



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Richard C. Gentry, President & Chief Executive Officer
San Diego Housing Commission

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From: KEYSER MARSTON ASSOCIATES, INC.

Date: October 11, 2011

Subject: Construction Cost Comparison Analysis –
Affordable vs. Market-Rate Apartment Development

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I. INTRODUCTION

This report presents Keyser Marston Associates, Inc.'s (KMA's) review of development costs associated with three affordable housing developments recently financed by the San Diego Housing Commission (Commission):

- Estrella del Mercado
- Florida Street Apartments
- Riverwalk Apartments

The Commission is seeking assistance in reviewing development costs for the above developments (Projects), in an effort to assess how features and requirements unique to affordable housing transactions impact a project's development cost budget.

All three Projects reflect new construction developments financed with Low Income Housing Tax Credits. The Projects are also currently under construction (Estrella del Mercado and Florida Street Apartments) or completed (Riverwalk Apartments).

For the purposes of this report, construction cost estimates reflect direct costs (off-site improvements, on-site improvements, parking, shell construction, solar costs, furniture, fixtures and equipment (FF&E), and contingency); indirect costs (relocation, architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer

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fee, marketing/lease-up, and contingency); and financing costs (loan fees, interest during construction, Tax Credit Allocation Committee (TCAC) costs, title, recording, and escrow, and operating/lease-up reserves). Acquisition costs for each Project have been excluded from the KMA analysis given the high variation of land costs throughout the City of San Diego (City).

KMA undertook the following work tasks in completing this assignment:

- Reviewed development cost data for each Project provided by Commission staff and KMA's own in-house files reflecting each Project's projected development budget at the time of approval.
- Reviewed our in-house database on construction costs on comparable affordable and market-rate projects.
- Reviewed market conditions for rental developments in San Diego County.
- Prepared development budgets for each Project under two scenarios: (a) the actual affordable housing development proposal; and (b) the Project reconfigured as a market-rate development.

II. KEY FINDINGS

The three Projects under study consist of two urban projects developed with structured parking (Estrella del Mercado and Florida Street Apartments) and one surface-parked suburban project (Riverwalk Apartments).

Urban Projects

- Development costs for the Estrella del Mercado and Florida Street Apartments as affordable housing developments were estimated at \$388,000 and \$300,000 per unit, respectively.
- Assuming Estrella del Mercado is reconfigured as a market-rate development, total development costs for Estrella del Mercado are projected to decrease by 23% to a total cost of \$297,000 per unit.
- If Florida Street Apartments were reconfigured as a market-rate development, KMA estimates that total costs could be reduced by 13% to a total cost of \$261,000 per unit.

Suburban Project

- Development costs for Riverwalk Apartments as an affordable housing project were estimated at \$240,000 per unit.
- Assuming Riverwalk Apartments were developed by a private market-rate developer, total costs are projected to decrease to \$159,000 per unit, a reduction of 34%.

Construction Cost Comparison	Estrella del Mercado	Florida Street Apartments	Riverwalk Apartments
<u>Scenario A:</u> Affordable Apartments			
Total Costs Per Unit (1)	\$388,000	\$300,000	\$240,000
<u>Scenario B:</u> Market-Rate Apartments			
Total Costs Per Unit (1)	\$297,000	\$261,000	\$159,000
% Change (A to B)	-23%	-13%	-34%
(1) Excludes acquisition costs.			

III. CONSTRUCTION COST COMPARISON ANALYSIS

As part of the KMA analysis, KMA reviewed development costs for three affordable housing developments recently approved by the San Diego Housing Commission. A summary of the KMA analysis is presented in Summary Tables 1 through 3. The detailed KMA analyses are presented in Appendices I through III.

KMA analyzed each Project assuming two different development scenarios as follows:

- Scenario A (Base Case): Affordable Housing Apartments – Project description and development budget as submitted by the Project’s developer at the time of approval.
- Scenario B: Market-Rate Apartments - Assumes each Project is developed by a market-rate developer with a development budget estimated by KMA assuming the same construction and parking type as the base case affordable housing development.

For each Project, KMA prepared a detailed project description and development cost budget, described below.

