

INCLUSIONARY HOUSING IN-LIEU FEE STUDY

Prepared for:

City of Coronado

Prepared by:

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EXECUTIVE SUMMARY

OVERVIEW

The City of Coronado (City) is considering a review of the methodology and approach used to determine the City's inclusionary housing in-lieu fee. The City's inclusionary housing policy requires that new residential developments in subdivisions of two or more units reserve twenty percent (20%) for lower-income (rental) or moderate-income (for-sale) households. Alternatively, developers may pay an in-lieu fee of \$7,000 per market-rate dwelling unit.

The City engaged Keyser Marston Associates, Inc. (KMA) to prepare an Inclusionary Housing In-Lieu Fee Study (Study) to evaluate the potential of updating the inclusionary housing in-lieu fee for the City. As part of this effort, KMA reviewed the current in-lieu fee and impact fee levels charged in local jurisdictions and evaluated a range of approaches to determine appropriate housing in-lieu fee levels for new market-rate residential development in the City.

RESIDENTIAL DEVELOPMENT PROTOTYPES

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

- For-sale single-family detached in R1-B Zone
- For-sale townhomes in R-3/P Zone
- For-sale townhomes in R-3 Zone
- For-sale townhomes in R-4 Zone

For each residential prototype, KMA prepared base case financial pro forma models assuming: (i) 100% of all units are sold at market prices; and (ii) a potential inclusionary housing set-aside at 20% 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 \$59.00 per square foot (SF) of market-rate residential living area.

Table 1: Potential Fee Levels	
Per Market-Rate Net SF	\$59/SF

The potential fee level of \$59.00 reflects the lowest outcome of all the approaches tested by KMA. This potential fee level is expressed on a per-SF basis. A per-SF in-lieu fee, as compared to a flat fee or per-unit fee, recognizes the various residential unit sizes produced and avoids overly burdening the production of small market-rate 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 11 other San Diego County jurisdictions. The survey is summarized in Table 2 in comparison with the potential fee levels for the City.

Table 2: Comparison of Affordable Housing Fees, Coronado vs. San Diego County Jurisdictions		
	City of Coronado	San Diego County Jurisdictions (range of findings)
Inclusionary Housing Requirement	Applies to subdivisions only	subdivisions only - all residential development
Inclusionary Housing Required Threshold	2 units	1 unit - 20 units
% of Affordable Units Required	20%	10% - 20%
In-Lieu Fee Option Available	Available to all projects developed in subdivisions	In-lieu fee option is available to developers in all jurisdictions except for projects in the City of Del Mar (only available to subdivisions creating new lots), and projects located within the City of San Diego's Future Urbanizing Area (FUA) within the City of San Diego
In-Lieu Fee Amount Per Unit	-----	\$500/Unit to \$9,300/Unit San Diego County Jurisdictions charging per unit fees include: Poway and San Marcos ⁽¹⁾
Per SF	Potential Fee Level: \$59/SF	\$17.56/SF to \$50/SF San Diego County jurisdictions charging per SF fees include: Carlsbad, Encinitas, Oceanside, San Diego, Solana Beach, and Vista
(1) Update of San Marcos inclusionary housing in-lieu fee to a per SF fee to be considered by the City Council in November 2024.		

The City's current inclusionary requirements – in terms of project size threshold for inclusionary housing, percent of affordable units required, and in-lieu fee option -- fall within the range of inclusionary requirements found in other San Diego County jurisdictions. The potential fee level for the City (\$59 per SF) would exceed other per-SF fees in the County. Within Southern California, KMA found a number of jurisdictions with similar or higher fees than the potential fee level proposed for the City, with the highest fee of \$73.52/SF charged by the City of Pasadena.

INCLUSIONARY HOUSING IN-LIEU FEE STUDY

I. INTRODUCTION

A. Objective

This report presents the economic analysis prepared by Keyser Marston Associates, Inc. (KMA) for the City of Coronado (City) to evaluate the update of the City's inclusionary housing in-lieu fee.

B. City of Coronado Inclusionary Housing Policy

The City of Coronado Subdivision Code Chapter 82.21 establishes the City's affordable housing requirements and in-lieu fees. Current statute and case law support the City's authority to impose an inclusionary requirement on residential development.

