

July 14, 2020

R-19

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Find that the project is within the scope of the previously certified Program Environmental Impact Report prepared for the General Plan Land Use Element update EIR 03-16, SCH NO. 2015051054, that no further environmental analysis is needed, and that the project is categorically exempt pursuant to Section 15061(b)(3) of the State CEQA Guidelines; and,

Request the City Attorney to prepare an Ordinance amending Title 21 of the Long Beach Municipal Code (Zoning Ordinance) to: (1) repeal Title 21.60, Division IV – Voluntary Incentive Program to Create Housing for Very Low- and Low-Income Households, and (2) Adopt a new Citywide mandatory incentive-based Inclusionary Housing program based on policy components recommended by staff, as modified by the Planning Commission. (Citywide)

DISCUSSION

In May 2017, the City Council adopted 29 policy recommendations to support the production of affordable and workforce housing. Policy 3.2 directs staff to begin the development of an Inclusionary Housing policy to enhance the production of affordable and mixed-income housing.

To assist with this effort, Development Services staff contracted with LeSar Development Consultants (LeSar), and their sub-consultants, Keyser Marston Associates (KMA) and The Robert Group (TRG). LeSar and TRG prepared background information and assisted with the community engagement process, and KMA completed an Inclusionary Housing Financial Evaluation (Attachment A - Economic Analysis). The Economic Analysis is a critical component of the development of an Inclusionary Housing policy, as it assesses the impacts created by the imposition of Inclusionary Housing requirements, determines the feasibility of an Inclusionary Housing requirement in the Long Beach housing market, and estimates the fee amounts that can be supported for projects that are permitted to pay an in-lieu fee. The Economic Analysis also includes the following background information related to Inclusionary Housing implementation:

- An overview of the existing inclusionary housing programs in California (over 170 jurisdictions);
- An overview of key court cases impacting Inclusionary Housing policy;
- An overview of recently adopted California Law regulating Inclusionary Housing policy;

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- An overview of the role of the State Department of Housing and Community Development in ensuring that Inclusionary Housing policies do not constrain the production of housing;
- An overview of State Density Bonus requirements and its relationship to Inclusionary Housing;
- The economic feasibility, constraints, and opportunities of an Inclusionary Housing policy for Long Beach; and
- Baseline recommendations and options for a potential Inclusionary Housing policy.

Key recommendations of the Economic Analysis, including maximum allowable inclusionary percentages and in-lieu fee amounts, are included (Attachment B - Economic Analysis Key Recommendations).

Long Beach currently has a voluntary program to encourage Inclusionary Housing. Long Beach Municipal Code (LBMC) Title 21.60, Division IV – Voluntary Incentive Program to Create Housing for Very-Low and Low-Income Households, was adopted in 1991 and provides a voluntary Inclusionary Housing program (Attachment C - LBMC Title 21.60 Division IV). This program provides a density bonus of up to 25 percent of the number of units allowed under base zoning for development projects of 5 or more units on sites with allowable densities of 30 units per acre. This bonus is to be granted if at least 25 percent of the bonus units are set aside for very low-income households, or if at least 50 percent of the bonus units are set aside for low-income households. Under this voluntary incentive program, the requirement for affordable units may be met by the provision of onsite units, offsite units, rehabilitated units, or the payment of an in-lieu fee per density bonus unit granted, escalated annually by the Construction Cost Index (\$56,300 per unit in 2019). There are no records indicating that any affordable housing units have ever been produced through this voluntary program. Therefore, staff is recommending that the voluntary program be replaced with the proposed mandatory incentive-based Inclusionary Housing program.

In September 2017, the Governor signed Assembly Bill 1505 (AB 1505), summarized below. This new State law provides jurisdictions with the ability to adopt Inclusionary Housing policies that impose affordable housing requirements on residential development.

1. Inclusionary Housing requirements should not act as a constraint to development;
2. The requirements cannot deprive a property owner of a fair and reasonable return on their investment and cannot be “confiscatory;”
3. An Economic Analysis is required for Inclusionary Housing programs that require more than 15 percent of the units to be rented to households earning less than 80 percent of the Area Median Income (AMI), and such programs are subject to State review; and,
4. Inclusionary Housing programs must include alternative means of compliance such as in-lieu fees, land dedication, offsite construction, or acquisition and rehabilitation of existing units.

State Housing Element Law requires local jurisdictions to accommodate a share of the region's projected housing needs for the planning period by ensuring that they have adequately zoned land to accommodate housing production. This share, called the Regional Housing Needs Assessment (RHNA), is allocated to individual jurisdictions in the six-county region, including Los Angeles County, by the Southern California Association of Governments (SCAG). Further, the RHNA is distributed by income category. Table 1 below provides the Long Beach RHNA allocation and accomplishments through 2019 for the current planning period, 2013-2021 (5th Cycle RHNA).

Table 1: Long Beach RHNA Progress through 2019

RHNA Allocation by income and units	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
Allocation	1,773	1,066	1,170	3,039	7,048
Progress (Permitted Units)	436	191	28	2,600	3,255

An Inclusionary Housing program must balance the interests of property owners and developers against the public benefit created by the production of affordable housing units, and it can be expected to fulfill only a small portion of the unmet need for affordable housing in Long Beach.

Dedicated 100 percent affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. There are a variety of federal, state, and county funding programs that are typically used to subsidize these projects, the majority of which require income and affordability requirements that target very low-income households earning below 50 percent AMI. For example, the federal and state Low-Income Housing Tax Credit Programs, which are key financing components of subsidized affordable housing projects, have an average income and affordability requirement of 46 percent AMI. The State's No Place Like Home Program (\$2 billion), available through the County of Los Angeles, requires income and affordability targeting at 30 percent AMI (extremely low-income). The State's Multi-Family Housing Program (\$1.5 billion) requires income and affordability targeting at between 30 to 60 percent AMI. The City's affordable housing resources can assist households earning up to 80 percent AMI, with specific targeting requirements at 30 percent, 50 percent, and 60 percent AMI. There are currently no programs available to subsidize the production of moderate-income units serving households earning up to 120 percent AMI.

As can be seen in the RHNA chart above, the market is producing few moderate-income units, and the ones that are shown were negotiated through the sale of Successor Agency-owned sites. Since there are no funding programs to assist in the production of moderate-income units and the market does not produce them without an incentive, it is important that an Inclusionary Housing policy address the production of moderate-income units. Table 1 shows that more very low-income units are being produced than low-income units, which is a result of the income targeting required by the federal, state, and local housing funding programs

mentioned above. It is also important that an Inclusionary Housing policy address the production of low-income units.

Based on State regulations, the Economic Analysis, the City's housing needs prescribed by RHNA, and available housing funding resources, staff has prepared a Proposed Inclusionary Housing Policy (Attachment D – Proposed Inclusionary Housing Policy). The Proposed Policy, which is summarized below, includes options for the required inclusionary percentage and income targeting, along with prescribed policy components. The Proposed Policy follows the recommendations of the Economic Analysis, with required inclusionary percentages that are below the maximum allowed, to cautiously balance the interests of property owners and developers with the public benefit created by the production of affordable housing units. Staff's recommended structure, including inclusionary percentages and income targeting is presented in Attachment D, and is summarized below.

Proposed Inclusionary Housing Policy Summary

In Long Beach, market conditions and development activity vary significantly from one area of the City to another. The Economic Analysis found that only the Downtown (PD-30) and Midtown (SP-1) areas of the City have experienced residential development activity, with the most robust activity occurring in the Downtown area, and several subsidized affordable housing developments occurring in Midtown. Due to these conditions, the proposed policy divides the City into Area 1, consisting of Downtown and Midtown, and Area 2, consisting of the remainder of the City, where very few residential units have been built over multiple real estate cycles. Given the high level of recent development, and anticipated future development in Area 1, the Economic Analysis was able to support the imposition of mandatory Inclusionary Housing requirements in Area 1. Due to the absence of new development in Area 2, the Economic Analysis was not able to support the imposition of mandatory Inclusionary Housing requirements in Area 2, but instead recommends an incentive-based Inclusionary Housing program that includes deeper incentives to encourage development. A map identifying these areas is attached (Attachment E – Submarket Map).

Proposed Policy for Areas 1 and 2

Area 1 consists of Area 1a, the Downtown Plan Area (PD-30), and Area 1b, the Midtown Plan Area (SP-1). In Area 1 (a and b), a mandatory Inclusionary Housing requirement will be required for the development of any new residential rental or ownership housing project containing 10 or more units. The requirement will be triggered for any applicable residential development project requiring Site Plan Review, and will take effect January 1, 2021. Any projects that have submitted a complete application for a development entitlement prior to the effective date will be exempt from these requirements.

Area 2 includes all other areas of the City not included in Area 1. There has been almost no new residential development in Submarket Area 2 over multiple real estate cycles, indicating that the housing development market is constrained. Based on the Economic Analysis, staff recommends establishing an incentive-based program that encourages residential development where there has historically been none, as well as ensure that any new housing contains units affordable to lower-income households. This program may include a density bonus greater than otherwise allowed by current State density bonus law, as well as other

development incentives or concessions including, but not limited, to reductions in site development standards or modifications of zoning code or design requirements. The incentive program and associated Inclusionary Housing requirements will take effect January 1, 2021, following a 2020 update to the City's Density Bonus Ordinance.

The Incentive-based Inclusionary Housing requirement will be triggered upon the development of new residential rental or ownership housing units in projects with 10 or more units where an action requiring a legislative approval or exception is required (discretionary approval), such as a General Plan Amendment or Zone Change. The requirements are focused on residential or mixed-use zoned properties compatible with higher-density residential development and underutilized commercially-zoned properties.

In Area 1 and Area 2, applicable new residential projects will be required to include a percentage of income-restricted affordable housing units targeting a specific income category or income categories. The percentage of total project units refers to the percentage of the total number of units in a project that are required to be made affordable. The income percentage indicates the required income category targeted for the affordable units in the project.

The Inclusionary options in Table 2 below were presented to the Planning Commission on February 20, 2020, with staff recommending Rental Housing Option B.

Table 2: Area 1 and Area 2 Inclusionary Requirements

Rental Housing Option A	10% of Total Project Units 20% Very Low Income and 80% Low Income
Rental Housing Option B	12% of Total Project Units 50% Low Income and 50% Moderate Income
Rental Housing Option C	14% of Total Project Units 30% Low Income and 70% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

After considering public comment and requesting clarifying information from staff, the Planning Commission requested modifications, ultimately approving the inclusionary requirements presented below for Rental Housing Option B, with no changes to the Ownership Housing requirements.

Rental Housing Option B	12% of Total Project Units 25% Very Low Income, 25% Low Income, and 50% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

Based on the Planning Commission recommendation, staff is providing the options contained in Table 3 below to the City Council for consideration.

Table 3: Area 1 and Area 2 Inclusionary Requirements

Rental Housing Option A	10% of Total Project Units 20% Very Low Income and 80% Low Income
Rental Housing Option B	12% of Total Project Units 25% Very Low Income, 25% Low Income, and 50% Moderate Income
Rental Housing Option C	14% of Total Project Units 30% Low Income and 70% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

STAFF RECOMMENDATION – AREAS 1 and 2

**Rental Housing Option B
12% of Total Project Units**

25% Very Low Income, 25% Low Income, and 50% Moderate Income
Ownership Housing 10% of Total Project Units, 100% Moderate Income

Although the options in Table 3 are provided for the City Council’s consideration, staff recommends Rental Housing Option B, where It is recommended that the Inclusionary requirement be set at 12 percent of total project units, with 25 percent of the units set aside for very low-income households, 25 percent for low income households, and 50 percent of the units at moderate income households.

For example, under the requirement proposed by staff, a rental project containing 100 total units would be required to provide a total of 12 affordable units, of which 3 would be very low-income units (25 percent), 3 low-income units (25 percent) and 6 moderate-income units (50 percent). Where there is an uneven split between very low- and low-income units, a higher number of units will be allocated to the very low-income category. For example, a rental project containing 120 units would be required to provide a total of 14.4 affordable units. The developer would pay the in-lieu fee for the fractional unit (.4) and would be required to include 4 very low-income units, 3 low-income units, and 7 moderate-income units.

Other Program Components for Areas 1 and 2

Phased Implementation

The mandatory Inclusionary Housing requirements in Area 1 and the incentive program in Area 2 are proposed to be phased in starting January 1, 2021, according to the schedule in Table 4 below. The required percentages will take effect on January 1 of the year indicated in Table 4,

with the full requirements to be imposed January 1, 2024 and beyond. The proposed phasing is recommended to cautiously implement the Proposed Policy and evaluate impacts to market-rate development during the Proposed Policy's initial five-year review period.

Table 4: Inclusionary Requirement Phasing Schedule

Year	Rental Option B (12%)	Ownership (10%)
	<i>Required Percentage of Total Project Units</i>	
2020/2021	5%	4%
2022	6%	5%
2023	8%	7%
2024	12%	10%

Alternative Means of Compliance

State law requires that Inclusionary Housing Policies must offer alternative means of compliance with the Inclusionary requirement, which may include in-lieu fees, land dedication, offsite construction, or acquisition and rehabilitation of existing units. The proposed list of alternative means of compliance are listed in Table 5 (below). These proposed alternatives would require onsite compliance for large projects of 21 units or more and allow smaller projects the flexibility to choose whether to construct the units onsite or pay an in-lieu fee. Offsite production is also proposed as an alternative means of compliance. However, both staff's analysis of other jurisdictions' best practices and stakeholder feedback indicated that offsite compliance often becomes infeasible after the triggering market-rate units are constructed. Because of this, staff's proposed offsite production option, if chosen by an applicant, would require discretionary approval by the City as well as an increased Inclusionary unit percentage over what would have otherwise been required. This option also requires the Inclusionary units to begin construction before the market-rate units can be developed.

Table 5: Inclusionary Housing – Alternative Means of Compliance

Option	Description
Onsite within a Market-Rate Project	<ul style="list-style-type: none"> Units shall be dispersed through the project and be of equal size, mix, access to amenities, and quality to the market-rate units. Onsite development mandatory for projects with 21 or more units.
In-Lieu Fee Payment Option	<ul style="list-style-type: none"> Allowed by-right for projects up to 20 units. Allowed by-right for all ownership projects. Allowed by-right for any fractional Inclusionary Housing Requirement.
<i>Rental, Moderate-Income</i>	\$223,000 per unit or \$37.90 per s.f. of GBA.

Option	Description
<i>Rental, Low-Income</i>	\$356,000 per unit or \$37.90 per s.f. of GBA.
<i>Rental, Very Low-Income</i>	\$383,000 per unit or \$38.50 per s.f. of GBA.
<i>Ownership, Moderate-Income</i>	\$270,000 per unit or \$23.80 per s.f. of GBA.
Offsite Production	<ul style="list-style-type: none"> • May be considered by the City through a discretionary process for projects of 20 units or less. • Site must be within Long Beach, within 1 mile of the market-rate project, and have appropriate land use designations. • City must have approval rights. • Inclusionary percentage increased by 20% above the otherwise required percentage. • Offsite units must be rental units. • Inclusionary units must begin construction prior to construction of market-rate units.

Condominium Conversion and Ownership Units

Developers who choose to obtain a tentative tract map for a residential rental project will be required to fulfill the appropriate rental Inclusionary Housing requirement for the mapped project, regardless of whether they plan to sell the units as condominiums later. Should the project be converted later, the developer may maintain the units as affordable rental units; market the units for sale at moderate-income levels and offer the existing tenant a first right of option to purchase; or relocate the tenants under the terms imposed by the City’s Condominium Conversion Ordinance (LBMC 20.32) and sell the units at a price affordable to moderate-income households.

When an Inclusionary Housing unit is originally sold, the home buyer must enter into a covenant agreement with the City. To secure the obligation, the home buyer will enter into a loan agreement and deed of trust with the City that carries an original principal balance that is equal to the affordability gap that existed when the home buyer purchased the Inclusionary Housing unit. The City is not required to contribute any cash to the transaction.

General Program Provisions

- Affordability covenant periods will be set at 55 years for rental units and 45 years for ownership units.
- Projects will be subject to the City’s Affordable Housing Monitoring Fee included in the City’s adopted fee schedule (rental units only).
- In-lieu fees will be deposited into a new Inclusionary Housing Fund. The use of the funds will be restricted for new construction of affordable housing development. Up to 30 percent of the funds may be used for moderate-income housing (up to 120 percent AMI) and a minimum of 70 percent of the funds must be used for lower-income housing (80 percent AMI and below).

- Annual reporting of the program will be incorporated into the Housing Element Annual Progress Report. An initial review of the program will be conducted at the end of the 3rd year.
- The entire program will be re-evaluated every 5 years.
- An administrative manual will be prepared and updated as needed to reflect changes that are made to the Program.

Density Bonus Incentives

A tool commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus established in the Government Code (65915). The provisions require jurisdictions to provide density bonuses based on a sliding scale ranging from 5 to 35 percent depending on the magnitude of the income restrictions being imposed. The City must agree to apply the affordable units used to fulfill the density bonus requirements to the Inclusionary Housing requirements that will be imposed on a project. The density bonus also requires developers to replace units that were previously occupied by lower-income households that were demolished or vacated prior to a density bonus application. Therefore, Inclusionary units can be used to fulfill both density bonus and replacement housing requirements.

The density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. The City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers. Expanded density bonus incentives will be necessary to implement the Submarket Area 2 requirements. An update to the City's Density Bonus Ordinance will be completed in Summer 2020 so the Area 2 requirements can be implemented beginning in October 2020.

Other Development Incentives

- A. The City offers developer impact fee exemptions for low-income units through the LBMC, for transportation improvement, park and recreation facilities, police facilities, and fire facilities development impact fees.
- B. Projects including affordable units incorporated within the market-rate project will be provided priority plan check review status without the cost of expediting fees.
- C. Projects including a level of affordable units beyond the base inclusionary requirements will receive priority entitlement processing.
- D. Once a project is approved, the applicant will receive priority entitlement processing and building permit processing if that same design is used again at an additional location.

Summary of Community Engagement and Public Comment

Two initial community meetings were held on December 5 and 8, 2018, for community members to learn about the components and concept of an Inclusionary Housing policy and for staff to provide information on the study process and timeline. These two meetings were

attended by a total of 67 community members. Staff fielded more than 35 questions during the meetings and received approximately 15 comments via comment card. Many of the inquiries were related to specific components of an Inclusionary Housing policy, such as: the geographic location of Inclusionary Housing units; whether a policy would be mandatory; purpose and amount of in-lieu fees; and potential application to multi-family rehabilitation projects. Other comments and questions from community members encouraged staff to study the potential impacts on new development that may result from the imposition of an Inclusionary Housing requirement and suggested that incentives for new development be considered.

A third community meeting was held on June 29, 2019, to present the preliminary findings of the Economic Analysis and its initial recommendations. A total of 28 people attended, and 13 comments were submitted. The top three policy options supported by attendees of this meeting were: encouraging or requiring onsite production; allowing fulfillment of affordability requirements with a mix of combined affordability levels; and, imposing Inclusionary Housing requirements on new projects in Area 2 that request zone changes, density increases, height increases, or other development waivers.

Following the June 2019 community meeting, two stakeholder focus group meetings were held on August 5, 2019, one for members of the housing advocacy community and one for members of the development community. Seven representatives attended the housing advocates stakeholder meeting. These participants expressed a desire for the study to frame impacts in terms of social equity in addition to analyzing economic feasibility, and supported onsite inclusionary development rather than payment of an in-lieu fee or offsite development. A total of 11 stakeholders attended the developers' stakeholder meeting. Comments from the development community included support for a voluntary, flexible approach to encourage development in Submarket Area 2 as well as a grandfather clause for developments already in the pipeline. Stakeholders in this meeting expressed various concerns with the methodology and assumptions made in the Economic Analysis, and requested the full text of the study, which had not been released by the date of the stakeholder meeting.

A Planning Commission Study Session was held on August 22, 2019, to present the methodology and results of the Economic Analysis; outline preliminary recommendations for a potential Inclusionary Housing policy; and, present the results of staff's stakeholder engagement efforts. Several community members expressed the preference that the Inclusionary Housing requirements be made mandatory citywide, as well as a preference that the Inclusionary percentages and in-lieu fees be made as high as feasibly possible. Others spoke regarding the potential negative impacts to development throughout the city because of the imposition of Inclusionary requirements. Commission members posed questions regarding the effectiveness of Inclusionary Housing policies in other cities and potential best practices; recommended in-lieu fee structure; a potential phasing schedule for the imposition of Inclusionary Housing requirements; and, technical clarifications relating to the methodologies and assumptions of the economic analysis.

Comments gathered at the various community events and Planning Commission Study Session as well as written comments, including a peer review of the Economic Analysis, which was prepared by Beacon Economics and commissioned by the Downtown Long Beach Alliance, are attached (Attachment F - Summary of Community Input). KMA's response to the peer review is also attached (Attachment G - KMA's response to the Peer Review).

Public Hearing Notice

In accordance with public hearing notification requirements for a Zoning Ordinance Amendment in LBMC Section 21.21.302.C, notice of this public hearing was published in the Long Beach Press-Telegram on May 19, 2020; written notices were sent to the California Coastal Commission and all City libraries. Three public hearing notices were posted in public places throughout Long Beach. Additionally, notice of the proposed code amendment was distributed through the City's LinkLB e-mail blast system.

Environmental Review

In accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines, this project is within the scope of what was analyzed in the previously certified Program Environmental Impact Report (PEIR) EIR 03-16 (SCH NO. 2015051054) prepared for the General Plan Land Use Element update, which found significant and unavoidable impacts related to air quality, global climate change, noise and transportation. The proposed Inclusionary Housing program will not result in any new significant impacts or any impacts greater than those analyzed in the PEIR. None of the conditions requiring a new subsequent or supplemental environmental impact report, as stated in Section 21166 of the Public Resources Code or in Sections 15162 or 15163 of the CEQA Guidelines, are present.

Additionally, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, the proposed Inclusionary Housing program has been determined to be categorically exempt as the proposed program will be included in the amendment to Title 21 and is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. The proposed Inclusionary Housing program does not involve the physical development of housing units, but rather establishes the requirement that future market-rate residential development projects will be required to include a percentage of units affordable to low- and moderate-income households. Therefore, the activity is not subject to CEQA.

This matter was reviewed by Assistant City Attorney Michael J. Mais on May 8, 2020 and by Budget Management Officer Rhutu Amin Gharib on May 13, 2020.

TIMING CONSIDERATIONS

City Council action is requested on July 14, 2020.

FISCAL IMPACT

There is no fiscal or local job impact associated with this recommendation. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities.

HONORABLE MAYOR AND CITY COUNCIL

July 14, 2020

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

OWO:PU:AH:ac:mj

APPROVED:



THOMAS B. MODICA
CITY MANAGER

Attachments:

- Attachment A – Economic Analysis
- Attachment B – Economic Analysis Key Recommendations
- Attachment C – LBMC, Title 21.60 Division IV
- Attachment D – Proposed Inclusionary Housing Policy
- Attachment E – Submarket Map
- Attachment F – Summary of Community Input
- Attachment G – KMA Response to Peer Review



KEYSER MARSTON ASSOCIATES™

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

**Prepared for:
City of Long Beach**

**Prepared by:
Keyser Marston Associates, Inc.**

July 21, 2019

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ATTACHMENTS

Attachment 1: Inclusionary Housing Program Survey

Attachment 2: Rental Residential Analyses

- Appendix A: Market Rate Alternative – Pro Forma Analysis
- Appendix B: Single Income Category Inclusionary Alternatives – Pro Forma Analyses
- Appendix C: Mixed Income Category Inclusionary Alternatives – Pro Forma Analyses
- Appendix D: Affordability Analyses
- Appendix E: Apartment Rent Surveys

Attachment 3: Ownership Housing Analyses

- Appendix A: Pro Forma Analyses
 - Exhibit I Market Rate Alternative
 - Exhibit II Moderate Income Alternative
- Appendix B: Affordability Analyses
- Appendix C: Home Sales Surveys

SECTION I: OVERVIEW

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Long Beach (City) to prepare an Inclusionary Housing Program Financial Evaluation (Financial Evaluation). The following report presents the results of the Financial Evaluation, and is focused on the following:

1. The impacts created by the imposition of affordable housing requirements; and
2. Estimates of the fee amounts that can be supported for projects that are permitted to pay a fee in lieu of producing affordable housing.

This Overview section describes the basic parameters that guide Inclusionary Housing programs throughout California.

A. KEY COURT CASES

It is important to review the key legal cases and State legislation that guide the creation and implementation of Inclusionary Housing programs. A chronological summary of the relevant issues follows.

Palmer Case

In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (*Palmer*), that the local affordable housing requirements being imposed by the City of Los Angeles violated the Costa-Hawkins Rental Housing Act (Costa-Hawkins). Specifically, Costa-Hawkins allows landlords to set the initial monthly rent for a new unit, and then to increase the monthly rent to the market level each time a unit is vacated. The Court found that the imposition of long-term income and affordability restrictions on rental residential units is a violation of this provision.

It is commonly believed that the *Palmer* ruling prohibited jurisdictions from requiring developers to construct affordable rental residential units as a part of their Inclusionary

Housing program. In an effort to comply with *Palmer*, many jurisdictions eliminated the requirement that market rate rental residential projects provide affordable rental residential units. Instead, some jurisdictions replaced affordable housing production models with a linkage or impact fee methodology.

San Jose Case

In 2015, the California Supreme Court ruled in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This is interpreted to mean that an in-lieu fee payment option that is included in an Inclusionary Housing program, that includes an affordable housing production requirement, is not subject to the AB 1600 nexus requirements imposed by the "Mitigation Fee Act".¹

Price controls imposed by Inclusionary Housing programs must meet the following criteria:

1. The requirements cannot be "Confiscatory"; and
2. The requirements cannot deprive a property owner of a fair and reasonable return on their investment.

The *San Jose* ruling that Inclusionary Housing programs are not an exaction applies to both ownership and rental residential development. However, the *San Jose* case did not overturn the limitations *Palmer* imposed on Inclusionary Housing programs for rental residential projects.

The *San Jose* case is also relevant to rental residential projects, because former Governor Brown publicly stated that he would not sign a "*Palmer Fix*" bill unless and until the California Supreme Court ruled in favor of the City of San Jose. As such, the ruling opened the door for the subsequent passage and adoption of Assembly Bill (AB) 1505 in September 2017.

¹ The Mitigation Fee Act is codified in California Government Code §66000 et seq.

B. LEGISLATION: ASSEMBLY BILL 1505

Assembly Bill (AB) 1505, which is otherwise known as the “Palmer Fix”, was signed into law on September 29, 2017. AB 1505 amends Section 65850 of the California Government Code and adds Section 65850.01. This legislation provides jurisdictions with the ability to adopt programs that impose affordable housing requirements on rental residential projects.

Role of the California Department of Housing and Community Development (HCD)

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01 (a) gives HCD the authority to review the restrictions imposed by an Inclusionary Housing program on rental residential developments if it requires that more than 15% of the units to be restricted to households earning less than 80% of the area median income (AMI), and if one of the following conditions applies:

1. The jurisdiction has failed to meet at least 75% of its Regional Housing Needs Assessment (RHNA) allocation for above moderate income units. This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or
2. HCD finds that the jurisdiction has not submitted their housing element report for at least two consecutive years.

As of the City’s 2017 Housing Element Progress Report, which was completed on March 16, 2018, the City had only met approximately 44% of the RHNA goal for above moderate income housing. As such, HCD has the right to require a review of the Inclusionary Housing requirements imposed on rental residential projects if more than 15% of the units are required to be restricted at less than 80% of AMI. Specifically, Section 65850.01 (b) allows HCD to require the City to submit an economic feasibility study that proves that the Inclusionary Housing requirements imposed on rental residential development do not unduly constrain the production of housing.

It is likely that this Financial Evaluation meets the economic feasibility study standards defined in Section 65850.01 (b). However, if the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards on rental residential projects, HCD can intervene in the Inclusionary Housing Ordinance adoption process. This could extend and complicate the approval process for an Ordinance being considered by the City.

Additional AB 1505 Requirements

Section 65850 (g) requires jurisdictions to provide alternative means of fulfilling the affordable housing requirements imposed on rental residential projects by an Inclusionary Housing program. Options that can be provided to developers include, but are not limited to:

1. Off-site construction of affordable units;
2. Payment of a fee in-lieu of producing affordable housing units;
3. Land dedication; and
4. The acquisition and rehabilitation of existing units.

C. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

Over 170 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

To assist the City in evaluating options for creating an Inclusionary Housing program it is useful to identify the elements that are typically included in Inclusionary Housing programs being implemented in California jurisdictions. To that end, KMA compiled information on 68 Inclusionary Housing programs being implemented throughout California. The survey information is presented in Attachment 1 and is summarized in the following sections of this Financial Evaluation.

1. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the affordable housing requirements.
2. In jurisdictions with disparate real estate and demographic conditions it is common to impose varying requirements based on defined submarkets.
3. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being provided.
 - b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement can mitigate these impacts.
 - c. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Health and Safety Code (H&SC) Section 33413 standards of 45 years for ownership housing units and 55 years for rental residential units is commonly used. However, both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by Sections 65850 and 65850.01, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The most common options offered to developers are:

1. Construction of a defined percentage of income restricted units within new market rate residential projects;
2. Construction of a defined percentage of income restricted units in a project located in an off-site location;
3. Payment of a fee in lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community;
4. The dedication of land to the jurisdiction that is appropriate for the development of affordable housing; and
5. The acquisition and rehabilitation of existing units.

The key advantages associated with providing off-site and in-lieu fee options is that the affordable housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.
2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:
 - a. Low and Moderate Income Housing Asset Funds (LMIHAF) that are under the control of the Long Beach Community Investment Company, which is the Housing Successor to the former Long Beach Redevelopment Agency;
 - b. HOME Program funds that are awarded by the Housing and Urban Development (HUD);

- c. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;
- d. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program;
- e. Funding provided by the Community Development Commission of the County of Los Angeles; and
- f. The funds allocated to the City by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017).

D. STATE DENSITY BONUS AND INCLUSIONARY HOUSING REQUIREMENTS

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Sections 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 35% depending on the magnitude of the income restrictions being imposed.

Section 65915 requires the City to adopt an ordinance that specifies how it will comply with the State mandated density bonus requirements. The City's adopted ordinance is included in Long Beach Municipal Code Section 21.63 (Section 21.63), and it was last amended in 2006.² Section 65915 has been amended by the State Legislature several times since 2006, and Section 21.63 has not been updated to reflect those modifications. Until such time as the modifications are amended into the City's density bonus ordinance, State law will automatically prevail over any inconsistencies between State law and Section 21.63.

In July 2013 the First District Court of Appeal held that jurisdictions must agree to apply the affordable units used to fulfill the Section 65915 requirements to the Inclusionary Housing

² Ord-06-0045 § 1 (part), 2006: Ord. C-6822 § 20 (part).

requirements that will be imposed on a project.³ Based on that ruling, a developer must be allowed to use the same affordable units to fulfill both the Inclusionary Housing requirements and the Section 65915 requirements. However, in order to exercise this option, the more stringent of the two programs' requirements must be applied.

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, the City should recognize that if Inclusionary Housing requirements are imposed it is highly likely that many developers will request Section 65915 density bonuses. It is also important to understand that the City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers.⁴

E. FINANCIALLY FEASIBLE INCLUSIONARY HOUSING REQUIREMENTS

As discussed previously in this Financial Evaluation, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction. Sections 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on rental residential projects:

1. Prior to the finding in the San Jose case, the City's creation of an Inclusionary Housing program would have been subject to some legal risk.
2. Between the 2009 court finding in the *Palmer* case and the 2107 adoption of AB 1505, the City did not have the authority to impose Inclusionary Housing requirements on rental residential projects.

³ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (*Napa*).

⁴ Section 65915 (d) (1) identifies three conditions under which requested incentives or concessions can be denied. However, this does not relieve the City of the obligation to grant the number of incentives or concessions that the project is entitled to under Section 65915 (d) (2).

In designing an Inclusionary Housing program, it is important to recognize that the imposition of affordable housing requirements will have an economic impact on residential development. Typically, the result is that over time residential land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property. However, in some cases property owners may determine that it is more financially advantageous to maintain an existing use rather than to sell the property at a lower price. This can potentially reduce the availability of land for residential development.

The key factors that should be considered in creating Inclusionary Housing requirements are:

1. The requirements should balance the interests of property owners and developers against the public benefit created by the production of income restricted units; and
2. The Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return on their investment.

SECTION II: METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Long Beach. The financial feasibility analysis is comprised of the following steps:

A. PARAMETERS

As the first step in the evaluation process it is necessary to identify the parameters that will be applied in the analysis. For reference purposes, the following table identifies the City's unmet need for housing at the end of 2017 as defined in the RHNA. However, it should be noted that the City has determined that household overcrowding and over payment issues effectively increase the need for affordable housing above these RHNA goals.

City of Long Beach RHNA Statistics as of December 2017				
Income Category	Total RHNA Obligation – 2013 - 2021	Building Permits Issued	Remaining RHNA Obligation	
			Total	%
Very Low	1,773	269	1,504	85%
Low	1,066	53	1,013	95%
Moderate	1,170	0	1,170	100%
Above Moderate	3,039	1,328	1,711	56%
Totals	7,048	1,650	5,398	77%

A fundamental premise of this financial feasibility analysis is that the Inclusionary Housing program enacted by the City should not place an onerous financial burden on the developers of market rate housing. Moreover, California Government Code Section 65583 (a) (Section 65583 (a)) requires the City to analyze potential and actual constraints being placed on the development of housing. Within that context, it is important to recognize that an Inclusionary

Housing program can only be expected to fulfill a small portion of the unmet need for affordable housing in Long Beach.

B. PROGRAM FOUNDATION

The courts have held that affordable housing is a “public benefit,” and that locally imposed Inclusionary Housing programs are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive a property owner of a fair and reasonable return on their investment. However, no guidance is provided as to how these requirements should be met.

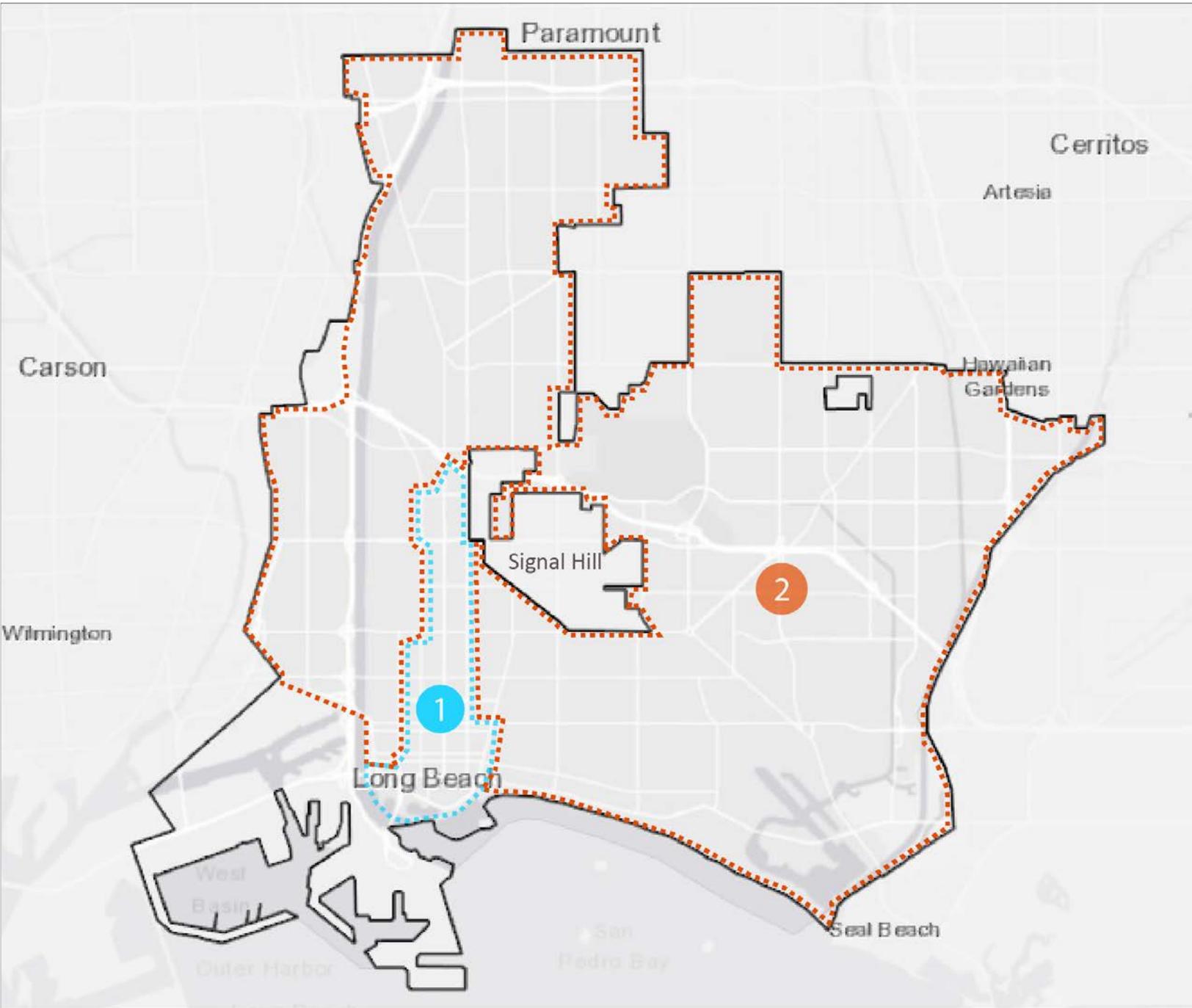
A significant number of California Inclusionary Housing programs have been based on the assumption that a policy that results in a +/- 30% reduction in land costs comports with the requirements. This KMA Financial Evaluation is focused on identifying income and affordability standards that would fall within that parameter.

C. SUBMARKET IDENTIFICATION

Due to the large size of Long Beach, as well as the variability in economic and social characteristics, market conditions vary significantly from one area to another. Following an exhaustive search, KMA found that the Downtown and Midtown areas of Long Beach have been experiencing robust residential development activity. Comparatively, KMA was unable to identify a significant amount of recent residential development in the other parts of Long Beach.

To reflect the differences in development activity, KMA divided Long Beach into two Submarkets. These Submarkets are illustrated on the map presented on the following page.

SUBMARKET MAP



KMA compiled market data pertaining to both rental residential and ownership housing projects throughout Long Beach. The most significant findings that KMA derived from the market research are discussed in the following sections of this Financial Evaluation.

Submarket #1

Submarket #1 began experiencing robust residential development activity as the 2008 global real estate recession wound down. The vast majority of the projects that have been developed are at medium to high density levels. The salient characteristics of the development inventory can be described as follows:

1. Approximately 85% of the new residential units that were constructed in Long Beach over the past 10 years are located in Submarket #1.⁵
2. The majority of the new construction projects are midrise buildings with eight or fewer stories, and an average project size of approximately 130 units.
3. Nearly 90% of the new units are located in rental residential projects.
4. According to the City staff, developers are commonly obtaining Tentative Maps as part of the entitlement process for rental residential projects. This allows the developer to sell the units as condominiums at a later date without triggering the City's Condominium Conversion Ordinance.⁶
5. Over 4,000 residential units are currently at varying stages in the planning process, and over 85% of these units are currently proposed to be developed in high rise buildings. One of the proposed high-rise projects is currently under construction.

⁵ This estimate includes projects that are currently under construction.

⁶ Long Beach Subdivision Regulation 20.32.040.B and Subdivision Map Act, California Government Code Section 66427.1.

Submarket #2

The KMA surveys of development in the areas outside of Submarket #1 are summarized Attachment 2: Appendix E and Attachment 3: Appendix C. As can be seen in these tables the vast majority of residential projects in Submarket #2 were built before 2000. The only recently constructed projects that KMA was able to identify are:

1. The 40-unit Dorado detached court style ownership home project was recently constructed in the eastern area of Long Beach. The asking prices for the units in this project range from \$914,000 to \$1.03 million.
2. The 131-unit Riverdale detached single family ownership home project was recently constructed near the east bank of the Los Angeles River. The asking prices for the units in this project ranged from \$664,000 to \$707,000.

D. SUBMARKET ANALYSES

There is a clear differentiation in the development activity between Submarkets #1 and #2. As a result, it is necessary to bifurcate this analysis. The two separate methodologies are described in the following sections of this Financial Evaluation.

Submarket #1***Financial Feasibility Analysis Structure***

Given the high level of recent development, and anticipated future development, in Submarket #1 it is possible to prepare a financial feasibility evaluation in support of the imposition of Inclusionary Housing requirements. The analysis structure can be described as follows:

1. KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.

2. In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rents or sales prices and the allowable rents or sales prices for the Inclusionary Housing units. This is known as the “Affordability Gap.”
3. The KMA financial analyses identify the following:
 - a. The range of Inclusionary Housing production requirements that can be supported; and
 - b. The range of in-lieu fees that can be supported.

Financial Feasibility Analysis Organization

The following sections of this Financial Evaluation describe the assumptions, analysis and findings related to rental residential and ownership housing development in Submarket #1. The analyses are supported by the following Attachments and Appendices:

Submarket #1: Rental Residential Development – Attachment 2	
Appendix A	Market Rate Alternative – Pro Forma Analysis
Appendix B	Single Income Category Inclusionary Alternatives – Pro Forma Analyses
Appendix C	Mixed Income Category Inclusionary Alternatives – Pro Forma Analyses
Appendix D	Affordability Analyses
Appendix E	Apartment Rent Surveys
Submarket #1: Ownership Housing Development – Attachment 3	
Appendix A	Market Rate Alternative – Pro Forma Analyses
Appendix B	Affordability Analyses
Appendix C	Home Sales Surveys

Submarket #2***Development Activity***

As discussed previously, there has not been a significant amount of residential development in Submarket #2 over multiple real estate cycles. The lack of new residential development in Submarket 2 is attributable to a wide variety of factors. Factors that apply commonly throughout Submarket 2 can be described as follows:

1. Long Beach is largely built out:
 - a. Vacant properties are primarily infill sites and underutilized properties.
 - b. Outside of Downtown and Midtown Long Beach the currently achievable sales prices and rents are insufficient to support the premium cost associated with acquiring improved land and then recycling it with new residential development.
2. KMA compiled sales data for existing rental residential projects, located outside of Downtown and Midtown Long Beach, that were sold between 2016 and 2018. The results are presented in the table on the following page, and key information derived from this survey includes the following:
 - a. The sales prices ranged from \$100,000 to \$393,750 per unit, with a weighted average of approximately \$279,000 per unit. Sales prices in these ranges are less than the current cost to construct new rental residential units.
 - b. The KMA survey identified capitalization rates ranging from 3.16% to 4.90%, with a weighted average of 4.25%.⁷ As capitalization rates decrease sales prices increase. Thus, a low capitalization rate signifies strong demand for rental residential projects.

⁷ Capitalization rates are derived by dividing a project's net operating income by the project's sales price.

- c. There is a disconnect between the benefits created by low capitalization rates and sales prices that are insufficient to support new construction. Since it is unlikely that significantly lower capitalization rates can be generated, the low sales prices per unit represent a serious impediment to new development.

Apartment Project Sales Data				
Submarket #2				
	Sale Year	Sales Price		Cap Rate
		Total	Per Unit	
2301 E. Market Street	2018	\$3,680,000	\$240,500	4.25%
1000-1014 1 st Street	2017	\$1,950,000	\$243,800	3.67%
1126 Raymond Avenue	2018	\$2,112,000	\$264,000	4.77%
1207 Rose Avenue	2017	\$4,368,000	\$242,700	4.33%
1102 E. 1 st Street	2017	\$1,600,000	\$177,800	4.28%
3315 E. 2 nd Street	2016	\$1,575,000	\$393,800	4.06%
2333 E. 4 th Street	2016	\$945,000	\$236,300	4.43%
944-964 E. 5 th Street	2016	\$600,000	\$100,000	4.83%
32 Orange Avenue	2017	\$2,100,000	\$210,000	3.95%
4205 E. Anaheim Street	2018	\$5,000,000	\$312,500	4.50%
4305 E. Livingston Dr.	2017	\$5,425,000	\$387,500	3.81%
3617 E. Ocean Blvd.	2016	\$5,450,000	\$340,600	3.16%
5480 Atherton Street	2018	\$8,532,000	\$316,000	4.90%
Minimum			\$100,000	3.16%
Maximum			\$393,800	4.90%
Weighted Average			\$279,000	4.25%

Inclusionary Housing Issues

Section 65583 (a) requires the City to analyze potential and actual constraints being placed on the development of housing. HCD defines potential constraints as:

1. Land use controls;
2. Building codes and their enforcement;
3. Site improvements;
4. Fees and exactions; and
5. Local processing and permit procedures.

Section 65583 (a) requires the City to identify constraints to development and to describe the City's efforts to remove those constraints. The imposition of Inclusionary Housing requirements in Submarket #2, where residential development has stagnated over the long term, could potentially be considered a constraint to development.

Another issue is that given the absence of new development it is not possible to create prototype projects for use in pro forma analyses. In turn, it is not currently possible to identify Inclusionary Housing requirements that could be imposed on a financially feasible basis in Submarket #2.

Analysis Components

In recognition of these issues, the KMA analysis of Submarket #2 focuses on actions the City can put in place now. Specifically, KMA has created an incentive based Inclusionary Housing program for the City's consideration.

SECTION III: SUBMARKET #1 - RENTAL RESIDENTIAL ANALYSIS

The City is interested in identifying financially feasible Inclusionary Housing production requirements for the following rental residential developments:

1. Single Income Category Alternatives:
 - a. A moderate income requirement;
 - b. A low income requirement; and
 - c. A very low income requirement.
2. Mixed Income Category Alternatives:
 - a. 20% of the Inclusionary Housing units are restricted at very low income and 80% of the Inclusionary Housing units are restricted at low income;
 - b. 80% of the Inclusionary Housing units are restricted at very low income and 20% of the Inclusionary Housing units are restricted at low income; and
 - c. 30% of the Inclusionary Housing units are restricted at low income and 70% of the Inclusionary Housing units are restricted at moderate income.

The rental residential project pro forma analyses are used to estimate the financially feasible Inclusionary Housing production requirements under each of the identified alternatives. The analysis is also used to establish the recommended in-lieu fees.

A. CAVEATS

A variety of tools are available to reduce the financial impact associated with the imposition of income and affordability restrictions on rental residential projects. For 100% affordable housing projects, Tax Credit financing is commonly used to fill the financial gap. For mixed income projects, the Section 65915 density bonus is often used.

The prototype analyses are intended to reflect average or typical rental residential projects rather than any specific project. It should be expected that specific projects will vary to some degree from the prototype.

B. PROTOTYPES: RENTAL RESIDENTIAL DEVELOPMENT

The rental residential development prototypes used in this analysis were created based on the results of the KMA market surveys, and a review of projects that have recently been constructed in Submarket #1. The KMA market surveys were also used to estimate the achievable market rate rents for the prototype units in Submarket #1.

The KMA market survey indicated that rental residential projects currently being developed in Submarket #1 are maximizing the density that can be achieved from market and financial perspectives. The prototypes used in this analysis are described in the following table:

Submarket #1: Rental Residential Development Prototypes		
	Base Case Scope ⁸ 62 Units Per Acre	Inclusionary Scope ⁹ 87 Units Per Acre
Site Area (Square Feet)	32,870	32,870
Total Number of Units	82	140
Density (Units Per Acre)	125	185
<u>Unit Mix</u>		
One-Bedroom Units	12	17
Two-Bedroom Units	48	71
Three-Bedroom Units	34	52
Subterranean Parking Spaces Per Unit	1.94	1.25

⁸ Based on the development standards imposed by the City prior to the adoption of the 2017 update to the Downtown Community Plan.

⁹ The development scope for the Inclusionary alternatives include the development incentives incorporated into the Downtown Community Plan. These incentives assist in mitigating the impacts associated with the imposition of Inclusionary Housing requirements.

C. PROJECTED MARKET RENTS: RENTAL RESIDENTIAL DEVELOPMENT

In the January 2019, KMA surveyed rental residential projects in Submarket #1 that received four or more stars in the CoStar quality ranking system (Attachment 2: Appendix E – Exhibit I). The purpose of this survey was to derive estimates of the currently achievable market rents for the types of projects likely to be constructed in Submarket #1. However, the characteristics of actual projects will vary to some degree from the prototype being evaluated.

The market rate monthly rent estimates that are used in this Inclusionary Evaluation are presented in the following table.

Submarket #1: Projected Monthly Market Rate Rents	
<u>Average Monthly Rent Per Unit</u>	
Studio Units	\$2,569
One-Bedroom Units	\$2,620
Two-Bedroom Units	\$3,304
Average Monthly Rent Per Sq. Ft. of GLA ¹⁰	\$3.16

D. AFFORDABLE RENT CALCULATIONS: RENTAL RESIDENTIAL DEVELOPMENT

For the purposes of this Financial Evaluation, the maximum Affordable Rents for the income restricted units were calculated based on the standards imposed by H&SC Section 50053. The calculations are presented in Attachment 2: Appendix E, and the assumptions and results can be summarized as follows:

¹⁰ GLA = gross leasable area.

1. The household income information used in the calculations is based on 2019 income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD and are distributed by HCD.
2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. This is a benchmark for calculation purposes only. It is not an occupancy minimum or maximum.
3. For the purposes of setting the Affordable Rents, the household income is set at 50% of AMI for very low income households, 60% of AMI for low income households, and 110% of AMI for moderate income households.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
5. KMA's calculations are based on the assumption that the tenants will be required to pay for electric heating, cooking and water heating; basic electric services; and air conditioning. The December 12, 2018 Long Beach Housing Authority energy efficiency utilities allowances for apartments were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Affordable Rent Calculations – Rental Residential Units			
	Very Low Income	Low Income	Moderate Income
<u>Studio Units</u>			
Maximum Monthly Housing Cost	\$639	\$767	\$1,407
(Less) Monthly Utility Allowance	(34)	(34)	(34)
Affordable Rent	\$605	\$733	\$1,373

Affordable Rent Calculations – Rental Residential Units			
	Very Low Income	Low Income	Moderate Income
<u>One-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$731	\$878	\$1,609
(Less) Monthly Utility Allowance	(40)	(40)	(40)
Affordable Rent	\$691	\$838	\$1,569
<u>Two-Bedroom Units</u>			
Maximum Monthly Housing Cost	\$823	\$987	\$1,810
(Less) Monthly Utility Allowance	(57)	(57)	(57)
Affordable Rent	\$766	\$930	\$1,753

E. PRO FORMA ANALYSES: RENTAL RESIDENTIAL DEVELOPMENT

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA started with the following basic premises:

1. KMA evaluated a 100% market rate alternative (Base Case Scope) to derive an estimate of the developer return that is generated if no income and affordability requirements are imposed. The return generated from the market rate alternative is used as the threshold return for the various Inclusionary Housing requirements being tested.
2. As discussed previously, this Financial Evaluation is calibrated to establish Inclusionary Housing requirements, for each alternative being tested, that generate a financial impact equal to a +/- 30% reduction in the land cost.

Market Rate Development Alternative

The pro forma analysis for the market rate development alternative is found in Attachment 2: Appendix A. The pro forma analysis is organized as follows:

Pro Forma Analysis - 100% Market Rate Alternative	
Submarket #1: Rental Residential Development	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

The estimated stabilized developer return on total investment derived from the 100% market rate alternative is estimated at 5.4%.

Financially Feasible Inclusionary Housing Production Requirements

The pro forma analyses for the Inclusionary Housing Production analyses are presented in the following appendices to Attachment 2:

Inclusionary Housing Production Alternatives		
Submarket #1: Rental Residential Development		
Appendix	Exhibit	Title
Single Income Category Inclusionary Alternatives		
B	I	Moderate Income Alternative
B	II	Low Income Alternative
B	III	Very Low Income Alternative
Mixed Income Category Inclusionary Alternatives		
C	I	20% Very Low Income & 80% Low Income
C	II	50% Very Low Income & 50% Low Income
C	III	80% Very Low Income & 20% Low Income

The pro forma analyses are organized as follows:

Pro Forma Analyses	
Inclusionary Housing Production Alternatives	
Submarket #1: Rental Residential Development	
Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Inclusionary Housing Impacts

The results of the analyses are summarized in the following table:

Inclusionary Housing Production Analysis		
Financially Feasible Inclusionary Housing Percentages		
Submarket #1: Rental Residential Development		
Alternative	Financially Feasible Inclusionary Percentage	Percentage Decrease in Supportable Land Cost
Single Income Category Inclusionary Alternatives		
Moderate Income Alternative	19%	30%
Low Income Alternative	12%	29%
Very Low Income Alternative	11%	30%
Mixed Income Category Inclusionary Alternatives		
20% Very Low Income & 80% Low Income	12%	30%
80% Very Low Income & 20% Low Income	11%	29%
30% Low Income & 70% Moderate Income	14%	28%

F. IN-LIEU FEE ANALYSES: RENTAL RESIDENTIAL DEVELOPMENT

KMA established the recommended in-lieu fee amounts for rental residential development based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate rental residential projects. The Affordability Gaps for rental residential units are estimated in Attachment 2: Appendix D – Exhibit II using the following methodology:

1. KMA prepared the analysis based on the financially feasible percentages of Inclusionary Housing units that were estimated in the previous section of this Financial Evaluation.
2. The differences between the estimated achievable market rate monthly rents and the defined Affordable Rents are calculated for studio, one-bedroom and, two-bedroom units.
3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.
4. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.
5. The total Affordability Gaps are estimated by capitalizing the annual Affordability Gaps at the threshold returns derived from the pro forma analyses for the market rate alternatives. The results of these calculations are defined as the “Net Affordability Gaps”.
6. The Net Affordability Gaps are translated into the recommended in-lieu fees per affordable unit and per square foot of gross building area (GBA).

The results of the in-lieu fee analysis are summarized in the following table:

In-Lieu Fees – Affordability Gap Approach			
Submarket #1: Rental Residential Development			
In-Lieu Fee	Alternative		
	Moderate Income	Low Income	Very Low Income
Per Affordable Unit	\$223,000	\$356,000	\$383,000
Per Square Foot of GBA	\$37.90	\$37.90	\$38.50

SECTION IV: SUBMARKET #1 - OWNERSHIP HOUSING ANALYSES

As a general rule, Inclusionary Housing programs tend to set the affordability requirements for ownership housing development at the moderate income level. This is done as a reflection of the fact that higher income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

The following ownership housing development analyses are based on the assumption that the Inclusionary Housing requirements will be set at the moderate income level. Based on this assumption, KMA estimated the financially feasible Inclusionary Housing production requirements, and the recommended in-lieu fees.

A. PROTOTYPE: OWNERSHIP HOUSING DEVELOPMENT

The characteristics of the condominium prototype used in the financial feasibility analyses are:

Submarket #1: Condominium Prototype	
Site Area (Square Feet)	43,560
Total Number of Units	70
Density (Units Per Acre)	70
<u>Unit Mix</u>	
Studio Units	5%
One-Bedroom Units	45%
Two-Bedroom Units	59%
<u>Average Unit Sizes (Sq Ft)</u>	
Studio Units	500
One-Bedroom Units	750
Two-Bedroom Units	1,100
Parking Spaces Per Unit (Podium)	2.02

B. PROJECTED MARKET RATE SALES PRICES: OWNERSHIP HOUSING DEVELOPMENT

The prototype analysis reflects average or typical ownership residential projects rather than any specific project. It should be expected that specific projects would vary to some degree from the prototype.

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for condominiums sold in Submarket #1 between October 2018 and February 2019 (Attachment 3: Appendix C – Exhibit I). This information is used to establish the average sales price per square foot of building area for studio, one-bedroom and two-bedroom condominium units.

Based on the results of the surveys, the market rate sales prices used in the KMA analysis are presented in the following table:

Projected Market Rate Sales Prices		
Submarket #1: Ownership Housing Development		
	% of Total Units	Average Price
Studio Units	5%	\$307,200
One-Bedroom Units	45%	\$428,900
Two-Bedroom Units	50%	\$600,700
Avg Price Per Sq.Ft. of Saleable Area		\$558

C. AFFORDABLE SALES PRICE CALCULATIONS: OWNERSHIP HOUSING DEVELOPMENT

The Affordable Sales Prices calculations are presented in Attachment 3: Appendix C – Exhibit I.

The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2019 income statistics for Los Angeles County as a whole. The household incomes for moderate income households are produced and distributed annually by HCD.

2. The Affordable Sales Price estimates are based on the calculation methodology imposed by H&SC Section 50052.5. The calculations include the elements described in the following sections of this Financial Evaluation.

Household Size

The household incomes applied in the Affordable Sales Price calculations are set at the number of bedrooms in the home plus one. For example, the imputed household size for a one-bedroom home is two persons. H&SC Section 50052.5 refers to this as “the household size appropriate for the unit.” However, this is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Sales Price.

Household Income

For moderate income households, H&SC Section 50052.5 uses 110% of AMI for a household size equal to the number of bedrooms in the home plus one. This measurement is only used for setting the Affordable Sales Prices. Households with incomes of up to 120% AMI would qualify to reside in moderate income units.

Income Allocated to Housing-Related Expenses

For moderate income households H&SC Section 50052.5 allocates 35% of the benchmark household income to the payment of housing-related expenses.

Housing-Related Expenses

Based on research undertaken by KMA, the variable housing related expense assumptions used in this analysis are presented in the following table:

Variable Housing Related Expenses		
Submarket #1: Ownership Housing Development		
	Monthly Utilities Allowances ¹¹	Monthly HOA, Insurance & Maintenance
Studio Units	\$92	\$260
One-Bedroom Units	\$103	\$340
Two-Bedroom Units	\$126	\$450

The property tax expense estimate is based on 1.1% of the home's estimated unrestricted market rate sales price. This is done because the Los Angeles County assessor will only use the Affordable Sales Price for assessment purposes if the resale restriction covenant is irrevocable.¹²

Supportable Mortgage Amount

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 5.31% interest rate.¹³

Benchmark Down Payment

KMA set the benchmark down payment at 5% of the Affordable Sales Price. A down payment of this magnitude is commonly allowed by affordable housing programs.

¹¹Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the Long Beach Housing Authority energy efficiency schedule for attached ownership units effective December 12, 2018.

¹² One of the recommendations in this Feasibility Evaluation is that the City allow the income and affordability covenant to be bought out under an equity appreciation structure upon the first resale of an Inclusionary Unit.

¹³ Based on a 100 basis points premium applied to the Bankrate site average as of March 15, 2019 for a fixed interest rate loan with a 30-year amortization period.

Affordable Sales Prices

The Affordable Sales Price estimates are presented in the following table:

Affordable Sales Price Estimates	
Submarket #1: Ownership Housing Development	
	Moderate Income
Studio Units	\$207,900
One-Bedroom Units	\$231,300
Two-Bedroom Units	\$247,700

D. INCLUSIONARY HOUSING PRODUCTION ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

To assist in establishing the Inclusionary Housing requirements that can be supported, KMA prepared the following pro forma analyses for the prototype project:

1. A 100% market rate alternative; and
2. An alternative that includes a moderate income component.

E. PRO FORMA ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

Market Rate Development Alternatives – Ownership Housing Development

The 100% market rate alternative provides a baseline against which to measure the impacts associated with affordable housing requirements. The pro forma analysis for the 100% market rate alternative is presented in Attachment 3: Appendix A – Exhibit I, and the tables are organized as follows:

Base Case: 100% Market Rate Alternative	
Submarket #1: Ownership Housing Development	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The analysis of the 100% market rate alternative results in an estimated developer profit of 9.0%.

Financially Feasible Inclusionary Housing Production Requirements – Ownership Housing

As discussed previously, this Financial Evaluation is calibrated to establish Inclusionary Housing requirements that generate a financial impact equal to a +/- 30% reduction in supportable land cost. The moderate income pro forma analysis is organized as follows:

Moderate Income Alternative	
Submarket #1: Ownership Housing Development	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Financially Feasible Inclusionary Housing Requirement

The results of this KMA analysis is presented in Attachment 3: Appendix A – Exhibit II. Based on the results of the land cost reduction analyses, KMA estimated the financially feasible moderate income Inclusionary Housing requirement at 10% of the units in ownership housing projects.

F. IN-LIEU FEE ANALYSES: OWNERSHIP HOUSING DEVELOPMENT

KMA established the recommended in-lieu fee amounts for ownership housing projects using an Affordability Gap methodology. The calculations are based on the Affordability Gap associated with the on-site development of Inclusionary Housing units within market rate ownership housing projects.

The financial feasibility analysis presented in the preceding section of this Financial Evaluation identified a financially feasible Inclusionary Housing set aside of 10% of the units in an ownership housing project. KMA prepared an Affordability Gap analysis based on this assumed set aside.

As shown in Attachment 3: Appendix B – Exhibit II, the weighted average Affordability Gap, and resulting recommended in-lieu fee are as follows:

In-Lieu Fee Analysis Affordability Gap Approach Submarket #1: Ownership Housing Development	
Affordability Gaps	Moderate Income
Per Income Restricted Unit	\$270,400
Per Square Foot of GBA	\$23.80

The preceding in-lieu fee analysis demonstrates how the differences in market rate sales prices impact the in-lieu fee that would need to be charged in order to be able to create comparable units in an off-site location. This information is provided to assist the City in determining which of the following policy directions to pursue:

1. Should developers of premium priced homes be permitted to pay the in-lieu fee by right?
2. Should the City establish a calculation methodology that is applied on a case-by-case basis for projects that are entitled to make an in-lieu fee payment?
3. Should the in-lieu fee be applied per affordable unit, per unit in a market rate project, or per square foot in a market rate project? This issue is only pertinent if the City decides to set a fixed fee amount in each submarket rather than on a case-by-case basis.

SECTION V: SUBMARKET #2 - INCLUSIONARY HOUSING ANALYSIS

A. BACKGROUND

This Financial Evaluation is being prepared in order to create a recommended Inclusionary Housing program that complies with the following requirements:

1. The requirements cannot be “Confiscatory”;
2. The requirements cannot deprive a property owner of a fair and reasonable return on their investment; and
3. The requirements should not act a constraint to development as defined in Section 65583 (a).

As discussed previously, there has been almost no new residential development in Submarket #2 over multiple real estate cycles. In recognition of this fact, it is KMA’s opinion that imposing additional requirements on new housing development would further constrain the opportunity to attract residential development in Submarket #2. However, it also KMA’s opinion that the City can create an incentive based Inclusionary Housing program in Submarket #2 that has the potential to achieve the following goals:

1. It would encourage residential development in Submarket #2; and
2. It would ensure that affordable housing units are provided in residential projects that make use of the incentives offered by the City.

B. ROLE OF THE SECTION 65915 DENSITY BONUS

In 1979 the State Legislature adopted the Section 65915 density bonus to provide incentives to developers that agree to include affordable housing units in residential development projects. In 2004 the State Legislature adopted Senate Bill (SB) 1818 to significantly increase the benefits

provided by the Section 65915 density bonus. Section 65915 has been amended multiple times between 2008 and 2018, each time to enhance the benefits provided to qualifying projects.

Section 65915 currently provides projects with the following key benefits that are tied to the income restrictions proposed to be imposed on the project:

1. Density bonuses based on a sliding scale ranging from 20% to 35%;
2. The provision of one to three incentives or concessions; and
3. The approval of waivers or reductions in development standards that are necessary to make it physically possible to construct a project with the density bonus and incentives or concessions provided by Section 65915.

The following table summarizes the income standards and density bonus percentages currently provided by Section 65915:

Section 65915 Density Bonus as a Percentage of the Units Allowed by a Site’s Base Zoning Standards					
Very Low Income		Low Income		Moderate Income ¹⁴	
% Affordable	Density Bonus	% Affordable	Density Bonus	% Affordable	Density Bonus
5%	20.0%	10%	20.0%	10%	5%
Each 1% increase in the % of very low income units allows for a 2.5% density increase		Each 1% increase in the % of low income units allows for a 1.5% density increase		Each 1% increase in the % of low income units allows for a 1.0% density increase	
11%	35.0%	20%	35.0%	40%	35%

¹⁴ Moderate income units only qualify for a Section 65915 density bonus if they are located in a common interest development of for sale homes.

The number of incentives or concessions available to developers under Section 65915 are scheduled as follows:

Section 65915 Incentive or Concession Benefits			
Number of Incentives or Concessions	Income Restricted Units as a Percentage of the Units Allowed by a Site's Base Zoning Standards		
	Very Low Income Units	Low Income Units	Moderate Income Units
1	5%	10%	10%
2	10%	20%	20%
3	15%	30%	30%

C. INCLUSIONARY HOUSING PROGRAM OPTION: SUBMARKET #2

Based on the lack of new residential development, it can be concluded that the Section 65915 benefits alone are insufficient to attract new residential development to Submarket #2.

However, it is KMA's opinion that the Section 65915 provides a good foundation for structuring an incentive program to attract residential development to Submarket #2. To that end, KMA created a proposed Inclusionary Housing program structure for the City's consideration for Submarket #2.

The proposed structure consists of the following key components:

1. Inclusionary Housing requirements should be imposed on the developers of properties who are requesting zoning changes or discretionary approval(s).
2. The program should be focused on the following property types in Submarket #2:
 - a. Residentially zoned properties that are located in areas that are compatible with higher density development; and

- b. Commercially zoned properties that are not currently zoned for residential development.¹⁵ Particular emphasis should be placed on the following types of sites:
 - i. Sites that are currently developed with underperforming retail centers that are subject to commercial zoning that prohibits residential development; and
 - ii. Transit oriented development (TOD) sites.
3. The program should include greater benefits than are provided by the Section 65915 density bonus.¹⁶
4. To the extent possible, the Inclusionary Housing program production requirements for Submarket #2 should mirror the requirements recommended for Submarket #1.
5. Section 65915 requires the City to provide incentives or concessions that result in identifiable and actual cost reductions, consistent with Section 65915 (k), to provide for affordable housing costs. The incentives and concessions identified in Section 65915 (k) (1-3) are:
 - a. A reduction in site development standards or a modification of zoning code or architectural design requirements that exceed the minimum building standards approved by the California Building Standards Commission;
 - b. Approval of mixed-use zoning in conjunction with the housing project if the commercial component will reduce the cost of the housing development and the

¹⁵ Using the floor area ratio (FAR) density conversion standards identified in Section 65917.2, the floor area ratio (FAR) standards imposed on commercially zoned properties should be converted to an allowable density per acre by multiplying the allowable FAR times the number of acres in the site times 2,250.

¹⁶ Section 65915 (n) provides the City with the discretion to offer a density bonus that exceeds the 35% cap identified in Section 65915 (b). This concept was validated by the First Appellate District Court of Appeal in *Friends of Lagoon Valley v. City of Vacaville* (2007) 154 Cal. App. 4th 807.

commercial component is compatible with existing or planned development in the vicinity of the development site; and

- c. Other regulatory incentives or concessions proposed by the applicant or the City that comply with the Section 65915 (k) requirements.

Based on the preceding criteria, KMA proposes that the following Inclusionary Housing Program structure be created for Submarket #2. The identified standards reflect the production requirements proposed to be imposed in Submarket #1, and as an incentive they provide higher density bonus percentages than are provided under Section 65915 (b).

Inclusionary Housing Production Analysis			
Submarket #2			
Potential Inclusionary Housing Production Requirements			
Income Level	Affordable Units as a % of Base Zoning	Density Bonus Percentage	Number of Incentives or Concessions
Rental Residential Projects			
Very Low	11%	50%	3
<u>Low</u>			
Option 1	12%	35%	2
Option 2	20%	50%	3
Ownership Residential Projects			
Moderate	19%	35%	2

It is important to understand that the City has a great deal of flexibility in establishing Inclusionary Housing standards under an incentive based program. The Inclusionary Housing program described in this section represents a structure that attempts to maximize the potential for attracting residential development to Submarket #2.

SECTION VI: RECOMMENDATIONS

A. THRESHOLD PROJECT SIZE

The majority of Inclusionary Housing programs in California include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds fall between three and 10 units. A number of factors go into the decision of identifying the appropriate threshold project size. Some key issues to be considered are:

1. Four units aligns with the City's existing threshold for Code Enforcement, Tenant Relocation, and Planning regulations.
2. Five units represents the minimum project size that triggers the requirements imposed by the Section 65915 density bonus.
3. A survey of existing Inclusionary Housing programs in California demonstrated a median threshold project size of eight units.
4. A number of members of the City's Inclusionary Housing team have recommended that the threshold project size be set at 10 units.

Each of the identified threshold project sizes has merit. Therefore, it is the City's policy decision to determine the threshold project size that best meets the City's need for affordable housing development.

B. INCLUSIONARY HOUSING PRODUCTION STANDARDS

An Inclusionary Housing program's income and affordability standards should be set at levels that do not constrain residential development. Based on the results of the feasibility evaluations included in this Financial Evaluation, KMA determined that the following Inclusionary Housing production requirements can be supported:

Inclusionary Housing Production Analysis Financially Feasible Inclusionary Housing Percentages Submarket #1	
Alternative	Inclusionary Percentage
Single Income Category Inclusionary Alternatives	
Moderate Income Alternative	19%
Low Income Alternative	12%
Very Low Income Alternative	11%
Mixed Income Category Inclusionary Alternatives	
20% Very Low Income & 80% Low Income	12%
80% Very Low Income & 20% Low Income	11%
30% Low Income & 70% Moderate Income	14%
Ownership Housing Development	
Moderate Income Alternative	10%

All of the standards identified for Submarket #1 in the preceding table comply the financial feasibility test that KMA applied in this Financial Evaluation. The City has discretion to select any of these standards, or to apply a less stringent standard. Given current market and financial conditions, the City should not attempt to apply standards that are more stringent than those identified in the table.

For Submarket #2 the City should consider implementing a program that is focused on incentivizing new residential development. One potential structure is summarized in the following table:

Inclusionary Housing Production Analysis			
Submarket #2			
Potential Inclusionary Housing Production Requirements			
Income Level	Affordable Units as a % of Base Zoning	Density Bonus Percentage	Number of Incentives or Concessions
Rental Residential Projects			
Very Low	11%	50%	3
<u>Low</u>			
Option 1	12%	35%	2
Option 2	20%	50%	3
Ownership Residential Projects			
Moderate	19%	35%	2

C. COVENANT PERIODS

Rental Residential Development

KMA recommends that the covenants for Inclusionary Housing rental residential developments should be set at 55 years. Section 65915 also applies this covenant period to density bonus projects.

Ownership Housing Development

KMA recommends that the covenant period for ownership Inclusionary Housing units be set at 45 years. When the Inclusionary Housing unit is originally sold, the home buyer should be required to enter into a covenant agreement with the City. To secure this obligation the home buyer should be required to enter into a loan agreement and deed of trust with the City that

carries an original principal balance that is equal to the Affordability Gap that existed when the home buyer purchased the Inclusionary Housing unit.¹⁷

KMA recommends that the home buyer loans be structured as follows:

1. When the owner of an Inclusionary Housing unit resells the home, the City loan should become due and payable.
2. The total repayment amount should be set equal to the original principal balance of the City loan plus a share of the equity appreciation.
3. The equity appreciation percentage share can be set equal to the Affordability Gap divided by the fair market value of the home at the time of the initial sale, or it can be based on a sliding scale percentage that decreases over time.
4. The revenue generated by the repayment of the City loans should be deposited into an “Affordable Housing Trust Fund” that will be used to provide assistance to affordable housing activities.

D. OPTIONS FOR FULFILLING INCLUSIONARY HOUSING OBLIGATIONS

Production of Inclusionary Housing Units

1. Inclusionary Housing units constructed on site within a market rate project should be subject to the following standards:
 - a. The affordable units should be dispersed throughout the project.
 - b. The exterior improvements of the Inclusionary Housing units should be required to be comparable to the market rate units.

¹⁷ The City would not be required to contribute any cash to the transaction. The Net Affordability Gap would have been absorbed by the developer of the project.

- c. The bedroom mix provided in the affordable units should be the proportional to the bedroom mix provided for the market rate units. However, at the City's discretion the affordable units could be allowed to smaller in terms of square footage than the market rate units.
 - d. The affordable units should be required to be developed at the same quality as the base models of the market rate units. The market rate units in a project should be allowed to include enhanced interior improvements as options for the home buyers to purchase.
2. Off-site Inclusionary Housing units should be subject to the following requirements:
- a. The proposed location for the off-site production of Inclusionary Housing units should be located in close proximity to the market rate project, and the City should have approval rights over the off-site location.
 - b. The City may wish to establish a higher Inclusionary Housing percentage requirement on units that are proposed to be provided off site.
 - c. Irrespective of the tenure of the market rate project, off-site Inclusionary Housing units should be required to be comprised solely of rental residential units.
 - d. Specific scope, design, building quality and maintenance standards should be reflect the requirements imposed by the base zoning for the proposed development.

In-Lieu Fee Payment Option

The City can allow in-lieu fees to be paid at a developer's discretion, or the City can establish objective criteria under which in-lieu fee payments are allowed. To assist the City in making these determinations, KMA offers the following recommendations:

1. An in-lieu fee payment should be allowed for any fractional Inclusionary Housing unit requirement.
2. Developers of ownership housing projects of any size should be allowed to pay an in-lieu fee by right.
3. Rental residential projects:
 - a. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. KMA recommends that an in-lieu fee payment be allowed by right for rental residential projects with up to 20 units.
 - b. Rental residential projects developed in Submarket #2 should be required to produce the requisite number of Inclusionary Housing units on site within the market rate project.
 - c. Rental residential projects with more than 20 units should be required to produce the requisite number of Inclusionary Housing units. However, the City Council should have the discretion to allow the in-lieu fee to be paid for rental residential projects with more than 20 units that are deemed to exhibit extreme hardship circumstances.

Other Inclusionary Housing Fulfillment Options

As discussed previously, Section 65850 (g) requires the City to offer several defined options for fulfilling the Inclusionary Housing requirements for rental residential projects. The production options and in-lieu fee recommendations were previously identified. The remaining options are land dedications and the acquisition and rehabilitation of existing units.

Land Dedication

KMA recommends that the land dedication option be provided at the discretion of the City Council for both ownership housing and rental residential projects if the following requirements are met:

1. The site has General Plan and zoning designations in place that allow for the development of the requisite number of Inclusionary Housing units; and
2. The developer makes a cash contribution equal to the financial gap exhibited by the project after factoring in the donation of the site at no cost.

Acquisition and Rehabilitation of Existing Units

It is important to understand that the City will not receive RHNA credit for the units included in acquisition and rehabilitation projects, nor can they be listed on the City's Annual Progress Report. However, the City may wish to include an acquisition and rehabilitation option in the Inclusionary Housing program to assist in mitigating the overcrowding and over payment issues experienced by a large number of Long Beach residents.

E. SECTION 65915 DENSITY BONUS

The City's Section 65915 density bonus ordinance does not currently include amendments the State Legislature made between 2006 and 2019. As discussed previously in this Financial Evaluation, the Section 65915 density bonus is intended to reduce the financial impact created by the imposition of Inclusionary Housing requirements. It is KMA's recommendation that the City update Section 21.63 to reflect the Section 65915 density bonus requirements currently being imposed by the State. This update should be undertaken concurrently with the City's adoption of an Inclusionary Housing program.

F. CONDOMINIUM CONVERSION REQUIREMENTS

The City staff has indicated that the majority of rental residential projects being developed in Submarket #1 are obtaining Tentative Maps that allow the developer to sell the units as condominiums at a later date without triggering the City's Condominium Conversion Ordinance terms. It is KMA's recommendation that developers be required to fulfill the rental residential development Inclusionary Housing requirements for mapped projects. If and when the rental residential units are converted to condominiums, the City should require the developer to fulfill one of the following requirements:

1. The developer can maintain the residential rental units as rental Inclusionary Housing unit at the then current Affordable Rents; or
2. The developer can market the Inclusionary Housing units for sale based on the income and affordability level that was imposed when the project was originally constructed; or
3. The developer can relocate the tenants residing in the Inclusionary Housing units under the terms imposed by the Condominium Conversion Ordinance. If this option is selected, the developer must sell the formerly rental residential Inclusionary Housing units to moderate income households at the then current Affordable Sales Price.

G. RECOMMENDED PROGRAM DESIGN

The City should include the following key components in the design of an Inclusionary Housing program:

1. The most successful Inclusionary Housing programs are based on a clear set of administrative procedures. Consistent application of clear guidelines allows developers to factor in the programs' impacts as part of the due diligence process related to property acquisition:

- a. The Inclusionary Housing program should be updated at regular intervals to reflect changes in economic and demographic characteristics:
 - i. The entire program should be re-evaluated at least every five years.
 - ii. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should be adjusted each year based on the percentage change in new home prices in Los Angeles County as published annually by the Real Estate Research Council (RERC).
 - b. The City's Administrative Manual should be updated as needed to reflect changes that are made to the Inclusionary Housing program.
2. A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Housing units once they are built.

