



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: October 11, 2022

Approved

Date

10/20/22

SUBJECT: STUDY SESSION: COST OF RESIDENTIAL DEVELOPMENT IN SAN JOSE

PURPOSE

The purpose of the Study Session is to provide City Council with a report on the Cost of Residential Development. The report is comprised of two sets of analyses produced with the help of a consultant that evaluates the total cost of residential development in San José for market-rate and affordable housing.

OUTCOME

The report provides an analysis of the cost to construct new market-rate and affordable housing in San José under current economic conditions. City Council will hear a presentation from a panel from the Urban Land Institute, as well as an affordable housing developer, on the basics of residential development financing and receive a presentation from staff on the findings of the updated report on the Cost of Residential Development.

EXECUTIVE SUMMARY

There have been two previous iterations of the report on the Cost of Residential Development, in 2018 and 2019. There are two parts to the updated report with one analyzing the cost of new market-rate residential construction and the other looking at the cost to construct new affordable housing. The market-rate report assesses the financial feasibility of hypothetical high-density multifamily developments in different areas of the City. Unlike previous reports that showed projects were feasible in certain areas of the City, the results from the 2022 report show that development is extremely challenged in all areas of the City. No scenarios assessed in the report were shown to be feasible. According to the City's consultant, Century | Urban, construction costs, including the cost of materials and labor, have increased approximately 17% since the start of the COVID-19 pandemic and continue to be the most significant barrier to new housing

construction. The recent experience in the City aligns with the report findings in that only two large multifamily projects started construction in 2021 and 2022. The affordable report identifies significant barriers to affordable housing related to increased costs of construction and financing.

BACKGROUND

In December 2017, City Council directed staff to convene a City Council Study Session to discuss the aggregate impact of the fees and policies the City imposes on housing development and construction. The goal of the Study Session was to provide context and background for upcoming development-related items to be considered by City Council.

On April 26 and May 1, 2018, City Council held Study Sessions on the Cost of Residential Development in San José that provided an overview of the current conditions of the local real estate market and residential development. Members of the Urban Land Institute provided a detailed summary of development financing and the impact of various City costs and policies, including fees and taxes, on the viability of projects. Keyser Marston and Associates provided a detailed report including a conceptual pro forma analysis for market-rate residential development based on the current market conditions in San José. The results of this analysis in 2018 showed that new residential development was unlikely in many parts of San José based on the economic conditions. The most likely area for new residential development was in West San José where rents were at a level to yield sufficient return to make residential development feasible. Development in Downtown and North San José had some potential, but returns were marginal and were potentially insufficient to attract the necessary investment to finance new development.

This first report and Study Session came as the staff was developing the Housing Crisis Work Plan that was initiated by Mayor Sam Liccardo's September 2017 memorandum entitled "Responding to the Housing Crisis." This memorandum identified numerous items to address the housing crisis and proposed the goal of 25,000 housing units – 15,000 market-rate and 10,000 affordable. Further, the memorandum, as approved by the City Council, directed staff to identify which items could be incorporated into existing work efforts and those that would require more resources. Following this prioritization work, staff developed the Housing Crisis Work Plan that was approved by City Council on June 12, 2018. The initial Housing Crisis Work Plan included an ongoing work item to update the Cost of Residential Development report on a regular basis so that staff and City Council continued to understand the current market conditions impacting the ability to deliver on housing goals.

On November 5, 2019, staff presented an update on the Cost of Residential Development to City Council. This report found similar results as the 2018 study suggesting that development remained feasible in West San José. Development in Downtown and North San José was again marginal and did not obtain a sufficient return to attract investment. Other areas of the City returned a negative value and were not possible. The most significant barrier to new housing was the cost of construction based on the analysis in the 2019 report.

The 2019 report also included an additional analysis prepared by Keyser Marston and Associates on affordable housing that looked at the average costs of construction of affordable units in San José. The report utilized data reported to the State of California by those projects receiving tax credit financing and compared the costs of producing units in San José opposed to other cities in the State.

On November 5, 2019, City Council also received an update on a newly prioritized work item called the Universal Development Fee. At this meeting, staff proposed a new approach named the Development Fee Framework that would align City residential fees and taxes under common elements to make their collection and calculation easier to understand for the development community and the public. This work would also help allow fees to be more easily compared to one another and assessed within the total cost of development.

Entering 2020, staff intended to provide regular updates on the Cost of Residential Development in conjunction with its continued work on the Housing Crisis Work Plan. However, this work was delayed by the COVID-19 pandemic in March 2020. In 2021, staff conducted a Request for Proposal and selected a new consultant to perform the work required to update the report. Century | Urban was selected as the consultant and the work to update the report with the consultant was initiated in early 2022.

ANALYSIS

The continued updates to the Cost of Residential Development report are an important tool to understand the barriers to new housing construction. In particular, the updates provide a more detailed understanding of the factors both outside and within the City's control that impact the feasibility of residential development. These factors can contribute to the City's ability to deliver on its housing goals. As was the case in previous iterations, the analysis from the most recent report continues to paint a bleak picture for future residential development in San José. Construction costs, despite a brief pause early on in the pandemic, have continued to rise significantly and remain the biggest barrier to housing development in the City. This is a factor that the City has limited control over. On the other hand, City fees and the approval process for new development are areas within the City's control to change and add to the cost to initiate construction.

New housing development for both market-rate and affordable housing is dependent upon private capital investment. From the start of the process, a developer will compile data based on estimated costs balanced against the estimated income that a new project will generate once completed. This model is referred to as a development "pro forma." It is created individually by a developer early in the development process and is refined as the project moves along in the process. The pro forma is an important part of the decision-making process as the model will show whether the proposed project is both financially feasible and a worthwhile investment for private capital. The data and assumptions included in a specific pro forma for market-rate

development are typically treated as proprietary to that particular developer or investor and are not shared with the City or the public.

I. Market-Rate Residential Cost of Development Study

As was the case in previous iterations, this new report is based on conceptual prototypes. These prototypes do not represent specific projects, but rather reflect the typical characteristics of development that have occurred in the City in recent years. The prototypes used in this update are largely unchanged from the previous reports. In general, they remain reflective of the types of development the City has seen for new multifamily housing. In addition, keeping the prototypes consistent allows for an easier comparison of the results of this study to those of the previous studies.

The report looks at market-rate for-sale and rental multifamily housing development in three different prototypes: a five-story low-rise building, a seven-story mid-rise building, and a 22-story high-rise building. It is important to distinguish these types of development as each requires a different type of construction, which means different materials are used in the construction of the buildings. These material types affect the cost of construction. In general, the types of construction become more expensive the higher the building height. These prototypes are analyzed in several different submarket areas.

This report, as were all previous reports, is focused on high-density housing rather than low-density housing. The City has a significant inventory of lower-density housing such as single-family homes that account for the vast majority of its current residential land uses. The long-term strategy outlined in *Envision San José 2040 General Plan* is to provide opportunities for high-density housing to maximize the number of new units to meet the City's housing goals.

Through these conceptual prototypes, the consultant, Century | Urban, created a development pro forma that analyzes each prototypes feasibility based on the current market conditions. The prototypes and the associated assumptions are detailed in the report prepared by the consultant and included in **Attachment A – Strategic Real Estate Advisory Services**.

Defining Residual Land Value

The report uses the residual land value to show project feasibility. Residual land value refers to the amount of value remaining to purchase land once all other costs have been accounted for to complete the construction. These costs also include an expected return on investment for the developer consistent with industry standards. A positive residual value indicates the development could pay up to a specific price for land and still be considered feasible. A residual value that is zero or negative indicates a development that is infeasible as there is no remaining value to purchase land.

Results Demonstrate Market-Rate Housing Development is Not Feasible in Any Area

The results from the report are included in **Table A** and **Table B** below. To summarize, all prototypes show significant negative residual land values. This means that even before accounting for the purchase of land, the cost to construct the building is infeasible. The residual values shown are on a per-unit basis. The locations are based on the Development Fee Framework / Inclusionary Housing Ordinance submarket areas.¹ Downtown is a subsection of the Central area and South and East is composed of multiple areas in the southeast part of the City. Not all prototypes were tested in all locations and cells on the table without values indicate locations that were not tested.

Results are based on conceptual prototypes and not on specific projects. The report provides a macro view of development feasibility in the City. This does not necessarily mean that individual projects will not start. Specific projects may have unique circumstances that enable them to move forward in the current conditions.

Table A: Residual Land Values for Market-Rate Rental Housing by Size and Location (per unit)

Rental Prototypes / Location	Low Rise (5 stories)	Mid-Rise (7 stories)	High-Rise (22 stories)
Central	(\$270,000)	(\$350,000)	(\$510,000)
West		(\$230,000)	(\$390,000)
Downtown			(\$440,000)
North		(\$320,000)	(\$490,000)
South and East	(\$272,000)		

Table B: Residual Land Values for Market-Rate For-Sale Housing by Size and Location (per unit)

For Sale Prototypes / Location	Low Rise (5 stories)	High-Rise (22 stories)
South and East	(\$410,000)	
Central and West	(\$320,000)	
Downtown		(\$520,000)

Estimated Land Costs

The consultant also submitted a land cost estimate based on location to provide context to the residual land values. Land prices estimated by the consultant (**Table C**) range from \$25,000 up to \$85,000 per unit, depending on the geographic area.

¹ Map: <https://csj.maps.arcgis.com/apps/webappviewer/index.html?id=8518bc095ae54f4ea025d7743c650881>

Table C: Land Cost Estimates by Geographic Area

Land Prices Per Unit	South & East	Central	West	North	Downtown
<i>Low</i>	\$40,000	\$40,000	\$65,000	\$25,000	\$25,000
<i>High</i>	\$65,000	\$65,000	\$75,000	\$85,000	\$85,000

Sensitivity Analysis Shows Construction Cost Remain a Barrier to New Development

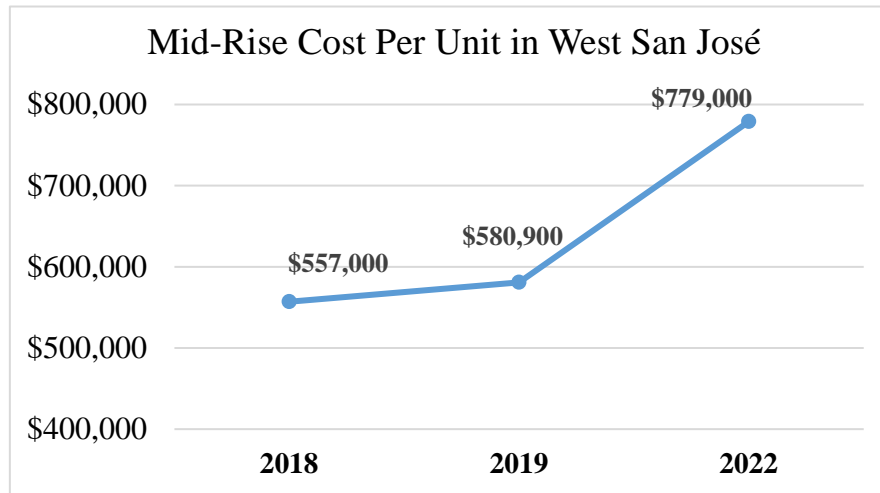
The consultant also conducted a sensitivity analysis (**Exhibit C** in the report included as **Attachment A** to this memorandum) that looked at the impacts of various changes to multiple factors. For example, the sensitivity analysis included a 5% increase or decrease in rental rates, a 5% increase or decrease in construction costs, etc. In all scenarios analyzed the residual values did not shift to positive values that indicate feasibility. In all cases, the per unit residual values remained at significant negative levels. The largest improvement in feasibility was with a 5% reduction in construction costs. This analysis further shows the significant challenges faced in the current economic conditions for new market-rate construction and reinforces the major hurdle of construction costs.

Report Highlights Increasing Construction Costs and Interest Rates as Rents Fluctuate

The findings of this updated report reiterate the extremely challenging environment for the new construction of market-rate housing at the present time. Past studies in 2018 and 2019 showed that development was challenging in many parts of the City, but there were places such as West San José where development was feasible. However, this is no longer the case, and conditions have continued to decline since the last report in late 2019.

Several factors contribute to the continued decline in development feasibility. Construction costs, including the cost of materials and labor, have increased significantly since the start of the pandemic. During the pandemic, materials could be difficult to find. According to the subconsultant, TBD Consultants, who provided the construction cost estimates for Century | Urban, construction costs have increased by 17% in the region since the start of the pandemic through the second quarter of 2022. Since 2014, the total increases in construction costs have been 76%. The increases in costs can also be shown through the cost to construct a unit over the three reports in 2018, 2019, and 2022. The chart below (**Chart 1**) tracks the costs of the mid-rise prototype in West San José.

Chart 1: Cost of Development for Mid-Rise in West San José



At the start of the pandemic in March 2020, there was a sharp decline in rents. San José rents started to trend positive in early 2022 and only surpassed pre-pandemic levels in spring 2022. According to the most recent data from the Apartment List, San José rents are approximately 5% above March 2020.² This limited rent growth has not been sufficient to match the increases in the costs of construction over the same period.

Additionally, in 2022, interest rates continue to increase as a result of the actions of the Federal Reserve to address inflation. These rates impact the cost to finance new construction for both market-rate and affordable developments. The volatility of the current market and increased uncertainty of the economic outlook moving forward also create additional challenges. According to some developers interviewed by staff as part of this process, these conditions have led investors to wait rather than invest now.

Report Findings Validated by Building Permit Data

Recent building permit data on large multifamily projects that started construction from 2020 to 2022 supports the results of the report. The data for building permits is the most useful to understand the current environment as the issuance of building permits aligns with the start of construction. The start of construction means that a project has been able to obtain financing. Planning approval, also referred to as entitlement, is not a good indicator of whether a project will move forward, or when it will move forward. Entitlements can be speculative in nature and done in advance of market conditions that will support the construction. **Table D** below shows the projects and number of units for market-rate projects over 50 units that obtained building permits in recent years.

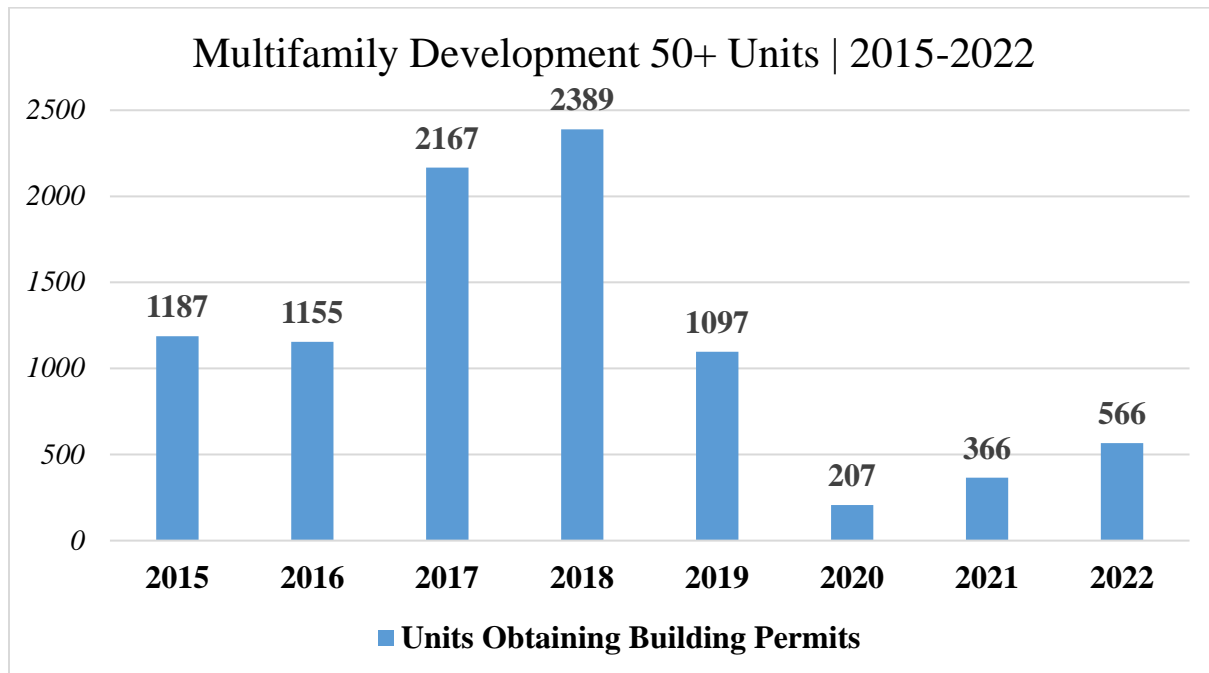
² <https://www.apartmentlist.com/research/national-rent-data>

Table D: Building Permits for Market-Rate Residential Development 50 Units or More

2020	The Taft (477 S. Market St.)	130 units
	Sparta505 (505 E. Santa Clara St.)	77 units
2021	Winchester Ranch (585 S. Winchester Blvd.)	366 units
2022	Bascom Station (1350 S. Bascom Ave.)	566 units
		1,139 units

Chart 2 below shows building permits issued since 2015 for projects with 50 or more units. The downward trend in market-rate multifamily began prior to the pandemic but declined even more sharply since 2020. In the near term, based on this data and the results from the report, it is likely that this trend will continue.

Chart 2: Market-Rate Residential Development 50 Units or More Over Time



City Fees and Taxes

There are a variety of costs added to development directly from the City. There are fees associated with entitlement and permitting. These costs are service fees from the Planning and Building Divisions, Public Works, and Fire Departments' developmental review and represent less than one percent of the total cost of per unit. These fees pay directly for staff and the cost to the City to process and review the project. There are also fees associated with public improvements such as sanitary sewer connection fees or street frontage improvements, among others. The largest component of City costs added comes from construction taxes, parkland in lieu fees, and inclusionary housing in lieu fees. Construction taxes, in general, fund transportation infrastructure among other things and are assessed based on the valuation of the new building. Parkland obligations for residential development can be satisfied through the dedication of improved or unimproved land, payment of an in lieu fee, or a combination of both. Parkland in lieu fees can also be reduced through the contribution of private recreation space. Fees and taxes shown in the report include a reduction based on average levels of credit. Similarly, the City's inclusionary housing requirements can be fulfilled by development through the delivery of affordable units in a new development or payment of an in lieu fee.

Based on the data in the report, these costs represent from 5% to 10% of the total costs to build a unit (**Table E**). These numbers are marginal compared to the overall cost of the unit; however, they still add costs and contribute to the level of infeasibility. Reduction of these taxes and fees to zero dollars would improve feasibility, but would not fundamentally change the outcome of the analysis. Importantly, such elimination would also significantly reduce City resources necessary to support transportation infrastructure and related grant matching requirements, renovate and create new park infrastructure, and support affordable housing. It is important for staff and City Council to continue to understand the cost implications of all policy decisions in the near term that could add additional costs to new housing development or decrease potential future revenues that would otherwise support day-to-day City infrastructure. Any added costs would further contribute to the infeasibility of new market-rate construction.

Table E: City Taxes and Fees on a Per Unit Basis

<u>City Impact Fees and Taxes (rental)</u>	<u>Range Per Unit</u>
Construction taxes	\$6,400 - \$6,800
Parkland in lieu fees	\$9,800 - \$20,800
Inclusionary housing in lieu fees	\$21,000 - \$49,600
<u>Total City impact fees and taxes</u>	\$37,200 - \$72,000
<u>% of total unit costs</u>	5.5% - 10.2%

II. Affordable Housing Cost of Development Report

Century | Urban prepared a report for the City regarding the recent impact of market conditions on the cost and feasibility of constructing affordable housing included in **Attachment B – Affordable Housing Development Cost Study**. The purpose of this study was to understand the changes in the cost of developing affordable housing within the City, the funding sources used to

pay for such costs, and the unique attributes of affordable housing that contribute to its higher construction costs.

The study compared the cost of developing affordable housing in San José to similar costs in other large California cities. This study evaluated the period from June 2019 to December 2021 for 15 projects in San José and 27 projects in other cities that received tax credit allocations during this time period. These projects ranged in height from four to 13 stories and proposed a “Non-Targeted” or “Special Needs” housing type. Non-Targeted projects are projects with a geographic set aside rather than a target population set aside. Special Needs developments target individuals and families who are homeless or at risk of homelessness and need permanent affordable housing and supportive services. These types of developments provide supportive services to assist an individual or family retain their housing, improve their health status, and maximize their ability to live, and, when possible, work in the community.

The study showed that the average cost per unit for all San José projects was 15% higher than the average cost per unit for other city projects, and notably, the average cost per unit for Special Needs projects in San José was 24% higher than the average cost per unit for Special Needs projects in other cities.

Table F: Summary of Comparison of Total Development Costs per Affordable Unit

	San José Projects	Other City Projects*	All Projects	San José Cost Difference
<i>All Projects</i>	\$615,100	\$535,100	\$561,400	15%
<i>Special Needs</i>	\$700,100	\$564,900	\$612,000	24%
<i>Non-Targeted</i>	\$609,900	\$574,200	\$586,500	6%

*This refers to the 27 projects in other cities studied in the report.

The findings summarized below outline the challenges and major cost factors that impact affordable housing developments in light of recent economic and market fluctuations, and demonstrate why the cost of affordable housing is more expensive in San José than in other cities.

General Trends

Escalation of Construction Cost

Similar to the findings from the market-rate report, construction costs have been a significant challenge for affordable housing development. Annual construction cost escalation averaged between 7% and 8% from 2014 to 2020. Construction costs, for affordable units, increased at a lower rate in early 2020 due to the slowdown of construction activity during the pandemic. However, costs have increased by 6% annually over the past two years.

Increase in Cost of Financing

The recent increase in interest rates in response to high inflation has had a significant impact on affordable housing development costs. Multiple funding sources, typically between five to six sources, are required to finance these developments and can take on average two to three years to acquire as federal and state sources offer only one application round each year. This exposes the development to higher risk in terms of interest rate fluctuations as the borrower can only lock rates in at the close of financing following a tax credit allocation.

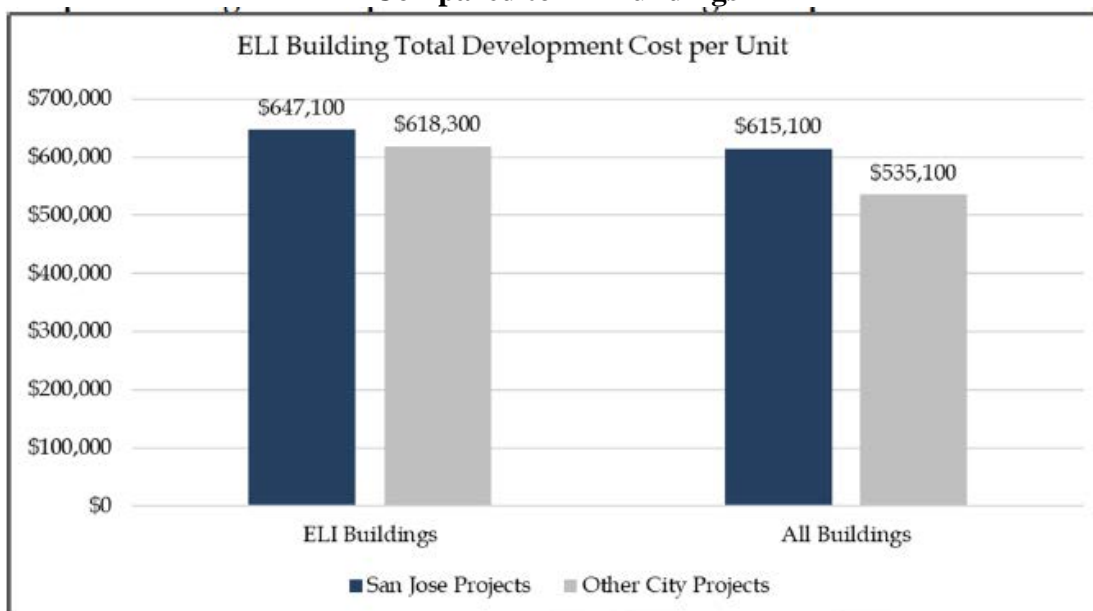
Affordable housing developments provide deep affordability to residents resulting in lower rental income. Increases in interest rates drive up the cost of loans from banks creating gaps in the overall financing for the development. This pushes developers to seek larger commitments from lenders willing to provide debt with lower interest rates, typically government lenders including the state, county, and the City.

City of San José vs Other Cities

Deeper Affordability levels

San José developments provide deeper affordability, with approximately 40% of San José projects setting aside 50% or more units for extremely low-income households, in comparison to approximately 29% of other cities' projects. Development costs for extremely low-income buildings are higher as shown in **Chart 3** below. Total development costs consist of many components including land or property acquisition costs, direct construction costs, and indirect soft costs such as architectural/engineering costs, and local development fees.

Chart 3: Average Development Cost Extremely Low-Income (ELI) Buildings Compared to All Buildings



Higher Direct Construction Costs

Direct construction costs represent approximately 70% of total construction costs and have been increasing by 6% annually. The cost of labor and materials to construct buildings, site improvements, and parking are higher in San José when compared to other cities. A shortage in the construction labor market and prevailing wage requirements applicable to San José projects result in higher direct construction costs for these projects. There is a significant cost difference for Special Needs projects in San José compared to other cities.

Table G: Total Direct Construction Costs, Average Per Unit

	San José Projects	Other City Projects	All Projects	San José Cost Difference
<i>All Projects</i>	\$425,200	\$364,800	\$384,700	17%
<i>Special Needs</i>	\$487,800	\$359,100	\$403,900	36%
<i>Non-Targeted</i>	\$422,700	\$424,200	\$423,700	0%

Higher Impact Fees

Cities impose impact fees and taxes, such as parkland in lieu fees, on new development to fund the infrastructure needed to support new housing. These charges can support important local services, such as schools, parks, and transportation. San José's impact taxes and fees are higher and averaged \$12,100/unit versus \$7,800/unit in other cities.

A current work item in the Housing Crisis Work Plan is to assess reducing the construction taxes charged to affordable housing developments. Staff intends to return in early 2023 with recommendations for City Council action. As part of this work effort, staff will seek to understand how San José construction taxes compare to other jurisdictions.

