MEMORANDUM

To: Pam Antil, Encinitas City Manager
Jennifer Gates, Planning Manager – Policy & Housing

From: Ken K. Hira, President, Kosmont Companies
Tom Jirovsky, Senior Advisor, Kosmont Companies

Date: August 23, 2021

Re: Financial Feasibility Analysis of Affordable Housing Opportunity Sites

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OVERVIEW

As a follow-up to the Phase 1 SWOT assessment of potential affordable housing development sites in the City of Encinitas ("City") prepared by Kosmont & Associates, Inc. doing business as Kosmont Companies ("Consultant" or "Kosmont"), Kosmont has prepared a high level Phase 2 financial feasibility analysis. Proforma illustrations include a range of residential and commercial development for top two opportunity sites ("Site" or "Sites") identified by Kosmont and the City.

- Quail Gardens L-7 Site – 9 acres
- Public Works Yard – 4 acres

Quail Gardens L-7 Opportunity Site

This City-owned 9-acre Site known as Quail Gardens L-7 is currently vacant. Because this Site is currently zoned RR-1 with maximum density of 1 unit per acre, a proposed project could utilize 50% density bonus to allow 15 single family homes. With Accessory Dwelling Units (ADU), total number of living units could increase to 30 on Site. To qualify for density bonus, Inclusionary Housing rules require 15% very low income units (rounded up).

The Site would likely be leased at a nominal $1 per year to a non-profit developer to build and manage the units. The pro forma analyses look at stabilized value and estimated development costs. In the event that the financial gap on 100% low income scenario is too large, a second option looked at 15 moderate income units to see how much subsidy is reduced.

Alternatively, the Site could be sold to a private developer at fair market value and proceeds used to fund other programs.

The Development assumptions for a range of scenarios are listed on following page:

- Alternative 1 (30 units) - 100% Low Income
    - 15 large units 1,200 to 1,500 SF with 3-4 bedrooms and rents not to exceed 60% of median income
    - 15 smaller units (ADU) 700 SF with studio and 1-bedrooms and rents not to exceed 60% of median income

- Alternative 2 (30 units) - 50% Moderate and 50% Very Low Income
    - 13 large units 1,200 to 1,500 SF with 3-4 bedrooms and rents not to exceed 110% of median income
    - 2 large units 1,200 to 1,500 SF with 3-4 bedrooms and rents not to exceed 50% of median income
    - 15 ADU with studio and 1-bedroom units and rents not to exceed 50% of median income

Public Works Yard Opportunity Site

This former auto dealership Site at the southeast corner of I-5 Freeway and Encinitas Blvd. is currently used as the City Public Works Yard. There is a 15,500 square foot office building and approximately 4 acres of surface parking land used for vehicle and equipment storage.

Kosmont envisions the potential for a wide range of development opportunities on the Site including hotel, retail and affordable housing. The Site is large enough to accommodate several uses, some of which can generate significant funds to the City to offset affordable housing subsidies. Since the Site is currently zoned General Commercial, a rezoning alternative will require Prop A voter approval. However, due to its isolated location, opposition may be reduced.

Kosmont prepared illustrative financial pro forma analyses (see Exhibits) to solve for the stabilized value and after subtracting construction costs, estimate the residual land value, or any City cash subsidy needed beyond a $1 per year long term land lease to developer.

Assumptions follow:

- Upscale hotel with restaurant on a subdivided parcel
    - 30 foot height limit – 80 rooms
    - 45 foot height limit – 100 rooms
    - 60 foot height limit – 120 rooms

      These hotel scenarios solved for positive land value and annual TOT revenues

- Low income affordable housing on remainder parcel assuming R-30 Overlay
    - 30 foot height limit - 40 units
    - 45 foot height limit - 50 units
    - 60 foot height limit - 60 units

      These housing scenarios estimated the financial gap beyond a $1 land lease needed to provide low income restricted units

Because the Site contains approximately 15,000 square feet of office space that is utilized by 24 City employees, Kosmont analyzed the potential to retain the office building and construct the hotel and affordable housing project on the 2-3 acres south of the office building.

