

**INCLUSIONARY HOUSING IN-LIEU FEE STUDY**

**Prepared for:**

**City of Vista**

**Prepared by:**

**Keyser Marston Associates, Inc.**

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## EXECUTIVE SUMMARY

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### OVERVIEW

The City of Vista (City) is currently considering the reinstatement of the City's inclusionary housing policy previously repealed in 2015. As part of this effort, the City seeks to review current in-lieu fee and impact fee levels charged in other local jurisdictions and establish an appropriate methodology to determine an updated inclusionary housing in-lieu fee for the City. The City engaged Keyser Marston Associates, Inc. (KMA) to prepare an Inclusionary Housing In-Lieu Fee Study (Study) to evaluate the potential of establishing an inclusionary housing in-lieu fee for the City. The Study reviews a range of approaches to determine appropriate housing in-lieu fee levels for the City.

### RESIDENTIAL DEVELOPMENT PROTOTYPES

The Study identified four (4) residential prototypes reflective of the type of development projects occurring or anticipated to occur in the City including:

- Garden-style rental apartments
- Stacked-flat rental apartments developed over tuck-under parking
- Stacked flat rental apartments developed over podium parking
- Mixed-use apartment development over podium and subterranean parking

For each residential prototype, KMA prepared base case financial pro forma models assuming: (i) 100% of all units are rented at market rents; and (ii) a potential inclusionary housing set-aside at 5% Low Income and 4% Moderate Income.

### APPROACH TO IN-LIEU FEE FINANCIAL ANALYSIS

KMA used two approaches to determine possible fee levels: (1) the economic impact on the developer to provide affordable housing on-site; and (2) the funding level required for the City to develop affordable housing in an off-site location.

- Approach 1 – Economic Impact of Including Units On-Site – This approach uses a financial analysis to estimate fee levels that are approximately equivalent to the economic impact to market-rate developments of incorporating inclusionary units on-site.
- Approach #2 – Off-Site Affordability Gap – This approach determines how much the City would need to receive from a market-rate residential developer in order to produce affordable rental housing in an off-site location.

**POTENTIAL FEE LEVELS**

As presented in Table 1, based on the findings from the two approaches noted above, the City may wish to consider an in-lieu fee of up between \$10,000 to \$15,000 per market-rate unit, or between \$12.00 and \$17.00 per square foot (SF) of market-rate residential living area.

<b>Table 1: Potential Fee Levels</b>	
Per Market-Rate Unit	\$10,000 to \$15,000
Per Market-Rate Net SF	\$12.00 to \$17.00

The potential fee levels are expressed on both a per-unit and per-SF basis. A per-SF in-lieu fee, as compared to a flat fee approach, recognizes the various residential unit sizes produced and avoids overly burdening the production of small units.

In order to mitigate affordable housing impacts -- and fund affordable housing -- over a long term and respond to economic cycles, the City should consider a potential annual escalator that could be used to adjust fee levels over time, such as the Construction Cost Index (CCI) published by the Engineering News-Record (ENR).

**POTENTIAL FEE LEVELS IN COMPARISON TO OTHER SAN DIEGO COUNTY JURISDICTIONS**

KMA surveyed inclusionary in-lieu fees and affordable housing impact fees in other San County jurisdictions. The survey is summarized in Table 2 in comparison with the potential fee levels for the City.

<b>Table 2: Comparison of Affordable Housing Fees, Vista vs. San Diego County Jurisdictions</b>		
	<b>City of Vista</b>	<b>San Diego County Jurisdictions (range of findings)</b>
Inclusionary Housing Required Threshold	20 Units	1 unit - 50 units
% of Affordable Units Required	9%	10% - 20%
In-Lieu Fee Amount	Potential Fee Levels: \$10,000 to \$15,000/Unit \$12/SF to \$17/SF	\$500 to \$9,300/Unit \$15.00/SF to \$31.91/SF

# **INCLUSIONARY HOUSING IN-LIEU FEE STUDY**

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## **I. INTRODUCTION**

### **A. Objective**

This report presents the economic analysis prepared by Keyser Marston Associates, Inc. (KMA) for the City of Vista (City) to evaluate the potential of establishing an inclusionary housing in-lieu fee for the City.

### **B. City of Vista Prior Inclusionary Housing Ordinance**

As background, in 1985 the City adopted a mandatory inclusionary housing program that required six percent (6%) of the units in multi-family residential projects be restricted as affordable housing. In 2006, the City further detailed the policy stating that the inclusionary units must be provided on site and allowed for payment of an in-lieu fee for partial units only. Based on a study conducted by KMA in 2006, the in-lieu fee for partial units was established at \$13,000 per market-rate rental unit and \$20,000 per market-rate for-sale unit. In 2015, the City's inclusionary housing policy was repealed.

The City is currently considering the reinstatement of the City's inclusionary housing policy. As part of this effort, the City seeks to review current in-lieu fee and impact fee levels charged in local jurisdictions and establish an updated inclusionary housing in-lieu fee. Under the current proposal, the inclusionary requirement would be set at 5% Low Income [61%-80% Area Median Income (AMI)] and 4% Moderate Income (81% to 120% AMI) for residential complexes with 20 or more units.

### **C. Methodology**

KMA performed the following key work tasks in completing this analysis.

1. Compiled data pertaining to inclusionary housing in-lieu fees and/or affordable housing impact fees currently being charged by other cities in San Diego County.
2. Reviewed market trends data, land values, development cost estimates, and other industry standards for rental residential development.
3. Formulated multi-family residential development prototypes in coordination with City staff.

4. Prepared pro forma financial models to estimate the residual land value generated by each residential prototype under two scenarios: (a) at 100% market-rate; and (b) an inclusionary requirement of 5% at Low Income and 4% at Moderate Income.

#### **D. Organization of Report**

This report is organized into the following key sections:

- Following this Introduction, Section II presents the financial analysis for an affordable housing inclusionary in-lieu fee.
- Section III reviews potential indices that could be used to adjust the fee in the future.
- Section IV presents a survey of affordable housing in-lieu fees in other San Diego jurisdictions.
- Section V presents limiting conditions pertaining to this report.

## II. IN-LIEU FEE FINANCIAL ANALYSIS

### A. Residential Development Prototypes

Table II-1 provides a summary of the residential development prototypes identified for the in-lieu fee financial analysis. The prototypes are illustrative of the types of development projects occurring and anticipated to occur in the City. Four new construction rental residential prototypes were identified based on discussion with City staff. While this level of feasibility analysis is useful for conceptual planning purposes, the actual circumstances for individual projects – physical, planning, market, financial, and other factors – will likely vary from the findings presented in this report.

<b>Table II-1: Project Descriptions for Development</b>				
	<b>RENTAL</b>			
	<b>Garden Apartments</b>	<b>Stacked Flats over Tuck-Under Parking</b>	<b>Stacked Flats over Podium Parking</b>	<b>Mixed-Use Flats over Podium/Subterranean</b>
Site Area	6.0 Acres	1.5 Acres	1.0 Acres	1.0 Acres
Density (Units/Acre)	20.0	45.0	75.0	100.0
Number of Units	120 Units	67 Units	75 Units	100 Units
Unit Mix	1, 2, and 3 Bedrooms	1 and 2 Bedrooms	1 and 2 Bedrooms	1 and 2 Bedrooms
Stories	2 - 3 Stories	3 Stories	4 Stories	5 Stories
Average Unit Size	1,015 SF	850 SF	785 SF	720 SF
Retail SF	---	---	---	10,000 SF

### B. Projected Market Rents

KMA surveyed new rental developments in the City, and surrounding trade area. The purpose of the survey was to derive estimates of the currently achievable market rental rates for the types of developments likely to be constructed in the City. The base case market-rate monthly rent estimates that are used in the financial feasibility analyses are presented in Table II-2.

<b>Table II-2: Projected Market Rents</b>				
	<b>RENTAL</b>			
	<b>Garden Apartments</b>	<b>Stacked Flats over Tuck-Under Parking</b>	<b>Stacked Flats over Podium Parking</b>	<b>Mixed-Use Flats over Podium/Subterranean</b>
Average \$/SF	\$2.78/SF	\$3.50/SF	\$3.75/SF	\$4.00/SF
Average Unit Size	1,015 SF	850 SF	785 SF	720 SF
Average Market Monthly Rent	\$2,820	\$2,980	\$2,940	\$2,880

**C. Affordable Rent Calculation**

For the purposes of this financial analysis, the maximum affordable rents for the income-restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053. The detailed calculations are presented in Appendix B; the key assumptions and results are summarized below.

- The household income information used in the calculations of affordable rent were based on 2022 income statistics for San Diego County as a whole. The household incomes are published annually by HUD.
- The household size appropriate for the unit based on one additional household person per bedroom.
- Maximum monthly rental housing payment for Low Income units is calculated as equal to 1/12 x 30% x 60% AMI (adjusted for household size), less adjustments for certain tenant-paid utilities.
- Maximum monthly rental housing payment for Moderate Income units is calculated as equal to 1/12 x 30% x 110% AMI (adjusted for household size), less adjustments for certain tenant-paid utilities.
- Utilities based on the County of San Diego utility allowance schedule, effective December 1, 2021, and the assumption that the tenant’s utility costs are comprised of electric cooking, electric water heating, electric heating, and other basic electric services.

The resulting average affordable rents for each of the residential prototypes are presented in Table II-3.



<b>Table II-3: Affordable Rents</b> <sup>(1)</sup>				
	<b>RENTAL</b>			
	<b>Garden Apartments</b>	<b>Stacked Flats over Tuck-Under Parking</b>	<b>Stacked Flats over Podium Parking</b>	<b>Mixed-Use Flats over Podium/Subterranean</b>
Average Affordable Monthly Rent @ Low Income	\$1,333	\$1,333	\$1,292	\$1,300
Average Affordable Monthly Rent @ Moderate Income	\$2,450 <sup>(2)</sup>	\$2,472	\$2,472	\$2,438
<p>(1) Reflects average rent (weighted) for one-, two-, and three-bedroom units at Low and Moderate Income.  (2) Reflects the lesser of market rent vs. affordable rent.</p>				

**D. Approach 1: Economic Impact of Incorporating Affordable Housing On-Site**

To estimate the economic impact of incorporating inclusionary housing requirements on-site, KMA prepared financial pro forma models for each residential development prototype. The financial pro forma models present comparative impacts of: (a) a 100% market-rate residential development, as compared to (b) the City’s proposed inclusionary housing requirement. Appendix C provides the detailed pro forma analyses prepared by KMA for each TOD Areas residential development prototype. Appendix C is organized as follows:

Table 1	Project Description
Table 2	Estimate of Development Costs
Tables 3, 4, 5, and 6	Estimate of Net Operating Income
Tables 7, 8, 9 and 10	Estimate of Residual Land Value

The financial pro forma models estimate the residual land value for: (1) a base case consisting of a 100% market-rate development; and (2) a development that complies with an inclusionary requirement, i.e., 5% at Low Income and 4% at Moderate Income. The base case residual land value outcome can then be measured against the residual land value that is generated when the 5% Low/4% Moderate Income requirement is imposed. The economic impact of incorporating the City’s proposed inclusionary requirement on-site is summarized in Table II-4.

