



KEYSER MARSTON ASSOCIATES™

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

**Prepared for:
City of Pomona**

**Prepared by:
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SECTION I: OVERVIEW

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

1. The impacts created by the imposition of Inclusionary Housing requirements; and
2. Estimates of the fee amounts that can be supported for projects that are permitted to pay a fee in lieu of producing Inclusionary Housing.

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

A. KEY COURT CASES

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

Palmer Case

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

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

1. The jurisdiction eliminated the requirement that market rate apartment projects provide affordable apartment units; or
2. The jurisdiction replaced affordable housing production models with a linkage or impact fee methodology; or
3. The jurisdiction imposed affordable housing requirements as part of negotiated Development Agreements for apartment projects.

San Jose Case

In 2015, the California Supreme Court ruled in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This is interpreted to mean that an in-lieu fee payment option that is included in an Inclusionary Housing program, that includes an affordable housing production requirement, is not subject to the AB 1600 nexus requirements imposed by the "Mitigation Fee Act".¹

Price controls imposed by Inclusionary Housing programs must meet the following criteria:

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

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

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

The *San Jose* case is also relevant to apartment projects, because former Governor Brown publicly stated that he would not sign a bill that eliminated the *Palmer* limitations unless and until the California Supreme Court ruled in favor of the City of San Jose. As such, the *San Jose* ruling opened the door for the subsequent passage and adoption of Assembly Bill (AB) 1505 in September 2017.

B. KEY LEGISLATION: AB 1505

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

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

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

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

The City’s 2019 Housing Element Progress Report indicated that the City had only met approximately 56% of the RHNA goal for above moderate income housing.² Therefore, HCD has

² For the 2013 – 2021 period the RHNA goal for above moderate income units is 1,572 units. By the end of 2019, 860 building permits issued were issued for above moderate income units. This equals 56% of the RHNA goal.

the right to require a review of the Inclusionary Housing requirements imposed by the City on apartment projects if more than 15% of the units are required to be restricted at less than 80% of AMI. Specifically, Section 65850.01 (b) allows HCD to require the City to submit an economic feasibility study that proves that the Inclusionary Housing requirements imposed on apartment development do not unduly constrain the production of housing.

It is likely that this Financial Evaluation meets the economic feasibility study standards defined in Section 65850.01 (b). However, if the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards on apartment projects, HCD can intervene in the Inclusionary Housing Ordinance adoption process. This could extend and complicate the approval process for an Ordinance being considered by the City.

Additional AB 1505 Requirements

Section 65850 (g) requires jurisdictions to provide alternative means of fulfilling the affordable housing requirements imposed on apartment projects by an Inclusionary Housing program. Options that can be provided to developers include, but are not limited to:

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

C. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

Over 170 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

To assist the City in evaluating options for creating an Inclusionary Housing program it is useful to identify the elements that are typically included in Inclusionary Housing programs being implemented in California jurisdictions. To that end, KMA compiled information on 64 Inclusionary Housing programs being implemented throughout California. The survey information is presented in Attachment 1:

1. Table 1 presents the survey results for the 64 jurisdictions; and
2. Table 2 provides more in depth information for the jurisdictions located in Los Angeles, Orange and San Diego Counties.

The survey results can be summarized as follows:

1. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the Inclusionary Housing requirements. Common thresholds fall between three and 10 units. The average threshold project size found in the program survey is eight units.
2. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being required.
 - b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement is sometimes used to mitigate these impacts.

- c. The length of the covenant period imposed on Inclusionary Units varies from jurisdiction-to-jurisdiction. California Health and Safety Code (H&SC) Section 33413 applies covenant periods of 45 years for ownership housing units and 55 years for apartment units. These standards are commonly used, but both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by Sections 65850 and 65850.01, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The most common options offered to developers are:

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

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

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.
2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:
 - a. Low and Moderate Income Housing Asset Funds (LMIHAF) that are under the control of the City of Pomona Housing Authority, which is the Housing Successor to the former Pomona Redevelopment Agency;
 - b. Funds that are awarded by the Housing and Urban Development (HUD) such as the HOME and Community Development Block Grant programs;
 - c. The funds allocated to the City by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017);
 - d. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;
 - e. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program; and
 - f. Los Angeles County Development Authority (LACDA) funding programs.

D. STATE DENSITY BONUS AND INCLUSIONARY HOUSING REQUIREMENTS

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Sections 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 35% depending on the magnitude of the income and affordability restrictions being imposed.

Section 65915 requires the City to adopt an ordinance that specifies how it will comply with the State mandated density bonus requirements. The City's adopted ordinance is included in Pomona Municipal Code Part III Section 520 (Section 520), but it has not been amended to reflect the various amendments that have been adopted by the State Legislature since 2006. Until such time as the modifications are amended into the City's density bonus ordinance, State law will automatically prevail over any inconsistencies between State law and Section 520.

In July 2013 the First District Court of Appeal held that jurisdictions must agree to count the Inclusionary Units used to fulfill the Section 65915 density bonus requirements towards the Inclusionary Housing requirements that will be imposed on a project.³ Based on that ruling, a developer must be allowed to use the same affordable units to fulfill both the Inclusionary Housing requirements and the Section 65915 requirements. However, in order to exercise this option, the developer must apply the more stringent of the two programs' requirements.

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

E. STRUCTURING ISSUES

As discussed previously, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction.

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

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

Sections 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on apartment projects.

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

1. Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return. However, recognizing that the courts have not defined these terms, the City has some discretion in establishing evaluation parameters.
2. California Government Code Section 65583 (a) (Section 65583 (a)) requires the City to analyze potential and actual constraints being placed on the development of housing. Within that context, it is important to recognize that the requirements imposed by the Inclusionary Housing Ordinance can only be expected to fulfill a small portion of the unmet need for affordable housing in Pomona.

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

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

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

SECTION II: METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Pomona. The financial feasibility analysis is comprised of the following steps:

A. PARAMETERS

As the first step in the evaluation process it is necessary to identify the parameters that will be applied in the analysis. One measurement is the RHNA, which is used as a tool in the Housing Element process. The 5th Cycle RHNA Allocation Plan covers the period between 2013 and 2021. At the end of 2019 the City's progress towards fulfilling the defined RHNA targets is detailed in the following table:

5 th Cycle RHNA Information				
City's Progress as of December 31, 2019				
Income Category	RHNA Targets – 2013 - 2021	Building Permits Issued	Unfilled RHNA Targets	
			Total	%
Very Low	919	211	708	77%
Low	543	120	423	78%
Moderate	592	10	582	98%
Above Moderate	1,572	880	692	44%
Totals	3,626	1,221	2,405	66%

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

6 th Cycle RHNA Allocation Projections October 2021 through October 2029		
Income Category	Total Obligation	% of Total
Very Low	2,791	26.5%
Low	1,336	12.7%
Moderate	1,506	14.3%
Above Moderate	4,899	46.5%
Totals	10,532	100%

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

B. PROGRAM FOUNDATION

The courts have held that affordable housing is a “public benefit,” and that locally imposed Inclusionary Housing programs are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive a property owner of a fair and reasonable return on their investment.

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

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

The KMA approach is based on pro forma analyses of prototype projects that reflect the development types exhibited within the jurisdiction. The KMA methodology has been continually evolving over the past 20 years, and each financial evaluation is tailored to reflect the specific characteristics of the jurisdiction in which KMA is performing the evaluation.

Development Prototypes

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

1. City Staff Reports for proposed projects;
2. Development plans that were submitted to the City's Planning Department; and
3. The single family homes, townhomes/condominiums and apartments identified in KMA's market survey.

Ownership Housing Development

The ownership housing development prototypes represent composites of projects that have recently been proposed for development in Pomona. These prototype developments can be described as follows:

Single Family Home Prototype

The single family home prototype embodies the following characteristics:

1. The development site area is set at 4.5 acres.
2. The prototype includes 42 units, which equates to a density of 9.4 units per acre.

3. The unit mix includes 76% three-bedroom units and 24% four-bedroom units.
4. The units are assumed to fulfill the City's parking requirements with attached garages.

Townhome Prototype:

The townhome prototype can be described as follows:

1. The development site area is set at 4.5 acres.
2. The density is set at 25 units per acre.
3. The building height is set at 35 feet.
4. The prototype includes 113 units in the following bedroom mix:
 - a. 45% two-bedroom units; and
 - b. 55% three-bedroom units.
5. The prototype is based on the assumption that the units are served by attached tuck-under garages.

Apartment Development Prototype

Following KMA's review of the existing and proposed apartment development in Pomona we noted a wide variation in the apartment densities. To reflect this, KMA created a low density prototype and a high density prototype. For these prototypes KMA created zoning compliant and Section 65915 density bonus alternatives.

Low Density Prototype

1. The development site area is set at three acres.
2. The density is set at 35 units per acre and the building height is set at four stories.

3. The prototype includes 105 units, which are allocated as follows:
 - a. 5% studio units;
 - b. 50% one-bedroom units;
 - c. 40% two-bedroom units; and
 - d. 5% three-bedroom units.
4. The parking is provided in at-grade and above-ground spaces.

High Density Prototype

1. The development site area is set at three acres.
2. The density is set at 70 units per acre and the building height is set at four stories.
3. The 70 units in the prototype are allocated as follows:
 - a. 15% studio units;
 - b. 43% one-bedroom units;
 - c. 42% two-bedroom units.
4. The parking is provided in above-ground spaces.

Pro Forma Analysis Thresholds

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

1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed income and affordability requirements;

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

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

C. FINANCIAL EVALUATION STRUCTURE

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

1. KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.
2. In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rents or sales prices and the allowable rents or sales prices for the Inclusionary Units. This is known as the "Affordability Gap."
3. The KMA financial analyses identify the following:
 - a. The range of Inclusionary Housing production requirements that can be supported; and
 - b. The range of in-lieu fees that can be supported.

Financial Evaluation Organization

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

Attachment 2: Ownership Housing Development	
Appendix A	Pro Forma Analyses: Single Family Home Prototype
Appendix B	Pro Forma Analyses: Townhome Prototype
Appendix C	Home Sales Survey
Appendix D	Affordability Analyses
Attachment3: Apartment Development	
Appendix A	Pro Forma Analyses: Low Density Prototype
Appendix B	Pro Forma Analyses: High Density Prototype
Appendix C	Rent Survey
Appendix D	Affordability Analyses

SECTION III: OWNERSHIP HOUSING ANALYSES

As a general rule, Inclusionary Housing programs tend to set the affordability requirements for ownership housing development at the moderate income level. This is done as a reflection of the fact that higher income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

To determine whether this is the case in Pomona, KMA prepared pro forma analyses of the single family home prototype and the townhome prototype to identify the percentage of units in a market rate project could feasibly be required to be sold to low income households. In both prototypes the pro forma analyses found that the magnitude of the Affordability Gap associated with low income units creates a financial impact that deprives a property owner or developer of a fair and reasonable return on their investment.⁶

The following ownership housing development analyses are based on the assumption that the Inclusionary Housing requirements will be set at the moderate income level. Based on this assumption, KMA estimated the supportable Inclusionary Housing production requirements, and the supportable in-lieu fee amounts.

A. PROTOTYPES: OWNERSHIP HOUSING DEVELOPMENT

The characteristics of the single family home and townhome prototypes that were used in the Financial Evaluation are:

⁶ See Attachment 2: Appendix B – Exhibit 2 and Attachment 2: Appendix C – Exhibit 2.

Development Scope Summaries		
Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes
Site Area (Acres)	4.5	4.5
Total Number of Units	42	113
Density (Units Per Acre)	9.4	25
<u>Unit Mix</u>		
Two-Bedroom Units	N/A	51
Three-Bedroom Units	32	62
Four-Bedroom Units	10	N/A
Parking	Attached Garages	Attached Garages

B. PROJECTED MARKET RATE SALES PRICES: OWNERSHIP HOUSING DEVELOPMENT

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

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for homes sold in Pomona between June 2019 and June 2020 (Attachment 2: Appendix C). This information is used to establish the average sales price per square foot of saleable area for two-bedroom, three-bedroom and four-bedroom homes.

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

Projected Market Rate Sales Prices		
Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes
Two-Bedroom Units	N/A	\$379,000
Three-Bedroom Units	\$654,000	\$490,000
Four-Bedroom Units	\$708,000	N/A
Average Price Per Square Foot of Saleable Area	\$338	\$310

C. AFFORDABLE SALES PRICE CALCULATIONS: OWNERSHIP HOUSING DEVELOPMENT

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

The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2020 income statistics for Los Angeles County as a whole. The household incomes for moderate income households are produced and distributed annually by HCD.
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by H&SC Section 50052.5. The calculations include the elements described in the following sections of this Financial Evaluation.

Household Size

For the sole purposes of calculating Affordable Sales Prices, H&SC Section 50052.5 sets household sizes based on the number of bedrooms in the home plus one.⁷ H&SC Section 50052.5 refers to this as “the household size appropriate for the unit.” This is not an occupancy cap; it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

⁷ For example, the imputed household size for a three-bedroom unit is four persons.

Household Income

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

Income Allocated to Housing-Related Expenses

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

Housing-Related Expenses

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

Variable Housing Related Expenses			
Ownership Housing Development Prototypes			
	Monthly Utilities Allowances ⁸	Monthly HOA, Insurance & Maintenance	
		Single Family Homes	Townhomes
Two-Bedroom Units	\$152	N/A	\$170
Three-Bedroom Units	\$185	\$115	\$185
Four-Bedroom Units	\$227	\$120	N/A

⁸Utilities allowances are based on utilities costs comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the LACDA schedule for single family homes effective July 1, 2020.

The property tax expense estimate is based on 1.15% of the home's estimated unrestricted market rate sales price. This is done because the Los Angeles County assessor will only use the Affordable Sales Price for assessment purposes if the resale restriction covenant is irrevocable.⁹

Supportable Mortgage Amount

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 4.01% interest rate.¹⁰

Benchmark Down Payment

KMA set the benchmark down payment at 5% of the projected market rate sales price. A down payment of this magnitude is commonly allowed by affordable housing programs.