Higher Financing Costs

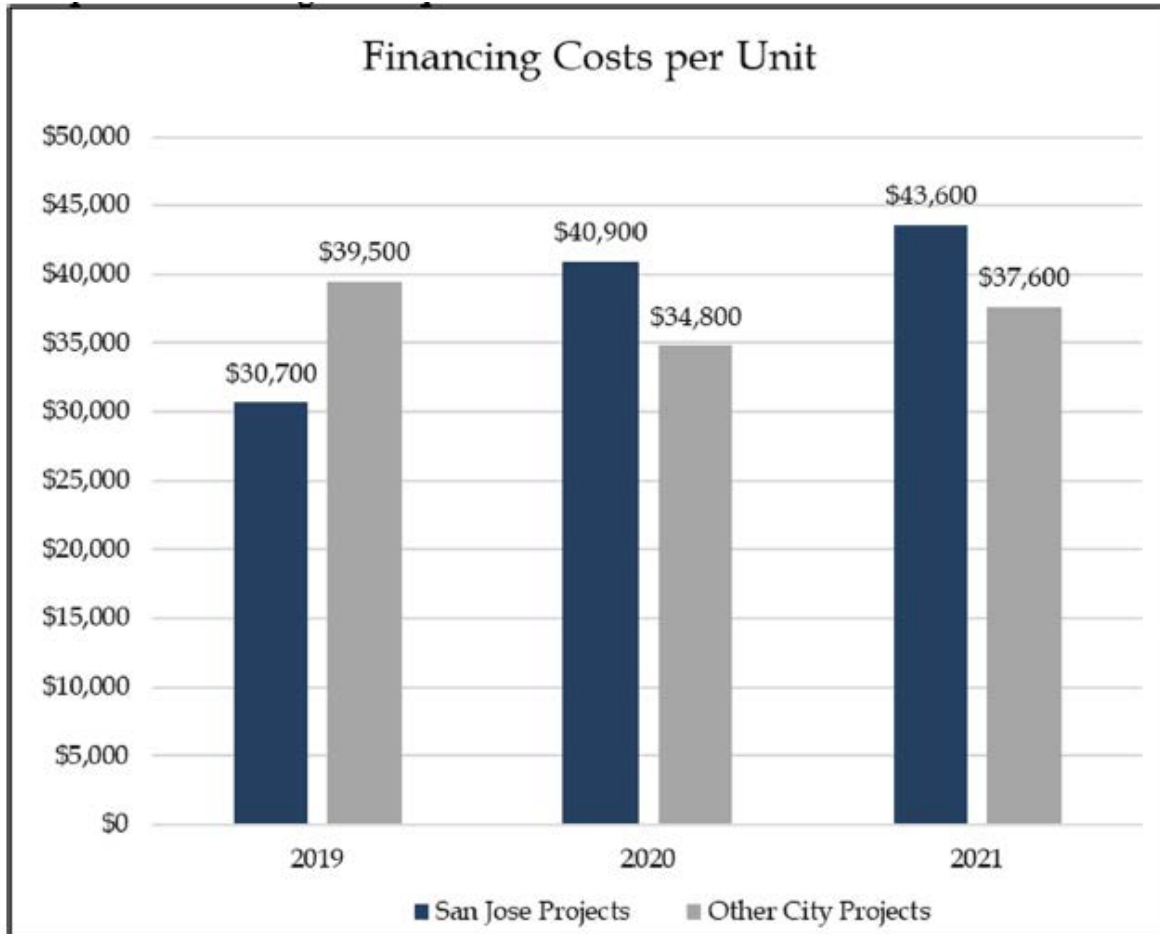
Affordable housing projects are financed through multiple financing sources. Financing costs represent approximately 7% of San José projects and other city projects total development costs. Financing costs between 2020 and 2021 increased by approximately 7% for San José projects and approximately 8% for other city projects.

San José projects averaged approximately six funding sources per project. Each additional funding source potentially adds costs due to extended timelines and/or operational requirements. This layering of capital is causing long delays, which can add significantly to hard costs in a fast-rising construction cost environment.

As projects become more complex, affordable housing developments also experience higher soft costs such as increased legal and consultant fees as well as syndication costs associated with financial consultants needed to manage multiple funding streams and partners. In addition, public

funding in California can be highly fragmented creating a need to coordinate between state, county, and local funding sources.

Chart 4: Financing Costs Per Affordable Unit



Lower Federal Equity Pricing

Affordable housing projects raise capital to fund development costs through investor equity, referred to as tax credit equity. An investor receives credits over a 10-year tax credit compliance period. As the amount of tax credits available for allocation is fixed each year, the pricing of tax credits directly affects the number of units that can be financed through public funding sources. A lower tax credit price requires more state and local subsidies to fill financing gaps.

Some City of San José projects received equity pricing as low as 0.88 cents to the dollar in 2020-2021. Equity investments are a significant source of funding at the conversion phase when the construction is complete and equity capital is injected into the project to take out the senior lender construction loan balance. When equity pricing and investment equity are lower, the

development has to take out higher permanent loans from private and public lenders, which places a strain on cash flow due to higher financing costs.

III. Strategies to Mitigate the Cost of Development in San José

The City has explored strategies and tools to mitigate the cost of development in San José. The section below highlights concepts being explored to stabilize or bring down the overall cost of both market-rate and affordable development.

Development Fee Framework

The Development Fee Framework is intended to better align the most significant fees and taxes paid by residential developers to allow for easier calculation and administration. To do this, the Development Fee Framework is a set of common elements and practices that guide future fees or changes to existing ones. The outcome of this work is also intended to make it easier to assess the overall cost and impact of fees and taxes within the entire cost of a unit and project. This will allow staff and City Council to better understand the implications of any future decisions regarding fees and taxes. Developers will also benefit by being able to estimate fees and taxes more quickly when creating their pro forma.

Staff continues to work toward the implementation of this concept in the Housing Crisis Work Plan. A major component of this implementation will be the adoption of a formal City Council Policy and other changes to memorialize the components of the Development Fee Framework. Staff anticipates bringing forward this work in fall 2023.

Potential Impact of New Construction Methods

There are two alternative construction methods growing in consideration due to their potential to reduce the time and cost of construction – modular construction and mass timber.

Modular Construction

In modular construction, major components of construction occur offsite and then these components, or modules, are assembled onsite. The potential advantages of this method are to lower the cost of construction with less built onsite and reduce the total time of construction.

In preparation for this report and the Study Session, staff spoke to a developer pursuing modular construction for an approved multifamily project in San José. The developer shared that it expected modular construction to save approximately 10% to 20% on construction costs. Additionally, the developer anticipated reducing its construction timeline from 42 months to 30 months. However, the sharp overall increases in construction costs have impacted the developer's project as well. Even with the 10% savings in construction costs, the project is proving challenging in the current market. There can also be obstacles on the financing side where capital may prefer traditional routes due to familiarity and predictability.

Mass Timber

The other alternative construction type is mass timber. This type of construction uses specially engineered wood products, including cross-laminated timber, that allow for greater heights above what is typical for other types of wood construction. The tallest mass timber structure, recently completed in the City of Milwaukee, is a 25-story, 284-foot residential building. In this case, the key benefit was time savings versus cost.³ However, there are also environmental benefits to this type of construction.

Staff will continue to follow the development and implications of these new construction methods in future updates to the report on the Cost of Residential Development. Staff believes this is important in order to understand what role the City could play in facilitating these types of construction.

Other Policy Considerations

The work outlined in the Housing Crisis Work Plan and the strategies and policies being proposed as part of the updated Housing Element are intended to address areas that the City controls. There are many important strategies proposed in the draft Housing Element, but there are two, in particular, to highlight that is intended to help speed up the approval of new housing development. Reducing approval timelines by moving to a ministerial process is one area within the City's control that could help lower costs, the other is to provide advance CEQA clearance for Urban Villages.

City Ministerial Infill Approval Ordinance

This strategy would allow housing projects meeting specific criteria to be approved without a hearing through a ministerial process. Projects utilizing this new process would not be subject to CEQA review, as ministerial approvals are not defined as a "project" under the CEQA statute. This streamlined process would greatly reduce approval timelines. This approach would require additional CEQA analysis to study and disclose potential project-related environmental impacts when policies such as General Plan updates or Urban Village plans are adopted.

CEQA Analysis for Urban Villages

By conducting program-level CEQA analysis for approved Urban Village plans the City could shorten the approval processes for new projects. This approach could reduce the amount of environmental analysis an individual project has to conduct and has been a successful component of the City's Downtown Strategy.

³ "World's Tallest Mass Timber Tower Completed in This Great Lakes City"
<https://product.costar.com/home/news/424172533>

City Council will be discussing the Housing Crisis Work Plan at its November 15, 2022 City Council meeting. This will be an opportunity to further discuss strategies and policies associated with the City's housing goals.

CONCLUSION

The updated report on the Cost of Residential Development shows that the cost of construction remains a significant barrier to the construction of new market-rate housing. Unlike in previous versions of the report, none of the prototypes assessed were shown to be feasible under current market conditions. The results of the report are confirmed based on the low level of new multifamily construction in San José since 2020.

The affordable housing cost study identifies significant barriers to financing and building affordable housing developments and the need for more subsidized support. Total development costs for affordable housing continue to have material consequences for the supply of new affordable housing at a time when San José lacks enough affordable housing to meet residents' needs, with a severe shortage of adequate, affordable housing for extremely-low-, very-low-, low-, and moderate-income households.

EVALUATION AND FOLLOW-UP

Staff plans to regularly update the report on the Cost of Residential Development as part of its ongoing work on housing policy. The next update is anticipated in fall 2023. At the November 15, 2022 City Council meeting, there will be several significant housing policy items relating to this report, including updates on the Housing Crisis Work Plan and on North San José planning as well as recommendations on the future of the City's High Rise Residential Program. The report will further inform many other future policy discussions.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

In developing this report, staff and the consultant held multiple meetings with housing developers with experience in San José and other organizations interested in housing policy. The first meetings were held on April 18 and 22, 2022. At these meetings, the City's consultant, Century | Urban, reviewed its assumptions prior to completing its analysis for comments and feedback.

A draft version of the report on the Cost of Residential Development (see Attachment A) was released on September 22, 2022. Additional meetings with developers and housing organizations were held on September 29, 2022. A draft version of the Cost of Affordable report (see Attachment B) was published on October 6, 2022. A meeting with affordable housing developers will be held the week of October 17, 2022, to review the findings of the report and seek their input. This memorandum will be posted on the City's Council Agenda website for the November 1, 2022, City Council Study Session.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Department of Planning, Building, and Code Enforcement, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

There are no costs associated with the City Council's acceptance of this report. Any future recommendations related to potential modification of development fees and taxes for the City Council's consideration will include an analysis of impacts on both housing development and City services.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City Action.

/s/
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/s/
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HONORABLE MAYOR AND CITY COUNCIL

October 11, 2022

Subject: Report on the Cost of Residential Development

Page 18

Attachments:

- Attachment A – Strategic Real Estate Advisory Services by Century | Urban
- Attachment B – Affordable Housing Development Cost Study by Century | Urban

Attachment A



Century | Urban

Strategic Real Estate Advisory Services

Conceptual Feasibility Analysis

Presented to:

City of San Jose

August 19, 2022



FINANCIAL PLAN REVIEW

TO: City of San Jose, Office of Economic Development
FROM: Century Urban, LLC
SUBJECT: Conceptual Feasibility Analysis
DATE: August 19, 2022

CONFIDENTIAL AND PRIVILEGED

Summary

The City of San Jose, Office of Economic Development (the “City”) has engaged Century Urban, LLC (“Century | Urban”) to prepare a conceptual feasibility analysis for five residential rental and sale development prototypes. The analysis is intended to update conceptual prototype feasibility analyses prepared in 2018 and 2019 and to provide a perspective on the general development economics of high-density residential development in the current market. The prototypes are analyzed across a range of City submarkets, projects sizes, and construction types, among other factors.

The conceptual analyses’ findings indicate that residential development economics are challenging under current market conditions. Since the last analysis was prepared, the prices of construction materials and labor have increased significantly, and many construction materials are not easily available on pre-Covid construction timelines. Meanwhile, a combination of the COVID-19 pandemic, volatility and devaluations in equity markets, and expansion of remote work have impacted the demand for urban residential living.

The analyses conclusions are not intended to imply that every residential development is equally challenged in San Jose. Actual projects may differ from the prototype assumptions and may be less challenged.

Analysis Qualifications

The analysis referenced in this memorandum utilizes prototypical projects representing high-level average or median project types and high-level project assumptions prevalent at the time the analysis was prepared. Though there may be similarities, prototype projects do not correspond to any actual specific project or the actual economics of any particular development. While prototypes were designed to represent actual or median projects, any given actual project



may reflect different costs, rental rates, sale prices, or other details driven by the circumstances of that project such as its sponsor, history, site conditions, contractor, business plan, and/or other factors. Moreover, the criteria and assumptions utilized in selecting and analyzing the prototypes may be specific to the time during which the analysis was prepared and the research was conducted. Research was conducted and data was gathered for this report during the first quarter of 2022. Appropriate assumptions for the prototypes will likely evolve over time as market conditions change.

Legislative Background

This conceptual feasibility analysis has been prepared to analyze whether construction of Private Construction Projects within the residential Subcategory of Use is Financially Infeasible as specified in Section 14.10.310 of the San Jose Municipal Code, which specifies that A) the City Council must make a determination whether a fee or tax reduction is not a Subsidy, supported by findings, following a public hearing; B) the Council's findings must be based on evidence presented at the public hearing including a study on whether relevant Private Construction Projects are Financially Infeasible; and C) the financial feasibility study must be performed by a qualified consultant retained through the City's normal procurement process. The study must address a specific set of issues (see Exhibit F), and preparation of the study will include the opportunity for stakeholder input. The Council is also directed to use reasonable efforts to conduct the required public hearing within 90 calendar days following completion of the study. Capitalized terms used in this paragraph are defined in Chapter 14.10 of the San Jose Municipal Code.

Construction Types

The residential development prototypes to be analyzed fall into three common residential construction types: Type V, Type III, and Type I. Each of these construction types has multiple subtypes and requirements specified by building code, but in general, the lower the construction type number, the greater the fire-life-safety requirements.

- Type V construction refers to a building type in which the interior and exterior structural materials of the building are permitted to be “combustible”. This means that wood may be used as a core structural material in the building's design including for framing, walls, floors and roofs. Wood-framed building is often used for single-family homes, as well as smaller apartment and retail buildings. Wood frame construction is often lower cost than other construction methods.
- Type III construction refers to a building in which exterior walls are “non-combustible” but other elements (framing, floors, ceilings) may be designed with combustible materials such as wood. Walls are typically constructed from concrete block, precast panels, or other



non-combustible materials. This type of construction is generally used in larger apartment buildings, schools and other medium-sized commercial buildings.

- Type I construction refers to a building in which all structural materials are non-combustible. In a Type I building, walls, floors, and roofs are constructed with materials such as concrete and steel. This construction type is generally utilized with high-rise residential and commercial buildings and tends to be the most expensive of the three construction types.

In addition to limiting construction materials for each building type, the International Building Code and most local building codes also limit the maximum height and building stories for a project depending on its construction type.

The three construction types utilized in the prototype analysis are intended to reflect a range of building types and sizes developed by residential developers in the City.

Prototypes

The prototypes reviewed in this conceptual analysis are based on prototypes previously analyzed in 2018 and 2019 to allow comparison to these prior analyses and are intended to represent a range of residential development projects.

Building Heights/Density

For rental prototypes, the analysis includes a Type V project of five stories with a density of 65 units per acre, a Type III project of seven stories with a density of 90 units per acre, and a Type I project of 22 stories with a density of 350 units per acre. The for-sale prototypes include a Type V project of five stories with a density of 50 units per acre and a Type I project of 22 stories with a density of 350 units per acre.

Prototype Building Height and Density					
Prototype Size	Low-Rise	Mid-Rise	High-Rise	Low-Rise	High-Rise
Rental/Sale	Rental	Rental	Rental	Sale	Sale
Construction Type	Type V	Type III	Type I	Type V	Type I
Height/Stories	5	7	22	5	22
Density / Acre	65	90	350	50	350

Two versions of the Type I rental and sale prototypes were analyzed – one version, which reflects standard City requirements for payment of an inclusionary in-lieu fee and construction taxes, and a “waiver” version, which reflects a waiver of payment of the inclusionary in-lieu fee and 50% reduction of select construction taxes.

Submarkets



The prototypes were reviewed and applied in submarkets including “South & East”, “Central”, “West”, “North” and “Downtown.” The City provided boundaries to guide the geographical definition of each submarket. Century | Urban researched each prototype and submarket to estimate the property income, expenses, sales prices, costs, fees, and land cost assumptions appropriate for the prototype or submarket.

Prototype Submarkets					
Prototype Size	Low-Rise	Mid-Rise	High-Rise	Low-Rise	High-Rise
Rental/Sale	Rental	Rental	Rental	Sale	Sale
Construction Type	Type V	Type III	Type I	Type V	Type I
Submarkets	South & East, Central	Central, West, North	Central, West, North, Downtown	South & East, Central & West, North	Downtown

Average Unit Sizes

The prototypes assume an average unit size of 900 net square feet for all rental prototypes, 1,150 net square feet for the Type V sale prototype, and 950 net square feet for the Type I sale prototype. Assumed building efficiencies ranged from 78% to 80% resulting in average gross square feet per unit of 1,125 to 1,438.

Prototype Unit Sizes and Efficiencies					
Prototype Size	Low-Rise	Mid-Rise	High-Rise	Low-Rise	High-Rise
Rental/Sale	Rental	Rental	Rental	Sale	Sale
Construction Type	Type V	Type III	Type I	Type V	Type I
Avg Unit Size Net SF	900	900	900	1,150	950
Efficiency	80%	80%	78%	80%	78%
Avg Unit Size Gross SF	1,125	1,125	1,154	1,438	1,218

Parking Ratios

Assumed parking ratios are 1 per unit for the Type V and Type III rental prototypes, 0.8 per unit for the Type I rental prototypes, and 1.1 per unit for the Type V and Type I sale prototypes.

Prototype Parking Ratios					
Prototype Size	Low-Rise	Mid-Rise	High-Rise	Low-Rise	High-Rise
Rental/Sale	Rental	Rental	Rental	Sale	Sale
Construction Type	Type V	Type III	Type I	Type V	Type I
Parking Ratio	1.0	1.0	0.8	1.1	1.1



The prototypes described above are summarized in [Exhibit A](#). To allow comparison to prior analysis, the prototype assumptions are consistent with prototype assumptions used in prior analysis with the exception of the efficiency factors for the Type V rent and sale prototypes in the South & East submarket, which have been reduced from 85% to 80% to be consistent with the other Type V prototypes.

Assumptions

Assumptions for the conceptual analysis, which are detailed in [Exhibit D](#), include the following:

- ❖ All prototypes except Type I rental and sale prototypes assume above-grade structured parking. Type I prototypes assume below-grade structured parking.
- ❖ Project construction timelines are estimated to range from 20 to 30 months.
- ❖ Inclusionary requirements are assumed to be fulfilled through the payment of the in-lieu fee, which in the case of “waiver” scenarios is assumed to be waived as discussed below.
- ❖ Construction is assumed to be open shop.

Development Costs

Development costs include “hard costs”, which represent the labor and materials associated with building construction, and “soft costs”, which represent costs related to items such as architecture and engineering, financing, City fees, insurance, property taxes, overhead, legal, accounting and marketing.

As noted above, development costs for a given project may vary by project design, size, location, construction type, site specific conditions, and other factors. For this analysis, an average project with a flat or relatively flat site and no unusual environmental, soils, infrastructure, or off-site conditions is assumed.

Although this analysis reflects a specific point-in-time, construction costs in the San Francisco Bay Area have increased significantly over time and will likely continue to change. The sensitivity analysis described below reflects the effect on feasibility of changes in development costs.

Hard Costs

Building hard costs were estimated separately from parking hard costs, which varied based on the type of parking assumed in each prototype.



Building Hard Costs Per GSF (excluding parking)				
Size	Type		Rental	Sale
Low-Rise	Type V		\$393	\$420
Mid-Rise	Type III		\$447	NA
High-Rise	Type I		\$502	\$535

Parking Hard Costs Per GSF					
Size	Type	Parking Type		Rental	Sale
Low-Rise	Type V	Above-grade		\$97	\$100
Mid-Rise	Type III	Above-grade		\$101	NA
High-Rise	Type I	Below-grade		\$240	\$245

The assumptions utilized for prototype hard costs were generated by a cost estimating consultant. Total hard costs also include a 5% hard cost contingency.

Soft Costs

Soft costs are estimated by soft cost category for each prototype as further detailed in [Exhibit D](#). In total, soft costs equated to 30% to 39% of hard costs and ranged from approximately \$110 to \$175 per gross square foot depending on the prototype¹. Variations in soft costs among the prototypes of the same construction type are driven primarily by the range of City fees, particularly parkland and inclusionary in-lieu fees, which vary by submarket.

Soft Costs as a % of Hard Costs - Rental Prototypes						
Size	Type	South & East	Central	West	North	Downtown
Low-Rise	Type V	31%	39%	NA	NA	NA
Mid-Rise	Type III	NA	37%	37%	32%	NA
High-Rise	Type I	NA	35%	35%	31%	34%

Soft Costs as % of Hard Costs - Sale Prototypes						
Size	Type	South & East	Central & West	North	Downtown	
Low-Rise	Type V	31%	33%	33%	NA	
High-Rise	Type I	NA	NA	NA	30%	

Average Soft Costs Per GSF				
Size	Type		Rental	Sale
Low-Rise	Type V		\$115	\$117
Mid-Rise	Type III		\$132	NA
High-Rise	Type I		\$158	\$143

¹ Excluding "waiver" scenarios.



The tables above do not include the Type I “waiver” scenarios in which 50% of Building and Structure (“B&S”) and Commercial, Residential, Mobile Home Park (“CRMP”) construction taxes and 100% of inclusionary in-lieu fees are waived.

Further detail regarding development cost assumptions is provided in [Exhibit D](#).

City Fees

City fees for each prototype are estimated based on the prototype’s location and size, among other factors. City fees include the following:

- Construction taxes, which include the following six categories: B&S; CRMP; Construction Taxes; Residential Construction Tax; Strong Motion Instrumentation Program Assessment (“SMIPA”); and Building Standards Administration Special Revolving Fund (“BSARSF”). The latter two categories are collected on behalf of the State. The amounts of these taxes are calculated based on a percentage of building construction valuation or on a per unit basis. The “waiver” scenarios for certain Type I prototypes analyze the potential effect of waiving 50% of the B&S and CRMP taxes addition to the inclusionary in-lieu fee described below.
- Parkland In-Lieu Fees, which are assessed for each prototype project based on its location. All prototypes are assumed to receive a 25% parkland fee credit based on the provision of onsite open space.
- School Fees (ranging from \$2.13 to \$3.48) are assessed per residential gross square foot based on the applicable submarket location and school district.
- At the time of this analysis, the City is in the process of revising its traffic fees. As a result, estimated traffic fees have not been included in the analysis. As part of the traffic fee revisions, the City is defining centrally-located “growth areas” where new development may not be assessed traffic fees based on vehicle mile traveled (“VMT”).
- Inclusionary In-Lieu Fees are assessed per square foot depending on the project size and submarket location. The “waiver” scenarios for certain Type I prototypes analyze the potential effect of waiving this fee in addition to the construction taxes described above.
- Other City planning and building permit fees are assessed based on project size, number of units, and other factors. These fees include the costs of the City’s land use and site plan approvals, planning review, and building department fees, among other fees.

The total City Fees per unit for each prototype are estimated to be in the ranges shown in the table below. Further detail is provided in [Exhibit D](#).



Total City Permits & Fees Per Unit	<u>Approximate</u> <u>Range</u>
Construction Taxes	\$6,400 to \$8,000
Parkland In-Lieu Fees	\$9,800 to \$21,000
School Fees	\$2,400 to \$5,000
Planning/Building Fees	\$2,800 to \$7,000
Inclusionary In-Lieu Fees	\$21,000 to \$50,000
Total Fees	\$45,000 to \$81,000

Rental Rates

For the rental prototypes, Century | Urban conducted research regarding the effective rental rates at properties similar to each prototype in each applicable submarket. Effective rental rates reflect actual in place rental revenue taking into account concessions or other deductions. As an example, at the time of this writing, asking rents at one Class A Type I project were among the highest in the market but the project was also offering eight weeks of free rent. As a result, the project's effective rents are substantially lower than the project's asking rents and lower than the asking rents of other projects.

Based on this research, the following effective monthly rental rate assumptions for each prototype and applicable submarket, shown on both a per rentable square foot and per unit basis, are utilized in the conceptual feasibility analysis.

Rent Per SF/Month	<u>South & East</u>	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$3.05	\$3.35	NA	NA	NA
Type III	NA	\$3.35	\$4.15	\$3.30	NA
Type I	NA	\$3.35	\$4.15	\$3.30	\$3.75

Rent Per Unit/Month	<u>South & East</u>	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$2,745	\$3,015	NA	NA	NA
Type III	NA	\$3,015	\$3,735	\$2,970	NA
Type I	NA	\$3,015	\$3,735	\$2,970	\$3,375

The City also requested analysis of the effect on Type I "waiver" scenarios of requiring that 5% of total onsite units be affordable to households earning no more than 100% of Area Median Income ("AMI"). Based on an assumed unit mix, the estimated average affordable rent at this AMI tier was \$3.86 per square foot or \$3,471 per unit per month.



This rental rate is higher than the estimated market rate rental rates for all Type I prototype submarkets with the exception of the West submarket. As a result, the analysis of a 5% onsite affordability requirement was conducted only for the West submarket.

Sales Prices

Estimated sale prices for the for-sale prototypes are based on research regarding comparable sales of units at recently-built projects in the prototype submarkets. Similar to rental rates, sales prices vary across submarkets and product types.

The tables below summarize the assumed average sales prices on a per-square-foot and per-unit basis based on the research conducted.

Average Sales Price PSF	<u>South & East</u>	<u>Central & West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$585	\$700	\$630	NA
Type I	NA	NA	NA	\$725

Average Sales Price Per Unit	<u>South & East</u>	<u>Central & West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$672,750	\$805,000	\$724,500	NA
Type I	NA	NA	NA	\$688,750

Brokerage commissions, warranty reserves, and sales costs are subtracted from gross sale proceeds to estimate net sale proceeds for each prototype.

Developer Return

Developers require a return on their investment in order to undertake the risks involved with a development project. The required return for a specific project may vary based on the project's specific characteristics, as well as market/economic conditions including specifically capital market conditions. The prototype feasibility analyses include an estimate of the return that developers would require to proceed with project development.

For the rental prototypes analysis, the required return is estimated using a Return-on-Cost ("ROC") metric. This return metric is commonly used for rental projects. The appropriate target ROC is established based on a project's perceived risks, which include the uncertainty of project costs, schedule, revenues, and economic conditions upon completion. The target ROC assumed for the rental prototypes is 5.25%.



For the sale prototypes analysis, the required return is estimated based on a Profit Margin metric. Like the ROC for rental projects, the Profit Margin metric is commonly used for for-sale projects, and the appropriate target Profit Margin is based on the project's perceived risks. The target Profit Margin used for the sale prototypes is 20%.

Land Costs

Land costs are estimated based on research of comparable land sale transactions in each submarket. Land sale prices vary substantially even within each submarket and are affected by location, topography, site and soil conditions, parcel configuration, neighboring uses, access, noise, entitlement and permit status, among other factors. The estimated land costs per unit for each submarket are summarized in the table below.

Land Prices Per Unit	<u>South & East</u>	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Low	\$40,000	\$40,000	\$65,000	\$25,000	\$25,000
High	\$65,000	\$65,000	\$75,000	\$85,000	\$85,000

The land costs per unit shown in the table above are compared to the estimated residual land values for the applicable prototypes in each submarket, as further discussed below.