Project Description

As shown in Appendices I through III, Table 1, the three base case affordable housing developments reviewed by KMA reflect different construction and parking types within the City, as summarized below.

Project	Units	Construction Type	Parking Type
Estrella del Mercado	92 Units	Urban	Above-Grade / Wrap
Florida Street Apartments	83 Units	Urban	Structured / Below-Grade
Riverwalk Apartments	50 Units	Suburban	Surface

Modifications from Scenario A to Scenario B:

KMA modified the project descriptions to reflect a private sector market-rate apartment development (Scenario B) as follows:

- Eliminated the community room required by the Low Income Housing Tax Credit program, as community rooms featuring a communal kitchen, meeting space, and computer work stations for tenants are not typically found in in-fill market-rate apartment developments.
- Increased the average unit sizes to reflect larger unit sizes typically found in market-rate developments.
- Eliminated shopkeeper units (Estrella del Mercado only), as shopkeeper units are not a typical feature of market-rate developments in the surrounding community.
- Assumed fewer three bedroom units. In order to successfully compete for tax credits as a Large Family project, the Low Income Housing Tax Credit program requires 30% of all units in an affordable housing development to be three bedroom or larger. Such a high proportion of three bedroom units are not typically found in market-rate developments.
- Adjusted the parking ratio to reflect local market conditions.

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Development Costs

As presented in Appendices I through III, Table 2, for each Project KMA prepared development cost budgets reflective of Scenarios A and B, as described above.

Modifications from Scenario A to Scenario B:

KMA modified the development cost budget to reflect a private sector market-rate apartment development (Scenario B) as follows:

- Lowered shell costs to reflect less durable finishes. The Low Income Housing Tax Credit program requires an affordable rental housing development to remain operating and affordable for 55 years. Therefore, affordable housing developments typically require the use of building materials that reflect a high level of durability to ensure a Project's long life. Shell costs for the market-rate apartments were also reduced to reflect the absence of architectural design elements often incorporated into affordable housing projects to ensure community acceptance.
- Lowered direct costs reflecting the elimination of prevailing wages sometimes required of publicly subsidized affordable housing.
- Eliminated solar features required to achieve a successful Low Income Housing Tax Credit application.
- Eliminated the cost of relocation (Florida Street Apartments only) required of publicly subsidized affordable housing.
- Limited upfront developer fee to an industry norm of 4.0% of direct costs.
- Eliminated fees associated with the Low Income Housing Tax Credit program.
- Eliminated operating reserve required by affordable housing lenders.

IV. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

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2. The development concepts will not vary significantly from that identified in this analysis.
3. Estimates of development costs are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.
4. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
5. The analysis, opinions, recommendations and conclusions of this document are the KMA informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

attachments

SUMMARY TABLE 1

ESTRELLA DEL MERCADO
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Estrella del Mercado	
	(A)	(B)
	Affordable	Market-Rate
Construction Type	Urban	Urban
Parking Type	Above-Grade/Wrap	Above-Grade/Wrap
I. Project Description		
A. Number of Units	92 Units	92 Units
B. Gross Building Area	86,109 GBA	85,197 GBA
C. Number of Stories	4 Stories	4 Stories
D. Prevailing Wages	Yes	No
II. Development Costs excluding Acquisition Costs		
A. Direct Costs		% change (A to B)
Per Unit	\$269,000	\$199,000 -26%
Per SF	\$287	\$215 -25%
B. Indirect Costs		
Per Unit	\$88,000	\$75,000 -15%
% of Directs	33%	38%
C. Financing Costs		
Per Unit	\$32,000	\$23,000 -28%
% of Directs	12%	11%
D. Total Costs excl. Acquisition		
Per Unit	\$388,000	\$297,000 -23%
Per SF	\$415	\$321 -23%
III. Key Changes		
Affordable to Market-Rate:		
A. Project Description	<ul style="list-style-type: none"> - no community room - no shopkeeper units - fewer three bedroom units - larger average unit size - lowered parking ratio to 1.75 spaces/unit 	
B. Development Costs	<ul style="list-style-type: none"> - reduced level of durability (i.e. 30 year life vs. 55 year life) - no prevailing wages - no solar features - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve 	