The City requires that 20% of all new residential developments in subdivisions be reserved for lower- or moderate- income households, as follows:

Table I-1: City of Coronado Existing Inclusionary Housing Program	
Inclusionary Requirement	Applies only to the creation of subdivisions
Project Size Threshold	2 Units
% of Affordable Units Required	Rental 20% @ Lower Income For-Sale 20% @ Moderate
Affordable Housing In-Lieu Fee	Available to projects of all sizes \$7,000/unit

In-lieu fees collected by the City are added to the City's affordable housing fund to provide funding assistance to future affordable housing units. As of July 2024, the City's in-lieu fee account had a balance of approximately \$1,700,000.

The City requested that KMA review current in-lieu fee and impact fee levels charged in local jurisdictions, evaluate potential methodologies to determine an appropriate fee, and recommend a preferred methodology and fee level.

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 and Southern California.
2. Reviewed market trends data, land values, development cost estimates, and other industry standards for for-sale and rental residential development in Coronado and San Diego County overall.
3. Formulated market-rate 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 20% 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 and Southern California 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 Study. The prototypes are illustrative of the types of residential development projects occurring and anticipated to occur in the City. Four (4) new construction for-sale residential prototypes were identified based on review of recent development activity and 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 Study.

Table II-1: Project Descriptions for Development Prototypes				
	FOR-SALE			
	Single-Family	Townhome	Townhome	Townhomes
Zoning	R1-B Zone	R-3/P Zone	R-3 Zone	R-4 Zone
Site Area (SF)	7,000 SF	5,250 SF	7,500 SF	14,000 SF
Density (Units/Acre)	12 Units/Acre	25 Units/Acre	23 Units/Acre	31 Units/Acre
Number of Units	2 Units	3 Units	4 Units	10 Units
Unit Mix	1 and 4 Bedrooms	2 and 3 Bedrooms	2 and 3 Bedrooms	2 and 3 Bedrooms
Stories	2 Stories	2 Stories	2 Stories	3 Stories
Average Unit Size	2,250 SF	2,000 SF	2,250 SF	1,870 SF
Parking Type	Garage and Surface	Garage and Surface	Garage and Surface	Garage

B. Projected Market Sales Prices

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

Table II-2: Projected Market Prices				
	FOR-SALE			
	Single-Family	Townhomes	Townhomes	Townhomes
	2 units R1-B Zone	3 Units R-3/P Zone	4 Units R-3 Zone	10 Units R-4 Zone
Average Market Price per SF	\$1,178	\$1,188	\$1,184	\$1,265
Average Unit Size	2,250 SF	2,000 SF	2,250 SF	1,870 SF
Average Market Price per Unit	\$2,650,000	\$2,375,000	\$2,663,000	\$2,365,000

C. Affordable Sales Price and Rent Calculation

For the purposes of this financial analysis, the maximum affordable sales prices and rents for the income-restricted units were calculated based on the standards imposed by California Health and Safety Code (H&SC) Section 50052.5 (ownership) and Section 50053 (rental). The detailed calculations are presented in Appendix B; the key assumptions and results are summarized below.

Affordable Sales Price

- The household income information used in the calculations of affordable sales prices were based on 2024 income statistics for San Diego County as a whole. The household incomes are published annually by the U.S. Department of Housing and Urban Development (HUD).
- The household size appropriate for each unit was based on one additional person vs. the number of bedrooms, per H&SC Section 50052.5.
- Maximum monthly ownership housing payments were calculated as equal to $1/12 \times 35\% \times 110\%$ AMI for moderate income households, adjusted for household size.
- Housing-related costs reflecting the specifics of each residential prototype and current lending industry underwriting criteria were determined as follows:
 - Utility expenses were based on the County of San Diego utility allowance schedule, effective March 1, 2024, and the assumption that the homeowner's utility costs are comprised of electric heat, electric cooking, electric water heater, other basic electric services, water and sewer, and trash.

- Homeowner Association (HOA) dues, reflecting an allowance for structure insurance, maintenance, and reserves.
- Property taxes, assuming a typical City tax rate of 1.05% of assessed value.
- City Flat Tax of \$643 per unit.
- Supportable mortgage, assuming a 30-year loan; 6.79% interest rate (the national 52-week average interest rate for a 30-year fixed mortgage¹); and a 10.0% down payment.

