

STATEMENT OF WORK

OBJECTIVES

The objectives are to develop a general scope of services organized by task. In addition, goals and objectives of each task are summarized to support an overall appreciation of the expectations of each task. Parameters are provided to assist in understanding the expected level of detail, deliverables, what the end products need to accomplish, and how these products will be used. This scope of services is to provide the overall framework and direction for the proposed study.

SCOPE OF SERVICES OUTLINE

PROJECT DESCRIPTION

Goal: *To identify plausible development scenarios and financial feasibility of an affordable housing development at the Ashby BART location with the object of employee retention in the City of Berkeley.*

Methods: The study will begin upon the acceptance of this statement of work and will continue through 08/24/2001, for a study duration of approximately three months. The scope of this study will include:

1. Public and Stakeholder Due Diligence
2. Comparable Analysis Study
3. Preparation of Development Scenarios
4. Market Research and Demand Analysis
5. Financial Feasibility Study

PUBLIC AND STAKEHOLDER DUE DILIGENCE

Goal: *To establish an understanding of the public and stakeholder efforts, preferences and outstanding issues as it relates to the successful completion of the project goal.*

Methods: Establish and attend meetings with the representatives of employees of the City of Berkeley, the University of California, and the Berkeley Unified School District, BART's Manager of Property Development, the nine organization partner group of the Ed Robert's Campus and other relevant organization representatives as identified by the City Manager. The purpose of these meeting will be to discuss the proposal submitted to the City of Berkeley and dated January 3, 2001 and identify issues that are critical to the implementation of any proposed development.

Products:

- Assessment of issues critical to the public for use by both the Service Provider and the City of Berkeley in preparing prospective development scenarios.

COMPARABLE ANALYSIS STUDY

Goal: *To profile successful regional and national public/private developments for purposes of identifying best practices in the realm of design and financing initiatives.*

Methods: Comparable subjects will be identified as those satisfying one or more of the following characteristics:

- Transit-Oriented Development
- Affordable Rental/Ownership Development
- Public development initiatives in cities of 100,000 to 200,000 residents
- Public development initiatives toward the goal of local employee retention

This analysis will include subject features, functions and benefits. In addition, operating expenses and financing sources will be included when available.

Products:

- Comparable analysis report of no fewer than four projects or initiatives.

PREPARATION OF DEVELOPMENT SCENARIOS

Goal: *To create a portfolio of prototypes for the subject site, identifying associated costs and characteristics of separate development initiatives. Identify a subset of these prototypes that represent the most promising scenarios.*

Methods: The portfolio will model developments differentiated by following parameters:

- Percent of space developed (Including planned unit development)
- Height and density
- Amount and location of parking
- Unit sizes
- Affordable housing mix
- Ownership/rental mix
- Associated development mix (Retail, Community Services, etc.)

The portfolio will be prepared addressing issues identified in the Public and Stakeholder Due Diligence and the utilizing, where possible, the best practices identified in the Comparable Analysis. A brief discussion of design issues may also accompany some prototypes. The City of Berkeley shall select a subset of these prototypes for which the Service Provider shall provide more detailed analysis during the remainder of the contract period.

Products:

- Summary financial projections and discussion of development prototypes for no fewer than six unique scenarios.

MARKET RESEARCH AND DEMAND ANALYSIS

Goal: *To provide an understanding of the current housing supply, market forecasts and prospective demand within the target market.*

Methods: An analytical report of current market conditions will be prepared which will include:

- Current housing supply
- Absorption and Vacancies
- Rents and Values

An analytical report of market forecasts will be prepared which will include:

- Projected Housing Supply
- Absorption and Vacancies
- Rents and Values
- Employment Growth
- Population Growth
- Space Needs

A demand analysis of the characteristics of target tenants will be prepared. Emphasis will be placed upon the preferences, income, space needs and commute of the employees represented in the proposal submitted to the City of Berkeley on January 3, 2001. Focus Groups may be conducted with the purpose of identifying unique challenges and opportunities the subject location presents to prospective tenants.

Products:

- Market research and demand analysis report.

FINANCIAL FEASIBILITY STUDY

Goal: *Identify the capital requirements, operating costs and revenues associated with development at the subject site. Identify the sources of funding available for development including non-financial or indirect forms of assistance.*

Methods: Prepare refined financial models for the subset of development prototypes selected by the City of Berkeley. These refinements will include detailed estimates of hard and soft costs as well as projections of revenues and expenses. In addition, the financial feasibility study will identify and model expected sources of funding, including but not limited to LIHTC, project based Section 8 authorities, HUD and AFL-CIO Housing Investment Trust funding, in order to identify the minimum capital requirements necessary for development. Sensitivity analysis will be performed based on selected market and cost scenarios.

The Service Provider will work with the City of Berkeley to identify non-financial or indirect forms of assistance including but not limited to zoning considerations, project approvals and coordinated design.

Products:

- Sources of financing summary.
- Refined financial projections of construction costs, revenues and financing for a subset of development prototypes.

PROJECT MILESTONE DATES

Goal: *Keep the project on schedule.*

Methods: Major submission dates and milestones are listed below. A detailed project schedule will be developed upon commencement of the study. Items not included in this Statement of Work that arise out of this study will be evaluated as to impact on this project schedule.

Milestone	Tentative Date(s)
Kickoff Meeting	Week of 06/04/01
Public and Stakeholder Due Diligence Assessment of Issues	06/22/01
Comparable Analysis Study	06/22/01
Preparation of Development Scenarios	07/10/01
Selection of Scenario Subset	07/16/01
Market Research and Demand Analysis	08/09/01
Sources of Funding Overview	08/13/01
Financial Model Preparation	08/21/01
Financial Model Review	08/24/01

COMPARABLE ANALYSIS STUDY

OBJECTIVE

To profile successful regional and national public/private developments for purposes of identifying best practices in design, financing and the approach to site specific challenges. Select comparables with characteristics that highlight considerations particularly relevant to any proposed development at the Ashby BART location. Develop an organized comparable analysis study that can be used as a framework for discussions regarding possible development scenarios at the Ashby BART location.

SUMMARY OF SELECTED COMPARABLES

The Village at Overlake Station

Redmond, WA

An intensive study by the City of Seattle on transit-oriented development has initiated several transit related joint development projects including The Village at Overlake Station. The 300-unit, 100% affordable housing development will include two stories of parking for 582 cars. Development requirements for this project mandated the preservation of the park and ride spaces while promoting the effective dual use of the site as both a transit hub and residential development. The Village at Overlake Station uniquely illustrates the construction, financing and management considerations required of such a development.

Ohlone-Chynoweth Commons

San Jose, CA

Ohlone-Chynoweth Commons was developed to address both the desperate need for affordable housing in the San Jose area as well as the desire to reduce the demands on an overburdened highway system. As the first transit-oriented joint development project of the Santa Clara Valley Transportation Authority (VTA), the implementation of this 192 unit affordable housing project has been studied since its completion in an attempt to identify best practices in development and design. Ohlone-Chynoweth Commons helps to demonstrate some of these lessons learned in the practical development of transit-oriented projects.

CarLink I

Davis, CA

Created as a joint development project among Honda Motors, the University of California at Davis and others, CarLink I was an experiment in the viability of car sharing programs. Operated out of the Dublin-Pleasanton BART station, 54 volunteers shared 12 automobiles for a period of 10 months. CarLink I was included in this study as an example of alternative transportation practices that are increasing part of transit-oriented developments.

SUMMARY OF SELECTED COMPARABLES

Strobridge Court

Castro Valley, CA

Completed by Bridge Housing in 1997, Strobridge Court created 96 units of senior and family housing adjacent to the Castro Valley BART station. As the first joint development on BART owned property, the success of this award-winning project has contributed to the active support of transit-oriented initiatives as outlined in BART's 1999 Strategic Plan. Strobridge Court aids in understanding the challenges of joint developments requiring BART cooperation, and outlines some of the considerations for public agencies involved in joint development projects.

Lenzen Avenue

San Jose, CA

As one of the first teacher-oriented affordable housing developments in California, the Lenzen Avenue project will provide 88-unit of housing consisting of studios, one-bedroom and two-bedroom units. Even the site location, across the street from the school district's administrative offices, contributes to an amenity package designed to accommodate the needs of a specific population. The Lenzen Avenue project helps to define the special requirements and unique characteristics of affordable housing dedicated for teachers and other school personnel.

Albina Corner

Portland, OR

Albina Corner is a unique example of high-density, mixed-used, infill development. Located in a historic design area, the project provides 43 units of affordable housing and 12,000 square feet of retail space on three-quarters of an acre, while remaining compatible with the surrounding neighborhood. Many of the concepts of "smart" infill housing design, especially shared parking practices, are successfully implemented in this project. Although it is yet to be determined if the density and reduced parking of Albina Corner are appropriate for a development at the Ashby site, the project provides a practical example of aggressive land use policies.

Transit Oriented Development

The Village at Overlake Station
Redmond, Washington



Goal: *The King County Department of Transportation owned and operated a five-acre site in the City of Redmond, Washington utilized as a park & ride lot for its bus transit system. King County solicited and received proposals for transit-oriented developments that would focus on housing, linked with ancillary services that would preserve the use of the park & ride parking.*

The Village at Overlake Station

Development Details	
Expected Completion:	April 2002 with some apartments occupied as early as January 2002
Location:	Overlake Commercial Area of Redmond, WA
Unit Mix:	308 rental housing units; 100% affordable to households earning 60% AMI (~\$40,000)
Density:	62 Units/Acre
Rents:	Studios- \$650/mo 3BR- \$936/mo
Parking:	Two-Floor Structure of 536 Parking stalls. Shared parking allocates 150-200 spaces for Park & Ride commuters during the day.
Ancillary Services:	4,500 sq ft Day Care Facility
Total Cost:	\$40,000,000 (Projected)
Developer and Partners:	Developer: Langly Properties, LLC Architect: Hewitt Architects
Financing:	King County Housing Authority- \$26,500,000 FNMA - \$13,500,000

The Village at Overlake Station

Practices:

Encourage Alternate Transportation- Located in a dense employment and residential area, the Village at Overlake Station is geared toward “Workforce” affordable households. This population is perceived as a group of households that has a need for alternatives to single occupancy vehicle use as well as a high probability of using alternatives when available. New residents receive a free bus pass for two years to further encourage transit use. A five-car FlexCar program will also be included in the development.