<b>Table II-4: Economic Impact of Incorporating Affordable Housing On-Site</b>					
Residual Land Value Per Unit	RENTAL				Average
	Garden Apartments	Stacked Flats over Tuck-Under Parking	Stacked Flats over Podium Parking	Mixed-Use Flats over Podium/Subterranean	
100% Market-Rate	\$105,000	\$88,000	\$38,000	\$17,000	\$62,000
91% Market-Rate / 9% Affordable	\$84,000	\$63,000	\$13,000	(\$6,000)	\$38,500
<b>Economic Impact of Incorporating Affordable Housing On-Site</b>					
Per Market-Rate Unit	(\$21,000)	(\$25,000)	(\$25,000)	(\$23,000)	(\$23,500)
Per Market-Rate Net SF	(\$21)	(\$29)	(\$32)	(\$32)	(\$28)

As shown in Table II-4, the economic impact of including 5% Low Income and 4% Moderate Income units on-site are estimated to range from \$21,000 to \$25,000 per market-rate unit, or \$21 to \$32 per SF of market-rate residential living area.

**E. Approach 2: Funding Level Required to Implement Inclusionary Housing Production in an Off-Site Location**

KMA also prepared estimates of the affordability gaps associated with developing affordable housing in an off-site location. The purpose of this financial analysis was to estimate the funding gap that would be required for either a market-rate residential developer or the City to create the targeted inclusionary housing production in a separate off-site location.

Low Income

As detailed in Appendix D, the analysis assumed the off-site affordable housing project affordable to Low Income households to be rental apartments, in a stacked flat configuration over podium parking, consisting of 86 units on a 1.0-acre site. KMA estimated the development costs, operating budget, and anticipated funding sources for the off-site affordable housing development prototype.

The KMA analysis assumed that the affordable development is financed with 9% or 4% Low Income Housing Tax Credits (Tax Credits). The development budget for the 4% Tax Credit scenario was also assumed to include the payment of prevailing wages due to the inclusion of other State funding. Additional key assumptions used in the affordability gap analysis are as follows:

- Total development costs, excluding acquisition, estimated to average \$504,000 per unit.
- Acquisition costs estimated at \$38,000 per unit.
- Monthly rents at an average of 50% AMI in order to competitively apply for Tax Credits.

The resulting stabilized annual net operating income generated by the affordable units are shown in Table II-5 (allow for rounding).

<b>Table II-5: Off-Site Affordable Units – Net Operating Income</b>		
<b>Per Unit Per Year</b>	<b>9% Tax Credits</b>	<b>4% Tax Credits</b>
Average Monthly Rent, 2022	\$1,100	\$1,100
Effective Gross Income	\$13,291	\$13,291
(Less) Operating Expenses	(\$6,093)	(\$6,953)
Net Operating Income	\$7,198	\$6,337

Funding sources available for the affordable units are assumed to include a combination of first mortgage debt, Tax Credit equity investment, State funding sources, and deferred developer fee/General Partner equity contribution. These potential funding sources are itemized in Table II-6.

<b>Table II-6: Off-Site Affordable Units – Sources of Funds per Unit</b>		
	<b>9% Tax Credits</b>	<b>4% Tax Credits</b>
Supportable Permanent Loan	\$97,000	\$97,000
Tax Credit Equity Investment	\$265,000	\$240,000
Other State Funding Sources	\$0	\$75,000
Deferred Developer Fee/General Partner Equity	\$0	\$40,000
Income During Lease-Up	\$0	\$0
Total Sources of Funds	\$363,000	\$452,000

As shown in Table II-7, the affordability gap for a Low Income affordable unit is estimated to average \$134,000 per affordable unit. These figures are calculated as the difference between total development costs and total funding sources.

<b>Table II-7: Off-Site Affordable Units – Affordability Gap per Unit</b>			
	<b>9% Tax Credits</b>	<b>4% Tax Credits</b>	<b>Average</b>
Total Sources of Funds	\$363,000	\$452,000	\$408,000
(Less) Total Development Costs	(\$451,000)	(\$556,000)	(\$504,000)
(Less) Acquisition Costs	(\$38,000)	(\$38,000)	(\$38,000)
Affordability Gap per Affordable Unit	(\$126,000)	(\$142,000)	(\$134,000)

As shown above, KMA estimates that an affordable rental unit has an estimated average financing gap of \$134,000. In other words, for the market-rate developer or City to facilitate creation of off-site Low Income unit, it would need to contribute \$134,000 per affordable rental unit. As shown in Table II-8, assuming a 5% Low Income inclusionary requirement, the required number of off-site Low Income units is calculated against the total number of market-rate units approved plus the inclusionary units produced off-site. This equates to \$7,050 per market-rate unit developed (i.e., \$134,000 ÷ 95% x 5%).

<b>Table II-8: Estimate of Funding Gap for Off-Site Units - Low Income</b>	
Affordability Gap per Off-Site Affordable Unit	(\$134,000)
<u>Per Market-Rate Unit</u> @ 5% Low Income Inclusionary Set-Aside	(\$7,050)

Moderate Income

KMA also prepared an estimate of the affordability gap associated with developing Moderate Income affordable housing in an off-site location. KMA assumed the off-site Moderate Income housing to be developed in a stacked flat configuration over podium parking, similar to the 75-unit stacked flats over podium parking residential prototype modeled in Section II of this report. Using the same framework and assumptions described in Section II, KMA estimates the financing gap required to develop a Moderate Income unit in an off-site location is \$100,000 per affordable rental unit. As shown in Table II-9, this figure is calculated as the residual land value outcome assuming 100% of units at Moderate Income plus an acquisition cost estimate of \$38,000 per unit.

<b>Table II-9: Off-Site Affordable Units – Affordability Gap per Unit - Moderate Income</b>	
Residual Land Value per Affordable Unit	(\$62,000)
(Less) Acquisition Costs	(\$38,000)
<b>Affordability Gap per Affordable Unit</b>	<b>(\$100,000)</b>

Assuming a 4% Moderate Income inclusionary requirement, the required number of off-site Moderate Income units is calculated against the total number of market-rate units approved plus the inclusionary units produced off-site. As shown in Table II-10, this equates to \$5,260 per market-rate unit developed (i.e., \$100,000 ÷ 96% x 4%).

<b>Table II-10: Estimate of Funding Gap for Off-Site Units - Moderate Income</b>	
Affordability Gap per Off-Site Affordable Unit	(\$100,000)
<u>Per Market-Rate Unit</u> @ 4% Moderate Income Inclusionary Set-Aside	(\$5,260)

Funding Gap for Affordable Housing Off-Site

The funding gap outcome for off-site inclusionary housing can be expressed on both a per-unit basis and per-SF basis relative to the market-rate residential development. KMA estimates that the City would need to receive an in-lieu fee of \$12,310 per market-rate unit, or a per-SF fee ranging between \$12 and \$17, depending on the market-rate prototype, or an average of \$15 per SF living area, as shown in Table II-11.

<b>Table II-11: Funding Level Required to Create Affordable Housing Off-Site</b>					
	RENTAL				Average
	Garden Apartments	Stacked Flats over Tuck-Under Parking	Stacked Flats over Podium Parking	Mixed-Use Flats over Podium/Subterranean	
Per Market-Rate Unit					
Low Income	\$7,050	\$7,050	\$7,050	\$7,050	\$7,050
Moderate Income	<u>\$5,260</u>	<u>\$5,260</u>	<u>\$5,260</u>	<u>\$5,260</u>	<u>\$5,260</u>
Total Market Rate Unit	\$12,310	\$12,310	\$12,310	\$12,310	\$12,310
Per Market-Rate Net SF	\$12	\$14	\$16	\$17	\$15

**F. Potential In-Lieu Fees**

As summarized in Table II-12, in view of Approaches 1 and 2 above, the City may wish to consider an in-lieu fee of \$10,000 to \$15,000 per market-rate unit, or between \$12 and \$17 per SF of market-rate residential living area.

<b>Table II-12: Potential Fee Levels – 5% Low Income / 4% Moderate Income</b>			
	<b>Approach to Setting Fee Levels</b>		<b>Potential Fee Levels</b>
	<b>Approach 1: On-Site Production</b>	<b>Approach 2: Off-Site Production</b>	
Per Market-Rate Unit	Average: \$23,500	\$12,310	<b>\$10,000 to \$15,000</b>
Per Market-Rate Net SF	Average: \$28	Average: \$15	<b>\$12 to \$17</b>

This potential fee range is based on the off-site production approach, rather than the on-site production approach. As shown in the table, the on-site production approach results in a much higher in-lieu fee that could present a feasibility challenge for some market-rate projects. It should be noted that using the off-site production approach as the benchmark results in a per-unit in-lieu fee that is higher than existing per-unit fees found in other areas of the County. On a per-SF basis, the potential fee range falls toward the lower end of the range of, or below, comparable per -SF fees found in other areas of the County, see Section IV and Appendix D for further detail.

### III. POTENTIAL FEE LEVEL ADJUSTMENTS

Some jurisdictions apply an automatic adjustment to their in-lieu fee on an annual basis. This provision ensures that the fees charged will adjust annually to reflect changes in housing production costs. A review of potential indices that could be used to adjust the fee in the future is presented in Table III-1.

Table III-1: Potential Indices for Fee Level Adjustment			
Index	Concept / Description	Advantages	Disadvantages
#1 Building Cost Index (BCI)	Fees go up or down based on building construction costs.  Published by Engineering News Record (ENR).  Available at national average and for 20 cities (not Vista or San Diego; Los Angeles is nearest city available).	Very well established.  Consistent fee burden over time relative to construction costs.	May not trend with changes in non-construction development costs (land, other soft costs).  May not trend with cost to produce affordable units.  Only addresses cost side of the equation.
#2 Construction Costs Index (CCI)	Also published by ENR and similar to Building Cost Index but with different weighting of labor and material cost categories.	Same as above.	Same as above.
#3 Consumer Price Index (CPI)	Published by the U.S. Bureau of Labor Statistics. Available for major metro areas including San Diego.	Very well established.  Generally tracks with inflation.  Produced by neutral governmental agency.	May not trend with:  - Construction costs (consistent fee burden)  or  - Cost to produce affordable units (consistent ability to mitigate impacts)

As shown in Table III-2, between 2006 and 2021, the average annual growth rate for the various indices ranged between 2.28% and 3.01%. Had the annual growth rates from these indices been applied to the City's former partial unit in-lieu fees of \$13,000 per market-rate rental unit and \$20,000 per market-rate for-sale unit in 2006, the in-lieu fees would have increased to between \$18,224 and \$20,296 per market-rate rental unit and between \$28,037 and \$31,225 per market-rate for-sale unit in 2021. These outcomes exceed the potential fee range of \$10,000 to \$15,000 per market-rate unit identified in this Study.

