



KEYSER MARSTON ASSOCIATES™

**INCLUSIONARY HOUSING
FEASIBILITY ANALYSIS**

**Prepared for:
City of Culver City**

**Prepared by:
Keyser Marston Associates, Inc.**

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I. OVERVIEW

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Culver City (City) to prepare this Inclusionary Housing Feasibility Analysis (Inclusionary Analysis). The following report presents the results of the analysis, and is focused on the following:

1. The City's current unmet need for housing as defined in the Regional Housing Needs Assessment (RHNA) for the period between 2013 and 2021;
2. The financial impacts created by the imposition of Inclusionary Housing requirements;
3. The potential benefits created by the use of the California Government Code Sections 65915-65918 (Sections 65915-65918) density bonus; and
4. The role the City's Mixed-Use Ordinance, which was adopted by the City Council under Resolution No. 2008-RO15, which can potentially play in the creation of an Inclusionary Housing program.¹

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

A. Context

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

¹ The Mixed-Use Ordinance provides a density bonus for projects that include a Community Benefit contribution. The base density is 35 units per acre, and the Mixed-Use Ordinance generally allows for an increase to 50 units per acre, with a 65 unit per acre cap imposed in the Transit Oriented Development (TOD) District.

B. Key Court Cases and Statutes

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

Palmer Case

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

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

San Jose Case

In 2015, the California Supreme Court ruled in *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 requirements imposed by the “Mitigation Fee Act”.²

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 and rental apartment development. However, the *San Jose* case did not overturn the limitations *Palmer* imposed on Inclusionary Housing Programs for rental apartment projects.

The *San Jose* case is also relevant to rental apartment projects, because former Governor Brown publicly stated that he would not sign a “*Palmer Fix*” bill 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.

AB 1505

AB 1505, which is otherwise known as the “*Palmer Fix*”, was signed into law on September 29, 2017. AB 1505 amends Section 65850 of the California Government Code and adds Section 65850.01. This legislation provides jurisdictions with the ability to adopt ordinances that require rental apartment projects to include a defined percentage of affordable housing units.

Income and Affordability Requirements

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 the California Department of Housing and Community Development (HCD) the authority to review the restrictions imposed

² The Mitigation Fee Act is codified in California Government Code §66000 et seq.

by an Inclusionary Housing program on rental apartment projects 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 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.

At this time the City has exceeded the current RHNA goal for above moderate income housing and has timely submitted Housing Element Progress Reports.³ As such, HCD does not have the explicit right to require a review of the Inclusionary Housing requirements imposed on rental apartment projects if more than 15% of the units are required to be restricted at less than 80% of AMI. However, HCD has broad authority to evaluate potential constraints to housing production as part of their Housing Element review authority.

This Inclusionary Analysis has been prepared to assist the City in creating an Inclusionary Housing program that is not confiscatory and does not deprive a property owner of a fair and reasonable return on their investment. It is also intended to demonstrate that the imposition of the recommended affordable housing requirements will not create a constraint to housing production.

Alternatives to On-Site Production of Inclusionary Units

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

³ The City's total RHNA obligation for above moderate income units is 77 units. In the City's 2019 Housing Element Progress Report 354 above moderate income units are identified. This represents a 277 unit surplus.

off-site construction of affordable units, payment of a fee in-lieu of producing affordable housing units, land dedication, and the acquisition and rehabilitation of existing units.

C. Inclusionary Housing Program Characteristics

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. Key components 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 affordable housing production requirements. Common size thresholds range from three to 10 units.
2. In jurisdictions with disparate real estate and demographic conditions it is common to impose varying requirements based on defined subareas.
3. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being 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 can mitigate these impacts.
 - c. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Health and Safety Code (H&SC) Section 33413 standards of 45 years for ownership housing units and 55 years

for rental apartment projects are commonly used. However, both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific 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 income restricted units within new market rate residential projects;
2. Construction of a defined percentage of income restricted units in a project located in an off-site location;
3. Payment of a fee in lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community;
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 advantage associated with providing off-site and in-lieu fee options is that the affordable housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.

2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are available to affordable housing projects in Culver City are:
 - a. Low and Moderate Income Housing Asset Funds (LMIHAF) that are under the control of the Culver City Housing Authority (Housing Authority), the Housing Successor to the former Culver City Redevelopment Agency;
 - b. The Federal and State Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;
 - c. The funds allocated to jurisdictions by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017).
 - d. The array of affordable rental and ownership housing funding programs that are offered by the State and recently received funding allocations from the \$4 billion Senate Bill 3 bond issue;
 - e. The State provided Affordable Housing and Sustainable Communities (AHSC) Program; and
 - f. Funding provided by the Community Development Commission of the County of Los Angeles.

D. State Density Bonus and Inclusionary Housing Requirements

A tool that is commonly used to reduce the financial impact created by the imposition of Inclusionary Housing requirements is the density bonus provided by the Sections 65915-65918 density bonus. Sections 65915-65918 require jurisdictions to provide density bonuses based on a sliding scale ranging up to 35% depending on the magnitude of the income restrictions being imposed.

Sections 65915-65918 require the City to adopt an ordinance that specifies how it will comply with the State mandated requirements. The City's adopted ordinance is included in the Culver City Zoning Code Chapter 17.580 (Chapter 17.580), and it was last amended in May 2007. Sections 65915-65918 have been amended by the State Legislature several times since 2007, and Chapter 17.580 has not been updated to reflect those modifications. Until such time as the modifications are made by the City, State law will prevail over any inconsistencies between State law and Chapter 17.580.

In July 2013 the First District Court of Appeal held that jurisdictions must agree to apply the affordable units used to fulfill the Sections 65915-65918 requirements to the Inclusionary Housing requirements that will be imposed on a project.⁴ Based on that ruling, a developer can use the same affordable units to fulfill both the Inclusionary Housing requirements and the Sections 65915-65918 requirements. However, in order to exercise this option, the more stringent of the two programs' requirements must be applied.

The Sections 65915-65918 density bonus, and its associated concessions or incentives, can act to materially reduce the financial impacts created by Inclusionary Housing requirements. In the case of Culver City, an additional benefit can potentially be provided by allowing developers to combine the Sections 65915-65918 density bonus with the density bonus provided by the City's Mixed-Use Ordinance.

II. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

As discussed previously in this Inclusionary Analysis, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction. Sections 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on rental apartment projects.

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

In designing an Inclusionary Housing program, it is important to recognize that the imposition of affordable housing requirements will have an economic impact on residential development. It has been KMA's experience that the following sequence of events occurs when an Inclusionary Housing program is adopted:

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

It is likely that the imposition of affordable housing requirements will impact the values supported by properties that are subject to the requirements. However, the courts have found that this is permissible as long as the requirement is not confiscatory, and the property owner is not deprived of a fair and reasonable return. To comply with these requirements, key factors that should be considered in creating an Inclusionary Housing program are:

1. The requirements should be designed to balance the interests of property owners and developers against the public benefit created by the production of income restricted units; and
2. Within this context, it is important to recognize that an Inclusionary Housing program can only be expected to fulfill a small portion of the unmet need for affordable housing in Culver City.

III. METHODOLOGY

The purpose of this Inclusionary Analysis is to assist the City in developing a financially viable Inclusionary Housing program. The financial feasibility analysis is comprised of the following steps:

A. Unmet Need For Housing

The primary reason to create an Inclusionary Housing program is to assist the City in fulfilling the unmet need for affordable housing. For reference purposes, the following table identifies the City's unmet need for housing at the end of 2018 as defined in the RHNA.

Income Category	Total RHNA Goal	Permits Issued	Remaining Unmet RHNA Goal ⁵	
			Total	%
Very Low	48	6	42	88%
Low	29	4	25	86%
Moderate	31	4	27	87%
Above Moderate	77	354	0	0%
Totals	185	368	94	87%

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. Tools the City should use to achieve the desired balance between property owner/developer interests and the public benefit created by the production of income restricted units are:

1. The Sections 65915-65918 density bonus can potentially mitigate the financial impacts associated with the imposition of Inclusionary Housing requirements.
2. To maximize the opportunities for affordable housing units to be produced, California Government Code Section 65917 (Section 65917) prohibits jurisdictions from offering a density bonus or any other incentive that would undermine the intent of Sections 65915-65918.
3. Given the Section 65917 stipulation, it is KMA’s opinion that it would be prudent for the City to allow developers to use the City’s existing Mixed-Use Ordinance in combination with the Sections 65915-65918 density bonus.

⁵ The Remaining Unmet RHNA Goal and the Percentage of Remaining Unmet RHNA Goal calculations exclude the excess number of above moderate income units that have been permitted.

4. If the Sections 65915-65918 density bonus and the Mixed-Use Ordinance are used conjunctively it may be possible to mitigate some or all of the financial impact associated with the enactment of an Inclusionary Housing program.

C. Financial Analysis

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

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

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

The financial analyses are organized as follows:

Step	Task
1.	Creation of residential prototypes that are representative of new market rate development in Culver City.
2.	A survey of representative projects to estimate the achievable market rate rents and sales prices for the prototype units.
3.	Calculations of the Affordable Rents and Affordable Sales Prices.
4.	Projections of the percentage of units that could be designated as Inclusionary Housing units on a financially feasible basis.
5.	Projections of the in-lieu fees per square foot of gross building area (GBA) that could be supported using an Affordability Gap approach. This estimates the in-lieu fee amounts that would be required to be imposed to generate sufficient revenue to produce the defined percentages of Inclusionary Housing units.

The financial feasibility analyses are supported by the following Attachments and Appendices:

Attachment 1: Rental Apartment Analyses	
Appendix A	Base Zoning: 100% Market Rate Units – Pro Forma Analysis
Appendix B	Mixed-Use Zoning @ 50 Units Per Acre Base – Pro Forma Analysis
Appendix C	Mixed-Use Zoning @t 65 Units Per Acre Base – Pro Forma Analysis
Appendix D	Affordability Analyses
Appendix E	Backup Tables
Attachment 2: Ownership Housing Analyses	
Appendix A	Base Zoning: 100% Market Rate Units – Pro Forma Analysis
Appendix B	Mixed-Use Zoning @ 50 Units Per Acre Base – Pro Forma Analysis
Appendix C	Mixed-Use Zoning @ 65 Units Per Acre Base – Pro Forma Analysis
Appendix D	Affordability Analyses
Appendix E	Backup Tables

IV. RENTAL APARTMENT ANALYSES

A. Rental Apartment Prototypes

As discussed previously, in July 2013, the First District Court of Appeal held that jurisdictions must agree to apply Inclusionary Housing units toward the fulfillment of the affordable unit requirements imposed by the Sections 65915-65918 density bonus.⁶ For this rental apartment analysis it is a fundamental assumption that the City will allow developers to use the density allowed by the Mixed-Use Ordinance as the base zoning for projects that wish to use the Sections 65915-65918 density bonus on projects that are subject to Inclusionary Housing requirements.⁷

⁶ To use this provision a project must meet the more restrictive of the jurisdiction’s Inclusionary Housing requirements and the requirements imposed by Sections 65915-65918.

⁷ A prototype development at a density of 35 units per acre was also analyzed (Attachment 1: Appendix A). This prototype was used to assist in estimating the Community Benefits requirements associated with projects that use the Mixed-Use Ordinance.

The rental apartment 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 constructed in Culver City. The KMA market surveys were also used to estimate the achievable market rate rents for the prototype units evaluated in this analysis. The prototype analyses are intended to reflect average or typical rental residential projects rather than any specific project. It should be expected that specific projects will vary to some degree from the prototype.

The rental apartment prototypes used in this Inclusionary Analysis share the following common development scope characteristics:

Rental Apartment Development Prototypes: Common Characteristics		
Site Area	26,000 Square Feet	
Unit Composition	Unit Allocation	Average Unit Sizes (Sq Ft)
Studio Units	10%	525
One-Bedroom Units	45%	795
Two-Bedroom Units	40%	1,155
Three-Bedroom Units	5%	1,540
Parking	1.4 Spaces Per Unit	

The development scope assumptions that vary among the rental apartment scenarios are described in the following table:⁸

⁸ The Mixed-Use Ordinance requires all density calculations to be rounded down to the next whole number. Sections 65915-65918 require all density calculations to be rounded up to the next whole number.

