

Appendix C

Financial Feasibility Analysis of Development
Opportunity Sites
Bay Area Economics
May, 2009



Memorandum

To: Mitch Oshinsky & Jennifer Carman, City of El Cerrito
Lori Reese-Brown, City of Richmond
Chris Beynon & Julia Abbassi Pon, MIG

From: Simon Alejandrino, BAE

Re: Financial Feasibility Analysis of Development Opportunity Sites

Date: May 27, 2009

I. Purpose of Memorandum

In February 2008, the Cities of El Cerrito and Richmond contracted with MIG to prepare the San Pablo Avenue Specific Plan. The Plan establishes a land use planning framework that helps San Pablo Avenue achieve its full potential as a mixed-use activity center for the area.

As a member of the MIG team, Bay Area Economics (BAE) is addressing the economic aspects of the Plan. Specifically, BAE completed the Economics and Market Conditions section of the Exiting Conditions Report in October 2007, outlining supply and demand conditions for various land uses that could occur in the area, including multifamily housing, and retail and office space.

Based on these findings, and input from BAE, the community, and City staff, MIG then formulated a series of conceptual mixed-use development programs for a series of “Opportunity Sites” in the Study Area. These programs help establish the desired development form in the corridor by showing various residential and mixed-use prototypes that could occur at various points along San Pablo Avenue.

As part of this Opportunity Sites analysis, BAE evaluated the financial feasibility of the development concepts. Based on a series of pro-forma analyses of each program, and through an iterative process with MIG, BAE offered input on product type, unit mix, density, and height. This process aimed to establish a land use form that allows for financially feasible private development. The analysis also identified any potential funding gaps that the City might need to address to make the projects “pencil out.” This memorandum outlines the methodology and key findings of the financial feasibility study.

Bay Area Economics

II. Methodology

Development Program

The following table summarizes the final conceptual programs formulated by MIG for each Opportunity Site:

Table 1: Development Programs for Opportunity Sites Analysis

	<u>Site 1</u> <u>Albertsons</u>	<u>Site 2</u> <u>Full-Lot</u> <u>Mid-Town</u>	<u>Site 3</u> <u>EC Plaza</u>	<u>Site 4</u> <u>Shallow Mid-</u> <u>Town</u>
PROJECT CHARACTERISTICS				
Site Size (acres)	3.08	0.68	1.91	0.86
Number of Units	131	36	134	29
Flats	110	30	134	0
Townhouses	21	6	0	29
Units per Acre	43	53	70	34
Commercial Sq. Ft.	11,660	0	17,113	0

Source: MIG, 2008; BAE, 2009.

The financial feasibility analysis assumed an ownership product for the residential component of each program. This reflects the heavy emphasis on for-sale development over rental development in most of the Bay Area, as ownership housing typically generates a higher value than rental apartments. The commercial component was assumed to be leased space. Appendix A contains additional detail on each of these concepts.

Again, these programs were based on an extensive community planning process, input from staff, and contributions from BAE regarding likely product types that would occur in the Study Area. The prototypes were further refined following the outcomes of the financial feasibility analysis.

Establishing Financial Feasibility

The pro-forma analysis calculates the amount by which the value of the completed projects exceeds total development cost, less land. This dollar amount represents the site’s “residual” land value, or how much a developer could afford to pay for the property. *A project is deemed financially feasible if the residual land value equals or exceeds the market value of land in the area.* The market value of land was determined by interviews with City staff and recent appraisals conducted by the City of El Cerrito for properties along San Pablo Avenue. This research suggests that fully-entitled land in the Study Area ranges from approximately \$60 to \$90 per square foot.¹ In general,

¹ According to basic economic theory, land values should fluctuate over time according to the performance of residential and commercial real estate markets. However, in a land-constrained area such as San Pablo Avenue,

land towards the northern end of the study area (approaching MacDonald Avenue) shows lower values, while properties at the southern end (at Central Avenue) command higher prices.

Cost and Revenue Assumptions

Costs. Development costs include building construction, on- and off-site costs, impact fees, financing, marketing, other soft costs (e.g., architecture and engineering, overhead, legal, etc.), and the return required by a developer. Appendix A details these figures. Assumptions for these items are based on a review of 2008 construction cost estimates as published by R.S. Means Company, BAE's experience from other financial feasibility analyses, and in-depth interviews with local multifamily and mixed-use developers. BAE used conservative assumptions in an effort to represent long-term construction cost estimates, rather than the lower costs in today's economic recession.

For market rate projects, the analysis assumed a 12 percent profit as a percentage of total costs for the developer. Based on BAE's experience conducting feasibility analyses throughout the State, residential developers will generally seek returns ranging from eight to 15 percent, depending on the project location, product type, market conditions, and other factors that affect perceived risk. A 12 percent return on cost reflects a stable and strong market for residential development.