Affordable Sales Prices

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

Affordable Sales Price Estimates (Moderate Income)		
Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes ¹¹
Two-Bedroom Units	N/A	\$265,300
Three-Bedroom Units	\$342,100	\$343,000
Four-Bedroom Units	\$364,200	N/A

⁹ One of the recommendations in this Financial Evaluation is that the City allow the income and affordability covenant to be bought out under an equity appreciation structure upon the first resale of an Inclusionary Unit.

¹⁰ Based on a 50 basis points premium applied to the Bankrate site average as of July 1, 2020 for a fixed interest rate loan with a 30-year amortization period.

¹¹ The Affordable Sales Prices were calculated at \$336,800 for the two-bedroom townhomes and \$360,300 for the three-bedroom townhomes. The estimated supportable prices are based on the assumption that home buyers will require a discount in the range of 30% in order to accept income and affordability covenants.

D. PRO FORMA ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

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

1. A 100% market rate alternative; and
2. An alternative that includes a moderate income component.

Market Rate Development Alternatives – Ownership Housing Development

The 100% market rate alternatives provide a baseline against which to measure the impacts associated with Inclusionary Housing requirements. The pro forma analyses for the 100% market rate unit alternatives are presented in the following Appendices that are included in Attachment 2:

1. Appendix A – Exhibit I; and
2. Appendix B – Exhibit I.

The pro forma tables are organized as follows:

100% Market Rate Alternatives	
Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The developer profit projected to be generated by the 100% market rate alternatives is used as the threshold profit in the evaluation of potential Inclusionary Housing requirements. In the prototypes being tested the 100% market rate alternatives generated the following developer profit:

1. The developer profit for the single family home prototype is estimated at 8.5%; and
2. The developer profit for the townhome prototype is estimated at 9.0%.

The preceding profit thresholds are applied in the evaluation of multiple Inclusionary Housing alternatives for ownership development projects. The financial gaps generated by the alternatives being tested represent the impact created by the Inclusionary Housing requirements.

Alternatives Testing – Ownership Housing Development Prototypes

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

The pro forma analyses for the Moderate Income Alternatives are organized as follows:¹²

Pro Forma Analyses	
Moderate Income Alternatives	
Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Inclusionary Housing Impacts

¹² See Attachment 2: Appendix A – Exhibit III and Attachment 2: Appendix B – Exhibit III.

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

1. A 7% moderate income Inclusionary Housing production requirement can be supported for single family home projects; and
2. A 10% moderate income requirement can be supported by townhome and condominium ownership housing development projects.

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

Inclusionary Housing Production Impacts Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes
Required Property Acquisition Cost Reduction	21%	30%
Developer Profit as a % of Total Development Cost	5.0%	6.2%
Sales Price Increase Required to Offset the Impact	3.2%	2.7%

E. IN-LIEU FEE ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

KMA estimated the supportable in-lieu fee amounts for ownership housing projects using an Affordability Gap methodology. The calculations are based on the Affordability Gap associated with the on-site development of Inclusionary Units within market rate ownership housing projects.

The pro forma analyses presented in the preceding section of this Financial Evaluation supported a 7% moderate income unit set aside for single family home developments and a 10% moderate income unit set aside for townhome and condominium projects. KMA prepared Affordability Gap analyses based on these set aside percentages.

As shown in Attachment 2: Appendix D – Exhibit II, the weighted average Affordability Gaps, and resulting maximum supportable in-lieu fees are as follows:

Maximum Supportable In-Lieu Fees		
Affordability Gap Approach		
Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes
Moderate Income Percentage	7%	10%
In-Lieu Fee Per Inclusionary Unit	\$320,000	\$132,000
In-Lieu Fee Per Sq. Ft. of Saleable Area	\$11.40	\$9.30

The preceding in-lieu fee analysis demonstrates how the differences in market rate sales prices impact the in-lieu fee that would need to be charged in order to be able to create comparable units in an off-site location. This information is provided to assist the City in determining which of the following policy directions to pursue:

1. Should developers of premium priced homes be permitted to pay the in-lieu fee by right?
2. Should the City establish a calculation methodology that is applied on a case-by-case basis for projects that are entitled to make an in-lieu fee payment?
3. Should the in-lieu fee be applied per Inclusionary Unit or per square foot of saleable area in a market rate project? This issue is only pertinent if the City decides to set a fixed fee amount rather than on a case-by-case basis.

SECTION IV: APARTMENT DEVELOPMENT ANALYSIS

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

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

The apartment development pro forma analyses are used to estimate the supportable Inclusionary Housing production requirements under each of the identified alternatives. The analysis is also used to establish the supportable in-lieu fees.

A. CAVEATS

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

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

B. PROTOTYPES: APARTMENT DEVELOPMENT

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

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

Development Scope Summaries		
Apartment Development Prototypes		
	Low Density Prototype	High Density Prototype
	35 Units Per Acre	70 Units Per Acre
Site Area (Acres)	3.0	3.0
Total Number of Units	105	210
<u>Unit Mix</u>		
Studio Units	5	32
One-Bedroom Units	53	90
Two-Bedroom Units	42	88
Three-Bedroom Units	5	N/A
Parking Spaces Per Unit ¹³	1.69	1.60

C. PROJECTED MARKET RENTS: APARTMENT DEVELOPMENT

In the May 2020, KMA surveyed apartment projects that received three or four stars in the CoStar quality ranking system (Attachment 3: Appendix E – Exhibit I). The purpose of this survey was to derive estimates of the currently achievable market rents for the types of projects likely to be constructed in Pomona. However, the characteristics of actual projects will vary to some degree from the prototype being evaluated.

The market rate monthly rent estimates that are used in this Inclusionary Evaluation are presented in the following table.

¹³ The parking counts are based on a 15% reduction from the City's zoning code standards.

Projected Monthly Market Rate Rents Apartment Development Prototypes		
	Low Density Prototype 35 Units Per Acre	High Density Prototype 70 Units Per Acre
<u>Average Monthly Rent</u>		
Studio Units	\$1,812	\$1,977
One-Bedroom Units	\$2,053	\$2,199
Two-Bedroom Units	\$2,412	\$2,653
Three-Bedroom Units	\$2,985	N/A
Average Monthly Rent Per Square Foot of GLA ¹⁴	\$2.67	\$2.70

D. AFFORDABLE RENT CALCULATIONS: APARTMENT DEVELOPMENT

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

1. The household income information used in the calculations is based on 2020 income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD and are distributed by HCD.
2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As discussed previously, this is a benchmark for calculation purposes only. It is neither an occupancy minimum or maximum.

¹⁴ GLA = gross leasable area.

3. For the purposes of setting the Affordable Rents, the household income is set at 50% of AMI for very low income households, 60% of AMI for low income households, and 110% of AMI for moderate income households.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. KMA's calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; basic electric services; and air conditioning. The LACDA utilities allowances for apartments, which went into effect on July 1, 2020, were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Affordable Rent Calculations			
Apartment Development Prototypes			
	Very-Low Income	Low Income	Moderate Income
<u>Studio Units</u>			
Maximum Monthly Housing Cost	\$677	\$812	\$1,489
(Less) Monthly Utility Allowance	(44)	(44)	(44)
Affordable Rent	\$633	\$768	\$1,445
<u>One-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$773	\$928	\$1,701
(Less) Monthly Utility Allowance	(58)	(58)	(58)
Affordable Rent	\$715	\$870	\$1,643
<u>Two-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$869	\$1,043	\$1,913
(Less) Monthly Utility Allowance	(73)	(73)	(73)
Affordable Rent	\$796	\$970	\$1,840

Affordable Rent Calculations			
Apartment Development Prototypes			
	Very-Low Income	Low Income	Moderate Income
Three-Bedroom Units			
Maximum Monthly Housing Cost	\$966	\$1,160	\$2,126
(Less) Monthly Utility Allowance	(89)	(89)	(89)
Affordable Rent	\$877	\$1,071	\$2,037

E. PRO FORMA ANALYSES: APARTMENT DEVELOPMENT

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

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

Market Rate Development Alternative

The pro forma analysis for the market rate development alternatives are found in the following Appendices to Attachment 3:

1. Appendix A – Exhibit I; and
2. Appendix B – Exhibit I.

The pro forma tables are organized as follows:

Pro Forma Analysis - 100% Market Rate Alternative	
Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

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

1. The stabilized developer return is estimated at 5.98% for the low density prototype; and
2. The stabilized developer return is estimated at 5.56% for the high density prototype.

Alternatives Testing – Apartment Development Prototypes

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

Inclusionary Housing Production Alternatives	
Appendix A – Low Density Prototype	
Appendix B – High Density Prototype	
Apartment Development	
Exhibit	Title
II	Very Low Income Alternative
III	Low Income Alternative
IV	Moderate Income Alternative
V	Density Bonus Alternative

The pro forma analyses are organized as follows:

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

Zoning Compliant Density Alternatives

The pro forma analyses of the apartment development prototypes that are at zoning compliant densities indicate that the following Inclusionary Housing production requirements can be supported:

Supportable Inclusionary Housing Production Requirements		
Apartment Development Prototypes		
	Low Density Prototype 35 Units Per Acre	High Density Prototype 70 Units Per Acre
<u>Income Category</u>		
Very Low Income	3.3%	2.6%
Low Income	4.2%	2.8%
Moderate Income	10.0%	7.3%

The financial impacts associated with the identified requirements are summarized in the following tables:

Inclusionary Housing Production Impacts			
Low Density Prototype			
Apartment Development			
	Income Categories		
	Very Low	Low	Moderate
Required Property Acquisition Cost Reduction	25%	31%	34%
Return on Total Investment	5.85%	5.82%	5.81%
% Rent Increase Required to the Offset Impact	1.8%	2.2%	2.7%

Inclusionary Housing Production Impacts			
High Density Prototype			
Apartment Development			
	Income Categories		
	Very Low	Low	Moderate
Required Property Acquisition Cost Reduction	50%	55%	62%
Return on Total Investment	5.46%	5.45%	5.43%
% Rent Increase Required to Offset the Impact	1.6%	1.7%	2.0%

Density Bonus Alternatives

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

Based on the *Napa* ruling, a developer must be allowed to use the same affordable units to fulfill both a jurisdiction's Inclusionary Housing requirements and the Section 65915 affordable housing requirements. In addition, the affordable housing obligation must be calculated against the development site's base zoning standards.

To maximize the benefits associated with the Section 65915 density bonus, while minimizing the financial impact created by the affordability requirements, KMA created a development prototype that embodies the following affordability characteristics:

1. For the purposes of this analysis, KMA assumed that the Inclusionary Housing production requirement for apartment development will be set at the moderate income level.
2. The most cost effective way to achieve the maximum 35% Section 65915 density bonus is to allocate 11% of the units allowed by the base zoning to very low income households (Section 65915 (f) (2)). Under the *Napa* ruling, the City must allow these units to be counted towards the fulfillment of the low income Inclusionary Housing production requirement.

The density bonus alternatives analyses are presented in the following Appendices to Attachment 3:

1. Appendix A – Exhibit V; and
2. Appendix B – Exhibit V.

The results of these KMA analyses indicate that the following Inclusionary Housing production requirements can be supported if the Section 65915 density bonus can be used on a financially efficient basis:

Supportable Inclusionary Housing Production Requirements		
Density Bonus Alternatives		
Apartment Development Prototypes		
	Low Density Prototype 47 Units Per Acre	High Density Prototype 95 Units Per Acre
<u>Requirement as a % of:</u>		
Base Zoning Units	14.0%	17.0%
Total Units in the Project	10.6%	12.7%

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

Findings – Apartment Development Inclusionary Housing Production Requirements

The analyses of the apartment development prototypes identified wide ranging impacts in terms of the three metrics being evaluated. Specific variations can be described as follows:

1. The low density prototypes exhibited consistent impacts across the three tests used to evaluate the impacts associated with the imposition of Inclusionary Housing production requirements.
2. The high density prototypes exhibited the following characteristics:
 - a. Consistent impacts in terms of the reduction in developer return and the percentage increase in market rents that would be required to offset the impacts created by the Inclusionary Housing production requirement; and
 - b. Materially higher required decreases in property acquisition costs than are typically required to mitigate Inclusionary Housing production requirements.

3. Under the Density Bonus Alternatives the high density prototype supported a significantly higher Inclusionary Housing production percentage than was supported by the low density prototype.

Given the magnitude of the disparities, and in the interest of taking a conservative approach, KMA recommends that the City apply a 9% moderate income Inclusionary Housing production requirement to apartment development projects. The rationale for this recommendation is:

1. The City's policy will be subject to the following limitations:
 - a. Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return.
 - b. Under the requirements imposed by Section 65583 (a), the City cannot impose requirements that create actual or potential constraints to the development of housing.
2. It is reasonable to assume that some developers will choose to use the Section 65915 density bonus to offset the impacts created by the Inclusionary Housing production requirement. To fulfill the Section 65915 requirements those projects will be required to include very low or low income units in place of the moderate income units required by the Inclusionary Housing production requirements.

F. IN-LIEU FEE ANALYSES: APARTMENT DEVELOPMENT

KMA established the recommended in-lieu fee amounts for apartment development based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate apartment projects. The Affordability Gaps for apartment units are estimated in Attachment 3: Appendix D – Exhibits II and III using the following methodology:

1. KMA prepared the analyses based on the supportable percentages of Inclusionary Units that were estimated in the previous section of this Financial Evaluation.

2. The differences between the estimated achievable market rate monthly rents and the defined Affordable Rents are calculated for studio, one-bedroom two-bedroom, and three-bedroom units.
3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.
4. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.
5. The total Affordability Gaps are estimated by capitalizing the annual Affordability Gaps at the threshold returns derived from the pro forma analyses for the market rate alternatives. The results of these calculations are defined as the "Net Affordability Gap Per Inclusionary Unit".
6. The Net Affordability Gap Per Inclusionary Unit are translated into the recommended in-lieu fees per square foot of leasable area.

