

Appendix A - Comparison Proformas of Density Bonus Policies

100 Unit Project - 1 and 2 bed units - Market rate rents \$2,100 and \$2,700 - San Diego County

Existing CA Density Bonus Law				Currently Proposed AB 2345				Less Feasible Proposal			
100 Base Units				100	Base Units			100	Base Units		
11% Very Low				15%	Very Low			17%	Very Low		
35% Bonus				50%	Bonus			50%	Bonus		
135 Total Units				150 Total Units				150 Total Units			
11 Affordable				15 Affordable				17 Affordable			
124 Market Rate				135 Market Rate				133 Market Rate			
				The current proposal would require developer to build 4 additional affordable units to gain the benefit of 11 market rate units. These additional will most likely be built. Although the resulting land residual would be less, the gap could more easily be covered in this scenario.				The less feasible proposal would require developer to build 6 additional affordable units to gain the benefit of 9 market rate units. The Overall Value generated is less than the Existing 35% model. This would deter a developer from building these extra affordable units because the Land Residual would decrease.			
	# of Units	Rent	Income	# of Units	Rent	Income	# of Units	Rent	Income		
Market Rate 1 Bed	62	2,100	1,562,400	68	2,100	1,713,600	67	2,100	1,688,400		
Market Rate 2 Bed	62	2,700	2,008,800	67	2,700	2,170,800	66	2,700	2,138,400		
Very Low 1 Bed	5	1,003	60,180	7	1,003	84,252	8	1,003	96,288		
Very Low 2 Bed	6	1,200	86,400	8	1,200	115,200	9	1,200	129,600		
			3,717,780			4,083,852			4,052,688		
Apt Income	\$ 3,717,780			\$ 4,083,852			\$ 4,052,688				
Apt Vacancy	\$ (192,339)		5%	\$ (211,318)		5%	\$ (209,759)		5%		
Other Income	\$ 72,900			\$ 81,000			\$ 81,000				
Utility Reimb	\$ 48,600			\$ 54,000			\$ 54,000				
Storage Income	\$ 7,500			\$ 7,500			\$ 7,500				
Retail Income	\$ 36,000			\$ 36,000			\$ 36,000				
NNN Recapture	\$ 9,097			\$ 9,108			\$ 9,111				
Retail Vacancy	\$ (4,510)		10%	\$ (4,511)		10%	\$ (4,511)		10%		
Gross Income	\$ 3,695,028			\$ 4,055,631			\$ 4,026,029				
Operating Exp	\$ 624,645		4627	\$ 689,330		4596	\$ 686,297		4575		
Property Taxes	\$ 449,145		3327	\$ 499,050		3327	\$ 499,050		3327		
Insurance	\$ 42,390		314	\$ 47,100		314	\$ 47,100		314		
Total Expenses	\$ 1,116,180			\$ 1,235,480			\$ 1,232,447				
Stabilized NOI	\$ 2,578,848			\$ 2,820,151			\$ 2,793,582				
Cap Rate			6.00%			6.00%			6.00%		
Value	\$ 42,980,800			\$ 47,002,509			\$ 46,559,693				
Development Cost	\$ 39,235,590		\$ 290,634	\$ 43,473,034		\$ 289,820	\$ 43,473,034		\$ 289,820		
Value over Cost	\$ 3,745,210			\$ 3,529,475			\$ 3,086,660				
Loss of Value over Existing Density Bonus Law				\$ (215,735)				\$ (658,550)			

Conclusion is that the "Less Feasible" Density Bonus Law will not result in the construction of ANY additional affordable housing units. The ratio of 25% Very Low to a 50% Density Bonus (2:1) doesn't maintain the existing ratio of 11% Very Low to 35% Density Bonus (3.18:1). By maintaining the existing density bonus ratio in the "Currently Proposed" proforma, there is incentive for the developer to build additional affordable units and a high likelihood this would occur.

Appendix A - Comparison Proformas of Density Bonus Policies

100 Unit Project - 1 and 2 bed units - Market rate rents \$3,100 and \$4,000 - Santa Clara County

Existing CA Density Bonus Law				Currently Proposed AB 2345				Less Feasible Proposal			
100 Base Units				100	Base Units			100	Base Units		
11% Very Low				15%	Very Low			17%	Very Low		
35% Bonus				50%	Bonus			50%	Bonus		
135 Total Units				150 Total Units				150 Total Units			
11 Affordable				15 Affordable				17 Affordable			
124 Market Rate				135 Market Rate				133 Market Rate			
				The current proposal would require developer to build 4 additional affordable units to gain the benefit of 11 market rate units. These additional will most likely be built. Although the resulting land residual would be less, the gap could more easily be covered in this scenario.				The less feasible proposal would require developer to build 6 additional affordable units to gain the benefit of 9 market rate units. The Overall Value generated is less than the Existing 35% model. This would deter a developer from building these extra affordable units because the Land Residual would decrease.			
	# of Units	Rent	Income	# of Units	Rent	Income	# of Units	Rent	Income		
Market Rate 1 Bed	62	3,100	2,306,400	68	3,100	2,529,600	67	3,100	2,492,400		
Market Rate 2 Bed	62	4,000	2,976,000	67	4,000	3,216,000	66	4,000	3,168,000		
Very Low 1 Bed	5	1,401	84,060	7	1,401	117,684	8	1,401	134,496		
Very Low 2 Bed	6	1,677	120,744	8	1,677	160,992	9	1,677	181,116		
			5,487,204			6,024,276			5,976,012		
Apt Income	\$ 5,487,204			\$ 6,024,276			\$ 5,976,012				
Apt Vacancy	\$ (280,810)		5%	\$ (308,339)		5%	\$ (305,926)		5%		
Other Income	\$ 72,900			\$ 81,000			\$ 81,000				
Utility Reimb	\$ 48,600			\$ 54,000			\$ 54,000				
Storage Income	\$ 7,500			\$ 7,500			\$ 7,500				
Retail Income	\$ 36,000			\$ 36,000			\$ 36,000				
NNN Recapture	\$ 9,097			\$ 9,108			\$ 9,111				
Retail Vacancy	\$ (4,510)		10%	\$ (4,511)		10%	\$ (4,511)		10%		
Gross Income	\$ 5,375,981			\$ 5,899,034			\$ 5,853,186				
Operating Exp	\$ 715,500		5300	\$ 789,594		5264	\$ 786,120		5241		
Property Taxes	\$ 607,500		4500	\$ 675,000		4500	\$ 675,000		4500		
Insurance	\$ 42,390		314	\$ 47,100		314	\$ 47,100		314		
Total Expenses	\$ 1,365,390			\$ 1,511,694			\$ 1,508,220				
Stabilized NOI	\$ 4,010,591			\$ 4,387,340			\$ 4,344,966				
Cap Rate			5.50%			5.50%			5.50%		
Value	\$ 72,919,836			\$ 79,769,818			\$ 78,999,386				
Development Cost	\$ 47,250,000		\$ 350,000	\$ 52,353,000		\$ 349,020	\$ 52,353,000		\$ 349,020		
Value over Cost	\$ 25,669,836			\$ 27,416,818			\$ 26,646,386				
Loss of Value over Existing Density Bonus Law				\$ 1,746,982			\$ 976,549				