Revenues. The value of for-sale residential development is determined by sales price, less marketing and sales costs. Sales prices used in this analysis are based on market research conducted by BAE in November 2008, using current and past sales prices (circa 2005, prior to the peak and subsequent market decline) for condominiums and townhouses in Albany, Emeryville, and Oakland as benchmarks, which were adjusted to reflect the Study Area's particular location and amenities. This analysis assumes market rate sales prices ranging from \$485 to \$495 per square foot for 970 to 1,100 square foot flats and \$376 to \$471 for 1,200 to 1,730 square foot townhomes. (See Appendix A for additional detail.) While these prices are not attainable in the current economic downturn, as market conditions improve, they represent the long-term potential for multifamily housing along the San Pablo Avenue corridor.

The value of income property (i.e., commercial space in a mixed-use format) is calculated by applying a capitalization rate to net operating income. Rents are based on the findings from BAE's Market Overview, which includes a survey of newer multifamily rental and commercial properties in the Study Area. Capitalization rates are based on data published in the Korpacz Real Estate Investor Survey for the fourth quarter 2008, as well as the performance of existing properties in the

land values are slow to adjust to these market shifts. Oftentimes, long-time landowners withhold sale until the market is thought to be strong, and do not lower their asking prices during real estate downturns. For the purposes of this analysis, therefore, a static land value serves as a valid assumption, and can be used as a threshold for financial feasibility.

area (as outlined in the Market Overview).

Consistent with the City of Richmond's inclusionary housing policies, BAE assumes that 15 percent of units at any Richmond site will be affordable to low-income households. The El Cerrito portions of the Study Area fall in the City's redevelopment project area. As such, BAE assumes that 15 percent of the units would be affordable to low- and moderate-income households, per California Redevelopment Law.² Affordable sales prices are based on 2008 household income limits established by the California Department of Housing and Community Development (HCD), conventional financing terms, and assuming that 30 percent of gross household income is directed to principal, interest, taxes, and insurance. Appendix B contains these affordable sales price calculations.

Limiting Conditions

The analysis of sales prices and rental rates is based on market research prepared by BAE in November 2008. Changes in market demand, prices, and other factors could have a material effect on BAE's findings. Total development costs can be significantly affected by changes in material costs, labor rates, building code requirements, parking requirements, and other factors. Project financing is assumed to be available at the rates and terms and conditions assumed in the proformas. As all of these factors are subject to change, project-specific feasibility analysis should be updated before proceeding with a particular development proposal. Particularly given the current economic uncertainty, projecting long-term sales prices and rental rates presents a challenge. Notwithstanding these caveats, this analysis still presents a general and fair understanding of development economics in the Study Area, and offers a useful tool for the City as it plans for land uses along the corridor.

III. Findings

The development concepts proposed by MIG for the San Pablo Avenue Specific Plan are financially feasible, assuming the Cities of Richmond and El Cerrito continue to provide financial support to the affordable component of new residential developments. As shown in Table 2, the programs for Sites 1 to 3 each generate a residual land value that falls below the approximate market value for land at the respective sites. This "financing gap" ranges from \$74,000 to \$2.4 million. Therefore, to stimulate private sector development of these projects, the Cities of El Cerrito and/or Richmond would likely have to fill the financing gap in the form of a subsidy to the low- and moderate-income units within the building. This subsidy translates into \$14,800 to \$121,800 per unit, which is comparable to the Cities' historic contributions to

² Of these 15 percent, six percent are dedicated to low-income households and nine percent are dedicated to moderate-income households, based on the City's 2007-2014 Regional Housing Needs Allocation (RHNA).

affordable housing projects.

In contrast, the program for Site 4 results in a residual land value that actually exceeds the approximate market value for land at the site. No public subsidy would be necessary to facilitate this particular development concept.

The following discussion addresses financial feasibility in the context of residential densities and product types.

Table 2: Summary of Financial Feasibility Analysis

	<u>Site 1</u> Albertsons	<u>Site 2</u> Full-Lot Mid-Town	<u>Site 3</u> EC Plaza	<u>Site 4</u> Shallow Mid-Town
PROJECT CHARACTERISTICS				
Site Size (acres)	3.08	0.68	1.91	0.86
Number of Units (a)	131	36	134	29
Flats	110	30	134	0
Townhouses	21	6	0	29
Units per Acre	43	53	70	34
Commercial Sq. Ft.	11,660	0	17,113	0
TOTAL NET REVENUE	\$58,030,761	\$15,167,206	\$65,400,024	\$15,315,771
TOTAL DEVELOPMENT COSTS	\$52,416,452	\$12,871,420	\$59,483,220	\$10,664,937
FINANCING GAP ANALYSIS				
Residual Land Value (Revenue Less Costs)	\$5,614,309	\$2,295,786	\$5,916,804	\$4,650,834
<i>Per Sq. Ft.</i>	\$42	\$78	\$71	\$124
Approx Market Value for Land at Site	\$8,050,000	\$2,370,000	\$7,488,000	\$2,997,000
<i>Per Sq. Ft. (b)</i>	\$60	\$80	\$90	\$80
Approx Financing Gap	\$2,436,000	\$74,000	\$1,571,000	n/a
<i>Gap per Affordable Unit</i>	\$121,800	\$14,800	\$78,550	

Notes:

(a) For El Cerrito sites, assumes 6% of units are affordable to low-income households and 9% of units are affordable to moderate-income households.

Inclusionary housing requirement for Site 1 in Richmond satisfied by providing 15% of units affordable to low-income households.