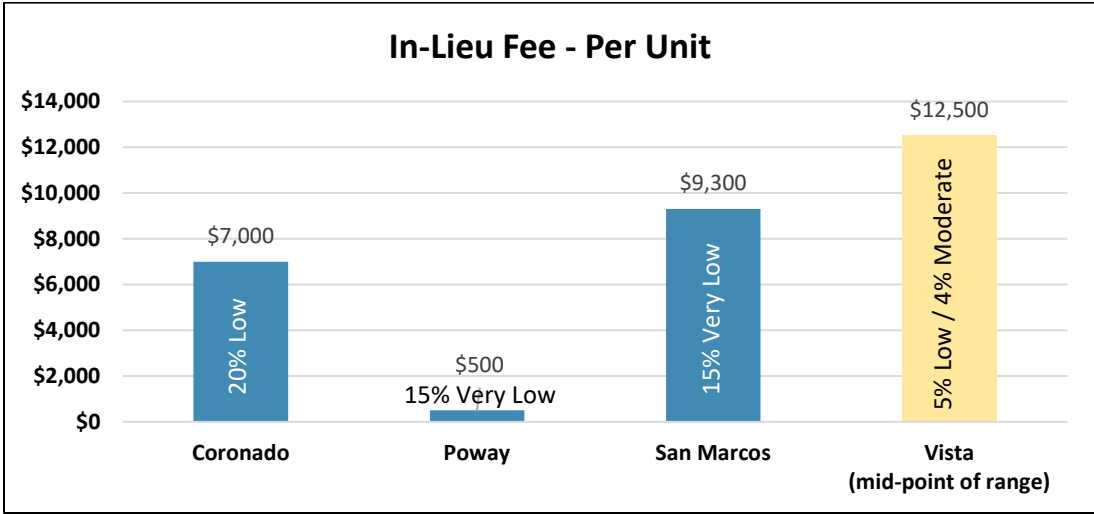
<b>Table III-2: Average Annual Growth Rate Applied to 2006 In-Lieu Fee Levels</b>			
	<b>Building Cost Index (BCI)</b>	<b>Construction Cost Index (CCI)</b>	<b>Consumer Price Index (CPI)</b>
Former In-Lieu Fee, 2006			
Rental	\$13,000	\$13,000	\$13,000
For-Sale	\$20,000	\$20,000	\$20,000
Average Annual Growth Rate, 2006-2021	3.01%	2.61%	2.28%
Estimated In-Lieu Fee, 2021			
Rental	\$20,296	\$19,127	\$18,224
For-Sale	\$31,225	\$29,426	\$28,037



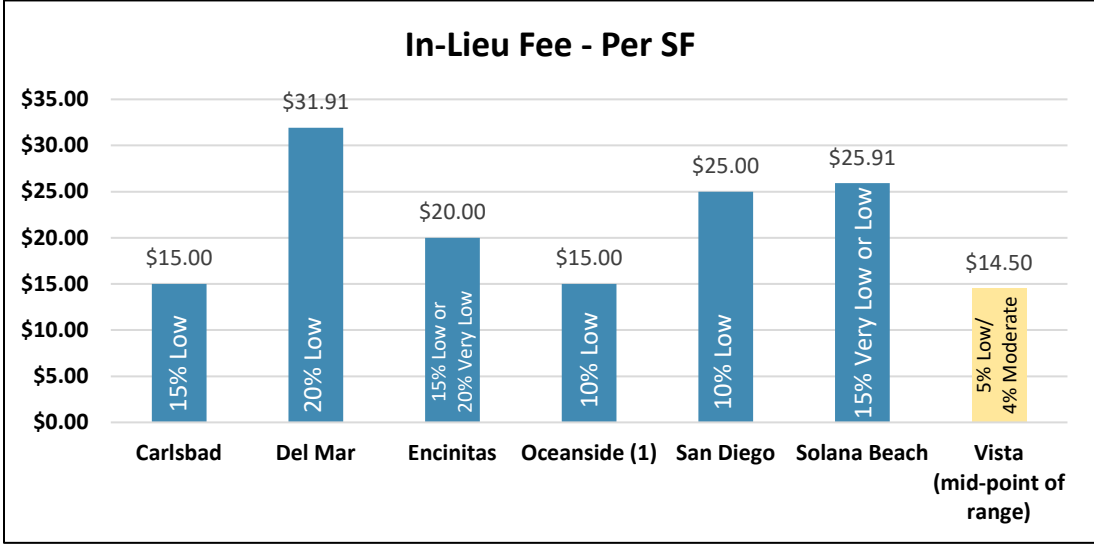
#### IV. SURVEY OF SAN DIEGO COUNTY JURISDICTIONS

KMA conducted a survey of inclusionary in-lieu fees and affordable housing impact fees in other San Diego County communities. The survey is summarized in Exhibits IV-1 and IV-2, in comparison with potential fee levels for the City of Vista on a per-unit and per-SF basis, respectively. Further information on each jurisdiction’s inclusionary program and fee levels is presented in Appendix D.

**Exhibit IV-1: Vista Potential Fee Levels vs. San Diego County Jurisdictions – Per Unit**



**Exhibit IV-2: Vista Potential Fee Levels vs. San Diego County Jurisdictions - Per SF**



(1) Reflects in-lieu fee amount to be considered by the Oceanside City Council on December 7, 2022, an increase from the City’s current fee of \$8.82/SF.

As shown in the above exhibits, the recommended per-unit fee for the City (\$10,000 to \$15,000, or a midpoint of \$12,500) would exceed other per-unit fees in the County. However, the recommended per-SF fee for the City (\$12 to \$17, or a midpoint of \$14.50) falls below all other surveyed jurisdictions that charge fees on a per-SF basis.

Inclusionary housing programs and in-lieu fees vary widely throughout the County in terms of fee levels and threshold requirements for the payment of in-lieu fees. Key factors for these variations appear to relate to local housing market conditions, real estate development trends, State-mandated affordable housing obligations, and policy direction from public officials.

## **V. LIMITING CONDITIONS**

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
6. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.
7. KMA is not advising or recommending any action be taken by City of Vista with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues).
8. KMA is not acting as a Municipal Advisor to the City of Vista and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City of Vista pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.

9. The City of Vista shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own municipal advisors, that it deems appropriate before acting on the information and material.

## **APPENDICES**

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## **APPENDIX A**

### **Summary of Potential In-Lieu Fees**

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TABLE A-1

ESTIMATE OF POTENTIAL IN-LIEU FEE - APPROACH 1: ECONOMIC IMPACT OF INCORPORATING AFFORDABLE HOUSING ON-SITE  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

	A	B	C	D	E
	Garden Apartments	Stacked Flats over Tuck-Under Parking	Stacked Flats over Podium Parking	Mixed-Use Stacked Flats over Podium/Subterranean	Average
I. Residual Land Value - Per unit 100% Market-Rate	\$105,000	\$88,000	\$38,000	\$17,000	\$62,000
<b>5% LOW INCOME / 4% MODERATE INCOME</b>					
II. Residual Land Value - Per Unit 91% Market-Rate / 9% Affordable	\$84,000	\$63,000	\$13,000	(\$6,000)	\$38,500
III. Economic Impact of Affordable Housing On-Site Per Market-Rate Unit	(\$21,000)	(\$25,000)	(\$25,000)	(\$23,000)	(\$23,500)
<i>% Change</i>	<i>-20.0%</i>	<i>-28.4%</i>	<i>-65.8%</i>	<i>-135.3%</i>	<i>-37.9%</i>
Per Market-Rate Net SF	(\$21)	(\$29)	(\$32)	(\$32)	(\$28)
Per SF Site Area	(\$10)	(\$26)	(\$43)	(\$53)	(\$33)

TABLE A-2

ESTIMATE OF POTENTIAL IN-LIEU FEE - APPROACH 2: FUNDING LEVEL REQUIRED FOR INCLUSIONARY HOUSING PRODUCTION OFF-SITE  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

	A	B	C	D	E
	Garden Apartments	Stacked Flats over Tuck-Under Parking	Stacked Flats over Podium Parking	Mixed-Use Stacked Flats over Podium/ Subterranean	Average
<b>5% LOW</b>					
<b>I. Affordability Gap</b>					
<b>A. Residual Land Value per Affordable Unit</b> <sup>(1)</sup>	(\$96,000)	(\$96,000)	(\$96,000)	(\$96,000)	(\$96,000)
<b>B. Acquisition Costs</b> <sup>(2)</sup>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>
<b>C. Affordability Gap per Affordable Unit</b>	(\$134,000)	(\$134,000)	(\$134,000)	(\$134,000)	(\$134,000)
<b>II. Funding Required for Inclusionary Housing Production Off-Site</b>					
<b>Affordability Gap per Market-Rate Unit @ 5.0%</b> <sup>(3)</sup>	<b>(\$7,050)</b>	<b>(\$7,050)</b>	<b>(\$7,050)</b>	<b>(\$7,050)</b>	<b>(\$7,050)</b>
<b>4% MODERATE</b>					
<b>III. Affordability Gap</b>					
<b>A. Residual Land Value per Affordable Unit</b> <sup>(4)</sup>	(\$62,000)	(\$62,000)	(\$62,000)	(\$62,000)	(\$62,000)
<b>B. Acquisition Costs</b> <sup>(2)</sup>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>	<u>(\$38,000)</u>
<b>C. Affordability Gap per Affordable Unit</b>	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
<b>IV. Funding Required for Inclusionary Housing Production Off-Site</b>					
<b>Affordability Gap per Market-Rate Unit @ 4.0%</b> <sup>(5)</sup>	<b>(\$5,260)</b>	<b>(\$5,260)</b>	<b>(\$5,260)</b>	<b>(\$5,260)</b>	<b>(\$5,260)</b>
<b>V. Economic Impact of Off-Site Inclusionary Housing</b>					
<b>Per Market-Rate Unit (II + IV)</b>	<b>(\$12,310)</b>	<b>(\$12,310)</b>	<b>(\$12,310)</b>	<b>(\$12,310)</b>	<b>(\$12,310)</b>
<b>% Change</b>	<b>-11.7%</b>	<b>-14.0%</b>	<b>-32.4%</b>	<b>-72.4%</b>	<b>-19.9%</b>
<b>Per Market-Rate Net SF</b>	<b>(\$12)</b>	<b>(\$14)</b>	<b>(\$16)</b>	<b>(\$17)</b>	<b>(\$15)</b>
<b>Per SF Site Area</b>	<b>(\$6)</b>	<b>(\$13)</b>	<b>(\$21)</b>	<b>(\$28)</b>	<b>(\$17)</b>

- (1) Average residual land value for 100% affordable stacked flats over podium parking financed with 9% and 4% tax credits.
- (2) Reflects residual land value for stacked flats over podium parking prototype assuming 100% of units at market rent.
- (3) Assumes inclusionary requirement applied to total number of market-rate units approved [i.e., (gap ÷ 95%) x 5%].
- (4) Reflects residual land value for stacked flats over podium parking prototype assuming 100% of units at moderate income.
- (5) Assumes inclusionary requirement applied to total number of market-rate units approved [i.e., (gap ÷ 96%) x 4%].