Feasibility Analysis

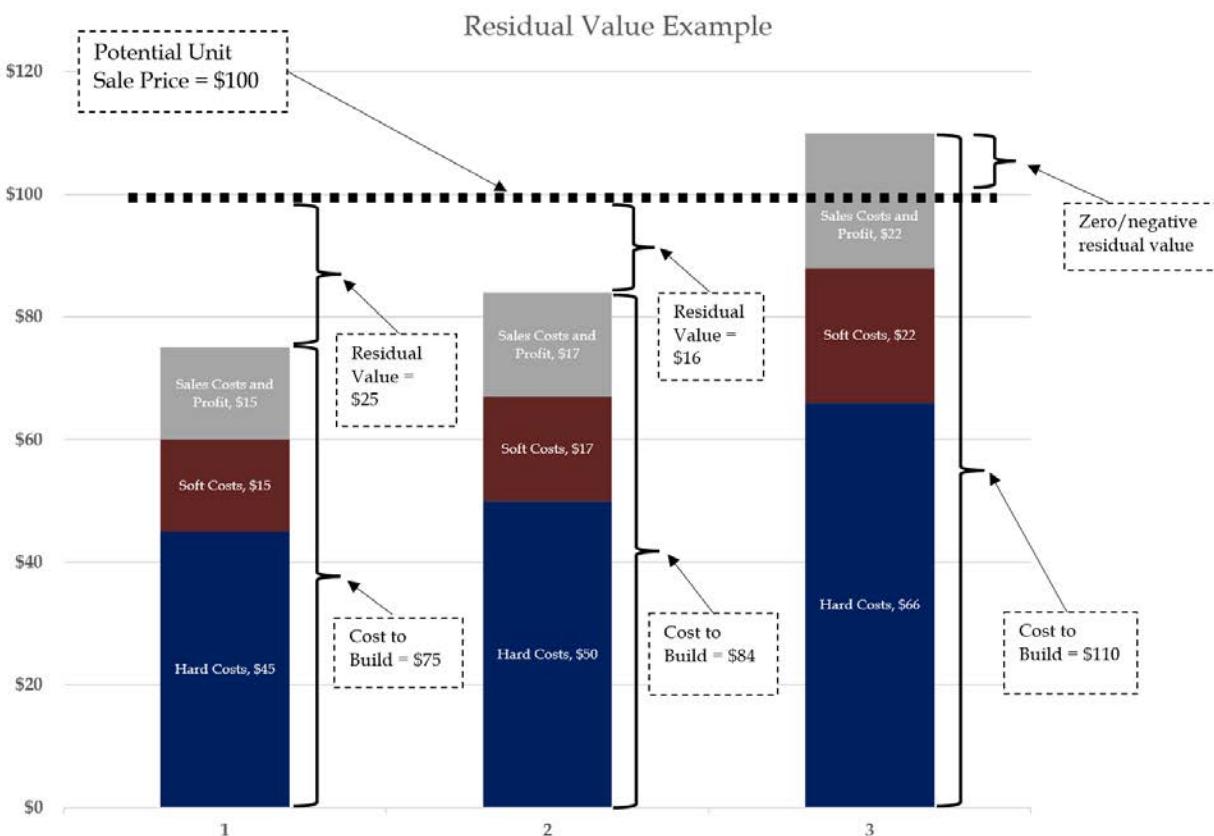
To evaluate the potential feasibility of each prototype, Century | Urban prepared an analysis to estimate each prototype's residual land value and then compared that residual land value to the estimated market price of land in each submarket based on comparable land sale transactions.

The residual land value represents the amount that a developer estimates that it can pay for a development site and still achieve its target return. If the residual land value is greater than the market price of land, then this is an indication that new development projects are feasible, land for development is more likely to transact, and new projects are more likely to be developed. If residual land value is less than the market price of land, then this is an indication that new development projects are not feasible, land for development is less likely to transact, and new projects are less likely to be developed.

The example shown in the chart below demonstrates the concept of residual value for three individual units in three hypothetical projects. In this example, a unit can be sold for \$100. In example 1 (on the left), the hard costs, soft costs and target developer return required to build the unit total \$75. In this case, the remaining "residual land value" is \$100 (sales price) minus \$75 (total development cost, developer return, and sales costs) = \$25 per unit. If the developer were to pay more than \$25 a unit for land, then the total cost to build would exceed \$100 and the



developer would not recover its costs or receive its target return. Therefore, in example 1, new development is likely to occur in a market where land can be purchased for \$25 per unit or less. In example 2, shown in the middle, total development cost, developer return, and sales costs are \$84 and residual land value is \$100 (sales price) minus \$84 = \$16 per unit. This example reflects that as development costs increase, the price a developer can pay for land decreases (from \$25 per unit in example 1 to \$16 per unit in example 2) assuming that sales prices remain constant. In example 3 on the right, the total development cost, developer return, and sales costs of \$110 exceed the sale price per unit, which results in zero or “negative” residual land value. In this scenario, development is unlikely to occur.



Feasibility Results

The conceptual feasibility analysis indicates that none of the prototypes support positive estimated residual land value in any of the submarkets. These results suggest a challenging environment for ground-up residential development projects similar to the prototype projects in the selected submarkets. The conceptual feasibility assumptions and resulting residual land values for each prototype are shown in [Exhibit B](#).



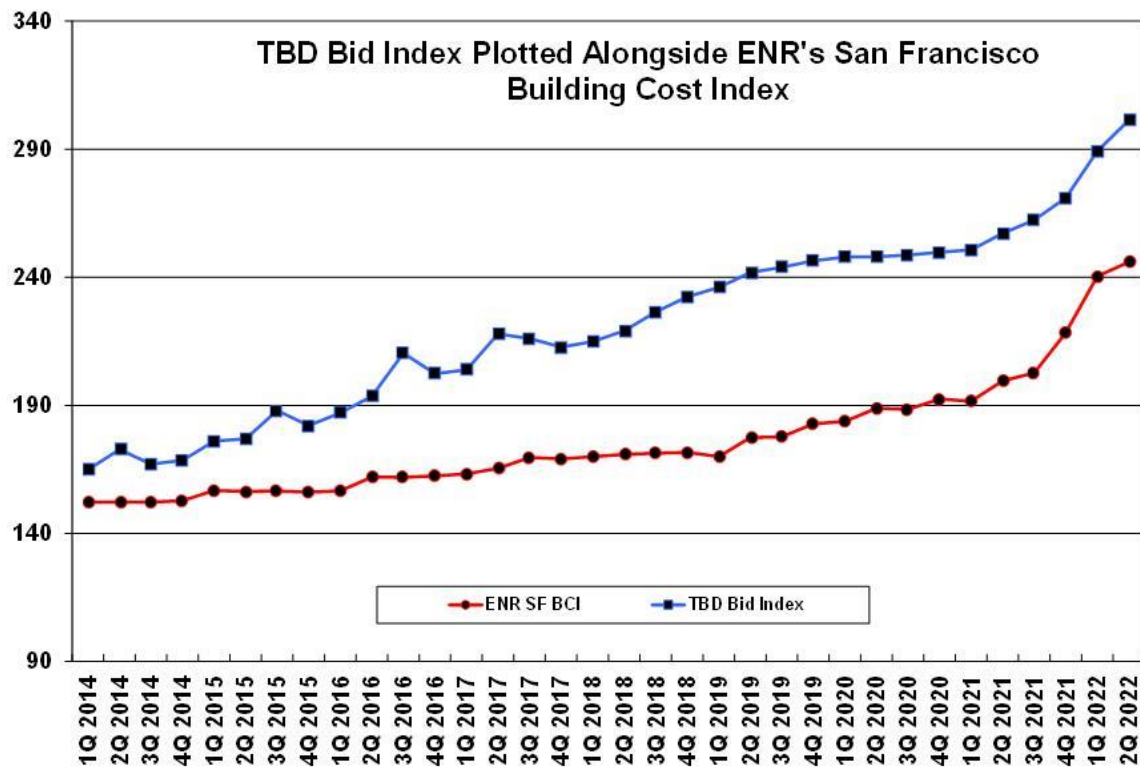
As noted above, the “Waiver” scenarios in the tables below reflect a waiver of 50% of certain construction taxes and 100% of inclusionary in-lieu fees for Type I rental prototypes. The “Type I – Waiver Affordable” scenario in the table below reflects a 5% of total units at 100% AMI onsite affordability requirement, which as mentioned above was only analyzed for the Type I rental prototype in the West submarket.

Residual Values Per Unit - For Rent					
Submarket	South & East	Central	West	North	Downtown
Type V	(\$261,000)	(\$257,000)	NA	NA	NA
Type III	NA	(\$338,000)	(\$216,000)	(\$317,000)	NA
Type I	NA	(\$498,000)	(\$376,000)	(\$476,000)	(\$432,000)
Type I - Waiver	NA	(\$436,000)	(\$314,000)	(\$446,000)	(\$369,000)
Type I - Waiver - Affordable	NA	NA	(\$316,000)	NA	NA

Residual Values Per Unit - For Sale				
Submarket	South & East	Central & West	North	Downtown
Type V	(\$394,000)	(\$307,000)	(\$369,000)	NA
Type I	NA	NA	NA	(\$518,000)
Type I - Waiver	NA	NA	NA	(\$479,000)

Macroeconomic Context

The economy in the San Francisco Bay Area is generally strong and features low unemployment, a large and diverse range of employers, and significant demand for housing by prospective renters and homebuyers at a variety of income levels. Despite these positive forces, housing development remains challenging. One of the primary challenges is the high cost of construction. The Engineering News Record (“ENR”) and TBD Consultants publish indices which track construction costs quarterly in the Bay Area. The chart below shows the change in these indices since 2014. Both indices reflect major increases in cost since 2014 and even more significant increases since 2020. Since 2014, the total increase has been 76%. Between the first quarter of 2020, when the COVID-19 pandemic began, and the second quarter of 2022, the latest available data, TBD estimates an increase of 17%. To some extent, these hard cost increases have been offset by rental rate and sale price growth, but construction cost growth has outpaced rental rate and sale price growth.



Other macro-economic factors have also impacted residential feasibility. Increases in interest rates and borrowing costs driven in part by inflation and corresponding policy reactions have caused a decrease in market transaction volume. In July 2019, Polaris Pacific tracked listings for 1,414 resale condominiums and 804 new construction condominiums in Silicon Valley. In July 2022 there were listings for only 882 resale condominiums and 664 new construction condominiums. In addition, the market values of numerous large publicly-traded Silicon Valley companies have declined significantly since the beginning of the year, affecting household income and wealth, and consequently spending on housing. As of this writing, compared with six months ago, Meta's value is down approximately 29%, Alphabet's value is down 18%, Cisco's value is down 17% and Apple's value is down 4%.

To be clear, the current market for leasing and sales is relatively steady, but potential rental rate and sale price declines due to the factors discussed above and continued construction cost increases may affect investor and developer perceptions regarding the feasibility of new development projects.

Sensitivity Analysis

As previously noted, the assumptions used in the prototype analysis are based on research regarding current development costs, rents, sale prices and underwriting inputs. However, these



assumptions are intended to reflect average projects and may shift over time as market conditions change.

To provide additional context, sensitivities were prepared to analyze the potential effect of 5% variations in hard costs, soft costs, rental rates, and sale prices by construction type. The results of these sensitivity analyses, which are summarized in Exhibit C, indicate that 5% improvements in hard costs, soft costs, rental rates, and sale prices do not bridge the feasibility gap (see below for explanation of how the feasibility gap is calculated) for any of the prototypes.

The feasibility gap amounts shown in the Exhibit C charts represent the sum of the absolute amount of the estimated negative residual land value per unit for each prototype plus the estimated market cost of land per unit for such prototype. For example, the average projected residual land value for the Type V rental prototypes is approximately negative \$270,000 per unit and the estimated market land cost per unit is approximately \$52,500 per unit, so the estimated feasibility gap is approximately \$322,500 per unit for this prototype. In other words, the residual land value for this prototype would have to increase by \$322,500 to yield a residual land value of positive \$52,500 per unit that corresponds to estimated market land costs, thereby indicating a potentially feasible project.

The leftmost column in each chart in Exhibit C shows the average feasibility gap per unit for each rental or sale prototype across all relevant submarkets analyzed for such prototype. The columns to the right of this column show the effect on the average feasibility gap of varying hard costs, soft costs, rental rates or sale prices by 5%. For example, for the first Type V rental prototype chart shown in Exhibit C, a 5% reduction in hard costs would decrease the feasibility gap by \$30,000 from \$310,000 to \$280,000.

An additional sensitivity analysis was prepared to review the potential effect of deferring the payment of development impact fees from the commencement of project construction (i.e., upon building permit issuance) to the completion of construction (i.e., upon certificate of occupancy issuance). The effect of this change in payment timing is projected to range from approximately \$1,000 to \$4,000 per unit depending on the prototype, which does not appear to materially affect feasibility.

Community Review

In connection with the preparation of this analysis, the City invited a group of local developers and a group of local stakeholders to separate virtual meetings to provide feedback regarding draft underwriting assumptions for the feasibility prototypes. Feedback from the meetings was reviewed with the City and is summarized in Exhibit E.



Conclusions

This conceptual analysis reviewed a set of residential development prototypes to assess the potential feasibility of new rental and sale development projects in the City.

The analysis indicates negative estimated residual land values across the reviewed prototypes and suggests that development of residential projects would be challenging in the current market. This conclusion is not intended to suggest that every development project in the City is challenged, as projects may have cost structures or target rental rates or sale prices that vary from the prototypes. However, the results do suggest a challenging development environment for projects similar to the prototypes. Even with 5% variations in development costs or rental rates and sales prices, the prototype projects still appear to be challenged.

**Exhibit A**

Prototype	1	2	3	4	5
Rental/Sale	Rental	Rental	Rental	Sale	Sale
Construction Type	Type V	Type III	Type I	Type V	Type I
Height/Stories	5	7	22	5	22
Avg Unit Size Net SF	900	900	900	1,150	950
Efficiency	80%	80%	78%	80%	78%
Avg Unit Size Gross SF	1,125	1,125	1,154	1,438	1,218
Density/Acre	65	90	350	50	350
Parking Ratio	1.0	1.0	0.8	1.1	1.1
Parking SF Per Stall	400	400	400	400	400
Parking Type	Above-grade	Above-grade	Below-grade	Above-grade	Below-grade
Submarkets	South & East, Central	Central, West, North	Central, West, North, Downtown	South & East, Central & West, North	Downtown

**Exhibit B****San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket:	South & East
Prototype:	Type V
Tenure	Rental
Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	5.00
Density (du/ac)	65
Efficiency	80%
Parking Ratio	1
Construction Months	20
Construction Costs	<i>Per Unit</i>
Hard Costs	
Building Hard Costs	\$442,100
Parking Hard Costs	\$38,800
Contingency/Other Hard Costs	<u>\$24,000</u>
Total Hard Costs	\$505,000
Soft Costs	
Architectural and Engineering	\$30,300
Financing Costs	\$24,200
City Fees and Permits	\$45,300
Other Soft Costs	\$47,200
Soft Cost Contingency	<u>\$7,400</u>
Total Soft Costs	\$154,400
Total Hard and Soft Costs	\$659,400
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Rent Per Square Foot Per Month	\$3.05
Average Rent Per Month	\$2,750
Other Income Per Month	\$170
Vacancy / Credit Loss at 5% Per Month	<u>\$150</u>
Total Revenue Per Month	\$2,770
Operating Expenses	
General Operating Expenses Per Month	\$550
Taxes Per Month	<u>\$470</u>
Total Annual Operating Expenses Per Month	\$1,020
Net Operating Income Per Month	\$1,740
Net Operating Income Per Year	\$20,900
Residual Analysis	<i>Per Unit</i>
Residual Value	
Total Supportable Cost	\$398,000
Total Hard and Soft Costs	<u>\$659,000</u>
Residual Value	(\$261,000)
Feasibility Gap	(\$313,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Central
Prototype: Type V
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	5.00
Density (du/ac)	65
Efficiency	80%
Parking Ratio	1
Construction Months	20

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$442,100
Parking Hard Costs	\$38,800
Contingency/Other Hard Costs	<u>\$24,000</u>
Total Hard Costs	\$505,000

Soft Costs

Architectural and Engineering	\$30,300
Financing Costs	\$25,700
City Fees and Permits	\$81,300
Other Soft Costs	\$49,100
Soft Cost Contingency	<u>\$9,300</u>
Total Soft Costs	\$195,800

Total Hard and Soft Costs \$700,700

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.35
Average Rent Per Month	\$3,020
Other Income Per Month	\$170
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,020

Operating Expenses

General Operating Expenses Per Month	\$560
Taxes Per Month	<u>\$520</u>
Total Annual Operating Expenses Per Month	\$1,080

Net Operating Income Per Month \$1,940

Net Operating Income Per Year \$23,300

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$444,000
Total Hard and Soft Costs	<u>\$701,000</u>
Residual Value	(\$257,000)

Feasibility Gap (\$310,000)

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Central
Prototype: Type III
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	7.00
Density (du/ac)	90
Efficiency	80%
Parking Ratio	1
Construction Months	24

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$502,900
Parking Hard Costs	\$40,400
Contingency/Other Hard Costs	<u>\$27,200</u>
Total Hard Costs	\$570,400

Soft Costs

Architectural and Engineering	\$34,200
Financing Costs	\$33,600
City Fees and Permits	\$80,700
Other Soft Costs	\$52,900
Soft Cost Contingency	<u>\$10,100</u>
Total Soft Costs	\$211,500

Total Hard and Soft Costs \$781,900

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.35
Average Rent Per Month	\$3,020
Other Income Per Month	\$170
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,020

Operating Expenses

General Operating Expenses Per Month	\$560
Taxes Per Month	<u>\$520</u>
Total Annual Operating Expenses Per Month	\$1,080

Net Operating Income Per Month \$1,940

Net Operating Income Per Year \$23,300

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$444,000
Total Hard and Soft Costs	<u>\$782,000</u>
Residual Value	(\$338,000)

Feasibility Gap (\$391,000)

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: West
Prototype: Type III
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	7.00
Density (du/ac)	90
Efficiency	80%
Parking Ratio	1
Construction Months	24

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$502,900
Parking Hard Costs	\$40,400
Contingency/Other Hard Costs	<u>\$27,200</u>
Total Hard Costs	\$570,400

Soft Costs

Architectural and Engineering	\$34,200
Financing Costs	\$33,500
City Fees and Permits	\$78,100
Other Soft Costs	\$52,800
Soft Cost Contingency	<u>\$9,900</u>
Total Soft Costs	\$208,600

Total Hard and Soft Costs **\$779,000**

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$4.15
Average Rent Per Month	\$3,740
Other Income Per Month	\$170
Vacancy / Credit Loss at 5% Per Month	<u>\$200</u>
Total Revenue Per Month	\$3,710

Operating Expenses

General Operating Expenses Per Month	\$580
Taxes Per Month	<u>\$670</u>
Total Annual Operating Expenses Per Month	\$1,240

Net Operating Income Per Month **\$2,460**

Net Operating Income Per Year **\$29,600**

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$563,000
Total Hard and Soft Costs	<u>\$779,000</u>
Residual Value	(\$216,000)

Feasibility Gap **(\$286,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$65,000
2019-2021 Indicative Land Cost - High	\$75,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: North
Prototype: Type III
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	7.00
Density (du/ac)	90
Efficiency	80%
Parking Ratio	1
Construction Months	24

Construction Costs *Per Unit*

Hard Costs

Building Hard Costs	\$502,900
Parking Hard Costs	\$40,400
Contingency/Other Hard Costs	<u>\$27,200</u>
Total Hard Costs	\$570,400

Soft Costs

Architectural and Engineering	\$34,200
Financing Costs	\$32,400
City Fees and Permits	\$55,700
Other Soft Costs	\$51,500
Soft Cost Contingency	<u>\$8,700</u>
Total Soft Costs	\$182,600

Total Hard and Soft Costs **\$753,000**

Pro-Forma *Per Unit*

Revenue

Average Rent Per Square Foot Per Month	\$3.30
Average Rent Per Month	\$2,970
Other Income Per Month	\$170
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$2,980

Operating Expenses

General Operating Expenses Per Month	\$560
Taxes Per Month	<u>\$520</u>
Total Annual Operating Expenses Per Month	\$1,070

Net Operating Income Per Month **\$1,910**

Net Operating Income Per Year **\$22,900**

Residual Analysis *Per Unit*

Residual Value

Total Supportable Cost	\$436,000
Total Hard and Soft Costs	<u>\$753,000</u>
Residual Value	(\$317,000)

Feasibility Gap **(\$372,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Central
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$47,800
City Fees and Permits	\$80,200
Other Soft Costs	\$61,400
Soft Cost Contingency	<u>\$11,500</u>
Total Soft Costs	\$242,300

Total Hard and Soft Costs **\$931,100**

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.35
Average Rent Per Month	\$3,020
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,040

Operating Expenses

General Operating Expenses Per Month	\$630
Taxes Per Month	<u>\$510</u>
Total Annual Operating Expenses Per Month	\$1,150

Net Operating Income Per Month **\$1,890**

Net Operating Income Per Year **\$22,700**

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$433,000
Total Hard and Soft Costs	<u>\$931,000</u>
Residual Value	(\$498,000)

Feasibility Gap **(\$551,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Central - Waiver
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$44,600
City Fees and Permits	\$27,300
Other Soft Costs	\$58,200
Soft Cost Contingency	<u>\$8,600</u>
Total Soft Costs	\$180,100

Total Hard and Soft Costs **\$868,900**

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.35
Average Rent Per Month	\$3,020
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,040

Operating Expenses

General Operating Expenses Per Month	\$630
Taxes Per Month	<u>\$510</u>
Total Annual Operating Expenses Per Month	\$1,150

Net Operating Income Per Month **\$1,890**

Net Operating Income Per Year **\$22,700**

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$433,000
Total Hard and Soft Costs	<u>\$869,000</u>
Residual Value	(\$436,000)

Feasibility Gap **(\$551,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket:	West
Prototype:	Type I
Tenure	Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs	<i>Per Unit</i>
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Hard Costs

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$47,700
City Fees and Permits	\$77,700
Other Soft Costs	\$61,200
Soft Cost Contingency	<u>\$11,400</u>
Total Soft Costs	\$239,300

Total Hard and Soft Costs	\$928,100
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Pro-Forma	<i>Per Unit</i>
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Revenue

Average Rent Per Square Foot Per Month	\$4.15
Average Rent Per Month	\$3,740
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$200</u>
Total Revenue Per Month	\$3,720

Operating Expenses

General Operating Expenses Per Month	\$660
Taxes Per Month	<u>\$650</u>
Total Annual Operating Expenses Per Month	\$1,310

Net Operating Income Per Month	\$2,420
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Net Operating Income Per Year	\$29,000
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Residual Analysis	<i>Per Unit</i>
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Residual Value

Total Supportable Cost	\$552,000
Total Hard and Soft Costs	<u>\$928,000</u>
Residual Value	(\$376,000)

Feasibility Gap	(\$446,000)
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Market Land Cost

2019-2021 Indicative Land Cost - Low	\$65,000
2019-2021 Indicative Land Cost - High	\$75,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: West - Waiver
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs *Per Unit*

Hard Costs

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$44,500
City Fees and Permits	\$24,800
Other Soft Costs	\$58,100
Soft Cost Contingency	<u>\$8,400</u>
Total Soft Costs	\$177,100

Total Hard and Soft Costs **\$865,900**

Pro-Forma *Per Unit*

Revenue

Average Rent Per Square Foot Per Month	\$4.15
Average Rent Per Month	\$3,740
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$200</u>
Total Revenue Per Month	\$3,720

Operating Expenses

General Operating Expenses Per Month	\$660
Taxes Per Month	<u>\$650</u>
Total Annual Operating Expenses Per Month	\$1,310

Net Operating Income Per Month **\$2,420**

Net Operating Income Per Year **\$29,000**

Residual Analysis *Per Unit*

Residual Value

Total Supportable Cost	\$552,000
Total Hard and Soft Costs	<u>\$866,000</u>
Residual Value	(\$314,000)

Feasibility Gap **(\$446,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$65,000
2019-2021 Indicative Land Cost - High	\$75,000

*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: West - Waiver/ Aff
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30
Construction Costs	<i>Per Unit</i>
Hard Costs	
Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800
Soft Costs	
Architectural and Engineering	\$41,300
Financing Costs	\$44,500
City Fees and Permits	\$24,800
Other Soft Costs	\$58,100
Soft Cost Contingency	<u>\$8,400</u>
Total Soft Costs	\$177,100
Total Hard and Soft Costs	\$865,900
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Rent Per Square Foot Per Month	\$4.15
Average Rent Per Month	\$3,720
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$200</u>
Total Revenue Per Month	\$3,710
Operating Expenses	
General Operating Expenses Per Month	\$660
Taxes Per Month	<u>\$650</u>
Total Annual Operating Expenses Per Month	\$1,310
Net Operating Income Per Month	\$2,410
Net Operating Income Per Year	\$28,900
Residual Analysis	<i>Per Unit</i>
Residual Value	
Total Supportable Cost	\$550,000
Total Hard and Soft Costs	<u>\$866,000</u>
Residual Value	(\$316,000)
Feasibility Gap	(\$446,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$65,000
2019-2021 Indicative Land Cost - High	\$75,000

*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket:	North
Prototype:	Type I
Tenure	Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs	<i>Per Unit</i>
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Hard Costs

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$46,300
City Fees and Permits	\$54,600
Other Soft Costs	\$59,900
Soft Cost Contingency	<u>\$10,100</u>
Total Soft Costs	\$212,100

Total Hard and Soft Costs	\$901,000
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Pro-Forma	<i>Per Unit</i>
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Revenue

Average Rent Per Square Foot Per Month	\$3.30
Average Rent Per Month	\$2,970
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,000

Operating Expenses

General Operating Expenses Per Month	\$630
Taxes Per Month	<u>\$500</u>
Total Annual Operating Expenses Per Month	\$1,140

Net Operating Income Per Month	\$1,860
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Net Operating Income Per Year	\$22,300
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Residual Analysis	<i>Per Unit</i>
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Residual Value

Total Supportable Cost	\$425,000
Total Hard and Soft Costs	<u>\$901,000</u>
Residual Value	(\$476,000)

Feasibility Gap	(\$531,000)
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Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: North - Waiver
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$44,800
City Fees and Permits	\$29,700
Other Soft Costs	\$58,400
Soft Cost Contingency	<u>\$8,700</u>
Total Soft Costs	\$182,900

Total Hard and Soft Costs **\$871,700**

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.30
Average Rent Per Month	\$2,970
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$160</u>
Total Revenue Per Month	\$3,000

Operating Expenses

General Operating Expenses Per Month	\$630
Taxes Per Month	<u>\$500</u>
Total Annual Operating Expenses Per Month	\$1,140

Net Operating Income Per Month **\$1,860**

Net Operating Income Per Year **\$22,300**

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$426,000
Total Hard and Soft Costs	<u>\$872,000</u>
Residual Value	(\$446,000)

Feasibility Gap **(\$531,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Downtown
Prototype: Type I
Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30

Construction Costs *Per Unit***Hard Costs**

Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800

Soft Costs

Architectural and Engineering	\$41,300
Financing Costs	\$47,400
City Fees and Permits	\$74,200
Other Soft Costs	\$61,000
Soft Cost Contingency	<u>\$11,200</u>
Total Soft Costs	\$235,200

Total Hard and Soft Costs **\$924,100**

Pro-Forma *Per Unit***Revenue**

Average Rent Per Square Foot Per Month	\$3.75
Average Rent Per Month	\$3,380
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$180</u>
Total Revenue Per Month	\$3,380

Operating Expenses

General Operating Expenses Per Month	\$650
Taxes Per Month	<u>\$580</u>
Total Annual Operating Expenses Per Month	\$1,230

Net Operating Income Per Month **\$2,150**

Net Operating Income Per Year **\$25,900**

Residual Analysis *Per Unit***Residual Value**

Total Supportable Cost	\$492,000
Total Hard and Soft Costs	<u>\$924,000</u>
Residual Value	(\$432,000)

Feasibility Gap **(\$487,000)**

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit costs rounded to nearest '00; per unit residual values rounded to nearest '000, monthly pro-forma values rounded to nearest '0*

Submarket: Downtown - Waiver
 Prototype: Type I
 Tenure: Rental

Item	Amount
Average Unit Size (Net Rentable SF)	900
Stories	22.00
Density (du/ac)	350
Efficiency	78%
Parking Ratio	1
Construction Months	30
Construction Costs	<i>Per Unit</i>
<i>Hard Costs</i>	
Building Hard Costs	\$579,200
Parking Hard Costs	\$76,800
Contingency/Other Hard Costs	<u>\$32,800</u>
Total Hard Costs	\$688,800
<i>Soft Costs</i>	
Architectural and Engineering	\$41,300
Financing Costs	\$44,300
City Fees and Permits	\$21,300
Other Soft Costs	\$57,900
Soft Cost Contingency	<u>\$8,200</u>
Total Soft Costs	\$173,000
Total Hard and Soft Costs	\$861,800
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Rent Per Square Foot Per Month	\$3.75
Average Rent Per Month	\$3,380
Other Income Per Month	\$190
Vacancy / Credit Loss at 5% Per Month	<u>\$180</u>
Total Revenue Per Month	\$3,380
Operating Expenses	
General Operating Expenses Per Month	\$650
Taxes Per Month	<u>\$580</u>
Total Annual Operating Expenses Per Month	\$1,230
Net Operating Income Per Month	\$2,150
Net Operating Income Per Year	\$25,900
Residual Analysis	<i>Per Unit</i>
Residual Value	
Total Supportable Cost	\$493,000
Total Hard and Soft Costs	<u>\$862,000</u>
Residual Value	(\$369,000)
Feasibility Gap	(\$424,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit cost and pro-forma values rounded to nearest '00, per unit residual values rounded to nearest '000*

