

THEHOUSINGWORKSHOP

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To: Danielle Straude, Senior Planner, City of Mill Valley
From: Janet Smith-Heimer, The Housing Workshop
Re: Financial Analysis of Example Affordable Housing Projects
Date: 3-12-21

Introduction and Summary of Findings

This memo summarizes a second phase of analysis of potential development of affordable housing projects on City-owned sites. The first phase memo evaluated over 100 parcels owned by the City of Mill Valley or other tax-exempt entities, to identify both sites developable for 100% affordable housing projects, and sites that could be sold for market-rate use to raise funds to be applied to affordable housing built elsewhere.

The primary focus of this memo is on the Public Safety Building (PSB) Hauke Field Parking Area, a 0.75 acre site currently improved with restrooms and parking to serve field visitors. This was the only City-owned site determined to be of sufficient size, likely environmental clearance, and with only limited reduction in recreational opportunities. The current uses would need to be relocated, most likely on the other site of the street adjacent to the fields. The purpose of the financial analysis conducted herein is test feasibility and / or to estimate the need for public subsidies in addition to City of Mill Valley land contribution at no cost, to implement a 100% affordable project on the PSB site.

Summary of Findings for PSB Site

The financial analysis provided herein for the PSB site indicates that if several current development regulations were relaxed (e.g, height limit to accommodate the assumed density bonus, and parking ratios so that surface parking could be provided instead of a more expensive garage), and the City contributed the site at zero cost to a non-profit affordable housing developer, the following findings and next steps are recommended.

- Development at this site would likely be feasible using Low Income Housing Tax Credits as its primary subsidy source. Only a limited additional amount of subsidy would be necessary (less than \$200,000), which may be obtainable from the City's impact fee fund and/or other local or state sources.

Given the strong financial outlook and relatively small amounts of gap funding needed for this site, it is recommended that the City take the following “next steps”.

- Review wetlands, habitat/biologic, geotechnical, soil conditions, and related environmental constraints with Marin County staff
- Commission a preliminary study of conditions needed to ascertain development feasibility and environmental constraints. Complete all further recommended biologic/geologic studies recommended.
- Initiate a public input process, leading to requisite rezoning (however City typically would conduct). The City may also want to adopt specific Density Bonus concessions/waivers that would accommodate this site and other privately-owned sites in advance of the up to 4 concessions/waivers that recent state law allows developers to request. Examples would be height limit relaxation (will be needed even for 100% affordable projects on privately-owned land), and parking ratio reductions.
- Survey the potential parcel to prepare for an administrative parcel subdivision.
- Prepare an RFP for the site and distribute to potential eligible developers.
- Review and select a development partner.
- Negotiate appropriate property agreements, subdivide parcel if appropriate, provide site control (needed for Low Income Housing Tax Credit application), and oversee development on behalf of the City.

Additional Analysis of Repurposed Portion of an Existing Recreational Site

In addition to the PSB, which was the only nearly vacant City-owned site with sufficient size and likely adequate environmental clearance potential identified in the prior memo, the City owns several other active and passive recreational lands which contain smaller portions that would make strong affordable housing sites if there was community interest in accepting a reduction in recreational uses. Sites like this, identified in the prior memo, include the tennis courts at Boyle Park (which could be replaced by new public courts on the roof of a residential building), various 0.75 acre or larger portions of the Mill Valley Municipal Golf Course that currently buffer along the street edge, and a portion of Edgewood Park.

To illustrate this type of site development, the Edgewood site (aka Mill Valley Reservoir) serves as one example. This site is currently used informally as a park. It is a 4+ acre site along Edgewood Drive, with sweeping views of Richardson’s Bay and Mill Valley. The concept would

be to select a 1-acre portion of this site for affordable housing development, leaving a 3+ acre site still used for public recreation. It should be noted that this site is not legally feasible to develop unless the MMWD amends the recorded deed covenant, as described previously. This would require City Council and MMWD Board agreement/approval. A survey and legal description of the requested subject area would also be needed.

Financial feasibility was analyzed similarly to the PSB project, for a 1-acre portion of Edgewood Park assumed to be located at the highest point along Edgewood Drive (at the level gravel parking lot), extending southward along the downslope below as needed to accommodate 52 units. The analysis (see Appendix D), due to increased site studies costs, increased hard construction costs, and results in a funding gap of approximately \$0.5M+, indicating the need for outside additional subsidies.