## **APPENDIX B**

### **Estimate of Affordable Rents**

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**TABLE B-1**

**ESTIMATE OF AFFORDABLE RENTS - 50% AMI, 2022  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

<b>Number of Bedrooms</b>	<b>1</b>	<b>2</b>	<b>3</b>
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**A. City of Vista**

Percent of AMI	50%	50%	50%
Assumed Family Size	2.0	3.0	4.0
Household Income <sup>(1)</sup>	\$42,775	\$48,100	\$53,450
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$1,069	\$1,203	\$1,336
(Less) Utility Allowance <sup>(2)</sup>	<u>(\$62)</u>	<u>(\$80)</u>	<u>(\$97)</u>

<b>Maximum Monthly Rent</b>	<b>\$1,007</b>	<b>\$1,123</b>	<b>\$1,239</b>
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**B. Low Income Housing Tax Credit (LIHTC) Program**

Percent of AMI	50%	50%	50%
Assumed Family Size	1.5	3.0	4.5
Household Income <sup>(3)</sup>	\$48,800	\$58,550	\$67,675
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost <sup>(4)</sup>	\$1,220	\$1,463	\$1,691
(Less) Utility Allowance <sup>(2)</sup>	<u>(\$62)</u>	<u>(\$80)</u>	<u>(\$97)</u>

<b>Maximum Monthly Rent</b>	<b>\$1,158</b>	<b>\$1,383</b>	<b>\$1,594</b>
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<b>C. Maximum Monthly Rent</b>	<b>\$1,007</b>	<b>\$1,123</b>	<b>\$1,239</b>
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(1) State of California Department of Housing and Community Development (HCD) 2022 income limits.

(2) Reflects County of San Diego utility allowances, as of December 1, 2021.

<u>Monthly Utility</u>	<u>One</u>	<u>Two</u>	<u>Three</u>
Electric Heating	\$9	\$12	\$14
Electric Cooking	\$5	\$7	\$8
Other Electric	\$29	\$37	\$45
Electric Water Heating	<u>\$19</u>	<u>\$24</u>	<u>\$30</u>
Total	\$62	\$80	\$97

(3) California Tax Credit Allocation Committee 2022 maximum income levels for projects placed in service on or after April 18, 2022.

(4) California Tax Credit Allocation Committee 2022 maximum rents for projects placed in service on or after April 18, 2022.

**TABLE B-2**

**ESTIMATE OF AFFORDABLE RENTS - 60% AMI, 2022  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

<b>Number of Bedrooms</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>A. <u>City of Vista</u></b>			
Percent of AMI	60%	60%	60%
Assumed Family Size	2.0	3.0	4.0
Household Income <sup>(1)</sup>	\$51,330	\$57,720	\$64,140
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$1,283	\$1,443	\$1,604
(Less) Utility Allowance <sup>(2)</sup>	<u>(\$62)</u>	<u>(\$80)</u>	<u>(\$97)</u>
<b>B. <u>Maximum Monthly Rent</u></b>	<b>\$1,221</b>	<b>\$1,363</b>	<b>\$1,507</b>

(1) State of California Department of Housing and Community Development (HCD) 2022 income limits.

(2) Reflects County of San Diego utility allowances, as of December 1, 2021.

<u>Monthly Utility</u>	<u>One</u>	<u>Two</u>	<u>Three</u>
Electric Heating	\$9	\$12	\$14
Electric Cooking	\$5	\$7	\$8
Other Electric	\$29	\$37	\$45
Electric Water Heating	<u>\$19</u>	<u>\$24</u>	<u>\$30</u>
Total	\$62	\$80	\$97

**TABLE B-3**

**ESTIMATE OF AFFORDABLE RENTS - 110% AMI, 2022  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

<b>Number of Bedrooms</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>A. <u>City of Vista</u></b>			
Percent of AMI	110%	110%	110%
Assumed Family Size	2.0	3.0	4.0
Household Income <sup>(1)</sup>	\$94,105	\$105,820	\$117,590
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$2,353	\$2,646	\$2,940
(Less) Utility Allowance <sup>(2)</sup>	<u>(\$62)</u>	<u>(\$80)</u>	<u>(\$97)</u>
<b>B. <u>Maximum Monthly Rent</u></b>	<b><u>\$2,291</u></b>	<b><u>\$2,566</u></b>	<b><u>\$2,843</u></b>

(1) State of California Department of Housing and Community Development (HCD) 2022 income limits.

(2) Reflects County of San Diego utility allowances, as of December 1, 2021.

<u>Monthly Utility</u>	<u>One</u>	<u>Two</u>	<u>Three</u>
Electric Heating	\$9	\$12	\$14
Electric Cooking	\$5	\$7	\$8
Other Electric	\$29	\$37	\$45
Electric Water Heating	<u>\$19</u>	<u>\$24</u>	<u>\$30</u>
Total	\$62	\$80	\$97

## **APPENDIX B**

### **In-Lieu Fee Financial Analysis**

#### **Approach 1: On-Site Production**

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TABLE C-1

PROTOTYPE PROJECT DESCRIPTIONS  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

	Garden Apartments	Stacked Flats over Tuck-Under Parking	Stacked Flats over Podium Parking	Mixed-Use Stacked Flats over Podium/Subterranean Parking
				
<b>I. Site Area</b>	6.0 Acres	1.50 Acres	1.0 Acres	1.0 Acres
<b>II. Gross Building Area (GBA)</b>				
<b>A. Residential</b>				
Net Rentable Area	121,800 SF      94%	56,950 SF      88%	59,250 SF      83%	72,000 SF      82%
Amenities	1,500 SF      1%	1,500 SF      2%	1,500 SF      2%	3,000 SF      3%
Circulation/Common Area	<u>6,500</u> SF <u>5%</u>	<u>6,500</u> SF <u>10%</u>	<u>10,700</u> SF <u>15%</u>	<u>13,200</u> SF <u>15%</u>
Total GBA - Residential	129,800 SF      100%	64,950 SF      100%	71,450 SF      100%	88,200 SF      100%
<b>B. Retail/Restaurant</b>	---	---	---	<u>10,000</u> SF
<b>C. Total GBA</b>	129,800 SF	64,950 SF	71,450 SF	98,200 SF
<b>III. Unit Mix</b>	<b># of Units</b> <b>Unit Size</b>	<b># of Units</b> <b>Unit Size</b>	<b># of Units</b> <b>Unit Size</b>	<b># of Units</b> <b>Unit Size</b>
One Bedroom	36 Units      30%      750 SF	27 Units      40%      700 SF	30 Units      40%      650 SF	40 Units      40%      600 SF
Two Bedroom	72 Units      60%      1,100 SF	40 Units      60%      950 SF	45 Units      60%      875 SF	60 Units      60%      800 SF
Three Bedroom	<u>12</u> Units <u>10%</u> <u>1,300</u> SF	<u>0</u> Units <u>0%</u> -- SF	<u>0</u> Units <u>0%</u> -- SF	<u>0</u> Units <u>0%</u> -- SF
Total/Average	120 Units      100%      1,015 SF	67 Units      100%      850 SF	75 Units      100%      785 SF	100 Units      100%      720 SF
<b>IV. Number of Units</b>	120 Units	67 Units	75 Units	100 Units
<b>V. Density</b>	20 Units/Acre	45 Units/Acre	75 Units/Acre	100 Units/Acre
<b>VI. Construction Type</b>	Type V	Type V	Type V	Type V
<b>VII. Stories</b>	2 - 3 Stories	3 Stories	4 Stories	5 Stories
<b>VIII. FAR</b>	0.50 FAR	0.99 FAR	1.64 FAR	2.25 FAR
<b>IX. Parking</b>				
Type	Surface	Tuck-Under	Podium	Podium/Subterranean
Spaces - Residential	300 Spaces	101 Spaces	100 Spaces	155 Spaces
Ratio	2.50 Spaces/Unit	1.51 Spaces/Unit	1.33 Spaces/Unit	1.55 Spaces/Unit
Ratio - Retail/Restaurant	--	--	--	3.0 Spaces/1,000 SF

