

To: Gregory Robinson, City of Pasadena
Subject: Southern California Housing Development Corporation
 Heritage Square – Feasibility Analysis

March 27, 2007
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Development Costs

The Developer estimates the development costs for each component of the proposed Project as follows:

	Senior Rental	Family Rental	Senior Ownership	Commercial
Per Unit	\$220,900	\$337,700	\$368,800	NA
Per Sf GBA	\$350	\$300	\$280	\$180

However, it should be noted that KMA estimates the development costs, as illustrated below, to be approximately 8% higher than the Developer's estimates.

	Senior Rental	Family Rental	Senior Ownership	Commercial
Per Unit	\$183,600	\$317,200	\$467,900	NA
Per Sf GBA	\$290	\$280	\$360	\$270

Commission Financial Assistance

The Developer proposes to construct the scope of development through the use of a variety of outside funding sources. The Developer has requested that the Site be donated by the Commission, and that \$1.40 million in direct financial assistance be provided to the Project. The Developer proposes to repay some or all of this assistance through a residual receipts loan with debt service derived from the rental component's cash flow and upon the resale of the ownership units at market prices. Comparatively, the KMA analysis indicates that the proposed Project can support a \$4.83 million land payment.

Implementation of the Project

The Project includes one subterranean parking garage to serve the entire Project. However, if the proposed 9% Tax Credits are not awarded to the Project, an alternative assistance source will have to be identified to fund over \$23 million in Project costs. This will likely result in delays in the Project's implementation.

Repayment of Financial Assistance

The Developer proposes to repay \$11 million in land value plus the \$1.40 million in financial assistance through residual receipts and ownership unit sales. However, KMA estimates that the Project can support a \$4.83 million land payment.

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ADDITIONAL PROPOSAL ISSUES

Income Restrictions

California Health and Safety Code Section 33413 (b) requires that at least 15% of all new and substantially rehabilitated units developed within a project area must be made available to very-low, low and moderate income households. In addition, no less than 40% of the units must be available to very-low income households. The following table compares the number of units in the proposed Project that will meet the Section 33413 affordability requirements to the total proposed income restricted units:

	<u>Development Proposal</u>	<u>Section 33413 Production Credit</u>
Workforce Housing Units	0	0
Low & Moderate Income Units	0	0
Very-Low Income Units	121	13
Total Income Restricted Units	121	13

Of the income restricted units proposed by the Developer, the Commission would be able to receive credit for 13 inclusionary housing production units. This represents approximately 8% of the units in the Project. This would provide the Commission with a deficit for 13 inclusionary housing production units that would have to be filled by other residential projects.

New Market Tax Credit Program

As mentioned in the KMA memorandum entitled "Heritage Square - Financial Analysis Overview", the proposed Project is eligible to utilize the NMTC program. KMA estimates that approximately \$3 million may be available from this funding source to fill a portion of the proposed Project's estimated financial gap.

APPENDIX A
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
SENIOR OWNERSHIP COMPONENT

APPENDIX A: TABLE 1

**ESTIMATED DEVELOPMENT COSTS
49 RESIDENTIAL CONDOMINIUMS
SENIOR OWNERSHIP COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

I. <u>Land -Related Costs</u>¹				
Land Acquisition				\$0
Relocation				100,000
Demolition				53,000
Off-Site Improvements				216,000
Total Land-Related Costs				\$369,000
II. <u>Direct Costs</u>²				
On-Site Improvements	49 Units	\$10,000 /Unit		\$490,000
Parking	98 Spaces	\$30,000 /Space		2,940,000
Building Shell	63,603 Sf GBA	\$190 /Sf		12,085,000
FF&E	Allowance			50,000
Total Direct Costs	63,603 Sf GBA	\$245 /Sf		\$15,565,000
III. <u>Indirect Costs</u>				
Architecture, Engineering & Consulting	6.0% Direct Costs			\$934,000
Public Permits & Fees ³	49 Units	\$26,429 /Unit		1,295,000
Taxes, Legal & Accounting	2.0% Direct Costs			311,000
Insurance	49 Units	\$15,000 /Unit		735,000
Marketing ⁴	49 Units	\$6,020 /Unit		295,000
Developer Fee ⁵	3.0% Revenues			829,000
Soft Cost Contingency Allowance	5.0% Other Indirect Costs			220,000
Total Indirect Costs				\$4,619,000
IV. <u>Financing/Closing Costs</u>				
Interest & Loan Origination Fees ⁶	70.0% Financed			\$981,000
Resid Closing, Comm & Warranties ⁷	5.0% Residential Revenues			1,391,000
Total Financing/Closing Costs				\$2,372,000
V. Total Development Costs	63,603 Sf GBA	\$360 /Sf		\$22,925,000
Total Construction Costs	63,603 Sf GBA	\$355 /Sf		\$22,556,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by City Staff. Assumes permit fees are equal to \$539,924; and impact fees are equal to \$756 per affordable unit.