Leverage Community Amenities- The Overlake Area is a major employment center with about 600 firms, including the main campus of Microsoft. Establishments within walking distance of the community include grocery stores, restaurants and personal services. Linking the development to the existing retail in the surrounding area is considered a significant design element. The inclusion of a 4,500 sq. ft. day care facility is a complimentary service, compatible with the target housing populations as well as the community at large.

Parking Management Plan- Significant effort was devoted to the creation of a parking management system based on the results of an outsourced parking study. This parking study also helped the project negotiate with King County the optimal number of spaces dedicated to park and ride use. In addition, the study helped convince the stakeholders of the viability of the reduced parking proposal, as well as the complimentary usage patterns of the resident vs. commuter users. The resulting negotiations provided a 50-year lease requiring a parking management plan which ensures at least 150 stalls are available to commuters in the morning commute hours. Spaces reserved for the residential units assume that 30 units will not require parking. It should be noted that the original Park & Ride lot originally accommodated 360 spaces and was considered underutilized at the time the RFP was issued.

Provide Dual-Usage- Transit functions are maintained at the lowest level of the development in an attempt to provide the clear separation of transit and housing functions at the site. The development also needed design that provided traffic considerations and separate access to the parking garage, loading zones for tenants, the main office and day care facility.

The Village at Overlake Station

Funding and Land Lease:

The King County Housing Authority issued \$26.5 million worth of tax-exempt bonds underwritten by Bank of America. An additional \$13.5 million of equity was provided by Columbia Housing and Fannie Mae in a tax credit limited partnership.

King County's Housing and Community Development Program helped reduce the interest costs of the project by using a credit enhancement program. This enabled the project to borrow at the low rate afforded by the county's high-grade bond rating. This credit enhancement represented a contribution of approximately \$3.4 million dollars. The developer will provide all the initial equity required during pre-development to the closing of the bond financing.

The City of Redmond waived \$1.7 million in development fees, and King County Department of Transportation, which is leasing the land to the housing authority, contributed \$1.3 million dollars of additional funds. Some of these funds have been earmarked for the construction of 30 apartments for the disabled. In consideration for use of the land, the developer has proposed that 50% of distributed cash flow pass through to the King County Department of Transportation.

Special Considerations:

FTA Involvement- The Federal Transit Administration had contributed to the development of the original park-and-ride lot. Under the terms of the original grant, the agency had to approve any incidental or non-transit use of the property. Failure to receive approval would have resulted in the reimbursement of the federal grant by King County (the Grantee).

Parking Operation and Security- It is envisioned that a separate management company may be used for the management of the parking facility, however the same management company may elect to operate both. No security cameras are to be installed in the structure as it was deemed that they would give users a sense false of protection and ultimately increase the liability for the owner. Instead, construction plans call for the structure will be well lit, with a generous distribution of "panic buttons" located throughout.

Temporary Parking and Construction Concerns- Construction of the project will require that the park & ride lot be closed in its entirety during the completion of the parking garage. The county will provide alternate parking during this period. The construction plans call for the park & ride facility to be open within one-years time, while construction on the residential units continues. This contingency must be considered in the development and implementation of a construction plan.

Transit Oriented Development

Ohlone-Chynoweth Commons
San Jose, CA



Goal: *The Santa Clara Valley Transportation Authority (VTA) uses joint development programs to promote projects that integrate transportation with medium-high density residential developments. The four facets of the VTA's joint development program seek to: 1) enhance the quality of the station environment; 2) improve linkages between transit and the community; 3) improve system patronage; and 4) generate revenues for the transit system.*

Ohlone-Chynoweth Commons

Development Details	
Year Completed:	December 2000
Location:	San Jose – South of Chynoweth Avenue @ Pearl Avenue
Unit Mix:	195 family rental units; 78 VLI; 113 LI; 2 manager's unit
Density:	27 units/ acre
Rents:	\$900 - \$1,350/ mo
Parking:	369 parking spaces + 200 park & ride spaces
Ancillary Services:	4,400 sq ft ground-floor commercial space, day care and community center.
Total Cost:	\$31,600,000
Developer and Partners:	Developer: Eden Housing Contractor: L&D Construction Architect: Chris Lame & Associates
Financing:	City of San Jose - \$5,200,000 Tax-Exempt Bonds- \$14,500,000 PG&E- \$10,500,000 (LIHTC) Federal Transportation Funds- \$824,00 Affordable Housing grant- \$500,000 State Proposition 1 funds- \$350,000

Ohlone-Chynoweth Commons

Practices:

Encourage Transit System Ridership - A major goal of joint development is to enhance the quality of the transit experience and promote ridership. The Guadalupe Line, which runs by this station, connects the residential areas of South San Jose to the large and growing employment centers to the north. The development of housing, particularly affordable housing, adjacent to the stations, improves the link between jobs and housing, and provides a commuting alternative for moderate-income workers. Transit improvements, such as new lighting and security features, were also incorporated into the project.

Improve the Link Between Transit and Community - Joint development at this and other stations in the system encourages the inclusion of convenience retail, computer space and day care facilities in the projects. This encourages the neighborhood to patronize the local offering of services, building a sense of community, saving time and eliminating vehicle trips for increasingly time-constrained workers. In addition, the on-site presence of active residents and economic activity around the station provides the additional benefit of crime deterrence.

Strong Development Partners- Eden Housing was one of five developers to respond to the VTA's proposal. As California's oldest non-profit developer, Eden Housing brought a great deal of affordable housing development experience to the project. In addition, Eden Housing coordinates a variety of social support services for the residents in Ohlone-Chynoweth. The appeal of a developer committed to integrate social services and quality of life amenities was viewed as an excellent method to maximize the livability of the neighborhood.

Funding and Land Lease:

The City of San Jose issued a \$14.5 million tax-exempt bond and the San Jose Redevelopment Agency loaned \$5.2 million at 3% over 40 years to fund the project. Tax credit equity of \$10.5 million was also committed, with PG&E as the tax credit investor. State Proposition 1 funds of \$350,000 were used to reimburse school fees, and an Affordable Housing Grant of \$500,000 was also required to finance the project. The VTA is leasing the property to the Chynoweth Housing Association, L.P. for 75 years at approximately \$300,000/yr. Federal Transportation Funds of \$824,000 were made available for station improvements.

Ohlone-Chynoweth Commons

Special Considerations:

*Underutilized Parking Capacity-*The Ohlone-Chynoweth joint development project is on a parcel of 11.6 acres on the west side of the station. At time of development only 20 to 25 percent of the 1,166 previously existing park-and-ride spaces were being used with any regularity. The transit agency projected the maximum demand for future spaces to be between 500 and 600 spaces, of which 200 were to be provided as part of the Ohlone-Chynoweth development.

Land Use Plan- In order to assess the development potential of the site, three alternative scenarios were developed for analysis and critique. The plan defined the general organization of land use, a system of access and internal circulation, and a new layout for the transit operations. The land use plan also included a site development plan, with specifics on roadway widths and curbs, rail lines and platforms, bus stops, a general pattern for public landscaping, and building setbacks for the residential parcels.

Lack of experience- The VTA, at the time of this development, admits to having no “TOD institutional memory.” In addition, because there is no single model to follow, each transit station provides unique challenges. This lack of experience and few active examples of similar developments required a great deal of effort in convincing project stakeholders, particularly financing authorities, to support the project.

Alternative Transportation Solutions

CarLink I
Davis, CA

Goal: *Allow groups of individuals to share vehicles close to their homes, offices and transportation stations. Better integrate the automobile within the transportation system.*

Practices:

Effective Car Pooling- CarLink I was launched as a research project supported by government and private industry partners on January 20, 1999. In the study, 54 individuals shared 12 natural gas powered vehicles based out of the Dublin-Pleasanton BART station for 10 months.

Users were organized between “Homeside” and “Workside” users. Homeside users drove a CarLink vehicle between their homes and the BART station, keeping the car overnight and on weekends. Workside users utilized the carshare vehicles during the workday, commuting from the Dublin-Pleasanton BART station to and from work. Homeside users paid \$200/mo while Workside users paid \$60/mo. The monthly fees included fuel, insurance, registration and maintenance costs.

Multiple Benefits- The CarLink I study was completed in November of 1999. A June 2000, report from UC Davis detailed the following findings:

- Several Homeside users reported that if CarLink became a permanent service, they would sell one of their personal cars.
- CarLink resulted in at least 20 new BART trips each day, and an average net commute reduction of about 20 vehicle miles per day.
- Average commute times were a few minutes shorter for Homeside users and about 15 minutes longer for Workside commuters.

Continued Development- CarLink II is currently underway in Palo Alto. The primary goal of CarLink II is to further identify the target markets and technologies that will help reduce the inconveniences inherent in car sharing. In addition, numerous car share programs are burgeoning throughout the nation, including several for-profit providers.

