

**HEARING OFFICER
STAFF REPORT
January 17, 2007**

SUBJECT: Affordable Housing Concession Permit #11586

LOCATION: 496 South Arroyo Parkway

APPLICANT: Patrick Chraghchian

ZONING DESIGNATION: CD-6 (Central District Specific Plan, Arroyo Corridor/Fair Oaks)

GENERAL PLAN DESIGNATION: Central District Specific Plan

CASE PLANNER: David Sinclair

STAFF RECOMMENDATION: Adopt the *Environmental Determination and the Specific Findings in Attachment A to approve* the application with the conditions in Attachment B, Attachment C, Attachment D, and Attachment E.

PROJECT PROPOSAL: Affordable Housing Concession Permit – Allow the construction of a mixed-use project with a Concession to exceed the maximum allowed Floor Area Ratio.

ENVIRONMENTAL DETERMINATION: An Initial Environmental Study recommending a Mitigated Negative Declaration has been prepared and posted. The area that could be significantly impacted unless mitigated is Cultural Resources. The public comment period on the Initial Environmental Study and Mitigated Negative Declaration was from November 29, 2006 to December 20, 2006. No public comments were received on the Initial Study.

BACKGROUND:

Site characteristics: The subject site is located on the east side of South Arroyo Parkway, between East Bellevue Drive and East California Boulevard along a commercial corridor. The subject site is currently occupied by one building that is currently occupied by a vehicle repair business.

Adjacent Uses: North – Retail Commercial
South – Restaurant
East – Multi-Family Residential
West – Retail Commercial

Adjacent Zoning: North – CD-6 (Central District Specific Plan, Arroyo Corridor/Fair Oaks)
South – CD-6 (Central District Specific Plan, Arroyo Corridor/Fair Oaks)
East – RM-32-OC (Multi-Family Residential, 32 units per acre, Office Conversion overlay)
West – CD-6 (Central District Specific Plan, Arroyo Corridor/Fair Oaks)

Previous zoning cases on this property: None.

PROJECT DESCRIPTION:

This project includes the demolition of a one-story, 8,000 square foot, industrial building and the construction of a five story, 38,500 square foot, mixed-use building with 21 residential condominiums, 4,000 square feet of commercial space on the ground floor, 3,500 square feet of office space on the second floor, and one level of subterranean parking. The height of the building would vary from 15 feet in the rear and would 'step up' to as high as 65 feet. The average height would be 48 feet, two feet less than the 50-foot maximum. Three of the residential units would be maintained as affordable units. The construction type, Type II, (concrete and steel) is of higher quality than Type V (wood frame) which is more typical for projects of this size and scope.

ANALYSIS:

The Density Bonus section of the Zoning Code (Section 17.43) permits an increase in the number of units permitted 'by right', provided a percentage of the units meet the 'affordable' thresholds as outlined in the Zoning Code. In this case, the maximum number of units permitted on the property is 19 dwelling units. Per the Zoning Code, designating 15 percent of the units (three units) as moderate-income would permit a ten percent (two units) increase in the total number of units, for a total of 21 dwelling units.

Consistent with California State Law, the Zoning Code permits a project that is utilizing a density bonus increase to request a concession, or deviation, from any applicable development standards, provided it can be shown that that the concession is necessary for the provision of the affordable units. Per Section 17.43 of the Zoning Code, this request is processed through the Affordable Housing Concession Permit process.

The concession requested in this application is to exceed the maximum Floor Area Ratio (FAR) permitted. The maximum FAR for the subject site is 1.5. For this site of 17,500 square feet, a FAR of 1.5 for a building area of 26,250 square feet (not including parking areas). In this case, the proposed project would have a FAR of 2.2 for a building area of approximately 38,500 square feet.

Two findings are necessary to approve an Affordable Housing Concession Permit. First, it must be shown that the concession is necessary for the designated residential units to be affordable. Second, it must also be shown that the proposed project would not have a significant impact on the health, safety, or welfare of the surrounding commercial and residential uses, nor on property listed on the California Register of Historic Places.

In order to assess the viability of the first finding, the City forwarded the project's financial information to its financial consultant, Keyser Marston Associates (KMA) for analysis. KMA reviewed and compared the Base Case (19 dwelling units and 1.5 FAR) and the proposed project (21 dwelling units and 2.2 FAR) and found the Base Case would have an estimated \$824,000 financial gap, and is therefore not considered to be financially feasible (see Attachment G, KMA report dated January 11, 2007). Conversely, the proposed project is estimated to be financially feasible due to the increased scope of development that enhances the project value sufficiently to fill the financial gap shown in the Base Case. It is therefore the conclusion of KMA that the density bonus and increase in FAR are considered to be necessary to provide the three affordable residential units. KMA notes that this conclusion assumes that both scenarios would be constructed at Type II (steel and concrete) construction standards, which are of higher quality and durability than the typical Type V (wood-frame) standards.

As for the second required finding, the Initial Environmental Study found that the project will not have a significant impact on the health, safety, or welfare of the surrounding commercial and residential uses. This is important to note not only for the project itself, but also because one of the findings necessary to approve the project is that the project would not have an adverse affect of public health, public safety, or the physical environment.

In addition, it must be shown that the project would not negatively impact a property, or properties, listed on the California Register of Historical Resources. In this case the residential properties to the immediate east between East Bellevue Drive and East California Boulevard (455 and 569 South Marengo Avenue) are on the National Register of Historic Places and are therefore on the California Register of Historical Resources. However, the significant grade change from the project site up to the South Marengo Avenue properties combined with the 'stepping' of the proposed project up and away from east to west to east results in the proposed project not impacting the South Marengo Avenue properties. Therefore, this finding can be made.

The proposed project either complies, or will be conditioned to comply, with all other applicable development standards such as setbacks and parking. An application with the City's Design Commission to allow for 'height averaging' is currently pending. The highest point of the building is 65 feet, which exceeds the maximum permitted height of 50 feet. Through height averaging, portions of a building may exceed the maximum height, provided the average height of the entire building does not exceed the maximum height. For this site, the average height of the building is 48 feet, which is below the maximum permitted height of 50 feet. However, if the Design Commission does not approve the height averaging request, the project would have to be modified so no portion of the building exceeds the maximum permitted height of 50 feet.

CONCLUSION:

It is staff's assessment that the findings for approval of the Affordable Housing Concession Permit to exceed the maximum allowable Floor Area Ratio can be made. The financial analysis of the project performed by KMA shows that a project developed at the same level (Type II), but in compliance with the density and FAR development standards, would not be financially feasible, but with the additional two density bonus units and increased FAR, the project is financially feasible, making the provision of the three affordable units possible. Further, the construction type, Type II, (concrete and steel) is of higher quality than Type V (wood frame) which is more typical for projects of this size and scope.

In addition, the project will not have a negative impact on public health, public safety, or the physical environment as shown in the Initial Environmental Study nor will it impact the properties to the immediate east that are on the National Register of Historic Places, due to the grade change and the 'stepping' of the building up and away from east to west. Therefore, it is staff's recommendation that the project be approved subject to the recommended conditions of approval for this project.