⁴ Assumes \$5,000 per unit for marketing; and \$50,000 for a model unit.

⁵ See APPENDIX A: TABLE 2 for the sales revenue estimate.

⁶ A 7.0% interest cost for debt and equity; a 14 month construction period; a 8 unit/month absorption period; 10% of the units are presold and close during first month after completion; and 2.0 points for loan origination fees.

⁷ See APPENDIX A: TABLE 2 for residential sales revenue estimates. Assumes 3.0% and 1.5% of residential sales revenues for commissions and closing costs, respectively. Also includes \$3,000/unit for warranties.

APPENDIX A: TABLE 2

RESIDUAL LAND VALUE/(FINANCIAL GAP)
 49 RESIDENTIAL CONDOMINIUMS
 SENIOR OWNERSHIP COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I. Residential Sales Revenues¹			
Senior Units @ Market Rate -2-Bdrms - 1,247 Sf	49 Units	\$564,000 /Unit	\$27,636,000
Total Project Sales Revenues	49 Units	\$564,000 /Unit	\$27,636,000
II. Development Costs			
Land-Related Costs	See APPENDIX A: TABLE 1		\$369,000
Construction Costs	See APPENDIX A: TABLE 1		22,556,000
Threshold Developer Profit ²	15.0% Sales Revenues		4,145,000
Total Development Costs	49 Units	\$552,400 /Unit	\$27,070,000
III. Residual Land Value/(Financial Gap)			
Total Project Sales Revenues			\$27,636,000
(Less) Total Development Costs			(27,070,000)
V. Total Residual Land Value/(Financial Gap)	49 Units	\$11,600 /Unit	\$566,000

¹ Derived from recent market sales price data in the Northwest area of Pasadena.

² KMA estimate based on development profit requirements for similar projects.

APPENDIX A: TABLE 3

**KMA & DEVELOPER COMPARISON
SENIOR OWNERSHIP COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land Assemblage	\$369,000	\$0	\$369,000
Direct Costs	15,565,000	12,691,000	2,874,000
Indirect Costs	4,619,000	3,662,000	957,000
Financing Costs	2,372,000	1,708,000	664,000
Total Development Costs	\$22,925,000	\$18,061,000	\$4,864,000
Per Unit	\$467,900	\$368,600	\$99,300
II. <u>Residential Sales Revenues</u>			
Senior Units @ Market Rate	\$27,636,000	\$22,050,000	\$5,586,000
Total Project Sales Revenues	\$27,636,000	\$22,050,000	\$5,586,000
III. <u>Development Costs</u>			
Land Related Costs	\$369,000	\$0	\$369,000
Construction Costs	22,556,000	18,061,000	4,495,000
Threshold Developer Profit	4,145,000	3,785,000	360,000
Total Development Costs	\$27,070,000	\$21,846,000	\$5,224,000
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Project Sales Revenues	\$27,636,000	\$22,050,000	\$5,586,000
(Less) Total Development Costs	(27,070,000)	(21,846,000)	(5,224,000)
Residual Land Value/(Financial Gap)	\$566,000	\$204,000	\$362,000
Per Unit	\$11,600	\$4,200	\$7,400
Per Sf Land Area	\$5	\$2	\$3

APPENDIX B
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
SENIOR RENTAL COMPONENT

APPENDIX B: TABLE 1

ESTIMATED DEVELOPMENT COSTS
 98 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
 SENIOR RENTAL COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I. Land-Related Costs ¹			
Land Acquisition			\$0
Relocation			97,000
Demolition			52,000
Off-Site Improvements			211,000
Total Land-Related Costs			\$360,000
II. Direct Costs ²			
On-Site Improvements	99 Units	\$10,000 /Unit	\$990,000
Building Shell	62,117 Sf GBA	\$150 /Sf	9,318,000
Subterranean Parking	99 Spaces	\$30,000 /Space	2,970,000
Furnishing		Allowance	50,000
Total Direct Costs	99 Units	\$134,600 /Unit	\$13,328,000
III. Indirect Costs			
Architecture, Engineering & Consulting	6.0% Direct Cost		\$800,000
Permits & Fees ³	99 Units	\$4,250 /Unit	421,000
Taxes, Legal & Accounting	1.5% Direct Cost		200,000
Insurance	99 Units	\$2,000 /Unit	198,000
Marketing/Leasing	99 Units	\$1,000 /Unit	99,000
Developer Fee ⁴	7% Applicable Tax Credit Basis		1,200,000
Soft Cost Contingency	5.0% Other Ind		146,000
Total Indirect Costs	99 Units	\$30,900 /Unit	\$3,064,000
IV. Financing Costs			
Capitalized Reserves ⁵	99 Units	\$1,424 /Units	\$141,000
Tax Credit Costs ⁶			116,000
Interest During Construction ⁷	\$14,353,000 Loan	7.0% Interest	904,000
Loan Origination Fees			
Construction Loan	\$14,353,000	1.50 Points	215,000
Permanent Loan	\$2,485,000	2.00 Points	50,000
Total Financing Costs	99 Units	\$14,400 /Unit	\$1,426,000
V. Total Development Costs	99 Units	\$183,600 /Unit	\$18,178,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by City Staff. Assumes permit fees are equal to \$345,857; and impact fees are equal to \$756 per affordable unit.

