



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

From: KEYSER MARSTON ASSOCIATES, INC.

Date: September 13, 2011

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

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE
REED T. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMAY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

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

To: Richard C. Gentry, President & Chief Executive Officer September 13, 2011
Subject: Construction Cost Comparison Analysis -
Affordable vs. Market-Rate Apartment Development Page 2

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 three scenarios: (a) the actual affordable housing development proposal; (b) the Project reconfigured as a market-rate development; and (c) the Project as a market rate development developed in a suburban, surface-parked format.

II. KEY FINDINGS

As summarized below, KMA's key findings are as follows:

The three Projects under study reflect 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. Florida Street Apartments reconfigured as a market-rate development is estimated to reduce costs by 13% to a total cost of \$261,000 per unit.

- Developing the urban Projects in a suburban, surface-parked format is projected to further decrease total costs for Estrella del Mercado to \$229,000 per unit and to \$225,000 per unit for Florida Street Apartments.

Suburban Project

- Development costs for Riverwalk Apartments as an affordable housing project were estimated at \$240,000 per unit.
- Assuming Riverwalk Apartments is 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: Affordable Apartments / Urban (1):</u>			
Total Costs Per Unit (2)	\$388,000	\$300,000	\$240,000
<u>Scenario B: Market-Rate Apartments / Urban (1):</u>			
Total Costs Per Unit (2)	\$297,000	\$261,000	\$159,000
% Change (A to B)	-23%	-13%	-34%
<u>Scenario C: Market-Rate Apartments / Suburban:</u>			
Total Costs Per Unit (2)	\$229,000	\$225,000	N/A
% Change (B to C)	-23%	-14%	N/A
% Change (A to C)	-41%	-25%	N/A
(1) Urban designation does not apply to Riverwalk Apartments as Riverwalk Apartments is a suburban/surface parked development. (2) 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 up to three 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.
- Scenario C: Market-Rate Apartments/Suburban – Assumes each Project is developed as a market-rate development, with a development budget estimated by KMA reflecting a suburban construction type with surface parking. This scenario applies to the analysis of Estrella del Mercado and Florida Street Apartments only, as Riverwalk Apartments is a suburban/surface parked development.

For each Project the KMA analysis included a detailed project description and development cost budget, described as follows:

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

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

Modifications from Scenario A to Scenario B:

- 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 market-rate 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.

KMA further modified the Scenario B project description to reflect a suburban/surface parked construction type as follows:

Modifications from Scenario B to Scenario C:

- Eliminated common areas.
- Reduced density to reflect a residential development served by surface / carport parking (approximately 25 units per acre).
- Reduced building height to a maximum of three (3) stories.

Development Costs

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

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

Modifications from Scenario A to Scenario B:

- Lowered shell costs to reflect a reduced level of durability. 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 building materials used to reflect a high level of durability to ensure a Project's long life. Shell costs 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.

KMA further modified the Scenario B development cost budget to reflect a suburban/surface parked construction type as follows:

Modifications from Scenario B to Scenario C:

- Lowered direct costs to reflect the reduced level associated with suburban/surface parked construction.
- Lowered indirect and financing costs resulting from lower direct costs

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.
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)	(C)
Construction Type	Affordable	Market-Rate	Market-Rate
Parking Type	Urban	Urban	Suburban
I. Project Description	Above-Grade/Wrap	Above-Grade/Wrap	Surface
A. Number of Units	92 Units	92 Units	54 Units
B. Gross Building Area	86,109 GBA	85,197 GBA	47,600 GBA
C. Number of Stories	4 Stories	4 Stories	3 Stories
D. Prevailing Wages	Yes	No	No
II. Development Costs excluding Acquisition Costs			
A. Direct Costs		% change (A to B)	% change (B to C)
Per Unit	\$269,000	\$199,000 -26%	\$141,000 -29%
Per SF	\$287	\$215 -25%	\$160 -26%
B. Indirect Costs			% change (A to C)
Per Unit	\$88,000	\$75,000 -15%	\$72,000 -4%
% of Directs	33%	38%	51%
C. Financing Costs			
Per Unit	\$32,000	\$23,000 -28%	\$16,000 -30%
% of Directs	12%	11%	11%
D. Total Costs excl. Acquisition			
Per Unit	\$388,000	\$297,000 -23%	\$229,000 -23%
Per SF	\$415	\$321 -23%	\$259 -19%
III. Key Changes	Affordable to Market-Rate:	Urban to Suburban:	
A. Project Description	- no community room - no shopkeeper units - fewer three bedroom units - larger average unit size - lowered parking ratio to 1.75 spaces/unit	- no common area - reduced number of levels to 3 stories - surface parking - increased parking ratio to 2.0 spaces/unit	
B. Development Costs	- 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	- lower shell costs - lower indirect and financing costs	