Working with BART

Strobridge Court
Castro Valley, CA

Goal: *Create an effective joint development program with BART to build a transit-based, “intergenerational” affordable housing development at the Castro Valley BART station. Effectively manage community reticence and opposition resulting from the proposed development.*

Development Details				
Year Completed:	1997			
Location:	Castro Valley BART Station			
Unit Mix:	96 Units; 100% Affordable			
Density:	32 Units/ Acre			
Rents:	1BR	2BR	3BR	4BR
	52 Units	14 Units	28 Units	2 Units
	\$401- \$571	\$480- \$703	\$586- \$741	\$725/\$896
	Senior Restricted		Unrestricted/Family	
Parking:	130 Spaces			
Ancillary Services:	2,400 sq ft of commercial space, dedicated to a BART Police Substation			
Total Cost:	\$13,000,000			
Developer and Partners:	Developer: Bridge Housing Architect: Treffinger, Walz & MacLeod General Contractor: Agresti & Associates			
Financing:	Wells Fargo Bank, Alameda County, SAMCO, Federal Home Loan Bank, CalPERS, World Savings			

Strobridge Court

Practices:

Developing Consensus within BART- In a June 18, 1999 roundtable discussion of real estate development at transit stations, John Rennels, Jr. of BART used his experience with the Strobridge Court project to illustrate the main challenges encountered by public agencies as they engage in joint development projects. In managing the BART element of this project, a consensus within the organization concerning the importance of transit-oriented development needed to be created. His list of challenges also included:

- Internal negotiations
- Working with elected officials
- Addressing replacement parking
- Understanding economics and market conditions
- Identifying appropriate uses around stations
- Enhancing station facilities

Community Involvement- The original proposal submitted by Bridge to BART, which owned and operated the land as a park and ride, included 250 units of housing and 650 sq ft of commercial space. Once presented to the surrounding communities, opposition to the proposed density, general reticence of affordable housing and concerns about parking emerged. This community involvement process resulted in the evolution of the project to the current 96 units and the inclusion of the 2,400 sq ft BART substation. Critical to the success of this process was remaining sympathetic to the interests of the community, and achieving community buy-in through education. In addition, neighborhood opposition was vehement enough that Bridge abandoned its original intention to pursue zoning variances.

Funding and Land Lease:

Equity funding of \$8,500,000 was raised through an allocation of low-income housing tax credits, and sold to Edison Capital. The County provided at-risk predevelopment funding, which is now part of the permanent financing. Metropolitan Transportation Commission and the S.H. Cowell Foundation grants were also used in financing the development. The land is leased from BART. The terms of the lease were unavailable.

Special Considerations:

Overdeveloped Parking- The development was constructed with 130 spaces. Almost 18% of the parking available for use by community residents remains vacant. In addition, the 19 guest parking spaces were also reported as being “underutilized”. It was unclear whether the abundance of parking can be attribute to BART access, or general reduced automobile ownership by the tenants of the development. However, property management reported that the Strobridge Court population can be characterized as active users of BART for both commuting and recreation purposes. There are no special transportation programs developed by BART that exist specifically for the residents of Strobridge Court. Further conversations with Bridge Housing indicated that some of the additional parking was supplied to satisfy the requests of local residents and may not have been required by BART.

Teacher Oriented Housing

Lenzen Avenue
San Jose, CA

Goal: *Utilize affordable housing as a tool in retaining current teachers and nurturing a workforce that will ensure the continued quality of local teaching talent. Develop, design and market housing which address the specific housing needs of this target population.*

Development Details				
Year Completed:		RFQ issues January 2000 Developer Selected June 2000 Completion Expected Mid 2002		
Location:		San Jose, CA		
Unit Mix:		88 Units; 18 VLI/69 LI/ 1 manger's unit		
Density:		55 Units/ Acre		
Rents:		Studio	1 BR	2 BR
	VLI (50% AMI)	7 @ \$735	7 @ \$779	4@ \$924
	LI (60% AMI)	31@ \$887	31@ \$942	7@ 1,120
Parking:		143 Spaces		
Ancillary Services:		Swimming Pool, Courtyard and Community Room, Computer Lab, Exercise Facility		
Total Cost:		\$14,762,000		
Developer and Partners:		Developer: Core Development Architect: David Baker Associates		
Financing:		City of San Jose - \$4,161,000 Application submitted to the California Debt Limit Allocation Committee (CDLAC) for tax-exempt bond allocation- \$9,000,000		

Lenzen Avenue

Practices:

Strategic Marketing- The Lenzen Avenue project is designed specifically for single, younger teachers. As a result, the product mix is weighted with more studios and one-bedroom units. In contrast, a second teacher development, Roberts Avenue, is designed for older, credentialed tenants. As a result, this development includes more two and three-bedroom units.

Housing amenities were carefully selected and designed. These amenities include a computer lab wired into the SJUSD network that will enable teachers to manage their workload, further their education, and eliminate the need to purchase a home computer. The project itself is located across the street from the San Jose Unified School District administrative offices. All of these design features enable the property manager to market the apartments directly to the teachers through the districts. Flexible lease structures were required in order to provide protection to the developer in the case that teacher demand was insufficient.

Community Involvement- As with many San Jose development projects, Community group meetings were held at the earliest planning stages to achieve a neighborhood buy-in. The meeting was held in the administrative offices of the San Jose Unified School District on July 26, 2000. In this instance, affordable housing geared toward the teacher population provided little in the way of public resistance. Most concerns regarded the hours of construction and noise generation. San Jose communicated that there were strong parallels in this process with their experience in senior housing developments.

Funding:

The permanent financing for the project will consist of a tax-exempt bond and allocation of 4% tax credits. The project is not eligible for the 9% tax credit program since it does not meet eligibility criteria under any of the program categories.

The total city funds of \$4,161,000 were allocated to land acquisition (\$2,700,000) and anticipated predevelopment expenses (\$1,461,000). Up to \$9,000,000 in tax-exempt bonds will be issued to finance construction of the project. The bonds will be secured solely by project revenues.

Lenzen Avenue

Special Considerations:

Concurrent Development- The City of San Jose is aggressively pushing forward with three affordable housing development projects targeted for teachers and other school personnel. The third project, Jackson/Commodore, is expected to provide an additional 100 unit, and is currently in the location identification stage. In this instance, property owned by the school district may be classified as “surplus” and transferred to the City at the prevailing market rate.

Teacher/Senior Housing- The Robert’s Avenue development, mentioned briefly above, will also have 100 senior units. In this instance the City believes that this tenant mix combines a senior population that can provide active community involvement with a teacher population in need of community services.

Infill Development and Shared Use Parking

Albina Corner
Portland, OR



Goal: *Effectively use infill and high-density development practices to restore previously used sites for new uses. Encourage affordable housing within these developments as a solution to Portland's rapidly increasing housing costs. Utilize creative design elements, shared-use parking practices and a mix of space use toward the goal of effective, high-density development.*

Albina Corner

Development Details	
Year Completed:	1997
Location:	Northeast Portland
Unit Mix:	43 Units; 32 1BR, 15 2BR, 1 4BR
Density:	64 Units/ Acre
Rents:	43 units@ 51%-80% AMI 1 unit below 50% AMI
Parking:	42 Spaces
Ancillary Services:	12,000 sq ft commercial space
Total Cost:	\$4,400,000
Developer and Partners:	Developer: Portland Community Design Architect: Andrews Architects
Financing:	Us Bank Network for Oregon Affordable Housing Oregon Department of Housing and Community Services Portland Development Commission

Practices:

Infill Design- A 1993 zoning change encouraged high-density housing and mixed-use developments, including apartments over ground floor retail shops of which Albina Corner is an example. The development sits on three-quarters of an acre and combines 43-units of affordable housing with 12,000 square feet of commercial space. Albina Corner was the first transit-oriented development constructed outside of Portland's downtown area.

Albina Corner

Many of the design features are consistent with the principle objectives of effective infill housing. These design elements include:

- *Promoting Pedestrian Traffic.* Increased setbacks of two feet from the allowable boundary widen the sidewalks, improve pedestrian access and take advantage of the corner lot location.
- *Providing Commercial Uses Addressing Neighborhood Needs.* Convenience oriented tenants include a bank, coffee shop, art gallery and day care center.
- *Effective Use of Space.* An open-sky, central courtyard for the development is constructed over the first floor shops. Three floors of residential development are situated around this elevated, landscaped courtyard.

Shared Use Parking- Following the principle, that parking requirements should take into account different peaks in demand, Albina Corner utilizes a shared parking system that reduces the number of required parking spaces. On-site parking provides only 42 spaces for the 43 residential units and 12,000 sq.ft of commercial space within the development. In order to secure funding, the lenders needed to be convinced by the development team that area apartment parking lots remained virtually empty during the workday, providing ample parking for the customers of retail tenants.

Community Involvement- The developer, Portland Community Design, and the Portland Development Commission initiated the first of 9 neighborhood meetings early in the planning stages. Two community wide meetings were also conducted. During construction, 33% of the subcontractors were community based.

Funding:

The Oregon Housing Trust Fund provided a grant of \$100,000 in initial investment. The project was financed through a combination of \$360,000 in low-income housing tax credits, as well as low interest and conventional loans, involving 11 different public and private institutions. Coordination of this funding did result in significant development delays. Albina Community Bank, a neighborhood lender, acted as both a financing source and tenant in the project, anchoring the commercial space. Income from the first floor commercial tenants covers the operating costs of the development.

Special Considerations:

Shared Parking Study- The success of projects such as Albina Corner, motivated Metro, a directly elected regional government of 24 Oregon cities, to conduct a shared parking study financed through a federal transportation grant. This report includes an extensive discussion of shared parking considerations, a draft model of shared parking ordinance provisions, and a summary of discussions with planning staff, developers, business and neighborhood associations. The complete report is available to the public.