SUMMARY TABLE 2

FLORIDA STREET
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Florida Street Apartments	
	(A)	(B)
	Affordable	Market-Rate
Construction Type	Urban	Urban
Parking Type	Structured/Below-Grade	Structured/Below-Grade
I. Project Description		
A. Number of Units	83 Units	83 Units
B. Gross Building Area	103,183 GBA	90,361 GBA
C. Number of Stories	4 Stories	4 Stories
D. Prevailing Wages	No	No
II. Development Costs excluding Acquisition Costs		
A. Direct Costs		% change (A to B)
Per Unit	\$207,000	\$195,000 -6%
Per SF	\$166	\$179 8%
B. Indirect Costs		
Per Unit	\$66,200	\$44,000 -34%
% of Directs	32%	22%
C. Financing Costs		
Per Unit	\$27,000	\$22,000 -19%
% of Directs	13%	11%
D. Total Costs excl. Acquisition		
Per Unit	\$300,000	\$261,000 -13%
Per SF	\$241	\$240 -1%
III. Key Changes		
Affordable to Market-Rate:		
A. Project Description	<ul style="list-style-type: none"> - no community room - fewer three bedroom units - larger average unit size - increased parking ratio to 1.5 spaces/unit 	
B. Development Costs	<ul style="list-style-type: none"> - reduced level of durability (i.e. 30 year life vs. 55 year life) - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve 	

SUMMARY TABLE 3

**RIVERWALK APARTMENTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

	Riverwalk Apartments	
	(A)	(B)
	Affordable	Market-Rate
Construction Type	Suburban	Suburban
Parking Type	Surface	Surface
I. Project Description		
A. Number of Units	50 Units	50 Units
B. Gross Building Area	44,625 GBA	39,500 GBA
C. Number of Stories	2 - 3 Stories	2 - 3 Stories
D. Prevailing Wages	Yes	No
II. Development Costs excluding Acquisition Costs		
A. Direct Costs		% change (A to B)
Per Unit	\$154,000	\$105,000 -32%
Per SF	\$173	\$133 -23%
B. Indirect Costs		
Per Unit	\$72,000	\$43,000 -40%
% of Directs	46%	41%
C. Financing Costs		
Per Unit	\$15,000	\$11,000 -27%
% of Directs	9%	10%
D. Total Costs excl. Acquisition		
Per Unit	\$240,000	\$159,000 -34%
Per SF	\$269	\$201 -25%
III. Key Changes		
Affordable to Market-Rate:		
A. Project Description	<ul style="list-style-type: none"> - no community room - fewer three bedroom units - increased parking ratio to 2.0 spaces/unit 	
B. Development Costs	<ul style="list-style-type: none"> - reduced level of durability (i.e. 30 year life vs. 55 year life) - no solar features - no prevailing wages - developer fee limited to 4.0% of directs - no tax credit fees - no operating reserve 	

APPENDICES

Construction Cost Comparison

- I. Appendix I - Estella del Mercado
 - Table I-1 Project Description
 - Table I-2 Estimated Development Costs

- II. Appendix II - Florida Street Apartments
 - Table II-1 Project Description
 - Table II-2 Estimated Development Costs

- III. Appendix III - Riverwalk
 - Table III-1 Project Description
 - Table III-2 Estimated Development Costs