⁴ Equal to the amount identified by the Developer. This amount is less than the maximum allowed by TCAC.

⁵ Assumes 3 months of general operating expenses, capital reserve deposits and debt service.

⁶ Includes \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one-year.

⁷ The construction loan includes 50% of the Tax Credit equity which will not be funded during construction. Assumes a 18 month construction period; & a 60% average outstanding balance.

APPENDIX B: TABLE 2

**STABILIZED NET OPERATING INCOME
98 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
SENIOR RENTAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

I. Income ¹			
Manager	1 Unit @	\$0 /Month	\$0
<u>VL Inc Redev/Tax Credit @ 30% Median</u>			
1-Bdrm @ 580 Sf	8 Units @	\$336 /Month	32,300
2-Bdrms @ 800 Sf	2 Units @	\$400 /Month	9,600
<u>Tax Credits @ 45% Median</u>			
1-Bdrm @ 580 Sf	32 Units @	\$531 /Month	203,900
2-Bdrms @ 800 Sf	3 Units @	\$634 /Month	22,800
<u>Tax Credit @ 50% Median</u>			
1-Bdrm @ 580 Sf	50 Units @	\$596 /Month	357,600
2-Bdrms @ 800 Sf	3 Units @	\$712 /Month	25,600
Laundry/Miscellaneous Income	99 Units @	\$5 /Month	6,000
Gross Income			\$657,800
(Less) Vacancy and Collection	5.0% Gross Income		(32,900)
II. Effective Gross Income (EGI)			\$624,900
III. Operating Expenses ²			
General Operating Expenses	99 Units @	\$3,200 /Unit	\$316,800
Property Taxes ³	99 Units @	\$30 /Unit	3,000
Supportive Services ⁴	99 Units @	\$240 /Unit	23,800
Capital Reserve	99 Units @	\$300 /Unit	29,700
Total Operating Expenses	99 Units @	(\$3,770) /Unit	(\$373,300)
IV. Net Operating Income			\$251,600

¹ Based on Los Angeles County 2006 incomes distributed by HUD/HCD. As pertinent, the rents are based on California Health & Safety Code Section 50053, and rents published by TCAC. Utilities allowances: 1-Bdrm - \$53 and 2-Bdrm - \$68; the manager's unit is treated as a low income Tax Credit unit.

² Based on KMA experience with similar projects.

³ Based on assumption that the Developer will receive the property tax abatement accorded to nonprofit organization that develop income restricted apartments.

⁴ Based on Developer estimates.

APPENDIX B: TABLE 3

RESIDUAL LAND VALUE/(FINANCIAL GAP)
 98 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
 SENIOR RENTAL COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I. Available Funding Sources

A. Conventional Financing

Net Operating Income		\$251,600	
Avail for Debt Service @ 115% Coverage		\$218,800	
Interest Rate/Mortgage Constant	8.00% Interest		8.81% Constant

Total Supportable Debt \$2,485,000

B. Federal Low Income Housing Tax Credit Proceeds ¹

Gross Tax Credit Value	\$18,387,000	
Syndication Value	\$0.95 /Tax Credit Dollar	

Net Tax Credit Value \$17,451,000

C. AHP Grant 99 Units \$7,088 /Unit \$702,000

D. City of Industry Funds 99 Units \$24,600 /Unit \$2,440,000

E. Deferred Developer Fee ² \$200,000

Total Available Funding Sources \$23,278,000

II. Residual Land Value/(Financial Gap)

Total Available Funding Sources	\$23,278,000
(Less) Total Development Costs	(18,178,000)

III. **Total Residual Land Value/(Financial Gap)** 99 Units \$51,500 /Unit \$5,100,000

¹ \$22.7 million eligible basis (including a 130% difficult to develop premium); an 8.10% tax credit rate; and an applicable fraction of 100%.