Submarket:	South & East
Prototype:	Type V
Tenure	Sale
Item	Amount
Average Unit Size (Net Saleable SF)	1,150
Stories	5
Density (du/ac)	50
Efficiency	80%
Parking Ratio	1.1
Construction Months	20
Construction Costs	<i>Per Unit</i>
Hard Costs	
Building Hard Costs	\$603,800
Parking Hard Costs	\$44,000
Contingency/Other Hard Costs	<u>\$32,400</u>
Total Hard Costs	\$680,100
Soft Costs	
Architectural and Engineering	\$40,800
Financing Costs	\$30,300
City Fees and Permits	\$63,800
Other Soft Costs	\$67,100
Soft Cost Contingency	<u>\$10,100</u>
Total Soft Costs	\$212,100
Total Hard and Soft Costs	\$892,300
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Price Per Net Saleable Square Foot	\$585
Average Price	\$672,800
Sales Costs Including Warranty Reserve	\$40,400
Profit	<u>\$134,600</u>
Total Net Supportable Cost	\$497,800
Residual Analysis	<i>Per Unit</i>
Residual Value	
Supportable Cost	\$498,000
Total Hard and Soft Costs	<u>\$892,000</u>
Residual Value	(\$394,000)
Feasibility Gap	(\$447,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit cost and pro-forma values rounded to nearest '00, per unit residual values rounded to nearest '000*

Submarket:	Central & West
Prototype:	Type V
Tenure	Sale
Item	Amount
Average Unit Size (Net Saleable SF)	1,150
Stories	5
Density (du/ac)	50
Efficiency	80%
Parking Ratio	1.1
Construction Months	20
Construction Costs	<i>Per Unit</i>
<i>Hard Costs</i>	
Building Hard Costs	\$603,800
Parking Hard Costs	\$44,000
Contingency/Other Hard Costs	<u>\$32,400</u>
Total Hard Costs	\$680,100
<i>Soft Costs</i>	
Architectural and Engineering	\$40,800
Financing Costs	\$30,600
City Fees and Permits	\$72,900
Other Soft Costs	\$67,600
Soft Cost Contingency	<u>\$10,600</u>
Total Soft Costs	\$222,500
<i>Total Hard and Soft Costs</i>	\$902,600
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Price Per Net Saleable Square Foot	\$700
Average Price	\$805,000
Sales Costs Including Warranty Reserve	\$48,300
Profit	<u>\$161,000</u>
Total Net Supportable Cost	\$595,700
Residual Analysis	<i>Per Unit</i>
Residual Value	
Supportable Cost	\$596,000
Total Hard and Soft Costs	<u>\$903,000</u>
Residual Value	(\$307,000)
Feasibility Gap	(\$359,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$40,000
2019-2021 Indicative Land Cost - High	\$65,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit cost and pro-forma values rounded to nearest '00, per unit residual values rounded to nearest '000*

Submarket: North
Prototype: Type V
Tenure: Sale

Item	Amount
Average Unit Size (Net Saleable SF)	1,150
Stories	5
Density (du/ac)	50
Efficiency	80%
Parking Ratio	1.1
Construction Months	20

Construction Costs *Per Unit*

Hard Costs

Building Hard Costs	\$603,800
Parking Hard Costs	\$44,000
Contingency/Other Hard Costs	<u>\$32,400</u>
Total Hard Costs	\$680,100

Soft Costs

Architectural and Engineering	\$40,800
Financing Costs	\$30,700
City Fees and Permits	\$74,900
Other Soft Costs	\$67,700
Soft Cost Contingency	<u>\$10,700</u>
Total Soft Costs	\$224,800

Total Hard and Soft Costs \$905,000

Pro-Forma *Per Unit*

Revenue

Average Price Per Net Saleable Square Foot	\$630
Average Price	\$724,500
Sales Costs Including Warranty Reserve	\$43,500
Profit	<u>\$144,900</u>
Total Net Supportable Cost	\$536,100

Residual Analysis *Per Unit*

Residual Value

Supportable Cost	\$536,000
Total Hard and Soft Costs	<u>\$905,000</u>
Residual Value	(\$369,000)

Feasibility Gap (\$424,000)

Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$85,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit cost and pro-forma values rounded to nearest '00, per unit residual values rounded to nearest '000*

Submarket:	Downtown
Prototype:	Type I
Tenure	Sale
Item	Amount
Average Unit Size (Net Saleable SF)	950
Stories	22
Density (du/ac)	330
Efficiency	78%
Parking Ratio	1.1
Construction Months	30
Construction Costs	<i>Per Unit</i>
<i>Hard Costs</i>	
Building Hard Costs	\$651,600
Parking Hard Costs	\$107,800
Contingency/Other Hard Costs	<u>\$38,000</u>
Total Hard Costs	\$797,400
<i>Soft Costs</i>	
Architectural and Engineering	\$47,800
Financing Costs	\$49,100
City Fees and Permits	\$56,100
Other Soft Costs	\$73,300
Soft Cost Contingency	<u>\$11,300</u>
Total Soft Costs	\$237,600
<i>Total Hard and Soft Costs</i>	\$1,035,000
Pro-Forma	<i>Per Unit</i>
Revenue	
Average Price Per Net Saleable Square Foot	\$725
Average Price	\$688,800
Sales Costs Including Warranty Reserve	\$48,300
Profit	<u>\$123,900</u>
Total Net Supportable Cost	\$516,600
Residual Analysis	<i>Per Unit</i>
Residual Value	
Supportable Cost	\$517,000
Total Hard and Soft Costs	<u>\$1,035,000</u>
Residual Value	(\$518,000)
Feasibility Gap	(\$573,000)
Market Land Cost	
2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$25,000

**San Jose Residential Feasibility Analysis - Exhibit B***Per unit cost and pro-forma values rounded to nearest '00, per unit residual values rounded to nearest '000*

Submarket: Downtown - Waiver
 Prototype: Type I
 Tenure: Sale

Item	Amount
Average Unit Size (Net Saleable SF)	950
Stories	22
Density (du/ac)	330
Efficiency	78%
Parking Ratio	1.1
Construction Months	30

Construction Costs	<i>Per Unit</i>
---------------------------	-----------------

Hard Costs

Building Hard Costs	\$651,600
Parking Hard Costs	\$107,800
Contingency/Other Hard Costs	<u>\$38,000</u>
Total Hard Costs	\$797,400

Soft Costs

Architectural and Engineering	\$47,800
Financing Costs	\$47,200
City Fees and Permits	\$22,000
Other Soft Costs	\$71,300
Soft Cost Contingency	<u>\$9,400</u>
Total Soft Costs	\$197,700

Total Hard and Soft Costs	\$995,100
----------------------------------	------------------

Pro-Forma	<i>Per Unit</i>
------------------	-----------------

Revenue

Average Price Per Net Saleable Square Foot	\$725
Average Price	\$688,800
Sales Costs Including Warranty Reserve	\$48,300
Profit	<u>\$123,900</u>
Total Net Supportable Cost	\$516,600

Residual Analysis	<i>Per Unit</i>
--------------------------	-----------------

Residual Value

Supportable Cost	\$516,000
Total Hard and Soft Costs	<u>\$995,000</u>
Residual Value	(\$479,000)

Feasibility Gap	(\$573,000)
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Market Land Cost

2019-2021 Indicative Land Cost - Low	\$25,000
2019-2021 Indicative Land Cost - High	\$25,000

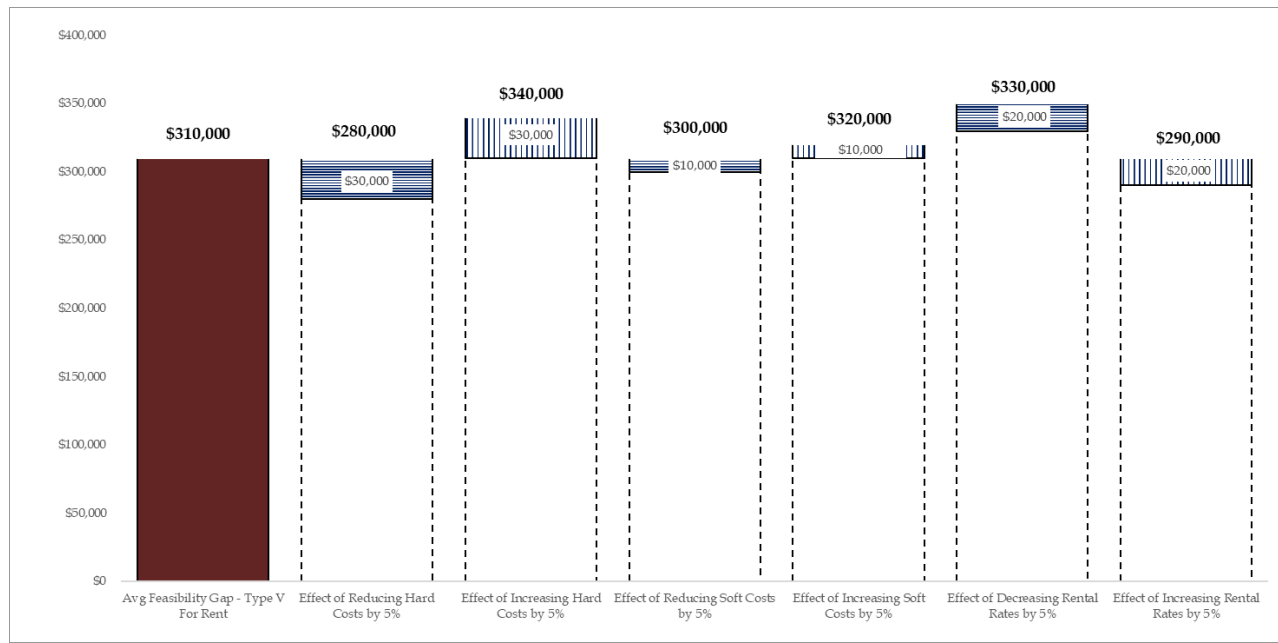
*Waiver scenarios assume a waiver of inclusionary fees and a 50% reduction in CRMP and B&S Construction Taxes



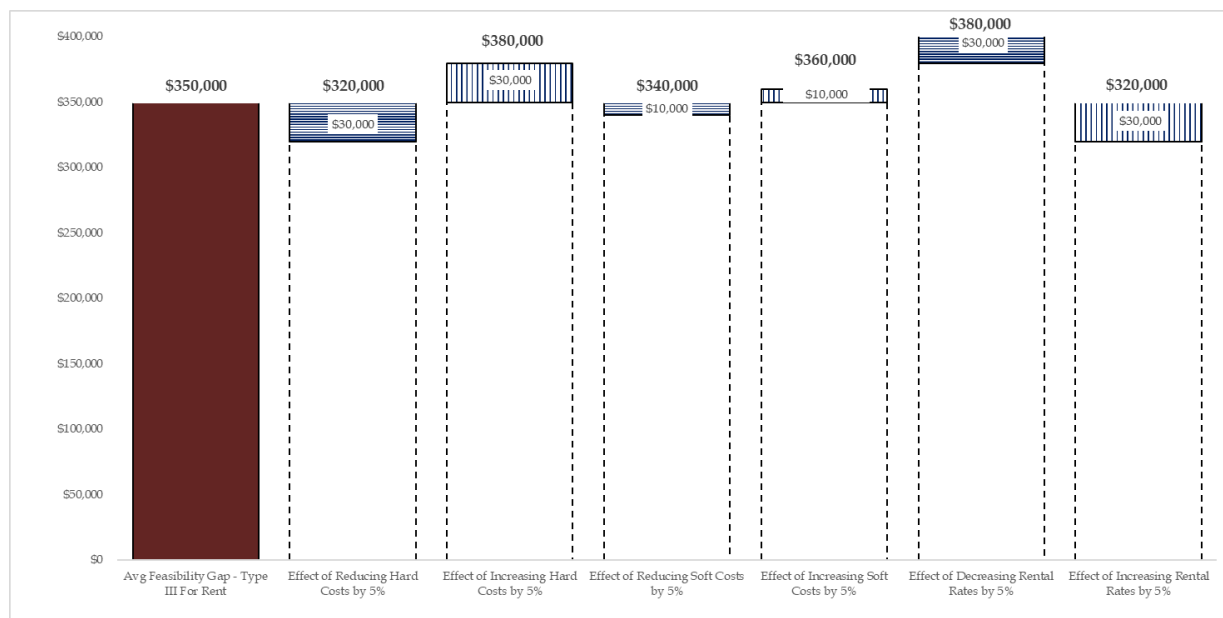
Exhibit C

Effect Per Unit on Feasibility Gap of Varying Hard Costs, Soft Costs, and Rental Rates by 5%

Type V Rental Prototype

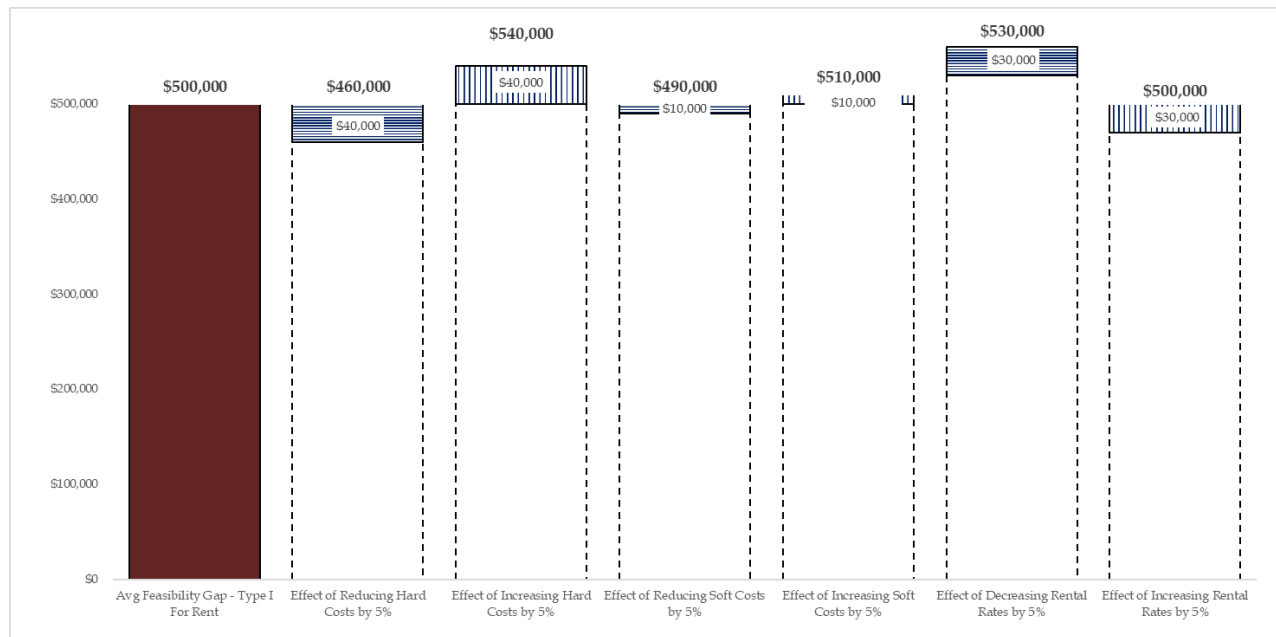


Type III Rental Prototype





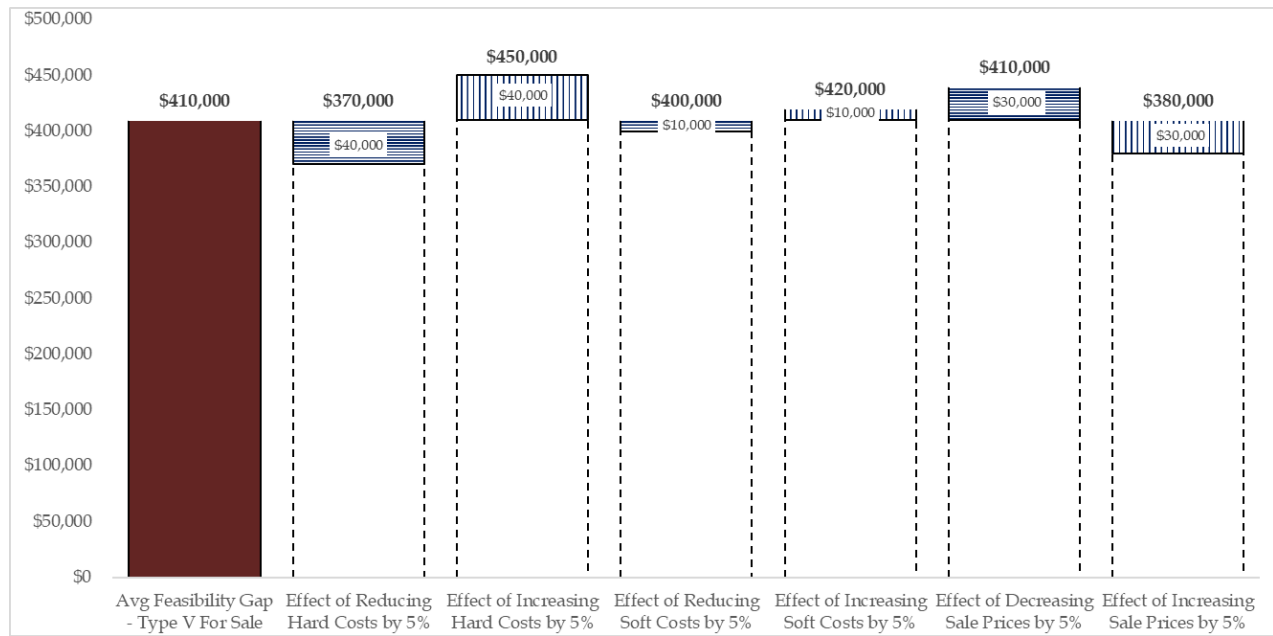
Type I Rental Prototype



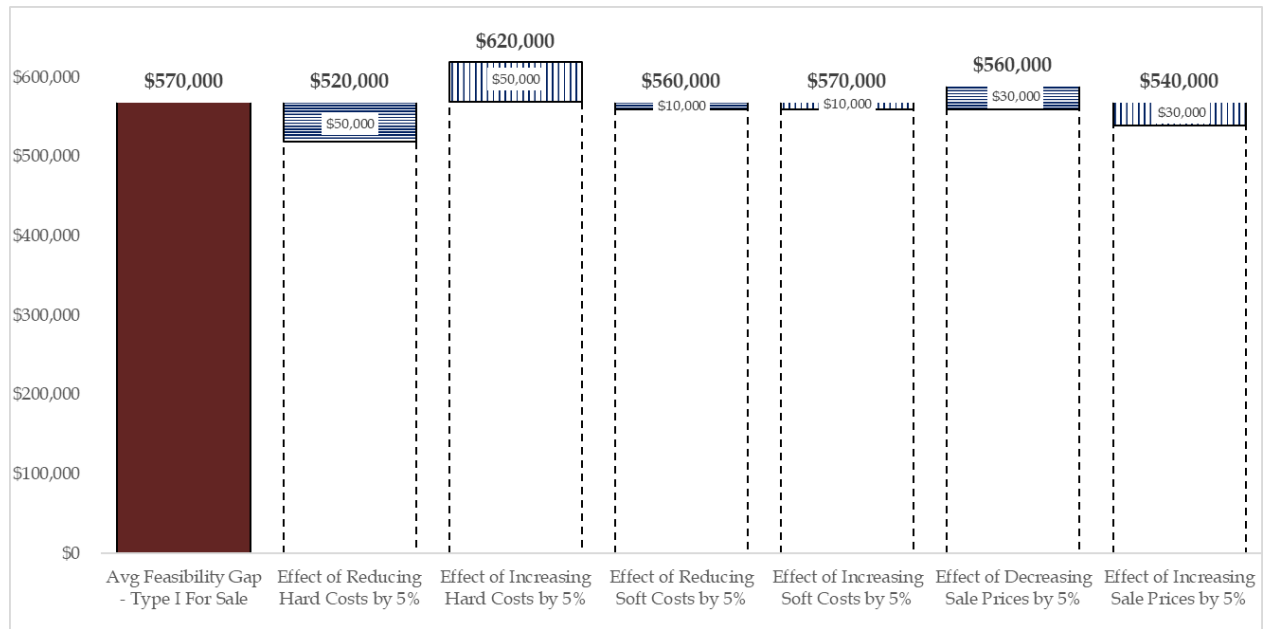


Effect Per Unit on Feasibility Gap of Varying Hard Costs, Soft Costs, and Sale Prices by 5%

Type V Sale Prototype



Type I Sale Prototype



**Exhibit D****Development Costs**

Building Hard Costs Per GSF		<u>Rental</u>	<u>Sale</u>
	Type V	\$393	\$420
	Type III	\$447	NA
	Type I	\$502	\$535
Parking Hard Costs Per GSF		<u>Rental</u>	<u>Sale</u>
<i>Above grade pricing for Type V and Type III, below grade pricing for Type I.</i>	Type V	\$97	\$100
	Type III	\$101	NA
	Type I	\$240	\$245
Hard Cost Contingency		<u>Rental</u>	<u>Sale</u>
		5.00%	5.00%
Entitlement Professional Fees		<u>Rental</u>	<u>Sale</u>
<i>e.g. CEQA-related and pre-entitlement prof. fees City Fees calculated separately</i>	Type V	\$500,000	\$500,000
	Type III	\$500,000	
	Type I	\$1,000,000	\$1,000,000
Post Entitlement A&E / Prof Fees of Hard Costs		<u>Rental</u>	<u>Sale</u>
		6.00%	6.00%
Insurance of Hard Costs		<u>Rental</u>	<u>Sale</u>
		1.00%	1.50%
Developer Fee		<u>Rental</u>	<u>Sale</u>
		4.00%	4.00%
Financing		<u>Rental</u>	<u>Sale</u>
Interest Rate		5.50%	5.50%
Loan to Cost		65.00%	60.00%
Fees		1.00%	1.00%
Soft Cost Contingency		<u>Rental</u>	<u>Sale</u>
		5.00%	5.00%

**Rental Prototype Assumptions**

Market Rent Per Unit / Month	<u>South & East</u>	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$2,745	\$3,015			
Type III		\$3,015	\$3,735	\$2,970	
Type I		\$3,015	\$3,735	\$2,970	\$3,375

Market Rent Per SF / Month	<u>South & East</u>	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Type V	\$3.05	\$3.35			
Type III		\$3.35	\$4.15	\$3.30	
Type I		\$3.35	\$4.15	\$3.30	\$3.75

Other Income Per Unit / Month

<i>(Incl parking)</i> Type V	\$167
Type III	\$167
Type I	\$185

Vacancy/Credit Loss 5.00%

Operating Expenses Per Unit / Month (not including property taxes)

Type V	\$6,596
Type III	\$6,688
Type I	\$7,619

Target Return on Cost

Type V	5.25%
Type III	5.25%
Type I	5.25%

Sale Prototype Assumptions

Market Sale Price PSF	<u>South & East</u>	<u>C, W, N</u>	<u>Downtown</u>
Type V	\$585	\$700	
Type I			\$725

Sales Costs Including Warranty Reserve 5%-6%

Target Profit Margin	<u>South & East</u>	<u>C, W, N</u>	<u>Downtown</u>
Type V	20%	20%	
Type I			20%

**City Permits and Fees - Rental Prototypes***Total fees and per unit fees rounded to nearest '00*

<u>Prototype</u>	<u>Type V</u>	<u>Type V</u>	<u>Type III</u>	<u>Type III</u>	<u>Type III</u>
	<u>South & East</u>	<u>Central</u>	<u>Central</u>	<u>West</u>	<u>North</u>
Residential Value Per GSF	\$120.47	\$120.47	\$120.47	\$120.47	\$120.47
Residential Value Per Unit	\$135,500	\$135,500	\$135,500	\$135,500	\$135,500
Parking Value Per GSF	\$53.83	\$53.83	\$67.97	\$67.97	\$67.97
Parking Value Per Unit	\$21,500	\$21,500	\$27,200	\$27,200	\$27,200
Total Valuation Per Unit	\$157,100	\$157,100	\$162,700	\$162,700	\$162,700
<u>Construction Tax Assumptions</u>					
Building and Structure	1.54% of value				
CRMP	2.42% of value				
Construction Tax	\$75.00 per unit				
Residential Construction Tax	\$90.00 per unit				
SMIPA	0.01% of value				
BSARSF	0.004% of value				
Total Construction Tax Per Unit	\$6,400	\$6,400	\$6,600	\$6,600	\$6,600
Parkland In-Lieu Fees	\$13,100	\$22,600	\$22,600	\$20,800	\$27,700
Parkland Credit <i>Note 1</i>	25%	25%	25%	25%	25%
Total Parkland In Lieu Fees Per Unit	\$9,800	\$17,000	\$17,000	\$15,600	\$20,800
School Fees Per Residential GSF	\$2.13	\$3.48	\$3.48	\$2.45	\$2.24
School Fees Per Unit	\$2,400	\$3,900	\$3,900	\$2,800	\$2,500
Planning and Building Fees Per Unit	\$5,700	\$5,700	\$4,800	\$4,800	\$4,800
Inclusionary In-Lieu PSF	\$18.70	\$43.00	\$43.00	\$43.00	\$18.70
Inclusionary Fee Per Unit <i>Note 2</i>	\$21,000	\$48,400	\$48,400	\$48,400	\$21,000
Total Permits and Fees Per Unit	\$45,300	\$81,300	\$80,700	\$78,100	\$55,700

Note 1

Adjustment to reflect assumed amount of parkland provided within project.

Note 2

Traffic fees currently being revised

**City Permits and Fees - Rental Prototypes***Total fees and per unit fees rounded to nearest '00*

<u>Prototype</u>	<u>Type I</u>	<u>Type I</u>	<u>Type I</u>	<u>Type I</u>
	<u>Central</u>	<u>West</u>	<u>North</u>	<u>Downtown</u>
Residential Value Per GSF	\$120.47	\$120.47	\$120.47	\$120.47
Residential Value Per Unit	\$139,000	\$139,000	\$139,000	\$139,000
Parking Value Per GSF	\$89.90	\$89.90	\$89.90	\$89.90
Parking Value Per Unit	\$28,800	\$28,800	\$28,800	\$28,800
Total Valuation Per Unit	\$167,800	\$167,800	\$167,800	\$167,800
<u>Construction Tax Assumptions</u>				
Building and Structure	1.54% of value			
CRMP	2.42% of value			
Construction Tax	\$75.00 per unit			
Residential Construction Tax	\$90.00 per unit			
SMIPA	0.01% of value			
BSARSF	0.004% of value			
Waiver Scenario B&S, CRMP Reduction	50% Waiver Scenarios Only			
Total Construction Tax Per Unit	\$6,800	\$6,800	\$6,800	\$6,800
Parkland In-Lieu Fees	\$22,600	\$20,800	\$27,700	\$14,600
Parkland Credit	25%	25%	25%	25%
Total Parkland In Lieu Fees Per Unit	\$17,000	\$15,600	\$20,800	\$11,000
School Fees Per Residential GSF	\$3.48	\$2.45	\$2.24	\$3.48
School Fees Per Unit	\$4,000	\$2,800	\$2,600	\$4,000
Planning and Building Fees Per Unit	\$2,800	\$2,800	\$2,800	\$2,800
Inclusionary In-Lieu PSF	\$43.00	\$43.00	\$18.70	\$43.00
Inclusionary Fee Per Unit	\$49,600	\$49,600	\$21,600	\$49,600
<i>Note: Inclusionary Fees Waived in Waiver Scenarios</i>				
Total Permits and Fees Per Unit	\$80,200	\$77,700	\$54,600	\$74,200

Note 1

Adjustment to reflect assumed amount of parkland provided within project.