One key to understanding these findings is that seeking subsidy from available state and regional sources is common to affordable housing projects, and lack of available local subsidy collars does not constrain project implementation. Because Mill Valley has not experienced new affordable housing development in the past 10 years of this type, a goal of this memo is to broaden the understanding that there are numerous non-local subsidy funding sources.

Financial Analysis of PSB Site

Overview of Methodology

The methodology used to analyze financial feasibility for an affordable project on the PSB site relies on a simple model known as a “static pro forma.” This model estimates the size, square footage, unit mix, construction costs, soft costs, and related assumptions for a project on a particular site, based on zoning and parking regulations and associated land use guidance. These assumptions are combined into an estimate of land acquisition (in this case assumed as zero), total site work, hard construction costs, parking and landscaping costs, construction period financing charges, etc. Next, because this is an affordable project, rather than estimating revenues, capitalized value, and return on investment (profit) on the development, the project’s net operating income is estimated and converted to a supportable conventional permanent mortgage loan amount. In addition, Low Income Housing Tax Credits (LIHTC) are assumed, which are a common subsidy source of equity dollars for these types of affordable projects.¹

The static pro forma shown for this project ends with an estimate of the gap in financing, after the supportable debt and LIHTC equity funding. Because the project is constructed in this case as inexpensively as possible (e.g., zero cost land, surface parking), and because Marin County’s affordable housing income thresholds and corresponding rents are relatively high compared to other Bay Area counties, the project atypically almost “pencils.” Very little additional subsidy will likely be needed. In the event subsidy is needed, this memo includes a brief overview of several larger multifamily affordable housing funding sources to describe how the gap could be filled.

The model assumptions and static pro forma for the PSB project are shown on the following pages, following a page illustrating what the project could look like (based on Mill Lot 7, an affordable project under development in Healdsburg). The underlying cost data informing model cost assumptions is included in the Appendix (based on several other LIHTC recent projects in Sonoma County). The Appendices also include detailed rental rates per income category as regulated, adjusted for a utility allowance deduction from those gross rent numbers.

¹ Low Income Housing Tax Credits (LIHTCs) are a key, well-established affordable housing financing mechanism. These are obtained based on a US Treasury program initiated in 1986, and ongoing. It allocates “tax credits” that can be sold to investors, raising equity funds for a project in exchange for dollar-for-dollar credits to the buyer against federal tax obligations, meaning that buyers of the credits are typically corporations with substantial taxable income. In most states, including California, there is a companion, smaller state tax credit in addition (not calculated herein). LIHTC involves complex rules, not fully described here, but available to developers of affordable housing targeting up to an average of 60% of Area Median Income (AMI). LIHTC awards to a project are highly competitive and require careful project structuring to successfully win the award each round. Demand (applications) for the credits far exceed supply, which is controlled by a per-capita federal “allocation.”

Illustrative Example of 100% Affordable Project: Mill Lot 7, Healdsburg, CA

This project, currently in pre-development, will contain 40 affordable units and one manager's unit on a 1.1 acre site. Parking will be provided in a surface lot, with one space per unit. Half of this parking is open surface parking, with the other half provided as ground level tuck under parking under a portion of the building (not shown in rendering).

The unit mix and configuration of this project is similar to that assumed for the PSB site.



Summary of Assumptions for PSB Financial Analysis

Picturing a project similar to Mill Lot 7 in Healdsburg, but tailored to the PSB site, the following describes key assumptions. The pro forma itself is shown on the following page.