Alternatively, the City will need to find replacement office space elsewhere in the City, resulting in increased leasing cost of $400,000 per year or capital cost of +$5 million.

APPROACH

Kosmont took the following steps in the approach to the Analysis:

- Visited the Sites and toured the surrounding area
- Gathered data for the area to estimate the achievable rents for new market rate tenants
- Researched affordable rent levels for low income households
- Researched Low Income Housing Tax Credits ("LIHTC")
- Prepared illustrative financial pro formas with cost and revenue projections for prototype development to demonstrate the supportable investment value and resulting residual land value or subsidy required

Capital investment in real estate development is a high-risk venture. In order to obtain financing commitments, developers must be able to demonstrate sufficient returns to offset the risks related to cost overruns and changes in the economy during the construction. This analysis does not reflect the increased cost of labor and materials from Covid-19.

EXECUTIVE SUMMARY

Even after allowing for potential 4% federal tax credit, and $1 per year land lease, the estimated City subsidy for the affordable housing scenarios ranges from $4 million to $6 million, or approximately $100,000 per unit, as summarized below and shown in more detail in the pro forma exhibits for each site. By subdividing the Public Works Yard to allow for a 1.5 acre hotel site, the City could realize $2 million to $5 million in land value if sold to a private developer.

Land Value (Subsidy Required)

Quail Gardens	**100% Low Income Housing**	**VLow & Moderate Housing**
3- bedroom & 1 bedroom	($4,100,000)	($3,940,000)
4 Bedroom & 1 bedroom	($5,010,000)	($4,470,000)
Public Works Yard	**Hotel**	**Low Income Housing**
2-Story Height	$2,010,000	($4,290,000)
3-Story Height	$3,520,000	($5,250,000)
4-Story Height	$5,030,000	($6,200,000)

Quail Gardens L-7 Land Value
Based on research into recent land sale comparables, adjusting for the current permitted density, the estimated land value for the Site would be approximately $4.5 to $5 million.

Sensitivity Analysis
Caveat: Future land values are extremely sensitive to economic conditions and variables.

Disclaimer:
The analyses, projections, assumptions and any examples presented herein are for illustrative purposes and are not a guarantee of future results. Actual results may differ from those expressed herein, as results are difficult to predict as a function of market conditions, natural disasters, pandemics, significant economic impacts, legislation and administrative actions

Low Income Housing Tax Credits ("LIHTC")

LIHTC program is the federal government's primary tool for encouraging development of new affordable rental housing. These housing projects must meet an "income test" with two options: 20% of units affordable to households earning less than 50% of Area Median Income ("AMI") adjusted for household size, or 40% of units affordable to household earning less than 60% of AMI. These credits are awarded to developers via application processes administered by each state Housing Finance Authority.

There are two main types of federal credits - 4% and 9% of eligible costs, which provide a 10-year stream of income to the developer equal to the credit amount times the eligible costs. The present value of that 10-year stream is typically equal to 75% of the total credit payments, leaving 30% (4% x 10 x 75%) to 70% (9% x10 x 75%) of net capital funding.

The 9% tax credit is obviously the most attractive, but is limited in each state to approximately $2.80 per resident and results in a competitive process. For California, that limits the total amount of credits awarded each year to approximately $100 million. At an average cost $350,000 per unit, only 3,000 apartment units would be funded. The extreme competition for these 9% credits results in successful projects focused on extremely low income households. There are no selection criteria for the 4% tax credits beyond the 60% of AMI affordability test. The 4% tax credit is not subject to any state allocation limits, but these projects are also eligible to receive tax exempt bond financing proceeds from the state. Although there are some State tax credits available, for this analysis Kosmont assumed only 4% federal credits are useful.

FEASIBILITY ANALYSIS

In order to obtain financing commitments for these projects, developers must be able to demonstrate sufficient profit margins to provide a return on the equity investment and to offset the significant risks related to entitlements, construction cost overruns, interest rate changes, capitalization rate changes and ups and downs in the local and national economy. During a 24 to 30-month entitlement and development period, residential and commercial lease rates and sales prices can fluctuate.