Note 2

Traffic fees currently being revised

**City Permits and Fees - Sale Prototypes***Total fees and per unit fees rounded to nearest '00*

<u>Prototype</u>	<u>Type V</u>	<u>Type V</u>	<u>Type V</u>	<u>Type I</u>
	<u>South & East</u>	<u>Central & West</u>	<u>North</u>	<u>Downtown</u>
Residential Value Per GSF	\$120.47	\$120.47	\$120.47	\$120.47
Residential Value Per Unit	\$173,200	\$173,200	\$173,200	\$173,200
Parking Value Per GSF	\$53.83	\$53.83	\$53.83	\$89.90
Parking Value Per Unit	\$23,700	\$23,700	\$23,700	\$23,700
Total Value Per Unit	\$196,900	\$196,900	\$196,900	\$196,900
<u>Construction Taxes</u>				
Building and Structure	1.54% of value			
CRMP	2.42% of value			
Construction Tax	\$75.00 per unit			
Residential Construction Tax	\$90.00 per unit			
SMIPA	0.01% of value			
BSARSF	0.004% of value			
Waiver Scenario B&S, CRMP Reduction	50% Waiver Scenarios Only			
Total Construction Tax Per Unit	\$8,000	\$8,000	\$8,000	\$7,600
Parkland In-Lieu Fees Per Unit	\$13,100	\$22,600	\$27,700	\$14,600
Parkland Fees Credit	25%	25%	25%	25%
Total Parkland In Lieu Fees Per Unit	\$9,800	\$17,000	\$20,800	\$11,000
School Fees Per Residential GSF	\$2.13	\$3.48	\$2.24	\$3.48
School Fees Per Unit	\$3,100	\$5,000	\$3,200	\$4,200
Planning and Building Fees Per Unit	\$7,000	\$7,000	\$7,000	\$2,900
Inclusionary In-Lieu Per GSF	\$25.00	\$25.00	\$25.00	\$25.00
Inclusionary In-Lieu Per Unit <i>Note 2</i>	\$35,900	\$35,900	\$35,900	\$30,400
<i>Note: Inclusionary Fees Waived in Waiver Scenarios</i>				
Total Permits and Fees Per Unit	\$63,800	\$72,900	\$74,900	\$56,100

Note 1

Adjustment to reflect assumed amount of parkland provided within project.

Note 2

Traffic fees currently being revised



Exhibit E

Developer & Stakeholder Feedback

The City invited a group of local developers and a group of local stakeholders to separate virtual meetings to provide feedback regarding draft underwriting assumptions, which had been developed based on the prior analysis, market research and information provided by the City. The following feedback was provided by developers and stakeholders during these meetings. While some topics were mentioned by multiple participants, it was not clear for any given feedback whether the comment was shared by other participants beyond the speaker. Certain changes were made to the analysis as result of the feedback, which are reflected in the analysis described above.

- Type I garages should be more inefficient (e.g., 500 SF per stall)
- Type III projects should have more density – 125 units per acre or even 180+ units per acre downtown
- For Type V construction, only seeing 4-story projects
- Parking ratio for Type V could be higher
- Type III average unit size is currently more like 800 SF instead of 900 SF
- Type I hard costs should be increased by 7-10% (hard cost estimates in general are low).
- Parking costs above grade should be \$60,000-\$70,000 per stall
- Pre-entitlement professional fees should be \$1 million -\$3 million per project
- 6% for professional fees may be high – overall professional fees including entitlement costs for Type III & V projects should be \$20,000-\$24,000 per unit
- A&E costs for for-sale projects should be higher due to liability risk
- Insurance should be modeled at 2-3% of hard costs
- Add 1% mortgage broker fee to upfront financing costs (i.e., resulting in total upfront lender fees of 2.0%)
- 5.5% construction loan interest rate may be high for today's market but probably a good over/under number
- VMT mitigation expenses can be \$2 million for a large project or \$2,000-\$5,000 per unit in certain areas
- 30% parkland credit is too high- should be 20-25%
- There should be less variation on rents between North, Central and Downtown submarkets and other income should be the same for all projects
- Operating expenses for Types III & V projects should be \$2,000 per unit higher than shown – for Type I projects operating expenses should be \$8,500 to \$9,000 per unit
- For-sale condominiums need to be sold at \$1,200 per SF to pencil
- Target return on cost for Type I projects should be 5.25% (i.e., same as Types III & V) instead of 5.0%.



- Capitalization rates for Type III should be same as Type I.
- Downtown land costs should be higher - \$50k per unit or more (e.g., same as West submarket)
- Look at published indexes (e.g., Association of General Contractors, National Homebuilders, California Construction) for potential construction cost data
- Scenarios with mass timber / pre-fabricated modular construction should be considered
- Prototype results should be subject to “ground truthing” – comparing results with data from actual projects. In past, certain projects proceeded even though analysis generally concluded that development was infeasible.
- Can the City utilize numbers from its own projects (separate affordable housing cost study is being prepared)?
- The current market is too volatile and dynamic to make any kind of analysis like this useful
- Assumed 22-story high rise height could be higher
- Please review a white paper on parking ratios
- Align parking ratios with City policy on required minimum parking
- Request for sensitivity analysis on various assumptions (e.g., above- vs. below-grade parking)
- Is this exercise useful for any type of policy making?
- Land costs can vary widely
- Should these analyses consider a commercial FAR requirement?



Exhibit F

14.10.310 Financially Infeasible.

A fee or tax reduction applied uniformly to all Private Construction Projects within a specified Subcategory of Use is not a Subsidy if the Council determines, in accordance with the requirements of this Section, that construction of the projects is Financially Infeasible.

- A. The Council must make its determination that a fee or tax reduction is not a Subsidy, supported by findings, following a public hearing.
- B. The Council's findings must be supported by evidence presented at the public hearing, including a study analyzing whether construction of the Private Construction Projects within the specified Subcategory of Use is Financially Infeasible.
- C. The financial feasibility study referenced in Subsection B of this Section 14.10.310 must be performed by a consultant qualified to provide real-estate analytic services.
 1. The City will select and retain the consultant using its normal procurement process.
 2. The required consultant study must address the following issues:
 - a. Whether construction of the Private Construction Projects in the specified Subcategory of Use is Financially Infeasible;
 - b. The reason(s) for any conclusion that construction of the Private Construction Projects in the specified Subcategory of Use is Financially Infeasible;
 - c. The anticipated duration of any condition(s) making construction of the Private Construction Projects in the specified Subcategory of Use Financially Infeasible;
 - d. The estimated size of the financial gap between the Private Construction Projects in the specified Subcategory of Use being Financially Infeasible and financially feasible;
 - e. Options for making construction of the Private Construction Projects in the specified Subcategory of Use financially feasible, including the following:
 - i. Providing the proposed fee or tax reduction without requiring the payment of prevailing wages;
 - ii. Providing the proposed fee or tax reduction along with requiring the payment of prevailing wages; and
 - iii. Any additional options, other than the proposed fee or tax reduction, that would make construction of the Private Construction Projects within the specified Subcategory of Use financially feasible, provided that any such options must comply with all applicable laws and regulations, including the City's current general plan.
 3. Consultant's preparation of the required study will include the opportunity for stakeholder input.
 4. The Council will use reasonable efforts to conduct the required public hearing within ninety (90) calendar days following the completion of the study referred to in Subsections B and C of this Section 14.10.310.

(Ord. 30292)

Attachment B



Century | Urban

Affordable Housing Development Cost Study

Presented to:

City of San Jose

September 22, 2022



TABLE OF CONTENTS

INTRODUCTION	3
METHODOLOGY AND APPROACH	3
<i>Table 1. Summary of Projects</i>	4
<i>Table 2. List of City of San Jose Projects</i>	5
<i>Table 3. List of Other City Projects</i>	6
GENERAL TRENDS IN AFFORDABLE HOUSING DEVELOPMENT COSTS	6
<i>Table 4. Year-Over-Year Change in San Jose Project Development Cost</i>	7
Affordable Housing Developments Costs by Housing Type	7
<i>Table 5. Summary of Comparison of Total Development Costs per Unit</i>	8
<i>Graph 1. Average Development Cost per Unit</i>	8
<i>Table 6. Unit Size by Location and Housing Type</i>	8
<i>Graph 2. Average Development Cost ELI Buildings Compared to All Buildings</i>	9
Site Acquisition Costs by Housing Type	9
<i>Table 7. Summary of Site Acquisition Costs per Unit</i>	10
<i>Graph 2. Acquisition Costs per Unit</i>	10
<i>Table 8. San Jose Projects Land Purchase Cost per Unit</i>	10
Direct Construction Costs by Housing Type	11
<i>Table 9. Total Direct Construction Costs, Average Per Unit</i>	11
<i>Graph 3. Construction Hard Costs per Unit</i>	12
Impact Fees	12
<i>Graph 4. Impact Fees per Unit</i>	13
Financing Costs	13
<i>Table 10. Financing Costs Average Per Unit</i>	13
Tax Credit Pricing	14
<i>Table 11. Tax Credit Pricing Average by Year</i>	15
Share of Development Costs Funded by City Subsidies and Other Sources	15
<i>Table 12. City Subsidy Amount Per Unit</i>	16
<i>Graph 6. San Jose City Funding per Unit</i>	16
<i>Table 13. San Jose Projects Subsidy Amounts Per Unit by Housing Type</i>	16
<i>Graph 7. San Jose Projects Funding Sources</i>	17
<i>Table 14. Other City Projects Subsidy Amounts Per Unit by Housing Type</i>	18
Affordable Housing Development Costs as Compared to Market Rate	18
<i>Graph 9. San Jose Projects Funding Sources</i>	19
Unique Attributes of Affordable Housing that Often Result in Affordable Housing Development Costs Exceeding Market Rate Housing Development Costs	19
Local Support to Reduce Cost Burden	22



INTRODUCTION

The City of San Jose (the “City”) has engaged Century Urban, LLC (“Century | Urban”) to prepare a study regarding the cost of developing affordable housing within the City, the typical funding sources used to pay for such costs and the unique attributes of affordable housing that contribute to its higher construction costs. In addition, this study compares the cost of developing affordable housing in the City to similar costs in other large California cities. This report is intended to be an update to a similar study completed in October 2019 by Keyser Marston Associates, Inc. (“KMA”).

Since 1989, the City has provided local subsidies to eligible projects to facilitate the construction of affordable housing within its jurisdiction. Over the past 33 years, barriers to the development of affordable housing have increased with escalating construction costs becoming the highest barrier. According to TBD Consultants, a project and cost management consultant with a strong Bay Area focus, annual construction cost escalation averaged between 7 percent and 8 percent from 2014 to 2020. A slowdown in construction activity in early 2020 lowered the rate of construction cost escalation for a brief period, however, since that time construction costs have continued to ascend with an average annual increase of 6 percent over the past two years. TBD Consultants anticipates that construction cost escalation will continue to exceed historical trends with projected annual escalation between four and a half percent to five and a half percent in 2022 and four and a half percent to five percent for the foreseeable future thereafter. Rising interest rates in response to high inflation may also be indirectly increasing affordable housing construction costs by increasing the cost of borrowing for businesses that produce construction materials. However, a slowdown in construction activity, may result from higher interest rates, which to a certain extent may offset construction cost increases.

This report provides a summary of recent affordable housing construction costs utilizing data from California Tax Credit Allocation Committee applications submitted by affordable housing developers seeking a tax credit allocation. To provide additional context for this data, Century | Urban interviewed two affordable housing developers, one general contractor and one affordable housing development manager. The findings from this research and these interviews are summarized below.

METHODOLOGY AND APPROACH

Century | Urban performed research to identify all projects within the City of San Jose that were awarded a tax credit allocation since the last study was prepared by KMA, which covered projects that were awarded a tax credit allocation through the first funding round in 2019. Thus, this study evaluated the time period from June 2019 to December 2021. 15 projects in the City received tax credit allocations during this time period (“San Jose Projects”). These projects range in height from four to 13 stories with an average height of approximately seven stories. Nearly all San Jose Projects proposed a “Special Needs” or “Non-Targeted” housing type with only one senior housing project. Non-Targeted projects are projects that pursue a geographic set-aside instead of a target population set-aside. Notably, there were no “Large Family” projects that received a tax credit allocation during



the study period¹. Given the unique characteristics of the San Jose Projects, which are largely comprised of more dense buildings with smaller units, research was performed to identify similar projects in other cities in Santa Clara County, Los Angeles County, the City & County of San Francisco and Alameda County by reviewing a listing of projects receiving a tax credit award published by the California Debt Limit Allocation Committee (“CDLAC”). 27 projects (“Other City Projects”) that are comparable in housing type and construction type to the San Jose Projects were identified in these counties. Table 1 below summarizes the projects that were evaluated as part of this study.

Table 1. Summary of Projects

Housing Type	San Jose Projects			Other City Projects		
	Number of Projects	Number of Units	% of Total	Number of Projects	Number of Units	% of Total
Special Needs	9	795	45%	13	1,488	42%
Non-Targeted	5	655	37%	9	1,252	35%
Seniors	1	301	17%	5	837	23%
Total	15	1,751	100%	27	3,577	100%

The San Jose Projects totaled 1,751 units, with nine projects serving a special needs population such as permanent supportive housing for the formerly homeless, five projects classified as non-targeted housing, which may provide housing to a mix of tenant populations, and one senior housing project. Seven projects propose five or fewer stories comprising 39% of all units, and the remaining eight projects, comprising 61% of all units ranged from six to 13 stories with a weighted average of nearly seven stories across all San Jose Projects. The Other City Projects totaled 3,577 units with 13 projects serving a special needs population, nine projects classified as non-targeted housing, and five senior housing projects. Nine projects propose five or fewer stories comprising 35% of all units, and the remaining 18 projects comprising 65% of all units ranged from six to nine stories with a weighted average of just over six stories across all Other City Projects.

The CDLAC application for each project was reviewed to obtain development costs for each project. The development costs shown in each application is based on the project sponsor’s best information available at the time of application submittal and may not reflect the final actual cost of development. However, applicants must demonstrate readiness to proceed with construction within 180 days of an award. As such, the final actual project development costs would not be expected to vary significantly from the development costs shown in the CDLAC applications.

Provided below is a list of the projects that were analyzed in this study. Construction cost detail by project are provided in Appendix A, Table 1 and Table 2.

¹ Refer to <https://www.treasurer.ca.gov/ctcac/programreg/2022/20220720/2022-Regulations.pdf> for housing type definitions.

**Table 2. List of City of San Jose Projects**

Project Name	Housing Type	Total Units	Number of Stories
Auzerais	Special Needs	130	5
Mariposa Place	Special Needs	80	7
Bascom	Special Needs	79	5
Roosevelt Park	Special Needs	80	9
Algarve	Special Needs	91	8
McEvoy	Non-Targeted	224	13
Kelsey Ayer	Non-Targeted	115	6
Gallup and Mesa	Special Needs	46	5
1020 N 4th	Special Needs	94	4
Page Street Studios	Non-Targeted	82	5
Arya	Non-Targeted	87	8
Alum Rock	Special Needs	87	7
Immanuel-Sobrato Community	Special Needs	108	5
Blossom Hill	Non-Targeted	147	4
Virginia Street Studios	Seniors	301	6
15 Projects		1,751	

**Table 3. List of Other City Projects**

Project Name	City	County	Housing Type	Total Units	Number of Stories
Villa Oakland	Oakland	Alameda	Special Needs	95	6
Fruitvale Transit Village Phase 11B	Oakland	Alameda	Non-Targeted	181	5
Citrus Crossing	Glendale	Los Angeles	Seniors	127	5
Vermont Manchester Family	Los Angeles	Los Angeles	Special Needs	118	7
Residency at the Entrepreneur	Los Angeles	Los Angeles	Special Needs	200	9
Santa Monica & Vermont Apartments	Los Angeles	Los Angeles	Special Needs	187	6
Brine Residential	Los Angeles	Los Angeles	Special Needs	97	5
6th and San Julian	Los Angeles	Los Angeles	Special Needs	94	6
Vintage at Woodman	Los Angeles	Los Angeles	Seniors	239	5
5th Street PSH	Los Angeles	Los Angeles	Special Needs	149	8
Hope on Hyde	Los Angeles	Los Angeles	Non-Targeted	98	5
Hollywood Arts Collective	Los Angeles	Los Angeles	Non-Targeted	152	7
Ingraham Apartments	Los Angeles	Los Angeles	Special Needs	121	6
Corazon del Valle II	Panorama City	Los Angeles	Special Needs	90	5
Pasadena Studios	Pasadena	Los Angeles	Non-Targeted	181	7
Nadeau	Unincorp.	Los Angeles	Special Needs	92	6
78 Haight Street	San Francisco	San Francisco	Special Needs	63	7
Balboa Park Upper Yard	San Francisco	San Francisco	Non-Targeted	131	9
681 Florida Street	San Francisco	San Francisco	Non-Targeted	130	9
833 Bryant Apartments	San Francisco	San Francisco	Non-Targeted	146	6
53 Colton	San Francisco	San Francisco	Non-Targeted	96	6
Ocena Views	San Francisco	San Francisco	Seniors	258	7
4840 Mission Street	San Francisco	San Francisco	Non-Targeted	137	5
Westport Cupertino	Cupertino	Santa Clara	Seniors	48	6
Sango Court	Milpitas	Santa Clara	Special Needs	102	5
Kifer Senior Housing	Santa Clara	Santa Clara	Special Needs	80	6
Agrihood Senior Apts	Santa Clara	Santa Clara	Seniors	165	5
27 Projects				3,577	

GENERAL TRENDS IN AFFORDABLE HOUSING DEVELOPMENT COSTS

In this section, the analysis results are presented, along with a discussion of the major cost drivers that have led to significant increases in the development costs of projects utilizing Low-Income Housing Tax Credits (“LIHTC”) since the prior study was completed.

Several studies have pointed to the high and rising costs of LIHTC development in California. One such study prepared by the Turner Center concluded that the average cost per unit of 9% LIHTC new construction projects in California increased from \$425,000 per unit to \$480,000, per unit between 2016 and 2019, an increase of approximately 13 percent. Costs in the Bay Area have increased faster than the state in general. According to discussions with developers and a general contractor active in the Bay Area, costs have increased by an average of five to six percent per year over the past 10 years. This is consistent with the San Jose Projects evaluated. As shown in Table 4 below, the average year-over-year change in total development cost was approximately 6 percent in each of 2020 and 2021. For 2019, the Virginia Street Studios project, which is a senior housing project



and not representative of project types in subsequent years, was excluded. Furthermore, the Turner Center study also cited that cost per square foot has risen even more dramatically at an estimated rate of approximately 30 percent during the same time period. In recent years, the average unit size has been declining, resulting in a higher increase in construction costs per square foot as compared to per unit.

Table 4. Year-Over-Year Change in San Jose Project Development Cost

Year	Number of Projects	Average Building Stories	Wtd. Avg. Total Development Cost per Unit	% Change Prior Year
2019	1	8	\$602,400	NA
2020	7	5	\$635,600	6%
2021	7	8	\$672,600	6%

This increase in costs has material consequences for the supply of new affordable housing as increased public subsidies are needed to fund higher development costs at a time of unparalleled demand for public subsidies. Since approximately 2019, annual demand for 4% tax credits has exceeded annual tax-exempt bond capacity, which determines the amount of tax credits available each year. Prior to 2019, California allocated between 85% to 90% of its annual tax-exempt bond capacity and any excess was carried forward to future years. According to a recent Affordable Housing Finance article, California's 4% tax credit program is currently oversubscribed by 2-to-1, a significant shift since 2019.

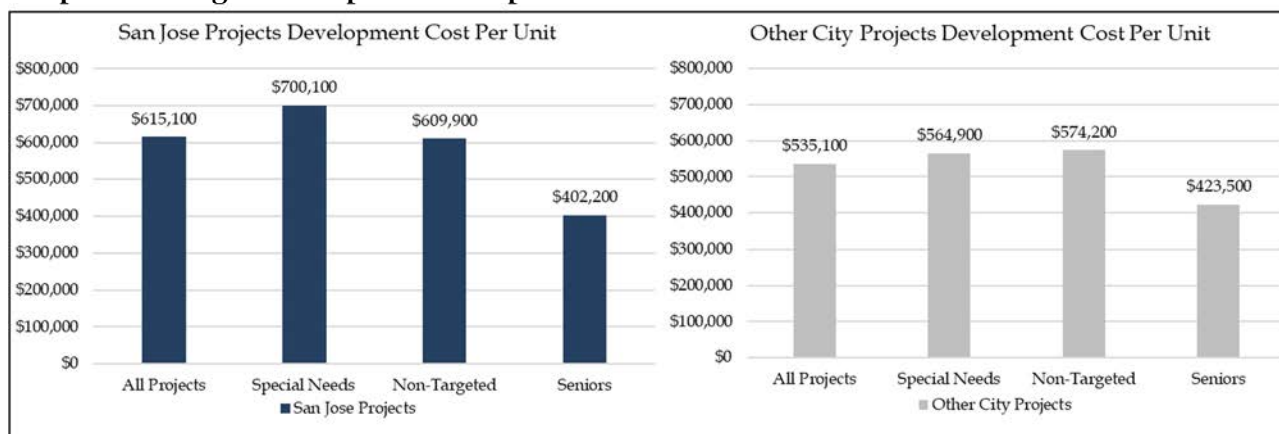
The study conducted in 2019 by KMA found that total development costs for affordable housing projects located in the City averaged approximately \$523,000 per unit for projects serving a special needs population. The total development costs for special needs housing type projects evaluated as part of this study averaged approximately \$700,100 per unit, which represents a significant increase over the development costs listed in the prior study. While some of this cost differential can be attributed to a higher proportion of Single Room Occupancy units in projects evaluated by the KMA study, current development costs show a clear trend in increased per unit costs. Multiple factors driving these cost increases are discussed below.

Affordable Housing Developments Costs by Housing Type

As summarized in Table 5 and Graph 1 below, total development costs for the 15 San Jose Projects analyzed averaged approximately \$615,100 per unit. Special needs projects had the highest per unit cost of over \$700,000; non-targeted units averaged approximately \$609,900 per unit; and the sole senior housing project averaged approximately \$402,200 per unit. This compares to the average per unit cost for Other City Projects of approximately \$535,100 for all housing types; approximately \$564,900 for special needs projects; \$574,200 per unit for non-targeted projects; and \$423,500 for senior housing projects. Average cost per unit for San Jose Projects were 15 percent higher than average cost per unit for Other City Projects, and notably, average cost per unit for special needs projects in the City were 24 percent higher than average cost per unit for special needs projects in other cities.

**Table 5. Summary of Comparison of Total Development Costs per Unit**

	San Jose Projects	Other City Projects	All Projects	San Jose Cost Difference
All Projects	\$615,100	\$535,100	\$561,400	15%
Special Needs	\$700,100	\$564,900	\$612,000	24%
Non-Targeted	\$609,900	\$574,200	\$586,500	6%
Seniors	\$402,200	\$423,500	\$417,900	-5%

Graph 1. Average Development Cost per Unit

While in the prior study, higher development costs for San Jose projects were partly attributable to a difference in average building height with projects in San Jose averaging more stories, this does not appear to be the case for projects in this study as 61% of units in San Jose Projects are in buildings with six or more floors compared to 65% of units in Other City Projects. Unit size also does not appear to be a cause of this differential as Table 6 below shows that units in San Jose Projects are on average smaller than or approximately equal in size to units in Other City Projects.

Table 6. Unit Size by Location and Housing Type

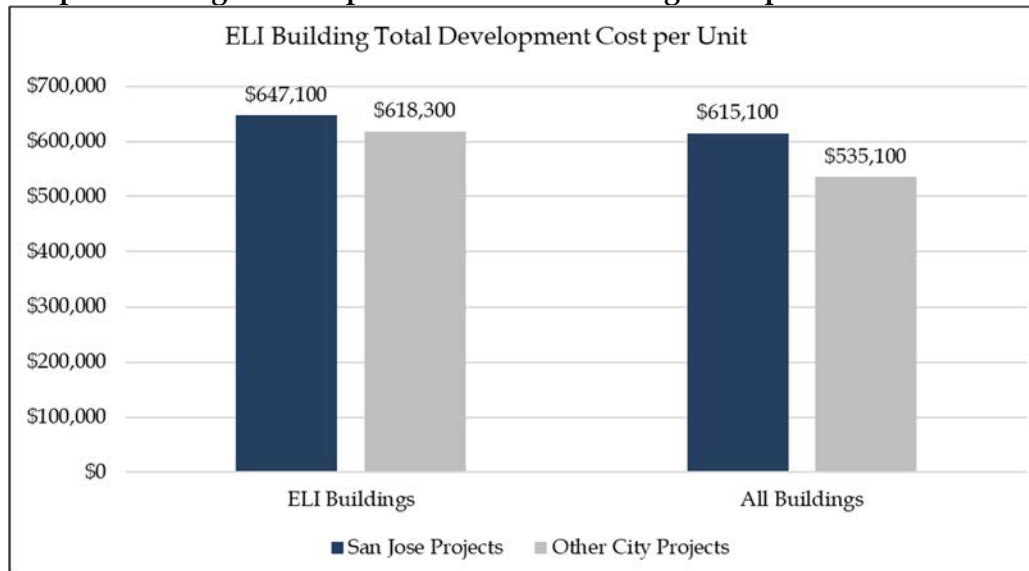
	San Jose Projects Average Unit Size	Other City Projects Average Unit Size
All Projects	496	557
Special Needs	542	572
Non-Targeted	441	431
Seniors	NA	510

A review of affordability levels shows that San Jose Projects have deeper affordability, with approximately 40% of San Jose Project units located in buildings with 50% or more units set aside for extremely low-income households, which are defined as households earning no more than 30% of area median income ("ELI Buildings"). In comparison, approximately 29% of Other City Project units are located within ELI Buildings. Development costs for ELI Buildings were higher as shown in the graph below. The higher percentage of units within ELI buildings in San Jose as compared to



other cities is one of several factors that may explain the cost differential between San Jose Projects and Other City Projects. A detailed discussion regarding other potential factors, which may be driving the cost differential, is provided on page 17 below.

Graph 2. Average Development Cost ELI Buildings Compared to All Buildings



Total development costs consist of many components including land or property acquisition costs, direct construction costs, and indirect soft costs such as architectural/engineering costs, local development fees, as well as other fees (e.g., legal fees, appraisals, and insurance). Provided below is a breakdown of development costs by key categories.