ATTACHMENT 1

**INCLUSIONARY HOUSING SURVEY
CALIFORNIA PROGRAMS
INCLUSIONARY HOUSING FEASIBILITY STUDY
LONG BEACH, CALIFORNIA**

ATTACHMENT 1
 INCLUSIONARY HOUSING SURVEY: CALIFORNIA PROGRAMS
 INCLUSIONARY HOUSING FEASIBILITY STUDY
 LONG BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
I. Inclusionary Requirements: Both Rental and Ownership Projects									
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	5		Perpetual	5		Perpetual
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4		55	4		55
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No			55	120%		10
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55	120%		45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	50	80%	Life of Bldg	50	80%	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5	/120%	55	5	/120%	45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	Yes	5		55	5		45
Contra Costa County	¹ Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	5			5		3
Cupertino	1-7 units pays in-lieu fee. Create on-site units; create off-site units; pay impact/linkage fee; donate land	15%	No	7	50% /80%	99	7	50% /120%	99
Davis	Create on-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	5% to 25%	No	5	80%	Perpetual	5	120%	Perpetual
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land	12.5%	No	20		55	20		55
Emeryville	Create on-site units; pay impact/linkage fee	12%/20%	No			55	10		55
Fort Bragg	Create on-site units	10% to 20%		5	80% /120%		5	100% /120%	15
Hayward	Create on-site units; create off-site units; pay in-lieu fee; pay impact/linkage fee; donate land	15%	No	20	80%	55	20	120%	45
Irvine	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	50		30	50		30
Los Altos	¹ Create on-site units; create off-site units	10%	No	10		30	10		30

ATTACHMENT 1
 INCLUSIONARY HOUSING SURVEY: CALIFORNIA PROGRAMS
 INCLUSIONARY HOUSING FEASIBILITY STUDY
 LONG BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee	10%	Yes	5	80% /120%		5	80% /120%	
Mill Valley	Create on-site units	25%	Yes	4	120%	Perpetual	4	120%	Perpetual
Nevada County	1 Create on-site units; create off-site units		No	20		30	20		30
Oxnard	Create on-site units; pay in-lieu fee	10%	No	10		55	10		
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8		55	8		45
Palo Alto	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	15%	Yes			59			59
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	10			10	120%	45
Petaluma	Create on-site units; pay in-lieu fee; donate land	15%	No			30			30
Pleasanton	Create on-site units; create off-site units; pay in-lieu fee; donate land; credit transfers; other alternate methods of compliance	15%	Yes	15			15		Perpetual
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land		No	5		30	5		30
San Bruno	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	10		55	10		45
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%	
San Jose	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers	15%	No	20	80%	Perpetual	20	120%	Perpetual
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab	10%	No	2		55	2		55
San Mateo County	Create on-site units	10%	Yes	11	80%	Life of Bldg	11	120%	45
San Rafael	Create on-site units; pay in-lieu fee	10%	No	2			2	120%	
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	Yes	2	80%	Perpetual	2	120%	Perpetual
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2		55	2		55
Sonoma	Create on-site units	25%	Yes	5	120%	55	5	120%	55

**ATTACHMENT 1
INCLUSIONARY HOUSING SURVEY: CALIFORNIA PROGRAMS
INCLUSIONARY HOUSING FEASIBILITY STUDY
LONG BEACH, CALIFORNIA**

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	Yes		60%	55		80%	30
South San Francisco	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	No	4		55	4		55
Sunnyvale	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	12.5%	No	4	80%	55		120%	30
Tiburon	Create on-site units; create off-site units; pay in-lieu fee	15%		3		Perpetual	3		Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee	15%	No	7			7		
West Hollywood	Create on-site units; create off-site units			2			2		
West Sacramento	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	Yes			55		80%	45

II. Inclusionary Requirements: Ownership Projects Only

Alameda	Create on-site units; create off-site units; pay in-lieu fee	5%	No				5		59
Danville	Create on-site units; pay in-lieu fee	10%	Yes				7	110%	20
Fremont	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes					110%	30
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No				3	120%	60
Lafayette	² Create on-site units; create off-site units	15%	No				2		45
Monterey	Create on-site units; donate land	20%	No				6		Perpetual
Mountain View	Create on-site units; pay in-lieu fee	10%	No				3	100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No				5		55
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes						55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	No				5		55
Santa Barbara	Create on-site units; pay in-lieu fee; donate land	15%	No				2	160%	90

**ATTACHMENT 1
INCLUSIONARY HOUSING SURVEY: CALIFORNIA PROGRAMS
INCLUSIONARY HOUSING FEASIBILITY STUDY
LONG BEACH, CALIFORNIA**

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
III. Inclusionary for Ownership Projects & Impact Fee for Rental Projects									
Berkeley	Create on-site units; pay in-lieu fee	20%	No				5	80%	Perpetual
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2		45
Truckee	² Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land	15%	No	7		Perpetual	7		Perpetual
IV. Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects									
Pittsburg	Create on-site units; pay in-lieu fee	15%	Yes				5		
Salinas	Create on-site units; create off-site units; donate land	20%	No				10		30
San Juan Bautista	Create on-site units; pay impact/linkage fee	6%							
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3%	Yes				5		45
San Marcos	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No				55	120%	55
Solana Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay impact/linkage fee	15%	No	5		55	5		45
V. Rental Projects Only									
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	80%	55			

¹ The program requirements are only applied in designated areas of the jurisdiction.
² The program requirements are applied in the entire jurisdiction, but the requirements vary by zones, neighborhood, or districts.

ATTACHMENT 2

**RENTAL RESIDENTIAL DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX A

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
BASE ZONING: 125 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX A - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MARKET RATE ALTERNATIVE
 BASE ZONING: 125 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205 /Sf of Land		\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20 /Sf of Land		\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000 /Space		0
Above-Ground Podium Spaces		0	Spaces	\$25,000 /Space		0
1st Level Subterranean		90	Spaces	\$35,000 /Space		3,150,000
2nd Level Subterranean		92	Spaces	\$45,000 /Space		4,140,000
Building Costs		106,312	Sf of GBA	\$125 /Sf of GBA		13,289,000
Contractor/DC Contingency Allow			20% Other Direct Costs			4,247,000
Total Direct Costs		106,312	Sf of GBA	\$240 /Sf of GBA		\$25,483,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$2,039,000
Public Permits & Fees	4	94	Units	\$20,000 /Unit		1,880,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			764,000
Marketing		94	Units	\$5,000 /Unit		470,000
Developer Fee			5% Direct Costs			1,274,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			321,000
Total Indirect Costs						\$6,748,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6% Avg Rate		\$364,000
Construction	6	\$34,194,000	Cost	3.6% Avg Rate		1,108,000
Loan Origination Fees			60% Loan to Cost	2.0 Points		491,000
Total Financing Costs						\$1,963,000
V. Total Construction Cost		94	Units	\$364,000 /Unit		\$34,194,000
Total Development Cost		94	Units	\$435,000 /Unit		\$40,932,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.5 spaces for Studio Units; 1.5 spaces for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach.

⁵ Based on an 18 month construction period and a 60% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MARKET RATE ALTERNATIVE
 BASE ZONING: 125 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. Gross IncomeA. Market Rate Units ¹

Studio Units	12 Units @	\$2,569 /Unit/Month	\$370,000
One-Bedroom Units	48 Units @	\$2,620 /Unit/Month	1,509,000
Two-Bedroom Units	34 Units @	\$3,304 /Unit/Month	1,348,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Laundry & Miscellaneous Income

94 Units @	\$25 /Unit/Month	28,000
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Total Gross Income

\$3,255,000

Vacancy & Collection Allowance

5% Gross Income

(163,000)

II. **Effective Gross Income**

\$3,092,000

III. Operating Expenses

General Operating Expenses	94 Units @	\$4,500 /Unit	\$423,000
Property Taxes	94 Units @	\$4,700 /Unit	443,000
Replacement Reserve Deposits	94 Units @	\$150 /Unit	14,000

Total Operating Expenses

(\$880,000)

IV. **Stabilized Net Operating Income**

\$2,212,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

APPENDIX A - TABLE 3

ESTIMATED DEVELOPER RETURN
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MARKET RATE ALTERNATIVE
BASE ZONING: 125 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX A - TABLE 2	\$2,212,000
II.	Total Development Cost	See APPENDIX A - TABLE 1	<u>\$40,932,000</u>
III.	Return on Total Investment		5.4%

APPENDIX B

SUBMARKET #1

RENTAL RESIDENTIAL DEVELOPMENT

PRO FORMA ANALYSES

SINGLE INCOME CATEGORY INCLUSIONARY ALTERNATIVES

CURRENT ZONING ALTERNATIVES

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT I

SUBMARKET #1

RENTAL RESIDENTIAL DEVELOPMENT

PRO FORMA ANALYSES

MODERATE INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 19.3%

CURRENT ZONING: 185 UNITS PER ACRE SCENARIO

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MODERATE INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 19.3%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205	/Sf of Land	\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20	/Sf of Land	\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000	/Space	0
Above-Ground Podium Spaces		0	Spaces	\$25,000	/Space	0
1st Level Subterranean		90	Spaces	\$35,000	/Space	3,150,000
2nd Level Subterranean		85	Spaces	\$45,000	/Space	3,825,000
Building Costs		158,936	Sf of GBA	\$150	/Sf of GBA	23,840,000
Contractor/DC Contingency Allow			20% Other Direct Costs			6,294,000
Total Direct Costs		158,936	Sf of GBA	\$238	/Sf of GBA	\$37,766,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$3,021,000
Public Permits & Fees	4	140	Units	\$20,000	/Unit	2,800,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			1,133,000
Marketing		140	Units	\$5,000	/Unit	700,000
Developer Fee			5% Direct Costs			1,888,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			477,000
Total Indirect Costs						\$10,019,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6%	Avg Rate	\$364,000
Construction	6	\$50,470,000	Cost	3.6%	Avg Rate	1,635,000
Loan Origination Fees			60% Loan to Cost	2.0	Points	686,000
Total Financing Costs						\$2,685,000
V. Total Construction Cost		140	Units	\$361,000	/Unit	\$50,470,000
Total Development Cost		140	Units	\$409,000	/Unit	\$57,208,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MODERATE INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 19.3%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Gross IncomeA. Market Rate Units ¹

Studio Units	14 Units @	\$2,569 /Unit/Month	\$432,000
One-Bedroom Units	57 Units @	\$2,620 /Unit/Month	1,792,000
Two-Bedroom Units	42 Units @	\$3,304 /Unit/Month	1,665,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Inclusionary Units ²

Studio Units	3 Units @	\$1,373 /Unit/Month	49,000
One-Bedroom Units	14 Units @	\$1,569 /Unit/Month	264,000
Two-Bedroom Units	10 Units @	\$1,753 /Unit/Month	210,000
Three-Bedroom Units	0 Units @	\$1,939 /Unit/Month	0

C. Laundry & Miscellaneous Income

140 Units @	\$25 /Unit/Month	42,000
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Total Gross Income

\$4,454,000

Vacancy & Collection Allowance

5% Gross Income

(223,000)

II. **Effective Gross Income**

\$4,231,000

III. Operating Expenses

General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000
Property Taxes	140 Units @	\$4,300 /Unit	597,000
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000

Total Operating Expenses

(\$1,248,000)

IV. **Stabilized Net Operating Income**

\$2,983,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT I - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MODERATE INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 19.3%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I.	Supportable Investment			
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT I - TABLE 2	\$2,983,000	
	Threshold Return on Total Investment ¹		5.4%	
	Total Supportable Investment			\$55,199,000
II.	Total Development Cost	See APPENDIX B - EXHIBIT I - TABLE 1		\$57,208,000
III.	Total Financial Gap			(\$2,009,000)
	Feasible Inclusionary Percentage	19.3%		
	As a % of Land Value	30% Decrease		
	Effective Developer Return	5.2% Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX B - EXHIBIT II

SUBMARKET #1

RENTAL RESIDENTIAL DEVELOPMENT

PRO FORMA ANALYSES

LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 12.1%

CURRENT ZONING: 185 UNITS PER ACRE SCENARIO

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 12.1%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205	/Sf of Land	\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20	/Sf of Land	\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000	/Space	0
Above-Ground Podium Spaces		0	Spaces	\$25,000	/Space	0
1st Level Subterranean		90	Spaces	\$35,000	/Space	3,150,000
2nd Level Subterranean		85	Spaces	\$45,000	/Space	3,825,000
Building Costs		158,936	Sf of GBA	\$150	/Sf of GBA	23,840,000
Contractor/DC Contingency Allow			20% Other Direct Costs			6,294,000
Total Direct Costs		158,936	Sf of GBA	\$238	/Sf of GBA	\$37,766,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$3,021,000
Public Permits & Fees	4	140	Units	\$19,320	/Unit	2,705,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			1,133,000
Marketing		140	Units	\$5,000	/Unit	700,000
Developer Fee			5% Direct Costs			1,888,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			472,000
Total Indirect Costs						\$9,919,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6%	Avg Rate	\$364,000
Construction	6	\$50,366,000	Cost	3.6%	Avg Rate	1,632,000
Loan Origination Fees			60% Loan to Cost	2.0	Points	685,000
Total Financing Costs						\$2,681,000
V. Total Construction Cost		140	Units	\$360,000	/Unit	\$50,366,000
Total Development Cost		140	Units	\$408,000	/Unit	\$57,104,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach. Includes a fee waiver set at \$5,603 per unit for very low and low income units.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 12.1%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. **Gross Income**A. **Market Rate Units**

1

Studio Units	15 Units @	\$2,569 /Unit/Month	\$462,000
One-Bedroom Units	62 Units @	\$2,620 /Unit/Month	1,949,000
Two-Bedroom Units	46 Units @	\$3,304 /Unit/Month	1,824,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Inclusionary Units**

2

Studio Units	2 Units @	\$733 /Unit/Month	18,000
One-Bedroom Units	9 Units @	\$838 /Unit/Month	90,000
Two-Bedroom Units	6 Units @	\$930 /Unit/Month	67,000
Three-Bedroom Units	0 Units @	\$1,026 /Unit/Month	0

C. **Laundry & Miscellaneous Income**

140 Units @	\$25 /Unit/Month	42,000
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Total Gross Income

\$4,452,000

Vacancy & Collection Allowance

5% Gross Income

(223,000)

II. **Effective Gross Income**

\$4,229,000

III. **Operating Expenses**

General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000
Property Taxes	140 Units @	\$4,300 /Unit	596,000
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000

Total Operating Expenses

(\$1,247,000)

IV. **Stabilized Net Operating Income**

\$2,982,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 12.1%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. <u>Supportable Investment</u>															
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT II - TABLE 2	\$2,982,000													
Threshold Return on Total Investment ¹		5.4%													
Total Supportable Investment			\$55,180,000												
II. Total Development Cost	See APPENDIX B - EXHIBIT II - TABLE 1		\$57,104,000												
III. <u>Total Financial Gap</u>			(\$1,924,000)												
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Feasible Inclusionary Percentage</td> <td style="width: 30%;">12.1%</td> <td style="width: 20%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>As a % of Land Value</td> <td>29% Decrease</td> <td></td> <td></td> </tr> <tr> <td>Effective Developer Return</td> <td>5.2% Return on Total Investment</td> <td></td> <td></td> </tr> </table>				Feasible Inclusionary Percentage	12.1%			As a % of Land Value	29% Decrease			Effective Developer Return	5.2% Return on Total Investment		
Feasible Inclusionary Percentage	12.1%														
As a % of Land Value	29% Decrease														
Effective Developer Return	5.2% Return on Total Investment														

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX B - EXHIBIT III

SUBMARKET #1

RENTAL RESIDENTIAL DEVELOPMENT

PRO FORMA ANALYSES

VERY LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 11.4%

CURRENT ZONING: 185 UNITS PER ACRE SCENARIO

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
VERY LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 11.4%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205	/Sf of Land	\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20	/Sf of Land	\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000	/Space	0
Above-Ground Podium Spaces		0	Spaces	\$25,000	/Space	0
1st Level Subterranean		90	Spaces	\$35,000	/Space	3,150,000
2nd Level Subterranean		85	Spaces	\$45,000	/Space	3,825,000
Building Costs		158,936	Sf of GBA	\$150	/Sf of GBA	23,840,000
Contractor/DC Contingency Allow			20% Other Direct Costs			6,294,000
Total Direct Costs		158,936	Sf of GBA	\$238	/Sf of GBA	\$37,766,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$3,021,000
Public Permits & Fees	4	140	Units	\$19,360	/Unit	2,710,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			1,133,000
Marketing		140	Units	\$5,000	/Unit	700,000
Developer Fee			5% Direct Costs			1,888,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			473,000
Total Indirect Costs						\$9,925,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6%	Avg Rate	\$364,000
Construction	6	\$50,372,000	Cost	3.6%	Avg Rate	1,632,000
Loan Origination Fees			60% Loan to Cost	2.0	Points	685,000
Total Financing Costs						\$2,681,000
V. Total Construction Cost		140	Units	\$360,000	/Unit	\$50,372,000
Total Development Cost		140	Units	\$408,000	/Unit	\$57,110,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach. Includes a fee waiver set at \$5,603 per unit for very low and low income units.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 VERY LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 11.4%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. **Gross Income**A. **Market Rate Units**

1

Studio Units	15 Units @	\$2,569 /Unit/Month	\$462,000
One-Bedroom Units	63 Units @	\$2,620 /Unit/Month	1,981,000
Two-Bedroom Units	46 Units @	\$3,304 /Unit/Month	1,824,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Inclusionary Units**

2

Studio Units	2 Units @	\$605 /Unit/Month	15,000
One-Bedroom Units	8 Units @	\$691 /Unit/Month	66,000
Two-Bedroom Units	6 Units @	\$766 /Unit/Month	55,000
Three-Bedroom Units	0 Units @	\$843 /Unit/Month	0

C. **Laundry & Miscellaneous Income**

140 Units @ \$25 /Unit/Month 42,000

Total Gross Income

\$4,445,000

Vacancy & Collection Allowance

5% Gross Income

(222,000)

II. **Effective Gross Income**

\$4,223,000

III. **Operating Expenses**

General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000
Property Taxes	140 Units @	\$4,300 /Unit	595,000
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000

Total Operating Expenses

(\$1,246,000)

IV. **Stabilized Net Operating Income**

\$2,977,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX B - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 VERY LOW INCOME ALTERNATIVE: INCLUSIONARY PERCENTAGE @ 11.4%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX B - EXHIBIT III - TABLE 2	\$2,977,000	
Threshold Return on Total Investment ¹		5.4%	
Total Supportable Investment			\$55,088,000
II. Total Development Cost	See APPENDIX B - EXHIBIT III - TABLE 1		\$57,110,000
III. <u>Total Financial Gap</u>			(\$2,022,000)
Feasible Inclusionary Percentage	11.4%		
As a % of Land Value	30% Decrease		
Effective Developer Return	5.2% Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX C

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
PRO FORMA ANALYSES
MIXED INCOME INCLUSIONARY ALTERNATIVES
CURRENT ZONING ALTERNATIVES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
PRO FORMA ANALYSES
MIXED INCOME INCLUSIONARY ALTERNATIVES
20% VERY LOW INCOME UNITS & 80% LOW INCOME UNITS
INCLUSIONARY PERCENTAGE @ 12.1%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
20% VERY LOW INCOME UNITS & 80% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 12.1%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205	/Sf of Land	\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20	/Sf of Land	\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000	/Space	0
Above-Ground Podium Spaces		0	Spaces	\$25,000	/Space	0
1st Level Subterranean		90	Spaces	\$35,000	/Space	3,150,000
2nd Level Subterranean		85	Spaces	\$45,000	/Space	3,825,000
Building Costs		158,936	Sf of GBA	\$150	/Sf of GBA	23,840,000
Contractor/DC Contingency Allow			20% Other Direct Costs			6,294,000
Total Direct Costs		158,936	Sf of GBA	\$238	/Sf of GBA	\$37,766,000
III. Indirect Costs						
Architecture, Engineering & Consulting			8% Direct Costs			\$3,021,000
Public Permits & Fees	4	140	Units	\$19,320	/Unit	2,705,000
Taxes, Insurance, Legal & Accounting			3% Direct Costs			1,133,000
Marketing		140	Units	\$5,000	/Unit	700,000
Developer Fee			5% Direct Costs			1,888,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			472,000
Total Indirect Costs						\$9,919,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6%	Avg Rate	\$364,000
Construction	6	\$50,366,000	Cost	3.6%	Avg Rate	1,632,000
Loan Origination Fees			60% Loan to Cost	2.0	Points	685,000
Total Financing Costs						\$2,681,000
V. Total Construction Cost		140	Units	\$360,000	/Unit	\$50,366,000
Total Development Cost		140	Units	\$408,000	/Unit	\$57,104,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach. Includes a fee waiver set at \$5,603 per unit for very low and low income units.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
20% VERY LOW INCOME UNITS & 80% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 12.1%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. **Gross Income**A. **Market Rate Units**

1

Studio Units	15 Units @	\$2,569 /Unit/Month	\$462,000
One-Bedroom Units	62 Units @	\$2,620 /Unit/Month	1,949,000
Two-Bedroom Units	46 Units @	\$3,304 /Unit/Month	1,824,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Inclusionary Units**

Very Low Income

2

Studio Units	0 Units @	\$605 /Unit/Month	0
One-Bedroom Units	2 Units @	\$691 /Unit/Month	17,000
Two-Bedroom Units	1 Unit @	\$766 /Unit/Month	9,000
Three-Bedroom Units	0 Units @	\$843 /Unit/Month	0

Low Income

3

Studio Units	2 Units @	\$733 /Unit/Month	18,000
One-Bedroom Units	7 Units @	\$838 /Unit/Month	70,000
Two-Bedroom Units	5 Units @	\$930 /Unit/Month	56,000
Three-Bedroom Units	0 Units @	\$1,026 /Unit/Month	0

C. **Laundry & Miscellaneous Income**

140 Units @ \$25 /Unit/Month 42,000

Total Gross Income

\$4,447,000

Vacancy & Collection Allowance

5% Gross Income

(222,000)

II. **Effective Gross Income**

\$4,225,000

III. **Operating Expenses**

General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000
Property Taxes	140 Units @	\$4,300 /Unit	596,000
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000

Total Operating Expenses

(\$1,247,000)

IV. **Stabilized Net Operating Income**

\$2,978,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

³ The Inclusionary rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX C - EXHIBIT I - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MIXED INCOME INCLUSIONARY ALTERNATIVES
 20% VERY LOW INCOME UNITS & 80% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 12.1%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$2,978,000	
Threshold Return on Total Investment ¹		5.4%	
Total Supportable Investment			\$55,106,000
II. Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1		\$57,104,000
III. <u>Total Financial Gap</u>			(\$1,998,000)
Feasible Inclusionary Percentage	12.1%		
As a % of Land Value	30% Decrease		
Effective Developer Return	5.2% Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT II

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
PRO FORMA ANALYSES
MIXED INCOME INCLUSIONARY ALTERNATIVES
80% VERY LOW INCOME UNITS & 20% LOW INCOME UNITS
INCLUSIONARY PERCENTAGE @ 11.4%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
80% VERY LOW INCOME UNITS & 20% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 11.4%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	1	32,870	Sf of Land	\$205	/Sf of Land	\$6,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		32,870	Sf of Land	\$20	/Sf of Land	\$657,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000	/Space	0
Above-Ground Podium Spaces		0	Spaces	\$25,000	/Space	0
1st Level Subterranean		90	Spaces	\$35,000	/Space	3,150,000
2nd Level Subterranean		85	Spaces	\$45,000	/Space	3,825,000
Building Costs		158,936	Sf of GBA	\$150	/Sf of GBA	23,840,000
Contractor/DC Contingency Allow		20%	Other Direct Costs			6,294,000
Total Direct Costs		158,936	Sf of GBA	\$238	/Sf of GBA	\$37,766,000
III. Indirect Costs						
Architecture, Engineering & Consulting		8%	Direct Costs			\$3,021,000
Public Permits & Fees	4	140	Units	\$19,360	/Unit	2,710,000
Taxes, Insurance, Legal & Accounting		3%	Direct Costs			1,133,000
Marketing		140	Units	\$5,000	/Unit	700,000
Developer Fee		5%	Direct Costs			1,888,000
Soft Cost Contingency Allowance		5%	Other Indirect Costs			473,000
Total Indirect Costs						\$9,925,000
IV. Financing Costs						
Interest During Construction						
Land	5	\$6,738,000	Cost	3.6%	Avg Rate	\$364,000
Construction	6	\$50,372,000	Cost	3.6%	Avg Rate	1,632,000
Loan Origination Fees		60%	Loan to Cost	2.0	Points	685,000
Total Financing Costs						\$2,681,000
V. Total Construction Cost		140	Units	\$360,000	/Unit	\$50,372,000
Total Development Cost		140	Units	\$408,000	/Unit	\$57,110,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach. Includes a fee waiver set at \$5,603 per unit for very low and low income units.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
80% VERY LOW INCOME UNITS & 20% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 11.4%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Gross Income				
A. Market Rate Units ¹				
Studio Units	15 Units @	\$2,569 /Unit/Month	\$462,000	
One-Bedroom Units	63 Units @	\$2,620 /Unit/Month	1,981,000	
Two-Bedroom Units	46 Units @	\$3,304 /Unit/Month	1,824,000	
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0	
B. Inclusionary Units				
Very Low Income ²				
Studio Units	2 Units @	\$605 /Unit/Month	15,000	
One-Bedroom Units	6 Units @	\$691 /Unit/Month	50,000	
Two-Bedroom Units	5 Units @	\$766 /Unit/Month	46,000	
Three-Bedroom Units	0 Units @	\$843 /Unit/Month	0	
Low Income ³				
Studio Units	0 Units @	\$733 /Unit/Month	0	
One-Bedroom Units	2 Units @	\$838 /Unit/Month	20,000	
Two-Bedroom Units	1 Unit @	\$930 /Unit/Month	11,000	
Three-Bedroom Units	0 Units @	\$1,026 /Unit/Month	0	
C. Laundry & Miscellaneous Income				
	140 Units @	\$25 /Unit/Month	42,000	
Total Gross Income			\$4,451,000	
Vacancy & Collection Allowance			(223,000)	
II. Effective Gross Income				\$4,228,000
III. Operating Expenses				
General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000	
Property Taxes	140 Units @	\$4,300 /Unit	596,000	
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000	
Total Operating Expenses			(\$1,247,000)	
IV. Stabilized Net Operating Income				\$2,981,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

³ The Inclusionary rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX C - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MIXED INCOME INCLUSIONARY ALTERNATIVES
 80% VERY LOW INCOME UNITS & 20% LOW INCOME UNITS - INCLUSIONARY PERCENTAGE @ 11.4%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. <u>Supportable Investment</u>			
Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$2,981,000	
Threshold Return on Total Investment ¹		5.4%	
Total Supportable Investment			\$55,162,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$57,110,000
III. <u>Total Financial Gap</u>			(\$1,948,000)
Feasible Inclusionary Percentage	11.4%		
As a % of Land Value	29% Decrease		
Effective Developer Return	5.2% Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT III

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
PRO FORMA ANALYSES
MIXED INCOME INCLUSIONARY ALTERNATIVES
70% LOW INCOME UNITS & 30% MODERATE INCOME UNITS
INCLUSIONARY PERCENTAGE @ 13.6%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
70% LOW INCOME UNITS & 30% MODERATE INCOME UNITS - INCLUSIONARY PERCENTAGE @ 13.6%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	32,870	Sf of Land	\$205 /Sf of Land		\$6,738,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		32,870	Sf of Land	\$20 /Sf of Land	\$657,000	
	Parking	3					
	At-Grade Spaces		0	Spaces	\$5,000 /Space	0	
	Above-Ground Podium Spaces		0	Spaces	\$25,000 /Space	0	
	1st Level Subterranean		90	Spaces	\$35,000 /Space	3,150,000	
	2nd Level Subterranean		85	Spaces	\$45,000 /Space	3,825,000	
	Building Costs		158,936	Sf of GBA	\$150 /Sf of GBA	23,840,000	
	Contractor/DC Contingency Allow			20% Other Direct Costs		6,294,000	
	Total Direct Costs		158,936	Sf of GBA	\$238 /Sf of GBA		\$37,766,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			8% Direct Costs		\$3,021,000	
	Public Permits & Fees	4	140	Units	\$19,240 /Unit	2,694,000	
	Taxes, Insurance, Legal & Accounting			3% Direct Costs		1,133,000	
	Marketing		140	Units	\$5,000 /Unit	700,000	
	Developer Fee			5% Direct Costs		1,888,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		472,000	
	Total Indirect Costs						\$9,908,000
IV.	Financing Costs						
	Interest During Construction						
	Land	5	\$6,738,000	Cost	3.6% Avg Rate	\$364,000	
	Construction	6	\$50,354,000	Cost	3.6% Avg Rate	1,631,000	
	Loan Origination Fees			60% Loan to Cost	2.0 Points	685,000	
	Total Financing Costs						\$2,680,000
V.	Total Construction Cost		140	Units	\$360,000 /Unit		\$50,354,000
	Total Development Cost		140	Units	\$408,000 /Unit		\$57,092,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach. Includes a fee waiver set at \$5,603 per unit for very low and low income units.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
MIXED INCOME INCLUSIONARY ALTERNATIVES
70% LOW INCOME UNITS & 30% MODERATE INCOME UNITS - INCLUSIONARY PERCENTAGE @ 13.6%
CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Gross Income

A. Market Rate Units

1

Studio Units	14 Units @	\$2,569 /Unit/Month	\$432,000
One-Bedroom Units	62 Units @	\$2,620 /Unit/Month	1,949,000
Two-Bedroom Units	45 Units @	\$3,304 /Unit/Month	1,784,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. Inclusionary Units

Low Income

2

Studio Units	2 Units @	\$733 /Unit/Month	18,000
One-Bedroom Units	6 Units @	\$838 /Unit/Month	60,000
Two-Bedroom Units	5 Units @	\$930 /Unit/Month	56,000
Three-Bedroom Units	0 Units @	\$1,026 /Unit/Month	0

Moderate Income

3

Studio Units	1 Unit @	\$1,373 /Unit/Month	16,000
One-Bedroom Units	3 Units @	\$1,569 /Unit/Month	56,000
Two-Bedroom Units	2 Units @	\$1,753 /Unit/Month	42,000
Three-Bedroom Units	0 Units @	\$1,939 /Unit/Month	0

C. Laundry & Miscellaneous Income

140 Units @	\$25 /Unit/Month	42,000
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Total Gross Income

\$4,455,000

Vacancy & Collection Allowance

5% Gross Income

(223,000)

II. Effective Gross Income

\$4,232,000

III. Operating Expenses

General Operating Expenses	140 Units @	\$4,500 /Unit	\$630,000
Property Taxes	140 Units @	\$4,300 /Unit	597,000
Replacement Reserve Deposits	140 Units @	\$150 /Unit	21,000

Total Operating Expenses

(\$1,248,000)

IV. Stabilized Net Operating Income

\$2,984,000

¹ Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

² The Inclusionary rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

³ The Inclusionary rent calculations are based on household income at 110% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX D - EXHIBIT I.

APPENDIX C - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT
 MIXED INCOME INCLUSIONARY ALTERNATIVES
 70% LOW INCOME UNITS & 30% MODERATE INCOME UNITS - INCLUSIONARY PERCENTAGE @ 13.6%
 CURRENT ZONING: 185 UNITS PER ACRE SCENARIO
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I.	Supportable Investment			
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$2,984,000	
	Threshold Return on Total Investment ¹		5.4%	
	Total Supportable Investment			\$55,217,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1		\$57,092,000
III.	Total Financial Gap			(\$1,875,000)
	Feasible Inclusionary Percentage	13.6%		
	As a % of Land Value	28% Decrease		
	Effective Developer Return	5.2% Return on Total Investment		

¹ Based on the Developer Return estimated to be generated by the BASE ZONING: 125 UNITS PER ACRE SCENARIO: MARKET RATE ALTERNATIVE.

APPENDIX D

**SUBMARKET #1
RENTAL RESIDENTIAL DEVELOPMENT
AFFORDABILITY ANALYSES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I

AFFORDABLE RENT CALCULATIONS
2019 INCOME STANDARDS
RENTAL RESIDENTIAL DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units
I. <u>General Assumptions</u>				
Area Median Income	1	\$51,150	\$58,500	\$65,800
Monthly Utilities Allowance	2	\$34	\$40	\$57
II. <u>Affordable Rent Calculations</u>				
A. <u>Moderate Income - Rent Based on 110% AMI</u>				
Benchmark Annual Household Income		\$56,265	\$64,350	\$72,380
Percentage of Income Allotted to Housing Expenses		30%	30%	30%
Monthly Income Available for Housing Expenses		\$1,407	\$1,609	\$1,810
(Less) Monthly Utilities Allowance		(34)	(40)	(57)
Maximum Allowable Rent		\$1,373	\$1,569	\$1,753
B. <u>Low Income - Rent Based on 60% AMI</u>				
Benchmark Annual Household Income		\$30,690	\$35,100	\$39,480
Percentage of Income Allotted to Housing Expenses		30%	30%	30%
Monthly Income Available for Housing Expenses		\$767	\$878	\$987
(Less) Monthly Utilities Allowance		(34)	(40)	(57)
Maximum Allowable Rent		\$733	\$838	\$930
C. <u>Very Low Income - Rent Based on 50% AMI</u>				
Benchmark Annual Household Income		\$25,575	\$29,250	\$32,900
Percentage of Income Allotted to Housing Expenses		30%	30%	30%
Monthly Income Available for Housing Expenses		\$639	\$731	\$823
(Less) Monthly Utilities Allowance		(34)	(40)	(57)
Maximum Allowable Rent		\$605	\$691	\$766
D. <u>Extremely Low Income - Rent Based on 30% AMI</u>				
Benchmark Annual Household Income		\$15,345	\$17,550	\$19,740
Percentage of Income Allotted to Housing Expenses		30%	30%	30%
Monthly Income Available for Housing Expenses		\$384	\$439	\$494
(Less) Monthly Utilities Allowance		(34)	(40)	(57)
Maximum Allowable Rent		\$350	\$399	\$437

¹ Based on the 2019 Los Angeles County median incomes published by the California Housing & Community Development Department (HCD). The benchmark household size is set at the number of bedrooms in the unit plus one.

² Based on Long Beach Housing Authority energy efficient allowances for apartments effective as of 12/12/18. Assumes electric, heating, cooking, water heater, other electric and air conditioning.

APPENDIX D - EXHIBIT II

**SUBMARKET #1
IN-LIEU FEE ANALYSIS
RENTAL RESIDENTIAL DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

	<u>Moderate Income</u>	<u>Low Income</u>	<u>Very Low Income</u>
I. <u>Rent Difference</u>			
A. <u>Studio Units</u>			
Market Rate Units	\$2,569	\$2,569	\$2,569
Affordable Units	1,373	733	605
Difference	\$1,197	\$1,836	\$1,964
B. <u>One-Bedroom Units</u>			
Market Rate Units	\$2,620	\$2,620	\$2,620
Affordable Units	1,569	838	691
Difference	\$1,052	\$1,783	\$1,929
C. <u>Two-Bedroom Units</u>			
Market Rate Units	\$3,304	\$3,304	\$3,304
Affordable Units	1,753	930	766
Difference	\$1,551	\$2,374	\$2,538
D. <u>Three-Bedroom Units</u>			
Market Rate Units	\$0	\$0	\$0
Affordable Units	0	0	0
Difference	\$0	\$0	\$0
II. <u>Distribution of Total Units</u>			
Studio Units	12%	12%	12%
One-Bedroom Units	51%	51%	51%
Two-Bedroom Units	37%	37%	37%
Three-Bedroom Units	0%	0%	0%
III. <u>Annual Affordability Gap Per Affordable Unit</u>	\$15,037	\$24,076	\$25,884
Less: Property Tax Difference	(3,010)	(4,820)	(5,180)
Annual Affordability Gap Per Affordable Unit	\$12,027	\$19,256	\$20,704
IV. <u>In-Lieu Fee</u>			
Per Affordable Unit	\$223,000	\$356,000	\$383,000
Supportable Inclusionary Housing Percentage	19.3%	12.1%	11.4%
Per Square Foot of GBA	\$37.90	\$37.90	\$38.50

¹ The market rents are drawn from the pro forma analyses. See APPENDIX D - EXHIBIT I: The affordable rents are based on the H&SC Section 50053 calculation methodology.

² Based on the unit mix distribution applied in the pro forma analysis.

³ Based on the rent differential capitalized at a 5.5% rate to establish the value, and a 1.1% property tax rate.

⁴ Based on the Annual Affordability Gap Per Affordable Unit capitalized at the Threshold Return on Total Investment.

⁵ See APPENDIX B - EXHIBIT I - TABLE 3; APPENDIX B - EXHIBIT II - TABLE 3; APPENDIX B - EXHIBIT III - TABLE 3; and APPENDIX B - EXHIBIT IV - TABLE 3.

⁶ Based on the total GBA included in the project divided by the total number of units in the project.

APPENDIX E

**RENTAL RESIDENTIAL DEVELOPMENT
BACKUP TABLES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT I

RENT SURVEY
 SUBMARKET #1
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Bella Mare 6th Street Lofts	431 E 6th Street	9	605	\$1,653	\$2.73	1.4	2015
AMLI Park Broadway	245 West Broadway	40	767	\$2,952	\$3.85		2019
442 Residences	442 W Ocean Blvd	43	536	\$2,115	\$3.95	1.6	2019
The Current	707 E Ocean Blvd	30	685	\$2,584	\$3.77	2.0	2016
The Edison	100 Long Beach	48	602	\$2,091	\$3.47	3.2	2016
Urban Village	1081 Long Beach Blvd	19	565	\$1,827	\$3.23	1.4	2015
Avana on Pine	145 Pine Ave	69	1,163	\$2,176	\$1.87	1.9	1992/2016
Griffis Pine Avenue	404 Pine Avenue	15	578	\$1,616	\$2.80	1.5	2003
Sofi at Third	225 W 3rd Street	32	484	\$1,814	\$3.75	1.9	1990
Pine at Sixth	595 Pine Ave	15	628	\$1,891	\$3.01	1.9	1987
	Minimum		484	\$1,616	\$1.87		
	Maximum		1,163	\$2,952	\$3.95		
	Weighted Average		729	\$2,179	\$3.21		

APPENDIX E - EXHIBIT I

RENT SURVEY
 SUBMARKET #1
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
One-Bedroom Units							
Bella Mare 6th Street Lofts	431 E 6th Street	15	665	\$1,876	\$2.82		
AMLI Park Broadway	245 West Broadway	142	831	\$2,876	\$3.46		
442 Residences	442 W Ocean Blvd	27	588	\$2,327	\$3.96		
The Current	707 E Ocean Blvd	149	838	\$2,852	\$3.40		
The Edison	100 Long Beach	56	755	\$2,091	\$2.77		
Urban Village	1081 Long Beach Blvd	76	717	\$2,042	\$2.85		
IMT Gallery	421 W Broadway	164	770	\$2,097	\$2.72	1.0	2010
Lofts at Promenade	225 Long Beach Blvd	88	805	\$2,278	\$2.83	2.3	
Camden Harbor View	250-300 W Ocean Blvd	197	1,056	\$2,776	\$2.63	0.7	2003
Griffis Pine Avenue	404 Pine Avenue	124	733	\$1,965	\$2.68		
Avana on Pine	145 Pine Ave	71	761	\$2,311	\$3.04		
Sofi at Third	225 W 3rd Street	72	610	\$1,977	\$3.24		
Pine at Sixth	595 Pine Ave	122	730	\$2,052	\$2.81		
	Minimum		588	\$1,876	\$2.63		
	Maximum		1,056	\$2,876	\$3.96		
	Weighted Average		805	\$2,370	\$2.96		

APPENDIX E - EXHIBIT I

RENT SURVEY
 SUBMARKET #1
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Bella Mare 6th Street Lofts	431 E 6th Street	6	810	\$2,357	\$2.91		
AMLI Park Broadway	245 West Broadway	40	1,241	\$4,041	\$3.26		
442 Residences	442 W Ocean Blvd	25	1,011	\$3,151	\$3.12		
LB and Burnett	2355 Long Beach Boulevard	26	863	\$1,675	\$1.94		2010
The Current	707 E Ocean Blvd	44	1,182	\$4,194	\$3.55		
The Edison	100 Long Beach	52	1,176	\$3,775	\$3.21		
Urban Village	1081 Long Beach Blvd	34	931	\$2,418	\$2.60		
IMT Gallery	421 W Broadway	127	1,111	\$3,021	\$2.72		
Lofts at Promenade	225 Long Beach Blvd	16	1,247	\$3,081	\$2.47		
Camden Harbor View	250-300 W Ocean Blvd	341	1,167	\$3,099	\$2.66		
Griffis Pine Avenue	404 Pine Avenue	82	1,109	\$2,576	\$2.32		
Avana on Pine	145 Pine Ave	71	1,017	\$2,697	\$2.65		
Sofi at Third	225 W 3rd Street	56	938	\$2,377	\$2.53		
Pine at Sixth	595 Pine Ave	21	1,006	\$2,484	\$2.47		
	Minimum		810	\$1,675	\$1.94		
	Maximum		1,247	\$4,194	\$3.55		
	Weighted Average		1,108	\$3,017	\$2.71		

APPENDIX E - EXHIBIT II

RENT SURVEY
 SUBMARKET #2A
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Unnamed	1102 E 1st Street	4	450	\$907	\$2.02		1910
Unnamed	1604 E 3rd Street	8	600	\$976	\$1.63	2.0	1921
Unnamed	944-964 E 5th Street	3	347	\$690	\$1.99	0.7	1909/1920
Unnamed	32 Orange Avenue	4	375	\$910	\$2.43		1922
Unnamed	102-118 Orange Avenue	24	500	\$1,114	\$2.23	0.6	1923
Unnamed	329 Winnipeg Place	1	413	\$965	\$2.34	1.0	1929
	Minimum		347	\$690	\$1.63		
	Maximum		600	\$1,114	\$2.43		
	Weighted Average		490	\$1,019	\$2.10		
One-Bedroom Units							
Unnamed	1102 E 1st Street	5	600	\$1,173	\$1.96		
Unnamed	3315 E 2nd Street	1	900	\$1,418	\$1.58	1.0	1958
Unnamed	1604 E 3rd Street	5	750	\$1,017	\$1.36		
Unnamed	2333 E 4th Street	4	902	\$1,042	\$1.16	1.0	1923
Unnamed	944-964 E 5th Street	2	500	\$763	\$1.53		
Unnamed	1821 E 6th Street	5	650	\$1,380	\$2.12	1.2	1988
Unnamed	1918 E 6th Street	2	550	\$734	\$1.33	1.7	1988
Unnamed	1217-1223 E Ocean Boulevard	6	992	\$1,181	\$1.19	1.7	1919
Unnamed	32 Orange Avenue	6	556	\$1,248	\$2.24		
Unnamed	102-118 Orange Avenue	4	700	\$1,200	\$1.71		
Redondo Plaza	645 Redondo Avenue	60	550	\$1,102	\$2.00	1.0	1987
Unnamed	329 Winnipeg Place	3	567	\$1,052	\$1.86		
	Minimum		500	\$734	\$1.16		
	Maximum		992	\$1,418	\$2.24		
	Weighted Average		616	\$1,117	\$1.87		

Source: Costar; January 2019
 Prepared by: Keyser Marston Associates, Inc.
 File name: LB Rent Incl 7 21 19

APPENDIX E - EXHIBIT II

RENT SURVEY
 SUBMARKET #2A
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Unnamed	3315 E 2nd Street	3	1,100	\$2,294	\$2.09		
Unnamed	1604 E 3rd Street	1	1,000	\$1,286	\$1.29		
Unnamed	1215 E 4th Street	9	850	\$1,806	\$2.12		1988
Unnamed	944-964 E 5th Street	1	700	\$1,280	\$1.83		
Unnamed	1821 E 6th Street	5	1,000	\$1,497	\$1.50		
Unnamed	1918 E 6th Street	7	900	\$918	\$1.02		
Seacliff Terrace Partners Apartment	1175 E Ocean Boulevard	33	900	\$1,931	\$2.15	0.9	1988
Temple Plaza Apartments	689 Temple Avenue	25	1,000	\$1,745	\$1.75		1987
	Minimum		700	\$918	\$1.02		
	Maximum		1,100	\$2,294	\$2.15		
	Weighted Average		936	\$1,750	\$1.88		
Three-Bedroom Units							
Unnamed	329 Winnipeg Place	1	1,213	\$2,213	\$1.82		
	Minimum		1,213	\$2,213	\$1.82		
	Maximum		1,213	\$2,213	\$1.82		
	Weighted Average		1,213	\$2,213	\$1.82		

APPENDIX E - EXHIBIT III

RENT SURVEY
 SUBMARKET #2B
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Grand Terrace Apartment Homes	3787 E 11th Street	42	455	\$1,455	\$3.20	1.0	1985
Fountain Creek Apartments	3710 E Fountain Street	15	425	\$1,145	\$2.69	0.5	1986
Unnamed	208-210 Granada	2	509	\$619	\$1.22		1948
Belmont Heights Apartment	4035 Livingston Drive	2	600	\$1,014	\$1.69	0.6	1923
Pacific View Apartment Homes	5025 E Pacific Coast Highway	102	525	\$1,536	\$2.93	1.0	1972
Unnamed	65 Roswell Avenue	12	429	\$687	\$1.60		1923
Marbrisa	1809 Termino Avenue	52	475	\$1,741	\$3.67	1.3	1987
	Minimum		425	\$619	\$1.22		
	Maximum		600	\$1,741	\$3.67		
	Weighted Average		489	\$1,485	\$3.03		

APPENDIX E - EXHIBIT III

RENT SURVEY
 SUBMARKET #2B
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
One-Bedroom Units							
Grand Terrace Apartment Homes	3787 E 11th Street	28	662	\$1,755	\$2.65		
Park 4200	4200 E Anaheim Street	6	801	\$1,953	\$2.44	2.0	2013
Channel Point	5296 Bixby Village Drive	116	750	\$2,248	\$3.00	0.8	1986
Fountain Creek Apartments	3710 E Fountain Street	15	400	\$1,195	\$2.99		
Beverly Plaza Apartments	5050 E Garford Street	36	897	\$2,254	\$2.51	1.3	1963/2017
Unnamed	208-210 Granada	4	612	\$943	\$1.54		
Hathaway Apartments	3500 Hathaway Avenue	220	561	\$1,860	\$3.32	1.9	1988
Ocean Villas	3617 E Ocean Boulevard	8	700	\$2,231	\$3.19	1.1	1949
Bay Hill Apartments	3801 E Pacific Coast Highway	73	733	\$2,237	\$3.05	1.0	2002
Pacific View Apartment Homes	5025 E Pacific Coast Highway	98	744	\$1,716	\$2.31		
Unnamed	145 Prospect Avenue	8	550	\$1,619	\$2.94	0.6	1958/2010
Marina Apartments	5435 Sorrento Drive	82	572	\$1,555	\$2.72		1947
Community Plaza Apartments	1535 Termino Avenue	27	800	\$1,107	\$1.38	1.0	1963
Marbrisa	1809 Termino Avenue	100	573	\$1,883	\$3.29		
The Landing at LB Apartment Homes	1613 Ximeno Avenue	108	532	\$1,708	\$3.21	1.5	1985
Alvista Long Beach	1718 Ximeno Avenue	38	712	\$1,841	\$2.59	0.9	1963
	Minimum		400	\$943	\$1.38		
	Maximum		897	\$2,254	\$3.32		
	Weighted Average		642	\$1,857	\$2.94		

Source: Costar; January 2019
 Prepared by: Keyser Marston Associates, Inc.
 File name: LB Rent Incl 7 21 19

APPENDIX E - EXHIBIT III

RENT SURVEY
 SUBMARKET #2B
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Golden Shores	4333 2nd Street	25	1,190	\$2,600	\$2.18		
Grand Terrace Apartment Homes	3787 E 11th Street	86	949	\$2,108	\$2.22		
Park 4200	4200 E Anaheim Street	4	1,059	\$2,716	\$2.56		
Unnamed	4205 E Anaheim Street	16	1,000	\$1,923	\$1.92	1.6	1986
Granada Apartments	5101 E Anaheim Street	20	1,100	\$2,177	\$1.98	1.0	1987
Unnamed	116 Bennett Avenue	4	1,046	\$1,786	\$1.71	1.0	1928
Fountain Creek Apartments	3710 E Fountain Street	20	800	\$1,693	\$2.12		
Beverly Plaza Apartments	5050 E Garford Street	182	1,103	\$2,469	\$2.24		
Unnamed	208-210 Granada	2	813	\$766	\$0.94		
Hathaway Apartments	3500 Hathaway Avenue	165	869	\$2,288	\$2.63		
Belmont Heights Apartment	4035 Livingston Drive	12	950	\$1,844	\$1.94		
Ocean Villas	3617 E Ocean Boulevard	8	1,100	\$2,497	\$2.27		
Bay Hill Apartments	3801 E Pacific Coast Highway	87	1,055	\$2,616	\$2.48		
Unnamed	145 Prospect Avenue	2	675	\$2,037	\$3.02		
Marina Apartments	5435 Sorrento Drive	4	800	\$2,227	\$2.78		
Community Plaza Apartments	1535 Termino Avenue	25	1,200	\$1,996	\$1.66		
Marbrisa	1809 Termino Avenue	50	845	\$2,586	\$3.06		
The Landing at LB Apartment Homes	1613 Ximeno Avenue	98	850	\$2,341	\$2.75		
Alvista Long Beach	1718 Ximeno Avenue	196	958	\$2,073	\$2.16		
	Minimum		675	\$766	\$0.94		
	Maximum		1,200	\$2,716	\$3.06		
	Weighted Average		974	\$2,285	\$2.37		

APPENDIX E - EXHIBIT III

RENT SURVEY
 SUBMARKET #2B
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Three-Bedroom Units							
Park 4200	4200 E Anaheim Street	22	1,440	\$3,027	\$2.10		
Beverly Plaza Apartments	5050 E Garford Street	62	1,313	\$3,224	\$2.46		
	Minimum		1,313	\$3,027	\$2.10		
	Maximum		1,440	\$3,224	\$2.46		
	Weighted Average		1,346	\$3,172	\$2.36		

APPENDIX E - EXHIBIT IV

RENT SURVEY
 SUBMARKET #2C
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
One-Bedroom Units							
Unnamed	436 E 16th Street	4	1,000	\$1,235	\$1.24		1913
Elm Terrace	1100 Elm Avenue	80	700	\$994	\$1.42	1.0	1989
Esther Apartments	630-800 E Esther Street	50	623	\$1,244	\$2.00	1.3	1976
Unnamed	749 Gardenia Avenue	1	650	\$1,053	\$1.62	0.9	1987
Unnamed	1116 Molino Avenue	3	653	\$1,093	\$1.67		1941
Unnamed	1071 Ohio Avenue	6	750	\$906	\$1.21	0.6	1920/2004
Unnamed	1349 Ohio Avenue	4	550	\$1,069	\$1.94	1.8	1987
Unnamed	1155 Orizaba Avenue	1	500	\$1,090	\$2.18	1.3	1987
Rose Villas	1207 Rose Avenue	4	722	\$773	\$1.07	1.5	1987
	Minimum		500	\$773	\$1.07		
	Maximum		1,000	\$1,244	\$2.18		
	Weighted Average		679	\$1,078	\$1.61		

APPENDIX E - EXHIBIT IV

RENT SURVEY
 SUBMARKET #2C
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Athena Apartments	2925 E 7th Street	30	1,000	\$1,716	\$1.72	2.9	1988
Unnamed	436 E 16th Street	4	870	\$1,459	\$1.68		
Esther Apartments	630-800 E Esther Street	19	921	\$1,803	\$1.96		
Unnamed	749 Gardenia Avenue	8	875	\$1,327	\$1.52		
Unnamed	1376 Junipero Avenue	8	887	\$1,401	\$1.58	2.6	1987
Unnamed	1002 Lewis Avenue	6	925	\$1,359	\$1.47	3.0	1989
Unnamed	1071 Ohio Avenue	1	1,000	\$1,812	\$1.81		
Unnamed	1349 Ohio Avenue	14	750	\$1,346	\$1.79		
Unnamed	1155 Orizaba Avenue	8	700	\$1,286	\$1.84		
Unnamed	1126 Raymond Avenue	8	800	\$1,633	\$2.04	1.5	1987
Rose Villas	1207 Rose Avenue	14	722	\$920	\$1.27		
	Minimum		700	\$920	\$1.27		
	Maximum		1,000	\$1,812	\$2.04		
	Weighted Average		869	\$1,487	\$1.71		
Three-Bedroom Units							
Esther Apartments	630-800 E Esther Street	10	1,106	\$1,902	\$1.72		
Unnamed	1035-1037 Raymond Avenue	8	1,350	\$2,058	\$1.52	1.5	1990
	Minimum		1,106	\$1,902	\$1.52		
	Maximum		1,350	\$2,058	\$1.72		
	Weighted Average		1,214	\$1,971	\$1.63		

APPENDIX E - EXHIBIT V

RENT SURVEY
 SUBMARKET #2D
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Park Estates Plaza Apartments	5100-5162 E Anaheim Road	4	500	\$1,200	\$2.40	0.8	1949
Garden Estates	5304 E Anaheim Street	10	600	\$1,257	\$2.10	0.9	1950
Unnamed	4441 E Village Road	6	500	\$990	\$1.98		1951
	Minimum		500	\$990	\$1.98		
	Maximum		600	\$1,257	\$2.40		
	Weighted Average		550	\$1,166	\$2.12		
One-Bedroom Units							
Unnamed	5551 E 23rd Street	16	595	\$1,656	\$2.78		1957
Park Estates Plaza Apartments	5100-5162 E Anaheim Road	48	700	\$1,301	\$1.86		
Garden Estates	5304 E Anaheim Street	10	700	\$1,456	\$2.08		
Villa D-Or	777 N Bellflower Boulevard	15	618	\$1,015	\$1.64	1.0	1964
Unnamed	4501 Bellflower Boulevard	9	750	\$1,420	\$1.89	1.0	1961
Park Montair Apartments	4550 Montair Avenue	56	854	\$1,653	\$1.94		1963
Gondolier Apartments	5525 E Pacific Coast Highway	120	550	\$1,296	\$2.36	1.0	1963
Bixby Hill Apartments	1025 Palo Verde Street	16	1,112	\$2,505	\$2.25	1.3	1968
Unnamed	4441 E Village Road	5	650	\$1,094	\$1.68		
	Minimum		550	\$1,015	\$1.64		
	Maximum		1,112	\$2,505	\$2.78		
	Weighted Average		681	\$1,441	\$2.14		

APPENDIX E - EXHIBIT V

RENT SURVEY
SUBMARKET #2D
RENTAL RESIDENTIAL DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Unnamed	5551 E 23rd Street	4	792	\$1,804	\$2.28		
Park Estates Plaza Apartments	5100-5162 E Anaheim Road	12	800	\$1,559	\$1.95		
Garden Estates	5304 E Anaheim Street	4	1,000	\$1,796	\$1.80		
Unnamed	5480 Atherton Street	27	875	\$1,597	\$1.83	0.7	1961
Villa D-Or	777 N Bellflower Boulevard	36	889	\$1,327	\$1.49		
Unnamed	4501 Bellflower Boulevard	9	1,000	\$1,843	\$1.84		
El Jardin	5286 E Las Lomas Street	20	925	\$1,731	\$1.87		1949
Park Montair Apartments	4550 Montair Avenue	160	996	\$1,862	\$1.87		
Bixby Hill Apartments	1025 Palo Verde Street	39	1,510	\$3,150	\$2.09		
Unnamed	2041 San Anseline Avenue	8	1,050	\$1,984	\$1.89	2.0	1969
Unnamed	2118 San Anseline Avenue	3	1,000	\$943	\$0.94		1950
Unnamed	4441 E Village Road	1	900	\$1,464	\$1.63		
	Minimum		792	\$943	\$0.94		
	Maximum		1,510	\$3,150	\$2.28		
	Weighted Average		1,023	\$1,908	\$1.85		
Three-Bedroom Units							
Bixby Hill Apartments	1025 Palo Verde Street	1	1,910	\$3,740	\$1.96		
Unnamed	2041 San Anseline Avenue	5	1,275	\$2,469	\$1.94		
Unnamed	2118 San Anseline Avenue	1	1,600	\$2,062	\$1.29		
	Minimum		1,275	\$2,062	\$1.29		
	Maximum		1,910	\$3,740	\$1.96		
	Weighted Average		1,412	\$2,592	\$1.85		

Source: Costar; January 2019

Prepared by: Keyser Marston Associates, Inc.

File name: LB Rent Incl 7 21 19

APPENDIX E - EXHIBIT VI

RENT SURVEY
 SUBMARKET #2E
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Unnamed	2191 Chestnut Avenue	10	600	\$902	\$1.50	0.4	1929
	Minimum		600	\$902	\$1.50		
	Maximum		600	\$902	\$1.50		
	Weighted Average		600	\$902	\$1.50		
One-Bedroom Units							
Unnamed	2165 Cedar Avenue	8	737	\$1,044	\$1.42		1987
Unnamed	2191 Chestnut Avenue	4	750	\$1,002	\$1.34		
	Minimum		737	\$1,002	\$1.34		
	Maximum		750	\$1,044	\$1.42		
	Weighted Average		741	\$1,030	\$1.39		

APPENDIX E - EXHIBIT VII

RENT SURVEY
 SUBMARKET #2F
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Banner Circle Apartments	4591-4693 N Banner Drive	14	487	\$1,132	\$2.32		1947
	Minimum		487	\$1,132	\$2.32		
	Maximum		487	\$1,132	\$2.32		
	Weighted Average		487	\$1,132	\$2.32		
One-Bedroom Units							
Banner Circle Apartments	4591-4693 N Banner Drive	30	622	\$1,373	\$2.21		
Bixby Knolls	1240 San Antonio Drive	16	850	\$1,670	\$1.96	1.8	1987
	Minimum		622	\$1,373	\$1.96		
	Maximum		850	\$1,670	\$2.21		
	Weighted Average		701	\$1,476	\$2.12		
Two-Bedroom Units							
Banner Circle Apartments	4591-4693 N Banner Drive	4	900	\$1,515	\$1.68		
Bixby Country Club Apartments	4142 Elm Avenue	38	975	\$1,835	\$1.88	1.7	1988
Bixby Knolls	1240 San Antonio Drive	128	946	\$1,893	\$2.00		
	Minimum		900	\$1,515	\$1.68		
	Maximum		975	\$1,893	\$2.00		
	Weighted Average		951	\$1,871	\$1.97		

APPENDIX E - EXHIBIT VIII

RENT SURVEY
 SUBMARKET #2G
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Unnamed	184 E Artesia Boulevard	1	533	\$794	\$1.49	0.9	1963
Paradise Garden Apartments	6479 Atlantic Avenue	111	365	\$1,141	\$3.13	1.3	1966
Fountain View Apartments	2301 E Market Street	43	476	\$1,213	\$2.55	2.0	1987
	Minimum		365	\$794	\$1.49		
	Maximum		533	\$1,213	\$3.13		
	Weighted Average		397	\$1,159	\$2.96		
One-Bedroom Units							
Unnamed	184 E Artesia Boulevard	8	708	\$859	\$1.21		
Paradise Garden Apartments	6479 Atlantic Avenue	114	700	\$1,440	\$2.06		
Del Amo Gardens	225 E Del Amo Boulevard	230	600	\$1,280	\$2.13	0.8	1971
Windmill Creek Apartments	5555 N Long Beach Boulevard	81	741	\$1,382	\$1.87	0.9	1988
Fountain View Apartments	2301 E Market Street	64	672	\$1,384	\$2.06		
Unnamed	5914 Orange Avenue	3	1,000	\$1,078	\$1.08		1954
Unnamed	48 W Plymouth Street	4	545	\$836	\$1.53		1949
	Minimum		545	\$836	\$1.08		
	Maximum		1,000	\$1,440	\$2.13		
	Weighted Average		658	\$1,334	\$2.04		

APPENDIX E - EXHIBIT VIII

RENT SURVEY
 SUBMARKET #2G
 RENTAL RESIDENTIAL DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Two-Bedroom Units							
Unnamed	184 E Artesia Boulevard	4	987	\$876	\$0.89		
Paradise Garden Apartments	6479 Atlantic Avenue	93	972	\$1,690	\$1.74		
Unnamed	6565-6567 Cherry Avenue	8	1,070	\$1,424	\$1.33	1.0	1964
Windmill Creek Apartments	5555 N Long Beach Boulevard	58	1,000	\$1,699	\$1.70		
Fountain View Apartments	2301 E Market Street	46	1,010	\$1,794	\$1.78		
Unnamed	1101 E South Street	12	900	\$1,264	\$1.40	1.0	1988
	Minimum		900	\$876	\$0.89		
	Maximum		1,070	\$1,794	\$1.74		
	Weighted Average		987	\$1,667	\$1.69		

ATTACHMENT 3

**OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX A

**SUBMARKET #1
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX A - EXHIBIT I

SUBMARKET #1

OWNERSHIP HOUSING DEVELOPMENT

PRO FORMA ANALYSES

MARKET RATE ALTERNATIVE

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX A - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
PRO FORMA ANALYSES
MARKET RATE ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. Property Acquisition Costs	¹	43,560 Sf of Land	\$135 /Sf of Land	\$5,881,000
II. Direct Costs	²			
On-Site Improvements/Landscaping		43,560 Sf of Land	\$20 /Sf of Land	\$871,000
Above-Ground Podium Spaces		142 Spaces	\$25,000 /Space	3,550,000
Building Costs		80,625 Sf of GBA	\$135 /Sf of GBA	10,884,000
Contractor/DC Contingency Allow		20% Other Direct Costs		3,061,000
Total Direct Costs				\$18,366,000
III. Indirect Costs				
Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,469,000
Public Permits & Fees	³	71 Units	\$20,000 /Unit	1,420,000
Taxes, Insurance, Legal & Accounting		3.0% Direct Costs		551,000
Marketing		71 Units	\$5,000 /Unit	355,000
Developer Fee		3.0% Gross Sales Revenue		1,079,000
Soft Cost Contingency Allowance		5.0% Other Indirect Costs		244,000
Total Indirect Costs				\$5,118,000
IV. Financing Costs				
Interest During Construction	⁴			\$1,392,000
Loan Origination Fees		60.0% Loan to Cost	2.5 Points	440,000
Total Financing Costs				\$1,832,000
V. Total Construction Cost		71 Units	\$357,000 /Unit	\$25,316,000
Total Development Cost		71 Units	\$439,000 /Unit	\$31,197,000

¹ Estimated based on a survey of the sales of residentially zoned land in Long Beach between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within Long Beach.

⁴ Assumes a 6.0% interest cost for debt; an 18 month construction period; a 10 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
 PRO FORMA ANALYSES
 MARKET RATE ALTERNATIVE
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I.	Gross Sales Revenue		¹		
	Studio Units	4 Units @		\$307,200 /Unit	\$1,229,000
	One-Bedroom Units	32 Units @		\$428,900 /Unit	\$13,725,000
	Two-Bedroom Units	35 Units @		\$600,700 /Unit	\$21,025,000
	Total Gross Sales Revenue				\$35,979,000
II.	Cost of Sales				
	Commissions	3.0% Gross Sales Revenue			\$1,079,000
	Closing	2.0% Gross Sales Revenue			720,000
	Warranty	0.5% Gross Sales Revenue			180,000
	Total Cost of Sales				(\$1,979,000)
III.	Net Revenue				\$34,000,000

¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX C - EXHIBIT I. A 15% premium is added for new construction. The weighted average sales price equates to \$558 per square foot of saleable area.

APPENDIX A - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
 SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
 PRO FORMA ANALYSES
 MARKET RATE ALTERNATIVE
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I.	Net Revenue	See APPENDIX A - EXHIBIT I - TABLE 2	\$34,000,000
II.	Total Development Cost	See APPENDIX A - EXHIBIT I - TABLE 1	<u>\$31,197,000</u>
III.	Developer Profit	9.0% Total Development Cost	\$2,803,000

APPENDIX A - EXHIBIT II

SUBMARKET #1

OWNERSHIP HOUSING DEVELOPMENT

PRO FORMA ANALYSES

MODERATE INCOME ALTERNATIVE

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

APPENDIX A - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
PRO FORMA ANALYSES
MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$135 /Sf of Land		\$5,881,000
II.	Direct Costs	2				
	On-Site Improvements/Landscaping		43,560 Sf of Land	\$20 /Sf of Land		\$871,000
	Above-Ground Podium Spaces		142 Spaces	\$25,000 /Space		3,550,000
	Building Costs		80,625 Sf of GBA	\$135 /Sf of GBA		10,884,000
	Contractor/DC Contingency Allow		20% Other Direct Costs			3,061,000
	Total Direct Costs					\$18,366,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$1,469,000
	Public Permits & Fees	3	71 Units	\$20,000 /Unit		1,420,000
	Taxes, Insurance, Legal & Accounting		3.0% Direct Costs			551,000
	Marketing		71 Units	\$5,000 /Unit		355,000
	Developer Fee	4	71 Units	\$15,197 /Unit		1,079,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			244,000
	Total Indirect Costs					\$5,118,000
IV.	Financing Costs					
	Interest During Construction	5				\$1,382,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		440,000
	Total Financing Costs					\$1,822,000
V.	Total Construction Cost		71 Units	\$356,000 /Unit		\$25,306,000
	Total Development Cost		71 Units	\$439,000 /Unit		\$31,187,000

1 Estimated based on a survey of the sales

2 Based on the estimated costs for similar uses.

3 Based on estimates prepared for other projects within Long Beach.

4 Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

5 Assumes a 6.0% interest cost for debt; an 18 month construction period; a 9 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
PRO FORMA ANALYSES
MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Studio Units		4 Units @	\$307,200 /Unit	\$1,229,000
One-Bedroom Units		29 Units @	\$428,900 /Unit	12,438,000
Two-Bedroom Units		31 Units @	\$600,700 /Unit	\$18,622,000
Moderate Income Units	2			
Studio Units		0 Units @	\$207,900 /Unit	0
One-Bedroom Units		3 Units @	\$231,300 /Unit	694,000
Two-Bedroom Units		4 Units @	\$247,700 /Unit	991,000
Total Gross Sales Revenue				\$33,974,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,019,000
Closing		2.0% Gross Sales Revenue		679,000
Warranty		0.5% Gross Sales Revenue		170,000
Total Cost of Sales				(\$1,868,000)

III. Net Revenue	\$32,106,000
-------------------------	---------------------

¹ Based in part on a sales survey undertaken by KMA in April 2019. See APPENDIX C - EXHIBIT I. A 15% premium is added for new construction. The weighted average sales price equates to \$558 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX A - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENT
 SUBMARKET #1: OWNERSHIP HOUSING DEVELOPMENT
 PRO FORMA ANALYSES
 MODERATE INCOME ALTERNATIVE
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX A - EXHIBIT II - TABLE 2		\$32,106,000
(Less) Threshold Developer Profit	¹ 9.0% Total Development Cost		(\$2,802,000)
Total Funds Available for Development Costs			\$29,304,000
II. Total Development Cost	See APPENDIX A - EXHIBIT II - TABLE 1		\$31,187,000
III. Land Cost Reduction	32% As a % of Land Cost		\$1,883,000
Supportable Inclusionary Housing Percentage	10% Moderate Income Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE..

APPENDIX B

**SUBMARKET #1
OWNERSHIP HOUSING DEVELOPMENT
AFFORDABILITY ANALYSES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS
 2019 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
 LONG BEACH, CALIFORNIA

1

	Studio Units	One-Bedroom Units	Two-Bedroom Units	Three- Bedroom Units	Four-Bedroom Units
I. Moderate Income Households					
A. Income Information					
Household Income @ 110% Median	\$56,270	\$64,350	\$72,380	\$80,410	\$86,850
Income Allotted to Housing @ 35% of Income	\$19,690	\$22,520	\$25,330	\$28,140	\$30,400
B. Expenses					
Annual Utilities Allowance	\$1,104	\$1,236	\$1,512	\$1,512	\$1,512
HOA, Maintenance & Insurance	3,120	4,080	5,400	6,000	6,600
Property Taxes @ 1.10% of Affordable Sales Price	2,290	2,550	2,720	3,050	3,300
Total Expenses	\$6,514	\$7,866	\$9,632	\$10,562	\$11,412
C. Income Available for Mortgage	\$13,176	\$14,654	\$15,698	\$17,578	\$18,988
D. Affordable Sales Price					
Supportable Mtg @ 5.31% Interest	\$197,500	\$219,700	\$235,300	\$263,500	\$284,600
Home Buyer Down Payment @ 5% Aff Sales Price	10,400	11,600	12,400	13,900	15,000
Affordable Sales Price	\$207,900	\$231,300	\$247,700	\$277,400	\$299,600

¹ Based on 2019 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Utilities allowances are Based on Long Beach Housing Authority energy efficient allowances for attached ownership units effective as of 12/12/18. Assumes: electric heating, cooking and water heating; basic electric and air conditioning; water; sewer; and trash.

³ Based on a 100 basis points premium applied to the Bankrate site average as of March 15, 2019 for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - EXHIBIT II

**SUBMARKET #1
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH - MODERATE INCOME
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

I. Sales Price Difference**A. Studio Units**

Market Rate Units		\$307,200
Affordable Sales Price	¹	<u>207,900</u>
Difference		\$99,300

B. One-Bedroom Units

Market Rate Units		\$428,900
Affordable Sales Price	¹	<u>231,300</u>
Difference		\$197,600

C. Two-Bedroom Units

Market Rate Units		\$600,700
Affordable Sales Price	¹	<u>247,700</u>
Difference		\$353,000

II. Distribution of Total Units

Studio Units	5%
One-Bedroom Units	45%
Two-Bedroom Units	50%

III. In-Lieu Fee

Per Income Restricted Unit	\$270,400
Supportable Inclusionary Housing Percentage	10%
Per Square Foot of GBA	\$23.80

¹ See APPENDIX B - EXHIBIT I.

APPENDIX C

**OWNERSHIP HOUSING DEVELOPMENT
HOME SALES SURVEYS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I

SUBMARKET #1
CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Studio Units					
315 W 3rd St Unit 6A	90802	234	\$169,000	\$722	1925
335 Cedar Ave #103	90802	336	\$165,000	\$491	1965
455 E Ocean Blvd #808	90802	388	\$259,900	\$670	1923
455 E Ocean Blvd #1010	90802	398	\$255,000	\$641	1923
1030 E Ocean Blvd #207	90802	400	\$270,000	\$675	1922
325 W 3rd St #204	90802	420	\$260,000	\$619	1924
360 W Ocean Blvd #208	90802	443	\$215,000	\$485	1922
325 W 3rd St #409	90802	445	\$250,000	\$562	1923
140 Linden Ave #741	90802	470	\$260,000	\$553	1928
315 W 3rd St #502	90802	477	\$267,000	\$560	1925
100 Atlantic Ave #503	90802	490	\$241,000	\$492	1958
100 Atlantic Ave #1111	90802	490	\$249,881	\$510	1958
100 Atlantic Ave #806	90802	490	\$250,000	\$510	1958
315 W 3rd St #706	90802	492	\$280,000	\$569	1925
433 Pine Ave #101	90802	1,119	\$397,000	\$355	2016
Minimum		234	\$165,000	\$355	1922
Maximum		1,119	\$397,000	\$722	2016
Average		473	\$252,585	\$534	1940
One-Bedroom Units					
140 Linden Ave #516	90802	456	\$295,000	\$647	1925
335 Cedar Ave #406	90802	524	\$260,000	\$496	1965
315 W 3rd St #409	90802	536	\$320,000	\$597	1925
20 7th Pl Unit 4D	90802	540	\$329,900	\$611	1954
416 Orange Ave #6	90802	541	\$235,000	\$434	1955
225 W 6th St #315	90802	547	\$235,000	\$430	1978
225 W 6th St #413	90802	554	\$200,000	\$361	1978
225 W 6th St #405	90802	554	\$228,000	\$412	1978
230 Linden Ave #502	90802	568	\$275,000	\$484	1966
1047 E 1st St #6	90802	572	\$309,900	\$542	1954
1329 E 1st St #27	90802	573	\$303,000	\$529	1959
335 Cedar Ave #311	90802	574	\$250,000	\$436	1965
730 W 4th St #211	90802	584	\$275,000	\$471	1987
730 W 4th St #307	90802	588	\$322,000	\$548	1987
720 W 4th St #214	90802	588	\$295,000	\$502	1984
250 Linden Ave #406	90802	597	\$290,500	\$487	1964
100 Atlantic Ave #602	90802	600	\$289,000	\$482	1958
388 E Ocean Blvd #817	90802	600	\$434,000	\$723	2004
100 Atlantic Ave #1010	90802	600	\$305,000	\$508	1958
1525 E 2nd St #8	90802	610	\$240,000	\$393	1961
1405 E 1st St #2	90802	616	\$315,000	\$511	1963
1405 E 1st St #10	90802	616	\$320,000	\$519	1963
350 Cedar Ave #308	90802	616	\$286,000	\$464	1971
601 Olive Ave Unit B	90802	620	\$270,500	\$436	1954
1187 East 3rd St #309	90802	631	\$315,000	\$499	1969

APPENDIX C - EXHIBIT I

SUBMARKET #1

CONDOMINIUM SALES SURVEY

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
1750 E Ocean Blvd #302	90802	632	\$445,000	\$704	1975
1724 E 1st St Unit 11A	90802	632	\$290,000	\$459	1958
1329 E 1st #30	90802	632	\$265,000	\$419	1959
1023 E 1st St #5	90802	643	\$280,000	\$435	1958
955 E 3rd St #205	90802	644	\$352,000	\$547	1984
1329 E 1st St #19	90802	646	\$289,000	\$447	1959
939 E Appleton St #22	90802	648	\$279,000	\$431	1962
102 Lime Ave #9	90802	656	\$288,000	\$439	1949
550 Orange Ave #104	90802	661	\$260,000	\$393	1985
545 Chestnut Ave #204	90802	665	\$232,000	\$349	1972
1575 E Appleton St #12	90802	665	\$283,000	\$426	1958
388 E Ocean Blvd #312	90802	680	\$353,000	\$519	2004
388 E Ocean Blvd #1415	90802	680	\$403,000	\$593	2004
388 E Ocean Blvd #515	90802	680	\$402,500	\$592	2004
150 The Promenade N #203	90802	680	\$379,000	\$557	2008
388 E Ocean Blvd #407	90802	680	\$373,000	\$549	2004
488 E Ocean Blvd #1011	90802	680	\$400,000	\$588	2004
388 E Ocean Blvd #406	90802	680	\$379,000	\$557	2004
388 E Ocean Blvd #715	90802	680	\$395,000	\$581	2004
505 W 5th St #210	90802	683	\$300,000	\$439	1987
1140 E Ocean Blvd	90802	684	\$451,000	\$659	1973
550 Orange Ave #306	90802	686	\$316,000	\$461	1985
550 Orange Ave #313	90802	686	\$327,000	\$477	1985
550 Orange Ave #226	90802	686	\$335,000	\$488	1985
550 Orange Ave #106	90802	686	\$329,000	\$480	1985
1030 E Ocean Blvd #601	90802	690	\$374,000	\$542	1922
1140 E Ocean Blvd #306	90802	690	\$439,000	\$636	1973
801 E 1st St #16	90802	690	\$320,000	\$464	1959
100 Hermosa Ave Unit 3F	90802	692	\$320,000	\$462	1965
955 E 3rd St #213	90802	704	\$369,900	\$525	1984
50 Elm Ave #9	90802	710	\$299,900	\$422	1951
100 Cerritos Ave #10	90802	723	\$323,000	\$447	1956
4 3rd Pl	90802	730	\$380,000	\$521	1953
1140 E Ocean Blvd #332	90802	732	\$385,000	\$526	1973
350 Cedar Ave #305	90802	733	\$298,000	\$407	1971
100 Cerritos Ave #6	90802	734	\$295,000	\$402	1956
375 Atlantic Ave #605	90802	742	\$280,000	\$377	1969
388 E Ocean Blvd #807	90802	746	\$390,000	\$523	2004
325 Cedar Ave #6	90802	755	\$281,000	\$372	1952
360 W Ocean Blvd #1107	90802	777	\$345,000	\$444	1922
1130 E 1st St #104	90802	781	\$327,000	\$419	1959
1750 E Ocean Blvd #6	90802	827	\$570,000	\$689	1975
1750 E Ocean Blvd #210	90802	846	\$590,000	\$697	1975
1750 E Ocean Blvd #311	90802	846	\$580,000	\$686	1975
411 W Seaside Way #806	90802	900	\$494,000	\$549	2007
525 E Seaside Way #301	90802	908	\$375,000	\$413	1990
133 The Promenade N #318	90802	910	\$455,500	\$501	2006
400 W Ocean Blvd #1206	90802	980	\$560,000	\$571	2007

APPENDIX C - EXHIBIT I

SUBMARKET #1

CONDOMINIUM SALES SURVEY

INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
395 E 4th St #21	90802	1,020	\$479,000	\$470	2006
100 W 5th St Unit 8C	90802	1,044	\$560,000	\$536	1925
115 W 4th St #306	90802	1,133	\$603,000	\$532	1929
100 W 5th St Unit 4J	90802	1,150	\$550,000	\$478	1925
100 West 5th St Unit 2F	90802	1,279	\$565,000	\$442	1925
115 W 4th St #404	90802	1,323	\$650,000	\$491	1929
100 W 5th St Unit 2A	90802	1,425	\$575,000	\$404	1925
488 E Ocean Blvd Unit P2	90802	1,434	\$805,000	\$561	2004
115 W 4th St #310	90802	1,525	\$559,650	\$367	1929
388 E Ocean Blvd Unit P12	90802	1,550	\$735,000	\$474	2004
Minimum		456	\$200,000	\$349	1922
Maximum		1,550	\$805,000	\$723	2008
Average		745	\$370,316	\$497	1970

Two-Bedroom Units

335 Lime Ave #11	90802	588	\$267,000	\$454	1913
1036 E 2nd St	90802	687	\$305,000	\$444	1941
100 Atlantic Ave #904	90802	730	\$385,000	\$527	1958
100 Atlantic Ave #312	90802	730	\$255,000	\$349	1958
1506 E 4th St #207	90802	779	\$382,000	\$490	1979
555 Maine Ave #132	90802	786	\$340,500	\$433	1991
555 Maine Ave #331	90802	786	\$365,000	\$464	1991
1273 E 1st St Unit 2E	90802	803	\$365,000	\$455	1956
100 Atlantic Ave #200	90802	820	\$339,000	\$413	1958
100 Atlantic Ave #400	90802	820	\$305,000	\$372	1958
528 Cedar Ave Unit 2H	90802	845	\$319,000	\$378	1960
419 E 5th St Unit H	90802	851	\$376,000	\$442	1983
550 Orange Ave #332	90802	859	\$373,000	\$434	1985
327 Chestnut Ave #102	90802	860	\$355,000	\$413	1990
68 Lime Ave #1	90802	868	\$333,000	\$384	1956
1237 E 6th St #210	90802	871	\$295,000	\$339	1986
1237 E 6th St #102	90802	871	\$307,000	\$352	1986
555 Maine Ave #230	90802	892	\$405,000	\$454	1991
1039 E Appleton St #3	90802	903	\$393,500	\$436	1973
555 Maine Ave #224	90802	906	\$398,500	\$440	1991
955 E 3rd St #415	90802	906	\$451,000	\$498	1984
555 Maine Ave #226	90802	906	\$372,500	\$411	1991
555 Maine Ave #103	90802	908	\$395,000	\$435	1991
555 Maine Ave #409	90802	908	\$410,000	\$452	1991
1100 East Ocean #13	90802	916	\$580,000	\$633	1950
939 E Appleton St #23	90802	919	\$362,500	\$394	1962
1808 E Appleton St #1	90802	929	\$390,000	\$420	1955
1045 E 3rd St #5	90802	929	\$360,000	\$388	1980
550 Orange Ave #310	90802	930	\$395,000	\$425	1985
550 Orange Ave #108	90802	930	\$399,999	\$430	1985
360 W Ocean Blvd #308	90802	951	\$385,000	\$405	1922
35 Linden Ave #202	90802	954	\$482,000	\$505	1987

APPENDIX C - EXHIBIT I

SUBMARKET #1
CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
21 7th Pl #510	90802	954	\$565,000	\$592	1959
375 Atlantic Ave #508	90802	956	\$420,000	\$439	1969
730 W 4th St #119	90802	957	\$335,000	\$350	1987
730 W 4th St #215	90802	957	\$372,500	\$389	1987
388 E Ocean Blvd #1618	90802	960	\$618,000	\$644	2004
1739 E Broadway #19	90802	966	\$460,000	\$476	1985
35 Linden Ave #401	90802	971	\$495,000	\$510	1987
601 Olive Ave Unit L	90802	973	\$369,000	\$379	1954
1111 E Appleton St #9	90802	976	\$360,000	\$369	1963
375 Atlantic Ave #606	90802	982	\$349,000	\$355	1969
1739 E Broadway #10	90802	986	\$440,000	\$446	1985
1244 E 3rd St #201	90802	987	\$405,000	\$410	1985
955 E 3rd St #411	90802	987	\$405,000	\$410	1984
1139 E Ocean Blvd #204	90802	995	\$436,000	\$438	1959
150 The Promenade N #401	90802	997	\$465,000	\$466	2008
40 3rd Pl	90802	1,002	\$665,000	\$664	1953
1750 E Ocean Blvd #1613	90802	1,008	\$815,000	\$809	1975
1900 E Beverly Way #41	90802	1,014	\$380,000	\$375	1982
535 Magnolia Ave #310	90802	1,014	\$399,000	\$393	1990
200 Elm Ave #18	90802	1,015	\$367,500	\$362	1982
388 E Ocean Blvd #1603	90802	1,020	\$670,000	\$657	2004
388 E Ocean Blvd #816	90802	1,020	\$650,000	\$637	2004
12 5th Pl	90802	1,043	\$450,000	\$431	1953
330 Chestnut Ave #2	90802	1,045	\$300,000	\$287	1953
1404 E 1st St #12	90802	1,046	\$449,800	\$430	1959
488 E Ocean Blvd #910	90802	1,057	\$615,000	\$582	2004
1187 East 3rd St #316	90802	1,063	\$450,000	\$423	1969
720 West 4th St #320	90802	1,072	\$366,000	\$341	1984
100 Hermosa Ave Unit 3B	90802	1,073	\$475,000	\$443	1965
637 Atlantic Ave #4	90802	1,079	\$370,000	\$343	1989
700 E Ocean Blvd #2305	90802	1,080	\$740,000	\$685	1965
700 E Ocean Blvd #1606	90802	1,080	\$704,650	\$652	1965
700 E Ocean Blvd #1806	90802	1,080	\$659,000	\$610	1965
519 Cedar Ave #4	90802	1,092	\$367,000	\$336	1956
133 The Promenade N #325	90802	1,100	\$535,000	\$486	2006
140 Linden Ave #655	90802	1,107	\$430,000	\$388	1928
525 E Seaside Way #2108	90802	1,112	\$700,000	\$629	1990
1750 E OCEAN Blvd #1405	90802	1,116	\$825,000	\$739	1975
1187 E 3rd St #201	90802	1,124	\$407,000	\$362	1969
1919 E Beverly Way #304	90802	1,135	\$454,000	\$400	1982
1919 E Beverly Way #33	90802	1,142	\$458,000	\$401	1982
525 East Seaside Way #1007	90802	1,220	\$634,000	\$520	1990
1425 E 2nd St #202	90802	1,222	\$513,000	\$420	1984
1750 E Ocean Blvd #509	90802	1,231	\$805,000	\$654	1975
730 W 4th St #419	90802	1,352	\$452,400	\$335	1987
21 7th Pl #309	90802	1,355	\$785,000	\$579	1959
850 E Ocean Blvd #1306	90802	1,369	\$950,000	\$694	1992
850 E Ocean Blvd #402	90802	1,370	\$802,000	\$585	1992

APPENDIX C - EXHIBIT I

SUBMARKET #1
CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
850 E Ocean Blvd #803	90802	1,377	\$885,000	\$643	1992
300 E 4th St #424	90802	1,390	\$587,000	\$422	2008
525 E Seaside Way #1203	90802	1,399	\$715,000	\$511	1990
525 E Seaside Way #1009	90802	1,399	\$656,000	\$469	1990
525 E Seaside Way E #603	90802	1,399	\$735,000	\$525	1990
850 E Ocean Blvd #1006	90802	1,400	\$870,000	\$621	1992
850 E Ocean Blvd #1406	90802	1,400	\$910,000	\$650	1992
411 W Seaside Way #903	90802	1,410	\$765,000	\$543	2007
411 West Seaside Way #403	90802	1,410	\$625,000	\$443	2007
400 W Ocean Blvd #606	90802	1,414	\$690,000	\$488	2007
400 W Ocean Blvd #902	90802	1,440	\$755,000	\$524	2007
400 W Ocean Blvd #202	90802	1,440	\$672,000	\$467	2007
400 W Ocean Blvd #302	90802	1,440	\$663,000	\$460	2007
800 E Ocean Blvd #602	90802	1,448	\$757,000	\$523	1928
300 E 4TH St #412	90802	1,450	\$555,000	\$383	2008
388 E Ocean Blvd Unit P7	90802	1,510	\$738,000	\$489	2004
850 E Ocean Blvd #911	90802	1,542	\$838,000	\$543	1992
488 E Ocean Blvd Unit P11	90802	1,647	\$730,000	\$443	2004
400 W Ocean Blvd #1401	90802	1,660	\$830,000	\$500	2007
400 W Ocean Blvd #2104	90802	1,660	\$825,000	\$497	2007
100 Atlantic Ave Ph 1	90802	1,690	\$583,000	\$345	1958
395 E 4th St #9	90802	1,770	\$577,000	\$326	2006
Minimum		588	\$255,000	\$287	1913
Maximum		1,770	\$950,000	\$809	2008
Average		1,093	\$519,072	\$475	1980

Source: Redfin. The survey includes executed sales that occurred between September 2018 to February 2019.