It is important to recognize that a pro forma value is just a projection of future costs and revenues based on the best available knowledge at a point in time. Given the cyclical nature of the economy and the potential increasing of interest rates by 2 or 3 percentage points from their recent historic lows, there is no guarantee that a developer will make a profit.

Kosmont prepared the Analysis by illustrating stabilized net operating income in today's dollars. We then calculated the project value in excess of cost by assuming sale of the project at stabilized occupancy and deducting net development costs, which was derived from adding direct and indirect construction costs, taxes, insurance and interest.

Financial Pro Formas

The financial pro formas used in this Analysis provide a rough estimate of development costs and the annual net operating income a developer would earn when a project is completed, and the resulting annual return on total development cost, as well as profit margin, if sold.

Key development cost components include Site development, building construction, architectural and engineering fees, permits and fees, soft costs, and financing costs. The net operating income (NOI) includes gross rents, vacancy factor, and all operating expenses. Other assumptions for the scenarios herein include:

- Taxes and insurance at 1% of costs
- Developer overhead at 3% of costs
- Financing interest and fees that average 5%
- An industry standard 5% contingency factor to allow for additional cost items not anticipated at a preliminary planning level
- LIHTC equal to 30% of the low income unit construction costs for residential units

Apartment Income

- For very low income households maximum rent depends on household size and AMI
    - Per State HCD schedule, a 4 person (3-bedroom unit) has maximum rent of approximately $1,189 per month
    - For 2 person household the maximum rent is approximately $951

- For low income households, the maximum rent depends on the household size and AMI
    - For 3 person household the maximum rent is approximately $1,284.
    - For 2 person household the maximum rent is approximately $1,141

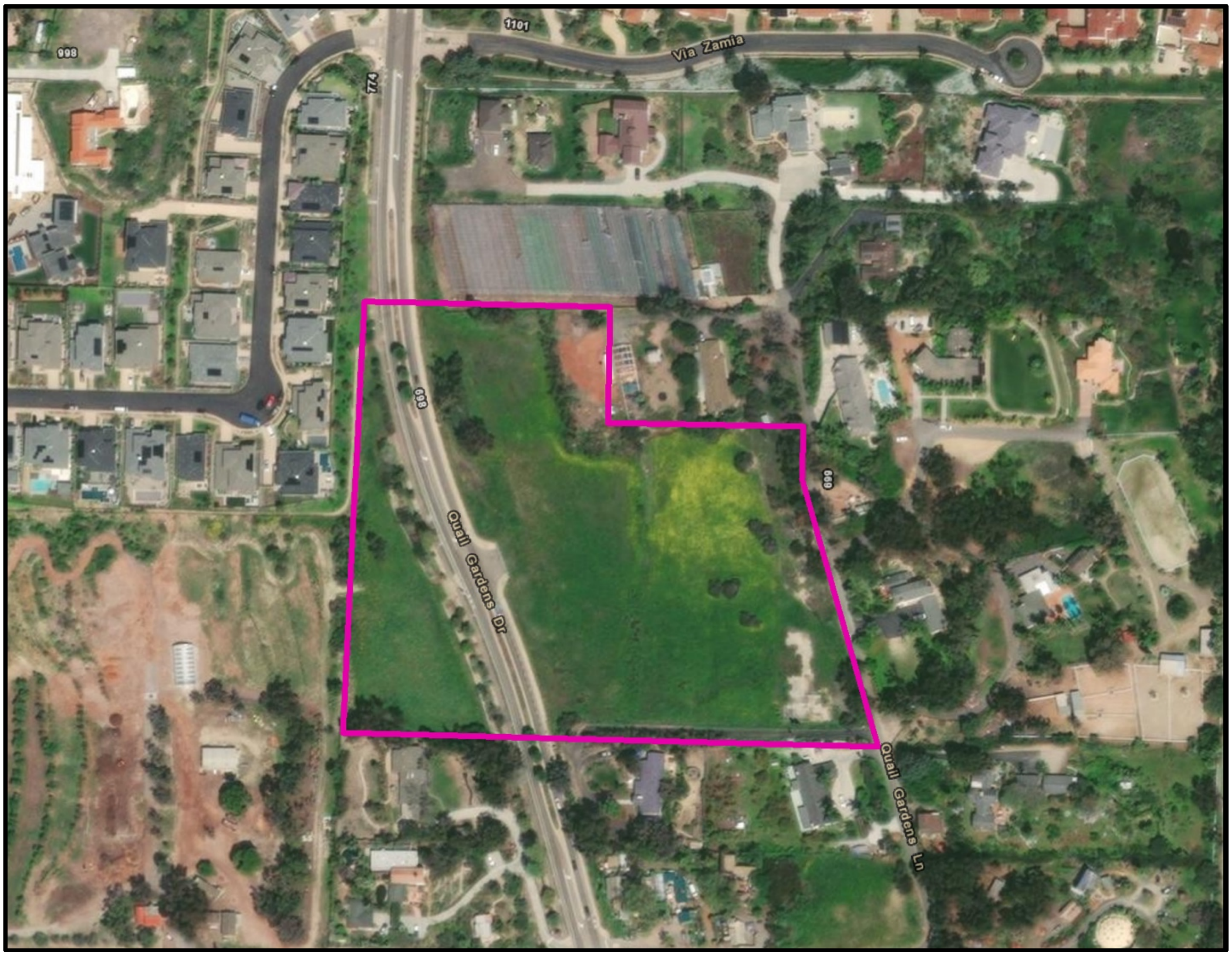
- For moderate income households, the HCD schedule indicates a supportable rent of approximately $2,615 per month. For a 5 person (4-bedroom unit) the maximum rent is approximately $2,824 per month.

