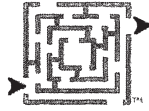


**ATTACHMENT G  
FINANCIAL ANALYSIS  
PREPARED BY KEYSER MARSTON ASSOCIATES, INC**



**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  
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Kathleen H Head  
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Kevin E Engstrom  
Julie L Romey

SAN DIEGO  
Paul C Marra

**To:** Beilin Yu, Planner  
City of Pasadena

**From:** Kathleen Head

**Date:** July 21, 2017

**Subject:** 233 North Hudson Avenue Density Bonus Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a financial evaluation of the development application submitted by DC Santa Anita Holdings, LLC (Applicant) for the 16,304 square foot property located at 233 North Hudson Avenue (Site). The application was submitted under the auspices of the Density Bonus Ordinance adopted by the City of Pasadena (City). The City's Density Bonus Ordinance was enacted to comply with the requirements imposed by California Government Code Sections 65915 – 65918 (Section 65915).

**BACKGROUND STATEMENT**

**Density Bonus and Concessions**

The basic density bonus and concession requirements imposed by Section 65915 are:

1. Section 65915 (b) (1) defines the threshold requirements that must be imposed on a project in order for it to qualify for the density bonus benefits.
2. Section 65915 (b) (2) requires Applicants to base the requested density bonus on one of four options, and those options cannot be combined to increase the density bonus percentage.

3. Section 65915 (f) provides a sliding scale increase in a project's allowable density based on the percentage of income-restricted units proposed to be included in the development.
4. Section 65915 (d) (2) identifies the number of incentives or concessions required to be provided based on the percentage of income-restricted units to be included in the development.

### **Applicant Proposal**

The Site's development is guided by the Central District Specific Plan, and the requirements imposed by the CD-3 Central District – Walnut Housing Subdistrict zoning district. The Site's zoning allows for the development of up to 32 residential units.<sup>1</sup> Comparatively, the Applicant is proposing to construct a project (Proposed Project) that includes the following mix of uses:

1. 42 residential units;
2. 5,835 square feet of leasable commercial space; and
3. 76 parking spaces.

The Proposed Project represents a 27.3% increase over the density limit established by the Site's zoning standards. To qualify for this density increase under the requirements imposed by Section 65915 (f) (2), 8% of the units allowed by the base zoning must be set aside for very-low income households. This equates to 2.62 units, and in accordance with Section 65915 (f) (5), this must be rounded up to three units.<sup>2</sup>

Under the requirements imposed by Section 65915 (d) (2), the provision of three very-low income units also entitles the Applicant to receive one development concession. The concession being requested by the Applicant is an increase in the allowable floor area ratio (FAR) to 3.0 from the existing maximum FAR of 2.25 (FAR Concession).

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<sup>1</sup> The Site's zoning allows for the development of 32.5 units. Under the requirements imposed by the City's Zoning Code, this must be rounded down to 32 units.

<sup>2</sup> Three units represents 9.4% of the 32 units allowed under the Site's zoning standards.

### **Affordable Housing Units**

The Applicant is proposing to treat the three very-low income units in the Proposed Project as rental units. Section 65915 (c) (1) requires the rents to be set using the calculation methodology imposed by California Health and Safety Code (H&SC) Section 50053.

The Proposed Project is also subject to the City's Inclusionary Housing Ordinance. In this case, the rents derived from the H&SC Section 50053 calculation methodology are the same as the rent limits imposed by the Inclusionary Housing Regulations. Thus, the proposed very-low income units fulfill both the density bonus and inclusionary housing requirements.

### **Financial Analysis**

The combination of the density bonus and the incentive or concession are intended to result in identifiable and actual cost reductions to provide for affordable housing costs (Section 65915 (k) (1 – 3). Section 65915 (d) (1) allows the Applicant to submit a proposal to the City for a specific incentive or concession. The City is required to grant the Applicant's request for a specific concession or incentive unless the City makes a written finding, based on substantial evidence, of any of the following:

- A. The concession or incentive does not result in identifiable and actual cost reductions to provide for affordable housing costs (Section 65915 (d) (1) (A)).
- B. The concession or incentive would have a specific adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to low- and moderate-income households.
- C. The concession or incentive would be contrary to state or federal law.

The purpose of the KMA analysis is to analyze the Proposed Project's financial characteristics to determine if the combination of the density bonus and the proposed FAR Concession are required to fulfill the Section 65915 (d) (1) (A) criteria. To that end, the KMA prepared financial analyses of the following development scenarios:

1. The "Base Case" scenario is a zoning-compliant project.
2. The Proposed Project includes 39 market rate condominium units; three very-low income rental units; and 5,835 square feet of leasable commercial space. The Proposed Project's scope of development includes the FAR Concession being requested by the Applicant.

KMA compared the financial benefits created by the density bonus and the requested FAR Concession to the affordability gap associated with providing three very-low income units on site within the development. The result is a determination of whether the requested FAR Concession results in identifiable and actual cost reductions to provide for affordable housing.

For reference purposes, KMA also identified the financial impact created on the Base Case, zoning compliant project, if a developer chose to pay the City's inclusionary housing in-lieu fee rather than providing income-restricted units within the project. This analysis can be used to gain an understanding of why a developer would choose to couple the City's inclusionary housing requirements with the Section 65915 density bonus benefits rather than choosing to pay the City's inclusionary housing in-lieu fee.<sup>3</sup>

## **ANALYSIS ORGANIZATION**

The assumptions and conclusions of the KMA financial analysis are presented in Attachments that follow this memorandum. These Attachments are organized as follows:

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<sup>3</sup> The court's decision in *Latinos Unidos del Valle de Napa y Solano v. County of Napa* (July 11, 2013), requires jurisdictions to count all the affordable units in a project towards the Section 65915 density bonus and concession standards even if the jurisdiction imposes inclusionary housing requirements.

