

COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
HOUSING RESOURCES

County of San Diego, California

Prepared for:

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KEYSER MARSTON ASSOCIATES.

I. INTRODUCTION

A. Objective

Per your request, Keyser Marston Associates, Inc. (KMA) has undertaken an update of the assessment prepared by KMA in 2013, identifying the appropriate densities for feasible affordable housing development as they relate to the allocation of housing for very low, low, and moderate income households.

In 2011, the County of San Diego (County) adopted the County of San Diego General Plan to guide future land use decisions for the County's unincorporated communities. The General Plan included the County's Housing Element, which covered the period of July 1, 2005 through June 30, 2010 and identified sites with appropriate zoning and development standards to accommodate the County's Regional Housing Needs Allocation (RHNA) and policies to assist in the development of adequate housing to meet the needs of lower and moderate income households.

In 2013, the County adopted the Housing Element Update to reflect new statutory requirements. The Housing Element Update covers the planning period of January 1, 2013 through December 31, 2020.

Throughout this study, KMA's use of the term "affordable housing" is meant to reflect housing affordable to persons and families of very low, lower, and moderate income as defined in California Health and Safety Code Sections 50105, 50079.5, and 50093. Historically, affordable housing practitioners have typically used the following shorthand methodology to define the various income groups occupying affordable housing:

| Table I-1: Affordability Levels | |
|---------------------------------|-------------------------------|
| Income Group | % of Area Median Income (AMI) |
| Very Low | 0.0% - 50.0% |
| Lower | 50.1% - 80.0% |
| Moderate | 80.1% - 120.0% |

According to the California Department of Housing and Community Development (HCD), the 2016 median income for a household of four in San Diego County is \$75,900.

B. Methodology

In accordance with our contract, KMA has undertaken the following work tasks:

- Identified recently completed affordable residential developments in the unincorporated area of the County and adjacent cities.
- Assessed the relationship of specific density ranges and the product type likely to be developed in the County's unincorporated areas, including preparation of illustrative financial pro formas for three multi-family prototypes.
- Estimated the maximum rent and sales prices affordable to extremely low, very low, low, and moderate income households, based on 2016 household income statistics distributed by the State of California Department of Housing and Community Development.
- Researched current development trends occurring in the unincorporated areas of the County including:
 - Costs for residential land
 - Rental rates for market-rate apartments
 - Prevailing market values for residential units sold in various communities
- Participated in discussions with County staff to review preliminary findings.

C. Report Organization

This report is organized as follows:

- Section II presents the KMA key findings.
- Section III reviews the distribution of affordable housing recently developed or under construction in the County's unincorporated area (and adjacent cities) by density.
- Section IV reviews the product type likely to be developed in the County's unincorporated areas, including an analysis of three multi-family prototypes to illustrate the relationship between density and financial feasibility for affordable housing development.

- Section V reviews the housing costs for market-rate for-sale and rental housing in the unincorporated area, compared to housing (prices/rents) affordable to extremely low, very low, low, and moderate income households.
- Section VI details limiting conditions pertaining to this report.
- Data tables and technical analyses are presented in Appendices A and B.

II. KEY FINDINGS

A. Residential Land Use Designation

Housing Element Law requires jurisdictions to identify adequate sites to accommodate their share of the region's lower income housing needs and allows the use of sites for residential development of at least 30 dwelling units per acre.

The Village Residential land use designation in the County's General Plan allows development densities ranging from 2.0 to 30.0 units per acre.

Due to the lack of vacant sites at 30 dwelling units per acre, limited infrastructure serving the unincorporated areas of the County, and the high cost associated with higher density developments, County policy intends that affordable housing for low income households can be accommodated on land designated between 20 and 23 dwelling units per acre, and affordable housing for very low income households can be accommodated on land designated between 24 and 29 units per acre.

In view of the County's residential land use designations, this KMA study addresses the relative financial feasibility of three affordable housing development prototypes built at 20, 24, and 30 dwelling units per acre.

B. Distribution of Affordable Housing by Density

As shown in Table II-1, affordable family housing developed in the unincorporated County and adjacent cities since 2010 has occurred primarily at densities of 29.0 units per acre or less.

| | Table II-1: Family Developments (2010 to present) (1) | | | | | |
|--|---|---------|---------|-------|-----------|-------|
| | Density Category (Units per Acre) | | | | | Total |
| | Below 15 | 15 – 19 | 20 – 23 | 24-29 | Over 30.0 | |
| Percent of Total Projects | 0% | 36% | 21% | 14% | 29% | 100% |
| Percent of Total Units | 0% | 35% | 24% | 10% | 31% | 100% |
| (1) Includes the communities of Fallbrook and Lakeside and the cities of Escondido, Oceanside, Poway, San Marcos, Santee, and Vista. | | | | | | |

C. Affordable Housing Development Feasibility

- In order to assess the impact of density on the feasibility of affordable housing, KMA formulated three development prototypes. These prototypes are representative of the type of affordable housing development that is most likely to occur within the County's unincorporated areas in the near term:
 - o Scenario #1: Townhomes @ 20 Units/Acre
 - o Scenario #2: Garden Apartments @ 24 Units/Acre
 - o Scenario #3: Stacked Flats @ 30 Units/Acre
- As shown in Tables II-2 below, of the three prototypes analyzed by KMA, Scenario #2 – Garden Style Apartments at a density of 24 units per acre was found to be the most feasible scenario when compared to Scenario #1 – Townhomes at a density of 20 units per acre and Scenario #3 – Stacked Flats at a density of 30 units per acre.

| Table II-2: Per Unit Financing Gap | | | | |
|--|-------------------------------|-------------------|-------------------------------|-------------------|
| Development Scenario | Low Income (80% AMI) | | Very Low Income (50% AMI) | |
| | With Land Cost ⁽¹⁾ | Without Land Cost | With Land Cost ⁽¹⁾ | Without Land Cost |
| Townhomes (20 du/acre) | (\$47,000) | (\$36,000) | (\$155,000) | (\$144,000) |
| Garden Style Apartments (24 du/acre) | (\$22,000) | (\$13,000) | (\$123,000) | (\$114,000) |
| Stacked Flat Apartments (30 du/acre) | (\$50,000) | (\$43,000) | (\$149,000) | (\$141,000) |
| (1) Assumed average land cost of \$5 per SF. | | | | |

D. Housing Cost and Affordability

- A comparison of average market rental rates to maximum affordable rents indicates that low and moderate income households can afford to pay prevailing market rents in the unincorporated County.

| Table II-3: Comparison of Average Market Rental Rates and Maximum Affordable Rents | | | | |
|---|---------------|-----------------|-------------------|-------------------|
| | Studio | One Bedroom | Two Bedroom | Three Bedroom |
| Average Market Rental Rates – Unincorporated Area ⁽¹⁾ | \$675 - \$762 | \$867 - \$1,341 | \$1,080 - \$1,592 | \$1,300 - \$1,784 |
| Maximum Affordable Rent ⁽²⁾ | | | | |
| Extremely Low (30% AMI) | \$412 | \$464 | \$514 | \$565 |
| Very Low (50% AMI) | \$710 | \$804 | \$896 | \$990 |
| Low (80% AMI) | \$1,156 | \$1,314 | \$1,470 | \$1,627 |
| Moderate (120% AMI) | \$1,560 | \$1,777 | \$1,990 | \$2,205 |
| <p>(1) Source: San Diego County Apartment Association (SDCAA) Fall 2015 Vacancy and Rental Rate Survey.</p> <p>(2) Source: 2016 income limits from State of California Department of Housing and Community Development; affordable housing cost calculations from Keyser Marston Associates, Inc.</p> | | | | |

- A comparison of median home values and maximum affordable sales prices indicates that low and moderate income households can also afford to pay prevailing market sales prices within the unincorporated County.

| Table II-4: Comparison of Median Home Values and Maximum Affordable Sales Price | | | | | |
|---|----------------------|--------------------|-------------------------|----------------------|---------------------|
| Median Home Values - Unincorporated Area ⁽¹⁾ | Condominium | | \$155,000 - \$730,000 | | |
| | Single-Family | | \$110,000 - \$2,371,000 | | |
| Maximum Affordable Sales Price ⁽²⁾ | Studio | One Bedroom | Two Bedroom | Three Bedroom | Four Bedroom |
| Extremely Low (30% AMI) | \$32,000 | \$33,000 | \$33,000 | \$32,000 | \$31,000 |
| Very Low (50% AMI) | \$75,000 | \$82,000 | \$88,000 | \$94,000 | \$94,000 |
| Low (80% AMI) | \$140,000 | \$156,000 | \$171,000 | \$186,000 | \$194,000 |
| Moderate (120% AMI) | \$237,000 | \$268,000 | \$296,000 | \$325,000 | \$344,000 |
| <p>(1) Source: CoreLogic. Reflects homes sales in San Diego County recorded in June 2016.</p> <p>(2) Source: 2016 income limits from State of California Department of Housing and Community Development; affordable housing cost calculations from Keyser Marston Associates, Inc.</p> | | | | | |