² Based on Developer estimates.

APPENDIX B: TABLE 4

**KMA & DEVELOPER COMPARISON
98 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
SENIOR RENTAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land-Related Costs	\$360,000	\$500,000	(\$140,000)
Direct Costs	13,328,000	16,317,000	(2,989,000)
Indirect Costs	3,064,000	3,836,000	(772,000)
Financing Costs	1,426,000	1,213,000	213,000
Total Development Costs	\$18,178,000	\$21,866,000	(\$3,688,000)
Per Unit	\$183,600	\$220,900	(\$37,300)
Per Sf GBA	\$290	\$350	(\$60)
II. <u>Net Operating Income</u>			
Effective Gross Income	\$624,900	\$633,600	(\$8,700)
(Less) Operating Expenses	(373,300)	(397,500)	24,200
Net Operating Income	\$251,600	\$236,100	\$15,500
III. <u>Available Funding Sources</u>			
Conventional Financing	\$2,485,000	\$2,234,000	\$251,000
Federal Low Income Tax Credits	17,451,000	16,290,000	1,161,000
AHP Grant	702,000	702,000	0
City of Industry Funds	2,440,000	2,440,000	0
Deferred Developer Fee	200,000	200,000	0
Total Available Funding Sources	\$23,278,000	\$21,866,000	\$1,412,000
Per Unit	\$235,100	\$220,900	\$14,300
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Available Funding Sources	\$23,278,000	\$21,866,000	\$1,412,000
(Less) Total Development Costs	(18,178,000)	(21,866,000)	3,688,000
V. Total Residual Land Value/(Financial Gap)	\$5,100,000	\$0	\$5,100,000
Per Unit	\$51,500	\$0	\$51,500
Per Sf Land Area	\$41	\$0	\$41

APPENDIX C
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
FAMILY RENTAL COMPONENT

APPENDIX C: TABLE 1

**ESTIMATED DEVELOPMENT COSTS
21 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

I. <u>Land-Related Costs</u>¹			
Land Acquisition			\$0
Relocation			39,000
Demolition			21,000
Off-Site Improvements			85,000
Total Land-Related Costs			\$145,000
II. <u>Direct Costs</u>²			
On-Site Improvements	22 Units	\$10,000 /Unit	\$220,000
Building Shell	25,100 Sf GBA	\$170 /Sf	4,267,000
Parking	24 Spaces	\$30,000 /Space	720,000
Furnishing	Allowance		50,000
Total Direct Costs	22 Units	\$239,000 /Unit	\$5,257,000
III. <u>Indirect Costs</u>			
Architecture, Engineering & Consulting	6.0% Direct Cost		\$315,000
Permits & Fees ³	22 Units	\$10,560 /Unit	232,000
Taxes, Legal & Accounting	1.5% Direct Cost		79,000
Insurance	22 Units	\$2,000 /Unit	44,000
Marketing/Leasing	22 Units	\$1,000 /Unit	22,000
Developer Fee ⁴	8% Applicable Tax Credit Basis		500,000
Soft Cost Contingency	5.0% Other Ind		60,000
Total Indirect Costs	22 Units	\$56,900 /Unit	\$1,252,000
IV. <u>Financing Costs</u>			
Capitalized Reserves ⁵	22 Units	\$1,455 /Units	\$32,000
Tax Credit Costs ⁶			35,000
Interest During Construction ⁷	\$3,839,000 Loan	7.0% Interest	188,000
Loan Origination Fees			
Construction Loan	\$3,839,000	1.50 Points	58,000
Permanent Loan	\$600,000	2.00 Points	12,000
Total Financing Costs	22 Units	\$14,800 /Unit	\$325,000
V. <u>Total Development Costs</u>	22 Units	\$317,200 /Unit	\$6,979,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by City Staff. Assumes permit fees are equal to \$157,565; and impact fees are equal to \$756 per affordable unit.

⁴ Equal to the amount identified by the Developer. This amount is less than the maximum allowed by TCAC.

⁵ Assumes 3 months of general operating expenses, capital reserve deposits and debt service.

⁶ Includes \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one-year.

⁷ The construction loan includes 50% of the Tax Credit equity which will not be funded during construction. Assumes a 14 month construction period; & a 60% average outstanding balance.