(b) Based on input from City of El Cerrito.

Source: MIG, 2008; City of El Cerrito, 2008; City of Richmond, 2008; BAE, 2008.

Densities of at least 70 units per acre are necessary to support developments composed exclusively of multifamily stacked flats. Due to the high cost associated with structured parking and the relatively lower sales price of condominiums, higher densities are necessary to support financially feasible projects. The development program for Site 3 illustrates this finding. This

program, which includes 134 stacked flats at 70 dwelling units per acre, results in a residual land value of \$71 per square foot, compared to a market land value of \$90 per square foot in the El Cerrito Plaza area. As such, even at 70 units per acre, a subsidy of approximately \$78,550 per affordable unit is necessary.

Townhomes, however, require much lower densities to achieve financial feasibility. With amenities and floorplans comparable to single-family homes, townhomes command higher values than stacked flats. At the same time, they benefit from lower costs, due to the lack of structured parking. Therefore, as shown by the program at Site 4, these projects can conceivably occur with no public support. As noted above, the Site 4 program generates a residual land value of \$124 per square foot, higher than the market value of \$80 per square foot (see Table 2).

The development program for Site 4 has a highly efficient site plan, and a resulting density of 34 units per acre, higher than most townhome projects. This density is the primary driver behind the project's strong financial performance. To the extent unique site characteristics lead to a less efficient site plan (e.g., circulation and access challenges), townhomes would generate a lower residual land value.

Larger sites can support a blend of townhomes and flats to reach an overall density of 40 to 55 units per acre. In Sites 1 and 2, the townhomes help support the multifamily component financially. Therefore, these sites can be built out at lower densities, while still generating comparable residual land values with the market, assuming that the affordable units receive financial support from the Cities.

Limiting the affordable housing component would reduce the financing gap. The City of El Cerrito may reduce or eliminate the affordable housing requirement in market rate developments within the redevelopment project area. The City may also allow new market rate development to satisfy their affordable housing requirement through moderate-income units only.³

If the development programs were adjusted to include only market rate units, all would result in financially feasible projects, with residual land values exceeding market rate values and no need for public financing. If the programs only included moderate-income units, Site 2 would have no gap, while the gap for Site 3 would be reduced to \$906,000, or \$45,300 per unit.

³ California Redevelopment Law simply requires that 15 percent of all units produced in the project area as a whole be affordable to low- and moderate-income households. Therefore, any one project may have less than a 15 percent affordable share.

Appendix A: Cost and Revenue Assumptions

Appendix A: Cost and Revenue Assumptions

	Site 1	Site 2	Site 3	Site 4
	Albertsons	Full-Lot Mid-Town	EC Plaza	Shallow Mid-Town
PROJECT DETAILS				
Site Characteristics				
Site Area, Sq.Ft.	134,165	29,621	83,200	37,462
Site Area, Acres	3.08	0.68	1.91	0.86
DU/Acre	43	53	70	34
Residential Component				
Total Number of Units	131	36	134	29
Market Rate	111	31	114	25
Below-Market Rate	20	5	20	4
Total Residential Sq. Ft.	151,004	39,120	163,587	43,500
<i>Flats</i>				
Number of Units	110	30	134	0
Market Rate	90	25	114	0
Below-Market Rate	20	5	20	0
Avg. Unit Size (Sq. Ft.)	970	950	1,090	0
Common Area %	12%	12%	12%	12%
Flats Total Area (Sq. Ft.)	119,504	31,920	163,587	0
Avg. Mkt Rate Sale Price	\$475,000	\$470,000	\$530,000	\$0
Per Sq. Ft.	\$490	\$495	\$486	\$0
Avg. Affordable Sale Price (2BR)	\$96,567	\$165,096	\$165,096	\$0
<i>Townhomes</i>				
Number of Units	21	6	0	29
Market Rate	21	6	0	25
Below-Market Rate	0	0	0	4
Avg. Unit Size (Sq. Ft.)	1,500	1,200	0	1,500
Townhouse Total Area (Sq. Ft.)	31,500	7,200	0	43,500
Avg. Mkt Rate Sale Price	\$615,000	\$565,000	0	\$615,000
Per Sq. Ft.	\$410	\$471	\$0	\$410
Avg. Affordable Sale Price (3BR)	\$0	\$0	\$0	\$186,716
Commercial Component				
Commercial Sq. Ft.	11,660	0	17,113	0
Leasable %	95%	0%	95%	0%
Leasable Area	11,077	0	16,257	0
Lease Rate (Monthly/Sq. Ft. NNN)	\$2.20	0	\$2.20	0
Cap Rate	7.5%	0	7.5%	0.0%
Overall Development Mix				
Flats as % of Total Sq. Ft.	73.5%	81.6%	90.5%	0.0%
Townhomes as % of Total Sq. Ft.	19.4%	18.4%	0.0%	100.0%
Commercial as % of Total Sq. Ft.	7.2%	0.0%	9.5%	0.0%
Parking (excludes street parking)				
Total Spaces	219	51	225	0
On-site surface	29	0	0	0
Podium w. Stacked Parking	64	0	0	0
Podium	80	51	225	0
Open-air stacked Parking	46	0	0	0
TH tuck under	42	0	0	43.5