TABLE C-2

DEVELOPMENT COSTS  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

	Garden Apartments			Stacked Flats over Tuck-Under Parking			Stacked Flats over Podium Parking			Mixed-Use Stacked Flats over Podium/Subterranean Parking		
	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments
<b>I. Direct Costs</b>												
Off-Site Improvements (1)	\$1,307,000	\$11,000	\$5 Per SF Site	\$327,000	\$5,000	\$5 Per SF Site	\$218,000	\$3,000	\$5 Per SF Site	\$218,000	\$2,000	\$5 Per SF Site
On-Site Improvements/Landscaping (1)	\$3,920,000	\$33,000	\$15 Per SF Site	\$980,000	\$15,000	\$15 Per SF Site	\$653,000	\$9,000	\$15 Per SF Site	\$653,000	\$7,000	\$15 Per SF Site
Parking	\$0	\$0	\$0 Per Space	\$2,020,000	\$30,000	\$20,000 Per Space	\$3,000,000	\$40,000	\$30,000 Per Space	\$6,200,000	\$62,000	\$40,000 Per Space
Shell Construction - Residential	\$25,960,000	\$216,000	\$200 Per SF GBA	\$16,238,000	\$242,000	\$250 Per SF GBA	\$19,649,000	\$262,000	\$275 Per SF GBA	\$28,478,000	\$285,000	\$290 Per SF GBA Residential
Shell Construction - Retail	--	--	-- --	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$2,000,000	\$20,000	\$200 Per SF GBA Retail
FF&E/Amenities	\$900,000	\$7,500	\$7 Per SF GBA	\$335,000	\$5,000	\$5 Per SF GBA	\$375,000	\$5,000	\$5 Per SF GBA	\$500,000	\$5,000	\$5 Per SF GBA
Tenant Improvements	--	--	-- --	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$500,000	\$5,000	\$50 Per SF Retail
Contingency	<u>\$1,604,000</u>	<u>\$13,000</u>	5.0% of Above Directs	<u>\$995,000</u>	<u>\$15,000</u>	5.0% of Above Directs	<u>\$1,195,000</u>	<u>\$16,000</u>	5.0% of Above Directs	<u>\$1,927,000</u>	<u>\$19,000</u>	5.0% of Above Directs
<b>Total Direct Costs</b>	<b>\$33,691,000</b>	<b>\$281,000</b>	<b>\$260 Per SF GBA</b>	<b>\$20,895,000</b>	<b>\$312,000</b>	<b>\$322 Per SF GBA</b>	<b>\$26,285,000</b>	<b>\$350,000</b>	<b>\$368 Per SF GBA</b>	<b>\$42,403,000</b>	<b>\$424,000</b>	<b>\$432 Per SF GBA</b>
<b>II. Indirect Costs</b>												
Architecture & Engineering	\$1,685,000	\$14,000	5.0% of Directs	\$1,045,000	\$16,000	5.0% of Directs	\$1,314,000	\$18,000	5.0% of Directs	\$2,120,000	\$21,000	5.0% of Directs
Permits & Fees (2)	\$3,776,000	\$31,000	\$29 Per SF GBA	\$2,093,000	\$31,000	\$32 Per SF GBA	\$2,328,000	\$31,000	\$33 Per SF GBA	\$3,194,000	\$32,000	\$33 Per SF GBA
Legal & Accounting	\$505,000	\$4,000	1.5% of Directs	\$313,000	\$5,000	1.5% of Directs	\$394,000	\$5,000	1.5% of Directs	\$636,000	\$6,000	1.5% of Directs
Taxes & Insurance	\$505,000	\$4,000	1.5% of Directs	\$313,000	\$5,000	1.5% of Directs	\$394,000	\$5,000	1.5% of Directs	\$636,000	\$6,000	1.5% of Directs
Developer Fee	\$1,348,000	\$11,000	4.0% of Directs	\$836,000	\$12,000	4.0% of Directs	\$1,051,000	\$14,000	4.0% of Directs	\$1,696,000	\$17,000	4.0% of Directs
Marketing/Lease-Up	\$600,000	\$5,000	1.8% of Directs	\$335,000	\$5,000	1.6% of Directs	\$375,000	\$5,000	1.4% of Directs	\$500,000	\$5,000	1.2% of Directs
Contingency	<u>\$421,000</u>	<u>\$4,000</u>	5.0% of Above Indirects	<u>\$247,000</u>	<u>\$4,000</u>	5.0% of Above Indirects	<u>\$293,000</u>	<u>\$4,000</u>	5.0% of Above Indirects	<u>\$439,000</u>	<u>\$4,000</u>	5.0% of Above Indirects
<b>Total Indirect Costs</b>	<b>\$8,840,000</b>	<b>\$74,000</b>	<b>26.2% of Directs</b>	<b>\$5,182,000</b>	<b>\$77,000</b>	<b>24.8% of Directs</b>	<b>\$6,149,000</b>	<b>\$82,000</b>	<b>23.4% of Directs</b>	<b>\$9,221,000</b>	<b>\$92,000</b>	<b>21.7% of Directs</b>
<b>III. Financing Costs (3)</b>	<b>\$3,369,000</b>	<b>\$28,000</b>	<b>10.0% of Directs</b>	<b>\$2,090,000</b>	<b>\$31,000</b>	<b>10.0% of Directs</b>	<b>\$2,629,000</b>	<b>\$35,000</b>	<b>10.0% of Directs</b>	<b>\$4,240,000</b>	<b>\$42,000</b>	<b>10.0% of Directs</b>
<b>IV. Development Costs (4)</b>	<b>\$45,900,000</b>	<b>\$383,000</b>	<b>\$354 Per SF GBA</b>	<b>\$28,167,000</b>	<b>\$420,000</b>	<b>\$434 Per SF GBA</b>	<b>\$35,063,000</b>	<b>\$468,000</b>	<b>\$491 Per SF GBA</b>	<b>\$55,864,000</b>	<b>\$559,000</b>	<b>\$569 Per SF GBA</b>

(1) Estimated allowance; not verified by KMA or the City of Vista.

(2) Per City of Vista, includes building fees, development impact fees, potable and reclaimed water meter fees, and Vista Unified School District fees.

(3) Includes loan fees, interest during construction, and interest lease-up.

(4) Excludes acquisition costs.

TABLE C-3

NET OPERATING INCOME  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

		Garden Apartments								
		100% @ Market-Rate				91% @ Market-Rate/9% @ Affordable				
I. Gross Scheduled Income (GSI)		Unit Size	# Units	\$/SF	\$/Month	Annual	# Units	\$/SF	\$/Month <sup>(1)</sup>	Annual
A. Market-Rate										
One Bedroom	750 SF	36	\$3.00	\$2,250	\$972,000	32	\$3.00	\$2,250	\$864,000	
Two Bedroom	1,100 SF	72	\$2.75	\$3,030	\$2,618,000	66	\$2.75	\$3,030	\$2,400,000	
Three Bedroom	<u>1,300</u> SF	<u>12</u>	<u>\$2.50</u>	<u>\$3,250</u>	<u>\$468,000</u>	<u>11</u>	<u>\$2.50</u>	<u>\$3,250</u>	<u>\$429,000</u>	
Subtotal/Average	1,015 SF	120	\$2.78	\$2,820	\$4,058,000	109	\$2.78	\$2,820	\$3,693,000	
B. Low Income <sup>(2)</sup>										
One Bedroom	750 SF	--	--	--	--	2	\$1.63	\$1,221	\$29,000	
Two Bedroom	1,100 SF	--	--	--	--	3	\$1.24	\$1,363	\$49,000	
Three Bedroom	<u>1,300</u> SF	--	--	--	--	<u>1</u>	<u>\$1.16</u>	<u>\$1,507</u>	<u>\$18,000</u>	
Subtotal/Average	1,017 SF	--	--	--	--	6	\$1.31	\$1,333	\$96,000	
C. Moderate Income <sup>(3)</sup>										
One Bedroom	750 SF	--	--	--	--	2	\$3.00	\$2,250 <sup>(4)</sup>	\$54,000	
Two Bedroom	1,100 SF	--	--	--	--	3	\$2.33	\$2,566 <sup>(4)</sup>	\$92,000	
Three Bedroom	<u>1,300</u> SF	--	--	--	--	<u>0</u>	<u>\$2.19</u>	<u>\$2,843<sup>(4)</sup></u>	<u>\$0</u>	
Subtotal/Average	960 SF	--	--	--	--	5	\$2.53	\$2,433	\$146,000	
D. Total/Average	1,017 SF	120	\$2.75	\$2,800	\$4,058,000	120	\$2.69	\$2,733	\$3,935,000	
Add: Other Income			\$100 /Unit/Month		<u>\$144,000</u>		\$75 /Unit/Month		<u>\$108,000</u>	
E. Total Gross Scheduled Income (GSI)					\$4,202,000				\$4,043,000	
II. Effective Gross Income										
(Less) Vacancy			5.0% of GSI		<u>(\$210,000)</u>		5.0% of GSI		<u>(\$202,000)</u>	
Effective Gross Income (EGI)					\$3,992,000				\$3,841,000	
III. Operating Expenses										
(Less) Operating Expenses			\$4,750 /Unit/Year		(\$570,000)		\$4,750 /Unit/Year		(\$570,000)	
(Less) Property Taxes/Assessments <sup>(2)</sup>			\$6,100 /Unit/Year		(\$732,000)		\$5,825 /Unit/Year		(\$699,000)	
(Less) Replacement Reserves			<u>\$250</u> /Unit/Year		<u>(\$30,000)</u>		<u>\$250</u> /Unit/Year		<u>(\$30,000)</u>	
Total Operating Expenses			\$11,100 /Unit/Year		(\$1,332,000)		\$10,825 /Unit/Year		(\$1,299,000)	
			33.4% of EGI				33.8% of EGI			
IV. Net Operating Income (NOI)					<b>\$2,660,000</b>				<b>\$2,542,000</b>	

(1) Affordable rents based on State of California Department of Housing and Community Development (HCD) 2022 income limits.

(2) Affordable rents reflect 30% monthly income at 60% AMI.

(3) Affordable rents reflect 30% monthly income at 110% AMI.

(4) Reflects the lesser of market rent vs. affordable rents.

(5) Based on capitalized income approach; assumes a 4.00% capitalization rate and a 1.10% tax rate.



TABLE C-4

NET OPERATING INCOME - STACKED FLATS OVER TUCK-UNDER PARKING  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

Stacked Flats over Tuck-Under Parking										
	100% @ Market-Rate					91% @ Market-Rate/9% @ Affordable				
I. Gross Scheduled Income (GSI)	Unit Size	# Units	\$/SF	\$/Month	Annual	# Units	\$/SF	\$/Month <sup>(1)</sup>	Annual	
A. Market-Rate										
One Bedroom	700 SF	27	\$3.50	\$2,450	\$794,000	25	\$3.50	\$2,450	\$735,000	
Two Bedroom	950 SF	40	\$3.50	\$3,330	\$1,598,000	36	\$3.50	\$3,330	\$1,439,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	--
Subtotal/Average	850 SF	67	\$3.51	\$2,980	\$2,392,000	61	\$3.49	\$2,970	\$2,174,000	
B. Low Income (2)										
One Bedroom	700 SF	--	--	--	--	1	\$1.74	\$1,221	\$15,000	
Two Bedroom	950 SF	--	--	--	--	2	\$1.43	\$1,363	\$33,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	--
Subtotal/Average	0 SF	--	--	--	--	3	\$1.54	\$1,333	\$48,000	
C. Moderate Income (3)										
One Bedroom	700 SF	--	--	--	--	1	\$3.27	\$2,291 <sup>(4)</sup>	\$27,000	
Two Bedroom	950 SF	--	--	--	--	2	\$2.70	\$2,566 <sup>(4)</sup>	\$62,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	--
Subtotal/Average	0 SF	--	--	--	--	3	\$2.85	\$2,472	\$89,000	
D. Total/Average	850 SF	67	\$3.53	\$3,000	\$2,392,000	67	\$3.38	\$2,874	\$2,311,000	
Add: Other Income			\$100 /Unit/Month	\$80,000			\$75 /Unit/Month	\$60,000		
E. Total Gross Scheduled Income (GSI)				\$2,472,000				\$2,371,000		
II. Effective Gross Income										
(Less) Vacancy			5.0% of GSI	(\$124,000)			5.0% of GSI	(\$119,000)		
Effective Gross Income (EGI)				\$2,348,000				\$2,252,000		
III. Operating Expenses										
(Less) Operating Expenses			\$5,000 /Unit/Year	(\$335,000)			\$5,000 /Unit/Year	(\$335,000)		
(Less) Property Taxes/Assessments <sup>(5)</sup>			\$6,418 /Unit/Year	(\$431,000)			\$6,119 /Unit/Year	(\$410,000)		
(Less) Replacement Reserves			\$250 /Unit/Year	(\$17,000)			\$250 /Unit/Year	(\$17,000)		
Total Operating Expenses			\$11,672 /Unit/Year	(\$783,000)			\$11,373 /Unit/Year	(\$762,000)		
			33.3% of EGI				33.8% of EGI			
IV. Net Operating Income (NOI)				\$1,565,000				\$1,490,000		

(1) Affordable rents based on State of California Department of Housing and Community Development (HCD) 2022 income limits.