If a 10% moderate income Inclusionary Housing production requirement is applied to apartment development projects, the supportable in-lieu fees are:

In-Lieu Fees – Affordability Gap Approach	
9% Moderate Income Requirement	
Apartment Development	
<u>In-Lieu Fee</u>	
Per Inclusionary Unit	\$77,000
Per Square Foot of Leasable Area	\$9.20

For reference purposes, the in-lieu fee amounts supported by all the apartment development prototypes that KMA analyzed are summarized in the following tables:

In-Lieu Fees – Affordability Gap Approach			
Low Density Prototype			
Apartment Development			
<u>In-Lieu Fee</u>	Alternative		
	Very Low Income	Low Income	Moderate Income
Per Inclusionary Unit	\$228,000	\$203,000	\$77,000
Per Square Foot of Leasable Area	\$9.00	\$10.20	\$9.20

In-Lieu Fees – Affordability Gap Approach			
High Density Prototype			
Apartment Development			
<u>In-Lieu Fee</u>	Alternative		
	Very Low Income	Low Income	Moderate Income
Per Inclusionary Unit	\$269,000	\$242,000	\$110,000
Per Square Foot of Leasable Area	\$8.00	\$7.80	\$9.20

SECTION V: SUMMARY

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

A. RESIDENTIAL DEVELOPMENT PROTOTYPES

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

Ownership Housing Development Prototypes		
	Single Family Homes	Townhomes
Site Area (Acres)	4.5	4.5
Total Number of Units	32	113
Density (Units Per Acre)	9.4	25

Apartment Development Prototypes		
	Low Density Prototype	High Density Prototype
Site Area (Acres)	3.0	3.0
Total Number of Units	105	210
Density (Units Per Acre)	35	70

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

Projected Market Rate Sales Prices		
	Single Family Homes	Townhomes
Two-Bedroom Units	N/A	\$379,000
Three-Bedroom Units	\$654,000	\$490,000
Four-Bedroom Units	\$708,000	N/A
Average Price Per Square Foot of Saleable Area	\$338	\$310

Projected Monthly Market Rate Rents		
	Low Density Prototype	High Density Prototype
Studio Units	\$1,812	\$1,977
One-Bedroom Units	\$2,053	\$2,199
Two-Bedroom Units	\$2,412	\$2,653
Three-Bedroom Units	\$2,985	N/A
Average Monthly Rent Per Square Foot of GLA	\$2.67	\$2.70

B. CONCLUSIONS

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

1. Inclusionary Housing Requirements:

- a. The following requirements are supportable for ownership housing development projects:
 - i. A 7% moderate income requirement for single family home projects; and

- ii. A 10% moderate income requirement for townhome and condominium projects.
 - b. An 8.2% moderate income requirement is supportable for apartment development projects.¹⁵
2. The in-lieu fee amounts supported using the Affordability Gap Approach are currently estimated as follows:

Maximum Supportable In-Lieu Fees			
Affordability Gap Approach			
	Single Family Homes	Townhomes	Apartments
<u>In-Lieu Fee Amounts</u>			
Per Inclusionary Unit	\$320,000	\$132,000	\$99,000 ¹⁶
Per Square Foot of Saleable / Leasable Area	\$11.40	\$9.30	\$9.20

¹⁵ The 8.2% moderate income requirement was set by calculating the weighted average of the supportable requirements derived from the pro forma analyses of the Low Density and High Density Alternatives.

¹⁶ Based on the weighted average Net Affordability Gap per Inclusionary Unit exhibited by the Low Density and High Density Alternatives.

ATTACHMENT 1

INCLUSIONARY HOUSING PROGRAM SURVEY INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

ATTACHMENT 1 - TABLE 1

INCLUSIONARY HOUSING PROGRAM SURVEY
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
I. <u>Inclusionary Requirements: Both Rental and Ownership Projects</u>									
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	5		Perpetual	5		Perpetual
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4		55	4		55
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	20	Not defined	55	20	120%	45
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55		120%	45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	50	80% /120%	Life of Bldg	50	80% /120%	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5		55	5		45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	Yes	5		55	5		45
Contra Costa County	1-7 units pays in-lieu fee. Create on-site units; create off-site units; pay impact/linkage fee; donate land	15%	No	5			5		3
Cupertino	Create on-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	7	50% /80%	99	7	50% /120%	99
Davis	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 25%	No	5	80%	Perpetual	5	120%	Perpetual
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land	12.5%	No	20		55	20		55
Emeryville	Create on-site units; pay impact/linkage fee	12%/20%	No			55	10		55
Fort Bragg	Create on-site units	10% to 20%		5	80% /120%		5	100% /120%	15
Hayward	Create on-site units; create off-site units; pay in-lieu fee; pay impact/linkage fee; donate land	15%	No	20	80%	55	20	120%	45
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45
Irvine	Projects with fewer than 50 units can create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Applies to all resid projects	50%, 80% & 120% Defined credits	30	Applies to all resid projects	50%, 80% & 120% Defined credits	30
Los Altos	Create on-site units; create off-site units	10%	No	10		30	10		30

ATTACHMENT 1 - TABLE 1

INCLUSIONARY HOUSING PROGRAM SURVEY
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee	10%	Yes	5	80% /120%		5	80% /120%	
Mill Valley	Create on-site units	25%	Yes	4	120%	Perpetual	4	120%	Perpetual
Nevada County	Create on-site units; create off-site units		No	20		30	20		30
Oxnard	Create on-site units; pay in-lieu fee	10%	No	10		55	10		
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8		55	8		45
Palo Alto	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	15%	Yes			59			59
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	10	5% @ 50%; 5% @ 80%; 10% @ 120%	Perpetual	10	120%	45
Petaluma	Create on-site units; pay in-lieu fee; donate land	15%	No			30			30
Pleasanton	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land	15%	Yes	15			15		Perpetual
Redwood City	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	5		30	5		30
San Bruno	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%	45
San Diego	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers	15%	No	20	50% / 80%	Perpetual	20	120%	Perpetual
San Jose	Create on-site units; create off-site units; preserve or rehab	10%	No	2		55	2		55
San Juan Capistrano	Create on-site units	10%	Yes	11	80%	Life of Bldg	11	120%	45
San Mateo County	Create on-site units; pay in-lieu fee	10%	No	2			2	120%	
San Rafael	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	15%	No	5	10% @ 50%/ 15% @ 60%	55	5	80%	45
Santa Ana	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	Yes	2	80%	Perpetual	2	120% 50%, 80% & 120% Defined credits	Perpetual
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2		55
Santa Monica	Create on-site units	25%	Yes	5	120%	55	5	120%	55
Sonoma									

ATTACHMENT 1 - TABLE 1

INCLUSIONARY HOUSING PROGRAM SURVEY
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	Yes		60%	55		80%	30
South San Francisco	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	No	4		55	4		55
Sunnyvale	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	12.5%	No	4	80%	55		120%	30
Tiburon	Create on-site units; create off-site units; pay in-lieu fee	15%		3		Perpetual	3		Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee	15%	No	7			7		
West Sacramento	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	Yes			55		80%	45
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 unit projects	20%	No	2	Low / Mod	Perpetual	2	Low / Mod	Perpetual
II. Inclusionary Requirements: Ownership Projects Only									
Alameda	Create on-site units; create off-site units; pay in-lieu fee	5%	No				5		59
Danville	Create on-site units; pay in-lieu fee	10%	Yes				7	110%	20
	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes					110%	30
Fremont		15%	No				2		45
Lafayette	Create on-site units; create off-site units	15%	No				6		Perpetual
Monterey	Create on-site units; donate land	20%	No				3	100%	55
Mountain View	Create on-site units; pay in-lieu fee	10%	No				5		55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No						
	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the								
San Clemente	Community Development Director.	4%	No				6	50%	
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes						55
	Create on-site units; create off-site units; pay in-lieu fee;								
San Mateo County	donate land	20%	No				5		55
Santa Barbara	Create on-site units; pay in-lieu fee; donate land	15%	No				2	160%	90

ATTACHMENT 1 - TABLE 1

INCLUSIONARY HOUSING PROGRAM SURVEY
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
III. <u>Inclusionary for Ownership Projects & Impact Fee for Rental Projects</u>									
Berkeley	Create on-site units; pay in-lieu fee	20%	No				5	80%	Perpetual
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2		45
	² Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land								
Truckee		15%	No	7		Perpetual	7		Perpetual
IV. <u>Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects</u>									
Pittsburg	Create on-site units; pay in-lieu fee	15%	Yes				5		
Salinas	Create on-site units; create off-site units; donate land	20%	No				10		30
San Juan Bautista	Create on-site units; pay impact/linkage fee	6%							
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3%	Yes			55	5		45
	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55		120%	55
San Marcos	Create on-site units; create off-site units; preserve or rehab existing housing; pay impact/linkage fee	15%	No	5		55	5		45
Solana Beach									
V. <u>Rental Projects Only</u>									
	Create on-site units; create off-site units; pay in-lieu fee; donate land								
Glendale		15%	No	8	80%	55			

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

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

ATTACHMENT 1 - TABLE 2

INCLUSIONARY HOUSING PROGRAM SURVEY
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
I. <u>Inclusionary Requirements: Both Rental and Ownership Projects</u>										
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No			55		120%	10	Calculated per project. Based on the Affordability Gap
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45	Sliding scale: 3 Units @ \$19,360/Unit - 30 Units @ \$60,695/Unit
Irvine	Projects with fewer than 50 units can create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Applies to all resid projects	50%, 80% & 120% Defined credits	30	Applies to all resid projects	50%, 80% & 120% Defined credits	30	Calculated per project. Based on an equivalent value calculation
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	10	5% @ 50%; 5% @ 80%; 10% @ 120%		10	120%	45	Sliding scale by sub-area & project size. Low at \$31.10/SF & High at \$72.82/SF
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%		Increases annually from \$15.18/SF in 2020/21 to \$22.55 in 2023/24
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	2		55	2		55	Based on 90% of the Affordability Gap, which is updated monthly based on benchmark market prices
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	15%	No	5	10% @ 50%/ 15% @ 60%	55	5	120%	45	Fewer than 20 Units @ \$5/SF 20+ Units @ \$15/SF
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2	50%, 80% & 120% Defined credits	55	Rental @ \$35.70/SF Ownership @ \$41.70/SF
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects	20%	No	2	Low / Mod	Perpetual	2	Low / Mod	Perpetual	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF
II. <u>Inclusionary Requirements: Ownership Projects Only</u>										
San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the Community Development Director.	4%	No				6	50%		Based on the Affordability Gap associated with a prototype 1,100 SF unit.
III. <u>Inclusionary Requirements: Rental Projects Only</u>										
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	80%	55				Sliding scale: 8 Units @ \$28.71/SF - 21 Units @ \$55/SF

ATTACHMENT 2

OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX A

PRO FORMA ANALYSES SINGLE FAMILY HOME PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX A - EXHIBIT I

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

APPENDIX A - EXHIBIT I - TABLE 1

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

I.	Property Acquisition Costs	¹	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$15 /Sf of Land	\$2,940,000	
	Parking	³	42 Spaces	\$0 /Space	0	
	Building Costs		82,800 Sf of GBA	\$120 /Sf of GBA	9,936,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		2,575,000	
	Total Direct Costs					\$15,451,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,236,000	
	Public Permits & Fees	⁵	42 Units	\$27,000 /Unit	1,134,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		309,000	
	Marketing		42 Units	\$2,500 /Unit	105,000	
	Developer Fee		3.0% Gross Sales Revenue		840,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		181,000	
	Total Indirect Costs					\$3,805,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁶			\$879,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	348,000	
	Total Financing Costs					\$1,227,000
V.	Total Construction Cost		42 Units	\$488,000 /Unit		\$20,483,000
	Total Development Cost		42 Units	\$581,000 /Unit		\$24,403,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT I - TABLE 2

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

I. <u>Gross Sales Revenue</u>				¹
Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
Three-Bedroom Units	32 Units @	\$654,000 /Unit	20,928,000	
Four-Bedroom Units	10 Units @	\$708,000 /Unit	7,080,000	
Total Gross Sales Revenue			<u>\$28,008,000</u>	
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$840,000	
Closing	2.0% Gross Sales Revenue		560,000	
Warranty	0.5% Gross Sales Revenue		140,000	
Total Cost of Sales			<u>(\$1,540,000)</u>	
III. <u>Net Revenue</u>			<u>\$26,468,000</u>	

¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$338 per square foot of saleable area.

APPENDIX A - EXHIBIT I - TABLE 3

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

I.	Net Revenue	See APPENDIX A - EXHIBIT I - TABLE 2	\$26,468,000
II.	Total Development Cost	See APPENDIX A - EXHIBIT I - TABLE 1	<u>\$24,403,000</u>
III.	Developer Profit	8.5% Total Development Cost	<u>\$2,065,000</u>

APPENDIX A - EXHIBIT II

**PRO FORMA ANALYSIS
LOW INCOME ALTERNATIVE
SINGLE FAMILY HOME PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX A - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE FAMILY HOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	1	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$15 /Sf of Land	\$2,940,000	
	Parking	3	42 Spaces	\$0 /Space	0	
	Building Costs		82,800 Sf of GBA	\$120 /Sf of GBA	9,936,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		2,575,000	
	Total Direct Costs					\$15,451,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,236,000	
	Public Permits & Fees	5	42 Units	\$27,000 /Unit	1,134,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		309,000	
	Marketing		42 Units	\$2,500 /Unit	105,000	
	Developer Fee	6	42 Units	\$20,000 /Unit	840,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		181,000	
	Total Indirect Costs					\$3,805,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7			\$789,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	325,000	
	Total Financing Costs					\$1,114,000
V.	Total Construction Cost		42 Units	\$485,000 /Unit		\$20,370,000
	Total Development Cost		42 Units	\$578,000 /Unit		\$24,290,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

⁷ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE FAMILY HOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Sales Revenue

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		30 Units @	\$654,000 /Unit	19,620,000
Four-Bedroom Units		9 Units @	\$708,000 /Unit	6,372,000
Low Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		2 Units @	\$93,800 /Unit	188,000
Four-Bedroom Units		1 Unit @	\$96,100 /Unit	96,000
Total Gross Sales Revenue				\$26,276,000

II. Cost of Sales

Commissions	3.0% Gross Sales Revenue	\$788,000
Closing	2.0% Gross Sales Revenue	526,000
Warranty	0.5% Gross Sales Revenue	131,000
Total Cost of Sales		(\$1,445,000)

III. Net Revenue	\$24,831,000
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¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$338 per square foot of saleable area.