- For pro forma purposes, Kosmont assumed a 4% vacancy and bad debt allowance. Operating costs, including taxes, insurance, personnel, management fee, repair and maintenance and turnover costs were estimated at $8,000 to $9,000 per unit.

Unique assumptions for each Site are listed on the following pages.

Quail Gardens L-7 Site

This 9-acre site located at 634 Quail Gardens Lane is a vacant parcel zoned RR-1.



Development Program:

The City has requested a pro forma feasibility analysis of a 15 unit affordable rental project utilizing the 50% density bonus with 3-4 bedroom units, and assuming an equal number of ADU's providing 15 studio/1-bedroom affordable units.

Housing Assumptions

- Assumes 4% Federal tax credit is available
- Assume 55-year lease for $1 per year (City opportunity cost of $4 million for the site, maybe recouped after lease expiration)
- Due to the low density, it is expected that there will be substantial open space included in any development plan. Site improvement costs are estimated at $400,000 per acre for approximately 50% of the Site
- Hard costs for wood frame apartment buildings were estimated $200 PSF
- Covered parking is estimated at $5,000 per unit
- Architecture & engineering is estimated at 5% of hard costs.
- Financing costs are estimated reflecting a 100 percent construction loan for 30-month construction period at 5 percent interest and amortized loan fees.
- Furnishings/Fixtures allowance was estimated at $7,500 per unit
- Recreation area allowance (pool, clubhouse, playground) at $5,000 per unit
- Rental product is assumed to be 50% 3-4 bedroom units and 50% studio/1-bedroom units averaging 1,200 to 1,500 SF and 650 SF respectively
- Capitalization rate of 5.5% as target for supportable investment

Residual Land Value

Assuming stabilized operations, Kosmont estimated the supportable investment value of each use using market capitalization rate of 5.5%, after deducting the total development costs (net of LIHTC), the pro forma yields the residual land value for each scenario.

Per the City's request, two scenarios were analyzed:
1. 100% low income units – (15) 3-4 bedroom units and (15) studio/1-bedroom units
2. Very low income units– (15) studio/1-bedroom units and (2) 3-4 bedroom units – Moderate income (13) 3-4 bedroom units

The pro forma analysis shown in Exhibit 1a for the 100% low income (15 3-bed @1,200 SF and 15 smaller units) indicates a financial gap of $4.1 million, not including any land cost that is assumed to be contributed by the City. The pro forma analysis shown in Exhibit 1b is for 100% low income (15 4-bed @1,500 SF and 15 small units) and indicates a financial gap of $5.0 million.