Attachments:

- Attachment A: Findings for Affordable Housing Concession Permit #11586
- Attachment B: Recommended Conditions of Approval (Planning and Development)
- Attachment C: Recommended Conditions of Approval (Public Works)
- Attachment D: Recommended Conditions of Approval (Transportation)
- Attachment E: Mitigation Monitoring and Reporting Program Matrix
- Attachment F: Draft Mitigated Negative Declaration

ATTACHMENT A
FINDINGS FOR AFFORDABLE HOUSING CONCESSION PERMIT #11586

Affordable Housing Concession Permit – To exceed the maximum allowable Floor Area Ratio.

1. *The concession or incentive is required in order for the designated units to be affordable in that as demonstrated by the financial analysis performed by Keyser Marston Associates shows that a project developed at the same level (Type II), but in compliance with the density and FAR development standards, would not be financially feasible, but with the additional two density bonus units and increased FAR, the project is financially feasible, making the provision of the three affordable units possible.*
2. *The concession or incentive would not have a specific adverse impact on public health, public safety, or the physical environment, and would not have an adverse impact on a property that is listed in the California Register of Historical Resources, and for which there is no feasible method to satisfactorily mitigated or avoid the specific adverse impact, or adverse impact, without rendering the development unaffordable to low- and moderate-income households. A specific adverse impact is a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. The Initial Environmental Study for this project did not find any potentially significant impacts to public health, public safety, the physical environment, or historic resources. The high quality of construction (Type II) and finished materials will ensure that the project is safe for the project's residents and tenants, as well as the surrounding commercial and residential uses. Additionally, while the residential properties to the immediate east along South Marengo Avenue are listed on the National Register of Historic Places, and are therefore on the California Register of Historical Resources, the significant grade change up from the project site up to the South Marengo Avenue properties, combined with the 'stepping' of the proposed project up and away from east to west to east results in the proposed project not impacting the South Marengo Avenue properties.*

**ATTACHMENT B
RECOMMENDED CONDITIONS FOR
AFFORDABLE HOUSING CONCESSION PERMIT #11586**

The applicant or successor in interest shall meet the following conditions:

1. The site plan and elevations submitted for building permits shall substantially conform to the plans submitted with this application and dated "Received at Hearing December 20, 2006," except as modified herein.
2. The applicant shall comply with all standards of the Zoning Code applicable to the CD-6 zoning district, with the exception of the maximum allowed Floor Area Ratio of 1.5 by constructing a project with a Floor Area Ratio of no more than 2.2.
3. Because the grant of the Affordable Housing Concession Permit is based on assumptions relating to project cost and construction type, all changes for this project, either during design or construction, shall be submitted to the Zoning Administrator for review and approval. The Zoning Administrator retains the right to require preparation and submittal of a revised project financial analysis reflecting the proposed change(s) and comparing it to the Base Case (i.e. project without the granted concession). The Zoning Administrator also has the right to reject a proposed change if it is determined that a change would change the project costs such that the granted concession was no longer necessary for the provision of affordable housing. The determination by the Zoning Administrator is appealable pursuant to Section 17.72 of the Zoning Code. Because review of proposed changes may require time to assess, the applicant is advised to submit any proposed changes in a timely manner and shall bear the burden of any delay caused by the review process.
4. The plans submitted for building permit shall identify each of the proposed uses and demonstrate compliance with the required number of parking spaces per Section 17.46 of the Zoning Code and as modified by Section 17.50.340 (Transit-Oriented Development).
5. An agreement shall be entered into between the applicant, or the successor in interest, and the Housing Division for the provision of the three affordable residential dwelling units.
6. Prior to the issuance of building permits, the applicant or successor in interest shall submit the proposed design for review and approval by the Design Commission.
7. If the proposed height averaging is not approved by the Design Commission the project shall be brought into compliance with the 50-foot maximum height.
8. The applicant or successor in interest shall meet the applicable code requirements of all other City Departments.
9. The proposed project, Case Number **PLN2006-00385**, shall comply with all conditions of approval, and is subject to **Condition Monitoring** and a **Final Zoning Inspection**. A Final Zoning Inspection is required for the project prior to the issuance of a Certificate of Occupancy. Required fees for monitoring and inspections shall be paid on or after the effective date of this permit, but prior to the issuance of any building permit. Contact the Code Compliance Staff at (626) 744-4633 to verify the fees and to schedule an inspection appointment time. All fees are to be paid to the cashier at the Permit Center located at 175 N. Garfield Avenue. The cashier will ask for the activity number provided above. Failure to

pay the required fees prior to the stipulations in this condition may result in revocation proceedings of this land use entitlement.

ATTACHMENT C

**MEMORANDUM - CITY OF PASADENA
DEPARTMENT OF PUBLIC WORKS**

DATE: November 27, 2006

TO: Denver Miller, Zoning Administrator
Planning and Development Department

FROM: City Engineer
Department of Public Works

RE: Affordable Housing Concession Permit No. 11586
496 South Arroyo Parkway

The Department of Public Works has reviewed the application for Affordable Housing Concession Permit No. 11586 for the construction of a five-story, 38,500 square foot mixed-use building with 21 residential condominiums, 4,000 square feet of commercial space on the ground floor, 3,500 square feet of office space on the second floor, and one level of subterranean parking. The approval of this Affordable Housing Concession Permit should be based upon satisfying all of the following conditions:

1. The applicant shall obtain a license agreement from the City for the installation of any private improvements within the public right-of-way, including, but not limited to, soldier beams, tie-backs, utility conduits and decorative sidewalk. The license agreement application for any private improvement within the public right-of-way shall be submitted to the Department of Public Works for review and shall be approved by the City Council prior to the construction of the private improvement. The license agreement will allow the applicant to install and maintain the private improvements within the public right-of-way with conditions.

A license agreement for shoring requires that all steel rods in every tie-back unit be relieved of all tension and stresses, and any portion of soldier beams and any portion of the tie-backs located less than ten (10) feet below grade be removed from the public right-of-way.

2. Arroyo Parkway will be improved as part of the City's SR 710 Mitigation Arroyo Parkway Enhancement Project. The construction work on the City's project is tentatively scheduled to begin in June 2007. Construction of drive approaches and utility connections for the proposed development shall be coordinated with the City's project. No excavation in Arroyo Parkway will be permitted after completion of the City's project. Contact Andy Muth, Principal Engineer, at (626) 744-4332 for the construction schedule and other pertinent details of the City's project.
3. The applicant shall pay \$37,300 for improvements within the public right-of-way that will be constructed as part of the City's Arroyo Parkway Enhancement Project. These improvements include removal and reconstruction of concrete curb & gutter, sidewalk and one driveway; two street trees (Date Palms, 25' Height) including custom tree grates

& frames and uplighting system complete with appurtenances; street lighting electrical conduit system to support the uplights and future pedestrian (infill) lights; and one custom trash receptacle. All public right-of-way improvements (except for utility connections) along the frontage of the parcel shall be the responsibility of the applicant; however, the City will construct the improvements as part of the Arroyo Parkway project upon payment from the applicant.