APPENDIX I

Estrella del Mercado

San Diego Housing Commission

TABLE I-1

**PROJECT DESCRIPTION
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

Construction Type Parking Type	(A) / Affordable Apartments Urban Above-Grade / Wrap			(B) / Market-Rate Apartments Urban Above-Grade / Wrap		
	I. Gross Building Area (GBA)					
Rentable Area	80,197 SF	93%		81,300 SF	95%	
Common Areas	3,897 SF	5%		3,897 SF	5%	
Community Room	<u>2,015</u> SF	<u>2%</u>		<u>0</u> SF	<u>0%</u>	
Total Gross Building Area	86,109 SF	100%		85,197 SF	100%	
II. Unit Mix	<u>Number of Units</u>		<u>Average Unit Size</u>	<u>Number of Units</u>		<u>Average Unit Size</u>
One Bedroom	15 Units	16%	549 SF	32 Units	35%	650 SF
One Bedroom Shopkeeper	4 Units	4%	898 SF	0 Units	0%	0 SF
Two Bedroom	40 Units	43%	876 SF	46 Units	50%	950 SF
Three Bedroom	<u>33</u> Units	<u>36%</u>	<u>1,010</u> SF	<u>14</u> Units	<u>15%</u>	<u>1,200</u> SF
Total / Average	92 Units	100%	872 SF	92 Units	100%	884 SF
III. Number of Stories	4 Stories			4 Stories		
IV. Construction Type	Type V			Type V		
V. Affordability Mix				<i>information not applicable</i>		
Units @ 30% of AMI	10 Units	11%				
Units @ 40% of AMI	10 Units	11%				
Units @ 45% of AMI	10 Units	11%				
Units @ 50% of AMI	38 Units	41%				
Units @ 60% of AMI	23 Units	25%				
Manager	<u>1</u> Unit	<u>1%</u>				
Total Units	92 Units	100%				
Average Affordability (excl. Manager unit)	49% of AMI					
VI. Parking	Above-Grade/Wrap			Above-Grade/Wrap		
Wrap Parking Spaces	191 Spaces			161 Spaces		
Parking Ratio	2.1 Spaces/Unit			1.75 Spaces/Unit		

Key Changes (Affordable to Market-Rate):
 - no community room
 - no shopkeeper units
 - fewer three bedroom units
 - larger average unit size
 - lower parking ratio to 1.75 spaces/unit

TABLE I-2

**ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

Construcion Type Parking Type	(A) / Affordable Apartments (1) Urban Above-Grade / Wrap		(B) / Market-Rate Apartments Urban Above-Grade / Wrap		(B-A) Difference
	Total	Per Unit	Total	Per Unit	Per Unit
I. Direct Costs					
Off-Site Improvements (2)	\$1,732,000	\$18,800	\$1,645,000	\$17,900	(\$900)
On-Site/Landscaping	\$2,884,000	\$31,300	\$1,704,000	\$18,500	(\$12,800)
Parking	\$4,020,000	\$43,700	\$3,220,000	\$35,000	(\$8,700)
Shell Construction - Residential	\$12,982,000	\$141,100	\$10,650,000	\$115,800	(\$25,300)
Shell Construction - Retail	\$1,114,000	\$12,100	\$0	\$0	(\$12,100)
Solar Infrastructure	\$480,000	\$5,200	\$0	\$0	(\$5,200)
FF&E/Amenities	\$50,000	\$500	\$230,000	\$2,500	\$2,000
Contingency	<u>\$1,445,000</u>	<u>\$15,700</u>	<u>\$872,000</u>	<u>\$9,500</u>	<u>(\$6,200)</u>
Total Direct Costs	\$24,707,000	\$268,600	\$18,321,000	\$199,100	(\$69,500)
II. Indirect Costs					
Architecture & Engineering	\$817,000	\$8,900	\$817,000	\$8,900	\$0
Planning & Entitlement	\$1,173,000	\$12,800	\$1,173,000	\$12,800	\$0
Permits & Fees (2)	\$2,956,000	\$32,100	\$2,956,000	\$32,100	\$0
Affordable Housing In-Lieu Fee	\$0	\$0	\$426,000	\$4,600	\$4,600
Legal & Accounting	\$336,000	\$3,700	\$183,000	\$2,000	(\$1,700)
Taxes & Insurance	\$242,000	\$2,600	\$275,000	\$3,000	\$400
Developer Fee	\$2,315,000	\$25,200	\$733,000	\$8,000	(\$17,200)
Marketing/Lease-Up	\$70,000	\$800	\$138,000	\$1,500	\$700
Contingency	<u>\$181,000</u>	<u>\$2,000</u>	<u>\$201,000</u>	<u>\$2,200</u>	<u>\$200</u>
Total Indirect Costs	\$8,090,000	\$87,900	\$6,902,000	\$75,000	(\$12,900)
III. Financing Costs					
Loan Fees	\$448,000	\$4,900	\$410,000	\$4,500	(\$400)
Interest During Construction/Lease-Up	\$1,778,000	\$19,300	\$1,639,000	\$17,800	(\$1,500)
Preconstruction and Bridge Financing	\$321,000	\$3,500	\$0	\$0	(\$3,500)
Title/Recording/Escrow	\$40,000	\$400	\$40,000	\$400	\$0
TCAC/Syndication Fees	\$136,000	\$1,500	\$0	\$0	(\$1,500)
Operating Lease-Up/Reserves	<u>\$201,000</u>	<u>\$2,200</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,200)</u>
Total Financing Costs	\$2,924,000	\$31,800	\$2,089,000	\$22,700	(\$9,100)
IV. Total Costs Excluding Land	\$35,721,000	\$388,300	\$27,312,000	\$296,900	(\$91,500)