SUMMARY TABLE 2

**FLORIDA STREET
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION**

	Florida Street Apartments				
	(A)	(B)	(C)		
	Affordable	Market-Rate	Market-Rate		
Construction Type	Urban	Urban	Suburban		
Parking Type	Structured/Below-Grade	Structured/Below-Grade	Surface		
I. Project Description					
A. Number of Units	83 Units	83 Units	25 Units		
B. Gross Building Area	103,183 GBA	90,361 GBA	22,350 GBA		
C. Number of Stories	4 Stories	4 Stories	3 Units		
D. Prevailing Wages	No	No	No		
II. Development Costs excluding Acquisition Costs					
A. Direct Costs		% change <u>(A to B)</u>		% change <u>(B to C)</u>	% change <u>(A to C)</u>
Per Unit	\$207,000	\$195,000 -6%	\$168,000	-14%	-19%
Per SF	\$166	\$179 8%	\$187	5%	13%
B. Indirect Costs					
Per Unit	\$66,200	\$44,000 -34%	\$42,000	-5%	-37%
% of Directs	32%	22%	25%		
C. Financing Costs					
Per Unit	\$27,000	\$22,000 -19%	\$15,000	-32%	-44%
% of Directs	13%	11%	9%		
D. Total Costs excl. Acquisition					
Per Unit	\$300,000	\$261,000 -13%	\$225,000	-14%	-25%
Per SF	\$241	\$240 -1%	\$251	5%	4%
III. Key Changes	Affordable to Market-Rate:		Urban to Suburban:		
A. Project Description	- no community room - fewer three bedroom units - larger average unit size - increased parking ratio to 1.5 spaces/unit		- no common area - reduced density to 25 units/acre - reduced number of levels to 3 stories - surface parking - increased parking ratio to 2.0 spaces/unit		
B. Development Costs	- 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		- lower shell costs - lower indirect and financing costs		

SUMMARY TABLE 3

RIVERWALK APARTMENTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

	Riverwalk Apartments	
	(A)	(B)
Construction Type	Affordable Suburban	Market-Rate 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**

ESTRELLA DEL MERCADO

Construction Type	Parking Type	(A) / Affordable Apartments Urban Above-Grade / Wrap	(B) / Market-Rate Apartments Urban Above-Grade / Wrap	(C) / Market-Rate Apartments Suburban Surface
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	2,015 SF	2%	0 SF	0%
Total Gross Building Area	86,109 SF	100%	85,197 SF	100%
		Average Unit Size		Average Unit Size
II. Unit Mix	Number of Units	Number of Units	Number of Units	Number of Units
One Bedroom	15 Units	549 SF	32 Units	650 SF
One Bedroom Shopkeeper	4 Units	898 SF	0 Units	0 SF
Two Bedroom	40 Units	876 SF	46 Units	950 SF
Three Bedroom	33 Units	1,010 SF	14 Units	1,200 SF
Total / Average	92 Units	872 SF	92 Units	884 SF
III. Number of Stories	4 Stories	4 Stories	3 Stories	3 Stories
IV. Construction Type	Type V	Type V	Type V	Type V
V. Affordability Mix				
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	1 Unit	1%		
Total Units	92 Units	100%		
Average Affordability (excl. Manager unit)	49% of AMI			
VI. Parking	Above-Grade/Wrap	Above-Grade/Wrap	Above-Grade/Wrap	Surface/Carpark
Wrap Parking Spaces	191 Spaces	161 Spaces	161 Spaces	108 Spaces
Parking Ratio	2.1 Spaces/Unit	1.75 Spaces/Unit	1.75 Spaces/Unit	2.0 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