4. Excavation in the street for utility connections shall be as close as possible to each other and the pavement shall be restored contiguously between extreme excavations.
5. The applicant shall remove and salvage the existing W80 sign and paint red curb south of the driveway in conformance with the City approved Arroyo Parkway Enhancement Plan.
6. Sewage from subject property drains to 3.026 feet of sewer pipes in Arroyo Parkway from California Boulevard to Glenarm Street that may not conform to current design capacity standards. The applicant shall pay the city \$1,264 to perform an analysis of the impact of the project on the sewer system, and if warranted shall either upgrade the sewer segments, or, make a fair share of the cost of upgrades. If payment to the City is made, the City may use the funds to upsize the above mentioned reaches, or, may use these funds to correct other sewer deficiencies.
7. There are sewer capacity deficiencies downstream of the development on Arroyo Parkway. The applicant shall pay an in lieu sewer facility fee of \$26,555 to the City for the project's fair share of the deficiencies, or correct the aforementioned deficiencies. Correction of the deficiencies include the design, review, construction and inspection costs for the work.
8. The proposed development shall be connected to the public sewer by a method approved by the Department of Public Works. The sewer connection shall be six-inch diameter vitrified clay or cast iron pipe with a minimum slope of two percent.
9. If drainage patterns are altered, the applicant shall provide an approved method of controlling storm water runoff. Approval shall be made by the Planning and Development Department and the Department of Public Works prior to issuance of a grading or building permit for this site.
10. If the proposed improvement drains to the driveway, the applicant shall construct a non-sump grate drain in the driveway at the back of the sidewalk. This drain shall discharge to the street at an approved angle in a cast iron curb drain or an approved curb outlet.
11. If the existing street lighting system along the project frontages is in conflict with the proposed development/driveway, it is the responsibility of the applicant to relocate the affected street lights, including conduits, conductors, electrical services, pull boxes and miscellaneous appurtenant work in a manner that complies with the requirements and receives the approval of the Department of Public Works.
12. If water is pumped from the subterranean parking garage before discharging into the public right-of-way, the applicant shall install a drainage structure in private property to dissipate energy from the pumped water.

13. If the proposed improvement drains to the driveway, the applicant shall construct a non-sump grate drain in the driveway at the back of the sidewalk, or by a method approved by the Department of Public Works.
14. Pruning of street trees is required to facilitate the construction of the project, and it shall be done by the City's Parks and Natural Resources Division crew. The applicant shall be responsible for the cost of pruning the street trees and submit to the Department of Public Works a \$500 deposit, subject to refund or additional billing, for the City crew to prune the street trees.
15. The applicant shall install and permanently maintain an irrigation system for the trees on Arroyo Parkway. Tree locations will be finalized in the field by the Department of Public Works. Plans for the irrigation system shall be prepared by a landscape architect registered in the State of California and submitted to the Department for review and approval.
16. Plans must be submitted to the Department of Public Works for approval showing any structures, irrigation, footings grading or plantings that impact City street trees. The plans must conform to the Tree Protection Standards which specifically require showing the locations of all existing trees, their diameters and actual canopies as well as any trees to be planted with their canopy at mature size.
17. Past experience has indicated that projects such as this tend to damage the abutting street improvements with the heavy equipment and truck traffic that is necessary during construction. Additionally, the City has had difficulty in requiring developers to maintain a clean and safe site during the construction phase of development. Accordingly, the applicant shall place a \$20,000 deposit with the Department of Public Works prior to the issuance of a building or grading permit. This deposit is subject to refund or additional billing, and is a guarantee that the applicant will keep the site clean and safe, and will make permanent repairs to the abutting street improvements that are damaged, including striping, slurry seal/resurfacing, curb, gutter, and sidewalk, either directly or indirectly, by the construction on this site. The deposit may be used for any charges resulting from damage to street trees and for City personnel to review traffic control plans and maintain traffic control. A processing fee will be charged against the deposit.
18. Prior to the start of construction or the issuance of any permits, the applicant shall submit a Construction Staging and Traffic Management Plan to the Department of Public Works for review and approval. The template for the Construction Staging and Traffic Management Plan can be obtained from the Department of Public Works webpage at: <http://www.cityofpasadena.net/publicworks/Engineering/default.asp>. A flat fee, based on the General Fee Schedule, is required for plan review. This plan shall show the impact of the various construction stages on the public right-of-way including all street occupations, lane closures, detours, staging areas, and routes of construction vehicles entering and exiting the construction site. An occupancy permit shall be obtained from the department for the occupation of any traffic lane, parking lane, parkway, or any other public right-of-way. All lane closures shall be done in accordance with the Manual of Uniform Traffic Control Devices (MUTCD) and California Supplement. If the public right-of-way occupation requires a diagram that is not a part of the MUTCD or California Supplement, a separate traffic control plan must be submitted as part of the Construction Staging and Traffic Management Plan to the department for review and approval.

19. All costs associated with these conditions shall be the applicant's responsibility. Unless otherwise noted in this memo, all costs are based on the General Fee Schedule that is in effect at the time these conditions are met. A processing fee will be charged against all deposits.

In addition to the above conditions, the requirements of the following ordinances will apply to the proposed project:

- New Residential Impact Fee Ordinance - Chapter 4.17 of the PMC
The ordinance was established to provide funds to mitigate the impact of new residential development on City parks and park and recreational facilities. A copy of the Residential Impact Fee Information Packet can be obtained at the Permit Center's webpage at: <http://www.cityofpasadena.net/permitcenter/FEES/fees.asp>. The applicant shall make a payment based on the Residential Impact Fee Structure that was amended as of December 3, 2005. Payment of the fee to the City shall be made at the Permit Center at 175 North Garfield Avenue.
- Sidewalk Ordinance - Chapter 12.04 of the Pasadena Municipal Code (PMC)
In accordance with Section 12.04.035, entitled "Abandoned Driveways" of the PMC, the applicant shall close any unused drive approach with standard concrete curb, gutter and sidewalk. In addition, the applicant shall repair any existing or newly damaged sidewalk along the subject frontage prior to the issuance of a Certificate of Occupancy or any building permit for work in excess of \$5,000 pertaining to occupancy or construction on the property in accordance with Section 12.04.031, entitled "Inspection required for Permit Clearance" of the PMC.
- City Trees and Tree Protection Ordinance - Chapter 8.52 of the PMC
The ordinance provides for the protection of specific types of trees on private property as well as all trees on public property. No street trees in the public right-of-way shall be removed without the approval of the Urban Forestry Advisory Committee.
- Stormwater Management and Discharge Control Ordinance – Chapter 8.70 of the PMC
This project is subject to the requirements of the City's Storm Water and Urban Runoff Control Regulation Ordinance which implements the requirements of the Regional Water Quality Control Board's Standard Urban Storm Water Mitigation Plan (SUSMP). Prior to the issuance of any demolition, grading or construction permits for this project, the developer shall submit a detailed plan indicating the method of SUSMP compliance. Information on the SUSMP requirements can be obtained from the Permit Center's webpage at <http://www.cityofpasadena.net/permitcenter/plansubreq/cndord.asp>.
- Construction and Demolition Waste Ordinance, Chapter 8.62 of the PMC
The applicant shall submit the following plan and form which can be obtained from the Permit Center's webpage at <http://www.cityofpasadena.net/permitcenter/plansubreq/cndord.asp> and the Recycling Coordinator, (626) 744-7175, for approval prior to the request for a permit:
 - a. C & D Recycling & Waste Assessment Plan – Submit plan prior to issuance of the permit. A list of Construction and Demolition Recyclers can be obtained from the Recycling Coordinator.
 - b. Monthly reports must be submitted throughout the duration of the project.

c. Summary Report with documentation must be submitted prior to final inspection.