Key Changes (Affordable to Market-Rate):

- reduced level of durability
- no prevailing wages
- no solar features
- developer fee limited to 4.0% of directs
- no tax credit fees
- no operating reserve

(1) Includes the payment of prevailing wages.

(2) Not verified by KMA or the City of San Diego.

APPENDIX II

Florida Street Apartments

San Diego Housing Commission

TABLE II-1

FLORIDA STREET APARTMENTS

PROJECT DESCRIPTION
 CONSTRUCTION COST COMPARISON
 SAN DIEGO HOUSING COMMISSION

Construction Type Parking Type	(A) / Affordable Apartments Urban Structured / Below-Grade			(B) / Market-Rate Apartments Urban Structured / Below-Grade		
	I. Site Area	43,350 SF	1.00 Acre		43,350 SF	1.00 Acre
II. Gross Building Area						
Rentable Area	77,525 SF	75%		73,150 SF	81%	
Circulation/Common Area	17,211 SF	17%		17,211 SF	19%	
Community Room	8,447 SF	8%		0 SF	0%	
Total Gross Building Area	103,183 SF	100%		90,361 SF	100%	
III. Number of Stories	4 Stories			4 Stories		
IV. Construction Type	Type V over Type I			Type V over Type I		
V. Unit Mix	<u>Number of Units</u>		<u>Average Unit Size</u>	<u>Number of Units</u>		<u>Average Unit Size</u>
One Bedroom	24 Units	29%		29 Units	35%	650 SF
Two Bedroom	33 Units	40%		42 Units	51%	950 SF
Three Bedroom	26 Units	31%		12 Units	14%	1,200 SF
Total/Average	83 Units	100%	934 SF	83 Units	100%	881 SF
VI. Density	83 Units/Acre			83 Units/Acre		
VII. Affordability Mix				<i>information not applicable</i>		
Units @ 50% of AMI	8 Units	10%				
Units @ 60% of AMI	74 Units	89%				
Manager	1 Unit	1%				
Total/Average	83 Units	100%				
Average Affordability (excl. Manager unit)	59% of AMI					
VIII. Parking	Structured/Below-Grade			Structured/Below-Grade		
Parking Area	34,877 SF			39,625 SF		
Parking Spaces	110 Spaces			125 Spaces		
Average SF/Space	317 SF/Space			317 SF/Space		
Parking Ratio	1.3 Spaces/Unit			1.5 Spaces/Unit		

Key Changes (Affordable to Market-Rate):
 - no community room
 - fewer three bedroom units
 - larger average unit size
 - increased parking ratio to 1.5 spaces/unit