Appendix A: Cost and Revenue Assumptions

	Site 1	Site 2	Site 3	Site 4
	Albertsons	Full-Lot Mid-Town	EC Plaza	Shallow Mid-Town
COST ASSUMPTIONS				
Hard and Soft Costs				
Residential Construction Costs (per sq. ft.)				
Flats	\$190	\$190	\$190	\$190
Townhomes	\$150	\$150	\$150	\$150
Commercial Construction Costs (per sq. ft.)	\$135	\$135	\$135	\$135
On & Off-Site Improvements (per acre)	\$400,000	\$400,000	\$400,000	\$400,000
Tenant Improvement Allowances (per GLA)	\$15	\$15	\$15	\$15
Residential Impact Fees (per unit)	\$9,800	\$7,000	\$7,000	\$7,000
Commercial Impact Fees (per sq. ft.)	\$7	\$10	\$10	\$10
Cost/Parking Space				
On-site surface	\$2,000	\$2,000	\$2,000	\$2,000
Podium w. stacked parking	\$17,750	\$17,750	\$17,750	\$17,750
Podium	\$23,000	\$23,000	\$23,000	\$23,000
Open-air stacked parking	\$15,000	\$15,000	\$15,000	\$15,000
TH tuck under	\$6,000	\$6,000	\$6,000	\$6,000
"Wrap" Insurance (per unit)	\$10,000	\$10,000	\$10,000	\$10,000
Other Soft Costs (as % of hard and site costs)	20%	20%	20%	20%
Developer Profit (as % of Total Development Cost)	12%	12%	12%	12%
Financing Costs				
Interest Rate	8.0%	8.0%	8.0%	8.0%
Period of Initial Loan (Months)	16	12	16	12
Initial Construction Loan Fee (Points)	2.0%	2.0%	2.0%	2.0%
Average Outstanding Balance	60.0%	60.0%	60.0%	60.0%
Loan to Cost Ratio	70.0%	70.0%	70.0%	70.0%

Source: MIG, 2008; City of El Cerrito, 2008; City of Richmond, 2008; BAE, 2008.

Appendix B: Affordable Sales Price Calculations

	Household Income (a)	Sale Price (h)	Down Payment (b)	Total Mortgage	Monthly Payment	Monthly Property Tax (c)	Mortgage Insurance (d)	Homeowner's Insurance (e)	Monthly HOA Fee (g)	Total Monthly PITI (f)
Household Income 100% AMI (Median)										
1 Person HH	\$60,300	\$119,332	\$11,933	\$107,399	\$678.83	\$109.39	\$590.69	\$29.83	\$350.00	\$1,758.75
2 Person HH	\$68,900	\$140,580	\$14,058	\$126,522	\$799.70	\$128.86	\$695.87	\$35.14	\$350.00	\$2,009.58
3 Person HH	\$77,500	\$161,827	\$16,183	\$145,645	\$920.57	\$148.34	\$801.05	\$40.46	\$350.00	\$2,260.42
4 Person HH	\$86,100	\$183,075	\$18,307	\$164,767	\$1,041.44	\$167.82	\$906.22	\$45.77	\$350.00	\$2,511.25
5 Person HH	\$93,000	\$200,122	\$20,012	\$180,110	\$1,138.42	\$183.45	\$990.61	\$50.03	\$350.00	\$2,712.50
Household Income 30% AMI										
1 Person HH	\$18,100	\$15,071	\$1,507	\$13,564	\$85.73	\$13.82	\$74.60	\$3.77	\$350.00	\$527.92
2 Person HH	\$20,700	\$21,495	\$2,149	\$19,345	\$122.27	\$19.70	\$106.40	\$5.37	\$350.00	\$603.75
3 Person HH	\$23,250	\$27,795	\$2,779	\$25,015	\$158.11	\$25.48	\$137.58	\$6.95	\$350.00	\$678.13
4 Person HH	\$25,850	\$34,218	\$3,422	\$30,797	\$194.66	\$31.37	\$169.38	\$8.55	\$350.00	\$753.96
5 Person HH	\$27,900	\$39,283	\$3,928	\$35,355	\$223.47	\$36.01	\$194.45	\$9.82	\$350.00	\$813.75
Household Income 50% AMI										
1 Person HH	\$30,150	\$44,842	\$4,484	\$40,358	\$255.09	\$41.11	\$221.97	\$11.21	\$350.00	\$879.38
2 Person HH	\$34,450	\$55,466	\$5,547	\$49,919	\$315.52	\$50.84	\$274.56	\$13.87	\$350.00	\$1,004.79
3 Person HH	\$38,750	\$66,090	\$6,609	\$59,481	\$375.96	\$60.58	\$327.14	\$16.52	\$350.00	\$1,130.21
4 Person HH	\$43,050	\$76,714	\$7,671	\$69,042	\$436.39	\$70.32	\$379.73	\$19.18	\$350.00	\$1,255.63
5 Person HH	\$46,500	\$85,237	\$8,524	\$76,714	\$484.88	\$78.13	\$421.92	\$21.31	\$350.00	\$1,356.25
Household Income 80% AMI										
1 Person HH	\$46,350	\$84,867	\$8,487	\$76,380	\$482.77	\$77.79	\$420.09	\$21.22	\$350.00	\$1,351.88
2 Person HH	\$53,000	\$101,296	\$10,130	\$91,167	\$576.24	\$92.86	\$501.42	\$25.32	\$350.00	\$1,545.83
3 Person HH	\$59,600	\$117,603	\$11,760	\$105,842	\$669.00	\$107.80	\$582.13	\$29.40	\$350.00	\$1,738.33
4 Person HH	\$66,250	\$134,033	\$13,403	\$120,629	\$762.46	\$122.86	\$663.46	\$33.51	\$350.00	\$1,932.29
5 Person HH	\$71,550	\$147,127	\$14,713	\$132,414	\$836.95	\$134.87	\$728.28	\$36.78	\$350.00	\$2,086.88
Household Income (120% AMI)										
1 Person HH	\$72,300	\$148,980	\$14,898	\$134,082	\$847.49	\$136.56	\$737.45	\$37.24	\$350.00	\$2,108.75
2 Person HH	\$82,600	\$174,428	\$17,443	\$156,985	\$992.25	\$159.89	\$863.42	\$43.61	\$350.00	\$2,409.17
3 Person HH	\$93,000	\$200,122	\$20,012	\$180,110	\$1,138.42	\$183.45	\$990.61	\$50.03	\$350.00	\$2,712.50
4 Person HH	\$103,300	\$225,570	\$22,557	\$203,013	\$1,283.18	\$206.77	\$1,116.57	\$56.39	\$350.00	\$3,012.92
5 Person HH	\$111,600	\$246,076	\$24,608	\$221,469	\$1,399.83	\$225.57	\$1,218.08	\$61.52	\$350.00	\$3,255.00