A security performance deposit of three percent of the total valuation of the project or \$30,000, whichever is less, is due prior to permit issuance. This deposit is fully refundable upon compliance with Chapter 8.62 of the PMC. A non-refundable Administrative Review fee is also due prior to permit issuance and the amount is based upon the type of project.

If you have questions regarding the above conditions and requirements of the ordinances, please contact Sean Singletary, of this office, at (626) 744-4273.

DANIEL A. RIX
City Engineer

DAR:ss

ATTACHMENT D
Department of Transportation



DEPARTMENT OF TRANSPORTATION

November 28, 2006

Patrick Chraghchian
600 West Broadway, Suite 285
Glendale, CA 91204

RE: Approval of Traffic Study
CASE: 496 S. Arroyo Parkway, Pasadena

Dear Mr. Chraghchian:

The Traffic Study for the proposed project located at 496 South Arroyo Parkway has been prepared by Raju Associates, Inc. in accordance with the City's guidelines. The study found that the project will generate approximately 304 daily trips, resulting in a 0.8 percent increase in traffic along Arroyo Parkway. In order to minimize the effects of the increase in traffic, the Department of Transportation is recommending the following conditions as part of approval for this project:

1. The project shall participate in the Citywide Traffic Performance Monitoring Network project. This project is included in the City's Capital Improvement Program and is intended to address the community's particular concerns on traffic attributed by new developments in the amount of **\$10,000**. Funding must be received prior to the issuance of the first permit by the City.
2. The project shall contribute **\$10,000** toward the upgrade of two transit stops in the immediate vicinity of the proposed project.
3. The City is in the process of implementing a Transportation Impact Fee. Should this project become subject to the fee, the condition above (condition number 2) will not be applicable as transit improvements will be funded via the fee.
4. A circulation plan for the parking areas must be reviewed and approved by the Department of Transportation. The plan shall include the proposed striping/configuration of parking spaces to ensure that vehicles can safely enter and exit the parking area.
5. The location(s) of bicycle parking shall be shown on the plans and approved by the Department of Transportation prior to the issuance of a building permit.

Patrick Chraghchian
November 28, 2006
496 S. Arroyo Parkway
Page 2 of 2

6. If the driveway will be controlled via a gate, the location of such gate shall be setback a minimum of 20 feet from the property line. The specific location shall be included on the site plan and reviewed and approved by the Department of Transportation prior to the issuance of a building permit.
7. Any changes to the location of the driveway and/or driveway gate shall be reviewed and approved by the Department of Transportation prior to the issuance of a building permit.
8. To minimize future on-street parking impacts, the City will not issue overnight parking permits to the future residents of this project. It is the developer's responsibility to disclose this restriction to future residents.

This study is based on the project scope contained in the Traffic Study. Should a significant change be made to the project scope during the approval process, the applicant may be requested to prepare an updated circulation study.

If you have any questions, please do not hesitate to contact Alberto Felix at (626) 744-7662 or via e-mail: afelix@cityofpasadena.net.

Sincerely,



ERIC C. SHEN, P.E.
Transportation Planning &
Development Manager

Attachment: Traffic Study

CC: Joyce Y. Amerson, Director of Transportation
Cathi Cole, Transit Manager
John Poindexter, Planning Manager, Planning Department
David Sinclair, Planning Department

**ATTACHMENT E
Mitigation Monitoring and Reporting Program Matrix**

Mitigation Measure	Mitigation Monitoring Timing	Responsible Monitoring Entity	Mitigation Measure Complete?	Effectiveness
Impact – Cultural Resources				
<p>7.1. If archaeological resources are encountered during project construction, all construction activities in the vicinity of the find shall halt until an archeologist certified by the Society of Professional Archeologists examines the site, identifies the archaeological significance of the find, and recommends a course of action. Construction shall not resume until the site archaeologist states in writing that the proposed construction activities will not significantly damage archaeological resources.</p>	<p>Duration of project.</p>	<p>Building Division</p>		
<p>7.2. If paleontological resources are encountered during project construction, all construction activities in the vicinity of the find shall halt until a paleontologist meeting the satisfaction of the Natural History Museum of Los Angeles County identifies the paleontological significance of the find, and recommends a course of action. Construction shall not resume until the site paleontologist states in writing that the proposed construction activities will not significantly damage paleontological resources.</p>	<p>Duration of project.</p>	<p>Building Division</p>		

ATTACHMENT F
Draft Mitigated Negative Declaration

CITY OF PASADENA

Planning & Development Department
175 N. Garfield Ave.
Pasadena, California 91101-1704

DRAFT MITIGATED NEGATIVE DECLARATION

PROPOSED PROJECT TITLE: **Affordable Housing Concession Permit #11586**

PROJECT APPLICANT: **Patrick Chraghichian**

PROJECT CONTACT PERSON: **David Sinclair**
 Associate Planner
 City of Pasadena, Planning and Development
 175 North Garfield Avenue
 Pasadena, CA 91109-7215

TELEPHONE: **(626) 744-6766**

PROJECT LOCATION: **496 South Arroyo Parkway**
 City of Pasadena
 County of Los Angeles
 State of California

PROJECT DESCRIPTION

Demolition of a one-story, 8,000 square foot, industrial building and the construction of a five story, 38,500 square foot, mixed-use building with 21 residential condominiums, 4,000 square feet of commercial space on the ground floor, 3,500 square feet of office space on the second floor, and one level of subterranean parking. The height of the building would vary from 15 feet in the rear and would 'step up' to as high as 65 feet. The average height would be 48 feet, two feet less than the 50-foot maximum.

The maximum number of dwelling units allowed per the base density of Zoning Code is 19, but the applicant intends to utilize the Density Bonus provision of the Zoning Code to allow increase of two units by providing three units as affordable for moderate income households. The applicant is requesting an increase in the allowable Floor Area Ratio from the Zoning Code maximum of 1.5 to 2.2. Per California state law, projects providing a percentage of affordable units in compliance with Density Bonus legislation may request such concessions to deviate from the Zoning Code if it can be shown that the concession is necessary for the provision of the affordable units.

FINDING

On the basis of the initial study on file in the Current Planning Office:

	The proposed project COULD NOT have a significant effect on the environment
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x	The proposed project could have a significant effect on the environment; there will not be a significant effect in this case because the mitigation measures described in the Mitigation Monitoring Program on file in the Current Planning Office were adopted to reduce the potential impact to a level insignificance.
	The proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.