Key Changes (Urban to Suburban):

- no common area
- reduced number of levels to 3 stories
- surface parking
- increased parking ratio to 2.0 spaces/unit

ESTRELLA DEL MERCADO

TABLE I-2

ESTIMATED DEVELOPMENT COSTS
CONSTRUCTION COST COMPARISON
SAN DIEGO HOUSING COMMISSION

Construction Type		(A) / Affordable Apartments (1)		(B) / Market-Rate Apartments		(C) / Market-Rate Apartments		
Parking Type	Above-Grade / Wrap	Total	Per Unit	Total	Per Unit	Total	Per Unit	
I.	Direct Costs							
Off-Site Improvements (2)	\$1,732,000	\$18,800	\$1,645,000	\$17,900	(\$900)	\$1,645,000	\$30,500	
On-Site/Landscaping	\$2,884,000	\$31,300	\$1,704,000	\$18,500	(\$12,800)	\$952,000	\$17,600	
Parking	\$4,020,000	\$43,700	\$3,220,000	\$35,000	(\$8,700)	\$0	\$0	
Shell Construction - Residential	\$12,982,000	\$141,100	\$10,650,000	\$115,800	(\$25,300)	\$4,522,000	\$83,700	
Shell Construction - Retail	\$1,114,000	\$12,100	\$0	\$0	(\$12,100)	\$0	\$0	
Solar Infrastructure	\$480,000	\$5,200	\$0	\$0	(\$5,200)	\$0	\$0	
FF&E/Amenities	\$50,000	\$500	\$230,000	\$2,500	(\$2,000)	\$135,000	\$2,500	
Contingency	\$1,445,000	\$15,700	\$872,000	\$9,500	(\$6,200)	\$383,000	\$6,700	
Total Direct Costs	\$24,707,000	\$268,600	\$18,321,000	\$199,100	(\$69,500)	\$7,617,000	\$141,100	
II.	Indirect Costs							
Architecture & Engineering	\$817,000	\$8,900	\$817,000	\$8,900	\$0	\$571,000	\$10,600	
Planning & Entitlement	\$1,173,000	\$12,800	\$1,173,000	\$12,800	\$0	\$571,000	\$10,600	
Permits & Fees (2)	\$2,956,000	\$32,100	\$2,956,000	\$32,100	\$0	\$1,733,000	\$32,100	
Affordable Housing In-Lieu Fee	\$0	\$0	\$426,000	\$4,600	(\$4,600)	\$288,000	\$4,400	
Legal & Accounting	\$336,000	\$3,700	\$183,000	\$2,000	(\$1,700)	\$76,000	\$1,400	
Taxes & Insurance	\$242,000	\$2,600	\$275,000	\$3,000	\$0	\$114,000	\$2,100	
Developer Fee	\$2,315,000	\$25,200	\$733,000	\$8,000	(\$17,200)	\$381,000	\$7,100	
Marketing/Lease-Up	\$70,000	\$800	\$138,000	\$1,500	(\$700)	\$81,000	\$1,500	
Contingency	\$181,000	\$2,000	\$201,000	\$2,200	(\$200)	\$113,000	\$2,100	
Total Indirect Costs	\$8,090,000	\$87,900	\$6,902,000	\$75,000	(\$12,900)	\$3,878,000	\$71,800	
III.	Financing Costs							
Loan Fees	\$448,000	\$4,900	\$410,000	\$4,500	(\$400)	\$185,000	\$3,400	
Interest During Construction/Lease-Up	\$1,778,000	\$19,300	\$1,639,000	\$17,800	(\$1,500)	\$630,000	\$11,700	
Preconstruction and Bridge Financing	\$321,000	\$3,500	\$0	\$0	(\$3,500)	\$0	\$0	
Title/Recording/Escrow	\$40,000	\$40,000	\$40,000	\$400	(\$1,500)	\$40,000	\$700	
TCAC/Syndication Fees	\$136,000	\$1,500	\$0	\$0	(\$2,200)	\$0	\$0	
Operating Lease-Up/Reserves	\$201,000	\$2,200	\$0	\$0	(\$9,100)	\$855,000	\$0	
Total Financing Costs	\$2,924,000	\$31,800	\$2,089,000	\$22,700	(\$2,700)	\$15,800	(\$16,000)	
IV.	Total Costs Excluding Land	\$35,721,000	\$388,300	\$27,312,000	\$296,900	(\$91,500)	\$12,350,000	\$228,700
								\$159,600