(2) Affordable rents reflect 30% monthly income at 60% AMI.

(3) Affordable rents reflect 30% monthly income at 110% AMI.

(4) Reflects the lesser of market rent vs. affordable rents.

(5) Based on capitalized income approach; assumes a 4.00% capitalization rate and a 1.10% tax rate.

TABLE C-5

NET OPERATING INCOME - STACKED FLATS OVER PODIUM PARKING  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

		Stacked Flats over Podium Parking								
		100% @ Market-Rate				91% @ Market-Rate/9% @ Affordable				
I. Gross Scheduled Income (GSI)		Unit Size	# Units	\$/SF	\$/Month	Annual	# Units	\$/SF	\$/Month <sup>(1)</sup>	Annual
A. Market-Rate										
One Bedroom	650 SF	30	\$3.75	\$2,440	\$878,000	27	\$3.75	\$2,440	\$791,000	
Two Bedroom	875 SF	45	\$3.75	\$3,280	\$1,771,000	41	\$3.75	\$3,280	\$1,614,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	785 SF	75	\$3.75	\$2,940	\$2,649,000	68	\$3.76	\$2,950	\$2,405,000	
B. Low Income (2)										
One Bedroom	650 SF	--	--	--	--	2	\$1.88	\$1,221	\$29,000	
Two Bedroom	875 SF	--	--	--	--	2	\$1.56	\$1,363	\$33,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	763 SF	--	--	--	--	4	\$1.69	\$1,292	\$62,000	
C. Moderate Income (3)										
One Bedroom	650 SF	--	--	--	--	1	\$3.52	\$2,291 <sup>(4)</sup>	\$27,000	
Two Bedroom	875 SF	--	--	--	--	2	\$2.93	\$2,566 <sup>(4)</sup>	\$62,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	800 SF	--	--	--	--	3	\$3.09	\$2,472	\$89,000	
D. Total/Average	763 SF	75	\$3.80	\$2,900	\$2,649,000	75	\$3.72	\$2,840	\$2,556,000	
Add: Other Income			\$125 /Unit/Month	\$113,000			\$100 /Unit/Month	\$90,000		
E. Total Gross Scheduled Income (GSI)					\$2,762,000				\$2,646,000	
II. Effective Gross Income										
(Less) Vacancy			5.0% of GSI	(\$138,000)			5.0% of GSI	(\$132,000)		
Effective Gross Income (EGI)				\$2,624,000				\$2,514,000		
III. Operating Expenses										
(Less) Operating Expenses			\$5,250 /Unit/Year	(\$394,000)			\$5,250 /Unit/Year	(\$394,000)		
(Less) Property Taxes/Assessments <sup>(5)</sup>			\$6,360 /Unit/Year	(\$477,000)			\$6,040 /Unit/Year	(\$453,000)		
(Less) Replacement Reserves			\$250 /Unit/Year	(\$19,000)			\$250 /Unit/Year	(\$19,000)		
Total Operating Expenses			\$11,867 /Unit/Year	(\$890,000)			\$11,547 /Unit/Year	(\$866,000)		
			33.9% of EGI				34.4% of EGI			
IV. Net Operating Income (NOI)					\$1,734,000				\$1,648,000	

(1) Affordable rents based on State of California Department of Housing and Community Development (HCD) 2022 income limits.  
 (2) Affordable rents reflect 30% monthly income at 60% AMI.  
 (3) Affordable rents reflect 30% monthly income at 110% AMI.  
 (4) Reflects the lesser of market rent vs. affordable rents.  
 (5) Based on capitalized income approach; assumes a 4.00% capitalization rate and a 1.10% tax rate.

TABLE C-6

NET OPERATING INCOME - MIXED-USE STACKED FLATS OVER PODIUM/SUBTERRANEAN PARKING  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

		Mixed-Use Stacked Flats over Podium / Subterranean								
		100% @ Market-Rate				91% @ Market-Rate/9% @ Affordable				
I. Net Operating Income - Residential		# Units	\$/SF	\$/Month	Annual	# Units	\$/SF	\$/Month <sup>(1)(2)</sup>	Annual	
Gross Schedule Income	Unit Size									
A. Market-Rate										
One Bedroom	600 SF	40	\$4.00	\$2,400	\$1,152,000	36	\$4.00	\$2,400	\$1,037,000	
Two Bedroom	800 SF	60	\$4.00	\$3,200	\$2,304,000	55	\$4.00	\$3,200	\$2,112,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	720 SF	100	\$4.00	\$2,880	\$3,456,000	91	\$4.00	\$2,880	\$3,149,000	
B. Low Income (2)										
One Bedroom	600 SF	--	--	--	--	2	\$2.04	\$1,221	\$29,000	
Two Bedroom	800 SF	--	--	--	--	3	\$1.70	\$1,363	\$49,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	720 SF	--	--	--	--	5	\$1.81	\$1,300	\$78,000	
C. Moderate Income (3)										
One Bedroom	600 SF	--	--	--	--	2	\$3.82	\$2,291 <sup>(4)</sup>	\$55,000	
Two Bedroom	800 SF	--	--	--	--	2	\$3.21	\$2,566 <sup>(4)</sup>	\$62,000	
Three Bedroom	-- SF	--	--	--	--	--	--	--	--	
Subtotal/Average	700 SF	--	--	--	--	4	\$3.48	\$2,438	\$117,000	
Total/Average	720 SF	100	\$4.00	\$2,880	\$3,456,000	100	\$3.87	\$2,787	\$3,344,000	
Add: Other Income			\$150 /Unit/Month		<u>\$180,000</u>		\$125 /Unit/Month		<u>\$150,000</u>	
Total Gross Scheduled Income (GSI)					\$3,636,000				\$3,494,000	
D. Effective Gross Income										
(Less) Vacancy			5.0% of GSI		<u>(\$182,000)</u>		5.0% of GSI		<u>(\$175,000)</u>	
Effective Gross Income (EGI)					\$3,454,000				\$3,319,000	
E. Operating Expenses										
(Less) Operating Expenses			\$5,500 /Unit/Year		<u>(\$550,000)</u>		\$5,500 /Unit/Year		<u>(\$550,000)</u>	
(Less) Property Taxes/Assessments <sup>(5)</sup>			\$6,210 /Unit/Year		<u>(\$621,000)</u>		\$5,920 /Unit/Year		<u>(\$592,000)</u>	
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$25,000)</u>		<u>\$250 /Unit/Year</u>		<u>(\$25,000)</u>	
Total Operating Expenses			\$11,960 /Unit/Year		<u>(\$1,196,000)</u>		\$11,670 /Unit/Year		<u>(\$1,167,000)</u>	
			34.6% of EGI				35.2% of EGI			
<b>F. Net Operating Income - Residential</b>					<b>\$2,258,000</b>	<b>\$2,152,000</b>				
II. Net Operating Income - Retail										
A. Gross Scheduled Income		10,000 SF	\$3.50 /SF NNN		\$420,000	10,000 SF	\$3.50 /SF NNN		\$420,000	
B. (Less) Vacancy			10.0% of GSI		<u>(\$42,000)</u>		10.0% of GSI		<u>(\$42,000)</u>	
C. Effective Gross Income					\$378,000				\$378,000	
D. (Less) Unreimbursed Operating Expenses			5.0% of EGI		<u>(\$19,000)</u>		5.0% of EGI		<u>(\$19,000)</u>	
<b>E. Net Operating Income - Retail</b>					<b>\$359,000</b>	<b>\$359,000</b>				
<b>III. Total Net Operating Income (I + II)</b>					<b>\$2,617,000</b>	<b>\$2,511,000</b>				

(1) Affordable rents based on State of California Department of Housing and Community Development (HCD) 2022 income limits.  
 (2) Affordable rents reflect 30% monthly income at 60% AMI.  
 (3) Affordable rents reflect 30% monthly income at 110% AMI.  
 (4) Reflects the lesser of market rent vs. affordable rents.  
 (5) Based on capitalized income approach; assumes a 4.00% capitalization rate and a 1.10% tax rate.