Completed by: David Sinclair
 Title: November 29, 2006

Determination Approved: _____
 Date: _____

PUBLIC REVIEW PERIOD: November 29, 2006 to December 20, 2006

COMMENTS RECEIVED ON DRAFT: ____ Yes X No

INITIAL STUDY REVISED: ____ Yes ____ No

ATTACHMENT G
Letter from Keyser Marston Associates



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE FARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE

LOS ANGELES
CALVIN E. HOLLIS, II
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN ENGSTROM
JULIE ROMEY

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Richard Bruckner
City of Pasadena

From: Julie Romey
Kathe Head

Date: January 11, 2007

Subject: 495 South Arroyo - Density Bonus Analysis

At your request, Keyser Marston Associates (KMA) reviewed the request made by American General Constructors (Developer) under the City of Pasadena (City) Density Bonus Ordinance (Ordinance). In addition to the request for a 10% density bonus, the Developer is seeking to receive a concession from the City to increase the allowable FAR (FAR) from 1.5 to 2.2.

The Developer owns the 0.40-acre parcel located at 495 South Arroyo (Site) and proposes to construct a mixed-use project that will include ground floor retail space, office space and 21 condominiums (Project). The purpose of the KMA analysis is to determine whether the requested density bonus and concession contributes significantly to the economic feasibility of providing affordable housing.

EXECUTIVE SUMMARY

In mid-2006, the Developer purchased the Site for \$2.34 million, or \$134 per square foot of land area. The Site is zoned as CD-6 (Central District Specific Plan, Arroyo Corridor / Fair Oaks). The Site is currently improved with a one-story, 8,000 square foot industrial building.

Several key factors to be considered in the analysis are:

1. The CD-6 designation permits commercial development or commercial/residential mixed-use development. Stand alone residential development is not allowed.

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2. The CD-6 zoning limits the maximum density at 48 units per acre, which equates to 19 dwelling units.
3. The maximum FAR is 1.5, which equals 26,250 square feet of GBA.
4. The City's Inclusionary Housing Ordinance (Inclusionary Ordinance) also requires that 15% of the units, or 3 units, are to be set-aside for moderate income households.

The Developer contends that a mixed-use development allowed under existing zoning is not feasible, and is requesting a density bonus under the City's Density Bonus Ordinance to create a feasible project. The Developer has not presented any feasibility testing information for a 100% commercial project.

The Developer's proposal calls for a 10% increase in density, which increases the number of units to 21 and the Project density to 52 units per acre. The Developer is also requesting one concession, a 47% increase in FAR from 1.5 to 2.2. To achieve a 10% density bonus, the Density Bonus Ordinance requires that 15%, or three units, be set-aside for moderate income households.

Under the City's Density Bonus Ordinance, the City must grant the requested concession unless a finding can be made that the concession does not contribute significantly to the feasibility of providing affordable units. Therefore, KMA analyzed two scenarios:

1. Base Case – A project that meets the existing zoning requirements; and
2. Proposed Project – Assumes the proposed 10% density bonus and a 2.2 FAR.

It is important to note that the Developer is proposing to apply Type II construction standards to the project to enhance the project quality. As such, the underlying assumption in both scenarios is that Type II construction standards will be used instead of the typical Type V, wood-frame, standards. The resulting construction cost estimates are approximately 30% higher than would typically be expected at this density and FAR level.

The following summarizes the KMA findings:

1. The Base Case scenario is estimated to have an \$824,000 financial gap, and is therefore, not considered to be a feasible project.

2. The Proposed Project is estimated to be financially feasible. This finding is directly tied to the fact that the increased scope of development enhances the project value sufficiently to fill the financial gap generated in the Base Case.
3. The Developer's density bonus and increase in FAR requests are considered to be necessary to provide three affordable residential units. However, it is important to note that this finding is predicated on the assumption that both scenarios would be developed at Type II construction standards.

DENSITY BONUS ORDINANCE

The Density Bonus Ordinance, in compliance with the State of California's Government Code Section 65915, was created to offer developers a land use based option to enhance the economic feasibility of producing affordable housing units. The amount of the density bonus to which the applicant is entitled varies according to the amount by which the percentage of the affordable units meets the percentages established in the Ordinance. When calculating the number of density bonus units allowed, any fraction of a residential unit is counted as a whole unit. The Ordinance calls for the City to grant up to a 35% density bonus for the residential portion of mixed-use ownership projects.

Density bonus is defined as the ability to provide additional units over the maximum number normal allowed by the General Plan designation and zoning district for the site. The prerequisites for receiving a density bonus are as follows:

1. At least 5% of the units must be allocated to very-low income households;
2. At least 10% of the units must be allocated to low income households;
3. At least 10% of the units in an ownership project are set-aside for moderate income households; or
4. At least 35 dwelling units are available exclusively to persons aged 55 and older and to those residing with them.

The Ordinance provides a developer with the right to deviate from the City's parking code. Specifically, developers are entitled to apply the following parking ratios to residential units.

Number of Bedrooms	On-Site Parking Spaces
0 - 1	1
2 - 3	2
4 or more	2.5

The Ordinance also allows for the reduction in a site development standard, or a modification to another Zoning Code or design requirement, that results in identifiable, financially sufficient, actual cost reductions. A developer can also request approval of mixed-use zoning in conjunction with the housing project as long as the other land uses are deemed by the City to be compatible with the housing project and surrounding area. Finally, other concessions or regulatory incentives that result in identifiable, financially sufficient actual cost reductions can be requested and approved by the City at its sole discretion.

A developer may request concessions or incentives as follows:

Number of Allowable Concessions / Incentives	At Least:
One	5% of Units are at Very-Low Income; or 10% of Units are at Low or Moderate Income
Two	10% of Units are at Very-Low Income; or 20% of Units are at Low or Moderate Income
Three	15% of Units are at Very-Low Income; or 30% of Units are at Low or Moderate Income

A concession or incentive will be approved upon making the following findings:

1. The concession or incentive is required in order for the designated residential units to be affordable.
2. The concession or incentive will not have a specific adverse impact on public health, public safety or the physical environment, which cannot be satisfactorily mitigated.
3. The concession or incentive will not have an adverse impact on a property that is listed in the California Register of Historical Resources that cannot be satisfactorily mitigated.

If compliance with a development standard would preclude construction of a residential or mixed-use project utilizing a density bonus, and concession or incentive, the developer may submit a proposal for waiver or reduction of the development standard. However, the applicant must show that the waiver or reduction of the development standard is necessary to make the housing units economically feasible.¹ If the City

¹ The Ordinance defines a development standard as "a site or construction condition that applies to a residential development pursuant to any ordinance, general plan element, specific plan, charter amendment or other local condition, law, policy, resolution or regulation."

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wishes to deny an applicant's request for a waiver or reduction in development standards, the City must prove that the requested concession or incentive is not required to create a feasible project.

As a basic requirement, the density bonus units must be affordable to the specific income groups for at least 30 years. However, if the density bonus units are being used to satisfy the City's Inclusionary Ordinance, a 55-year term is required for rental units and a 45-year term is required for ownership units. It should be noted that purchasers of affordable ownership units may opt to resell their home to an above-moderate income purchaser prior to the end of the covenant period, provided that the City receives a share of the appreciation achieved on the resale.

The proposed Project is requesting to increase the number of units from 19 to 21, which equals a 10% density bonus. The project is also eligible to receive one development concession or incentive.