Attachment I:	Base Case Market Rate Residential and Commercial Pro Forma Analyses: Excludes Inclusionary Housing Ordinance requirements
Attachment II:	Base Case Market Rate Residential Pro Forma Analysis: Includes an Inclusionary Housing In-Lieu Fee Payment
Attachment III:	Proposed Project Pro Forma Analyses
Attachment IV:	Affordability Gap Analysis

### EXECUTIVE SUMMARY

There are several differences between the Base Case development scope provided by the Applicant, and the development scope applied in the KMA analysis. The major components of the two Base Case analyses are compared in the following table:

	KMA	Applicant
Total Gross Building Area (Square Feet)	36,066	36,609
Number of Residential Units	32	29
Number of Parking Spaces		
Residential Component	46	44
Office Component	14	14
Total Number of Parking Spaces	60	58
FAR	2.21	2.25
Maximum Building Height	60 Feet (75 foot average)	60 Feet (75 foot average)

The differences in the development scopes can be explained as follows:

1. The City's Zoning Code calculations result in allowable development of 32 residential units. KMA was able to create a development alternative that includes 32 units while staying within the 2.25 FAR cap. Comparatively, the Applicant's base density analysis used a larger average unit size, and was in turn only able to physically accommodate 29 units within the FAR cap.

2. KMA provided two more parking spaces than were provided in the Applicant's analysis. This difference is caused by the increase in the number of units, by the fact that KMA reduced the square footage of some of the one-bedroom units.

KMA evaluated the Proposed Project based on the scope of development provided by the Applicant. The scope of development can be described as follows:

Total Gross Building Area (Square Feet)	47,670
<u>Number of Residential Units</u>	
Market Rate Condominiums	39
Very-Low Income Rental Units	3
Total Number of Residential Units	42
Net Leasable Commercial Area (Square Feet)	5,835
Total Number of Parking Spaces	76
Density Bonus	27.3%
FAR	2.92
Maximum Building Height	60 Feet (75 foot average)

The following factors must be considered by the City in evaluating the density bonus and FAR Concession being requested by the Applicant:

1. The Applicant is entitled to receive one concession or incentive that results in identifiable, and actual cost reductions, to provide for affordable housing costs (Section 65915 (k) (1-3); and
2. If the City wishes to deny the requested FAR Concession, the City must be able to demonstrate that the density bonus allowed by Section 65915 (f) (2) can be achieved if this specific concession is not provided (Section 65915 (e) (1)).

The results of the KMA financial analysis of the Applicant's density bonus proposal are summarized in the following table:

Net Cost to Provide Three Very-Low Income Units	\$1,541,000
Value of Density Bonus & Concessions	\$1,181,000
Net Surplus / (Cost)	(\$360,000)

As can be seen in the preceding table, the provision of the requested density bonus and the FAR Concession requested by the Applicant does not cover 100% of the net cost associated with providing three very-low income units. Thus, it is KMA's conclusion that there is insufficient support for the City to reject the FAR Concessions being requested by the Applicant under the financial evidence requirements imposed by Section 65915 (d) (1) (A).

#### **Inclusionary Housing Analysis**

KMA prepared a financial analysis of a zoning compliant market rate project that chooses to pay the City's inclusionary housing in-lieu fee rather than providing inclusionary units on site. That analysis estimates the in-lieu fee payment amount at approximately \$666,000. Comparatively, if the density bonus and FAR Concession are applied, the net cost to provide the very-low income units on-site is estimated at \$360,000. As such, in this case, it is more financially advantageous for the Applicant to fulfill the inclusionary housing obligations on site, and to pursue a Section 65915 density bonus.

#### **DENSITY BONUS ANALYSIS**

Section 65915 (d) (1) requires the City to make a written finding, based on substantial evidence, that the FAR Concession being requested by the Applicant does not result in the identifiable and actual cost reductions necessary to provide for affordable housing costs. To determine whether the FAR Concession is necessary to provide three very-low income units, KMA analyzed the following scenarios:

##### **Base Case:**

32 market rate units, 5,835 square feet of leasable commercial space and 60 parking spaces.

Maximum development allowed under the Zoning Code standards for the Site.



**Proposed Project**

39 market rate condominiums, three very-low income rental units, 5,835 square feet of leasable commercial space and 76 parking spaces. 27.3% density bonus and the FAR Concessions are provided.

KMA prepared pro forma analyses for the two identified scenarios. The assumptions, analysis and conclusions derived from the KMA financial analyses are described in the following sections of this memorandum.

**Scope of Development**

The scopes of development for the two scenarios can be described as follows:

***Base Case Scenario***

1. The development consists of 32 residential units, which equates to a density of 85 units per acre. The gross building area (GBA) for the residential component totals 26,390 square feet.
2. The commercial component includes 5,835 square feet of leasable commercial space.
3. KMA included 60 parking spaces in two subterranean levels. These spaces are allocated as follows:
  - a. Residential Component: 46 spaces.
  - b. Commercial Component: 14 spaces
4. The maximum building height is set at 60 feet.
5. The FAR is estimated at 2.21.

***Proposed Project***

1. The development consists of 42 residential units, which equates to a density of 112 units per acre. The residential GBA totals 37,994 square feet.

2. The commercial component consists of 5,835 square feet of leasable area.
3. The Proposed Project includes 76 parking spaces in three subterranean levels. The spaces are allocated as follows:
  - a. Residential Component: 62 spaces
  - b. Commercial Component: 14 spaces.
4. The maximum building height is set at 60 feet.
5. The FAR is estimated at 2.92.

### **Financial Analysis Assumptions**

#### ***Development Cost Estimates***

##### Property Acquisition Costs

The Applicant set the property acquisition cost at land value at \$1.89 million. This equates to \$116 per square foot of land area.

##### Direct Costs

The direct costs are estimated as follows:

1. The Applicant estimated the grading and landscaping costs at \$223,000. This equates to approximately \$14 per square foot of land area.
2. KMA estimated the parking costs as follows:
  - a. First level subterranean parking: \$25,000 per space
  - b. Second level subterranean parking: \$40,000 per space.
  - c. Third level subterranean parking: \$50,000 per space.
3. The building costs are estimated at \$140 per square foot of GBA in the Base Case Scenario, and \$160 per square foot of GBA for the Proposed Project.