APPENDIX C - EXHIBIT II

**CONDOMINIUM SALES SURVEY - NORTH LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
One-Bedroom Units					
2890 E Artesia Blvd #15	90805	556	\$190,000	\$342	1972
2890 E Artesia Blvd #55	90805	556	\$160,000	\$288	1972
5050 Linden Ave #106	90805	555	\$130,000	\$234	1965
2890 E Artesia Blvd #56	90805	556	\$160,000	\$288	1972
5530 Ackerfield Ave #313	90805	639	\$161,600	\$253	1969
2890 E Artesia Blvd #67	90805	556	\$189,000	\$340	1972
5535 Ackerfield Ave #43	90805	671	\$170,000	\$253	1969
5530 Ackerfield Ave #314	90805	641	\$159,000	\$248	1969
5530 Ackerfield Ave #304	90805	650	\$146,500	\$225	1969
5500 Ackerfield Ave #310	90805	641	\$145,000	\$226	1968
5021 Atlantic Ave #30	90805	555	\$140,000	\$252	1965
5050 Linden Ave #90	90805	555	\$135,000	\$243	1965
2890 E Artesia Blvd #47	90805	556	\$185,000	\$333	1972
2890 E Artesia Blvd #66	90805	556	\$199,000	\$358	1972
5050 Linden Ave #72	90805	555	\$195,000	\$351	1965
5500 Ackerfield Ave #304	90805	639	\$205,000	\$321	1968
5050 Linden Ave #91	90805	555	\$208,000	\$375	1965
5535 Ackerfield Ave #40	90805	671	\$215,000	\$320	1969
5500 Ackerfield Ave #309	90805	639	\$135,000	\$211	1968
5050 Linden Ave #86	90805	650	\$165,000	\$254	1965
Minimum		555	\$130,000	\$211	1965
Maximum		671	\$215,000	\$375	1972
Average		598	\$169,655	\$284	1969

APPENDIX C - EXHIBIT II

**CONDOMINIUM SALES SURVEY - NORTH LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Two-Bedroom Units					
5500 Ackerfield Ave #103	90805	938	\$280,000	\$299	1968
5500 Ackerfield Ave #108	90805	943	\$298,000	\$316	1968
2890 E Artesia Blvd #10	90805	858	\$208,000	\$242	1972
2890 E Artesia Blvd #69	90805	857	\$210,000	\$245	1972
5021 Atlantic Ave #51	90805	784	\$210,000	\$268	1965
2890 E Artesia Blvd #23	90805	858	\$176,000	\$205	1972
2890 E Artesia Blvd #69	90805	857	\$210,000	\$245	1972
2890 E Artesia Blvd #41	90805	858	\$178,000	\$207	1972
6638 Orange Ave #105	90805	1,055	\$273,000	\$259	1989
5500 Ackerfield Ave #403	90805	873	\$250,000	\$286	1968
6666 Orizaba Ave #2	90805	860	\$222,000	\$258	1976
5535 Ackerfield Ave #10	90805	858	\$178,000	\$207	1969
2890 E Artesia Blvd #70	90805	857	\$230,000	\$268	1972
2890 E Artesia Blvd #24	90805	858	\$195,000	\$227	1972
2890 E Artesia Blvd #40	90805	858	\$209,900	\$245	1972
2890 E Artesia Blvd #39	90805	858	\$186,000	\$217	1972
2890 E Artesia Blvd #63	90805	858	\$210,000	\$245	1972
5021 Atlantic Ave #24	90805	784	\$205,000	\$261	1965
5050 Linden Ave #93	90805	850	\$170,000	\$200	1965
5535 Ackerfield Ave #4	90805	942	\$285,000	\$303	1969
5535 Ackerfield Ave #34	90805	854	\$215,000	\$252	1969
5530 Ackerfield Ave #402	90805	873	\$195,000	\$223	1969
5530 Ackerfield Ave #403	90805	873	\$220,000	\$252	1969
5530 Ackerfield Ave #204	90805	873	\$181,000	\$207	1969
5530 Ackerfield Ave #202	90805	873	\$205,000	\$235	1969
5500 Ackerfield Ave #503	90805	938	\$215,000	\$229	1968
5500 Ackerfield Ave #402	90805	873	\$175,000	\$200	1968
5500 Ackerfield Ave #407	90805	876	\$188,000	\$215	1968
5500 Ackerfield Ave #208	90805	873	\$225,000	\$258	1968
5500 Ackerfield Ave #211	90805	876	\$165,000	\$188	1968
5530 Ackerfield Ave #108	90805	943	\$205,000	\$217	1969
5500 Ackerfield Ave #202	90805	873	\$243,331	\$279	1968
1751 E 68th Street #13	90805	1,285	\$310,000	\$241	1990
2890 E Artesia Blvd #6	90805	858	\$196,000	\$228	1972
2890 E Artesia Blvd #31	90805	857	\$229,900	\$268	1972
2890 E Artesia Blvd #60	90805	858	\$200,000	\$233	1972
5050 Linden Ave #101	90805	784	\$215,100	\$274	1965
5021 Atlantic Ave #23	90805	784	\$245,000	\$313	1965
5500 Ackerfield #410	90805	873	\$180,000	\$206	1968
6786 N Paramount Blvd Unit C	90805	965	\$268,800	\$279	1989
1637 E 68th Street #7	90805	1,104	\$275,000	\$249	1991
Minimum		784	\$165,000	\$188	1965
Maximum		1,285	\$310,000	\$316	1991
Average		889	\$217,952	\$245	1971

Source: Redfin. The survey includes executed sales that occurred between October 2018 to February 2019.

APPENDIX C - EXHIBIT III

**CONDOMINIUM SALES SURVEY - EAST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
One-Bedroom Units					
1485 Obispo Ave #4	90804	830	\$265,000	\$319	1985
3605 E Anaheim St #315	90804	1,104	\$440,000	\$399	1990
1467 Obispo Ave #7	90804	800	\$299,000	\$374	1987
1355 Loma Ave #308	90804	941	\$296,000	\$315	1988
1100 Euclid Ave #204	90804	820	\$303,500	\$370	1985
2507 E 15th Street #118	90804	842	\$234,000	\$278	1988
2507 E 15th St #114	90804	953	\$240,000	\$252	1988
2507 E 15th St #201	90804	842	\$254,000	\$302	1988
2507 E 15th St #218	90804	842	\$248,750	\$295	1988
2507 E 15th St #312	90804	842	\$220,500	\$262	1988
3425 E 15th St Unit 3D	90804	750	\$298,000	\$397	1988
1720 Newport Ave #8	90804	880	\$282,000	\$320	1976
1725 Loma Ave #3	90804	790	\$304,000	\$385	1976
3501 E Ransom St #306	90804	800	\$305,000	\$381	1985
1747 Grand Ave #4	90804	1,230	\$495,000	\$402	2006
3605 E Anaheim St #221	90804	1,158	\$409,000	\$353	1990
3605 E Anaheim St #326	90804	1,158	\$350,000	\$302	1990
1335 Newport Ave #108	90804	985	\$300,000	\$305	1990
2343 E 17th St #313	90804	842	\$197,000	\$234	1986
2343 East 17th St #311	90804	822	\$237,000	\$288	1986
2343 East 17th St #104	90804	751	\$155,550	\$207	1988
605 Redondo Ave #405	90814	1,121	\$369,000	\$329	1981
728 Cherry Ave #7	90813	701	\$165,000	\$235	1957
1100 Euclid Ave #207	90804	843	\$299,000	\$355	1985
1145 Roswell Ave #208	90804	684	\$299,000	\$437	1988
1001 Belmont Ave #209	90804	890	\$320,000	\$360	1989
4113 E 10th St #4	90804	740	\$302,500	\$409	1985
1001 Belmont Ave #204	90804	920	\$335,000	\$364	1989
3605 E Anaheim St #201	90804	1,330	\$399,888	\$301	1990
Minimum		684	\$155,550	\$207	1957
Maximum		1,330	\$495,000	\$437	2006
Average		904	\$297,334	\$329	1986

APPENDIX C - EXHIBIT III

**CONDOMINIUM SALES SURVEY - EAST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Two-Bedroom Units					
444 Obispo Ave #302	90814	1,165	\$350,000	\$300	1966
645 Temple Ave #1	90814	920	\$367,400	\$399	1974
1467 Obispo Ave #8	90804	770	\$255,000	\$331	1987
645 Ohio Ave #405	90814	1,013	\$385,500	\$381	1986
1100 Euclid Ave #103	90804	750	\$320,000	\$427	1985
4113 E 10th St #5	90804	740	\$318,000	\$430	1985
1055 Orizaba Ave #1	90804	514	\$201,000	\$391	1988
1121 Obispo Ave #101	90804	925	\$277,500	\$300	1991
3246 E Wilton St #4	90804	820	\$253,000	\$309	1965
2925 E Spaulding St #306	90804	918	\$299,900	\$327	1987
1207 Obispo Ave #101	90804	928	\$272,000	\$293	1990
3401 E Wilton St #303	90804	1,084	\$305,000	\$281	1983
1355 Loma Ave #206	90804	634	\$222,000	\$350	1988
1775 Ohio Ave #401	90804	1,434	\$465,000	\$324	1993
1100 Euclid Ave #210	90804	843	\$302,000	\$358	1985
1207 Obispo Ave #104	90804	1,142	\$390,000	\$342	1990
1207 Obispo Ave #111	90804	976	\$290,000	\$297	1990
1121 Obispo Ave #202	90804	859	\$279,900	\$326	1991
1752 Grand Ave #4	90804	1,320	\$500,000	\$379	2006
4835 E Anaheim St #308	90804	1,638	\$555,000	\$339	1976
1110 Ohio Ave #308	90804	1,232	\$376,000	\$305	1982
3045 E Theresa St #12	90814	566	\$265,000	\$468	1971
2507 E 15th St #215	90804	877	\$350,000	\$399	1988
2343 E 17th St #211	90804	522	\$275,000	\$527	1986
1063 Stanley Ave #8	90804	880	\$297,000	\$338	1987
1145 Roswell Ave #311	90804	830	\$402,500	\$485	1988
3425 E 15th St Unit 10D	90804	780	\$319,900	\$410	1985
3305 E Ransom St Unit H	90804	780	\$349,000	\$447	1984
725 Coronado Ave #206	90804	876	\$350,000	\$400	1971
1207 Obispo Ave #306	90804	694	\$310,000	\$447	1990
645 Temple Ave #16	90814	910	\$395,000	\$434	1974

Minimum		514	\$201,000	\$281	1965
Maximum		1,638	\$555,000	\$527	2006
Average		914	\$332,181	\$363	1984

Three-Bedroom Units					
1775 Ohio Ave #104	90804	1,023	\$359,000	\$351	1993
1775 Ohio Ave #110	90804	1,019	\$359,000	\$352	1993
1775 Ohio Ave #214	90804	1,202	\$400,000	\$333	1993
1775 Ohio Ave #417	90804	1,077	\$360,000	\$334	1993
1063 Stanley Ave #5	90804	850	\$295,000	\$347	1987
4835 E Anaheim St #205	90804	1,263	\$391,000	\$310	1976
3516 E Ransom St #103	90804	850	\$320,000	\$376	1987
1747 Grand Ave #6	90804	1,330	\$599,000	\$450	2006
1201 Belmont Ave #304	90804	680	\$312,500	\$460	1988
800 Termino Ave #6	90804	1,108	\$365,000	\$329	1983
420 Redondo Ave #310	90814	882	\$345,500	\$392	1970

APPENDIX C - EXHIBIT III

**CONDOMINIUM SALES SURVEY - EAST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
1201 Belmont Ave #301	90804	660	\$331,000	\$502	1988
1110 Ohio Ave #104	90804	1,134	\$310,000	\$273	1982
1063 Stanley Ave #1	90804	570	\$250,000	\$439	1987
1200 Ohio Ave #3	90804	850	\$310,000	\$365	1987
1063 Stanley Ave #4	90804	880	\$295,000	\$335	1987
1335 Newport Ave #303	90804	1,011	\$328,000	\$324	1990
1775 Ohio Ave #412	90804	1,268	\$410,000	\$323	1993
3605 E Anaheim St #309	90804	1,158	\$382,000	\$330	1990
2530 E 10th St	90804	690	\$282,000	\$409	1928
420 Redondo Ave #103	90814	1,183	\$331,000	\$280	1970
646 Coronado	90814	1,200	\$389,900	\$325	1973
1140 Junipero Ave #8	90804	960	\$275,000	\$286	1987
1110 Ohio Ave #302	90804	1,121	\$252,000	\$225	1982
1110 Ohio Ave #303	90804	1,126	\$287,000	\$255	1982
1601 Stanley Ave #2	90804	930	\$295,000	\$317	1987
Minimum		570	\$250,000	\$225	1928
Maximum		1,330	\$599,000	\$502	2006
Average		1,001	\$339,765	\$339	1984

Source: Redfin. The survey includes executed sales that occurred between October 2018 and February 2019.

APPENDIX C - EXHIBIT IV

**CONDOMINIUM SALES SURVEY - WEST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
One-Bedroom Units					
2270 Stanley Ave Unit 2B	90755	1,642	\$615,000	\$375	1979
2501 Temple Ave #316	90755	1,181	\$385,000	\$326	1983
2261 Ohio Ave	90755	945	\$430,000	\$455	1977
2201 Saint Louis Ave Unit 201C	90755	1,264	\$483,000	\$382	1980
3334 Pasadena Ave	90807	750	\$240,000	\$320	1980
3913 N Virginia Rd #105	90807	1,070	\$358,000	\$335	1986
3344 Elm Ave #27	90807	977	\$345,000	\$353	1979
2510 E Willow St #108	90755	1,143	\$335,000	\$293	1984
3695 Linden Ave Unit 1A	90807	1,236	\$355,000	\$287	1967
2700 E Panorama Dr #306	90755	1,280	\$525,000	\$410	1981
2240 N Legion Dr #215	90755	1,300	\$444,000	\$342	1980
3565 Linden Ave #150	90807	938	\$319,000	\$340	1973
2599 Walnut #138	90755	1,036	\$318,000	\$307	1985
2500 E Willow St #110	90755	1,060	\$382,000	\$360	1980
3530 Elm Ave #205	90807	1,052	\$318,000	\$302	1979
3113 Atlantic Ave #14	90807	765	\$226,000	\$295	1981
375 E 36th St #7	90807	1,716	\$425,000	\$248	1966
3565 Linden Ave #204	90807	660	\$250,000	\$379	1973
3565 Linden Ave #215	90807	719	\$247,500	\$344	1973
2500 E Willow St #107	90755	837	\$282,000	\$337	1980
2101 E 21st St #218	90755	1,171	\$375,000	\$320	1982
3721 Country Club Dr #16	90807	1,120	\$410,000	\$366	1974
4170 Elm Ave #302	90807	1,174	\$350,000	\$298	1974
4005 N Virginia Rd #4	90807	1,496	\$451,000	\$301	1973
3913 N Virginia Rd #307	90807	1,070	\$405,000	\$379	1986
3565 Linden Ave #327	90807	917	\$308,000	\$336	1973
3933 N Virginia Rd #107	90807	1,362	\$365,000	\$268	1974
3530 Elm Ave #309	90807	1,136	\$325,000	\$286	1979
1460 E Willow St #305	90755	1,193	\$360,000	\$302	1980
2599 Walnut Ave #234	90755	1,051	\$300,000	\$285	1985
3932 N Virginia Rd #106	90807	1,212	\$325,000	\$268	1987
3932 N Virginia Rd #206	90807	1,258	\$330,000	\$262	1987
3932 N Virginia Rd #110	90807	950	\$326,000	\$343	1986
3721 Country Club Dr #4	90807	956	\$386,000	\$404	1974
3939 N Virginia Rd #209	90807	1,490	\$415,000	\$279	1974
3511 Elm Ave #312	90807	700	\$242,000	\$346	1971
Minimum		660	\$226,000	\$248	1966
Maximum		1,716	\$615,000	\$455	1987
Average		1,106	\$359,875	\$325	1978

APPENDIX C - EXHIBIT IV

**CONDOMINIUM SALES SURVEY - WEST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Two-Bedroom Units					
2501 Temple Ave #309	90755	1,179	\$362,000	\$307	1983
3933 N Virginia Rd #206	90807	1,362	\$375,000	\$275	1974
3657 Country Club Dr Unit E	90807	1,221	\$420,000	\$344	1975
2501 Temple Ave #203	90755	1,179	\$351,000	\$298	1983
2120 E Hill St #302	90755	1,564	\$473,000	\$302	1984
2120 E Hill St #109	90755	1,714	\$499,000	\$291	1984
2001 E 21 St #335	90755	1,774	\$460,000	\$259	1983
2599 Walnut Ave #117	90755	815	\$240,000	\$294	1985
4505 California Ave #411	90807	1,187	\$309,900	\$261	1974
2296 Gavioate Ave #3	90755	1,058	\$249,000	\$235	1980
2296 Gaviota Ave #8	90755	1,041	\$259,900	\$250	1980
2599 Walnut Ave #109	90755	901	\$245,000	\$272	1985
2599 Walnut Ave #214	90755	809	\$215,000	\$266	1985
2251 Rose Ave #1	90755	1,234	\$364,000	\$295	1979
2254 Gaviota Ave #18	90755	1,207	\$361,000	\$299	1980
3354 Elm Ave #20	90807	979	\$350,000	\$358	1980
2506 W Willow St #202	90755	1,060	\$360,000	\$340	1980
2504 E Willow St #204	90755	1,157	\$350,500	\$303	1980
2510 E Willow St #105	90755	1,157	\$333,000	\$288	1984
2514 E Willow St #107	90755	837	\$270,000	\$323	1984
2516 E Willow St #201	90755	1,144	\$357,900	\$313	1984
2516 E Willow St #206	90755	1,150	\$349,000	\$303	1984
2501 Temple Ave #101	90755	1,181	\$314,000	\$266	1983
2501 Temple Ave #117	90755	1,181	\$365,000	\$309	1983
2120 E Hill St #104	90755	1,541	\$460,000	\$299	1984
2101 E 21st St #316	90755	1,171	\$367,500	\$314	1982
20014 E 21st St #126	90755	1,171	\$360,000	\$307	1983
3500 Elm Ave #26	90807	782	\$259,000	\$331	1968
4170 Elm Ave #319	90807	1,160	\$350,000	\$302	1974
3932 N Virginia Rd #105	90807	1,081	\$345,000	\$319	1987
3913 N Virginia Rd #210	90807	850	\$315,000	\$371	1986
3913 N Virginia Rd #109	90807	850	\$311,000	\$366	1986
4505 California Ave #311	90807	1,187	\$310,000	\$261	1974
4505 California Ave #206	90807	1,349	\$311,000	\$231	1974
4505 California Ave #305	90807	1,281	\$311,500	\$243	1974
123 W Spring St Unit A	90806	1,271	\$393,000	\$309	1985
103 W Spring St Unit A	90806	929	240,000	\$258	1985
3657 Country Club Dr Unit K	90807	1,221	395,000	\$324	1975
4170 Elm Ave #211	90807	1,082	331,000	\$306	1974
4170 Elm Ave #301	90807	1,160	322,000	\$278	1974
3530 Elm Ave #102	90807	1,198	295,000	\$246	1979
3500 Elm Ave #15	90807	583	195,000	\$334	1968
3500 Elm Ave #28	90807	1,108	325,000	\$293	1968
Minimum		583	\$195,000	\$231	1968
Maximum		1,774	\$499,000	\$371	1987
Average		1,141	\$335,563	\$294	1980

APPENDIX C - EXHIBIT IV

**CONDOMINIUM SALES SURVEY - WEST LONG BEACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA**

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Three-Bedroom Units					
2599 Walnut Ave #209	90755	801	\$296,000	\$370	1985
2101 E 21st St #116	90755	1,171	\$425,000	\$363	1982
2101 E 21st St #216	90755	1,171	\$410,000	\$350	1982
2512 E Willow St #302	90755	1,981	\$650,000	\$328	1984
1460 E Willow St #104	90755	1,193	\$420,000	\$352	1980
2599 Walnut Ave #223	90755	809	\$297,500	\$368	1985
2700 E Panorama Dr #204	90755	1,302	\$557,000	\$428	1981
3536 Linden Ave #5	90807	1,078	\$475,000	\$441	2002
4505 California Ave #510	90807	1,201	\$345,000	\$287	1974
2501 Temple Ave #206	90755	1,179	\$400,000	\$339	1983
3326 Elm Ave	90807	750	\$225,000	\$300	1980
3452 Elm Ave #205	90807	983	\$285,000	\$290	1966
700 E Carson St #6	90807	728	\$290,000	\$398	1953
3303 Linden	90807	1,085	\$315,000	\$290	1980
4515 California Ave #305	90807	1,019	\$320,000	\$314	1980
2101 E 21st ST #113	90755	1,171	\$340,000	\$290	1982
2001 E 21st St #127	90755	1,171	\$355,000	\$303	1983
3933 N Virginia Rd #105	90807	1,337	\$374,000	\$280	1974
2001 E 21st St #228	90755	1,171	\$360,500	\$308	1983
2500 E Willow St #101	90755	1,143	\$349,000	\$305	1980
2052 Lewis Ave	90806	1,169	\$268,000	\$229	1983
2508 Willow St #210	90755	1,060	\$345,000	\$325	1980
Minimum		728	\$225,000	\$229	1953
Maximum		1,981	\$650,000	\$441	2002
Average		1,122	\$368,273	\$328	1980

Source: Redfin. The survey includes executed sales that occurred between October 2018 and February 2019

**Economic Analysis
Key Recommendations**

Inclusionary Housing Production Analysis	
Financially Feasible Inclusionary Housing Percentages	
Submarket #1: Rental Residential Development	
Alternative	Financially Feasible Inclusionary Percentage
Single Income Category Inclusionary Alternatives	
Moderate Income Alternative	19%
Low Income Alternative	12%
Very Low Income Alternative	11%
Mixed Income Category Inclusionary Alternatives	
20% Very Low Income & 80% Low Income	12%
80% Very Low Income & 20% Low Income	11%
30% Low Income & 70% Moderate Income	14%

Inclusionary Housing Production Analysis			
Submarket #2			
Potential Inclusionary Housing Production Requirements			
Income Level	Affordable Units as a % of Base Zoning	Density Bonus Percentage	Number of Incentives or Concessions
Rental Residential Projects			
Very Low (VL)	11%	35%+	3+
Low (L)	12%	35%+	2+
Moderate (MOD)	19%	35%+	2+
Ownership Residential Projects			
Moderate (MOD)	19%	35%+	2+

In-Lieu Fees – Affordability Gap Approach			
Submarket #1: Rental Residential Development			
In-Lieu Fee	Alternative		
	Moderate Income	Low Income	Very Low Income
Per Affordable Unit	\$223,000	\$356,000	\$383,000
Per Square Foot of GBA	\$37.90	\$37.90	\$38.50

In-Lieu Fee Analysis	
Affordability Gap Approach	
Submarket #1: Ownership Housing Development	
Affordability Gaps	Moderate Income
Per Income Restricted Unit	\$270,400
Per Square Foot of GBA	\$23.80

The In-Lieu Fees for Submarket Area 2 are based on the recommended fees for Submarket Area 1.

DIVISION IV. - VOLUNTARY INCENTIVE PROGRAM TO CREATE HOUSING FOR VERY LOW AND LOW INCOME HOUSEHOLDS

21.60.410 - Purpose and goals.

- A. The purpose of this Division IV is to provide additional housing opportunities in the City of Long Beach for very low and low income households, as defined by HUD for the Los Angeles/Long Beach Standard Metropolitan Statistical District (SMSA), through a voluntary program offering incentives and bonuses to private developers, representatives of which private developers and certain business associations in Long Beach have assured the City of Long Beach will stimulate the production of such housing.
- B. The effectiveness of the voluntary incentive program set forth in this Division IV in stimulating the production of housing shall be measured by determining whether during the period of April 9, 1991 to October 9, 1992, and during annual periods thereafter as set forth hereunder, the number of housing units affordable to low and very low income households constructed, under construction, rehabilitated as defined herein or provided for through payment of an in-lieu fee, under this voluntary incentive program are equal to or greater than the number of housing units affordable to very low or low income households which, during the same period, were demolished or converted to condominiums not affordable to such households. Consideration shall also be given to the extent which the units produced are comparable in size to those demolished or converted and/or meet the highest priority needs as expressed in the housing element.
- C. Affordable units demolished and affordable units produced as a direct result of government programs other than those of the City, including its Housing Authority, Department of Community Development, and the Long Beach Housing Development Company, shall count as units demolished or produced under this Division IV.

(Ord. C-6894 § 1 (part), 1991)

21.60.420 - Incentive program.

- A. Every development project of five (5) or more housing units in the City of Long Beach, on any site where zoning permits development to densities of thirty (30) units per acre or greater, shall be entitled to a density bonus not to exceed twenty-five (25) percent of the number of units otherwise allowed under applicable zoning regulations if, but only if:
 - 1. At least twenty-five (25) percent of the bonus units granted are set aside, for ten (10) years for sale units and thirty (30) years for rental units, to be housing affordable to very low income households; or
 - 2. At least fifty (50) percent of the bonus units granted are set aside for ten (10) years for sale units and thirty (30) years for rental units, to be housing affordable to low income households.
- B. 1. The requirement of affordable units may be met by the provision of on-site units, off-site units, rehabilitated units, or the payment of an in-lieu fee, all as set forth in this Division. At the request of the property owner, the City may agree to fulfilling the requirement for affordable units by a combination of these provisions.
- 2. The in-lieu fee payable under this Division IV shall be twenty-seven thousand, eight hundred dollars (\$27,800.00), as adjusted annually to reflect the Construction Cost Index for the Los Angeles/Long

Beach statistical area, times the number of bonus density units granted. The fee shall be paid prior to issuance of a building permit for the property subject to the fee.

- C. Upon application by a developer, a density bonus of less than twenty-five percent (25%) may be granted to a developer of housing units offering less than the percentage of new units set forth in Subsection 21.60.420.A, provided that the density bonus so granted shall be reduced proportionately to the reduction of new or rehabilitated units provided.
- D. Any project proposing to utilize the incentive program of this Division IV shall be subject to site plan review as set forth in Division V of Chapter 21.25 of this Title 21.
- E. 1. Affordable units for sale shall remain affordable to low or very low income households by deed restriction for at least ten (10) years. Affordable units for rent shall remain affordable to low or very low income households by deed restrictions for at least thirty (30) years.
 - 2. Reasonably unforeseen increases in finance and/or operating costs, which have risen faster, as a percentage of total income received, than the percentage of increase in rental rates on affordable units, may be adjusted by appeal to and with the prior approval of the Housing Services Bureau of the Community Development Department at any time after three (3) years from the recordation of the deed restriction, provided that no such adjustment shall be granted that would cause a unit to be no longer affordable to persons of very low or low income households.
- F. A project qualifying for a density bonus and actually furnishing units and/or payment of the in-lieu fee pursuant to and in full compliance with this Section 21.60.420 may reduce the notice requirement of Subsection 21.60.130.B.1 to no less than three (3) months if otherwise meeting the conditions of Subsection 21.60.310.A.4.
- G. The density program and incentives provided in this Division IV shall be in lieu of any other such program or incentives provided by or arising under State law as an inducement for the provisions or development of affordable housing units and are not intended to be used in conjunction with incentives required to be provided under Section 65915 of the California Government Code.
- H. In determining the number of units required pursuant to this Division IV, any decimal fraction less than 0.49 shall be rounded down to the nearest whole number and any fraction of 0.5 or more shall be rounded up to the nearest whole number and any fraction of 0.5 or more shall be rounded up to the nearest whole number, provided that no less than one (1) affordable unit shall be constructed at any site which is provided a density bonus.

(Ord. C-6933 § 38, 1991; Ord. C-6894 § 1 (part), 1991)

21.60.430 - Review of projects providing housing for very low or low income households and design standards.

- A. At the time the plans are submitted to the Department of Planning and Building for initial review, the project proposal shall specify the number, type, location, size and construction scheduling of any dwelling units to be developed and shall indicate which units are proposed for rental or sale for the purpose of satisfying the requirements of this Division IV.
- B. If located on the project site, such units shall, whenever reasonably possible, be distributed throughout the project. The applicant may, with the prior approval of the City through the site plan review process, reduce the size and amenities of the units so long as there are not significant identifiable differences between the units visible from the exterior of the unit and the design of the units are consistent with the

rest of the development, provided that all units shall conform in all ways to the requirements of the applicable building and housing codes. Units so provided shall have at least the same number of bedrooms as the average market rate unit in the project and shall be subject to the following minimum size limits:

0 Bedrooms—	450 square feet;
1 Bedroom —	600 square feet;
2 Bedrooms—	750 square feet;
3 Bedrooms—	1,000 square feet;
4 Bedrooms—	1,200 square feet;

- C. All affordable units required by this Division IV in a project and all phases of a project shall be constructed concurrently with the construction of market rate units, and such affordable units developed on the development site shall be rental units in rental developments and for-sale units in ownership projects.
- D. If the applicant can demonstrate that the bonus density provided cannot be physically accommodated on the site, the City may waive development standards during site plan review to accommodate the increased density in accordance with Section 21.63.080 of the Municipal Code.

(Ord. C-6894 § 1 (part), 1991)

21.60.440 - Provision of units off-site.

- A. Units required by this Division IV may be provided by rehabilitation or new construction at a location within the City other than the project site, subject to review and prior approval by the City. Any such off-site units shall be completed prior to the issuance of a certificate of occupancy for the market rate housing unit project and shall conform to the requirements of the applicable building and housing codes and the minimum size and bedroom provisions set forth in Section 21.60.430. The off-site units need not be in the same ownership as the project, provided that they are deed-restricted in accordance with Section 21.60.470, and provided that a record of such off-site units together with such deed restriction shall be filed with the Department of Planning and Building at the time of the recordation of such restriction for the purpose of identifying such units for future credits. In no event may units provided off-site be credited more than once.
- B. It is the intent of the City that, in permitting developers to rehabilitate extant deteriorating off-site residential structures in lieu of constructing new affordable units on-site, such action will extend the potential useful life of the residential structure by thirty (30) years and will insure that the unit remains affordable during that period. Therefore, rehabilitation of existing residential units may be substituted on a one-for-one basis for construction of new affordable units if the rehabilitation cost equals or exceeds

twenty-five percent (25%) of the replacement cost of the unit as calculated by the City's chief Building Official. Rehabilitated units must conform in use and density to the current zoning, but need not conform to the current development standards. Alternately, rehabilitation to existing residential units may be substituted on a two-for-one basis for construction of new affordable units if the rehabilitation cost of each unit equals or exceeds twelve and one-half percent (12½%) of the replacement cost of the units as calculated by the Building Official. In multi-unit buildings, the per unit cost of rehabilitation shall be calculated by dividing the total rehabilitation cost for the structure or the total replacement cost for the structure by the number of residential units in the structure.

- C. The occupancy and sale or rental prices of such off-site units shall be governed by the terms of a deed restriction similar to that used for on-site units furnished pursuant to this Division IV which shall be structured to take precedence over all other covenants, liens and encumbrances.

(Ord. C-7247 § 27, 1994; Ord. C-6933 § 39, 1991; Ord. C-6894 § 1 (part), 1991)

21.60.445 - Condominium conversion.

- A. A developer proposing to convert to condominium units apartments which are affordable to low or very low income households may reduce the notice requirements of Subsection 21.60.310.A.1 to no less than three (3) months if at least ten percent (10%) of the affordable apartments converted to condominium units are set aside for ten (10) years to be housing affordable to low income households or at least five percent (5%) of the affordable apartments converted to condominium units are set aside for ten (10) years to be housing affordable to very low income households. However, in no case shall the notice requirements be reduced below those specified in Section 20.32.040 of the subdivision regulations (Title 20 of this Code). In making this calculation, a unit will not be counted as an affordable apartment if the applicant provides evidence to the satisfaction of the Housing Services Bureau of the Department of Community Development that it has been continuously vacant for at least six (6) months prior to the application, or that the unit has been occupied for at least six (6) months prior to the application by a household which is not low or very low income.
- B. The requirement for affordable units may be met by the provision of on-site units, off-site units as provided in Subsection 21.60.440.A, rehabilitated units as provided in Subsection 21.60.440.B, or the payment of an in-lieu fee for each affordable unit required of sixty-nine thousand five hundred dollars (\$69,500.00), as adjusted annually to reflect the construction cost index for Los Angeles/Long Beach Statistical Area.
- C. Affordable units for sale shall remain affordable to low or very low income households by deed restriction for at least ten (10) years. Affordable units for rent shall remain affordable to low or very low income households by deed restrictions for at least thirty (30) years. Reasonably unforeseen increases in finance and/or operating costs, which have risen faster, as a percentage of total income received, than the percentage of increase in rental rates on affordable units, may be adjusted by appeal and approval of the Housing Services Bureau of the Community Development Department at any time after three (3) years from the recordation of the deed restriction, providing that no such adjustment shall be granted that would cause such a unit to be no longer affordable to a person of very low or low income housing as applicable.

(Ord.C-6894 § 1 (part), 1991)

21.60.450 - Pricing of units furnished pursuant to or as a result of this Division IV.

Affordable units required pursuant to this Division IV shall be priced in accordance with HUD guidelines for the Los Angeles/Long Beach SMSA which defines units affordable to low and very low income households. For the express purpose of establishing income guidelines on projects for sale, thirty-five percent (35%) of a qualifying household's gross monthly income shall be allowed. Allowable rents and sales prices will be established by City ordinance or resolution based on HUD guidelines. Such guidelines shall be re-established within thirty (30) days after announcement of new income guidelines by HUD. Pricing of units for sale or rent shall be set at the time of closing of escrow using the most recent HUD guidelines then available. No charge or fee shall be imposed on the purchase of an affordable unit furnished pursuant to this Division IV which is in addition to or more than such charges or fees imposed upon purchases of market rate units.

(Ord.C-6894 § 1 (part), 1991)

21.60.460 - Eligibility requirements.

- A. Only very low and low income households shall be eligible to occupy affordable units provided pursuant to this Division IV. The City will use guidelines established by HUD in the Los Angeles/Long Beach SMSA determining household income minimum and maximum occupancy standards and other eligibility criteria.
- B. The following are those individuals who, by virtue of their position or relationship, shall be ineligible to purchase or rent a unit provided pursuant to this Division IV as their residence:
 1. All employees and officials of the City of Long Beach or its agencies, authorities or commissions who have, by the authority of their position, policy-making authority or influence affecting City housing programs.
 2. The immediate relatives of, employees of, and anyone gaining significant economic benefit from a direct business association with such public employees or officials.
- C. Prior to sale or rental of the affordable units, the owner shall be required to submit to the Housing Services Bureau for its approval the following documents:
 1. A Bureau-approved income certification form signed by the owner attesting to household income; and
 2. Satisfactory evidence of attested household income. In setting priorities among eligible households, the applicant, owner, or City shall generally give first priority to Long Beach residents, second to persons employed in Long Beach, and third to other persons.

(Ord. C-6894 § 1 (part), 1991)

21.60.470 - Deed restrictions.

- A. Prior to issuance of a building permit for a project requesting bonus density or containing any other affordable requirement, applicant shall supply to the City for review and approval deed restrictions or other legal instruments in a form satisfactory to the City attorney, setting forth the obligations of the

applicant under this program, and shall record same in the office of the Los Angeles County Recorder. Such restrictions shall remain in effect for at least thirty (30) years for rental units and at least ten (10) years for sale-units.

- B. 1. Applicable deed restrictions, in a form satisfactory to the City Attorney, shall contain provisions for enforcement of owner/developer compliance. Any default or failure to comply may result in, but is not limited to the following actions:
- a. Revocation of conditional use permit;
 - b. Withdrawal of certificate of occupancy;
 - c. Foreclosure; or
 - d. Specific performance.
2. In any action taken pursuant to this Subsection B to enforce compliance with deed restrictions, the City Attorney shall, if such compliance is ordered by a court of competent jurisdiction, take all such action as may be permitted by law to recover all City's costs of such action, including the costs of legal services.
- C. Deed restrictions on affordable for-sale units shall contain provisions governing resale prices prior to expiration of the ten (10) year limitation period requiring the owner to use its best efforts to offer the affordable unit to low or very low income households only for a period of at least sixty (60) days, provided that if a loan involving such unit or units is to be sold to the Federal National Mortgage Association ("FNMA") the deed restrictions shall be conformed to all then current FNMA requirements. Unless necessitated by such FNMA requirements, these units shall not be sold at a price higher than that affordable to low and very low income households prior to expiration of the deed restrictions.

(Ord. C-6894 § 1 (part), 1991)

21.60.480 - Petition for subordination.

Upon foreclosure or similar proceeding relating to an affordable unit/units provided pursuant to this Division IV, a lienholder may petition the Director of Community Development for relief from economically adverse impacts of the procedure on the lienholder. If the lienholder can show that the financial feasibility of the project may be lost if restrictions relating to affordability are maintained as to the unit/units subject to the proceeding, the City Council may, upon recommendation of the Director of Community Development, authorize the City Manager to agree to subordinate covenants relating to the affordability of the unit/units to the lienholder's requirements.

(Ord. C-6894 § 1 (part), 1991)

PROPOSED INCLUSIONARY HOUSING POLICY
April 2020

RECOMMENDED POLICY COMPONENTS

Area 1 shall consist of Area 1a – the Downtown Plan Area, and Area 1b – the Midtown Plan Area.

In Area 1, a mandatory Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with a threshold project size of 10 units or greater upon any action requiring site plan review. Consistent with State Density Bonus Law all fractional numbers, including inclusionary requirements, round up.

Submarket Area 2 includes all areas of the City outside of Area 1.

An Incentive based Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with a threshold project size of 10 units or greater when an action requiring a legislative approval or exception is required (discretionary approval).

The Area 2 requirements shall focus on the following property types:

1. Residentially or mixed-use zoned properties that are compatible with higher density residential development; and,
2. Commercially zoned properties that are not currently zoned for residential development

Effective Date and Exemptions

Requirements for both Areas 1 and 2 shall take effect **January 1, 2021**.

In **Area 1**, any project that has submitted a complete application for site plan review, a tentative tract map or other major entitlement prior to the effective date is exempt from these requirements.

In **Area 2**, these provisions shall take effect following a 2020 update to the City's Density Bonus Ordinance, Any project that has completed site plan review prior to the date that the 2020 Density Bonus Ordinance update takes effect is exempt from these requirements.

STAFF RECOMMENDATION – AREAS 1 & 2

Rental Housing Option B	12% of Total Project Units 25% Very Low Income, 25% Low Income, and 50% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

The percentage of total project units refers to the percentage of the total number of units in a project that are required to be made affordable. The income percentage indicates the required income category targeted for the affordable units in the project. For example, under the requirement proposed by staff, a rental project containing 100 total units would be required to provide a total of 12 affordable units by providing 3 very low-income units (25%), 3 low-income units (25%) and 6 moderate-income units (50%). Where there is an uneven split between very low- and low-income units, a higher number of units will be allocated to the very low-income category. For example, a rental project containing 120 units would be required to provide a total of 14.4 affordable units. The developer would pay the in-lieu fee for the fractional unit (.4) and would be required to include 4 very low-income units, 3 low-income units, and 7 moderate-income units.

Very Low-income and rents are set at 50% of AMI, Low-income at 60% of AMI, and Moderate income at 110% of AMI.

Phased Implementation

Year	Rental Option B (12%)	Ownership (10%)
	<i>Required Percentage of Total Project Units</i>	
2020/2021	5%	4%
2022	6%	5%
2023	8%	7%
2024	12%	10%

Alternative Means of Compliance

Table 3. Inclusionary Housing – Alternative Means of Compliance	
Option	Description
On-Site within a Market-Rate Project	<ul style="list-style-type: none"> • Units shall be dispersed through the project and be of equal size, mix, access to amenities, and quality to the market-rate units. • On-site development mandatory for projects with 21 or more units.
In-Lieu Fee Payment Option	<ul style="list-style-type: none"> • Allowed by-right for projects up to 20 units. • Allowed by-right for all ownership projects. • Allowed by-right for any fractional Inclusionary Housing Requirement.
<i>Rental, Moderate-Income</i>	\$223,000 per unit or \$37.90 per s.f. of GBA.
<i>Rental, Low-Income</i>	\$356,000 per unit or \$37.90 per s.f. of GBA.
<i>Rental, Very Low-Income</i>	\$383,000 per unit or \$38.50 per s.f. of GBA.
<i>Ownership, Moderate-Income</i>	\$270,000 per unit or \$23.80 per s.f. of GBA.
Off-Site Production	<ul style="list-style-type: none"> • May be considered by the City through a discretionary process for projects of 20 units or less. • Site must be within Long Beach, within 1 mi. of the market-rate project, and have appropriate land use designations. • City shall have approval rights. • Inclusionary percentage increased by 20% above the otherwise required percentage. • Off-site units must be rental units. • Inclusionary units must begin construction prior to construction of market-rate units.

Condominium Conversion and Ownership Units

Developers who choose to record a tentative tract map for a residential rental project shall be required to fulfill the rental residential development Inclusionary Housing requirement. If and when the developer chooses to convert the residential rental units to condominiums, the developer must fulfill one of the following requirements:

1. The developer can maintain the residential rental units as rental Inclusionary Housing units at the then current affordable rents; or
2. The developer can market the Inclusionary Housing units for sale based on the income and affordability level that was imposed when the project was originally construct, and give the existing tenant a first right of option to purchase the unit at the affordable sales price; or

3. The developer can relocate the tenants residing in the Inclusionary Housing units under the terms imposed by the City's existing Condominium Conversion Ordinance. If this option is selected, the developer must sell the former rental residential inclusionary housing units to moderate-income households at the then current affordable sales price

When an Inclusionary Housing unit is originally sold, the home buyer must enter into a covenant agreement with the City. To secure the obligation, the home buyer will enter into a loan agreement and deed of trust with the City that carries an original principal balance that is equal to the affordability gap that existed when the home buyer purchased the Inclusionary Housing Unit. The City is not required to contribute any cash to the transaction.

General Program Provisions

The following general provisions will be required:

Covenant Periods

Rental 55 years
Ownership 45 years

Monitoring Fees

Rental projects will be subject to the City's Affordable Housing Monitoring Fee of \$160 per affordable unit per annum.

Use of In-Lieu Fees Collected

In Lieu Fees will be deposited into a new inclusionary housing fund and will be restricted for affordable housing development (new construction). The fees collected will be targeted as follows:

- Up to 30% of the funds may be used for Moderate-income housing (up to 120% AMI)
- A minimum of 70% of the funds must be used for Lower-income housing (80% AMI and below)

Regular Review of Citywide Inclusionary Housing Program

Annual reporting of the program shall be incorporated into the Housing Element Annual Performance Report (APR). An initial overall review of the program will be conducted at the end of year 3.

The entire program shall be re-evaluated every 5 years.

Inclusionary Administrative Manual

An Administrative Manual will be prepared and updated as needed to reflect changes that are made to the Inclusionary Program.

Density Bonus Incentives

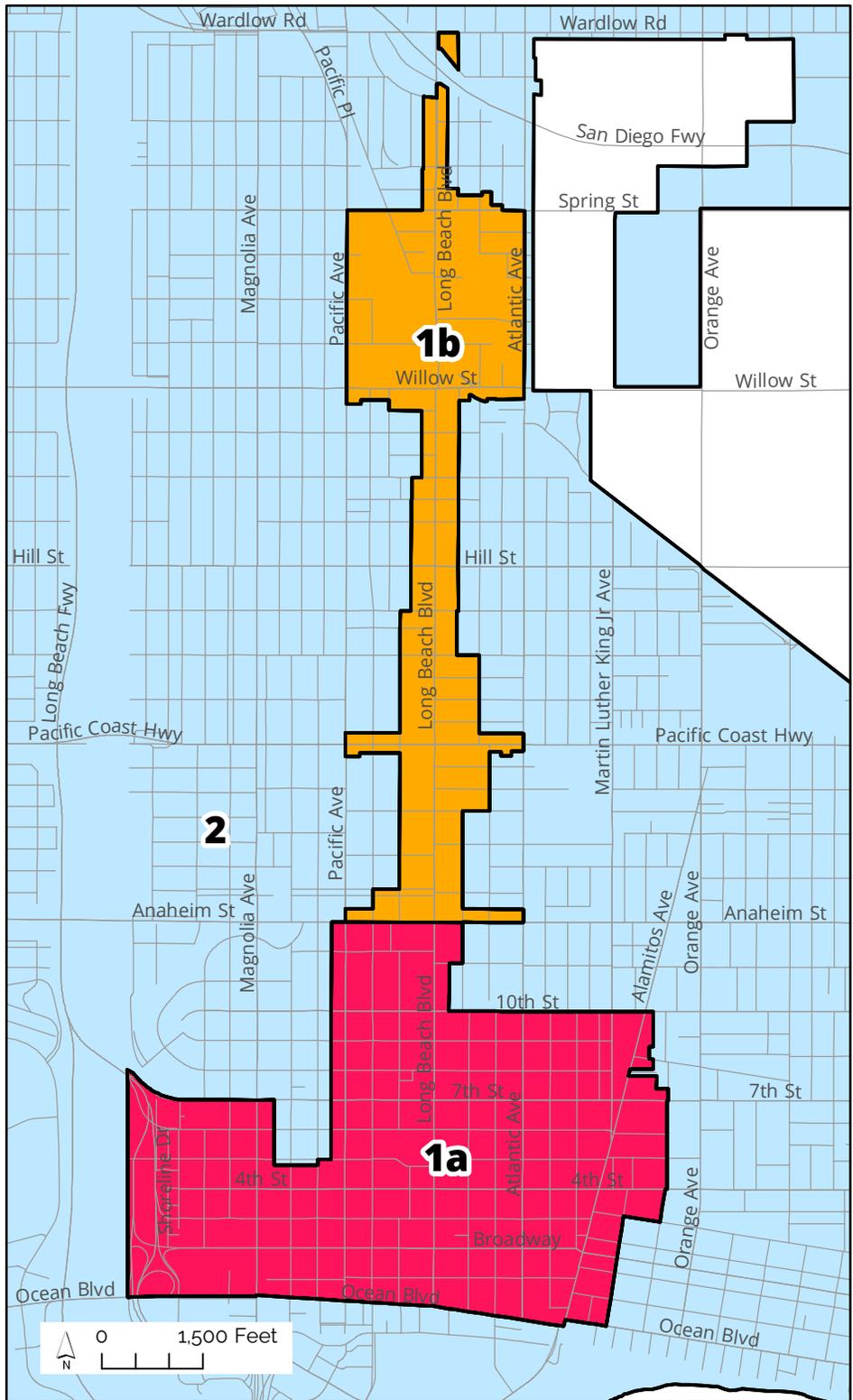
A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Section 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 35% depending on the magnitude of the income restrictions being imposed. The City must agree to apply the affordable units used to fulfill the Section 65915 requirements to the Inclusionary Housing requirements that will be imposed on a project. The density bonus also requires developers to replace units that were previously occupied by lower-income households that were demolished or vacated prior to a density bonus application. Therefore, Inclusionary units can be used to fulfill both density bonus and replacement housing requirements.

The Section 65915 Density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. The City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers. Expanded density bonus incentives will be necessary to implement the Submarket Area 2 requirements. An update to the City's Density Bonus Ordinance will be completed in 2020 so the Submarket Area 2 requirements can be implemented beginning in 2021.

Other Development Incentives

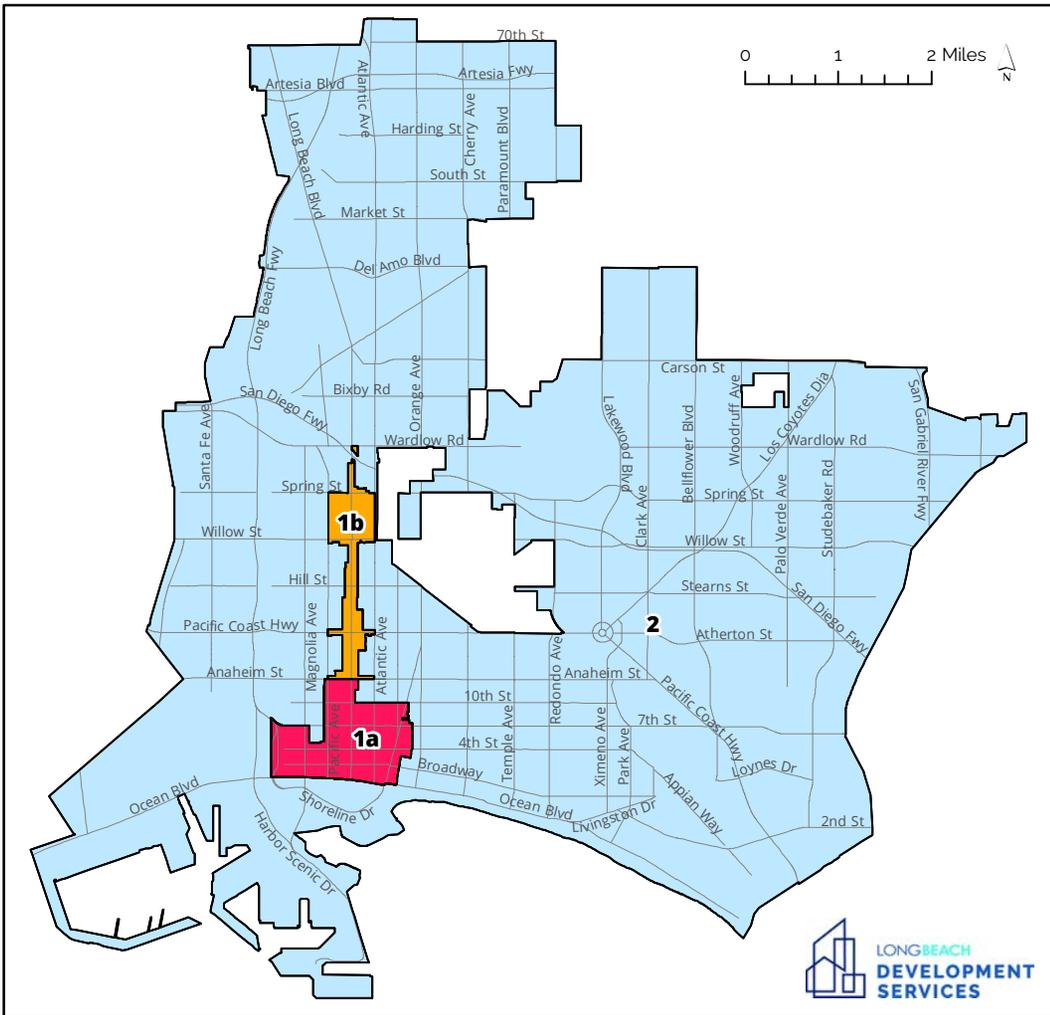
- A. The Long Beach Municipal Code Sections 18.17.130.B.2, 18.18.120.B, 18.23.110.A.5, and 18.22.110.A.5 permit exemptions from the City's transportation improvement, park and recreation facilities, police facilities, and fire facilities development impact fees (DIF) for low-income housing development projects within Long Beach.
- B. Projects including affordable units incorporated within the market-rate project shall be provided priority plan check without the cost of expediting fees.
- C. Projects including a level of affordable units beyond the base inclusionary requirements shall be provided priority entitlement processing.
- D. Once a project is approved, the applicant will receive priority entitlement processing and building permit processing if that same design is used again at an additional location.

City of Long Beach Inclusionary Housing Policy Proposed Submarket Areas



Inclusionary Housing Area

- Area 1a
- Area 1b
- Area 2





Inclusionary Housing Community Meetings

The City of Long Beach Department of Development Services is developing a proposed inclusionary housing policy to create housing options for residents at various income levels. A citywide inclusionary housing policy would require that all new housing developments include some percentage of affordable housing.



The process includes a study to determine how an inclusionary housing policy could help improve access to affordable housing in Long Beach. The study will gather input from the community to help evaluate local housing needs and opportunities. **The City of Long Beach invites you to join us at one of two upcoming community meetings on December 5 and 8* to learn more about the study, ask questions, and provide your input.**

Meeting Schedule

Central Long Beach

Wednesday, December 5, 2018 • 6:00 p.m.–8:00 p.m.

Long Beach Polytechnic High School 1600 Atlantic Ave.
Cafeteria Dining Room

West Long Beach

Saturday, December 8, 2018 • 10:00 a.m.–noon

Silverado Park Community Center 1545 W. 31st St.

Translation service in Spanish, Tagalog, and Khmer, as well as light refreshments will be provided.

Contact Us

The City wants to hear from you! Get involved and share your thoughts on this important effort.

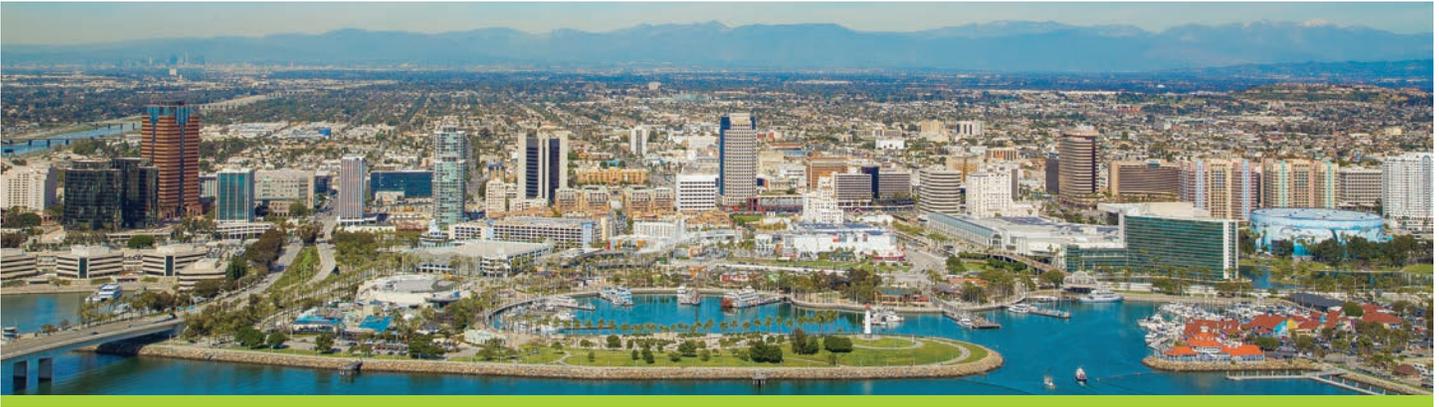
For additional information, contact Andrew Chang, Administrative Analyst, Long Beach Development Services, at (562) 570-6710 or andrew.chang@longbeach.gov.

Stay informed! Sign up for updates and notices on this topic at: www.lbds.info/inclusionaryhousinglb.

[f](https://www.facebook.com/LongBeachBuilds) LongBeachBuilds [t](https://twitter.com/LongBeachBuilds) @LongBeachBuilds

*The presentation at each meeting will be the same. Please attend the meeting that best fits your schedule and location.





The City of Long Beach is developing a proposed inclusionary housing policy.

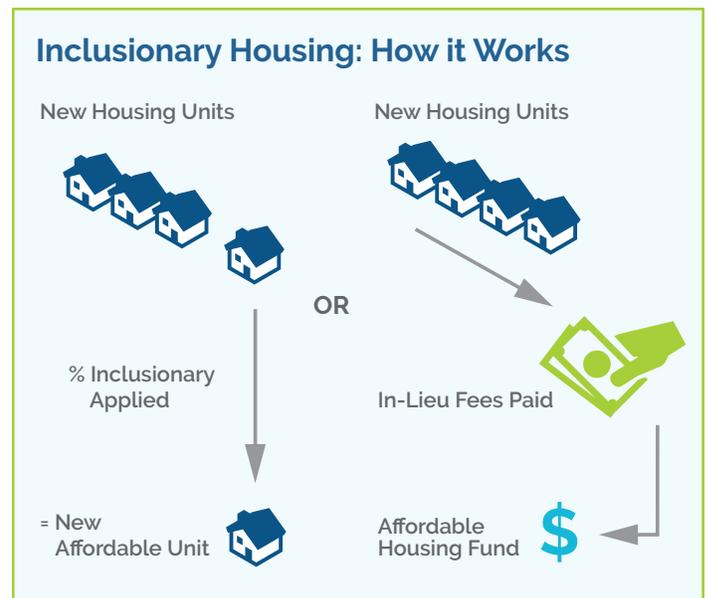
What is inclusionary housing?

Long Beach has over 176,000 housing units, ranging from single-family homes, low-rise apartments, and town homes to large condominium and apartment buildings. Despite this range of housing opportunities, the City faces numerous challenges in ensuring that people at all economic levels have access to safe and affordable housing near jobs and transit.

The City's Housing and Neighborhood Services Bureau is continuously seeking ways to provide affordable housing opportunities for residents. The City is working to develop a new inclusionary housing policy to help create housing that is affordable to people at all income levels.

An inclusionary housing policy would require all new housing developments to include or provide funding for homes affordable to a mix of incomes. The Inclusionary Housing Study will help design a policy tailored to Long Beach's unique housing needs.

The study will solicit feedback from the community to help evaluate local housing needs and opportunities to design the policy.



How will inclusionary housing help?

An inclusionary housing policy will seek to help address and improve housing affordability and access. In addition, the policy will look at how the City can improve and expand housing stock by implementing requirements for all new development of both new rental and for-sale housing. Equal access to housing is essential in helping the community meet its needs through personal, educational, economic, or other goals. The policy will also provide guidance for new development in conjunction with the City's Land Use Element, Zoning Ordinance, Housing Element, and the Consolidated 5-Year Plan.

Why is the City developing a potential inclusionary housing policy?

The current housing market in Long Beach, and many cities within the region, makes it difficult for moderate to lower-income residents to find affordable housing. With the growing need, the Long Beach City Council adopted a policy on May 2, 2017 directing staff to begin the development of an inclusionary housing policy to encourage mixed-income housing.

How will the policy be created and what comes next?

The study seeks to design an inclusionary housing policy that best fits the needs of communities in Long Beach and will help create additional housing options for residents at a range of income levels. There is no one-size-fits-all model for inclusionary housing when adopting a policy, but a best practices approach will help design a policy around the needs and input from community stakeholders. The City will continue to engage with community stakeholders from late fall 2018 through late summer 2019.

At the conclusion of this study, a draft policy will be prepared and shared with the Long Beach City Council. The final policy is expected by fall 2019 for adoption by the City Council in late 2019.



How can I get involved?

The City is hosting a series of community meetings, pop-up events, and stakeholder presentations to get direct feedback on housing needs related to the development of the inclusionary housing policy. To learn more about these meetings and events, or to request a presentation for your organization, please visit www.lbds.info/inclusionaryhousing.

Where can I ask questions?

Please use the following contact tools to access more project information, ask a question, or provide comments:

MAIL: Andrew Chang, Administrative Analyst
Long Beach Development Services
333 W. Ocean Blvd., 3rd Floor
Long Beach, CA 90802

CALL: (562) 570-6710

E-MAIL: andrew.chang@longbeach.gov

WEB: www.lbds.info/inclusionaryhousing

FACEBOOK: "Like" the Development Services Facebook page at facebook.com/LongBeachBuilds or search for us by typing "Long Beach Builds".

TWITTER: Follow us on Twitter @LongBeachBuilds or twitter.com/LongBeachBuilds.



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Emilio Santacruz	CVC	esantacruz@centuryvillages.org	—	Flyer
Bill Sive	LGBT	Bill.Sive@gmail	—	FLS
Taylor Thomas	EYCEJ	taylort.eycej@gmail.com	(562)612-1002	
Mo Mills	DLBA	morrisw@dlba.org		Walk
DIANA CORONADO	BUILDING INDUSTRY ASSOCIATION	DCORONADO@BIANV.ORG	951 233 1506	Apartment Association
Deborah Hill	RT LB Resident	deborah deborahslaney@yahoo		Neighborhood resource
sambathu UM				
ROTH PRAM			562)591-4693	
Raman Vasutha	Resident.	R.RAMANUJAM@CHARTER.NET	(562)429-3231	E-MAIL notices
Maria Lopez	Housing Long Beach	mlopez@housinglb.org	(562) 400 -3448	email.



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
T Ponchar		tponchar@cchea.com	562 490 9411	
Senay Kente				Councilman Andrews
Genwieve Vigil		buena.vida999@gmail.com	562.420.3034	facebook
Natalie Swift		natswit@gmail.com	562-805-6600	? ?
Clayton Heard	Cong. Lowenthal	clayton.heard@mail.house.gov	562 436 3828	clerk email!
Hayley Munguia		hmunguia@sung.com		
Chilyna Lo	KPA		(562) 304.3280	
KEATHA KENG	KPA		(562) 726.5606	
Corliss Lee	Eastside Voice CARP	corlisslee@aol.com	562 401 7063 714 401 7063	
Sandra Knoll	ICO/HLB/MCHB	sknoll10@gmail.com		



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Barbara Walker	Long Beach Gray Panthers	enrgateacha@aol.com		LB Gray Panthers
Lois Webster	LAMARC Realty	Loiswebster@hotmail.com	(310) 699-8002	flyer
CHERYL PYMAN	FARMERS-MERCHANTS BANK	CHERYL.PYMAN@FMB.COM	562 485-4385	email
Rebecca Kauma	CITY OF LONG BEACH		562-570-3441	
Nancy Rusch		nrusch51@yahoo.com	562 426 5266	email
Suehy Suro	office of Senator Ricardo Lara	Suehy.Suro@sen.ca.gov		
JORGE RIVERA	LIBRE	JORGE@WEARELIBRE.ORG	310-766-3246	EMAIL
Hattie Herring	City of LB	herringanefere@pb.com	562-728-4490	City Councilman
Karen Beside	Long Beach Gray Panther	longbeachgraypanther@gmail.com	562-336-7340	LB Gray Panther
Mary Casero		MaryCasero@yahoo.com	562 394-5993	mail



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Gabinela Yates	CD3 - C.OLB	-	-	CD3 - COLB
Melissa Bravo	Century Villages	mbravo@centuryvillages.org		CVC sponsor
Austin Metzger	DLBA	Austinm@dika.org		email
Nicholas Cabeza	Assemblymember O'Donnell	Nicholas.Cabeza@asm.ca.gov		email
Sonia Suresh	EAL Housing	Sonia.Suresh@eahhousing.org		email
Jordan Wynne	EVERYONE IN LA (UNITED WAY)	jordan@everyoneinla.org		SOCIAL MEDIA
Juelle Kennedy	Ensemble RE	jkennedy@ensemble.net		email
LAUYKANG LIM	KPA			
Mark Hopsun	KPA	misschare@khmerparent		
Joan Greenwood	WANA	wrigleyalliance@gmail.com		email



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Kana Estuphian	CDZ	kana.estuphian@longbeach.gov	570-2888	
Marvin DeHampis	HLB	MarvinDeHampis50@yahoo.com	(627) 612-9820	email
Andrew Mandujano	Long Beach Forward	andrew@lbforward.org	310-496-9570	
Dima Galkin	Resident	dimgalkin@gmail.com	314-304-1448	Dev. Services e-mail & Councilmembers e-mail
Christine Schachter	PWR	christines@pwr.net		email
John Kindred				





14

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	JORDAN WYNN
Email / Contact Information	jordan@everyoneinla.org
Organization/Organizacion:	EVERYONE IN LA
Question/Pregunta:	HOW DO THESE POLICY PLANS COINCIDE WITH THOSE OF THE EVERYONE HOME TASK FORCE POLICY RECOMMENDATIONS.

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



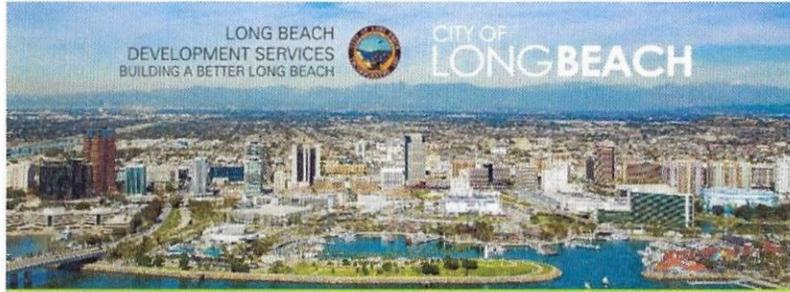
1

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Cori.39 Lee
Email / Contact Information	Cori.39lee@aol.com
Organization/Organizacion:	Eastside Voice - CARP
Question/Pregunta:	Will the units being constructed down town now - have these affordable units?

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



2

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Cortez Lee
Email / Contact Information	cortezlee@aol.com
Organization/Organizacion:	Outside Voice - CARP
Question/Pregunta:	Long Beach is already "built out" - why don't people move to the suburbs and inland for new housing? - concern is traffic & parking

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



3

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Deborah Hill
Email / Contact Information	deborahslaney@yahoo.com
Organization/Organizacion:	
Question/Pregunta:	How many of the new development on L.B Blvd will have a inclusionary housing policy and mixed-income housing

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

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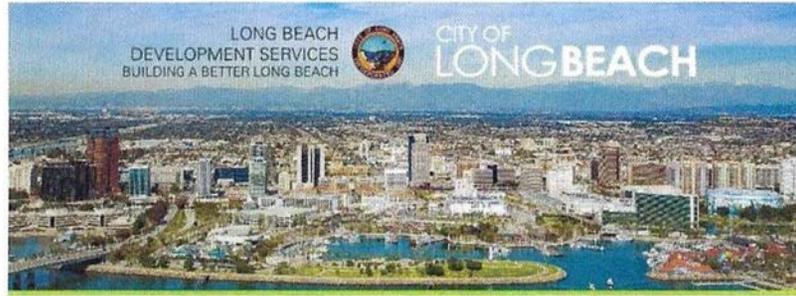


Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
<p>Question/Pregunta:</p> <p>How does the city anticipate that an inclusionary housing policy will affect housing ^{and provide more} housing for Section 8</p>

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



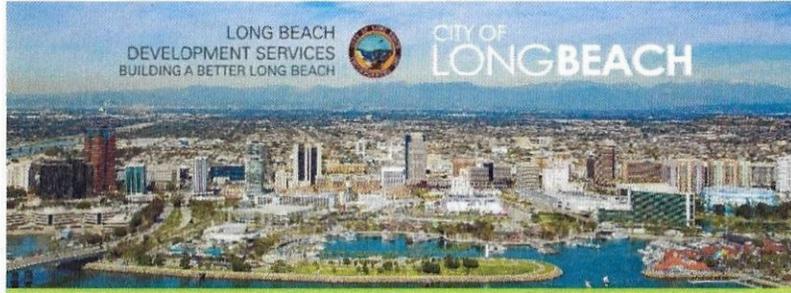
5

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: Can the city put up a tutorial online that explains the basics of affordable housing

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



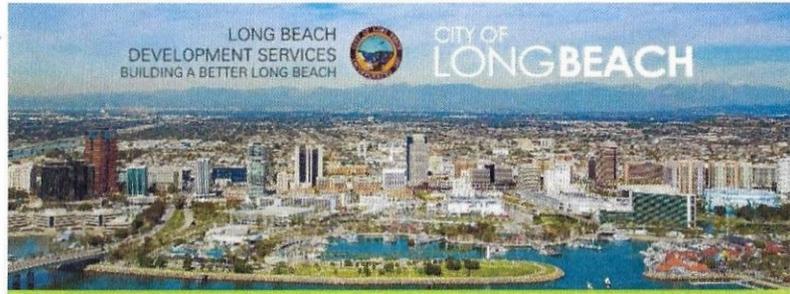
7

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: when will the economic study be completed and what will be the process for presenting the findings to residents and getting feedback?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



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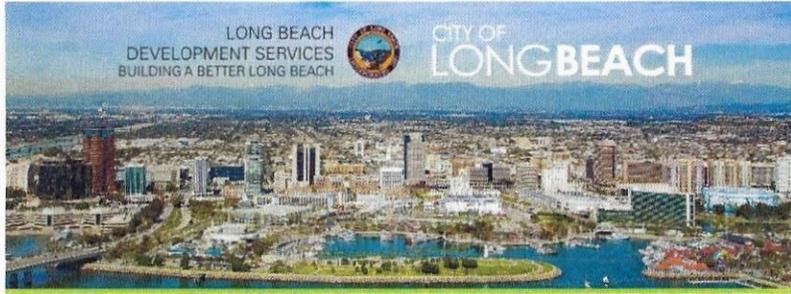
Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: WITH THE FEE THAT GOES INTO THE FUND; WILL THOSE GO TOWARDS CITY PROJECTS? SIT THERE? WHERE DOES THAT FUNDING GO?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*

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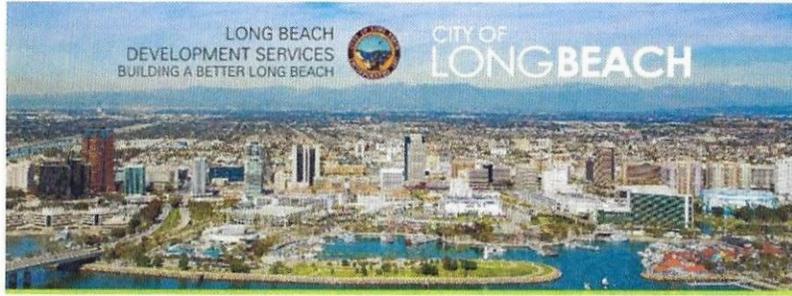


Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Diana Galkin
Email / Contact Information	dlgalkin@gmail.com
Organization/Organizacion:	
Question/Pregunta:	<p>Has the City looked at how the inclusionary housing requirement might deter residential development?</p> <p>Is the City considering alternative or complementary policies to support set housing affordability, like density bonuses?</p>

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



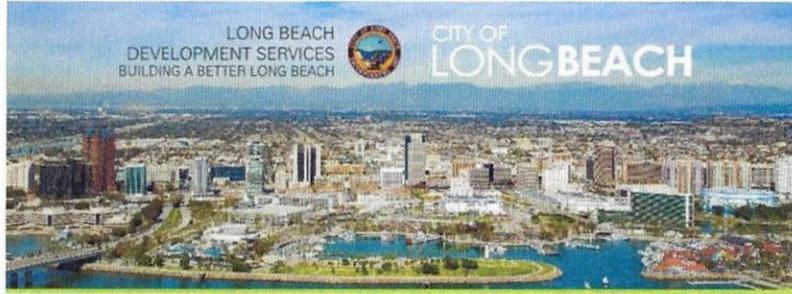
10

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: How will it impact 2-4 unit buildings?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



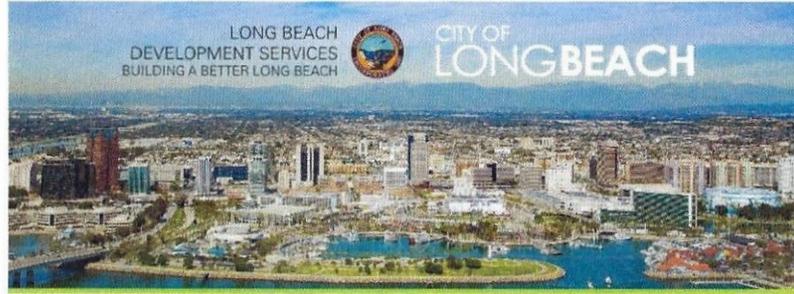
11

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: Are you involving people in housing industry when gathering your info?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



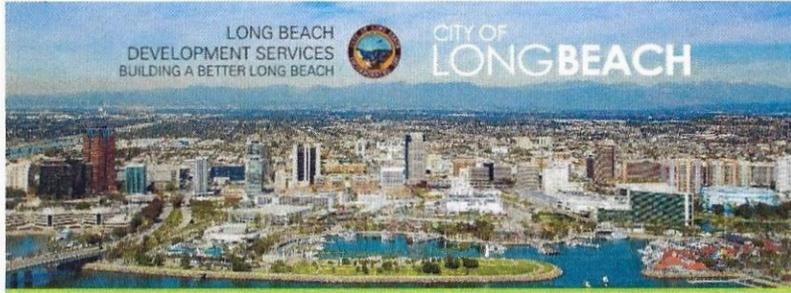
12

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: How did the loss of the RDA & those properties affect the development of affordable housing in Long Beach

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



13

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	JORGE RIVERA
Email / Contact Information	JORGE@WEARELIBRE.ORG
Organization/Organizacion:	LIBRE
Question/Pregunta:	WHAT ARE THE CURRENT STATUS OF THE RAINA RECOMM. RECS. UNITS FOR EACH INCOME CATEGORY?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*

Question

6

would 2 responsible adults living together exceed the over crowding of ~~1~~ ~~2~~ ~~3~~ ~~4~~ ~~5~~ ~~6~~ ~~7~~ ~~8~~ ~~9~~ ~~10~~ ~~11~~ ~~12~~ ~~13~~ ~~14~~ ~~15~~ ~~16~~ ~~17~~ ~~18~~ ~~19~~ ~~20~~ ~~21~~ ~~22~~ ~~23~~ ~~24~~ ~~25~~ ~~26~~ ~~27~~ ~~28~~ ~~29~~ ~~30~~ ~~31~~ ~~32~~ ~~33~~ ~~34~~ ~~35~~ ~~36~~ ~~37~~ ~~38~~ ~~39~~ ~~40~~ ~~41~~ ~~42~~ ~~43~~ ~~44~~ ~~45~~ ~~46~~ ~~47~~ ~~48~~ ~~49~~ ~~50~~ ~~51~~ ~~52~~ ~~53~~ ~~54~~ ~~55~~ ~~56~~ ~~57~~ ~~58~~ ~~59~~ ~~60~~ ~~61~~ ~~62~~ ~~63~~ ~~64~~ ~~65~~ ~~66~~ ~~67~~ ~~68~~ ~~69~~ ~~70~~ ~~71~~ ~~72~~ ~~73~~ ~~74~~ ~~75~~ ~~76~~ ~~77~~ ~~78~~ ~~79~~ ~~80~~ ~~81~~ ~~82~~ ~~83~~ ~~84~~ ~~85~~ ~~86~~ ~~87~~ ~~88~~ ~~89~~ ~~90~~ ~~91~~ ~~92~~ ~~93~~ ~~94~~ ~~95~~ ~~96~~ ~~97~~ ~~98~~ ~~99~~ ~~100~~ ~~101~~ ~~102~~ ~~103~~ ~~104~~ ~~105~~ ~~106~~ ~~107~~ ~~108~~ ~~109~~ ~~110~~ ~~111~~ ~~112~~ ~~113~~ ~~114~~ ~~115~~ ~~116~~ ~~117~~ ~~118~~ ~~119~~ ~~120~~ ~~121~~ ~~122~~ ~~123~~ ~~124~~ ~~125~~ ~~126~~ ~~127~~ ~~128~~ ~~129~~ 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We want to hear from you.