Notes:

(a) Published by California Department of Housing and Community Development.

(b) Mortgage terms:

Annual Interest Rate I (Fixed)	6.5%
Term of mortgage (Years)	30
Percent of sale price as down payment	10.0%

(c) Initial property tax (annual) 1.10%

(d) Mortgage Insurance as percent of loan amount 0.55%

(e) Annual homeowner's insurance rate as percent of sale price 0.30%

(f) PITI = Principal, Interest, Taxes, and Insurance

Percent of household income available for PITI 35.0%

(g) Monthly HOA Fee \$350

Sources: CA Department of Housing and Community Development, 2008; BAE 2009.

Appendix C: Detailed Pro-Formas

Site 1: Albertson's Site

PROJECT DETAILS	
Site Characteristics	
Site Area, Sq.Ft.	134,165
Site Area, Acres	3.08
DU/Acre	43
Residential Component	
Total Number of Units	131
Market Rate	111
Below-Market Rate	20
Total Residential Sq. Ft.	151,004
Flats	
Number of Units	110
Market Rate	90
Below-Market Rate	20
Avg. Unit Size (Sq. Ft.)	970
Common Area %	12%
Flats Total Area (Sq. Ft.)	119,504
Avg. Mkt Rate Sale Price	\$475,000
Avg. Affordable Sale Price	\$96,567
Townhomes	
Number of Units	21
Market Rate	21
Below-Market Rate	-
Avg. Unit Size (Sq. Ft.)	1,500
Townhouse Total Area (Sq. Ft.)	31,500
Avg. Mkt Rate Sale Price	\$615,000
Avg. Affordable Sale Price	\$0
Commercial Component	
Commercial Sq. Ft.	11,660
Leasable %	95%
Leasable Area	11,077
Lease Rate (Monthly/Sq. Ft. NNN)	\$2
Cap Rate	8%
Overall Development Mix	
Flats as % of Total Sq. Ft.	73%
Townhomes as % of Total Sq. Ft.	19%
Commercial as % of Total Sq. Ft.	7%
Parking	
Total Spaces	219
On-site surface	29
Podium w.Stacked Parking	64
Podium	80
Open-air stacked Parking	46
TH tuck under	42

COST ASSUMPTIONS	
Hard and Soft Costs	
Residential Construction Costs (per sq. ft.)	
Flats	\$190
Townhomes	\$150
Commercial Construction Costs (per sq. ft.)	\$135
On & Off-Site Improvements (per acre)	\$400,000
Tenant Improvement Allowances (per GLA)	\$15
Residential Impact Fees (per unit)	\$9,800
Commercial Impact Fees (per sq. ft.)	\$7
Cost/Parking Space	
On-site surface	\$2,000
Podium w.Stacked Parking	\$17,750
Podium	\$23,000
Open-air stacked Parking	\$15,000
TH tuck under	\$6,000
Condo "Wrap" Insurance (per unit)	\$10,000
Other Soft Costs (as % of hard and site costs)	20%
Developer Profit (as % of Total Development Cost)	12%
Financing Costs	
Interest Rate	8%
Period of Initial Loan (Months)	16
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	60%
Loan to Cost Ratio	70%
Hard & Soft Costs, Site Costs	\$44,201,363
Amount of Loan	\$30,940,954

PARKING ASSUMPTIONS	
Flats	
On-site surface	0
Podium w.Stacked Parking	64
Podium	80
Open-air stacked Parking	46
Townhomes	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0
TH tuck under	42
Commercial	
On-site surface	29
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0