TABLE II-2

**ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

Construction Type Parking Type	(A) / Affordable Apartments ⁽¹⁾ Urban Structured/Below-Grade		(B) / Market-Rate Apartments Urban Structured/Below-Grade		(B-A) Difference
	Totals	Per Unit	Totals	Per Unit	Per Unit
I. Direct Costs					
Off-Site Improvements (2)	\$684,000	\$8,200	\$684,000	\$8,200	\$0
Demolition	\$141,000	\$1,700	\$141,000	\$1,700	\$0
On-Site/Landscaping	\$1,591,000	\$19,200	\$867,000	\$10,400	(\$8,800)
Parking	\$3,411,000	\$41,100	\$3,125,000	\$37,700	(\$3,400)
Shell Construction	\$11,499,000	\$138,500	\$10,392,000	\$125,200	(\$13,300)
FF&E/Amenities	\$40,000	\$500	\$208,000	\$2,500	\$2,000
Contingency	\$810,000	\$9,800	\$771,000	\$9,300	(\$500)
(Less) Assumed Cost Savings	<u>(\$1,000,000)</u>	<u>(\$12,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,000</u>
Total Direct Costs	\$17,176,000	\$206,900	\$16,188,000	\$195,000	(\$11,900)
II. Indirect Costs					
Relocation	\$428,000	\$5,200	\$0	\$0	(\$5,200)
Architecture & Engineering	\$1,146,000	\$13,800	\$971,000	\$11,700	(\$2,100)
Permits & Fees (2)	\$925,000	\$11,100	\$925,000	\$11,100	\$0
Affordable Housing In-Lieu Fee	\$0	\$0	\$452,000	\$5,400	\$5,400
Legal & Accounting	\$131,000	\$1,600	\$162,000	\$2,000	\$400
Taxes & Insurance	\$106,000	\$1,300	\$243,000	\$2,900	\$1,600
Developer Fee	\$2,500,000	\$30,100	\$648,000	\$7,800	(\$22,300)
Construction Management	\$90,000	\$1,100	\$0	\$0	(\$1,100)
Marketing/Lease-Up	\$40,000	\$500	\$125,000	\$1,500	\$1,000
Contingency	\$125,000	\$1,500	\$106,000	\$1,300	(\$200)
Total Indirect Costs	\$5,491,000	\$66,200	\$3,632,000	\$43,800	(\$22,400)
III. Financing Costs					
Loan Fees	\$645,000	\$7,800	\$325,000	\$3,900	(\$3,900)
Interest During Construction	\$765,000	\$9,200	\$1,169,000	\$14,100	\$4,900
Interest During Lease-Up	\$0	\$0	\$325,000	\$3,900	\$3,900
Predevelopment Loan Interest	\$133,000	\$1,600	\$0	\$0	(\$1,600)
Title/Recording/Escrow	\$14,000	\$200	\$14,000	\$200	\$0
TCAC/Syndication Fees	\$286,000	\$3,400	\$0	\$0	(\$3,400)
Operating Lease-Up/Reserves	<u>\$384,000</u>	<u>\$4,600</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,600)</u>
Total Financing Costs	\$2,227,000	\$26,800	\$1,833,000	\$22,100	(\$4,700)
IV. Total Costs Excluding Land	\$24,894,000	\$299,900	\$21,653,000	\$260,900	(\$39,000)

Key Changes (Affordable to Market-Rate):
 - reduced level of durability
 - developer fee limited to 4.0% of directs
 - no tax credit fees
 - no operating reserve

(1) Does not assume the payment of prevailing wages.
 (2) Not verified by KMA or the City of San Diego.

APPENDIX III

Riverwalk

San Diego Housing Commission

TABLE III-1

RIVERWALK APARTMENTS

PROJECT DESCRIPTION
 CONSTRUCTION COST COMPARISON
 SAN DIEGO HOUSING COMMISSION

Construction Type Parking Type	(A) / Affordable Apartments Suburban Surface Parking			(B) / Market-Rate Apartments Suburban Surface Parking		
I. Site Area	111,514 SF	2.56 Acres		111,514 SF	2.56 Acres	
II. Gross Building Area						
Rentable Area	42,125 SF	94%		39,500 SF	100%	
Non-Rentable Area (1)	<u>2,500</u> SF	<u>6%</u>		<u>0</u> SF	<u>0%</u>	
Total Gross Building Area (GBA)	44,625 SF	100%		39,500 SF	100%	
III. Number of Stories	2-3 Stories			2-3 Stories		
IV. Construction Type	Type V			Type V		
V. Unit Mix						
	Number of Units		Unit Size	Number of Units		Unit Size
One Bedroom	19 Units	38%	650 SF	18 Units	36%	650 SF
Two Bedroom	10 Units	20%	825 SF	25 Units	50%	825 SF
Three Bedroom	<u>21</u> Units	<u>42%</u>	<u>1,025</u> SF	<u>7</u> Units	<u>14%</u>	<u>1,025</u> SF
Total/Average	50 Units	100%	843 SF	50 Units	100%	790 SF
VI. Affordability Mix				<i>information not applicable</i>		
30% of AMI	5 Units	10%				
40% of AMI	5 Units	10%				
50% of AMI	25 Units	50%				
60% of AMI	14 Units	28%				
Manager Unit	<u>1</u> Unit	<u>2%</u>				
Total Units	50 Units	100%				
Average Affordability (excl. Manager Unit)	50% AMI					
VII. Density	19.5 Units/Acre			19.5 Units/Acre		
VIII. Parking	Surface			Surface		
Total Parking Spaces	80 Spaces			100 Spaces		
Parking Ratio	1.60 Spaces/Unit			2.0 Spaces/Unit		