The pro forma analysis shown in Exhibit 2a for the 13 moderate income 3-bed units, 2 very low 3 bed units and 15 very low income ADU's, indicates a slightly reduced financial gap of $3.9 million, excluding any cost for the land that is assumed to be contributed by the City. The pro forma analysis shown in Exhibit 2b is for 13 moderate income (4-bed @1,500 SF) 2 very low 4-bed units @1,500 SF and 15 small units) and indicates a financial gap of approximately $4.7 million.

If no LIHTC, the moderate income scenario would have a $1.6 million higher feasibility gap.

Exhibit 1a

Quail Gardens
Affordable Pro Forma Illustration
100% Low Income

Total Units	30			
3-bedroom units	15	1200	sf (net)	
1-bedroom units	15	650	sf (net)	
				Pro Forma
Stabilized Income:				
3-bedroom Units income		$1,400	per month	$252,000
Less: Vacancy Factor		4.0%	of rent	($10,080)
1-bedroom unit income		$1,100	per month	$198,000
Less: Vacancy Factor		4.0%	of rent	($7,920)
Effective Gross Income				$432,000
Maint.,Mgmt & Insurance	$	8,000	/unit	(240,000)
Net Operating Income				$192,000
Development Costs				
Site Improvements	$12	170,000	SF	$2,040,000
Arch & Engineering	5.0%			$330,216
Permits & Fees	$ 10.00	psf		$277,500
Resid. Construction	$200	psf		$6,379,310
Construction - Parking	$ 7,500	per unit		$225,000
FF&E	$ 7,500	per apt unit		$225,000
Landscaping	$ 5,000	per apt unit		$150,000
Financing	5.0%	24 mths		$481,351
Taxes & insurance	1.1%			$81,807
Developer Overhead	3.0%	of costs		$244,506
Contingency	5.0%	of costs		$407,509
Total Costs				$10,842,199
Value of LIHTC (30%)				(3,252,660)
Adjusted Costs				$ 7,589,539
Stabilized Value @	5.50%			$3,490,000
Residual Land Value				($4,100,000)

Exhibit 1b
Quail Gardens
Affordable Pro Forma Illustration
100% Low Income

Total Units	30			
3-bedroom units	15	1500	sf (net)	
1-bedroom units	15	650	sf (net)	
				Pro Forma
Stabilized Income:				
3-bedroom Units income		$1,400	per month	$252,000
Less: Vacancy Factor		4.0%	of rent	($10,080)
1-bedroom unit income		$1,100	per month	$198,000
Less: Vacancy Factor		4.0%	of rent	($7,920)
Effective Gross Income				$432,000
Maint.,Mgmt & Insurance	$	8,000	/unit	(240,000)
Net Operating Income				$192,000

Development Costs				
Site Improvements	$12	170,000	SF	$2,040,000
Arch & Engineering	5.0%			$381,940
Permits & Fees	$ 10.00	psf		$322,500
Resid. Construction	$200	psf		$7,413,793
Construction - Parking	$ 7,500	per unit		$225,000
FF&E	$ 7,500	per apt unit		$225,000
Landscaping	$ 5,000	per apt unit		$150,000
Financing	5.0%	24 mths		$537,912
Taxes & insurance	1.1%			$94,251
Developer Overhead	3.0%	of costs		$280,512
Contingency	5.0%	of costs		$467,520
Total Costs				$12,138,427
Value of LIHTC (30%)				(3,641,528)
Adjusted Costs				$ 8,496,899
Stabilized Value @	5.50%			$3,490,000
Residual Land Value				($5,010,000)