DATE: 12/5/2018 LOCATION: LB POLY HS.

IF PEOPLE CANNOT AFFORD
HOUSING ~~HAS~~ CAN'T THE
CITY INCLUDE REDUCING
COSTS OF FIXED INCOME
RESIDENTS:

UTILITIES:

WATER:

ELECTRICITY

LOCAL TAX

FEES

TRANSPORTATION

RAMAN VASISHTH

NAME

(562) 429-3231

PHONE

RAMANV@CHARTER.NET

EMAIL

3250 ILLINOIS AVE

MAILING ADDRESS

LB, CA 90808

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

FECHA 12/5/2018 UBICACION LB Policy HS

WE PUSHED OUT THE THE PEOPLE ~~AT THE~~ THAT WERE LOW INCOME ON THE WEST SIDE BY DR. Putting in massive money to develop that AREA,

But now that those residents are displaced are we trying to redistribute development to increase density.

is that correct

NOMBRE Ramon

TELÉFONO (562) 429-3231

CORREO ELECTRÓNICO Ramon V@CherPerma

DOMICILIO

CIUDAD, ESTADO, CÓDIGO POSTAL

Comunicase con nosotros (562) 570-6710 andrew.chang@longbeach.gov www.lbds.info/inclusionaryhousinglb

@LongBeachBuilds

LongBeachBuilds

Job skill program Programs Training



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre: RAMAN VASISHTH
Email / Contact Information RAMANV@CHARTER.NET
Organization/Organizacion: RESIDENT.
Question/Pregunta: CAN THIS EFFORT BE DONE BY CITY DISTRICT?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**

We want to hear from you.

DATE: 12/05/18 LOCATION: POLY HIGH SCHOOL

DIANA CORONADO

NAME 951 233 1506

PHONE DCORONADO@BIALAN.ORG

EMAIL 350 S. BIXEL STREET. #100

MAILING ADDRESS LA, CA 90071

CITY, STATE, ZIP

PLEASE ADD MY
E-MAIL TO MAILING
LIST.

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

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We want to hear from you.

DATE: 12/5/2018 LOCATION: LONG BEACH INCLUSIONARY HOUSING
LB POLY HS

PLEASE DON'T LISTEN TO
THE NIMBYS! WE NEED AFFORDABLE
HOUSING
→ THE REQUIRED RATE
OF INCLUSIONARY HOUSING
SHOULD BE AT LEAST
20%.

→ UNITED WAY OF
GREATER LA & THE
EVERYONE IN LA COALITION
WANTS TO HELP! MY EMAIL
IS PROVIDED; I AM THE
LONG BEACH COORDINATOR :)

JORDAN WYNNE

NAME

PHONE

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

We want to hear from you.

DATE: 12/5/18 LOCATION: Poly Hi School Corliss Lee
 NAME 714 401 7063
 PHONE corlisslee@aol.com
 EMAIL 3072 Knoxville Ave
 MAILING ADDRESS Long Beach Ca 90808
 CITY, STATE, ZIP

Contact Us

(562) 570-6710
 andrew.chang@longbeach.gov
 www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

Comment: the biggest issue will be adding density. The problem with density is parking and traffic. I would strongly advise adding deQA into the policy so that parking and traffic studies are done and we are careful to follow deQA guidelines to not make an

impossible situation in a

neighborhood

We want to hear from you.

DATE: 12/05/18 LOCATION: POLY HS

Thank you for
holding these meetingsVery much needed
for feedback from
community —Please keep me
on your contact
list & mailing —
Good meeting!!!

NAME Marvin K Deramus

PHONE (562) 612-9820

EMAIL Marvinderamus50@yahoo.com

MAILING ADDRESS 106 N Norman Ct

CITY, STATE, ZIP LB, CA 90813

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds LongBeachBuilds

We want to hear from you.

DATE: 12/5/2010 LOCATION: LB POLY HS.

I WOULD LIKE TO SEE
 MITIGATING STREAMLINING
 FOR DEVELOPERS FOR THE
 PURPOSES OF HAVING PARKING
 PROBLEMS OTHER AREAS
 OF THE CITY EXPERIENCES
 IS THERE A WAY TO PREVENT
 OF ~~BEING~~ NOT HAVING ENOUGH
 PARK

TRAFFIC REDUCTION
 INFRASTRUCTURE SUPPORT
 FIRE, POLICE PARKS

KAMAN VASISHTH

NAME
(562) 429-3231PHONE
KAMAN V(D) CHARTER.WE7'EMAIL
3250 ILLINOIS AVEMAILING ADDRESS
LB, CA 90808

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds



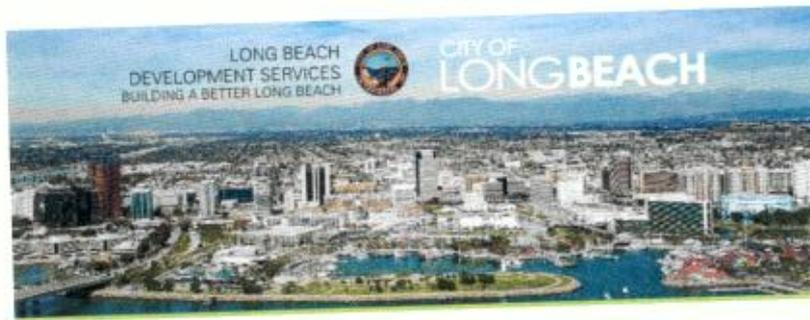
Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre: <i>RAMAN VASISHTH</i>
Email / Contact Information <i>RamanV@Charter.net</i>
Organization/Organizacion:
Question/Pregunta: <i>THE STATE ALREADY HAS LAWS, WHY DO WE NEED TO CHANGE CITY LAWS. RESIDENTS NOW THE CITY IS built out. why dont we stop building houses if we dont have</i>

room.

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	DIANA CORONADO
Email / Contact Information	DCORONADO@BIALAV.ORG
Organization/Organizacion:	BUILDING INDUSTRY ASSOCIATION
Question/Pregunta:	WILL THE FEASIBILITY STUDY SHOW IMPACTS OF IB POLICIES ON DEVELOPMENT? AT LEAST IF THEY ARE BEING USED AS EXAMPLES OR REFERENCED?

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

* PLEASE ADD MY EMAIL TO MAILING LIST.



Welcome



Project Timeline

2018 2019

Fall

| Winter

| Spring

| Summer

| Fall



▶▶▶ Ongoing Community Outreach and Engagement ▶▶▶

▶▶▶ Community Meetings ▶▶▶

▶▶▶ Pop-Up Events, Community Workshops, Social Media and Community Listening Sessions ▶▶▶



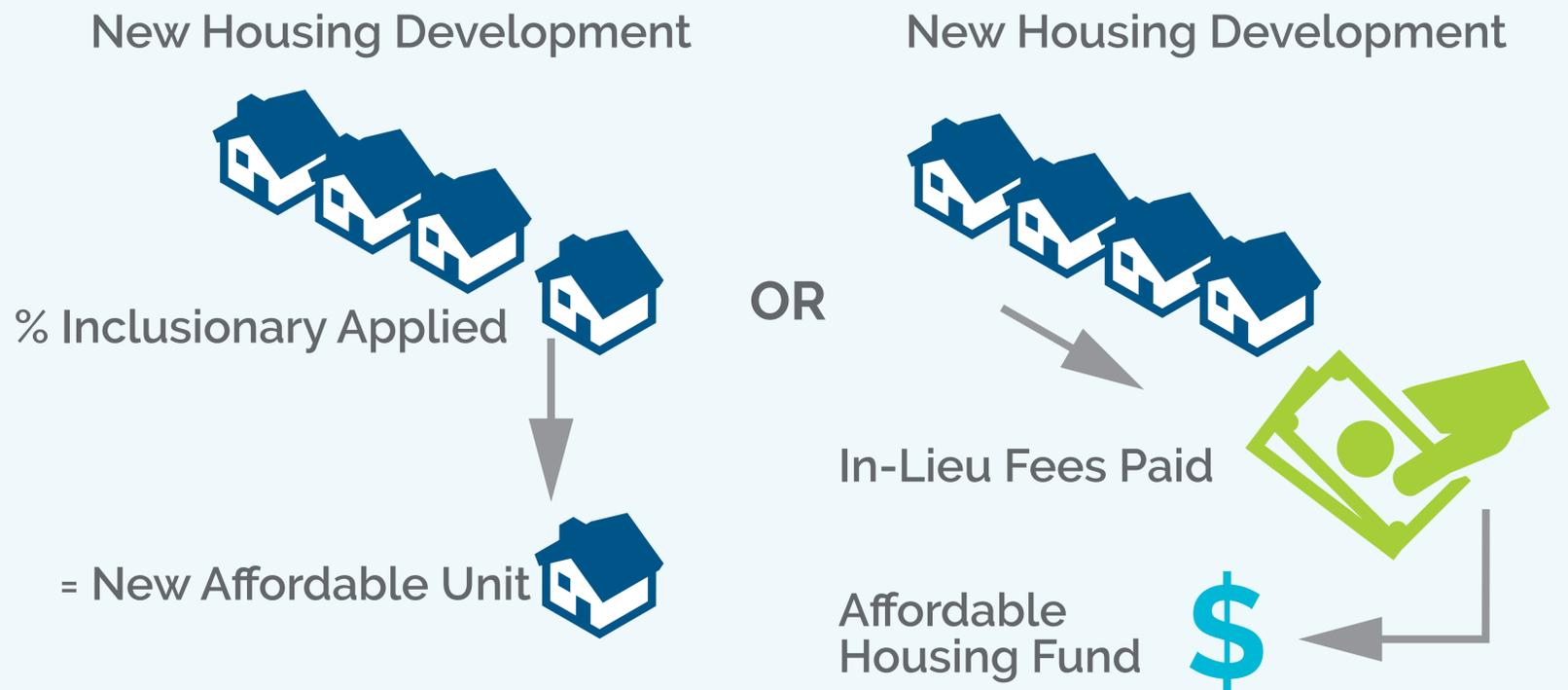
What is Inclusionary Housing?

INCLUSIONARY HOUSING requires that a certain percentage of new housing units be made affordable. Inclusionary housing also requires that affordable housing is included in new developments that otherwise would not include it.

- Opportunities for residents of all income levels to share in the benefits of growth and investment.
- Offers opportunities for economic inclusion and advance Fair Housing goals.
- Address a shortage of housing affordable to families with lower incomes.

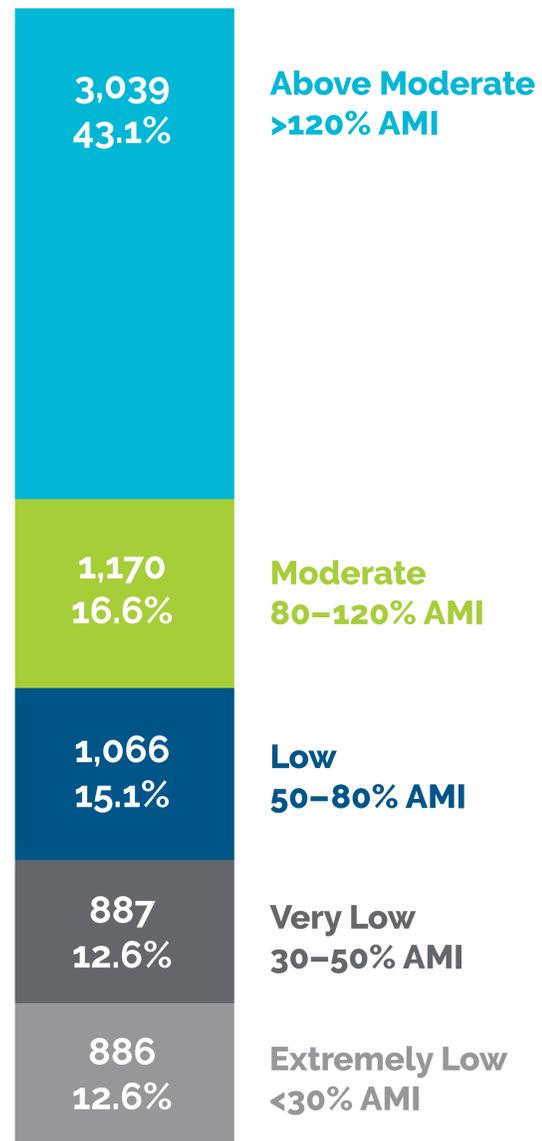
For example, if a development has 100 units and the inclusionary requirement is 15%, then of the 100 units, 15 units are required to be affordable, and 85 units would be market rate.

How it Works



Background and Data

Regional Housing Needs Assessment



Total: 7,048 2013-2021 RHNA (Units)

Percentage of Renters and Owners

Owner/Renter	1990	2000	2010
	Percentage	Percentage	Percentage
Owner Occupied	41%	41%	42%
Renter Occupied	59%	59%	58%

Source: Bureau of the Census, 1990, 2000, and 2010.



Background and Data (continued)

Overcrowding by Owner/Renter

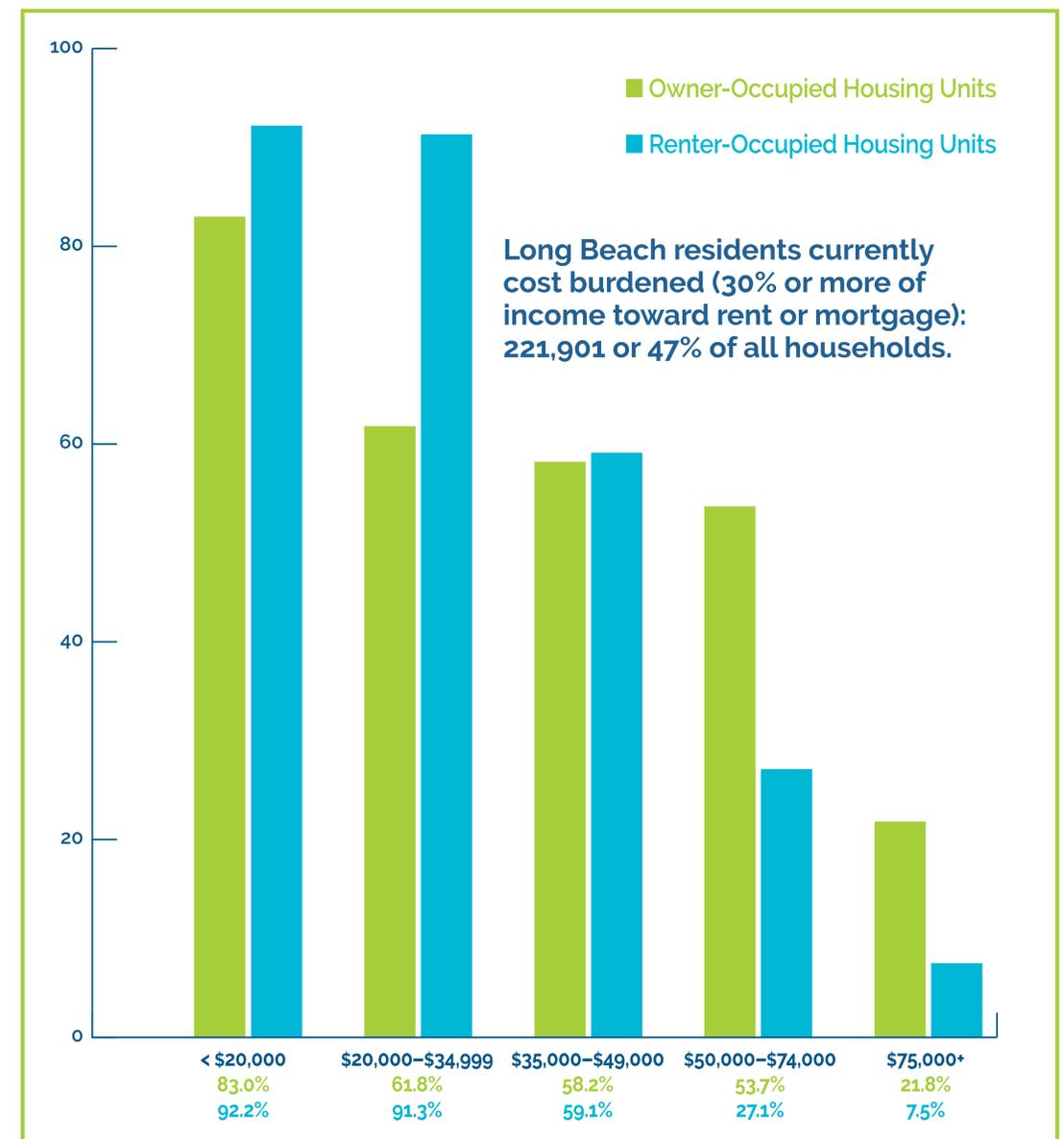
Jurisdiction	Overcrowded (1+ occupants per room)			Severely Overcrowded (1.5+ occupants per room)		
	Renter	Owner	Total	Renter	Owner	Total
Long Beach	16.2%	6.1%	12.2%*	6.9%	1.6%	4.8%
Los Angeles County	17.5%	6.0%	12.1%	7.8%	1.6%	4.9%

* 12.2% equates to 56,883 people experiencing overcrowding in Long Beach.

Note: American Community Survey Data are based on a sample and are subject to sampling variability.

Source: ACS 2010–2014

Housing Cost Burden by Income and Tenure



Inclusionary Housing Examples

City of Pasadena

FAIR OAKS COURT DEVELOPMENT: 33 low- and moderate-income housing units



- ▶ Inclusionary Housing Policy adopted in 2001.
- ▶ 15% of residential and mixed-use projects of 10 or more units dedicated as affordable to low- and moderate-income households. Developers may pay a fee in lieu of developing inclusionary units and fees are deposited into the Inclusionary Housing Trust Fund.



City of Oakland

LAKESIDE SENIOR APARTMENTS: 92-unit affordable senior housing development



- ▶ Inclusionary Housing Policy adopted in 2006.
- ▶ 15% of all new residential development to be set aside as affordable housing on-site or 20% affordable units to be set aside off-site. Developers may pay a fee in lieu of developing inclusionary units based on the 20% affordable units.



City of Irvine

PARC DERIAN: 80 units for working families, veterans and special-needs residents



- ▶ Inclusionary Housing Policy adopted in 2006.
- ▶ 15% of all new residential development to be set aside as housing for very low, low- and moderate-income households. Developers may pay a fee in lieu of developing inclusionary units and fees are deposited into an affordable housing trust fund.



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Emilio Santacruz	CVC	esantacruz@centuryvillages.org	—	Flyer
Bill Sive	LGBT	Bill.Sive@gmail	—	FLS
Taylor Thomas	EYCEJ	taylort.eycej@gmail.com	(562)612-1002	
Mo Mills	DLBA	morrisw@dlba.org		Walk
DIANA CORONADO	BUILDING INDUSTRY ASSOCIATION	DCORONADO@BIANV.ORG	951 233 1506	Apartment Association
Deborah Hill	RT LB Resident	deborah deborahslaney@yahoo		Neighborhood resource
sambathu UM				
ROTH PRAM			562)591-4693	
Raman Vasutha	Resident.	R.RAMANU@CHARTER.NET	(562)429-3231	E-MAIL notices
Maria Lopez	Housing Long Beach	mlopez@housinglb.org	(562) 400 -3448	email.



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
T Ponchar		tponchar@cchea.com	562 490 9411	
Senay Kente				Councilman Andrews
Genwieve Vigil		buena.vida999@gmail.com	562.420.3034	facebook
Natalie Swift		natswit@gmail.com	562-805-6600	? ?
Clayton Heard	Cong. Lowenthal	clayton.heard@mail.house.gov	562 436 3828	clerk email!
Hayley Munguia		hmunguia@sung.com		
Chilyna Lo	KPA		(562) 304.3280	
KEATHA KENG	KPA		(562) 726.5606	
Corliss Lee	Eastside Voice CARP	corlisslee@aol.com	562 401 7063 714 401 7063	
Sandra Knoll	ICO/HLB/MCHS	sknoll10@gmail.com		



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Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Barbara Walker	Long Beach Gray Panthers	enrgateacha@aol.com		LB Gray Panthers
Lois Webster	LAMARC Realty	Loiswebster@hotmail.com	(310) 699-8002	flyer
CHERYL PYMAN	FARMERS-MERCHANTS BANK	CHERYL.PYMAN@FMB.COM	562 485-4385	email
Rebecca Kauma	CITY OF LONG BEACH		562-570-3441	
Nancy Rusch		nrusch51@yahoo.com	562 426 5266	email
Suehy Suro	office of Senator Ricardo Lara	Suehy.suro@sen.ca.gov		
JORGE RIVERA	LIBRE	JORGE@WEARELIBRE.ORG	310-766-3246	EMAIL
Hattie Herring	City of LB	herringanefere@pb.com	562-728-4498	City Councilman
Karen Beside	Long Beach Gray Panther	longbeachgraypanther@gmail.com	562-336-7340	LB Gray Panther
Mary Casero		MaryCasero@yahoo.com	562 394-5993	mail



Long Beach Inclusionary Housing Community Meeting

Long Beach Poly High School

Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Gabinela Yates	CD3 - C.OLB	-	-	CD3 - COLB
Melissa Bravo	Century Villages	mbravo@centuryvillages.org		CVC sponsor
Austin Metzger	DLBA	Austinm@dika.org		email
Nicholas Cabeza	Assemblymember O'Donnell	Nicholas.Cabeza@asm.ca.gov		email
Sonia Suresh	EACH Housing	Sonia.Suresh@eachhousing.org		email
Jordan Wynne	EVERYONE IN LA (UNITED WAY)	jordan@everyoneinla.org		SOCIAL MEDIA
Juelle Kennedy	Ensemble RE	jkennedy@ensemble.net		email
LAUYKANG LIM	KPA			
Mark Hopsun	KPA	misschare@khmerparent		
Joan Greenwood	WANA	wrigleyalliance@gmail.com		email



Long Beach Inclusionary Housing Community Meeting

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Wednesday, December 5, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Kana Estuphian	CDZ	kana.estuphian@longbeach.gov	570-2888	
Marvin DeHampis	HLB	MarvinDeHampis50@yahoo.com	562) 612-9820	email
Andrew Mandujano	Long Beach Forward	andrew@lbforward.org	310-496-9570	
Dima Galkin	Resident	dimgalkin@gmail.com	314-304-1448	Dev. Services e-mail & Councilmembers e-mail
Christine Schachter	PWR	christines@pwr.net		email
John Kindred				





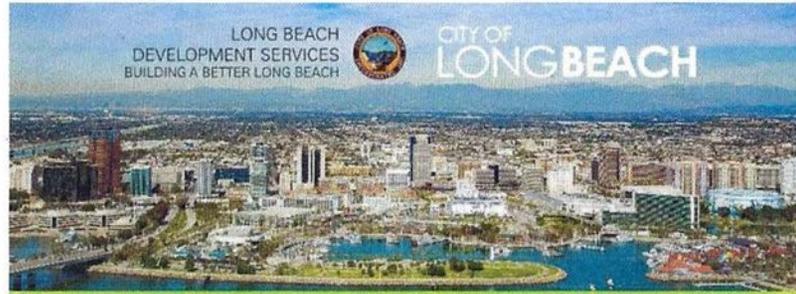
14

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	JORDAN WYNN
Email / Contact Information	jordan@everyoneinla.org
Organization/Organizacion:	EVERYONE IN LA
Question/Pregunta:	HOW DO THESE POLICY PLANS COINCIDE WITH THOSE OF THE EVERYONE HOME TASK FORCE POLICY RECOMMENDATIONS.

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



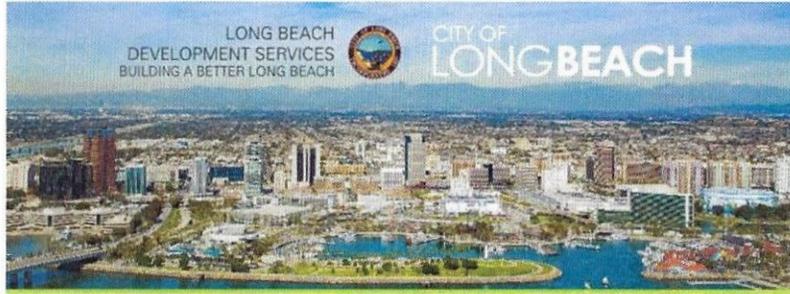
1

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Cori.39 Lee
Email / Contact Information	Cori.39lee@aol.com
Organization/Organizacion:	Eastside Voice - CARP
Question/Pregunta:	Will the units being constructed down town now - have these affordable units?

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



2

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Cortez Lee
Email / Contact Information	cortezlee@aol.com
Organization/Organizacion:	Outside Voice - CARP
Question/Pregunta:	Long Beach is already "built out" - why don't people move to the suburbs and inland for new housing? - concern is traffic & parking

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



3

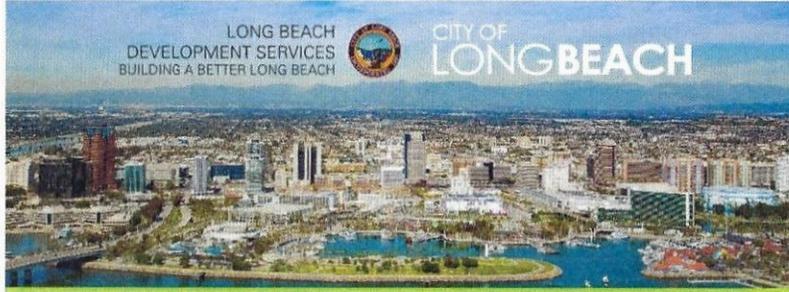
Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Deborah Hill
Email / Contact Information	deborahslaney@yahoo.com
Organization/Organizacion:	
Question/Pregunta:	How many of the new development on L.B Blvd will have a inclusionary housing policy and mixed-income housing

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

4

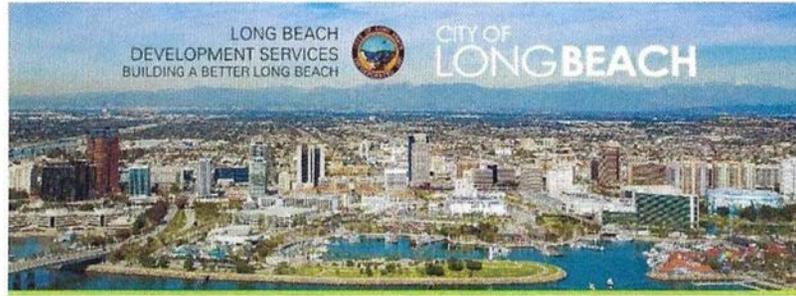


Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
<p>Question/Pregunta:</p> <p>How does the city anticipate that an inclusionary housing policy will affect housing ^{and provide more} housing for Section 8</p>

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



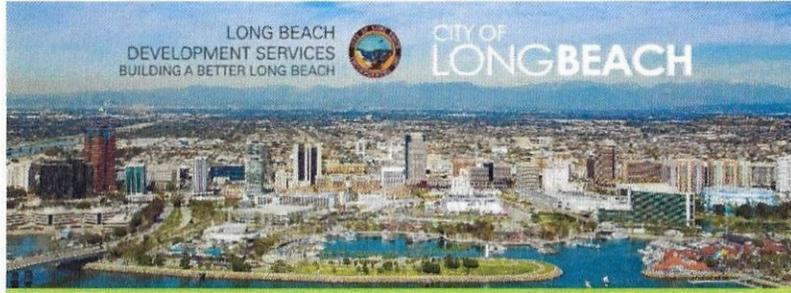
5

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: Can the city put up a tutorial online that explains the basics of affordable housing

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



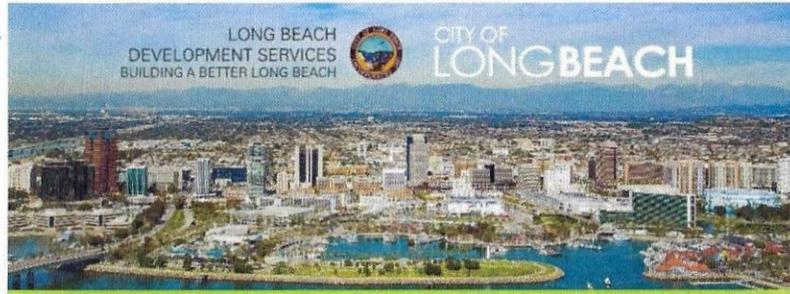
7

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: when will the economic study be completed and what will be the process for presenting the findings to residents and getting feedback?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



8

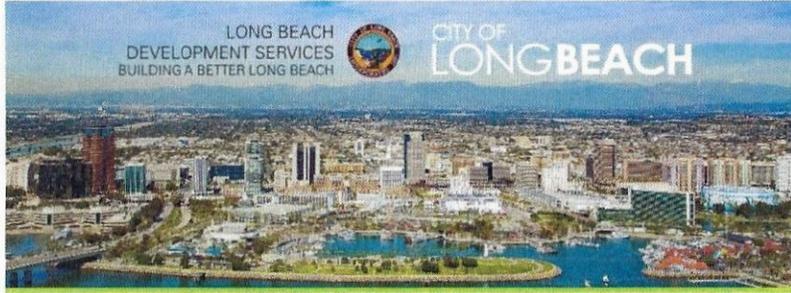
Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: WITH THE FEE THAT GOES INTO THE FUND; WILL THOSE GO TOWARDS CITY PROJECTS? SIT THERE? WHERE DOES THAT FUNDING GO?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*

9

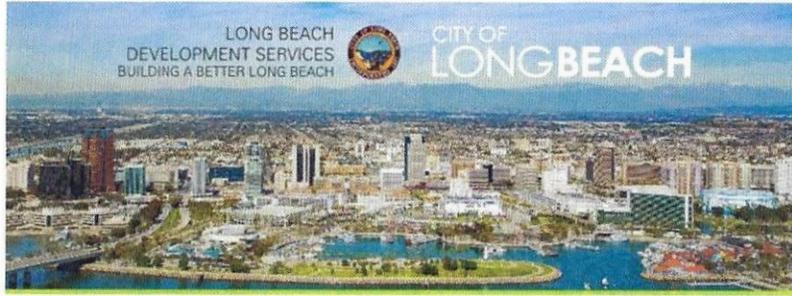


Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Diana Galkin
Email / Contact Information	dlgalkin@gmail.com
Organization/Organizacion:	
Question/Pregunta:	<p>Has the City looked at how the inclusionary housing requirement might deter residential development?</p> <p>Is the City considering alternative or complementary policies to support housing affordability, like density bonuses?</p>

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



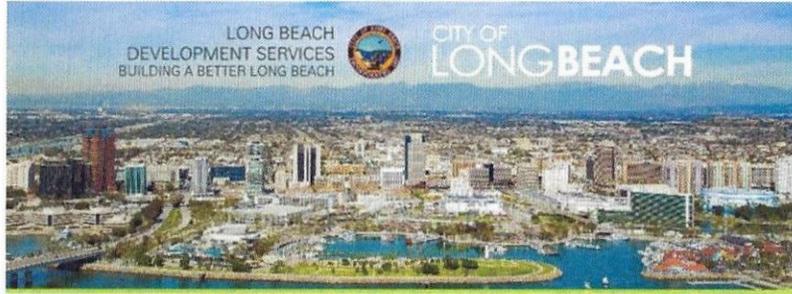
10

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: How will it impact 2-4 unit buildings?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



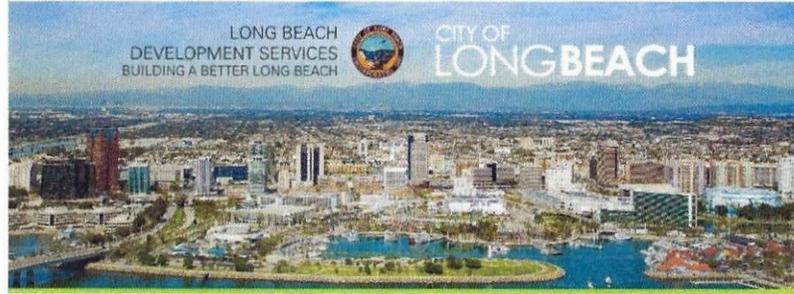
11

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: Are you involving people in housing industry when gathering your info?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*



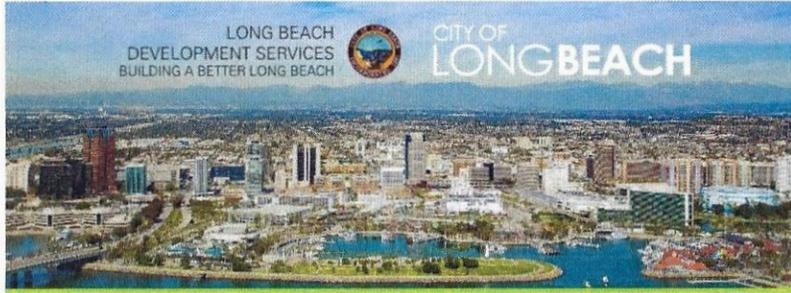
12

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: How did the loss of the RDA & those properties affect the development of affordable housing in Long Beach

Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



13

Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	JORGE RIVERA
Email / Contact Information	JORGE@WEARELIBRE.ORG
Organization/Organizacion:	LIBRE
Question/Pregunta:	WHAT ARE THE CURRENT STATUS OF THE PLAN RECOMM. RECS. UNITS FOR EACH INCOME CATEGORY?

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*

Question

6

would 2 responsible adults living together exceed the over crowding of ~~1~~ ~~2~~ ~~3~~ ~~4~~ ~~5~~ ~~6~~ ~~7~~ ~~8~~ ~~9~~ ~~10~~ ~~11~~ ~~12~~ ~~13~~ ~~14~~ ~~15~~ ~~16~~ ~~17~~ ~~18~~ ~~19~~ ~~20~~ ~~21~~ ~~22~~ ~~23~~ ~~24~~ ~~25~~ ~~26~~ ~~27~~ ~~28~~ ~~29~~ ~~30~~ ~~31~~ ~~32~~ ~~33~~ ~~34~~ ~~35~~ ~~36~~ ~~37~~ ~~38~~ ~~39~~ ~~40~~ ~~41~~ ~~42~~ ~~43~~ ~~44~~ ~~45~~ ~~46~~ ~~47~~ ~~48~~ ~~49~~ ~~50~~ ~~51~~ ~~52~~ ~~53~~ ~~54~~ ~~55~~ ~~56~~ ~~57~~ ~~58~~ ~~59~~ ~~60~~ ~~61~~ ~~62~~ ~~63~~ ~~64~~ ~~65~~ ~~66~~ ~~67~~ ~~68~~ ~~69~~ ~~70~~ ~~71~~ ~~72~~ ~~73~~ ~~74~~ ~~75~~ ~~76~~ ~~77~~ ~~78~~ ~~79~~ ~~80~~ ~~81~~ ~~82~~ ~~83~~ ~~84~~ ~~85~~ ~~86~~ ~~87~~ ~~88~~ ~~89~~ ~~90~~ ~~91~~ ~~92~~ ~~93~~ ~~94~~ ~~95~~ ~~96~~ ~~97~~ ~~98~~ ~~99~~ ~~100~~ ~~101~~ ~~102~~ ~~103~~ ~~104~~ ~~105~~ ~~106~~ ~~107~~ ~~108~~ ~~109~~ ~~110~~ ~~111~~ ~~112~~ ~~113~~ ~~114~~ ~~115~~ ~~116~~ ~~117~~ ~~118~~ ~~119~~ ~~120~~ ~~121~~ ~~122~~ ~~123~~ ~~124~~ ~~125~~ ~~126~~ ~~127~~ ~~128~~ ~~129~~ 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We want to hear from you.

DATE: 12/5/2018 LOCATION: LB POLY HS.

IF PEOPLE CANNOT AFFORD
HOUSING ~~HAS~~ CAN'T THE
CITY INCLUDE REDUCING
COSTS OF FIXED INCOME
RESIDENTS:

UTILITIES:

WATER:

ELECTRICITY

LOCAL TAX

FEES

TRANSPORTATION

RAMAN VASISHTH

NAME

(562) 429-3231

PHONE

RAMANV@CHARTER.NET

EMAIL

3250 ILLINOIS AVE

MAILING ADDRESS

LB, CA 90808

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

FECHA 12/5/2018 UBICACIÓN LB Policy HS

WE PUSHED OUT THE THE
PEOPLE ~~AT THE~~ THAT WERE
LOW INCOME ON THE
WEST SIDE BY DR. PUTTING
IN MASSIVE MONEY TO DEVELOP
THAT AREA,

But now that those residents
are displaced are we trying
to redistribute development
to increase density.

is that correct

NOMBRE Ramon

TELÉFONO (562) 429-3231

CORREO ELECTRÓNICO Ramon V@CherPeron

DOMICILIO

CIUDAD, ESTADO, CÓDIGO POSTAL

Comunicase con nosotros
(562) 570-6710
andrew.chang@longbeach.gov
www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

Job skill program Programs
Training



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre: RAMAN VASISHTH
Email / Contact Information RAMAN.V@CHARTER.NET
Organization/Organizacion: RESIDENT.
Question/Pregunta: CAN THIS EFFORT BE DONE BY CITY DISTRICT?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**

We want to hear from you.

DATE: 12/05/18 LOCATION: POLY HIGH SCHOOL

DIANA CORONADO

NAME 951 233 1506

PHONE DCORONADO@BIALAN.ORG

EMAIL 350 S. BIXEL STREET. #100

MAILING ADDRESS LA, CA 90071

CITY, STATE, ZIP

PLEASE ADD MY
E-MAIL TO MAILING
LIST.

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 12/5/2018 LOCATION: LONG BEACH INCLUSIONARY HOUSING
LB POLY HS

PLEASE DON'T LISTEN TO
THE NIMBYS! WE NEED AFFORDABLE
HOUSING
→ THE REQUIRED RATE
OF INCLUSIONARY HOUSING
SHOULD BE AT LEAST
20%.

→ UNITED WAY OF
GREATER LA & THE
EVERYONE IN LA COALITION
WANTS TO HELP! MY EMAIL
IS PROVIDED; I AM THE
LONG BEACH COORDINATOR :)

JORDAN WYNNE

NAME

PHONE

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

We want to hear from you.

DATE: 12/5/18 LOCATION: Poly Hi School Corliss Lee
 NAME 714 401 7063
 PHONE corlisslee@aol.com
 EMAIL 3072 Knoxville Ave
 MAILING ADDRESS Long Beach Ca 90808
 CITY, STATE, ZIP

Comment: the biggest issue will be adding density. The problem with density is parking and traffic. I would strongly advise adding deQA into the policy so that parking and traffic studies are done and we are careful to follow deQA guidelines to not make an

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

impossible situation in a

neighborhood

We want to hear from you.

DATE: 12/05/18 LOCATION: POLY HS

Thank you for
holding these meetings

Very much needed
for feedback from
community —

Please keep me
on your contact
list & mailing —
Good meeting!!!

NAME Marvin K DeRamus

PHONE (562) 612-9820

EMAIL Marvinderamus50@yahoo.com

MAILING ADDRESS 106 N Norman Ct

CITY, STATE, ZIP LB, CA 90813

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 12/5/2010 LOCATION: LB POLY HS.

I WOULD LIKE TO SEE
 MITIGATING STREAMLINING
 FOR DEVELOPERS FOR THE
 PURPOSES OF HAVING PARKING
 PROBLEMS OTHER AREAS
 OF THE CITY EXPERIENCES
 IS THERE A WAY TO PREVENT
 OF ~~BEING~~ NOT HAVING ENOUGH
 PARK

TRAFFIC REDUCTION
 INFRASTRUCTURE SUPPORT
 FIRE, POLICE PARKS

KAMAN VASISHTH

NAME
(562) 429-3231PHONE
KAMAN V(D) CHARTER.WE?'EMAIL
3250 ILLINOIS AVEMAILING ADDRESS
LB, CA 90808

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds LongBeachBuilds



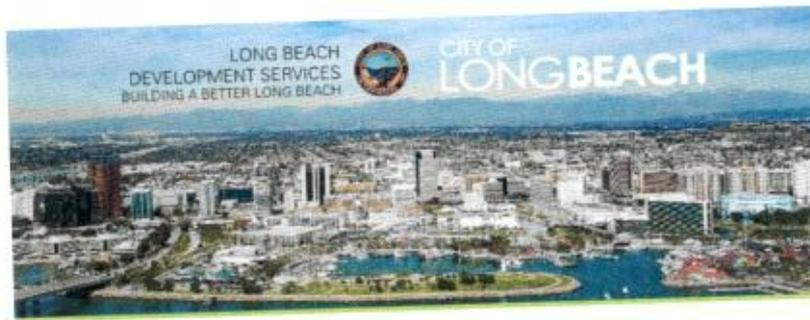
Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre: RAMAN VASISHTH
Email / Contact Information RamanV@Charter.net
Organization/Organizacion:
Question/Pregunta: THE STATE ALREADY HAS LAWS, WHY DO WE NEED TO CHANGE CITY LAWS. RESIDENTS NOW THE CITY IS built out. why dont we stop building houses if we dont have room.

room.

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	DIANA CORONADO
Email / Contact Information	DCORONADO@BIALAV.ORG
Organization/Organizacion:	BUILDING INDUSTRY ASSOCIATION
Question/Pregunta:	WILL THE FEASIBILITY STUDY SHOW IMPACTS OF IB POLICIES ON DEVELOPMENT? AT LEAST IF THEY ARE BEING USED AS EXAMPLES OR REFERENCED?

Please limit your comments to two minutes. You can submit written comments.
 Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

* PLEASE ADD MY EMAIL TO MAILING LIST.

Long Beach Inclusionary Housing Community Meeting

Silverado Park Community Center

Saturday, December 8, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Valerie Osner	LB Post	valerie@lbpost.com		LB Post
Roman Rhoads	Gale St	roman.rhoads@gmail	(562) 209-9811	Friends
Regina Young	THROW IN PROJECT	THROWINPROJECT@aol.com	(323) 377-6501	City of LBSC
Tony Mendoza	Resident	MendozaLET@gmail.com Tmendoza	(213) 281-0933	City email blast



Long Beach Inclusionary Housing Community Meeting

Silverado Park Community Center

Saturday, December 8, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
JOE SOFO	CONO	homes@joesofa.com	562-201-1026	
Humberto Fajardo	LB WSiolk Association	fajardohumberto@yahoo.com	562 310 561 2149	
HENRI WINTERS		henriwinters@yahoo.com	562-673-5181	
GARY MICHOVICH		michovich@yahoo.com	562 477 1958	
Josh Butler	Housing Long Beach	jbutler@housinglb.org	562-754-6645	
Pet Kennedy	ICO	pet@gmubrlan,bealico.org	562 984-2727	
Senay Kente	Local 397			
Jonathan Kraus	Councilmember Al Austin	jonathan.kraus@longbeach.gov	570-6685	
ANDY KERR	MEASURE H COAB/ MAYOR'S TASK FORCE ON HOMELESSNESS	akerr.ca@gmail.com	323-816-2408	
Jessie Childress		jessie.childress2481@gmail.com	562 537-7071	



Long Beach Inclusionary Housing Community Meeting

Silverado Park Community Center

Saturday, December 8, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
MINEO MIYAGISHIMA Karl Essers	Walk Bike LB	essersk2@atami.mines.edu	(562) 843-4184	e-mail karl@walkbike1b.org
DAVID FREEMAN	HHROC	DFREE22@GMAIL.COM		
Alanah Grant	city of Long Beach Dist. 9	alanah.grant@longbeach.gov	(562) 570-6137	
Kevin Shin	Walk Bike Long Beach	kevin@walkbike1b.org		e-mail
Alejandra Gutierrez	resident of LB	guthie.dte@hotmail.com	562-720-4188	email
Debra Marr - Leisy	Rebuilding Together Long Beach	dmarrleisy@rt1b.org		email
Elsa Tung	Long Beach Forward	elsa@lbforward.org	310-901-6338	email
Emily Quest	Westside Home Owner	emilyquestartist@gmail.com	562 682 9789	fb
Hakeem Parke-Davis	Home Owner	hakeemdavis@ gmail.com	562 231 6885	



Long Beach Inclusionary Housing Community Meeting

Silverado Park Community Center

Saturday, December 8, 2018

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Danzell Parker II	ATA Board Member	dpark2nd@gmail.com		Email
Dante Jones	HOPE	djones.ny.luzerne		



We want to hear from you.

DATE: _____ LOCATION: _____

WHY Did We Need
Food?

WHY Does The
Meeting Start
Late?

NAME _____

PHONE _____

EMAIL _____

MAILING ADDRESS _____

CITY, STATE, ZIP _____

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 12/8/18

LOCATION: 7th District

Please come up with incentives that encourage more development of affordable units, like parking, ~~to~~ siting near transit,

Developers will come when there are cost savings to development

- How are you connecting people in need of housing with said production

NAME: Hakeem Parke-Davis

PHONE: 562-231-6885

EMAIL: hakeem.davis@gmail.com

MAILING ADDRESS: 1920 Henderson Ave

CITY, STATE, ZIP: Long Beach, CA 90806

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE:

LOCATION:

12/8/18

S. Colorado Park

Karl Eggers

NAME

(562) 843-4181

PHONE

karl@walkbike16.org

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

I support the city of LB looking at an inclusionary housing policy. The feasibility study needs to consider the balance between setting too high a % and that would shut down new construction, and too low a % and thus Long Beach not getting the % of affordable housing it could get.

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

We want to hear from you.

DATE:

LOCATION:

12/8/2018 LB West Association
 I want to upgrade our LBW city for
 40 more years

I wish we can build a brick fence for all lots
 of west side with the help of planning of LB city
 it will improve the neighborhood

Increase the value of our property
 Increase the equality of our lives

embellish LB West Side

Attract investors

Create more jobs

LB city will increase its revenues by

creating new taxes

Humberto Fajardo

NAME 310 561 2149

PHONE fajardohumberto77@yahoo.com

EMAIL 1800 W. Spring St, Long Beach, CA 90810

MAILING ADDRESS Long Beach, CA 90810

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 12-08-18 LOCATION: SILVERADO PARK MINEO MIYA

INFORMATIVE PRESENTATION.
THANK YOU.

NAME
PHONE
MINEOM923@GMAIL.COM
EMAIL
1536 SUMMIT ST
MAILING ADDRESS
CA 90810
CITY, STATE, ZIP

Contact Us
(562) 570-6710
andrew.chang@longbeach.gov
www.lbds.info/inclusionaryhousinglb
@LongBeachBuilds
LongBeachBuilds



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre: *Emily Gvest*

Email / Contact Information

emilygvestartist@gmail.com

Organization/Organizacion:

mom

Question/Pregunta:

When I input stuff on golb sometimes they say cannot be handled through golb please call code enforcement. Can you change that policy

Please limit your comments to two minutes. You can submit written comments.

Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

and ~~we~~ also have golb forward the photo to code because a picture is worth a thousand words,

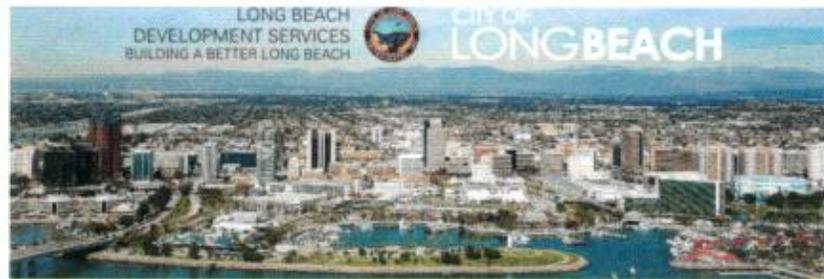


Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	
Email / Contact Information	THE WIND PROJECT @ 201.COM
Organization/Organizacion:	
Question/Pregunta:	AS A AFFORDABLE HOUSING DEVELOPER WHY DO WE HAVE TO GO TO MANY SOURCES FOR FUNDING WHEN THERE A NEED TO PRODUCE HOUSING?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing Question or Comment Card/Tarjeta de Preguntas

Name/Nombre: **ALAN PIT GRANT**

Email / Contact Information

Organization/Organizacion:

Question/Pregunta: **THERE'S A HUGE BOOM OF CONSTRUCTION DOWNTOWN, WOULD THIS INCLUSIONARY HOUSING POLICY INCLUDE CURRENT DEVELOPMENTS UNDER CONSTRUCTION/ IN THE PIPELINE?**

*Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.*

Queremos escuchar de ti.

FECHA

UBICACIÓN

Are you reaching
out to for profit
developers? It is
important that they are
on board w/ an in
live fee.

NOMBRE

TELÉFONO

CORREO ELECTRÓNICO

DOMICILIO

CIUDAD, ESTADO, CÓDIGO POSTAL

Comunicase con nosotros

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE:

LOCATION:

NAME

PHONE

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

*Inclusionary housing will increase
density of private inhabitants but not
more jobs?
It benefit big developers?*

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb



@LongBeachBuilds



LongBeachBuilds

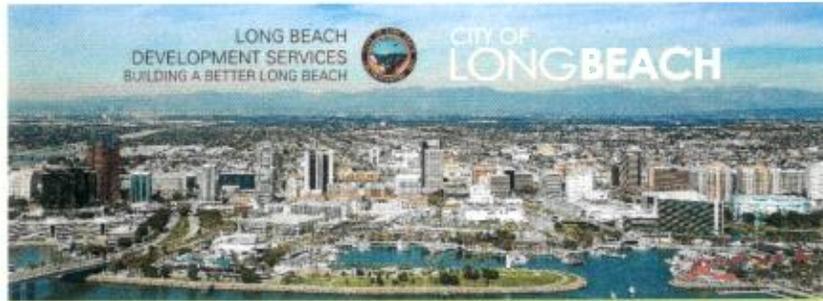


Long Beach Inclusionary Housing Question or Comment Card/Tarjeta de Preguntas

Name/Nombre:	Karl Eggers
Email / Contact Information	eggmen84@alumnismisreda karl@walkbike lb.org
Organization/Organizacion:	Walk Bike LB
Question/Pregunta:	<p>1) Have studies been done that demonstrate if "In-lieu-Fees" works better (ie, results in more affordable units built), then "inclusionary housing".</p> <p>2) In ordinance - does it cover tenant responsibility (societal, community civility, rule compliance) or is it just income based rules?</p>

Please limit your comments to two minutes. You can submit written comments.

Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre:	Elsa Tung
Email / Contact Information	
Organization/Organizacion:	
Question/Pregunta:	What is the expected ^{total} # of new units at market rate expected to be built over the next 10 years?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**

Queremos escuchar de ti.

FECHA

UBICACIÓN

NOMBRE

TELÉFONO

CORREO ELECTRÓNICO

DOMICILIO

CIUDAD, ESTADO, CÓDIGO POSTAL

~~7/10~~

Is mandatory IZ

going to be considered at
all?

Comunicase con nosotros

(562) 570-6710

andrew.chang@longbeach.gov

www.lbds.info/inclusionaryhousinglb

 @LongBeachBuilds

 LongBeachBuilds



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre:	Elsa Tung
Email / Contact Information	elsa@LBForward.org
Organization/Organizacion:	LB Forward
Question/Pregunta:	One of your staff mentioned to me before the meeting that if the inclusionary percentage is above 15%,

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**

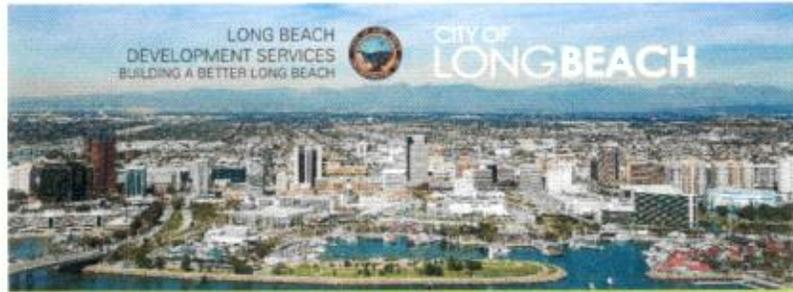
the project goes through a state audit. Can you explain?



Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas

Name/Nombre:	MINEO MIYAGISHIMA
Email / Contact Information	MINEOM923@GMAIL.COM
Organization/Organizacion:	
Question/Pregunta:	WILL ILLEGAL ALIENS BE ELIGIBLE FOR FOR LOW INCOME HOUSING

Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: How can this process be speeded up? IF the market cools off will this be dropped?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	HENRI WINTERS
Email / Contact Information	HENRIWINTERS@YAHOO.COM
Organization/Organizacion:	advocate for housing
Question/Pregunta:	<ul style="list-style-type: none"> - What is the role of non profit affordable housing developers - How do you ensure that developers don't spend their money in other cities without these restrictions? tax incentives?

Please limit your comments to two minutes. You can submit written comments.

Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.

- What is the size of a development before this takes effect?



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Jessie Childress
Email / Contact Information	Jessie.childress2481@gmail.com
Organization/Organizacion:	—
Question/Pregunta:	Legal to convert garage into rental? \$ avail for upgrade, maybe lower % rate

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre:	Elsa Tung
Email / Contact Information	elsa@LBforward.org
Organization/Organizacion:	Long Beach Forward
Question/Pregunta:	Do most inclusionary housing policies in CA have an in-lieu fee structure? What is the approximate range of fees? This is important because fees are often lower that than what is needed to build affordable housing.

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre:	DAVID FREEMAN
Email / Contact Information	DCFREE22 @ GMAIL.COM
Organization/Organizacion:	HOUSING IS A HUMAN RIGHT
Question/Pregunta:	I AM SOMEBODY

***Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.***



**Long Beach Inclusionary Housing
Question or Comment Card/Tarjeta de Preguntas**

Name/Nombre:	Kevin Shin
Email / Contact Information	kevin@walkbike1b.org
Organization/Organizacion:	Walk Bike Long Beach
Question/Pregunta:	What specifically is being done to ensure outreach to the most impacted in order to ensure their input is included in the process?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Josh Butler - Housing LB
Email / Contact Information	jbutler@housinglb.org
Organization/Organizacion:	
Question/Pregunta:	Given the length of time this process is taking, has City Hall considered a freeze on development?

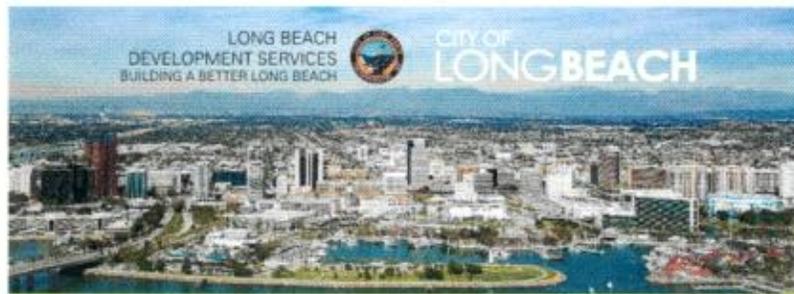
**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing Question or Comment Card/Tarjeta de Preguntas

Name/Nombre:	Kevin Shin
Email / Contact Information	kevin@walkbikelb.org
Organization/Organizacion:	Walk Bike Long Beach
Question/Pregunta:	Will the inclusionary policy apply to new projects that are rehabilitations or redevelopments of existing multi-family properties?

Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:	Hakeem The Planner
Email / Contact Information	hakeem@theplanner.com
Organization/Organizacion:	LA City Planning / Urban Land Solutions
Question/Pregunta:	<ul style="list-style-type: none"> - What incentives are developed in inclusionary - Is this zoning or specific planning - Is there a scale / incentive relationship - Is there funding available to developers - who would use the inclusion fee

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: <p style="font-family: cursive; font-size: 1.2em;">If Inc. Zoning of 15% was in place for the last 2 years — How many affordable units would have been produced?</p>

***Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.***



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre: <i>Senai Kenfe</i>
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: <i>1. How many former RDA properties that are now being developed have affordable housing connected to them?</i> <i>2. In other cities around the world such as London, the money raised from a Inclusionary Housing Fund is used to build city owned housing. Why aren't we doing this rather than gap financing?</i>

Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.



Long Beach Inclusionary Housing

Question or Comment Card/Tarjeta de Preguntas o Comentarios

Name/Nombre:
Email / Contact Information
Organization/Organizacion:
Question/Pregunta: What else is city doing to encourage affordable housing besides inclusionary zoning? What is working to encourage affordable housing?

**Please limit your comments to two minutes. You can submit written comments.
Por favor limite sus comentarios a dos minutos. Puede enviar comentarios por escrito.**



Inclusionary Housing Community Workshop

Long Beach Development Services is continuing to develop a proposed inclusionary housing policy to create housing options for residents at various income levels. A citywide inclusionary housing policy would require that all new housing developments include some percentage of affordable housing.



The project team has developed a study to determine how an inclusionary housing policy could help improve access to affordable housing in Long Beach. We want to hear your input on how the study can help further evaluate local housing needs and opportunities. **The City of Long Beach invites you to join us at the upcoming community workshop on June 29 to learn more about the outcome of the study, participate with interactive boards and provide your input.**

Workshop Information:

Saturday, June 29, 2019

10:00 a.m. – noon

Roosevelt Elementary School Auditorium

1574 Linden Ave.

Translation service in Spanish, Tagalog, and Khmer, as well as light refreshments will be provided.

Contact Us

For additional information, contact Andrew Chang, Administrative Analyst, Long Beach Development Services, at (562) 570-6710 or andrew.chang@longbeach.gov.

Stay informed! Sign up for updates and notices on this topic at: longbeach.gov/lbds/hn/inclusionary-housing-study.

  @LongBeachBuilds

Long Beach Inclusionary Housing Community Meeting

Roosevelt Elementary School Auditorium

Saturday, June 29, 2019

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
DIANA CORONADO	BUILDING INDUSTRY ASSOC.	DCORONADO@BIALAVORG	951 233 1504	WEB PAGE / EMAIL LIST
B Murray	Press Telegram			PressTelegram.com
Tunua Thrash-Ntuk	LISC	tunua.thrash@gmail.com	310 499 8470	

Long Beach Inclusionary Housing Community Meeting

Roosevelt Elementary School Auditorium

Saturday, June 29, 2019

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Hayley Munguia	Press-Telegram	hmunguia@sung.com	562-499-1203	
Sam Banuelos	Probation Dept.	sam.banuelos@probation.lacounty.gov	562-335-2643	
JORDAN WYNNE	UNITED WAY EVERYONE IN	jordan@everyoneinlong	(562) 713-1187	CAME TO LAST ONE
Dorothy Kemeny	Resident	dlkemeny@gmail.com	562/242-4751	web
Christine Perit	LB Forward	christine@lbforward.org	562-221-4537	
Allison B Krupp	HSAC/CoC Board	AllisonDrensala@LB.com	310-498-5154	LBDS

Long Beach Inclusionary Housing Community Meeting

Roosevelt Elementary School Auditorium

Saturday, June 29, 2019

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Regina Taylor	resident LB	rnewman1212@gmail.com	—	Thru the City.
Sosh Butler	resident	jd@mc@gmail.com	562-754-6645	
Doy Morales	resident		323 425 7435	work
Jose Gonzalez			323-826-4239	
Elsa Tung	Long Beach Forward	elsa@LBForward.org	310-901-0338	email
Erin Murphy	LBCC	emurphy@lbcc.edu		email
Ian Nevarez	HOPE, Inc.	ian.nevarez@hope-homes.org	562 508 0234	email
Alicia Morales	LIBRE	alicia.libre@gmail.com		email
Jacqueline Case	PREPA	JacquelineCase12@gmail.com		email
Kevin Shin	Walk Bike Long Beach	kevin@walkbikelb.org		email

Long Beach Inclusionary Housing Community Meeting

Roosevelt Elementary School Auditorium

Saturday, June 29, 2019

ATTACHMENT F

Name/Nombre	Affiliation/ Afiliación	Email/Correo electrónico	Phone/Teléfono	How did you hear about this meeting? ¿Cómo se enteró de esta reunión?
Janet West	Resident	jayjay76511@verizon.net	(562) 290-9364	flyer
Lakisha Posey			(323) 947.3338	on line
Norma Hamilton	Resident	normahamiltonz@yahoo.com	(562) 424-4195	on line
Belinda Padias		D12B7H24@aol.	562) 429-9826	on line
Austin Metzger	DLBA	Austinm@dlba.org		on the-
Amanda Paiz	the childrens clinic	apaiz@thechildrensclinic.org	562-264-3115	
Amita Mendoza	Resident	amitamendoza2007@gmail.com	657-253-1354	Husband
Dawkins Hodges	Resident/Habitat	dawkinshodges53@gmail.com	657-253-1581	Email at work
Hollis Stewart	NPNA North Pine Neig Alliance	hollisstewart9042@gmail.com	—	Email & NPNA Mtg-
Diana Medel	Habitat	dmedel@habitatla.org	310-237-3279	

We want to hear from you.

DATE: 6/29/19 LOCATION: Roosevelt

• Build more on the East Side of LB since there has not been many new developments in the area + ~~it~~ it is going to get very crowded in the PLUB area, after current developments conclude.

• More developments in zone 2 Eastside LB, safer area + better schools for children

NAME

PHONE

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 6/29/19 LOCATION: Roosevelt Elementary School

• Developments of 8+ units could have I.H. available

• Consider case-by-case income limits for the middle class who fall in between moderate L.I. to a bit higher bracket, considering other costs a family might be expending (car payment, child care expenses, insurance, food etc) important to consider because often middle class families are the ones struggling & may not receive benefits or gov. assistance for resources related to living.

NAME

PHONE

EMAIL

MAILING ADDRESS

CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 06/29/2019 LOCATION: ROOSEVELT ELEMENTARY SCHOOL

WE NEED MORE ROBUST
POLICY OPTIONS FOR
SUBMARKET #2. IT IS
UNACCEPTABLE FOR
RESPONSIBILITY FOR
AFFORDABLE HOUSING DUTY
TO BE RESTRICTED TO
#1, AND WHAT HAS
BEEN PROPOSED ISN'T ENOUGH.
THEY SHOULD PAY INTO
HOUSING TRUST FUND
IN LIEU OF ANY DUTY.

JORDAN WYNNE
NAME (562) 743-9487
PHONE
EMAIL jordan@everyoneinla.org
353. WESTON PL
MAILING ADDRESS
LONG BEACH, CA 90807
CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: LOCATION:

6/29/19 Roosevelt Elementary
Re: student housing insecurity
Is there any opportunity to
include consideration of
special populations,
such as LB students, in
the criteria for
inclusionary housing?
OR stipulate a number of
percentage of units
available to VLI, LI, or
MOD income individuals/
families who are enrolled
at LBCC particularly?

ERIN MURPHY
NAME 562.938.4732
PHONE
EMAIL emurphy@lbcc.edu
MAILING ADDRESS 4901 E. CARSON ST.
90802
CITY, STATE, ZIP
(Resident of Alamitos Beach)

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE:

LOCATION:

I would love to be more involved as I am a local Realtor & President of Grande Real Estate Professionals Association.

I want to be an advocate to get more of my industry involved as affordable housing is a serious issue.

Jacqueline Case
 NAME 562-833-2523
 PHONE
 Jacqueline Case 12@gmail.com
 EMAIL
 4170 Elm Ave # 319
 MAILING ADDRESS
 Long Beach CA 90807
 CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: 6/28/15

LOCATION: Roosevelt Elementary

- Add community benefit to the analysis.
- Require all units to be of some quality so there is no segregation by income within rental projects.
- Consider the impact & requirements of AFFH on neighborhoods of opportunity.
- Allow developers to partner with nonprofits to meet requirements.
- Make it quick when accessing Trust Fund financing
- Add incentives or options to include all income levels in a project.

Dankins Hedges
 NAME 657-257-1581
 PHONE
 dankinshedges53@gmail.com
 EMAIL
 555 Main St. Unit 405
 MAILING ADDRESS
 LB CA 90802
 CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/

 @LongBeachBuilds

 LongBeachBuilds

We want to hear from you.

DATE: _____ LOCATION: Roosevelt Elementary

I would LOVE to see more of the great work that LBDS is doing at more of the community meetings in DTLB ~~and~~. No one under stands
 Thank you for this today!

NAME: Allison B Krupa
 PHONE: 310498-5154
 EMAIL: Allison@densalens.com
 MAILING ADDRESS: 520 Paisy Ave
 CITY, STATE, ZIP: LB CA 90802

Contact Us
 (562) 570-6710
andrew.chang@longbeach.gov
www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE: 1/2/14 LOCATION: Roosevelt Elem

- The meaning & understanding of inclusionary was presented very clearly.
 - A lot of facts such as what parts of city will be most affected moving forward.
 - Inclusionary zoning is a good thing, primarily for moderate income levels based on who will live in developments paying market rates.

NAME: Norma Hamilton
 PHONE: 562 424-4195
 EMAIL: normahamilton2@yahoo.com
 MAILING ADDRESS: _____
 CITY, STATE, ZIP: _____

Contact Us
 (562) 570-6710
andrew.chang@longbeach.gov
www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE: 6/29/19 LOCATION: Roosevelt

Allowing In-Lieu fees only in Submarket One (Downtown & Midtown) will contribute to gentrification

NAME: Janet West
 PHONE: (562) 290-9364
 EMAIL: jayjay76511@gmail.com
 MAILING ADDRESS: 2051 Palo Verde Ave
 CITY, STATE, ZIP: Long Beach, CA 90815

Contact Us
 (562) 570-6710
 andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE: 6/29/19 LOCATION: Roosevelt School

Inclusionary housing policies should not be finalized until after the ²⁰¹⁹ CA Legislative Session has concluded. Bills such as SB 330, SB 592, AB 1763 etc. will make many of these proposed developer requests into by right.

NAME: Janet West
 PHONE: (562) 290-9364
 EMAIL: jayjay76511@gmail.com
 MAILING ADDRESS: 2051 Palo Verde Ave
 CITY, STATE, ZIP: Long Beach, CA 90815

Contact Us
 (562) 570-6710
 andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE: 6-29-2019 LOCATION: 1574 Linden Ave. Long Beach

Who requested this study to be done?

Good information

At this point & from my understanding, I believe I am favorable with this or even a greater % of affordable housing.

Belinda Padias
NAME
 (562) 429-9826
PHONE
 Di2B7H24@aol.com
EMAIL
 3503 Knoxville Avenue
MAILING ADDRESS
 Long Beach, Ca. 90808
CITY, STATE/ZIP

Contact Us
 (562) 570-6710
 andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE: 6/29/19 LOCATION: Long Beach

More information on Affordable base on income, when and how to apply.

Lakisha Pkay
NAME
 323. 947. 3338
PHONE
EMAIL
 1404 Chestnut Ave Apt 2
MAILING ADDRESS
 Long Beach cal 90813
CITY, STATE, ZIP

Contact Us
 (562) 570-6710
 andrew.chang@longbeach.gov
 www.longbeach.gov/lbds/hn/inclusionary-housing-study/
 @LongBeachBuilds
 LongBeachBuilds

We want to hear from you.

DATE:

LOCATION:

- With limited available land how would an in-lev fee substantively help to generate more affordable housing, outside of a project?.

- With the recent passage of the LUE areas of LB saw little increases in height, would a policy waive those height max, to allow for greater density in these areas.

Austin Metzger
NAME
 PHONE
 EMAIL Austin m@diba.org.
 MAILING ADDRESS 100 W Broadway ste 120
 Long Beach CA 90802
CITY, STATE, ZIP

Contact Us

(562) 570-6710

andrew.chang@longbeach.gov

www.longbeach.gov/lbds/hn/inclusionary-housing-study/



@LongBeachBuilds



LongBeachBuilds

City of Long Beach - Inclusionary Housing Study		
Board Comments		
Board Title	# Votes	Comments
Threshold Applicability and Affordability Mix	0	Make it only 4 units or less, for less income segregation.
Threshold Applicability and Affordability Mix	0	Should apply to all new buildings
Threshold Applicability and Affordability Mix	5	Recommend including adjacent categories (e.g. VLI or LI or LI and MOD so that a family who moves from VLI to LI, for
Threshold Applicability and Affordability Mix	0	No option all three
Threshold Applicability and Affordability Mix	0	I would like to see a 50/50 VLI and LI alternative. Assess if it's feasible.
Threshold Applicability and Affordability Mix	1	Eliminate moderate income option. Keep it on LI and VLI
Threshold Applicability and Affordability Mix	2	<i>Board Text: Inclusionary requirements will apply to projects 10 units or larger</i>
In-Lieu Fees	0	In lieu fee should increase annually tracking housing costs (not CPI)
In-Lieu Fees	1	Residential units projects with more than 15 units or more
In-Lieu Fees	0	Allow developers to partner with affordable housing organizations to meet requirements
In-Lieu Fees	0	I believe inclusionary housing/affordable units should be created onsite (specific to rental residential projects).
In-Lieu Fees	0	Calibrate fee based on current cost of affordable housing.
In-Lieu Fees	1	<i>Board Text: Developers of ownership housing projects of any size could be allowed to pay an in-lieu fee by right</i>
In-Lieu Fees	2	<i>Board Text: Rental residential projects with more than 20 units should be required to produce the requisite number of inclusionary housing units. The City could allow in-lieu fees on projects with more than 20 units under demonstrated extreme hardship circumstances</i>
Production Options	0	On site where possible to encourage people of mixed incomes living together
Production Options	1	Consider ownership options for VLI/LI
Production Options	1	Consider requirement by sq. ft. minimums for on site
Production Options	9	<i>Board Text: On-site</i>
Incentive Based Inclusionary Program for Submarket #2	1	Require inclusionary requirements on ALL and ANY projects that receive zone change

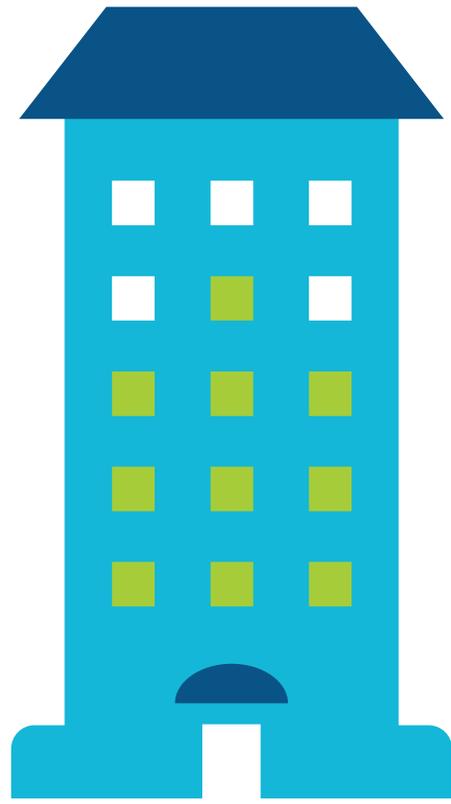
Incentive Based Inclusionary Program for Submarket #2	0	Would like to see that where the 24-hr shelter is open that there is AH and TRRH so families and services are close to them during transition.
Incentive Based Inclusionary Program for Submarket #2	3	Break down subgroup #2 into smaller subgroups
Incentive Based Inclusionary Program for Submarket #2	0	Find a way for affordable housing to be in sub 2
Incentive Based Inclusionary Program for Submarket #2	3	<i>Board Text: Impose inclusionary housing requirements on proposed projects that request a zone change, density increase, a height increase and/or other development standards waivers</i>
Incentive Based Inclusionary Program for Submarket #3	1	<i>Board Text: Pilot program that provides increased density and building height standards in return for inclusionary housing obligations</i>
General Comments and Feedback	0	Consider development freeze until policy takes effect.
General Comments and Feedback	0	Another attendee disagrees with "freeze" on the basis of supporting all housing development. Market rate and affordable.
General Comments and Feedback	0	Resident of Wrigley area: submarket #2 divisible



General Comments and Feedback

Threshold Applicability and Affordability Mix

Inclusionary Requirements will apply to projects **10 units** or larger



Income and affordability standards must be set at levels that do not constrain residential development.

Inclusionary Housing Production Analysis Financially Feasible Inclusionary Housing Percentages Submarket #1: Rental Residential Development

Alternative	Financially Feasible Inclusionary %
Single-Income Category Inclusionary Alternatives	
All Moderate Income (MOD)	19%
All Low Income (LI)	12%
All Very Low Income (VLI)	11%
Mixed-Income Category Inclusionary Alternatives	
20% VLI and 80% LI	12%
80% VLI and 20% LI	11%
30% LI and 70% MOD	14%



Production Options

Proposed set of standards for production of inclusionary housing units: on-site vs. off-site

On-site:

- Affordable units dispersed throughout project
- Bedroom mix of affordable units proportional to bedroom mix of market-rate units, with City discretion of square footage
- Developed at the same quality as base models of market-rate units.

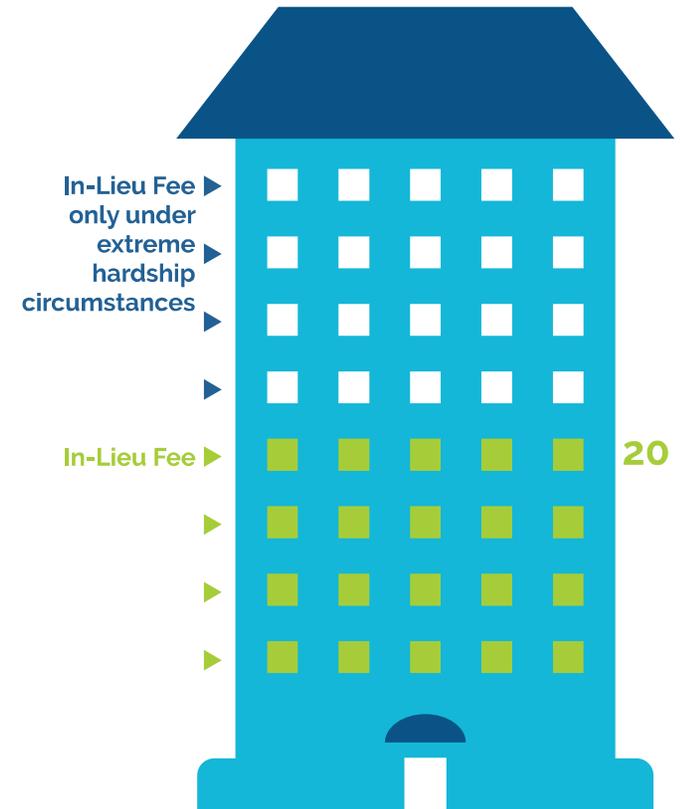
Off-site:

- Located in close proximity to market-rate project and City approval rights over off-site location
- Option to establish higher inclusionary housing percentage requirement
- Required to be comprised solely of rental residential units
- City to set scope, design, building quality and maintenance standards to fulfill the needs of the targeted population base

In-Lieu Fees

An in-lieu fee is an alternative to satisfy the inclusionary housing requirement by paying a fee in lieu of building affordable units. Generally, these are paid into a housing trust fund and used (along with other funding sources) to finance affordable housing developed off site.

- In-lieu fee payment should be allowed for any fractional inclusionary housing unit requirement
- Developers of ownership housing projects of any size **could** be allowed to pay an in-lieu fee by right
- In-lieu fee payment **could** be allowed by right for rental residential projects with up to 20 units
- Rental residential projects with more than **20 units** should be required to produce the requisite number of inclusionary housing units. The City **could** allow in-lieu fees on projects with more than 20 units under demonstrated extreme hardship circumstances.



In-Lieu Fees—Affordability Gap Approach Submarket #1: Rental Residential Development

In-Lieu Fee	Moderate Income	Low Income	Very Low Income
Per Affordable Unit	\$223,000	\$356,000	\$383,000
Per Square Foot of GBA	\$37.90	\$37.90	\$38.50

Incentive Based Inclusionary Housing Program for Submarket #2

With no recent multifamily projects built in Submarket #2 and no development data, the City could not complete a feasibility analysis and will therefore develop an incentive-based policy for Submarket #2.

- Impose inclusionary housing requirements on proposed projects that request a zone change, a density increase, a height increase and/or other development standards waivers
- Pilot program that provides increased density and building height standards in return for inclusionary housing obligations
- Develop a Transfer of Development Rights (TDR) program that requires inclusionary housing obligations as a program requirement

Inclusionary Housing Production Analysis: Submarket #2 Potential Inclusionary Housing Production Requirements			
Income Level	Affordable Units as a Percentage of Base Zoning	Density Bonus Percentage	Number of Incentives or Concessions
Rental Residential Projects			
Very Low (VL)	11%	35%+	3+
Low (L)	12%	35%+	2+
Moderate (MOD)	19%	35%+	2+
Ownership Residential Projects			
Moderate (MOD)	19%	35%+	2+



INCLUSIONARY HOUSING COMMUNITY WORKSHOP

June 29, 2019
Roosevelt Elementary School

AGENDA

- Overview: Affordable Housing in Long Beach
- Recap: What is Inclusionary Housing?
- Components of an Inclusionary Housing Program
- Inclusionary Housing Study Process
- Results from the Feasibility Study
- Submarket Feasibility Analyses
- Community Feedback

OVERVIEW: AFFORDABLE HOUSING IN LONG BEACH

Like many cities, Long Beach has policies and programs in place to help create and preserve affordable housing.

- Preservation of "at-risk" affordable housing units
- New production and acquisition/rehabilitation of affordable units
- Multi-family housing rehabilitation loans
- Density bonuses, reduced parking, and impact fee waivers to encourage new affordable development
- Rental assistance programs including Housing Choice Vouchers
- Supportive housing for seniors, veterans and other special needs residents

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OVERVIEW: AFFORDABLE HOUSING IN LONG BEACH

- **Affordable Housing** is defined as housing in which occupants pay **no more than 30% of their income** on housing costs.
- Income categories are based on percentages of the Area Median Income (AMI).
- Extremely low income is 30% of AMI, very low income is 50% of AMI, and low income is 80% of AMI
- This chart shows 2019 income limits and affordable rents for a family of four in LA County as set by the State of California.

Family of Four Persons	Income Limit	Affordable Rent
Extremely Low-Income	\$31,300	\$783
Very Low Income	\$52,200	\$1,305
Low Income	\$83,500	\$2,088

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WHAT IS INCLUSIONARY HOUSING?

- Requires that a certain percentage of **new** housing development must be made affordable.
- For example, if a development has 100 units and the inclusionary requirement is 10%, then of the total 100 units, 10 units would be affordable and 90 would be market rate. It does not increase the total number of units in the development.



New housing

x



% inclusionary applied

=



New affordable units

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WHAT IS INCLUSIONARY HOUSING?