Rental Apartment Development Prototypes: Variable Characteristics				
	Base @ 50 Units/Acre		Base @ 65 Units/Acre	
	Base Case	35% Density Bonus	Base Case	35% Density Bonus
Total Number of Units	29	41	38	53
<u>Unit Mix</u>				
Studio Units	3	4	4	5
One-Bedroom Units	13	19	17	24
Two-Bedroom Units	12	16	15	21
Three-Bedroom Units	1	2	2	3
Parking Type	Subt	Subt	Subt	Podium + Subt

B. Projected Market Rents

In April 2019, KMA compiled CoStar survey data from rental apartment projects that were recently completed or that are currently being constructed in the Culver City market area. (Attachment 1 – Appendix D – Exhibit I). The purpose of this survey was to assist in estimating the currently achievable market rents for the types of projects likely to be constructed in Culver City.

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

Projected Monthly Market Rate Rents: Rental Apartments		
	Monthly Rent	Rent Per Square Foot
Studio Units	\$2,233	\$4.25
One-Bedroom Units	\$2,768	\$3.48
Two-Bedroom Units	\$3,603	\$3.12
Three-Bedroom Units	\$4,820	\$3.13
Weighted Average	\$3,129	\$3.32

C. Affordable Rent Calculations

For the purposes of this study, the maximum Affordable Rents for the income restricted units were calculated based on the standards imposed by H&SC 50053.⁹ The calculations are presented in Attachment 1 – Appendix D – Exhibit II, and the assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on 2018 income statistics for Los Angeles County as a whole. The household incomes are published annually by the United States Department of Housing and Urban Development (HUD), and are distributed by HCD.
2. The household sizes used in the calculations are based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. This represents a benchmark for affordable rent calculation purposes, not an occupancy cap.
3. The household income is set at 60% of AMI for low income households and 50% of AMI for very low income households.

⁹ The H&SC Section 50053 Affordable Rent calculation methodology is also applied by the Sections 65915-65918 density bonus.

4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. The KMA calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; basic electric; and air conditioning.¹⁰

The resulting Affordable Rents are presented in the following table:

Affordable Rent Calculations – Rental Apartments		
	Low Income	Very Low Income
<u>Studio Units</u>		
Maximum Monthly Housing Cost	\$728	\$606
(Less) Monthly Utility Allowance	(35)	(35)
Affordable Rent	\$693	\$571
<u>One-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$832	\$693
(Less) Monthly Utility Allowance	(47)	(47)
Affordable Rent	\$785	\$646
<u>Two-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$935	\$779
(Less) Monthly Utility Allowance	(58)	(58)
Affordable Rent	\$877	\$721
<u>Three-Bedroom Units</u>		
Maximum Monthly Housing Cost	\$1,040	\$866
(Less) Monthly Utility Allowance	(73)	(73)
Affordable Rent	\$967	\$793

¹⁰ The utilities allowances are based on the Housing Authority of the County of Los Angeles (HACoLA) standards that went into effect on July 1, 2018.

D. Inclusionary Housing Production Analyses

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

Base Zoning at 35 Units Per Acre (Attachment 1: Appendix A)

The Mixed-Use Ordinance provides projects with a density bonus in return for the provision of a Community Benefit. The base density of 35 units per acres allows for the development of 21 units on the prototype 26,000 square foot site.

The threshold cost of the Community Benefit contribution is calculated using the following formula:

Community Benefit Contribution: Calculation Methodology
The number of dwelling units allowed above the base density
X
Market value of each unit
X
15% (Developer Profit)
X
50%

Mixed-Use Ordinance Scenarios: Base Zoning @ 50 Units Per Acre

1. At 50 units per acre, the Mixed-Use Ordinance allows for the development of 29 market rate units. This represents an eight unit increase over the base zoning at 35 units per acre.
2. The additional eight units generate an estimated Community Benefit cost of \$285,000.

3. The development scope for the Density Bonus + Inclusionary scenario is based on the following assumptions:
 - a. No additional Community Benefit requirement can be imposed on the Section 65915-65918 density bonus scenario.
 - b. This scenario allocates 11% of units that are allowed by the Base Zoning @ 50 Units Per Acre to very low income households. This qualifies the project for a 35% density bonus under the Sections 65915-65918 requirements.
 - c. The additional affordable units that are supported by this Inclusionary Analysis are allocated to low income households.

Mixed-Use Ordinance Scenarios: Base Zoning @ 65 Units Per Acre

1. At 65 units per acre, the Mixed-Use Ordinance allows for the development of 38 market rate units. This represents a 17 unit increase over the base zoning at 35 units per acre. This generates an estimated Community Benefit cost of \$635,000.
2. The development scope for the Density Bonus + Inclusionary scenario is based on the same assumptions as were applied to the Base Zoning @ 50 Units Per Acre scenario.

E. Rental Apartments Pro Forma Analyses

The 100% market rate scenarios provide a baseline against which to measure the impacts associated with Inclusionary Housing requirements. The purpose of the 100% market rate scenarios is to estimate the developer's stabilized return on total investment for a project that is not encumbered by income and affordability restrictions.

The market rate development scenarios are presented in the following Appendices:

1. The Mixed-Use Ordinance @ 50 Units Per Acre scenario is presented in Attachment 1 – Appendix B – Exhibit I.

2. The Mixed-Use Ordinance @ 65 Units Per Acre scenario is presented in Attachment 1 – Appendix C – Exhibit I.

The pro forma analyses for the 100% market rate scenarios are organized as follows:

Base Case: 100% Market Rate Scenarios	
Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

The goal is to create an Inclusionary Housing program that includes incentives that mitigate some or all of the financial impacts associated with the affordable housing requirements being imposed. As discussed previously, the most likely way to achieve this goal is to allow developers to treat the Mixed-Use Ordinance as the base zoning and then to allow developers to apply the Sections 65915-65918 density bonus to this base zoning.

The KMA pro forma analyses were used to identify the financial benefits associated with the conjunctive use of the Mixed-Use Ordinance and the Sections 65915-65918 density bonus. The results were then translated into estimates of the Inclusionary Housing requirements that could be imposed without triggering a significant impact on developers' investment returns.

The most cost efficient way to maximize the Section 65915-65918 density bonus benefits for a rental apartment project is to allocate 11% of the base zoning units to very low income households. This standard was used as a fundamental assumption, and the pro forma analyses were focused on identifying the additional requirement for low income units that could be supported.

The Density Bonus + Inclusionary development scenarios are presented in the following Appendices:

1. The Mixed-Use Ordinance @ 50 Units Per Acre scenario is presented in Attachment 1 – Appendix B – Exhibit II.
2. The Mixed-Use Ordinance @ 65 Units Per Acre scenario is presented in Attachment 1 – Appendix C – Exhibit II.

The pro forma analyses for the Inclusionary +Density Bonus scenarios are organized as follows:

Density Bonus + Inclusionary Scenarios	
Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Developer Return Analysis

Supportable Inclusionary Housing Production Requirements

The results of the analyses are summarized in the following tables:

Mixed-Use Ordinance @ 50 Units Per Acre Scenarios		
Rental Apartments		
	100% Market Rate Unit Scenario	Density Bonus + Inclusionary Scenario
<u>Unit Allocation</u>		
Market Rate Units	29	35
Income Restricted Units	0	6
Total Number of Units	29	41
Restricted Units as a % of Total Units	0%	15%
Total Development Costs ¹¹	\$16,935,000	\$20,921,000
Per Unit	\$583,600	\$510,300

¹¹ The Development Cost estimates include property acquisition, direct construction costs, indirect costs, and financing costs.

Mixed-Use Ordinance @ 50 Units Per Acre Scenarios		
Rental Apartments		
Stabilized Net Operating Income	\$757,500	\$943,500
Stabilized Return on Total Investment ¹²	4.5%	4.5%

Mixed-Use Ordinance @ 65 Units Per Acre Scenarios		
Rental Apartments		
	100% Market Rate Unit Scenario	Density Bonus + Inclusionary Scenario
<u>Unit Allocation</u>		
Market Rate Units	38	45
Income Restricted Units	0	8
Total Number of Units	38	53
Restricted Units as a % of Total Units	0%	15%
Total Development Costs	\$20,275,000	\$25,284,000
Per Unit	\$534,000	\$477,000
Stabilized Net Operating Income	\$1,041,000	\$1,227,500
Stabilized Return on Total Investment	5.1%	4.9%

Based on the results of the Inclusionary Housing production analysis for rental apartments, it is KMA's conclusion that a 15% Inclusionary Housing requirement could be imposed on rental apartment projects on a financially feasible basis. This conclusion is predicated on the following assumptions:

¹² The Stabilized Return on Total Investment is equal to the Stabilized Net Operating Income divided by the Total Development Costs.

1. The Inclusionary Housing requirement would be measured against the total number of units included in the project.
2. Any very low income units used to fulfill the Sections 65915-65918 density bonus requirements are measured against the number of units allowed by the base zoning. The balance of the income restricted units are allocated to low income households.
3. The imposition of a 15% Inclusionary Housing requirement on the 65 units per acre scenario is estimated to create a financial impact on the developer's stabilized return on total investment. However, a reduction of the 24% estimated magnitude falls well within the parameters imposed by Inclusionary Housing programs throughout California.¹³

F. In-Lieu Fee Analysis

AB 1505 identifies the payment of an in-lieu fee as a potential alternative to the production of Inclusionary Housing units. In the cases where a developer chooses to pay an in-lieu fee rather than producing affordable housing units, the project is not eligible to use the Sections 65915-65918 density bonus.

KMA estimated the supportable in-lieu fee amounts based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate rental apartment projects. The Affordability Gap analysis is based on the assumption that 15% of the total units in a market rate rental apartment project would be subject to Inclusionary Housing requirements at the low income level. This reflects the threshold before which Section 65850.1 (b) allows HCD to intervene in the adoption process for an Inclusionary Housing program.

The Affordability Gaps for rental apartments are estimated in Attachment 1 - Appendix D – Exhibit II using the following methodology:

¹³ A significant number of California Inclusionary Housing programs were based on the premise that a projected +/- 30% reduction in the land cost is acceptable. The 65 unit per acre scenario has an estimated impact of 24%.

1. 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.
2. 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.
3. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.
4. 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 scenarios. The results of these calculations are defined as the net Affordability Gaps.
5. The net Affordability Gaps are translated into the supportable in-lieu fees per income restricted unit, the total number of units in the project, and per square foot of GBA.

The supportable in-lieu fee amounts that are derived from the Affordability Gap analysis are summarized in the following table:

Supportable In-Lieu Fees: Rental Apartments	
Per Required Income Restricted Unit	\$499,700
Per Total Unit in a 100% Market Rate Project	\$75,000
Per Square Foot of GBA in a 100% Market Rate Project	\$63.71

V. 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.

It should be noted that there is an inherent conflict exists between the benefits created by basing the Inclusionary Housing requirement for ownership housing at the moderate income level and the sliding scale benefits provided by the Sections 65915-65918 density bonus. For example, the following affordability standards must be imposed to receive a 20% density bonus:

Affordability Standards Required to Receive a 20% Density Bonus	
	Required Percentage of Base Zoning Units
Very Low Income	5%
Low Income	10%
Moderate Income	25%

As can be seen in the preceding table, the requirement imposed on moderate income units is exponentially higher than the requirement imposed on very low income units. As a result, there is a natural incentive for developers to choose the very low income option despite the fact that the very low income units will generate minimal sales revenues.¹⁴ This thwarts the objective of selecting home buyers with the best chance of successfully owning a home.

Section 65915 (n) allows the City to enact a local ordinance to allows higher density bonus percentages than described in Section 65915 (b) (1). In order to meet the dual objective of incentivizing the development of affordable home ownership units, and maximizing the chances for the program’s success, it is KMA’s recommendation that the City provide an

¹⁴ KMA prepared Affordable Sales Price estimates for very low income households. As can be seen in Attachment 2: Appendix D – Exhibit I, the current Affordable Sales Prices are estimated to range from \$27,800 to \$38,300.

increased density bonus for moderate income ownership units as part of the Inclusionary Housing program.

The following ownership housing development analyses are based on the assumption that the Inclusionary Housing program will require 15% of the total units in a project to be set aside for moderate income households. Based on this assumption, KMA prepared the following estimates:

1. The density bonus percentage required to support a 15% requirement from a financial perspective; and
2. The supportable in-lieu fee payment amounts.