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

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

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

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

Key Changes (Urban to Suburban):
- lower shell costs
- lower indirect and financing costs

APPENDIX II

Florida Street Apartments

San Diego Housing Commission

TABLE II-1

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	(C) / Market-Rate Apartments Suburban Surface
I. Site Area	43,350 SF 1.00 Acre	43,350 SF 1.00 Acre	43,350 SF 1.00 Acre
II. Gross Building Area			
Rentable Area	77,525 SF 17,211 SF <u>8,447</u> SF 103,183 SF	75% 17% <u>8%</u> 100%	73,150 SF 17,211 SF <u>0</u> SF 90,361 SF
Circulation/Common Area			
Community Room			
Total Gross Building Area			
III. Number of Stories			
IV. Construction Type	Type V over Type I	Type V over Type I	Type V
V. Unit Mix	Number of Units	Average Unit Size	Average Unit Size
One Bedroom	24 Units	29% 40% <u>31%</u> 100%	29 Units 42 Units 12 Units 83 Units
Two Bedroom	33 Units		
Three Bedroom	26 Units		
Total/Average	83 Units		
VI. Density	83 Units/Acre	83 Units/Acre	25 Units/Acre
VII. Affordability Mix			
Units @ 50% of AMI	8 Units	10% 89% <u>1%</u> 100%	
Units @ 60% of AMI	74 Units		
Manager	1 Unit		
Total/Average	83 Units		
Average Affordability (excl. Manager unit)	59% of AMI		
VIII. Parking	Structured/Below-Grade		
Parking Area	34,877 SF		
Parking Spaces	110 Spaces		
Average SF/Space	317 SF/Space		
Parking Ratio	1.3 Spaces/Unit		

Key Changes (Urban to Suburban):
- no common area
- reduced density to 25 units/acre
- reduced number of levels to 3 stories
- surface parking
- increased parking ratio to 2.0 spaces/unit