4. The tenant improvement costs for the commercial space are estimated at \$35 per square foot of net leasable area.
5. The direct costs include a 20% allowance for contractor costs, profit and a direct cost contingency allowance.

#### Indirect Costs

The indirect costs are estimated as follows:

1. The architecture, engineering and consulting costs are estimated at 6% of direct costs.
2. Based on estimates provided by the Applicant, the public permits and fees costs are set as follows:
  - a. \$1.70 million for the Base Case Scenario.<sup>4</sup>
  - b. \$1.92 million for the Proposed Project.
3. The taxes, insurance, legal and accounting costs are estimated at 3% of direct costs.
4. The marketing and leasing costs are estimated as follows:
  - a. The residential marketing costs are estimated at \$3,000 per unit; and
  - b. The commercial leasing costs are estimated at \$2.00 per square foot of net leasable area.
5. The Developer Fee is set at the following amounts:
  - a. The Developer Fee for the residential component is set at 3% of the gross residential sales revenue generated by the Base Case. This equates to \$14,750 per unit.

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<sup>4</sup> The public permits and fees estimate excludes the approximately \$474,000 inclusionary housing in-lieu fee that would be applied to a market rate residential project that did not provide affordable units on site.

- b. The Developer Fee for the commercial component is set at 3% of direct costs.
6. An indirect cost contingency allowance equal to 5% of other indirect costs is provided.

#### Financing Costs

The financing costs are estimated as follows:

1. The interest costs incurred on the construction loan are based on the following assumptions:
  - a. A 60% loan-to-cost ratio;
  - b. A 5% interest rate;
  - c. A 12 month construction period; and
  - d. The following absorption rates:
    - i. Base Case Residential Component: 5 months.
    - ii. Base Case Commercial Component: 3 months.
    - iii. Proposed Project Residential Component: 6 months.
    - iv. Proposed Project Commercial Component: 3 months.
2. The loan fees are estimated at 2.0 points.

#### ***Net Revenue Estimates***

The following outlines the revenue assumptions applied in the financial analyses of the development scenarios:

1. The market rate sales prices for the condominium units are projected at prices ranging from \$650 to \$700 per square foot of saleable area.
2. The values supported by the three very-low rental units are calculated in Attachment IV. The value estimates derived from this analysis are:

- a. \$15,780 for one-bedroom units; and
  - b. \$19,860 for two-bedroom units.
3. The projected sales revenues are offset by the following costs of sale:
- a. Sales commissions equal to 3% of gross sales revenue;
  - b. Closing costs equal to 2% of gross sales revenue; and
  - c. Home buyer warranties costs at .5% of gross sales revenue.

**Conclusions: Density Bonus Analysis**

The results of the KMA density analysis are presented in a Summary Table that follows this memorandum. The results of the analysis are summarized in the following table:

Net Cost to Provide Three Very-Low Income Units	\$1,541,000
Value of Density Bonus & Concessions	\$1,181,000
Net Surplus / (Cost)	(\$360,000)

As shown in the preceding table, the net cost associated with providing three very-low income rental units is estimated at approximately \$1.54 million. Comparatively, the value of the proposed density bonus and concessions is estimated at \$1.18 million. Thus, the value of the density bonus and two requested concessions is estimated to be \$360,000 less than the net cost associated with providing three very-low income units.

Based on the results of the preceding financial analysis, it is KMA's opinion that the Applicant's proposal meets the threshold financial tests applied by Section 65915. It is, therefore, our conclusion that under the financial evidence requirements imposed by Section 65915 (d) (1) (A), there is insufficient support for the City to reject the FAR Concession being requested by the Applicant.

It should be noted that Section 65915 (d) (3) and Section 65915 (e) (1) provide Applicants with the right to pursue legal action if the City denies a requested density bonus, concession or incentive, and/or development standards relief. If the court finds against the City, the City would be required to pay the Applicant's reasonable attorney's fees and the costs associated with the lawsuit.

## **INCLUSIONARY HOUSING ANALYSIS**

### **Inclusionary Housing Ordinance Requirements**

The City's Inclusionary Housing Ordinance requires "for sale" residential projects, with 10 or more units, to allocate 15% of the units in the project to moderate income households. This obligation is reduced to 10% if the units are provided to low income households, and 7.5% if the units are provided to very-low income households.

The City's Inclusionary Housing Ordinance also allows developers to pay a fee in lieu of producing income-restricted units on site within market rate residential projects. The Site is located in Sub-Area D, and the pertinent fee for a "for sale" project with 10 to 49 units is currently set at \$20.63 per square foot of building area.

KMA prepared a financial analysis of a 32-unit market rate project that comports with the Site's Zoning Code standards, and that pays the City's inclusionary housing in-lieu fee rather than providing inclusionary units on site. The KMA analysis estimates the net cost attributable to the in-lieu fee payment at approximately \$666,000.

### **In-Lieu Fee Payment Versus the Provision of On-Site Inclusionary Housing**

In accordance with the terms of the *Latinos Unidos del Valle de Napa y Solano v. County of Napa* case referenced previously in this analysis, the City may not apply inclusionary housing requirements to density bonus units awarded under Section 65915. In other words, the inclusionary requirement imposed on a density bonus project is limited to the base number of units allowed by the Site's zoning.

In this case, the Proposed Project allocates 9.4% of the units allowed by the Site's zoning to very-low income households. Given that that the inclusionary housing requirement is set at 7.5% if the units are provided to very-low income households, the Proposed Project fulfills the City's on-site inclusionary housing requirements.

The KMA density bonus analysis concluded that the net cost to provide three very-low income units exceeds the value of the proposed density bonus and FAR Concession by approximately \$360,000. Comparatively, the inclusionary housing in-lieu fee cost is estimated at \$666,000 for a zoning compliant project that pays a fee in lieu of providing inclusionary units. Thus, it can be concluded that it is more financially advantageous for the Applicant to fulfill the inclusionary housing obligations on site, and to pursue the proposed Section 65915 density bonus.