APPENDIX C: TABLE 2

**STABILIZED NET OPERATING INCOME
21 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

I. <u>Income</u>¹				
Manager	1 Unit @	\$0 /Month		\$0
<u>VL Inc Redev/Tax Credit @ 30% Median</u>				
1-Bdrm @ 0 Sf	0 Units @	\$336 /Month		0
2-Bdrms @ 800 Sf	1 Unit @	\$400 /Month		4,800
3-Bdrms @ 1,050 Sf	2 Units @	\$461 /Month		11,100
<u>Tax Credits @ 45% Median</u>				
1-Bdrm @ 0 Sf	0 Units @	\$531 /Month		0
2-Bdrms @ 800 Sf	5 Units @	\$634 /Month		38,000
3-Bdrms @ 1,050 Sf	3 Units @	\$731 /Month		26,300
<u>Tax Credit @ 50% Median</u>				
1-Bdrm @ 0 Sf	0 Units @	\$596 /Month		0
2-Bdrms @ 800 Sf	5 Units @	\$712 /Month		42,700
3-Bdrms @ 1,050 Sf	5 Units @	\$821 /Month		49,300
Laundry/Miscellaneous Income	22 Units @	\$5 /Month		1,000
Gross Income				<u>\$173,200</u>
(Less) Vacancy and Collection	5.0% Gross Income			<u>(8,700)</u>
II. Effective Gross Income (EGI)				\$164,500
III. <u>Operating Expenses</u>²				
General Operating Expenses	22 Units @	\$3,200 /Unit		\$70,400
Property Taxes ³	22 Units @	\$136 /Unit		3,000
Supportive Services ⁴	22 Units @	\$1,080 /Unit		23,800
Capital Reserve	22 Units @	\$300 /Unit		6,600
Total Operating Expenses	22 Units @	(\$4,720) /Unit		(\$103,800)
IV. <u>Net Operating Income</u>				\$60,700

¹ Based on Los Angeles County 2006 incomes distributed by HUD/HCD. As pertinent, the rents are based on California Health & Safety Code Section 50053; and rents published by TCAC. Utilities allowances: 1-Bdrm - \$53 and 2-Bdrm - \$68; the manager's unit is treated as a low income Tax Credit unit.

² Based on KMA experience with similar projects.

³ Based on assumption that the Developer will receive the property tax abatement accorded to nonprofit organization that develop income restricted apartments.

⁴ Based on Developer estimates.

APPENDIX C: TABLE 3

RESIDUAL LAND VALUE/(FINANCIAL GAP)
 21 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
 FAMILY RENTAL COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I. Available Funding Sources

A. **Conventional Financing**

Net Operating Income		\$60,700	
Avail for Debt Service @ 115% Coverage		\$52,800	
Interest Rate/Mortgage Constant	8.00% Interest		8.81% Constant

Total Supportable Debt \$600,000

B. **Federal Low Income Housing Tax Credit Proceeds ¹**

Gross Tax Credit Value	\$6,011,000
Syndication Value	\$0.95 /Tax Credit Dollar

Net Tax Credit Value \$5,704,000

C. **AHP Grant** 22 Units \$7,500 /Unit \$165,000

D. **City of Industry Funds** 22 Units \$36,400 /Unit \$800,000

E. **Deferred Developer Fee ²** \$100,000

Total Available Funding Sources \$7,369,000

II. Residual Land Value/(Financial Gap)

Total Available Funding Sources	\$7,369,000
(Less) Total Development Costs	(6,979,000)

III. Total Residual Land Value/(Financial Gap)	22 Units	\$17,700 /Unit	\$390,000
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¹ \$7.4 million eligible basis (including a 130% difficult to develop premium); an 8.10% tax credit rate; and an applicable fraction of 100%.

² Based on Developer estimates.

APPENDIX C: TABLE 4

**KMA & DEVELOPER COMPARISON
21 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

	KMA	DEVELOPER	DIFFERENCE
I. <u>Development Costs</u>			
Land-Related Costs	\$145,000	\$25,000	\$120,000
Direct Costs	5,257,000	5,806,000	(549,000)
Indirect Costs	1,252,000	1,404,000	(152,000)
Financing Costs	325,000	194,000	131,000
Total Development Costs	\$6,979,000	\$7,429,000	(\$450,000)
Per Unit	\$317,200	\$337,700	(\$20,500)
Per Sf GBA	\$280	\$300	(\$10)
II. <u>Net Operating Income</u>			
Effective Gross Income	\$164,500	\$158,200	\$6,300
(Less) Operating Expenses	(103,800)	(114,000)	10,200
Net Operating Income	\$60,700	\$44,200	\$16,500
III. <u>Available Funding Sources</u>			
Conventional Financing	\$600,000	\$372,000	\$228,000
Federal Low Income Tax Credits	5,704,000	4,722,000	982,000
AHP Grant	165,000	165,000	0
City of Industry Funds	800,000	800,000	0
Deferred Developer Fee	100,000	100,000	0
Total Available Funding Sources	\$7,369,000	\$6,159,000	\$1,210,000
Per Unit	\$335,000	\$280,000	\$55,000
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Available Funding Sources	\$7,369,000	\$6,159,000	\$1,210,000
(Less) Total Development Costs	(6,979,000)	(7,429,000)	450,000
V. <u>Total Residual Land Value/(Financial Gap)</u>	\$390,000	(\$1,270,000)	\$1,660,000
Per Unit	\$17,700	(\$57,700)	\$75,500
Per Sf Land Area	\$3	(\$10)	\$13