Exhibit 2a

Quail Gardens
Affordable Pro Forma Illustration
Very Low & Moderate Income

Total Units		30			
3-bedroom units		15	1200	sf (net)	
1-bedroom units		15	650	sf (net)	
					Pro Forma
Stabilized Income:					
3-bedroom Moderate Income (13)			$2,615	per month	$407,940
Less: Vacancy Factor			4.0%	of rent	($16,318)
3-bedroom V-low Income (2)			$1,189	per month	$28,536
Less: Vacancy Factor			4.0%	of rent	($1,141)
1-bedroom V-low income			$951	per month	$171,180
Less: Vacancy Factor			4.0%	of rent	($6,847)
Effective Gross Income					$555,955
Maint.,Mgmt & Insurance			$ 9,000	/unit	(270,000)
Net Operating Income					$285,955
Development Costs					
Site Improvements		$12	170,000	SF	$2,040,000
Arch & Engineering		5.0%			$326,466
Permits & Fees	$ 10.00	psf			$277,500
Resid. Construction	$200	psf			$6,379,310
Construction - Parking	5,000				$150,000
FF&E	7,500	per apt unit			$225,000
Landscaping	$ 5,000	per apt unit			$150,000
Financing	5.0%	24 mths			$477,414
Taxes & insurance	1.1%				$82,591
Developer Overhead	3.0%	of costs			$242,048
Contingency	5.0%	of costs			$403,414
Total Costs					$10,753,743
Value of LIHTC (30%)					(1,613,061)
Adjusted Costs					$ 9,140,682
Stabilized Value @	5.50%				$5,200,000
Residual Land Value					($3,940,000)

Exhibit 2b

Quail Gardens
Affordable Pro Forma Illustration
Very Low & Moderate Income

				Pro Forma
Total Units	30			
4-bedroom units	15	1500	sf (net)	
1-bedroom units	15	650	sf (net)	
Stabilized Income:				
4-bedroom Moderate Income (13)		$2,824	per month	$440,544
Less: Vacancy Factor		4.0%	of rent	($17,622)
4-bedroom V-low Income (2)		$1,284	per month	$30,816
Less: Vacancy Factor		4.0%	of rent	($1,233)
1-bedroom V-low income		$951	per month	$171,180
Less: Vacancy Factor		4.0%	of rent	($6,847)
Effective Gross Income				$587,255
Maint.,Mgmt & Insurance		$ 9,000	/unit	(270,000)
Net Operating Income				$317,255
Development Costs				
Site Improvements	$12	170,000	SF	$2,040,000
Arch & Engineering	5.0%			$378,190
Permits & Fees	$ 10.00	psf		$322,500
Resid. Construction	$200	psf		$7,413,793
Construction - Parking	5,000			$150,000
FF&E	7,500	per apt unit		$225,000
Landscaping	$ 5,000	per apt unit		$150,000
Financing	5.0%	24 mths		$533,974
Taxes & insurance	1.1%			$95,034
Developer Overhead	3.0%	of costs		$278,055
Contingency	5.0%	of costs		$463,425
Total Costs				$12,049,971
Value of LIHTC (30%)				(1,613,061)
Adjusted Costs				$ 10,436,909
Stabilized Value @	5.50%			$5,770,000
Residual Land Value				($4,670,000)

Public Works Yard

This 4-acre Site has freeway visibility and easy access. It is located off Encinitas Blvd. behind the gas station and In N Out drive thru. It is zoned for commercial and will require Prop A vote to allow residential development. Since a land sale of hotel site is contemplated, it will need City attorney opinion related to Surplus Lands Act requirements.

Development Program:

The City requested an analysis of a potential subdivision to allow retention of the existing Public Works office space, together with a range of mixed/blended-use development with affordable residential at maximum of 30 units per acre, and an upscale hotel each on a subdivided parcel.

Key Elements
Retain 15,500 SF office building
40 - 60 low income affordable rental units (depending on height limit)
80 - 120 room hotel and bar/restaurant (depending on height limit)