III. DISTRIBUTION OF AFFORDABLE HOUSING BY DENSITY – HISTORICAL TRENDS

The General Plan identifies nine land use designations applicable to residential uses as follows:

| Table III-1: Land Use Designations – Residential Uses | |
|---|------------------------------|
| | <u>Density Range</u> |
| Village Residential | 2.0 – 30.0 units per acre |
| Semi-Rural | 1.0 unit per 0.5- 20.0 acres |
| Rural Lands | 1.0 unit per 20 – 80.0 acres |
| General Commercial (C-1) | ____(1) |
| Office Professional (C-2) | ____(1) |
| Neighborhood Commercial (C-3) | ____(1) |
| Rural Commercial | 2.0 units per acre |
| Village Core Mixed Use | 30.0 units per acre |
| Limited Impact Industrial (I-1) | ____(1) |
| (1) Maximum residential densities are applied per the Zoning Ordinance. | |

It is KMA's understanding that the County's Housing Element allocates very low and low income housing to areas designated to range between 20 and 29 units per acre and moderate income housing to areas designated below 20 units per acre. The following table describes the types of residential developments typically developed at various density ranges.

| Table III-2: Density and Residential Product Type | |
|---|--|
| Density Range | Type of Residential Development |
| Below 15 units per acre | Zero lot line or small lot single family development with attached garages. |
| Between 15 and 19 units per acre | Attached townhomes and/or garden-style flats (exterior walkways and stairwells), up to two (2) stories, surface parked or with attached indoor private garages. |
| Between 20 and 23 units per acre | Attached townhomes and/or garden-style flats (exterior walkways and stairwells), up to two (2) or three (3) stories, surface parked or with attached indoor private garages. |
| Between 24 and 29 units per acre | Stacked flats, garden-style (exterior walkways and stairwells), up to three (3) stories with surface parking |
| Over 30 units per acre | Stacked flats, double-loaded corridor, wood-frame construction up to four (4) stories with structured or tuck-under parking. |

Appendix A identifies affordable housing developed or under construction in the unincorporated County and selected cities since 2010. The selected cities surveyed were included by KMA due to their close proximity to the County's unincorporated communities. Note that the KMA study has focused on density characteristics for family housing.

The KMA findings for affordable family developments are summarized as follows:

| | Table III-3: Family Units since 2010 | | | | | |
|--|--------------------------------------|-------|-------|-------|---------|--------|
| | Density Category (Units/Acre) | | | | | Total |
| | Below 15 | 15-19 | 20-23 | 24-29 | Over 30 | |
| <u>Number of Projects</u> | | | | | | |
| Unincorporated Areas (1) | 0 | 0 | 1 | 1 | 0 | 2 |
| Incorporated Areas (2) | 0 | 5 | 2 | 1 | 4 | 12 |
| Total | 0 | 5 | 3 | 2 | 4 | 14 |
| Percent of Total | 0.0% | 36% | 21% | 14% | 29% | 100.0% |
| <u>Number of Units</u> | | | | | | |
| Unincorporated Areas (1) | 0 | 0 | 80 | 44 | 0 | 124 |
| Incorporated Areas (2) | 0 | 310 | 133 | 44 | 272 | 759 |
| Total | 0 | 310 | 213 | 88 | 272 | 883 |
| Percent of Total | 0.0% | 35% | 24% | 10% | 31% | 100.0% |
| <u>Median Density (du/acre)</u> | | | | | | |
| Unincorporated Areas (1) | N/A | N/A | 21.6 | 24.9 | N/A | 23.2 |
| Incorporated Areas (2) | N/A | 16.2 | 21.6 | 27.3 | 35.5 | 18.9 |
| Overall Median | N/A | 16.2 | 21.6 | 26.1 | 35.5 | 20.7 |
| (1) Project identified were located in the communities of Fallbrook and Lakeside. | | | | | | |
| (2) Includes the cities of Escondido, Oceanside, Poway, San Marcos, Santee, and Vista. | | | | | | |

- Unincorporated Areas*** - Since 2010, a total of two (2) affordable family developments have been developed in the County's unincorporated area. One development was built at a density of between 20 and 23 units per acre; and one (1) development was built at a density between 24 and 29 units per acre. The two developments comprise a total of 124 units. No affordable family developments were built at densities below 19 units per acre or in excess of 30 units per acre.
- Incorporated Areas*** - In the selected adjacent cities, 12 affordable family developments have been developed since 2009. Of these 12 affordable housing developments, no affordable family developments were built at densities lower than 15 units per acre; five (5) developments were built at densities between 15 and 19 units per acre; two (2) developments were built at a density between at 20 and 23 units per area; one (1)

development was built at a density between 24 and 29 units per acre; and four (4) developments were built at a density over 30 units per acre. These 12 developments in the selected adjacent cities comprise a total of 759 units.


- Overall, the highest concentration (57%) of the affordable family developments identified was built at densities between 150 and 23.0 units per acre.
- Overall, the median density for the 14 affordable family developments surveyed is estimated at 20.7 units per acre.

IV. IMPACT OF DENSITY ON AFFORDABLE HOUSING DEVELOPMENT FEASIBILITY

A. Affordable Housing Product Types

To determine the impact of density on the feasibility of affordable rental housing, KMA formulated three development prototypes based on the density ranges discussed in Section III. The density criteria reflect the types of affordable housing residential development projected to occur in the near-term. The table also presents an illustrative example of a comparable product type existing in the San Diego marketplace. The last column describes the residential development prototype identified by KMA for purposes of the financial feasibility evaluation (discussed below).

| Table IV-1: Affordable Housing Product Types | | |
|---|---|---|
| Probable Product Type by Density Range | Example | Prototype Analyzed |
| Between 15 and 23 units/acre | | |
| Two story wood-frame townhome. Each unit is attached by common walls. Developments are served by surface parking. |  <p><i>Trolley Terrace Townhomes Chula Vista, CA</i></p> | <u>Scenario #1:</u> Townhomes at 20 units/acre |
| Between 24 and 29 units/acre | | |
| Two or three story wood-frame construction with access to units from external walkways or corridors. Developments typically feature landscaped common areas as well as surface parking. |  <p><i>Fallbrook View Fallbrook, CA</i></p> | <u>Scenario #2:</u> Garden style residential at 24 units/acre |

| Table IV-1 (cont'd.): Affordable Housing Product Types | | |
|--|--|---|
| Probable Product Type by Density Range | Example | Prototype Analyzed |
| Over 30 units/acre | | |
| Wood-frame construction of up to four stories. Dwelling units are typically single floor residences accessed by double-sided interior corridors or open walkways. Often developed over tuck-under ¹ , podium ² , or below-grade parking ³ . |  <p><i>Centre Street Lofts San Diego, CA</i></p> | <u>Scenario #3:</u> Stacked Flats at 30 units/acre with surface and tuck-under parking |
| <p>¹ Parking located under a residential building accessed by surface driveways.</p> <p>² Reinforced concrete parking structure at ground level with residential development constructed above.</p> <p>³ Below-grade concrete parking structure with ramping access below grade and between parking levels.</p> | | |

B. Multi-Family Housing Land Values by Density

KMA reviewed land sales for market-rate multi-family developments in San Diego County from January 2012 to the present. The KMA survey was based on land sales data from January 2012 to the present and excluded Downtown San Diego. KMA sorted the survey results by density ranges for the proposed developments. The KMA findings are summarized in Table IV-2. As shown, land sales for developments with a density below 15 units per acre had the highest median land value on a per-unit basis (\$93,000). Land sales for developments proposed in the highest density category, 30.0-60.0 units per acre, demonstrated the lowest median land value per unit (\$26,000).

| Table IV-2: Residential Land Value, San Diego Region, January 2012 to Present ⁽¹⁾ | | | | |
|--|------------------------|-----------------------|-----------------------------------|---------------------------------|
| Density Category | Number of Sales | Median Density | Median Land Value per Unit | Median Land Value per SF |
| Below 15 du/acre | 2 | 9.4 | \$93,000 | \$19 |
| 20.0 - 23.9 du/acre | 13 | 19.7 | \$42,000 | \$18 |
| 24.0 – 29.9 du/acre | 4 | 26.5 | \$39,000 | \$23 |
| 30.0 – 60.0 due/acre | 16 | 40.0 | \$26,000 | \$24 |
| Total | 35 | 28.2 | \$35,000 | \$21 |
| (1) Selected sales transactions for residential land in San Diego County; excludes Downtown San Diego. Source: CoStar Comps, Inc. | | | | |