² See APPENDIX D - EXHIBIT I.

APPENDIX A - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
SINGLE FAMILY HOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX A - EXHIBIT II - TABLE 2	\$24,831,000
	(Less) Threshold Developer Profit ¹	8.5% Total Development Cost	(\$2,055,000)
	Total Funds Available for Development Costs		\$22,776,000
II.	Total Development Cost	See APPENDIX A - EXHIBIT II - TABLE 1	\$24,290,000
III.	Total Financial Impact		(\$1,514,000)
	Property Acquisition Cost Reduction	39% of Estimated Current Acquisition Prices	
	Developer Profit	2.23% Based on Estimated Current Property Acquisition Costs	
	% Price Increase to Offset Impact	5.8% Market Rate Units	

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

APPENDIX A - EXHIBIT III

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
SINGLE FAMILY HOME PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX A - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SINGLE FAMILY HOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$15 /Sf of Land	\$2,940,000	
	Parking	³	42 Spaces	\$0 /Space	0	
	Building Costs		82,800 Sf of GBA	\$120 /Sf of GBA	9,936,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		2,575,000	
	Total Direct Costs					\$15,451,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,236,000	
	Public Permits & Fees	⁵	42 Units	\$27,000 /Unit	1,134,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		309,000	
	Marketing		42 Units	\$2,500 /Unit	105,000	
	Developer Fee	⁶	42 Units	\$20,000 /Unit	840,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		181,000	
	Total Indirect Costs					\$3,805,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷			\$825,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	335,000	
	Total Financing Costs					\$1,160,000
V.	Total Construction Cost		42 Units	\$486,000 /Unit		\$20,416,000
	Total Development Cost		42 Units	\$579,000 /Unit		\$24,336,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

⁷ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
SINGLE FAMILY HOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Sales Revenue

Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		30 Units @	\$654,000 /Unit	19,620,000
Four-Bedroom Units		9 Units @	\$708,000 /Unit	6,372,000
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$0 /Unit	0
Three-Bedroom Units		2 Units @	\$342,100 /Unit	684,000
Four-Bedroom Units		1 Unit @	\$364,200 /Unit	364,000
Total Gross Sales Revenue				\$27,040,000

II. Cost of Sales

Commissions	3.0% Gross Sales Revenue	\$811,000
Closing	2.0% Gross Sales Revenue	541,000
Warranty	0.5% Gross Sales Revenue	135,000
Total Cost of Sales		(\$1,487,000)

III. Net Revenue	\$25,553,000
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¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$338 per square foot of saleable area.

² See APPENDIX D - EXHIBIT I.

APPENDIX A - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
SINGLE FAMILY HOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX A - EXHIBIT III - TABLE 2	\$25,553,000	
(Less) Threshold Developer Profit ¹	8.5% Total Development Cost	(\$2,059,000)	
Total Funds Available for Development Costs			\$23,494,000
II. Total Development Cost	See APPENDIX A - EXHIBIT III - TABLE 1		\$24,336,000
III. <u>Total Financial Impact</u>			(\$842,000)
Property Acquisition Cost Reduction	21% of Estimated Current Acquisition Prices		
Developer Profit	5.0% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	3.2% Market Rate Units		

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

APPENDIX B

PRO FORMA ANALYSES
TOWNHOME PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

APPENDIX B - EXHIBIT I

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

APPENDIX B - EXHIBIT I - TABLE 1

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

I.	Property Acquisition Costs	¹	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$20 /Sf of Land	\$3,920,000	
	Parking	³	113 Spaces	\$0 /Space	0	
	Building Costs		160,400 Sf of GBA	\$125 /Sf of GBA	20,050,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		4,794,000	
	Total Direct Costs					\$28,764,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$2,301,000	
	Public Permits & Fees	⁵	113 Units	\$27,000 /Unit	3,051,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		575,000	
	Marketing		113 Units	\$2,500 /Unit	283,000	
	Developer Fee		3.0% Gross Sales Revenue		1,491,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		385,000	
	Total Indirect Costs					\$8,086,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁶			\$1,729,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	612,000	
	Total Financing Costs					\$2,341,000
V.	Total Construction Cost		113 Units	\$347,000 /Unit		\$39,191,000
	Total Development Cost		113 Units	\$382,000 /Unit		\$43,111,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 15 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX B - EXHIBIT I - TABLE 2

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

I. <u>Gross Sales Revenue</u>				¹
Two-Bedroom Units	51 Units @	\$379,000 /Unit	\$19,329,000	
Three-Bedroom Units	62 Units @	\$490,000 /Unit	30,380,000	
Four-Bedroom Units	0 Units @	\$0 /Unit	0	
Total Gross Sales Revenue			\$49,709,000	
II. <u>Cost of Sales</u>				
Commissions	3.0% Gross Sales Revenue		\$1,491,000	
Closing	2.0% Gross Sales Revenue		994,000	
Warranty	0.5% Gross Sales Revenue		249,000	
Total Cost of Sales			(\$2,734,000)	
III. <u>Net Revenue</u>			\$46,975,000	

¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$310 per square foot of saleable area.

APPENDIX B - EXHIBIT I - TABLE 3

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

I.	Net Revenue	See APPENDIX B - EXHIBIT I - TABLE 2	\$46,975,000
II.	Total Development Cost	See APPENDIX B - EXHIBIT I - TABLE 1	<u>\$43,111,000</u>
III.	Developer Profit	9.0% Total Development Cost	<u>\$3,864,000</u>

APPENDIX B - EXHIBIT II

**PRO FORMA ANALYSIS
LOW INCOME ALTERNATIVE
TOWNHOME PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
TOWNHOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$20 /Sf of Land	\$3,920,000	
	Parking	³	113 Spaces	\$0 /Space	0	
	Building Costs		160,400 Sf of GBA	\$125 /Sf of GBA	20,050,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		4,794,000	
	Total Direct Costs					\$28,764,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$2,301,000	
	Public Permits & Fees	⁵	113 Units	\$27,000 /Unit	3,051,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		575,000	
	Marketing		113 Units	\$2,500 /Unit	283,000	
	Developer Fee	⁶	113 Units	\$13,195 /Unit	1,491,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		385,000	
	Total Indirect Costs					\$8,086,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷			\$1,488,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	566,000	
	Total Financing Costs					\$2,054,000
V.	Total Construction Cost		113 Units	\$344,000 /Unit		\$38,904,000
	Total Development Cost		113 Units	\$379,000 /Unit		\$42,824,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

⁷ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX B - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
TOWNHOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	¹			
Two-Bedroom Units		46 Units @	\$379,000 /Unit	\$17,434,000
Three-Bedroom Units		56 Units @	\$490,000 /Unit	27,440,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Low Income Units	²			
Two-Bedroom Units		5 Units @	\$117,200 /Unit	586,000
Three-Bedroom Units		6 Units @	\$112,800 /Unit	677,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				\$46,137,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$1,384,000
Closing		2.0% Gross Sales Revenue		923,000
Warranty		0.5% Gross Sales Revenue		231,000
Total Cost of Sales				(\$2,538,000)
III. <u>Net Revenue</u>				\$43,599,000

¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$310 per square foot of saleable area.

² See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
TOWNHOME PROTOTYPE
LOW INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX B - EXHIBIT II - TABLE 2	\$43,599,000	
(Less) Threshold Developer Profit ¹	9.0% Total Development Cost	(\$3,838,000)	
Total Funds Available for Development Costs			\$39,761,000
II. Total Development Cost	See APPENDIX B - EXHIBIT II - TABLE 1		\$42,824,000
III. <u>Total Financial Impact</u>			(\$3,063,000)
Property Acquisition Cost Reduction	78% of Estimated Current Acquisition Prices		
Developer Profit	1.8% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	6.8% Market Rate Units		

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

APPENDIX B - EXHIBIT III

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
TOWNHOME PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
TOWNHOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	196,020 Sf of Land	\$20 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		196,020 Sf of Land	\$20 /Sf of Land	\$3,920,000	
	Parking	³	113 Spaces	\$0 /Space	0	
	Building Costs		160,400 Sf of GBA	\$125 /Sf of GBA	20,050,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		4,794,000	
	Total Direct Costs					\$28,764,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$2,301,000	
	Public Permits & Fees	⁵	113 Units	\$27,000 /Unit	3,051,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		575,000	
	Marketing		113 Units	\$2,500 /Unit	283,000	
	Developer Fee	⁶	113 Units	\$13,195 /Unit	1,491,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		385,000	
	Total Indirect Costs					\$8,086,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷			\$1,586,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	594,000	
	Total Financing Costs					\$2,180,000
V.	Total Construction Cost		113 Units	\$345,000 /Unit		\$39,030,000
	Total Development Cost		113 Units	\$380,000 /Unit		\$42,950,000

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

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE

⁷ Assumes a 5.0% interest cost for debt; an 18 month construction period; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX B - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
TOWNHOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Sales Revenue

Market Rate Units	¹			
Two-Bedroom Units		46 Units @	\$379,000 /Unit	\$17,434,000
Three-Bedroom Units		56 Units @	\$490,000 /Unit	27,440,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		5 Units @	\$265,300 /Unit	1,327,000
Three-Bedroom Units		6 Units @	\$343,000 /Unit	2,058,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Total Gross Sales Revenue				\$48,259,000

II. Cost of Sales

Commissions	3.0% Gross Sales Revenue	\$1,448,000
Closing	2.0% Gross Sales Revenue	965,000
Warranty	0.5% Gross Sales Revenue	241,000
Total Cost of Sales		(\$2,654,000)

III. Net Revenue	\$45,605,000
-------------------------	---------------------

¹ Based in part on a sales survey undertaken by KMA in June 2020. See APPENDIX C. The weighted average sales price equates to \$310 per square foot of saleable area.

² See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
TOWNHOME PROTOTYPE
MODERATE INCOME ALTERNATIVE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX B - EXHIBIT III - TABLE 2	\$45,605,000	
(Less) Threshold Developer Profit ¹	9.0% Total Development Cost	(\$3,850,000)	
Total Funds Available for Development Costs			\$41,755,000
II. Total Development Cost	See APPENDIX B - EXHIBIT III - TABLE 1		\$42,950,000
III. <u>Total Financial Impact</u>			(\$1,195,000)
Property Acquisition Cost Reduction	30% of Estimated Current Acquisition Prices		
Developer Profit	6.2% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	2.7% Market Rate Units		

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

APPENDIX C

HOME SALES SURVEY

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

POMONA, CALIFORNIA

APPENDIX C

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

	Address		Unit Size (SF)	Sales Price		Year Built	
				Total	Per SF		
I.	<u>Condominium & Townhome Units</u> ¹						
Two-Bedroom Units							
	131 Canyon Oak Cir	Pomona	91767	1,370	\$385,000	\$281	1985
	35 Blackbird Ln	Pomona	91766	1,149	\$355,000	\$309	1985
	3739 Live Oak Dr	Pomona	91767	1,370	\$428,000	\$312	1985
	57 Country Mile Rd	Pomona	91766	1,034	\$280,000	\$271	1986
	47 Country Mile Rd	Pomona	91766	1,034	\$328,000	\$317	1986
	7 Stony Point Pl	Pomona	91766	1,332	\$363,000	\$273	1986
	2410 N Towne Ave #54	Pomona	91767	1,022	\$290,000	\$284	1987
	2410 N Towne Ave #44	Pomona	91767	1,018	\$324,000	\$318	1987
	87 Country Mile Rd #197	Pomona	91766	1,034	\$310,000	\$300	1987
	3505 Legato Ct	Pomona	91766	920	\$285,000	\$310	1988
	1374 W Orange Grove Ave	Pomona	91768	994	\$290,000	\$292	1988
	430 Anderwood Ct #22	Pomona	91768	1,037	\$315,000	\$304	1989
	490 Anderwood Ct #2	Pomona	91768	1,139	\$318,000	\$279	1989
	874 Seville Ln	Pomona	91767	1,230	\$412,000	\$335	2017
	2893 Cedar	Pomona	91767	1,650	\$550,000	\$333	2017
	2882 Cedar	Pomona	91767	1,650	\$471,688	\$286	2017
	Minimum		920		\$280,000	\$271	1985
	Maximum		1,650		\$550,000	\$335	2017
	Average		1,186		\$356,543	\$301	1992
Three-Bedroom Units							
	855 Seville Ln	Pomona	91767	1,730	\$430,000	\$249	2017
	2715 Valor Ln	Pomona	91767	1,740	\$461,500	\$265	2017
	2727 Valor Ln	Pomona	91767	1,530	\$465,000	\$304	2017
	2885 Cedar Ln	Pomona	91767	1,850	\$577,393	\$312	2017
	2886 Cedar Ln	Pomona	91767	1,790	\$525,137	\$293	2017
	2889 Cedar Ln	Pomona	91767	1,790	\$585,008	\$327	2017
	2898 Cedar Ln	Pomona	91767	1,790	\$518,560	\$290	2017
	Minimum		1,530		\$430,000	\$249	2017
	Maximum		1,850		\$585,008	\$327	2017
	Average		1,746		\$508,943	\$292	2017