APPENDIX D
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
COMMERCIAL COMPONENT

APPENDIX D: TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COMMERCIAL COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I. Land-Related Costs ¹				
Land Acquisition				\$0
Demolition				64,000
Relocation				34,000
Off-Site Improvements	\$138,000	Allowance		138,000
				<u>\$236,000</u>
II. Direct Costs ²				
On-Site Improvements	40,554	Sf GBA	\$10 /Sf GBA	\$406,000
Parking ³	60	Subterranean	\$30,000 /Space	1,800,000
Building Shell	40,554	Sf GBA	\$120 /Sf GBA	4,866,000
Tenant Improvements	40,554	Sf GLA	\$30 /Sf GBA	1,217,000
Total Direct Costs				<u>\$8,289,000</u>
III. Indirect Costs				
Architecture, Eng. & Consulting	6.0%	Direct Costs		\$497,000
Permits & Fees ¹	40,554	Sf GBA	\$6.60 /Sf GBA	268,000
Taxes, Legal & Accounting	2.0%	Direct Cost		166,000
Insurance	1.0%	Direct Cost		83,000
Marketing/Leasing	40,554	Sf GBA	\$5.00 /Sf GBA	203,000
Developer Fee	3.0%	Direct Cost		249,000
Contingency Allowance	5.0%	Other Ind		73,000
Total Indirect Costs				<u>\$1,539,000</u>
IV. Financing Costs				
Interest During Construction				
Construction ⁴	\$5,923,000	Cost	7.00% Interest	314,000
Loan Origination Fees				
Construction Loan	\$5,923,000	Cost	1.50 Points	89,000
Permanent Financing ⁵	\$7,539,000	Loan	2.00 Points	151,000
Closing Costs ⁶				380,000
Total Financing Costs				<u>\$934,000</u>
V. Total Development Costs	40,554	Sf GBA	\$271 /Sf GBA	\$10,998,000

¹ Based on estimate provided by City Staff.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on KMA experience with similar product type.

⁴ Based on an 14 month construction and absorption period. Average outstanding balance is set at 65%.

⁵ Based on a 60% loan to value ratio and a 7.0% capitalization rate.

⁶ Based on Developer estimate.

APPENDIX D: TABLE 2

STABILIZED NET OPERATING INCOME
 COMMERCIAL COMPONENT
 SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
 PASADENA, CALIFORNIA

I.	Gross Income ¹			
	Retail	40,554 Sf GLA	\$24.00 /Sf/Year	\$973,300
	(Less) Vacancy & Collection Allowance	5% Gross Income		\$973,300
				(48,700)
II.	Effective Gross Income			\$924,600
III.	Unreimbursed Operating Expenses			
	Management	4.0% EGI		\$37,000
	General Expenses ²	2,028 Sf GLA	\$1.00 /SF GLA	2,000
	Reserves	40,554 Sf GLA	\$0.15 /SF GLA	6,100
	Total Unreimbursed Operating Expenses			(\$45,100)
IV.	Net Operating Income			\$879,500

¹ Derived from KMA research on loopnet.com and survey of local commercial real estate brokers.

² Cost assessed against vacant space.

APPENDIX D: TABLE 3

RESIDUAL LAND VALUE/(FINANCIAL GAP)
COMMERCIAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA

I.	<u>Supportable Private Investment</u>			
	Net Operating Income	See APPENDIX D: TABLE 2	\$879,500	
	Return on Total Investment		9.00%	
	Total Supportable Private Investment			\$9,772,000
II.	Estimated Construction Costs	See APPENDIX D: TABLE 1		\$10,998,000
III.	Total Residual Land Value/(Financial Gap)	40,554 Sf GBA	(\$30) /Sf GBA	(\$1,226,000)