Key Changes (Affordable to Market-Rate):
 - no community room
 - fewer three bedroom units
 - increased parking ratio to 2.0 spaces/unit

(1) Reflects community room.

TABLE III-2

**ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

Construction Type Parking Type	(A) / Affordable Apartments ⁽¹⁾ Suburban Surface		(B) / Market-Rate Apartments Suburban Surface		(B-A) Difference
	Totals	Per Unit	Totals	Per Unit	Per Unit
I. Direct Costs					
Off-Site Improvements (2)	\$0	\$0	\$0	\$0	\$0
On-Site/Landscaping	\$1,271,000	\$25,400	\$1,115,000	\$22,300	(\$3,100)
Parking	\$0	\$0	\$0	\$0	\$0
Shell Construction	\$5,931,000	\$118,600	\$3,753,000	\$75,100	(\$43,500)
Solar	\$100,000	\$2,000	\$0	\$0	(\$2,000)
FF&E/Amenities	\$50,000	\$1,000	\$125,000	\$2,500	\$1,500
Contingency	<u>\$363,000</u>	<u>\$7,300</u>	<u>\$250,000</u>	<u>\$5,000</u>	<u>(\$2,300)</u>
Total Direct Costs	\$7,715,000	\$154,300	\$5,243,000	\$104,900	(\$49,400)
II. Indirect Costs					
Architecture & Engineering	\$724,000	\$14,500	\$315,000	\$6,300	(\$8,200)
Permits & Fees (2)	\$1,161,000	\$23,200	\$1,161,000	\$23,200	\$0
Affordable Housing In-Lieu Fee	\$0	\$0	\$198,000	\$4,000	\$4,000
Legal & Accounting	\$0	\$0	\$52,000	\$1,000	\$1,000
Taxes & Insurance	\$125,000	\$2,500	\$79,000	\$1,600	(\$900)
Developer Fee	\$1,400,000	\$28,000	\$210,000	\$4,200	(\$23,800)
Marketing/Lease-Up	\$25,000	\$500	\$75,000	\$1,500	\$1,000
Contingency	<u>\$143,000</u>	<u>\$2,900</u>	<u>\$63,000</u>	<u>\$1,300</u>	<u>(\$1,600)</u>
Total Indirect Costs	\$3,578,000	\$71,600	\$2,153,000	\$43,100	(\$28,500)
III. Financing Costs					
Loan Fees	\$171,000	\$3,400	\$119,000	\$2,400	(\$1,000)
Interest During Construction	\$372,000	\$7,400	\$286,000	\$5,700	(\$1,700)
Interest During Lease-Up	\$0	\$0	\$119,000	\$2,400	\$2,400
Title/Recording/Escrow	\$23,000	\$500	\$23,000	\$500	\$0
TCAC/Syndication Fees	\$41,000	\$800	\$0	\$0	(\$800)
Operating Lease-Up/Reserves	<u>\$116,000</u>	<u>\$2,300</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,300)</u>
Total Financing Costs	\$723,000	\$14,500	\$547,000	\$10,900	(\$3,600)
IV. Total Costs Excluding Land	\$12,016,000	\$240,300	\$7,943,000	\$158,900	(\$81,500)

Key Changes (Affordable to Market-Rate):
 - reduced level of durability
 - no prevailing wages
 - no solar features
 - developer fee limited to 4.0% of directs
 - no tax credit fees
 - no operating reserve

(1) Includes the payment of prevailing wages.
 (2) Not verified by KMA or the City of San Diego.