C. Financing Gap Analysis

The KMA financial pro formas for the above prototypes are presented in Appendix B. Each pro forma contains:

- (i) A project description
- (ii) Estimates of development costs
- (iii) Estimates of net operating income based on two affordability scenarios: (a) all units affordable to households at 50% AMI; and (b) all units affordable to households at 80% AMI
- (iv) The resulting residual land value and financing surplus/(gap)

The inputs and assumptions used in the KMA pro formas are based on KMA's recent experience with comparable developments throughout San Diego County. In particular, KMA notes the following:

- The cost estimates do not assume a prevailing wage requirement.
- KMA has made a nominal cost allowance for off-site improvements or extraordinary site preparation, as specific sites have not been defined for this study.
- The unincorporated area of the County is substantial in size and diverse in terms of real estate market factors. A review of residential land sales in the County's unincorporated areas from January 2012 to the present. As shown, land values range between \$0.82 and \$35.50 per square foot (SF) of site area, with most sales falling between \$1.50 and \$10.10 per SF. For the purposes of the KMA financing gap analysis, KMA assumed an average land acquisition cost of \$5 per SF.
- KMA pro forma analyses indicate that of the three prototypes analyzed, Scenario #2 – Garden Style Apartments at a density of 24 units per acre is the most feasible scenario, compared to Scenario #1 – Townhomes at a density of 20 units per acre and Scenario #3 – Stacked Flats at a density of 30 units per acre.
- It is therefore the KMA conclusion that the optimal density for affordable housing development in the unincorporated area of the County is in the range of 20 to 24 units per acre.

The detailed financing gap analysis and conclusions for each development prototype are discussed below.

Scenario #1 –Townhomes –20 Units/Acre

- Townhomes developed as rental housing in both the County's suburban and rural subareas are projected to generate a higher need for gap financing when compared to garden style apartments. This finding is not surprising, as affordable rental rates are set based on the number of bedrooms in each unit without regard to unit size (townhome units are typically larger than garden apartments). Additionally, the land cost burden cannot be distributed across as many units as a product type developed at a higher density.

- As shown below, financing gaps for townhomes were estimated at \$47,000 per unit for units affordable to households at 80% AMI, and \$155,000 per unit for units affordable to households at 50% AMI.

| Table IV-3: Scenario #1 | | |
|-------------------------|--|---|
| Townhomes | | |
| I. | Density | 20 units/acre |
| II. | Number of Stories | 2 stories |
| III. | Number of Units | 20 units |
| IV. | Average Unit Size | 1,250 SF |
| V. | Parking Type Number of Spaces Parking Ratio | 2-car attached garage 40 spaces 2.0 spaces/unit |
| VI. | Per Unit Financing Gap | Affordable Rent @ |
| | | 80% AMI |
| | | 50% AMI |
| | | (\$47,000) |
| | | (\$155,000) |

Scenario #2 – Garden Style – 20 Units/Acre

- Surface-parked garden-style apartments were found to generate the lowest financing gap of the three prototypes analyzed. Garden-style apartments were estimated to yield a financing gap of \$22,000 per unit for units at 80% AMI; and a financing gap of \$123,000 per unit for units at 50% AMI.

| Table IV-4: Scenario #2 | | |
|-------------------------|-------------------|---------------|
| Garden Apartments | | |
| I. | Density | 24 units/acre |
| II. | Number of Stories | 3 stories |
| III. | Number of Units | 24 units |
| IV. | Average Unit Size | 804 SF |
| V. | Parking | |

| Table IV-4: Scenario #2 | | |
|-----------------------------------|--------------------------|----------------|
| Garden Apartments | | |
| Type | Surface parking | |
| Number of Spaces | 48 spaces | |
| Parking Ratio | 2.0 spaces/unit | |
| VI. Per Unit Financing Gap | Affordable Rent @ | |
| | 80% AMI | 50% AMI |
| | (\$22,000) | (\$123,000) |

Scenario #3 –Stacked Flats – 30 Units/Acre

- The feasibility of affordable rental developments is a challenge for higher-density projects which carry higher construction costs for structured parking, internal circulation, and a stacked-flat configuration. As such, KMA finds that the stacked flat rentals are estimated to generate the second highest financing gap for units at 80% AMI and the highest gap for units at 50% AMI.
- As shown, financing gaps for stacked flats were estimated at \$50,000 per unit for units at 80% AMI; and \$149,000 per unit for units at 50% AMI.

| Table IV-5: Scenario #3 | | |
|-----------------------------------|--|----------------|
| Stacked Flats | | |
| I. Density | 30 units/acre | |
| II. Number of Stories | 3 stories | |
| III. Number of Units | 30 units | |
| IV. Average Unit Size | 770 SF | |
| V. Parking | Tuck-under and surface parking 45 spaces 1.5 spaces/unit | |
| Type | | |
| Number of Spaces | | |
| Parking Ratio | | |
| VI. Per Unit Financing Gap | Affordable Rent @ | |
| | 80% AMI | 50% AMI |
| | (\$50,000) | (\$149,000) |

V. HOUSING COST AND AFFORDABILITY

A. Market-Rate Rents and Sales Prices

Market Rents

KMA reviewed data on apartment rental rates throughout the unincorporated County to determine the average market rents by community. As shown in Table V-1 below, during Fall 2015 market rents within the unincorporated County ranged from \$675 to \$762 for a studio; \$867 to \$1,341 for a one-bedroom unit; \$1,080 to \$1,592 for a two-bedroom unit; and \$1,300 to \$1,784 for a three-bedroom unit. All rents in the unincorporated areas were found to be lower than the corresponding average rent for the entire County of San Diego.

| Table V-1: Average Rental Rates by Unit Type | | | | |
|---|---------|-------------|-------------|---------------|
| Community Plan Area | Studio | One Bedroom | Two Bedroom | Three Bedroom |
| Bonita | -- | \$1,341 | \$1,592 | -- |
| Fallbrook/Rainbow | \$762 | \$877 | \$1,080 | -- |
| Lakeside | \$675 | \$867 | \$1,303 | \$1,300 |
| Ramona | -- | -- | \$1,150 | \$1,432 |
| Spring Valley | -- | \$1,155 | \$1,399 | \$1,784 |
| County of San Diego (1) | \$1,046 | \$1,327 | \$1,634 | \$1,887 |
| Source: San Diego County Apartment Association (SDCAA) Fall 2015 Vacancy and Rental Rate Survey | | | | |
| (1) Average rental rate for entire County of San Diego, inclusive of all incorporated and unincorporated areas. | | | | |

Market Sales Prices

KMA compiled resale data on market-rate home prices in the unincorporated County. As shown in Table V-2 and Table V-3, according to CoreLogic, in June 2016 a total of 390 single-family home sales and 39 condominium sales occurred within the unincorporated County. During this same period, median single-family home prices by Community Planning Area (CPA) ranged between \$110,000 and \$2,371,000. Median condominium price by CPA ranged between \$155,000 and \$730,000.

KMA also compared median home values in June 2016 to median home values in September 2012. As shown, for those CPAs where sales were recorded in both September 2012 and June 2016, median values increased between 29.1% and 219.0% for single-family homes and between 26.6% and 183.4%% for condominiums.

| Table V-2: Single Family Median Home Values – September 2012 vs. June 2016 | | | | | |
|---|-------------------------------|--------------|--------------------------|--------------|----------------------|
| Community Planning Area | September 2012 ⁽¹⁾ | | June 2016 ⁽²⁾ | | % Change (2012-2016) |
| | Number of Sales | Median Price | Number of Sales | Median Price | |
| Alpine | 24 | \$417,500 | 14 | \$564,000 | 35.1% |
| Bonita | 9 | \$460,000 | 17 | \$607,000 | 32.0% |
| Bonsall | 5 | \$607,500 | 5 | \$820,000 | 35.0% |
| Borrego Springs | 2 | \$220,000 | 11 | \$188,000 | -14.5% |
| Boulevard | 4 | \$79,000 | 3 | \$252,000 | 219.0% |
| Campo | 5 | \$175,000 | 6 | \$240,000 | 37.1% |
| Descanso | 0 | -- | 1 | \$110,000 | -- |
| Fallbrook | 59 | \$359,500 | 97 | \$488,000 | 35.7% |
| Jacumba | 0 | -- | 2 | \$211,000 | -- |
| Jamul | 13 | \$434,500 | 15 | \$561,000 | 29.1% |
| Julian | 8 | \$210,000 | 10 | \$295,000 | 40.5% |
| Lakeside | 27 | \$325,000 | 36 | \$458,000 | 40.9% |
| Palomar Mountain | 0 | -- | 3 | \$349,000 | -- |
| Pauma Valley | 2 | \$126,000 | 2 | \$250,000 | 98.4% |
| Pine Valley | 2 | \$217,500 | 5 | \$490,000 | 125.3% |
| Ramona | 31 | \$280,000 | 58 | \$456,000 | 62.9% |
| Rancho San Diego | 3 | \$380,000 | -- | -- | -- |
| Rancho Santa Fe | 14 | \$1,824,000 | 22 | \$2,371,000 | 30.0%-- |
| Santa Ysabel | 0 | -- | 1 | \$303,000 | -- |
| Spring Valley | 45 | \$289,500 | 61 | \$425,000 | 46.8% |
| Valley Center | 16 | \$359,000 | 21 | \$559,000 | 57.0% |
| Warner Springs | 0 | -- | 0 | -- | -- |
| <p>(1) Source: DQNews. Reflects single-family home resales in San Diego County recorded in September 2012.</p> <p>(2) Source: CoreLogic. Reflects single-family home resales in San Diego County recorded in June 2016.</p> | | | | | |