METHODOLOGY

In order to grant a development concession, the Density Bonus Ordinance requires that the City find that the requested concession contributes significantly to the economic feasibility of providing affordable housing. To determine whether the Developer's request for the incentive is warranted, KMA estimated the financial surplus / (gap) generated by the following scenarios:

Scenario	Description
Base Case	Maximum number of units according to CD-6 zoning and other development regulations, including inclusionary housing requirements.
Density Bonus + Concession	An increase of FAR from 1.5 to 2.2 and a 10% density bonus.

The KMA analysis is located at the end of this memorandum and is organized as follows:

APPENDIX A SUMMARY TABLES

Table 1	Project Description Comparison
Table 2	Feasibility Analysis Comparison

**APPENDIX B
BASE CASE SCENARIO**

Table 1	Estimated Development Costs
Table 2	Feasibility Analysis

**APPENDIX C
PROPOSED PROJECT SCENARIO**

Table 1	Estimated Development Costs
Table 2	Feasibility Analysis

FEASIBILITY ANALYSIS – BASE CASE SCENARIO

Zoning Requirements

The following summarizes the zoning requirements under CD-6 (Central District Specific Plan, Arroyo Corridor / Fair Oaks):

Maximum FAR	1.5
Maximum Density	48 Units / Acre
Inclusionary Ordinance Requirement	15% of Total Units restricted to moderate income households
Height Limit	50 Feet
Parking Requirements Residential Spaces Commercial Spaces	1.50 Spaces / Unit 3.00 Spaces / 1,000 Sf of Commercial
Residential Uses	Only if included in a mixed-use project

Scope of Development

The following summarizes the scope of development that meets the existing zoning requirements:

1. The GBA totals 26,247 square feet, which includes the following:
 - a. Residential Component – 21,908 square feet; and
 - b. Commercial Component – 4,339 square feet.
2. A total of 19 residential units with an average unit size of 920 square feet.

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3. The Inclusionary Ordinance requires that three units be sold to moderate income households.
4. The City's parking code requires the development to be served by 41 parking spaces. However, due to the site characteristics 64 spaces are estimated to be provided with 40 spaces located in a one-level subterranean parking garage and 24 spaces located on the podium.

Feasibility Analysis

The detailed assumptions for the Base Case scenario pro forma analysis are provided in Appendix B. The following summarizes the major assumptions:

1. According to recent land sales in Pasadena, the market value for land with mixed-use zoning ranges between \$120 and \$200 per square foot of land area. Therefore, it is concluded that the Developer's stated acquisition price of \$2.34 million, or \$134 per square foot of land area, is reasonable.
2. The Developer has stated that any project that they build on the Site would use Type II construction over a podium. Type II construction is approximately 30% more expensive than the Type V, or wood-frame, construction which would typically be used in projects similar to the scope of development.
3. It was assumed that the full Site would be used for the subterranean garage. This results in 23 extra parking spaces, which are assumed to be used for public parking or sold to residents. The value of the excess paces was estimated at approximately \$12,000 per space.
4. The market sales prices for the residential units were estimated at \$600 per square foot living area. Assuming an average unit size of 920 square feet, the average market sales price is estimated at \$552,000.
5. Any residential project located on the Site would be subject to the City's Inclusionary Ordinance. The affordable sales price for two-bedroom units is currently set by regulation at \$212,000.
6. The ground floor retail space is assumed to be leased monthly at \$3.25 per square foot per month on a triple-net basis; and the value was estimated assuming a 6.5% capitalization rate.
7. The threshold developer profit is assumed to be set at 12% of the project value.

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The following summarizes the results of the KMA analysis of the Base Case scenario:

1. The total development costs are estimated at \$11.63 million, or \$443 per square foot of GBA.
2. The project value was estimated at \$12.27 million, or \$468 per square foot of GBA. The value is disaggregated as follows:
 - a. The residential component was estimated to generate \$9.90 million in sales revenue; and
 - b. The retail component was valued at \$2.38 million, or \$548 per square foot of GBA.
3. The threshold developer profit is \$1.47 million, or 12% of the project value.

The total development costs plus threshold profit equal \$13.1 million. Comparatively, the project value is estimated at \$12.27 million. Thus, the Base Case scenario generates an \$824,000 financial gap, and is not considered to be a feasible development alternative.

FEASIBILITY ANALYSIS – PROPOSED PROJECT SCENARIO

Developer Requests

The following summarizes the requests being made by the Developer:

1. A 10% density bonus; and
2. The one concession being requested by the Developer is an increase in FAR from 1.5 to 2.2.

Scope of Development

1. The GBA totals 38,142 square feet, which includes the following:
 - a. Residential Component – 30,144 square feet; and
 - b. Commercial Component – 7,998 square feet. The 3,659 square foot increase in the commercial component is all allocated to office space.
2. A total of 21 residential units with an average unit size of 1,090 square feet.

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3. The Inclusionary Ordinance requires that three units be sold to moderate income households; the Density Bonus Ordinance also requires three units to be set-aside for moderate income households.
4. The development scope generates an obligation to provide 55 parking spaces. Therefore, the provision of 64 spaces provides nine extra spaces.

Feasibility Analysis

The detailed assumptions for the Proposed Project scenario pro forma analysis are provided in Appendix C. The following summarizes the major differences from the assumptions used in the Base Case scenario:

1. Both the Base Case and Proposed Project scenarios provide 64 parking spaces. This represents nine extra spaces under the Proposed Project scenario and 23 extra spaces under the Base Case scenario.
2. Market sales prices for the residential units were estimated at \$595 per square foot, which is \$5 per square foot less than the projected prices in the Base Case scenario. This is the result of the proposed average unit size being 1,090 square feet, which is 18% higher than the 920 square feet assumed in the Base Case scenario. The resulting average market sales price is estimated at \$649,000.
3. The project has a three unit inclusionary housing obligation as well as a three unit density bonus obligation. However, the Density Bonus Ordinance allows the density bonus units to fulfill the Inclusionary Ordinance requirement. However, the units must be sold at the most restricted affordable sales price under the two ordinances. Based on this requirement, the two-bedroom units are assumed to be sold at the \$180,000 per unit price currently imposed on density bonus units. This price is \$32,000 lower than the \$212,000 sales price required by the Inclusionary Ordinance.
4. The office space is assumed to be leased at \$2.15 per square foot per month on a triple-net basis; the value is calculated assuming a 6.5% capitalization rate.

The following summarizes the results of the KMA analysis of the Proposed Project scenario:

1. The total development costs are estimated at \$14.31 million, or \$375 per square foot of GBA.

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2. The project value was estimated at \$16.26 million, or \$426 per square foot of GBA. The value is comprised of the following components:
 - a. The residential component was estimated to generate \$12.47 million in sales revenue;
 - b. The retail component was valued at \$2.38 million , or \$548 per square foot of GBA; and
 - c. The office component was valued at \$1.41 million, or \$386 per square foot of GBA.
3. The threshold developer profit is \$1.95 million, or 12% of the project value. The Proposed Project scenario generates neither a financial surplus nor a financial gap. Therefore, the Proposed Project is considered to be a feasible development alternative.

The total development costs plus threshold profit equal \$16.26 million. This is equal to the project's estimated value, and therefore, the Proposed Project scenario can be considered financially feasible.