### **Inclusionary Housing Affordability Covenants**

If developers wish to be allowed to count the three very-low income units towards both the City's inclusionary housing requirements and the Section 65915 density bonus requirements, these income-restricted units must meet the more stringent of the two programs' requirements. For the Proposed Project, notable restrictions are as follows:

1. The affordable rent must be set using the lesser of the rent imposed by the Inclusionary Housing Ordinance and the rent derived using the H&SC Section 50053 calculation methodology.
2. The Applicant is proposing to rent the affordable units in the Proposed Project to very-low income households. Under the terms of the Inclusionary Housing Ordinance, these rental units must remain reserved for very-low income households at an affordable housing cost in perpetuity.

## **CONCLUSIONS**

### **Density Bonus Analysis**

The results of the KMA analysis indicate that the value of the density bonus and the FAR Concession requested by the Applicant is less than the net cost to provide three very-low income units. As such, it is KMA's conclusion that substantial evidence does not exist for the City to reject the FAR Concession being requested by the Applicant under the financial evidence requirements imposed by Section 65915 (d) (1) (A).

**Inclusionary Housing Analysis**

It is the KMA conclusion that the Proposed Project comports with the requirements imposed by the City's Inclusionary Housing Ordinance. The density bonus agreement executed by the City and the Applicant, and the Inclusionary Housing Plan prepared by the Applicant, should reflect the specific requirements imposed by both programs.



SUMMARY TABLE

FINANCIAL ANALYSIS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA

	BASE CASE ZONING - 100% MARKET RATE UNITS  32 MARKET RATE UNITS & 5,835 SF COMMERCIAL SPACE	PROPOSED PROJECT 39 MARKET RATE UNITS & 3 VERY-LOW INCOME RENTAL UNITS & 5,835 SF
I. <b>Total Development Costs</b>	\$14,826,000 <sup>1</sup>	\$18,303,000 <sup>2</sup>
Per Square Foot of GBA	\$411	\$384
II. <b>Net Revenue</b>	\$17,794,000 <sup>3</sup>	\$22,032,000 <sup>4</sup>
III. <b>Net Cost to Provide Very-Low Income Units</b>		\$1,541,000 <sup>5</sup>
IV. <b>Net Surplus/(Cost) of the Density Bonus &amp; One Concession</b>		
Proposed Residential Component		(\$231,000) <sup>6</sup>
Commercial Component Difference Between Base Case and Proposed Project		(129,000) <sup>7</sup>
<b>Net Surplus/(Cost) of the Density Bonus &amp; One Concession</b>		(\$360,000)
V. <b>Value of the Density Bonus and One Concession</b>		\$1,181,000 <sup>8</sup>

	BASE CASE ZONING - 100% MARKET RATE UNITS  INCLUSIONARY HOUSING IN- LIEU FEE
I. <b>Total Development Costs</b>	\$15,325,000 <sup>9</sup>
Per Square Foot of GBA	\$425
II. <b>Net Revenue</b>	\$17,794,000 <sup>10</sup>
III. <b>Estimated Financial Gap</b>	(\$666,300) <sup>11</sup>

<sup>1</sup> See ATTACHMENT I - EXHIBIT A - TABLE 1 and ATTACHMENT I - EXHIBIT B - TABLE 1.

<sup>2</sup> See ATTACHMENT III - EXHIBIT A - TABLE 1 and ATTACHMENT III - EXHIBIT B - TABLE 1

<sup>3</sup> See ATTACHMENT I - EXHIBIT A - TABLE 2 and ATTACHMENT I - EXHIBIT B - TABLE 2

<sup>4</sup> See ATTACHMENT III - EXHIBIT A - TABLE 2 and ATTACHMENT III - EXHIBIT B - TABLE 2.

<sup>5</sup> See ATTACHMENT IV - TABLE 1

<sup>6</sup> See ATTACHMENT III - EXHIBIT A - TABLE 3

<sup>7</sup> See ATTACHMENT III - EXHIBIT B - TABLE 3 and ATTACHMENT I - EXHIBIT B - TABLE 3.

<sup>8</sup> Equal to the Difference between the Net Cost to Provide Very-Low Income Units and the Net Surplus/(Cost) of the Density Bonus & One Concession

<sup>9</sup> See ATTACHMENT II - TABLE 1 and ATTACHMENT I - EXHIBIT B - TABLE 1.

<sup>10</sup> See ATTACHMENT II - TABLE 2 and ATTACHMENT I - EXHIBIT B - TABLE 2

<sup>11</sup> See ATTACHMENT II - TABLE 3

**ATTACHMENT I - EXHIBIT A  
PRO FORMA ANALYSIS  
BASE CASE: 32 MARKET RATE UNITS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT I - EXHIBIT A - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 BASE CASE: 32 MARKET RATE UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

I.	<b>Property Acquisition Costs</b>	<sup>1</sup>	73% Pro Rata Share Based on GBA		\$1,383,000
II.	<b>Direct Costs</b>				
	Grading / Landscaping	<sup>2</sup>	73% Pro Rata Share Based on GBA		\$163,000
	Parking				
	1st Level Subterranean		13 Spaces	\$25,000 /Space	325,000
	2nd Level Subterranean		33 Spaces	\$40,000 /Space	1,320,000
	Building Costs		26,390 Sf of GBA	\$140 /Sf of GBA	3,695,000
	Contractor/DC Contingency Allow		20% Other Direct Costs		1,101,000
	<b>Total Direct Costs</b>		26,390 Sf of GBA	\$250 /Sf of GBA	\$6,604,000
III.	<b>Indirect Costs</b>				
	Architecture, Eng & Consulting		6.0% Direct Costs		\$396,000
	Public Permits & Fees	<sup>2</sup>	26,390 Sf of GBA	\$55.36 /Sf of GBA	1,461,000
	Inclusionary Housing In-Lieu Fee	<sup>3</sup>	22,992 Sf of NSA	\$0 00 /Sf of NSA	0
	Taxes, Ins Legal & Accounting		3 0% Direct Costs		198,000
	Marketing		32 Units	\$3,000 /Unit	96,000
	Developer Fee		3 0% Gross Sales Revenue		472,000
	Soft Cost Contingency Allowance		5 0% Other Indirect Costs		131,000
	<b>Total Indirect Costs</b>				\$2,754,000
IV.	<b>Financing Costs</b>				
	Interest During Construction	<sup>4</sup>			\$259,000
	Loan Origination Fees		60 0% Loan to Cost	2 0 Points	129,000
	<b>Total Financing Costs</b>				\$388,000
V.	<b>Total Construction Cost</b>		32 Units	\$305,000 /Unit	\$9,746,000
	<b>Total Development Cost</b>		32 Units	\$348,000 /Unit	\$11,129,000