A. Ownership Housing Prototypes

The common characteristics of the condominium prototypes used in this Inclusionary Analysis are summarized in the following tables:

Ownership Housing Development Prototypes: Common Characteristics		
Site Area	26,000 Square Feet	
Unit Composition	Unit Allocation	Average Unit Sizes (Sq Ft)
One-Bedroom Units	20%	770
Two-Bedroom Units	60%	1,080
Three-Bedroom Units	20%	1,500
Parking	1.8 Spaces Per Unit	

B. Projected Market Rate Sales Prices

The prototype analysis reflects average or typical ownership housing projects rather than any specific project. It should be expected that specific projects would vary to some degree from the prototypes.

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for condominiums sold in the Culver City market area between October 2018 and April 2019 (Attachment 2: Appendix E – Exhibit I). This information is used to establish the average sales price per square foot of building area for one-bedroom, two-bedroom, and three-bedroom condominium units.

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		
	% of Total Units	Average Price
One-Bedroom Units	20%	\$534,900
Two-Bedroom Units	60%	\$762,900
Three-Bedroom Units	20%	\$1,019,600
Avg Price Per Sq. Ft. of Saleable Area	100%	\$698

C. Affordable Sales Price Calculations

The Affordable Sales Prices 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 2018 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 50052.5.¹⁵ The calculations include the elements described in the following sections of this report.

Household Size

The household incomes applied in the Affordable Sales Price calculations are set at the number of bedrooms in the home plus one. This is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Sales Prices.

Household Income

H&SC Section 50052.5 uses 110% of AMI for the purposes of calculating the Affordable Sales Prices for moderate income households. 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:

¹⁵ The H&SC Section 50052.5 Affordable Sales Price calculation methodology is also applied by the Sections 65915-65918 density bonus.

Variable Housing Related Expenses – Ownership Housing Development		
	Monthly Utilities Allowances ¹⁶	Monthly HOA, Insurance & Maintenance
One-Bedroom Units	\$105	\$390
Two-Bedroom Units	\$126	\$420
Three-Bedroom Units	\$157	\$540

The property tax expense estimate is based on 1.1% of the estimated Affordable Sales Price.

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 5.12% interest rate.¹⁷

Benchmark Down Payment

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

Affordable Sales Prices

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

¹⁶Utilities allowances are based on the assumption that the home owners utilities costs are comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the HCoLA utilities allowances that went into effect on July 1, 2018.

¹⁷ Based on a 100 basis points premium applied to the Bankrate site average as of April 15, 2019 for a fixed interest rate loan with a 30-year amortization period.

Affordable Sales Price Estimates Ownership Housing Development	
	Moderate Income
One-Bedroom Units	\$211,100
Two-Bedroom Units	\$239,100
Three-Bedroom Units	\$250,700

D. Inclusionary Housing Production Analyses

KMA prepared the following pro forma analyses for the prototype projects:

Base Zoning at 35 Units Per Acre (Attachment 2: Appendix A)

The Mixed-Use Ordinance provides projects with a density bonus in return for the provision of a Community Benefit. An analysis of the Base Zoning at 35 units per acre, which allows for the development of 21 units, was prepared to establish one of the threshold measures included in the Community Benefit calculation methodology.

Mixed-Use Ordinance Scenarios: Base Zoning at 50 Units Per Acre

1. Based on the case study, the Mixed-Use Ordinance zoning at 50 units per acre allows for the development of 29 market rate units. This represents an eight unit increase over the base zoning at 35 units per acre.
2. The Community Benefits costs for this scenario are estimated at \$462,000.

Mixed-Use Ordinance Scenarios: Base Zoning at 65 Units Per Acre

1. The Mixed-Use Ordinance zoning at 65 units per acre allows for the development of 38 market rate units. This represents an 17 unit increase over the base zoning at 35 units per acre.

2. The Community Benefits costs for this scenario are estimated at \$998,000.

E. Pro Forma Analyses

The market rate development scenarios are presented in the following Appendices:

1. The Mixed-Use Ordinance @ 50 Units Per Acre scenario is presented in Attachment 2 – Appendix B – Exhibit I.
2. The Mixed-Use Ordinance @ 65 Units Per Acre scenario is presented in Attachment 2 – Appendix C – Exhibit I.

The pro forma analyses for the 100% market rate scenarios are organized as follows:

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

In the ownership housing analyses, the goal is to establish a density bonus percentage that provides sufficient benefits to support a 15% Inclusionary Housing requirement. KMA has defined sufficient benefits to mean incentives that mitigate the financial impact created by the affordable housing requirements.

The Density Bonus + Inclusionary development scenarios are presented in the following Appendices:

1. The Mixed-Use Ordinance @ 50 Units Per Acre scenario is presented in Attachment 2 – Appendix B – Exhibit II.
2. The Mixed-Use Ordinance @ 65 Units Per Acre scenario is presented in Attachment 2 – Appendix C – Exhibit II.

The pro forma analyses for the Density Bonus + Inclusionary scenarios are organized as follows:

Density Bonus + Inclusionary Scenarios	
Ownership Housing	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Profit Analysis

Supportable Inclusionary Housing Production Requirements

The general density standard imposed by the Mixed-Use Ordinance is 50 units per acre. KMA used this standard to estimate the density bonus that would need to be applied in order to support a 15% moderate income Inclusionary Housing requirement. As can be seen in Attachment 2: Appendix B – Exhibit II, the results of the KMA pro forma analysis indicate that a 30% density bonus is required.

KMA applied the 30% density bonus standard to the TOD District cap of 65 units per acre. As shown in Attachment 2: Appendix C – Exhibit II, a 15% moderate income Inclusionary Housing requirement is estimated to create a financial impact on the developer’s profit margin. However, the resulting 9% reduction in the supportable land cost is well within the margin exhibited by Inclusionary Housing programs throughout California.

F. In-Lieu Fee Analysis

KMA used an Affordability Gap methodology to estimate the supportable in-lieu fee amounts for ownership housing projects. The analysis is based on the assumption that the Inclusionary Housing requirement is set at for 15% of the total number of units in a market rate ownership housing, and that the units must be sold to moderate income households.

The supportable in-lieu fee amounts that were derived from the Affordability Gap analysis are summarized in the following table:

Supportable In-Lieu Fees: Ownership Housing	
Per Required Income Restricted Unit	\$532,800
Per Total Unit in a 100% Market Rate Project	\$79,900
Per Square Foot of GBA in a 100% Market Rate Project	\$57.96

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 affordable unit, per total unit in a market rate project, or per square foot of GBA in a market rate project? This issue is only pertinent if the City decides to set a fixed fee amount rather than setting the in-lieu fee on a case-by-case basis.

VI. RECOMMENDATIONS

A. Threshold Project Size

The majority of Inclusionary Housing programs in California include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds fall between three and 10 units. In recognition of the fact that the Inclusionary Housing requirements are being designed primarily for mixed-use projects, KMA recommends that the requirement be set at the top end of the typical range.

B. Income and Affordability Standards

Production Goals

The City is currently 94 units short of fulfilling the overall RHNA goal for the period between 2013 and 2021. The currently unmet goals are detailed in the following table:

Income Category	Remaining Unmet RHNA Goal	
	Total Units	% of Goal
Very Low	42	88%
Low	25	86%
Moderate	27	87%
Above Moderate	0	0%
Totals	94	87%

As can be seen in the preceding table, the only RHNA goal that has been fulfilled to date is for above moderate income units. The adoption of an Inclusionary Housing program will assist the City in fulfilling a portion of the outstanding RHNA goals.

Housing Tenure

Rental Apartment Units

The City has currently fulfilled the above moderate income RHNA goal and the Housing Element annual update standards identified in Section 65850.01 (a). As such, HCD does not have the explicit authority to review the Inclusionary Housing requirements if the City chooses to set a more stringent standard than 15% of the units at 80% of AMI. However, applying the standards identified in Section 65850.01 (a) limits the potential for challenges based on claims that an Inclusionary Housing requirement acts a Housing Element constraint on development.

The results of the KMA financial analysis indicate that a 15% Inclusionary Housing requirement targeted to low income households can be supported by rental apartment projects. Therefore, it is KMA's recommendation that the requirements for rental units be set as follows:

1. The household income standards should be based on the definition applied by H&SC Section 50079.5; and
2. The Affordable Rent calculations should be based on the methodology defined in H&SC Section 50053.

Developers should be allowed to fulfill the defined rental Inclusionary Housing obligations at stricter income and affordability standards than those that will be applied to the City's Inclusionary Housing program. For example, developers that wish to use the Sections 65915-65918 density bonus may voluntarily choose to set units aside for very low income households. Those units should count towards the fulfillment of the City's low income Inclusionary Housing requirements.

Ownership Housing Units

KMA recommends that the Inclusionary Housing requirement for ownership housing be set at 15% of the total number of residential units proposed to be developed in a project. KMA further recommends that the units be dedicated to moderate income households. The following standards should be applied:

1. The household income standards should be based on the definition applied by H&SC Section 50093; and
2. The Affordable Sales Price calculations should be based on the methodology defined in H&SC Section 50052.5.

C. Covenant Periods

KMA recommends that the covenant periods for the Inclusionary Housing units be set at 45 years for ownership housing units and 55 years for rental apartment units.

D. Options for Fulfilling Inclusionary Housing Obligations

Production of Inclusionary Housing Units

KMA recommends that the following parameters be applied to the production of the Inclusionary Housing units on site within a market rate project:

1. The Inclusionary Housing units should be dispersed throughout the project.
2. The exterior improvements of the Inclusionary Housing units should be required to be comparable to the market rate units.
3. The bedroom mix provided in the affordable units should be proportional to the bedroom mix provided in the market rate units. However, at the City's discretion the affordable units could be allowed to be smaller in terms of square footage than the market rate units.

Developers should be allowed to fulfill the Inclusionary Housing obligation in an off-site location under the following conditions:

1. The off-site location should be within ½ mile of the market rate project that is subject to the Inclusionary Housing obligation.
2. Irrespective of the tenure of the market rate project, the Inclusionary Housing obligations should be set as follows:
 - a. The off-site project should be comprised solely of rental apartments;

- b. The Inclusionary Housing requirement should be set at 15% of the units being developed in the market rate project; and
 - c. The developer should be required to fulfill this Inclusionary Housing obligation with low income rental units.¹⁸
3. Specific scope, design, building quality and maintenance standards should be imposed by the City. It is not necessary for these standards to mirror the characteristics of the market rate project. Instead, standards should be established that fulfill the needs of targeted population base.

In-Lieu Fee Payment Option

Based on the results of the financial analyses included in this Inclusionary Housing Study, KMA concluded that the following in-lieu payment amounts can be supported:

Supportable In-Lieu Fee Payments		
	Rental Apartments	Ownership Housing
Per Required Income Restricted Unit	\$499,700	\$532,800
Per Total Unit in a 100% Market Rate Project	\$75,000	\$79,900
Per Square Foot of GBA in a 100% Market Rate Project	\$63.71	\$57.96

The City can allow in-lieu fees to be paid at a developer’s discretion, or the City can establish objective criteria under which in-lieu fee payments are allowed. To assist the City in making these determinations, KMA offers the following recommendations:

- 1. 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

¹⁸ Developers that are using the Sections 65915-65918 density bonus should be allowed to count very low income rental units towards the low income rental apartments Inclusionary Housing obligation.

income and affordability standards. KMA recommends that an in-lieu fee payment be allowed by right for projects with between 10 and 20 units.

2. An in-lieu fee payment should be allowed for any fractional Inclusionary Housing unit requirement.
3. For the following reasons, KMA recommends that the developers of ownership housing project be allowed to pay an in-lieu fee by right:
 - a. Each Inclusionary Housing unit is individually owned. There is no centralized management to ensure that the homes are maintained appropriately over time.
 - b. The resale price for an Inclusionary Housing unit is based largely on the percentage change in the AMI. This severely limits the opportunity for the home owner to receive appreciation from the resale of an Inclusionary Housing unit.
 - c. The ongoing administrative and monitoring required to ensure compliance with the occupancy requirements and resale controls is labor intensive.
4. For the following reasons, KMA recommends that rental apartment projects, with more than 20 units, should be required to produce the requisite number of Inclusionary Housing units:
 - a. Rental apartment projects are owned by a single entity that can be monitored relatively easily for compliance with the Inclusionary Housing requirements.
 - b. An off-site rental apartment project can potentially make use of outside financial assistance sources such as Low Income Housing Tax Credits.
 - c. Tenants do not have an ownership stake in the project. When a tenant vacates an Inclusionary Housing unit, the apartment is simply re-rented to another low income tenant.