Site Acquisition Costs by Housing Type

Land costs can vary significantly across affordable housing projects as some projects may benefit from contributed land, others may ground lease land and others may pay fair market value for land. Land acquisition costs reported in tax credit applications include the land purchase price or capitalized ground lease amount, demolition costs, site improvements, and associated legal and financing costs. In general, reported land acquisition costs for projects across the state remained largely flat since the end of the recession in 2015 through 2020; however, site acquisition costs have been declining over the past two years as increasing construction costs have forced developers to rely on land contributions or ground leases with minimal ground rent. Land acquisition costs for projects in the City declined from the prior study's average of \$68,000 per unit to a current average of approximately \$39,000 per unit. Similarly, land acquisition costs declined for projects in other cities from the prior study average of \$86,000 per unit to a current average of approximately \$42,000 per unit. All projects in the City in the prior study included land acquisition costs in their tax credit applications. Five of the San Jose Projects in this study did not include land acquisition costs in their development budgets. Excluding projects with no site acquisition cost, the average site acquisition cost per unit for San Jose Projects was approximately \$52,000. There were eight Other City Projects

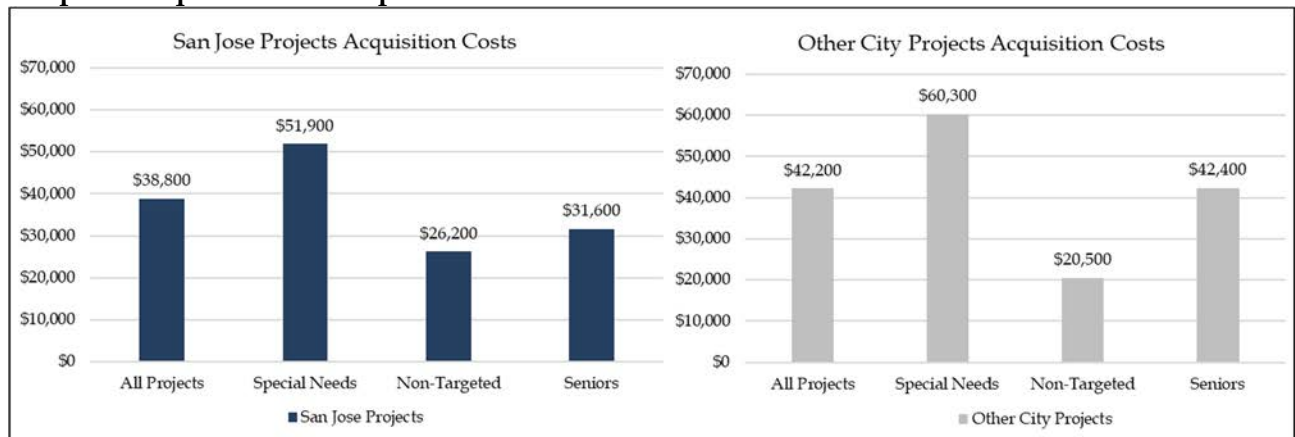


with no reported land cost. For projects that reported site acquisition cost, the average site acquisition cost per unit was approximately \$57,000 per unit.

Table 7. Summary of Site Acquisition Costs per Unit

	San Jose Projects	Other City Projects	All Projects	San Jose Cost Difference
All Projects	\$38,800	\$42,200	\$41,100	-8%
Special Needs	\$51,900	\$60,300	\$57,400	-14%
Non-Targeted	\$26,200	\$20,500	\$22,500	28%
Seniors	\$31,600	\$42,400	\$39,600	-25%

Graph 2. Acquisition Costs per Unit



Of the ten San Jose Projects with land acquisition costs, two projects, Bascom and Alum Rock, were acquired through a ground lease while the remaining eight projects were acquired through a fee simple purchase and sale transaction. Excluding all other land acquisition costs and focusing solely on direct land cost, the average land cost per unit for San Jose Projects with reported land costs was approximately \$42,500 per unit.

Table 8. San Jose Projects Land Purchase Cost per Unit

Project Name	Application Year	Total Units	Land Cost per Unit
Mariposa Place	2021	80	\$68,800
Bascom	2021	79	\$69,000
Algarve	2021	91	\$36,100
McEvoy	2021	224	\$30,100
Gallup and Mesa	2020	46	\$85,000
1020 N 4th	2020	94	\$70,100
Arya	2020	87	\$52,300
Alum Rock	2020	87	\$42,500
Immanuel-Sobrato Community	2020	108	\$14,600



Virginia Street Studios	2019	301	\$31,600
Total		1,197	\$42,500

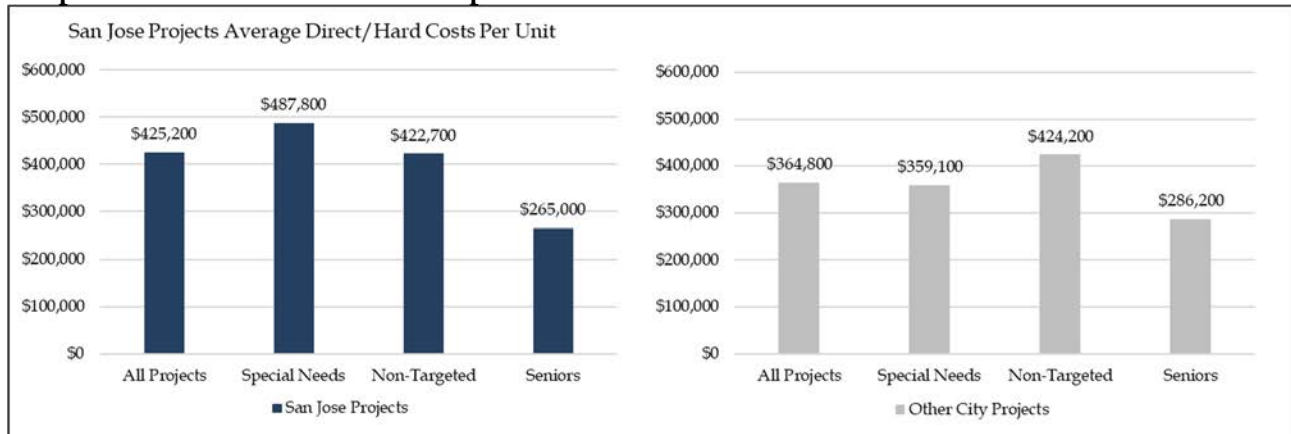
Direct Construction Costs by Housing Type

Direct construction costs primarily consist of the cost of labor and materials to construct site improvements, parking, and buildings. Direct construction costs represent the largest portion of overall development costs comprising approximately 69% of total development costs for San Jose Projects and 70% of total development costs for Other City Projects. According to a Turner Center study, direct construction costs increased by 40 percent between 2012 and 2020 and saw average increases of 5-6% per year over the past 2 years.

San Jose Projects direct construction costs exceed Other City Projects direct construction costs when comparing all housing types. However, as Table 9 illustrates, this difference is driven by a significant differential in the direct costs of special needs projects. Direct construction costs for special needs projects in San Jose exceeded direct construction costs for special needs projects in other cities by 36%. Review of available data did not definitively indicate what factors may be driving this cost differential, but one potential factor is market area cost differences. Per discussions with a general contractor active in the Bay Area, both material and especially labor costs are significantly higher in the Bay Area than in other markets. A shortage in the construction labor market and prevailing wage requirements applicable to San Jose Projects result in higher direct construction costs for these projects. Out of 14 San Jose Projects with available prevailing wage data, only two did not report the use of prevailing wage in their tax credit applications.

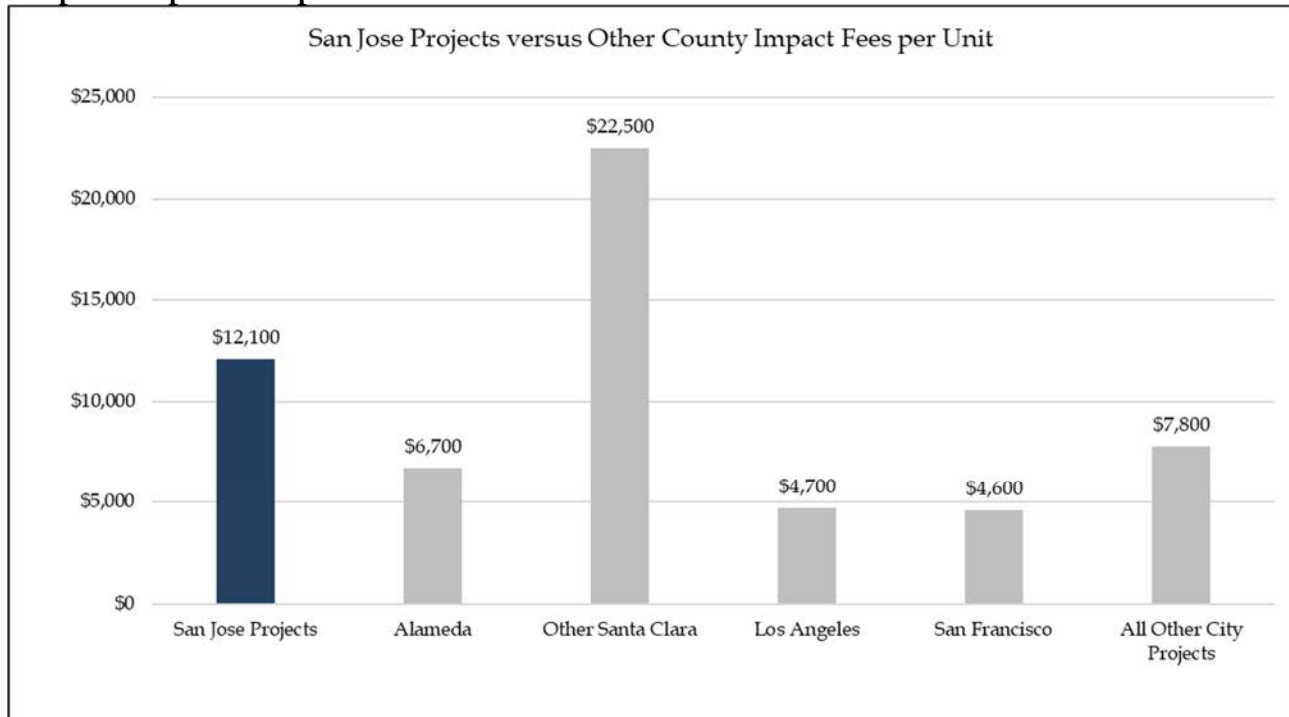
Table 9. Total Direct Construction Costs, Average Per Unit

	San Jose Projects	Other City Projects	All Projects	San Jose Cost Difference
All Projects	\$425,200	\$364,800	\$384,700	17%
Special Needs	\$487,800	\$359,100	\$403,900	36%
Non-Targeted	\$422,700	\$424,200	\$423,700	0%
Seniors	\$265,000	\$286,200	\$280,600	-7%

**Graph 3. Construction Hard Costs per Unit**

Impact Fees

Cities impose impact fees on new development to fund infrastructure needed to support new housing. These charges can support important local services, such as schools, parks, and transportation. San Jose imposes fees on new residential development including an Affordable Housing In Lieu Fee, a Park Impact In-Lieu Fee and area plan specific fees. The Affordable Housing In Lieu Fee is not applicable to affordable housing projects. Deed restricted residential units that meet the City's affordable housing guidelines qualify for a 50% credit towards the Parks Impact In-Lieu Fee, which can range from \$8,000 to \$41,600 per unit depending on the neighborhood. In addition, the City may waive impact fees for projects in select cases. Of the 15 City Projects evaluated in this study, 10 projects included impact fees in the tax credit application budget averaging approximately \$12,100 per unit. Of the 27 Other City Projects, 24 projects reported impact fees in the tax credit application budget averaging approximately \$7,800 per unit, a 54% increase over San Jose Projects. Provided in Graph 4 below, is a comparison of impact fees per unit by San Jose Projects and Other City Projects by county.

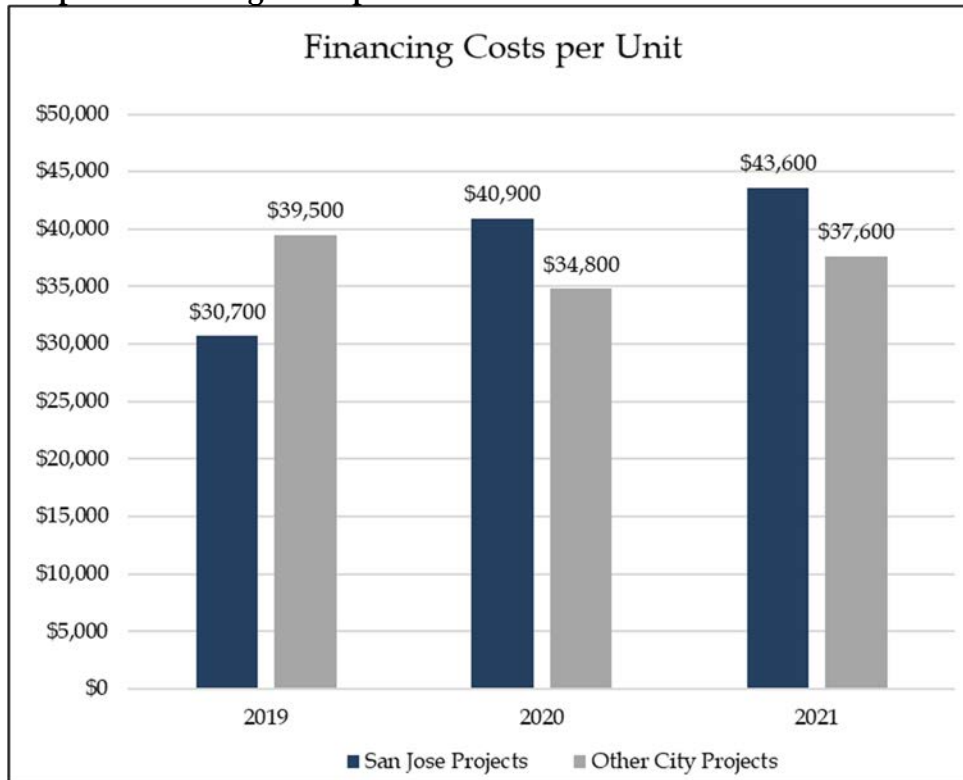
**Graph 4. Impact Fees per Unit**

Financing Costs

Increased complexity in financing affordable projects results in added development costs for affordable housing projects. Financing costs include capitalized interest during construction, origination fees, bond issuance costs, tax credit syndication costs, and financing legal fees. Due to the multitude of funding sources required to finance affordable housing projects, financing costs represented approximately seven percent of San Jose Projects and Other City Projects total development costs. Furthermore, financing costs between 2020 and 2021 increased by approximately 7 percent for San Jose Projects and approximately eight percent for Other City Projects.

Table 10. Financing Costs Average Per Unit

Application Year	San Jose Projects	Other City Projects
2019	\$30,700	\$39,500
2020	\$40,900	\$34,800
2021	\$43,600	\$37,600

**Graph 5. Financing Costs per Unit**

Tax Credit Pricing

Affordable housing projects raise capital to fund development costs through investor equity, referred to as tax credit equity. An investor receives credits over a 10-year tax credit redemption period. The tax credit consists of a dollar-for-dollar reduction in taxes owed. Pricing for tax credits is based on investor demand for credits and investor discount rates. Tax credit pricing is typically stated as an amount per dollar of tax credit. Applicants must include their expected tax credit pricing in their TCAC applications to demonstrate the amount of tax credit allocation available to fund development costs. Per Table 11 below, federal tax credit pricing for San Jose Projects averaged approximately \$0.92 for applications submitted in 2020 and approximately \$0.90 for projects submitted in 2021, reflecting a \$0.02 decline in 2021. Other City Projects averaged a federal tax credit pricing of \$0.91 in 2020 and \$0.90 in 2021, reflecting a decline of \$0.01 in 2021. State tax credit pricing for San Jose Projects reflected an reverse pattern with prices increasing from \$0.80 in 2020 to \$0.82 in 2021. This may be due to higher demand from state taxpayers for projects in San Jose due to various factors including Community Reinvestment Act obligations, the type of investor and the creditworthiness of the developer. State tax credit pricing for Other City Projects reflected a downward trend consistent with federal tax credit pricing with an average price of \$0.81 in 2020 and \$0.78 in 2021.



As the amount of LIHTC available for allocation is fixed each year, the pricing of tax credits directly affects the number of units that can be financed through public funding sources. A lower tax credit price requires more state and local subsidy to fill the gap.

Table 11. Tax Credit Pricing Average by Year

Application Year	San Jose Projects	Other City Projects
Federal Tax Credits		
2020	\$0.92	\$0.91
2021	\$0.90	\$0.90
State Tax Credits		
2020	\$0.80	\$0.81
2021	\$0.82	\$0.78

Share of Development Costs Funded by City Subsidies and Other Sources

Market-rate projects are generally financed with two primary funding sources: developer/investor equity and conventional construction/permanent debt. In contrast, affordable housing projects require multiple layers of capital to fund the gap between the supportable amount of permanent debt and tax credit investor equity and the cost to build the project.

San Jose Projects averaged approximately six funding sources per project with three projects requiring eight funding sources. Each additional funding source typically adds potential costs due to extended timelines and/or operational requirements. In discussions with market participants, layering of capital was cited as causing long delays, which can add significantly to hard costs in a fast-rising construction cost environment. As projects become more complex, projects also experience higher soft costs such as increased legal and consultant fees as well as syndication costs associated with financial consultants needed to manage multiple funding streams and partners. In addition, public funding in California can be highly fragmented creating a need to coordinate between state, county and local funding sources.

Affordable housing projects are typically funded with LIHTC investor equity, city funds, county funds, state funds, privately issued debt, developer equity, and other public subsidies, such as project-based vouchers, and tax-exempt bond funds. The City provided a subsidy to 11 of the 15 San Jose Projects, which averaged approximately \$74,000 per unit across units in all 15 projects, a decrease from the prior study subsidy average of approximately \$119,000 per unit. City subsidies averaged approximately \$83,000 per unit for special needs projects, which is largely unchanged from the prior study, and \$110,000 per unit for non-targeted projects, of which there were no projects in the prior study. 13 of the 27 Other City Projects received a local subsidy, which is a lower proportion than the San Jose Projects, but nevertheless reflects a large portion of the Other City Projects. This underscores the reliance of affordable housing developers on local subsidies to fund project costs. In limited cases, the local funding was provided by the county rather than the city. San Jose Projects



that were provided with City funding received an average of \$120,000 per unit from the City compared to \$140,000 per unit received from local funding for projects in other cities.

Table 12. City Subsidy Amount Per Unit

	San Jose Projects	Other City Projects	All Projects	San Jose Cost Difference
All Projects	\$74,000	\$53,570	\$60,300	38%
Special Needs	\$72,600	\$32,400	\$46,400	124%
Non-Targeted	\$109,700	\$98,800	\$102,500	11%
Seniors	\$0	\$23,600	\$17,400	-100%

Graph 6. San Jose City Funding per Unit

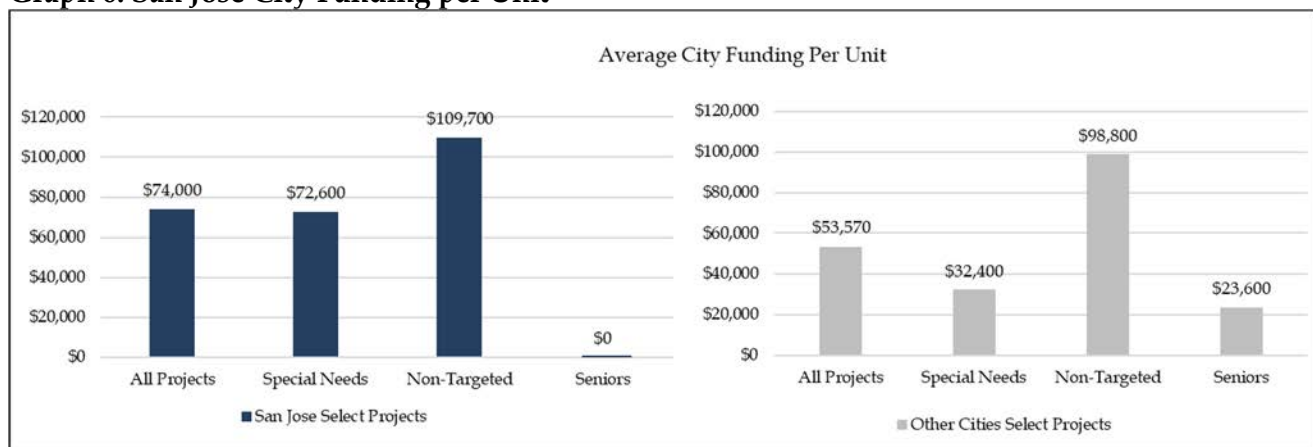


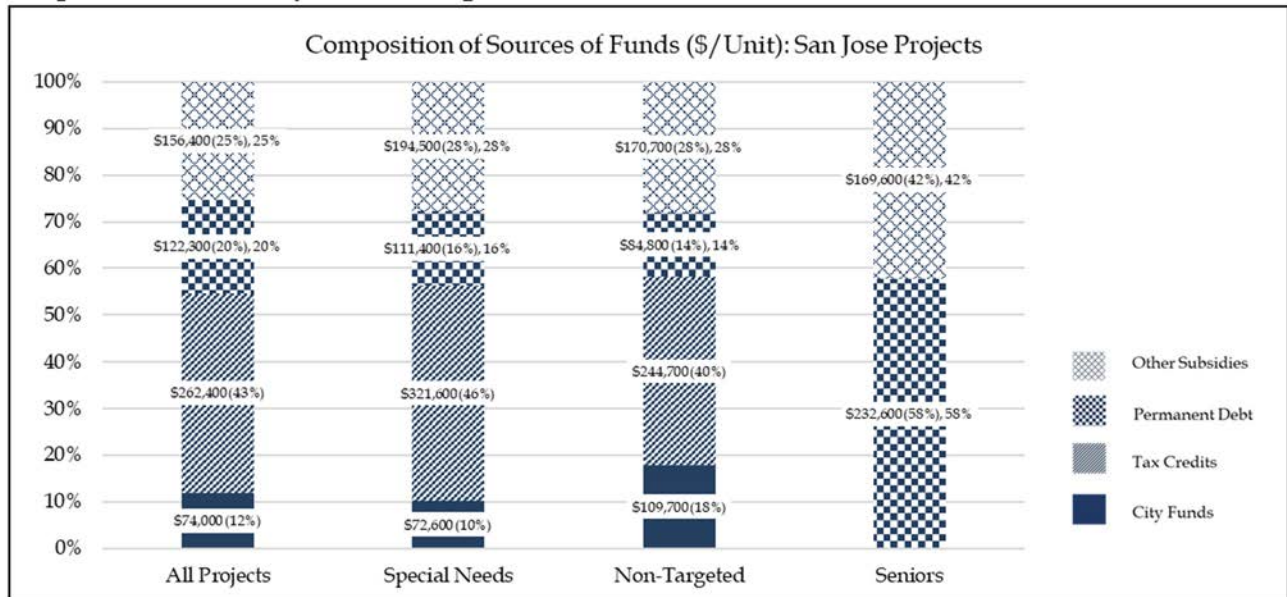
Table 13 and Graph 7 below show that, for all San Jose Projects, LIHTC equity is the largest single source of funding for affordable housing projects, accounting for approximately 43% of total development costs. The next largest category of funding sources are subsidy programs provided through the county and state and includes operational subsidies such as project-based vouchers. These sources fund approximately 25% of total development costs. Permanent debt through either a private bank or tax-exempt bonds represent the third largest source of funding, accounting for approximately 20% of total development costs. City subsidies account for the smallest funding source, contributing approximately 12% of total development costs.

Table 13. San Jose Projects Subsidy Amounts Per Unit by Housing Type

	City Funds	Tax Credits	Permanent Debt	Other Subsidies	Total
All Projects	\$74,000	\$262,400	\$122,300	\$156,400	\$615,100
Special Needs	\$72,600	\$321,600	\$111,400	\$194,500	\$700,100
Non-Targeted	\$109,700	\$244,700	\$84,800	\$170,700	\$609,900
Seniors	\$0	\$0	\$232,600	\$169,600	\$402,200



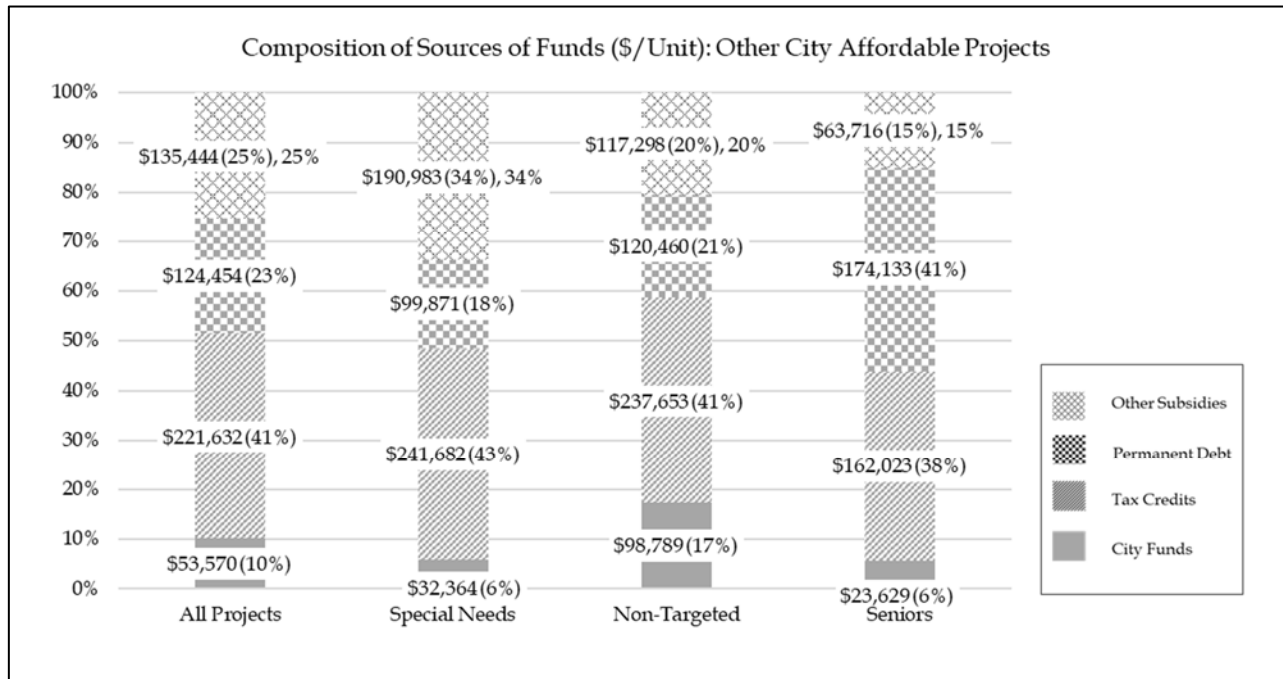
Graph 7. San Jose Projects Funding Sources



The breakdown of funding sources for Other City Projects is similar to the breakdown for San Jose Projects, but LIHTC equity and City funding provided slightly lower percentages of funding at 41% and 10% of total costs respectively. Conversely, permanent debt provided a larger share of total costs for Other City Projects.

**Table 14. Other City Projects Subsidy Amounts Per Unit by Housing Type**

	City Funds	Tax Credits	Permanent Debt	Other Subsidies	Total
All Projects	\$53,600	\$221,600	\$124,500	\$135,400	\$535,100
Special Needs	\$32,400	\$241,700	\$99,900	\$190,900	\$564,900
Non-Targeted	\$98,800	\$237,700	\$120,500	\$117,200	\$574,200
Seniors	\$23,600	\$162,000	\$174,100	\$63,800	\$423,500

Graph 8. Other City Projects Funding Sources

Affordable Housing Development Costs as Compared to Market Rate

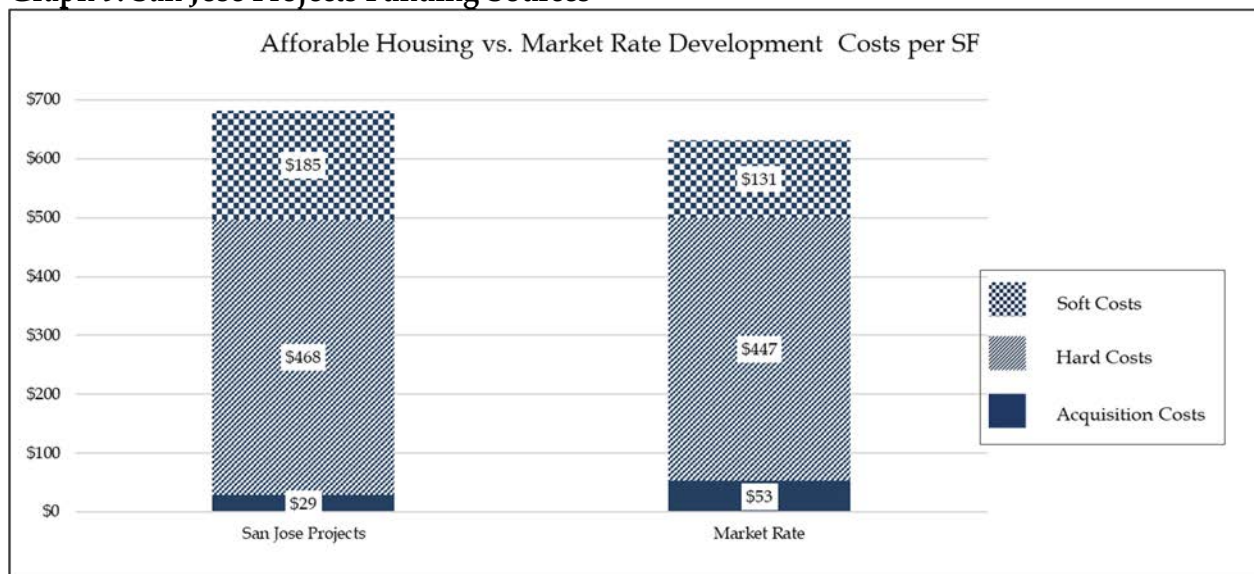
There are key differences between market rate housing and affordable housing that may contribute to the difference in costs between the product types. For example, market rate units tend to be smaller, may have higher end finishes and may have a lower parking ratio. To better understand how affordable housing costs compare to market rate housing, this memorandum evaluates the results of this study and a separate conceptual feasibility analysis performed by Century | Urban for five market rate residential rental and for-sale development prototypes. The conceptual feasibility analysis estimated development costs for three common residential construction types: Type V, Type III, and Type I. As most of the affordable housing projects evaluated in this study reflect Type III construction, affordable housing development costs were compared to the Type III estimated development costs in the conceptual feasibility study.