Table V-3: Condominium Median Home Values– September 2012 vs. October 2006

| Community Planning Area | September 2012 ⁽¹⁾ | | June 2016 ⁽²⁾ | | % Change (2012-2016) |
|-------------------------|-------------------------------|--------------|--------------------------|--------------|----------------------|
| | Number of Sales | Median Price | Number of Sales | Median Price | |
| Alpine | 1 | \$87,500 | 2 | \$248,000 | 183.4% |
| Bonita | 0 | -- | 3 | \$226,000 | -- |
| Bonsall | 6 | \$157,000 | 1 | \$221,000 | 40.8% |
| Borrego Springs | 2 | \$122,500 | 0 | -- | -- |
| Boulevard | 0 | -- | 0 | -- | -- |
| Campo | 0 | -- | 0 | -- | -- |
| Descanso | 0 | -- | 0 | -- | -- |
| Fallbrook | 1 | \$271,000 | 4 | \$343,000 | 26.6% |
| Jacumba | 0 | -- | 0 | -- | -- |
| Jamul | 0 | -- | 0 | -- | -- |
| Julian | 0 | -- | 0 | -- | -- |
| Lakeside | 6 | \$110,500 | 3 | \$155,000 | 40.3% |
| Palomar Mountain | 0 | -- | 0 | -- | -- |
| Pauma Valley | 0 | -- | 0 | -- | -- |
| Pine Valley | 0 | -- | 0 | -- | -- |
| Ramona | 2 | \$161,000 | 7 | \$259,000 | 60.9% |
| Rancho San Diego | 2 | \$146,250 | 0 | -- | -- |
| Rancho Santa Fe | 0 | -- | 1 | \$730,000 | -- |
| Santa Ysabel | 0 | -- | 0 | -- | -- |
| Spring Valley | 4 | \$103,000 | 18 | \$248,000 | 140.8% |
| Valley Center | 0 | -- | 0 | -- | -- |
| Warner Springs | 0 | -- | 0 | -- | -- |

(1) Source: DQNews. Reflects condominium resales in San Diego County recorded in September 2012

(2) Source: CoreLogic. Reflects condominium resales in San Diego County recorded in June 2016.

B. Affordable Rents and Sales Prices

KMA estimated the maximum rent and sales prices affordable to extremely low, very low, low, and moderate income households, based on 2016 household income statistics distributed by the California Department of Housing and Community Development (HCD).

Affordable Rents

Calculation of affordable rents was based on the following key assumptions.

- (1) Assignment of family size, household size, and unit size was based on the number of persons exceeding the number of bedrooms by one, as follows:

| Table V-4: Household and Unit Sizes | | |
|-------------------------------------|----------------|---------------|
| Family Size | Household Size | Unit Size |
| One Person | 1.0 Persons | Studio |
| Two Person | 2.0 Person | One Bedroom |
| Small Family | 3.0 Persons | Two Bedroom |
| Four Person | 4.0 Persons | Three Bedroom |
| Large Family | 5.0 Persons | Four Bedroom |

- (2) Calculation of affordable rents was based on the formulas shown below.

| Table V-5: Income Allocation to Housing Costs | |
|---|-----------------|
| Extremely Low Income | 30% of 30% AMI |
| Very Low Income | 30% of 50% AMI |
| Lower Income | 30% of 80% AMI |
| Moderate Income | 30% of 120% AMI |

- (3) Estimate of utility costs was based on the County of San Diego Department of Housing and Community Development 2016 Utility Allowance Schedule and an assumed utility profile consisting of electric heat, gas cooking, gas water heater, and other electric.

Affordable Sales Prices

Calculation of affordable sales prices was based on the following key assumptions.

- (1) Assignment of family size, household size, and unit size was based on the number of persons exceeding the number of bedrooms by one, as follows:

| Table V-6: Household and Unit Sizes | | |
|-------------------------------------|----------------|---------------|
| Family Size | Household Size | Unit Size |
| One Person | 1.0 Persons | Studio |
| Two Person | 2.0 Persons | One Bedroom |
| Small Family | 3.0 Persons | Two Bedroom |
| Four Person | 4.0 Persons | Three Bedroom |
| Large Family | 5.0 Persons | Four Bedroom |

- (2) Calculation of affordable sales prices was based on the formulas shown below.

| Table V-7: Income Allocation to Housing Costs | |
|---|-----------------|
| Extremely Low Income | 30% of 30% AMI |
| Very Low Income | 30% of 50% AMI |
| Lower Income | 30% of 80% AMI |
| Moderate Income | 35% of 120% AMI |

- (3) Housing costs reflecting specifics of a particular project, including:
- Utility profile consisting of: electric heat, gas cooking, gas water heater, and other electric, water, and sewer.
 - HOA dues/insurance ranging between \$125 and \$225 per month, depending on assumed bedroom size (reflects allowance for structure insurance, maintenance, and reserves).
 - Private mortgage insurance of 1.10% of the loan amount
 - Property taxes assuming a 1.10% tax rate.
 - Supportable mortgage assuming a 30-year loan; 5.0% interest; and a 5% down payment.

Table V-8: Housing Affordability Matrix, 2012 ⁽¹⁾

| Income Group / Household Size | Annual Income | Maximum Affordable Rent | | | Maximum Affordable Sales Price | | |
|-------------------------------|---------------|--------------------------|---------------|---------|--------------------------------|---|----------------|
| | | Monthly Housing Cost (2) | Utilities (3) | Rent | Annual Housing Cost (4) | Utilities, HOA, Taxes, Insurance (3)(5) | Home Price (6) |
| Extremely Low (30% AMI) | | | | | | | |
| One Person | \$17,850 | \$446 | (\$34) | \$412 | \$5,355 | (\$3,052) | \$32,000 |
| Two Person | \$20,400 | \$510 | (\$46) | \$464 | \$6,120 | (\$3,763) | \$33,000 |
| Small Family (7) | \$22,950 | \$574 | (\$60) | \$514 | \$6,885 | (\$4,563) | \$32,000 |
| Four Person | \$25,500 | \$638 | (\$73) | \$565 | \$7,650 | (\$5,352) | \$32,000 |
| Large Family (8) | \$28,440 | \$711 | (\$94) | \$617 | \$8,532 | (\$6,341) | \$31,000 |
| Very Low (50% AMI) | | | | | | | |
| One Person | \$29,750 | \$744 | (\$34) | \$710 | \$8,925 | (\$3,525) | \$75,000 |
| Two Person | \$34,000 | \$850 | (\$46) | \$804 | \$10,200 | (\$4,302) | \$82,000 |
| Small Family (7) | \$38,250 | \$956 | (\$60) | \$896 | \$11,475 | (\$5,168) | \$88,000 |
| Four Person | \$42,500 | \$1,063 | (\$73) | \$990 | \$12,750 | (\$6,034) | \$94,000 |
| Large Family (8) | \$45,900 | \$1,148 | (\$94) | \$1,054 | \$13,770 | (\$7,034) | \$94,000 |
| Low (80% AMI) | | | | | | | |
| One Person | \$47,600 | \$1,190 | (\$34) | \$1,156 | \$14,280 | (\$4,240) | \$140,000 |
| Two Person | \$54,400 | \$1,360 | (\$46) | \$1,314 | \$16,320 | (\$5,116) | \$156,000 |
| Small Family (7) | \$61,200 | \$1,530 | (\$60) | \$1,470 | \$18,360 | (\$6,081) | \$171,000 |
| Four Person | \$68,000 | \$1,700 | (\$73) | \$1,627 | \$20,400 | (\$7,046) | \$186,000 |
| Large Family (8) | \$73,450 | \$1,836 | (\$94) | \$1,742 | \$22,035 | (\$8,134) | \$194,000 |
| Moderate (120% AMI) | | | | | | | |
| One Person | \$63,750 | \$1,594 | (\$34) | \$1,560 | \$22,313 | (\$5,307) | \$237,000 |
| Two Person | \$72,900 | \$1,823 | (\$46) | \$1,777 | \$25,515 | (\$6,348) | \$268,000 |
| Small Family (7) | \$82,000 | \$2,050 | (\$60) | \$1,990 | \$28,700 | (\$7,467) | \$296,000 |
| Four Person | \$91,100 | \$2,278 | (\$73) | \$2,205 | \$31,885 | (\$8,575) | \$325,000 |
| Large Family (8) | \$98,400 | \$2,460 | (\$94) | \$2,366 | \$34,440 | (\$9,784) | \$344,000 |

Source: 2016 income limits from State of California Department of Housing and Community Development; affordable housing cost calculations from Keyser Marston Associates, Inc.