KMA recommends that the in-lieu fees be set as follows:

Recommended In-Lieu Fee Payments Per Square Foot of GBA		
	Rental Apartments	Ownership Housing
Number of Units		
10-15	\$50.97	\$46.37
16-20	\$57.34	\$52.17
21+	\$63.71	\$57.96

Other Inclusionary Housing Fulfillment Options

As discussed previously, Section 65850 (g) requires the City to offer several defined options for fulfilling the Inclusionary Housing requirements for rental apartments. The production options and in-lieu fee recommendations for both rental apartments and ownership housing projects were previously identified. The remaining options are land dedications and the acquisition and rehabilitation of existing units.

Land Dedication

KMA recommends that the land dedication option be provided at the discretion of the City Council for both rental apartment and ownership housing projects if the following requirements are met:

1. The site has General Plan and zoning designations in place that allow for the development of the requisite number of Inclusionary Housing units; and
2. The developer makes a cash contribution equal to the financial gap exhibited by the project after factoring in the donation of the site at no cost.

Acquisition and Rehabilitation of Existing Units

It is important to understand that the City will not receive RHNA credit for the units included in acquisition and rehabilitation projects, nor can they be listed on the City's Annual Progress Report. Therefore, KMA recommends that the City should not include an acquisition and rehabilitation option in the Inclusionary Housing program.

E. Condominium Conversion Requirements

Many rental apartment projects obtain Tentative Maps that allow the developer to sell the units as condominiums at a later date. It is KMA's recommendation that developers be required to fulfill the rental residential development Inclusionary Housing requirements for mapped projects. If and when the rental residential units are converted to condominiums, the City should require the developer to fulfill one of the following requirements:

1. The developer can maintain the rental apartment units as rental Inclusionary Housing units at the then current Affordable Rents; or
2. The developer can market the Inclusionary Housing units for sale based on the income and affordability levels that were imposed when the project was originally constructed; or
3. The developer can relocate the tenants residing in the Inclusionary Housing units. If this option is selected, the developer must sell the formerly rental apartment Inclusionary Housing units to moderate income households at the then current Affordable Sales Price.

F. Sections 65915-65918 Density Bonus

The City's Sections 65915-65918 density bonus ordinance does not currently include the amendments the State Legislature made between 2007 and 2019. As discussed previously in this Inclusionary Analysis, the Sections 65915-65918 density bonus is intended to reduce the

financial impact created by the imposition of Inclusionary Housing requirements. It is KMA's recommendation that the City update Chapter 17.580 to reflect the requirements currently being imposed by Sections 65915-65918. If possible, this should be done concurrently with the adoption of an Inclusionary Housing Program.

G. Recommended Program Design

The City should include the following key components in the design of an Inclusionary Housing program:

1. The most successful Inclusionary Housing programs are based on a clear set of administrative procedures. Consistent application of clear guidelines allows developers to factor in the programs' impacts as part of the due diligence process related to property acquisition:
 - a. The Inclusionary Housing program should be updated at regular intervals to reflect changes in economic and demographic characteristics:
 - i. The entire program should be re-evaluated at least every five years.
 - ii. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should be adjusted each year based on the percentage change in new home prices in Los Angeles County as published annually by the Real Estate Research Council (RERC).
 - b. The City's Administrative Manual should be updated as needed to reflect changes that are made to the Inclusionary Housing program.
2. A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Housing units once they are built.

ATTACHMENT 1

RENTAL APARTMENT ANALYSES INCLUSIONARY HOUSING FEASIBILITY ANALYSIS CULVER CITY, CALIFORNIA

APPENDIX A - EXHIBIT I

**RENTAL APARTMENTS
PRO FORMA ANALYSIS
BASE ZONING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX A - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 RENTAL APARTMENTS
 PRO FORMA ANALYSIS
 BASE ZONING
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I.	Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land	\$520,000	
	Parking	3					
	Above-Ground Podium Spaces		0	Spaces	\$20,000 /Space	0	
	1st Level Subterranean		35	Spaces	\$35,000 /Space	1,225,000	
	Building Costs		24,725	Sf of GBA	\$125 /Sf of GBA	3,091,000	
	Contractor/DC Contingency Allow			20% Other Direct Costs		967,000	
	Total Direct Costs		24,725	Sf of GBA	\$235 /Sf of GBA		\$5,803,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			8% Direct Costs		\$464,000	
	Public Permits & Fees	4	21	Units	\$20,000 /Unit	420,000	
	Community Benefit Cost	5				0	
	Taxes, Insurance, Legal & Accounting			3% Direct Costs		174,000	
	Community Benefit Cost		21	Units	\$2,500 /Unit	53,000	
	Developer Fee			5% Direct Costs		290,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		70,000	
	Total Indirect Costs						\$1,471,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$5,850,000	Cost	3.6% Avg Rate	\$316,000	
	Construction	7	\$7,968,000	Cost	3.6% Avg Rate	258,000	
	Loan Origination Fees			60% Loan to Value	2.0 Points	120,000	
	Total Financing Costs						\$694,000
V.	Total Construction Cost		21	Units	\$379,000 /Unit		\$7,968,000
	Total Development Cost		21	Units	\$658,000 /Unit		\$13,818,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on 1.0 spaces for Studio Units; 1.0 spaces for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

4 Based on estimates prepared for other projects within Culver City.

5 Community Benefits requirements are only imposed on projects that are using the Mixed Use Ordinance zoning.

6 Based on an 18 month construction period and a 100% average outstanding loan balance.

7 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RENTAL APARTMENTS
 PRO FORMA ANALYSIS
 BASE ZONING
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	2 Units @	\$2,233 /Unit/Month	\$54,000
One-Bedroom Units	10 Units @	\$2,768 /Unit/Month	332,000
Two-Bedroom Units	8 Units @	\$3,603 /Unit/Month	346,000
Three-Bedroom Units	1 Unit @	\$4,820 /Unit/Month	58,000

B. **Laundry & Miscellaneous Income**

21 Units @	\$25 /Unit/Month	6,000
------------	------------------	-------

Total Gross Income

\$796,000

Vacancy & Collection Allowance

5% Gross Income

(40,000)

II. **Effective Gross Income**

\$756,000

III. **Operating Expenses**

General Operating Expenses	21 Units @	\$4,500 /Unit	\$94,500
Property Taxes	21 Units @	\$5,200 /Unit	110,000
Replacement Reserve Deposits	21 Units @	\$150 /Unit	3,000

Total Operating Expenses

(\$207,500)

IV. **Stabilized Net Operating Income**

\$548,500

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.33 per square foot of leasable area.

APPENDIX A - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
RENTAL APARTMENTS
PRO FORMA ANALYSIS
BASE ZONING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX A - EXHIBIT I - TABLE 2	\$548,500
II.	Total Development Cost	See APPENDIX A - EXHIBIT I - TABLE 1	<u>\$13,818,000</u>
III.	Stabilized Return on Total Investment		4.0%

APPENDIX B

**RENTAL APARTMENTS
PRO FORMA ANALYSES
MIXED USE ZONING @ 50 UNITS/ACRE BASE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX B - EXHIBIT I

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100%

MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
Parking	3					
Above-Ground Podium Spaces		0	Spaces	\$20,000 /Space		0
1st Level Subterranean		42	Spaces	\$35,000 /Space		1,470,000
Building Costs		34,138	Sf of GBA	\$135 /Sf of GBA		4,609,000
Contractor/DC Contingency Allow			20% Other Direct Costs			1,320,000
Total Direct Costs		34,138	Sf of GBA	\$232 /Sf of GBA		\$7,919,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$634,000
Public Permits & Fees	4	29	Units	\$20,000 /Unit		580,000
Community Benefit Cost	5					285,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			238,000
Community Benefit Cost		29	Units	\$2,500 /Unit		73,000
Developer Fee			5% Direct Costs			396,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			110,000
Total Indirect Costs						\$2,316,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$5,850,000	Cost	3.6% Avg Rate		\$316,000
Construction	7	\$11,075,000	Cost	3.6% Avg Rate		359,000
Loan Origination Fees			60% Loan to Value	2.0 Points		165,000
Total Financing Costs						\$840,000
V. Total Construction Cost		29	Units	\$382,000 /Unit		\$11,075,000
Total Development Cost		29	Units	\$584,000 /Unit		\$16,925,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and 2.0 spaces for Three-Bedroom Units. No guest spaces are provided.

4 Based on estimates prepared for other projects within Culver City.

5 The Community Benefits requirement is based on the stabilized net operating income generated by the increased number of units over the BASE ZONING capitalized at a 5.5% rate to estimate the value of the additional units. This value is then multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

6 Based on an 18 month construction period and a 100% average outstanding loan balance.

7 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	3 Units @	\$2,233 /Unit/Month	\$80,000
One-Bedroom Units	13 Units @	\$2,768 /Unit/Month	432,000
Two-Bedroom Units	12 Units @	\$3,603 /Unit/Month	519,000
Three-Bedroom Units	1 Unit @	\$4,820 /Unit/Month	58,000

B. **Laundry & Miscellaneous Income**

29 Units @	\$25 /Unit/Month	9,000
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Total Gross Income

\$1,098,000

Vacancy & Collection Allowance

5% Gross Income

(55,000)

II. **Effective Gross Income**

\$1,043,000

III. **Operating Expenses**

General Operating Expenses	29 Units @	\$4,500 /Unit	\$130,500
Property Taxes	29 Units @	\$5,200 /Unit	151,000
Replacement Reserve Deposits	29 Units @	\$150 /Unit	4,000

Total Operating Expenses

(\$285,500)

IV. **Stabilized Net Operating Income**

\$757,500

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.32 per square foot of leasable area.

APPENDIX B - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
RENTAL APARTMENTS
PRO FORMA ANALYSIS
MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT I - TABLE 2	\$757,500
II.	Total Development Cost	See APPENDIX B - EXHIBIT I - TABLE 1	<u>\$16,925,000</u>
III.	Stabilized Return on Total Investment		4.5%

APPENDIX B - EXHIBIT II

RENTAL APARTMENTS

PRO FORMA ANALYSIS

**MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT +
DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I.	Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
	Parking	3					
	Above-Ground Podium Spaces		0	Spaces	\$20,000 /Space		0
	1st Level Subterranean		59	Spaces	\$35,000 /Space		2,065,000
	Building Costs		48,456	Sf of GBA	\$135 /Sf of GBA		6,542,000
	Contractor/DC Contingency Allow			20% Other Direct Costs			1,825,000
	Total Direct Costs		48,456	Sf of GBA	\$226 /Sf of GBA		\$10,952,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			8% Direct Costs			\$876,000
	Public Permits & Fees	4	41	Units	\$20,000 /Unit		820,000
	Community Benefit Cost						285,000
	Taxes, Insurance, Legal & Accounting			3% Direct Costs			329,000
	Marketing		41	Units	\$2,500 /Unit		103,000
	Developer Fee			5% Direct Costs			548,000
	Soft Cost Contingency Allowance			5% Other Indirect Costs			148,000
	Total Indirect Costs						\$3,109,000
IV.	Financing Costs						
	Interest During Construction						
	Land	5	\$5,850,000	Cost	3.6% Avg Rate		\$316,000
	Construction	6	\$15,072,000	Cost	3.6% Avg Rate		488,000
	Loan Origination Fees			60% Loan to Value	2.0 Points		206,000
	Total Financing Costs						\$1,010,000
V.	Total Construction Cost		41	Units	\$368,000 /Unit		\$15,071,000
	Total Development Cost		41	Units	\$510,000 /Unit		\$20,921,000

¹ Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

² Based on the estimated costs for similar

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and 2.0 spaces for Three-Bedroom Units. No guest spaces are provided.