- Inclusionary housing is a widely-accepted policy throughout the State and much of the nation.
- In California, **more than 170 localities** have some form of inclusionary housing, including large and small jurisdictions.
- Inclusionary programs have existed for more than 30 years, and are **one tool among many** that localities use to increase the supply of affordable housing.

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INCLUSIONARY HOUSING STUDY PROCESS

- Now that the feasibility study has been completed, the City is seeking input from the community and its stakeholders.
- Over the next few months, the City will provide a variety of opportunities for community members and stakeholders to provide feedback on an inclusionary program.
- Feedback opportunities include additional stakeholder meetings, public study sessions, and social media.

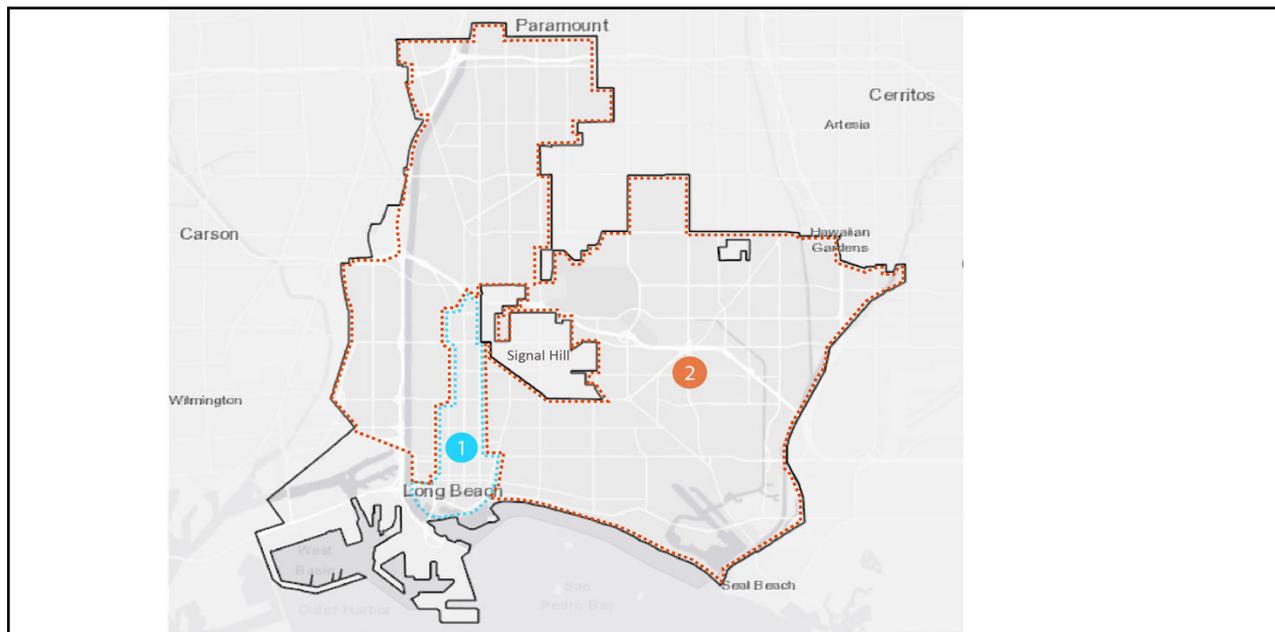
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RESULTS FROM THE FEASIBILITY STUDY

- The economic feasibility study was conducted to ensure that the proposed requirements comply with applicable laws and court rulings
- Any City program must ensure inclusionary zoning is not “confiscatory” and that appropriate alternatives for development are allowed
- Analyzed submarkets within Long Beach since some areas have had more development than others
- Prepared separate evaluations for rental and ownership housing

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RESULTS FROM THE FEASIBILITY STUDY

- Submarket #1 saw increased residential development activity after 2007 recession
- About 85% of new residential units built in the City over the past 10 years are in this area
- Nearly 90% of new units are in rental projects
- Over 4,000 units are in varying stages of development, with more than 85% proposed in high rise developments

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RESULTS FROM THE FEASIBILITY STUDY

- The vast majority of developments outside Submarket #1 were built before 2000
- Only two recently constructed projects KMA could identify in Submarket #2 were:
 - The 40-unit Dorado ownership project in eastern Long Beach, with asking prices for units from \$914,000 to \$1.03 million
 - The 131-unit Riverdale ownership project near the east bank of the Los Angeles River, with asking prices between \$664,000 to \$707,000

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SUBMARKET #1 FINANCIAL FEASIBILITY ANALYSIS

- Analyses should balance development costs against the public benefit of creating new affordable units
- Among other things, this report analyzed both the range of potential inclusionary production requirements and the range of in-lieu fees that can be supported
- Key component is the “affordability gap”

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SUBMARKET #1 FINANCIAL FEASIBILITY ANALYSIS

- The “affordability gap” is the difference between market rate rents or house prices and what lower income households can actually afford. For example:

In-Lieu Fee	Affordability Gaps Unit Type by Income		
	Moderate Income	Low Income	Very Low Income
Studios			
Market Rate	\$2,569	\$2,569	\$2,569
Affordable	\$1,373	\$733	\$605
<i>Difference</i>	<i>-\$1,196</i>	<i>-\$1,836</i>	<i>-\$1,964</i>
One-Bedroom			
Market Rate	\$2,620	\$2,620	\$2,620
Affordable	\$1,569	\$838	\$691
<i>Difference</i>	<i>-\$1,051</i>	<i>-\$1,782</i>	<i>-\$1,929</i>
Two-Bedroom			
Market Rate	\$3,304	\$3,304	\$3,304
Affordable	\$1,753	\$930	\$766
<i>Difference</i>	<i>-\$1,551</i>	<i>-\$2,374</i>	<i>-\$2,538</i>

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SUBMARKET #1 RENTAL ANALYSIS

- For rental developments, the feasibility of single income categories were tested (all Moderate income, all Low income, all Very Low income)
- Mixed income alternatives were also tested:
 - 20% the inclusionary units are restricted at VLI and 80% at LI
 - 80% of inclusionary units are restricted at VLI and 20% at LI
 - 30% of inclusionary units are restricted at LI and 70% at MOD

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SUBMARKET #1 RENTAL ANALYSIS

- The analysis included testing a variety of housing prototypes based on market surveys and recently-constructed units
 - Density in terms of units per acre
 - Mix of units based on number of bedrooms
 - Parking requirements
- From these prototypes, likely market rate rents against which to determine the affordability gap were determined

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SUBMARKET #1 RENTAL ANALYSIS

The following factors were used to determine affordable rents for the prototypes:

- Household income limits published by HUD and HCD
- Household sizes based on the State standard of number of bedrooms plus one
- Household income is set at 50% of area median income for VLI households, 60% for LI, and 110% for moderate income
- Households cannot spend more than 30% of income on housing cost

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SUBMARKET #1 RENTAL ANALYSIS

Unit Size	Market Rate	Moderate Income	Low Income	Very Low Income
Studio	\$2,569	\$1,373	\$733	\$605
One Bedroom	\$2,620	\$1,569	\$838	\$691
Two Bedroom	\$3,304	\$1,753	\$930	\$766

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SUBMARKET #1 RENTAL ANALYSIS

- Analyzed the impact of inclusionary requirements on development costs and returns to determine financial feasibility
- Calibrated inclusionary requirements against each alternative to generate an impact of equal to about 30% reduction in land cost
- The estimated stabilized developer return on total investment is estimated at 5.4%

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SUBMARKET #1 RENTAL ANALYSIS

Inclusionary Housing Production Analysis Financially Feasible Inclusionary Housing Percentages Submarket#1: Rental Residential Development	
Alternative	Financially Feasible Inclusionary %
Single Income Category Inclusionary Alternatives	
All Moderate Income	19%
All Low Income	12%
All Very Low Income	11%
Mixed Income Category Inclusionary Alternatives	
20% VLI and 80% LI	12%
80% VLI and 20% LI	11%
30% LI and 70% MOD	14%

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SUBMARKET #1 RENTAL IN-LIEU FEE ANALYSIS

- The study established potential in-lieu fee amounts based on the affordability gaps – the difference between what a market rate renter can pay and what an affordable renter can pay
- The in-lieu fees are calculated both by unit and by square foot of gross building area:

In-Lieu Fees -- Affordability Gap Approach			
Submarket#1: Rental Residential Development			
In-Lieu Fee	Moderate	Low Income	Very Low
	Income	Income	Income
Per Affordable Unit	\$223,000	\$356,000	\$383,000
Per Square Foot of GBA	\$37.90	\$37.90	\$38.50

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SUBMARKET #1 OWNERSHIP ANALYSIS

- Affordability requirements typically based on Moderate incomes for ownership housing, as higher-income households have more discretionary income for ongoing costs
- Data on sales of condos sold in submarket used to establish average sales prices per square foot
- Affordability sales price estimates based on household income, household size, household expenses, and down payment

Affordable Sales Price Estimates			
Submarket #1: Ownership Housing Development			
	Studio	One Bedroom	Two Bedroom
		Units	Units
Moderate Income	\$207,900	\$231,300	\$247,700

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SUBMARKET #1 OWNERSHIP ANALYSIS

- As with rental analysis, the analyses tested to determine the financially feasible percentage of moderate-income units that can be supported
- Based on approximately 30% reduction in supportable land value
- The results show the financially feasible percentage requirement is 10% of units in ownership projects

SUBMARKET #1 OWNERSHIP IN-LIEU FEE ANALYSIS

- Study established proposed in-lieu fee amounts based on the affordability gaps – the difference between what a market rate buyer can pay and what the affordable buyer can pay
- The in-lieu fees are calculated both by unit and by square foot of gross building area

In-Lieu Fee Analysis Affordability Gap Approach Submarket#1: Rental Residential Development	
Affordability Gaps	Moderate Income
Per Income Restricted Unit	\$270,400
Per Square Foot of GBA	\$23.80

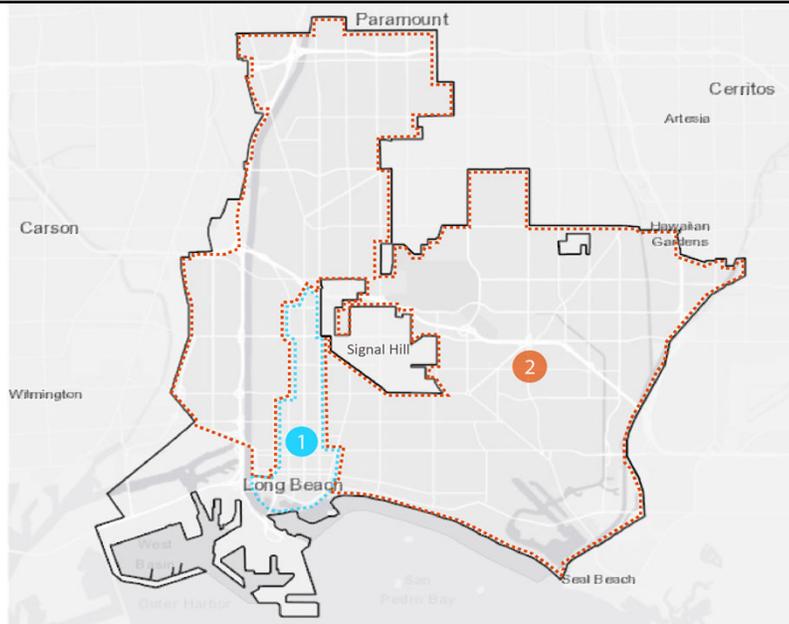
SUBMARKET #1 OWNERSHIP POLICY CONSIDERATIONS

- Should developers of premium priced homes be permitted to pay in-lieu by right?
- Should the City establish a calculation methodology applied on case by case?
- Should it apply per affordable unit, per unit in a market rate development, per square foot?

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SUBMARKET #2 CHALLENGES AND OPPORTUNITIES

- There has been virtually no new residential development in Submarket #2 over multiple real estate cycles
- Law requires jurisdictions to ensure inclusionary zoning is not “confiscatory,” or depriving owner of fair and reasonable return
- Adding inclusionary requirements would further constrain the opportunity to attract residential development
- The inclusionary requirements become a constraint

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SUBMARKET #2 CHALLENGES AND OPPORTUNITIES

- However, the City can create an incentive program for Submarket #2 to encourage new residential development
- Can ensure that affordable housing is provided in projects that use those incentives
- State density bonus law can assist in creating more opportunities

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SUBMARKET #2 CHALLENGES AND OPPORTUNITIES

- Density bonuses are provided on a sliding scale based on how much affordable housing each project produces.
- Incentives or concessions granted under State law to provide for affordable housing costs, including:
 - Setback and minimum square footage reductions
 - Increased height limits
 - Parking ratio reductions

SUBMARKET #2 CHALLENGES AND OPPORTUNITIES

Section 65915 Incentive or Concession Benefits			
Number of Incentives or Concessions	Income Restricted Units as a Percentage of the Units Allowed by a Site's Base Zoning Standards		
	Very Low Income Units	Low Income Units	Moderate Income Units
1*	5%	10%	10%
2*	10%	20%	20%
3*	15%	30%	30%

* Incentives and concessions involving setback, square footage, building height, parking ratios and other factors, per State law.

SUBMARKET #2 PROGRAM CONSIDERATIONS

- On projects with zoning changes or other discretionary approval
- In locations that allow higher density development
- Commercially zoned properties, especially with underperforming retail or on transit-oriented development sites
- Enhanced density bonus considerations

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SUBMARKET #2 PROGRAM CONSIDERATIONS

Inclusionary Housing Production Analysis			
Submarket #2			
Potential Inclusionary Housing Production Requirements			
Income Level	Affordable Units as a % of Base Zoning	Density Bonus Percentage	Number of Incentives or Concessions
Rental Residential Projects			
Very Low (VL)	11%	35%+	3+
Low (L)	12%	35%+	2+
Moderate (MOD)	19%	35%+	2+
Ownership Residential Projects			
Moderate (MOD)	19%	35%+	2+

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- ## TOPICS FOR FEEDBACK
- Threshold – Developments of what size?
 - On-site or off-site?
 - Production options for ownership projects
 - In-lieu fees
 - Options for the affordability mix
 - Submarket #2 program considerations
- Inclusionary Housing Community Workshop**
- LONG BEACH DEVELOPMENT SERVICES | CITY OF LONG BEACH

NEXT STEPS

- More opportunities to provide your comments and hear more information as it is released – through social media, additional community listening sessions, and the website:

<http://www.longbeach.gov/lbds/hn/inclusionary-housing-study/>

- Next steps will include meetings with key stakeholders and public study sessions

We welcome your feedback!

Inclusionary Housing Community Workshop



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Thank you!

Contact Us

Andrew Chang
Administrative Analyst
(562) 570-6710
andrew.chang@longbeach.gov
www.longbeach.gov/lbds/



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Andrew Chang

From: City of Long Beach Inclusionary Housing <iford@therobertgroup.com>
Sent: Monday, August 05, 2019 12:59 PM
To: Andrew Chang
Subject: REMINDER: INCLUSIONARY HOUSING POLICY / KEY STAKEHOLDER MEETING ON TUESDAY, AUGUST 6, 2019

[View this email in your browser](#)



August 5, 2019

Reminder to please RSVP to join us at the Expo Arts Center for an invitation-only stakeholder focus group presentation and discussion of the Inclusionary Housing Policy proposed for the City of Long Beach at **2:00 PM on Tuesday, August 6, 2019.**

We value your perspective and input on various possible components of the proposed policy, which is one of many tools that the City is considering to ensure that Long Beach residents of every income level have access to safe and affordable housing.

[Inclusionary Housing Stakeholder Focus Group Meeting](#)

[Tuesday, August 6, 2019](#)

[2:00 p.m.– 4:30 p.m.](#)

[Expo Arts Center](#)

[4321 Atlantic Avenue, Long Beach](#)

[Street parking, with limited parking on the premises also available on a first-come, first-served basis.](#)

Please RSVP by visiting the link [here](#) to confirm your attendance.

Please note that this invitation is strictly limited to either you or a single representative of your organization, as this focus group meeting has been designed for you and a limited number of your peers.

For additional information and resources, please see longbeach.gov/lbds/hn/inclusionary-housing-study/ and register for Development Services updates via [LinkLB](#).

We hope to see you at our stakeholder focus group meeting at 2:00 PM on Tuesday, August 6, 2019.

This email was sent to Andrew.Chang@longbeach.gov

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Long Beach Development Services · 411 W. Ocean Boulevard, Third Floor · Long Beach, CA 90802 · USA

CITY OF LONG BEACH INCLUSIONARY HOUSING STUDY**Stakeholder Advocates Meeting**

Date and Time: August 6, 2019; 10am – 12:30pm

Location: Expo Arts Center, 4321 Atlantic Ave, Long Beach, CA

Notes by: TRG

Approximate attendees: 7

On Tuesday, August 6, 2019 the City of Long Beach Inclusionary Housing Study (LBIHS) project team conducted a stakeholder meeting at the Expo Arts Center with key stakeholders from the housing advocates community to provide an update on the study and elicit feedback on the recommendations from the economic feasibility study. Key stakeholders from organizations such as Housing Long Beach, Long Beach Grey Panthers, United Cambodian Community, Long Beach Residents Empowered, Legal Aid Foundation of Los Angeles, Long Beach Forward, and Long Beach Community College were given a brief presentation on the project, then were invited to participate in interactive boards and discuss the policy recommendations with team members. Boards showing the study were placed throughout the room to facilitate an open house discussion and were designed for attendees to participate in and provide feedback on the various policy recommendations presented. The stations included information on threshold applicability and affordability mix, in-lieu fees, production options, incentive based inclusionary program for submarket two as well as general comments and feedback.



The comments placed on boards during the breakout sessions are categorized below:

- 1) Threshold Applicability and Affordability Mix
- 2) In-Lieu Fees
- 3) Production Options
- 4) Incentive Based Inclusionary Program for Submarket #2
- 5) General Comments and Feedback

Twelve comments and comment cards (12) were received during the meeting. The pages below illustrate the themes and input captured.

01

Threshold Applicability and Affordability Mix

- **Comments**

Put the policy through an equity analysis in addition to economic lens / where are the biggest disparities in housing needs for AMI levels in the City of Long Beach? / what housing strategies are addressing these groups? / do all VLI for rentals / deepest income targeting

02

In-Lieu Fees

- **Comments**

If in-lieu fees are permitted they must be at economic equivalent of providing the unit on site so there isn't an economic incentive to pay the fee / prefer funds generated from in-lieu fees be flexible in what AMI it is used to build / flexibility in the housing fund specifically for ELI and VLI

03

Production Options

- **Comments**

No off-site incentives / high in-lieu fees / off-site doesn't work

04

Incentive Based Inclusionary Housing Program for Submarket #2

- **Comments**

Concerned about worsening historical segregation / **don't exclude submarket #2** / inclusionary policy should be applied citywide / the economic feasibility analysis is backwards-looking but does not take into account future projected development, including submarket 2, areas like North Long Beach / it is reasonable to believe there will be future development in submarket 2 / splitting the city and splitting the imposition of inclusionary requirements actually perpetuates exclusionary, racist housing policies and potentially violates fair housing requirements / what role did the land use policy, which restricted the building height affect the affordability program in submarket 2?



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CITY OF LONG BEACH INCLUSIONARY HOUSING STUDY**Stakeholder Developers Meeting**

Date and Time: August 6, 2019; 2pm – 4:30pm

Location: Expo Arts Center, 4321 Atlantic Ave, Long Beach, CA

Notes by: TRG

Approximate attendees: 11

On Tuesday, August 6, 2019 the City of Long Beach Inclusionary Housing Study (LBIHS) project team conducted a stakeholder meeting at the Expo Arts Center with key stakeholders from the development industry to provide an update on the study and elicit feedback on the recommendations from the economic feasibility study. Key stakeholders from organizations such as The Olson Company, Studio T-SQ2, Business Industry Association, Raintree Partners, Pride Real Estate Professional Association (PREPA), among others, were given a brief presentation on the project, then were invited to participate in interactive boards and discuss the policy recommendations with team members. Boards showing the study were placed throughout the room to facilitate an open house discussion and were designed for attendees to participate in and provide feedback on the various policy recommendations presented. The stations included information on threshold applicability and affordability mix, in-lieu fees, production options, incentive based inclusionary program for submarket two as well as general comments and feedback.

The comments placed on boards during the breakout sessions are categorized below:

- 1) Threshold Applicability and Affordability Mix
- 2) In-Lieu Fees
- 3) Production Options
- 4) Incentive Based Inclusionary Program for Submarket #2
- 5) General Comments and Feedback

Nine comments and comment cards (9) were received during the meeting. The pages below illustrate the themes and input captured.



01

Threshold Applicability and Affordability Mix

- **Comments**

Ownership is challenging to develop because multi-family incentives don't apply in the same way / what street and other specific parameters make up submarket 1 and 2? / would require more incentives to pencil out / developers need a robust grandfather clause for pipeline developments

02

In-Lieu Fees

- **Comments**

How was the developer return calculated? / we would need to see a study

03

Production Options

- **Comments**

Developers need as many flexible options as possible, in a voluntary incentive based approach

04

Incentive Based Inclusionary Housing Program for Submarket #2

- **Comments**

Voluntary component is encouraging

05

Contact Us

- **Comments**

To provide thoughtful comments, we need to review the full feasibility study. When will that be available?



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City of Long Beach - Inclusionary Housing Project
Expo Arts Center - Tuesday, August 6, 2019
Board Comments

Board Title	Comments - Developers	Comments - Advocates
Production Options	Developers need as many flexible options as possible, in a voluntary incentive based approach	
Production Options		No off-site incentives, high in-lieu fees
Production Options		Do not allow off site; it doesn't work
Threshold Affordability And Affordability Mix	Ownership is challenging to develop because multi-family incentives don't apply in in the same way, making project unable	
Threshold Affordability And Affordability Mix	What street and other specific parameters make up Sub 1 and Sub 2?	
Threshold Affordability And Affordability Mix	Would require more incentives to pencil out.	
Threshold Affordability And Affordability Mix	Developers need a robust grandfather clause for pipeline developments.	
Threshold Affordability And Affordability Mix		Let's also put the policy through an equity analysis in addition to the economic lens
Threshold Affordability And Affordability Mix		Where are the biggest disparities in housing needs for AMI levels in the City of Long Beach? What housing strategies are addressing these groups?
Threshold Affordability And Affordability Mix		Do all VLI for rentals; deepest income targeting
In-Lieu Fees	How was the developer return calculated? We would need to see a study.	
In-Lieu Fees		If in-lieu fees are permitted they must be at economic equivalent of providing the unit on site so there isn't an economic incentive to pay the fee
In-Lieu Fees		Prefer funds generated from in-lieu fees be flexible in what AMI it is used to build. Flexibility in the housing fund, specifically for ELI and VLI
Incentive Based Inclusionary Housing Program for Submarket #2	Voluntary component is encouraging	

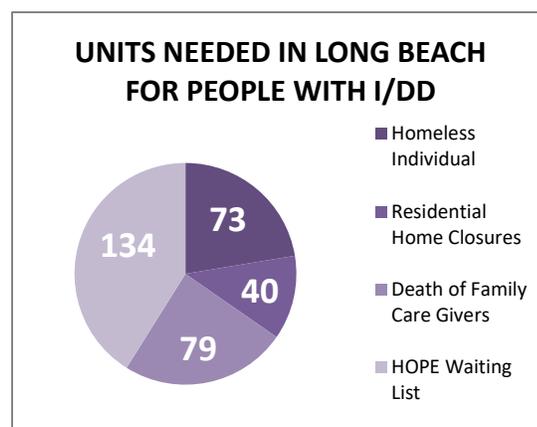
Incentive Based Inclusionary Housing Program for Submarket #2		Concerned about worsening historical segregation
Incentive Based Inclusionary Housing Program for Submarket #2		Don't Exclude Submarket #2
Incentive Based Inclusionary Housing Program for Submarket #2		Inclusionary policy should be applied citywide, not split int Submarkets #1 and #2. The economic feasibility analysis is backwards-looking but does not take into account future projected development, including "submarket 2" areas like North LB. It is reasonable to believe there will be future development in Submarket 2. Also, splitting the city and splitting the imposition of inclusionary requirements actually perpetuates exclusionary, racist housing policies and potentially violates fair housing requirements
Incentive Based Inclusionary Housing Program for Submarket #2		What role did the land use policy which restricted the building height effect affordability program in submarket 2?
Contact Us	To provide thoughtful comments, we need to review the full feasibility study. When will that be available?	



City of Long Beach Housing Needs Assessment for People with Developmental Disabilities

The objective of this assessment is to provide baseline data of affordable housing units required to meet the *most urgent needs* of people with intellectual and developmental disabilities (I/DD) in the City of Long Beach, CA. Our calculation takes into consideration those individuals currently counted as homeless in the city, displaced due to historical residential group home closures, in need of housing due to death to both family caregivers, or requesting housing through HOPE and on our waiting list. As of April 2018, there were 4,919 Long Beach residents with developmental disabilities being served by the regional center system.

We find that approximately 326 people with I/DD (6.6% of the total I/DD population in Long Beach) need **urgent** affordable housing over the next five years. However, please note that additional housing needs based on more nuanced and speculative variables are not calculated into this assessment. These additional housing needs could be based on a myriad of factors not considered in our calculation, including overcrowding, unhealthy conditions, proximity to work/friends/family, abusive environments, or a simple desire to move out of a parent's home to live more independently. Data on these factors are not currently tracked through the State Department of Developmental Disabilities. If these factors were included, the units needed to meet demand could be greater than 1,000 in the city of Long Beach alone.



METHODOLOGY

We identified 73 units needed to provide housing for people with I/DD who are homelessness based on a percentage of the 1,483 homeless individuals with developmental disabilities tracked county-wide in the 2016 LAHSA homeless count. The percentage used in the calculation is based on the population of Long Beach in relation to Los Angeles County. We consider these housing units to be immediately needed in year one.

Our calculation of 40 people needing housing who are currently living in residential group homes scheduled for closure is based on a percentage of the annual average of 135 residential units lost each year serving 693 individuals statewide. This data was published in 2017 by Association of Regional Center Agencies. The percentage used in our analysis is based on the city of Long Beach being approximately 1.19% of the total population of California.

AT RISK HOUSING STATUS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Homeless	73					73
Residential home closures	8	8	8	8	8	40
Death of family caregivers	13	14	16	17	19	79
HOPE waiting list	134					134
TOTAL:	228	22	24	25	27	326

Regarding those 79 people who we argue need housing because their parent caregivers will die, this information is based on actuarial data of parents/caregivers life expectancy when applying their age to Social Security Administration data. Each year this number of housing units will be needed for those people with I/DD whose parents will pass away. We have included a 9% increase to account for the historical growth in the Regional Center client population.

Finally, we are using the exact number of people on the HOPE waiting list that have indicated that the City of Long Beach is their preferred city of residence.



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Eileen Merino, *CDS Insurance*

Greg McWilliams, *Five Point*

Brian Murtaugh, *Loan Depot*

John Musella, *The Musella Group*

Rogelio Navar, *Fifteen Group*

Adam Ochs, *Reylenn*

Scott Ouellette, *Williams Homes*

Erik Pfahler, *Borstein Enterprises*

Harriet Rapista, *Comstock Homes*

Darrell Simien, *Habitat for Humanity of Greater LA*

Sara Soudani, *Commonwealth Title Insurance*

Harriet Rapista, *Comstock Homes*

Alyssa Trebil, *DuctTesters, Inc.*

Brett Trebil, *Watt Communities*

Rich Villaseñor, *KB Home*

Christine Villegas, *Chelsea Investment Corp*

Rick White, *Larrabure Framing*

August 9, 2019

Long Beach City Hall
Director Linda Tatum
Development Services Department
411 W. Ocean Blvd.
Long Beach, CA 90802

**Re: Building Industry Association Comment Letter – Long Beach
Inclusionary Policy Economic Feasibility Analysis Results**

Dear Director Tatum,

The Los Angeles/Ventura Chapter of the Building Industry Association of Southern California, Inc. (BIA), is a non-profit trade association representing more than 1,000 companies employing over 100,000 people all affiliated with homebuilding. On behalf of our membership, we would like to submit a comment letter on the City's inclusionary zoning policy presentation.

Over the last year, BIA-LAV has been engaged in the City's housing affordability conversations and inclusionary policy planning. With this letter we are providing feedback on the direction of the City's inclusionary zoning feasibility study results that were presented at a Saturday, June 29th workshop meeting and at the Tuesday, August 6th developer stakeholder meeting (where BIA was present at both). We have listed some of our preliminary comments and concerns below, but we cannot fully weigh in on the results because we have not been provided the full study for which those results were based. This is particularly concerning because, since at least July 6th and several times thereafter, we have asked for the full study noting this point. This is highly unusual. As an example, in this year alone, we have reviewed three other jurisdictions' inclusionary zoning studies and have received the full report without issue. The material found in these studies allow us to see how the City has come to explain their determination and need for inclusionary methods within their communities.

A few examples that illustrate the importance in examining the full study include the following; In submarket one, the short 17-page feasibility *analysis* does not speak to how the study developed and took into



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account the feasibility threshold for market rate homebuilders to provide mandated inclusionary housing. The analysis speaks to the feasibility of the consumers to afford housing but does not explain the determinations that went into calculating what the builder would have to make as a feasible return on their investment and what would be feasibly accepted by financial lending institutions. That information would be helpful in determining inclusionary percentage thresholds. The ownership component in submarket one also leaves many questions related to the methodology used to justify this option. Again, much of the data speaks to the applicability thresholds that a consumer could withstand but does not justify the calculations determined for the homebuilder to produce housing at that level. Where is the background information that informed those, who developed the study to provide these results? To answer these questions and to better support our stakeholder feedback, we want to use this letter to formalize our many vocal and emailed requests for the entire feasibility study. The distribution of this information would help the City craft the most comprehensive ordinance with the most accurate feedback.

The remainder of our comments are provided throughout the following pages. These comments are based on the limited information we have been given, through second-hand assessments determined by the results of a study that we have yet to review:

Increased Cost to Housing

In California, housing is more expensive to produce today, than ever before. The costs of construction, materials, land acquisition, labor, and design have all increased. Other factors include federal, state, and local housing regulations and mandates; an increase in interest rates, mandated solar for all new housing construction, and the strictest environmental standards in the nation and regionally. This does not take into account the current developer impact fees, permits, regulatory costs, and even the push for some housing projects to voluntarily include subsidized housing. All of these expenses target home construction. Ironically, home construction is overwhelmingly the most important component in helping LA County out of its housing affordability crisis –through the increased production of housing. Sadly, the costs don't stop there. It's not just those market cost expenses.

In addition to adding costs to the production of housing, an inclusionary component will add administrative expenses and bureaucracy that didn't exist before, making housing more difficult to produce. The entitlement process is lengthy, expensive and challenging to maneuver. An inclusionary component will add another layer to that process. In order to house more low and middle-income households more quickly we need to reduce processing times, not add to them.

Also notable, the feasibility analysis makes no mention of an implementation timeline. If the City were to adopt a mandated inclusionary zoning policy and implement it immediately, this drastic change would negatively affect the market. Any policy that is adopted should be done so gradually, as a phased-in approach, over several years. This would ensure that there are no disruptions to the current building progress. A robust grandfather clause for projects in the pipeline should also be



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included in the policy recommendations. Homebuilders who have invested in the City before a serious change in land value occurred, through an unforeseen City imposed policy, should not be subject to an ordinance that would so drastically affect their ability to produce housing.

Missing Middle

Hundreds of thousands of hard-working families and individuals cannot afford to live where they work and are facing a housing cost burden, defined as paying more than 30% or more of their income on housing. As an example, most Los Angeles area teachers are faced with this cost burden, earning between \$50,000 - \$54,000 – above 80% Average Median Income (AMI) which is the highest threshold to qualify for below market-rate housing. They are then left to compete against other households with more financial resources for the scarce market-rate units that are still up for grabs. These middle-income families and individuals do not qualify for assistance, yet do not make enough money to live unburdened.

Any increase in housing construction costs, such as this inclusionary policy, pushes working families and individuals further from housing affordability and exacerbates the “missing middle” housing gap. Costs, like inclusionary zoning expenses, continue to rise making housing too expensive to build and still deliver a product that’s affordable to middle-income earners. Homebuilders are now either building subsidized housing or luxury housing, resulting in the production of zero moderate income housing units. Applying a potentially unworkable inclusionary zoning ordinance to residential development will likely make the situation worse, not better.

Additionally, like what was found in submarket two of the feasibility analysis, applying inclusionary zoning policies to for-sale housing is not financially feasible for homebuilders. A 2016 Study by Capitol Matrix found that a potential 15% inclusionary zoning mandate on for-sale housing would require an average increase of \$67,000 thousand dollars per market priced unit. The costs to make for-sale housing financially feasible is added in to the market rate units in order for builders to get the return on their investment needed for the financing of the project. This perpetuates and adds to the missing middle housing gap for those making just above moderate income. To make matters more challenging, the suggested incentives that could be offered by governing bodies would also be difficult to accommodate for for-sale homes due to the lack of offsets that could make a substantial financial impact to this type of non-multifamily or non-infill project. Other States and jurisdictions have had to redraft their inclusionary ordinances to exclude for-sale housing due to the lack of production of single-family homes. This is a direct result of imposing inclusionary policies without considering the input from homebuilders.

Suggested Alternatives:

Below we have listed alternatives to the suggestions found in the feasibility analysis. The below suggestions would enhance the intent of an inclusionary policy and better serve the production of housing at all income levels within the City of Long Beach.



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Voluntary, Incentive-Based Affordability Component

We were encouraged to see the incentive-based approach, when applied to inclusionary housing, in submarket two. A voluntary inclusionary component would provide developers the ability to incorporate moderate to low-income housing units within their projects through the provision of offsets to balance the additional costs needed. A good example of affordable housing production encouragement through a voluntary process exists in the City of Los Angeles through their voter approved “Transit Oriented Communities Plan”. This Plan allows homebuilders a tiered incentive system in the form of super density bonuses to produce affordable units near transit rich corridors. The more affordable units and the lower the income affordability, the higher the tier and the more incentives for which a builder’s project becomes eligible. This voluntary program, when compared to mandatory ordinances, has produced significantly more housing units because it helps the development process, instead of hindering it.

Meaningful Offsets & Applicability Threshold

If the City were to impose an inclusionary housing policy on residential development, there would need to be a cost reduction in another part of the City’s building process. This would offset the cost of providing below market-rate housing by reducing overall costs in another part of the project approval process. Those offsets could be included through a menu of options that led to a commensurate cost reduction, including, but not limited to the following – based on individual project needs:

- Increased buildable area
- Higher density options
- Reduction of open space
- Reduction or elimination of City building fees
- Reduced outdoor or common space requirements
- Reduced setbacks
- Reduced or exempted parking requirements
- Expedited or by-right approval process
- Etc.

An offset program should have flexible incentives to negate the increase of providing inclusionary units. This would ensure that projects are financially feasible. The results analysis only sites the Density Bonus which builders can already utilize without an inclusionary policy. This is not enough to encourage development of affordable units in your community. In order to provide a menu of meaningful offsets, the applicability threshold for the number of units in this analysis starts at just five. Five units is unreasonable and stands to devastate small developers. Small and medium size



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projects, less than 50 units, have a much more difficult time taking advantage of economies of scale and possible incentives.

Conclusion

We urge the staff to release the full economic feasibility study to the public. This is the foundation of what will eventuate into a policy that could affect housing for decades to come and should be reviewed by all stakeholders. We encourage staff to consider how an inclusionary building component will actually affect the production of affordable units within your City. An inclusionary housing mandate could stifle homebuilding leading to not only less housing, but also less affordable housing – the opposite of what an inclusionary policy seeks to accomplish. For this reason, we request that any inclusionary housing component does not increase the cost of housing and be incorporated as a voluntary, incentive-based option. There is ample opportunity to make this policy a functional, meaningful tool to address affordable housing by implementing the input contributed by stakeholders who are providing and building housing.

Should you have any questions please contact, BIA-LAV Director of Government Affairs, Diana Coronado, at (213) 797-5965 or at dcoronado@bialav.org.

Sincerely,

Tim Piasky
Chief Executive Officer
BIA-Los Angeles/Ventura

CC:

Patrick Ure, Development Services Department
Andrew Chang, Development Services Department
Council Districts 1,2,3,4,5,6, and 7



September 13, 2019

Linda Tatum, Director of Development Services
 Patrick Ure, Housing and Neighborhood Services Bureau Manager
 411 W. Ocean Blvd.
 Long Beach, CA 90802

RE: Comments and Questions Regarding the Inclusionary Housing Economic Analysis Undertaken by KMA for the City of Long Beach

Dear Ms. Tatum and Mr. Ure:

We appreciate your work on the development of an Inclusionary Housing (IH) policy for the City of Long Beach. IH is a critical policy tool, amongst many that are necessary, to address our housing affordability and homelessness crises in Long Beach.

We respectfully submit the following comments and questions to you regarding KMA's economic analysis of IH for Long Beach. We anticipate providing additional feedback once the draft IH ordinance is released.

1. IH Requirements Should Apply Citywide, not just in Downtown and Midtown (submarket 1).
 Long Beach needs a citywide IH policy. The KMA study proposes to exempt West, North, East, and parts of Central Long Beach from mandatory IH requirements (submarket 2). We do not support this approach; rather, we support an approach where new development in every corner of the City is required to contribute to the supply of affordable housing. Moreover, much of downtown Long Beach has been recently redeveloped or has received entitlements. Based on allowable densities, how many new units are expected in downtown and midtown (submarket 1)?
2. The Incentives-Based Approach to Submarket 2 will Lead to Predatory Development.
 The incentives-based approach to submarket 2 is extremely concerning, as it will lead to predatory development and displacement of long-term residents living in older housing

stock (through direct and indirect displacement), similar to what has occurred in the Downtown Plan area. An incentives-based approach must be coupled with mandatory affordable housing requirements, community benefits and tenant protections to prevent predatory development. This is particularly important if there is any kind of zone change or conditional approval.

3. The City Should Prioritize the Deepest Affordability for Affordable Units in New Rental Projects.

Of the options included in the KMA analysis, we support 11% Very Low Income on-site affordable units for new apartment buildings. We prioritize the deepest affordability possible, as these are the residents who are most in need of affordable housing.

4. The Building Size Trigger Should be 4 Units.

The IH policy should apply to all new rental and condominium developments with four or more units. The City has used the four-unit threshold for other policies, such as Tenant Relocation Assistance and Proactive Rental Housing Inspection. It should similarly be used for IH.

5. In-Lieu Fees Must Not Create an Economic Incentive for Developers to Pay Fees.

If in-lieu fees are included as an option in the policy, they must be set at the economic equivalent (or higher) of providing the required number of affordable units on-site. This is critical because it ensures that developers do not have an economic incentive to pay the fees instead of including the affordable units on-site.

Moreover, if in-lieu fees are included in the policy, the following additional parameters must be included to ensure that fees do not undermine the goals of the policy: (a) in-lieu fees must be collected before any approvals or permits are given for the originating market-rate project; (b) in-lieu fees must be spent within a certain amount of time from collection (i.e. 1-2 years); (c) in-lieu fees must be spent within the same neighborhood as the originating project; (d) in-lieu fees must be used to build housing for Very Low and Extremely Low Income households; and (e) in-lieu fees must be used for new construction to add net new units to our housing stock. In-lieu fees should not be spent on rehabilitation or subsidy of existing units, as this does not add to our housing stock.

The KMA Study recommends allowing in-lieu fees by right for rental projects of 20 units or less (see KMA Study, p. 45). We strongly disagree with this recommendation, as a 20-unit development is large enough to provide affordable units on-site. We also disagree with the Study's recommendation that the City Council have discretion to allow in-lieu fees for rental projects with more than 20 units. (It is also puzzling that this recommendation from KMA only applies to rental projects).

At the Planning Commission's IH Study Session on August 22, 2019, City staff stated that in-lieu fees collected would be placed in the Housing Trust Fund. We would like to know the current income targeting for monies placed in the Housing Trust Fund as well as allowable uses for these funds.

6. No Net Loss & Net Gain Should be Required for all Submarkets.

To prevent the loss of units *occupied by or affordable to* lower and moderate income households, the IH policy should include a no net loss and net gain requirement for all new developments in all submarkets. There was some confusion on this point during the Planning Commission Study Session, so we want to be clear on what "no net loss" means.

No net loss is implemented per project and requires that new developments replace existing units that are *occupied by or affordable to* lower or moderate income households (both income-restricted units and unrestricted units). This replacement requirement would result in no net loss of affordable housing. No net loss is a proven best practice, as it is included in State density bonus law (CA Government Code 65915), the City of LA's Transit Oriented Communities (TOC) Policy (also known as Measure JJJ), the City of LA's Mello Act Policy and the County of LA's Mello Act Policy.

If a unit is vacant, density bonus law and TOC have proven formulas for determining whether the unit should be replaced in order to prevent developers from emptying buildings to avoid compliance. No net loss protections should be coupled with relocation assistance and a right to return for displaced tenants. In order to obtain net gain, replacement units must be in addition to inclusionary units, so that there is a net gain of affordable units.

7. Off-site Compliance Should Not be Included in the Policy.

In our experience, off-site options for developer compliance with IH requirements has been extremely problematic and unsuccessful. There are very real issues with the ability of developers to find available off-site land where a handful of affordable IH units can be built and financially feasible. This difficulty typically leads to developers pleading that they cannot build required affordable off-site units as promised. This, in turn, creates administrative and legal issues for local municipalities. Developers inevitably return to local jurisdictions to seek permission to fulfill their affordable inclusionary requirements by subsidizing rents in existing buildings, which is substantially cheaper than building new affordable units. This approach is also problematic because it does not add net new units to our housing stock.

8. Affordability Covenants Should be Maximized at 55 years, or the Life of the Project, whichever is Longer, for both Rental and Condominium Projects.

For both rental and condominium developments, affordable units should be covenanted as affordable for *55 years or the life of the project, whichever is longer*. On p. 42, the KMA Study recommends 55 years for rental and 45 for ownership. We do not agree with this recommendation.

9. It is unclear whether the new Land Use Element (LUE) densities were considered in the KMA Analysis.

We have heard conflicting information about whether the new LUE densities were considered in the KMA analysis, in particular for submarket 2. We would like clarity on this matter. On a related note, at the August 22 Planning Commission Study Session, City staff stated that submarket 2 was built out. We do not think this is an accurate statement and we would like clarification on this matter as well.

Moreover, we request that KMA conduct additional analysis to look further back into older development cycles for submarket 2, so that the City can require mandatory IH for these areas. West, North and East Long Beach have many older apartment buildings that are ripe for redevelopment. *If we do not include these communities in the IH policy, the City will create an economic incentive for developers to redevelop in those areas, because it will be more profitable without any IH requirements. This will lead to predatory development, as there will not be any IH requirements or no net loss protections in place.*

10. We are Concerned with the Timing of the City Council's Adoption of this Policy.

While we understand and agree with the pressing need to adopt IH, we are also very concerned that this policy might be considered by the City Council while Council District 1 (CD 1) is vacant. CD 1 has a very large renter population and, as currently proposed, the inclusionary requirements would only apply to Council Districts 1, 2 and 6 (submarket 1). We do not think the City Council should vote on this policy until CD 1 is filled, which will occur on December 17, 2019. We have been informed that the City plans to agendaize IH for a City Council vote in December 2019. We request that the City wait until the new year to hold this critical City Council vote.

Thank you for your consideration of our comments.

Sincerely,

Peter Madsen, Long Beach Residents Empowered
Norberto Lopez, Greater Long Beach Interfaith Community Organization

Jordan Wynne, Everyone In LA
Taylor Thomas, East Yard Communities for Environmental Justice
Susanne Browne, Legal Aid Foundation of Los Angeles
Christine Petit, Long Beach Forward
Victor Sanchez, Long Beach Coalition for Good Jobs and a Healthy Community
Gretchen Swanson, DPT, MPH
Gary Hytrek, Ph.D., Professor of Geography, California State University Long Beach

CC: Andrew Chang, Long Beach Development Services
Christopher Koontz, Long Beach Development Services
Alejandro Sanchez-Lopez, Long Beach Development Services
Daniel Brezenoff, CD 1
Council Member Jeannine Pearce, CD 2
Council Member Suzie Price, CD 3
Council Member Daryl Supernaw, CD 4
Council Member Stacy Mungo, CD 5
Vice Mayor Dee Andrews, CD 6
Council Member Roberto Uranga, CD 7
Council Member Al Austin, CD 8
Council Member Rex Richardson, CD 9

From: [Richard Price](#)
 To: [Andrew Chang](#)
 Subject: Comments on the KMA Inclusionary Housing Study
 Date: Monday, November 04, 2019 10:48:00 AM

Andrew,

Please see the following comments regarding the Kaiser Marston Inclusionary Housing Study released this fall.

- **Suggested Market Rent Levels are Overstated (Page 21):** Based on the data collected from Costar, it appears the Projected Monthly Market Rate Rents are overstated. The weighted average rents and average unit size should be used as these are representative of what is being developed in Submarket #1 today. It appears the highest end of the range and largest unit size was used to calculate the projected monthly market rental rates, which would not be most representative of a newly built project. Even observing the newest product in the market, these rents, especially for studios is grossly overstated. Given that all the comparables used in the appendix were rated with 4 stars in Costar, they should be representative of class A apartments but seem to be more in line with condominium unit sizes. The unit sizes and rents among these 4-star rated comparables should indicate an appropriate size and rent for future purpose-built, for-rent projects (not condominiums). Appendix E, Exhibit I shows:
 - Studios (ave. size of 729 SF): \$2,179
 - Note: Average size of 729 SF is overstated for what is being delivered in the market today with the exception of AMLI Park Broadway.
 - Average studio size:
 - 442 Residences: 535 SF
 - Edison: 549 SF
 - Oceanaire: 614 SF
 - AMLI Park Broadway: 719 SF
 - 1BR: (ave. size of 805 SF): \$2,370
 - 2BR: (ave. size of 1,108 SF): \$3,017

Table from Page 21: No projected unit size was suggested to arrive at these rents. Please clarify. There should be a nexus between these rents and the Appendix data, including a realistic proposed unit mix and unit size.

Submarket #1: Projected Monthly Market Rate Rents	
<u>Average Monthly Rent Per Unit</u>	
Studio Units	\$2,569
One-Bedroom Units	\$2,620
Two-Bedroom Units	\$3,304
Average Monthly Rent Per Sq. Ft. of GLA ¹⁰	\$3.16

- **Multifamily Project Returns Thresholds are Underestimated:** The estimated stabilized developer return was estimated at 5.4% for multifamily projects but this figure was unsubstantiated. Developer returns are highly sensitive to location. Long Beach, including Downtown Long Beach, is a “B” location relative to other markets in Los Angeles County and therefore, Long Beach requires higher returns (much higher than 5.4% return on cost) to attract institutional investment. Other higher-quality submarkets like Downtown Los Angeles, Culver City, Hollywood, Irvine, Costa Mesa, etc., where much of the new housing is currently being developed, are typically requiring returns in the *mid*-5.00% range (5.50% yield on cost), however Long Beach is perceived to carry higher risks and higher returns than

these submarkets, specifically by the institutional investment community. It is not accurate to suggest current developer investment returns in these higher quality markets are a benchmark for Long Beach returns, including downtown Long Beach. The proposed multifamily return threshold of 5.4% should be adjusted higher to account for location and risk.

- **Page 13, Submarket #1:** Paragraph #5 states 85% of the new supply is in high-rise buildings. This is not accurate. The majority of the new supply is going to be in the 6-8 story range. The new supply should be reviewed again with Planning staff. An eight-story building is not classified as high-rise. Only one high-rise project is currently under construction (Shoreline Tower) and it has unobstructed ocean views. Also, while 4,000 units may be in some form of discussion or planning, the reality is 20-35% of these projects will either never be approved or never break ground. There should be a factor applied to expected new supply. The content on page 13 overstates the true investment occurring in Submarket #1 and the feasibility of high-rise projects.
- **Appendix A and Appendix B Pro Forma Analysis:**
 - Hard costs have risen substantially over the past five years and the direct costs shown in the project pro form do not accurately depict the reality of today's market. Specifically the Building Costs of \$125/Sf of GBA are approximately \$165/Sf of GBA (for Appendix A) and \$185/Sf of GBA (for Appendix B).
 - Unit sizes should be shown on page 60 of the PDF and rents should be according to unit size. Studios and 2BRs seem especially overstated.

Thanks,

Rick

Richard W. Price

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Bill McReynolds, *Warmington Group*

Greg Medeiros, *Tejon Ranch Company*

Monica Mejia, *LINC Housing*

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September 19, 2019

Long Beach City Hall
Director Linda Tatum
Development Services Department
411 W. Ocean Blvd.
Long Beach, CA 90802

**Re: Building Industry Association Comment Letter – Long Beach
Inclusionary Policy Economic Feasibility Study Results**

Dear Director Tatum,

The Los Angeles/Ventura Chapter of the Building Industry Association of Southern California, Inc. (BIA), is a non-profit trade association representing more than 1,100 companies employing over 100,000 people all affiliated with producing much needed housing. On behalf of our membership we would like to submit an updated comment letter on Keyser Marston Associates Inclusionary Housing: Financial Evaluation document (“Financial Evaluation”) prepared for the City of Long Beach, now that the full study has been released.

Over the last year, BIA-LAV has been actively engaged in the City’s housing affordability conversations and inclusionary policy planning processes. Different than our first comment letter, this letter seeks to provide feedback on the full feasibility study, not just the City’s recommendations based on the study. We hope that the comments, questions and concerns, outlined below, help to supplement the dialogue around the City’s decisions when considering an inclusionary housing policy:

1. Accuracy of Data

In the appendices of the study, “Attachment 1, Inclusionary Housing Survey, California Programs”, provides a list of California cities who have adopted an inclusionary policy and the components included within those policies. In our first review of the list we immediately noticed that the County of Los Angeles was included. This is concerning because the County has yet to adopt an inclusionary zoning ordinance. Additionally, the City of Glendale is also listed, however the information accompanying it appears to be incorrect. Glendale’s inclusionary zoning



Los Angeles/Ventura Chapter

policy did not adopt an ownership component, yet it is listed as such. This misinformation is worrisome, because as city decision makers consider critical policies they are relying on the results of accurate data. Inaccurate data can substantially change the direction of their policy outcomes.

Also, there are five pages of the survey that are broken up into different categories (noted by roman numerals). Some of these are unclear and we are asking for more clarification for the difference in these designations, as it appears to be duplicative information in some cases. We would also like to find out the exact addresses/streets that differentiate submarkets one and two, or at least the precise borders. We were unable to determine that information based on the study, and that is important in considering the calculation in points two and three, below.

2. Program Foundation – Land Cost Depreciation & Return on Investment

The Financial Evaluation correctly states that courts have determined that Inclusionary Housing obligations cannot be confiscatory and cannot deprive a property owner of a fair and reasonable return on investment. Unfortunately, the Financial Evaluation goes on to incorrectly and rather shockingly make the assumption that a 30% loss in land value and a return on investment of 5.2% is fair and reasonable.

As a comparison, the City of Pasadena is currently going through an update to their inclusionary zoning requirements and their consultant determined and testified publicly that between a 10% and 12% return on cost is the industry standard for determining the feasibility of a market-rate housing project. They also used actual financially feasible projects to determine their baseline criteria. In addition, Pasadena’s inclusionary zoning market and feasibility study states that, “This threshold range is within a typical range of returns a developer will consider in making a go/no-go project decision”. To state that a 30% loss in land value and a 5.2% return on investment is the “industry standard” for a feasible project is highly inaccurate and voids the findings of feasibility for the inclusionary housing scenarios outlined in the Financial Evaluation. The Pasadena study also cites that, “increased inclusionary set-aside requirements can be supported through incentives such as fee waivers, concessions, and density bonuses that improve underlying project economics enough to “pay” for the incremental costs of additional affordable housing.” Noted in the aforementioned statement, the need for incentives when constructing an inclusionary ordinance is a critical component for a policy to remain financially feasible.

3. Other Considerations

Based on the studies inputs we still remain concerned with the City’s recommendations for an inclusionary ordinance in the Economic Analysis document that was distributed ahead of the full study. Listed below is a brief summary of the concerns we shared from our original letter (which can be read [here](#)):

- a. Increased Cost to Housing & the “Missing Middle” - Any increase in housing construction costs, such as this inclusionary policy, pushes working families and individuals further from housing



Los Angeles/Ventura Chapter

affordability and exacerbates the “missing middle” housing gap. Costs, like inclusionary zoning expenses, continue to rise making housing too expensive to build and still deliver a product that’s affordable to middle-income earners. Homebuilders are now either building subsidized housing or luxury housing, resulting in the production of zero moderate income housing units. Applying a potentially unworkable inclusionary zoning ordinance to residential development will likely make the situation worse, not better.

- b. Implementation Timeline & a Grandfather Clause - If the City were to adopt a mandated inclusionary zoning policy and implement it immediately, this drastic change would negatively affect the market. Any policy that is adopted should be done so gradually, as a phased-in approach, over several years. This would ensure that there are no disruptions to the current building progress. A robust grandfather clause for projects in the pipeline should also be included in the policy recommendations. Homebuilders who have invested in the City before a serious change in land value occurred, through an unforeseen City imposed policy, should not be subject to an ordinance that would so drastically affect their ability to produce housing.
- c. Meaningful Offsets & Applicability Threshold - If the City were to impose an inclusionary housing policy on residential development, there would need to be a cost reduction in another part of the City’s building process. This would offset the cost of providing below market-rate housing by reducing overall costs in another part of the project approval process. Those offsets could be included through a menu of options that led to a commensurate cost reduction based on individual project needs. Related to applicability, the incentives available for ownership projects are simply not financially feasible to offset the costs for the production of ownership units with an inclusionary component and should not be considered in a final policy.
- d. A Voluntary, Incentive-Based Solution - We were encouraged to see the incentive-based approach, and exclusion on of inclusionary ownership requirements when applied to inclusionary housing in submarket two. A voluntary inclusionary component would provide developers the ability to incorporate moderate to low-income housing units within their projects through the provision of offsets to balance the additional costs needed. A good example of affordable housing production encouragement through a voluntary process exists in the City of Los Angeles through their voter approved “Transit Oriented Communities Plan”. This voluntary program, when compared to mandatory ordinances, has produced significantly more housing units because it helps the development process, instead of hindering it.

Conclusion

We, again, encourage staff to consider how an inclusionary building component will actually affect the production of affordable units within your City. An inclusionary housing mandate could stifle housing production leading to not only less housing, but also less affordable housing – the opposite of what an inclusionary policy seeks to accomplish. For this reason, we request that any inclusionary housing component does not increase the cost of housing and be incorporated as a voluntary, incentive-based option that excludes for-sale homes. There is ample opportunity to make this policy



Los Angeles/Ventura Chapter

a functional, meaningful tool to address affordable housing by implementing the input contributed by stakeholders who are providing and building housing.

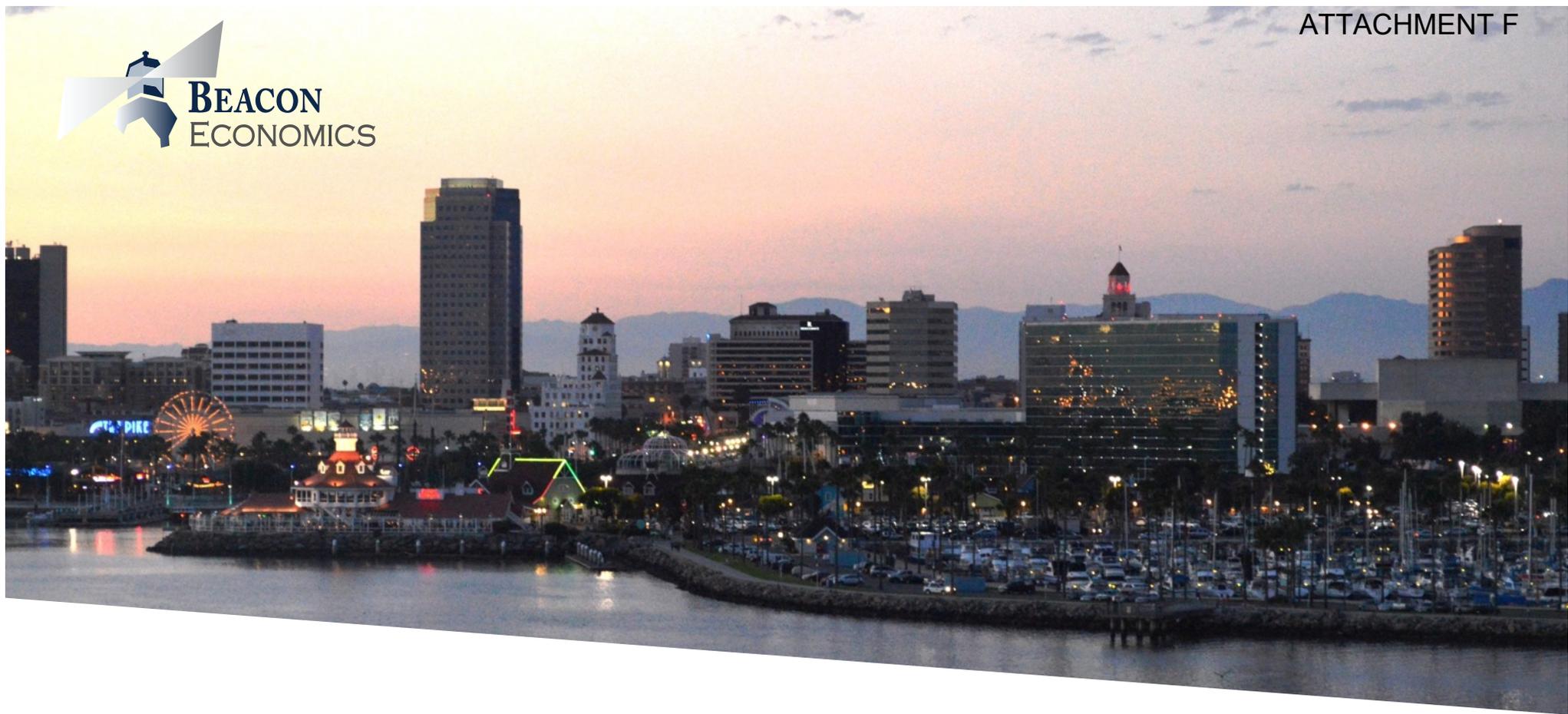
Should you have any questions please contact, BIA-LAV Director of Government Affairs, Diana Coronado, at (213) 797-5965 or at dcoronado@bialav.org.

Sincerely,

Tim Piasky
Chief Executive Officer
BIA-Los Angeles/Ventura

CC:

Patrick Ure, Development Services Department
Andrew Chang, Development Services Department
Long Beach Planning Commissioners, Districts 1, 2, 3, 4, 5, 6, and 7
Council Districts 1, 2, 3, 4, 5, 6, and 7



City of Long Beach

Peer Review of Inclusionary Housing
Policy – Economic Analysis by Keyser
Marston Associates

Prepared for:
Downtown Long Beach Alliance

Prepared by:
Beacon Economics, LLC.

22 November, 2019

About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise in California, is an independent research and consulting firm dedicated to delivering accurate, insightful and objectively based economic analysis. Leveraging unique proprietary models, vast databases and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis and economic impact studies. Beacon Economics equips its clients with the data and analysis required to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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Special Thanks

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Preface

The City of Long Beach (The City) is in the process of establishing inclusionary housing policies for the purpose of increasing the supply of low-income, affordable housing for its residents. The City commissioned a study from Keyser Marston Associates, Inc. (KMA) entitled “Inclusionary Housing: Financial Evaluation” (the KMA report) that was released in July 2019. The KMA study (1) examines the financial impact of affordable housing requirements; and (2) estimates the in-lieu fees that could be supported without rendering projects financially infeasible.

The KMA report divided the city into two distinct submarkets: Submarket 1 (which more or less covers Downtown and Midtown Area, immediately north of Downtown Long Beach); and Submarket 2 (the rest of Long Beach). The majority of the report is devoted to Submarket 1. **Within the purview of Submarket 1, the KMA report examined inclusionary housing requirements for both rental residential development and ownership housing developments.** The report considered different single income categories—**market rate, moderate income, low income** and **very low income** for rental residential and market rate and moderate income for ownership housing development. Furthermore, the report included three mixed-income category scenarios for rental residential development. Based on the results from these scenarios, **KMA derived in-lieu fees based on the affordability gap approach** (market rate unit price less affordable sales price per unit).

The Downtown Long Beach Alliance engaged Beacon Economics to perform a peer review of the KMA study, including an in-depth examination of the study’s working assumptions, data, analysis, and conclusions. Additionally, Beacon Economics was tasked with conducting a sensitivity analysis, to examine the impact of potential changes in key inputs utilized in the KMA report. The intention was to use the peer review exercise to inform policymakers and ground the ultimate inclusionary housing policy in real market conditions.

Key goals of the Downtown Long Beach Alliance in commissioning this report include (1) identifying the impact of updating the KMA analysis with assumptions driven by Long Beach-specific data to capture the regulatory and market conditions of residential development in the City, and to (2) provide recommendations on key elements for the design of an inclusionary housing policy based on the sensitivity of KMA’s financial feasibility analysis.

I. Introduction

In July 2019, Keyser Marston Associates, Inc. (hereinafter after “Keyser Marston” or “KMA”) submitted to the City of Long Beach a study of Inclusionary Housing Program Financial Evaluation titled “Inclusionary Housing: Financial Evaluation” (hereinafter “the KMA report”), with the focus of examining (1) The impacts created by the imposition of affordable housing requirements and (2) The estimates of the fee amounts that can be supported for projects that are permitted to pay a fee in lieu of producing affordable housing. The report’s intent is to inform the City of Long Beach the financial feasibility of imposing Inclusionary Housing requirements on residential development in Long Beach.

Amid the housing crisis, the KMA study serves a very important purpose—the scoping of a supportable Inclusionary Housing policy may help the City of Long Beach alleviate its unmet housing needs as defined in the Regional Housing Needs Assessment (RHNA). Since the release of the KMA report, the Department of Housing and Community Development has released new data on jurisdictions’ progress on RHNA in 2018. For the City of Long Beach, between 2017 (latest year reported at the time of the release of the KMA report) and 2018, its RHNA statistics are updated in the following table.

City of Long Beach RHNA Statistics as of December 2018

<i>Income Category</i>	Total RHNA Obligation (2013- 2021)	Building Permits Issued as of Dec 2017	Building Permits Issued as of Dec 2018 (2017-2018 Change)	Remaining RHNA (Total)	Remaining RHNA (%)
<i>Very Low (VLI)</i>	1,773	269	306 (+37)	1,467	82.7%
<i>Low (LI)</i>	1,066	53	62 (+9)	1,004	94.2%
<i>Moderate</i>	1,170	0	0 (+0)	1,170	100.0%
<i>Above Moderate</i>	3,039	1,328	1,551 (+223)	1,488	49.0%
<i>Total</i>	7,048	1,650	1,919 (+269)	5,129	72.8%

The City has made little progress from 2017 to 2018. The current 5th Cycle of RHNA is more than half-way over but the City has failed to meet the pro-rated progress in every single income category, more so in the low-income categories. The vast majority of the permits issued are for above moderate income, highlighting the need of affordable housing in the City.

Beacon Economics, LLC (hereinafter “Beacon”) was engaged by the Downtown Long Beach Alliance (DLBA) to conduct a peer review of the KMA report, to critique its findings and recommendations and to explore alternatives to the findings and recommendations. One challenge in reviewing the KMA report is the lack of transparent information that permeates throughout the report. In the pro formas for the rental

residential and ownership project prototypes, there are no building construction types¹, average unit size nor building efficiency stated, all of which greatly affect the cost of construction. In addition, Beacon finds that various of KMA's assumptions on the rental residential and ownership project prototypes as well as its affordability analyses are detached from the reality. Particularly, for the project prototypes, there is no evidence that KMA has taken open space requirements into consideration when proposing the projects' building efficiency. Also, there are no recent sales transactions that support KMA's assumed land acquisition costs.

There are many key assumptions missing in the KMA report:

- There are no recent sales transactions that support a land acquisition cost of \$205/SF
 - In addition, land value varies considerably between Downtown area and Midtown area, even if KMA claim they are within the same broad submarket
- KMA did not specify the average unit size by number of bedrooms that form the basis of the pro formas
 - For rental projects, the only reasonable inference Beacon can make is that KMA used the weighted average results on its rent survey in Attachment 2 Appendix E Exhibit I of the KMA report.
 - But for ownership projects, KMA did not use the weighted average results in its condominium sales survey in Attachment 3 Appendix C Exhibit I.
- There is no building efficiency ratio (net rentable area/gross building area) assumed nor consideration for open space requirements
 - Again, Beacon can make a reasonable inference using the weighted average results on its rent survey in Attachment 2 Appendix E Exhibit I; and
 - Beacon will demonstrate that the imputed building efficiency ratios that KMA implicitly assumed based on its data are unrealistic.
- There is no indication whether on-site improvement/landscaping cost includes demolition cost
 - Given that Downtown and Midtown Long Beach are built out, a development project is likely to be an infill project where any existing structure on top of the parcel need to be demolished before any construction work can be done.
- There are no cost estimates for off-site improvements, which are required by the City
 - See Title 20.24.040 of the City's municipal code

¹ Building construction types refer to the materials used in the building and the extent to which building elements such as building frame, roof, wall and floor can resist fire. These building construction types are established by the International Code Council and each project must follow the guidelines set forth. For a multi-family residential building, these are typically Type I (concrete), Type III, or Type VA. Factors such as building height and number of stories determine the type of construction material used. For more information, please visit the ICC's 2018 International Building Code: [Chapter 6: Types of Construction](#).

- There are no considerations on water-table and methane issues. The KMA report is assuming conventional foundations but in Long Beach there is likely going to be some issues with water table and methane, given that the area was subject to oil pumping in the past.
- There are no cost estimates for bicycle parking, which is essential given the submarket location.

In addition, there also exist many key assumptions that are questionable in the KMA report:

- Consolidation of Downtown Long Beach and Midtown into one aggregate submarket
- Land parcel sizes: 32,870 sq. ft. for rental projects and 43,560 sq. ft. for ownership project
 - Most parcels in the submarket are much smaller than these specified areas and are of an elongated shape
 - No discussion of reverse subdivision and the additional fees associated
- Assumption of a 30% reduction in the land cost caused by Inclusionary Housing requirements (see Sections IIB and IIIE of the report)
- Assumption of 85-92 parking spaces can fit in per subterranean level on a $\frac{3}{4}$ acre of land.
- Uniform assumption of \$20,000 per unit of permit fees, when in fact many of the largest permit fee items are proportional to size
- A construction loan period is too short and incompatible with lender's perspective.
- Construction loan interest rates deviate between rental and ownership projects without justification.
- As for ownership units, KMA assumes a 5.31% interest rate for a 30-year fully amortized mortgage loan.
 - The 30-year fixed mortgage rate averaged has stayed below 5.31% since July 2009.
 - The current 30-year fixed mortgage rate is 3.57% as of October 10, 2019.
- In addition, KMA assumes a 5% down payment of the ownership unit sales price, yet not taking private mortgage insurance (PMI) into account
- Discrepancy between the market rate unit rent assumed in pro formas versus the weighted average market rate unit rent results from its submarket rent survey (Attachment 2 Appendix E Exhibit I).
 - The market rate unit rents assumed in the pro formas are higher than those in the rent survey
 - The discrepancies lead to higher Net Operating Income and overstates Return on Total Investment
 - The discrepancies also lead to **significantly higher affordability gaps** in the affordable rental calculations in Attachment 2: Appendix D in the KMA report

The peer review is organized into two main sections: Non-Cost Assumptions (Section II) and Cost Assumptions (Section III). Based on the discussions of Section II and Section III, Section IV will display the revised pro formas results of each project prototypes. Since the pro formas feed into the affordability analyses, Section V will show the revised affordability analyses based on the findings from Section IV that are alternatives to the KMA analyses.

II. Critique of KMA's Non-Cost Assumptions

No two cities are the same. In order to design an Inclusionary Housing Program suitable for the City of Long Beach, it is important to understand the landscape unique to the City and the current financial landscape that feed into the mortgage rates and affordability calculations. For example, each City has different ordinance that governs building standards such as minimum parking requirements, minimum required parking space dimensions, open space requirements, etc. The non-construction cost related considerations provide parameters for project prototypes that are likely to be built in the City and affect the costs of development directly. It is therefore essential for a study to consult these elements at the bare minimum in crafting the pro formas for the project prototypes.

In reviewing the KMA report, Beacon has identified eight main non-cost assumptions that merit discussions:

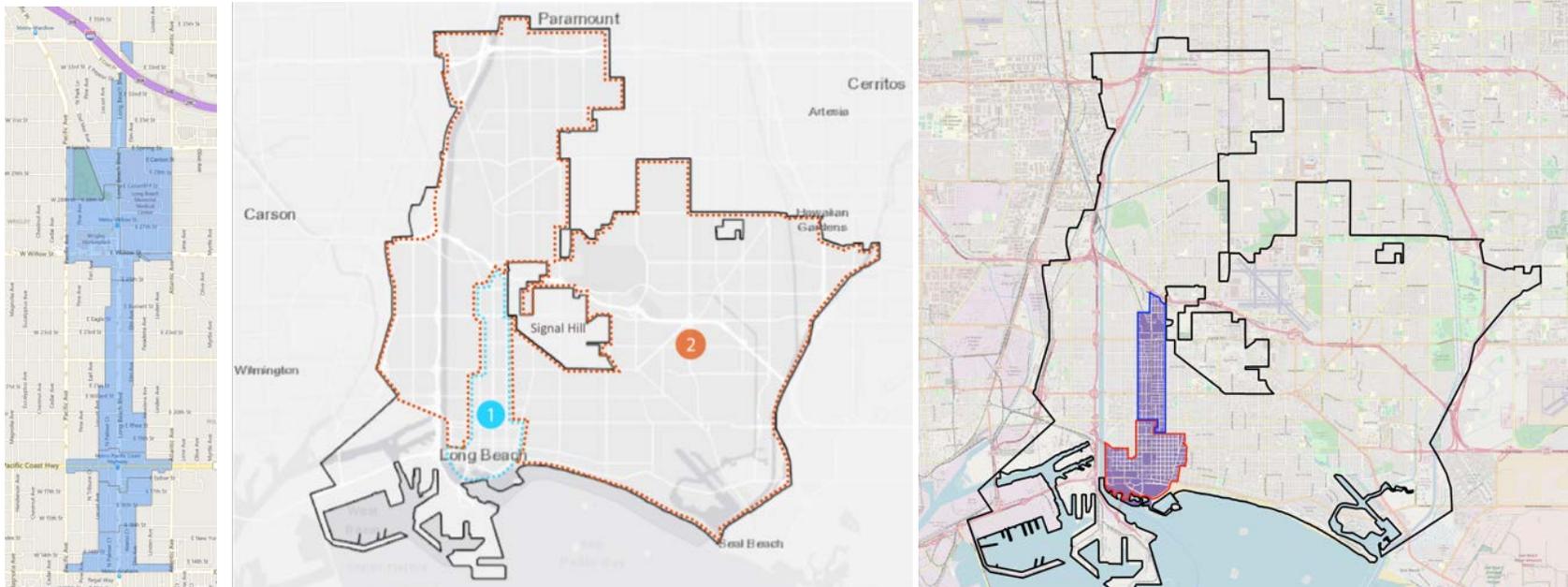
- a. Land Parcel Sizes
- b. Car Parking Spaces
- c. Unit Sizes and Unit Mix
- d. Building Efficiency
- e. Open Space Requirements
- f. Bicycle Parking Spaces
- g. Mortgage Interest Rate
- h. 5% Mortgage Down Payment in Ownership Units

Each of these assumptions is discussed individually in this Section.

A. Land Parcel Sizes

Within the purview of the KMA report, Submarket 1 consists of the Downtown (PD 30), the Downtown Shore (PD 6) and the Midtown area. It is true that there is a clear differentiation in the development activity between Submarkets #1 and #2 per KMA. Yet there are some fundamentally different attributes—such as land parcel sizes and dimensions, open space requirements, and land value—between Downtown and Midtown. For this reason, it may be unsuitable to consolidate Downtown and Midtown into one aggregate submarket. For the purpose of this peer review, Beacon has elected to keep Downtown and Midtown as one submarket in analyzing the pro formas.

Note that the boundaries for Midtown in both the KMA report and this report are different from the boundary of the Midtown Specific Plan. Based on the Submarket Map in Section II.C. of the KMA report, it is not possible to work out the exact boundaries of Midtown in the KMA report. Therefore, the Midtown boundary presented in this report is a close approximation of those in the KMA report.



Left: Midtown Specific Plan GIS Boundary

Middle: Submarket 1 as presented in the KMA report (page 12)

Right: Submarket 1 broken down into Downtown & Downtown Shore areas (red outline) and Midtown area (blue outline)

Beacon uses the County of Los Angeles Open Data Portal’s 2018 Assessors Parcels Data² to analyze the land parcel sizes in Submarket 1. The Downtown (PD 30) and Downtown Shore (PD6) boundaries are obtained from the City’s GIS data catalog and combined together. Although the overall submarket boundary differs slight from that of KMA but the main arguments still hold true.

Summary Statistics of Submarket 1 Parcels, Downtown and Midtown

	Downtown	Midtown	Submarket 1
No. of parcels	7,301	2,857	10,158
Avg. parcel size (SF)	31,041	12,001	27,167
Square footage of the parcel at the following percentiles:			
10th percentile	4,746	3,680	4,129
25th percentile	7,509	5,195	6,487
50th percentile	19,946	6,406	13,235
75th percentile	33,498	8,912	33,206
90th percentile	62,235	29,234	54,306
Percent of parcels smaller than the land sizes in the prototype pro formas			
32,870 SF	66%	92%	74%
43,560 SF	81%	95%	85%

GIS Data Source: City of Long Beach GIS Data Catalog; County of Los Angeles GIS Open Data Portal. Calculations by Beacon Economics

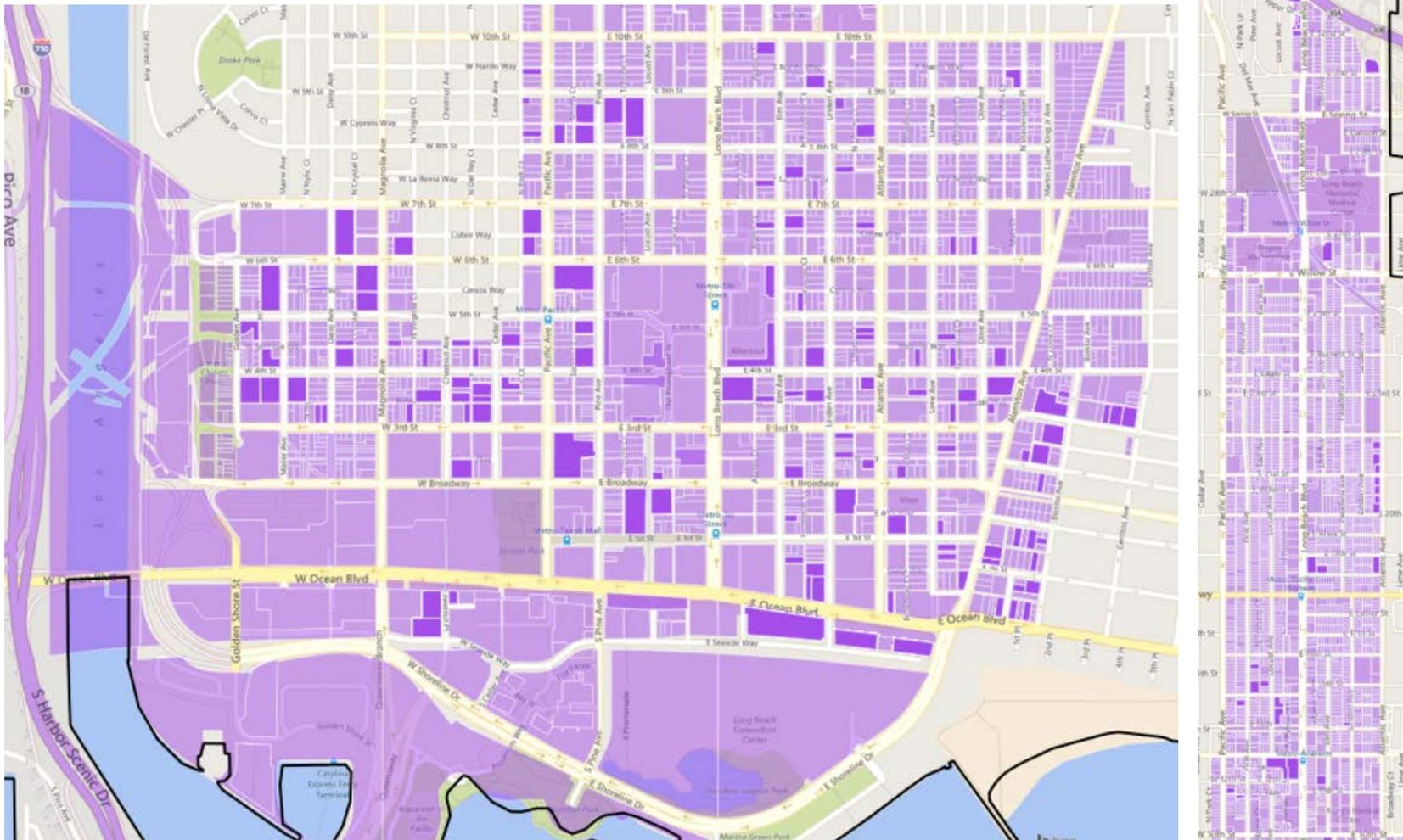
The average parcel size (of all land regardless of land use) in Downtown and Midtown are significantly smaller than the land sizes in the pro formas: 32,870 square feet for the rental project prototypes and 43,560 for the ownership prototypes. The average (mean) parcel is larger in Downtown (31,041 square feet) than Midtown (12,001 square feet). The median parcel measures just 19,946 square feet in Downtown and 6,406 in Midtown—far smaller than those in the pro formas—which are about 3/5 and 1/5, respectively, of the 32,870 square feet parcel size in the rental prototype.

In fact, 74% and 85% of the parcels in Submarket 1 are smaller than the dimensions specified in KMA’s pro formas. Over 92% and 95% of the parcels in Midtown are smaller than the dimensions specified in KMA’s rental and ownership pro formas, respectively. This means KMA’s

² The data can be retrieved from: <https://data.lacounty.gov/browse?q=parcels%202016%20tax%20roll&sortBy=relevance>

prototypes are either not representative of the actual landscape or the land would need to be reverse-subdivided. These prototypes are less suitable for Midtown development than Downtown since a higher portion of Midtown parcels are too small to be suitable.