SUMMARY/CONCLUSIONS

The results of the KMA analysis can be summarized as follows:

1. The Developer is proposing to construct the project using Type II construction standards. These standards were selected to enhance the project's quality. The project would typically be developed using Type V construction standards, which would result in an approximately 30% savings in direct construction costs.
2. The mixed-use development scope allowed by the Site's zoning is not financially feasible. This is attributable to the extraordinary costs associated with the Developer's proposed construction type.
3. The use of the proposed density bonus and FAR concession enhance the project's value sufficiently to eliminate the financial gap. Therefore, it can be concluded that the Developer's proposal fulfills the feasibility test requirements imposed by the City's Density Bonus Ordinance.

APPENDIX A
SUMMARY TABLES

Table 1	Project Description Comparison
Table 2	Feasibility Analysis Comparison

APPENDIX A - TABLE 1

PROJECT DESCRIPTION COMPARISON
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

	Proposed Project	Base Case	Difference
I. Land Area	17,498	17,498	-
II. <u>Gross Building Area</u>			
A. <u>Residential Component</u>			
Net Residential Area	22,895	17,485	5,410
Circulation / Common Area	7,249	4,423	2,826
Residential Gross Building Area	30,144	21,908	8,236
B. <u>Retail Component</u>			
Net Retail Area	4,000	4,000	-
Circulation / Common Area	339	339	-
Retail Gross Building Area	4,339	4,339	-
C. <u>Office Component</u>			
Net Office Component	3,500	-	3,500
Circulation / Common Area	159	-	159
Office Gross Building Area	3,659	-	3,659
Total Gross Building Area	38,142	26,247	11,895
FAR	2.18	1.50	(0.68)
Efficiency	80%	82%	2%
III. <u>Unit Mix</u>			
One-bedroom Units	-	-	-
Two-bedroom Units	21	19	2
Three-bedroom Units	-	-	-
Total Units	21	19	2
Density	52	47	5
IV. <u>Affordability Mix</u>			
Market Rate Units	18	16	2
Moderate Income Units (2-Bedroom Units)			
Inclusionary	-	3	(3)
Density Bonus	3	-	3
V. <u>Average Unit Sizes</u>			
One-bedroom Units	-	-	-
Two-bedroom Units	1,090	920	170
Three-bedroom Units	-	-	-
Average Unit Size	1,090	920	170
VI. <u>Parking Spaces</u>			
Residential Spaces	32	29	3
Retail Spaces	12	12	-
Office Spaces	11	-	11
Extra Spaces	9	23	(14)
Total Parking Spaces	64	64	-
VII. <u>Parking Type</u>			
Subterranean Spaces	40	40	-
Surface Spaces	24	24	-
Garage Size (Sf)	17,500	17,500	-
Subterranean Levels	1	1	-

APPENDIX A - TABLE 2

FEASIBILITY ANALYSIS COMPARISON
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

	Proposed Project	Base Case	Difference
I. <u>Project Description</u>			
A. Land Area (Sf)	17,498	17,498	-
B. Number of Units	21	19	2
Average Unit Size	1,090	920	170
C. <u>Affordable Units</u>			
Inclusionary	-	3	(3)
Density Bonus	3	-	3
D. <u>Gross Building Area</u>			
Residential	30,144	21,908	8,236
Retail	4,339	4,339	-
Office	3,659	-	3,659
Total Gross Building Area	38,142	26,247	11,895
E. Required Parking Spaces	55	41	14
F. <u>Provided Parking Spaces</u>			
Subterranean	40	40	-
Surface	24	24	-
Total Spaces Provided	64	64	-
II. <u>Total Development Costs</u>			
A. Land Acquisition	\$2,345,000	\$2,345,000	\$0
Per Sf Land	\$134	\$134	\$0
B. Direct Costs	\$8,071,000	\$6,099,000	\$1,972,000
Per Sf GBA	\$212	\$232	(\$21)
C. Indirect Costs	\$3,890,000	\$3,182,000	708,000
As a % of Direct Costs	48%	52%	-4%
Total Development Costs	\$14,306,000	\$11,626,000	\$2,680,000
Per SF GBA	\$375	\$443	(\$68)
III. <u>Project Value</u>			
A. Residential Component	\$12,468,000	\$9,898,000	\$2,570,000
<u>Market Rate Sales Prices</u>			
Price per Unit	\$649,000	\$552,000	\$97,000
Price per Sf	\$595	\$600	(\$5)
<u>Affordable Sales Prices</u>			
Inclusionary Price	NA	\$212,100	
Density Bonus Price	\$180,000	NA	
B. Retail Component	\$2,377,000	\$2,377,000	\$0
Per Sf GBA	\$548	\$548	\$0
C. Office Component	\$1,412,000	#REF!	#REF!
Per Sf GBA	\$386	#REF!	#REF!
Total Project Value	\$16,257,000	#REF!	#REF!
Per SF GBA	\$426	#REF!	#REF!
IV. Developer Profit	\$1,951,000	\$1,473,000	\$478,000
As a % of Costs	13.6%	12.7%	1.0%
As a % of Revenues	12.0%	#REF!	#REF!
V. <u>Financial Surplus / (Gap)</u>	\$0	#REF!	#REF!

APPENDIX B
BASE CASE SCENARIO

Table 1	Estimated Development Costs
Table 2	Feasibility Analysis

APPENDIX B - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 BASE CASE SCENARIO
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

I.	Land Acquisition Costs ¹	17,498 Sf	\$134 /Sf Land	\$2,345,000
II.	<u>Direct Costs</u> ²			
	Parking Costs			
	Subterranean Spaces	40 Spaces	\$30,000 /Space	1,200,000
	Surface Spaces	24 Spaces	\$9,000 /Space	216,000
	Residential Shell Costs	21,908 Sf GBA	\$185 /Sf GBA	4,045,000
	Retail Costs	4,339 Sf GBA	\$147 /Sf GBA	638,000
	Office Costs	- Sf GBA	\$0 /Sf GBA	-
	Total Direct Costs			\$6,099,000
III.	<u>Indirect Costs</u>			
	Architecture, Engineering & Consulting	6.0% Direct Costs		\$366,000
	Permits & Fees ³	26,247 Sf GBA	\$30 /Sf GBA	796,000
	Taxes, Legal & Accounting	1.5% Direct Costs		91,000
	Insurance ¹	26,247 Sf GBA	\$12 /Sf GBA	315,000
	Marketing & Leasing			
	Residential	19 Units	\$3,000 /Unit	57,000
	Commercial	4% Value		95,000
	Developer Fee	3.0% Value		368,000
	Contingency Allowance	5.0% Other Indirects		104,000
	Total Indirect Costs			\$2,192,000
IV.	<u>Financing Costs</u>			
	Interest During Construction ⁴	8,140,000 Loan	8% Interest	\$426,000
	Loan Fees	8,140,000 Loan	1.00 Points	81,000
	Sales Costs ⁵	5% Value		483,000
	Total Financing Costs			\$990,000
V.	Total Development Costs	26,247 Sf GBA	\$443 /Sf GBA	\$11,626,000
	Total Construction Costs	26,247 Sf GBA	\$354 /Sf GBA	\$9,281,000

¹ Based on information provided by the Developer.

² Assumes Type II construction over a podium. Estimates were provided by the Developer.

³ KMA adjusted the Developer's estimate.