⁴ Based on estimates prepared for other projects within Culver City.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Gross Income

A. Market Rate Units

1

Studio Units	3 Units @	\$2,233 /Unit/Month	\$80,000
One-Bedroom Units	16 Units @	\$2,768 /Unit/Month	531,000
Two-Bedroom Units	14 Units @	\$3,603 /Unit/Month	605,000
Three-Bedroom Units	2 Units @	\$4,820 /Unit/Month	116,000

B. Affordable Units

2

Density Bonus (50% AMI/30% Inc)

3

Studio Units	0 Units @	\$571 /Unit/Month	0
One-Bedroom Units	2 Units @	\$646 /Unit/Month	16,000
Two-Bedroom Units	2 Units @	\$721 /Unit/Month	17,000
Three-Bedroom Units	0 Units @	\$793 /Unit/Month	0

Inclusionary (60% AMI/30% Inc)

4

Studio Units	1 Unit @	\$693 /Unit/Month	8,000
One-Bedroom Units	1 Unit @	\$785 /Unit/Month	9,000
Two-Bedroom Units	0 Units @	\$877 /Unit/Month	0
Three-Bedroom Units	0 Units @	\$967 /Unit/Month	0

C. Laundry & Miscellaneous Income

41 Units @	\$25 /Unit/Month	12,000
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Total Gross Income

\$1,394,000

Vacancy & Collection Allowance

5% Gross Income

(70,000)

II. Effective Gross Income

\$1,324,000

III. Operating Expenses

General Operating Expenses	41 Units @	\$4,500 /Unit	\$184,500
Property Taxes	41 Units @	\$4,600 /Unit	190,000
Replacement Reserve Deposits	41 Units @	\$150 /Unit	6,000

Total Operating Expenses

(\$380,500)

IV. **Stabilized Net Operating Income**

\$943,500

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.31 per square foot of leasable area.

² The affordable units equate to 15.0% of the Total Units and 20.7% of the Base Units.

³ For the purposes of the State density bonus, 11% of the Base Units are set aside for very-low income households. State Density Bonus calculates very-low income rents based on the H&SC Section 50053 calculation methodology. The calculations set household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

⁴ The balance of the affordable units are set aside at low income. The Inclusionary rent calculations are based on the H&SC Code Section 50053 calculation methodology for low income households. The calculations set household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT II - TABLE 3

DEVELOPER RETURN ANALYSIS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT II - TABLE 2	\$943,500	
Threshold Return on Total Investment ¹		4.5%	
Total Supportable Investment			\$21,081,000
II. Total Development Cost	See APPENDIX B - EXHIBIT II - TABLE 1		\$20,921,000
III. <u>Increase/(Decrease) in Developer Return</u>			\$160,000
Inclusionary Requirement	15.0%		
Effective Developer Return	4.5% Stabilized Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS SCENARIO.

APPENDIX C

**RENTAL APARTMENTS
PRO FORMA ANALYSES
MIXED USE ZONING @ 65 UNITS/ACRE BASE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX C - EXHIBIT I

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100%

MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
Parking	3					
Above-Ground Podium Spaces		0	Spaces	\$20,000 /Space		0
1st Level Subterranean		55	Spaces	\$35,000 /Space		1,925,000
Building Costs		45,025	Sf of GBA	\$135 /Sf of GBA		6,078,000
Contractor/DC Contingency Allow			20% Other Direct Costs			1,705,000
Total Direct Costs		45,025	Sf of GBA	\$227 /Sf of GBA		\$10,228,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$818,000
Public Permits & Fees	4	38	Units	\$20,000 /Unit		760,000
Community Benefit Cost	5					635,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			307,000
Community Benefit Cost		38	Units	\$2,500 /Unit		95,000
Developer Fee			5% Direct Costs			511,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			156,000
Total Indirect Costs						\$3,282,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$5,850,000	Cost	3.6% Avg Rate		\$316,000
Construction	7	\$11,494,000	Cost	3.6% Avg Rate		372,000
Loan Origination Fees			60% Loan to Value	2.0 Points		227,000
Total Financing Costs						\$915,000
V. Total Construction Cost		38	Units	\$380,000 /Unit		\$14,425,000
Total Development Cost		38	Units	\$534,000 /Unit		\$20,275,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and 2.0 spaces for Three-Bedroom Units. No guest spaces are provided.

4 Based on estimates prepared for other projects within Culver City.

5 The Community Benefits requirement is based on the stabilized net operating income generated by the increased number of units over the BASE ZONING capitalized at a 5.5% rate to estimate the value of the additional units. This value is then multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

6 Based on an 18 month construction period and a 100% average outstanding loan balance.

7 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	4 Units @	\$2,233 /Unit/Month	\$107,000
One-Bedroom Units	17 Units @	\$2,768 /Unit/Month	565,000
Two-Bedroom Units	15 Units @	\$3,603 /Unit/Month	649,000
Three-Bedroom Units	2 Units @	\$4,820 /Unit/Month	116,000

B. Laundry & Miscellaneous Income

38 Units @	\$25 /Unit/Month	11,000
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Total Gross Income

\$1,448,000

Vacancy & Collection Allowance

5% Gross Income

(72,000)

II. **Effective Gross Income**

\$1,376,000

III. Operating Expenses

General Operating Expenses	38 Units @	\$4,500 /Unit	\$171,000
Property Taxes	38 Units @	\$4,200 /Unit	158,000
Replacement Reserve Deposits	38 Units @	\$150 /Unit	6,000

Total Operating Expenses

(\$335,000)

IV. **Stabilized Net Operating Income**

\$1,041,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.32 per square foot of leasable area.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
RENTAL APARTMENTS
PRO FORMA ANALYSIS
MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT - 100% MARKET RATE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$1,041,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$20,275,000</u>
III.	Stabilized Return on Total Investment		5.1%

APPENDIX C - EXHIBIT II

RENTAL APARTMENTS

PRO FORMA ANALYSIS

**MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT +
DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Property Acquisition Costs	¹	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II. Direct Costs	²					
On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
Parking	³					
Above-Ground Podium Spaces		8	Spaces	\$20,000 /Space		160,000
1st Level Subterranean		69	Spaces	\$35,000 /Space		2,415,000
Building Costs		63,225	Sf of GBA	\$135 /Sf of GBA		8,535,000
Contractor/DC Contingency Allow			20% Other Direct Costs			2,326,000
Total Direct Costs		63,225	Sf of GBA	\$221 /Sf of GBA		\$13,956,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$1,116,000
Public Permits & Fees	⁴	53	Units	\$20,000 /Unit		1,060,000
Community Benefit Cost						635,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			419,000
Marketing		53	Units	\$2,500 /Unit		133,000
Developer Fee			5% Direct Costs			698,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			203,000
Total Indirect Costs						\$4,264,000
IV. Financing Costs						
Interest During Construction						
Land	⁵	\$5,850,000	Cost	3.6% Avg Rate		\$316,000
Construction	⁶	\$19,434,000	Cost	3.6% Avg Rate		630,000
Loan Origination Fees			60% Loan to Value	2.0 Points		268,000
Total Financing Costs						\$1,214,000
V. Total Construction Cost		53	Units	\$367,000 /Unit		\$19,434,000
Total Development Cost		53	Units	\$477,000 /Unit		\$25,284,000

¹ Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for gr

² Based on the estimated costs for similar

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; and 2.0 spaces for Three-Bedroom Units. No guest spaces are provided.

⁴ Based on estimates prepared for other projects within Culver City.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Gross Income

A. Market Rate Units

1

Studio Units	4 Units @	\$2,233 /Unit/Month	\$107,000
One-Bedroom Units	20 Units @	\$2,768 /Unit/Month	664,000
Two-Bedroom Units	18 Units @	\$3,603 /Unit/Month	778,000
Three-Bedroom Units	3 Units @	\$4,820 /Unit/Month	174,000

B. Affordable Units

2

Density Bonus (50% AMI/30% Inc)

3

Studio Units	1 Unit @	\$571 /Unit/Month	7,000
One-Bedroom Units	2 Units @	\$646 /Unit/Month	16,000
Two-Bedroom Units	2 Units @	\$721 /Unit/Month	17,000
Three-Bedroom Units	0 Units @	\$793 /Unit/Month	0

Inclusionary (60% AMI/30% Inc)

4

Studio Units	0 Units @	\$693 /Unit/Month	0
One-Bedroom Units	2 Units @	\$785 /Unit/Month	19,000
Two-Bedroom Units	1 Unit @	\$877 /Unit/Month	11,000
Three-Bedroom Units	0 Units @	\$967 /Unit/Month	0

C. Laundry & Miscellaneous Income

53 Units @	\$25 /Unit/Month	16,000
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Total Gross Income

\$1,809,000

Vacancy & Collection Allowance

5% Gross Income

(90,000)

II. Effective Gross Income

\$1,719,000

III. Operating Expenses

General Operating Expenses	53 Units @	\$4,500 /Unit	\$238,500
Property Taxes	53 Units @	\$4,600 /Unit	245,000
Replacement Reserve Deposits	53 Units @	\$150 /Unit	8,000

Total Operating Expenses

(\$491,500)

IV. **Stabilized Net Operating Income**

\$1,227,500

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.31 per square foot of leasable area.

² The affordable units equate to 15.0% of the Total Units and 21.1% of the Base Units.

³ For the purposes of the State density bonus, 11% of the Base Units are set aside for very-low income households. State Density Bonus calculates very-low income rents based on the H&SC Section 50053 calculation methodology. The calculations set household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

⁴ The balance of the affordable units are set aside at low income. The Inclusionary rent calculations are based on the H&SC Code Section 50053 calculation methodology for low income households. The calculations set household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX C - EXHIBIT II - TABLE 3

DEVELOPER RETURN ANALYSIS

RENTAL APARTMENTS

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15.0% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$1,227,500	
Threshold Return on Total Investment ¹		5.1%	
Total Supportable Investment			\$23,907,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$25,284,000
III. <u>Increase/(Decrease) in Developer Return</u>			(\$1,377,000)
Inclusionary Requirement	15.0%		
Effective Developer Return	4.9% Stabilized Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS SCENARIO.

APPENDIX D

**RENTAL APARTMENTS
AFFORDABILITY ANALYSES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX D - EXHIBIT I

AFFORDABLE RENT CALCULATIONS
 2018 INCOME STANDARDS
 RENTAL APARTMENTS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I. <u>General Assumptions</u>					
Area Median Income	1	\$48,500	\$55,450	\$62,350	\$69,300
Monthly Utilities Allowance	2	\$35	\$47	\$58	\$73
II. <u>Rent Based on 60% AMI & 30% of Income Allotted to Housing</u>					
Benchmark Annual Household Income		\$29,100	\$33,270	\$37,410	\$41,580
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$728	\$832	\$935	\$1,040
(Less) Monthly Utilities Allowance		(35)	(47)	(58)	(73)
Maximum Allowable Rent		\$693	\$785	\$877	\$967
III. <u>Rent Based on 50% AMI & 30% of Income Allotted to Housing</u>					
Benchmark Annual Household Income		\$24,250	\$27,725	\$31,175	\$34,650
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$606	\$693	\$779	\$866
(Less) Monthly Utilities Allowance		(35)	(47)	(58)	(73)
Maximum Allowable Rent		\$571	\$646	\$721	\$793

¹ Based on the 2018 Los Angeles County median 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 HACoLA utilities allowances effective as of 7/1/18. Assumes: gas heating, cooking and water heating; basic electric; and air conditioning.

APPENDIX D - EXHIBIT II

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH - LOW INCOME
 RENTAL APARTMENTS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. <u>Rent Difference</u>	1	
A. <u>Studio Units</u>		
Market Rate Units		\$2,233
Affordable Units		693
		\$1,541
Difference		\$1,541
B. <u>One-Bedroom Units</u>		
Market Rate Units		\$2,768
Affordable Units		785
		\$1,983
Difference		\$1,983
C. <u>Two-Bedroom Units</u>		
Market Rate Units		\$3,603
Affordable Units		877
		\$2,726
Difference		\$2,726
D. <u>Three-Bedroom Units</u>		
Market Rate Units		\$4,820
Affordable Units		967
		\$3,853
Difference		\$3,853
II. <u>Distribution of Total Units</u>	2	
Studio Units		10%
One-Bedroom Units		45%
Two-Bedroom Units		40%
Three-Bedroom Units		5%
III. <u>Annual Affordability Gap Per Affordable Unit</u>		\$27,955
Less: Property Tax Difference	3	(5,590)
		\$22,365
Annual Affordability Gap Per Affordable Unit		\$22,365
IV. <u>In-Lieu Fee</u>		
Per Income Restricted Unit	4	\$499,700
Inclusionary Requirement	5	15%
Per Total Unit		\$75,000
Per Square Foot of GBA	6	\$63.71

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

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

³ Based on the rent differential capitalized at a 5.5% rate to establish the value, and a 1.1% property tax rate.