<sup>1</sup> The acquisition costs are allocated on a pro rata basis based on the gross building areas of the residential and commercial components of the project. The costs are based on the Applicant's stated acquisition costs of \$1.89 million, or approximately \$116 per square foot of land area.

<sup>2</sup> Based on the estimates provided by the Applicant.

<sup>3</sup> Not included in this scenario.

<sup>4</sup> Based on a 5.0% interest cost for debt, a 12 month construction period, a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 2.0 points for loan origination fees.

ATTACHMENT I - EXHIBIT A - TABLE 2

PROJECTED NET REVENUE  
 BASE CASE: 32 MARKET RATE UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. <u>Gross Sales Revenue</u></b>				
				<sup>1</sup>
One-Bdrm Units	24 Units @	\$453,600 /Unit	\$10,886,400	
Two-Bdrm Units	8 Units @	\$604,500 /Unit	4,836,000	
<b>Total Gross Sales Revenue</b>			\$15,722,400	
<b>II. <u>Cost of Sales</u></b>				
Commissions	3 0% Gross Sales Revenue		\$471,700	
Closing	2 0% Gross Sales Revenue		314,400	
Warranty	0 5% Gross Sales Revenue		78,600	
<b>Total Cost of Sales</b>			(\$864,700)	
<b>III. <u>Net Revenue</u></b>			\$14,857,700	

<sup>1</sup> Based in part on sales comparable data researched by KMA. The projected market rate sales prices include a premium for new construction. The weighted average price equates to \$684 per square foot of saleable area.

ATTACHMENT I - EXHIBIT A - TABLE 3

PROJECTED PROFIT  
BASE CASE: 32 MARKET RATE UNITS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA

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I.	Net Revenue	See ATTACHMENT I - EXHIBIT A - TABLE 2	\$14,857,700
II.	Total Development Cost	See ATTACHMENT I - EXHIBIT A - TABLE 1	<u>\$11,129,000</u>
III.	Developer Profit	33.5% Total Development Cost	<u>\$3,728,700</u>

**ATTACHMENT I - EXHIBIT B  
PRO FORMA ANALYSIS  
BASE CASE: 5,835 SF COMMERCIAL SPACE  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT I - EXHIBIT B - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 BASE CASE: 5,835 SF COMMERCIAL SPACE  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

I.	<b>Property Acquisition Costs</b>	1	27% Allocated Share of Site Area		\$507,000
II.	<b>Direct Costs</b>				
	Grading / Landscaping	2	27% Allocated Share of Site Area		\$60,000
	Commercial Building Costs		9,676 Sf of GBA	\$140 /Sf of GBA	1,355,000
	Commercial Tenant Improvements		5,835 Sf of NLA	\$35 /Sf of NLA	204,000
	Parking				
	1st Level Subterranean		14 Spaces	\$25,000 /Space	350,000
	Contractor/DC Contingency Allow		20% Other Direct Costs		382,000
	<b>Total Direct Costs</b>				<b>\$2,351,000</b>
III.	<b>Indirect Costs</b>				
	Architecture, Eng & Consulting		6 0% Direct Costs		\$141,000
	Public Permits & Fees	3	9,676 Sf of GBA	\$25 /Sf of GBA	242,000
	Taxes, Ins Legal & Accounting		3 0% Direct Costs		71,000
	Marketing		5,835 Sf of NLA	\$2.00 /Sf of NLA	12,000
	Developer Fee		3 0% Direct Costs		71,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		27,000
	<b>Total Indirect Costs</b>				<b>\$564,000</b>
IV.	<b>Financing Costs</b>				
	Interest During Construction				
	Land	4	\$507,000 Property Acquisition Costs		\$32,000
	Construction	5	\$3,190,000 Total Construction Cost		199,000
	Loan Origination Fees		60 0% Loan to Cost	2 0 Points	44,000
	<b>Total Financing Costs</b>				<b>\$275,000</b>
V.	<b>Total Construction Cost</b>		5,835 Sf of GBA	\$550 /Sf	\$3,190,000
	<b>Total Development Cost</b>		5,835 Sf of GBA	\$630 /Sf	\$3,697,000

- 1 The acquisition costs are allocated on a pro rata basis based on the gross building areas of the residential and commercial components of the project. The costs are based on the Applicant's stated acquisition costs of \$1.89 million, or approximately \$116 per square foot of land area.
- 2 Based on the estimates provided by the Applicant.
- 3 Based on estimates prepared for other projects within the City.
- 4 Based on a 5.0% interest cost for debt; a 12 month construction period; a 3 month absorption period; and a 100% average outstanding balance.
- 5 Based on a 5.0% interest cost for debt; a 12 month construction period; a 3 month absorption period; a 60% average outstanding balance during construction; and a 100% outstanding balance during absorption.