APPENDIX C

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

Address		Unit Size (SF)	Sales Price		Year Built	
			Total	Per SF		
<u>Single Family Homes</u>						
Three-Bedroom Units						
16 Noble	Pomona	91766	1,579	\$590,990	\$374	2019
5 Landings	Pomona	91766	2,065	\$628,689	\$304	2019
8 Vista Court	Pomona	91766	2,065	\$663,990	\$322	2019
2 Noble	Pomona	91766	1,579	\$615,888	\$390	2019
4 Longfellow St	Pomona	91766	2,065	\$635,000	\$308	2019
6 Longfellow St	Pomona	91766	1,579	\$590,000	\$374	2019
14 Noble	Pomona	91766	2,065	\$630,000	\$305	2019
6 Noble	Pomona	91766	2,065	\$632,000	\$306	2019
6 Landing	Pomona	91766	2,065	\$620,000	\$300	2019
Minimum			1,579	\$590,000	\$300	2019
Maximum			2,065	\$663,990	\$390	2019
Average			1,903	\$622,951	\$327	2019

APPENDIX C

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

Address			Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
Four-Bedroom Units						
1851 Carolann St	Pomona	91766	1,886	\$560,000	\$297	2019
1856 Carolann St	Pomona	91766	1,641	\$530,000	\$323	2019
1859 Carolann St	Pomona	91766	1,965	\$564,900	\$287	2019
1867 Carolann St	Pomona	91766	1,886	\$554,900	\$294	2019
1875 Carolann St	Pomona	91766	1,965	\$570,000	\$290	2019
1888 Carolann St	Pomona	91766	1,641	\$519,000	\$316	2019
1889 Carolann St	Pomona	91766	1,641	\$530,000	\$323	2019
1845 Carolann St	Pomona	91766	1,965	\$581,000	\$296	2019
1888 Carolann St	Pomona	91766	1,641	\$519,000	\$316	2019
1160 Lucienne St	Pomona	91766	1,886	\$559,900	\$297	2019
1142 Lucienne St	Pomona	91766	1,641	\$529,900	\$323	2019
1160 Lucienne St	Pomona	91766	1,886	\$559,900	\$297	2019
1142 Lucienne St	Pomona	91766	1,641	\$529,900	\$323	2019
12 Noble	Pomona	91766	2,086	\$660,000	\$316	2019
5 Longfellow St	Pomona	91766	2,086	\$650,000	\$312	2019
37 Tumbleweed	Pomona	91766	2,275	\$670,000	\$295	2019
31 Wagon Wheel St	Pomona	91766	2,275	\$724,990	\$319	2019
33 Barnhart Ct	Pomona	91766	2,275	\$715,000	\$314	2019
4 Noble	Pomona	91766	2,086	\$650,000	\$312	2019
19 Country Gln	Pomona	91766	2,275	\$735,000	\$323	2019
32 Barnhart Ct	Pomona	91766	2,275	\$720,000	\$316	2019
18 Country Gln	Pomona	91766	2,275	\$743,000	\$327	2019
1451 Madrid Dr	Pomona	91766	1,665	\$503,990	\$303	2019
856 Olvera Way	Pomona	91766	1,665	\$499,990	\$300	2019
1469 Madrid Dr	Pomona	91766	1,665	\$496,990	\$298	2019
1487 Madrid Dr	Pomona	91766	1,665	\$492,990	\$296	2019
792 E Phillips Blvd	Pomona	91766	2,095	\$567,000	\$271	2019
Minimum			1,641	\$492,990	\$271	2019
Maximum			2,275	\$743,000	\$327	2019
Average			1,924	\$590,272	\$307	2019

¹ Based on a search of home sales occurring between June 2019 and June 2020. Due to lack of sales, the sales survey for two-bedroom condominium units consists of homes built after 1985.

APPENDIX D

AFFORDABILITY ANALYSES OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX D - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS
2020 INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

1

		Single Family Home Prototype		Townhome Prototype	
		Three-Bedroom Units	Four-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
General Assumptions					
Area Median Income		\$77,300	\$83,500	\$69,550	\$77,300
Annual Utilities Allowance	2	\$2,220	\$2,724	\$1,824	\$2,220
HOA, Maintenance & Insurance	3	\$1,380	\$1,440	\$2,040	\$2,220
I. Moderate Income Units					
A. Affordable Sales Price Based on 110% AMI					
Benchmark Annual Household Income		\$85,030	\$91,850	\$76,510	\$85,030
Income Allotted to Housing @ 35% of Income		\$29,760	\$32,150	\$26,780	\$29,760
B. Property Taxes @ 1.15% of Market Price					
		\$7,520	\$8,140	\$4,360	\$5,640
C. Income Available for Mortgage					
	4	\$18,640	\$19,846	\$18,556	\$19,680
D. Affordable Sales Price					
Supportable Mtg @ 4.01% Interest	5	\$325,000	\$346,000	\$323,500	\$343,100
Home Buyer Down Payment @ 5% of EAP		17,100	18,200	13,300	17,200
Affordable Sales Price		\$342,100	\$364,200	\$336,800	\$360,300
Estimated Achievable Price (EAP)		\$342,100	\$364,200	\$265,300 6	\$343,000 6
II. Low Income Units					
A. Affordable Sales Price Based on 70% AMI					
Benchmark Annual Household Income		\$54,110	\$58,450	\$48,690	\$54,110
Income Allotted to Housing @ 30% of Income		\$16,230	\$17,540	\$14,610	\$16,230
B. Property Taxes @ 1.15% of Market Price					
		\$7,520	\$8,140	\$4,360	\$5,640
C. Income Available for Mortgage					
	4	\$5,110	\$5,236	\$6,386	\$6,150
D. Affordable Sales Price					
Supportable Mtg @ 4.01% Interest	5	\$89,100	\$91,300	\$111,300	\$107,200
Home Buyer Down Payment @ 5% of ASP		4,700	4,800	5,900	5,600
Affordable Sales Price		\$93,800	\$96,100	\$117,200	\$112,800

1 Based on 2020 Los Angeles County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

2 Utilities allowances are based on the LACDA Single Family Home utility allowance schedule effective as of 7/1/20. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, and Trash.

3 Based in part on the HOA dues identified in the home sales survey.

4 Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.15% of Market Price.

5 Based on a 50 basis points premium applied to the Bankrate site average as of July 1, 2020 for a fixed-interest rate loan with a 30-year amortization period.

6 Based on the assumption that a home buyer will require a discount in the range of 30% in order to accept long-term income and affordability covenants.

APPENDIX D - EXHIBIT II

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

		Single Family Home Prototype	Townhome Prototype
I.	<u>Sales Price Difference</u>	¹	
	A. Two-Bedroom Units		
	Market Rate Sales Price		\$379,000
	Affordable Sales Price	²	265,300
	Difference		\$113,700
	B. Three-Bedroom Units		
	Market Rate Sales Price	\$654,000	\$490,000
	Affordable Sales Price	² 342,100	343,000
	Difference	\$311,900	\$147,000
	C. Four-Bedroom Units		
	Market Rate Sales Price	\$708,000	
	Affordable Sales Price	² 364,200	
	Difference	\$343,800	
II.	<u>Distribution of Total Units</u>	³	
	Two-Bedroom Units	0%	45%
	Three-Bedroom Units	76%	55%
	Four-Bedroom Units	24%	0%
III.	<u>In-Lieu Fee</u>		
	Per Inclusionary Unit	⁴ \$320,000	\$132,000
	Inclusionary Housing Percentage	7%	10%
	Per Total Unit in the Project	⁵ \$22,400	\$13,200
	Per Square Foot of Saleable Area	⁶ \$11.40	\$9.30

- ¹ The market rate sales prices are drawn from the pro forma analyses. (See APPENDIX A - EXHIBIT I and APPENDIX B - EXHIBIT I).
The Affordable Sales Prices are based on the H&SC Section 50052.5 calculation methodology. (See APPENDIX D - EXHIBIT I).
- ² See APPENDIX D - EXHIBIT I.
- ³ Based on the unit mix distribution applied in the pro forma analysis.
- ⁴ Based on the weighted average difference between the market rate prices and the Affordable Sales Prices.
- ⁵ Based on the Affordability Gap Per Inclusionary Unit multiplied times the Inclusionary Housing Percentage.
- ⁶ Based on the Affordability Gap Per Inclusionary Unit divided by the average saleable area per unit.

ATTACHMENT 3

APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX A

PRO FORMA ANALYSES LOW DENSITY PROTOTYPE APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX A - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX A - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	At-Grade Spaces/Carports		44 Spaces	\$5,000 /Space	220,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		116,733 Sf of GBA	\$125 /Sf of GBA	14,592,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		3,354,000	
	Total Direct Costs		116,733 Sf of GBA	\$172 /Sf of GBA		\$20,126,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$1,208,000	
	Public Permits & Fees	⁵	105 Units	\$27,000 /Unit	2,835,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		403,000	
	Marketing		105 Units	\$1,000 /Unit	105,000	
	Developer Fee		5% Direct Costs		1,006,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		278,000	
	Total Indirect Costs					\$5,835,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,614,000 Cost	5.0% Avg Rate	\$163,000	
	Construction	⁷	\$27,422,000 Cost	5.0% Avg Rate	1,028,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	270,000	
	Total Financing Costs					\$1,461,000
V.	Total Construction Cost		105 Units	\$261,000 /Unit		\$27,422,000
	Total Development Cost		105 Units	\$286,000 /Unit		\$30,036,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for Studio Units; 1.5 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.5 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 60% average outstanding loan balance.

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

APPENDIX A - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units				
	¹			
Studio Units	5 Units @	\$1,812 /Unit/Month	\$109,000	
One-Bedroom Units	53 Units @	\$2,053 /Unit/Month	1,306,000	
Two-Bedroom Units	42 Units @	\$2,412 /Unit/Month	1,215,000	
Three-Bedroom Units	5 Units @	\$2,985 /Unit/Month	179,000	
B. Laundry & Miscellaneous Income				
	105 Units @	\$25 /Unit/Month	32,000	
Total Gross Income				\$2,841,000
Vacancy & Collection Allowance	5% Gross Income			(142,000)
II. Effective Gross Income				\$2,699,000
III. <u>Operating Expenses</u>				
General Operating Expenses	105 Units @	\$4,500 /Unit	\$472,500	
Property Taxes	105 Units @	\$3,900 /Unit	413,000	
Replacement Reserve Deposits	105 Units @	\$150 /Unit	16,000	
Total Operating Expenses				(\$901,500)
IV. Stabilized Net Operating Income				\$1,797,500

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.67 per square foot of leasable area.

APPENDIX A - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
MARKET RATE ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX A - EXHIBIT I - TABLE 2	\$1,797,500
II.	Total Development Cost	See APPENDIX A - EXHIBIT I - TABLE 1	\$30,036,000
III.	Return on Total Investment		5.98%

APPENDIX A - EXHIBIT II

PRO FORMA ANALYSIS VERY LOW INCOME ALTERNATIVE LOW DENSITY PROTOTYPE: ZONING COMPLIANT APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX A - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
VERY LOW INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	At-Grade Spaces/Carports		44 Spaces	\$5,000 /Space	220,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		116,733 Sf of GBA	\$125 /Sf of GBA	14,592,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		3,354,000	
	Total Direct Costs		116,733 Sf of GBA	\$172 /Sf of GBA		\$20,126,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$1,208,000	
	Public Permits & Fees	⁵	105 Units	\$27,000 /Unit	2,835,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		403,000	
	Marketing		105 Units	\$1,000 /Unit	105,000	
	Developer Fee		5% Direct Costs		1,006,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		278,000	
	Total Indirect Costs					\$5,835,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,572,400 Cost	5.0% Avg Rate	\$161,000	
	Construction	⁷	\$27,420,000 Cost	5.0% Avg Rate	1,028,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	270,000	
	Total Financing Costs					\$1,459,000
V.	Total Construction Cost		105 Units	\$261,000 /Unit		\$27,420,000
	Total Development Cost		105 Units	\$286,000 /Unit		\$30,034,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for Studio Units; 1.5 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.5 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 100% average outstanding loan balance. Includes a \$41,600 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX A - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
VERY LOW INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	5 Units @	\$1,812 /Unit/Month	\$109,000
One-Bedroom Units	51 Units @	\$2,053 /Unit/Month	1,256,000
Two-Bedroom Units	41 Units @	\$2,412 /Unit/Month	1,187,000
Three-Bedroom Units	5 Units @	\$2,985 /Unit/Month	179,000

B. Very Low Income Units

²

Studio Units	0 Units @	\$633 /Unit/Month	0
One-Bedroom Units	2 Units @	\$715 /Unit/Month	17,000
Two-Bedroom Units	1 Unit @	\$796 /Unit/Month	10,000
Three-Bedroom Units	0 Units @	\$877 /Unit/Month	0

C. Laundry & Miscellaneous Income

105 Units @	\$25 /Unit/Month	32,000
-------------	------------------	--------

Total Gross Income

\$2,790,000

Vacancy & Collection Allowance

5% Gross Income

(140,000)

II. Effective Gross Income

\$2,650,000

III. Operating Expenses

General Operating Expenses	105 Units @	\$4,500 /Unit	\$472,500
Property Taxes	105 Units @	\$3,800 /Unit	404,000
Replacement Reserve Deposits	105 Units @	\$150 /Unit	16,000

Total Operating Expenses

105 Units @	\$8,500 /Unit	(\$892,500)
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IV. Stabilized Net Operating Income

\$1,757,500

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.67 per square foot of leasable area.