TABLE C-7

RESIDUAL LAND VALUE - GARDEN APARTMENTS  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

		Garden Apartments	
		100% @ Market-Rate	91% @ Market Rate / 9% @ Affordable
<b>I. Capitalized Value Upon Completion</b>			
Stabilized Net Operating Income		\$2,660,000	\$2,542,000
Capitalization Rate @		4.00%	4.00%
Capitalized Value Upon Completion	\$554,000 /Unit	\$66,500,000	\$530,000 /Unit \$63,550,000
(Less) Cost of Sale	2.0% of Value	(\$1,330,000)	2.0% of Value (\$1,271,000)
(Less) Target Developer Profit	10.0% of Value	<u>(\$6,650,000)</u>	10.0% of Value <u>(\$6,355,000)</u>
<b>II. Net Sales Proceeds</b>		<b>\$58,520,000</b>	<b>\$55,924,000</b>
(Less) Development Costs		<u>(\$45,900,000)</u>	<u>(\$45,900,000)</u>
<b>III. Residual Land Value</b>		<b>\$12,620,000</b>	<b>\$10,024,000</b>
Per Unit		<b>\$105,000</b>	<b>\$84,000</b>
Per SF Site		<b>\$48</b>	<b>\$38</b>

TABLE C-8

**RESIDUAL LAND VALUE - STACKED FLATS OVER TUCK-UNDER PARKING  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

	Stacked Flats over Tuck-Under Parking			
	100% @ Market-Rate		91% @ Market-Rate / 9% @ Affordable	
<b>I. Capitalized Value Upon Completion</b>				
Stabilized Net Operating Income		\$1,565,000		\$1,490,000
Capitalization Rate @		4.00%		4.00%
Capitalized Value Upon Completion	\$584,000 /Unit	\$39,125,000	\$556,000 /Unit	\$37,250,000
(Less) Cost of Sale	3.0% of Value	(\$1,174,000)	3.0% of Value	(\$1,118,000)
(Less) Target Developer Profit	10.0% of Value	<u>(\$3,913,000)</u>	10.0% of Value	<u>(\$3,725,000)</u>
<b>II. Net Sales Proceeds</b>		<b>\$34,038,000</b>		<b>\$32,407,000</b>
(Less) Development Costs		<u>(\$28,167,000)</u>		<u>(\$28,167,000)</u>
<b>III. Residual Land Value</b>		<b>\$5,871,000</b>		<b>\$4,240,000</b>
Per Unit		<b>\$88,000</b>		<b>\$63,000</b>
Per SF Site		<b>\$90</b>		<b>\$65</b>

TABLE C-9

**RESIDUAL LAND VALUE - STACKED FLATS OVER PODIUM PARKING  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

Stacked Flats over Podium Parking				
100% @ Market-Rate			91% @ Market-Rate / 9% @ Affordable	
<b>I. Capitalized Value Upon Completion</b>				
Stabilized Net Operating Income		\$1,734,000		\$1,648,000
Capitalization Rate @		4.00%		4.00%
Capitalized Value Upon Completion	\$578,000 /Unit	\$43,350,000	\$549,000 /Unit	\$41,200,000
(Less) Cost of Sale	2.5% of Value	(\$1,084,000)	2.5% of Value	(\$1,030,000)
(Less) Target Developer Profit	10.0% of Value	<u>(\$4,335,000)</u>	10.0% of Value	<u>(\$4,120,000)</u>
<b>II. Net Sales Proceeds</b>		<b>\$37,931,000</b>	<b>\$36,050,000</b>	
(Less) Development Costs		<u>(\$35,063,000)</u>		<u>(\$35,063,000)</u>
<b>III. Residual Land Value</b>		<b>\$2,868,000</b>	<b>\$987,000</b>	
Per Unit		<b>\$38,000</b>		<b>\$13,000</b>
Per SF Site		<b>\$66</b>		<b>\$23</b>

TABLE C-10

**RESIDUAL LAND VALUE - MIXED-USE STACKED FLATS OVER PODIUM/SUBTERRANEAN PARKING  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

	Mixed-Use Stacked Flats over Podium/Subterranean Parking			
	100% @ Market-Rate		91% @ Market-Rate / 9% @ Affordable	
<b>I. Capitalized Value Upon Completion</b>				
Stabilized Net Operating Income		\$2,617,000		\$2,511,000
Capitalization Rate @		4.00%		4.00%
Capitalized Value Upon Completion	\$654,000 /Unit	\$65,425,000	\$628,000 /Unit	\$62,775,000
(Less) Cost of Sale	2.0% of Value	(\$1,309,000)	2.0% of Value	(\$1,256,000)
(Less) Target Developer Profit	10.0% of Value	(\$6,543,000)	10.0% of Value	(\$6,278,000)
<b>II. Net Sales Proceeds</b>		<b>\$57,573,000</b>		<b>\$55,241,000</b>
(Less) Development Costs		(\$55,864,000)		(\$55,864,000)
<b>III. Residual Land Value</b>		<b>\$1,709,000</b>		<b>(\$623,000)</b>
Per Unit		\$17,000		(\$6,000)
Per SF Site		\$39		(\$14)

## **APPENDIX D**

### **In-Lieu Fee Financial Analysis**

#### **Approach 2: Off-Site Production**

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TABLE D-1

**PROTOTYPE PROJECT DESCRIPTION  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**



<b>I. Site Area</b>	1.00 Acres		
<b>II. Gross Building Area (GBA)</b>			
A. Residential			
Net Rentable Area	68,000 SF	83%	
Amenities	1,500 SF	2%	
Circulation/Common Area	<u>12,300 SF</u>	<u>15%</u>	
Total GBA - Residential	81,800 SF	100%	
B. Retail/Restaurant	---		
C. Total GBA	81,800 SF		
<b>III. Unit Mix</b>	<b># of Units</b>	<b>Unit Size</b>	
One Bedroom	21 Units	25%	600 SF
Two Bedroom	38 Units	44%	800 SF
Three Bedroom	26 Units	30%	950 SF
Manager (Two Bedroom)	<u>1</u> Unit	<u>1%</u>	<u>800</u> SF
Total/Average	86 Units	100%	800 SF
<b>IV. Affordability Mix</b>			
50% AMI <sup>(1)</sup>	85 Units	99%	
Manager	<u>1</u> Units	<u>1%</u>	
Total/Av	86 Units	100%	
<b>V. Number of Units</b>	86 Units		
<b>VI. Density</b>	86 Units/Acre		
<b>VII. Construction Type</b>	Type V		
<b>VIII. Stories</b>	4 Stories		
<b>IX. FAR</b>	1.88 FAR		
<b>X. Parking</b>			
Type	Podium		
Spaces	85 Spaces		
Ratio	0.99 Spaces/Unit		

(1) Assumes range of affordability from 30% AMI to 60% AMI, with average affordability at 50% AMI.

TABLE D-2

**DEVELOPMENT COSTS  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

100% Affordable						
Stacked Flats over Podium Parking						
9% Tax Credits				4% Tax Credits		
	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>
<b>I. Direct Costs</b>						
Off-Site Improvements (1)	\$218,000	\$3,000	\$5 Per SF Site	\$218,000	\$3,000	\$5 Per SF Site
On-Site Improvements/Landscaping (1)	\$653,000	\$8,000	\$15 Per SF Site	\$653,000	\$8,000	\$15 Per SF Site
Parking	\$2,550,000	\$30,000	\$30,000 Per Space	\$2,550,000	\$30,000	\$30,000 Per Space
Shell Construction	\$22,495,000	\$262,000	\$275 Per SF GBA	\$22,495,000	\$262,000	\$275 Per SF GBA
FF&E/Amenities	<u>\$430,000</u>	<u>\$5,000</u>	\$5 Per SF GBA	<u>\$430,000</u>	<u>\$5,000</u>	\$5 Per SF GBA
Subtotal	\$26,346,000	\$306,000	\$322 Per SF GBA	\$26,346,000	\$306,000	\$322 Per SF GBA
Add: Prevailing Wages	\$0	\$0	0.0% of Above Directs	\$3,952,000	\$46,000	15.0% of Above Directs
Contingency	<u>\$1,317,000</u>	<u>\$15,000</u>	5.0% of Directs	<u>\$1,515,000</u>	<u>\$18,000</u>	5.0% of Directs
Total Direct Costs	\$27,663,000	\$322,000	\$338 Per SF GBA	\$31,813,000	\$370,000	\$389 Per SF GBA
<b>II. Indirect Costs</b>						
Architecture & Engineering	\$1,383,000	\$16,000	5.0% of Directs	\$1,591,000	\$19,000	5.0% of Directs
Permits & Fees (2)	\$2,597,000	\$30,000	\$32 Per SF GBA	\$2,597,000	\$30,000	\$32 Per SF GBA
Legal & Accounting	\$415,000	\$5,000	1.5% of Directs	\$477,000	\$6,000	1.5% of Directs
Taxes & Insurance	\$415,000	\$5,000	1.5% of Directs	\$477,000	\$6,000	1.5% of Directs
Developer Fee	\$2,200,000	\$26,000	8.0% of Directs	\$5,913,000	\$69,000	18.6% of Directs
Marketing/Lease-Up	\$215,000	\$2,500	\$3 Per SF GBA	\$215,000	\$2,500	\$3 Per SF GBA
Contingency	<u>\$361,000</u>	<u>\$4,000</u>	5.0% of Above Indirects	<u>\$564,000</u>	<u>\$7,000</u>	5.0% of Above Indirects
Total Indirect Costs	\$7,586,000	\$88,000	27.4% of Directs	\$11,834,000	\$138,000	37.2% of Directs
<b>III. Financing Costs</b>						
Loan Fees	\$676,000	\$8,000	2.4% of Directs	\$1,496,000	\$17,000	4.7% of Directs
Interest During Constructions	\$1,261,000	\$15,000	4.6% of Directs	\$1,234,000	\$14,000	3.9% of Directs
Title/Recording/Escrow	\$43,000	\$500	0.2% of Directs	\$43,000	\$500	0.1% of Directs
Interest During Lease-Up	\$1,051,000	\$12,000	3.8% of Directs	\$841,000	\$10,000	2.6% of Directs
TCAC/Syndication Fees	\$216,000	\$3,000	0.8% of Directs	\$206,000	\$2,000	0.6% of Directs
Operating Lease-Up/Reserves	<u>\$318,000</u>	<u>\$4,000</u>	1.1% of Directs	<u>\$318,000</u>	<u>\$4,000</u>	1.0% of Directs
Total Financing Costs	\$3,565,000	\$41,000	12.9% of Directs	\$4,138,000	\$48,000	13.0% of Directs
<b>IV. Development Costs (3)</b>	<b>\$38,814,000</b>	<b>\$451,000</b>	<b>\$474 Per SF GBA</b>	<b>\$47,785,000</b>	<b>\$556,000</b>	<b>\$584 Per SF GBA</b>

(1) Estimated allowance; not verified by KMA or the City of Vista.

(2) Per City of Vista, includes building fees, development impact fees, potable and reclaimed water meter fees, and Vista Unified School District fees.

(3) Excludes acquisition costs.