Images of Downtown (Left) and Midtown (Right) Parcels

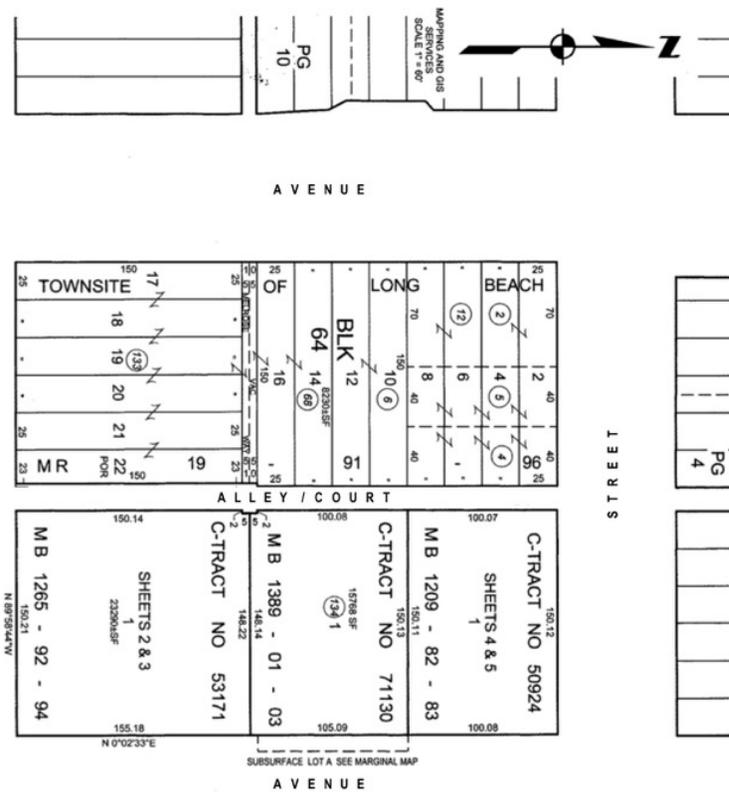


The majority of these parcels are elongated rectangles

In addition to the small parcel sizes, many parcels in the submarket have an elongated rectangular shape, rendering development inefficient at best or simply impractical. In Submarket 1, some of the most common parcel sizes and shapes are:

- 20,000 SF (600 feet by 33.33 feet)
- 15,000 SF (500 feet by 30 feet)
- 7,400 SF to 7,600 SF (400 feet by 18.5 feet to 19 feet)
- 6,500 SF (360 feet by 18 feet or 380 feet by 17 feet)
- 5,000 SF (300 feet by 16.67 feet)
- 2,500 SF (200 feet by 12.5 feet or 250 feet by 10 feet)

The individually small and elongated land parcels imply development is not even remotely possible unless reverse subdivision occurs, where it is common for a developer to purchase several adjacent lots and combine them into one developable larger lot.



ASSESSOR MAP
DELA INCLUSIONARY HOUSING

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

This is a sample reverse subdivision where several parcels of land are amalgamated into one aggregate plot near Melrose Way. For example, eight 25 feet by 150 feet parcels measuring 3,750 square feet each are joined together to form a new parcel measuring 30,000 square feet.

Below are examples of current development projects that are made possible as a result of reverse subdivision.

A mixed used project on 1101-1157 Long Beach Blvd.



↑ Google Map Satellite Image of Site Area (2019)

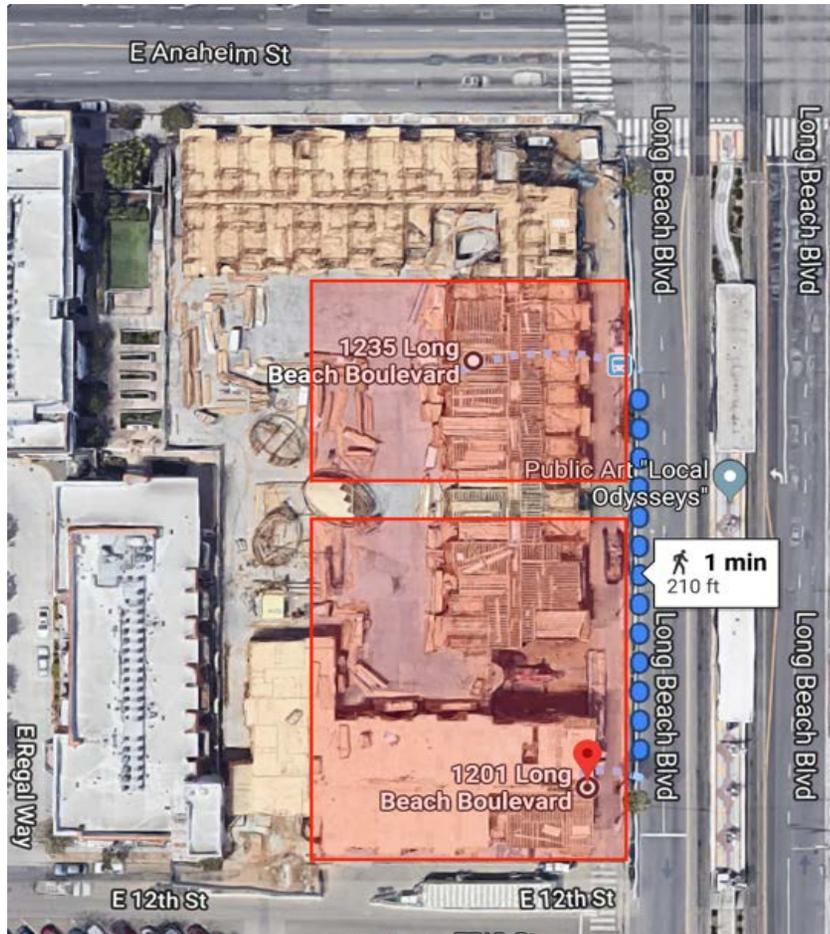


↑ Parcel Map of the Site Area (2018)

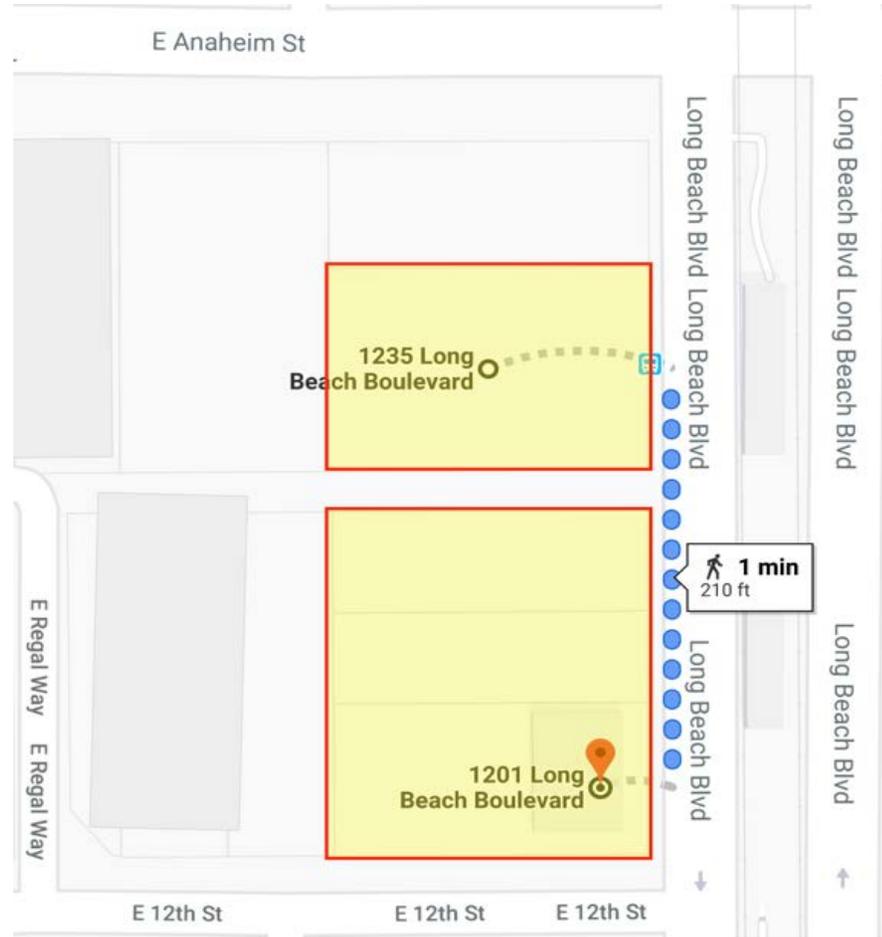
Source: Google Map and County of Los Angeles GIS Open Data Portal

The above images show the most recent state of a mixed-use project that is being developed currently on 1101-1157 Long Beach Boulevard at the southwest corner of 12th Street and Long Beach Boulevard. According to the Los Angeles County Assessors Parcels Data, the site consisted of three separate parcels prior. These individual parcels were also of an elongated rectangular shape but had combined together to form a larger and a more squared parcel that is more suited for development.

The Beacon on 1201-1235 Long Beach Blvd.



↑ Google Map Satellite Image of Site Area (2019)



↑ Parcel Map of the Site Area (2018)

Source: Google Map and County of Los Angeles GIS Open Data Portal

Similarly, the Beacon on 1201-1235 Long Beach Boulevard used to be smaller parcels combined together.

B. Car Parking Spaces

In the rental residential project prototypes, KMA assumes 85 to 92 parking spaces can fit into each subterranean level underneath a lot measuring 32,870 square feet. Attachment 2, Appendix A, Table 1 of the KMA report is reproduced below to show the parking space specifications of the market rate rental residential prototype project:

II. Direct Costs	²				
On-Site Improvements/Landscaping		32,870 Sf of Land		\$20 /Sf of Land	\$657,000
Parking	³				
At-Grade Spaces		0 Spaces		\$5,000 /Space	0
Above-Ground Podium Spaces		0 Spaces		\$25,000 /Space	0
1st Level Subterranean		90 Spaces		\$35,000 /Space	3,150,000
2nd Level Subterranean		92 Spaces		\$45,000 /Space	4,140,000
Building Costs		106,312 Sf of GBA		\$125 /Sf of GBA	13,289,000
Contractor/DC Contingency Allow		20% Other Direct Costs			<u>4,247,000</u>
Total Direct Costs		106,312 Sf of GBA		\$240 /Sf of GBA	

Source: Keyser Marston Associates, Inc.

In the Market Rate Rental Project prototype, KMA assumed 90 to 92 spaces per subterranean level of parking. Assuming the underground parking is built to the line, such that a maximum of 32,870 square feet of land (ignoring all other issues) is used, this yields 357.28 to 365.22 square feet per space. For a less than one acre lot, these are very efficient and lean parking spaces, which are very difficult to achieve on land parcels less than two acres and less feasible for below-grade (subterranean) parking structures than for above ground parking lots.

Many below-grade or mixed-use garages can have parking efficiencies of 400 to 500 square feet per space (Penny, 2016).³ In the United States, off-street parking spaces average 513 square feet (Marshall, 2014).⁴ The number of parking spaces that can fit into an underground level of parking shrinks further if the structure takes setbacks into account.

³ Penny, H. D. (2016). "How Much Does a Structure Cost." International Parking & Mobility Institute. Retrieved on October 22, 2019. Retrieved from: <https://www.parking-mobility.org/2016/01/19/tpp-2013-09-how-much-does-a-structure-cost/>

⁴ Marshall, W. (2014). "On-Street Parking." *Parking Issues and Policies*, Transport and Sustainability, p. 367. Retrieved from: <http://bit.ly/2EhgsFM>

Parking Square Footage per Space and Cost per Space Summary, Assuming “Built-to-Line”

	Unit	Market Rate Rental Project	Inclusionary Rental Project	Ownership Project
Land	Square Feet	32,870	32,870	43,560
Parking				
First Level Subterranean	Spaces	90	90	
	SF per space	365.22	365.22	
	Cost per space	\$35,000	\$35,000	
Second Level Subterranean	Spaces	92	85	
	SF per space	357.28	386.71	
	Cost per space	\$45,000	\$45,000	
Above-Ground Podium Spaces	Spaces			142
	SF per space			306.76
	Cost per space			\$25,000

When taking the City’s parking development standards into account, Beacon demonstrates that it is not feasible to include that many parking spaces per level. The following tables summarize the City of Long Beach’s off-street parking and loading requirements under Section 21.41 of the City’s Municipal Code.

Table 41-2: Minimum Parking Space Sizes

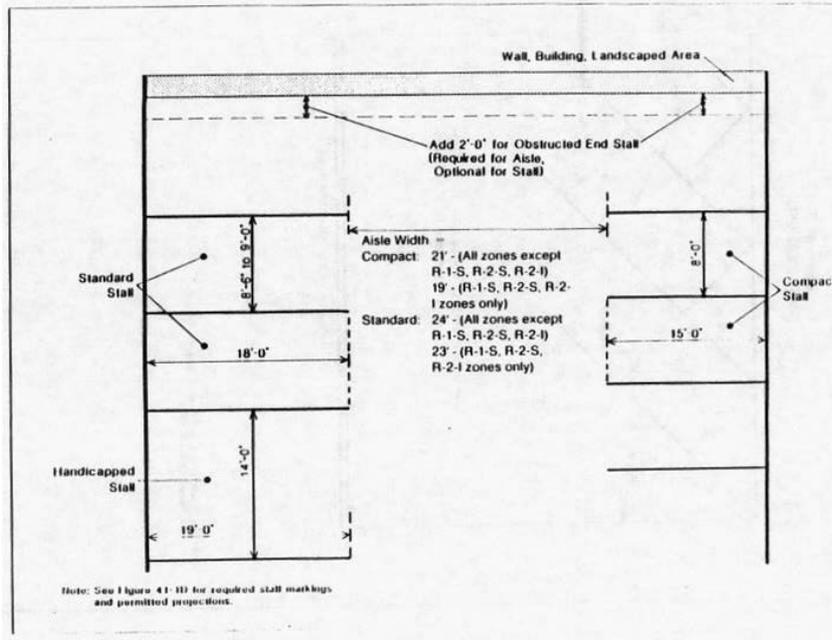
All Uses	Size	Aisle Width	Proportion
Compact	8 feet by 15 feet	21 feet (all zones except R-1-S, R-2-S, R-2-I zones)	Residential—not more than 50 percent Nonresidential—none
Standard	8 feet 6 inches by 18 feet	24 feet (all zones except R-1-S, R-2-S, R-2-I zones) 23 feet (R-1-S, R-2-S, R-2-I zones)	
Handicapped	14 feet by 18 feet	24 feet	See State requirements (title 24, part 2, Ch. 2-71 of the California Administrative Code)

Table 41-3: Minimum Required Turning Radii

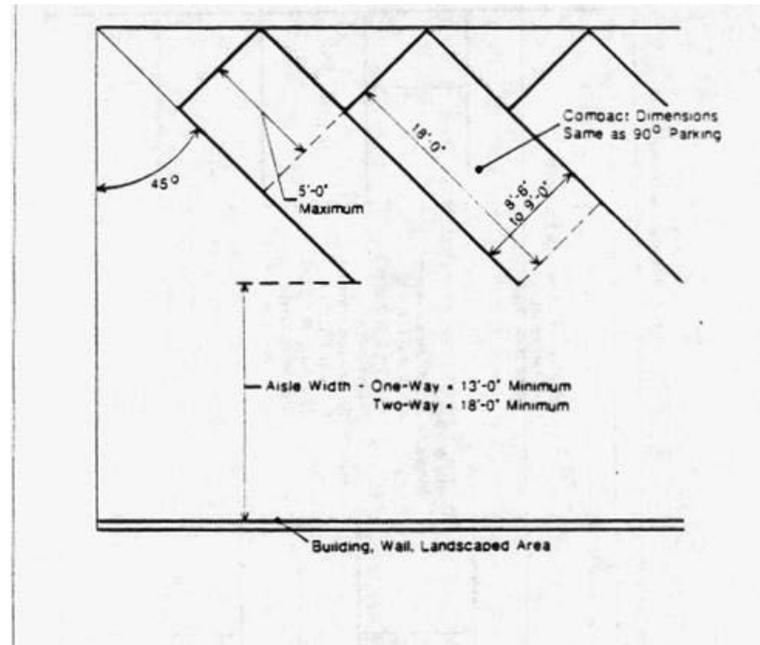
Type of Parking Space	90 Degree Parking	All Other Parking
1. Standard and handicapped	24 feet (all zones except R-1-S, R-2-S, R-2-I zones) 23 feet (R-1-S, R-2-S, R-2-I zones only)	24 feet or less, as indicated in figures 41-1A, 41-1B and 41-1C
2. Compact	21 feet (all zones except R-1-S, R-2-S, R-2-I) 19 feet (R-1-S, R-2-S, R-2-I zones only)	21 feet or less, as indicated in figures 41-1A, 41 1B and 41 1C

Source: City of Long Beach Municipal Code

Below are illustrations of the City of Long Beach’s parking development standards for a 90-degree parking design and a 45-degree parking design



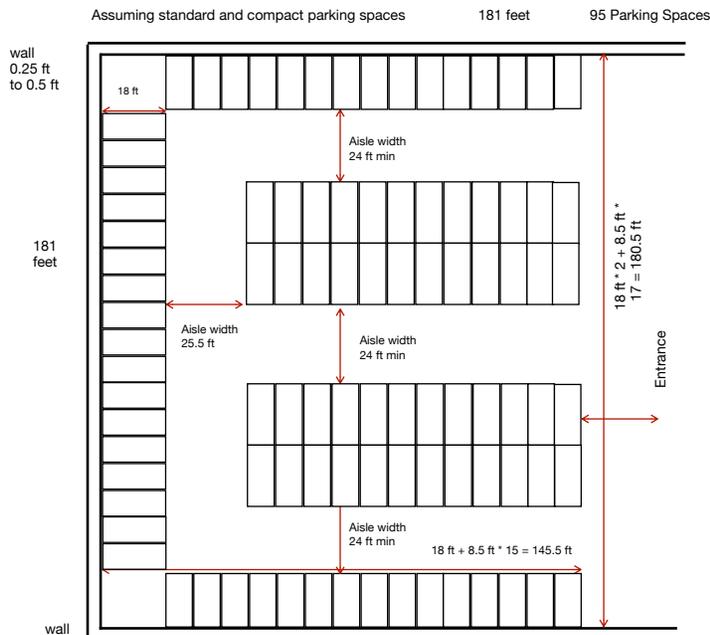
90-Degree Parking Illustration
 Source: City of Long Beach Municipal Code



45-Degree Parking Illustration

A 90-degree parking lot design is more efficient than a 45-degree design (i.e., can fit more parking spaces per level), Beacon assumes that the 90-degree design is used in the KMA report. Taking the above parking development standards into account, the only way a 32,870 square feet underground parking level can fit 90 parking spaces or more is under the absolute ideal condition: an almost perfectly square lot. The following illustration demonstrates the number of parking spaces that can be fitted into one underground level under such conditions.

90-degree parking illustration 1 (181 ft * 181 ft = 32,761 sq. ft)



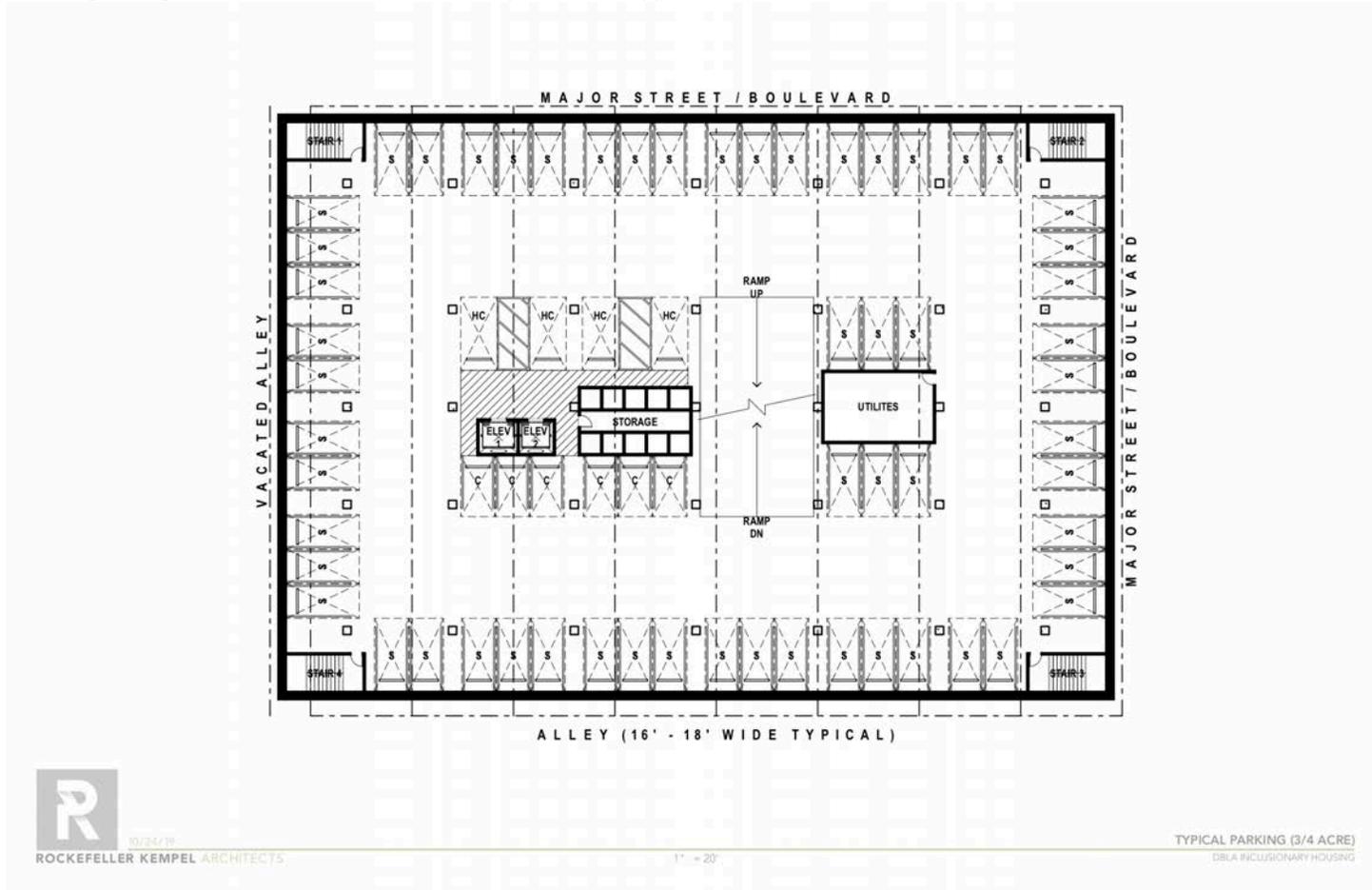
This is a highly unrealistic subterranean parking lot layout using KMA's assumptions:

1. For infill projects in Downtown Long Beach, land parcels are seldom $\frac{3}{4}$ of an acre or larger as discussed in Part A above. The only plausible way is to consolidate a few parcels into one.
2. This is only possible under an almost square parcel. For more rectangular or irregularly shaped parcels, parking efficiency is drastically reduced.
3. This bare bone parking structure is missing several amenities and features mandated by the City.
 - a. Speed ramps
 - b. EV charging stations—EV parking spaces typically measure 20 feet long each, which is longer than the standard 18 feet
 - c. Columns and pillars to support the underground structure
 - d. Handicapped parking spaces, which are considerably more spacious than the standard 8.5 feet by 18 feet parking space.
 - e. Elevators and stairs
 - f. Storage space

Note that this is for a 90-degree parking design, which is already more efficient (fits more parking spaces) than a 60-degree or a 45-degree parking design. In addition, this also assumes “zero-foot build-to line” scenario; it is not possible to fit 90 spaces per level in scenarios where it requires a 6-foot setback or a 10-foot setback.

Beacon consulted with Rockefeller Kempel Architects (RKA), a Los Angeles architecture firm that specializes in multi-family projects and has decades of experience working with developers on multi-family projects in Long Beach. Below are illustrations of parking lot layouts for both rental residential (land size of 32,870 square feet) and ownership projects (land size of 43,560 square feet) by RKA based on the information in the KMA report. These designs take the City's parking development standards into account.

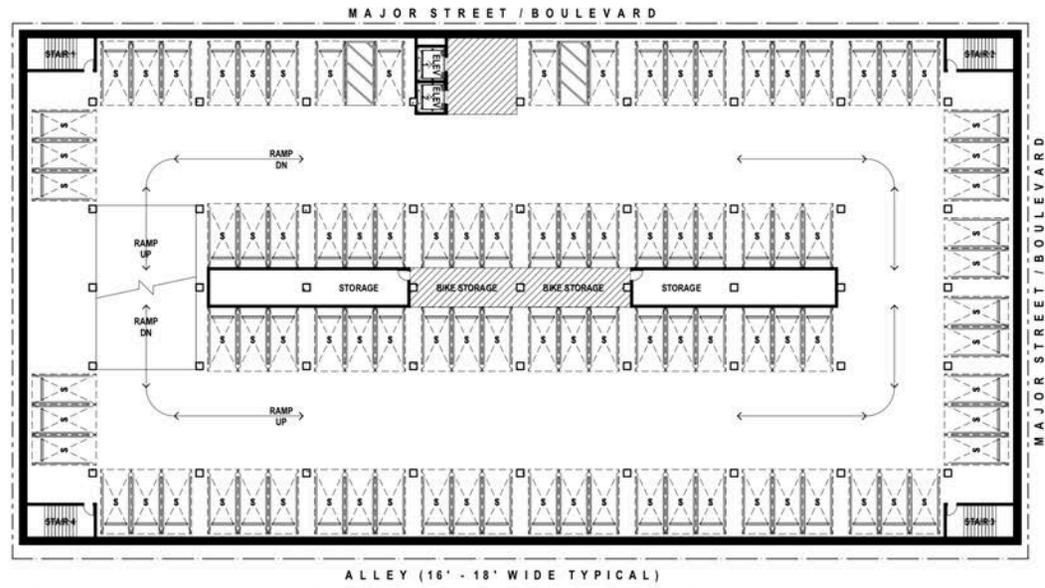
Subterranean Parking Design for Residential Rental Project Prototype, Based on 32,870 SF of Land



Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

Based on a land area of 32,870 square feet, City parking development standards, and including the aforementioned amenities and features required by the City, a standard subterranean level can accommodate 66 parking spaces per level. This means a third level of subterranean parking will be required. Furthermore, deeper levels are more expensive as it requires additional excavation costs and more structure support.

Subterranean Parking Design for Ownership Project Prototype, Based on 43,560 SF of Land



ROCKEFELLER KEMPEL ARCHITECTS

11' - 30'

TYPICAL PARKING (1 ACRE)
ONE A RECREATION HOUR

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

Based on a land area of 43,560 square feet, City parking development standards, and including the aforementioned amenities and features required by the City, a standard above ground level can accommodate 95 parking spaces. Since the ownership prototypes require 140 parking spaces each, a second above ground level will need to be constructed.

The size, height, and turning radius of current automobiles as well as past and future trends of automobile size and statistical quantity must be taken into account these are called parking geometries. There are many ramp design configurations and different ones are appropriate for the primary purpose of the facility to ensure that the intended use is compatible with ramp design. The streets surrounding the facility and their traffic flow must be taken into consideration when planning entrances and exits and deciding on ramp designs. The entrances and exits are very important to the smooth functioning of the facility, with the type of use again determining the length from the opening and placement of the entry booths, as well as the quantity of entrances and exits.

C. Unit Sizes and Unit Mix

There is no mention of the unit size assumed for each of the unit type (studios, 1-bedroom, 2-bedroom, and 3-bedroom) in its pro formas (Attachment 2 Appendix A Tables 1 and 2 shown here as an example). The term “unit size” first appears on page 93 in Attachment 2 Appendix E Exhibit I: Rent Survey for Submarket 1, after all the rental residential development pro formas are presented in Attachment 2 Appendices A-D.

APPENDIX A - TABLE 1

ESTIMATED DEVELOPMENT COSTS SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT MARKET RATE ALTERNATIVE BASE ZONING: 125 UNITS PER ACRE SCENARIO INCLUSIONARY HOUSING FEASIBILITY ANALYSIS LONG BEACH, CALIFORNIA				
I. Property Acquisition Costs	1	32,870 Sf of Land	\$205 /Sf of Land	\$6,738,000
II. Direct Costs	2	32,870 Sf of Land	\$20 /Sf of Land	\$657,000
On-Site Improvements/Landscaping	3			
Parking				
At-Grade Spaces		0 Spaces	\$5,000 /Space	0
Above-Ground Podium Spaces		0 Spaces	\$25,000 /Space	0
1st Level Subterranean		90 Spaces	\$35,000 /Space	3,150,000
2nd Level Subterranean		92 Spaces	\$45,000 /Space	4,140,000
Building Costs		106,312 Sf of GBA	\$125 /Sf of GBA	13,289,000
Contractor/DC Contingency Allow		20% Other Direct Costs		4,247,000
Total Direct Costs		106,312 Sf of GBA	\$240 /Sf of GBA	\$25,483,000
III. Indirect Costs				
Architecture, Engineering & Consulting		8% Direct Costs		\$2,039,000
Public Permits & Fees	4	94 Units	\$20,000 /Unit	1,880,000
Taxes, Insurance, Legal & Accounting		3% Direct Costs		764,000
Marketing		94 Units	\$5,000 /Unit	470,000
Developer Fee		5% Direct Costs		1,274,000
Soft Cost Contingency Allowance		5% Other Indirect Costs		321,000
Total Indirect Costs				\$6,748,000
IV. Financing Costs				
Interest During Construction				
Land	5	\$6,738,000 Cost	3.6% Avg Rate	\$364,000
Construction	6	\$34,194,000 Cost	3.6% Avg Rate	1,108,000
Loan Origination Fees		60% Loan to Cost	2.0 Points	491,000
Total Financing Costs				\$1,963,000
V. Total Construction Cost		94 Units	\$364,000 /Unit	\$34,194,000
Total Development Cost		94 Units	\$435,000 /Unit	\$40,932,000

1 Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.
 2 Based on the estimated costs for similar uses.
 3 Based on 1.5 spaces for Studio Units; 1.5 spaces for One-Bedroom Units; 2.0 spaces for Two-Bedroom Units; 2.0 spaces for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.
 4 Based on estimates prepared for other projects within Long Beach.
 5 Based on an 18 month construction period and a 60% average outstanding loan balance.
 6 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME SUBMARKET #1: RENTAL RESIDENTIAL DEVELOPMENT MARKET RATE ALTERNATIVE BASE ZONING: 125 UNITS PER ACRE SCENARIO INCLUSIONARY HOUSING FEASIBILITY ANALYSIS LONG BEACH, CALIFORNIA				
I. Gross Income				
A. Market Rate Units	1			
Studio Units		12 Units @	\$2,569 /Unit/Month	\$370,000
One-Bedroom Units		48 Units @	\$2,620 /Unit/Month	1,509,000
Two-Bedroom Units		34 Units @	\$3,304 /Unit/Month	1,348,000
Three-Bedroom Units		0 Units @	\$0 /Unit/Month	0
B. Laundry & Miscellaneous Income		94 Units @	\$25 /Unit/Month	28,000
Total Gross Income				\$3,255,000
Vacancy & Collection Allowance		5% Gross Income		(163,000)
II. Effective Gross Income				\$3,092,000
III. Operating Expenses				
General Operating Expenses		94 Units @	\$4,500 /Unit	\$423,000
Property Taxes		94 Units @	\$4,700 /Unit	443,000
Replacement Reserve Deposits		94 Units @	\$150 /Unit	14,000
Total Operating Expenses				(880,000)
IV. Stabilized Net Operating Income				\$2,212,000

1 Based on the rent survey presented in APPENDIX E - EXHIBIT I. The weighted average monthly rent equates to \$3.16 per square foot of leasable area.

Above: Tables 1 and 2 of the market rate rental residential project prototype. There is no information on unit sizes.

It is important to have information on the unit size dimensions because this information is used to derive net rentable area as well as market rate and affordable rental rates; all of which are needed in order to construct a defensible pro forma. The following table summarizes the minimum, maximum, and weighted average rents by unit type (studio, 1-bedroom, and 2-bedroom) in Submarket 1 that appears in the Rent Survey in Attachment 2, Appendix E, Exhibit I.

Rent Survey (Attachment 2 Appendix E Exhibit I) Summary for Submarket 1

	Studio Units	One-Bedroom Units	Two-Bedroom Units	Total
Minimum Rent	\$1,616	\$1,876	\$1,675	\$1,616
Maximum Rent	\$2,952	\$2,876	\$4,194	\$4,194
Weighted Average Rent	\$2,179	\$2,370	\$3,017	\$2,584
No. of Units	320	1,303	941	2,564
No. of Units (%)	12.5%	50.8%	36.7%	100%
Weighted Average Unit Size (sq. ft.)	729	805	1,108	907

But the weighted average rents DO NOT form the basis of rental income in KMA's pro formas

Submarket #1: Projected Monthly Market Rate Rents	
<u>Average Monthly Rent Per Unit</u>	
Studio Units	\$2,569
One-Bedroom Units	\$2,620
Two-Bedroom Units	\$3,304
Average Monthly Rent Per Sq. Ft. of GLA ¹⁰	\$3.16

The unit percentage mix forms the basis of unit mix in KMA's pro formas

The weighted average unit size is assumed to form the basis of net rentable area

Note that in KMA's rent survey, nearly all comps are located in the Downtown area and not in the Midtown area. This implies a model pro forma should more resemble the reality of Downtown than the Midtown. As previously mentioned, land value and parcel characteristic differ between Downtown and Midtown, implying that **land/property acquisition costs in KMA's pro formas may be underestimated**, and thus **development costs are underestimated** and **return on investments are overstated**. The unit mix and unit size are used to inform KMA's feasibility analysis of rental residential development prototypes, but the rental rates differ from the average rents stated in its rent survey.

For the weighted average unit sizes in the KMA's Rent Survey, the results are based on data from CoStar Group. At first glance, it appears that the average unit size of studio apartments (729 square feet) is slightly larger than the typical studio apartment unit.

APPENDIX E - EXHIBIT I

RENT SURVEY

SUBMARKET #1

RENTAL RESIDENTIAL DEVELOPMENT

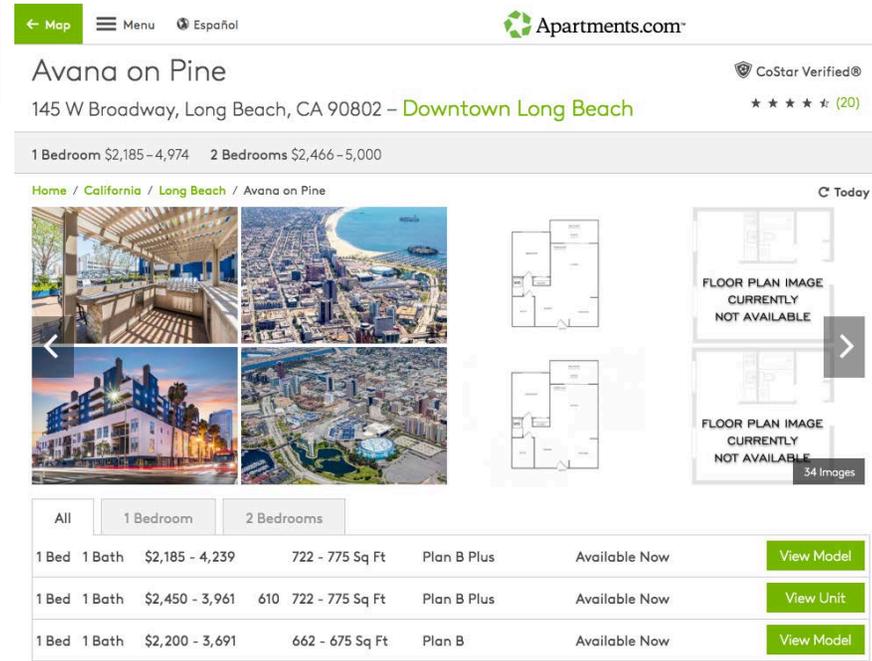
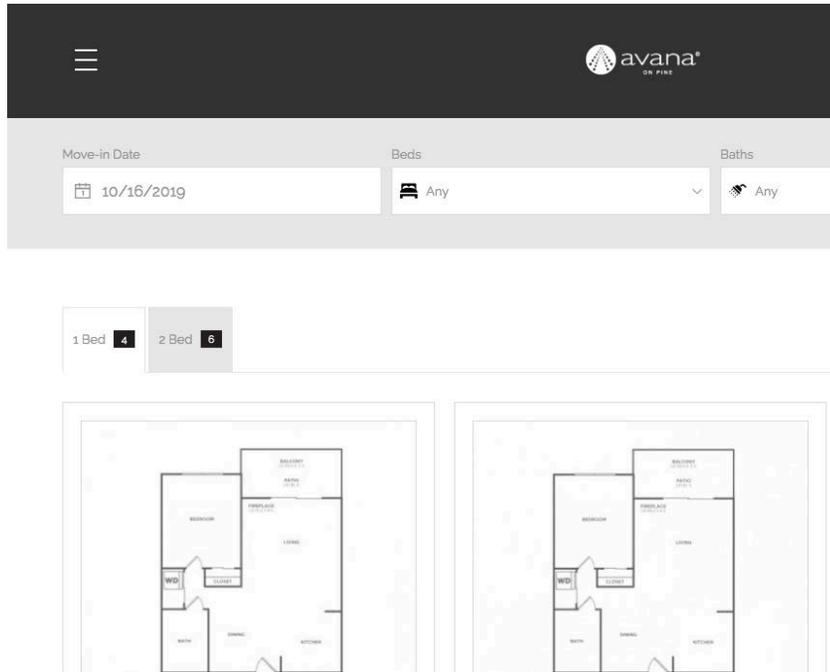
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS

LONG BEACH, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent		Parking Spaces Provided Per Unit	Year Built
				Total	Per SF		
Studio Units							
Bella Mare 6th Street Lofts	431 E 6th Street	9	605	\$1,653	\$2.73	1.4	2015
AMLI Park Broadway	245 West Broadway	40	767	\$2,952	\$3.85		2019
442 Residences	442 W Ocean Blvd	43	536	\$2,115	\$3.95	1.6	2019
The Current	707 E Ocean Blvd	30	685	\$2,584	\$3.77	2.0	2016
The Edison	100 Long Beach	48	602	\$2,091	\$3.47	3.2	2016
Urban Village	1081 Long Beach Blvd	19	565	\$1,827	\$3.23	1.4	2015
Avana on Pine	145 Pine Ave	69	1,163	\$2,176	\$1.87	1.9	1992/2016
Griffis Pine Avenue	404 Pine Avenue	15	578	\$1,616	\$2.80	1.5	2003
Sofi at Third	225 W 3rd Street	32	484	\$1,814	\$3.75	1.9	1990
Pine at Sixth	595 Pine Ave	15	628	\$1,891	\$3.01	1.9	1987
	Minimum		484	\$1,616	\$1.87		
	Maximum		1,163	\$2,952	\$3.95		
	Weighted Average		729	\$2,179	\$3.21		

Above shows a snippet of the KMA Rent Survey for studio apartment units. An entry that stands out is that the average studio unit size of Avana on Pine (1,163 square feet) is considerably larger than the other entries—almost 400 square feet larger than the next largest entry, AMLI Park Broadway! 1,163 square feet average for studio units is exceptionally large and is describes the square footage of a 2-bedroom unit more closely. While Costar is an acceptable source, it is important to spot for unusual data and verify the data's accuracy if possible.

A search on both Avana on Pine’s own website⁵ and Apartments.com⁶ reveal that the building does not list any studio units in the inventory. The studio units classified in Costar are actually 1-bedroom or even 2-bedroom units.



Left: Avana on Pine’s Website, which only has listings for 1-bedroom or 2-bedroom units

Right: Search results for Avana on Pine on Apartments.com website, which only has listings for 1-bedroom or 2-bedroom units

Using comp data from Axiometrics/RealPage, Beacon is able to determine the actual average unit size for studios units, 1-bedroom units, and 2-bedroom units for Avana on Pine. The table below compares CoStar’s data vs. that of Axiometrics/RealPage.

⁵ Avana on Pine website: <https://www.avanaonpine.com/long-beach/avana-on-pine/>

⁶ Avana on Pine’s listings on Apartments.com: <https://www.apartments.com/avana-on-pine-long-beach-ca/egz78np/>

Summary Statistics of Avana on Pine, CoStar and Axiometrics/RealPage

	CoStar		Axiometrics/RealPage	
	Units	Size (SF)	Units	Size (SF)
Studio Units	69	1,163	--	--
1-Bedroom Units	71	761	112	922
2-Bedroom Units	71	1,017	99	1,058
Total	211	979	211	986

Data Source: Axiometrics/RealPage (September 2019)

The overall number of units (211) is the same and the average unit size of all units are almost the same (979 square feet vs. 986 square feet). However, in CoStar's data, the average unit size for studio units (1,163 square feet) are larger than both 1-bedroom units' average size and 2-bedroom units' average size, which is a bizarre result and casts doubt on the CoStar data's accuracy.

Suppose the studio units are reclassified as 1-bedroom units (41 units) and as 2-bedroom units (28 units) based on Axiometrics/RealPage's data, the average unit sizes for KMA's rent survey samples would be revised as the following table shows.

Revised Rent Survey Results (pages 93 to 95)

	KMA Original Rent Survey		Revised	
	Units	Size (SF)	Units	Size (SF)
Studio Units	320	729	251	609
1-Bedroom Units	1,303	805	1,344	816
2-Bedroom Units	941	1,108	969	1,110
Total	2,564	907	2,564	907

The average unit size for 1-bedroom units (+11 square feet) and 2-bedroom units (+2 square feet) increased very modestly. However, the average unit size for studio units decreased by 120 square feet (-16%). This demonstrates how a slight data inaccuracy, while overall still very accurate, could lead to material difference in the average unit size for a unit type (studio units in this situation). Furthermore, the

revised average unit size for studio units (609 square feet) is very close to the average unit size sampled using Axiometrics/RealPage data (597 square feet). Using the results from rent survey samples is a good justification for modeling the unit sizes in the pro formas, but the data user should double check and verify data accuracy.

MADE

IN LONG BEACH



D. Building Efficiency Not Explicitly Stated

Throughout the pro formas, KMA does not explicitly state the net rentable area to gross building area ratio (building efficiency ratio) in each pro forma. Therefore, it is uncertain what are the average unit size by number of bedrooms in its prototype pro formas. Knowing the building efficiency ratio is important for two reasons: (1) It affects construction costs and (2) It affects the calculation of Inclusionary Housing in-lieu fee.

One clue to estimate KMA’s assumptions on average unit size (and thus building efficiency ratio) is the weighted average unit size in its rent survey for Submarket #1 in Appendix E, Exhibit I. Recall that in Part C above, Beacon imputes that the average unit sizes for 0-bedrooms/studios, 1-bedroom, and 2-bedrooms are 729 square feet, 805 square feet, and 1,108 square feet, respectively.

Pages 60 & 61, Attachment 2 Appendix A Table 1 of the KMA Report

II. Direct Costs	2				
On-Site Improvements/Landscaping		32,870 Sf of Land		\$20 /Sf of Land	\$657,000
Parking	3				
At-Grade Spaces		0 Spaces		\$5,000 /Space	0
Above-Ground Podium Spaces		0 Spaces		\$25,000 /Space	0
1st Level Subterranean		90 Spaces		\$35,000 /Space	3,150,000
2nd Level Subterranean		92 Spaces		\$45,000 /Space	4,140,000
Building Costs		106,312 Sf of GBA		\$125 /Sf of GBA	13,289,000
Contractor/DC Contingency Allow		20% Other Direct Costs			4,247,000
Total Direct Costs		106,312 Sf of GBA		\$240 /Sf of GBA	

I. Gross Income

A. Market Rate Units	1				
Studio Units		12 Units @		\$2,569 /Unit/Month	\$370,000
One-Bedroom Units		48 Units @		\$2,620 /Unit/Month	1,509,000
Two-Bedroom Units		34 Units @		\$3,304 /Unit/Month	1,348,000
Three-Bedroom Units		0 Units @		\$0 /Unit/Month	0

Imputed net rentable areas and building efficiency ratios for each pro forma scenario

	Scenario	Market rate rental project	Inclusionary rental project	Ownership project
Land area	Square Feet	32,870	32,870	43,560
Gross building area	Square Feet	106,312	158,936	80,625
0 bedrooms/studio	units	12	17	4
1 bedroom	units	48	71	32
2 bedrooms	units	34	52	35
Total Units		94	140	71
Weighted Average Unit Size (Rental: from KMA Rent Survey; Ownership: from KMA Condominium Sales Survey)				
0 bedrooms/studio	729 SF (renter) 500 SF (owner)	8,748	12,393	2,000
1 bedroom	805 SF (renter) 750 SF (owner)	38,640	57,155	24,000
2 bedrooms	1,108 SF (renter) 1,100 SF (owner)	37,672	57,616	38,500
Total Net Rentable Area	Square Feet	85,060	127,164	64,500
Gross building area	Square Feet	106,312	158,936	80,625
Building efficiency ratio		$85,060/106,312 =$ 80%	$127,164/158,936 =$ 80%	$64,500/80,625 =$ 80%
Weight avg. per unit size		905	908	908

Source: Beacon Economics calculation based on figures provided in KMA's report

Based on the numbers listed in KMA's pro formas and the results of its rent survey: The imputed building efficiency ratios are 80% for rental projects. Then based on the 80% efficiency ratio, KMA used it to derive prototype unit sizes for ownership projects (see Section IV, Part A of the KMA report). **This method, however, results in different unit sizes between rental and ownership projects.** For studio units in particular, the average unit size for rental projects (729 SF) is 46% larger than that for ownership projects (500 SF).

Most importantly, the 80% building efficiency ratio is unrealistic and incompatible with the City's development standards. An 80% building efficiency ratio for a purely residential development project implies:

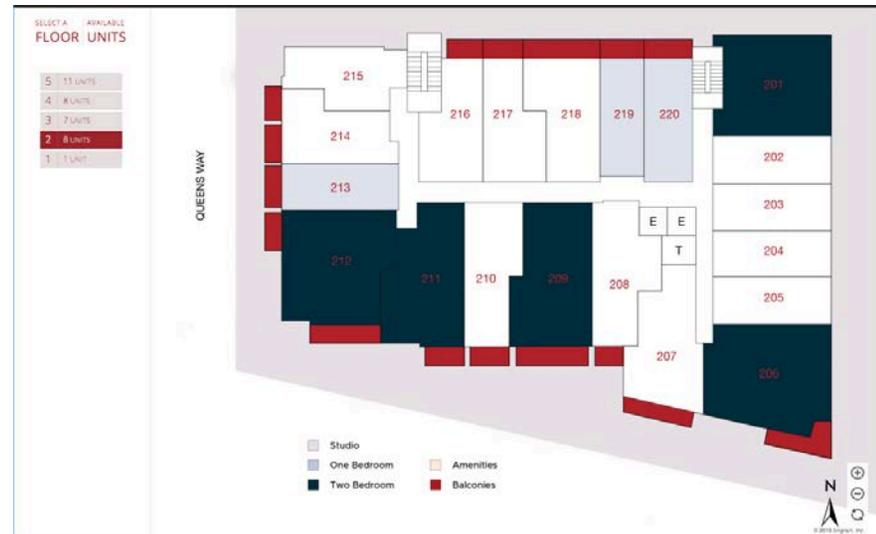
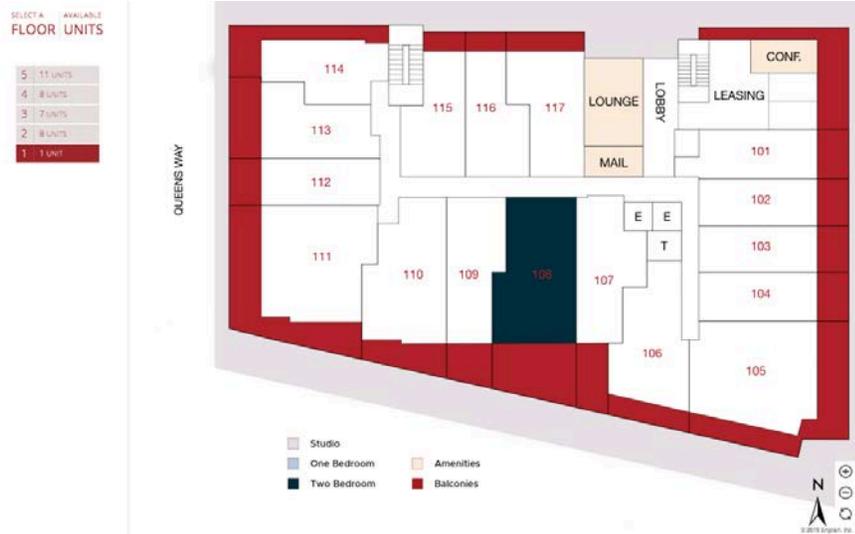
- Elimination of corridors
- Little to no open space (which the City mandates)

- Lack of amenities and facilities such as gym/fitness room, laundry rooms, balconies, etc.

Although a commercial building can usually achieve above 80% efficiency, but for apartment buildings, the efficiency is much lower. An efficient multi-family project typically has an efficiency ratio of 70% to 75% (Meeks, Multifamily Executive, 2005).⁷

The following images show the floor plans of 442 Residences (442 W. Ocean Blvd, Long Beach, CA 90802), a 94-unit multi-family building that finished construction in 2019. The building has the following attributes:

- 5 Floors
- 94 units in total: 20 rooms on floors 2-4 each and 17 rooms on floors 1 and 5 each
- Amenities include: Lounge, mail room, conference room, fitness room, club room and roof deck
- Brand new (completed in 2019) with modern development standards that are the closest to the pro formas



⁷ Meeks, D. (2005). "Cost Cutters: Here's How to Design Class A Projects on a Budget." Multifamily Executive. Hanley Wood Media, Inc. Retrieved October 19, 2019. Retrieved from: https://www.multifamilyexecutive.com/design-development/design/cost-cutters_o



Source: 442 Residences <<https://live442.com/floor-plans/>>

These publicly available floor plans enable Beacon to estimate the net rentable area and the gross area of each floor using ImageJ, an image processing program developed at the National Institute of Health and the Laboratory for Optical and Computational Instrumentation in the University of Wisconsin.⁸ There are two approaches to estimating the building efficiency ratio of each floor:

⁸ For more information, visit the NIH's official website at: <https://imagej.nih.gov/ij/>

- (1) Measure the total area of the rentable units, measure the total building area of each floor, then divide the former by the latter;
- (2) Measure the stairs, corridors, elevators, balconies, and other features and amenities separately, obtain the subtotal area of all of these items, divide the subtotal by the total building area on each floor, and subtract it from one.

Both approaches yielded the same results for each floor with a deviation of with +/- 0.5%. The measured building efficiency for the entire building is presented in the following table:

Building efficiency ratio example: 442 Residences (completed in 2019)

	Floor 1	Floor 2	Floor 3	Floor 4	Floor 5	Total
Building Area	100%	100%	100%	100%	100%	100%
Stairs, Corridors and Elevators	9%	11%	10%	10%	10%	10%
Balcony and Wall	21%	8%	15%	13%	11%	14%
Lounge Room, Mail Room, Conference Room, Leasing Office and Lobby	10%	0%	0%	0%	0%	2%
Fitness, Club Room and Roof Deck	0%	0%	0%	0%	16%	3%
Net Rentable Areas (Building Efficiency Ratio)	60%	81%	75%	77%	63%	71%

E. Open Space Requirements

Note that there is no mention of open space (required by the City) in the KMA report. When constructing pro formas for the project prototypes, it is important to take open space requirements into consideration. In Long Beach, Section 21 of the City's Municipal Code establishes the open space requirements in the City except for the Downtown area, which is governed by the Downtown Plan. The differences in open space requirements—in addition to the differences in land parcel sizes and land value per square foot—imply the aggregation of Midtown and Downtown into one submarket may lead to overly generalized results in the KMA report.

Section 21.31.230 – Usable Open Space⁹ states that In R-3 and R-4 zones, each dwelling unit shall provide fifty percent (50%) of the open space as common open space and fifty percent (50%) as private open space. Common open space refers to a portion of a development permanently set aside to preserve elements of the natural landscape for public or private use. Examples include rooftop or podium garden on the building. Private open space refers to a usable outdoor area such as balconies, terraces, or decks. As for the Downtown area, the following table summarizes the open space standards.

⁹ Retrieved from: https://library.municode.com/ca/long_beach/codes/municipal_code?nodeId=TIT21ZO_CH21.31REDI_DIVIIDEST_21.31.230USOPSP

Open Space Standards, Downtown Plan

TABLE 3-10 OPEN SPACE STANDARDS

Type of Open Space	Requirements			Notes
Common Outdoor Open Space – as a percentage of the lot area	Lot Size	% Common Outdoor Open Space		<ol style="list-style-type: none"> Each project shall provide common outdoor space at grade, podium, or roof level. Public open spaces directly accessible and visible from the public right-of-way are encouraged. Minimum area for common outdoor open space is 1,000 sf for projects of 21 or more new residential units and 500 feet for all other projects. Minimum dimensions of at least one portion of the open space shall measure 40 feet x 12 feet or greater. All common outdoor open space areas shall be well designed. Common open space may include rooftop decks, court game areas, tot lots, swimming pools, landscaped areas, community gardens, and courtyards. At least 10% of the open space area shall be planting.
		Projects with 21+ residential units	All other development projects	
	≤10,000 sf	10	Exempt	
	10,001 - 30,000 sf	15	5	
	>30,000 sf	20	10	
Additional Standards for Projects of 21 or More New Residential Units ⁽¹⁾				
Common Indoor Open Space	Each project shall provide at least one community room of at least 500 sf.			<ol style="list-style-type: none"> The area shall be located adjacent to, and accessible from the common outdoor open space. Area may contain active or passive recreational facilities, meeting space, exercise rooms, computer terminals or other activity space but must be accessible through a common corridor.
Private Open Space	At least 50% of all residential dwelling units shall provide private open space on a balcony, patio, or roof terrace.			<ol style="list-style-type: none"> Minimum area of private open space is 36 sf with a minimum width of 6 feet.

(1) Refer also to Tower Spacing requirements in Section 4, Standards by Building Types - Towers

Submarket 1 consists of the Downtown area and non-Downtown area. For the KMA prototypes presented in Submarket 1:

- If not built in the Downtown portion of the submarket, then these projects likely take place on land zoned for R-4 uses, which require 150 square feet of open space per dwelling unit as specified in Table 31-2A of the Municipal Code.
- If built in the Downtown portion of the submarket, then these projects will be subject to another set of open space requirements that govern Downtown specifically. see Section 3, Part 2, Table 3-10 of the City’s Downtown Plan.¹⁰

The 442 Residences example shown previously have both common open space (rooftop deck) and private open space (balconies for each dwelling unit). The discussion of open space requirements is important as it directly affects a development project’s building efficiency ratio,

¹⁰ Retrieved from: http://www.longbeach.gov/globalassets/lbds/media-library/documents/planning/advance/downtown/downtownplan_section-3-part-2-reduced

which affects the building cost. Outside of Downtown, for a standard 600 square foot studio unit, the unit itself actually requires 750 square feet of space (dwelling unit plus 150 square feet of open space). In other words, the open space required takes up 20% of the space (150/750). **Even without taking all other building amenities (stairs, elevators, lobby, storage, utilities, corridors) into account, the efficiency ratio is no more than 80%.**

All of the development prototypes in the KMA report are built on lots exceeding 30,000 square feet, which means all will require open space area totaling 20% of the lot size. The tabulations are as follows:

- Rental prototypes (32,870 SF land area): 6,574 SF of open space.
- Ownership prototypes (43,560 SF land area): 8,712 SF of open space.

Under the Downtown scheme, the open space per unit is inversely related to the floor-area-ratio and the open space per unit resulted is typically less than the open space required on land zoned for R-4 use outside of Downtown:

- Rental market rate prototype (FAR = 3.23): 70 SF of open space per unit
- Rental inclusionary prototypes (FAR = 4.84): 47 SF of open space per unit
- Ownership prototypes (FAR = 1.85): 123 SF of open space per unit

Building Efficiency Ratios and Open Space Requirements: Non-Downtown Area

	Market rate rental project	Inclusionary rental project	Ownership project
Total Net Rentable Area	85,060	127,164	64,500
Total Dwelling Units	94	140	71
Open Space Area (150 SF/unit)	14,100	21,000	10,650
Net Rentable Area + Open Space Area	99,160	148,164	75,150
Gross Building Area (KMA)	106,312	158,936	80,625
Remainder allocated for elevators, stairs, corridors, leasing office, mail room, etc.	7,152	10,772	5,475
Remainder as percentage of Gross Building Area (KMA)	6.7%	6.8%	6.8%
Open Space Area as Percentage of Gross Building Area (KMA)	13.3%	13.2%	13.2%

Yet, despite the overall lower open space required per unit, it is still unlikely that any of these prototypes will attain an 80% building efficiency ratio. The following exercises estimate the open space as a percentage of the gross building area (and thus deriving building efficiency) for the KMA project prototypes in (1) Midtown and (2) Downtown.

Recall from the KMA's specifications (gross building area, number of dwelling unit by number of bedrooms, unit mix), Beacon has imputed that the building efficiency ratio is 80% for each prototype. After taking the open space requirements into account, which comprised 13.2% to 13.3% of the gross building areas. The prototypes leave 6.7% to 6.8% allocated for elevators, stairs, corridors, leasing office, mail room, and other sub-areas. In fact, just the corridors will take up most of or more than the remainder allocated in the KMA report.

This implies the prototype projects presented in the KMA report likely did not allot for sufficient open space area. Therefore, **the gross building areas should be higher than the ones specified in the KMA report**, as the building efficiency ratio in the KMA report are too high.

Building Efficiency Ratios and Open Space Requirements: Downtown Area

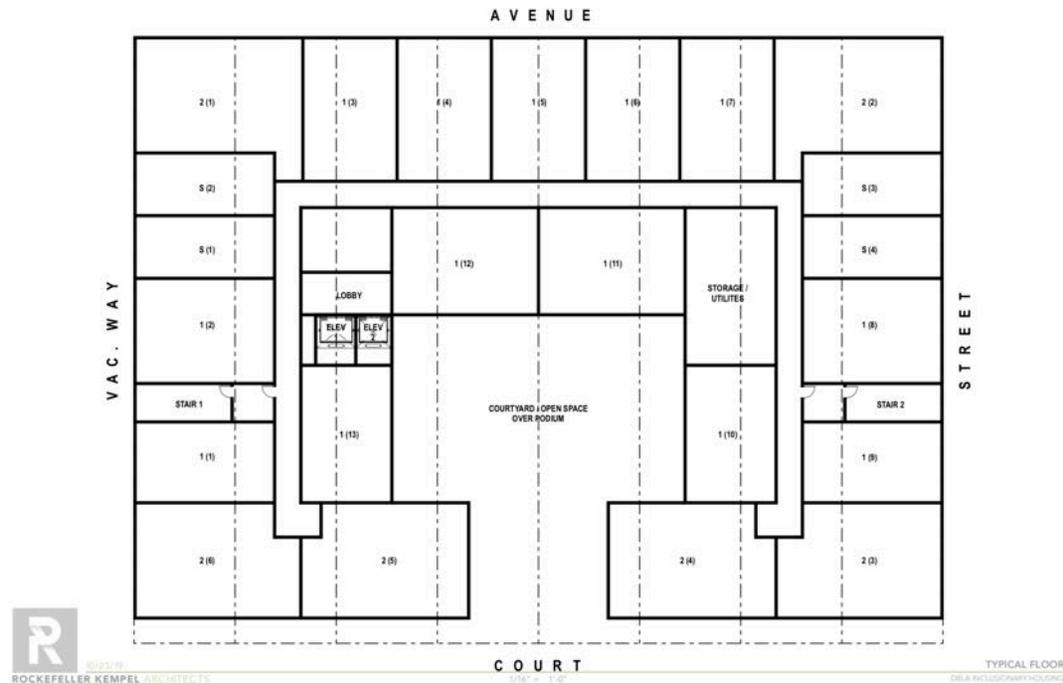
	Market rate rental project	Inclusionary rental project	Ownership project
Total Net Rentable Area	85,060	127,164	64,500
Total Dwelling Units	94	140	71
Open Space Area (20% of land area)	6,574	6,574	8,712
Net Rentable Area + Open Space Area	91,634	133,738	73,212
Gross Building Area (KMA)	106,312	158,936	80,625
Remainder allocated for elevators, stairs, corridors, leasing office, mail room, etc.	14,678	25,198	7,413
Remainder as percentage of Gross Building Area (KMA)	13.8%	15.9%	9.2%
Open Space Area as Percentage of Gross Building Area (KMA)	6.2%	4.1%	10.8%

Recall from the KMA’s specifications (gross building area, number of dwelling unit by number of bedrooms, unit mix), Beacon has imputed that the building efficiency ratio is 80% for each prototype. After taking the open space requirements into account, which comprised 6.2% to 10.8% of the gross building areas. The prototypes leave 9.2% to 15.9% allocated for elevators, stairs, corridors, leasing office, mail room, and other sub-areas.

Although the open space required are lower in Downtown than otherwise similar projects on land outside of Downtown, note that these are minimum requirements and actual development projects typically contain more open space than the minimum. In the 442 Residences example, open space areas—balconies, fitness room, club room, and rooftop deck—totaled 17% of the building’s gross area, much higher than the minimums illustrated here. Therefore, **the gross building areas should be higher than the ones specified in the KMA report**, as the building efficiency ratio in the KMA report are too high.

Again, Beacon consulted with Rockefeller Kempel Architects (RKA) to draw up sample floor plans based on the available data in the KMA report. These drawings take Long Beach’s development standards into full account.

Sample floor plan #1 for residential rental project prototype



Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

The drawing is for the **rental** prototypes in which land area measured 32,870 square feet, with the following parameters:

- The unit measurements are based on data presented in the KMA report for all areas of Long Beach: 525 SF (studio units), 800 SF (1-bedroom units), and 1,100 SF (2-bedroom units).
- There are 23 units in the example.
- The unit mix is as follows: Studio units (4 units), 1-bedroom units (13 units), 2-bedroom units (6 units).
- In addition to the dwelling units and the common open space area, the following features are present: Stairs (2), elevators (2), lobby, storage/utilities, and corridor.

Building Efficiency Ratio Calculation: Rental Residential Project #1

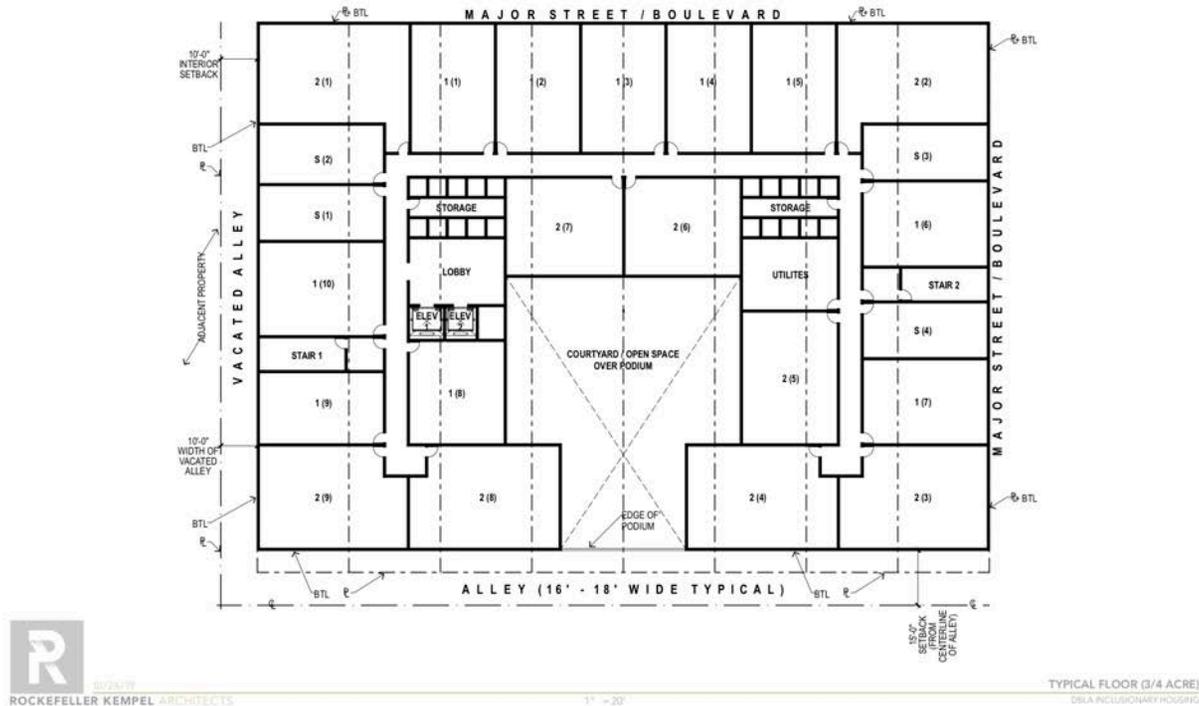
	Percent of Gross Floor Area	Dwelling Units
GBA	100%	
Net Area 1	37%	2(1), 2(2), S(1), S(2), S(3), S(4), 1(2), 1(3), 1(4), 1(5), 1(6), 1(7), 1(8)
Net Area 2	13%	1(9), 1(10), 2(3), 2(4)
Net Area 3	13%	1(1), 1(13), 2(5), 2(6)
Net Area 4	7%	1(11), 1(12)
Net Rentable Area	70%	
Storage/Utilities	3%	
Stairs	2%	
Lobby	2%	
Elevators	1%	
Open Space	15%	
Corridors	7%	

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects; Calculations by Beacon Economics

The percentage of gross floor area of each of the amenities as well as the building efficiency ratio (net rentable area) is presented in the accompanying table. Note that the net rentable area (building efficiency ratio) of 70% is consistent with previous literature and the 442 Residences example. Open space comprises 15% of the gross building area, which is slightly higher than the 13.2% to 13.3% calculation above since the dwelling unit sizes in this example are slightly smaller than the ones that KMA uses in the rental prototype. Recall in the

KMA prototypes that if open space requirements are followed, the prototypes would leave less than 7% for corridors and other amenities and features. Corridors alone comprise 7% of the gross building area, leaving no room for other amenities and features assuming KMA’s building efficiency ratio of 80%. These other amenities and features make up 8% of the gross building area.

Sample floor plan #2 for residential rental project prototype



Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

The drawing is for the **rental** prototypes in which land area measured 32,870 square feet.

- The unit measurements are based on data presented in the KMA report for all areas of Long Beach: 525 SF (studio units), 800 SF (1-bedroom units), and 1,100 SF (2-bedroom units).
- There are 23 units in the example.
- The unit mix is different from the previous example, as follows: Studio units (4 units), 1-bedroom units (10 units), 2-bedroom units (9 units).

- In addition to the dwelling units and the common open space area, the following features are present: Stairs (2), elevators (2), lobby, storage rooms (2), utilities, and corridor.

Building Efficiency Ratio Calculation: Rental Residential Project #2

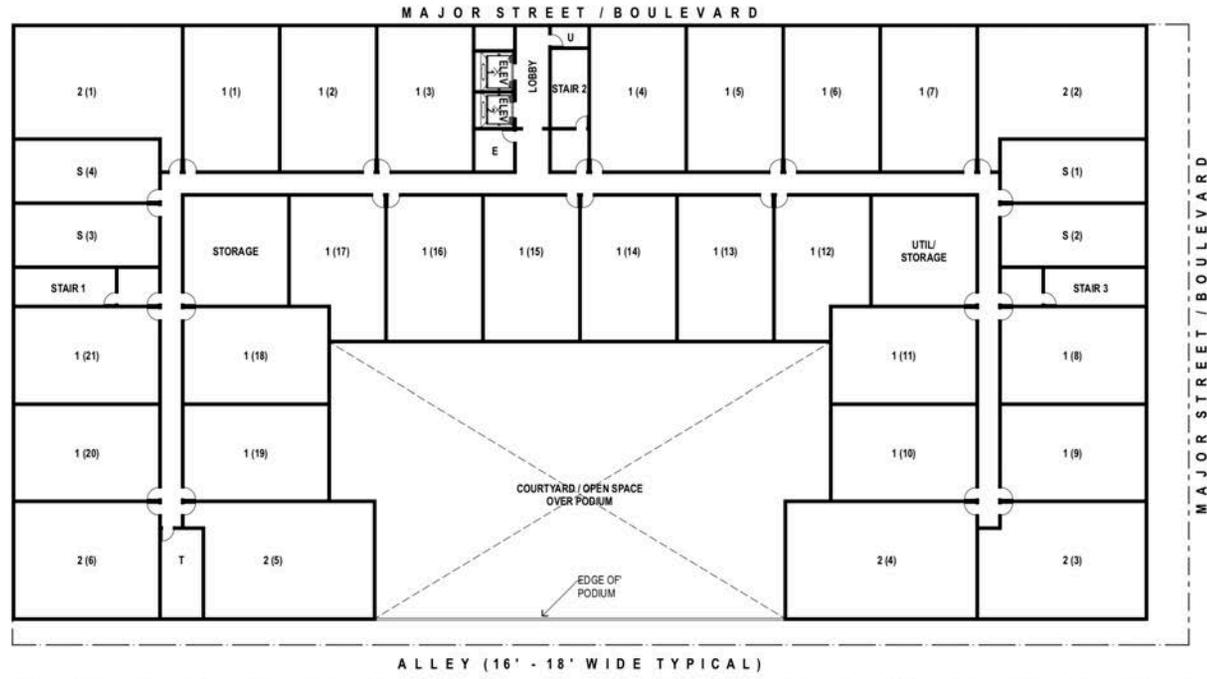
	Percent of Gross Floor Area	Dwelling Units
GBA	100%	
Net Area 1	35%	1(10), S(1), S(2), 2(1), 1(1), 1(2), 1(3), 1(4), 1(5), 2(2), S(3), 1(6)
Net Area 2	16%	S(4), 1(7), 2(3), 2(5), 2(4)
Net Area 3	13%	1(9), 2(9), 2(8), 1(8)
Net Area 4	6%	2(6), 2(7)
Net Rentable Area	69%	
Storage	3%	
Stairs	2%	
Lobby	2%	
Elevators	1%	
Utilities	2%	
Open Space	14%	
Corridors	7%	

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects; Calculations by Beacon Economics

The percentage of gross floor area of each of the amenities as well as the building efficiency ratio (net rentable area) is presented in the accompanying table. Note that the net rentable area (building efficiency ratio) of 69% is consistent with previous literature and the 442 Residences example.

Open space comprises 14% of the gross building area, which is slightly higher than the 13.2% to 13.3% calculation above since the dwelling unit sizes in this example are slightly smaller than the ones that KMA uses in the rental prototype. Recall in the KMA prototypes that if open space requirements are followed, the prototypes would leave less than 7% for corridors and other amenities and features. Corridors alone comprise 7% of the gross building area, leaving no room for other amenities and features assuming KMA's building efficiency ratio of 80%. These other amenities and features make up 10% of the gross building area.

Sample floor plan for residential ownership project prototype



1" = 20'

TYPICAL FLOOR (1 ACRE)
DBLA INCLUSIONARY HOUSING

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects

The drawing is for the **ownership** prototypes in which land area measured 43,560 square feet.

- The unit measurements are based on data presented in the KMA report for all areas of Long Beach: 525 SF (studio units), 800 SF (1-bedroom units), and 1,100 SF (2-bedroom units).
- There are 31 units in the example.
- The unit mix is as follows: Studio units (4 units), 1-bedroom units (21 units), 2-bedroom units (6 units).

- In addition to the dwelling units and the common open space area, the following features are present: Stairs (3), elevators (3), lobby (1), storage/utilities (1), storage room (1), and corridor.

Building Efficiency Ratio Calculation: Ownership Residential Project

	Percent of Gross Floor Area	Dwelling Units
Gross Building Area	100%	
Net Area 1	12%	S(3), S(4), 2(1), 1(1), 1(2), 1(3)
Net Area 2	14%	1(4), 1(5), 1(6), 1(7), 2(2), S(1), S(2)
Net Area 3	7%	2(6), 1(20), 1(21)
Net Area 4	7%	1(8), 1(9), 1(10)
Net Area 5	27%	2(4), 1(10), 1(11), 1(12), 1(13), 1(14), 1(15), 1(16), 1(17), 1(18), 1(19), 2(5)
Net Rentable Area	68%	
Storage/Utilities	2%	
Stairs	2%	
Lobby	1%	
Elevators	1%	
Storage	2%	
Open Space	19%	
Corridors	5%	

Source: D. Rocky Rockefeller, AIA, Consulting Architect, Rockefeller Kempel Architects; Calculations by Beacon Economics

The percentage of gross floor area of each of the amenities as well as the building efficiency ratio (net rentable area) is presented in the accompanying table. Note that the net rentable area (building efficiency ratio) of 68% is consistent with previous literature and the 442 Residences example. Open space comprises 19% of the gross building area, which is higher than the 13.2% to 13.3% calculation above since the dwelling unit sizes in this example are slightly smaller than the ones that KMA uses in the rental prototype.

Due to the more elongated shape of the parcel and therefore the floor plan as well (compared to the previous examples), it is more difficult to design a floor in a more efficient manner. As a result, the open space area is larger percentage wise. Recall in the KMA prototypes that if open space requirements are followed, the prototypes would leave less than 7% for corridors and other amenities and features. Corridors alone comprise 7% of the gross building area, leaving no room for other amenities and features assuming KMA's building efficiency ratio of 80%. These other amenities and features make up 8% of the gross building area.



F. Bicycle Parking Spaces

Similar to open space, there is no mention of bicycle parking spaces (required by the City) in the KMA report. Below is an excerpt from the Long Beach Bicycle Master Plan:¹¹

“The updated Bicycle Master Plan (‘Plan’) continues to build upon a long-standing effort to make Long Beach a city known for its bicycle-friendliness and as an active, healthy, and prosperous place to live, work, and play.”

Given that the prototypes take place primarily in Downtown, the most urban and dense part of the City, the lack of cost estimates for bicycle parking is an issue. In addition, it is reasonable to assume that these prototypes are modern and efficient buildings, designed in an ecological and resource-efficient manner. Therefore, inclusion of bicycle parking spaces is expected. Indeed, Table 3.7 of Section 3, Part 2 of Long Beach’s Downtown Plan states that there should be a minimum of 1 bicycle parking space for every five (5) dwelling units (rounded up). See also City of Long Beach Municipal Code 21.45.400 Section C.¹²

For the prototype projects specified in the KMA report, this means the prototypes should include the following minimum bicycle parking spaces:

- Market Rate Rental Residential Project (94 units): 19 spaces
- Inclusionary Scenarios Rental Residential Projects (140 units): 28 spaces
- Ownership Development Project (71 units): 15 spaces

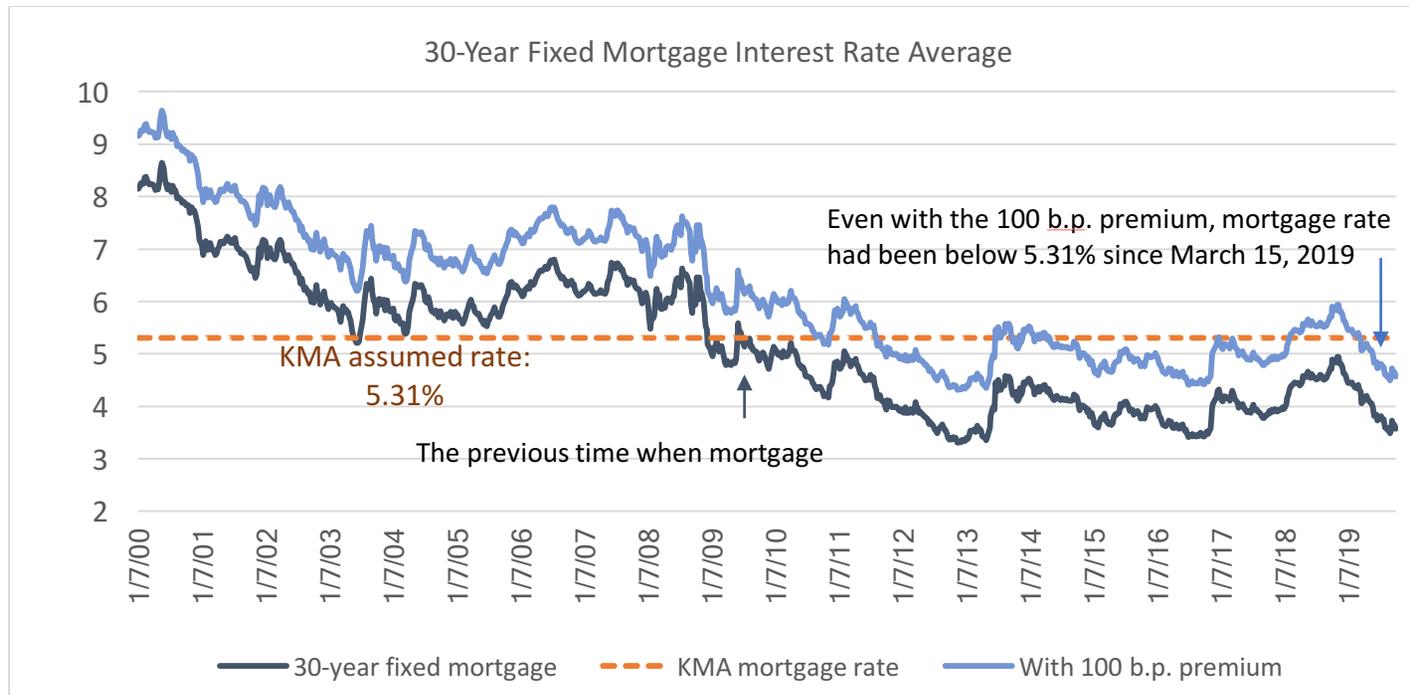
Although it is true that bicycle parking construction cost is a very small portion of the overall development cost, the KMA report did not mention whether the hard costs include bicycle parking construction cost. The term “bicycle parking” or equivalent is mentioned zero times in the KMA report.

¹¹ Source: City of Long Beach Bicycle Master Plan, Downtown Plan and Municipal Code (http://www.longbeach.gov/globalassets/lbds/media-library/documents/planning/advance/downtown/downtownplan_section-3-part-2-reduced)

¹² Table 3-7 Bicycle Parking. Retrieved from: http://www.longbeach.gov/globalassets/lbds/media-library/documents/planning/advance/downtown/downtownplan_section-3-part-2-reduced

G. Mortgage Interest Rate Assumption

KMA claimed that “the mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 5.31% interest rate” (page 31). The 5.31% is based on a 100 basis points (1%) premium applied to the Bankrate site average as of March 15, 2019 for a fixed interest rate loan with a 30-year amortization period (Footnote 13, page 31).