The average acquisition price for the market rate projects is based on seven transactions for new residential development in the City between 2019 and 2021. The hard costs for the market rate projects were estimated by a cost consultant. Soft costs for market rate projects are based on city fee schedules, and estimates of other soft costs such as financing, architectural and engineering, legal, etc. utilizing market-based assumptions as presented in the conceptual feasibility analysis. Due to the difference in unit sizes between the affordable housing projects in this study and the prototypical market rate projects, development costs are compared on a per gross square foot basis as shown in Graph 9 below.

Total development costs for San Jose Projects exceed estimated total development costs for market rate projects by approximately \$51 per gross square foot or approximately 8%. While estimated acquisition costs for market rate projects exceed acquisition costs for San Jose Project by approximately \$24 per gross square foot, San Jose Projects hard and soft costs are significantly higher than estimated market rate project hard and soft costs resulting in higher overall development costs for San Jose Projects. Provided below is an analysis of factors that may contribute to higher affordable housing costs.

Graph 9. San Jose Projects Funding Sources



Unique Attributes of Affordable Housing that Often Result in Affordable Housing Development Costs Exceeding Market Rate Housing Development Costs

Prevailing Wage – Market participants interviewed for this study including a general contractor, two developers, and a cost estimator each cited prevailing wage requirements as a cause of higher development costs, which is significantly more common for affordable housing projects than for market rate projects. This is exacerbated by the general labor market shortage, which has driven up labor costs. Prevailing wages are set by the California Department of Industrial Relations and are usually based on rates specified in collective bargaining agreements. While the LIHTC program does not require prevailing wage in construction contracts, oftentimes other public funding sources require either federal or state prevailing wage or local project labor agreements. According to these



market participants, prevailing wage is estimated to increase construction costs by between 10 and 20 percent. Because most projects are not bid out to general contractors with and without a prevailing wage requirement, this data point cannot be verified through a review of actual construction cost bids; however, there is consensus among market participants as well as a study prepared by the Turner Center that prevailing wages significantly add to the development cost of affordable housing.

In addition to higher direct wage rates, prevailing wage often triggers additional requirements such as payroll certification that can add to costs. Interviews consistently highlighted the additional administrative requirements associated with prevailing wage, which increase development costs and may cause some contractors to avoid taking on a prevailing wage project when demand for labor is strong.

Lower Efficiency – As noted in the prior KMA study, affordable housing projects typically require more common areas for supporting amenities. This is particularly true of permanent supportive housing, which requires additional support services and facilities from which to provide these services. While the efficiency factor for market rate projects typically averages from 75 to 80%, the efficiency factor for affordable projects generally ranges from 70 to 75%.

Higher Density Development – Due to the urgent need for affordable housing, cities seeking to address housing shortages and fulfill their Regional Housing Needs Allocation are pursuing higher density projects on available development sites. Dense residential buildings are more difficult to entitle due to neighborhood concerns. High density projects with prevailing wage and/or work rule requirements and located in high-cost areas such as the City will likely participate in multiple application rounds for LIHTC allocation leading to higher costs. While the cost impact due to a construction start delay is not unique to affordable housing projects as market rate projects facing delays will also see higher costs, a shift to higher density development requires more subsidies.

Number of Funding Sources – As noted above, market rate projects generally draw on two primary funding sources, equity and conventional debt. In contrast, affordable housing projects must layer multiple funding sources to fund all project costs. As these funding sources are generally not coordinated and funding rounds occur periodically, a project that requires multiple funding sources will likely take longer to execute, which results in higher staffing costs to pursue these funding sources. In addition, each of the funding sources may have its own conditions and requirements such as for open space, wage and work rules, affordability, etc., which may lead to higher costs. The market participants interviewed for this study all cited the complexity of funding affordable housing projects as a key barrier to developing affordable housing.

In addition, one affordable housing developer noted that lack of flexibility in determining when to start construction as a key difference between affordable housing and market rate development. Whereas market rate developers can delay a project until market conditions improve, affordable housing developers must begin construction within 180 days of receiving a tax credit allocation. Because projects may undergo multiple funding rounds before securing a tax credit allocation, the timing of construction start, which is dictated by the timing of tax credit allocation, is unpredictable, and developers may find themselves proceeding with development in an unfavorable market. For example, developers may forecast improved market conditions and while a market rate developer could delay construction start until construction costs, interest rates or other market factors are more



favorable, an affordable housing developer would need to proceed with development in an unfavorable market or risk losing funding commitments, which are typically time limited.

Permanent Supportive Housing – The state has made funding for permanent supportive housing a priority, which has resulted in an increasing share of LIHTC being allocated to projects that provide housing for individuals and families with special needs or who have experienced chronic homelessness. However, development costs for supportive housing tends to be higher than costs for other housing types such as family or senior housing.

Supportive housing projects tend to include smaller units such as studios, which are more expensive to build as kitchens and bathrooms are more expensive on a per square foot basis than bedrooms. One affordable housing developer interviewed for this study noted that supportive units often experience more intensive use and, as a result, projects must include construction and design that is more durable, which adds to development costs. Furthermore, the developer noted that local funding partners are increasingly requiring more durable units on all housing types as a result of the shift to more durable construction for supportive housing.

Supportive housing projects entail higher operating costs as they require more on-site staff to provide support services as well as security. These projects also require more capital improvements and renovations over time for the reasons noted above. Furthermore, supportive housing often targets individuals or families that are experiencing or face chronic homelessness. Thus, the tenants are generally at the extremely low-income level, and projects serving this tenant population require operational subsidies to support permanent debt and pay operating expenses. If a developer is unable to secure sufficient operating subsidies through project-based vouchers or other similar subsidies, the developer must capitalize operational reserves into development costs. This can add significantly to total development costs.

Finally, due to the higher cost of developing supportive housing, supportive housing projects tend to have more funding sources than other housing types averaging more than 6 funding sources per project. This added complexity increases development costs.

Local Design, Parking and Environmental Requirements – Local subsidies often come with additional design requirements. For example, some local jurisdictions may require parking ratios that exceed those required of market rate projects. The local jurisdiction may also make fulfillment of certain design requirements a condition to funding a project such as requiring more durable units as described above. Some cities also have requirements for open space that can add to costs. Finally, some local jurisdictions are moving toward parity between market rate and affordable housing whereby design and finishes between comparable market rate and affordable housing projects are similar.

Local Development Fees – Local development fees can be substantial. For San Jose Projects that reported impact fees in their tax credit application, total impact fees averaged \$12,100 per unit. One affordable housing developer interviewed for this study noted high impact fees in the City as compared to other cities, as shown in Graph 4 above. While both market rate and affordable housing projects are imposed impact fees and affordable housing projects often receive waivers or a fee reduction, impact fees increase costs and therefore require more public subsidy.



Local Support to Reduce Cost Burden

Affordable housing development project costs have increased significantly since the prior study was completed in 2019 with average annual increases in construction costs of 6%. This cost inflation combined with a move toward higher density projects, more permanent supportive housing, prevailing wage requirements and the increasing complexity of funding affordable housing projects will continue to put upward pressure on development costs. However, cities such as San Jose may be able to implement changes to minimize development costs and maximize local subsidies. Based on interviews with market participants, provided below is a list of potential strategies the City may implement to support the production of affordable housing.

1. Streamline contractor payment and application process. Complex draw processes and long payment lead times result in delayed payment of contractor billings. In a tight labor market, this may dissuade some general contractors from bidding on projects that involve public subsidies with a track record of delayed payment or may cause general contractors to add contingencies to account for the burden of floating subcontractor and vendor payments.
2. Waive local impact fees to reduce development costs.
3. Streamline entitlement and permitting processes to reduce delays and associated cost escalation.
4. Embrace newer construction technologies such as modular construction, which may generate meaningful cost savings as it becomes more widely adopted.
5. Coordinate among local, county and state funding sources to streamline capital stack assemblage. By coordinating NOFAs and awards processes, the time needed to secure all funding sources may be reduced substantially.
6. To minimize the amount of City subsidy required by a project, require that developers maximize their developer fee contribution and/or deferment.
7. For projects receiving a City subsidy, implement a review process at each phase of construction to identify opportunities for value engineering; but ensure that such review process is streamlined to avoid causing construction delays, which would negate the benefit of value engineering.



Appendix A

Appendix A, Table 1 - San Jose Projects

Project Name	Project Information								Unit Mix (Total)		
	Developer	City	Housing Type	Stories	Total Units	Total GSF	Subsidized Units	Application Date	ELI (<=30% AMI)	VLI (<=50% AMI)	LI (<=80% AMI)
Auzerais	Eden Housing, Inc.	San Jose	Special Needs	5	130	116,440	128	4/4/2021	64	43	21
Mariposa Place	Danco Communities	San Jose	Special Needs	7	80	89,020	79	5/25/2021	40	20	19
Bascom	Affirmed Housing Group	San Jose	Special Needs	5	79	82,299	77	5/25/2021	34	9	34
Roosevelt Park	First Community Housing	San Jose	Special Needs	9	80	108,161	79	5/25/2021	50	29	0
Algarve	Reed Community Partners	San Jose	Special Needs	8	91	65,777	90	9/9/2021	47	43	0
McEvoy	First Community Housing	San Jose	Non-Targeted	13	224	324,956	222	9/9/2021	112	20	90
Kelsey Ayer	Devine & Gong, Inc.	San Jose	Non-Targeted	6	115	74,759	113	9/9/2021	34	31	48
Gallup and Mesa	Eden Housing, Inc.	San Jose	Special Needs	5	46	43,238	45	4/17/2020	17	23	5
1020 N 4th	PATH Ventures	San Jose	Special Needs	4	94	64,696	93	4/17/2020	47	46	0
Page Street Studios	Charities Housing	San Jose	Non-Targeted	5	82	52,778	81	1/24/2020	27	54	0
Arya	Satellite Affordable Housing Associates	San Jose	Non-Targeted	8	87	94,695	86	1/24/2020	18	38	30
Alum Rock	Affirmed Housing Group	San Jose	Special Needs	7	87	104,678	85	1/24/2020	0	43	42
Immanuel-Sobrato Community	MidPen Housing Corporation	San Jose	Special Needs	5	108	78,227	106	9/24/2020	0	96	10
Blossom Hill	Charities Housing	San Jose	Non-Targeted	4	147	95,333	145	9/24/2020	48	97	0
Virginia Street Studios	Pacific West Communities	San Jose	Seniors	6	301	286,230	298	12/11/2019	0	30	268

Project Name	Project Information								Unit Mix (Percent)		
	Developer	City	Housing Type	Stories	Total Units % of Total	Total GSF	Subsidized Units % of Total	Application Date	ELI (<=30% AMI)	VLI (<=50% AMI)	LI (<=80% AMI)
Auzerais	Eden Housing, Inc.	San Jose	Special Needs	5	7%	116,440	7%	4/4/2021	50%	34%	16%
Mariposa Place	Danco Communities	San Jose	Special Needs	7	5%	89,020	5%	5/25/2021	51%	25%	24%
Bascom	Affirmed Housing Group	San Jose	Special Needs	5	5%	82,299	4%	5/25/2021	44%	12%	44%
Roosevelt Park	First Community Housing	San Jose	Special Needs	9	5%	108,161	5%	5/25/2021	63%	37%	0%
Algarve	Reed Community Partners	San Jose	Special Needs	8	5%	65,777	5%	9/9/2021	52%	48%	0%
McEvoy	First Community Housing	San Jose	Non-Targeted	13	13%	324,956	13%	9/9/2021	50%	9%	41%
Kelsey Ayer	Devine & Gong, Inc.	San Jose	Non-Targeted	6	7%	74,759	7%	9/9/2021	30%	27%	42%
Gallup and Mesa	Eden Housing, Inc.	San Jose	Special Needs	5	3%	43,238	3%	4/17/2020	38%	51%	11%
1020 N 4th	PATH Ventures	San Jose	Special Needs	4	5%	64,696	5%	4/17/2020	51%	49%	0%
Page Street Studios	Charities Housing	San Jose	Non-Targeted	5	5%	52,778	5%	1/24/2020	33%	67%	0%
Arya	Satellite Affordable Housing Associates	San Jose	Non-Targeted	8	5%	94,695	5%	1/24/2020	21%	44%	35%
Alum Rock	Affirmed Housing Group	San Jose	Special Needs	7	5%	104,678	5%	1/24/2020	0%	51%	49%
Immanuel-Sobrato Community	MidPen Housing Corporation	San Jose	Special Needs	5	6%	78,227	6%	9/24/2020	0%	91%	9%
Blossom Hill	Charities Housing	San Jose	Non-Targeted	4	8%	95,333	8%	9/24/2020	33%	67%	0%
Virginia Street Studios	Pacific West Communities	San Jose	Seniors	6	17%	286,230	17%	12/11/2019	0%	10%	90%

Appendix A, Table 1 - San Jose Projects

Project Name	Project Development Costs (per Unit)										Impact Fees	
	Acquisition Costs	Construction Cost Hard Costs Contingency	A&E	Permits/Thir d-Party Costs	Financing Costs	Reserves	Developer Fees	Soft Cost Contingency	Total Development Cost		Impact Fees	Impact Fee/Unit
Auzerais	\$18,358	\$422,072	\$20,167	\$18,689	\$28,100	\$35,447	\$9,528	\$45,178	\$1,588	\$599,128	\$1,431,114	\$11,009
Mariposa Place	\$77,138	\$503,669	\$25,158	\$18,034	\$58,639	\$36,183	\$9,634	\$31,250	\$3,945	\$763,650	\$0	\$0
Bascom	\$83,282	\$569,457	\$40,349	\$28,797	\$38,111	\$36,139	\$3,797	\$44,304	\$3,091	\$847,329	\$1,007,491	\$12,753
Roosevelt Park	\$11,922	\$595,516	\$29,272	\$36,814	\$31,936	\$65,087	\$8,766	\$49,823	\$4,516	\$833,651	\$1,137,881	\$14,224
Algarve	\$45,348	\$418,990	\$20,249	\$31,769	\$34,745	\$39,344	\$12,571	\$78,458	\$15,484	\$696,957	\$1,142,392	\$12,554
McEvoy	\$44,089	\$390,107	\$19,505	\$26,829	\$21,135	\$43,995	\$6,514	\$32,540	\$5,357	\$590,071	\$0	\$0
Kelsey Ayer	\$0	\$396,059	\$33,629	\$29,139	\$49,631	\$50,918	\$7,816	\$30,433	\$4,393	\$602,018	\$0	\$0
Gallup and Mesa	\$94,585	\$428,057	\$21,793	\$32,350	\$41,553	\$25,943	\$12,263	\$47,826	\$5,806	\$710,177	\$416,288	\$9,050
1020 N 4th	\$84,185	\$298,549	\$28,864	\$26,085	\$36,207	\$32,708	\$10,062	\$22,698	\$3,980	\$543,340	\$1,235,322	\$13,142
Page Street Studios	\$16,100	\$426,683	\$21,866	\$27,269	\$50,520	\$42,419	\$4,706	\$73,502	\$5,397	\$668,463	\$0	\$0
Arya	\$52,356	\$509,222	\$35,356	\$25,847	\$31,193	\$49,740	\$3,592	\$40,230	\$3,066	\$750,602	\$1,459,621	\$16,777
Alum Rock	\$50,270	\$522,335	\$36,853	\$24,351	\$35,406	\$35,031	\$4,333	\$45,977	\$6,745	\$761,300	\$521,620	\$5,996
Immanuel-Sobrato Community	\$40,956	\$437,849	\$23,074	\$22,287	\$32,239	\$38,044	\$28,689	\$25,472	\$4,597	\$653,209	\$1,327,413	\$12,291
Blossom Hill	\$9,691	\$334,030	\$16,671	\$14,672	\$35,594	\$50,493	\$7,874	\$56,812	\$4,519	\$530,355	\$0	\$0
Virginia Street Studios	\$31,561	\$251,700	\$13,289	\$3,272	\$21,029	\$30,656	\$8,212	\$39,867	\$2,658	\$402,244	\$0	\$0

Project Name	Project Development Costs (per Unit % of Total)										Impact Fees	
	Acquisition Costs	Construction Cost Hard Costs Contingency	A&E	Permits/Thir d-Party Costs	Financing Costs	Reserves	Developer Fees	Soft Cost Contingency	Total Development Cost		Impact Fees	Impact Fee/Unit
Auzerais	3%	70%	3%	3%	5%	6%	2%	8%	0%	100%	\$1,431,114	\$19,276,005
Mariposa Place	10%	66%	3%	2%	8%	5%	1%	4%	1%	100%	\$0	\$0
Bascom	10%	67%	5%	3%	4%	4%	0%	5%	0%	100%	\$1,007,491	\$22,330,592
Roosevelt Park	1%	71%	4%	4%	4%	8%	1%	6%	1%	100%	\$1,137,881	\$24,905,370
Algarve	7%	60%	3%	5%	5%	6%	2%	11%	2%	100%	\$1,142,392	\$21,981,631
McEvoy	7%	66%	3%	5%	4%	7%	1%	6%	1%	100%	\$0	\$0
Kelsey Ayer	0%	66%	6%	5%	8%	8%	1%	5%	1%	100%	\$0	\$0
Gallup and Mesa	13%	60%	3%	5%	6%	4%	2%	7%	1%	100%	\$416,288	\$15,846,093
1020 N 4th	15%	55%	5%	5%	7%	6%	2%	4%	1%	100%	\$1,235,322	\$23,011,158
Page Street Studios	2%	64%	3%	4%	8%	6%	1%	11%	1%	100%	\$0	\$0
Arya	7%	68%	5%	3%	4%	7%	0%	5%	0%	100%	\$1,459,621	\$29,376,970
Alum Rock	7%	69%	5%	3%	5%	5%	1%	6%	1%	100%	\$521,620	\$10,498,352
Immanuel-Sobrato Community	6%	67%	4%	3%	5%	6%	4%	4%	1%	100%	\$1,327,413	\$21,521,298
Blossom Hill	2%	63%	3%	3%	7%	10%	1%	11%	1%	100%	\$0	\$0
Virginia Street Studios	8%	63%	3%	1%	5%	8%	2%	10%	1%	100%	\$0	\$0

Appendix A, Table 1 - San Jose Projects

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Appendix A, Table 1 - San Jose Projects

Project Name		Funding Sources (Total \$ Amount)								
	Total Expenses Excluding Services	Permanent Loan	Tax Credits	Deferred Developer Fee	GP Capital	City Funding	County Funding	State Funding	Other Funding	Total Sources
Auzerais	\$9,228	\$157,848	\$270,905	\$21,332	\$0	\$0	\$103,846	\$42,308	\$2,890	\$599,128
Mariposa Place	\$8,610	\$136,053	\$387,163	-	\$0	\$123,438	\$115,781	\$0	\$1,218	\$763,652
Bascom	\$8,501	\$113,548	\$521,123	\$12,658	-	\$0	\$200,000	\$0	\$0	\$847,329
Roosevelt Park	\$9,508	\$13,657	\$398,454	\$23,918	\$1	\$141,188	\$130,000	\$107,794	\$18,640	\$833,652
Algarve	\$9,797	\$122,611	\$281,479	\$51,109	-	\$115,385	\$126,374	\$0	\$0	\$696,957
McEvoy	\$8,406	\$72,071	\$244,506	\$10,308	\$0	\$89,286	\$117,196	\$0	\$56,704	\$590,072
Kelsey Ayer	\$6,434	\$122,078	\$213,479	\$11,304	\$7,115	\$111,522	\$0	\$127,826	\$8,696	\$602,020
Gallup and Mesa	\$14,491	\$11,957	\$330,697	-	-	\$125,000	\$152,174	\$0	\$90,350	\$710,177
1020 N 4th	\$8,965	\$88,815	\$261,493	\$1	-	\$0	\$159,574	\$0	\$33,457	\$543,341
Page Street Studios	\$7,911	\$78,037	\$314,038	\$43,014	-	\$105,024	\$123,500	\$0	\$4,853	\$668,466
Arya	\$9,027	\$70,516	\$321,916	\$5,689	\$15,111	\$138,199	\$0	\$146,872	\$52,299	\$750,602
Alum Rock	\$8,472	\$129,551	\$327,152	\$17,241	-	\$107,471	\$179,885	\$0	\$0	\$761,300
Immanuel-Sobrato Community	\$9,259	\$146,316	\$208,665	\$2,779	\$24,167	\$101,583	\$154,210	\$0	\$15,495	\$653,215
Blossom Hill	\$8,160	\$87,231	\$184,953	\$39,805	-	\$125,000	\$91,700	\$0	\$1,666	\$530,355
Virginia Street Studios	\$0	\$232,558	\$144,703	\$24,983	-	\$0	\$0	\$0	\$0	\$402,244

Project Name		Funding Sources (% of Total)								
	Total Expenses Excluding Services	Permanent Loan		Deferred Developer Fee	GP Capital	City Funding	County Funding	State Funding	Other Funding	Total Sources
Auzerais	91%	26%	45%	4%	0%	0%	17%	7%	0%	100%
Mariposa Place	88%	18%	51%	0%	0%	16%	15%	0%	0%	100%
Bascom	97%	13%	62%	1%	0%	0%	24%	0%	0%	100%
Roosevelt Park	94%	2%	48%	3%	0%	17%	16%	13%	2%	100%
Algarve	88%	18%	40%	7%	0%	17%	18%	0%	0%	100%
McEvoy	96%	12%	41%	2%	0%	15%	20%	0%	10%	100%
Kelsey Ayer	80%	20%	35%	2%	1%	19%	0%	21%	1%	100%
Gallup and Mesa	85%	2%	47%	0%	0%	18%	21%	0%	13%	100%
1020 N 4th	91%	16%	48%	0%	0%	0%	29%	0%	6%	100%
Page Street Studios	95%	12%	47%	6%	0%	16%	18%	0%	1%	100%
Arya	96%	9%	43%	1%	2%	18%	0%	20%	7%	100%
Alum Rock	92%	17%	43%	2%	0%	14%	24%	0%	0%	100%
Immanuel-Sobrato Community	95%	22%	32%	0%	4%	16%	24%	0%	2%	100%
Blossom Hill	93%	16%	35%	8%	0%	24%	17%	0%	0%	100%
Virginia Street Studios	0%	58%	36%	6%	0%	0%	0%	0%	0%	100%

Project Name	Project Information								Unit Mix (Total)					
	Developer	City	Housing Type	Stories	Total Units	Subsidized Units	Total GSF	Application Date	ELI (<=30% AMI)	VLI (<=50% AMI)	LI (<=80% AMI)	Acquisition Costs	Construction Hard Costs	Cost Contingency
Ingraham Apartments	Single Room Occupancy Housing Co.	Los Angeles	Special Needs	6	121	120	98,350	11/15/2020	90	30	0	\$89,620	\$277,851	\$22,791
Hollywood Arts Collective	Thomas Safran & Associates Development	Los Angeles	Non-Targeted	7	152	151	235,707	1/24/2020	9	52	90	\$1,974	\$394,940	\$31,827
Hope on Hyde	Hope Street Development Group	Los Angeles	Non-Targeted	5	98	97	35,200	1/24/2020	0	97	0	\$35,714	\$277,494	\$6,665
5th Street PSH	Relevant Group LLC	Los Angeles	Special Needs	8	149	149	67,218	1/24/2020	16	133	0	\$26,838	\$207,812	\$10,391
Vintage at Woodman	USA Multifamily Development, Inc.	Los Angeles	Seniors	5	239	237	230,137	1/24/2020	0	120	117	\$44,142	\$185,175	\$18,340
6th and San Julian	Mercy Housing California	Los Angeles	Special Needs	6	94	93	71,484	1/24/2020	93	0	0	\$76,154	\$333,676	\$34,222
Nadeau	Affirmed Housing Group, Inc.	Alhambra	Special Needs	6	92	90	49,627	2/22/2021	46	21	23	\$12,826	\$318,478	\$19,109
Pasadena Studios	Community Builders Group, LLC	Pasadena	Non-Targeted	7	181	179	55,720	1/15/2021	18	18	143	\$30,525	\$145,768	\$7,288
Brine Residential	Decro Corporation	Los Angeles	Special Needs	5	97	96	71,786	1/15/2021	49	47	0	\$85,643	\$330,805	\$22,917
Citrus Crossing	Meta Development LLC	Glendale	Seniors	5	127	126	128,017	4/29/2021	13	13	100	\$49,380	\$297,053	\$14,774
Santa Monica & Vermont Apartments	LTSC Community Development Corporation	Los Angeles	Special Needs	6	187	185	173,191	4/29/2021	94	91	0	\$68,978	\$336,087	\$16,974
Corazon del Valle II	Clifford Beers Housing	Panorama City	Special Needs	5	90	88	112,093	4/23/2021	49	39	0	\$8,551	\$365,984	\$36,939
Residency at the Entrepreneur	ABS Properties, Inc	Los Angeles	Special Needs	9	200	198	108,353	4/29/2021	40	63	95	\$122,958	\$206,145	\$9,650
Vermont Manchester Family	BRIDGE Housing Corporation	Los Angeles	Special Needs	7	118	116	151,342	4/29/2021	58	36	22	\$34,390	\$517,999	\$25,719
Ocena Views	Global Premier Development, Inc.	San Francisco	Seniors	7	258	120	115,235	6/19/2020	12	74	34	\$34,302	\$243,991	\$12,200
53 Colton	Community Housing Partnership	San Francisco	Non-Targeted	6	96	96	48,229	12/27/2019	0	30	66	\$7,396	\$328,800	\$33,010
833 Bryant Apartments	Mercy Housing California	San Francisco	Non-Targeted	6	146	145	61,749	12/27/2019	0	44	101	\$50,452	\$290,659	\$14,613
681 Florida Street	681 Florida Housing Associates, LP	San Francisco	Non-Targeted	9	130	129	126,830	10/30/2019	61	33	35	\$2,074	\$502,763	\$25,014
4840 Mission Street	BRIDGE Housing Corporation	San Francisco	Non-Targeted	5	137	135	149,306	4/17/2020	14	89	32	\$0	\$551,709	\$27,554
Balboa Park Upper Yard	Mission Housing Development Corporation	San Francisco	Non-Targeted	9	131	130	103,893	4/17/2020	27	55	48	\$153	\$681,824	\$33,260
78 Haight Street	Tenderloin Neighborhood Development Corporation	San Francisco	Special Needs	7	63	63	44,054	6/16/2021	32	31	0	\$60,361	\$529,488	\$24,682
Fruitvale Transit Village Phase 11B	BRIDGE Housing Corporation	Oakland	Non-Targeted	5	181	179	223,386	4/17/2020	46	29	104	\$43,967	\$472,017	\$23,714
Agrihood Senior Apts	CORE Winchester, LLC	Santa Clara	Seniors	5	165	163	153,219	4/17/2020	54	54	55	\$3,820	\$384,561	\$18,702
Westport Cupertino	Pacific West Communities	Cupertino	Seniors	6	48	47	45,360	2/22/2021	5	27	15	\$192,176	\$369,191	\$19,792
Sango Court	Resources for Community Development	Milpitas	Special Needs	5	102	101	102,468	4/23/2021	71	20	10	\$7,140	\$544,706	\$54,902
Kifer Senior Housing	Allied Housing, Inc.	Santa Clara	Special Needs	6	80	79	60,090	4/29/2021	54	25	0	\$74,947	\$370,572	\$38,007
Villa Oakland	OakBrook LLC	Oakland	Special Needs	6	95	94	73,192	1/15/2021	37	0	57	\$56,820	\$262,494	\$23,684