Findings and Implications

Discussion of Relevant Issues

Parking Structure- The parking structure required of any development at the Ashby station, adds to both the complexity and expense of the project. In the case of Overlake, the developer partnered with two contractors for the project, one of which specialized in garage construction. Design issues also become increasingly important, as protecting residents from exhaust, noise and vibration will be critical to any effective housing development. In addition, the dual use nature of the parking structure requires that additional thought be placed on traffic flow, as well as the separation of spaces reserved for residential use from the public access BART parking. This is also illustrated in the Ohlone-Chynoweth development.

In addition, the total cost of building parking may not be included in the project value available for LIHTC allocation. In most cases, the costs associated with replacement parking are not entitled for inclusion of the project value. However, it may be possible to include a percentage of the cost if it can be shown that the replacement parking is not permanently dedicated to the transportation use. For example, Overlake argued that the replacement parking should be considered “owned” by the project except for the time period that it is guaranteed to be available for use of as a public park and ride. As such, Overlake was able to include a percentage of the replacement parking costs in the value of the project upon which its tax-credit allocation was based.

Transportation Demand Management- Orchestrating a parking management plan that fits the demand schedules of both commuters and tenants should be considered an important component of any development at the Ashby station. In addition, it is likely that a parking study will be useful in negotiations with BART, regarding replacement parking concerns, financiers, and the community at large. It may also be desirable to explore a shared parking arrangement with any adjacent developments.

Shared Parking- Shared parking is most effective when land uses have significantly different peak parking characteristics that vary by time of day. The studies conducted for both the Overlake and Albina Corner projects further suggest that the parking demands of transportation and residential users are highly complimentary. However, shared parking plans must also be designed in combination with other transportation demand efforts such as car share or car pooling programs, and access to transit.

Concerns that emerge from shared parking relate to both acceptance by the neighborhood and the impact on financing. It is important to promote acceptance through an awareness program that addresses both residents and local businesses alike. From a financing perspective, funding may be reduced as a response to the perceived increase in risk of a project with parking below traditional standards.

Car Share- A car share program should be considered viable for any residential development at the Ashby station. In addition, it should be possible to provide a car share program at no expense to the development. In addition, spaces dedicated to the car share program may count toward replacement parking requirements.

Affordable Housing Targeted for Teachers – Housing developed specifically for teachers necessitates several considerations. The approach taken by San Jose recognizes that different teaching populations have very different housing requirements. As a result, it may be important to identify a specific teacher population (younger vs. older) in order to adequately define the product offering as well as improve overall livability.

Various questions still exist involving lease terms and structure as well as a specific marketing strategy for these types of projects. Specifically, lease term need to simultaneously define teacher eligibility requirements (income thresholds and employment status) while providing enough flexibility in the event that response of the teacher population is not sufficient to achieve complete occupancy. A meeting with the developer of the Roberts Avenue project has been set for the week of June 25th to examine these issues.

Transit Oriented Development- Motivated by increased traffic congestion, affordable housing needs, and “smart growth” policies, a number of cities, such as Portland, Seattle and San Jose are admittedly taking risks on early developments, in an attempt to establish process guidelines that will facilitate future developments. In some cases, this has made the already difficult process of funding these projects even more challenging.

However, this “success breeds success” policy of transit-oriented development is slowly uncovering a series of best practices. Toward this resolve, the VTA commissioned a study of the Ohlone-Chynoweth project four months after completion. In this April 2001 report the VTA targets areas of improvement for future projects. The following is excerpted from this report:

- *Identify local businesses that would be particularly appropriate for the development.* VTA also recommends offering these businesses reduced rent for a period of time to assist in their establishment and ensure the success of the retail component of the project.
- *Design pathways to provide direct connections to nearby neighborhoods.* Pedestrian friendly design encourages the larger neighborhood to use the transit station and patronize the retail.
- *Hold meetings with the homeowners associations early in the process.* The VTA also recommends meeting with representatives of all affected groups at the same time.

However, there is also a consensus that there is no template for all transit-oriented development. To be successful each project must address the unique characteristics and needs of the surrounding population. From their experience in developing transit-oriented developments in Portland, Grub and Ellis attempted to define some of these “local” success factors:

- *Know the place.* Know who lives in the surrounding neighborhood, the mix of retailers, as well as the area’s design and function.
- *Know the market.* Address changing trends, living patterns and demographics.
- *Understand access.* Find the mix complementary retailers and provide them with clear neighborhood access and visibility.

Development Prototype

Executive Summary

The *Development Prototype* document is an attempt to discuss and quantify the general characteristics of several theoretical developments at the Ashby BART Station. In each instance, the various cases have been selected in that they represent a change in one or more of the following assumptions:

- **Density**- The number of total housing units to be developed, and measured in units/acres. Scenarios have been selected that illustrate High Density, Moderate Density and Low Density Developments.
- **Parking**- The total number of parking spaces provided by the development, and the construction costs associated with those parking spaces.
- **Affordability**- The percentage of affordable apartments within the development, and their level of affordability as a percentage of Area Median Income. Scenarios have been selected which illustrate mixtures of units available to Very Low Income, Low Income, and Moderate Income tenants, as well as those apartments offered at market rates.
- **Mix of Uses** – The portion of the development that is dedicated to residential apartment housing vs. other uses. Scenarios have been prepared that illustrate associated retail, office or for-sale housing developments.

In each instance, the primary focus has been to examine the associated development costs, and financing requirements associated with the various changes in assumptions.

General Assumptions

Several assumptions remain constant throughout the analysis, and are a product of either the physical site constraints, or the prevailing market. Some of these more important assumptions are detailed in the table that follows:

Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.6
Land Cost (Air Rights)	55,000
Construction Cost (Residential)	\$125/SQFT
Mortgage Financing Interest Rate (%)	7.45%

Development Prototypes

For purposes of creating a benchmark with which to compare alternatives, the analysis begins with the design of a base model-**Prototype I**. This base model develops the entire site to residential purposes, maximizing the current zoning provisions and providing 100% affordable housing.

Benefits	Barriers
<ul style="list-style-type: none"> Provide the greatest achievable number of housing units and maximizes development efficiencies, if they exist. 	<ul style="list-style-type: none"> No consideration for design implications. High Density development not always the most livable.

Prototype I creates a housing project with the following characteristics:

Total Units	326
Total Density (Units/Acre)	91
Total Parking Spaces (Including BART replacement spaces)	653
Construction Costs (Per Unit)	\$230,000
Total Project Costs	\$75,000,000
Supportable Mortgage	\$30,000,000

Within this prototype, changes in the various assumptions outlined above yield the following observations.

Change in Assumptions	Implication
<ul style="list-style-type: none"> <i>Higher Density</i>- Fewer family apartments, smaller overall apartment size. 	<ul style="list-style-type: none"> Equal overall project costs, with reduced construction costs per unit by 6%.
<ul style="list-style-type: none"> <i>Reduced Parking</i>- Reduce the overall development by 100 spaces (A reduction of \$2.1 million in parking related construction costs). 	<ul style="list-style-type: none"> As parking costs are a significant portion of the overall development (18%) in Prototype I, reducing parking requirements decreases overall development costs, and decreases the financing gap, by equal amounts.
<ul style="list-style-type: none"> <i>Increased Parking Costs</i>- Increase the parking construction cost assumption by 17%. 	<ul style="list-style-type: none"> This illustrates the sensitivity of the development similar to above, but in a less favorable direction. An increase in parking related costs directly increases the projects over costs and financing gap.

Prototype II deviates slightly from the benchmark by assuming a more moderate density. With these development costs now held constant, this model seeks to examine the effect various levels of affordability have on the supportable mortgage financing this development could expect to retain.

Prototype II creates a development with the following characteristics:

Total Units	286
Total Density (Units/Acre)	79
Total Parking Spaces (Including BART replacement spaces)	502
Construction Costs (Per Unit)	\$219,000
Total Project Costs	\$63,000,000

Within this framework, the changes in affordability levels were distinguished as follows:

Affordability Assumption	Implication
<ul style="list-style-type: none"> <i>ABAG Projected Need</i> - Affordability levels determined by the need as projected by the Association of Bay Area Governments. Largest amount of Very Low Income housing of all the models. 	<ul style="list-style-type: none"> Supportable mortgage financing of approximately \$27,000 or 43% of project costs.
<ul style="list-style-type: none"> <i>Workforce Housing</i>- Affordability level weighted toward moderate level income households. This level of housing has been referred to as “workforce” housing as it commonly caters to individual that work in metropolitan areas in which they have been increasingly priced out of the market. 	<ul style="list-style-type: none"> Supportable mortgage financing increases approximately 12% to \$29,000,000.
<ul style="list-style-type: none"> <i>Section 8 Program Rents</i>- In addition to the traditional affordability measurements, HUD has approved rent subsidies that may be provided in the operation of the City’s rent assistance program. This model assumes 100% of the apartments are eligible for such assistance. 	<ul style="list-style-type: none"> Fairly high rents that can be collected under the City subsidy program results in mortgage financing of \$33,000,000 or 52% of project costs.
<ul style="list-style-type: none"> <i>Market Rate</i>- Market rate rents with the minimum state inclusionary affordability requirements (20% Low Income). 	<ul style="list-style-type: none"> Supportable mortgage financing of \$31,000,000 or 49% of project costs.

Prototype III creates a high-density, high-rise type development which reaches beyond permitted zoning regulations. While the size of this development is of questionable appropriateness for the subject site, it attempts to illustrate the economies of scale that are achieved on a per unit basis, are comparable with the per unit costs illustrated in *Prototype I* with reduced parking. In essence, construction costs do not exhibit significant cost savings on a per unit basis as the project grows in size.

Prototype IV attempts to assemble a more cohesive development that represents a logical combination of uses. In one instance, office space or other private commercial development is created on one portion of the site. In the other instance, the possibility of for-sale housing is explored. In each case the residential rental-housing component of the mixed –use development occupies a central area of 1.2 Acres.