- (1) 2016 Area Median Income (AMI) = \$75,900 (household of four).
- (2) Assumes 30% of annual gross income allocated toward housing costs.
- (3) Source: San Diego County Department of Housing and Community Development 2016 Utility Allowance Schedule.
- (4) Assumes 30% of annual gross income allocated toward housing costs for extremely low, very low, and low income households. Assumes 35% of annual gross income allocated toward housing costs for moderate income households.
- (5) Assumes annual HOA/insurance ranging between \$125-\$225/month, private mortgage insurance at 1.10% of loan amount, and 1.10% property tax rate.
- (6) Home price based on a 5.0% down payment and a 30-year fixed-rate mortgage at 5.0%.
- (7) Small Family = 3 person household.
- (8) Large Family = 5 person household.

C. Market Rents/Prices vs. Affordable Rents/Prices

Rental Housing

A comparison of average market rental rates to maximum affordable rents appears to indicate that low and moderate income households can afford to pay market rents within the unincorporated County.

| Table V-9: Comparison of Average Market Rental Rates and Maximum Affordable Rents | | | | |
|--|---------------|-----------------|-------------------|-------------------|
| | Studio | One-Bedroom | Two-Bedroom | Three Bedrooms |
| Average Market Rental Rates – Unincorporated Area ⁽¹⁾ | \$675 - \$762 | \$867 - \$1,341 | \$1,080 - \$1,592 | \$1,330 - \$1,784 |
| Maximum Affordable Rent ⁽²⁾ | | | | |
| Extremely Low (30% AMI) | \$412 | \$464 | \$514 | \$565 |
| Very Low (50% AMI) | \$710 | \$804 | \$896 | \$990 |
| Low (80% AMI) | \$1,156 | \$1,314 | \$1,470 | \$1,627 |
| Moderate (120% AMI) | \$1,560 | \$1,777 | \$1,990 | \$2,205 |
| ⁽¹⁾ Source: San Diego County Apartment Association (SDCAA) Fall 2015 Vacancy and Rental Rate Survey ⁽²⁾ Source: Income limits from State of California Department of Housing and Community Development; affordable housing cost calculations from Keyser Marston Associates, Inc. | | | | |

For-Sale Housing

A comparison of median home values and maximum affordable sales prices also appears to indicate that low and moderate income households can affordable to purchase both market-rate single-family and condominium homes within the unincorporated County.

| Table V-10: Comparison of Median Home Values and Maximum Affordable Sales Price | | | | | |
|---|--|----------------|----------------|------------------|-----------------|
| Median Home Values - Unincorporated Area ⁽¹⁾ | Condominium Single-Family <div> \$155,000 - \$730,000 \$110,000 - \$2,371,000 </div> | | | | |
| Maximum Affordable Sales Price ⁽²⁾ | Studio | One Bedroom | Two Bedroom | Three Bedroom | Four Bedroom |
| Extremely Low (30% AMI) | \$32,000 | \$33,000 | \$33,000 | \$32,000 | \$31,000 |
| Very Low (50% AMI) | \$75,000 | \$82,000 | \$88,000 | \$94,000 | \$94,000 |
| Low (80% AMI) | \$140,000 | \$156,000 | \$171,000 | \$186,000 | \$194,000 |
| Moderate (120% AMI) | \$237,000 | \$268,000 | \$296,000 | \$325,000 | \$344,000 |
| <p>(3) Source: CoreLogic. Reflects homes sales in San Diego County recorded in June 2016.</p> <p>(4) Source: 2016 income limits from State of California Department of Housing and Community Development; affordable housing cost calculations from Keyser Marston Associates, Inc.</p> | | | | | |

VI. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
6. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

APPENDIX A

AFFORDABLE HOUSING DEVELOPMENTS BY DENSITY

TABLE A-1

AFFORDABLE HOUSING DEVELOPMENTS BY DENSITY - BUILT SINCE 2010 OR UNDER CONSTRUCTION
UNINCORPORATED AREA AND ADJACENT CITIES
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| Development | Product Type | Address | City | Site Area (acres) | Total Units | Density (units per acre) | Affordability Level | Year Built | Developer |
|-----------------------|-----------------------------------|--------------------------------|------------|-------------------|-------------|--------------------------|---|--------------------|--------------------------------|
| North Santa Fe | Stacked Flats over Podium Parking | 291 N. Santa Fe Avenue | Vista | 1.58 | 67 | 42.4 | 7 @ 30% AMI 14 @ 40% AMI 27 @ 50% AMI 18 @ 60% AMI | 2015 | Community Housing Works |
| Paseo Pointe | Garden Style Apartments | 325 S. Santa Fe Avenue | Vista | 1.74 | 69 | 39.7 | 7 @ 30% AMI 7 @ 40% AMI 7 @ 45% AMI 24 @ 50% AMI 23 @ 60% AMI | 2015 | Affirmed Housing Group |
| Solutions for Change | Garden Style Apartments | 1560 South Escondido Boulevard | Escondido | 1.05 | 33 | 31.4 | 15 @ 30% AMI 4 @ 50% AMI 6 @ 60% AMI 7 @ 80% AMI | under construction | Solutions for Change |
| Autumn Terrace | Garden Style Apartments | 251 Autumn Drive | San Marcos | 3.30 | 103 | 31.2 | 11 @ 30% AMI 11 @ 40% AMI 51 @ 50% AMI 29 @ 60% AMI | 2010 | Hitzke Development |
| Forester Square | Garden Style Apartments | 9560 Via Zapador | Santee | 1.61 gross | 44 | 27.3 | 7 @ 50% AMI 36 @ 60% AMI | 2013 | Wakeland Housing |
| Springbrook Grove | Stacked Flats Over Parking | 435 Altura Road | Fallbrook | 1.77 | 44 | 24.9 | 22 @ 35% AMI 21 @ 45% AMI | 2010 | SADI LLC |
| Westlake Village | Garden Style Apartments | 405 & 415 Autumn Drive | San Marcos | 2.17 | 49 | 22.6 | 5 @ 35% AMI 15 @ 45% AMI 15 @ 50% AMI 13 @ 60% AMI | 2014 | National CORE |
| Silversage Apartments | Garden Style Apartments | 11719 Woodside Avenue | Lakeside | 3.70 | 80 | 21.6 | 16 @ 50% AMI 63 @ 60% AMI | 2010 | Chelsea Investment Corporation |

TABLE A-1

AFFORDABLE HOUSING DEVELOPMENTS BY DENSITY - BUILT SINCE 2010 OR UNDER CONSTRUCTION
UNINCORPORATED AREA AND ADJACENT CITIES
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| Development | Product Type | Address | City | Site Area (acres) | Total Units | Density (units per acre) | Affordability Level | Year Built | Developer |
|------------------------|-------------------------|--|------------|-------------------|-------------|--------------------------|---|--------------------|---|
| Parkview Apartments | Garden Style Apartments | Chinaberry @ Autumn Drive | San Marcos | 4.06 | 84 | 20.7 | 9 @ 30% AMI 17 @ 40% AMI 33 @ 50% AMI 23 @ 60% AMI | 2015 | C&C Development Hitzke Development |
| Brighton Place | Garden Style Apartments | Brighton Way between Edgemoor and Adrian | Poway | 4.07 | 77 | 18.9 | 8 @ 30% AMI 8 @ 35% AMI 8 @ 40% AMI 22 @ 50% AMI 30 @ 60% AMI | 2012 | S.D. Interfaith Housing Foundation |
| Promenade at Creekside | Garden Style Apartments | Creekside Drive and Grand Avenue | San Marcos | 3.45 | 65 | 18.8 | 7 @ 30% AMI 14 @ 40% AMI 24 @ 50% AMI 19 @ 60% AMI | 2016 | Opportune / Las Palmas |
| Avocado Court | Garden Style Apartments | 141 E. El Norte Parkway | Escondido | 2.22 | 36 | 16.2 | 11 @ 30% AMI 4 @ 40% AMI 12 @ 50% AMI 8 @ 60% AMI | 2013 | Community Housing Works |
| Mission Cove Family 1 | Garden Style Apartments | 3200 Block of Mission Avenue | Oceanside | 5.82 | 90 | 15.5 | 19 @ 30% AMI 30 @ 45% AMI 27 @ 50% AMI | under construction | Community Housing Works / National CORE |
| Eastgate Apartments | Garden Style Apartments | Creekside Drive and Grand Avenue | San Marcos | 2.72 | 42 | 15.4 | 5 @ 50% AMI 36 @ 60% AMI | under construction | Affirmed Housing Group |