- **Project Size, Density, and Parking.** The pro forma assumes a 0.75 acre (gross) development site. Further, it assumes that this site could be rezoned to the City's highest multifamily density level (e.g., 29 units/acre), and that California's density bonus law (80% density bonus for affordable projects) would be applied. This results in a density of just over 52 units per acre. Mill Valley requires 2 parking spaces per unit, plus a 0.25 space for guest parking, in its multifamily zones. The pro forma assumes a waiver of this regulation, to reduce parking to 1.5 spaces per unit, which is a common action for cities to take to reduce the costs of affordable projects.
- **Project Bio/Geo Studies.** As outlined in the first memo and summarized in the site description in Appendix A, this site will require specialized habitat and related studies to determine impacts on wetlands areas conserved by the Baylands Corridor designation in the County's General Plan. The analysis assumes that the studies will be able to identify a developable area without impacts.
- **Unit Mix and Target AMI Thresholds.** For the pro forma, the target income threshold is shown at 50% of Area Median Income (AMI). This target is slightly lower than the maximum for some projects, but was selected to render the project more competitive in the Low Income Housing Tax Credit allocation process.
- **Construction Costs.** Dramatically rising construction costs have been a major obstacle to building affordable housing during the past decade. Contractors have faced the twin challenges of strong demand for their services (as market rate construction rose after the Great Recession) and dwindling available labor in the region (as employment boomed and other sectors offered higher salaries). Currently, materials costs have also risen dramatically (especially lumber) as Covid has impacted global supply chains. To estimate construction costs, data for several nearby current projects was collected, as shown in the appendices.

Summary of Project Funding Gap

As indicated, the gap after supportable debt and LIHTC proceeds is likely to be relatively low, at less than \$100,000. This gap could be filled locally, or from among several other funding sources (see next section).

Table 1: Pro Forma Analysis of Affordable Housing Project on PSB Site

Key Development Assuptions		Public Safety Building: All Affordable Rental @ 50% AMI
Development Program:		
Density (DU/Acre) (inc. 80% density bonus)		52.2
Site Gross Acreage		0.75
Gorss Site Size (sf)		32,670
Number of Affordable Units		39
Manager's Unit		1
<i>Total Number of Units</i>		40
Affordable Rental Unit Mix		
Studios	0%	-
1 Bedroom units	40%	16
2 Bedroom Units	30%	12
3 Bedroom Units	30%	12
<i>Total Units</i>		39
Parking and Development Footprint		
Flats - Average Unit Size		900
Flats Common Area	20%	180
Total Flats Residential Sq. Ft.		43,200
Number of Stories		4
Footprint of Residential Building		10,800
Parking Ratio		1.5
Total Number of Parking Spaces (Surface)		60
Land Area for Parking	350	21,000
Remaing Landscaped Open Space (sf)		11,670
Affordable Rents - Flats (inc. utility allowance)		
Studios		\$ 1,467
1 Bedroom units		\$ 1,565
2 Bedroom Units		\$ 1,867
3 Bedroom Units		\$ 2,148
Development Costs		
Site Work Per Sq.Ft. of Land- Estimated (a)		\$ 15
Hard Costs - Flats Building Per Sq. Ft.		\$ 350
Surface Parking + Landscaping (per space)		\$ 4,000
MMWD Connection Fee per unit (b)		\$ 36,296
Bio/Geo Studies - Estimated (c)		\$ 350,000
Other Soft Costs (as % of Hard Costs) (d)		25%
Dev Fee		\$ 2,200,000
Construction Financing Costs		
Loan to Cost Ratio		100.0%
Interest Rate		5.0%
Loan Fees		1.0%
Construction Period (months)		24
Avg. Outstanding Bal During Construction		60.0%
OPEX per Unit + Reserves		\$ 8,000
Debt Coverage Ratio		1.15
Permanent Financing Costs		
Term		30
Interest Rate		5.0%

Development Costs	Public Safety Building: All Affordable Rental @ 50% AMI
Land Acquisition	\$ -
Construction Costs	
Site Work	\$ 490,050
Hard Building Costs	\$ 15,120,000
Parking and Landscaping Costs	\$ 240,000
<i>Subtotal Hard Costs</i>	\$ 15,850,050
MMWD Connection Fees	\$ 1,451,840
Bui/Geo Studies	\$ 350,000
Other Soft Costs	\$ 3,962,513
Dev Fee	\$ 2,200,000
Total Development Cost Before Financing	\$ 23,814,403
Construction Period Financing Costs	
Points	\$ 238,144
Construction Period Interest	\$ 1,428,864
Total Financing Cost	\$ 1,667,008
Total Development Costs Including Financing	\$ 25,481,411
<i>Total Development Cost per Unit exc. Land</i>	\$ 637,035
Permanent Financing and Gap Analysis	
Rental Operations	
Gross Revenue	\$ 856,674
Less: Vacancy Rate @ 5%	\$ (42,834)
Less OPEX	\$ (320,000)
Net Operating Income (NOI)	\$ 493,840
Capital Stack	
Supportable Perm Loan	\$ 6,601,336
LIHTC Proceeds (E)	\$ 18,782,348
Total Before Other Subsidies	\$ 25,383,683
Less: Dev Costs	\$ (25,481,411)
Gap to be Funded by Other Sources	\$ (97,727)