By assuming moderate density as before, this model attempts to illustrate the project economics on a more moderately sized development. This residential component of *Prototype IV*, in both instances, is of the following characteristics.

Total Units	83
Total Density (Units/Acre)	72
Total Parking Spaces (Including BART replacement spaces)	200
Construction Costs (Per Unit)	\$239,000
Total Project Costs	\$20,000,000
Supportable Mortgage	\$9,000,000

On the remaining 2.4 Acres, the following associated mixed-uses are more closely examined. In each case, the perceived benefit to the adjacent residential development could come in the form of indirect subsidies such as site and infrastructure improvements, or by providing residents with desirable ancillary services.

Associated Mix-Use Development	Implication
<ul style="list-style-type: none"> <i>Office or Other Private Commercial – 120,000 SQFT of Office or Commercial Space.</i> 	<ul style="list-style-type: none"> Relatively low office rents do not encourage stand-alone office development. However, a private concern could finance a community center, or similar project, if it can raise the approximately \$30 million necessary for development.
<ul style="list-style-type: none"> <i>For-Sale Housing- Condominium or Townhouse development designed for absorption by the marketplace.</i> 	<ul style="list-style-type: none"> The extremely low land costs associated with development at this location suggest that a for-sale condominium development may be feasible.

DEVELOPMENT PROTOTYPES

OBJECTIVE

To create a portfolio of representative prototypes for the subject site, identifying the associated costs, densities and sustainable financing of each development initiative. Assemble simple financial models of each prototype to illustrate the impact of changes in development assumptions. Utilize the information compiled in the analysis to identify a subset of prototypes that represent the most promising scenarios.

SELECTION OF DEVELOPMENT SCENARIOS

PROJECT DESCRIPTION

Methods: The following prototypes were prepared based on a set of scenarios structured and refined during discussions with industry professionals and perceived development stakeholders. These discussions included those with developers, architects, and transportation (BART) representatives. Each scenario has been selected to highlight the cost considerations and required subsidies associated with each prototype. Where necessary, design considerations are discussed. However, it is not the intent of this analysis to identify or suggest the ultimate nature of the development. Instead, it is the primary goal to highlight the various development possibilities, and discuss the economic considerations related to each. The following is a brief outline of the selected prototypes:

Prototype I-- Given the subject plot size, and current allowable zoning, the Base Model does not attempt to incorporate design elements, but instead develops one large, affordable housing project, maximizing the current zoning provisions. The goal of this prototype is to identify the costs and subsidies required of such a project, and outline the impact unit sizes, parking requirements, and parking costs would have on any development. The four models prepared are:

- i. Base Model-Maximum allowable density, zoning required parking and 100% BART replacement parking.*
- ii. Same as the Base Model with a change in unit mix.*
- iii. Same as the Base Model with a reduction of parking replacement.*
- iv. Same as the Base Model with an increase in the cost per parking space.*

Prototype II- Utilizing a more moderate density assumption than that derived in the Base Model, the goal of this prototype is to illustrate the impact of various affordability levels on the overall economics of the development. The four models prepared are:

- i. *Base Affordability Model- Same affordability assumptions as the Base Model with reduced density.*
- ii. *Same as Base Affordability Model with higher concentration of 80% AMI apartments.*
- iii. *Same as Base Affordability Model with rents as allowed under the Housing Choice Voucher Program (Section 8 program).*
- iv. *Same as Base Affordability Model with higher concentration of Market rate apartments.*

Prototype III- This prototype creates a high-density model that reaches beyond the allowable zoning requirements. While this type of development may not be appropriate at the subject site, the goal is to identify the presence of any economies of scale that may be achieved. The model prepared is:

- i. *High Density Development -131 Units/Acre, 4 residential stories*

Prototype IV- The final model reduces overall density by dividing the subject plot into two development parcels. Using several assumptions from the base model, this prototype attempts to assemble a more cohesive development structure that represents a combination of uses. The subdivision of the plot is based on recently proposed development proposals at the subject site. The two development models prepared are:

- i. *Office (Other Commercial) Space/ Rental Mixture*
- ii. *Ownership/ Rental Mixture*

PROTOTYPE I- BASE MODEL

The general assumptions of the Base Model are:

- Mixed-Use Development
- 100% Affordable
- C-SA Permitted Density (Including 25% Density Bonus)
- 100% BART Replacement Parking
- Residential/Commercial Parking as per Current Zoning

Accurately determining the area that can be realistically developed is complicated by both the narrow southern triangle formed by the intersection of MLK and Adeline Streets, as well as an easement that exists on the property for possible future street widening. As a result, it will be an assumption of the Base Model, and of all the development prototypes, that the subject site consists of 3.6 Acres.

C-SA zoning district requirements, which govern development at the subject site, do not define absolute development density. Instead, density is a function of open space and parking requirements. Residential developments in the C-SA district generally comply with R-4 zoning regulations. However, a mixed-use development, such as the Base Model, can provide increased density in that only 40 SQFT of open space per dwelling need be provided.

Height requirements remain the same as R-4 regulations, and the Base Model assumes a height of 36(ft), or 3 stories. However, it should be noted that the prototypes assume a two-story parking deck, of which the first story is assumed to be below-grade, given the slope of the subject property away from Adeline. As a result, the Base Model is composed of two-stories of residential development atop two levels of platform parking.

BART Parking is completely replaced on the first level of the parking structure, for a total of 350 replacement spaces. It is assumed that certain efficiencies in parking can be achieved that allow for complete parking replacement, while reserving space for traffic access and parking ramps. Parking for the residential tenants is located on the second floor of the parking structure, and is allotted as one space per 1,000 SQFT of residential dwelling. Parking for commercial tenants is also reserved as per C-SA zoning requirements.

Prototype I- Project Outline

Unit Type	<i>Apartments</i>
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	2
Open Space (SQFT/Unit)	40
Average Unit Size	875
Common Area Percentage	20%
Units	261
Density Bonus (@ 25%)	65
Total Units	326
Pre-Bonus Density (units per acre)	72
Total Density	91
FAR	2.39
Parking Spaces per Unit (@ 1space/1000SQFT)	0.88

Unit Distribution and Rents

Affordability Mix	
50% AMI	28%
60% AMI	12%
80% AMI	60%
Market	0%

One Bedroom	25%	82
Two Bedroom	50%	163
Three Bedroom	25%	82
		326

Unit Mix	#	%Med. Inc	SQFT	Mo. Rent
1 Bedroom	23	50%	610	\$626
1 Bedroom	10	60%	610	\$752
1 Bedroom	49	80%	610	\$1,002
1 Bedroom	0	Market	610	\$1,100
2 Bedroom	46	50%	890	\$805
2 Bedroom	20	60%	890	\$966
2 Bedroom	98	80%	890	\$1,288
2 Bedroom	0	Market	890	\$1,400
3 Bedroom	23	50%	1115	\$895
3 Bedroom	10	60%	1115	\$1,074
3 Bedroom	49	80%	1115	\$1,432
3 Bedroom	0	Market	1115	\$1,600
Total Gross Rents				\$4,239,856.00

The average apartment size of 875 SQFT per unit is calculated as a function of the unit size distribution. Individual apartment areas were selected as the average of a representative sample of medium- to high-density housing projects. The allocation of affordable housing distribution was as per the ABAG Regional Housing Need Allocation for Alameda County. Rents were computed based on the City of Berkeley Household Income Guidelines for 2001.

Construction costs have been estimated at \$125/SQFT, on quotes from industry professionals. Commercial or retail space construction rates, although not markedly different, are estimated at \$115/SQFT. These construction cost estimates will be used for the Base Model as well as all the prototypes in this study. The costs associated with platform parking are estimated to be \$60/SQFT. The total cost per parking space is calculated using an average parking space size of 350 SQFT.

Mortgage financing is based on a recent quotation from FNMA. Operating costs are based on industry averages. As the project is an affordable housing development in an area of high housing demand, very low vacancy rates are assumed. In addition, it is assumed that the permanent financing will carry a preferred debt-coverage ratio of 1.10. These additional assumptions will be used for the Base Model as well as all the prototypes in this study.

Prototype I- Development Cost Structure

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	\$55,000
Construction Cost/SQFT (Residential)	\$125.00
Construction Cost/SQFT (Commercial)	\$115.00
Parking Cost/SQFT	\$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	285
Commercial Parking Spaces	18
Total Parking Area	228,674
Parking Cost/SQFT	\$60
Parking Cost/Space	\$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype I- Development Summary

Given the above assumptions, the Base Model is constructed at an average unit cost of \$230,000. On a per unit basis, approximately \$135,000 (59%) of the unit costs are related to the structure construction costs, \$42,000 (18%) are related to parking construction costs, and \$53,000 (23%) are related to project soft costs. The project is able to sustain mortgage financing of approximately \$30 million leaving a \$45 million gap on this development project with a total development cost of \$75 million.

DEVELOPMENT SUMMARY

Land Cost	\$55,000
Residential Units	326
Unit Square Footage	285,355
Common Area Square Footage	57,071
Commercial Square Footage	10,000
Total Square Footage	342,426
Structure Construction Cost	\$43,953,209
BART Parking Spaces	350
Resident Parking Spaces	285
Commercial Parking Spaces	18
Parking Construction Cost	\$13,720,449
Soft Costs	\$17,302,098
Total Development Cost	\$75,030,756
Per Unit	\$230,071
Project Value	\$75,030,756

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent (Residential)	\$4,239,856
-Vacancies	(\$84,797)
-Expected Expenses	(\$1,483,950)
Gross Scheduled Rent (Retail)	\$120,000
-Vacancies	(\$6,000)
-Expected Expenses	(\$33,600)
Net Operating Income	\$2,751,509

DEBT-EQUITY POSITION- Bottom Lines

Project Cost (from above)	\$75,030,756
Supportable Mortgage	\$29,686,540
Required Initial Cash (Gap)	\$45,344,216
Cost per Unit	\$230,071
Subsidy per Unit	\$139,042
Gap (Less Replacement Parking)	\$31,623,767
Subsidy per Unit (Less Replac. Parking)	\$96,970
Effective Loan to Value	39.57%
Project Value from Cap Rate	\$30,572,325

PROTOTYPE IA – CHANGE IN UNIT MIX

In this instance, the distribution of apartments offers fewer family units, in favor of a higher percentage of one and two bedroom units. The reduced number of three bedroom apartments reduces the average unit size to 825 SQFT per unit, enabling the development to achieve a density of 102 units/acres. A smaller unit size also decreases the parking requirement per unit, as governing zoning requirements allocate zoning as a function of unit size instead of on a per unit basis.