FLORIDA STREET APARTMENTS

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		(C) / Market-Rate Apartments Suburban Surface		(C-B) Difference Per Unit
	Totals	Per Unit	Totals	Per Unit	Totals	Per Unit	
I. Direct Costs							
Off-Site Improvements (2)	\$684,000	\$8,200	\$684,000	\$8,200	\$684,000	\$27,400	\$19,200
Demolition	\$141,000	\$1,700	\$141,000	\$1,700	\$141,000	\$5,600	\$3,900
On-Site/Landscaping	\$1,591,000	\$19,200	\$867,000	\$10,400	\$867,000	\$34,700	\$15,500
Parking	\$3,411,000	\$41,100	\$3,125,000	\$37,700	\$3,125,000	\$0	(\$41,100)
Shell Construction	\$11,499,000	\$138,500	\$10,392,000	\$125,200	\$10,392,000	\$2,235,000	(\$34,700)
FF&E/Amenities	\$40,000	\$500	\$208,000	\$2,500	\$208,000	\$63,000	\$2,000
Contingency	\$810,000	\$9,800	\$771,000	\$9,300	\$771,000	\$200,000	(\$1,800)
(Less) Assumed Cost Savings	(\$1,000,000)	\$0	(\$12,000)	\$0	(\$12,000)	\$0	\$0
Total Direct Costs	\$17,176,000	\$206,900	\$16,188,000	\$195,000	\$16,188,000	\$4,190,000	(\$39,300)
II. Indirect Costs							
Relocation	\$428,000	\$5,200	\$0	\$0	(\$5,200)	\$0	(\$5,200)
Architecture & Engineering	\$1,146,000	\$13,800	\$971,000	\$11,700	\$971,000	(\$2,100)	(\$1,200)
Permits & Fees (2)	\$925,000	\$11,100	\$925,000	\$11,100	\$925,000	\$0	\$0
Affordable Housing In-Lieu Fee	\$0	\$0	\$452,000	\$5,400	\$452,000	\$112,000	\$4,500
Legal & Accounting	\$131,000	\$1,600	\$162,000	\$2,000	\$162,000	\$42,000	\$1,700
Taxes & Insurance	\$106,000	\$1,300	\$243,000	\$2,900	\$243,000	\$63,000	\$2,500
Developer Fee	\$2,500,000	\$30,100	\$648,000	\$7,800	\$648,000	(\$22,300)	\$6,700
Construction Management	\$90,000	\$1,100	\$0	\$0	(\$1,100)	\$0	(\$1,100)
Marketing/Lease-Up	\$40,000	\$500	\$125,000	\$1,500	\$125,000	\$1,000	\$1,500
Contingency	\$125,000	\$1,500	\$106,000	\$1,300	\$106,000	(\$200)	(\$1,200)
Total Indirect Costs	\$5,491,000	\$66,200	\$3,632,000	\$43,800	\$3,632,000	(\$22,400)	\$1,045,000
III. Financing Costs							
Loan Fees	\$645,000	\$7,800	\$325,000	\$3,900	\$325,000	(\$3,900)	\$84,000
Interest During Construction	\$765,000	\$9,200	\$1,169,000	\$14,100	\$1,169,000	\$4,900	\$202,000
Interest During Lease-Up	\$0	\$0	\$325,000	\$3,900	\$325,000	\$3,900	\$84,000
Predevelopment Loan Interest	\$133,000	\$1,600	\$0	\$0	\$133,000	(\$1,600)	\$0
Title/Recording/Escrow	\$14,000	\$200	\$14,000	\$200	\$14,000	\$0	\$14,000
TCAC/Syndication Fees	\$286,000	\$3,400	\$0	\$0	\$286,000	(\$3,400)	\$600
Operating Lease-Up/Reserves	\$384,000	\$4,600	\$0	\$0	\$384,000	(\$4,600)	\$0
Total Financing Costs	\$2,227,000	\$26,800	\$1,833,000	\$22,100	\$1,833,000	(\$4,700)	\$15,400
IV. Total Costs Excluding Land							
	\$24,894,000	\$299,900	\$21,653,000	\$260,900	\$21,653,000	(\$39,000)	\$5,619,000
							\$224,800
							(\$75,100)

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

- (1) Reduced level of durability
(2) developer fee limited to 4.0% of direct costs
(3) no tax credit fees
(4) no operating reserve

Key Changes (Affordable to Market-Rate):

- lower shell costs
- lower indirect and financing costs
- no operating reserve

APPENDIX III

Riverwalk

San Diego Housing Commission

TABLE III-1

**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)		2,500 SF	6%	0 SF	0%
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	650 SF	18 Units	650 SF
Two Bedroom		10 Units	825 SF	25 Units	825 SF
Three Bedroom		21 Units	1,025 SF	7 Units	1,025 SF
Total/Average		50 Units	843 SF	50 Units	790 SF
VI. Affordability Mix					
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		1 Unit	2%		
Total Units		50 Units	100%		
Average Affordability (excl. Manager Unit)		50% AMI			
VII. Density			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	

(1) Reflects community room.

Key Changes (Affordable to Market-Rate):

- no community room
- fewer three bedroom units
- increased parking ratio to 2.0 spaces/unit

RIVERWALK APARTMENTS

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

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

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