⁴ Assumes a 70% loan to cost ratio; a 14-month development period; and a 55% average outstanding balance.

⁵

Assumes sales commissions and closing costs at 3.0% and 1.5%, respectively, of residential revenues plus \$2,000/unit for warranty expenses.

Prepared by: Keyser Marston Associates

Filename: Arroyo - 01.11.07; BC Proforma; jlr; 1/11/2007

APPENDIX B - TABLE 2

FEASIBILITY ANALYSIS
 BASE CASE SCENARIO
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

I. Residential Component				
A. Market Rate Sales Revenue (\$600/Sf Sales Prices)				
Two-bedroom Units (920 Sf)	16 Units	\$552,000 /Unit		\$8,832,000
Total Market Rate Sales Revenues				\$8,832,000
B. Moderate Income Sales Revenues - Inclusionary Sales Prices ¹				
Two-bedroom Units (920 Sf)	3 Units	\$212,100 /Unit		\$636,000
Total Moderate Income Sales Revenues				\$636,000
C. Parking Revenue ²				
	35 Spaces	\$12,277 /Space		\$430,000
Residential Component Value				\$9,898,000
II. Retail Component				
A. Net Operating Income				
Gross Rental Income (NNN)	4,000 Sf NRA	\$3.25 /Sf NRA		\$156,000
Gross Parking Income	12 Spaces	\$70 /Month		10,100
Gross Income				\$166,100
(Less) Vacancy & Collection Allowance	5%			(8,300)
Effective Gross Income				\$157,800
(Less) Capital Reserves	4,339 Sf GBA	\$0.75 /Sf GBA		(3,300)
B. Net Operating Income				\$154,500
Retail Component Value				\$2,377,000
				6.5% Cap Rate
				\$548 /Sf GBA
III. Total Project Value				\$12,275,000
IV. Feasibility Analysis				
Total Project Value				\$12,275,000
(Less) Total Development Costs				(11,626,000)
(Less) Developer Profit			12% Return on Sales	(1,473,000)
Feasibility Surplus / (Gap)				(\$824,000)
		26,247 Sf GBA	(\$31) /Sf GBA	

¹ Based on the City's currently published affordable sales prices for inclusionary housing units.

² The parking value is based on \$70/space/month at a 6.5% capitalization rate.

APPENDIX C
PROPOSED PROJECT SCENARIO

Table 1	Estimated Development Costs
Table 2	Feasibility Analysis

APPENDIX C - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 PROPOSED PROJECT SCENARIO
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

I.	Land Acquisition Costs ¹	17,498 Sf	\$134 /Sf Land	\$2,345,000
II.	<u>Direct Costs</u> ²			
	Parking Costs			
	Subterranean Spaces	40 Spaces	\$30,000 /Space	1,200,000
	Surface Spaces	24 Spaces	\$9,000 /Space	216,000
	Residential Shell Costs	30,144 Sf GBA	\$185 /Sf GBA	5,565,000
	Retail Costs	4,339 Sf GBA	\$147 /Sf GBA	638,000
	Office Costs	3,659 Sf GBA	\$123 /Sf GBA	452,000
	Total Direct Costs	38,142 Sf GBA	\$212 /Sf GBA	\$8,071,000
III.	<u>Indirect Costs</u>			
	Architecture, Engineering & Consulting	6.0% Direct Costs		\$484,000
	Permits & Fees ³	38,142 Sf GBA	\$25 /Sf GBA	940,000
	Taxes, Legal & Accounting	1.5% Direct Costs		121,000
	Insurance ¹	38,142 Sf GBA	\$8 /Sf GBA	299,000
	Marketing & Leasing			
	Residential	21 Units	\$3,000 /Unit	63,000
	Commercial	4.0% Value		152,000
	Developer Fee	3.0% Value		488,000
	Contingency Allowance	5.0% Other Indirects		127,000
	Total Indirect Costs			\$2,674,000
IV.	<u>Financing Costs</u>			
	Interest During Construction ⁴	\$10,015,000 Loan	8% Interest	\$524,000
	Loan Fees	\$10,015,000 Loan	1.00 Points	100,000
	Sales Costs ⁵	5% Value		592,000
	Total Financing Costs			\$1,216,000
V.	Total Development Costs	38,142 Sf GBA	\$375 /Sf GBA	\$14,306,000
	Total Construction Costs	38,142 Sf GBA	\$314 /Sf GBA	\$11,961,000

¹ Based on information provided by the Developer.

² Assumes Type II construction over a podium. Estimates were provided by the Developer.

³ KMA adjusted the Developer's estimate.

⁴ Assumes a 70% loan to cost ratio; a 14-month development period; and a 55% average outstanding balance.

⁵ expenses.

APPENDIX C- TABLE 2

FEASIBILITY ANALYSIS
 PROPOSED PROJECT SCENARIO
 495 SOUTH ARROYO PARKWAY
 PASADENA, CALIFORNIA

I. Residential Component				
A. Market Rate Sales Revenue (\$595/Sf Sales Prices)				
Two-bedroom Units (1,090 Sf)	18 Units	\$649,000 /Unit		\$11,682,000
Total Market Rate Sales Revenues				\$11,682,000
B. Moderate Income Sales Revenues - Density Bonus Sales Prices ¹				
Two-bedroom Units (1,090 Sf)	3 Units	\$180,000 /Unit		\$540,000
Total Moderate Income Sales Revenues				\$540,000
C. Parking Revenue ²				
	20 Spaces	\$12,277 /Space		\$246,000
Residential Component Value				\$12,468,000
II. Retail Component				
A. Net Operating Income				
Gross Rental Income (NNN)	4,000 Sf NRA	\$3.25 /Sf NRA		\$156,000
Gross Parking Income	12 Spaces	\$70 /Month		10,100
Gross Income				\$166,100
(Less) Vacancy & Collection Allowance	5%			(8,300)
Effective Gross Income				\$157,800
(Less) Capital Reserves	4,339 Sf GBA	\$0.75 /Sf GBA		(3,300)
B. Net Operating Income				\$154,500
Retail Component Value				\$2,377,000
	6.5% Cap Rate	\$548 /Sf GBA		
III. Office Component				
A. Net Operating Income				
Gross Rental Income (NNN)	3,500 Sf NRA	\$2.15 /Sf NRA		\$90,300
Gross Parking Income	11 Spaces	\$70.00 /Space		9,200
Gross Income				\$99,500
(Less) Vacancy & Collection Allowance	5%			(5,000)
Effective Gross Income				\$94,500
(Less) Capital Reserves	3,659 Sf GBA	\$0.75 /Sf GBA		(2,700)
B. Net Operating Income				\$91,800
Office Component Value				\$1,412,000
	6.5% Cap Rate	\$386 /Sf GBA		
IV. Total Project Value				\$16,257,000
V. Feasibility Analysis				
Total Project Value				\$16,257,000
(Less) Total Development Costs				(14,306,000)
(Less) Developer Profit				(1,951,000)
Feasibility Surplus / (Gap)				\$0
	38,142 Sf GBA	\$0 /Sf GBA		

¹ Based on the City's currently published affordable sales prices for density bonus units.

² The parking value is based on \$70/space/month at a 6.5% capitalization rate.