UNIT DISTRIBUTION

One Bedroom	40%	138
Two Bedroom	40%	138
Three Bedroom	20%	69
		346

Prototype IA- Project Outline

Unit Type	<i>Apartments</i>
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.40
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	2
Open Space (SQFT/Unit)	40
Average Unit Size	825
Common Area Percentage	20%
Units	277
Density Bonus (@ 25%)	69
Total Units	346
Pre-Bonus Density (units per acre)	81
Total Density	102
FAR	2.38
Parking Spaces per Unit (@ 1space/1000SQFT)	0.83

Prototype IA- Development Summary Comparison

Given the above assumptions, Prototype IA constructs 346 units at an average cost of \$217,000. On a per unit basis, approximately \$127,000 (59%) of the unit costs are related to structure construction costs, \$40,000 (18%) are related to parking construction costs, and \$50,000 (23%) are related to project soft costs. The project still sustain mortgage financing of slightly more than \$30 million leaving a similar financing gap on this project with similar development costs to the Base Model.

DEVELOPMENT SUMMARY	Prototype I-Base Model	Prototype IA- Unit Mix
Land Cost	\$55,000	\$55,000
Residential Units	326	346
Unit Square Footage	285,355	285,489
Common Area Square Footage	57,071	57,098
Commercial Square Footage	10,000	10,000
Total Square Footage	342,426	342,586
Structure Construction Cost	\$43,953,209	\$43,973,283
BART Parking Spaces	350	350
Resident Parking Spaces	285	285
Commercial Parking Spaces	18	18
Parking Construction Cost	\$13,720,449	\$13,723,260
Soft Costs	\$17,302,098	\$17,308,963
Total Development Cost	\$75,030,756	\$75,060,505
Per Unit	\$230,071	\$216,909
Project Value	\$75,030,756	\$75,060,505

OPERATING SUMMARY (FULL OCCUPANCY)		
Gross Scheduled Rent (Residential)	\$4,239,856	\$4,318,962
-Vacancies	(\$84,797)	(\$86,379)
-Expected Expenses	(\$1,483,950)	(\$1,511,637)
Gross Scheduled Rent (Retail)	\$120,000	\$120,000
-Vacancies	(\$6,000)	(\$6,000)
-Expected Expenses	(\$33,600)	(\$33,600)
Net Operating Income	\$2,751,509	\$2,801,346

DEBT-EQUITY POSITION- Bottom Lines	Bottom Lines	
Project Cost (from above)	\$75,030,756	\$75,060,505
Supportable Mortgage	\$29,686,540	\$30,224,240
Required Initial Cash (Gap)	\$45,344,216	\$44,836,265
Cost per Unit	\$230,071	\$216,909
Subsidy per Unit	\$139,042	\$129,567
Gap (Less Replacement Parking)	\$31,623,767	\$31,113,006
Subsidy per Unit (Less Replac. Parking)	\$96,970	\$89,910
Effective Loan to Value	39.57%	40.27%
Project Value from Cap Rate	\$30,572,325	\$31,126,068

PROTOTYPE IB- CHANGE IN PARKING REQUIREMENTS

As parking costs constitute almost 20% of the total development costs in the Base Model, Prototype IB reduces the total number of constructed parking spaces. For simplicity purposes, the model assumes that only 250 replacement spaces are provided. However, while this substitution has been made for BART parking, the result is analogous to a reduction in the residential parking requirement to a ratio of one space for every three dwelling units.

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	\$55,000
Construction Cost/SQFT (Residential)	\$125.00
Construction Cost/SQFT (Commercial)	\$115.00
Parking Cost/SQFT	\$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	250
Residential Parking Spaces	285
Commercial Parking Spaces	18
Total Parking Area	193,674
Parking Cost/SQFT	\$60
Parking Cost/Space	\$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype IB- Development Summary Comparison

As parking is provided at a significant cost to the development, with no resulting revenue, any reduction in parking provides direct efficiencies to the development. In this instance, eliminating 100 spaces saves the project \$2.73 million, or \$8,375 per unit, in parking and associated soft costs. Parking related expenses now account for 16% (\$36,000) of the total unit cost of \$221,700. With identical NOI, mortgage financing remains the same as the Base Model, however the gap narrows slightly to approximately \$43 million on a \$72 million development.

DEVELOPMENT SUMMARY	Prototype I-Base Model	Prototype IB- Reduced Parking
Land Cost	\$55,000	\$55,000
Residential Units	326	326
Unit Square Footage	285,355	285,355
Common Area Square Footage	57,071	57,071
Commercial Square Footage	10,000	10,000
Total Square Footage	342,426	342,426
Structure Construction Cost	\$43,953,209	\$43,953,209
BART Parking Spaces	350	250
Resident Parking Spaces	285	285
Commercial Parking Spaces	18	18
Parking Construction Cost	\$13,720,449	\$11,620,449
Soft Costs	\$17,302,098	\$16,672,098
Total Development Cost	\$75,030,756	\$72,300,756
Per Unit	\$230,071	\$221,700
Project Value	\$75,030,756	\$72,300,756

OPERATING SUMMARY (FULL OCCUPANCY)		
Gross Scheduled Rent (Residential)	\$4,239,856	\$4,239,856
-Vacancies	(\$84,797)	(\$84,797)
-Expected Expenses	(\$1,483,950)	(\$1,483,950)
Gross Scheduled Rent (Retail)	\$120,000	\$120,000
-Vacancies	(\$6,000)	(\$6,000)
-Expected Expenses	(\$33,600)	(\$33,600)
Net Operating Income	\$2,751,509	\$2,751,509

DEBT-EQUITY POSITION- Bottom Lines		Bottom Lines
Project Cost (from above)	\$75,030,756	\$72,300,756
Supportable Mortgage	\$29,686,540	\$29,686,540
Required Initial Cash (Gap)	\$45,344,216	\$42,614,216
Cost per Unit	\$230,071	\$221,700
Subsidy per Unit	\$139,042	\$130,670
Gap (Less Replacement Parking)	\$31,623,767	\$30,993,767
Subsidy per Unit (Less Replac. Parking)	\$96,970	\$95,038
Effective Loan to Value	39.57%	41.06%
Project Value from Cap Rate	\$30,572,325	\$30,572,325

PROTOTYPE IC- INCREASE IN PARKING COSTS

As in the Base Model, Prototype IC provides complete BART replacement parking, as well as residential and retail spaces as per zoning for a total of 653 total parking spaces. In this instance however, parking construction costs are increased to \$70 SQFT, or \$24,500 per space.

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	\$55,000
Construction Cost/SQFT (Residential)	\$125.00
Construction Cost/SQFT (Commercial)	\$115.00
Parking Cost/SQFT	\$70
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	285
Commercial Parking Spaces	18
Total Parking Area	228,674
Parking Cost/SQFT	\$70
Parking Cost/Space	\$24,500

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype IC- Development Summary Comparison

In contrast to Prototype IB, an increase in parking related costs directly increase the project's financing gap. In this instance, a \$3 million increase in parking related expenses increases unit costs by \$9,000. Parking related expenses now account for almost 21% (\$49,000) of the total unit cost of \$239,000. With identical NOI, mortgage financing remains the same as the Base Model, and the gap now increases to over \$48 million on a development that costs \$78 million to construct.

DEVELOPMENT SUMMARY

Prototype I-Base Mode

Land Cost	\$55,000
Residential Units	326
Unit Square Footage	285,355
Common Area Square Footage	57,071
Commercial Square Footage	10,000
Total Square Footage	342,426
Structure Construction Cost	\$43,953,209
BART Parking Spaces	350
Resident Parking Spaces	285
Commercial Parking Spaces	18
Parking Construction Cost	\$13,720,449
Soft Costs	\$17,302,098
Total Development Cost	\$75,030,756
Per Unit	\$230,071
Project Value	\$75,030,756

Prototype IC- Higher Parking Costs

	\$55,000
	326
	285,355
	57,071
	10,000
	342,426
	\$43,953,209
	350
	285
	18
	\$16,007,191
	\$17,988,120
	\$78,003,520
	\$239,187
	\$78,003,520

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent (Residential)	\$4,239,856
-Vacancies	(\$84,797)
-Expected Expenses	(\$1,483,950)
Gross Scheduled Rent (Retail)	\$120,000
-Vacancies	(\$6,000)
-Expected Expenses	(\$33,600)
Net Operating Income	\$2,751,509

	\$4,239,856
	(\$84,797)
	(\$1,483,950)
	\$120,000
	(\$6,000)
	(\$33,600)
	\$2,751,509

DEBT-EQUITY POSITION- Bottom Lines

Project Cost (from above)	\$75,030,756
Supportable Mortgage	\$29,686,540
Required Initial Cash (Gap)	\$45,344,216
Cost per Unit	\$230,071
Subsidy per Unit	\$139,042
Gap (Less Replacement Parking)	\$31,623,767
Subsidy per Unit (Less Replac. Parking)	\$96,970
Effective Loan to Value	39.57%
Project Value from Cap Rate	\$30,572,325

	\$78,003,520
	\$29,686,540
	\$48,316,980
	\$239,187
	\$148,157
	\$32,309,789
	\$99,073
	38.06%
	\$30,572,325

PROTOTYPE II- AFFORDABILITY MODEL

This model uses the same cost assumptions as the Base Model, however, by increasing the open space to 175 SQFT per Unit, the overall project density is reduced to 79 Units per acre. One, two and three-bedroom units are distributed, as a percentage of total units, in the same manner as in the Base Model. The City defines a family-size two-bedroom unit to be 850 SQFT. As a result, this model utilizes this definition in determining the average unit size. A total of 286 units of housing are provided in this model.