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

⁵ Based on the percentage derived from the pro forma analyses.

⁶ Based on the total GBA included in the project divided by the total number of units in the project.

APPENDIX E

RENTAL APARTMENTS
BACKUP TABLES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

APPENDIX E - EXHIBIT I

RENT SURVEY
 RENTAL APARTMENTS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

1

Address	# of Units	Average Unit Size (SF)	Average Rent	
			Total	Per SF
I. Studio Units				
4025 Grandview	6	516	\$2,479	\$4.80
11924-11960 Washington Boulevard	200	621	\$1,874	\$3.02
12803-12823 Washington Boulevard	14	503	\$1,669	\$3.32
11612 Culver Boulevard	9	300	\$1,374	\$4.58
4065 Glencoe Avenue	602	583	\$2,462	\$4.22
13488 Maxella Avenue	27	597	\$2,571	\$4.31
13450 Maxella Avenue	753	546	\$2,379	\$4.36
4210 Del Rey Avenue	922	442	\$2,000	\$4.52
2452-2454 Lincoln Boulevard	41	600	\$1,782	\$2.97
	Minimum	300	\$1,374	\$2.97
	Maximum	621	\$2,571	\$4.80
	Weighted Average	524	\$2,209	\$4.25
II. One-Bedroom Units				
4025 Grandview	81	895	\$2,569	\$2.87
11924-11960 Washington Boulevard	787	749	\$2,630	\$3.51
12803-12823 Washington Boulevard	64	643	\$2,020	\$3.14
11612 Culver Boulevard	59	816	\$2,481	\$3.04
4065 Glencoe Avenue	2,894	832	\$2,945	\$3.54
13488 Maxella Avenue	141	850	\$3,196	\$3.76
13450 Maxella Avenue	4,685	814	\$2,924	\$3.59
4210 Del Rey Avenue	2,733	732	\$2,386	\$3.26
2452-2454 Lincoln Boulevard	163	768	\$2,512	\$3.27
	Minimum	643	\$2,020	\$2.87
	Maximum	895	\$3,196	\$3.76
	Weighted Average	794	\$2,770	\$3.48
III. Two-Bedroom Units				
4025 Grandview	95	1,067	\$2,487	\$2.33
11924-11960 Washington Boulevard	465	1,155	\$3,742	\$3.24
12803-12823 Washington Boulevard	85	1,075	\$2,967	\$2.76
11612 Culver Boulevard	105	1,001	\$2,802	\$2.80
4065 Glencoe Avenue	2,347	1,198	\$3,725	\$3.11
13488 Maxella Avenue	140	1,073	\$3,929	\$3.66
13450 Maxella Avenue	4,345	1,158	\$3,716	\$3.21
4210 Del Rey Avenue	1,604	1,122	\$3,265	\$2.91
2452-2454 Lincoln Boulevard	136	1,014	\$2,970	\$2.93
	Minimum	1,001	\$2,487	\$2.33
	Maximum	1,198	\$3,929	\$3.66
	Weighted Average	1,155	\$3,605	\$3.12

APPENDIX E - EXHIBIT I

RENT SURVEY 1
 RENTAL APARTMENTS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

Address	# of Units	Average Unit Size (SF)	Average Rent	
			Total	Per SF
IV. Three-Bedroom Units				
4025 Grandview	22	1,357	\$4,775	\$3.52
11924-11960 Washington Boulevard	121	1,680	\$5,091	\$3.03
12803-12823 Washington Boulevard	51	1,752	\$5,291	\$3.02
11612 Culver Boulevard	43	1,190	\$3,106	\$2.61
4065 Glencoe Avenue	240	1,590	\$5,056	\$3.18
13488 Maxella Avenue	71	1,643	\$5,177	\$3.15
13450 Maxella Avenue	242	1,447	\$4,558	\$3.15
4210 Del Rey Avenue	89	1,494	\$4,752	\$3.18
2452-2454 Lincoln Boulevard	22	1,357	\$4,775	\$3.52
	Minimum	1,190	\$3,106	\$2.61
	Maximum	1,752	\$5,291	\$3.52
	Weighted Average	1,537	\$4,813	\$3.13

¹ The information detailed in this table represents the results of market rent studies prepared by CoStar for each project listed. A number of the property surveys include duplicate properties. Source: CoStar, April 2019.

APPENDIX E - EXHIBIT II

**LAND SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

Address	Sale Date	Site Size	Sales Price	
			Total	Per SF
3725-27 Robertson Boulevard	2019	5,090	\$1,875,000	\$368
3123 Livonia Avenue	2019	13,000	\$4,250,000	\$327
4041 Sawtelle Boulevard	2019	6,560	\$1,608,000	\$245
2026 Federal Avenue	2019	6,098	\$1,398,000	\$229
4339 Berryman Avenue	2019	22,651	\$6,250,000	\$276
11842 Teale Street	2019	2,400	\$950,000	\$396
3812-18 Dunn Drive	2018	10,019	\$7,000,000	\$699
11281 Washington Place	2016	12,300	\$2,400,000	\$195
3868 Sepulveda Boulevard	2016	26,504	\$5,300,000	\$200
Minimum		2,400	\$950,000	\$195
Maximum		26,504	\$7,000,000	\$699
Weighted Average		11,625	\$3,448,000	\$297

Sources: Culver City projects and Redfin for closed sales. Zillow for listed properties.

ATTACHMENT 2

OWNERSHIP HOUSING ANALYSES INCLUSIONARY HOUSING FEASIBILITY ANALYSIS CULVER CITY, CALIFORNIA

APPENDIX A

**OWNERSHIP HOUSING
PRO FORMA ANALYSIS
BASE ZONING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX A - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 OWNERSHIP HOUSING
 PRO FORMA ANALYSIS
 BASE ZONING
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I.	Property Acquisition Costs	¹	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land	\$520,000	
	Parking						
	Above-Ground Podium Spaces		43	Spaces	\$25,000 /Space	1,075,000	
	1st Level Subterranean		0	Spaces	\$35,000 /Space	0	
	Building Costs		28,900	Sf of GBA	\$125 /Sf of GBA	3,613,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs		1,042,000	
	Total Direct Costs						\$6,250,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		8.0%	Direct Costs		\$500,000	
	Public Permits & Fees	³	21	Units	\$20,000 /Unit	420,000	
	Community Benefit Cost	⁴				0	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs		188,000	
	Marketing		21	Units	\$5,000 /Unit	105,000	
	Developer Fee		3.0%	Gross Sales Revenue		484,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		85,000	
	Total Indirect Costs						\$1,782,000
IV.	Financing Costs						
	Interest During Construction	⁵				\$673,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	208,000	
	Total Financing Costs						\$881,000
V.	Total Construction Cost		21	Units	\$424,000 /Unit		\$8,913,000
	Total Development Cost		21	Units	\$703,000 /Unit		\$14,763,000

¹ Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within Culver City.

⁴ Community Benefits requirements are only imposed on projects that are using the Mixed Use Ordinance zoning.

⁵ Assumes a 6.0% interest cost for debt; an 18 month construction period; a 4 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 - TABLE 2

PROJECTED NET SALES REVENUE
 OWNERSHIP HOUSING
 PRO FORMA ANALYSIS
 BASE ZONING
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I.	Gross Sales Revenue		¹		
	One-Bedroom Units	4 Units @		\$534,900 /Unit	\$2,140,000
	Two-Bedroom Units	13 Units @		\$762,900 /Unit	\$9,918,000
	Three-Bedroom Units	4 Units @		\$1,019,600 /Unit	\$4,078,000
	Total Gross Sales Revenue				<u>\$16,136,000</u>
II.	Cost of Sales				
	Commissions	3.0% Gross Sales Revenue			\$484,000
	Closing	2.0% Gross Sales Revenue			323,000
	Warranty	0.5% Gross Sales Revenue			81,000
	Total Cost of Sales				<u>(\$888,000)</u>
III.	Net Sales Revenue				<u>\$15,248,000</u>

¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX E - EXHIBIT I. A 20% premium is added for new construction. The weighted average sales price equates to \$698 per square foot of saleable area.

APPENDIX A - TABLE 3

PROJECTED DEVELOPER PROFIT
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
BASE ZONING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

I.	Net Sales Revenue	See APPENDIX A - TABLE 2	\$15,248,000
II.	Total Development Cost	See APPENDIX A - TABLE 1	<u>\$14,763,000</u>
III.	Developer Profit	3.3% Total Development Cost	\$485,000

APPENDIX B

**OWNERSHIP HOUSING
PRO FORMA ANALYSES
MIXED USE ZONING @ 50 UNITS/ACRE BASE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX B - EXHIBIT I

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100%

MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I.	Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
	Parking						
	Above-Ground Podium Spaces		0	Spaces	\$25,000 /Space		0
	1st Level Subterranean		52	Spaces	\$35,000 /Space		1,820,000
	Building Costs		39,975	Sf of GBA	\$135 /Sf of GBA		5,397,000
	Contractor/DC Contingency Allow		20%	Other Direct Costs			1,547,000
	Total Direct Costs						\$9,284,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		8.0%	Direct Costs			\$743,000
	Public Permits & Fees	3	29	Units	\$20,000 /Unit		580,000
	Community Benefit Cost						462,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			279,000
	Marketing	4	29	Units	\$5,000 /Unit		145,000
	Developer Fee		3.0%	Gross Sales Revenue			669,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			144,000
	Total Indirect Costs						\$3,022,000
IV.	Financing Costs						
	Interest During Construction	5					\$841,000
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points		272,000
	Total Financing Costs						\$1,113,000
V.	Total Construction Cost		29	Units	\$463,000 /Unit		\$13,419,000
	Total Development Cost		29	Units	\$664,000 /Unit		\$19,269,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on estimates prepared for other projects within Culver City.

4 The Community Benefits requirement is based on the sales revenue projected to be generated by the increased number of units over the BASE ZONING multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

5 Assumes a 6.0% interest cost for debt; an 18 month construction period; a 5 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
 OWNERSHIP HOUSING
 PRO FORMA ANALYSIS
 MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		6 Units @	\$534,900 /Unit	\$3,209,000
Two-Bedroom Units		17 Units @	\$762,900 /Unit	12,969,000
Three-Bedroom Units		6 Units @	\$1,019,600 /Unit	\$6,118,000
Moderate Income Units	2			
One-Bedroom Units		0 Units @	\$211,100 /Unit	0
Two-Bedroom Units		0 Units @	\$239,100 /Unit	0
Three-Bedroom Units		0 Units @	\$250,700 /Unit	0
Total Gross Sales Revenue				\$22,296,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$669,000
Closing		2.0% Gross Sales Revenue		446,000
Warranty		0.5% Gross Sales Revenue		111,000
Total Cost of Sales				(\$1,226,000)

III. Net Sales Revenue	\$21,070,000
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¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX E - EXHIBIT I. A 20% premium is added for new construction. The weighted average sales price equates to \$697 per square foot of saleable area.

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

APPENDIX B - EXHIBIT I - TABLE 3

**PROJECTED DEVELOPER PROFIT
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

I.	Net Sales Revenue	See APPENDIX B - EXHIBIT I - TABLE 2	\$21,070,000
II.	Total Development Cost	See APPENDIX B - EXHIBIT I - TABLE 1	<u>\$19,269,000</u>
III.	Developer Profit	9.3% Total Development Cost	\$1,801,000

APPENDIX B - EXHIBIT II

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

**MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY
BONUS + INCLUSIONARY - 15% AFFORDABLE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Property Acquisition Costs	1	26,000	Sf of Land	\$225 /Sf of Land		\$5,850,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		26,000	Sf of Land	\$20 /Sf of Land		\$520,000
Parking						
Above-Ground Podium Spaces		1	Spaces	\$25,000 /Space		25,000
1st Level Subterranean		69	Spaces	\$35,000 /Space		2,415,000
Building Costs		53,750	Sf of GBA	\$135 /Sf of GBA		7,256,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			2,043,000
Total Direct Costs						\$12,259,000
III. Indirect Costs						
Architecture, Engineering & Consulting		8.0%	Direct Costs			\$981,000
Public Permits & Fees	3	39	Units	\$20,000 /Unit		780,000
Community Benefit Cost						462,000
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			368,000
Marketing	4	39	Units	\$5,000 /Unit		195,000
Developer Fee	5	39	Units	\$23,048 /Unit		899,000
Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			184,000
Total Indirect Costs						\$3,869,000
IV. Financing Costs						
Interest During Construction	6					\$987,000
Loan Origination Fees		60.0%	Loan to Cost	2.5 Points		330,000
Total Financing Costs						\$1,317,000
V. Total Construction Cost		39	Units	\$447,000 /Unit		\$17,445,000
Total Development Cost		39	Units	\$597,000 /Unit		\$23,295,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on estimates prepared for other projects within Culver City.