Hotel Assumptions

- Based on review of hotels in the area, Kosmont estimates a new hotel could achieve average room rates of $200 per night at 70% average occupancy
- For the restaurant/bar area, Kosmont estimates $100 of revenue per occupied room
- Total operating expenses are estimated at 70% of gross revenues
- Site improvement costs, including demolition are estimated at $500,000 per acre
- Hard costs for freestanding hotel building was estimated at $250 PSF
- Recreation area (pool, gym etc) is estimated at $2,500 per room
- Costs for surface parking lot were estimated at $5,000 per room
- Financing costs are estimated reflecting a 100 percent construction loan for 24-month construction period at 5 percent interest and amortized loan fees
- Furnishing and Fixtures allowance of $25,000 per room.
- Signage/advertising is estimated at $250,000
- Capitalization rate of 8.5% as target for supportable investment
- Hotel site is assumed to be sold to developer to generate funds for affordable housing

2-story Maximum

Based on the City's current 30 foot height limit, Kosmont assumed a 80-room hotel prototype with 50,000 SF of building area, 10,000 SF of pool and lounge area and an 80 car parking lot. The total land area required is approximately 67,000 SF or 1.5 acres.

3-story Maximum

With a 45-foot height limit, Kosmont assumed a 100-room hotel prototype with 60,000 SF of building area, 10,000 SF of pool and lounge area and a 100 car parking lot. The total land area required is approximately 70,000 SF or 1.6 acres.

4-story Maximum

With a 60-foot height limit, Kosmont assumed a 120-room hotel prototype with 70,000 SF of building area, 10,000 SF of pool and lounge area and a 120 car parking lot. The total land area required is approximately 80,000 SF or 1.9 acres.

Residual Land Sales Value

At stabilized operations, Kosmont estimates the supportable investment value of each alternative after deducting the total development costs to yield a residual land value. The analysis shown in Exhibit 3 indicates the hotel site could be sold for $2 million to $5 million.

		2-Story	**3-Story**	**4-Story**
Total Units		80	100	120
Stabilized Value		$21,640,000	$27,050,000	$32,4600,000
Net Development Costs		19,530,000	23,530,000	27,430,000
Residual Land Value		$2,010,000	$3,520,000	$5,030,000

In addition to the land sale that can be used to offset affordable housing and relocate public works equipment storage, the hotel can generate $400,000 to $600,000 per year in TOT.

Affordable Housing Assumptions

This land use will require Prop A vote, so incremental cost needs to be added to estimates below.

- Assumes 55-year land lease at $1 per year
- Assumes 4% federal tax credit is available
- Site improvement costs, excluding environmental are estimated at $500,000 per acre
- A mix of 1-bed and 2-bed units is planned averaging 900 square feet per unit, a 10,000 square foot recreation area and surface parking
- Hard costs for wood frame residential buildings were estimated $200 psf, plus $5,000 per unit for parking spaces
- Furnishing/Fixtures and common area allowance was estimated at $7,500 per unit
- Financing costs are estimated reflecting a 100 percent construction loan for 24-month construction / sales period at 5 percent interest and amortized loan fees
- Monthly rent for low income households at $1,210 average per month
- Capitalization rate of 5.5% as target for supportable investment

2-story Maximum

Based on the City's current 30 foot height limit, Kosmont assumed a 40-unit residential prototype with 50,000 SF of building and recreation area and a 40 car parking lot. The total land area required is approximately 43,000 SF or 1.0 acres.

3-story Maximum

With a 45-foot height limit, Kosmont estimates a developer can build a 50-unit residential prototype with 60,000 SF of building and recreation area and a 50 car parking lot on the same 1.0 acre parcel.

4-story Maximum

With a 60-foot height limit, a developer can build a 60-unit residential prototype with 75,000 SF of building and recreation area and a 60 car parking lot on the same 1.0 acre parcel.

Residual Land Value

Assuming stabilized operations, Kosmont estimates the supportable investment value of each alternative after deducting the total development costs (net of the LIHTC) and the pro forma yields the residual land value/financial subsidy needed. The pro forma analysis shown in Exhibit 4 indicates $105,000 per unit in additional City subsidy will be needed.