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

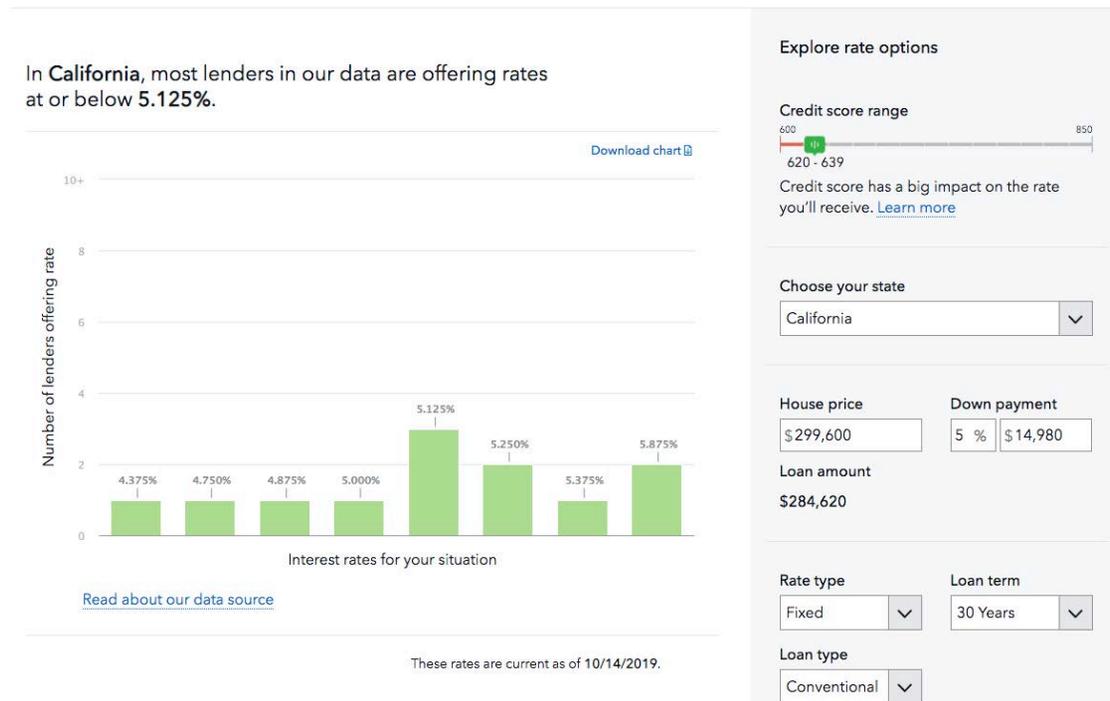
The last time the average mortgage rate exceeded 5.31% was in July 2009, when the Great Recession just ended. In reality, the interest rate for a fixed 30-year term mortgage has been falling in 2019. Mortgage rates fluctuate weekly, banks offer different mortgage rates on the same product (30-year fixed conventional mortgage), and personal factors such as income and credit score all affect the actual mortgage term.

To peg mortgage term based on **one specific date**, and to **tack on a random 100 basis point premium** and call it the supportable mortgage interest rate is a **dangerous proposition**.

In reality, mortgage interest rates are determined by several factors, where the first four factors listed below require additional inputs:

1. **Credit Scores:** Consumers with higher credit scores receive lower interest rates than consumers with lower credit scores.
2. **Home Location:** Many lenders offer slightly different interest rates depending on the state.
3. **Home Price and Loan Amount:** Homebuyers can pay higher interest rates on loans that are particularly small or large.
4. **Down Payment:** A higher down payment is associated with lower risk, which implies a lower interest rate.
5. **Loan Term:** Shorter terms such as a 15-year loan have lower interest rates than longer terms such as a 30-year loan.
6. **Loan Type:** In addition to the conventional mortgage loans, there are FHA, USDA, and VA loans. Rates can differ significantly depending on the type of loan chosen.

Using the CFPB's [Explore Interest Rates](#) tool,¹³ the mortgage rate offered by most lenders is still less than the 5.31% rate KMA purported for a subprime borrower with a credit score of 620-639 in California for a home priced similar to that displayed for a four-bedroom unit in Attachment 3, Appendix B, Exhibit 1.



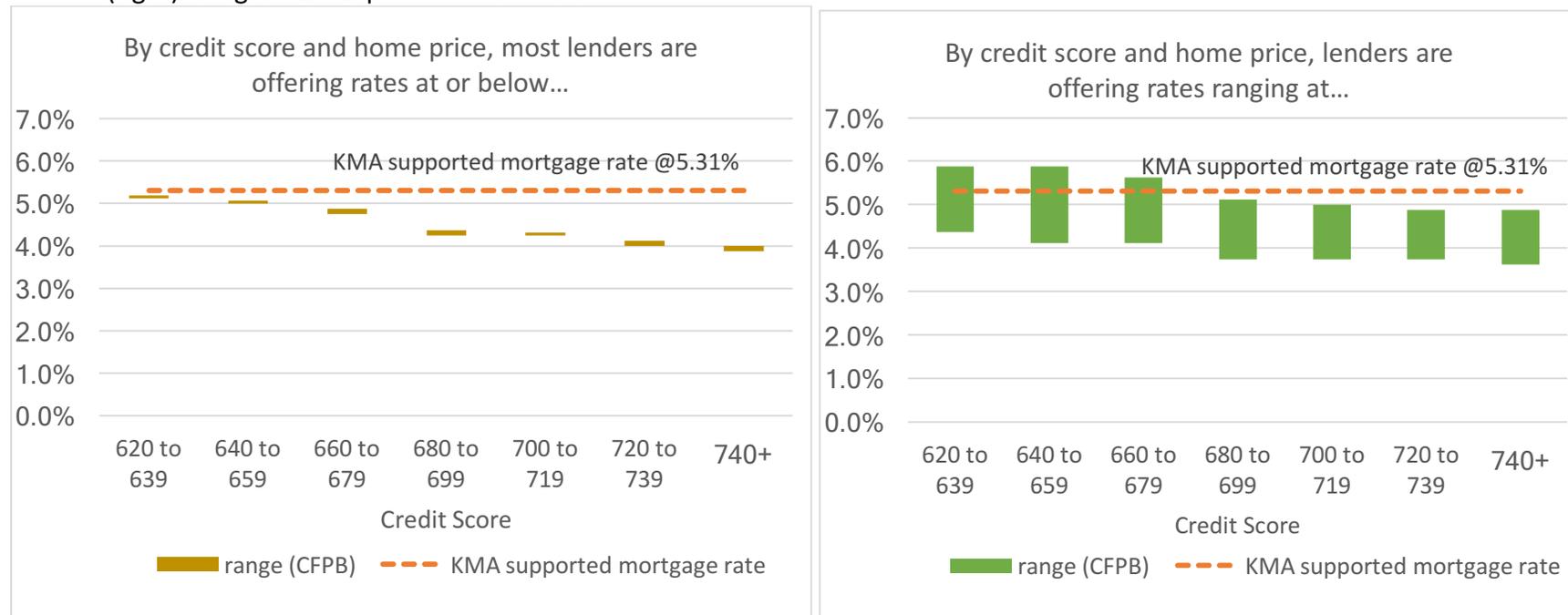
¹³ Source: Consumer Financial Protection Bureau (<https://www.consumerfinance.gov/owning-a-home/explore-rates/>)

Recommendation: The City should conduct independent study of the mortgage market and the credit profiles of potential homebuyers instead of using a mortgage rate that is determined based on a specific date with a random 100 basis point premium tacked on.

Based on the information in KMA’s ownership affordability analysis in Attachment 3 Appendix B Exhibit I, KMA assumes:

- Affordable sales price ranging between \$207,900 for a studio to \$299,600 for a four-bedroom unit;
- 5% home buyer down payment; and
- 30-year fixed term.

The following charts display the result of **mortgage rates offered at or below by most lenders** (left) and **range of mortgage rates offered by lenders** (right) using CFPB’s Explore Interest Rate tool.



Source: Consumer Financial Protection Bureau (October 14, 2019)

Mortgage rates offered at or below by most lenders (left chart): Even for potential buyers whose credit scores are either poor or fair (and who in reality are not likely to be in the home buying market), most lenders today would offer a more favorable mortgage rate than the KMA’s supportable mortgage rate of 5.31%. Yet, these interest rate ranges are only current as of October 14, 2019 and could differ significantly in the future. Nonetheless, the objectives of this exercise are to illustrate (1) how various factors result in a wide range of

mortgage interest rates and (2) how much the average mortgage rate can fluctuate in just a span of 7 months between March 15, 2019 and October 14, 2019—rendering KMA’s analysis outdated.

Range of mortgage rates offered by lenders (right chart): With the exception of potential buyers whose credit scores are either poor or fair (and who in reality are not likely to be in the home buying market), other aspiring homeowners would have a more favorable mortgage rate than the KMA’s supportable mortgage rate of 5.31%. Yet, these interest rate ranges are only current as of October 14, 2019 and could differ significantly in the future. Nonetheless, the objective of this exercise is to illustrate (1) how various factors result in a wide range of mortgage interest rates and (2) how much the average mortgage rate can fluctuate in just a span of 7 months between March 15, 2019 and October 14, 2019—rendering KMA’s analysis outdated.

H. 5% Mortgage Down Payment in Ownership Units Assumption

In KMA's ownership affordability analysis (Attachment 3, Appendix B, Exhibit I; reproduced below), KMA provided no justification why a 5% down payment rate is chosen other than the implication that these homebuyers make a moderate or below income.

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS 1
2019 INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
LONG BEACH, CALIFORNIA

	Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units	Four-Bedroom Units
I. Moderate Income Households					
A. Income Information					
Household Income @ 110% Median	\$56,270	\$64,350	\$72,380	\$80,410	\$86,850
Income Allotted to Housing @ 35% of Income	\$19,690	\$22,520	\$25,330	\$28,140	\$30,400
B. Expenses					
Annual Utilities Allowance 2	\$1,104	\$1,236	\$1,512	\$1,512	\$1,512
HOA, Maintenance & Insurance	3,120	4,080	5,400	6,000	6,600
Property Taxes @ 1.10% of Affordable Sales Price	2,290	2,550	2,720	3,050	3,300
Total Expenses	\$6,514	\$7,866	\$9,632	\$10,562	\$11,412
C. Income Available for Mortgage	\$13,176	\$14,654	\$15,698	\$17,578	\$18,988
D. Affordable Sales Price					
Supportable Mtg @ 5.31% Interest 3	\$197,500	\$219,700	\$235,300	\$263,500	\$284,600
Home Buyer Down Payment @ 5% Aff Sales Price	10,400	11,600	12,400	13,900	15,000
Affordable Sales Price	\$207,900	\$231,300	\$247,700	\$277,400	\$299,600

The National Association of Realtor's 2019 Home Buyers and Sellers Generational Trends Report (Exhibit 5.5)¹⁴ finds that the median down payment was 13% among all homebuyers. A homebuyer whose down payment is less than 20% of sales price typically carries private mortgage insurance (PMI), which is not mentioned anywhere in the KMA report. The PMI will lower the income available for mortgage, which reduces the affordable sales price.

¹⁴ "2019 Home Buyers and Sellers Generational Trends Report." National Association of Realtors Research Group. April 2019. Retrieved from: <https://www.nar.realtor/sites/default/files/documents/2019-home-buyers-and-sellers-generational-trends-report-08-16-2019.pdf>

A lower down payment percentage implies lower affordable sales price, which implies a higher in-lieu fee. Not counting first-time homebuyers who leverage first-time homebuyer programs for down payment assistance, it is not likely that a potential homeowner in Long Beach could only a 5% down payment. Furthermore, defaulting the down payment percentage at 5% might encourage people to become homeowners when in reality they might not be ready—this was one of the factors that led to the subprime mortgage crisis in the 2000s—a surge in low or no-down-payment loans.¹⁵ Without understanding the homebuyer profiles in Long Beach, it is premature to assume a uniform 5% down payment.

By assuming a very low mortgage down payment rate and a very high mortgage interest rate (relative to the current environment), KMA’s tabulations of affordable sales price are considerably lower than the more realistic scenarios. This exercise demonstrates how much the affordable sale price changes depending on the down payment percentage and mortgage interest rate (discussed in previous section).

Affordable Sales Prices with Different Mortgage Interest Rates and 5% vs. 20% Down Payment

	Studio Units	1-bedroom Units	2-bedroom Units	3-bedroom Units	4-bedroom Units
Mortgage Interest = 5.31% (KMA Scenario)	\$197,500	\$219,700	\$235,300	\$263,500	\$284,600
Down Payment @ 5% Aff Sales Price (KMA Scenario)	\$10,400	\$11,600	\$12,400	\$13,900	\$15,000
Affordable Sales Price	\$207,900	\$231,300	\$247,700	\$277,400	\$299,600
Mortgage Interest = 5.31% (KMA Scenario)	\$197,508	\$219,664	\$235,313	\$263,494	\$284,630
Down Payment of 20%	\$49,377	\$54,916	\$58,828	\$65,874	\$71,158
Affordable Sales Price	\$246,885	\$274,580	\$294,141	\$329,368	\$355,788
Mortgage Interest = 4.375% ¹⁶	\$219,914	\$244,583	\$262,008	\$293,386	\$316,920
Down Payment of 20%	\$54,979	\$61,146	\$65,502	\$73,347	\$79,230
Affordable Sales Price	\$274,893	\$305,729	\$327,510	\$366,733	\$396,150
Mortgage Interest = 3.57% ¹⁷	\$242,405	\$269,596	\$288,803	\$323,390	\$349,331
Down Payment of 20%	\$60,601	\$67,399	\$72,201	\$80,848	\$87,333
Affordable Sales Price	\$303,006	\$336,995	\$361,004	\$404,238	\$436,664

¹⁵ Wallison, P. J. (2011). “Dissent from the Majority Report of the Financial Crisis Inquiry Commission,” (Washington, DC: American Enterprise Institute, January 2011), 18, www.aei.org.

¹⁶ Interest rate that most lenders are offering rates at or below for a homebuyer with a credit score of 680 to 699. Many potential homeowners likely have higher credit scores and would qualify for lower mortgage interest rates.

¹⁷ Average interest rate of a 30-year conventional mortgage as of October 10, 2019

Compared to the KMA scenario, if assuming a **mortgage interest of 4.375%**, which is the current rate that most lenders are offering at or below to a person with an average credit score of 680 to 699 (which is not great) **and a down payment of 20%** instead of 5%, the affordable sales price increases by:

- Studio Units: \$67,000
- 1-Bedroom Units: \$74,400
- 2-Bedroom Units: \$79,800
- 3-Bedroom Units: \$89,300
- 4-Bedroom Units: \$96,550

In-Lieu Fee Calculations, Baseline (KMA) Assumptions and Revised Assumptions on Mortgage Interest and Down Payment

	KMA Scenario (5.31% Interest Rate & 5% Down Payment)	4.375% Mortgage Interest Rate & 20% Down Payment	3.57% Mortgage Interest Rate & 20% Down Payment
I. Sales Price Difference			
A. Studio Units			
Market Rate Units	\$307,200	\$307,200	\$307,200
Affordable Sales Units	\$207,900	\$274,893	\$303,006
Difference	\$99,300	\$32,307	\$4,194
B. One-Bedroom Units			
Market Rate Units	\$428,900	\$428,900	\$428,900
Affordable Sales Units	\$231,300	\$305,729	\$336,995
Difference	\$197,600	\$123,171	\$91,905
C. Two-Bedroom Units			
Market Rate Units	\$600,700	\$600,700	\$600,700
Affordable Sales Units	\$247,700	\$327,510	\$361,004
Difference	\$353,000	\$273,190	\$239,696
II. Distribution of Total Units			
Studio Units: 5%	\$4,965	\$1,615	\$210
One-Bedroom Units: 45%	\$88,920	\$55,427	\$41,357
Two-Bedroom Units: 50%	\$176,500	\$136,595	\$119,848
III. In-Lieu Fee			
Per Income Restricted Unit	\$270,400	\$193,600	\$161,400
Supportable Inclusionary Housing Percentage	10%	10%	10%
Per Square Foot of GBA*	\$23.80	\$15.00	\$12.50

More importantly, the differences in affordable sales price affect the in-lieu fee amount. The lower the affordable sales price, the higher the in-lieu fee is. Under KMA's scenario (5.31% mortgage interest rate, 5% down payment, and 80% building efficiency ratio), the in-lieu fee is \$23.8 per square foot. As discussed in previous sections, these assumptions are either unrealistic or infeasible. Furthermore, a lower down payment and a higher interest rate both increase the gap between the market rate sales price and affordable sales price, which in turn increases the in-lieu fee estimate. Finally, recall that KMA assumes an 80% efficiency ratio, but as discussed, the efficiency ratio is closer to 70% for multi-family buildings, which is assumed in the two alternative scenarios. Under a scenario of 4.375% mortgage interest rate, 20% down payment, and 70% building efficiency ratio, the in-lieu fee is \$15.0 per square foot, which is 37% lower than KMA's.

III. Critique of KMA's Cost Assumptions

In addition to the non-cost assumptions discussed in Section II, Beacon identifies ten (10) cost assumptions that are either missing or questionable:

- a. Land/Property Acquisition Costs
- b. Inclusionary Policy's Effect on Land Cost Reduction
- c. On-Site Improvement
- d. Off-Site Improvement
- e. Parking
- f. Building Core & Shell
- g. Permit Fees
- h. Financing Costs
- i. Market Rate Unit Rent Discrepancy
- j. Condominium Sales Price Differences

Each of these assumptions is discussed individually in this Section.



A. Land/Property Acquisition Costs

Land/property acquisition cost is the purchase price paid and the related closing costs to acquire a parcel of land including the structure(s) that sit(s) on top of it. Since Downtown Long Beach is built out, land acquired for residential development projects usually does NOT imply vacant land but a site with some properties occupied. The supply of land is fixed (completely inelastic), thus the price of land is determined solely by demand.

Land area and acquisition cost summary in KMA's prototypes

	Market rate rental project	Inclusionary rental project	Ownership project
Land Area (SF)	32,870 sq. ft.	32,870 sq. ft.	43,560 sq. ft.
Property Acquisition Cost	\$6,738,000	\$6,738,000	\$5,881,000
Cost per Square Foot	\$205/ sq. ft.	\$205/ sq. ft.	\$135/ sq. ft.

Source: Keyser Marston Associates, Inc.

Note: The land/property acquisition costs summarized here does not take the 30% land cost reduction into account as a result of Inclusionary Housing implementation. This is discussed later.

The land/property acquisition costs in KMA's pro formas are definitely too low, especially for ownership projects. KMA does not attach recent land sales transactions that justify the \$205/SF in rental project and \$135/SF in ownership project. Here are some recent land/property acquisitions.

List of Recent Land/Property Acquisitions

Name	Address	Purchase Date	Purchase Price	Land SF	Price/Land SF
N/A	1105 Long Beach Blvd.	Mar-17	\$4,500,000	6,568	\$685.14
Residential Project*	810 Pine Ave.	Jun-17	\$1,000,000	7,456	\$134.12
Residential Project	507 N. Pacific Ave.	Feb-17	\$5,000,000	46,522	\$107.48
Pacific-Pine	635 Pine Ave./636 Pacific Ave.	Aug-18	\$4,800,000	7,401	\$648.56
Residential Project	1112 Locust Ave.	Dec-18	\$1,625,000	7,398	\$219.65
Mixed-Use Project	1101-1157 Long Beach Blvd.	Nov-16	\$4,500,000	31,210	\$144.18
Hotel Project	107 Long Beach Blvd.	Mar-16	\$1,040,000	2,100	\$495.24
The Alamitos	101 Alamitos Ave.	Jul-16	\$3,100,000	15,035	\$206.19
The Beacon	1201-1235 Long Beach Blvd.	Nov-17	\$11,414,000	64,469	\$177.05
The Place	495 The Promenade N.	Aug-17	\$18,288,462	25,165	\$726.74
AMLI Park Broadway	245 W. Broadway	Oct-15	\$15,000,000	74,484	\$201.39
The Linden	434 E. 4th St.	Jun-17	\$3,208,500	15,043	\$213.29
	Weighted avg. price/land SF				\$242.61

Source: REIS, Loopnet, RealtyTrac, and Property Shark

*Being developed by Global Premier Development, this is a senior (55+) assisted living residential project.

Except for the property on 1105 Long Beach Blvd, all of these transactions are also listed in the City of Long Beach's Downtown Plan Update: 2018 in Review, where the projects are currently under construction or newly constructed. Land acquisition costs vary by location and use:

- 810 Pine Ave., which is planned for senior assisted living on the inexpensive end; and
- The Pacific-Pine project's land acquisition cost (\$648.56/SF) is over three times as much as the KMA's estimated land cost for rental projects (\$205/SF) and 4.8 times as much as the land cost for ownership projects (\$135/SF).

Note that the \$242.61 average is based on recent past sales transactions; the average land/property acquisitions costs have likely increased today.

B. Inclusionary Policy's Effect on Land Cost Reduction

In Section II, Part B of the KMA report, KMA states the following, "A significant number of California Inclusionary Housing programs have been based on the assumption that a policy that results in a +/- 30% reduction in land costs comports with the requirements."

B. PROGRAM FOUNDATION

The courts have held that affordable housing is a "public benefit," and that locally imposed Inclusionary Housing programs are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive a property owner of a fair and reasonable return on their investment. However, no guidance is provided as to how these requirements should be met.

A significant number of California Inclusionary Housing programs have been based on the assumption that a policy that results in a +/- 30% reduction in land costs comports with the requirements. This KMA Financial Evaluation is focused on identifying income and affordability standards that would fall within that parameter.

Section II, Part B of the KMA Report.

The shortfall between development cost, which exceed supportable investment in every non-market rate scenario, is attributed to land cost reduction to meet the feasible inclusionary percentage. The rationale stems from the thinking that the cost burden is substantially or entirely taken out of the price developers are willing to pay for land (Mallach, 1984).¹⁸

Based on the 30% reduction, KMA reduced land acquisition cost where the difference between the normal sales price and reduced sales price are used to derive the supportable inclusionary percentage. For rental inclusionary projects, the difference between development costs and supportable investments is used to reduce land cost. The difference is about 30% of the land cost depending on the scenario.

¹⁸ Mallach, A. (1984). "Inclusionary Housing Programs: Policies and Practices." Center for Urban Policy Research, Rutgers University.

Similarly, for ownership moderate income project, the difference between development costs and funds available to development costs is used to reduce land cost. The difference is 32% of land cost.

KMA Report Land Cost Reduction Summary

	Inclusionary rental project: moderate income alternative	Inclusionary rental project: low income alternative	Inclusionary rental project: very low income alternative	Inclusionary rental project: 20% VLI & 80% LI	Inclusionary rental project: 80% VLI & 20% LI	Inclusionary rental project: 70% LI & 30% moderate income	Moderate income alternative ownership project
Development Costs	\$57,208,000	\$57,104,000	\$57,110,000	\$57,104,000	\$57,110,000	\$57,092,000	\$31,187,000
Supportable Investments/Funds Available for Investments	\$55,199,000	\$55,180,000	\$55,088,000	\$55,106,000	\$55,162,000	\$55,217,000	\$29,304,000
Difference (shortfall)	\$2,009,000	\$1,924,000	\$2,022,000	\$1,998,000	\$1,948,000	\$1,875,000	\$1,883,000
Land Cost	\$6,738,000	\$6,738,000	\$6,738,000	\$6,738,000	\$6,738,000	\$6,738,000	\$5,881,000
Difference as percentage of land cost	29.80%	28.60%	30.00%	29.70%	28.90%	27.80%	32.00%

Source: Keyser Marston Associates, Inc.

KMA states that “a significant number of California Inclusionary Housing programs have been based on the assumption that a policy that results in a +/- 30% reduction in land costs comports with the requirements.” Perhaps 30% is believed to be the limit that the courts have allowed as not an illegal taking.

Here are some previous literatures that are in line with KMA’s argument:

- In the literature of economics of inclusionary housing policies, economists argue that in the long run, developers of projects subject to special development costs (such as impact fees and inclusionary requirements) will lower prices for developable land, since housing must be produced at competitive prices and rents the market will bear (Porter, 2004).¹⁹
- There exist some previous literatures that suggest the cost burden of inclusionary housing is passed back to landowners in the form of reduced land prices (Rosen, 2016;²⁰ Jacobus, 2015).²¹

¹⁹ Porter, D. R. (2004). “Inclusionary Zoning for Affordable Housing.” Urban Land Institute.

²⁰ David Paul Rosen & Associates (2016). “Inclusionary Housing Study for the City of Portland.”

²¹ Jacobus, R. (2015). “Inclusionary Housing – Creating and Maintaining Equitable Communities.” National Community Land Trust Network, Cornerstone Partnership and Lincoln Institute of Land Policy.

- Conventional economic theory suggests that without providing incentives or offsets to cover the incremental cost of producing the affordable units, to make a development project feasible, other cost components such as the price of land would drop until housing can be produced at competitive prices (Brunick, 2003).²²

The caveat here is that the specific results of the aforementioned studies (and hence **the specific characteristics of the policies**) **depend on local economic and housing market conditions as well as local and state regulatory and political framework. Instead of actually evaluating the potential impact on land price an inclusionary housing program would have locally in Long Beach, KMA applies a blanket 30% land cost reduction.**

Consider the following equation for a market rate development:

$$\text{Land Cost} + \text{Construction Cost} + \text{Financing Cost} + \text{Developer Profit} = \text{Project Value} \quad (1)$$

$$\text{Developer Profit} \geq \text{Threshold Developer Profit} \quad (2)$$

If the City mandates a percentage of units be affordable instead, all else equal, the following changes are applied to the equation:

$$\text{Land Cost} + \text{Construction Cost} + \text{Financing Cost} + \text{Developer Profit} (\downarrow) = \text{Project Value} (\downarrow)$$

A rationally thinking developer would not engage in the project if (2) no longer holds, unless

$$\text{Land Cost} (\downarrow) + \text{Construction Cost} + \text{Financing Cost} + \text{Developer Profit} (\downarrow) = \text{Project Value} (\downarrow) \quad \text{and}$$

$$\text{Developer Profit} \geq \text{Threshold Developer Profit}$$

In other words, if newly imposed inclusionary requirements increase the cost of development, either the price of the land or the developers' profits will have to come down (Calavita and Mallach, 2009). But the discussion thus far fails to consider whether the imposition of inclusionary housing actually reduce land value from a level that is intrinsic to the land, or does it represent the recapture of an increment in land value associated with government action. In the U.S., where property rights are strong, land value capture is not widely recognized as a part of planning practice and land development (Calavita and Mallach, 2009).²³ Instead, incentives (such as density bonus) or cost offsets (such as reduced minimum parking requirements) are deployed to compensate for the additional costs of providing affordable housing. However, given that land is of finite supply and is inelastic in economic literature, landowners have little to no motivation to sell the land less than the price he/she could get in the absence of inclusionary housing requirements.

²² Brunick, N. (2003). "The Impact of Inclusionary Zoning on Development." Business and Professional People for the Public Interest.

²³ Calavita, N. and Mallach, A. (2009). "Inclusionary Housing, Incentives, and Land Value Recapture." Lincoln Institute of Land Policy, Land Lines.

The previous example is an illustration of land residual analysis. Rosen (2004)²⁴ uses the land residual analysis to determine inclusionary housing's impact on housing and land markets in Los Angeles and Long Beach. Land residual analysis is commonly used by real estate developers, lenders and investors to evaluate development financial feasibility and select among alternative uses for a piece of property.

In the Los Angeles prototype, Rosen finds that most of the 10 prototypes analyzed yielded market comparable land values. An exception when land value decreased was adaptive reuse of existing commercial buildings, where no density bonus or parking concessions could reasonably be applied. In the Long Beach prototype, the results were similar.

In reality, land price is a negotiation between the buyers (developers) and sellers (land owners). If development costs are excessive, both parties may agree to part company without concluding a sale. It is not reasonable to assume that land owners would charitably sell land at a 30% discount. Perhaps KMA's examples merely attempt to illustrate that inclusionary housing is only feasible with a 30% decrease in land cost instead of inclusionary housing policies result in a blanket 30% reduction in land value.

²⁴ David Paul Rosen & Associates (2004). "Inclusionary Zoning: The California Experience." National Housing Conference, NHC Affordable Housing Policy Review, vol. 3, issue 1.

C. On-Site Improvement

As mentioned, since Downtown (and Midtown) Long Beach is fairly built out, an acquired land is likely to have a structure (improvement) sitting on top. Therefore, a pro forma analysis should account for demolition costs. Although demolition is a small part of the overall on-site improvement, it is unclear whether KMA's estimated on-site improvement costs include demolition of existing structures. Demolition cost is typically proportionate to the square footage of the structure that is to be demolished. However, there are other cost factors that affect demolition cost. For example, does the building have asbestos? Also, are there prevailing wage requirements?

D. Off-Site Improvement

In addition to on-site improvement, developers are required to have off-site improvement, which involves work or activity within the public-right of way (see City of Long Beach Municipal Code [21.47.030](#)).

Section 21.47.030 (B): Required Improvements—All Projects states that all projects shall be required to provide the following right-of-way improvements as are deemed necessary and applicable by the Director of Public Works:

1. Sidewalk and Parkway. Construction or repair of a sidewalk and parkway adjoining the site. The sidewalk shall have a minimum clear width of five feet (5') with a parkway, or six feet (6') if the sidewalk adjoins the curb;
2. Curb and Gutter. Construction or repair of curbs and gutters adjoining the site. All unused curb cuts shall be replaced with a full-height curb and gutter;
3. Street Trees. As required by Subsection 21.42.060.B.1; and
4. Bicycle Trail. Construction of bicycle trail as required by the "Bike Route System" adopted by the City Council.

Furthermore, Section 21.47.030 (C) states that in addition to the required off-site improvements, **new development projects** requiring site plan review:

1. **Alley Paving.** Construction, replacement, repair or extension of alley paving up to standard width. The alley shall be paved the length of the site. If vehicle access is taken from the alley, the Director of Public Works may also require that the alley be paved to a point where the alley intersects a paved public right-of-way, and curb returns shall be relocated as necessary.
2. **Alley Lighting.** Construct or install on-site alley lighting.
3. **Utilities Relocation.** Relocate utilities as necessary to provide for the improvements outlined above.

Moreover, 21.47.030 (D): Major projects—such as a **new residential development project with at least twenty-one (21) units**—also have additional improvement requirements:

1. **Roadway Paving.** Construction, replacement, repair or extension of roadway paving to standard street width as required in Table 47-1.
2. **Traffic Signals and Street Signs.** Provide a prorated share of the cost of all roadway signal and street sign modifications attributable or partly attributable to the development.
3. **Street Lights.** Install or relocate street lights. This may include widening the right-of-way as necessary.
4. **Utilities Relocation.** Relocate utilities as necessary to provide for the improvements outlined in paragraphs 1 through 3 above.

For all project prototypes presented in the KMA report—new residential development projects ranging from 71 units to 140 units—parts B, C, and D of Section 21.47.030 will apply. Depending on the scope of work involved, off-site improvement costs typically range from one-half to two-thirds of the on-site improvement costs. Given that major new residential development projects require all three types of improvements, off-site improvement cost estimates would be on the high end relative to on-site improvement cost.

E. Parking Construction Cost Estimate

KMA does not provide supporting data that justify the parking construction cost estimates. Stakeholder outreach with developers familiar with Long Beach reveals that these estimates are more in line with the price levels from 2011 to 2012. KMA’s cost estimates are at least a few years out of date and are too conservative for two reasons: (1) The square footage per parking space estimate is too low (see Section II Part B of this report) and (2) Parking construction cost per square foot estimate is too low.

Below is a screenshot of KMA’s parking cost estimates:

II. Direct Costs		²		
On-Site Improvements/Landscaping	32,870	Sf of Land	\$20 /Sf of Land	\$657,000
Parking		³		
At-Grade Spaces	0	Spaces	\$5,000 /Space	0
Above-Ground Podium Spaces	0	Spaces	\$25,000 /Space	0
1st Level Subterranean	90	Spaces	\$35,000 /Space	3,150,000
2nd Level Subterranean	92	Spaces	\$45,000 /Space	4,140,000
Building Costs	106,312	Sf of GBA	\$125 /Sf of GBA	13,289,000
Contractor/DC Contingency Allow		20% Other Direct Costs		<u>4,247,000</u>
Total Direct Costs	106,312	Sf of GBA	\$240 /Sf of GBA	

In reality, there are many factors that affect parking construction cost:

- **Geography:** regional factors such as the cost of labor (union vs. open shop), availability of materials, higher seismic regions and soil conditions.
- **Subterranean parking:** Parking one level below ground is more expensive than parking at-grade and above-grade. The cost increases more the deeper the level is.
- **Structural system:** A short-span frame is less costly but also less efficient than a long-span frame.
- **Foundation:** Structures built in areas with poor soil conditions require deeper foundation systems will cost more than shallower foundation systems.
- **Total parking spaces:** A smaller project will cost more per space than a larger project.
- **Efficiency:** The higher the square footage per stall, the more expensive per stall.
- **Additional items:** Items such as EV charging stations and storage space will increase the cost.

Parking construction cost per square foot imputed based on KMA's assumptions

	Unit	Market Rate Rental Project	Inclusionary Rental Project	Ownership Project
Land	Square Feet	32,870	32,870	43,560
Parking				
First Level Subterranean	SF per space	365.22	365.22	
	Cost per space	\$35,000	\$35,000	
	Cost per SF	\$95.83	\$95.83	
Second Level Subterranean	SF per space	357.28	386.71	
	Cost per space	\$45,000	\$45,000	
	Cost per SF	\$125.95	\$116.37	
Above-Ground Podium Spaces	SF per space			306.76
	Cost per space			\$25,000
	Cost per SF			\$81.50

Source: Beacon Economics calculation based on available information in the KMA report

Note that these tabulations assume a “built-to-the-line” scenario. If there are setbacks, then the square footage per space would decrease while the cost per square foot would increase. As discussed in Part B of the Section “Missing/Questionable KMA Assumptions Discussion: Non-Cost Assumptions”, KMA’s assumption, it is not feasible to fit 90-92 parking spaces per level underneath a $\frac{3}{4}$ acre lot nor 142 parking spaces. This means a third subterranean level is needed, which is more expensive.

In addition, the parking construction cost per square foot calculated is below Rider Levitt Bucknall’s estimate for the Los Angeles metro area²⁵ for the second quarter of 2019:

- Basement (below-ground): \$130/SF to \$180/SF
- Above ground: \$105/SF to \$125/SF

Using the low end of the range of estimates provided by RLB, the cost differences per space for the first level below-ground, second level below-ground and above-ground levels indicate that KMA’s cost estimates are 10% to 26% (\$5,019 to \$12,479) below the estimates derived using RLB’s low-end parking cost data. The following table depicts the revised parking construction cost estimates.

²⁵ Estimates are only available at selected metropolitan statistical areas.

Revised cost per space estimate with RLB data

	Unit	Market Rate Rental Project	Inclusionary Rental Project	Ownership Project
First Level Subterranean	SF per space	365.22	365.22	
	Revised Cost per space	\$47,479	\$47,479	
	Cost per SF	\$130	\$130	
	Cost Difference	\$12,479	\$12,479	
Second Level Subterranean	SF per space	357.28	386.71	
	Revised Cost per space	\$50,019	\$54,139	
	Cost per SF	\$140	\$140	
	Cost Difference	\$5,019	\$9,139	
Above-Ground Podium Spaces	SF per space			306.76
	Revised Cost per space			\$32,210
	Cost per SF			\$105
	Cost Difference			\$7,210

Source: Rider Levitt Bucknall; calculations by Beacon Economics

The low end of the RLB cost estimates are chosen to demonstrate how low KMA’s cost estimates are compared to even the low end of the RLB cost estimates. It is likely that parking construction cost per square foot is above the low-end estimates in Downtown and Midtown Long Beach.

F. Building Core & Shell Construction Cost Estimate

Similar to parking construction cost, the developers we surveyed all concurred that the building core & shell construction cost estimate is too low for every project prototype. The following table summarizes the building cost per gross square foot in KMA's three development prototypes. The building cost per gross square footage is increased by 20% in the inclusionary rental project scenario due to increased density of the project compared to the market rate prototype.

Building cost summary in KMA's prototypes

	Market rate rental project	Inclusionary rental project	Ownership project
Gross Building Area (SF)	106,312 sq. ft.	158,936 sq. ft.	80,625 sq. ft.
Building Cost per SF	\$125/ sq. ft.	\$150/ sq. ft.	\$135/ sq. ft.
Building Cost	\$13,289,000	\$23,840,000	\$10,884,000

These costs are extremely low and unrealistic even for a basic Type VA construction. In addition, KMA provides no supporting documents justifying the low building costs.

2019 Gross Residential Square Footage Cost Estimates: Construction Cost by ZIP Code and City

ZIP Code (First 3 Digits)	City	Apartments	Condos
907xx, 908xx	Long Beach	\$185.29/ sq. ft.	\$197.49/ sq. ft.

Source: RSMMeans, The Gordian Group, data compiled by Federal Home Loan Bank of San Francisco

The table above summarizes data from RSMMeans for the building cost per gross square foot by type in 2019, which are \$185.29/GSF for apartments and \$197.49/GSF for condominiums. This implies KMA's building cost estimates are 32% below RSMMeans' cost estimates for the ownership project prototypes and 33% below for the rental project prototypes.

The next table applies the RSMMeans cost estimates (apartments for rental projects and condos for ownership project) and re-project the building costs by prototype.

Building Cost Summary in KMA's Prototypes Using RSMeans Cost Estimates

	Market rate rental project	Inclusionary rental project	Ownership project
Gross Building Area (SF)	106,312 sq. ft.	158,936 sq. ft.	80,625 sq. ft.
Building Cost per SF	\$185.29/ sq. ft.	\$150/ sq. ft.	\$197.49/ sq. ft.
Building Cost	\$19,694,298	\$35,331,473	\$15,922,631
Building Cost Difference	(\$6,405,298) (-33%)	(\$11,491,073) (-33%)	(\$5,038,256) (-32%)

Source: RS Means; Calculations by Beacon Economics

Furthermore, it has been demonstrated in Parts D and E of the previous section that KMA's building efficiency ratio of 80% is too high. This means KMA's gross building square footage (net rentable area divided by the building efficiency ratio) estimates are too low. Adjusting the building efficiency ratio from 80% to 70%—based on the discussions in Section II Parts D and E—the following table shows the revised building cost.

Building Cost Summary in KMA's Prototypes Using RSMeans Cost Estimates and With Updated Building Efficiency Ratio (70%)

	Market rate rental project	Inclusionary rental project	Ownership project
Bldg. Efficiency Ratio (KMA)	80%	80%	80%
Revised Bldg. Efficiency Ratio	70%	70%	70%
Revised Gross Bldg. Area	121,499 sq. ft.	181,641 sq. ft.	92,143 sq. ft.
RS Means Bldg. Cost per SF	\$185.29/ sq. ft.	\$222.35/ sq. ft.	\$197.49/ sq. ft.
Revised Building Cost	\$22,507,769	\$40,378,826	\$18,197,293
Building Cost Difference	(\$9,218,769) (-41%)	(\$16,538,426) (-41%)	(\$7,312,918) (-40%)

Source: RS Means; Calculations by Beacon Economics

The tabulations assume no change in the unit size for studio units (729 SF/unit) in the rental scenarios. The revised pro formas will reflect the updated unit size (609 SF/unit). The low building cost per square foot and gross building area estimates indicate that KMA's building cost estimates are 40% to 41% lower than the true building costs.

G. Public Permits & Fees

In the pro formas, KMA estimated that public permits and fees per unit ranged from \$19,240 to \$20,000. It is not clear how KMA arrived at these estimates. In Long Beach, there are many permits and fees that can be grouped into six major categories: (1) Development Impact Fees, (2) Electrical Permit & Plan Check Fees, (3) Fire Permit & Plan Check Fees, (4) Mechanical Permit & Plan Check Fees, (5) Plumbing Permit & Plan Check Fees, and (6) Building Permit & Plan Check Fees.

Within each major category, there are several fee line items. For example, Development Impact Fees include Fire Facilities Impact Fee, Parks & Recreation Facilities Impact Fee, Police Facilities Impact Fee, School Impact Fee, Sewer Capacity Fees, and Transportation Improvement Fee. In addition to the City mandated fees, there are additional fees administered at the county and state levels such as Los Angeles County Sewer Capacity Fee, Strong-Motion Instrumentation & Seismic Hazard Mapping Fee, and Green Building Standards Fee. As mentioned, an infill project in the heart of Long Beach is likely to encounter water table and methane issues, both of which will require additional public permits & fees.

KMA's estimates of \$19,240 to \$20,000 is doable under the ideal situation. A public permits & fees sheet furnished by Anderson Pacific, LLC suggests that for a recent 315-unit development project in Submarket 1, the total public permits & fees paid per unit was \$23,500. For the purpose of this report, Beacon has elected to keep KMA's public permits & fees estimates. However, one should note that these estimates are on the conservative side.

H. Financing Costs

In the pro formas, KMA has different financing loan interest rates: 3.6% for rental prototypes but 6.0% for ownership prototypes. KMA does not provide an explanation for the 240 basis point spread of the financing loan interest rate in the report—even if ownership projects are deemed more risky by banks and thus require a higher interest rate.

Financing Costs Information for Rental Market Rate Prototype

IV. <u>Financing Costs</u>				
Interest During Construction				
Land	⁵	\$6,738,000 Cost	3.6% Avg Rate	\$364,000
Construction	⁶	\$34,194,000 Cost	3.6% Avg Rate	1,108,000
Loan Origination Fees		60% Loan to Cost	2.0 Points	491,000
Total Financing Costs				\$1,963,000

¹ Estimated based on a survey of the sales of residentially zoned land in the SUBMARKET between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on 1.0 space for Studio Units; 1.0 space for One-Bedroom Units; 1.0 space for Two-Bedroom Units; 1.0 space for Three-Bedroom Units; and 0.25 spaces per unit for guest parking.

⁴ Based on estimates prepared for other projects within Long Beach.

⁵ Based on an 18 month construction period and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period and a 60% average outstanding loan balance.

Financing Costs Information for Ownership Market Rate Prototype

IV. <u>Financing Costs</u>				
Interest During Construction	⁴			\$1,392,000
Loan Origination Fees		60.0% Loan to Cost	2.5 Points	440,000
Total Financing Costs				\$1,832,000

¹ Estimated based on a survey of the sales of residentially zoned land in Long Beach between 2016 and 2018.

² Based on the estimated costs for similar uses.

³ Based on estimates prepared for other projects within Long Beach.

⁴ Assumes a 6.0% interest cost for debt an 18 month construction period; a 10 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

In addition, lenders are weary of repeating the housing bubble from the 2000s; lending standards have gotten much stricter since the Great Recession. This implies lenders may require a higher risk premium (i.e., charge higher interest rates) than before for the same projects. Finally, the length of loan is also rather short: 18 months assumed in both rental and ownership prototypes. For these kinds of development projects, which are most likely infill projects, often face long delays due to reasons such as local NIMBY oppositions. Recently completed projects such as Huxton, The Linden, The Beacon, and The Alamitos, all took 24 months to 28 months between when construction had begun to when construction was finished.

I. Market Rate Unit Rent Discrepancy

As discussed in Part C of Section II of this report, the market rate unit rent that KMA uses in the pro formas are higher than the market rate unit rent gathered from KMA's rent survey in Attachment 2, Appendix E, Exhibit I. The differences are summarized below.

Market Rate Monthly Rent Comparison in the KMA Report

	From rent survey (Attachment 2 Appendix E Exhibit I)	As shown in the pro formas and Section IIIC of the KMA report	Difference	Difference (Percent)
Studio Units	\$2,179	\$2,569	\$390	17.90%
1-Bedroom Units	\$2,370	\$2,620	\$250	10.50%
2-Bedroom Units	\$3,017	\$3,304	\$287	9.50%

Source: Keyser Marston Associates

The difference is the greatest for studio units, where rent is 18% higher in the pro formas. The higher rental rates paint a rosier picture for developer return than actual, which KMA in turn concludes a higher supportable inclusionary housing percentage and in-lieu fees than actual. Meanwhile, the average unit size (square feet) and unit composition (percentage of units that are studio units, 1-bedroom units, and 2-bedroom units) match with the results from the rent survey.

Note that there is no evidence that newly constructed multi-family units command a higher rent per square foot. There is no correlation between price per square foot and building age using data from both the KMA's rent survey, which is based on data by CoStar ($R^2 = 0.003$) and data from Axiometrics/RealPage ($R^2 = 0.01$). Therefore, while in general, a Class A new dwelling unit would command slightly higher rent than an otherwise identical but older Class B or Class C dwelling unit, there is no evidence that suggests this holds true here.

J. Condominium Sales Price Differences

Similar to the rent discrepancy discussed above, the condominium sales prices that KMA use in the pro formas are higher than those in the condominium sales survey for Submarket 1 in Attachment 3: Appendix C – Exhibit I. In Section IV, Part B of the KMA report, KMA states that “KMA compiled sales data for condominiums sold in Submarket #1 between October 2018 and February 2019. This information is used to establish the average sales price per square foot of building area for studio, one-bedroom and two-bedroom condominium units.” The following table summarizes the differences.

Condominium Sales Price Comparison in the KMA Report

	Studio Units	1-Bedroom Units	2-Bedroom Units
From Sales Survey: Average Sales Price	473	745	1,093
From Sales Survey: Average Unit Size (SF)	\$252,585	\$370,316	\$519,072
Sales Survey: Price per Square Foot	\$534	\$497	\$475
Pro Formas: Average Sales Price	500	750	1,100
Pro Formas: Average Unit Size (SF)	\$307,200	\$428,900	\$600,700
Pro Formas: Price per Square Foot	\$614	\$572	\$546
Percent Difference per Square Foot	15.1%	15.0%	15.0%

Source: Keyser Marston Associates

The price difference per square foot is 15% for all unit types between the sales survey and the figures used in the pro formas. Even if KMA were to account for price appreciation between October 2018 - February 2019 and now, condominium sales prices definitely have not appreciated 15%.

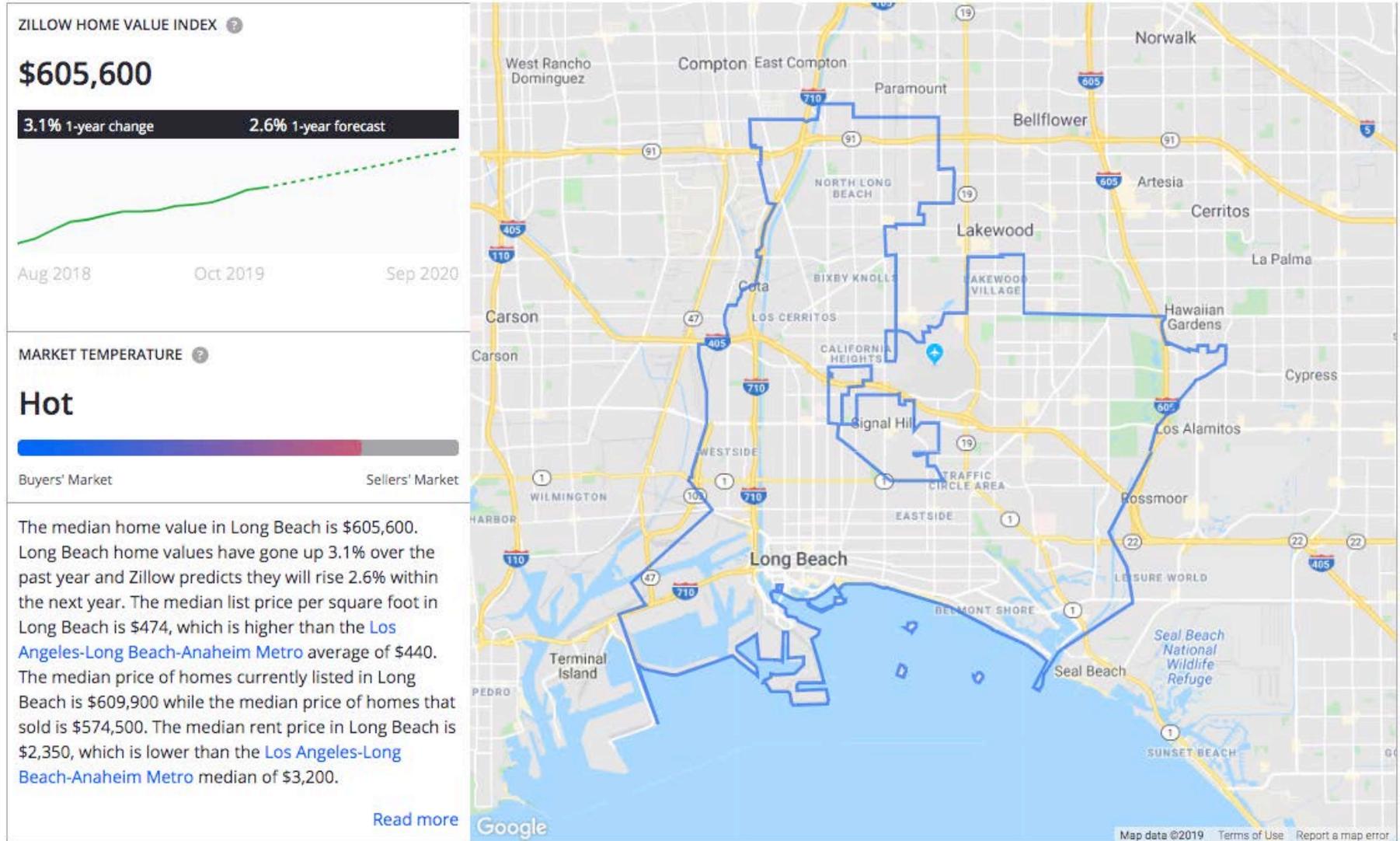
It makes little sense to attribute the 15% difference to home price appreciation, for home price appreciation has cooled down significantly in 2019. Year-over-year home prices appreciated 3.1% and is expected to rise 2.6% next year per Zillow.²⁶ According to Redfin, Downtown Long Beach’s home sales price per square foot actually decreased 5.5% year-over-year.²⁷ Therefore, the sales price used in the pro formas being 15% higher than the price in the sales survey is unjustified.

²⁶ Accessed on October 31, 2019. See: <https://www.zillow.com/long-beach-ca/home-values/>

²⁷ Accessed on October 31, 2019. See: <https://www.redfin.com/neighborhood/9754/CA/Long-Beach/Downtown-Long-Beach/housing-market>

Zillow:

Long Beach Home Prices & Values



Redfin:



Downtown Long Beach



1-844-759-7732

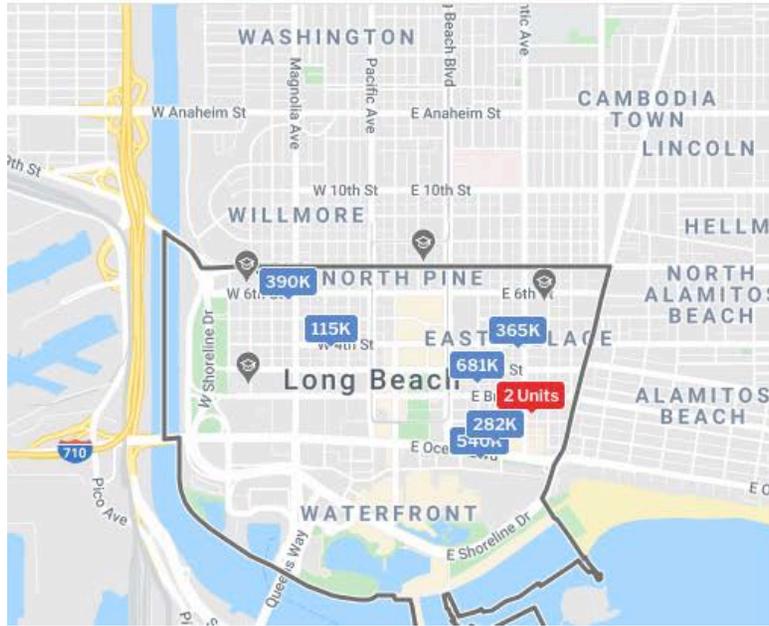
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Downtown Long Beach Housing ...

Listings

Market Insights

Home Prices in Downtown Long Beach

Average over the last month

\$409K

Sale Price

+17.2%
since last year

\$452

Sale \$/Sq. Ft.

-5.5%
since last year

1.1%

Under List Price

60

Days on Market

64.3%

Down Payment

28

Total Homes Sold

[Compare to US housing market trends](#)

IV. Putting It All Together: Revised Pro Formas Results

Based on the discussions in Section II and Section III of this report, Beacon Economics re-tabulate revised pro formas.

Revised Assumptions Summary: Rental Project Prototypes

Item	KMA assumption	Revised assumption	Note
Land cost	\$205/SF	\$250/SF	3% higher than \$242.61/SF (weighted vg. cost of land in recent land acquisitions)
Off-Site Improvements	N/A	\$12/SF of Land	60% of On-Site Improvements
Subterranean Parking: 1 st Level	90 spaces	66 spaces	Based on architect's drawing
Subterranean Parking: 2 nd Level	92 spaces	66 spaces	Based on architect's drawing
Subterranean Parking: 3 rd Level	0 spaces	50 spaces	182 spaces (min. required parking spaces) – 66 spaces – 66 spaces
Building efficiency ratio	80%	70%	
Subterranean Parking: 1 st Level	\$35,000/space	\$48,750/space	Based on data from Rider Levitt Bucknall for Q2-2019
Subterranean Parking: 2 nd Level	\$45,000/space	\$52,500/space	Based on data from Rider Levitt Bucknall for Q2-2019
Subterranean Parking: 3 rd Level	N/A	\$56,250/space	Based on data from Rider Levitt Bucknall for Q2-2019
Building Costs (Market Rate Scenario)	\$125/SF of GBA	\$185/SF of GBA	Based on RSMeans' cost estimates for 2019
Building Costs (Inclusionary Scenarios)	\$150/SF of GBA	\$222/SF of GBA	20% over market rate scenario. The building type is likely a Type III instead of Type V
Soft Cost Contingency Allowance	5% of other IC	8% of other IC	
Financing Cost Interest Rate	3.60%	6%	Consistent with ownership project scenarios
Construction Period	18 months	24 months	Based on recently completed projects
Unit size and rent: studio units	729 SF \$2,569	609 SF \$1,820	Based on revised rent survey, prorated
Unit size and rent: 1-br units	805 SF \$2,569	805 SF \$2,370	Based on rent survey
Unit size and rent: 2-br units	1,108 SF \$3,304	1,108 SF \$3,017	Based on rent survey

Revised Assumptions Summary: Ownership Project Prototypes

Item	KMA assumption	Revised assumption	Note
Land cost	\$135/SF	\$250/SF	3% higher than \$242.61/SF (weighted vg. cost of land in recent land acquisitions)
Off-Site Improvements	N/A	\$12/SF of Land	60% of On-Site Improvements
Above-Ground Podium Spaces	\$25,000/space	\$32,200/space	Based on data from Rider Levitt Bucknall for Q2-2019
Building efficiency ratio	80%	70%	
Building Costs	\$135/SF of GBA	\$197.49/SF of GBA	Based on RSMeans' cost estimates for 2019
Soft Cost Contingency Allowance	5% of other IC	8% of other IC	
Construction Period	18 months	24 months	Based on recently completed projects
Unit size and sales price: studio units	500 SF \$307,200	500 SF \$267,000	Based on sales price/SF in condominium sales survey: \$534/SF for studio units
Unit size and sales price: 1-br units	750 SF \$428,900	750 SF \$372,800	Based on sales price/SF in condominium sales survey: \$497/SF for 1-br units
Unit size and sales price: 2-br units	1,100 SF \$600,700	1,100 SF \$522,400	Based on sales price/SF in condominium sales survey: \$479/SF for 2-br units
Mortgage interest rate (low)	5.31%	4.38%	Based on data from CFPB
Mortgage interest rate (high)	5.31%	5.13%	Based on data from CFPB
Down payment (low)	5%	13%	Median down payment in NAR's 2019 Home Buyers and Sellers Generational Trends Report
Down payment (high)	5%	20%	Standard down payment to avoid PMI

Revised Pro Formas Comparison: Rental Market Rate Scenario

KMA Rental Market Rate Pro Forma Summary

	Amount	Amount per GBA (106,312 SF)
Land Cost	\$6,738,000	\$63.38
Total Direct Costs	\$25,483,000	\$239.70
Total Indirect Costs	\$6,749,000	\$63.48
Total Financing Costs	\$1,963,000	\$18.46
Total Development Costs	\$40,932,000	\$385.02
Stabilized Net Operating Income	\$2,212,000	\$20.81
Return on Total Investment	5.4%	

Revised Rental Market Rate Pro Forma Summary

	Amount	Amount per GBA (119,457 SF)
Land Cost	\$8,217,500	\$68.79
Total Direct Costs	\$39,217,265	\$328.30
Total Indirect Costs	\$9,314,743	\$77.98
Total Financing Costs	\$5,634,715	\$47.17
Total Development Costs	\$62,384,223	\$522.23
Stabilized Net Operating Income	\$1,863,119	\$15.60
Return on Total Investment	3.0%	

For direct costs, the increases in parking construction cost, building core & shell, direct cost contingency costs (which is a function of the former two cost components), and the presence of off-site improvement as well as revised building efficiency ratio imply direct cost per square foot is 37% more than KMA's scenario. Total development cost per square foot is 36% more than KMA's scenario.

Return on total investment decreased from 5.4% to 3.0% due to the higher construction costs coupled with rent adjusted downward to match the results of the rent survey. 3.0% ROI is likely lower than the cap rate of the submarket. Therefore, under current circumstances, such project might not materialize.

Revised Pro Formas Comparison: Rental Moderate Income Scenario

KMA Rental Moderate Income Pro Forma Summary

	Amount	Amount per GBA (158,936 SF)
Land Cost	\$6,738,000	\$42.39
Total Direct Costs	\$37,767,000	\$237.62
Total Indirect Costs	\$10,019,000	\$63.04
Total Financing Costs	\$2,686,000	\$16.90
Total Development Costs	\$57,208,000	\$359.94
Stabilized Net Operating Income	\$2,978,555	\$18.74
Return on Total Investment	5.2%	

Revised Rental Moderate Income Pro Forma Summary

	Amount	Amount per GBA (178,749 SF)
Land Cost	\$8,217,500	\$45.97
Total Direct Costs	\$60,551,973	\$338.75
Total Indirect Costs	\$14,243,381	\$79.68
Total Financing Costs	\$7,829,991	\$43.80
Total Development Costs	\$90,842,845	\$508.21
Stabilized Net Operating Income	\$2,559,149	\$14.32
Return on Total Investment	2.8%	

For direct costs, the increases in parking construction cost, building core & shell, direct cost contingency costs (which is a function of the former two cost components), and the presence of off-site improvement as well as revised building efficiency ratio imply direct cost per square foot is 40% more than KMA's scenario. Total development cost per square foot is 39% more than KMA's scenario.

Return on total investment decreased from 5.2% to 2.8% due to the higher construction costs coupled with rent adjusted downward to match the results of the rent survey. 2.8% ROI is likely lower than the cap rate of the submarket. Therefore, under current circumstances, such project might not pencil out. **Even if a 2.8% ROI is accepted, land cost would need to decrease 63% for a 19.3% inclusionary percentage to be feasible.** Therefore, even if a 2.9% ROI is kept, the supportable inclusionary percentage would need to be lower to keep land cost reduction within 30%.

Suppose the 2.9% ROI is acceptable. Further suppose that we wish to keep the land cost reduction at no more than 30%, **the supportable inclusionary percentage decreases from 19.3% to 13.6%.**

Revised Pro Formas Comparison: Rental Low Income Scenario

KMA Rental Low Income Pro Forma Summary

	Amount	Amount per GBA (158,936 SF)
Land Cost	\$6,738,000	\$42.39
Total Direct Costs	\$37,767,000	\$237.62
Total Indirect Costs	\$9,919,000	\$62.41
Total Financing Costs	\$2,681,000	\$16.87
Total Development Costs	\$57,104,000	\$359.29
Stabilized Net Operating Income	\$2,977,000	\$18.73
Return on Total Investment	5.2%	

Revised Rental Low Income Pro Forma Summary

	Amount	Amount per GBA (178,749 SF)
Land Cost	\$8,217,500	\$45.97
Total Direct Costs	\$60,551,973	\$338.75
Total Indirect Costs	\$14,140,565	\$79.11
Total Financing Costs	\$7,820,563	\$43.75
Total Development Costs	\$90,730,600	\$507.59
Stabilized Net Operating Income	\$2,521,654	\$14.11
Return on Total Investment	2.8%	

For direct costs, the increases in parking construction cost, building core & shell, direct cost contingency costs (which is a function of the former two cost components), and the presence of off-site improvement as well as revised building efficiency ratio imply direct cost per square foot is 40% more than KMA's scenario. Total development cost per square foot is 39% more than KMA's scenario.

Return on total investment decreased from 5.2% to 2.8% due to the higher construction costs coupled with rent adjusted downward to match the results of the rent survey. 2.8% ROI is likely lower than the cap rate of the submarket. Therefore, under current circumstances, such project might not pencil out. **Even if a 2.8% ROI is accepted, land cost would need to decrease 77% for a 12.1% inclusionary percentage to be feasible.** Therefore, even if a 2.8% ROI is kept, the supportable inclusionary percentage would need to be lower to keep land cost reduction within 30%.

Suppose the 2.9% ROI is acceptable. Further suppose that we wish to keep the land cost reduction at no more than 30%, **the supportable inclusionary percentage decreases from 12.1% to 7.9%.**

Revised Pro Formas Comparison: Rental Very Low Income Scenario

KMA Rental Very Low Income Pro Forma Summary

	Amount	Amount per GBA (158,936 SF)
Land Cost	\$6,738,000	\$42.39
Total Direct Costs	\$37,767,000	\$237.62
Total Indirect Costs	\$9,925,000	\$62.45
Total Financing Costs	\$2,681,000	\$16.87
Total Development Costs	\$57,110,000	\$359.33
Stabilized Net Operating Income	\$2,970,000	\$18.69
Return on Total Investment	5.2%	

Revised Rental Very Low Income Pro Forma Summary

	Amount	Amount per GBA (178,749 SF)
Land Cost	\$8,217,500	\$45.97
Total Direct Costs	\$60,551,973	\$338.75
Total Indirect Costs	\$14,146,613	\$79.14
Total Financing Costs	\$7,821,443	\$43.76
Total Development Costs	\$90,737,529	\$507.63
Stabilized Net Operating Income	\$2,511,576	\$14.05
Return on Total Investment	2.8%	

For direct costs, the increases in parking construction cost, building core & shell, direct cost contingency costs (which is a function of the former two cost components), and the presence of off-site improvement as well as revised building efficiency ratio imply direct cost per square foot is 40% more than KMA's scenario. Total development cost per square foot is 39% more than KMA's scenario.

Return on total investment decreased from 5.2% to 2.8% due to the higher construction costs coupled with rent adjusted downward to match the results of the rent survey. 2.8% ROI is likely lower than the cap rate of the submarket. Therefore, under current circumstances, such project might not pencil out. **Even if a 2.8% ROI is accepted, land cost would need to decrease 88% for a 11.4% inclusionary percentage to be feasible.** Therefore, even if a 2.8% ROI is kept, the supportable inclusionary percentage would need to be lower to keep land cost reduction within 30%.

Suppose the 2.9% ROI is acceptable. Further suppose that we wish to keep the land cost reduction at no more than 30%, **the supportable inclusionary percentage decreases from 11.4% to 7.1%.**

Revised Pro Formas Comparison: Ownership Market Rate Scenario

KMA Ownership Market Rate Pro Forma Summary

	Amount	Amount per GBA (80,625 SF)
Land Cost	\$5,881,000	\$72.94
Total Direct Costs	\$18,366,000	\$227.80
Total Indirect Costs	\$5,118,000	\$63.48
Total Financing Costs	\$1,832,000	\$22.72
Total Development Costs	\$31,197,000	\$386.94
Net Revenue	\$34,000,000	\$421.71
Return on Total Investment	9.0%	

Revised Ownership Market Rate Pro Forma Summary

	Amount	Amount per GBA (92,143 SF)
Land Cost	\$10,890,000	\$118.19
Total Direct Costs	\$28,996,335	\$314.69
Total Indirect Costs	\$6,375,288	\$69.19
Total Financing Costs	\$3,428,627	\$37.21
Total Development Costs	\$49,690,251	\$539.27
Net Revenue	\$29,561,112	\$320.82
Return on Total Investment	-40.5%	

For direct costs, the increases in parking construction cost, building core & shell, direct cost contingency costs (which is a function of the former two cost components), and the presence of off-site improvement as well as revised building efficiency ratio imply direct cost per square foot is 38% more than KMA's scenario. Total development cost per square foot is 39% more than KMA's scenario. Developer profit went from +9.0% to -40.5% due to the substantially higher construction costs coupled with sales prices adjusted downward to match the results of the condominium sales survey.

The wild swing of developer profit is the result of incremental changes using different cost estimates. Individually, each revised cost estimate, which more closely reflect the current reality, might not swing developer profit to a loss, but together, they result in a 50% change (-40.5% - 9.0% = -50.4%). Using revised, current estimates, this prototype is extremely far from being feasible.

Revised Pro Formas Comparison: Ownership Moderate Income Scenario

KMA Ownership Moderate Income Pro Forma Summary

	Amount	Amount per GBA (80,625 SF)
Land Cost	\$5,881,000	\$72.94
Total Direct Costs	\$18,366,000	\$227.80
Total Indirect Costs	\$5,118,000	\$63.48
Total Financing Costs	\$1,822,000	\$22.60
Total Development Costs	\$31,187,000	\$386.82
Net Revenue	\$32,106,000	\$398.21
Return on Total Investment	2.9%	

Revised Ownership Moderate Income Pro Forma Summary

	Amount	Amount per GBA (92,143 SF)
Land Cost	\$10,890,000	\$118.19
Total Direct Costs	\$28,996,335	\$314.69
Total Indirect Costs	\$6,375,288	\$69.19
Total Financing Costs	\$3,428,627	\$37.21
Total Development Costs	\$49,690,251	\$539.27
Net Revenue	\$28,634,280	\$310.76
Return on Total Investment	-42.4%	

Without land cost reduction, developer profit went from +9.0% to +2.9% in KMA's scenario. In the revised scenario, without land cost reduction, developer profit went from -40.4% to -42.4%. The slight change from -40.4% to -42.4% indicates that the inclusion of moderate income units is not the main problem that makes the project infeasible but rather the fact that the revised cost estimates are altogether very different from KMA's cost estimates, which are unrealistic low to begin with.

Because of the large negative return on total investment, land cost would need to reduce by 233% for the project to break even. Therefore, it is not possible to create an alternative scenario to determine the feasible inclusionary housing by holding land cost reduction at no more than 30%.

This section lists only the rental residential development for single income scenarios and ownership residential development scenarios. Results for rental residential development mixed income scenarios can be viewed in the Appendix Section.

V. Revised Affordability and In-Lieu Fee Analyses

Revised Affordable Rent Calculation and In-Lieu Fee Analysis

Affordable rent calculation is a function of the following: (1) Market rate unit rents, (2) Maximum allowable rent by income level, and (3) Distribution of total units (unit mix). A wider gap between market rate rent and affordable rent results in higher affordability gap per unit. Note that the market rate rents KMA uses in the pro formas are higher than those in the rent survey.

In-lieu fee calculation is a function of the following: (1) Return on total investment, (2) Supportable inclusionary housing percentage, and (3) building efficiency ratio. A higher building efficiency ratio results in a higher in-lieu fee per gross square foot.

The assumptions are as follows:

- Distribution of total units, maximum allowable rent by income level, return on total investment (5.4%), and supportable inclusionary housing percentages are unchanged.
- Market rate unit rents (pro forma -> rent survey) and building efficiency ratio (80% -> 70%) are adjusted accordingly based on the discussion thus far.

The objective of this exercise demonstrates that **the in-lieu fee differs significantly even just tweaking two of the assumptions**. These are **bolded and highlighted in yellow** in the following table. The original in-lieu fees suggested by KMA are bolded highlighted in brown. Compared to the KMA analysis, the revised analysis results in considerably lower in-lieu fees for all income categories:

- Moderate Income: \$37.90 -> \$16.81 (\$21.09 less or 56% lower than KMA scenario)
- Low Income: \$37.90 -> \$17.79 (\$20.11 less or 53% lower than KMA scenario)
- Very Low Income: \$38.50 -> \$17.69 (\$20.81 less or 54% lower than KMA scenario)

Revised Affordable Rent Calculation and In-Lieu Fee Analysis Results

	Appendix D - Exhibit II	KMA Scenario			Revised Scenario			Note
		Moderate Income	Low Income	Very Low Income	Moderate Income	Low Income	Very Low Income	
I.	Rent Difference							The market rents are drawn from the pro forma analyses.
	A. Studio Units							
	Market Rate Units	\$2,569	\$2,569	\$2,569	\$2,179	\$2,179	\$2,179	
	Affordable Units	1,373	733	605	1,373	733	605	
	Difference	\$1,197	\$1,836	\$1,964	\$806	\$1,446	\$1,574	
	B. One-Bedroom Units							
	Market Rate Units	\$2,620	\$2,620	\$2,620	\$2,370	\$2,370	\$2,370	
	Affordable Units	1,569	838	691	1,569	838	691	
	Difference	\$1,052	\$1,783	\$1,929	\$801	\$1,533	\$1,679	
	C. Two-Bedroom Units							
	Market Rate Units	\$3,304	\$3,304	\$3,304	\$3,017	\$3,017	\$3,017	
	Affordable Units	1,753	930	766	1,753	930	766	
	Difference	\$1,551	\$2,374	\$2,538	\$1,265	\$2,087	\$2,252	
II.	Distribution of Total Units (note: based on rent survey distribution)							Based on the unit mix distribution applied in the pro forma analysis
	Studio Units	12%	12%	12%	12%	12%	12%	
	One-Bedroom Units	51%	51%	51%	51%	51%	51%	
	Two-Bedroom Units	37%	37%	37%	37%	37%	37%	
	Three-Bedroom Units	0%	0%	0%	0%	0%	0%	
III.	Annual Affordability Gap Per Affordable Unit	\$15,037	\$24,076	\$25,884	\$11,679	\$20,727	\$22,537	
	Less: Property Tax Difference	-3,010	-4,820	-5,180	-3,010	-4,820	-5,180	Based on the rent differential capitalized at a 5.5% rate to establish the value, and a 1.1% property tax rate
	Annual Affordability Gap Per Affordable Unit	\$12,027	\$19,256	\$20,704	\$8,669	\$15,907	\$17,357	
IV.	In-Lieu Fee							
	Per Affordable Unit	\$223,000	\$356,000	\$383,000	\$160,741	\$294,086	\$321,078	Based on the Annual Affordability Gap Per Affordable Unit capitalized at the Threshold Return on Total Investment.
	Supportable Inclusionary Housing Percentage	19.3%	12.1%	11.4%	13.6%	7.9%	7.1%	See Appendix C
	Per Square Foot of GBA	\$37.90	\$37.90	\$38.50	\$19.21	\$20.33	\$20.22	KMA assumes 80% building efficiency ratio
	Per Square Foot of GBA	\$33.16	\$33.16	\$33.69	\$16.81	\$17.79	\$17.69	Assumes 70% building efficiency ratio

Revised Affordable Sales Price Calculation and In-Lieu Fee Analysis

Affordable sales price calculation is a function of the following: (1) Market rate unit sales price, (2) Distribution of total units (unit mix), (3) Income allotted to housing by income level, (4) Mortgage interest rate, and (5) Down payment percentage. Note that (3) Income allotted to housing by income level, (4) Mortgage interest rate, and (5) Down payment percentage determine the Affordable Sales Price.

Also note that KMA:

- Uses higher market rate unit sales prices in the pro formas than those in the condominium sales survey.
- Uses a higher mortgage interest rate than the typical current rates.
- Uses a lower down payment percentage than typical.

... **All of which lower the affordable sales price, which results in higher affordability gap per unit.**

Finally, note that allocating a higher unit percentage distribution toward 2-bedroom units and lower unit percentage distribution toward studio units also results in higher affordability gap per unit. In the ownership scenario, the unit mix that KMA uses is 5% studio units, 45% 1-bedroom units, and 50% 2-bedroom units. Whereas in the rental scenario, the unit mix is 13% studio units, 51% 1-bedroom units, and 36% 2-bedroom units.

The affordable sales price is used to derive in-lieu fees. In-lieu fee calculation is a function of the following: (1) Difference between market rate unit sales price and affordable sales unit price, (2) Supportable inclusionary housing percentage, and (3) Building efficiency ratio.

- A higher difference between market rate and affordable unit sales price results in a higher in-lieu fee per square foot.
- A higher building efficiency ratio results in a higher in-lieu fee per square foot.

The assumptions are as follows:

- Market rate unit sales price (even though the sales price per the sales survey are lower), distribution of total units, income allotted to housing by income level, and supportable inclusionary housing percentages are unchanged.
- Mortgage interest rate, down payment, and building efficiency ratio (80% -> 70%) are adjusted accordingly based on the discussion thus far.

The objective of this exercise demonstrates that **the in-lieu fee differs significantly even just tweaking two of the assumptions**. These are **bolded and highlighted in yellow** in the following table. The original in-lieu fees suggested by KMA are bolded highlighted in brown.

Revised Affordable *Sales Price* Calculation and In-Lieu Fee Analysis Results

	KMA Scenario (5.31% Interest Rate & 5% Down Payment)	Alternative #1: 4.375% Mortgage Interest Rate & 20% Down Payment	Alternative #2: 4.375% Mortgage Interest Rate & 13% Down Payment	Alternative #3: 5.125% Mortgage Interest Rate & 20% Down Payment	Alternative #4: 5.125% Mortgage Interest Rate & 13% Down Payment
I. Sales Price Difference					
A. Studio Units					
Market Rate Units	\$307,200	\$307,200	\$307,200	\$307,200	\$307,200
Affordable Sales Units	\$207,900	\$274,893	\$252,775	\$252,072	\$231,790
Difference	\$99,300	\$32,307	\$54,425	\$55,128	\$75,410
B. One-Bedroom Units					
Market Rate Units	\$428,900	\$428,900	\$428,900	\$428,900	\$428,900
Affordable Sales Units	\$231,300	\$305,729	\$281,130	\$280,348	\$257,791
Difference	\$197,600	\$123,171	\$147,770	\$148,552	\$171,109
C. Two-Bedroom Units					
Market Rate Units	\$600,700	\$600,700	\$600,700	\$600,700	\$600,700
Affordable Sales Units	\$247,700	\$327,510	\$301,158	\$300,321	\$276,157
Difference	\$353,000	\$273,190	\$299,542	\$300,379	\$324,543
II. Distribution of Total Units					
Studio Units: 5%	\$4,965	\$1,615	\$2,721	\$2,756	\$3,770
One-Bedroom Units: 45%	\$88,920	\$55,427	\$66,497	\$66,848	\$76,999
Two-Bedroom Units: 50%	\$176,500	\$136,595	\$149,771	\$150,190	\$162,271
III. In-Lieu Fee					
Per Income Restricted Unit	\$270,400	\$193,600	\$219,000	\$219,800	\$243,000
Supportable Inclusionary Housing Percentage	10%	10%	10%	10%	10%
Per Square Foot of GBA (80% building efficiency)	\$23.70	\$17.00	\$19.20	\$19.30	\$21.30
Per Square Foot of GBA (70% building efficiency)	\$20.70	\$14.90	\$16.80	\$16.90	\$18.60
Percent Difference Compared to KMA Scenario		-37%	-29%	-29%	-22%

Compared to the in-lieu fee (\$23.70) in the KMA scenario, the in-lieu fees in the alternative scenarios are 22% to 37% lower per gross square foot.

VI. Conclusions

The KMA report examines a number of residential project prototypes to study the effects of a proposed inclusionary housing policy on residential development feasibility in the City of Long Beach. The characteristics of project prototypes selected for inclusion in a financial feasibility study should attempt to be representative of potential projects and conform to the existing conditions in a local jurisdiction otherwise the financial feasibility study is not able to generalize to the local jurisdiction. The KMA report reflects the impact of a proposed inclusionary housing policy on a small subset of project prototypes that – given their characteristics—do not conform to the market and regulatory landscape of Long Beach and ultimately prevent local policymakers from making a fully informed decision on the impact of and inclusionary housing policy on local housing development.

This report raise questions on several of KMA’s assumptions (or the lack thereof). In sum, there are five major takeaways that deserve a more in-depth look:

1. Overall development standards: KMA's analyses and assumptions on open space requirements, building efficiency, parking space dimensions are either unrealistic or absent and are not representative of the reality in Midtown/Downtown, which restricts opportunities for development.
2. Land parcel size, dimension and cost reduction resulting from inclusionary policies: Again, KMA's analyses are not representative of actual land parcels across the City. While there is some literature that supports the argument that the cost burden is passed back to the landowners, there is no definitive conclusion that the land cost reduction is 30% in general or in Long Beach. This is highly depending on geographical and market factors as well as local regulations.
3. Construction cost estimates: Many assumptions--especially on hard costs such as building costs, parking construction costs, and off-site improvement costs--are questionable or unstated.
4. Rental Units: Rental prices for unit prototypes are based on questionable or unstated assumptions:
 - a. Unstated building efficient ratios and unknown unit sizes in Pro Formas
 - b. Homogenization of Downtown and Midtown land value and acquisition costs
 - c. Adoption of inaccurate data from commercial rent surveys
 - d. Inconsistencies with KMA’s own rent survey
5. Potential homeowner mortgage financing: Mortgage interest rate assumption is artificially high and is based on a point in time. Instead, it should be based on study of local conditions. The down payment assumption of 5% is also extremely low. KMA might have chosen an extremely low down payment rate to justify its artificially high mortgage interest rate.

Beacon Economics' calculations resulted in significantly lower in-lieu fees per gross square foot for the *rental residential* scenarios. Compared to the KMA analysis, the revised analysis results in considerably lower in-lieu fees for all income categories:

- Moderate Income: \$37.90 -> \$16.81 (\$21.09 less or 56% lower than KMA scenario)
- Low Income: \$37.90 -> \$17.79 (\$20.11 less or 53% lower than KMA scenario)
- Very Low Income: \$38.50 -> \$17.69 (\$20.81 less or 54% lower than KMA scenario)

Similarly, Beacon Economics' calculations also resulted in significantly lower in-lieu fees per gross square foot for the *ownership housing* scenarios. Compared to the KMA analysis, the revised analysis results in considerably lower in-lieu fees for the moderate-income category under different mortgage interest rates and mortgage down payment percentages.

Updating the financial feasibility assumptions to more accurately reflect local market conditions raises concerns that KMA's inclusionary housing in-lieu fee recommendations may yield negative impacts on the production of new housing rather than maximizing the number of affordable units via the policy. Given that the project prototypes are not broadly generalizable, subtle changes in assumptions or future changes in market conditions.

VII. Recommendations

Policy makers in Long Beach should be cognizant of how local requirements interact with the math behind housing development given the complexities and costs involved with building new housing units in the City. Anything that drives up project costs will affect the pro forma calculations and influence whether the project is financially feasible.