4 The Community Benefits requirement is based on the sales revenue projected to be generated by the increased number of units over the BASE ZONING multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

5 Based on the Developer Fee per unit generated by the BASE ZONING scenario.

6 Assumes a 6.0% interest cost for debt; an 18 month construction period; a 5 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

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		6 Units @	\$534,900 /Unit	\$3,209,000
Two-Bedroom Units		20 Units @	\$762,900 /Unit	15,258,000
Three-Bedroom Units		7 Units @	\$1,019,600 /Unit	\$7,137,000
Moderate Income Units	2			
One-Bedroom Units		2 Units @	\$211,100 /Unit	422,000
Two-Bedroom Units		3 Units @	\$239,100 /Unit	717,000
Three-Bedroom Units		1 Unit @	\$250,700 /Unit	251,000
Total Gross Sales Revenue				\$26,994,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$810,000
Closing		2.0% Gross Sales Revenue		540,000
Warranty		0.5% Gross Sales Revenue		135,000
Total Cost of Sales				(\$1,485,000)

III. Net Sales Revenue	\$25,509,000
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¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX E - EXHIBIT I. A 20% premium is added for new construction. The weighted average sales price equates to \$697 per square foot of saleable area.

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

APPENDIX B - EXHIBIT II - TABLE 3

PROFIT ANALYSIS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 50 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 15% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. **Funds Available for Development Costs**

Net Sales Revenue	See APPENDIX B - EXHIBIT II - TABLE 2	\$25,509,000
(Less) Threshold Developer Profit	¹ 9.3% Total Development Cost	(\$2,177,000)
Total Funds Available for Development Costs		\$23,332,000

II. **Total Development Cost** See APPENDIX B - EXHIBIT II - TABLE 1 **\$23,295,000**

III. Increase/(Decrease) in Profit	0.2% Total Development Cost	\$37,000
Total Profit	9.5% Total Development Cost	\$2,214,000

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MIXED USE ZONING @ 50 UNITS/ACRE BASE WITH COMMUNITY BENEFIT SCENARIO.

APPENDIX C

**OWNERSHIP HOUSING
PRO FORMA ANALYSES
MIXED USE ZONING @ 65 UNITS/ACRE BASE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX C - EXHIBIT I

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100%

MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I.	Property Acquisition Costs	1	26,000 Sf of Land	\$225 /Sf of Land		\$5,850,000
II.	Direct Costs	2				
	On-Site Improvements/Landscaping		26,000 Sf of Land	\$20 /Sf of Land		\$520,000
	Parking					
	Above-Ground Podium Spaces		0 Spaces	\$25,000 /Space		0
	1st Level Subterranean		69 Spaces	\$35,000 /Space		2,415,000
	Building Costs		52,788 Sf of GBA	\$135 /Sf of GBA		7,126,000
	Contractor/DC Contingency Allow		20% Other Direct Costs			2,012,000
	Total Direct Costs					\$12,073,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$966,000
	Public Permits & Fees	3	38 Units	\$20,000 /Unit		760,000
	Community Benefit Cost					998,000
	Taxes, Insurance, Legal & Accounting		3.0% Direct Costs			362,000
	Marketing	4	38 Units	\$5,000 /Unit		190,000
	Developer Fee		3.0% Gross Sales Revenue			883,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			208,000
	Total Indirect Costs					\$4,367,000
IV.	Financing Costs					
	Interest During Construction	5				\$1,019,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		334,000
	Total Financing Costs					\$1,353,000
V.	Total Construction Cost		38 Units	\$468,000 /Unit		\$17,793,000
	Total Development Cost		38 Units	\$622,000 /Unit		\$23,643,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on estimates prepared for other projects within Culver City.

4 The Community Benefits requirement is based on the sales revenue projected to be generated by the increased number of units over the BASE ZONING multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

5 Assumes a 6.0% 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 C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 OWNERSHIP HOUSING
 PRO FORMA ANALYSIS
 MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		7 Units @	\$534,900 /Unit	\$3,744,000
Two-Bedroom Units		23 Units @	\$762,900 /Unit	17,547,000
Three-Bedroom Units		8 Units @	\$1,019,600 /Unit	\$8,157,000
Moderate Income Units	2			
One-Bedroom Units		0 Units @	\$211,100 /Unit	0
Two-Bedroom Units		0 Units @	\$239,100 /Unit	0
Three-Bedroom Units		0 Units @	\$250,700 /Unit	0
Total Gross Sales Revenue				\$29,448,000

II. **Cost of Sales**

Commissions	3.0% Gross Sales Revenue	\$883,000
Closing	2.0% Gross Sales Revenue	589,000
Warranty	0.5% Gross Sales Revenue	147,000
Total Cost of Sales		(\$1,619,000)

III.	Net Sales Revenue	\$27,829,000
-------------	--------------------------	---------------------

¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX E - EXHIBIT I. A 20% premium is added for new construction. The weighted average sales price equates to \$697 per square foot of saleable area.

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

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT: 100% MARKET RATE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA

I.	Net Sales Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$27,829,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$23,643,000</u>
III.	Developer Profit	17.7% Total Development Cost	\$4,186,000

APPENDIX C - EXHIBIT II

**OWNERSHIP HOUSING
PRO FORMA ANALYSIS**

**MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY
BONUS + INCLUSIONARY - 14% AFFORDABLE UNITS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 14% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. Property Acquisition Costs	1	26,000 Sf of Land	\$225 /Sf of Land	\$5,850,000
II. Direct Costs	2			
On-Site Improvements/Landscaping		26,000 Sf of Land	\$20 /Sf of Land	\$520,000
Parking				
1st Level Subterranean		69 Spaces	\$35,000 /Space	2,415,000
2nd Level Subterranean		23 Spaces	\$45,000 /Space	1,035,000
Building Costs		70,225 Sf of GBA	\$135 /Sf of GBA	9,480,000
Contractor/DC Contingency Allow		20% Other Direct Costs		2,690,000
Total Direct Costs				\$16,140,000
III. Indirect Costs				
Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,291,000
Public Permits & Fees	3	51 Units	\$20,000 /Unit	1,020,000
Community Benefit Cost				998,000
Taxes, Insurance, Legal & Accounting		3.0% Direct Costs		484,000
Marketing	4	51 Units	\$5,000 /Unit	255,000
Developer Fee	5	51 Units	\$23,048 /Unit	1,175,000
Soft Cost Contingency Allowance		5.0% Other Indirect Costs		261,000
Total Indirect Costs				\$5,484,000
IV. Financing Costs				
Interest During Construction	6			\$1,220,000
Loan Origination Fees		60.0% Loan to Cost	2.5 Points	412,000
Total Financing Costs				\$1,632,000
V. Total Construction Cost		51 Units	\$456,000 /Unit	\$23,256,000
Total Development Cost		51 Units	\$571,000 /Unit	\$29,106,000

1 Estimated based on a survey of land sales between 2016 and 2019 with zoning that allows mixed use development. Deducts a 25% allocation for ground floor commercial space.

2 Based on the estimated costs for similar uses.

3 Based on estimates prepared for other projects within Culver City.

4 The Community Benefits requirement is based on the sales revenue projected to be generated by the increased number of units over the BASE ZONING multiplied times a 15% profit factor. The Community Benefit requirement is set at 50% of the incremental profit factor.

5 Based on the Developer Fee per unit generated by the BASE ZONING scenario.

6 Assumes a 6.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 OWNERSHIP HOUSING
 PRO FORMA ANALYSIS
 MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 14% AFFORDABLE UNITS
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		8 Units @	\$534,900 /Unit	\$4,279,000
Two-Bedroom Units		27 Units @	\$762,900 /Unit	20,598,000
Three-Bedroom Units		9 Units @	\$1,019,600 /Unit	\$9,176,000
Moderate Income Units	2			
One-Bedroom Units		2 Units @	\$211,100 /Unit	422,000
Two-Bedroom Units		4 Units @	\$239,100 /Unit	956,000
Three-Bedroom Units		1 Unit @	\$250,700 /Unit	251,000
Total Gross Sales Revenue				\$35,682,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,070,000
Closing		2.0% Gross Sales Revenue		714,000
Warranty		0.5% Gross Sales Revenue		178,000
Total Cost of Sales				(\$1,962,000)

III.	Net Sales Revenue	\$33,720,000
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¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX E - EXHIBIT I. A 20% premium is added for new construction. The weighted average sales price equates to \$698 per square foot of saleable area.

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

APPENDIX C - EXHIBIT II - TABLE 3

PROFIT ANALYSIS

OWNERSHIP HOUSING

PRO FORMA ANALYSIS

MIXED USE ZONING @ 65 UNITS/ACRE BASE: WITH COMMUNITY BENEFIT + DENSITY BONUS + INCLUSIONARY - 14% AFFORDABLE UNITS

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

CULVER CITY, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Sales Revenue	See APPENDIX C - EXHIBIT II - TABLE 2		\$33,720,000
(Less) Threshold Developer Profit	¹ 17.7% Total Development Cost		<u>(\$5,153,000)</u>
Total Funds Available for Development Costs			\$28,567,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$29,106,000
III. Increase/(Decrease) in Profit	-1.9% Total Development Cost		(\$539,000)
Total Profit	15.9% Total Development Cost		\$4,614,000

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MIXED USE ZONING @ 65 UNITS/ACRE BASE WITH COMMUNITY BENEFIT SCENARIO.

APPENDIX D

**OWNERSHIP HOUSING
AFFORDABILITY ANALYSES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX D - EXHIBIT I

**AFFORDABLE SALES PRICE CALCULATIONS
2018 INCOME STANDARDS
OWNERSHIP HOUSING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

1

	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
Moderate Income Households			
I.			
A. Income Information			
Household Income @ 110% Median	\$61,000	\$68,590	\$76,230
Income Allotted to Housing @ 35% of Income	\$21,350	\$24,010	\$26,680
B. Expenses			
Annual Utilities Allowance	\$1,260	\$1,512	\$1,884
HOA, Maintenance & Insurance	4,680	5,040	6,480
Property Taxes @ 1.10% of Affordable Sales Price	2,320	2,630	2,760
Total Expenses	\$8,260	\$9,182	\$11,124
C. Income Available for Mortgage	\$13,090	\$14,828	\$15,556
D. Affordable Sales Price			
Supportable Mtg @ 5.12% Interest	\$200,500	\$227,100	\$238,200
Home Buyer Down Payment @ 5% of Affordable Sales Price	10,600	12,000	12,500
Affordable Sales Price	\$211,100	\$239,100	\$250,700
II.			
Very Low Income Households			
A. Income Information			
Household Income @ 50% Median	\$27,730	\$31,180	\$34,650
Income Allotted to Housing @ 30% of Income	\$8,320	\$9,350	\$10,400
B. Expenses			
Annual Utilities Allowance	\$1,260	\$1,512	\$1,884
HOA, Maintenance & Insurance	4,680	5,040	6,480
Property Taxes @ 1.10% of Affordable Sales Price	360	420	310
Total Expenses	\$6,300	\$6,972	\$8,674
C. Income Available for Mortgage	\$2,020	\$2,378	\$1,726
D. Affordable Sales Price			
Supportable Mtg @ 5.12% Interest	\$30,900	\$36,400	\$26,400
Home Buyer Down Payment @ 5% of Affordable Sales Price	1,600	1,900	1,400
Affordable Sales Price	\$32,500	\$38,300	\$27,800

¹ Based on 2018 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are Based on HACoLA utilities allowances effective as of 7/1/18. Assumes: gas heating, cooking and water heating; basic electric; air conditioning; water; and trash.