APPENDIX B

AFFORDABLE HOUSING DEVELOPMENT FEASIBILITY

Scenario #1

Townhomes

20 Units/Acre

Housing Allocation for Low and Very Low Income Households

Housing Element Update

TABLE B-1

TOWNHOMES

PROJECT DESCRIPTION
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | | |
|---------------------------------|-------------------|------|------------------|
| I. Site Area | 1.00 Acre | | |
| II. Number of Stories | 2 Stories | | |
| III. Density | 20.0 Units/Acre | | |
| IV. Construction Type | Type V | | |
| V. Gross Building Area | | | |
| Residential Area | 25,000 SF | | 100% |
| Common Area | 0 SF | | 0% |
| Total Gross Building Area (GBA) | 25,000 SF | | 100% |
| FAR | 0.57 | | |
| VI. Unit Mix | <u># of Units</u> | | <u>Unit Size</u> |
| Two Bedroom | 10 Units | 50% | 1,200 SF |
| Three Bedroom | 10 Units | 50% | 1,300 SF |
| Total/Average | 20 Units | 100% | 1,250 SF |
| VII. Parking | | | |
| Parking Type | Attached Garage | | |
| Parking Ratio | 2.0 Spaces/Unit | | |
| Number of Spaces | 40 Spaces | | |

TABLE B-2

TOWNHOMES

ESTIMATED DEVELOPMENT COSTS
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | <u>Totals</u> | <u>Per Unit</u> | <u>Comments</u> |
|---|--------------------|------------------|-------------------------|
| I. Direct Costs (1) | | | |
| Off-Site Improvements | \$131,000 | \$6,600 | \$3 Per SF Site |
| On-Sites/Landscaping | \$348,000 | \$17,400 | \$8 Per SF Site |
| Parking - Attached Garage | \$0 | \$0 | Included below |
| Shell Construction | \$2,625,000 | \$131,300 | \$105 Per SF GBA |
| FF&E/Amenities | \$20,000 | \$1,000 | Allowance |
| Contingency | <u>\$156,000</u> | <u>\$7,800</u> | 5.0% of Directs |
| Total Direct Costs | \$3,280,000 | \$164,000 | \$131 Per SF GBA |
| II. Indirect Costs | | | |
| Architecture & Engineering | \$164,000 | \$8,200 | 5.0% of Directs |
| Permits & Fees (2) | \$375,000 | \$18,800 | \$15 Per SF GBA |
| Legal & Accounting | \$33,000 | \$1,700 | 1.0% of Directs |
| Taxes & Insurance | \$49,000 | \$2,500 | 1.5% of Directs |
| Developer Fee | \$131,000 | \$6,600 | 4.0% of Directs |
| Marketing/Lease-Up | \$50,000 | \$2,500 | Allowance |
| Contingency | <u>\$40,000</u> | <u>\$2,000</u> | 5.0% of Indirects |
| Total Indirect Costs | \$842,000 | \$42,100 | 25.7% of Directs |
| III. Financing Costs | | | |
| Total Financing Costs | \$328,000 | \$16,400 | 10.0% of Directs |
| IV. Total Development Costs Excluding Land | \$4,450,000 | \$222,500 | \$178 Per SF GBA |

(1) Does not assume payment of prevailing wages.

(2) Estimate; not verified by KMA or the County of San Diego.

TABLE B-3

NET OPERATING INCOME

COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE

COUNTY OF SAN DIEGO

| | Affordable Rent | | | | | |
|---|--------------------|--------------------------------|--------------------|--------------------|--------------------------------|--------------------|
| | 50% AMI | | | 80% AMI | | |
| | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> |
| I. Gross Scheduled Income (GSI) | | | | | | |
| Two Bedroom | 10 | \$896 | \$108,000 | 10 | \$1,470 | \$176,000 |
| Three Bedroom | <u>10</u> | <u>\$990</u> | <u>\$119,000</u> | <u>10</u> | <u>\$1,627</u> | <u>\$195,000</u> |
| Total / Average | 20 | \$946 | \$227,000 | 20 | \$1,546 | \$371,000 |
| Add: Other Income | \$15 /Unit/Month | | <u>\$3,600</u> | \$15 /Unit/Month | | <u>\$3,600</u> |
| Gross Scheduled Income (GSI) | | | \$230,600 | | | \$374,600 |
| II. Effective Gross Income (EGI) | | | | | | |
| (Less) Vacancy | 5.0% of GSI | | <u>(\$11,500)</u> | 5.0% of GSI | | <u>(\$18,700)</u> |
| Effective Gross Income | | | \$219,100 | | | \$355,900 |
| III. Operating Expenses | \$6,000 /Unit/Year | | <u>(\$120,000)</u> | \$6,000 /Unit/Year | | <u>(\$120,000)</u> |
| | 54.8% of EGI | | | 33.7% of EGI | | |
| IV. Net Operating Income (NOI) | | | \$99,100 | | | \$235,900 |

(1) See Table B-5.

SCENARIO #1

TOWNHOMES

TABLE B-4

RESIDUAL LAND VALUE AND FINANCING DEFICIT
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | Affordable Rent | |
|--------------------------------|----------------|----------------------|----------------------|
| | | 50% AMI | 80% AMI |
| I. Residual Land Value | | | |
| Net Operating Income | | \$99,100 | \$235,900 |
| Capitalized Value of Income | 5.5% Cap Rate | \$1,802,000 | \$4,289,000 |
| (Less) Cost of Sale | 3.0% of Value | (\$54,000) | (\$129,000) |
| (Less) Target Developer Profit | 10.0% of Value | <u>(\$180,000)</u> | <u>(\$429,000)</u> |
| Warranted Investment | | \$1,568,000 | \$3,731,000 |
| (Less) Total Development Costs | | <u>(\$4,450,000)</u> | <u>(\$4,450,000)</u> |
| Residual Land Value | | (\$2,882,000) | (\$719,000) |
| Per Unit | | (\$144,000) | (\$36,000) |
| II. Financing Deficit | | | |
| Residual Land Value | | (\$2,882,000) | (\$719,000) |
| (Less) Acquisition Costs | \$5 /SF | <u>(\$218,000)</u> | <u>(\$218,000)</u> |
| Financing Deficit | | (\$3,100,000) | (\$937,000) |
| Per Unit | | (\$155,000) | (\$47,000) |

TABLE B-5

TOWNHOMES

AFFORDABLE RENTS, 2016
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| Number of Bedrooms | Two | Three |
|--|----------------|----------------|
| I. <u>Households up to 50% AMI</u> | | |
| Family Size | 3 | 4 |
| Household Income (Rounded) (1) | \$38,250 | \$42,500 |
| Income Allocation to Housing | 30% | 30% |
| Monthly Housing Cost | \$956 | \$1,063 |
| (Less) Utility Allowance (2) | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 50% AMI | \$896 | \$990 |
| II. <u>Households up to 80% AMI</u> | | |
| Family Size | 3 | 4 |
| Household Income (Rounded) (1) | \$61,200 | \$68,000 |
| Income Allocation to Housing | 30% | 30% |
| Monthly Housing Cost | \$1,530 | \$1,700 |
| (Less) Utility Allowance (2) | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 80% AMI | \$1,470 | \$1,627 |

(1) State of California Department of Housing and Community Development (HCD) 2016 income limits.

