total Direct Costs						\$16,510,000
III. Indirect Costs						
Architecture, Engineering & Consulting		7.0%	Direct Costs			\$1,156,000
Public Permits & Fees		100	Units	\$15,000 /Unit		1,500,000
Affordable Housing In-Lieu Fee		108,445	Sf of GBA	\$2.13 /Sf of GBA		231,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			495,000
Marketing / Leasing		100	Units	\$3,500 /Unit		350,000
Developer Fee		4.0%	Direct Costs			660,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			220,000
Total Indirect Costs						\$4,612,000
IV. Financing Costs						
Interest During Construction						
Land	⁴	\$871,000	Cost	5.0% Interest		\$76,000
Construction	⁵	\$22,793,000	Cost	5.0% Interest		1,311,000
Loan Origination Fees		\$14,198,400	Loan	2.00 Points		284,000
Total Financing Costs						\$1,671,000
V. Total Development Cost		100	Units	\$237,000 /Unit		\$23,664,000
Total Construction Cost		100	Units	\$228,000 /Unit		\$22,793,000

¹ The property acquisition costs are based on a survey of recent land sales.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space per unit for studios; 1.5 spaces per unit for one-bedroom units; 2 spaces per unit for two- and three bedroom units; and 0.25 spaces per unit for guests.

⁴ Assumes an 18-month construction period with a 100% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

⁵ Assumes an 18-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

APPENDIX Q: EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME

IN-LIEU FEE ANALYSIS

LAND VALUE REDUCTION APPROACH: 100 UNITS

ANTELOPE VALLEY SUBMARKET

INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS

LOS ANGELES COUNTY

I. Income

Market Rate Units	¹			
Studio Units		0 Units	\$0 /Unit/Month	\$0
One-Bedroom Units		41 Units	\$1,094 /Unit/Month	538,000
Two-Bedroom Units		49 Units	\$1,302 /Unit/Month	766,000
Three-Bedroom Units		10 Units	\$1,464 /Unit/Month	176,000
Laundry & Miscellaneous Income		100 Units	\$25 /Unit/Month	30,000
Gross Income				\$1,510,000
Vacancy & Collection Allowance		5.0% Gross Income		(76,000)
Effective Gross Income				\$1,434,000

II. Operating Expenses

General Operating Expenses		100 Units	\$4,000 /Unit	\$400,000
Property Taxes	²	100 Units	\$2,040 /Unit	204,000
Reserves Deposits		100 Units	\$150 /Unit	15,000
Total Operating Expenses		100 Units	(\$6,190) /Unit	(\$619,000)

Stabilized Net Operating Income				\$815,000
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¹ Market rents are estimated at a weighted average of \$1.52 per square foot of gross leasable area.

² Based on the stabilized net operating income capitalized at a 5% rate and a 1.25% tax rate.

APPENDIX Q: EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
IN-LIEU FEE ANALYSIS
LAND VALUE REDUCTION APPROACH: 100 UNITS
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

I. <u>Funds Available for Development Costs</u>			
Stabilized Net Operating Income	See APPENDIX Q: EXHIBIT III - TABLE 2	\$815,000	
Threshold Developer Return	¹	3.5%	
Total Funds Available for Development Costs			\$23,403,000
II. Total Development Cost	See APPENDIX Q: EXHIBIT III - TABLE 1		\$23,664,000
III.	Land Value Reduction	30% As a % of Land Cost	\$261,000
	In-Lieu Fee	See APPENDIX Q: EXHIBIT III - TABLE 1	\$2.13 /Sf of GBA

¹
Based on the return on total cost estimated to be generated by the ANTELOPE VALLEY SUBMARKET: BASE CASE: 100% MARKET RATE UNITS.

**APPENDIX Q: EXHIBIT IV
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY**

APPENDIX Q: EXHIBIT IV

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
ANTELOPE VALLEY SUBMARKET
INCLUSIONARY HOUSING ANALYSIS - RENTAL APARTMENT PROJECTS
LOS ANGELES COUNTY

		Lower Income	Very Low Income
I.	<u>Rent Difference</u>		
A.	<u>Studio Units</u>		
	Market Rate Units	\$0	\$0
	Affordable Rent	0	0
	Difference	\$0	\$0
B.	<u>One-Bedroom Units</u>		
	Market Rate Units	\$1,094	\$1,094
	Affordable Rent	738	608
	Difference	\$357	\$486
C.	<u>Two-Bedroom Units</u>		
	Market Rate Units	\$1,302	\$1,302
	Affordable Rent	826	680
	Difference	\$477	\$623
D.	<u>Three-Bedroom Units</u>		
	Market Rate Units	\$1,464	\$1,464
	Affordable Rent	912	750
	Difference	\$552	\$714
II.	<u>Distribution of Total Units</u>		
	Studio Units	0%	0%
	One-Bedroom Units	41%	41%
	Two-Bedroom Units	49%	49%
	Three-Bedroom Units	10%	10%
III.	Annual Affordability Gap Per Income Restricted Unit	\$5,222	\$6,911
	Less: Property Tax Difference	¹ (1,305)	(1,728)
	Annual Affordability Gap Per Income Restricted Unit	\$3,916	\$5,183
IV.	<u>In-Lieu Fee</u>		
	Per Income Restricted Unit	² \$112,461	\$148,839
	Per Square Foot of GBA	³ \$15.56	\$20.59

¹ Based on the rent differential capitalized at a 5% rate, and a 1.25% tax rate.

² Based on the Annual Affordability Gap Per Income Restricted Unit capitalized at the threshold return on total investment.

³ 15% Set Aside Requirement.