Notes:

- a) Includes grading, relo/demo of existing improvements. Does not cover any new improvement costs for relocated restrooms/parking for Hauke Field.
- b) Marin Water connection fee
- c) Estimated bio/geo studies needed to determine site development feasibility per Marin County Baylands conservation regulations and related geotech issues.
- d) Other soft costs include survey, architectural, engineering, plan check, etc. This category would also cover small roadway fund and school impact fees.
- e) Annual applicable for 9% LIHTC 9.00%
- % of total dev costs assumed as eligible basis 90.0%
- Credit price \$ 0.91

Source: The Housing Workshop, 2021.

About Potential Funding Sources for Affordable Housing

Although the above analysis of the PSB site indicates that a new affordable housing project at that location may not require outside subsidies, as Mill Valley advances its Housing Element Update and other affordable housing initiatives, it is important to understand that a myriad of affordable housing funding sources are available in addition to Low Income Housing Tax Credits. Each funding source comes with complexities of eligibility, timing, target population, and other constraints. The following highlights two of the larger, more common sources. Additional resources describing available programs are available at: <https://www.hcd.ca.gov/grants-funding/index.shtml>

State of California: Multifamily Housing Program (MHP)

This program assists new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. MHP offers deferred payment loans with a 55-year term; with a 3 percent simple interest on unpaid principal balance, except under certain conditions. Eligible activities include new construction, rehabilitation, or acquisition and rehabilitation of permanent or transitional rental housing, and the conversion of nonresidential structures to rental housing. Projects are not eligible if construction has commenced as of the application date, or if they are receiving 9 percent federal low-income housing tax credits (but 4% credits are eligible). MHP funds will be provided for post-construction permanent financing only. Eligible costs include the cost of child care, after-school care, and social service facilities integrally linked to the assisted housing units; real property acquisition; refinancing to retain affordable rents; necessary on-site and off-site improvements; reasonable fees and consulting costs; and capitalized reserves.

Eligible applicants include local public entities, for-profit and nonprofit corporations, limited equity housing cooperatives, individuals, Indian reservations and Rancherias, and limited partnerships in which an eligible applicant or an affiliate of an applicant is a general partner. Applicants or their principals must have successfully developed at least one affordable housing project.

State of California: Permanent Local Housing Allocation (PLHA)

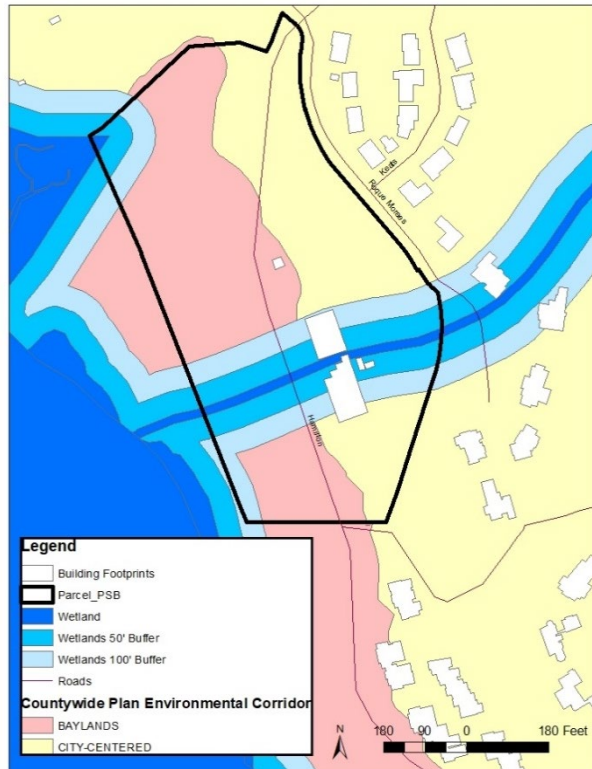
In 2017, Governor Brown signed a [15-bill housing package](#) aimed at addressing the state's housing shortage and high housing costs. Specifically, it included the [Building Homes and Jobs Act](#) (SB 2, 2017), which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. Because the number of real estate transactions recorded in each county will vary from year to year, the revenues collected will fluctuate. The chart

below shows how revenues will be allocated.