DEVELOPMENT COST SUMMARY	
Hard and Soft Costs	
Residential Flats Construction Costs	\$22,705,760
Residential Townhomes Construction Costs	\$4,725,000
Commercial Construction Costs	\$1,574,100
On & Off-Site Improvements	\$1,232,000
Tenant Improvement Allowances	\$166,155
Residential Impact Fees	\$1,283,800
Commercial Impact Fees	\$79,988
Parking Costs	
On-site surface	\$58,000
Podium w.Stacked Parking	\$1,136,000
Podium	\$1,840,000
Open-air stacked Parking	\$690,000
TH tuck under	\$252,000
Condo "Wrap" Insurance	\$1,310,000
Other Soft Costs	\$7,148,561
Financing Costs	
Interest on Construction Loan	\$1,980,221
Points on Construction Loan	\$618,819
Developer Profit	\$5,616,048
Total Development Cost	
Flat Development Cost	\$40,604,463
Townhome Development Cost	\$8,650,242
Commercial Development Cost	\$3,161,746
TDC Per Unit	
TDC Per Flat	\$400,126
TDC Per Townhome	\$369,131
TDC Per Commercial Sq. Ft.	\$411,916
TDC Per Commercial Sq. Ft.	\$271

LAND VALUE ANALYSIS	
Gross Residential Sales Revenue	\$57,596,339
Less Commissions/Marketing 5%	(\$2,879,817)
Net Residential Sales Revenue	\$54,716,522
Annual Commercial Lease Revenue	\$292,433
Less Vacancy 10%	(\$29,243)
Less Commissions/Marketing 5%	(\$14,622)
Annual Net Operating Income	\$248,568
Net Commercial Sales Revenue	\$3,314,238
Total Net Revenue	\$58,030,761
Less Development Costs	(\$52,416,452)
Residual Land Value	\$5,614,309
Land Value/ Sq. Ft.	\$41.85

Source: City of Richmond; BAE, 2008.

Site 2: Full Lot Mid-Town

PROJECT DETAILS	
Site Characteristics	
Site Area, Sq.Ft.	29,621
Site Area, Acres	0.68
DU/Acre	53
Residential Component	
Total Number of Units	36
Market Rate	31
Below-Market Rate	5
Total Residential Sq. Ft.	39,120
Flats	
Number of Units	30
Market Rate	25
Below-Market Rate	5
Avg. Unit Size (Sq. Ft.)	950
Common Area %	12%
Flats Total Area (Sq. Ft.)	31,920
Avg. Mkt Rate Sale Price	\$470,000
Avg. Affordable Sale Price	\$165,096
Townhomes	
Number of Units	6
Market Rate	6
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	1,200
Townhouse Total Area (Sq. Ft.)	7,200
Avg. Mkt Rate Sale Price	\$565,000
Avg. Affordable Sale Price	\$0
Commercial Component	
Commercial Sq. Ft.	0
Leasable %	0
Leasable Area	0
Lease Rate (Monthly/Sq. Ft. NNN)	0
Cap Rate	0%
Overall Development Mix	
Flats as % of Total Sq. Ft.	82%
Townhomes as % of Total Sq. Ft.	18%
Commercial as % of Total Sq. Ft.	0%
Parking	
Total Spaces	51
On-site surface	0
Podium w.Stacked Parking	0
Podium	51
Open-air stacked Parking	0
TH tuck under	0

COST ASSUMPTIONS	
Hard and Soft Costs	
Residential Construction Costs (per sq. ft.)	
Flats	\$190
Townhomes	\$150
Commercial Construction Costs (per sq. ft.)	\$135
On & Off-Site Improvements (per acre)	\$400,000
Tenant Improvement Allowances (per GLA)	\$15
Residential Impact Fees (per unit)	\$7,000
Commercial Impact Fees (per sq. ft.)	\$10
Cost/Parking Space	
On-site surface	\$2,000
Podium w.Stacked Parking	\$17,750
Podium	\$23,000
Open-air stacked Parking	\$15,000
TH tuck under	\$6,000
Condo "Wrap" Insurance (per unit)	\$10,000
Other Soft Costs (as % of hard and site costs)	20%
Developer Profit (as % of Total Development C	12%
Financing Costs	
Interest Rate	8%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%
Hard & Soft Costs, Site Costs	\$10,970,160
Amount of Loan	\$7,679,112

PARKING ASSUMPTIONS	
Flats	
On-site surface	0
Podium w.Stacked Parking	0
Podium	42
Open-air stacked Parking	0
Townhomes	
On-site surface	0
Podium w.Stacked Parking	0
Podium	9
Open-air stacked Parking	0
Commercial	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0