Conclusion is that the "Less Feasible" Density Bonus Law will not result in the construction of ANY additional affordable housing units. The ratio of 25% Very Low to a 50% Density Bonus (2:1) doesn't maintain the existing ratio of 11% Very Low to 35% Density Bonus (3.18:1). By maintaining the existing density bonus ratio in the "Currently Proposed" proforma, there is incentive for the developer to build additional affordable units and a high likelihood this would occur.

Appendix A - Comparison Proformas of Density Bonus Policies

100 Unit Project - 1 and 2 bed units - Market rate rents \$1,400 and \$1,700 - Fresno County

Existing CA Density Bonus Law				Currently Proposed AB 2345				Less Feasible Proposal			
100 Base Units				100	Base Units			100	Base Units		
11% Very Low				15%	Very Low			17%	Very Low		
35% Bonus				50%	Bonus			50%	Bonus		
135 Total Units				150 Total Units				150 Total Units			
11 Affordable				15 Affordable				17 Affordable			
124 Market Rate				135 Market Rate				133 Market Rate			
				The current proposal would require developer to build 4 additional affordable units to gain the benefit of 11 market rate units. These additional will most likely be built. Although the resulting land residual would be less, the gap could more easily be covered in this scenario.				The less feasible proposal would require developer to build 6 additional affordable units to gain the benefit of 9 market rate units. The Overall Value generated is less than the Existing 35% model. This would deter a developer from building these extra affordable units because the Land Residual would decrease.			
	# of Units	Rent	Income	# of Units	Rent	Income	# of Units	Rent	Income		
Market Rate 1 Bed	62	1,400	1,041,600	68	1,400	1,142,400	67	1,400	1,125,600		
Market Rate 2 Bed	62	1,700	1,264,800	67	1,700	1,366,800	66	1,700	1,346,400		
Very Low 1 Bed	5	576	34,560	7	576	48,384	8	576	55,296		
Very Low 2 Bed	6	687	49,464	8	687	65,952	9	687	74,196		
			2,390,424			2,623,536			2,601,492		
Apt Income	\$ 2,390,424			\$ 2,623,536			\$ 2,601,492				
Apt Vacancy	\$ (125,971)		5%	\$ (138,302)		5%	\$ (137,200)		5%		
Other Income	\$ 72,900			\$ 81,000			\$ 81,000				
Utility Reimb	\$ 48,600			\$ 54,000			\$ 54,000				
Storage Income	\$ 7,500			\$ 7,500			\$ 7,500				
Retail Income	\$ 36,000			\$ 36,000			\$ 36,000				
NNN Recapture	\$ 9,097			\$ 9,108			\$ 9,111				
Retail Vacancy	\$ (4,510)		10%	\$ (4,511)		10%	\$ (4,511)		10%		
Gross Income	\$ 2,434,040			\$ 2,668,331			\$ 2,647,392				
Operating Exp	\$ 486,000		3600	\$ 536,328		3576	\$ 533,968		3560		
Property Taxes	\$ 337,500		2500	\$ 375,000		2500	\$ 375,000		2500		
Insurance	\$ 42,390		314	\$ 47,100		314	\$ 47,100		314		
Total Expenses	\$ 865,890			\$ 958,428			\$ 956,068				
Stabilized NOI	\$ 1,568,150			\$ 1,709,903			\$ 1,691,324				
Cap Rate			6.00%			6.00%			6.00%		
Value	\$ 26,135,833			\$ 28,498,383			\$ 28,188,731				
Development Cost	\$ 32,400,000		\$ 240,000	\$ 35,899,200		\$ 239,328	\$ 35,899,200		\$ 239,328		
Value over Cost	\$ (6,264,167)			\$ (7,400,817)			\$ (7,710,469)				
Loss of Value over Existing Density Bonus Law				\$ (1,136,650)				\$ (1,446,303)			

Conclusion is that the "Less Feasible" Density Bonus Law will not result in the construction of ANY additional affordable housing units. The ratio of 25% Very Low to a 50% Density Bonus (2:1) doesn't maintain the existing ratio of 11% Very Low to 35% Density Bonus (3.18:1). By maintaining the existing density bonus ratio in the "Currently Proposed" proforma, there is incentive for the developer to build additional affordable units and a high likelihood this would occur.