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

APPENDIX A - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 VERY LOW INCOME ALTERNATIVE
 LOW DENSITY PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX A - EXHIBIT II - TABLE 2	\$1,757,500	
Threshold Return on Total Investment ¹		5.98%	
Total Supportable Investment			\$29,368,000
II. Total Development Cost			
	See APPENDIX A - EXHIBIT II - TABLE 1		\$30,034,000
III. <u>Total Financial Impact</u>			
Property Acquisition Cost Reduction	25% of Estimated Current Acquisition Prices		(\$666,000)
Return on Total Investment	5.85% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	1.8% Market Rate Units		

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

APPENDIX A - EXHIBIT III

**PRO FORMA ANALYSIS
LOW INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX A - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LOW INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680	Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³					
	At-Grade Spaces/Carports		44	Spaces	\$5,000 /Space	220,000	
	1st Level Subterranean		0	Spaces	\$35,000 /Space	0	
	Building Costs		116,733	Sf of GBA	\$125 /Sf of GBA	14,592,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		3,354,000	
	Total Direct Costs		116,733	Sf of GBA	\$172 /Sf of GBA		\$20,126,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		6%	Direct Costs		\$1,208,000	
	Public Permits & Fees	⁵	105	Units	\$27,000 /Unit	2,835,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		403,000	
	Marketing		105	Units	\$1,000 /Unit	105,000	
	Developer Fee		5%	Direct Costs		1,006,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		278,000	
	Total Indirect Costs						\$5,835,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁶	\$2,562,900	Cost	5.0% Avg Rate	\$160,000	
	Construction	⁷	\$27,419,000	Cost	5.0% Avg Rate	1,028,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	270,000	
	Total Financing Costs						\$1,458,000
V.	Total Construction Cost		105	Units	\$261,000 /Unit		\$27,419,000
	Total Development Cost		105	Units	\$286,000 /Unit		\$30,033,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for Studio Units; 1.5 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.5 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 100% average outstanding loan balance. Includes a \$51,100 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX A - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
LOW INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	5 Units @	\$1,812 /Unit/Month	\$109,000
One-Bedroom Units	51 Units @	\$2,053 /Unit/Month	1,256,000
Two-Bedroom Units	40 Units @	\$2,412 /Unit/Month	1,158,000
Three-Bedroom Units	5 Units @	\$2,985 /Unit/Month	179,000

B. Low Income Units

²

Studio Units	0 Units @	\$768 /Unit/Month	0
One-Bedroom Units	2 Units @	\$870 /Unit/Month	21,000
Two-Bedroom Units	2 Units @	\$970 /Unit/Month	23,000
Three-Bedroom Units	0 Units @	\$1,071 /Unit/Month	0

C. Laundry & Miscellaneous Income

105 Units @	\$25 /Unit/Month	32,000
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Total Gross Income

\$2,778,000

Vacancy & Collection Allowance

5% Gross Income

(139,000)

II. Effective Gross Income

\$2,639,000

III. Operating Expenses

General Operating Expenses	105 Units @	\$4,500 /Unit	\$472,500
Property Taxes	105 Units @	\$3,800 /Unit	402,000
Replacement Reserve Deposits	105 Units @	\$150 /Unit	16,000
Total Operating Expenses	105 Units @	\$8,481 /Unit	(\$890,500)

IV. Stabilized Net Operating Income

\$1,748,500

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.68 per square foot of leasable area.

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

APPENDIX A - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 LOW INCOME ALTERNATIVE
 LOW DENSITY PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX A - EXHIBIT III - TABLE 2	\$1,748,500	
Threshold Return on Total Investment ¹		5.98%	
Total Supportable Investment			\$29,217,000
II. Total Development Cost			
	See APPENDIX A - EXHIBIT III - TABLE 1		\$30,033,000
III. <u>Total Financial Impact</u>			
Property Acquisition Cost Reduction	31% of Estimated Current Acquisition Prices		(\$816,000)
Return on Total Investment	5.82% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	2.2% Market Rate Units		

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

APPENDIX A - EXHIBIT IV

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX A - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MODERATE INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680	Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³					
	At-Grade Spaces/Carports		44	Spaces	\$5,000 /Space	220,000	
	1st Level Subterranean		0	Spaces	\$35,000 /Space	0	
	Building Costs		116,733	Sf of GBA	\$125 /Sf of GBA	14,592,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		3,354,000	
	Total Direct Costs		116,733	Sf of GBA	\$172 /Sf of GBA		\$20,126,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting			6% Direct Costs		\$1,208,000	
	Public Permits & Fees	⁵	105	Units	\$27,000 /Unit	2,835,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		403,000	
	Marketing		105	Units	\$1,000 /Unit	105,000	
	Developer Fee			5% Direct Costs		1,006,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		278,000	
	Total Indirect Costs						\$5,835,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁶	\$2,557,800	Cost	5.0% Avg Rate	\$160,000	
	Construction	⁷	\$27,420,000	Cost	5.0% Avg Rate	1,028,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	270,000	
	Total Financing Costs						\$1,458,000
V.	Total Construction Cost		105	Units	\$261,000 /Unit		\$27,419,000
	Total Development Cost		105	Units	\$286,000 /Unit		\$30,033,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for Studio Units; 1.5 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.5 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 100% average outstanding loan balance. Includes a \$56,200 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX A - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MODERATE INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	4 Units @	\$1,812 /Unit/Month	\$87,000
One-Bedroom Units	48 Units @	\$2,053 /Unit/Month	1,182,000
Two-Bedroom Units	38 Units @	\$2,412 /Unit/Month	1,100,000
Three-Bedroom Units	4 Units @	\$2,985 /Unit/Month	143,000

B. Moderate Income Units

²

Studio Units	1 Unit @	\$1,445 /Unit/Month	17,000
One-Bedroom Units	5 Units @	\$1,643 /Unit/Month	99,000
Two-Bedroom Units	4 Units @	\$1,840 /Unit/Month	88,000
Three-Bedroom Units	1 Unit @	\$2,037 /Unit/Month	24,000

C. Laundry & Miscellaneous Income

105 Units @	\$25 /Unit/Month	32,000
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Total Gross Income

\$2,772,000

Vacancy & Collection Allowance

5% Gross Income

(139,000)

II. Effective Gross Income

\$2,633,000

III. Operating Expenses

General Operating Expenses	105 Units @	\$4,500 /Unit	\$472,500
Property Taxes	105 Units @	\$3,800 /Unit	401,000
Replacement Reserve Deposits	105 Units @	\$150 /Unit	16,000

Total Operating Expenses

105 Units @	\$8,471 /Unit	(\$889,500)
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IV. Stabilized Net Operating Income

\$1,743,500

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.67 per square foot of leasable area.

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

APPENDIX A - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
MODERATE INCOME ALTERNATIVE
LOW DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX A - EXHIBIT IV - TABLE 2	\$1,743,500	
Threshold Return on Total Investment ¹		5.98%	
Total Supportable Investment			\$29,134,000
II. Total Development Cost			
	See APPENDIX A - EXHIBIT IV - TABLE 1		\$30,033,000
III. <u>Total Financial Impact</u>			
Property Acquisition Cost Reduction	34% of Estimated Current Acquisition Prices		(\$899,000)
Return on Total Investment	5.81% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	2.7% Market Rate Units		

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

APPENDIX A - EXHIBIT V

PRO FORMA ANALYSIS

DENSITY BONUS ALTERNATIVE

LOW DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

POMONA, CALIFORNIA

APPENDIX A - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DENSITY BONUS ALTERNATIVE
LOW DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	At-Grade Spaces/Carports		44 Spaces	\$5,000 /Space	220,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		158,040 Sf of GBA	\$125 /Sf of GBA	19,755,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		4,387,000	
	Total Direct Costs		158,040 Sf of GBA	\$167 /Sf of GBA		\$26,322,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$1,579,000	
	Public Permits & Fees	⁵	142 Units	\$27,000 /Unit	3,837,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		526,000	
	Marketing		142 Units	\$1,000 /Unit	142,000	
	Developer Fee		5% Direct Costs		1,316,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		370,000	
	Total Indirect Costs					\$7,770,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,562,625 Cost	5.0% Avg Rate	\$160,000	
	Construction	⁷	\$35,947,000 Cost	5.0% Avg Rate	1,348,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	347,000	
	Total Financing Costs					\$1,855,000
V.	Total Construction Cost		142 Units	\$253,000 /Unit		\$35,947,000
	Total Development Cost		142 Units	\$271,000 /Unit		\$38,561,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ For sites within 1/4 mile of transit stops, Section 65915 (p) set the parking standards at 0.5 spaces for Studio Units; 0.5 spaces for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.5 spaces for Three-Bedroom Units; and no guest spaces can be required. KMA set the parking standard at the greater of the Section 65915 (p) requirement or one space per unit.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 100% average outstanding loan balance. Includes a \$51,375 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX A - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
DENSITY BONUS ALTERNATIVE
LOW DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	6 Units @	\$1,812 /Unit/Month	\$130,000
One-Bedroom Units	63 Units @	\$2,053 /Unit/Month	1,552,000
Two-Bedroom Units	51 Units @	\$2,412 /Unit/Month	1,476,000
Three-Bedroom Units	7 Units @	\$2,985 /Unit/Month	251,000

B. Inclusionary Units

Density Bonus Units

²

Studio Units	1 Unit @	\$633 /Unit/Month	8,000
One-Bedroom Units	6 Units @	\$715 /Unit/Month	51,000
Two-Bedroom Units	5 Units @	\$796 /Unit/Month	48,000
Three-Bedroom Units	0 Units @	\$877 /Unit/Month	0

Inclusionary Units

Studio Units	0 Units	\$1,445 /Unit/Month	0
One-Bedroom Units	2 Units	\$1,643 /Unit/Month	39,000
Two-Bedroom Units	1 Unit	\$1,840 /Unit/Month	22,000
Three-Bedroom Units	0 Units	\$2,037 /Unit/Month	0

C. Laundry & Miscellaneous Income

142 Units @	\$25 /Unit/Month	43,000
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Total Gross Income

\$3,620,000

Vacancy & Collection Allowance

5% Gross Income

(181,000)

II. Effective Gross Income

\$3,439,000

III. Operating Expenses

General Operating Expenses	142 Units @	\$4,500 /Unit	\$639,500
Property Taxes	142 Units @	\$3,700 /Unit	520,000
Replacement Reserve Deposits	142 Units @	\$150 /Unit	21,000
Total Operating Expenses	142 Units @	\$8,307 /Unit	(\$1,180,500)

IV. Stabilized Net Operating Income

\$2,258,500

- ¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.67 per square foot of leasable area.
- ² Under Section 65915 (f) (2), 11% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.
- ³ The balance of the affordable units are set aside for moderate income households. Under Section 50053, the moderate income rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX A - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
DENSITY BONUS ALTERNATIVE
LOW DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX A - EXHIBIT V - TABLE 2	\$2,258,500	
Threshold Return on Total Investment ¹		5.98%	
Total Supportable Investment			\$37,739,000
II. Total Development Cost			
	See APPENDIX A - EXHIBIT V - TABLE 1		\$38,561,000
III. <u>Total Financial Impact</u>			
			(\$822,000)
Property Acquisition Cost Reduction	31% of Estimated Current Acquisition Prices		
Return on Total Investment	5.86% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	1.8% Market Rate Units		

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

APPENDIX B

PRO FORMA ANALYSES HIGH DENSITY PROTOTYPE APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX B - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	1	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	3				
	Above-Ground Spaces		337 Spaces	\$20,000 /Space	6,740,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		244,667 Sf of GBA	\$135 /Sf of GBA	33,030,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		8,346,000	
	Total Direct Costs		244,667 Sf of GBA	\$205 /Sf of GBA		\$50,076,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$3,005,000	
	Public Permits & Fees	5	210 Units	\$27,000 /Unit	5,670,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		1,002,000	
	Marketing		210 Units	\$1,000 /Unit	210,000	
	Developer Fee		5% Direct Costs		2,504,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		620,000	
	Total Indirect Costs					\$13,011,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	6	\$2,614,000 Cost	5.0% Avg Rate	\$163,000	
	Construction	7	\$66,360,000 Cost	5.0% Avg Rate	2,489,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	621,000	
	Total Financing Costs					\$3,273,000
V.	Total Construction Cost		210 Units	\$316,000 /Unit		\$66,360,000
	Total Development Cost		210 Units	\$328,000 /Unit		\$68,974,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for One-Bedroom Units; 1.5 space for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; 2.5 spaces for Guest Parking; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 60% average outstanding loan balance.

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

APPENDIX B - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units ¹

Studio Units	32 Units @	\$1,977 /Unit/Month	\$759,000
One-Bedroom Units	90 Units @	\$2,199 /Unit/Month	2,375,000
Two-Bedroom Units	88 Units @	\$2,653 /Unit/Month	2,801,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Laundry & Miscellaneous Income

210 Units @	\$25 /Unit/Month	63,000
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Total Gross Income

\$5,998,000

Vacancy & Collection Allowance

5% Gross Income

(300,000)

II. **Effective Gross Income**

\$5,698,000

III. Operating Expenses

General Operating Expenses	210 Units @	\$4,500 /Unit	\$945,000
Property Taxes	210 Units @	\$4,200 /Unit	883,000
Replacement Reserve Deposits	210 Units @	\$150 /Unit	32,000

Total Operating Expenses

(\$1,860,000)

IV. **Stabilized Net Operating Income**

\$3,838,000

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.70 per square foot of leasable area.