APPENDIX D: TABLE 4

**KMA & DEVELOPER COMPARISON
COMMERCIAL COMPONENT
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land Assemblage	\$236,000	\$0	\$236,000
Direct Costs	8,289,000	5,987,000	2,302,000
Indirect Costs	1,539,000	617,000	922,000
Financing Costs	934,000	859,000	75,000
Total Development Costs	\$10,998,000	\$7,463,000	\$3,535,000
Per Sf GBA	\$270	\$180	\$90
II. <u>Effective Gross Income</u>			
Effective Gross Income	\$924,600	\$855,300	\$69,300
(Less) Operating Expenses	(45,100)	(63,300)	18,200
Net Operating Income	\$879,500	\$792,000	\$87,500
III. <u>Supportable Private Investment</u>			
Net Operating Income	\$879,500	\$792,000	\$87,500
Return on Total Investment	9%	11%	
Total Supportable Private Investment	\$9,772,000	\$7,129,000	\$2,643,000
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Supportable Private Investment	\$9,772,000	\$7,129,000	\$2,643,000
(Less) Total Development Costs	(10,998,000)	(7,463,000)	(3,535,000)
V. <u>Total Residual Land Value/(Financial Gap)</u>	(\$1,226,000)	(\$334,000)	(\$892,000)
Per Sf GBA	(\$30)	(\$10)	(\$20)

APPENDIX E
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
DEVELOPMENT COMPONENTS SUMMARY

APPENDIX E - TABLE 1

KMA DEVELOPMENT COMPONENTS SUMMARY
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA

I. Project Description	SENIOR RENTAL COMPONENT	FAMILY RENTAL COMPONENT	SENIOR OWNERSHIP COMPONENT	COMMERCIAL COMPONENT	TOTAL PROJECT
Number of Units	99	22	49	NA	170
Number of Affordable Units	99	22	49	NA	170
Gross Building Area (Sf)	62,117	25,100	63,603	40,554	191,374
II. Development Costs					
Land Assemblage	\$360,000	\$145,000	\$369,000	\$236,000	\$1,110,000
Direct Costs	13,328,000	5,257,000	15,565,000	8,289,000	42,439,000
Indirect Costs	3,064,000	1,252,000	4,619,000	1,539,000	10,474,000
Financing Costs	1,426,000	325,000	2,372,000	934,000	5,057,000
Total Development Costs	\$18,178,000	\$6,979,000	\$22,925,000	\$10,998,000	\$59,080,000
Per Unit	\$183,600	\$317,200	\$467,900	NA	\$347,500
Per SF GBA	\$290	\$280	\$360	\$270	\$310
III. Average Monthly Rents/Sales Prices					
Per Unit	\$550	\$652	\$564,000	NA	
Per Sf Net Area	\$0.92	\$0.71	\$452	\$2.00	
IV. Net Operating Income/Sales Revenues					
Available Funding Sources/Supportable Investment	\$23,278,000	\$60,700	\$27,636,000	\$879,500	\$68,055,000
Required Return on Investment	NA	NA	NA	9.0%	
VI. Residual Land Value/(Financial Gap)					
Available Funding Sources/Supportable Investment	\$23,278,000	\$7,369,000	\$27,636,000	\$9,772,000	\$68,055,000
(Less) Threshold Developer Profit	NA	NA	(4,145,000)	NA	(4,145,000)
(Less) Development Costs	(18,178,000)	(6,979,000)	(22,925,000)	(10,998,000)	(59,080,000)
Residual Land Value/(Financial Gap)	\$5,100,000	\$390,000	\$566,000	(\$1,226,000)	\$4,830,000
Per Unit	\$51,500	\$17,700	\$11,800	NA	\$25
Per Sf GBA	\$82	\$16	\$9	(\$30)	
VIII. Net Financial Surplus / (Gap)					
A. Land Acquisition at Commission Cost					
	Residual Land Value / (Financial Gap)		(Less) Land Cost / Value	Net Financial Surplus / (Gap)	\$/Unit
	\$4,830,000		(\$9,000,000)	(\$4,170,000)	(\$24,500)
B. Land Acquisition at Estimated Market Value					
	\$4,830,000		(\$11,000,000)	(\$6,170,000)	(\$36,300)