³ Based on a 100 basis points premium applied to the Bankrate site average as of April 15, 2019 for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX D - EXHIBIT II

IN-LIEU FEE ANALYSIS
 AFFORDABILITY GAP APPROACH - MODERATE INCOME
 OWNERSHIP HOUSING
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

I. <u>Sales Price Difference</u>	1	
A. <u>One-Bedroom Units</u>		
Market Rate Units		\$534,900
Affordable Sales Price		211,100
		<hr/>
Difference		\$323,800
B. <u>Two-Bedroom Units</u>		
Market Rate Units		\$762,900
Affordable Sales Price		239,100
		<hr/>
Difference		\$523,800
C. <u>Three-Bedroom Units</u>		
Market Rate Units		\$1,019,600
Affordable Sales Price		250,700
		<hr/>
Difference		\$768,900
II. <u>Distribution of Total Units</u>	2	
One-Bedroom Units		20%
Two-Bedroom Units		60%
Three-Bedroom Units		20%
III. <u>In-Lieu Fee</u>		
Per Income Restricted Unit		\$532,800
Inclusionary Requirement	3	15%
Per Total Unit		\$79,900
Per Square Foot of GBA	4	\$57.96

¹ The market rate sales prices are drawn from the pro forma analyses. See APPENDIX D - EXHIBIT I. The affordable sales prices are based on the H&SC Section 50052.5 calculation methodology.

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

³ Based on the percentage derived from the pro forma analyses.

⁴ Based on the total GBA included in the project divided by the total number of units in the project.

APPENDIX E

**OWNERSHIP HOUSING
BACKUP TABLES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

APPENDIX E - EXHIBIT I

CONDOMINIUM SALES SURVEY
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

Address	City	Zip Code	Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
One-Bedroom Units						
6050 Canterbury Dr Unit F-308	Culver City	90230	764	\$392,500	\$514	1971
5900 Canterbury Dr Unit B-114	Culver City	90230	764	\$399,000	\$522	1971
4802 Hollow Corner Rd #219	Culver City	90230	697	\$406,850	\$584	1973
9204 National Blvd	Los Angeles	90034	452	\$415,000	\$918	1927
5650 Sumner Way #114	Culver City	90230	842	\$420,000	\$499	1968
5875 Doverwood Dr #108	Culver City	90230	863	\$420,000	\$487	1970
7105 Summertime Ln	Culver City	90230	730	\$425,000	\$582	1973
3734 S Canfield Ave #222	Los Angeles	90034	643	\$426,000	\$663	1972
3107 Summertime Ln	Culver City	90230	730	\$430,000	\$589	1973
6124 Buckingham #19	Culver City	90230	968	\$430,000	\$444	1968
3640 Cardiff Ave #209	Los Angeles	90034	665	\$439,000	\$660	1973
6103 Summertime Ln	Culver City	90230	730	\$441,500	\$605	1973
3640 Cardiff Ave #201	Los Angeles	90034	676	\$442,000	\$654	1973
3205 Summertime Ln	Culver City	90230	730	\$455,000	\$623	1973
5625 Windsor Way #314	Culver City	90230	785	\$460,000	\$586	1967
13202 Summertime Ln	Culver City	90230	730	\$464,000	\$636	1973
5625 Windsor Way #312	Culver City	90230	785	\$465,000	\$592	1967
6275 Canterbury Dr #204	Culver City	90230	807	\$469,000	\$581	1969
10105 Summertime Ln	Culver City	90230	730	\$470,000	\$644	1973
4900 Overland Ave #127	Culver City	90230	697	\$473,000	\$679	1973
4900 Overland Ave #264	Culver City	90230	1,010	\$495,000	\$490	1973
5870 Green Valley Cir #216	Culver City	90230	1,005	\$495,000	\$493	1970
4900 Overland Ave #362	Culver City	90230	980	\$562,000	\$573	1973
Minimum			452	\$392,500	\$444	1927
Maximum			1,010	\$562,000	\$918	1973
Average			773	\$447,602	\$579	1969
Two-Bedroom Units						
4812 Hollow Corner Rd #154	Culver City	90230	697	\$435,000	\$624	1973
8516 Cadillac Ave #6	Los Angeles	90034	1,025	\$469,500	\$458	1982
4840 Hollow Corner Rd #421	Culver City	90230	852	\$505,000	\$593	1973
8211 Summertime Ln	Culver City	90230	870	\$510,000	\$586	1973
6605 Green Valley Cir #119	Culver City	90230	885	\$515,000	\$582	1970
7101 Summertime Ln	Culver City	90230	870	\$525,000	\$603	1973
6375 Green Valley Cir #310	Culver City	90230	972	\$540,000	\$556	1970
4814 Hollow Corner Rd #148	Culver City	90230	885	\$545,000	\$616	1973
5900 Canterbury Dr Unit A104	Culver City	90230	1,029	\$551,000	\$535	1971
5845 Doverwood Dr #205	Culver City	90230	1,265	\$560,000	\$443	1970
4900 Overland Ave #344	Culver City	90230	920	\$563,000	\$612	1973
5006 Maytime Ln	Culver City	90230	942	\$575,000	\$610	1973
4900 Overland Ave #205	Culver City	90230	962	\$575,000	\$598	1973
6150 Buckingham #209	Culver City	90230	1,109	\$579,900	\$523	1967
4929 Indian Wood Rd #468	Culver City	90230	885	\$580,000	\$655	1973
5651 Windsor Way #208	Culver City	90230	1,081	\$580,000	\$537	1968
1101 Raintree Cir #101	Culver City	90230	1,116	\$582,000	\$522	1972
5950 Buckingham #514	Culver City	90230	1,227	\$585,000	\$477	1970

APPENDIX E - EXHIBIT I

CONDOMINIUM SALES SURVEY
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

Address	City	Zip Code	Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
5950 Canterbury Dr Unit C308	Culver City	90230	1,029	\$585,000	\$569	1971
13112 Summertime Ln	Culver City	90230	916	\$592,000	\$646	1973
4745 Maytime Ln	Culver City	90230	1,034	\$592,000	\$573	1975
4900 Overland Ave #360	Culver City	90230	962	\$597,000	\$621	1973
4923 Maytime Ln	Culver City	90230	942	\$599,000	\$636	1973
6050 Canterbury Dr Unit G226	Culver City	90230	1,028	\$599,000	\$583	1971
9313 National #209	Los Angeles	90034	824	\$599,000	\$727	1978
5600 Kensington Way #309	Culver City	90230	1,074	\$600,000	\$559	1969
4900 Overland Ave #312	Culver City	90230	962	\$601,000	\$625	1973
5650 Cambridge Way #25	Culver City	90230	1,051	\$604,000	\$575	1967
6050 Canterbury Dr Unit F109	Culver City	90230	1,029	\$610,000	\$593	1971
6150 Buckingham #302	Culver City	90230	1,130	\$610,000	\$540	1967
3325 Bagley Ave #202	Los Angeles	90034	988	\$616,000	\$623	1978
7204 Raintree Cir	Culver City	90230	1,322	\$620,000	\$469	1972
5625 Windsor Way #203	Culver City	90230	1,057	\$620,000	\$587	1967
4900 Overland Ave #186	Culver City	90230	962	\$622,000	\$647	1973
6275 Canterbury Dr #101	Culver City	90230	1,074	\$625,000	\$582	1969
5951 Canterbury Dr #17	Culver City	90230	972	\$625,000	\$643	1966
5651 Sumner Way #217	Culver City	90230	1,154	\$625,000	\$542	1968
6625 Green Valley Cir #302	Culver City	90230	1,347	\$625,000	\$464	1970
6345 Green Valley Cir #318	Culver City	90230	1,347	\$630,000	\$468	1970
6665 Green Valley Cir #122	Culver City	90230	1,252	\$640,000	\$511	1970
5951 Canterbury Dr #1	Culver City	90230	1,001	\$650,000	\$649	1966
6150 Buckingham #105	Culver City	90230	1,300	\$660,000	\$508	1967
9737 Charnock Ave #4	Los Angeles	90034	1,119	\$670,000	\$599	1984
3756 Bagley Ave #206	Los Angeles	90034	991	\$670,500	\$677	1977
10740 Lawler St #8	Los Angeles	90034	875	\$685,000	\$783	1986
3722 Hughes Ave #2	Palms	90034	994	\$699,500	\$704	1974
5306 Summertime Ln	Culver City	90230	1,073	\$700,000	\$652	1973
4208 Raintree Cir	Culver City	90230	1,313	\$710,000	\$541	1972
5110 Raintree Cir	Culver City	90230	1,322	\$740,000	\$560	1972
3613 Glendon Ave #201	Los Angeles	90034	1,345	\$750,000	\$558	1991
11106 Culver Blvd #105	Culver City	90230	1,142	\$757,000	\$663	1981
3636 Jasmine Ave #303	Los Angeles	90034	1,170	\$762,000	\$651	2008
3668 Hughes Ave #1	Los Angeles	90034	1,180	\$780,000	\$661	1979
5215 Sepulveda Blvd Unit 4B	Culver City	90230	1,254	\$825,000	\$658	1964
10790 Rose Ave #302	Los Angeles	90034	1,436	\$825,000	\$575	1996
5629 Canterbury Dr	Culver City	90230	1,222	\$849,000	\$695	1984
10021 Tabor St #301	Los Angeles	90034	1,279	\$890,000	\$696	1989
4802 Salem Village Dr	Culver City	90230	1,414	\$900,000	\$636	1972
3918 Huron Ave #2	Culver City	90232	1,462	\$905,000	\$619	1990
Minimum			697	\$435,000	\$443	1964
Maximum			1,462	\$905,000	\$783	2008
Average			1,084	\$637,956	\$589	1974

APPENDIX E - EXHIBIT I

CONDOMINIUM SALES SURVEY
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 CULVER CITY, CALIFORNIA

Address	City	Zip Code	Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
Three-Bedroom Units						
6001 Canterbury Dr #202	Culver City	90230	1,282	\$590,000	\$460	1967
5900 Canterbury Dr Unit A-109	Culver City	90230	1,225	\$650,000	\$531	1971
4831 Maytime Ln	Culver City	90230	1,289	\$665,000	\$516	1975
4929 Maytime Ln	Culver City	90230	1,130	\$745,800	\$660	1973
4617 Maytime Ln	Culver City	90230	1,289	\$765,242	\$594	1975
5003 Butterfield Ct	Culver City	90230	1,734	\$889,000	\$513	1972
11260 Overland Ave Unit 18C	Culver City	90230	1,628	\$893,000	\$549	1967
11260 Overland Ave Unit 7E	Culver City	90230	1,895	\$955,000	\$504	1971
3823 Huron Ave #5	Culver City	90232	1,770	\$1,085,000	\$613	2008
4057 La Salle Ave	Culver City	90232	1,453	\$1,100,000	\$757	1980
3836 Bentley Ave #3	Culver City	90232	1,758	\$981,500	\$558	1980
Minimum			1,130	\$590,000	\$460	1967
Maximum			1,895	\$1,100,000	\$757	2008
Average			1,496	\$847,231	\$566	1976

Source: Redfin. The survey includes executed sales that occurred between October 2018 to April 2019.

APPENDIX E - EXHIBIT II

**LAND SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
CULVER CITY, CALIFORNIA**

Address	Sale Date	Site Size	Sales Price	
			Total	Per SF
3725-27 Robertson Boulevard	2019	5,090	\$1,875,000	\$368
3123 Livonia Avenue	2019	13,000	\$4,250,000	\$327
4041 Sawtelle Boulevard	2019	6,560	\$1,608,000	\$245
2026 Federal Avenue	2019	6,098	\$1,398,000	\$229
4339 Berryman Avenue	2019	22,651	\$6,250,000	\$276
11842 Teale Street	2019	2,400	\$950,000	\$396
3812-18 Dunn Drive	2018	10,019	\$7,000,000	\$699
11281 Washington Place	2016	12,300	\$2,400,000	\$195
3868 Sepulveda Boulevard	2016	26,504	\$5,300,000	\$200
Minimum		2,400	\$950,000	\$195
Maximum		26,504	\$7,000,000	\$699
Weighted Average		11,625	\$3,448,000	\$297

Sources: Culver City projects and Redfin for closed sales. Zillow for listed properties.