APPENDIX B - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
MARKET RATE ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT I - TABLE 2	\$3,838,000
II.	Total Development Cost	See APPENDIX B - EXHIBIT I - TABLE 1	<u>\$68,974,000</u>
III.	Return on Total Investment		5.56%

APPENDIX B - EXHIBIT II

**PRO FORMA ANALYSIS
VERY LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
VERY LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	Above-Ground Spaces		337 Spaces	\$20,000 /Space	6,740,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		244,667 Sf of GBA	\$135 /Sf of GBA	33,030,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		8,346,000	
	Total Direct Costs		244,667 Sf of GBA	\$205 /Sf of GBA		\$50,076,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$3,005,000	
	Public Permits & Fees	⁵	210 Units	\$27,000 /Unit	5,670,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		1,002,000	
	Marketing		210 Units	\$1,000 /Unit	210,000	
	Developer Fee		5% Direct Costs		2,504,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		620,000	
	Total Indirect Costs					\$13,011,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,532,400 Cost	5.0% Avg Rate	\$158,000	
	Construction	⁷	\$66,356,000 Cost	5.0% Avg Rate	2,488,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	621,000	
	Total Financing Costs					\$3,267,000
V.	Total Construction Cost		210 Units	\$316,000 /Unit		\$66,354,000
	Total Development Cost		210 Units	\$328,000 /Unit		\$68,968,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for One-Bedroom Units; 1.5 space for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; 2.5 spaces for Guest Parking; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on a 15 month construction period and a 100% average outstanding loan balance. Includes a \$81,600 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX B - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
VERY LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	31 Units @	\$1,977 /Unit/Month	\$735,000
One-Bedroom Units	88 Units @	\$2,199 /Unit/Month	2,323,000
Two-Bedroom Units	86 Units @	\$2,653 /Unit/Month	2,738,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Very Low Income Units

²

Studio Units	1 Unit @	\$633 /Unit/Month	8,000
One-Bedroom Units	2 Units @	\$715 /Unit/Month	17,000
Two-Bedroom Units	2 Units @	\$796 /Unit/Month	19,000
Three-Bedroom Units	0 Units @	\$877 /Unit/Month	0

C. Laundry & Miscellaneous Income

210 Units @	\$25 /Unit/Month	63,000
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Total Gross Income		\$5,903,000
Vacancy & Collection Allowance	5% Gross Income	(295,000)

II. **Effective Gross Income**

\$5,608,000

III. Operating Expenses

General Operating Expenses	210 Units @	\$4,500 /Unit	\$945,000
Property Taxes	210 Units @	\$4,100 /Unit	866,000
Replacement Reserve Deposits	210 Units @	\$150 /Unit	32,000
Total Operating Expenses	210 Units @	\$8,776 /Unit	(\$1,843,000)

IV. **Stabilized Net Operating Income** \$3,765,000

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.70 per square foot of leasable area.

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

APPENDIX B - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 VERY LOW INCOME ALTERNATIVE
 HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT II - TABLE 2	\$3,765,000	
Threshold Return on Total Investment ¹		5.56%	
Total Supportable Investment			\$67,662,000
II. Total Development Cost			
	See APPENDIX B - EXHIBIT II - TABLE 1		\$68,968,000
III. <u>Total Financial Impact</u>			
			(\$1,306,000)
Property Acquisition Cost Reduction	50% of Estimated Current Acquisition Prices		
Return on Total Investment	5.46% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	1.6% Market Rate Units		

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

APPENDIX B - EXHIBIT III

**PRO FORMA ANALYSIS
LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	Above-Ground Spaces		337 Spaces	\$20,000 /Space	6,740,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		244,667 Sf of GBA	\$135 /Sf of GBA	33,030,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		8,346,000	
	Total Direct Costs		244,667 Sf of GBA	\$205 /Sf of GBA		\$50,076,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$3,005,000	
	Public Permits & Fees	⁵	210 Units	\$27,000 /Unit	5,670,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		1,002,000	
	Marketing		210 Units	\$1,000 /Unit	210,000	
	Developer Fee		5% Direct Costs		2,504,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		620,000	
	Total Indirect Costs					\$13,011,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,524,500 Cost	5.0% Avg Rate	\$158,000	
	Construction	⁷	\$66,354,000 Cost	5.0% Avg Rate	2,488,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	621,000	
	Total Financing Costs					\$3,267,000
V.	Total Construction Cost		210 Units	\$316,000 /Unit		\$66,354,000
	Total Development Cost		210 Units	\$328,000 /Unit		\$68,968,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for One-Bedroom Units; 1.5 space for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; 2.5 spaces for Guest Parking; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on an 15 month construction period and a 100% average outstanding loan balance. Includes a \$89,500 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX B - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	31 Units @	\$1,977 /Unit/Month	\$735,000
One-Bedroom Units	87 Units @	\$2,199 /Unit/Month	2,296,000
Two-Bedroom Units	86 Units @	\$2,653 /Unit/Month	2,738,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Low Income Units

²

Studio Units	1 Unit @	\$768 /Unit/Month	9,000
One-Bedroom Units	3 Units @	\$870 /Unit/Month	31,000
Two-Bedroom Units	2 Units @	\$970 /Unit/Month	23,000
Three-Bedroom Units	0 Units @	\$1,071 /Unit/Month	0

C. Laundry & Miscellaneous Income

210 Units @	\$25 /Unit/Month	63,000
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Total Gross Income

\$5,895,000

Vacancy & Collection Allowance

5% Gross Income

(295,000)

II. **Effective Gross Income**

\$5,600,000

III. Operating Expenses

General Operating Expenses	210 Units @	\$4,500 /Unit	\$945,000
Property Taxes	210 Units @	\$4,100 /Unit	865,000
Replacement Reserve Deposits	210 Units @	\$150 /Unit	32,000
Total Operating Expenses	210 Units @	\$8,771 /Unit	(\$1,842,000)

IV. **Stabilized Net Operating Income**

\$3,758,000

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.69 per square foot of leasable area.

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

APPENDIX B - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
LOW INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT III - TABLE 2	\$3,758,000	
Threshold Return on Total Investment ¹		5.56%	
Total Supportable Investment			\$67,536,000
II. Total Development Cost			
	See APPENDIX B - EXHIBIT III - TABLE 1		\$68,968,000
III. <u>Total Financial Impact</u>			
			(\$1,432,000)
Property Acquisition Cost Reduction	55% of Estimated Current Acquisition Prices		
Return on Total Investment	5.45% Based on Estimated Current Property Acquisition Costs		
% Rent Increase to Offset Impact	1.7% Market Rate Units		

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

APPENDIX B - EXHIBIT IV

**PRO FORMA ANALYSIS
MODERATE INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA**

APPENDIX B - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MODERATE INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680 Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²				
	On-Site Improvements/Landscaping		130,680 Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³				
	Above-Ground Spaces		337 Spaces	\$20,000 /Space	6,740,000	
	1st Level Subterranean		0 Spaces	\$35,000 /Space	0	
	Building Costs		244,667 Sf of GBA	\$135 /Sf of GBA	33,030,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		8,346,000	
	Total Direct Costs		244,667 Sf of GBA	\$205 /Sf of GBA		\$50,076,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		6% Direct Costs		\$3,005,000	
	Public Permits & Fees	⁵	210 Units	\$27,000 /Unit	5,670,000	
	Taxes, Insurance, Legal & Accounting		2% Direct Costs		1,002,000	
	Marketing		210 Units	\$1,000 /Unit	210,000	
	Developer Fee		5% Direct Costs		2,504,000	
	Soft Cost Contingency Allowance		5% Other Indirect Costs		620,000	
	Total Indirect Costs					\$13,011,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	⁶	\$2,513,400 Cost	5.0% Avg Rate	\$157,000	
	Construction	⁷	\$66,353,000 Cost	5.0% Avg Rate	2,488,000	
	Loan Origination Fees		60% Loan to Cost	1.5 Points	621,000	
	Total Financing Costs					\$3,266,000
V.	Total Construction Cost		210 Units	\$316,000 /Unit		\$66,353,000
	Total Development Cost		210 Units	\$328,000 /Unit		\$68,967,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ The base requirement is 1.0 spaces for One-Bedroom Units; 1.5 space for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; 2.5 spaces for Guest Parking; and 0.25 spaces per unit for guest parking. The prototypes apply a 15% reduction from the base requirement.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on an 15 month construction period and a 100% average outstanding loan balance. Includes a \$100,600 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX B - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MODERATE INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	30 Units @	\$1,977 /Unit/Month	\$712,000
One-Bedroom Units	83 Units @	\$2,199 /Unit/Month	2,191,000
Two-Bedroom Units	82 Units @	\$2,653 /Unit/Month	2,610,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Moderate Income Units

²

Studio Units	2 Units @	\$1,445 /Unit/Month	35,000
One-Bedroom Units	7 Units @	\$1,643 /Unit/Month	138,000
Two-Bedroom Units	6 Units @	\$1,840 /Unit/Month	132,000
Three-Bedroom Units	0 Units @	\$2,037 /Unit/Month	0

C. Laundry & Miscellaneous Income

210 Units @	\$25 /Unit/Month	63,000
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Total Gross Income			\$5,881,000
Vacancy & Collection Allowance	5% Gross Income		(294,000)

II. **Effective Gross Income**

\$5,587,000

III. Operating Expenses

General Operating Expenses	210 Units @	\$4,500 /Unit	\$945,000
Property Taxes	210 Units @	\$4,100 /Unit	862,000
Replacement Reserve Deposits	210 Units @	\$150 /Unit	32,000

Total Operating Expenses	210 Units @	\$8,757 /Unit	(\$1,839,000)
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IV. **Stabilized Net Operating Income**

\$3,748,000

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.70 per square foot of leasable area.
² Under Section 50053, the moderate income rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
MODERATE INCOME ALTERNATIVE
HIGH DENSITY PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. <u>Supportable Investment</u>		
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT IV - TABLE 2	\$3,748,000
Threshold Return on Total Investment ¹		5.56%
Total Supportable Investment		\$67,357,000
II. Total Development Cost		
	See APPENDIX B - EXHIBIT IV - TABLE 1	\$68,967,000
III. <u>Total Financial Impact</u>		(\$1,610,000)
Property Acquisition Cost Reduction	62% of Estimated Current Acquisition Prices	
Return on Total Investment	5.43% Based on Estimated Current Property Acquisition Costs	
% Rent Increase to Offset Impact	2.0% Market Rate Units	

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

APPENDIX B - EXHIBIT V

PRO FORMA ANALYSIS

DENSITY BONUS ALTERNATIVE

HIGH DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

POMONA, CALIFORNIA

APPENDIX B - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DENSITY BONUS ALTERNATIVE
HIGH DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Property Acquisition Costs	¹	130,680	Sf of Land	\$20 /Sf of Land		\$2,614,000
II.	<u>Direct Costs</u>	²					
	On-Site Improvements/Landscaping		130,680	Sf of Land	\$15 /Sf of Land	\$1,960,000	
	Parking	³					
	Above-Ground Spaces		284	Spaces	\$20,000 /Space	5,680,000	
	1st Level Subterranean		0	Spaces	\$35,000 /Space	0	
	Building Costs		330,933	Sf of GBA	\$135 /Sf of GBA	44,676,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		10,463,000	
	Total Direct Costs		330,933	Sf of GBA	\$190 /Sf of GBA		\$62,779,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting			6% Direct Costs		\$3,767,000	
	Public Permits & Fees	⁵	284	Units	\$27,000 /Unit	7,671,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,256,000	
	Marketing		284	Units	\$1,000 /Unit	284,000	
	Developer Fee			5% Direct Costs		3,139,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		806,000	
	Total Indirect Costs						\$16,923,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁶	\$2,560,187	Cost	5.0% Avg Rate	\$160,000	
	Construction	⁷	\$83,782,000	Cost	5.0% Avg Rate	3,142,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	778,000	
	Total Financing Costs						\$4,080,000
V.	Total Construction Cost		284	Units	\$295,000 /Unit		\$83,782,000
	Total Development Cost		284	Units	\$304,000 /Unit		\$86,396,000

¹ Estimated in part based on a sales survey of residentially zoned land in Pomona.

² Based on the estimated costs for similar uses.

³ For sites within 1/4 mile of transit stops, Section 65915 (p) set the parking standards at 0.5 spaces for Studio Units; 0.5 spaces for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.5 spaces for Three-Bedroom Units; and no guest spaces can be required. KMA set the parking standard at the greater of the Section 65915 (p) requirement or one space per unit.

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

⁵ Based on estimates prepared for other projects within Pomona.

⁶ Based on an 15 month construction period and a 100% average outstanding loan balance. Includes a \$53,813 offset to reflect the carrying cost savings associated with the estimated property acquisition cost reduction.

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

APPENDIX B - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
DENSITY BONUS ALTERNATIVE
HIGH DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	37 Units @	\$1,977 /Unit/Month	\$878,000
One-Bedroom Units	107 Units @	\$2,199 /Unit/Month	2,824,000
Two-Bedroom Units	104 Units @	\$2,653 /Unit/Month	3,311,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Inclusionary Units

Density Bonus Units

²

Studio Units	4 Units @	\$633 /Unit/Month	30,000
One-Bedroom Units	10 Units @	\$715 /Unit/Month	86,000
Two-Bedroom Units	10 Units @	\$796 /Unit/Month	96,000
Three-Bedroom Units	0 Units @	\$877 /Unit/Month	0

Inclusionary Units

Studio Units	2 Units	\$1,445 /Unit/Month	35,000
One-Bedroom Units	5 Units	\$1,643 /Unit/Month	99,000
Two-Bedroom Units	5 Units	\$1,840 /Unit/Month	110,000
Three-Bedroom Units	0 Units	\$2,037 /Unit/Month	0

C. Laundry & Miscellaneous Income

284 Units @	\$25 /Unit/Month	85,000
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Total Gross Income

\$7,554,000

Vacancy & Collection Allowance

5% Gross Income

(378,000)

\$7,176,000

II. Effective Gross Income

III. Operating Expenses

General Operating Expenses	284 Units @	\$4,500 /Unit	\$1,278,500
Property Taxes	284 Units @	\$3,900 /Unit	1,095,000
Replacement Reserve Deposits	284 Units @	\$150 /Unit	43,000
Total Operating Expenses	284 Units @	\$8,506 /Unit	(\$2,416,500)

IV. Stabilized Net Operating Income

\$4,759,500

¹ Based in part on the rent survey presented in APPENDIX C. The weighted average monthly rent equates to \$2.69 per square foot of leasable area.