ATTACHMENT I - EXHIBIT B - TABLE 2

PROJECTED NET REVENUE  
 BASE CASE: 5,835 SF COMMERCIAL SPACE  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. <u>Income</u></b>				
Commercial	<sup>1</sup>	5,835 Sf of NLA	\$3.00 /Sf of NLA	\$210,100
Vacancy & Collection Allowance		10% Income		(21,000)
<b>Effective Gross Income</b>				<b>\$189,100</b>
<b>II. <u>Operating Expenses</u></b>				
Management		3 5% Effective Gross Income		\$6,600
Reserve for Capital Repairs		5,835 Sf of NLA	\$0.15 /Sf	900
<b>Total Operating Expenses</b>				<b>(\$7,500)</b>
<b>III. Stabilized Net Operating Income</b>				<b>\$181,600</b>
<b>IV. <u>Net Revenue</u></b>				
Estimated Value		6 0% Capitalization Rate		\$3,027,000
(Less) Cost of Sale		3 0% Estimated Value		(91,000)
<b>V. <u>Net Revenue</u></b>				<b>\$2,936,000</b>

<sup>1</sup> The rent is projected on a triple net basis



ATTACHMENT I - EXHIBIT B - TABLE 3

ESTIMATED VALUE GENERATED BY THE COMMERCIAL COMPONENT  
BASE CASE: 5,835 SF COMMERCIAL SPACE  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA

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I.	<b>Funds Available for Development Costs</b>		
	Net Revenue	See ATTACHMENT I - EXHIBIT B - TABLE 2	\$2,936,000
	(Less) Threshold Developer Profit	8.0% Net Revenue	<u>(235,000)</u>
	<b>Total Funds Available for Development Costs</b>		\$2,701,000
II.	<b>Total Development Cost</b>	See ATTACHMENT I - EXHIBIT B - TABLE 1	\$3,697,000
III.	<b>Net Surplus/(Cost)</b>		<b>(\$996,000)</b>

**ATTACHMENT II  
PRO FORMA ANALYSIS  
IN-LIEU FEE SCENARIO: 32 MARKET RATE UNITS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 IN-LIEU FEE SCENARIO: 32 MARKET RATE UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. Property Acquisition Costs</b>	1	73% Pro Rata Share Based on GBA		\$1,383,000
<b>II. Direct Costs</b>				
Grading / Landscaping	2	73% Pro Rata Share Based on GBA		\$163,000
Parking				
1st Level Subterranean		13 Spaces	\$25,000 /Space	325,000
2nd Level Subterranean		33 Spaces	\$40,000 /Space	1,320,000
Building Costs		26,390 Sf of GBA	\$140 /Sf of GBA	3,695,000
Contractor/DC Contingency Allow		20% Other Direct Costs		1,101,000
<b>Total Direct Costs</b>		26,390 Sf of GBA	\$250 /Sf of GBA	\$6,604,000
<b>III. Indirect Costs</b>				
Architecture, Eng & Consulting		6 0% Direct Costs		\$396,000
Public Permits & Fees	2	26,390 Sf of GBA	\$55 36 /Sf of GBA	1,461,000
Inclusionary Housing In-Lieu Fee	3	22,992 Sf of NSA	\$20 62 /Sf of NSA	474,000
Taxes, Ins Legal & Accounting		3.0% Direct Costs		198,000
Marketing		32 Units	\$3,000 /Unit	96,000
Developer Fee		3 0% Gross Sales Revenue		472,000
Soft Cost Contingency Allowance		5 0% Other Indirect Costs		155,000
<b>Total Indirect Costs</b>				\$3,252,000
<b>IV. Financing Costs</b>				
Interest During Construction	4			\$260,000
Loan Origination Fees		60 0% Loan to Cost	2 0 Points	129,000
<b>Total Financing Costs</b>				\$389,000
<b>V. Total Construction Cost</b>		32 Units	\$320,000 /Unit	\$10,245,000
<b>Total Development Cost</b>		32 Units	\$363,000 /Unit	\$11,628,000

<sup>1</sup> The acquisition costs are allocated on a pro rata basis based on the gross building areas of the residential and commercial components of the project. The costs are based on the Applicant's stated acquisition costs of \$1.89 million, or approximately \$116 per square foot of land area.

<sup>2</sup> Based on the estimates provided by the Applicant.

<sup>3</sup> Based on the in-lieu fee schedule adopted by the City in 2016 for projects with 10-49 units located in Subarea D.

<sup>4</sup> Based on a 5.0% interest cost for debt, a 12 month construction period; a 5 month absorption period; 30% of the units are presold and close during first month after completion, and 2.0 points for loan origination fees.



ATTACHMENT II - TABLE 3

ESTIMATED FINANCIAL GAP  
 IN-LIEU FEE SCENARIO: 32 MARKET RATE UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

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<b>I. <u>Funds Available for Development Costs</u></b>			
Net Revenue	See ATTACHMENT II - TABLE 2		\$14,857,700
(Less) Threshold Developer Profit	<sup>1</sup> 33.5% Total Development Cost		<u>(3,896,000)</u>
<b>Total Funds Available for Development Costs</b>			<b>\$10,961,700</b>
<b>II. Total Development Cost</b>	See ATTACHMENT II - TABLE 1		<u><b>\$11,628,000</b></u>
<b>III. Estimated Financial Gap</b>			<b>(\$666,300)</b>

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<sup>1</sup> Based on the profit as a percentage of Total Development Cost estimated to be generated by the BASE CASE 32 MARKET RATE UNITS.