TABLE D-3

**NET OPERATING INCOME  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA**

		100% Affordable							
		Stacked Flats over Podium Parking							
		9% Tax Credits				4% Tax Credits			
I.	Gross Scheduled Income (GSI)	# Units	Unit Size	\$/SF	\$/Month <sup>(1)</sup>	Annual	\$/SF	\$/Month <sup>(1)</sup>	Annual
	One Bedroom @ 50% AMI	21	600 SF	\$1.68	\$1,007	\$257,000	\$1.68	\$1,007	\$257,000
	Two Bedroom @ 50% AMI	38	800 SF	\$1.40	\$1,123	\$515,000	\$1.40	\$1,123	\$515,000
	Two Bedroom @ Manager	1	800 SF	\$0.00	\$0	\$0	\$0.00	\$0	\$0
	Three Bedroom @ 50% AMI	<u>26</u>	<u>950</u> SF	<u>\$1.30</u>	<u>\$1,239</u>	<u>\$379,000</u>	<u>\$0.00</u>	<u>\$1,239</u>	<u>\$379,000</u>
	Total/Average	86	800 SF	\$1.38	\$1,100	\$1,151,000	\$1.38	\$1,100	\$1,151,000
	Add: Other Income			\$50 /Unit/Month		<u>\$52,000</u>	\$50 /Unit/Month		<u>\$52,000</u>
	Total Gross Scheduled Income (GSI)					\$1,203,000			\$1,203,000
II.	<b>Effective Gross Income</b>								
	(Less) Vacancy			5.0% of GSI		<u>(\$60,000)</u>	5.0% of GSI		<u>(\$60,000)</u>
	Effective Gross Income (EGI)					\$1,143,000			\$1,143,000
III.	<b>Operating Expenses</b>								
	(Less) Operating Expenses			\$5,250 /Unit/Year		(\$452,000)	\$5,250 /Unit/Year		(\$452,000)
	(Less) Tenant Services			\$200 /Unit/Year		(\$17,000)	\$500 /Unit/Year		(\$43,000)
	(Less) Property Taxes/Assessments <sup>(2)</sup>			\$233 /Unit/Year		(\$20,000)	\$233 /Unit/Year		(\$20,000)
	(Less) Replacement Reserves			\$250 /Unit/Year		(\$22,000)	\$500 /Unit/Year		(\$43,000)
	(Less) Monitoring Fee			<u>\$150 /Unit/Year</u>		<u>(\$13,000)</u>	<u>\$150 /Unit/Year</u>		<u>(\$13,000)</u>
	Total Operating Expenses			\$6,093 /Unit/Year		(\$524,000)	\$6,640 /Unit/Year		(\$571,000)
				45.8% of EGI			50.0% of EGI		
IV.	<b>Net Operating Income (NOI)</b>					<b>\$619,000</b>			<b>\$572,000</b>
V.	<b>(Less) Debt Service - Other State Funding Source<sup>(3)</sup></b>			0.00% of Loan		<u>\$0</u>	0.42% of Loan		<u>(\$27,000)</u>
VI.	<b>NOI after Debt Service for State Funding Source</b>					<b>\$619,000</b>			<b>\$545,000</b>

(1) Based on the lower of State of California Department of Housing and Community Development (HCD) 2022 income limits or California Tax Credit Allocation Committee 2022 maximum income and rent levels for projects placed in service on or after April 18, 2022.

(2) Reflects special assessments only. Assumes project will qualify for tax-exempt status.

(3) Reflects competitive State funding source, e.g., AHSC, MIP, MHP, IIG, etc.

TABLE D-4

RESIDUAL LAND VALUE  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

	100% Affordable			
	Stacked Flats over Podium Parking			
	9% Tax Credits		4% Tax Credits	
I. Sources of Funds	Total	Per Unit	Total	Per Unit
Supportable Permanent Loan (1)	\$8,349,000	\$97,000	\$8,345,000	\$97,000
Tax Credit Equity Investment (2)	\$22,826,000	\$265,000	\$20,622,000	\$240,000
Other State Funding Source (3)	\$0	\$0	\$6,450,000	\$75,000
Deferred Developer Fee (4)	\$0	\$0	\$3,413,000	\$40,000
General Partner Equity Contribution (4)	\$0	\$0	\$0	\$0
Total Sources of Funds	\$31,175,000	\$363,000	\$38,830,000	\$452,000
II. (Less) Development Costs excluding Land	(\$38,814,000)	(\$451,000)	(\$47,785,000)	(\$556,000)
III. Residual Land Value	(\$7,639,000)	(\$89,000)	(\$8,955,000)	(\$104,000)

TABLE D-4 (CONT'D.)

RESIDUAL LAND VALUE  
INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
CITY OF VISTA

	100% Affordable	
	Stacked Flats over Podium Parking	
	9% Tax Credits	4% Tax Credits
<b>(1) Supportable Permanent Loan</b>		
NOI	\$619,000	\$545,000
Interest Rate	5.50%	4.50%
Term (years)	35	35
Debt Coverage Ratio	1.15	1.15
Annual Debt Service	\$538,000	\$473,913
Supportable Permanent Loan	\$8,349,000	\$8,345,000
<b>(2) Low Income Housing Tax Credits (Federal)</b>		
<u>Estimate of Eligible Basis:</u>		
Total Development Costs	\$38,814,000	\$47,785,000
(Less) Ineligible Costs	4% <u>(\$1,643,000)</u>	5% <u>(\$2,453,000)</u>
Eligible Basis	\$37,171,000	\$45,332,000
<u>Tax Credit Proceeds:</u>		
Maximum Eligible Basis	\$37,171,000	\$45,332,000
(Less) Voluntary Credit Adjustment	40.0% <u>(\$14,868,000)</u>	0.0% <u>\$0</u>
Total Requested Unadjusted Basis	\$22,303,000	\$45,332,000
Impacted Bonus Factor	130% \$28,994,000	130% \$58,931,600
Tax Credit Qualified Units/Applicable Factor	100% \$28,994,000	100% \$58,931,600
Tax Credit Rate	9.00% \$2,609,000	4.00% \$2,357,000
Total Tax Credits @	10 \$26,090,000	10 \$23,570,000
Limited Partner Share	99.99% \$26,087,000	99.99% \$23,567,643
Tax Credit Equity Investment @	87.5% \$22,826,000	87.5% \$20,622,000
<b>(3) Other State Funding Source</b>		
Total Loan	\$0	\$6,450,000
Annual Debt Service	0.00% \$0	0.42% \$27,000
<b>(4) Estimate of Deferred Developer Fee</b>		
Eligible Basis	\$37,171,000	\$45,332,000
(Less) Developer Fee	<u>(\$2,200,000)</u>	<u>(\$5,913,000)</u>
Unadjusted Eligible Basis	\$34,971,000	\$39,419,000
Total Developer Fee	6.3% \$2,200,000	15.0% \$5,913,000
Developer Overhead Fee	\$2,200,000	\$5,913,000
(Less) Deferred Developer Fee	0.00% <u>\$0</u>	57.7% <u>(\$3,413,000)</u>
Upfront Developer Fee	\$2,200,000	\$2,500,000

## **APPENDIX E**

### **Comparison of Affordable Housing Fees San Diego County**

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TABLE E-1

COMPARISON OF AFFORDABLE HOUSING FEES, SAN DIEGO COUNTY  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

City	Inclusionary Production Requirement				Affordable Housing Fee			
	Rental	For-Sale	Project Size Threshold	% Affordable Units Required	Fee Option	Project Size Threshold	Fee Type	Amount Per Market-Rate Unit or Market-Rate SF
Carlsbad	Yes	Yes	7 units	15% @ Low Income	Yes	Available to projects up to 6 units	In-Lieu Fee	\$15/SF
Chula Vista (1)	Yes	Yes	50 units	10% (5% Low Income 5% Moderate Income)	Yes	Available to projects of all sizes; < 50 units exempt	In-Lieu Fee	varies by project
Coronado	Yes	Yes	2 units	Rental 20% @ Low Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$7,000/Unit
				For-Sale 20% @ Moderate Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$7,000/Unit
Del Mar	Yes	Yes	2 - 5 units	1 rental unit @ Low Income	Yes	Available to projects up to 5 units	In-Lieu Fee	\$31.91/SF
			6 - 9 units	1 rental unit @ Low Income	None	None	None	None
			10 -19 units	20% rental units @ Low Income (at least 1 unit @ Very Low Income)	None	None	None	None
			20 -29 units	20% rental units @ Low Income (at least 1 unit @ Very Low Income and 1 unit at Extremely Low Income)	None	None	None	None
			30+ units	20% rental units @ Low Income (at least 2 units @ Very Low Income and 2 units at Extremely Low Income)	None	None	None	None

TABLE E-1

COMPARISON OF AFFORDABLE HOUSING FEES, SAN DIEGO COUNTY  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

City	Inclusionary Production Requirement				Affordable Housing Fee			
	Rental	For-Sale	Project Size Threshold	% Affordable Units Required	Fee Option	Project Size Threshold	Fee Type	Amount Per Market-Rate Unit or Market-Rate SF
Encinitas	Yes	Yes	7 units	15% @ Very Low Income or 20% Low Income	Yes	Available to projects up to 6 units and fractional units	In-Lieu Fee	\$20/SF
Escondido	No Requirement	No Requirement	None	None	None	None	None	None
Oceanside	Yes	Yes	3 units	<u>Rental</u> 10% @ Low Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$15/SF (2)
				<u>For-Sale</u> 10% @ Low or Moderate Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$15/SF (2)
Poway	Yes	Yes	1 unit	<u>Rental</u> 15% @ Very Low Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$500/unit (3)
				<u>For-Sale</u> 15% @ Low Income or 20% @ Moderate Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$500/unit (3)
San Diego (4) Outside FUA	Yes	Yes	10 units	<u>Rental</u> 10% @ 60% AMI	Yes	Available to projects of all sizes; <10 units exempt	In-Lieu Fee	\$25/SF
				<u>For-Sale</u> 10% @ 100% AMI or 15% @ 120% AMI	Yes	Available to projects of all sizes; <10 units exempt	In-Lieu Fee	\$25/SF
San Diego Inside FUA	Yes	Yes	2 units	20% @ 65% AMI or less	None	None	None	None



TABLE E-1

COMPARISON OF AFFORDABLE HOUSING FEES, SAN DIEGO COUNTY  
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY  
 CITY OF VISTA

City	Inclusionary Production Requirement				Affordable Housing Fee			
	Rental	For-Sale	Project Size Threshold	% Affordable Units Required	Fee Option	Project Size Threshold	Fee Type	Amount Per Market-Rate Unit or Market-Rate SF
San Marcos	No	Yes, as alternative to paying fee	1 unit	Pay in-lieu fee unless opting to produce inclusionary units of 15% @ Target Households (determined by City)	Yes	Available to projects of all sizes	In-Lieu Fee	\$9,300/unit
Solana Beach	Yes	Yes	5 units	15% @ Very Low or Low Income	Yes	Available to all projects where calculation of required affordable units results in a fractional unit less than 0.5	Impact Fee	\$25.91

(1) Excludes area of City of Chula Vista west of I-805 identified as "Area of Low/Moderate Income Concentration".

(2) Reflects in-lieu fee amount to be considered by the City of Oceanside City Council on December 7, 2022, an increase from the City's current fee of \$8.82/SF.

(3) Applies to development located outside of the City of San Diego's North City Future Urbanizing Area (FUA). Reflects ordinance approved by the San Diego City Council December 11, 2019, effective July 1, 2020. Inclusionary housing requirements to be phased in over five (5) years. In-lieu fee of \$25/SF reflects fee beginning July 1, 2024.

(4) City of Poway base fee varies by zoning, with a maximum total of \$500 per unit for all projects.