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

³ The balance of the affordable units are set aside for moderate income households. Under Section 50053, the moderate income rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
DENSITY BONUS ALTERNATIVE
HIGH DENSITY PROTOTYPE: 35% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT V - TABLE 2	\$4,759,500
	Threshold Return on Total Investment ¹		5.56%
	Total Supportable Investment		\$85,535,000
II.	Total Development Cost	See APPENDIX B - EXHIBIT V - TABLE 1	\$86,396,000
III.	Total Financial Impact		(\$861,000)
	Property Acquisition Cost Reduction	33% of Estimated Current Acquisition Prices	
	Return on Total Investment	5.51% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.9% Market Rate Units	

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

APPENDIX C

RENT SURVEY

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

POMONA, CALIFORNIA

APPENDIX C

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

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
Studio Units							
Terramonte Apartment Homes	150 W Foothill Blvd	Pomona	20	504	\$1,311	\$2.60	1963 / 2012
Villa del Sol	235 W Grove St	Pomona	1	500	\$1,243	\$2.49	1972
Monterey Station	180 E Monterey Ave	Pomona	107	504	\$1,451	\$2.88	2014
The Olive Ridge Resort	2261 Valley Blvd	Pomona	28	455	\$1,295	\$2.85	1971
Plum Tree Apartments	284 Carnegie Ave	Claremont	14	384	\$1,265	\$3.29	1973
The Pines at Montclair Apartments	9550 Fremont Ave	Montclair	12	500	\$1,548	\$3.10	1964
The Paseos at Montclair North	4914 Olive St	Montclair	35	567	\$1,594	\$2.81	2014
	Minimum			384	\$1,243	\$2.49	
	Maximum			567	\$1,594	\$3.29	
	Weighted Average			500	\$1,433	\$2.88	

APPENDIX C

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

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
One-Bedroom Units							
777 Place	777 E 3rd Street	Pomona	342	512	\$1,430	\$2.79	1986
Eaves Phillips Ranch	400 Appian Way	Pomona	83	925	\$1,842	\$1.99	1989
Southridge Apartments	150 Drake Street	Pomona	16	816	\$1,623	\$1.99	1986
Terramonte Apartment Homes	150 W Foothill Blvd	Pomona	21	707	\$1,563	\$2.21	
Villa del Sol	235 W Grove St	Pomona	26	790	\$1,535	\$1.94	
Monterey Station	180 E Monterey Ave	Pomona	110	662	\$1,632	\$2.47	
The Olive Ridge Resort	2261 Valley Blvd	Pomona	152	742	\$1,350	\$1.82	
Plum Tree Apartments	284 Carnegie Ave	Claremont	24	656	\$1,634	\$2.49	
Brighton Park	1415 Morton Cir	Claremont	140	598	\$1,560	\$2.61	1982
Diamond Bar Village	1850 S Diamond Bar Blvd	Diamond Bar	64	776	\$1,752	\$2.26	1989
Emerald Point	2840 S Diamond Bar Blvd	Diamond Bar	96	725	\$1,574	\$2.17	1989
Monte Vista Apartment Homes	1825 Foothill Blvd	La Verne	119	805	\$1,853	\$2.30	1972
Amber Ridge Apartments	2421 Foothill Blvd	La Verne	42	801	\$1,881	\$2.35	2005
Alexan Kendry	4868 Cypress St	Montclair	122	797	\$1,929	\$2.42	2020
The Pines at Montclair Apartments	9550 Fremont Ave	Montclair	80	750	\$1,594	\$2.13	
The Paseos at Montclair North	4914 Olive St	Montclair	123	752	\$1,759	\$2.34	
	Minimum			512	\$1,350	\$1.82	
	Maximum			925	\$1,929	\$2.79	
	Weighted Average			695	\$1,619	\$2.37	

APPENDIX C

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

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
Two-Bedroom Units							
777 Place	777 E 3rd Street	Pomona	130	831	\$1,844	\$2.22	1979 / 2016
Eaves Phillips Ranch	400 Appian Way	Pomona	418	1,008	\$1,842	\$1.83	
Southridge Apartments	150 Drake Street	Pomona	64	924	\$1,725	\$1.87	
Terramonte Apartment Homes	150 W Foothill Blvd	Pomona	93	1,003	\$1,829	\$1.82	
Villa del Sol	235 W Grove St	Pomona	155	989	\$1,714	\$1.73	
Monterey Station	180 E Monterey Ave	Pomona	132	946	\$1,819	\$1.92	
The Olive Ridge Resort	2261 Valley Blvd	Pomona	40	874	\$1,695	\$1.94	
Plum Tree Apartments	284 Carnegie Ave	Claremont	61	837	\$1,682	\$2.01	
Brighton Park	1415 Morton Cir	Claremont	52	859	\$1,793	\$2.09	
Diamond Bar Village	1850 S Diamond Bar Blvd	Diamond Bar	72	937	\$1,950	\$2.08	
Emerald Point	2840 S Diamond Bar Blvd	Diamond Bar	64	1,010	\$2,088	\$2.07	
The Hills of Diamond Bar	1020 Grand Ave	Diamond Bar	193	923	\$2,120	\$2.30	
Monte Vista Apartment Homes	1825 Foothill Blvd	La Verne	64	969	\$1,972	\$2.04	
Amber Ridge Apartments	2421 Foothill Blvd	La Verne	67	1,060	\$2,031	\$1.92	
Alexan Kendry	4868 Cypress St	Montclair	85	1,118	\$2,389	\$2.14	
The Pines at Montclair Apartments	9550 Fremont Ave	Montclair	24	900	\$1,988	\$2.21	
The Lexington	9200 Monte Vista Ave	Montclair	77	948	\$2,026	\$2.14	
The Paseos at Montclair North	4914 Olive St	Montclair	177	1,137	\$2,068	\$1.82	
	Minimum			831	\$1,682	\$1.73	
	Maximum			1,137	\$2,389	\$2.30	
	Weighted Average			978	\$1,920	\$1.97	

APPENDIX C

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

Name	Address	City	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
Three-Bedroom Units							
Terramonte Apartment Homes	150 W Foothill Blvd	Pomona	4	1,098	\$2,077	\$1.89	2019
Meridian at Phillips Ranch	1 Lyons St	Pomona	56	1,833	\$2,993	\$1.63	
Plum Tree Apartments	284 Carnegie Ave	Pomona	10	2,306	\$2,306	\$1.00	
Brighton Park	1415 Morton Cir	Claremont	8	1,050	\$2,493	\$2.37	
The Hills of Diamond Bar	1020 Grand Ave	Diamond Bar	11	1,020	\$2,544	\$2.49	
Monte Vista Apartment Homes	1825 Foothill Blvd	La Verne	24	1,099	\$2,142	\$1.95	
Amber Ridge Apartments	2421 Foothill Blvd	La Verne	40	1,356	\$2,589	\$1.91	
Alexan Kendry	4868 Cypress St	Montclair	4	1,348	\$2,990	\$2.22	
The Lexington	9200 Monte Vista Ave	Montclair	87	1,224	\$2,223	\$1.82	
The Paseos at Montclair North	4914 Olive St	Montclair	50	1,356	\$2,561	\$1.89	
	Minimum			1,020	\$2,077	\$1.00	
	Maximum			2,306	\$2,993	\$2.49	
	Weighted Average			1,395	\$2,501	\$1.84	

APPENDIX D

AFFORDABILITY ANALYSES APARTMENT DEVELOPMENT INCLUSIONARY HOUSING: FINANCIAL EVALUATION POMONA, CALIFORNIA

APPENDIX D - EXHIBIT I

AFFORDABLE RENT CALCULATIONS
2020 INCOME STANDARDS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I.	General Assumptions				
	Area Median Income (AMI)	¹ \$54,150	\$61,850	\$69,550	\$77,300
	Monthly Utilities Allowance	² \$44	\$58	\$73	\$89
II.	Affordable Rent Calculations	³			
	A. Very Low Income - Rent Based on 50% AMI				
	Benchmark Annual Household Income	\$27,075	\$30,925	\$34,775	\$38,650
	Percentage of Income Allotted to Housing Expenses	30%	30%	30%	30%
	Monthly Income Available for Housing Expenses	\$677	\$773	\$869	\$966
	(Less) Monthly Utilities Allowance	(44)	(58)	(73)	(89)
	Maximum Allowable Rent	\$633	\$715	\$796	\$877
	B. Low Income - Rent Based on 60% AMI				
	Benchmark Annual Household Income	\$32,490	\$37,110	\$41,730	\$46,380
	Percentage of Income Allotted to Housing Expenses	30%	30%	30%	30%
	Monthly Income Available for Housing Expenses	\$812	\$928	\$1,043	\$1,160
	(Less) Monthly Utilities Allowance	(44)	(58)	(73)	(89)
	Maximum Allowable Rent	\$768	\$870	\$970	\$1,071
	C. Moderate Income - Rent Based on 110% AMI				
	Benchmark Annual Household Income	\$59,565	\$68,035	\$76,505	\$85,030
	Percentage of Income Allotted to Housing Expenses	30%	30%	30%	30%
	Monthly Income Available for Housing Expenses	\$1,489	\$1,701	\$1,913	\$2,126
	(Less) Monthly Utilities Allowance	(44)	(58)	(73)	(89)
	Maximum Allowable Rent	\$1,445	\$1,643	\$1,840	\$2,037

¹ Based on the 2020 Los Angeles County household incomes published by the California Housing & Community Development Department (HCD). The benchmark household size is set at the number of bedrooms in the unit plus one.

² Based on the LACDA Multifamily utility allowance schedule effective as of 7/1/20. Assumes: Gas Heating, Gas Cooking, and Gas Water Heater; Basic Electric; and Air Conditioning.

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

APPENDIX D - EXHIBIT II

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
LOW DENSITY PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

		Very Low Income	Low Income	Moderate Income
I. <u>Rent Difference</u>	1			
A. <u>Studio Units</u>				
Market Rate Units		\$1,812	\$1,812	\$1,812
Inclusionary Units		633	768	1,445
Difference		\$1,179	\$1,044	\$367
B. <u>One-Bedroom Units</u>				
Market Rate Units		\$2,053	\$2,053	\$2,053
Inclusionary Units		715	870	1,643
Difference		\$1,338	\$1,183	\$410
C. <u>Two-Bedroom Units</u>				
Market Rate Units		\$2,412	\$2,412	\$2,412
Inclusionary Units		796	970	1,840
Difference		\$1,615	\$1,441	\$572
D. <u>Three-Bedroom Units</u>				
Market Rate Units		\$2,985	\$2,985	\$2,985
Inclusionary Units		877	1,071	2,037
Difference		\$2,108	\$1,915	\$949
II. <u>Distribution of Total Units</u>	2			
Studio Units		5%	5%	5%
One-Bedroom Units		50%	50%	50%
Two-Bedroom Units		40%	40%	40%
Three-Bedroom Units		5%	5%	5%
III. <u>Annual Affordability Gap Per Inclusionary Unit</u>		\$17,735	\$15,776	\$5,981
Less: Property Tax Difference	3	(4,080)	(3,630)	(1,380)
Annual Affordability Gap Per Inclusionary Unit		\$13,655	\$12,146	\$4,601
IV. <u>Net Affordability Gap Per Inclusionary Unit</u>	4	\$228,000	\$203,000	\$77,000
V. <u>Inclusionary Housing Percentage</u>	5	3.3%	4.2%	10.0%
VI. <u>In-Lieu Fee</u>				
Per Total Unit in the Project	6	\$7,500	\$8,500	\$7,700
Per Square Foot of Leasable Area	7	\$9.00	\$10.20	\$9.20

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

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

³ Based on the rent differential capitalized at a 5.0% rate to establish the value, and a 1.15% property tax rate.

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

⁵ Based on the results of the pro forma analyses.

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

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

APPENDIX D - EXHIBIT III

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
HIGH DENSITY PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
POMONA, CALIFORNIA

		Very Low Income	Low Income	Moderate Income
I. Rent Difference	¹			
A. Studio Units				
Market Rate Units		\$1,977	\$1,977	\$1,977
Inclusionary Units		633	768	1,445
Difference		\$1,344	\$1,208	\$531
B. One-Bedroom Units				
Market Rate Units		\$2,199	\$2,199	\$2,199
Inclusionary Units		715	870	1,643
Difference		\$1,484	\$1,330	\$557
C. Two-Bedroom Units				
Market Rate Units		\$2,653	\$2,653	\$2,653
Inclusionary Units		796	970	1,840
Difference		\$1,856	\$1,683	\$813
D. Three-Bedroom Units				
Market Rate Units		\$0	\$0	\$0
Inclusionary Units		0	0	0
Difference		\$0	\$0	\$0
II. Distribution of Total Units	²			
Studio Units		15%	15%	15%
One-Bedroom Units		43%	43%	43%
Two-Bedroom Units		42%	42%	42%
Three-Bedroom Units		0%	0%	0%
III. Annual Affordability Gap Per Inclusionary Unit		\$19,426	\$17,509	\$7,924
Less: Property Tax Difference	³	(4,470)	(4,030)	(1,820)
Annual Affordability Gap Per Inclusionary Unit		\$14,956	\$13,479	\$6,104
IV. Net Affordability Gap Per Inclusionary Unit	⁴	\$269,000	\$242,000	\$110,000
V. Inclusionary Housing Percentage	⁵	2.6%	2.8%	7.3%
VI. In-Lieu Fee				
Per Total Unit in the Project	⁶	\$7,000	\$6,800	\$8,000
Per Square Foot of Leasable Area	⁷	\$8.00	\$7.80	\$9.20

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

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

³ Based on the rent differential capitalized at a 5.0% rate to establish the value, and a 1.15% property tax rate.

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

⁵ Based on the results of the pro forma analyses.

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

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