This program provide a permanent source of funding to all local governments in California to help cities and counties implement plans to increase the affordable housing stock. There are two types of assistance under PLHA:

- Formula grants to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant.
- Competitive grants to non-entitlement jurisdictions. Funding amounts will vary based on annual revenues to the Building Homes and Jobs Trust Fund.

Appendix A: Overview of Public Safety Building/Hauke Field Parking Lot



Potential 0.75 acre Housing Site

This potential housing site lies adjacent to the City's Public Safety Building complex, on its northern side. This area currently provides parking and restrooms for recreation fields located nearby. The potential housing site is impacted by its location near the boundaries of the Marin County Baylands Corridor, as described in the County General Plan. This designation identifies uplands adjacent to sensitive wetlands and requires special biological assessment studies to protect habitat for plants and animals. According to the Marin County General Plan, development sites of between 0.5 and 1 acre require a 30-foot setback from the Baylands boundary. Until further biological and survey studies can be conducted, it is assumed the identified housing site could provide 0.75 acres for development, creating sufficient scale to develop a physically feasible project. Current restrooms and parking area for Hauke Field will need to be relocated elsewhere on the PSB site.

Appendix B: Household Income Limits and Rent Limits for Marin County, 2020

2020 Household Income Limits

	1-Person HH	2-Person HH	3- Person HH	4-Person Household	5-Person Household
30% AMI	\$ 36,550	\$ 41,800	\$ 47,000	\$ 52,200	\$ 56,400
50% AMI	\$ 60,900	\$ 69,600	\$ 78,300	\$ 87,000	\$ 94,000
80% AMI	\$ 97,600	\$ 111,550	\$ 125,500	\$ 139,400	\$ 150,600

Source: California HCD 2020 Income Limits.

California Low income Housing Tax Credit Maximum Rents, 2020

California Tax Credit Allocation Committee, 2020, for buildings placed in service after 4-1-20.

	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
30% AMI	\$ 913	\$ 978	\$ 1,174	\$ 1,357	\$ 1,514
50% AMI	\$ 1,522	\$ 1,631	\$ 1,957	\$ 2,262	\$ 2,523
60% AMI	\$ 1,827	\$ 1,957	\$ 2,349	\$ 2,715	\$ 3,028
80% AMI	\$ 2,346	\$ 2,610	\$ 3,132	\$ 3,620	\$ 4,038

Less: Utility Allowance Adjustment (a)

Utility Allowance	\$55	\$66	\$90	\$114	
Net Rent at 50% AMI	\$1,467	\$1,565	\$1,867	\$2,148	

a) Utility Allowance is sum of (all electric) allowances for heating, cooking, lights, air conditioning, and hot water heating.

Sources: California Tax Credit Allocation Committee Gross Rent Limits, 2020;
Marin County Housing Authority Utility Allowance for MFR, 2020.
The Housing Workshop, 2021.