While an inclusionary housing policy requirement is intended to help achieve an important policy objectives— creating deed-restricted affordable housing units—it may inadvertently push new housing development into the red. Beacon Economics recommends the City consider a mix of incentives to ensure that an inclusionary housing policy can work with new housing development rather than against it. An improperly calibrated inclusionary housing policy would reduce the production of both market rate and affordable housing units in the City, and consequently reduce potential city property, fee, and transfer tax revenues.

The City would do well to consider a number of policy changes that would complement a proposed inclusionary housing policy in order to better address market conditions and cost assumptions reviewed in this report. Residential development is subject to both market and policy forces. Market forces such as local rents, construction costs, and the ability to obtain financing are generally out of the City's control, however, the City has a number of opportunities to ensure the success of an inclusionary housing policy via the policy levers within its control.

Strengthening the Affordable Unit Pipeline

Well-designed inclusionary housing programs set requirements at a level that can be accommodated comfortably given the revenues, costs and incentives available locally. The updated prototype pro formas offer important policy insight the City should consider in its final policy recommendations. While outside of the scope of this specific engagement, exploratory feasibility analysis indicates that city should provide a menu of incentives that can be additive as projects increase their commitment to larger percentages of affordable units.

This menu of incentives will produce an inclusionary housing policy that is more robust and able to weather changes in market conditions and not adversely impact home building during a specific market cycle. A base package of incentives for a base percentage of onsite restricted units would be the starting point – but the menu would allow for increases in affordable unit commitments in exchange for additional incentives. It should be noted, many of these incentives would be ideally deployed in an agreed upon radius around a major transit stop in the City. Incentives to help strengthen project feasibility include:

1. Allow for Increases in residential density the closer the lot is to a major transit stop;
2. Reduce mandatory parking requirements the closer the project is to a major transit stop;

3. Allow for increases in floor-area-ratio (FAR) the closer the project is to a major transit stop;
4. Allow lot coverage increases the closer the project is to a major transit stop;
5. Allow for increases in total height the closer the project is to a major transit stop;
6. Allow for open space decreases in exchange for affordable unit percentages.

A flexible menu of policies within the city's control would allow for varied means of compliance and will help alleviate potential negative impacts. It also increases the probability that projects will be able to exceed the affordable unit thresholds modeled in the KMA report. Lot sizes and shapes in Long Beach dictate development characteristics in combination with local city zoning standards including: setbacks, lot coverage, and allowable density and height. The menu of incentives will help offset many of the feasibility problems highlighted throughout this report that arise from Long Beach specific market conditions.

Finally, the City would be well served to focus on how time impacts costs. As the analysis presented in this report indicates, resources that could otherwise be deployed to supporting affordable units are often diverted to financing costs that grow larger over time. Approval streamlining, which limits cost increases and holding costs, for example, would help support the policy goal of affordable housing units and support the ability to obtain financing. To the extent possible, an inclusionary housing policy would benefit from a menu of incentives that were ministerial in nature. Housing developers will often bypass discretionary incentives fearing can they will complicate the development process and cost more in time and resources.

As a mix of the above incentives begins to help reduce overall costs, exploratory analysis indicates that each project prototype would move back towards feasibility – and if the policy was designed well – could create project pro formas that are healthier than the originals without inclusionary units. If calibrated correctly to account for the overall cost to build this policy could enable developers to build projects that include on-site affordability, without jeopardizing the project by inadvertently undermining financing.

Appendix

Appendix A: Rent Survey

Appendix B: Revised Pro Formas

Appendix C: Revised Pro Formas Controlling
for 30% Land Cost Reduction

Appendix D: Revised Affordability Analysis

Appendix E: Public Permits & Fees

Appendix A: Rent Survey

Submarket #1—Long Beach, California

Appendix A: Rent Survey

Rent Survey—Submarket #1—Long Beach, California—Studio Units

Name	Address	No. of Units- Studio Units	Unit Size (SF)	Average Rents	Per SF	Year Built
AMLI Park Broadway	245 West Broadway	29	736	\$2,507	\$3.41	2019
442 Residences	442 W Ocean Blvd	28	577	\$2,154	\$3.73	2019
The Current	707 E Ocean Blvd	25	693	\$2,472	\$3.57	2016
The Edison	100 Long Beach	33	551	\$2,031	\$3.69	2016
Urban Village	1081 Long Beach Blvd	19	565	\$2,070	\$3.66	2015
Griffis Pine Avenue	404 Pine Avenue	20	578	\$1,986	\$3.44	2003
Sofi at Third	225 W 3rd Street	30	471	\$1,911	\$4.06	1990
Pine at Sixth	595 Pine Ave	15	628	\$1,966	\$3.13	1987
	Minimum		450	\$1,854	\$2.91	
	Maximum		862	\$2,985	\$4.27	
	Weighted Average		597	\$2,192	\$3.67	

Rent Survey—Submarket #1—Long Beach, California—One Bedroom Units

Name	Address	No. of Units- 1 bedroom	Unit Size (SF)	Average Rents	Per SF	Year Built
AMLI Park Broadway	245 West Broadway	143	778	\$2,578	\$3.31	2019
442 Residences	442 W Ocean Blvd	31	710	\$2,527	\$3.56	2019
The Current	707 E Ocean Blvd	144	825	\$2,768	\$3.35	2016
The Edison	100 Long Beach	68	721	\$2,155	\$2.99	2016
Urban Village	1081 Long Beach Blvd	76	731	\$2,102	\$2.87	2015
IMT Gallery	421 W Broadway	164	770	\$2,437	\$3.17	2010
Camden Harbor View	250-300 W Ocean Blvd	195	704	\$2,419	\$3.43	2003
Griffis Pine Avenue	404 Pine Avenue	60	708	\$1,985	\$2.80	2003
Avana on Pine	245 Pine Ave	112	922	\$2,364	\$2.56	1992/2016
Sofi at Third	225 W 3rd Street	74	604	\$1,974	\$3.27	1990
Pine at Sixth	595 Pine Ave	122	700	\$2,048	\$2.92	1989
The Linden	434 E 4th St, Long Beach	29	953	\$2,663	\$2.79	2019
	Minimum		560	\$1,795	\$2.11	
	Maximum		1128	\$4,742	\$5.38	
	Weighted Average		759	\$2,435	\$3.21	

Rent Survey—Submarket #1—Long Beach, California—Two Bedroom Units

Name	Address	No. of Units-2 bedrooms	Unit Size (SF)	Average Rents	Per SF	Year Built
AMLI Park Broadway	245 West Broadway	50	1,153	\$3,366	\$2.92	2019
442 Residences	442 W Ocean Blvd	35	1,115	\$3,324	\$2.98	2019
The Current	707 E Ocean Blvd	54	1,188	\$4,396	\$3.70	2016
The Edison	100 Long Beach	55	1,159	\$3,428	\$2.96	2016
Urban Village	1081 Long Beach Blvd	34	931	\$2,612	\$2.81	2015
IMT Gallery	421 W Broadway	127	1,111	\$2,892	\$2.60	2010
Camden Harbor View	250-300 W Ocean Blvd	343	1,131	\$2,876	\$2.54	2003
Griffis Pine Avenue	404 Pine Avenue	140	1,138	\$2,868	\$2.52	2003
Avana on Pine	245 Pine Ave	99	1,058	\$2,564	\$2.42	1992/2016
Sofi at Third	225 W 3rd Street	56	938	\$2,142	\$2.28	1990
Pine at Sixth	595 Pine Ave	21	1,006	\$2,490	\$2.48	1989
The Linden	434 E 4th St, Long Beach	20	1,173	\$3,486	\$2.97	2019
	Minimum		787	\$1,780	\$1.48	
	Maximum		1,646	\$6,395	\$5.11	
	Weighted Average		1,108	\$3,300	\$2.98	

Appendix B: Revised Pro Formas

Appendix B: Revised Pro Formas

Section	KMA Correspondence	Submarket	Development Type	Income Category	Income Level(s)
Appendix B.1.a	Attachment 2-- Appendix A--Exhibit I	1	Rental Residential Development	Single Income Category	Market Rate Alternative
Appendix B.2.a	Attachment 2-- Appendix B--Exhibit I	1	Rental Residential Development	Single Income Category	Moderate Income Alternative
Appendix B.2.b	Attachment 2-- Appendix B--Exhibit II	1	Rental Residential Development	Single Income Category	Low Income Alternative
Appendix B.2.c	Attachment 2-- Appendix B--Exhibit III	1	Rental Residential Development	Single Income Category	Very Low Income Alternative
Appendix B.3.a	Attachment 2-- Appendix C--Exhibit I	1	Rental Residential Development	Mixed Income Category	20% VLI & 80% LI
Appendix B.3.b	Attachment 2-- Appendix C--Exhibit II	1	Rental Residential Development	Mixed Income Category	80% VLI & 20% LI
Appendix B.3.c	Attachment 2-- Appendix C--Exhibit III	1	Rental Residential Development	Mixed Income Category	70% LI & 30% Moderate Income
Appendix B.4.a	Attachment 3-- Appendix A--Exhibit I	1	Ownership Housing Development	Single Income Category	Market Rate Alternative
Appendix B.4.b	Attachment 3-- Appendix A--Exhibit II	1	Ownership Housing Development	Single Income Category	Moderate Income Alternative

Appendix B.1.a—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Market Rate Alternative

Base Zoning: 125 Units/Acre = 94 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	50 Spaces	\$56,250	\$2,812,500	
	Building Costs (core and shell)	119,457 SF of GBA	\$185	\$22,134,214	
	Contractor/DC Contingency	20% Other direct costs		\$6,536,211	
	Total Direct Costs	119,457 SF of GBA	\$328	\$39,217,265	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$3,137,381	
	Public Permits & Fees	94 Units	\$20,000	\$1,880,000	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,176,518	
	Marketing	94 Units	\$5,000	\$470,000	
	Developer Fee	5% Direct Costs		\$1,960,863	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$689,981	
	Total Indirect Costs			\$9,314,743	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$8,217,500 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$986,100	
	Construction	\$54,166,723 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$3,900,004	
	Loan Origination Fees				
	Loan to Cost	\$62,384,223 Of costs	60%	\$37,430,534	
	Origination Fees Percentage	of Loan to Cost	2%	\$748,611	
	Total Financing Costs			\$5,634,715	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	94 Units	\$576,242	\$54,166,723	
	Total Development Cost (Total Constr. Cost + Land Cost)	94 Units	\$663,662	\$62,384,223	

Appendix B.1.a—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | Market Rate Alternative

Base Zoning: 125 Units/Acre = 94 units

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	12 units	\$1,820	\$262,080	
	One-Bedroom Units	48 units	\$2,370	\$1,365,120	
	Two-Bedroom Units	34 units	\$3,017	\$1,230,936	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	94 units			\$2,858,136
	B. Laundry & Miscellaneous Income	94 units	\$25	\$28,200	
	Total Gross Income				\$2,886,336
	Vacancy & Collection Allowance	5% Gross Income			-\$144,317
2II	Effective Gross Income				\$2,742,019
2III	Operating Expenses				
	General Operating Expenses	94 units	\$(4,500)	\$(423,000)	
	Property Taxes	94 units	\$(4,700)	\$(441,800)	
	Replacement Reserve Deposits	94 units	\$(150)	\$(14,100)	
	Total Operating Expenses				\$(878,900)
2IV	Stabilized Net Operating Income (2II - 2III)				\$1,863,119
	Operating Expense as Percent of Revenue				-32%

Appendix B.1.a—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Market Rate Alternative

Base Zoning: 125 Units/Acre = 94 units

2IV	Stabilized Net Operating Income (2II - 2III)	From Table 1	\$1,863,119
1V	Total Development Cost (Total Constr. Cost + Land Cost)	From Table 2	\$62,384,223
3III	Return on Total Investment		3.0%

Appendix B.2.a—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$20,000	\$2,800,000	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,055,065	
	Total Indirect Costs			\$14,243,381	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,625,345 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,941,463	
	Loan Origination Fees				
	Loan to Cost	\$89,363,695 Of costs	60%	\$53,555,204	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,104	
	Total Financing Costs			\$7,829,991	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$590,181	\$82,625,345	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,877	\$90,842,845	

Appendix B.2.a—Table 2

Estimated Stabilized Net Operating Income and Developer Return
 Submarket #1 | Rental Residential | Moderate Income Alternative
 Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	14 units	\$1,820	\$305,760	
	One-Bedroom Units	57 units	\$2,370	\$1,621,080	
	Two-Bedroom Units	42 units	\$3,017	\$1,520,568	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	113 units			\$3,447,408
	B. Inclusionary Units				
	Studio Units	3 units	\$1,373	\$49,428	
	One-Bedroom Units	14 units	\$1,569	\$263,592	
	Two-Bedroom Units	10 units	\$1,753	\$210,360	
	Three-Bedroom Units	0 units	\$1,939	\$0	
	Total Units	27 units			\$523,380
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				
					\$4,012,788
	Vacancy & Collection Allowance				
		5% Gross Income			-\$200,639
2II	Effective Gross Income				
					\$3,812,149
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500.00)	\$(630,000.00)	
	Property Taxes	140 units	\$(4,300.00)	\$(602,000.00)	
	Replacement Reserve Deposits	140 units	\$(150.00)	\$(21,000.00)	
	Total Operating Expenses				
					\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,559,149
	Operating Expense as Percent of Revenue				
					-33%

Appendix B.2.a—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,559,149
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,842,845
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$43,451,204
	Feasible Inclusionary Percentage		19.3%	
	As a % of Land Value		529%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$5,152,946
	Feasible Inclusionary Percentage		19.3%	
	As a % of Land Value		63%	Decrease
	Effective Developer Return		2.8%	

Appendix B.2.b—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$19,320	\$2,704,800	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,055,065	
	Total Indirect Costs			\$14,140,565	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,513,100 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,940,943	
	Loan Origination Fees				
	Loan to Cost	\$89,251,450 Of costs	60%	\$53,550,870	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,017	
	Total Financing Costs			\$7,820,563	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$589,379	\$82,513,100	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,076	\$90,730,600	

Appendix B.2.b—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	62 units	\$2,370	\$1,763,280	
	Two-Bedroom Units	46 units	\$3,017	\$1,665,384	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	123 units			\$3,756,264
	B. Inclusionary Units				
	Studio Units	2 units	\$733	\$17,592	
	One-Bedroom Units	9 units	\$838	\$90,504	
	Two-Bedroom Units	6 units	\$930	\$66,960	
	Three-Bedroom Units	0 units	\$1,026	\$0	
	Total Units	17 units			\$175,056
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				\$3,973,320
	Vacancy & Collection Allowance	5% 5%			-\$198,666
2II	Effective Gross Income				
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
	Operating Expense as Percent of Revenue				

Appendix B.2.b—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,521,654
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,730,600
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$44,033,304
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		536%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$6,296,161
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		77%	Decrease
	Effective Developer Return		2.8%	

Appendix B.2.c—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$19,360	\$2,710,400	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,047,897	
	Total Indirect Costs			\$14,146,613	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,523,586 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,941,698	
	Loan Origination Fees				
	Loan to Cost	\$89,261,936 Of costs	60%	\$53,557,161	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,143	
	Total Financing Costs			\$7,821,443	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$589,429	\$82,520,029	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,125	\$90,737,529	

Appendix B.2.c—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	63 units	\$2,370	\$1,791,720	
	Two-Bedroom Units	46 units	\$3,017	\$1,665,384	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	124 units			\$3,784,704
	B. Inclusionary Units				
	Studio Units	2 units	\$605	\$14,520	
	One-Bedroom Units	8 units	\$691	\$66,336	
	Two-Bedroom Units	6 units	\$766	\$55,152	
	Three-Bedroom Units	0 units	\$843	\$0	
	Total Units	16 units			\$136,008
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				\$3,962,712
	Vacancy & Collection Allowance	5% 5%			-\$198,136
2II	Effective Gross Income				
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
	Operating Expense as Percent of Revenue				

Appendix B.2.c—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,511,576
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,737,529
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$44,226,855
	Feasible Inclusionary Percentage		11.4%	
	As a % of Land Value		538%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$6,640,526
	Feasible Inclusionary Percentage		11.4%	
	As a % of Land Value		81%	Decrease
	Effective Developer Return		2.8%	

Appendix B.3.a—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 20% Very Low Income & 80% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$19,320	\$2,704,800	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,055,065	
	Total Indirect Costs			\$14,140,565	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,513,100 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,940,943	
	Loan Origination Fees				
	Loan to Cost	\$89,251,450 Of costs	60%	\$53,550,870	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,017	
	Total Financing Costs			\$7,820,563	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$589,379	\$82,513,100	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,076	\$90,730,600	

Appendix B.3.a—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 20% Very Low Income & 80% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,511,576
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,730,600
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$44,129,993
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		537%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$6,470,986
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		79%	Decrease
	Effective Developer Return		2.8%	

Appendix B.3.b—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$19,360	\$2,710,400	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,047,897	
	Total Indirect Costs			\$14,146,613	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,523,586 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,941,698	
	Loan Origination Fees				
	Loan to Cost	\$89,261,936 Of costs	60%	\$53,557,161	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,143	
	Total Financing Costs			\$7,821,443	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$589,429	\$82,520,029	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,125	\$90,737,529	

Appendix B.3.b—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	63 units	\$2,370	\$1,791,720	
	Two-Bedroom Units	46 units	\$3,017	\$1,665,384	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	124 units			\$3,784,704
	B. Inclusionary Units: Very Low Income				
	Studio Units	2	\$605	\$14,520	
	One-Bedroom Units	6	\$691	\$49,752	
	Two-Bedroom Units	5	\$766	\$45,960	
	Three-Bedroom Units	0	\$843	\$0	
	Total Units	13			\$110,232
	C. Inclusionary Units: Low Income				
	Studio Units	0 units	\$733	\$0	
	One-Bedroom Units	2 units	\$838	\$20,112	
	Two-Bedroom Units	1 units	\$930	\$11,160	
	Three-Bedroom Units	0 units	\$1,026	\$0	
	Total Units	3 units			\$31,272
	D. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				
					\$3,968,208
	Vacancy & Collection Allowance				
		5% Gross Income			-\$198,410
2II	Effective Gross Income				
					\$3,769,798
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				
					\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,516,798
	Operating Expense as Percent of Revenue				
					-33%

Appendix B.3.b—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,511,576
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,737,529
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$44,130,166
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		537%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$6,465,700
	Feasible Inclusionary Percentage		12.1%	
	As a % of Land Value		79%	Decrease
	Effective Developer Return		2.8%	

Appendix B.3.c—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 70% Low Income & 30% Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$19,240	\$2,693,600	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Other Indirect Costs		\$1,046,553	
	Total Indirect Costs			\$14,128,469	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,394,873 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,932,431	
	Loan Origination Fees				
	Loan to Cost	\$89,133,223 Of costs	60%	\$53,479,934	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,069,599	
	Total Financing Costs			\$7,810,632	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$589,222	\$82,491,073	
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$647,918	\$90,708,573	

Appendix B.3.c—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 70% Low Income & 30% Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

3I	Stabilized Net Operating Income (2II - 2III)			\$2,536,531
	Threshold Return on Total Investment			
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario		5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario		3.0%
3II	Total Development Cost			\$90,708,573
3III	Total Financial Gap (5.4% return per KMA)	(this is where 30% land cost reduction comes from)		-\$43,735,777
	Feasible Inclusionary Percentage		13.6%	
	As a % of Land Value		532%	Decrease
	Effective Developer Return		2.8%	
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)		-\$5,775,996
	Feasible Inclusionary Percentage		13.6%	
	As a % of Land Value		70%	Decrease
	Effective Developer Return		2.8%	

Appendix B.4.a—Table 1

Estimated Development Costs

Submarket #1 | Ownership Housing Development | Market Rate Alternative

Item	Sub-Item		Unit	per unit cost	cost	group subtotal cost
1I	Land Cost		43,560 SF	\$250		\$10,890,000
1II	Direct Costs					
	On-site improvement		43,560 SF	\$20	\$871,200	
	Off-site improvement (missing in KMA report)		43,560 SF	\$12	\$522,720	
	Parking					
	At-Grade Spaces	0	Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	142	Spaces	\$32,200	\$4,572,400	
	1st Level Subterranean	0	Spaces	\$48,750	\$0	
	2nd Level Subterranean	0	Spaces	\$52,500	\$0	
	3rd Level Subterranean	0	Spaces	\$56,250		
	Building Costs (core and shell)	92,143	SF of GBA	\$197	\$18,197,293	
	Contractor/DC Contingency	20%	Other direct costs		\$4,832,723	
	Total Direct Costs	92,143	SF of GBA	\$315		\$28,996,335
				37.0%		
1III	Indirect Costs					
	Architecture, Engineering & Consulting	8%	Direct Costs		\$2,319,707	
	Public Permits & Fees	71	Units	\$20,000	\$1,420,000	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs		\$869,890	
	Marketing	71	Units	\$5,000	\$355,000	
	Developer Fee	5%	Direct Costs		\$938,448	
	Soft Cost Contingency Allowance	8%	Other Indirect Costs		\$472,244	
	Total Indirect Costs	92,143	SF of GBA	\$69		\$6,375,288
1I V	Financing Costs					
	Interest During Construction					
	Land	\$10,890,000	Avg Rate	6.0%		
	Land cost as % of outstanding loan balance			100.0%	\$588,060	
	Construction	\$38,800,251	Avg Rate			
	Construction cost as % of outstanding loan balance			60.00%	\$2,095,214	
	Loan Origination Fees					
	Loan to Cost	\$49,690,251	\$29,814,151	60%	\$29,814,151	
	Origination Fees Percentage		\$745,354	2.5%	\$745,354	
	Total Financing Costs	92,143	SF of GBA	\$37		\$3,428,627
1V	Total Construction Cost (DC + InDC + Fin. Cost)	71	Units	\$546,482		\$38,800,251
	Total Development Cost (Total Constr. Cost + Land Cost)	71	Units	\$699,863		\$49,690,251

Appendix B.4.a—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Ownership Housing Development | Market Rate Alternative

Item	Sub-Item	Unit	per unit sales price	total sales price	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	4 units	\$267,000	\$1,068,000	
	One-Bedroom Units	32 units	\$372,800	\$11,929,600	
	Two-Bedroom Units	35 units	\$522,400	\$18,284,000	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Gross Income	71 units			\$31,281,600
2II	Cost of Sales				
	Commissions	3% Gross sales revenue		\$938,448	
	Closing	2% Gross sales revenue		\$625,632	
	Warranty	0.5% Gross sales revenue		\$156,408	
	Total Cost of Sales				-\$1,720,488
2III	Net Revenue				\$29,561,112

Appendix B.4.a—Table 3

Estimated Development Return

Submarket #1 | Ownership Housing Development | Market Rate Alternative

2IV	Net Revenue	From Table 2	\$29,561,112
1V	Total Development Cost (Total Constr. Cost + Land Cost)	From Table 1	\$49,690,251
3III	Return on Total Investment	-40.5% Total Development Cost	-\$20,129,139

Appendix B.4.b—Table 1

Estimated Development Costs

Submarket #1 | Ownership Housing Development | Moderate Income Alternative

Item	Sub-Item		Unit	per unit cost	cost	group subtotal cost
1I	Land Cost		43,560 SF	\$250		\$10,890,000
1II	Direct Costs					
	On-site improvement		43,560 SF	\$20	\$871,200	
	Off-site improvement (missing in KMA report)		43,560 SF	\$12	\$522,720	
	Parking					
	At-Grade Spaces	0	Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	142	Spaces	\$32,200	\$4,572,400	
	1st Level Subterranean	0	Spaces	\$48,750	\$0	
	2nd Level Subterranean	0	Spaces	\$52,500	\$0	
	3rd Level Subterranean	0	Spaces	\$56,250		
	Building Costs (core and shell)	92,143	SF of GBA	\$197	\$18,197,293	
	Contractor/DC Contingency	20%	Other direct costs		\$4,832,723	
	Total Direct Costs	92,143	SF of GBA	\$315		\$28,996,335
				37.0%		
1III	Indirect Costs					
	Architecture, Engineering & Consulting	8%	Direct Costs		\$2,319,707	
	Public Permits & Fees	71	Units	\$20,000	\$1,420,000	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs		\$869,890	
	Marketing	71	Units	\$5,000	\$355,000	
	Developer Fee	5%	Direct Costs		\$938,448	
	Soft Cost Contingency Allowance	8%	Other Indirect Costs		\$472,244	
	Total Indirect Costs	92,143	SF of GBA	\$69		\$6,375,288
1I V	Financing Costs					
	Interest During Construction					
	Land	\$10,890,000	Avg Rate	6.0%		
	Land cost as % of outstanding loan balance			100.0%	\$588,060	
	Construction	\$38,800,251	Avg Rate			
	Construction cost as % of outstanding loan balance			60.00%	\$2,095,214	
	Loan Origination Fees					
	Loan to Cost	\$49,690,251	\$29,814,151	60%	\$29,814,151	
	Origination Fees Percentage		\$745,354	2.5%	\$745,354	
	Total Financing Costs	92,143	SF of GBA	\$37		\$3,428,627
1V	Total Construction Cost (DC + InDC + Fin. Cost)	71	Units	\$546,482		\$38,800,251
	Total Development Cost (Total Constr. Cost + Land Cost)	71	Units	\$699,863		\$49,690,251

Appendix B.4.b—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Ownership Housing Development | Moderate Income Alternative

Item	Sub-Item	Unit	per unit sales price	total sales price	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	4 units	\$267,000	\$1,068,000	
	One-Bedroom Units	29 units	\$372,800	\$10,811,200	
	Two-Bedroom Units	31 units	\$522,400	\$16,194,400	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Market Rate Units	64 units			\$28,073,600
	B. Moderate Income Units				
	Studio Units	0 units	\$267,000	\$0	
	One-Bedroom Units	3 units	\$305,729	\$917,186	
	Two-Bedroom Units	4 units	\$327,510	\$1,310,039	
	Three-Bedroom Units	0 units	\$366,733	\$0	
	Total Moderate Income Units	7 units			\$2,227,225
	Total Gross Income	71 units			\$30,300,825
2II	Cost of Sales				
	Commissions	3%	Gross sales revenue	\$909,025	
	Closing	2%	Gross sales revenue	\$606,017	
	Warranty	0.5%	Gross sales revenue	\$151,504	
	Total Cost of Sales				-\$1,666,545
2III	Net Revenue				
					\$28,634,280

Appendix B.4.b—Table 3

Estimated Development Return

Submarket #1 | Ownership Housing Development | Moderate Income Alternative

3I	Net Revenue			\$28,634,280
	Less: Threshold Developer Profit	9%	Total Development Cost	\$4,472,123
	Total Funds Available for Development Costs			\$24,162,157
3II	Total Development Cost (Total Constr. Cost + Land Cost)			\$49,690,251
3III	Return on Total Investment	51.4%	Total Development Cost	-\$25,528,094
	Land Cost Reduction	234%	As a % of Land Cost	\$25,528,094
	Supportable Inclusionary Housing Percentage	10%	Moderate Income Units	

Appendix C: Revised Pro Formas Controlling for 30% Land Cost Reduction

Appendix C: Revised Pro Formas Controlling for 30% Land Cost Reduction

Section	KMA Correspondence	Submarket	Development Type	Income Category	Income Level(s)
Appendix C.1.a	Attachment 2-- Appendix B--Exhibit I	1	Rental Residential Development	Single Income Category	Moderate Income Alternative
Appendix C.1.b	Attachment 2-- Appendix B--Exhibit II	1	Rental Residential Development	Single Income Category	Low Income Alternative Very Low Income Alternative
Appendix C.1.c	Attachment 2-- Appendix B--Exhibit III	1	Rental Residential Development	Single Income Category	20% VLI & 80% LI
Appendix C.2.a	Attachment 2-- Appendix C--Exhibit I	1	Rental Residential Development	Mixed Income Category	80% VLI & 20% LI
Appendix C.2.b	Attachment 2-- Appendix C--Exhibit II	1	Rental Residential Development	Mixed Income Category	70% LI & 30% Moderate Income
Appendix C.2.c	Attachment 2-- Appendix C--Exhibit III	1	Rental Residential Development	Mixed Income Category	

Appendix C.1.a—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 13.6%

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF	\$250		\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870 SF	\$12	\$394,440	
	Parking				
	At-Grade Spaces	0 Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0 Spaces	\$32,200	\$0	
	1st Level Subterranean	66 Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66 Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53 Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749 SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20% Other direct costs		\$10,091,995	
	Total Direct Costs	178,749 SF of GBA	\$339	\$60,551,973	
			37.0%		
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs		\$4,844,158	
	Public Permits & Fees	140 Units	\$20,000	\$2,800,000	
	Taxes, Insurance, Legal & Accounting	3% Direct Costs		\$1,816,559	
	Marketing	140 Units	\$5,000	\$700,000	
	Developer Fee	5% Direct Costs		\$3,027,599	
	Soft Cost Contingency Allowance	8% Costs		\$1,055,065	
	Total Indirect Costs			\$14,243,381	
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate	6.0%		
	Land cost as % of outstanding loan balance		100.0%	\$808,602	
	Construction	\$82,625,345 Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance		60.00%	\$5,941,463	
	Loan Origination Fees				
	Loan to Cost	\$89,363,695 Of costs	60%	\$53,555,204	
	Origination Fees Percentage	of Loan to Cost	2%	\$1,071,104	
	Total Financing Costs			\$7,829,991	
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units	\$590,181		\$82,625,345
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units	\$648,877		\$90,842,845

Appendix C.1.a—Table 2

Estimated Stabilized Net Operating Income and Developer Return
 Submarket #1 | Rental Residential | Moderate Income Alternative
 Base Zoning: 185 Units/Acre = 139.6 units
 INCLUSIONARY PERCENTAGE @ 13.6%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	62 units	\$2,370	\$1,763,280	
	Two-Bedroom Units	44 units	\$3,017	\$1,592,976	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	121 units			\$3,683,856
	B. Inclusionary Units				
	Studio Units	2 units	\$1,373	\$32,952	
	One-Bedroom Units	9 units	\$1,569	\$169,452	
	Two-Bedroom Units	8 units	\$1,753	\$168,288	
	Three-Bedroom Units	0 units	\$1,939	\$0	
	Total Units	19 units			\$370,692
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				\$4,096,548
	Vacancy & Collection Allowance	5% Gross Income			-\$204,827
2II	Effective Gross Income				
					\$3,891,721
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500.00)	\$(630,000.00)	
	Property Taxes	140 units	\$(4,300.00)	\$(602,000.00)	
	Replacement Reserve Deposits	140 units	\$(150.00)	\$(21,000.00)	
	Total Operating Expenses				\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,638,721
	Operating Expense as Percent of Revenue				
					-32%

Appendix C.1.a—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 13.6%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,559,149
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,842,845
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,488,576
	Feasible Inclusionary Percentage	13.6%	
	As a % of Land Value	30%	Decrease
	Effective Developer Return	2.9%	

Appendix C.1.b—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF		\$250	\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF		\$20	\$657,400
	Off-site improvement (missing in KMA report)	32,870 SF		\$12	\$394,440
	Parking				
	At-Grade Spaces	0 Spaces		\$5,000	\$0
	Above-Ground Podium Spaces	0 Spaces		\$32,200	\$0
	1st Level Subterranean	66 Spaces		\$48,750	\$3,217,500
	2nd Level Subterranean	66 Spaces		\$52,500	\$3,465,000
	3rd Level Subterranean	53 Spaces		\$56,250	\$2,981,250
	Building Costs (core and shell)	178,749 SF of GBA		\$222	\$39,744,387
	Contractor/DC Contingency	20% Other direct costs			\$10,091,995
	Total Direct Costs	178,749 SF of GBA		\$339	\$60,551,973
				37.0%	
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs			\$4,844,158
	Public Permits & Fees	140 Units		\$19,320	\$2,704,800
	Taxes, Insurance, Legal & Accounting	3% Direct Costs			\$1,816,559
	Marketing	140 Units		\$5,000	\$700,000
	Developer Fee	5% Direct Costs			\$3,027,599
					Other Indirect
	Soft Cost Contingency Allowance	8% Costs			\$1,055,065
	Total Indirect Costs				\$14,140,565
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate		6.0%	
	Land cost as % of outstanding loan balance			100.0%	\$808,602
	Construction	\$82,513,100 Avg Rate		6.0%	
	Construction cost as % of outstanding loan balance			60.00%	\$5,940,943
	Loan Origination Fees				
	Loan to Cost	\$89,251,450 Of costs		60%	\$53,550,870
	Origination Fees Percentage			2%	\$1,071,017
	Total Financing Costs				\$7,820,563
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units		\$589,379	\$82,513,100
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units		\$648,076	\$90,730,600

Appendix C.1.b—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	66 units	\$2,370	\$1,877,040	
	Two-Bedroom Units	48 units	\$3,017	\$1,737,792	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	129 units			\$3,942,432
	B. Inclusionary Units				
	Studio Units	2 units	\$733	\$17,592	
	One-Bedroom Units	5 units	\$838	\$50,280	
	Two-Bedroom Units	4 units	\$930	\$44,640	
	Three-Bedroom Units	0 units	\$1,026	\$0	
	Total Units	11 units			\$112,512
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				
					\$4,096,944
	Vacancy & Collection Allowance				
		5% Gross Income			-\$204,847
2II	Effective Gross Income				
					\$3,892,097
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				
					\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,639,097
	Operating Expense as Percent of Revenue				
					-32%

Appendix C.1.b—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,639,097
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,730,600
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,363,735
	Feasible Inclusionary Percentage		7.9%
	As a % of Land Value		29% Decrease
	Effective Developer Return		2.9%

Appendix C.1.c—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

Item	Sub-Item	Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870 SF		\$250	\$8,217,500
1II	Direct Costs				
	On-site improvement	32,870 SF		\$20	\$657,400
	Off-site improvement (missing in KMA report)	32,870 SF		\$12	\$394,440
	Parking				
	At-Grade Spaces	0 Spaces		\$5,000	\$0
	Above-Ground Podium Spaces	0 Spaces		\$32,200	\$0
	1st Level Subterranean	66 Spaces		\$48,750	\$3,217,500
	2nd Level Subterranean	66 Spaces		\$52,500	\$3,465,000
	3rd Level Subterranean	53 Spaces		\$56,250	\$2,981,250
	Building Costs (core and shell)	178,749 SF of GBA		\$222	\$39,744,387
	Contractor/DC Contingency	20% Other direct costs			\$10,091,995
	Total Direct Costs	178,749 SF of GBA		\$339	\$60,551,973
				37.0%	
1III	Indirect Costs				
	Architecture, Engineering & Consulting	8% Direct Costs			\$4,844,158
	Public Permits & Fees	140 Units		\$19,360	\$2,710,400
	Taxes, Insurance, Legal & Accounting	3% Direct Costs			\$1,816,559
	Marketing	140 Units		\$5,000	\$700,000
	Developer Fee	5% Direct Costs			\$3,027,599
				Other Indirect	
	Soft Cost Contingency Allowance	8% Costs			\$1,047,897
	Total Indirect Costs				\$14,146,613
1IV	Financing Costs				
	Interest During Construction				
	Land	\$6,738,350 Avg Rate		6.0%	
	Land cost as % of outstanding loan balance			100.0%	\$808,602
	Construction	\$82,523,586 Avg Rate		6.0%	
	Construction cost as % of outstanding loan balance			60.00%	\$5,941,698
	Loan Origination Fees				
	Loan to Cost	\$89,261,936 Of costs		60%	\$53,557,161
	Origination Fees Percentage			of Loan to Cost	2%
	Total Financing Costs				\$7,821,443
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140 Units		\$589,429	\$82,520,029
	Total Development Cost (Total Constr. Cost + Land Cost)	140 Units		\$648,125	\$90,737,529

Appendix C.1.c—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	67 units	\$2,370	\$1,905,480	
	Two-Bedroom Units	48 units	\$3,017	\$1,737,792	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	130 units			\$3,970,872
	B. Inclusionary Units				
	Studio Units	2 units	\$605	\$14,520	
	One-Bedroom Units	4 units	\$691	\$33,168	
	Two-Bedroom Units	4 units	\$766	\$36,768	
	Three-Bedroom Units	0 units	\$843	\$0	
	Total Units	10 units			\$84,456
	C. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				\$4,097,328
	Vacancy & Collection Allowance	5% Gross Income			-\$204,866
2II	Effective Gross Income				
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
	Operating Expense as Percent of Revenue				

Appendix C.1.c—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | Very Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,639,462
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,737,529
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,358,449
	Feasible Inclusionary Percentage		7.1%
	As a % of Land Value		29% Decrease
	Effective Developer Return		2.9%

Appendix C.2.a—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 20% Very Low Income & 80% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

Item	Sub-Item		Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870	SF	\$250		\$8,217,500
1II	Direct Costs					
	On-site improvement	32,870	SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870	SF	\$12	\$394,440	
	Parking					
	At-Grade Spaces	0	Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0	Spaces	\$32,200	\$0	
	1st Level Subterranean	66	Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66	Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53	Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749	SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20%	Other direct costs		\$10,091,995	
	Total Direct Costs	178,749	SF of GBA	\$339		\$60,551,973
				37.0%		
1III	Indirect Costs					
	Architecture, Engineering & Consulting	8%	Direct Costs		\$4,844,158	
	Public Permits & Fees	140	Units	\$19,320	\$2,704,800	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs		\$1,816,559	
	Marketing	140	Units	\$5,000	\$700,000	
	Developer Fee	5%	Direct Costs		\$3,027,599	
			Other Indirect			
	Soft Cost Contingency Allowance	8%	Costs		\$1,055,065	
	Total Indirect Costs					\$14,140,565
1IV	Financing Costs					
	Interest During Construction					
	Land	\$6,738,350	Avg Rate	6.0%		
	Land cost as % of outstanding loan balance			100.0%	\$808,602	
	Construction	\$82,513,100	Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance			60.00%	\$5,940,943	
	Loan Origination Fees					
	Loan to Cost	\$89,251,450	Of costs	60%	\$53,550,870	
	Origination Fees Percentage		of Loan to Cost	2%	\$1,071,017	
	Total Financing Costs					\$7,820,563
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140	Units	\$589,379		\$82,513,100
	Total Development Cost (Total Constr. Cost + Land Cost)	140	Units	\$648,076		\$90,730,600

Appendix C.2.a—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | 20% Very Low Income & 80% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	15 units	\$1,820	\$327,600	
	One-Bedroom Units	65 units	\$2,370	\$1,848,600	
	Two-Bedroom Units	49 units	\$3,017	\$1,773,996	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	129 units			\$3,950,196
	B. Inclusionary Units: Very Low Income				
	Studio Units	0	\$605	\$0	
	One-Bedroom Units	2	\$691	\$16,584	
	Two-Bedroom Units	1	\$766	\$9,192	
	Three-Bedroom Units	0	\$843	\$0	
	Total Units	3			\$25,776
	C. Inclusionary Units: Low Income				
	Studio Units	2 units	\$733	\$17,592	
	One-Bedroom Units	4 units	\$838	\$40,224	
	Two-Bedroom Units	2 units	\$930	\$22,320	
	Three-Bedroom Units	0 units	\$1,026	\$0	
	Total Units	8 units			\$80,136
	D. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				
					\$4,098,108
	Vacancy & Collection Allowance				
		5% Gross Income			-\$204,905
2II	Effective Gross Income				
					\$3,893,203
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				
					\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,640,203
	Operating Expense as Percent of Revenue				
					-32%

Appendix C.2.a—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 20% Very Low Income & 80% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.9%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,640,203
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,730,600
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,326,709
	Feasible Inclusionary Percentage		7.9%
	As a % of Land Value		28% Decrease
	Effective Developer Return		2.9%

Appendix C.2.b—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

Item	Sub-Item		Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870	SF	\$250		\$8,217,500
1II	Direct Costs					
	On-site improvement	32,870	SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870	SF	\$12	\$394,440	
	Parking					
	At-Grade Spaces	0	Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0	Spaces	\$32,200	\$0	
	1st Level Subterranean	66	Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66	Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53	Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749	SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20%	Other direct costs		\$10,091,995	
	Total Direct Costs	178,749	SF of GBA	\$339		\$60,551,973
				37.0%		
1III	Indirect Costs					
	Architecture, Engineering & Consulting	8%	Direct Costs		\$4,844,158	
	Public Permits & Fees	140	Units	\$19,360	\$2,710,400	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs		\$1,816,559	
	Marketing	140	Units	\$5,000	\$700,000	
	Developer Fee	5%	Direct Costs		\$3,027,599	
			Other Indirect			
	Soft Cost Contingency Allowance	8%	Costs		\$1,047,897	
	Total Indirect Costs					\$14,146,613
1IV	Financing Costs					
	Interest During Construction					
	Land	\$6,738,350	Avg Rate	6.0%		
	Land cost as % of outstanding loan balance			100.0%	\$808,602	
	Construction	\$82,523,586	Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance			60.00%	\$5,941,698	
	Loan Origination Fees					
	Loan to Cost	\$89,261,936	Of costs	60%	\$53,557,161	
	Origination Fees Percentage		of Loan to Cost	2%	\$1,071,143	
	Total Financing Costs					\$7,821,443
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140	Units	\$589,429		\$82,520,029
	Total Development Cost (Total Constr. Cost + Land Cost)	140	Units	\$648,125		\$90,737,529

Appendix C.2.b—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	16 units	\$1,820	\$349,440	
	One-Bedroom Units	66 units	\$2,370	\$1,877,040	
	Two-Bedroom Units	48 units	\$3,017	\$1,737,792	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	130 units			\$3,964,272
	B. Inclusionary Units: Very Low Income				
	Studio Units	1	\$605	\$7,260	
	One-Bedroom Units	4	\$691	\$33,168	
	Two-Bedroom Units	3	\$766	\$27,576	
	Three-Bedroom Units	0	\$843	\$0	
	Total Units	8			\$68,004
	C. Inclusionary Units: Low Income				
	Studio Units	0 units	\$733	\$0	
	One-Bedroom Units	1 units	\$838	\$10,056	
	Two-Bedroom Units	1 units	\$930	\$11,160	
	Three-Bedroom Units	0 units	\$1,026	\$0	
	Total Units	2 units			\$21,216
	D. Laundry & Miscellaneous Income				
		140 units	\$25	\$42,000	
	Total Gross Income				
					\$4,095,492
	Vacancy & Collection Allowance				
		5% Gross Income			-\$204,775
2II	Effective Gross Income				
					\$3,890,717
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				
					\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,637,717
	Operating Expense as Percent of Revenue				
					-32%

Appendix C.2.b—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 80% Very Low Income & 20% Low Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 7.1%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,637,717
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,737,529
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,416,852
	Feasible Inclusionary Percentage		7.1%
	As a % of Land Value		29% Decrease
	Effective Developer Return		2.9%

Appendix C.2.c—Table 1

Estimated Development Costs

Submarket #1 | Rental Residential | 70% Low Income & 30% Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 9.3%

Item	Sub-Item		Unit	per unit cost	cost	group subtotal cost
1I	Land Cost	32,870	SF	\$250		\$8,217,500
1II	Direct Costs					
	On-site improvement	32,870	SF	\$20	\$657,400	
	Off-site improvement (missing in KMA report)	32,870	SF	\$12	\$394,440	
	Parking					
	At-Grade Spaces	0	Spaces	\$5,000	\$0	
	Above-Ground Podium Spaces	0	Spaces	\$32,200	\$0	
	1st Level Subterranean	66	Spaces	\$48,750	\$3,217,500	
	2nd Level Subterranean	66	Spaces	\$52,500	\$3,465,000	
	3rd Level Subterranean	53	Spaces	\$56,250	\$2,981,250	
	Building Costs (core and shell)	178,749	SF of GBA	\$222	\$39,744,387	
	Contractor/DC Contingency	20%	Other direct costs		\$10,091,995	
	Total Direct Costs	178,749	SF of GBA	\$339		\$60,551,973
				37.0%		
1III	Indirect Costs					
	Architecture, Engineering & Consulting	8%	Direct Costs		\$4,844,158	
	Public Permits & Fees	140	Units	\$19,240	\$2,693,600	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs		\$1,816,559	
	Marketing	140	Units	\$5,000	\$700,000	
	Developer Fee	5%	Direct Costs		\$3,027,599	
			Other Indirect			
	Soft Cost Contingency Allowance	8%	Costs		\$1,046,553	
	Total Indirect Costs					\$14,128,469
1IV	Financing Costs					
	Interest During Construction					
	Land	\$6,738,350	Avg Rate	6.0%		
	Land cost as % of outstanding loan balance			100.0%	\$808,602	
	Construction	\$82,394,873	Avg Rate	6.0%		
	Construction cost as % of outstanding loan balance			60.00%	\$5,932,431	
	Loan Origination Fees					
	Loan to Cost	\$89,133,223	Of costs	60%	\$53,479,934	
	Origination Fees Percentage		of Loan to Cost	2%	\$1,069,599	
	Total Financing Costs					\$7,810,632
1V	Total Construction Cost (DC + InDC + Fin. Cost)	140	Units	\$589,222		\$82,491,073
	Total Development Cost (Total Constr. Cost + Land Cost)	140	Units	\$647,918		\$90,708,573

Appendix C.2.c—Table 2

Estimated Stabilized Net Operating Income and Developer Return

Submarket #1 | Rental Residential | 70% Low Income & 30% Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 9.3%

Item	Sub-Item	Unit	per unit rent (expense)/ month	rent (expense)/ year	group subtotal cost
2I	Gross Income				
	A. Market Rate Units				
	Studio Units	14 units	\$1,820	\$305,760	
	One-Bedroom Units	66 units	\$2,370	\$1,877,040	
	Two-Bedroom Units	47 units	\$3,017	\$1,701,588	
	Three-Bedroom Units	0 units	\$0	\$0	
	Total Units	127 units			\$3,884,388
	B. Inclusionary Units: Low Income				
	Studio Units	2	\$733	\$17,592	
	One-Bedroom Units	4	\$838	\$40,224	
	Two-Bedroom Units	3	\$930	\$33,480	
	Three-Bedroom Units	0	\$1,026	\$0	
	Total Units	9			\$91,296
	C. Inclusionary Units: Moderate Income				
	Studio Units	1 units	\$1,373	\$16,476	
	One-Bedroom Units	1 units	\$1,569	\$18,828	
	Two-Bedroom Units	2 units	\$1,753	\$42,072	
	Three-Bedroom Units	0 units	\$1,939	\$0	
	Total Units	4 units			\$77,376
	D. Laundry & Miscellaneous Income	140 units	\$25	\$42,000	
	Total Gross Income				\$4,095,060
	Vacancy & Collection Allowance	5% Gross Income			-\$204,753
2II	Effective Gross Income				
					\$3,890,307
2III	Operating Expenses				
	General Operating Expenses	140 units	\$(4,500)	\$(630,000)	
	Property Taxes	140 units	\$(4,300)	\$(602,000)	
	Replacement Reserve Deposits	140 units	\$(150)	\$(21,000)	
	Total Operating Expenses				\$(1,253,000)
2IV	Stabilized Net Operating Income (2II - 2III)				
					\$2,637,307
	Operating Expense as Percent of Revenue				
					-32%

Appendix C.2.c—Table 3

Estimated Development Return

Submarket #1 | Rental Residential | 70% Low Income & 30% Moderate Income Alternative

Base Zoning: 185 Units/Acre = 139.6 units

INCLUSIONARY PERCENTAGE @ 9.3%

3I	Stabilized Net Operating Income (2II - 2III)		\$2,637,307
	Threshold Return on Total Investment		
	Total Supportable Investment (5.4% return per KMA)	from market rate scenario	5.4%
	Total Supportable Investment (3.0% return per revision)	from market rate scenario	3.0%
3II	Total Development Cost		\$90,708,573
3III	Total Financial Gap (3.0% return per revision)	(this is where land cost reduction comes from)	-\$2,401,637
	Feasible Inclusionary Percentage		9.3%
	As a % of Land Value		29% Decrease
	Effective Developer Return		2.9%

Appendix D: Revised Affordability Analysis

Appendix D: Revised Affordability Analysis

Appendix D.1: Rental Residential Development In-Lieu Fee Analysis

	Moderate Income	Low Income	Very Low Income	Note
I. Rent Difference				The market rents are drawn from the pro forma analyses.
A. Studio Units				
Market Rate Units	\$2,179	\$2,179	\$2,179	
Affordable Units	1,373	733	605	
Difference	\$806	\$1,446	\$1,574	
B. One-Bedroom Units				
Market Rate Units	\$2,370	\$2,370	\$2,370	
Affordable Units	1,569	838	691	
Difference	\$801	\$1,533	\$1,679	
C. Two-Bedroom Units				
Market Rate Units	\$3,017	\$3,017	\$3,017	
Affordable Units	1,753	930	766	
Difference	\$1,265	\$2,087	\$2,252	
II. Distribution of Total Units (note: based on rent survey distribution)				
Studio Units	12%	12%	12%	
One-Bedroom Units	51%	51%	51%	
Two-Bedroom Units	37%	37%	37%	
Three-Bedroom Units	0%	0%	0%	
III. Annual Affordability Gap Per Affordable Unit	\$11,679	\$20,727	\$22,537	
Less: Property Tax Difference	-\$3,010	-\$4,820	-\$5,180	Based on the rent differential capitalized at a 5.5% rate to establish the value, and a 1.1% property tax rate
Annual Affordability Gap Per Affordable Unit	\$8,669	\$15,907	\$17,357	
IV. In-Lieu Fee				
Per Affordable Unit	\$160,741	\$294,086	\$321,078	Based on the Annual Affordability Gap Per Affordable Unit capitalized at the Threshold Return on Total Investment.
Supportable Inclusionary Housing Percentage	13.6%	7.9%	7.1%	See Appendix C
Per Square Foot of GBA (KMA: 80% efficiency)	\$19.21	\$20.33	\$20.22	KMA assumes 80% building efficiency ratio
Per Square Foot of GBA (revised: 70% efficiency)	\$16.81	\$17.79	\$17.69	Revised Scenario: 70% building efficiency ratio

Appendix D.2: Ownership Housing Development In-Lieu Fee Analysis

Exhibit I—Affordable Sales Price Calculations

Assumes subprime borrower, rate as of 10/14/2019

With different mortgage interest rates (see discussion in Section II Part G)

Assumes 13% or 20% down payment instead of 5% (see discussion in Section II Part H)

	For Moderate Income Households				
	Studio Units	1-bedroom Units	2-bedroom Units	3-bedroom Units	4-bedroom Units
D. Affordable Sales Price					
Principal @ Mortgage Interest = 5.31%	\$197,508	\$219,664	\$235,313	\$263,494	\$284,630
Down Payment @ 20% Aff Sales Price	\$49,377	\$54,916	\$58,828	\$65,874	\$71,158
Affordable Sales Price	\$246,885	\$274,580	\$294,141	\$329,368	\$355,788
Principal @ Mortgage Interest = 4.375%	\$219,914	\$244,583	\$262,008	\$293,386	\$316,920
Down Payment @ 20% Aff Sales Price	\$54,979	\$61,146	\$65,502	\$73,347	\$79,230
Affordable Sales Price	\$274,893	\$305,729	\$327,510	\$366,733	\$396,150
Principal @ Mortgage Interest = 3.57%	\$242,405	\$269,596	\$288,803	\$323,390	\$349,331
Down Payment @ 20% Aff Sales Price	\$60,601	\$67,399	\$72,201	\$80,848	\$87,333
Affordable Sales Price	\$303,006	\$336,995	\$361,004	\$404,238	\$436,664
Principal @ Mortgage Interest = 4.375%	\$219,914	\$244,583	\$262,008	\$293,386	\$316,920
Down Payment @ 13% Aff Sales Price	\$32,861	\$36,547	\$39,151	\$43,839	\$47,356
Affordable Sales Price	\$252,775	\$281,130	\$301,158	\$337,225	\$364,276
Principal @ Mortgage Interest = 5.125%	\$201,658	\$224,278	\$240,257	\$269,030	\$290,610
Down Payment @ 20% Aff Sales Price	\$50,414	\$56,070	\$60,064	\$67,258	\$72,652
Affordable Sales Price	\$252,072	\$280,348	\$300,321	\$336,288	\$363,262
Principal @ Mortgage Interest = 5.125%	\$201,658	\$224,278	\$240,257	\$269,030	\$290,610
Down Payment @ 13% Aff Sales Price	\$30,133	\$33,513	\$35,900	\$40,200	\$43,424
Affordable Sales Price	\$231,790	\$257,791	\$276,157	\$309,230	\$334,034

Appendix D.2: Ownership Housing Development In-Lieu Fee Analysis

Exhibit II—In-Lieu Fee Analysis

AFFORDABILITY GAP APPROACH - MODERATE INCOME

	KMA Scenario (5.31% Interest Rate & 5% Down Payment)	4.375% Mortgage Interest Rate & 20% Down Payment	3.57% Mortgage Interest Rate & 20% Down Payment	4.375% Mortgage Interest Rate & 13% Down Payment	5.125% Mortgage Interest Rate & 20% Down Payment	5.125% Mortgage Interest Rate & 13% Down Payment
I. Sales Price Difference						
A. Studio Units						
Market Rate Units	\$307,200	\$307,200	\$307,200	\$307,200	\$307,200	\$307,200
Affordable Sales Units	\$207,900	\$274,893	\$303,006	\$252,775	\$252,072	\$231,790
Difference	\$99,300	\$32,307	\$4,194	\$54,425	\$55,128	\$75,410
B. One-Bedroom Units						
Market Rate Units	\$428,900	\$428,900	\$428,900	\$428,900	\$428,900	\$428,900
Affordable Sales Units	\$231,300	\$305,729	\$336,995	\$281,130	\$280,348	\$257,791
Difference	\$197,600	\$123,171	\$91,905	\$147,770	\$148,552	\$171,109
C. Two-Bedroom Units						
Market Rate Units	\$600,700	\$600,700	\$600,700	\$600,700	\$600,700	\$600,700
Affordable Sales Units	\$247,700	\$327,510	\$361,004	\$301,158	\$300,321	\$276,157
Difference	\$353,000	\$273,190	\$239,696	\$299,542	\$300,379	\$324,543
II. Distribution of Total Units						
Studio Units: 5%	\$4,965	\$1,615	\$210	\$2,721	\$2,756	\$3,770
One-Bedroom Units: 45%	\$88,920	\$55,427	\$41,357	\$66,497	\$66,848	\$76,999
Two-Bedroom Units: 50%	\$176,500	\$136,595	\$119,848	\$149,771	\$150,190	\$162,271
III. In-Lieu Fee						
Per Income Restricted Unit	\$270,400	\$193,600	\$161,400	\$219,000	\$219,800	\$243,000
Supportable Inclusionary Housing Percentage	10%	10%	10%	10%	10%	10%
Per Square Foot of GBA (80% building efficiency)	\$23.7	\$17.0	\$14.2	\$19.2	\$19.3	\$21.3
Per Square Foot of GBA (70% building efficiency)	\$20.7	\$14.9	\$12.4	\$16.8	\$16.9	\$18.6

Appendix E: Public Permits & Fees

Appendix E: Public Permits & Fees

Municipal Permits and Fees—Part 1 of 2

	<u>Total</u>	<u>Per Unit</u>
Municipal permits and fees	\$7,394,555	\$23,475
Development cost levies	\$31,530	\$100
Density bonus contribution	\$0	\$0
Development permit	\$0	\$0
Demolition permit	\$0	\$0
Building permit	\$490,000	\$1,556
Shoring encroachment	\$0	\$0
Connection fees	\$0	\$0
Letters of credit fees - municipal	\$0	\$0
Building Review	\$0	\$0
Stormwater Review	\$135,000	\$429
Building Plan Check	\$410,000	\$1,302
Fire Plan Check	\$120,000	\$381
Energy Plan Check	\$38,000	\$121
MEP Plan Check	\$120,000	\$381
Building Check for Title 24 Public Art Fee	\$38,000	\$121
Public Art Fee	\$130,000	\$413
Stormwater Permit	\$150,000	\$476
SMIP Tax	\$11,000	\$35
Deputy Inspection	\$5,000	\$16
Structural Observation Form	\$400	\$1
Title 24 Building Permit	\$4,400	\$14
Records Management and Retention Fee	\$1,900	\$6
School Impact Fee	\$1,660,000	\$5,270
LB City Sewer Capacity Fee	\$600,000	\$1,905
LA County Sewer Capacity Fee	\$850,000	\$2,698

Source: Anderson Pacific, LLC.

Prepared by: Beacon Economics, LLC

Municipal Permits and Fees—Part 2 of 2

	<u>Total</u>	<u>Per Unit</u>
Municipal permits and fees	\$7,394,555	\$23,475
LB City Sewer Permit Fee	\$2,000	\$6
Transportation Improvement Fee	\$355,000	\$1,127
Parks and Recreation Fee	\$1,122,000	\$3,562
Fire Facilities Fee	\$120,000	\$381
Police Facilities Fee	\$170,000	\$540
Plumbing Fee	\$75	\$0
Planning Plan Check	\$117,000	\$371
Fire Permit	\$145,000	\$460
PC Surcharge - GP Update	\$3,500	\$11
PC Surcharge - Technology	\$10,000	\$32
PC Permit Surcharge - GP Update	\$35,000	\$111
PC Permit Surcharge - Technology	\$35,000	\$111
Soils Report Review	\$0	\$0
Plan Check Filing	\$300	\$1
C&D Recycling Admin	\$4,000	\$13
Permit Filing	\$350	\$1
C&D Recycling Deposit	\$51,500	\$163
Green Building Standards	\$3,300	\$10
Grading Plan Check	\$12,000	\$38
Grading Permit	\$65,000	\$206
Water Systems Plan Check	\$70,500	\$224
Entitlement Processing	\$0	\$0
SWRCB Fee	\$800	\$3
SCE Fee	\$30,000	\$95
MEP Permits	\$155,000	\$492

Contact Information

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MEMORANDUM

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To: Patrick Ure, Bureau Manager
City of Long Beach

From: Kathleen Head

Date: January 15, 2020

Subject: Inclusionary Housing: Financial Evaluation – Peer Review Response

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the *Peer Review of Inclusionary Housing Policy – Economic Analysis of Keyser Marston Associates* prepared by Beacon Economics, LLC and dated November 22, 2019 (Beacon Analysis). The Beacon Analysis pertains to the Inclusionary Housing: Financial Evaluation (KMA Financial Evaluation) that was prepared Keyser Marston Associates, Inc. (KMA), and is dated July 21, 2019.

The key issues of concern that are identified in the Beacon Analysis can be summarized as follows:

1. The prototype projects used in the KMA Financial Evaluation do not reflect the characteristics of residential development that has recently been developed, or is anticipated to be developed, in downtown and midtown Long Beach.
2. The KMA pro forma analyses understate the development costs and overstate the achievable market rate rents and sales prices for new residential development.
3. The land cost reduction methodology that KMA applied to identify the supportable Inclusionary Housing requirements does not reflect Long Beach specific economic and housing market conditions.

The Beacon Analysis identifies numerous additional specific concerns. However, the preceding summary provides the general concepts that led Beacon to conclude that the Inclusionary Housing production requirements recommended by KMA cannot be supported.

PROTOTYPE PROJECTS

The first step that KMA undertook in preparing the KMA Financial Evaluation was to review the characteristics of residential projects in Long Beach that have recently been developed and that are in the pipeline. Based on that review, KMA created a rental prototype and an ownership prototype.

Rental Prototype

KMA created a rental prototype that is largely based on the Broadway & Magnolia Apartments project. Some key characteristics of the Magnolia & Broadway Apartments project are:

1. The development site is comprised of 32,870 square feet of land area after required dedications.
2. The project includes 142 units.
3. The leasable residential area represents approximately 86% of the residential gross building area.
4. The 179 parking spaces are provided on one subterranean level, one at-grade level, and one above ground level.

The following characteristics were included in the KMA rental prototype project:

1. The development site area was set at 32,870 square feet.
2. KMA analyzed the following development scopes:
 - a. A base case project that includes 94 units. This represents the development standards that were imposed by the City of Long Beach (City) prior to the adoption of the 2017 updates to the Downtown Community Plan.

- b. An increased density project that includes 140 units. This represents the development standards imposed by the 2017 updates to the Downtown Community Plan. The incentives included in these updates assist in mitigating the impacts associated with the imposition of Inclusionary Housing requirements.
3. KMA set the leasable area at 80% of the gross building area. This is a more conservative assumption than the ratio of leasable to gross building area embodied by the actual project that served as the basis for the prototype.
4. The parking included in the two development scopes include 182 spaces and 175 spaces, respectively based on the relevant Downtown Community Plan requirements. KMA applied a conservative approach in the prototype project by placing the parking in two subterranean levels.

Ownership Prototype

Recent residential development in downtown Long Beach has been focused on rental projects. However, it should be noted that several projects have obtained subdivision maps that will allow the units to be sold as condominiums at some point in the future. For analysis purposes, KMA chose to create a condominium prototype based on the LB at 14th Street, which is a dedicated condominium project. The characteristics of the LB at 14th Street project can be described as follows:

1. The development site consists of 49,484 square feet of land area.
2. The project includes 65 units.
3. The 90 parking spaces are provided in garages, covered carports, and open stalls.

The KMA prototype embodies the following characteristics:

1. The development site consists of 43,560 square feet of land area.
2. The prototype is set at a density that is approximately 22% higher than the LB at 14th Street development scope. This was done to reflect the higher density of mapped rental projects that are being developed.
3. The saleable area is set at 80% of the gross building area.

4. The 142 parking spaces are provided in an above ground podium. This is a more conservative assumption than the LB at 14th Street parking configuration.

Summary: Prototype Projects

The prototypes used in the KMA Financial Evaluation are based on actual residential projects that have recently received entitlements from the City. Therefore, KMA takes issue with the Beacon Analysis assertion that it is physically impossible to achieve the development scopes that were applied in the prototypes.

FINANCIAL ASSUMPTIONS

As part of the Beacon Analysis, Beacon independently prepared financial analyses that were based on completely different cost and revenue assumptions than were applied in the KMA Financial Evaluation. The comparisons are described in the following sections of this memorandum:

Rental Prototype

The 100% market rate rental scenario includes 94 units, which represents a density of 125 units per acre. A comparison between the development costs included in the KMA Financial Evaluation and the costs included in the Beacon Analysis is presented in the following table:

Development Cost Comparison – 100% Market Rate Rental Scenario		
	KMA	Beacon
Land Cost	\$6,738,000	\$8,217,000
Total Direct Costs	25,483,000	39,217,000
Total Indirect Costs	6,748,000	9,315,000
Total Financing Costs	1,963,000	5,635,000
Total Development Costs	\$40,932,000	\$62,384,000
Per Unit	\$435,400	\$663,660
Percentage Increase		53%

The increased costs applied in the Beacon Analysis can be allocated as follows:

1. Approximately 28% of the difference is related to the increased gross building area that Beacon applied to the rental prototype scope of development; and
2. Approximately 72% of the difference is related to additional costs that were included in the Beacon Analysis.

The results of the stabilized net operating income analyses for the 100% market rate rental scenario are presented in the following table:

Stabilized Net Operating Income Comparison		
100% Market Rate Rental Scenario		
	KMA	Beacon
Effective Gross Income	\$3,092,000	\$2,742,000
<u>Operating Expenses</u>		
General Operating Expenses	\$423,000	\$423,000
Property Taxes	443,000	442,000
Reserves Deposits	14,000	14,000
Total Operating Expenses	(\$880,000)	(\$879,000)
Stabilized Net Operating Income	\$2,212,000	\$1,863,000
Percentage Decrease		16%

As can be seen in the preceding table, there is effectively no difference in operating expense estimate applied in the KMA Financial Evaluation and the Beacon Analysis. The fundamental difference is found in the rent revenue estimates. The primary differences cited in the Beacon Analysis are:

1. KMA applied a 10% premium to the weighted average rents derived from the rent survey included in the KMA Financial Evaluation. Beacon opined that there is no support for the notion that newly constructed units will command higher rents than is achievable for existing projects.

2. The Beacon Analysis contends that the unit square footages used in the KMA Financial Evaluation do not match the average unit sizes presented in the rent survey. That is not an accurate statement. However, as Beacon pointed out, there is an outlier in the studio unit section of the survey that created a significant over statement of the achievable studio unit rents.

In response to the concerns identified in the Beacon Analysis, the City staff undertook a survey of four recently constructed rental projects in downtown Long Beach. The results of that survey are presented in the following table:

Downtown Rent Survey – New Construction Buildings: December 2019				
Name	# of Units	Unit Size (SF)	Total Rent	Rent Per SF
Studio Units				
Oceanaire	15	618	\$2,307	\$3.73
The Current	30	685	\$2,480	\$3.62
AML Park Broadway	29	736	\$2,544	\$3.46
The Pacific	60	537	\$1,979	\$3.69
Weighted Average		622	\$2,250	\$3.63
One-Bedroom Units				
Oceanaire	101	733	\$2,675	\$3.65
The Current	149	841	\$2,705	\$3.22
AML Park Broadway	143	778	\$2,681	\$3.45
The Pacific	53	740	\$2,470	\$3.34
Weighted Average		784	\$2,663	\$3.40
Two-Bedroom Units				
Oceanaire	93	1,154	\$3,433	\$2.97
The Current	44	1,182	\$3,988	\$3.37
AML Park Broadway	50	1,155	\$3,716	\$3.22
The Pacific	50	1,051	\$3,184	\$3.03
Weighted Average		1,138	\$3,543	\$3.11

The rents presented in the preceding table represent the effective rents after deductions for concessions offered by the projects. When these actual rents are used in the KMA pro forma analysis, with no premium added, the stabilized net operating income is 3.4% higher than the estimate included in the KMA Financial Evaluation. For reference purposes, the December 2019 survey generates rent revenue that is approximately 19% higher than the estimate applied in the Beacon Analysis.

The following table summarizes the KMA Financial Evaluation and Beacon Analysis estimates of the stabilized return on total investment for the 100% market rate rental scenario:

Stabilized Return on Total Investment – 100% Market Rate Rental Scenario		
	KMA	Beacon
Stabilized Net Operating Income	\$2,212,000	\$1,863,000
Total Development Costs	\$40,932,000	\$62,384,000
Stabilized Return on Total Investment	5.4%	3.0%

The Beacon Analysis concluded that their assumed increases in costs and reductions in stabilized net operating income results in a stabilized return that is below the threshold under which market rate rental projects would be deemed feasible for development. While the math applied by Beacon is accurate, their conclusion that market rate apartment development is not feasible is contradicted by the number of rental projects that have recently been developed and those that have completed the entitlement process.

Ownership Prototype

The 100% market rate ownership scenario includes 71 units, which equates to a density of 71 units per acre. A comparison between the development costs included in the KMA Financial Evaluation and the costs included in the Beacon Analysis is presented in the following table:

Development Cost Comparison - 100% Market Rate Ownership Scenario		
	KMA	Beacon
Land Cost	\$5,881,000	\$10,890,000
Total Direct Costs	18,366,000	28,996,000
Total Indirect Costs	5,118,000	6,375,000
Total Financing Costs	1,832,000	3,429,000
Total Development Costs	\$31,197,000	\$49,690,000
Per Unit	\$439,400	\$699,900
Percentage Increase		59%

The increased costs applied in the Beacon Analysis can be allocated as follows:

1. Approximately 24% of the difference is related to the increase in gross building area that Beacon applied to the ownership prototype scope of development; and
2. Approximately 76% of the difference is related to additional costs that were included in the Beacon Analysis.

The results of the stabilized net operating income analyses for the 100% market rate ownership scenario are presented in the following table:

Projected Net Sales Revenue - 100% Market Rate Ownership Scenario		
	KMA	Beacon
Gross Sales Revenue	\$35,979,000	\$31,281,600
Total Cost of Sales	(1,979,000)	(1,720,500)
Net Sales Revenue	\$34,000,000	\$29,561,100
Average Gross Sale Price Per Unit	\$506,700	\$440,600
Percentage Decrease		13%

The KMA sales price estimates were based on the results of a resale survey of condominiums in the downtown and midtown areas. A significant percentage of these resales were for condominiums that were built in the 1970s and 1980s. To reflect the age of this inventory, KMA applied a 15% premium to the average sales prices for each unit type that was included in the survey. Beacon rejected the assumption that new condominium units will command a sales price premium over units that were constructed 40+ years ago.

The following table summarizes the KMA Financial Evaluation and Beacon Analysis estimates of the developer profit generated by the 100% market rate ownership scenario:

Stabilized Return on Total Investment – 100% Market Rate Ownership Scenario		
	KMA	Beacon
Net Sales Revenue	\$34,000,000	\$29,561,100
Total Development Costs	(31,197,000)	(49,690,000)
Developer Profit	\$2,803,000	(\$20,129,000)
As a Percentage Development Costs	9.0%	(40.5%)

It is clear that if the Beacon Analysis assumptions are accurate, condominium development is not feasible in downtown and midtown Long Beach. In fact, if these assumptions are correct, it should be anticipated that no condominium development will occur any time within the foreseeable future.

It is true that recent development has focused on rental projects. However, as mentioned previously, a number of condominium projects have recently completed the entitlement process. Moreover, a significant percentage of the recently developed rental projects have obtained subdivision maps with the intention of selling the units as condominiums at some point in the future.

Affordable Sales Prices

There is an approximately 32% difference between the affordable sales price estimates included in the KMA Financial Evaluation and the Beacon Analysis. This difference is caused by the following factors:

Affordable Sales Price Calculation Assumptions		
	KMA	Beacon
Mortgage Interest Rate	5.31%	4.375%
Home Buyer Down Payment	5%	20%

The affordable sales price estimates are presented in the following table:

Affordable Sale Price Estimates – Moderate Income Households			
	Supportable Mortgage	Down Payment	Affordable Sales Price
<u>Studio Units</u>			
KMA	\$197,500	\$10,400	\$207,900
Beacon	\$219,914	\$54,979	\$274,893
<u>One-Bedroom Units</u>			
KMA	\$219,700	\$11,600	\$231,300
Beacon	\$244,583	\$61,146	\$305,729
<u>Two-Bedroom Units</u>			
KMA	\$235,300	\$12,400	\$247,700
Beacon	\$262,008	\$65,502	\$327,510
Percentage Increase			
<u>Three-Bedroom Units</u>			
KMA	\$263,500	\$13,900	\$277,400
Beacon	\$293,386	\$73,347	\$366,733
<u>Four-Bedroom Units</u>			
KMA	\$284,600	\$15,000	\$299,600
Beacon	\$316,920	\$79,230	\$396,150

An Inclusionary Housing program is intended to provide home ownership opportunities to households who otherwise would not have the wherewithal to purchase a home. Over the past 30+ years KMA has assisted cities and now former redevelopment agencies in structuring and implementing home buyer programs. We have also participated in the home buyer selection process for Inclusionary Housing program projects in several cities. The following issues consistently arise in the process:

1. The home buyer does not have the resources to make a down payment of the magnitude that market rate home buyers can provide. Home buyers with limited down payment funds are actually a target of home buyer programs, because those households need the assistance.
2. The home buyer exhibits a higher back-end ratio than the typical ratios applied in conventional lenders' underwriting standards.
3. In order to attract home buyers who are willing to accept either a resale restriction, or equity appreciation sharing arrangement, the home price must represent a significant discount from the unrestricted market rate price. In fact, the affordable sales price is typically sufficiently lower than the unrestricted market rate price to relieve the home buyer of the obligation to obtain private mortgage insurance (PMI).

There is a disconnect between Beacon's assertion that the mortgage interests rates in the KMA analysis are too high, and the countervailing assertion that KMA did not take PMI requirements into account. That notwithstanding, the primary reason that KMA applies a 100 basis points premium over current mortgage interest rates is to reflect the fact that the economy has been experiencing generationally low interest rates.

Affordable ownership homes are subject to long-term resale restrictions. Therefore, it is important not to set the initial sales prices that will decline over time as interest rates increase. Moreover, given that the Inclusionary Housing program will be in place over time, it is appropriate to apply conservative underwriting assumptions.

Summary: Financial Assumptions

If the financial assumptions applied in the Beacon Analysis are accurate, it is not financially feasible to develop market rate rental or ownership housing development. Beacon effectively reaches these conclusions by including the following statements:

1. For rental projects: “A 3% ROI is likely lower than the cap rate of the submarket. Therefore, under current circumstances, such project might not materialize.”¹
2. For ownership projects: “Using revised, current estimates, the prototype is extremely far from being feasible.”²

These conclusions are difficult to support given the magnitude of recent residential development activity and entitled residential development that is in the pipeline.

It is important to understand that prototype developments are somewhat generic by nature. They are meant to reflect average or typical projects rather than any specific project. It should be expected that specific projects will vary to some degree from the prototype.

METHODOLOGY USED TO SET THE RECOMMENDED REQUIREMENTS

The Beacon Analysis acknowledges that, absent the provision of incentives that mitigate the financial impact created by the imposition of affordable housing requirements, a cost component such as the supportable land price will decrease. After preparing 25 Inclusionary Housing analyses over the past 15 years, the KMA Los Angeles office has found that the following sequence of events typically occur when an Inclusionary Housing ordinance is adopted:

1. Immediately following the approval of an Inclusionary Housing program, the financial impacts created by the imposition of affordable housing requirements are largely borne by developers that had purchased property prior to the imposition of the requirements.

¹ Page 78 of the Beacon Analysis.

² Page 82 of the Beacon Analysis.

2. After an Inclusionary Housing program is adopted, developers that have not purchased land will attempt to bargain for a lower land price that reflects the impacts created by the Inclusionary Housing requirements.
3. During the initial implementation period for an Inclusionary Housing program, some property owners are reluctant to accept the fact that their land value has decreased, and they defer selling their property until market demand causes prices to increase.
4. As is the case with all development requirements, over time land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property.

Beacon appears to accept the premise that a land cost reduction methodology is potentially an acceptable evaluation tool. However, the Beacon Analysis also stated that by applying a blanket 30% land cost reduction in establishing the recommended Inclusionary Housing requirements, KMA did not take into account the “local economic and housing market conditions as well as local and state regulatory and political framework”.³

It is KMA’s opinion that this statement represents a misunderstanding of the underlying factors that guided the creation of the KMA evaluation methodology. To that end, the following describes the process by which KMA developed our evaluation methodology over time:

1. In the early days of Inclusionary Housing program adoptions, jurisdictions generally identified a desired mix of requirements and created Inclusionary Housing programs without undertaking financial feasibility analyses.
2. In the late 1990’s, firms like KMA started preparing financial studies in support of proposed Inclusionary Housing ordinances:
 - a. The jurisdictions still mainly identified the requirements they wished to adopt, and then used the financial analysis to illustrate the impacts that would potentially be generated.

³ Page 60 of the Beacon Analysis.

- b. KMA measured the impact in terms of the reductions to the supportable land cost.
 - c. The impact on supportable land cost was the analysis finding, not a variable that was used in establishing the affordable housing requirement.
 3. None of the court cases that have dealt with Inclusionary Housing have defined specific parameters that would be deemed acceptable. Instead the courts have limited the guidance to following:
 - a. The requirements cannot be “Confiscatory”; and
 - b. The requirements cannot deprive a property owner of a fair and reasonable return on their investment.
 4. In the early 2000’s, KMA expanded the reduction in supportable land cost methodology to include an analysis of how long it would take for land values to recover during stable economic times:
 - a. The establishment of an acceptable time period is a policy decision for each jurisdiction to make.
 - b. A combination of factors led to the finding that a 30% land cost reduction could be recouped within a +/- three year period. This was deemed to be acceptable by the jurisdictions that KMA assisted with program adoption during that era.
 5. Starting in 2005, the State Legislature began enhancing the benefits provided by the California Government Code Sections 65915-65918 (Section 65915) density bonus. Over time, amendments to the legislation have created benefits that are often sufficient to mitigate or eliminate the impacts created by well-structured Inclusionary Housing requirements.

The KMA evaluation methodology is specifically tailored to the characteristics of each jurisdiction in which we work. As discussed previously, the tasks that KMA undertakes in preparing Inclusionary Housing analyses can be described as follows:

1. KMA gathers information pertaining to residential projects in the community that have been recently developed and those that are in the pipeline.
2. KMA compiles market data related to the pertinent housing product types.
3. Based on the available information, KMA creates prototype developments and then prepares pro forma analyses to assist in identifying the Inclusionary Housing obligations that can be supported.

Summary: Methodology Used to Set the Recommended Requirements

The KMA Los Angeles office has prepared 25 Inclusionary Housing analyses over the past 15 years. In several cases KMA has continued to work with the jurisdiction to implement the adopted programs. In addition, as economic conditions have changed over time KMA has assisted clients in amending the ordinances that KMA assisted in creating initially.

A primary focus of KMA's Inclusionary Housing work is to assist in structuring programs that balance the interests of property owners and developers against the public benefit created by the production of affordable housing units. This aligns with the California Government Code Section 65583 (a) requirement that an Inclusionary Housing program should not create a constraint to development.

CONCLUSIONS

In a memorandum dated October 21, 2019, the California Department of Housing and Community Development (HCD) provided guidance for the implementation of Inclusionary Housing requirements on rental development under the auspices of AB 1505. In brief, the HCD memorandum explicitly states that a financial feasibility evaluation can only be required for Inclusionary Housing programs that require more than 15% of the units to be rented to households earning less than 80% of the area median income (AMI).

For reference purposes, the KMA Financial Evaluation concluded that the following affordable housing requirements can be supported in Submarket #1:

Financially Feasible Inclusionary Housing Percentages	
Alternative	Inclusionary Percentage
Single Income Category Inclusionary Alternatives	
Moderate Income Alternative	19%
Low Income Alternative	12%
Very Low Income Alternative	11%
Mixed Income Category Inclusionary Alternatives	
20% Very Low Income & 80% Low Income	12%
80% Very Low Income & 20% Low Income	11%
30% Low Income & 70% Moderate Income	14%
Ownership Housing Development	
Moderate Income Alternative	10%

The City’s Draft Inclusionary Policy Outline recommends that the following Inclusionary Housing requirements be imposed in Submarket #1:

City Recommended Inclusionary Housing Requirements
Rental Option A: 8% Requirement - Alternatives 20% Very Low Income / 80% Low Income 100% Low Income
Rental Option B: 10% Requirement – Alternatives 40% Very Low Income / 60% Moderate Income 50% Low Income / 50% Moderate Income
Rental Option C: 12% Requirement: 30% Low Income and 70% Moderate Income
Ownership Option: 10% Moderate Income Requirement

The City is currently proposing to phase in the Inclusionary Housing requirements under the following schedule:

City Recommended Inclusionary Housing Phase-In Period for the Requirements		
	Downtown	Midtown
Year 1	40%	40%
Year 2	50%	40%
Year 3	70%	50%
Year 4	100%	70%
Year 5+	100%	100%

As can be seen in the preceding tables, the City is proposing to impose less restrictive Inclusionary Housing standards than are supported by the KMA Financial Evaluation. In addition, the City is proposing to phase in the requirements over a multiyear schedule: The combination of these factors enhances the balance between the interests of property owners and developers against the public benefit created by the production of affordable housing units.