APPENDIX E - TABLE 2

DEVELOPER DEVELOPMENT COMPONENTS SUMMARY
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA

	SENIOR RENTAL COMPONENT	FAMILY RENTAL COMPONENT	SENIOR OWNERSHIP COMPONENT	COMMERCIAL COMPONENT	TOTAL PROJECT
I. Project Description					
Number of Units	99	22	49	NA	170
Number of Affordable Units	99	22	49	NA	170
Gross Building Area (Sf)	62,117	25,100	63,603	40,554	191,374
II. Development Costs					
Land-Related Costs	\$500,000	\$25,000	\$0	\$0	\$525,000
Direct Costs	16,317,000	5,806,000	12,691,000	5,987,000	40,801,000
Indirect Costs	3,836,000	1,404,000	3,662,000	617,000	9,519,000
Financing Costs	1,213,000	194,000	1,708,000	859,000	3,974,000
Total Development Costs	\$21,866,000	\$7,429,000	\$18,061,000	\$7,463,000	\$54,819,000
Per Unit	\$220,900	\$337,700	\$368,600	NA	\$322,500
Per SF GBA	\$350	\$300	\$280	\$180	\$280
III. Average Monthly Rents/Sales Prices					
Per Unit	\$567	\$661	\$450,000	NA	
Per Sf Net Area	\$0.95	\$0.72	\$361	\$1.85	
IV. Net Operating Income/Sales Revenues					
Available Funding Sources/Supportable Investment	\$236,100	\$44,200	\$22,050,000	\$792,000	\$57,204,000
Required Return on Investment	NA	NA	NA	11.11%	
VI. Residual Land Value/(Financial Gap)					
Available Funding Sources/Supportable Investment	\$21,868,000	\$6,159,000	\$22,050,000	\$7,129,000	\$57,204,000
(Less) Threshold Developer Profit	NA	NA	(3,785,000)	NA	(3,785,000)
(Less) Development Costs	(21,868,000)	(7,429,000)	(18,061,000)	(7,463,000)	(54,819,000)
VII. Residual Land Value/(Financial Gap)					
Per Unit	\$0	(\$1,270,000)	\$204,000	(\$334,000)	(\$1,400,000)
Per Sf GBA	\$0	(\$57,700)	\$4,200	NA	
	\$0	(\$51)	\$3	(\$8)	(\$7)
VIII. Net Financial Surplus / (Gap)					
A. Land Acquisition at Commission Cost		Residual Land Value / (Financial Gap)	(Less) Land Cost / Value	Net Financial Surplus / (Gap)	\$/Unit
		(\$1,400,000)	(\$9,000,000)	(\$10,400,000)	(\$61,200)
B. Land Acquisition at Estimated Market Value		(\$1,400,000)	(\$11,000,000)	(\$12,400,000)	(\$72,900)

APPENDIX E - TABLE 3

**KMA & DEVELOPER DEVELOPMENT COMPONENTS SUMMARY
SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION
PASADENA, CALIFORNIA**

	<u>KMA ANALYSIS</u>	<u>DEVELOPER ANALYSIS</u>	<u>DIFFERENCE</u>
I. <u>Project Description</u>			
Number of Units	170	170	0
Number of Affordable Units	170	170	0
Gross Building Area (Sf)	191,374	191,374	0
II. <u>Development Costs</u>			
Senior Rental Project	\$18,178,000	\$21,866,000	(\$3,688,000)
Family Rental Project	6,979,000	7,429,000	(450,000)
Senior / Family Ownership Project	27,070,000	21,846,000	5,224,000
Commercial Project	10,988,000	7,463,000	3,525,000
Total Development Costs	\$63,225,000	\$58,604,000	\$4,621,000
Per Unit	\$371,900	\$344,700	\$27,200
Per SF GBA	\$330	\$310	\$20
V. <u>Available Funding Sources/Supportable Investment</u>			
Senior Rental Project	\$23,278,000	\$21,866,000	\$1,412,000
Family Rental Project	7,369,000	6,159,000	1,210,000
Senior / Family Ownership Project	27,636,000	22,050,000	5,586,000
Commercial Project	9,772,000	7,129,000	2,643,000
Total Available Sources / Supportable Investment	\$68,055,000	\$57,204,000	\$10,851,000
VI. <u>Residual Land Value/(Financial Gap)</u>			
Senior Rental Project	\$5,100,000	\$0	\$5,100,000
Family Rental Project	390,000	(1,270,000)	\$1,660,000
Senior / Family Ownership Project	566,000	204,000	\$362,000
Commercial Project	(1,226,000)	(334,000)	(\$892,000)
VII. <u>Residual Land Value/(Financial Gap)</u>	\$4,830,000	(\$1,400,000)	\$6,230,000
Per Unit	\$28,400	(\$8,200)	\$36,600
Per SF GBA	\$25	(\$7)	\$33
Per SF Land Area	\$39	(\$11)	\$51
VIII. <u>Net Financial Surplus / (Gap)</u>			
A. <u>Land Acquisition at Commission Cost</u>			
Per Unit	(\$4,170,000)	(\$10,400,000)	\$6,230,000
	(\$24,500)	(\$61,200)	\$36,700
B. <u>Land Acquisition at Estimated Market Value</u>			
Per Unit	(\$6,170,000)	(\$12,400,000)	\$6,230,000
	(\$36,300)	(\$72,900)	\$36,600