Appendix C: Costs for Affordable Projects in Sonoma County, 2020

Project Name	Mill District Lot 7	Cotati Station Apartments	BHDC Comstock	Woodmark Apartments	Woodmark Apartments	River City Senior	Average
Year Applied for Tax Credits	2020 (9%)	2020 (9%)	2020 (9%)	2020 (9%)	2020 (9%)	2020 (4%)	
Developer	Eden Housing	BRIDGE Housing	Burbank Housing	Pacific West	Pacific West	PEP Housing	
Target Group	Large Family	Large Family	Large Family	Large Family	Large Family	Senior	
Location	Healdsburg	Cotati	Healdsburg	Sebastopol	Sebastopol	Petaluma	
Site Area (SF)	37,897	104,853	125,888	155,074	101,059	57,064	
Housing Type	4-story	3-story	3-story	3-story	3-story	3-story	
Building Area (GSF)	44,841	103,339	41,673	74,921	45,941	45,640	
Number of Units	41	74	36	84	48	54	
SF/Unit	1,094	1,396	1,158	892	957	845	
Unit Mix (Percent Studio/1BR/2BR/3BR)	0/19/11/11	0/6/41/27	0/13/14/9	0/12/36/36	0/0/24/24	0/53/1/0	
Development Costs							
Acquisition Cost	\$ 5,990,000	\$ 6,290,000	\$ 2,500,000	\$ 3,975,000	\$ 2,590,449	\$ 1,300,000	
Hard Cost	\$ 16,609,026	\$ 27,632,447	\$ 11,870,227	\$ 26,447,682	\$ 17,025,913	\$20,179,802	
Soft Cost (excludes reserves)	\$ 4,987,976	\$ 7,348,774	\$ 3,961,092	\$ 4,838,714	\$ 3,524,890	\$ 4,548,201	
Developer Fee	\$ 2,000,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 3,048,949	
Total Development Cost	\$ 29,587,002	\$ 43,471,221	\$ 20,531,319	\$ 37,461,396	\$ 25,341,252	\$29,076,952	\$ -
Acquisition Cost per Site SF	\$ 158	\$ 60	\$ 20	\$ 26	\$ 26	\$ 23	\$ 52
Acquisition Cost per Building SF	\$ 134	\$ 61	\$ 60	\$ 53	\$ 56	\$ 28	\$ 65
Development Costs per Building Area SF							
Hard Cost	\$ 370	\$ 267	\$ 285	\$ 353	\$ 371	\$ 442	\$ 348
Soft Cost (excludes reserves)	\$ 111	\$ 71	\$ 95	\$ 65	\$ 77	\$ 100	\$ 86
Developer Fee	\$ 45	\$ 21	\$ 53	\$ 29	\$ 48	\$ 67	\$ 44
Total Development Cost (excluding land)	\$ 526	\$ 360	\$ 433	\$ 447	\$ 495	\$ 609	\$ 478
Total Development Cost (including land)	\$ 660	\$ 421	\$ 493	\$ 500	\$ 552	\$ 637	\$ 544
Total Acquisition Cost per Unit	\$ 146,098	\$ 85,000	\$ 69,444	\$ 47,321	\$ 53,968	\$ 24,074	\$ 70,984
Total Hard Cost per Unit	\$ 405,098	\$ 373,411	\$ 329,729	\$ 314,853	\$ 354,707	\$ 373,700	\$ 358,583
Total Soft Cost per Unit	\$ 121,658	\$ 99,308	\$ 110,030	\$ 57,604	\$ 73,435	\$ 84,226	\$ 91,043
Total Development Cost per Unit (exc. land)	\$ 575,537	\$ 502,449	\$ 500,870	\$ 398,648	\$ 473,975	\$ 514,388	\$ 494,311
Total Development Cost (including land)	\$ 721,634	\$ 587,449	\$ 570,314	\$ 445,969	\$ 527,943	\$ 538,462	\$ 565,295
Total Operating Expenses per Unit (b/f Reserves)	\$6,843	\$7,275	\$5,966	\$4,751	\$4,729	\$6,278	\$5,974
Share of Tax Credit Equity as % of Total Sources	55%	79%	75%	70%	61%	50%	
Notes	1 residential building	3 res bldgs; 3,600 sf retail	1 residential building	6 residential buildings	Farmworker housing; 4-residential buildings	19 homeless units, 3 residential buildings	
Perm Funding Sources							
Tax Credit Equity	\$ 16,400,614	\$ 34,306,145	\$ 15,332,319	\$ 26,161,396	\$ 15,541,252	\$14,594,866	
Perm Loan	\$ 3,447,800	\$ 7,569,000	\$ 2,699,000	\$ 11,300,000	\$ 7,800,000	\$ 2,881,000	
City Funds		\$ 750,000				\$ 1,608,000	
County Funds	\$ 1,500,000	\$ 605,000				\$ 1,575,000	
State Funds						\$ 5,922,684	
Federal Funds (USDA)					\$ 1,000,000		
Deferred Developer Fee	\$ 477,923	\$ 200,000			\$ 1,000,000	\$ 945,302	
Land Donation	\$ 5,990,000		\$ 2,500,000			\$ 1,300,000	
Other (GP Capital/Deferred Interest)	\$ 1,770,665	\$ 41,076				\$ 250,100	
	\$ 29,587,002	\$ 43,471,221	\$ 20,531,319	\$ 37,461,396	\$ 25,341,252	\$29,076,952	