(2) Per the San Diego County Department of Housing and Community Development 2016 Utility Allowance Schedule, July 1, 2016.

| | Two | Three |
|------------------|-------------|-------------|
| Electric Heat | \$11 | \$13 |
| Gas Cooking | \$3 | \$4 |
| Gas Water Heater | \$12 | \$15 |
| Other Electric | <u>\$34</u> | <u>\$41</u> |
| Total Utilities | \$60 | \$73 |

Scenario #2

Garden Style Apartments

24 Units/Acre

Housing Allocation for Low and Very Low Income Households

Housing Element Update

TABLE B-6

GARDEN STYLE APARTMENTS

PROJECT DESCRIPTION
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | | |
|---------------------------------|-------------------|------------------|-----------------|
| I. Site Area | 1.00 Acre | | |
| II. Number of Stories | 3 Stories | | |
| III. Density | 24.0 Units/Acre | | |
| IV. Construction Type | Type V | | |
| V. Gross Building Area | | | |
| Residential Area | 19,300 SF | 95% | |
| Common Area | <u>1,000</u> SF | <u>5%</u> | |
| Total Gross Building Area (GBA) | 20,300 SF | 100% | |
| FAR | 0.47 | | |
| VI. Unit Mix | <u># of Units</u> | <u>Unit Size</u> | |
| One Bedroom | 7 Units | 29% | 650 SF |
| Two Bedroom | 15 Units | 63% | 850 SF |
| Three Bedroom | <u>2</u> Units | <u>8%</u> | <u>1,000</u> SF |
| Total | 24 Units | 100% | 804 SF |
| VII. Parking | | | |
| Parking Type | Surface | | |
| Parking Ratio | 2.0 Spaces/Unit | | |
| Number of Spaces | 48 Spaces | | |

TABLE B-7

GARDEN STYLE APARTMENTS

ESTIMATED DEVELOPMENT COSTS
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | <u>Totals</u> | <u>Per Unit</u> | <u>Comments</u> |
|---|--------------------|------------------|-------------------------|
| I. Direct Costs (1) | | | |
| Off-Site Improvements | \$131,000 | \$5,500 | \$3 Per SF Site |
| On-Sites/Landscaping | \$523,000 | \$21,800 | \$12 Per SF Site |
| Parking - Surface | \$0 | \$0 | Included above |
| Shell Construction | \$2,335,000 | \$97,300 | \$115 Per SF GBA |
| FF&E/Amenities | \$120,000 | \$5,000 | Allowance |
| Contingency | <u>\$155,000</u> | <u>\$6,500</u> | 5.0% of Directs |
| Total Direct Costs | \$3,264,000 | \$136,000 | \$161 Per SF GBA |
| II. Indirect Costs | | | |
| Architecture & Engineering | \$163,000 | \$6,800 | 5.0% of Directs |
| Permits & Fees (2) | \$305,000 | \$12,700 | \$15 Per SF GBA |
| Legal & Accounting | \$33,000 | \$1,400 | 1.0% of Directs |
| Taxes & Insurance | \$49,000 | \$2,000 | 1.5% of Directs |
| Developer Fee | \$131,000 | \$5,500 | 4.0% of Directs |
| Marketing/Lease-Up | \$60,000 | \$2,500 | Allowance |
| Contingency | <u>\$37,000</u> | <u>\$1,500</u> | 5.0% of Indirects |
| Total Indirect Costs | \$778,000 | \$32,400 | 23.8% of Directs |
| III. Financing Costs | | | |
| Total Financing Costs | \$326,000 | \$13,583 | 10.0% of Directs |
| IV. Total Development Costs Excluding Land | \$4,368,000 | \$182,000 | \$215 Per SF GBA |

(1) Does not assume payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the County of San Diego.

TABLE B-8

NET OPERATING INCOME
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

GARDEN STYLE APARTMENTS

| | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> | | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> | <u>80% AMI</u> |
|---|--------------------|--------------------------------|--------------------|--|--------------------|--------------------------------|--------------------|----------------|
| I. Gross Scheduled Income (GSI) | | | | | | | | |
| One Bedroom | 7 | \$804 | \$67,500 | | 7 | \$1,314 | \$110,400 | |
| Two Bedroom | 15 | \$896 | \$161,300 | | 15 | \$1,470 | \$264,600 | |
| Three Bedroom | <u>2</u> | <u>\$990</u> | <u>\$23,700</u> | | <u>2</u> | <u>\$1,627</u> | <u>\$39,000</u> | |
| Total/Average | 24 | \$877 | \$252,500 | | 24 | \$1,438 | \$414,000 | |
| Add: Other Income | \$25 /Unit/Month | | <u>\$7,200</u> | | \$25 /Unit/Month | | <u>\$7,200</u> | |
| Gross Scheduled Income (GSI) | | | \$259,700 | | | | \$421,200 | |
| II. Effective Gross Income (EGI) | | | | | | | | |
| (Less) Vacancy | 5.0% of GSI | | <u>(\$13,000)</u> | | 5.0% of GSI | | <u>(\$21,100)</u> | |
| Effective Gross Income | | | \$246,700 | | | | \$400,100 | |
| III. Operating Expenses | | | | | | | | |
| | \$6,000 /Unit/Year | | <u>(\$144,000)</u> | | \$6,000 /Unit/Year | | <u>(\$144,000)</u> | |
| | 58.4% of EGI | | | | 36.0% of EGI | | | |
| Affordable Rent | | | | | | | | |
| 50% AMI | | | | | | | | |

| | | |
|---------------------------------------|------------------|------------------|
| IV. Net Operating Income (NOI) | \$102,700 | \$256,100 |
|---------------------------------------|------------------|------------------|

(1) See Table C-5.

Prepared by: Keyser Marston Associates, Inc.
Filename: i: County_Housing Element_Pro formas_2016;8/18/2016;rks

TABLE B-9

GARDEN STYLE APARTMENTS

RESIDUAL LAND VALUE AND FINANCING SURPLUS/(DEFICIT)
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | Affordable Rent | |
|--|----------------|----------------------|-----------------------------------|
| | | 50% AMI | 80% AMI |
| I. Residual Land Value | | | |
| Net Operating Income | | \$102,700 | \$256,100 |
| Capitalized Value of Income | 5.5% Cap Rate | \$1,867,000 | 5.5% Cap Rate \$4,656,000 |
| (Less) Cost of Sale | 3.0% of Value | (\$56,000) | 3.0% of Value (\$140,000) |
| (Less) Target Developer Profit | 10.0% of Value | <u>(\$187,000)</u> | 10.0% of Value <u>(\$466,000)</u> |
| Warranted Investment | | \$1,624,000 | \$4,050,000 |
| (Less) Total Development Costs | | <u>(\$4,368,000)</u> | <u>(\$4,368,000)</u> |
| Residual Land Value | | (\$2,744,000) | (\$318,000) |
| Per Unit | | (\$114,000) | (\$13,000) |
| II. Financing Surplus/(Deficit) | | | |
| Residual Land Value | | (\$2,744,000) | (\$318,000) |
| (Less) Acquisition Costs | \$5 /SF | <u>(\$218,000)</u> | \$5 /SF <u>(\$218,000)</u> |
| Financing Surplus/(Deficit) | | (\$2,962,000) | (\$536,000) |
| Per Unit | | (\$123,000) | (\$22,000) |

TABLE B-10

GARDEN STYLE APARTMENTS

AFFORDABLE RENTS, 2016

COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE

COUNTY OF SAN DIEGO

| Number of Bedrooms | One | Two | Three |
|---------------------------------------|----------------|----------------|----------------|
| I. Households up to 50% AMI | | | |
| Family Size | 2 | 3 | 4 |
| Household Income (Rounded) (1) | \$34,000 | \$38,250 | \$42,500 |
| Income Allocation to Housing | 30% | 30% | 30% |
| Monthly Housing Cost | \$850 | \$956 | \$1,063 |
| (Less) Utility Allowance (2) | <u>(\$46)</u> | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 50% AMI | \$804 | \$896 | \$990 |
| II. Households up to 80% AMI | | | |
| Family Size | 2 | 3 | 4 |
| Household Income (Rounded) (1) | \$54,400 | \$61,200 | \$68,000 |
| Income Allocation to Housing | 30% | 30% | 30% |
| Monthly Housing Cost | \$1,360 | \$1,530 | \$1,700 |
| (Less) Utility Allowance (2) | <u>(\$46)</u> | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 80% AMI | \$1,314 | \$1,470 | \$1,627 |

(1) State of California Department of Housing and Community Development (HCD) 2016 income limits.