**ATTACHMENT III - EXHIBIT A  
PRO FORMA ANALYSIS  
PROPOSED PROJECT: 39 MARKET RATE UNITS & 3 VERY-LOW INCOME RENTAL UNITS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT III - EXHIBIT A - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 PROPOSED PROJECT: 39 MARKET RATE UNITS & 3 VERY-LOW INCOME RENTAL UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

I.	<b>Property Acquisition Costs</b>	1	80% Allocated Share of Site Area		\$1,506,000
II.	<b>Direct Costs</b>				
	Grading / Landscaping	2	80% Allocated Share of Site Area		\$178,000
	Parking				
	1st Level Subterranean		13 Spaces	\$25,000 /Space	325,000
	2nd Level Subterranean		33 Spaces	\$40,000 /Space	1,320,000
	3rd Level Subterranean		16 Spaces	\$50,000 /Space	800,000
	Building Costs		37,994 Sf of GBA	\$160 /Sf of GBA	6,079,000
	Contractor/DC Contingency Allow		20% Other Direct Costs		365,000
	<b>Total Direct Costs</b>		37,994 Sf of GBA	\$239 /Sf of GBA	\$9,067,000
III.	<b>Indirect Costs</b>				
	Architecture, Eng & Consulting		6 0% Direct Costs		\$544,000
	Public Permits & Fees	2	37,994 Sf of GBA	\$44 /Sf of GBA	1,677,000
	Inclusionary Housing In-Lieu Fee	3	31,775 Sf of NSA	\$0 /Sf of NSA	0
	Taxes, Ins. Legal & Accounting		3 0% Direct Costs		272,000
	Marketing		42 Units	\$3,000 /Unit	126,000
	Developer Fee	4	42 Units	\$14,750 /Unit	620,000
	Soft Cost Contingency Allowance		5 0% Other Indirect Costs		162,000
	<b>Total Indirect Costs</b>				\$3,401,000
IV.	<b>Financing Costs</b>				
	Interest During Construction	5			\$335,000
	Loan Origination Fees		60 0% Loan to Cost	2 0 Points	168,000
	<b>Total Financing Costs</b>				\$503,000
V.	<b>Total Construction Cost</b>		42 Units	\$309,000 /Unit	\$12,971,000
	<b>Total Development Cost</b>		42 Units	\$345,000 /Unit	\$14,477,000

- 1 The acquisition costs are allocated on a pro rata basis based on the gross building areas of the residential and commercial components of the project. The costs are based on the Applicant's stated acquisition costs of \$1.89 million, or approximately \$116 per square foot of land area.
- 2 Based on the estimates provided by the Applicant.
- 3 The proposed very-low income units fulfill the City's on-site inclusionary housing requirement. No in-lieu fee is due.
- 4 Based on the Developer Fee per unit generated by the BASE CASE. 32 MARKET RATE UNITS.
- 5 Based on a 5.0% interest cost for debt; a 12 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.0 points for loan origination fees.

ATTACHMENT III - EXHIBIT A - TABLE 2

PROJECTED NET REVENUE  
 PROPOSED PROJECT: 39 MARKET RATE UNITS & 3 VERY-LOW INCOME RENTAL UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. <u>Gross Sales Revenue</u></b>				
<b>A. Market Rate Units</b> <sup>1</sup>				
One-Bdrm Units	30 Units @	\$487,200 /Unit		\$14,616,000
Two-Bdrm Units	9 Units @	\$617,700 /Unit		5,559,300
<b>B. Very-Low Income Units</b> <sup>2</sup>				
	2 Units @	\$15,780 /Unit		31,600
<b>Total Gross Sales Revenue</b>				<u>\$20,206,900</u>
<b>II. <u>Cost of Sales</u></b>				
Commissions	3 0% Gross Sales Revenue			\$606,200
Closing	2 0% Gross Sales Revenue			404,100
Warranty	0 5% Gross Sales Revenue			101,000
<b>Total Cost of Sales</b>				<u>(\$1,111,300)</u>
<b>III. <u>Net Revenue</u></b>				<u>\$19,095,600</u>

<sup>1</sup> Based in part on sales comparable data researched by KMA. The projected market rate sales prices include a premium for new construction. The weighted average price equates to \$685 per square foot of saleable area.

<sup>2</sup> One-Bdrm Units. See ATTACHMENT IV - TABLE 1 for the value calculations.



ATTACHMENT III - EXHIBIT A - TABLE 3

NET SURPLUS/(COST)  
 PROPOSED PROJECT: 39 MARKET RATE UNITS & 3 VERY-LOW INCOME RENTAL UNITS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

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<b>I. <u>Funds Available for Development Costs</u></b>			
Net Revenue	See ATTACHMENT III - EXHIBIT A - TABLE 2	\$19,096,000	
(Less) Threshold Developer Profit	<sup>1</sup> 33 5% Total Development Cost	(4,850,000)	
<b>Total Funds Available for Development Costs</b>			<b>\$14,246,000</b>
<b>II. Total Development Cost</b>	See ATTACHMENT III - EXHIBIT A - TABLE 1		<b>\$14,477,000</b>
<b>III.</b>	<b>Net Surplus/(Cost)</b>		<b>(\$231,000)</b>

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<sup>1</sup> Based on the profit as a percentage of Total Development Cost estimated to be generated by the BASE CASE 32 MARKET RATE UNITS.

**ATTACHMENT III - EXHIBIT B  
PRO FORMA ANALYSIS  
PROPOSED PROJECT: 5,835 SF COMMERCIAL SPACE  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT III - EXHIBIT B - TABLE 1

ESTIMATED DEVELOPMENT COSTS  
 PROPOSED PROJECT: 5,835 SF COMMERCIAL SPACE  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. Property Acquisition Costs</b>	<sup>1</sup>	20% Pro Rata Share Based on GBA		\$384,000
<b>II. Direct Costs</b>				
Grading / Landscaping	<sup>2</sup>	20% Pro Rata Share Based on GBA		\$45,000
Commercial Building Costs		9,676 Sf of GBA	\$160 /Sf of GBA	1,548,000
Commercial Tenant Improvements		5,835 Sf of NLA	\$35 /Sf of NLA	204,000
Parking				
Podium		0 Spaces	\$15,000 /Space	0
1st Level Subterranean		14 Spaces	\$25,000 /Space	350,000
Contractor/DC Contingency Allow		20% Other Direct Costs		420,000
<b>Total Direct Costs</b>				<b>\$2,567,000</b>
<b>III. Indirect Costs</b>				
Architecture, Eng & Consulting		6 0% Direct Costs		\$154,000
Public Permits & Fees	<sup>3</sup>	9,676 Sf of GBA	\$25 /Sf of GBA	242,000
Taxes, Ins Legal & Accounting		3 0% Direct Costs		77,000
Marketing		5,835 Sf of NLA	\$2 00 /Sf of NLA	12,000
Developer Fee		3 0% Direct Costs		77,000
Soft Cost Contingency Allowance		5 0% Other Indirect Costs		28,000
<b>Total Indirect Costs</b>				<b>\$590,000</b>
<b>IV. Financing Costs</b>				
Interest During Construction				
Land	<sup>4</sup>	\$384,000 Property Acquisition Costs		\$24,000
Construction	<sup>5</sup>	\$3,442,000 Total Construction Cost		215,000
Loan Origination Fees		60 0% Loan to Cost	2 0 Points	46,000
<b>Total Financing Costs</b>				<b>\$285,000</b>
<b>V. Total Construction Cost</b>		5,835 Sf of GBA	\$590 /Sf	\$3,442,000
<b>Total Development Cost</b>		5,835 Sf of GBA	\$660 /Sf	\$3,826,000