		2-Story	**3-Story**	**4-Story**
Total Units		40	50	60
Stabilized Value		$3,960,000	$4,940,000	$5,930,000
Net Development Costs		8,252,000	10,189,000	12,126,000
Subsidy Required		$4,290,000	$5,250,000	$6,200,000
Subsidy Per Unit		$107,000	$105,000	$103,000

Exhibit 3

Encinitas Public Works Yard
Hotel Pro Forma Illustration

			2-story	3-story	4-story
Hotel Rooms			80	100	120
Gross Bldg. Area			50,000	60,000	70,000
Stabilized Income:					
Gross Room income		$200 ADR	$5,840,000	$7,300,000	$8,760,000
Occupancy Factor		70.0%	(1,752,000)	(2,190,000)	(2,628,000)
Room Income			$4,088,000	$5,110,000	$6,132,000
Food & Beverage income		$100 /room	2,044,000	2,555,000	3,066,000
Effective Gross Income			$6,132,000	$7,665,000	$9,198,000
Operating Expenses		70.00% of EGI	(4,292,400)	(5,365,500)	(6,438,600)
Net Operating Income			$1,839,600	$2,299,500	$2,759,400
Development Costs					
Site Improvements	$ 12.00	60,000 SF	$720,000	$720,000	$720,000
Arch & Engineering	5.0%		$650,000	$781,250	$912,500
Permits & Fees	$ 10.00	psf	$400,000	$500,000	$600,000
Construction - Building	$ 250	psf	$12,500,000	$15,000,000	$17,500,000
Construction - Parking	$ 5,000	per space	$500,000	$625,000	$750,000
FF&E	25,000	per room	$2,000,000	$2,500,000	$3,000,000
Recreation Area	$ 2,500	per room	$200,000	$250,000	$300,000
Signage / Advertising			$250,000	$250,000	$250,000
Financing	5.0%	24 mths	$848,500	$1,018,813	$1,189,125
Taxes & insurance	1.0%		$162,500	$196,563	$230,625
Developer Overhead	3.0%	of costs	$525,330	$633,649	$741,968
Contingency	5.0%	of costs	$875,550	$1,056,081	$1,236,613
Total Costs			$19,631,880	$23,531,355	$27,430,830
Stabilized Value @	8.50%		$21,640,000	$27,050,000	$32,460,000
Residual Land Value			$2,010,000	$3,520,000	$5,030,000
Memo: Hotel TOT	10.0%		$408,800	$511,000	$613,200

Exhibit 4

Encinitas Public Works Yard
100% Affordable Pro Forma Illustration

				2-story	3-story	4-story
Residential Units		875	sf (net)	40	50	60
50% 1-bed / 50% 2-bed		87% Efficiency				
Stabilized Income:						
Low Income Gross Rents		$1,210	per month	$580,800	$726,000	$871,200
Less: Vacancy Factor		4.0%	of rent	(23,232)	(29,040)	(34,848)
Effective Gross Income				557,568	696,960	836,352
Maint.,Mgmt & Insurance		$ 8,500	/unit	(340,000)	(425,000)	(510,000)
Net Operating Income				$ 217,568	$ 271,960	$ 326,352
Development Costs						
Site Improvements	$ 12.00	60,000	SF	$720,000	$720,000	$720,000
Arch & Engineering	5.0%			412,299	515,374	618,448
Permits & Fees	$ 10.00	psf		$402,299	$502,874	$603,448
Resid. Construction	$ 200	psf		8,045,977	10,057,471	12,068,966
Construction - Parking	5,000	per unit		200,000	250,000	300,000
FF&E	7,500	per apt unit		300,000	375,000	450,000
Recreation Area	5,000	per unit		200,000	250,000	300,000
Financing	5.0%	30 mths		585,036	731,295	877,554
Taxes & insurance	1.1%			102,966	128,708	154,449
Developer Overhead	3.0%	of costs		307,457	384,322	461,186
Contingency	5.0%	of costs		512,429	640,536	768,643
Total Costs				11,788,463	14,555,579	17,322,695
Value of LIHTC (30%)				(3,536,539)	(4,366,674)	(5,196,808)
Adjusted Costs				$ 8,251,924	$10,188,905	$12,125,886
Stabilized Value @	5.50%			$3,960,000	$4,940,000	$5,930,000
Residual Land Value (Subsidy Required)				$ (4,290,000)	$ (5,250,000)	$ (6,200,000)