(2) Per the San Diego County Department of Housing and Community Development 2016 Utility Allowance Schedule, July 1, 2016.

| | <u>One</u> | <u>Two</u> | <u>Three</u> |
|------------------|-------------|-------------|--------------|
| Electric Heat | \$8 | \$11 | \$13 |
| Gas Cooking | \$3 | \$3 | \$4 |
| Gas Water Heater | \$9 | \$12 | \$15 |
| Other Electric | <u>\$26</u> | <u>\$34</u> | <u>\$41</u> |
| Total Utilities | \$46 | \$60 | \$73 |

Scenario #3

Stacked-Flat Apartments

30 Units/Acre

Housing Allocation for Low and Very Low Income Households

Housing Element Update

TABLE B-11

STACKED-FLAT APARTMENTS

PROJECT DESCRIPTION
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | | |
|---------------------------------|-------------------|-----------|------------------|
| I. Site Area | 1.00 Acre | | |
| II. Number of Stories | 3 Stories | | |
| III. Density | 30.0 Units/Acre | | |
| IV. Construction Type | Type V | | |
| V. Gross Building Area | | | |
| Residential Area | 23,100 SF | | 95% |
| Common Area | <u>1,200 SF</u> | | <u>5%</u> |
| Total Gross Building Area (GBA) | 24,300 SF | | 100% |
| FAR | 0.56 | | |
| VI. Unit Mix | <u># of Units</u> | | <u>Unit Size</u> |
| One Bedroom | 12 Units | 40% | 650 SF |
| Two Bedroom | 18 Units | 60% | 850 SF |
| Three Bedroom | <u>0 Units</u> | <u>0%</u> | <u>1,000 SF</u> |
| Total | 30 Units | 100% | 770 SF |
| VII. Parking | | | |
| Surface Spaces | 15 Spaces | | |
| Tuck-Under | <u>30 Spaces</u> | | |
| Total Number of Spaces | 45 Spaces | | |
| Parking Ratio | 1.5 Spaces/Unit | | |

TABLE B-12

STACKED-FLAT APARTMENTS

ESTIMATED DEVELOPMENT COSTS
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | <u>Totals</u> | <u>Per Unit</u> | <u>Comments</u> |
|---|--------------------|------------------|---------------------------------|
| I. Direct Costs (1) | | | |
| Off-Site Improvements | \$131,000 | \$4,400 | \$3 Per SF Site |
| On-Sites/Landscaping | \$523,000 | \$17,400 | \$12 Per SF Site |
| Parking - Tuck-Under | \$375,000 | \$12,500 | \$12,500 Per Space - Tuck-Under |
| Shell Construction | \$3,281,000 | \$109,400 | \$135 Per SF GBA |
| FF&E/Amenities | \$150,000 | \$5,000 | Allowance |
| Contingency | <u>\$223,000</u> | <u>\$7,400</u> | 5.0% of Directs |
| Total Direct Costs | \$4,683,000 | \$156,100 | \$193 Per SF GBA |
| II. Indirect Costs | | | |
| Architecture & Engineering | \$234,000 | \$7,800 | 5.0% of Directs |
| Permits & Fees (2) | \$365,000 | \$12,200 | \$15 Per SF GBA |
| Legal & Accounting | \$47,000 | \$1,600 | 1.0% of Directs |
| Taxes & Insurance | \$70,000 | \$2,300 | 1.5% of Directs |
| Developer Fee | \$187,000 | \$6,200 | 4.0% of Directs |
| Marketing/Lease-Up | \$75,000 | \$2,500 | Allowance |
| Contingency | <u>\$49,000</u> | <u>\$1,600</u> | 5.0% of Indirects |
| Total Indirect Costs | \$1,027,000 | \$34,200 | 21.9% of Directs |
| III. Financing Costs | | | |
| Total Financing Costs | \$468,000 | \$15,600 | 10.0% of Directs |
| IV. Total Development Costs Excluding Land | \$6,178,000 | \$205,900 | \$254 Per SF GBA |

(1) Does not assume payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the County of San Diego.

TABLE B-13

STACKED-FLAT APARTMENTS

NET OPERATING INCOME

COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE

COUNTY OF SAN DIEGO

| | Affordable Rent | | | | | |
|---|--------------------|--------------------------------|--------------------|--------------------|--------------------------------|--------------------|
| | 50% AMI | | | 80% AMI | | |
| | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> | <u>Units</u> | <u>\$/Month</u> ⁽¹⁾ | <u>Annual</u> |
| I. Gross Scheduled Income (GSI) | | | | | | |
| One Bedroom | 12 | \$804 | \$115,800 | 12 | \$1,314 | \$189,200 |
| Two Bedroom | <u>18</u> | <u>\$896</u> | <u>\$193,600</u> | <u>18</u> | <u>\$1,470</u> | <u>\$317,500</u> |
| Total/Average | 30 | \$859 | \$309,400 | 30 | \$1,408 | \$506,700 |
| Add: Other Income | \$25 /Unit/Month | | <u>\$9,000</u> | \$25 /Unit/Month | | <u>\$9,000</u> |
| Gross Scheduled Income (GSI) | | | \$318,400 | | | \$515,700 |
| II. Effective Gross Income (EGI) | | | | | | |
| (Less) Vacancy | 5.0% of GSI | | <u>(\$15,900)</u> | 5.0% of GSI | | <u>(\$25,800)</u> |
| Effective Gross Income | | | \$302,500 | | | \$489,900 |
| III. Operating Expenses | | | | | | |
| | \$6,000 /Unit/Year | | <u>(\$180,000)</u> | \$6,000 /Unit/Year | | <u>(\$180,000)</u> |
| | 59.5% of EGI | | | 36.7% of EGI | | |
| IV. Net Operating Income (NOI) | | | \$122,500 | | | \$309,900 |

(1) See Table D-5.

TABLE B-14

STACKED-FLAT APARTMENTS

RESIDUAL LAND VALUE AND FINANCING SURPLUS/(DEFICIT)
COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE
COUNTY OF SAN DIEGO

| | | | | | Affordable Rent | |
|--|----------------|--|--|--|------------------------|----------------------|
| | | | | | 50% AMI | 80% AMI |
| I. Residual Land Value | | | | | | |
| Net Operating Income | | | | | \$122,500 | \$309,900 |
| Capitalized Value of Income | 5.5% Cap Rate | | | | \$2,227,000 | \$5,635,000 |
| (Less) Cost of Sale | 3.0% of Value | | | | (\$67,000) | (\$169,000) |
| (Less) Target Developer Profit | 10.0% of Value | | | | <u>(\$223,000)</u> | <u>(\$564,000)</u> |
| Warranted Investment | | | | | \$1,937,000 | \$4,902,000 |
| (Less) Total Development Costs | | | | | <u>(\$6,178,000)</u> | <u>(\$6,178,000)</u> |
| Residual Land Value | | | | | (\$4,241,000) | (\$1,276,000) |
| Per Unit | | | | | (\$141,000) | (\$43,000) |
| II. Financing Surplus/(Deficit) | | | | | | |
| Residual Land Value | | | | | (\$4,241,000) | (\$1,276,000) |
| (Less) Acquisition Costs | \$5 /SF | | | | <u>(\$218,000)</u> | <u>(\$218,000)</u> |
| Financing Surplus/(Deficit) | | | | | (\$4,459,000) | (\$1,494,000) |
| Per Unit | | | | | (\$149,000) | (\$50,000) |

TABLE B-15

STACKED-FLAT APARTMENTS

AFFORDABLE RENTS, 2016

COUNTY OF SAN DIEGO HOUSING ELEMENT UPDATE

COUNTY OF SAN DIEGO

| Number of Bedrooms | One | Two | Three |
|--|----------------|----------------|----------------|
| I. <u>Households up to 50% AMI</u> | | | |
| Family Size | 2 | 3 | 4 |
| Household Income (Rounded) (1) | \$34,000 | \$38,250 | \$42,500 |
| Income Allocation to Housing | 30% | 30% | 30% |
| Monthly Housing Cost | \$850 | \$956 | \$1,063 |
| (Less) Utility Allowance (2) | <u>(\$46)</u> | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 50% AMI | \$804 | \$896 | \$990 |
| II. <u>Households up to 80% AMI</u> | | | |
| Family Size | 2 | 3 | 4 |
| Household Income (Rounded) (1) | \$54,400 | \$61,200 | \$68,000 |
| Income Allocation to Housing | 30% | 30% | 30% |
| Monthly Housing Cost | \$1,360 | \$1,530 | \$1,700 |
| (Less) Utility Allowance (2) | <u>(\$46)</u> | <u>(\$60)</u> | <u>(\$73)</u> |
| Maximum Monthly Rent @ 80% AMI | \$1,314 | \$1,470 | \$1,627 |

(1) State of California Department of Housing and Community Development (HCD) 2016 income limits.

(2) Per the San Diego County Department of Housing and Community Development 2016 Utility Allowance Schedule, July 1, 2016.

| | <u>One</u> | <u>Two</u> | <u>Three</u> |
|------------------|-------------|-------------|--------------|
| Electric Heat | \$8 | \$11 | \$13 |
| Gas Cooking | \$3 | \$3 | \$4 |
| Gas Water Heater | \$9 | \$12 | \$15 |
| Other Electric | <u>\$26</u> | <u>\$34</u> | <u>\$41</u> |
| Total Utilities | \$46 | \$60 | \$73 |