Affordable rents are calculated as to not exceed 30% of a Household's Gross Income. Household income guidelines are as based on an Area Median income of \$71,600 for a four person household. In addition to the traditional affordability measurements, HUD has approved rent subsidies that may be provided in the operation of the City's Section 8 program. These allowable rent levels are indicated as a separate category in the unit rent schedule on the following page.

Prototype II- Project Outline

PROJECT OUTLINE

Unit Type	<i>Apartments</i>
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	100%
Useable Lot Area	156,815
# of Residential Stories	2
Open Space (SQFT/Unit)	175
Average Unit Size	850
Common Area Percentage	20%
Units	229
Density Bonus (@ 25%)	57
Total Units	286
Pre-Bonus Density (units per acre)	64
Total Density	79
FAR	1.93
Parking Spaces per Unit (@ 1space/1000SQFT)	0.85

UNIT DISTRIBUTION

One Bedroom	25%	72
Two Bedroom	50%	143
Three Bedroom	25%	<u>72</u>
		286

Prototype II- Development Cost Structure

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	291,882
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	\$55,000
Construction Cost/SQFT (Residential)	\$125.00
Construction Cost/SQFT (Commercial)	\$115.00
Parking Cost/SQFT	\$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	243
Commercial Parking Spaces	9
Total Parking Area	210,782
Parking Cost/SQFT	\$60
Parking Cost/Space	\$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

Prototype II- Unit Rent Schedules

Unit Mix	%Med. Inc SQFT	Mo. Rent
1 Bedroom	50%	\$626
1 Bedroom	60%	\$752
1 Bedroom	80%	\$1,002
1 Bedroom	Section 8 rents	\$1,155
1 Bedroom	Market	\$1,200
2 Bedroom	50%	\$805
2 Bedroom	60%	\$966
2 Bedroom	80%	\$1,288
2 Bedroom	Section 8 rents	\$1,386
2 Bedroom	Market	\$1,400
3 Bedroom	50%	\$895
3 Bedroom	60%	\$1,074
3 Bedroom	80%	\$1,432
3 Bedroom	Section 8 rents	\$1,583
3 Bedroom	Market	\$1,600

The allocation of affordable units (Affordability Mix) for each case in this model is as follows:

Case I- As per ABAG Allocation

Affordability Mix	
50% AMI	28%
60% AMI	12%
80% AMI	60%
Section 8	0%
Market	0%

Case II-Moderate Income Housing

Affordability Mix	
50% AMI	0%
60% AMI	10%
80% AMI	90%
Section 8	0%
Market	0%

Case III – Section 8 Rents

Affordability Mix	
50% AMI	0%
60% AMI	0%
80% AMI	0%
Section 8	100%
Market	0%

Case VI- Market Rate (with Inclusionary Requirement)

Affordability Mix	
50% AMI	0%
60% AMI	20%
80% AMI	0%
Housing Voucher	0%
Market	80%

With all other inputs being equal, the \$62 million development produces, 286 units at an average unit price of \$219,000. The affordability mixture determines the rent roll of each project, thus dictating the NOI and sustainable mortgage. The project supported by the Section 8 program (*Case III*) achieves the greatest NOI due to the relatively high rents that can be collected under the City subsidy program. As a result, it supports of mortgage of approximately \$33 million, leaving a financing gap of \$29 million.

The market rate project (*Case IV*) must meet State of California affordability guidelines to be granted the density bonus. As a result, the allocation of apartments at 60% AMI reduce the overall rent roll, allowing the project to support mortgage financing of \$31 million. The 100% affordable projects in *Case I* and *II* support mortgages of \$26 million and \$29 million respectively.

PROTOTYPE III- HIGH DENSITY MODEL

Created outside of permitted C-SA zoning requirements, actual development of this prototype would require both height as well as parking requirement variances. The end result is four stories of residential housing over two stories of structured parking to at a housing density of 131 units/acre.

Parking is allocated as one space for every three units. BART Parking has been completely replaced on the first level, and market rate rents have been estimated. It has been assumed that the greater concentration of housing units would require a larger retail component than in the Base Case. Toward this goal, the High Density Model provides 40,000 SQFT of retail, which also requires an additional 78 parking spaces.

Prototype III- Unit Distribution and Rents

% Of Total Units	
1 Bedroom	25%
2 Bedroom	50%
3 Bedroom	25%
Affordability Mix	
50% AMI	25%
60% AMI	0%
80% AMI	0%
Market	75%

One Bedroom	118
Two Bedroom	236
Three Bedroom	118
	<u>472</u>

Unit Mix	#	%Med. Inc	SQFT	Mo. Rent
1 Bedroom	0	50%	540	\$626
1 Bedroom	0	60%	540	\$752
1 Bedroom	0	80%	540	\$1,002
1 Bedroom	118	Market	540	\$1,200
2 Bedroom	0	50%	890	\$805
2 Bedroom	0	60%	890	\$966
2 Bedroom	0	80%	890	\$1,288
2 Bedroom	236	Market	890	\$1,400
3 Bedroom	0	50%	1115	\$895
3 Bedroom	0	60%	1115	\$1,074
3 Bedroom	0	80%	1115	\$1,432
3 Bedroom	118	Market	1115	\$1,600
Total Gross Rents				\$7,924,551.94

Prototype III- Project Outline

PROJECT OUTLINE

Unit Type	<i>Apartments</i>
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	4
Open Space (SQFT/Unit)	50
Average Unit Size	875
Common Area Percentage	20%
Units	472
Density Bonus (@ 25%)	-
Total Units	472
Total Density (units per acre)	131
FAR	3.41
Parking Spaces per Unit (@ 1space/1000SQFT)	0.33

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	495,284
Total Floor Area (Commercial)	40,000
Land Cost/SQFT	\$55,000
Construction Cost/SQFT (Residential)	\$125
Construction Cost/SQFT (Commercial)	\$115
Parking Cost/SQFT	\$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	156
Commercial Parking Spaces	78
Total Parking Area	204,281
Parking Cost/SQFT	\$60
Parking Cost/Space	\$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.20
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype III- Development Summary

Even at this high density and with liberal parking requirements, the project is only able to achieve marginal savings on a per unit basis. In addition, an increase in the retail component forces the project to sustain \$6.5 million of retail related development costs. It should be noted that at a 9% cap rate the project value as determined by the cap rate approaches the construction costs of \$102 million at an average monthly rent of approximately \$2,500/mo.

DEVELOPMENT SUMMARY

Land Cost	\$55,000
Residential Units	472
Unit Square Footage	412,737
Common Area Square Footage	82,547
Commercial Square Footage	40,000
Total Square Footage	495,284
Structure Construction Cost	\$66,510,562
BART Parking Spaces	350
Resident Parking Spaces	156
Commercial Parking Spaces	78
Parking Construction Cost	\$12,256,878
Soft Costs	\$23,630,232
Total Development Cost	\$102,452,672
Per Unit	\$217,199
Project Value	\$102,452,672

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent	\$7,924,552
-Vacancies	(\$158,491)
-Expected Expenses	(\$2,773,593)
Gross Scheduled Rent	\$480,000
-Vacancies	(\$24,000)
-Expected Expenses	(\$134,400)
Net Operating Income	\$5,314,068

DEBT-EQUITY POSITION

	Bottom Lines
Project Cost (from above)	\$102,452,672
Supportable Mortgage	\$52,556,584
Required Initial Cash (Gap)	\$49,896,088
Cost per Unit	\$217,199
Subsidy per Unit	\$105,779
Gap Less Replacement Parking	\$37,639,210
Subsidy per Unit	\$79,795
Effective Loan to Value	51.30%
Project Value from Cap Rate	\$59,045,197

PROTOTYPE IV – REDUCED DENSITY DEVELOPMENT

In the previous prototypes, each development took the 3.6 acre plot and developed the entire acreage as a single project. However, several past studies, as well as the most recent development proposal from the Jewish Community Center, divide the parcel into three distinct sub-divisions with a development proposal for each plot. The subdivisions are organized as follows:

Southern Triangle- The narrow southern triangle is a plaza area of approximately 15,000 square feet. Development on this area becomes more difficult because of the odd shape of the property, as well as traffic access and traffic flow challenges. The prototype below either ignores development of this area, or contributes the plaza to the open space requirements of the relevant zoning codes.

Middle Portion- The middle portion of the site occupies an area of approximately 1.2 Acres, including approximately 350 feet of frontage along Adeline. At the current time, approximately 110 spaces, including 10 spaces reserved for peoples with disabilities occupy this area. The central location of this plot, suggests that it may be best suited for residential housing uses.

Northern Portion- The northern portion of the Ashby Station creates the largest and most regular (closest to rectangular) plot available at the site. This entire area, of approximately 2.44 Acres, features prominent frontage along both Ashby and Adeline Street. As a result both visibility and access for commercial purposes can be easily accommodated. In one model that follows, a mixed-use, non-residential development resides on this parcel. In the second model, this parcel is used to develop a condominium development. At the current time approximately 240 BART spaces occupy this area.