<sup>1</sup> The acquisition costs are allocated on a pro rata basis based on the gross building areas of the residential and commercial components of the project. The costs are based on the Applicant's stated acquisition costs of \$1.89 million, or approximately \$116 per square foot of land area.

<sup>2</sup> Based on the estimates provided by the Applicant.

<sup>3</sup> Based on estimates prepared for other projects within the City.

<sup>4</sup> Based on a 5 0% interest cost for debt, a 12 month construction period, a 3 month absorption period; and a 100% average outstanding balance.

<sup>5</sup> Based on a 5 0% interest cost for debt; a 12 month construction period; a 3 month absorption period, a 60% average outstanding balance during construction, and a 100% outstanding balance during absorption.

ATTACHMENT III - EXHIBIT B - TABLE 2

PROJECTED NET REVENUE  
 PROPOSED PROJECT: 5,835 SF COMMERCIAL SPACE  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

<b>I. <u>Income</u></b>				
Commercial	<sup>1</sup>	5,835 Sf of NLA	\$3 00 /Sf of NLA	\$210,100
Vacancy & Collection Allowance		10% Income		(21,000)
<b>Effective Gross Income</b>				<b>\$189,100</b>
<b>II. <u>Operating Expenses</u></b>				
Management		3.5% Effective Gross Income		\$6,600
Reserve for Caprtal Repairs		5,835 Sf of NLA	\$0 15 /Sf	900
<b>Total Operating Expenses</b>				<b>(\$7,500)</b>
<b>III. Stabilized Net Operating Income</b>				<b>\$181,600</b>
<b>IV. <u>Net Revenue</u></b>				
Estimated Value		6 0% Capitalization Rate		\$3,027,000
(Less) Cost of Sale		3.0% Estimated Value		(91,000)
<b>V. <u>Net Revenue</u></b>				<b>\$2,936,000</b>

<sup>1</sup> The rent is projected on a triple net basis

ATTACHMENT III - EXHIBIT B - TABLE 3

ESTIMATED VALUE GENERATED BY THE COMMERCIAL COMPONENT  
PROPOSED PROJECT: 5,835 SF COMMERCIAL SPACE  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA

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I.	<b>Funds Available for Development Costs</b>		
	Net Revenue	See ATTACHMENT III - EXHIBIT B - TABLE 2	\$2,936,000
	(Less) Threshold Developer Profit	8 0% Net Revenue	<u>(235,000)</u>
	<b>Total Funds Available for Development Costs</b>		\$2,701,000
II.	<b>Total Development Cost</b>	See ATTACHMENT III - EXHIBIT B - TABLE 1	\$3,826,000
III.	<b>Net Surplus/(Cost)</b>		<b>(\$1,125,000)</b>

**ATTACHMENT IV  
AFFORDABILITY GAP ANALYSIS  
233 NORTH HUDSON AVENUE  
DENSITY BONUS ANALYSIS  
PASADENA, CALIFORNIA**

ATTACHMENT IV - TABLE 1

AFFORDABILITY GAP CALCULATIONS - RENTAL UNITS  
 VERY-LOW INCOME HOUSEHOLDS - 2017 INCOME STANDARDS  
 233 NORTH HUDSON AVENUE  
 DENSITY BONUS ANALYSIS  
 PASADENA, CALIFORNIA

	<u>One-Bdrm Units</u>	<u>Two-Bdrm Units</u>	
<b>I. <u>Gross Rent</u></b>			
Household Income @ 50% Median	\$25,930	\$29,150	
Maximum Monthly Rent @ 30% of Household Income	\$650	\$730	
Gross Annual Rent Income Per Affordable Unit	1 \$7,800	\$8,760	
<b>II. <u>Ongoing Expenses</u></b>			
Annual Utilities	2 \$1,632	\$1,836	
HOA Fees (Maintenance & Insurance)	4,200	4,500	
Management @ 5% Gross Rent Income	390	438	
Property Taxes @ 1.11% of Restricted Value	789	993	
<b>Total Ongoing Expenses</b>	<b>\$7,011</b>	<b>\$7,767</b>	
<b>III. Net Operating Income</b>	<b>\$789</b>	<b>\$993</b>	
<b>IV. Capitalization Rate</b>	<b>5%</b>	<b>5%</b>	
<b>V. Value Per Affordable Unit</b>	<b>\$15,780</b>	<b>\$19,860</b>	
<b>VI. Projected Market Rate Price</b>	<b>\$487,200</b>	<b>\$617,700</b>	
<b>VII. Affordability Gap Per Unit</b>	<b>\$471,420</b>	<b>\$597,840</b>	
<b>VIII. Number of Very-Low Income Units</b>	<b>2</b>	<b>1</b>	
<b>IX. Total Affordability Gap</b>	<b>\$943,000</b>	<b>\$598,000</b>	<b>\$1,541,000</b>

<sup>1</sup> Assumes that the landlord pays all utilities costs

<sup>2</sup> Utilities costs are based on based on HACOLA allowances effective as of July 1, 2017. Assumes gas heating, cooking, water heating, basic electric; air conditioning, water, and trash