DEVELOPMENT COST SUMMARY	
Hard and Soft Costs	
Residential Flats Construction Costs	\$6,064,800
Residential Townhomes Construction Costs	\$1,080,000
Commercial Construction Costs	\$0
On & Off-Site Improvements	\$272,000
Tenant Improvement Allowances	\$0
Residential Impact Fees	\$252,000
Commercial Impact Fees	\$0
Parking Costs	
On-site surface	\$0
Podium w.Stacked Parking	\$0
Podium	\$1,173,000
Open-air stacked Parking	\$0
TH tuck under	\$0
Condo "Wrap" Insurance	\$360,000
Other Soft Costs	\$1,768,360
Financing Costs	
Interest on Construction Loan	\$368,597
Points on Construction Loan	\$153,582
Developer Profit	\$1,379,081
Total Development Cost	
Flat Development Cost	\$10,741,822
Townhome Development Cost	\$2,129,599
Commercial Development Cost	\$0
TDC Per Unit	\$357,539
TDC Per Flat	\$358,061
TDC Per Townhome	\$354,933
TDC Per Commercial Sq. Ft.	\$0

LAND VALUE ANALYSIS		
Gross Residential Sales Revenue		\$15,965,480
Less Commissions/Marketing	5%	(\$798,274)
Net Residential Sales Revenue		\$15,167,206
Annual Commercial Lease Revenue		\$0
Less Vacancy	10%	\$0
Less Commissions/Marketing	5%	\$0
Annual Net Operating Income		\$0
Net Commercial Sales Revenue		\$0
Total Net Revenue		\$15,167,206
Less Development Costs		(\$12,871,420)
Residual Land Value		\$2,295,786
Land Value/ Sq. Ft.		\$77.51

Source: City of El Cerrito; BAE, 2008.

Site 3: EC Plaza

PROJECT DETAILS	
Site Characteristics	
Site Area, Sq.Ft.	83,200
Site Area, Acres	1.91
DU/Acre	70
Residential Component	
Total Number of Units	134
Market Rate	114
Below-Market Rate	20
Total Residential Sq. Ft.	163,587
Flats	
Number of Units	134
Market Rate	114
Below-Market Rate	20
Avg. Unit Size (Sq. Ft.)	1,090
Common Area %	12%
Flats Total Area (Sq. Ft.)	163,587
Avg. Mkt Rate Sale Price	\$530,000
Avg. Affordable Sale Price	\$165,096
Townhomes	
Number of Units	0
Market Rate	0
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	0
Townhouse Total Area (Sq. Ft.)	0
Avg. Mkt Rate Sale Price	\$0
Avg. Affordable Sale Price	\$0
Commercial Component	
Commercial Sq. Ft.	17,113
Leasable %	1
Leasable Area	16,257
Lease Rate (Monthly/Sq. Ft. NNN)	2
Cap Rate	8%
Overall Development Mix	
Flats as % of Total Sq. Ft.	91%
Townhomes as % of Total Sq. Ft.	0%
Commercial as % of Total Sq. Ft.	9%
Parking	
Total Spaces	225
On-site surface	0
Podium w.Stacked Parking	0
Podium	225
Open-air stacked Parking	0

COST ASSUMPTIONS	
Hard and Soft Costs	
Residential Construction Costs (per sq. ft.)	
Flats	\$190
Townhomes	\$150
Commercial Construction Costs (per sq. ft.)	\$135
On & Off-Site Improvements (per acre)	\$400,000
Tenant Improvement Allowances (per GLA)	\$15
Residential Impact Fees (per unit)	\$7,000
Commercial Impact Fees (per sq. ft.)	\$10
Cost/Parking Space	
On-site surface	\$2,000
Podium w.Stacked Parking	\$17,750
Podium	\$23,000
Open-air stacked Parking	\$15,000
Condo "Wrap" Insurance (per unit)	\$10,000
Other Soft Costs (as % of hard and site costs)	20%
Developer Profit (as % of Total Development Cost)	12%
Financing Costs	
Interest Rate	8%
Period of Initial Loan (Months)	16
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%
Hard & Soft Costs, Site Costs	\$50,160,576
Amount of Loan	\$35,112,403

PARKING ASSUMPTIONS	
Flats	
On-site surface	0
Podium w.Stacked Parking	0
Podium	163
Open-air stacked Parking	0
Townhomes	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0
Commercial	
On-site surface	0
Podium w.Stacked Parking	0
Podium	62
Open-air stacked Parking	0

DEVELOPMENT COST SUMMARY	
Hard and Soft Costs	
Residential Flats Construction Costs	\$31,081,568
Residential Townhomes Construction Costs	\$0
Commercial Construction Costs	\$2,310,255
On & Off-Site Improvements	\$764,000
Tenant Improvement Allowances	\$243,860
Residential Impact Fees	\$938,000
Commercial Impact Fees	\$171,130
Parking Costs	
On-site surface	\$0
Podium w.Stacked Parking	\$0
Podium	\$5,175,000
Open-air stacked Parking	\$0
Condo "Wrap" Insurance	\$1,340,000
Other Soft Costs	\$8,136,763
Financing Costs	
Interest on Construction Loan	\$2,247,194
Points on Construction Loan	\$702,248
Developer Profit	\$6,373,202
Total Development Cost	\$59,483,220
Flat Development Cost	\$53,479,245
Townhome Development Cost	\$0
Commercial Development Cost	\$6,003,975
TDC Per Unit	\$443,905
TDC Per Flat	\$399,099
TDC Per Townhome	\$0
TDC Per Commercial Sq. Ft.	\$351

LAND VALUE ANALYSIS	
Gross Residential Sales Revenue	\$63,721,921
Less Commissions/Marketing 5%	(\$3,186,096)
Net Residential Sales Revenue	\$60,535,825
Annual Commercial Lease Revenue	
Less Vacancy 10%	(\$42,919)
Less Commissions/Marketing 5%	(\$21,460)
Annual Net Operating Income	\$364,815
Net Commercial Sales Revenue	\$4,864,199
Total Net Revenue	\$65,400,024
Less Development Costs	(\$59,483,220)
Residual Land Value	\$5,916,804
Land Value/ Sq. Ft.	\$71.12

Source: City of El Cerrito; BAE, 2008.