Sources: California Tax Credit Allocation Committee, 2020 Second Funding Round for 9% Tax Credits, 2020 Second Cycle Funding for 4% Tax Credits

Appendix D: Pro Forma for Edgewood Park Parcel

Key Development Assuptions		Edgewood Park: All Affordable Rental @ 50% AMI
Development Program:		
Density (DU/Acre) (inc. 80% density bonus)		52.2
Site Gross Acreage		1.00
Gross Site Size (sf)		43,560
Number of Affordable Units		51
Manager's Unit		1
<i>Total Number of Units</i>		<i>52</i>
Affordable Rental Unit Mix		
Studios	0%	-
1 Bedroom units	40%	20
2 Bedroom Units	30%	15
3 Bedroom Units	30%	15
<i>Total Units</i>		<i>51</i>
Parking and Development Footprint		
Flats - Average Unit Size		900
Flats Common Area	20%	180
Total Flats Residential Sq. Ft.		56,160
Number of Stories		4
Footprint of Residential Building		14,040
Parking Ratio		1.5
Total Number of Parking Spaces (Surface)		78
Land Area for Parking	350	27,300
Remaining Landscaped Open Space (sf)		16,260
Affordable Rents - Flats (inc. utility allowance)		
Studios	\$	1,467
1 Bedroom units	\$	1,565
2 Bedroom Units	\$	1,867
3 Bedroom Units	\$	2,148
Development Costs		
Site Work Per Sq.Ft. of Land- Estimated (a)	\$	35
Hard Costs - Flats Building Per Sq. Ft.	\$	365
Surface Parking + Landscaping (per space)	\$	4,000
MMWD Connection Fee per unit (b)	\$	36,296
Bio/Geo Studies - Estimated (c)	\$	500,000
Other Soft Costs (as % of Hard Costs) (d)		25%
Dev Fee	\$	2,200,000
Construction Financing Costs		
Loan to Cost Ratio		100.0%
Interest Rate		5.0%
Loan Fees		1.0%
Construction Period (months)		24
Avg. Outstanding Bal During Construction		60.0%
OPEX per Unit + Reserves	\$	8,000
Debt Coverage Ratio		1.15
Permanent Financing Costs		
Term		30
Interest Rate		5.0%

Development Costs		Edgewood Park: All Affordable Rental @ 50% AMI
Land Acquisition		
	\$	-
Construction Costs		
Site Work	\$	1,524,600
Hard Building Costs	\$	20,498,400
Parking and Landscaping Costs	\$	312,000
<i>Subtotal Hard Costs</i>	\$	<i>22,335,000</i>
MMWD Connection Fees	\$	1,887,392
Bui/Geo Studies	\$	500,000
Other Soft Costs	\$	5,583,750
Dev Fee	\$	2,200,000
Total Development Cost Before Financing	\$	32,506,142
Construction Period Financing Costs		
Points	\$	325,061
Construction Period Interest	\$	1,950,369
Total Financing Cost	\$	2,275,430
Total Development Costs Including Financing		
	\$	34,781,572
<i>Total Development Cost per Unit exc. Land</i>	\$	668,876
Permanent Financing and Gap Analysis		
Rental Operations		
Gross Revenue	\$	1,120,266
Less: Vacancy Rate @ 5%	\$	(56,013)
Less OPEX	\$	(416,000)
Net Operating Income (NOI)	\$	648,253
Capital Stack		
Supportable Perm Loan	\$	8,665,420
LIHTC Proceeds (E)	\$	25,637,497
Total Before Other Subsidies	\$	34,302,917
Less: Dev Costs	\$	(34,781,572)
Gap to be Funded by Other Sources	\$	(478,655)

Notes:

- a) Includes grading, relo/demo of existing improvements. Does not cover any new improvement costs for relocated restrooms/parking for Hauke Field.
- b) Marin Water connection fee
- c) Estimated bio/geo studies needed to determine site development feasibility per Marin County Baylands conservation regulations and related geotech issues.
- d) Other soft costs include survey, architectural, engineering, plan check, etc. This category would also cover small roadway fund and school impact fees.
- e) Annual applicable for 9% LIHTC 9.00% applied to eligible basis X 10 years
Eligible basis assumed to be 90.0% of total dev costs
Credit price \$ 0.91

Source: The Housing Workshop, 2020.