Project Name	Project Information								Unit Mix (Percent)					
	Developer	City	Housing Type	Stories	Total Units	Subsidized Units % of Total	Total GSF	Application Date	ELI (<=30% AMI)	VLI (<=50% AMI)	LI (<=80% AMI)	Acquisition Costs	Construction Hard Costs	Cost Contingency
Ingraham Apartments	Single Room Occupancy Housing Co.	Los Angeles	Special Needs	6	3%	4%	98,350	11/15/2020	75%	25%	0%	18%	56%	5%
Hollywood Arts Collective	Thomas Safran & Associates Development	Los Angeles	Non-Targeted	7	4%	4%	235,707	1/24/2020	6%	34%	60%	0%	73%	6%
Hope on Hyde	Hope Street Development Group	Los Angeles	Non-Targeted	5	3%	3%	35,200	1/24/2020	0%	100%	0%	9%	70%	2%
5th Street PSH	Relevant Group LLC	Los Angeles	Special Needs	8	4%	4%	67,218	1/24/2020	11%	89%	0%	8%	63%	3%
Vintage at Woodman	USA Multifamily Development, Inc.	Los Angeles	Seniors	5	7%	7%	230,137	1/24/2020	0%	51%	49%	13%	54%	5%
6th and San Julian	Mercy Housing California	Los Angeles	Special Needs	6	3%	3%	71,484	1/24/2020	100%	0%	0%	12%	52%	5%
Nadeau	Affirmed Housing Group, Inc.	Alhambra	Special Needs	6	3%	3%	49,627	2/22/2021	51%	23%	26%	3%	73%	4%
Pasadena Studios	Community Builders Group, LLC	Pasadena	Non-Targeted	7	5%	5%	55,720	1/15/2021	10%	10%	80%	12%	59%	3%
Brine Residential	Decro Corporation	Los Angeles	Special Needs	5	3%	3%	71,786	1/15/2021	51%	49%	0%	15%	58%	4%
Citrus Crossing	Meta Development LLC	Glendale	Seniors	5	4%	4%	128,017	4/29/2021	10%	10%	79%	11%	66%	3%
Santa Monica & Vermont Apartments	LTSC Community Development Corporation	Los Angeles	Special Needs	6	5%	5%	173,191	4/29/2021	51%	49%	0%	13%	62%	3%
Corazon del Valle II	Clifford Beers Housing	Panorama City	Special Needs	5	3%	3%	112,093	4/23/2021	56%	44%	0%	2%	65%	7%
Residency at the Entrepreneur	ABS Properties, Inc	Los Angeles	Special Needs	9	6%	6%	108,353	4/29/2021	20%	32%	48%	25%	42%	2%
Vermont Manchester Family	BRIDGE Housing Corporation	Los Angeles	Special Needs	7	3%	3%	151,342	4/29/2021	50%	31%	19%	4%	66%	3%
Ocena Views	Global Premier Development, Inc.	San Francisco	Seniors	7	7%	4%	115,235	6/19/2020	10%	62%	28%	10%	71%	4%
53 Colton	Community Housing Partnership	San Francisco	Non-Targeted	6	3%	3%	48,229	12/27/2019	0%	31%	69%	1%	62%	6%
833 Bryant Apartments	Mercy Housing California	San Francisco	Non-Targeted	6	4%	4%	61,749	12/27/2019	0%	30%	70%	10%	60%	3%
681 Florida Street	681 Florida Housing Associates, LP	San Francisco	Non-Targeted	9	4%	4%	126,830	10/30/2019	47%	26%	27%	0%	72%	4%
4840 Mission Street	BRIDGE Housing Corporation	San Francisco	Non-Targeted	5	4%	4%	149,306	4/17/2020	10%	66%	24%	0%	77%	4%
Balboa Park Upper Yard	Mission Housing Development Corporation	San Francisco	Non-Targeted	9	4%	4%	103,893	4/17/2020	21%	42%	37%	0%	76%	4%
78 Haight Street	Tenderloin Neighborhood Development Corporation	San Francisco	Special Needs	7	2%	2%	44,054	6/16/2021	51%	49%	0%	7%	66%	3%
Fruitvale Transit Village Phase 11B	BRIDGE Housing Corporation	Oakland	Non-Targeted	5	5%	5%	223,386	4/17/2020	26%	16%	58%	6%	68%	3%
Agrihood Senior Apts	CORE Winchester, LLC	Santa Clara	Seniors	5	5%	5%	153,219	4/17/2020	33%	33%	34%	1%	70%	3%
Westport Cupertino	Pacific West Communities	Cupertino	Seniors	6	1%	1%	45,360	2/22/2021	11%	57%	32%	26%	49%	3%
Sango Court	Resources for Community Development	Milpitas	Special Needs	5	3%	3%	102,468	4/23/2021	70%	20%	10%	1%	70%	7%
Kifer Senior Housing	Allied Housing, Inc.	Santa Clara	Special Needs	6	2%	2%	60,090	4/29/2021	68%	32%	0%	11%	54%	6%
Villa Oakland	OakBrook LLC	Oakland	Special Needs	6	3%	3%	73,192	1/15/2021	39%	0%	61%	11%	53%	5%

Project Name	Project Development Costs (per Unit)							Impact Fees		Tax Credit Factor		Operating Expenses					
							Total	Impact Fees	Impact Fee/Unit	Federal	State	Admin. Expenses	Property Mgmt. Fees	Payroll	Repairs and Maintenance	Utilities	Insurance
	A&E	Permits/Thir d-Party Costs	Financing Costs	Reserves	Developer Fees	Soft Cost Contingency	Development Cost										
Ingraham Apartments	\$15,359	\$14,985	\$41,133	\$11,894	\$21,488	\$1,653	\$496,776	\$394,092	\$3,257	\$0.93	\$0.75	\$1,170	\$714	\$1,931	\$723	\$1,221	\$417
Hollywood Arts Collective	\$17,887	\$22,448	\$40,414	\$3,573	\$19,803	\$5,312	\$538,176	\$770,650	\$5,070	\$1.00	\$0.85	\$553	\$1,206	\$1,776	\$804	\$901	\$263
Hope on Hyde	\$8,460	\$12,072	\$17,668	\$7,848	\$25,510	\$2,551	\$393,982	\$510,000	\$5,204	\$0.94	\$0.91	\$1,050	\$751	\$2,322	\$1,250	\$750	\$300
5th Street PSH	\$7,790	\$10,901	\$22,327	\$4,279	\$37,005	\$3,187	\$330,529	\$370,895	\$2,489	\$0.90	N/A	\$440	\$744	\$2,138	\$1,454	\$1,040	\$255
Vintage at Woodman	\$11,435	\$16,100	\$25,814	\$3,315	\$33,323	\$3,288	\$340,932	\$2,116,100	\$8,854	\$0.90	\$0.75	\$282	\$721	\$1,548	\$520	\$1,172	\$210
6th and San Julian	\$22,296	\$52,036	\$35,709	\$15,428	\$62,851	\$3,612	\$635,984	\$366,895	\$3,903	\$0.89	N/A	\$1,233	\$900	\$5,017	\$2,430	\$1,141	\$904
Nadeau	\$14,147	\$18,421	\$24,998	\$3,065	\$23,913	\$2,263	\$437,221	\$359,421	\$3,907	\$0.89	\$0.71	\$1,750	\$704	\$1,493	\$927	\$1,245	\$435
Pasadena Studios	\$7,188	\$9,622	\$13,584	\$2,676	\$27,579	\$2,210	\$246,440	\$873,447	\$4,826	\$0.89	\$0.75	\$276	\$600	\$1,768	\$967	\$1,188	\$387
Brine Residential	\$11,962	\$20,108	\$20,850	\$12,817	\$60,008	\$6,435	\$571,545	\$840,208	\$8,662	\$0.87	N/A	\$639	\$619	\$2,562	\$1,043	\$876	\$8,505
Citrus Crossing	\$14,912	\$20,273	\$21,377	\$4,831	\$26,188	\$3,937	\$452,725	\$78,605	\$619	\$0.93	\$0.80	\$374	\$690	\$1,781	\$1,122	\$1,028	\$500
Santa Monica & Vermont Apartments	\$20,314	\$28,922	\$41,815	\$12,826	\$11,592	\$1,855	\$539,364	\$1,604,135	\$8,578	\$0.97	N/A	\$1,016	\$720	\$1,702	\$1,465	\$1,123	\$841
Corazon del Valle II	\$16,435	\$21,849	\$45,907	\$6,350	\$59,404	\$3,807	\$565,226	\$469,422	\$5,216	\$0.89	N/A	\$1,087	\$804	\$2,600	\$1,811	\$1,539	\$770
Residency at the Entrepreneur	\$11,195	\$18,265	\$65,585	\$4,250	\$51,091	\$2,500	\$491,639	\$0	\$0	\$0.90	\$0.71	\$484	\$780	\$1,138	\$709	\$1,708	\$158
Vermont Manchester Family	\$18,831	\$25,504	\$59,625	\$4,881	\$98,453	\$3,253	\$788,655	\$461,785	\$3,913	\$0.96	N/A	\$1,190	\$780	\$1,525	\$1,237	\$1,327	\$763
Ocena Views	\$9,845	\$18,515	\$12,906	\$4,687	\$8,527	\$0	\$344,973	\$3,137,045	\$12,159	\$0.85	\$0.79	\$737	\$826	\$1,925	\$2,436	\$1,452	\$280
53 Colton	\$37,987	\$23,968	\$33,171	\$4,116	\$60,091	\$4,905	\$533,444	\$250,000	\$2,604	\$0.98	\$0.80	\$3,836	\$912	\$5,428	\$1,636	\$1,783	\$1,647
833 Bryant Apartments	\$14,064	\$16,473	\$30,862	\$17,060	\$46,613	\$3,522	\$484,317	\$355,549	\$2,435	\$0.99	N/A	\$880	\$834	\$4,320	\$1,862	\$1,572	\$1,096
681 Florida Street	\$32,359	\$34,730	\$53,894	\$4,683	\$40,769	\$5,106	\$701,391	\$422,247	\$3,248	\$1.00	N/A	\$556	\$828	\$4,101	\$1,421	\$2,187	\$349
4840 Mission Street	\$24,207	\$24,533	\$45,422	\$5,343	\$34,238	\$6,914	\$719,921	\$0	\$0	\$0.92	N/A	\$1,690	\$779	\$2,809	\$1,717	\$1,920	\$1,062
Balboa Park Upper Yard	\$32,488	\$22,471	\$64,182	\$9,255	\$41,985	\$8,948	\$894,565	\$0	\$0	\$0.96	N/A	\$537	\$929	\$3,227	\$1,788	\$1,924	\$649
78 Haight Street	\$50,759	\$41,969	\$30,553	\$23,819	\$32,465	\$12,385	\$806,481	\$217,509	\$3,453	\$0.89	\$0.80	\$1,174	\$779	\$8,501	\$1,968	\$1,382	\$1,111
Fruitvale Transit Village Phase 11B	\$18,601	\$45,109	\$57,743	\$9,384	\$16,460	\$3,595	\$690,591	\$1,512,377	\$8,356	\$0.90	N/A	\$1,741	\$660	\$2,513	\$1,333	\$1,476	\$939
Agrihood Senior Apts	\$24,515	\$28,208	\$35,821	\$10,569	\$36,364	\$5,107	\$547,668	\$1,094,848	\$6,635	\$0.89	N/A	\$445	\$774	\$1,267	\$1,556	\$903	\$714
Westport Cupertino	\$20,729	\$60,245	\$32,577	\$6,796	\$45,833	\$5,208	\$752,547	\$2,247,646	\$46,826	\$0.84	N/A	\$321	\$977	\$711	\$1,815	\$1,473	\$400
Sango Court	\$29,529	\$48,320	\$39,228	\$11,167	\$42,703	\$4,902	\$782,598	\$2,535,698	\$24,860	\$0.91	N/A	\$3,102	\$983	\$3,020	\$1,856	\$1,663	\$1,012
Kifer Senior Housing	\$24,120	\$75,144	\$40,854	\$10,230	\$43,738	\$4,000	\$681,612	\$3,000,166	\$37,502	\$0.89	N/A	\$2,575	\$930	\$3,232	\$1,578	\$1,300	\$0
Villa Oakland	\$22,628	\$37,003	\$34,520	\$3,522	\$56,634	\$2,316	\$499,621	\$350,098	\$3,685	\$0.85	\$0.90	\$237	\$750	\$2,121	\$547	\$84	\$632

Project Name	Project Development Costs (per Unit % of Total)							Impact Fees		Tax Credit Factor		Operating Expenses (% of Total)					
	A&E	Permits/Thir d-Party Costs	Financing Costs	Reserves	Developer Fees	Soft Cost Contingency	Total Development Cost	Impact Fees	Impact Fee/Unit	Federal	State	Admin. Expenses	Property Mgmt. Fees	Payroll	Repairs and Maintenance	Utilities	Insurance
Ingraham Apartments	3%	3%	8%	2%	4%	0%	100%	\$394,092	\$11,650,141	\$0.93	\$0.75	15%	9%	25%	9%	16%	5%
Hollywood Arts Collective	3%	4%	8%	1%	4%	1%	100%	\$770,650	\$18,135,625	\$1.00	\$0.85	9%	19%	27%	12%	14%	4%
Hope on Hyde	2%	3%	4%	2%	6%	1%	100%	\$510,000	\$18,615,000	\$0.94	\$0.91	15%	11%	34%	18%	11%	4%
5th Street PSH	2%	3%	7%	1%	11%	1%	100%	\$370,895	\$8,903,969	\$0.90	N/A	6%	11%	30%	21%	15%	4%
Vintage at Woodman	3%	5%	8%	1%	10%	1%	100%	\$2,116,100	\$31,670,668	\$0.90	\$0.75	6%	15%	31%	11%	24%	4%
6th and San Julian	4%	8%	6%	2%	10%	1%	100%	\$366,895	\$13,961,526	\$0.89	N/A	9%	6%	35%	17%	8%	6%
Nadeau	3%	4%	6%	1%	5%	1%	100%	\$359,421	\$13,974,445	\$0.89	\$0.71	24%	10%	20%	13%	17%	6%
Pasadena Studios	3%	4%	6%	1%	11%	1%	100%	\$873,447	\$17,261,436	\$0.89	\$0.75	5%	11%	32%	17%	21%	7%
Brine Residential	2%	4%	4%	2%	10%	1%	100%	\$840,208	\$30,983,753	\$0.87	N/A	4%	4%	17%	7%	6%	55%
Citrus Crossing	3%	4%	5%	1%	6%	1%	100%	\$78,605	\$2,213,938	\$0.93	\$0.80	6%	11%	29%	19%	17%	8%
Santa Monica & Vermont Apartments	4%	5%	8%	2%	2%	0%	100%	\$1,604,135	\$30,684,443	\$0.97	N/A	12%	9%	20%	17%	13%	10%
Corazon del Valle II	3%	4%	8%	1%	11%	1%	100%	\$469,422	\$18,656,917	\$0.89	N/A	10%	8%	24%	17%	14%	7%
Residency at the Entrepreneur	2%	4%	13%	1%	10%	1%	100%	\$0	\$0	\$0.90	\$0.71	9%	14%	21%	13%	31%	3%
Vermont Manchester Family	2%	3%	8%	1%	12%	0%	100%	\$461,785	\$13,998,347	\$0.96	N/A	16%	10%	20%	16%	17%	10%
Ocena Views	3%	5%	4%	1%	2%	0%	100%	\$3,137,045	\$43,493,062	\$0.85	\$0.79	9%	10%	23%	29%	17%	3%
53 Colton	7%	4%	6%	1%	11%	1%	100%	\$250,000	\$9,315,104	\$0.98	\$0.80	24%	6%	34%	10%	11%	10%
833 Bryant Apartments	3%	3%	6%	4%	10%	1%	100%	\$355,549	\$8,710,951	\$0.99	N/A	7%	7%	37%	16%	13%	9%
681 Florida Street	5%	5%	8%	1%	6%	1%	100%	\$422,247	\$11,618,289	\$1.00	N/A	5%	7%	37%	13%	20%	3%
4840 Mission Street	3%	3%	6%	1%	5%	1%	100%	\$0	\$0	\$0.92	N/A	15%	7%	25%	15%	17%	9%
Balboa Park Upper Yard	4%	3%	7%	1%	5%	1%	100%	\$0	\$0	\$0.96	N/A	5%	8%	29%	16%	17%	6%
78 Haight Street	6%	5%	4%	3%	4%	2%	100%	\$217,509	\$12,349,678	\$0.89	\$0.80	7%	5%	52%	12%	8%	7%
Fruitvale Transit Village Phase 11B	3%	7%	8%	1%	2%	1%	100%	\$1,512,377	\$29,888,246	\$0.90	N/A	17%	7%	25%	13%	15%	9%
Agrihood Senior Apts	4%	5%	7%	2%	7%	1%	100%	\$1,094,848	\$23,734,978	\$0.89	N/A	7%	12%	20%	24%	14%	11%
Westport Cupertino	3%	8%	4%	1%	6%	1%	100%	\$2,247,646	\$167,496,453	\$0.84	N/A	5%	15%	11%	28%	23%	6%
Sango Court	4%	6%	5%	1%	5%	1%	100%	\$2,535,698	\$88,923,448	\$0.91	N/A	21%	7%	21%	13%	11%	7%
Kifer Senior Housing	4%	11%	6%	2%	6%	1%	100%	\$3,000,166	\$134,144,922	\$0.89	N/A	17%	6%	21%	10%	9%	0%
Villa Oakland	5%	7%	7%	1%	11%	0%	100%	\$350,098	\$13,182,111	\$0.85	\$0.90	5%	15%	41%	11%	2%	12%

Project Name	Operating Expenses					
	Real Estate Taxes	Resident Services	Other OpEx	Replacement Reserve	Total Annual OpEx	Total Expenses Excluding Services
Ingraham Apartments	\$417	\$579	\$123	\$500	\$7,793	\$7,215
Hollywood Arts Collective	\$197	\$230	\$266	\$300	\$6,497	\$6,266
Hope on Hyde	\$0	\$0	\$75	\$300	\$6,798	\$6,798
5th Street PSH	\$101	\$503	\$44	\$300	\$7,017	\$6,514
Vintage at Woodman	\$86	\$75	\$85	\$250	\$4,950	\$4,874
6th and San Julian	\$53	\$1,936	\$173	\$500	\$14,288	\$12,352
Nadeau	\$109	\$380	\$0	\$300	\$7,343	\$6,963
Pasadena Studios	\$0	\$106	\$0	\$250	\$5,542	\$5,436
Brine Residential	\$119	\$464	\$0	\$500	\$15,327	\$14,863
Citrus Crossing	\$78	\$228	\$0	\$250	\$6,052	\$5,823
Santa Monica & Vermont Apartments	\$53	\$656	\$381	\$500	\$8,458	\$7,801
Corazon del Valle II	\$111	\$1,361	\$89	\$500	\$10,673	\$9,312
Residency at the Entrepreneur	\$85	\$170	\$0	\$250	\$5,480	\$5,310
Vermont Manchester Family	\$17	\$254	\$74	\$500	\$7,668	\$7,414
Ocena Views	\$56	\$0	\$456	\$250	\$8,418	\$8,418
53 Colton	\$52	\$0	\$49	\$500	\$15,842	\$15,842
833 Bryant Apartments	\$61	\$532	\$0	\$600	\$11,757	\$11,225
681 Florida Street	\$38	\$870	\$332	\$500	\$11,183	\$10,313
4840 Mission Street	\$131	\$784	\$53	\$450	\$11,394	\$10,610
Balboa Park Upper Yard	\$38	\$783	\$772	\$500	\$11,145	\$10,362
78 Haight Street	\$75	\$801	\$78	\$500	\$16,368	\$15,567
Fruitvale Transit Village Phase 11B	\$11	\$691	\$8	\$600	\$9,971	\$9,281
Agrihood Senior Apts	\$24	\$423	\$0	\$350	\$6,456	\$6,033
Westport Cupertino	\$179	\$250	\$24	\$250	\$6,400	\$6,150
Sango Court	\$268	\$2,152	\$139	\$500	\$14,696	\$12,544
Kifer Senior Housing	\$38	\$2,995	\$2,000	\$500	\$15,147	\$12,152
Villa Oakland	\$534	\$0	\$0	\$250	\$5,155	\$5,155

Funding Sources (Total \$ Amount)							
Permanent Loan	Deferred Developer Fee	GP Capital	City Funding	County Funding	State Funding	Other Funding	Total Sources
\$51,884	-	-	\$0	\$0	\$75,877	\$50,913	\$178,674
\$128,289	\$4,287	-	\$118,504	\$0	\$0	\$0	\$251,081
\$116,963	\$495	-	\$0	\$0	\$322,814	\$0	\$440,273
\$181,208	\$16,938	\$13,423	\$0	\$0	\$0	\$86,091	\$297,660
\$155,858	-	\$18,276	\$0	\$0	\$211,864	\$0	\$385,998
\$24,479	\$41,024	\$1	\$50,000	\$175,000	\$122,757	\$0	\$413,261
\$80,917	\$2,174	-	\$0	\$77,778	\$203,874	\$0	\$364,743
\$108,502	\$9,162	-	\$66,658	\$89,216	\$191,666	\$10,496	\$475,699
\$117,335	\$34,994	-	\$0	\$76,087	\$0	\$0	\$228,416
\$127,551	\$4,661	-	\$0	\$0	\$0	\$210,831	\$343,044
\$47,617	-	-	\$0	\$0	\$0	\$0	\$47,617
\$4,582	\$1,356	\$31,627	\$103,093	\$0	\$0	\$108,969	\$249,627
\$160,000	-	-	\$0	\$0	\$0	\$0	\$40,000
\$122,055	\$79,809	-	\$99,174	\$41,322	\$0	\$136,364	\$478,724
\$228,761	-	-	\$0	\$0	\$0	\$0	\$228,761
\$120,109	\$139,308	-	\$245,444	\$0	\$0	\$0	\$504,861
\$232,427	-	\$35,205	\$232,777	\$0	\$152,672	\$89,237	\$742,318
\$21,431	\$23,147	-	\$97,674	\$89,653	\$138,122	\$13,812	\$383,838
\$192,144	\$15,479	-	\$28,649	\$142,727	\$0	\$0	\$379,000
\$48,752	\$25,954	-	\$0	\$0	\$100,990	\$2,309	\$178,005
\$291,892	-	-	\$94,694	\$0	\$0	\$0	\$386,586
\$106,375	\$8,287	-	\$0	\$0	\$0	\$11,409	\$126,071
\$165,333	\$17,273	-	\$0	\$0	\$49,582	\$0	\$232,188
\$125,000	-	-	\$163,389	\$0	\$155,150	\$53,830	\$497,369
\$50,291	\$12,745	\$8,389	\$0	\$0	\$13,021	\$0	\$84,446
\$51,172	\$11,232	\$2,204	\$0	\$0	\$0	\$53,337	\$117,945
\$114,428	\$30,486	-	\$250,809	\$0	\$113,123	\$8,688	\$517,533

Project Name	Operating Expenses (% of Total)					
	Real Estate Taxes	Resident Services	Other OpEx	Replacement Reserve	Total Annual OpEx	Total Expenses Excluding Services
Ingraham Apartments	5%	7%	2%	6%	100%	93%
Hollywood Arts Collective	3%	4%	4%	5%	100%	96%
Hope on Hyde	0%	0%	1%	4%	100%	100%
5th Street PSH	1%	7%	1%	4%	100%	93%
Vintage at Woodman	2%	2%	2%	5%	100%	98%
6th and San Julian	0%	14%	1%	3%	100%	86%
Nadeau	1%	5%	0%	4%	100%	95%
Pasadena Studios	0%	2%	0%	5%	100%	98%
Brine Residential	1%	3%	0%	3%	100%	97%
Citrus Crossing	1%	4%	0%	4%	100%	96%
Santa Monica & Vermont Apartments	1%	8%	5%	6%	100%	92%
Corazon del Valle II	1%	13%	1%	5%	100%	87%
Residency at the Entrepreneur	2%	3%	0%	5%	100%	97%
Vermont Manchester Family	0%	3%	1%	7%	100%	97%
Ocena Views	1%	0%	5%	3%	100%	100%
53 Colton	0%	0%	0%	3%	100%	100%
833 Bryant Apartments	1%	5%	0%	5%	100%	95%
681 Florida Street	0%	8%	3%	4%	100%	92%
4840 Mission Street	1%	7%	0%	4%	100%	93%
Balboa Park Upper Yard	0%	7%	7%	4%	100%	93%
78 Haight Street	0%	5%	0%	3%	100%	95%
Fruitvale Transit Village Phase 11B	0%	7%	0%	6%	100%	93%
Agrihood Senior Apts	0%	7%	0%	5%	100%	93%
Westport Cupertino	3%	4%	0%	4%	100%	96%
Sango Court	2%	15%	1%	3%	100%	85%
Kifer Senior Housing	0%	20%	13%	3%	100%	80%
Villa Oakland	10%	0%	0%	5%	100%	100%

Funding Sources (% of Total)							
Permanent Loan	Deferred Developer Fee	GP Capital	City Funding	County Funding	State Funding	Other Funding	Total Sources
29%	0%	0%	0%	0%	42%	28%	100%
51%	2%	0%	47%	0%	0%	0%	100%
27%	0%	0%	0%	0%	73%	0%	100%
61%	6%	5%	0%	0%	0%	29%	100%
40%	0%	5%	0%	0%	55%	0%	100%
6%	10%	0%	12%	42%	30%	0%	100%
22%	1%	0%	0%	21%	56%	0%	100%
23%	2%	0%	14%	19%	40%	2%	100%
51%	15%	0%	0%	33%	0%	0%	100%
37%	1%	0%	0%	0%	0%	61%	100%
100%	0%	0%	0%	0%	0%	0%	100%
2%	1%	13%	41%	0%	0%	44%	100%
80%	0%	0%	0%	0%	0%	20%	100%
25%	17%	0%	21%	9%	0%	28%	100%
100%	0%	0%	0%	0%	0%	0%	100%
24%	28%	0%	49%	0%	0%	0%	100%
31%	0%	5%	31%	0%	21%	12%	100%
6%	6%	0%	25%	23%	36%	4%	100%
51%	4%	0%	8%	38%	0%	0%	100%
27%	15%	0%	0%	0%	57%	1%	100%
76%	0%	0%	24%	0%	0%	0%	100%
84%	7%	0%	0%	0%	0%	9%	100%
71%	7%	0%	0%	0%	21%	0%	100%
25%	0%	0%	33%	0%	31%	11%	100%
60%	15%	10%	0%	0%	15%	0%	100%
43%	10%	2%	0%	0%	0%	45%	100%
22%	6%	0%	48%	0%	22%	2%	100%