Prototype IVA- Office (Other Commercial Space)/ Rental Mixture

This prototype is based on the proposal presented by the Jewish Community Center. In their design proposal, the middle portion of the subject site is dedicated to residential use, and developed as per R-4 residential zoning requirements. The final development consists of apartments with an average unit size of 850 SQFT and a project that achieves a density of 72 units per acre. Residential parking requirements are also as per R-4 zoning regulations, and the affordability distribution is as per the Base Case.

A 120,000 SQFT community center space is developed on the 2.44 acres that compose the Northern Portion. For both developments, all BART parking is replaced on the ground level of a two-story parking platform, and an additional 150 spaces of parking are provided for the commercial complex. Although the JCC proposal is used as an example for this prototype, the goal is to illustrate the economics of construction of a large commercial development on this plot. Office rents of \$1.75 SQFT are assumed.

Prototype IVA- Development Summary

Residential Development- Middle Portion

DEVELOPMENT SUMMARY

Land Cost	\$0
Residential Rental Units	83
Unit Square Footage	70,640
Common Area Square Footage	14,128
Commercial Square Footage	10,000
Total Square Footage	84,768
Structure Construction Cost	\$11,746,047
BART Parking Spaces	110
Resident Parking Spaces (APT)	71
Commercial Parking Spaces	18
Parking Construction Cost	\$4,171,447
Soft Costs	\$3,979,373
Total Development Cost	\$19,896,867
Per Unit	\$239,415
Project Value	\$19,896,867

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent	\$1,111,513
-Vacancies	(\$22,230)
-Expected Expenses	(\$389,029)
Gross Scheduled Rent	\$120,000
-Vacancies	(\$6,000)
-Expected Expenses	(\$33,600)
Net Operating Income	\$780,653

DEBT-EQUITY POSITION

Bottom Lines

Project Cost (from above)	\$19,896,867
Supportable Mortgage	\$8,422,610
Required Initial Cash (Gap)	\$11,474,257
Cost per Rental Unit	\$239,415
Subsidy per Unit	\$138,067
Gap Less Replacement Parking	\$7,302,810
Subsidy per Unit	\$87,873
Effective Loan to Value	42.33%
Project Value from Cap Rate	\$8,673,923

Commercial Development- Northern Portion

DEVELOPMENT SUMMARY

Land Cost	\$55,000
Office Square Footage	120,000
Common Area Square Footage	24,000
Total Square Footage	144,000
Structure Construction Cost	\$16,560,000
BART Parking Spaces	240
Resident Parking Spaces (APT)	150
Commercial Parking Area (SQFT)	136,500
Parking Construction Cost	\$8,190,000
Soft Costs	\$7,425,000
Total Development Cost	\$32,175,000
Per SQFT	\$268
Project Value	\$32,175,000

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent	\$210,000
-Vacancies	(\$10,500)
-Expected Expenses	(\$31,500)
Net Operating Income	\$168,000

DEBT-EQUITY POSITION

Project Cost (from above)	\$32,175,000
Supportable Mortgage	\$1,661,534
Required Initial Cash (Gap)	\$30,513,466
Cost per SQFT	\$268
Project Value from Cap Rate	\$1,768,421

The \$20 million residential development creates 83 total units with an average unit cost of \$240,000. On a per unit basis, approximately \$142,000 (59%) of the unit costs are related to structure construction costs, \$50,000 (21%) are related to parking construction costs, and \$48,000 (20%) are related to project soft costs. The project sustains mortgage financing of slightly less than \$9 million leaving a financing gap of \$11 million.

As a stand-alone office project, the development on the northern portion does not look very promising, but a private concern could finance such a project with a capital campaign if it can raise the \$30 million development costs. It is also possible, that the affordable housing development could receive additional subsidies from the commercial complex developer in the form of parking structure enhancements. For example, the Jewish Community Center proposal assumed that many of the costs associated with access roads and parking ramps, features required of both developments, could be shouldered by the commercial development.

PROTOTYPE IVB- OWNERSHIP / RENTAL MIXTURE

The final prototype assumes the same 83 unit affordable housing development on the middle portion of the property, with a for-sale condominium development occupying the northern 2.44 Acres. As a product designed for absorption by the marketplace, it is assumed that the development can have a maximum density of 45 units/acre, and an average unit size of 980 SQFT. It may be that both of these assumptions are fairly aggressive, and more detailed market research will be needed to determine specific sizes and densities required of the marketplace. It is assumed that the project is developed over a two-year period.

Although actual land costs are minimal, the replacement-parking requirement imputes a land cost of approximately \$60 per SQFT. This implied land cost is key to the feasibility of the condominium development. As this imputed land cost near market rates, a for-sale condominium project begins to pencil. However, as such developments are very sensitive to the sales price of individual units, it does not take a large movement in condominium prices to change the outlook of the development dramatically. The attached model shows the project breaking even at a condominium price of \$235,000 per unit. This break-even price includes 20% of the units being sold at the affordable levels required by zoning. For comparison, at an assumed sales price of \$200,000 per unit, the development would lose approximately \$3 million dollars.

Prototype IV B- Calculating Land Costs

Calculating Imputed Land Costs

Number of Replacement Spaces	241
Replacement Space Cost (SQFT)	\$5,061,000
Land Cost	55,000
Total Parking and Land Cost	\$5,116,000
Total Acreage	2.44
Imputed Land Cost Per Acre	\$2,096,721

Prototype IV B- Project Outline

PROJECT OUTLINE

Parcel Acreage	2.44
Land Cost Per Acre	\$2,096,721
Average Unit Size (SQFT)	980
Average Unit Hard Costs (SQFT)	\$125.00
Parking/ Unit	\$21,000
Costs Per Unit	\$143,500
Soft Costs per Unit	\$35,875
Total Costs per Unit (Not including Land)	\$179,375
Lender's Interest Rate	12%
Loan-to-Value	80%
Land Loan	4,092,800
Investor Pay-in For Land Loan	1,023,200
Investor Required Return	12%
Interest Rate	12%
LTV Ratio	80%
Investor Pay in	20%
Investor Required Return on Pay in	5%

Prototype IVB- For-Sale Condominium Cash Flow Summary

Unit Mix	#	%Med. Inc	SQFT	Sales Price
2Bedroom	88	100%	980	\$235,000
2 Bedroom	<u>22</u>	80%	980	\$154,560
	110			

Accounts	Month 0	Month 6	Month 12	Month 18	Month 24
Cash	\$0	\$0	\$0	\$0	\$0
Unsold Inventory	0	0	0	0	0
Accrued Land Loan & Interest	\$4,092,800	\$4,092,800	\$3,829,500	\$1,783,939	\$0
Current Interest on Land Loan	\$0	\$245,568	\$229,770	\$107,036	\$0
Accrued inventory Pay in	\$1,023,200	\$1,023,200	\$1,084,592	\$1,149,668	\$834,293
Accrued Return to Investor	\$0	\$61,392	\$65,076	\$68,980	\$50,058
Units Constructed		27	27	27	27
Unit Construction Costs		\$4,923,844	\$4,923,844	\$4,923,844	\$4,923,844
Accrued construction Loan & Interest		\$3,939,075	\$3,939,075	\$3,939,075	\$3,939,075
Current Interest on Construction Loan		\$236,345	\$236,345	\$236,345	\$236,345
Investor Pay-in (Construction)		\$984,769	\$984,769	\$984,769	\$984,769
Accrued return to Investor		\$24,619	\$24,619	\$24,619	\$24,619
Market Rate Units Sold		5	27	27	27
Affordable Rate Units Sold		22			
Average Unit Sales Price		\$170,648	\$235,000	\$235,000	\$235,000
Revenues from Unit Sales and Retained Cash		\$4,684,288	\$6,450,750	\$6,450,750	\$6,450,750
Repayment of Construction Loan and Interest		\$4,175,420	\$4,175,420	\$4,175,420	\$4,175,420
Cash before Repayment of Land Loan		\$508,868	\$2,275,331	\$2,275,331	\$2,275,331
Repayment of Land Loan and Interest		\$508,868	\$2,275,331	\$1,890,976	\$0
Cash before Repayment to Investors		\$0	\$0	\$384,355	\$2,275,331
Repayment of Land Investor		\$0	\$0	\$384,355	\$884,350
Cash before Repayment to Construction Investor		\$0	\$0	\$0	\$1,390,980
Repayment to Cosntruction Investor		\$0	\$0	\$0	\$1,009,388
Total Outstanding Balances (all sources)		(\$5,923,480)	(\$3,942,995)	(\$1,843,681)	\$0
Remainder		\$0	\$0	\$0	\$381,592

Findings and Implications

Discussion of Relevant Issues

Parking Costs- City zoning regulations that allocate parking as a function of dwelling space, as opposed to a per-unit requirement, can provide significant cost savings to the project. As illustrated in the financial models, these costs savings are similar in nature to a reduction in the number of replacement BART spaces provided. Replacement parking can also be interpreted to reflect an imputed land cost equal to the cost of platform parking construction. In this instance, the replacement of BART parking imputes a land cost of \$60 per SQFT. As land prices appreciate, this cost may closely reflect market land values, making development more feasible.

*Housing Choice Voucher Program-*The rents allocated by the Housing Choice Voucher Program may allow a development to sustain a NOI comparable to that of market rate development. However, as the Housing Choice Voucher program is allocated on a year-by-year basis, lenders may interpret such a program as having a higher associated risk.

Interm Parking- Not reflected in these projections are any costs associated with the intermediate parking that must be provided to BART commuters during the construction period. It is anticipated that the developer may be responsible for shouldering these costs, and that these costs could be significant.

Associated Developments- If the subject site is developed in phases, similar to in nature to the product described in Prototype IV, non-financial subsidies, such as parking infrastructure and BART station improvements may be provided by the associated developer, making affordable housing more feasible than it would be as a stand-alone development.