Site 4: Shallow Lot Mid-Town

PROJECT DETAILS	
Site Characteristics	
Site Area, Sq.Ft.	37,462
Site Area, Acres	0.86
DU/Acre	34
Residential Component	
Total Number of Units	29
Market Rate	25
Below-Market Rate	4
Total Residential Sq. Ft.	43,500
Flats	
Number of Units	0
Market Rate	0
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	0
Common Area %	12%
Flats Total Area (Sq. Ft.)	0
Avg. Mkt Rate Sale Price	\$0
Avg. Affordable Sale Price	\$0
Townhomes	
Number of Units	29
Market Rate	25
Below-Market Rate	4
Avg. Unit Size (Sq. Ft.)	1,500
Townhouse Total Area (Sq. Ft.)	43,500
Avg. Mkt Rate Sale Price	\$615,000
Avg. Affordable Sale Price	\$186,716
Commercial Component	
Commercial Sq. Ft.	0
Leasable %	0%
Leasable Area	0
Lease Rate (Monthly/Sq. Ft. NNN)	0
Cap Rate	0%
Overall Development Mix	
Flats as % of Total Sq. Ft.	0%
Townhomes as % of Total Sq. Ft.	100%
Commercial as % of Total Sq. Ft.	0%
Parking	
Total Spaces	0
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0
TH tuck under	44

COST ASSUMPTIONS	
Hard and Soft Costs	
Residential Construction Costs (per sq. ft.)	
Flats	\$190
Townhomes	\$150
Commercial Construction Costs (per sq. ft.)	\$135
On & Off-Site Improvements (per acre)	\$400,000
Tenant Improvement Allowances (per GLA)	\$15
Residential Impact Fees (per unit)	\$7,000
Commercial Impact Fees (per sq. ft.)	\$10
Cost/Parking Space	
On-site surface	\$2,000
Podium w.Stacked Parking	\$17,750
Podium	\$23,000
Open-air stacked Parking	\$15,000
TH tuck under	\$6,000
Condo "Wrap" Insurance (per unit)	\$10,000
Other Soft Costs (as % of hard and site costs)	20%
Developer Profit (as % of Total Development C	12%
Financing Costs	
Interest Rate	8%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%
Hard & Soft Costs, Site Costs	\$9,089,600
Amount of Loan	\$6,362,720

PARKING ASSUMPTIONS	
Flats	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0
Townhomes	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0
TH tuck under	44
Commercial	
On-site surface	0
Podium w.Stacked Parking	0
Podium	0
Open-air stacked Parking	0

DEVELOPMENT COST SUMMARY	
Hard and Soft Costs	
Residential Flats Construction Costs	\$0
Residential Townhomes Construction Costs	\$6,525,000
Commercial Construction Costs	\$0
On & Off-Site Improvements	\$344,000
Tenant Improvement Allowances	\$0
Residential Impact Fees	\$203,000
Commercial Impact Fees	\$0
Parking Costs	
On-site surface	\$0
Podium w.Stacked Parking	\$0
Podium	\$0
Open-air stacked Parking	\$0
TH tuck under	\$261,000
Condo "Wrap" Insurance	\$290,000
Other Soft Costs	\$1,466,600
Financing Costs	
Interest on Construction Loan	\$305,411
Points on Construction Loan	\$127,254
Developer Profit	\$1,142,672
Total Development Cost	
Flat Development Cost	\$0
Townhome Development Cost	\$10,664,937
Commercial Development Cost	\$0
TDC Per Unit	\$367,756
TDC Per Flat	\$0
TDC Per Townhome	\$367,756
TDC Per Commercial Sq. Ft.	\$0

LAND VALUE ANALYSIS		
Gross Residential Sales Revenue		\$16,121,864
Less Commissions/Marketing	5%	(\$806,093)
Net Residential Sales Revenue		\$15,315,771
Annual Commercial Lease Revenue		\$0
Less Vacancy	10%	\$0
Less Commissions/Marketing	5%	\$0
Annual Net Operating Income		\$0
Net Commercial Sales Revenue		\$0
Total Net Revenue		\$15,315,771
Less Development Costs		(\$10,664,937)
Residual Land Value		\$4,650,834
Land Value/ Sq. Ft.		\$124.15

Source: City of El Cerrito; BAE, 2008.

Appendix D: Development Scenario Site Plans

Appendix D: Development Scenario 1 Albertson's Site



Appendix D: Development Scenario 2 Full Lot Mid-Town



Appendix D: Development Scenario 3 EC Plaza



Appendix D: Development Scenario 4 Shallow Mid-Town