Affordable Rent

- The household income information used in the calculations of affordable rent were based on 2024 income statistics for San Diego County as a whole. The household incomes are published annually by HUD.
- The household size appropriate for each unit was based on one additional person vs. the number of bedrooms, per H&SC Section 50053.
- Maximum monthly rental housing payment for very low income units is calculated as equal to $1/12 \times 30\% \times 50\%$ AMI (adjusted for household size), less adjustments for certain tenant-paid utilities.
- Maximum monthly rental housing payment for low income units is calculated as equal to $1/12 \times 30\% \times 60\%$ AMI (adjusted for household size), less adjustments for certain tenant-paid utilities.
- Utility expenses were based on the County of San Diego utility allowance schedule, effective March 1, 2024, 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 sales prices and rents are presented in Table II-3.

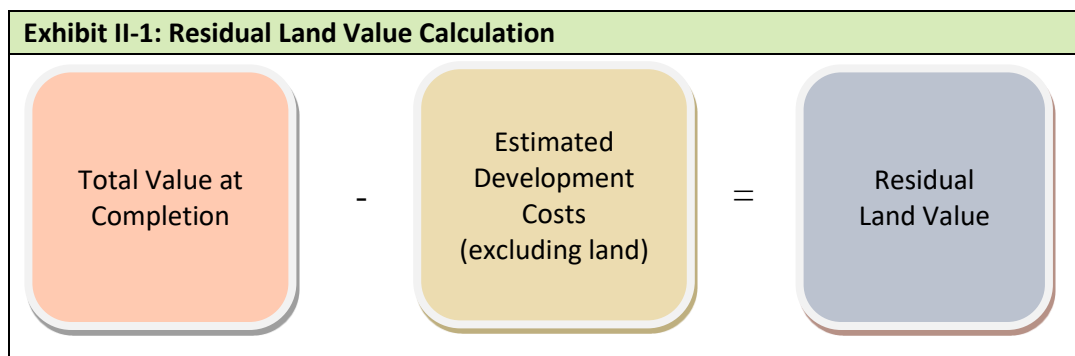
¹ Source: Freddiemac.com, effective October 29, 2024.

Table II-3: Affordable Sales Prices and Rents						
	Affordable Sales Price			Affordable Monthly Rent		
	1 Bedroom	2 Bedroom	3 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom
Very Low Income	---	---	---	\$1,094	\$1,208	\$1,315
Low Income	---	---	---	\$1,333	\$1,477	\$1,614
Moderate Income	\$356,000	\$396,000	\$436,000	---	---	---

D. Economic Impact of Potential Fee Levels

The KMA analysis estimates the economic impact of the potential fee levels on project feasibility. The economic impact of the in-lieu fees was measured against residual land value. Residual land value is defined as the maximum land value supported by a proposed development. It is calculated by estimating the total value upon completion (or total available funding sources) and subtracting the estimated total development costs (other than land acquisition costs) required to develop the project.

Specifically, the residual land value for each residential prototype is derived from the following calculation.



E. 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. Appendix C provides the detailed pro forma analyses prepared by KMA for each of the for-sale development prototypes. Appendix C is organized as follows:

Appendix C – On-Site Production – For-Sale	
Table 1	Prototype Project Descriptions
Table 2	Development Costs
Table 3	Gross Sales Proceeds and Residual Land Value – Single-Family R1-B Zone – 2 Units
Table 4	Gross Sales Proceeds and Residual Land Value – Townhomes R-3/P Zone – 3 Units
Table 5	Gross Sales Proceeds and Residual Land Value – Townhomes R-3 Zone – 4 Units
Table 6	Gross Sales Proceeds and Residual Land Value – Townhomes R-4 Zone – 10 Units

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., 20% at moderate income. The base case residual land value outcome can then be measured against the residual land value that is generated when the 20% moderate income requirement is imposed. It should be noted that because of the small number of units in each residential prototype, in almost all cases the number of affordable units assumed for each mixed-income scenario exceed the 20% moderate income requirement.

The economic impact of incorporating the City's existing inclusionary requirement on-site is summarized in Table II-4.

Table II-4: Economic Impact of Incorporating Affordable Housing On-Site					
	FOR-SALE				
	Single-Family	Townhomes	Townhomes	Townhomes	Average
	2 units R1-B Zone 2,250 SF Avg. Unit Size	3 Units R-3/P Zone 2,000 SF Avg. Unit Size	4 Units R-3 Zone 2,250 SF Avg. Unit Size	10 Units R-4 Zone 1,870 SF Avg. Unit Size	
Residual Land Value Per Unit					
100% Market-Rate	\$683,000	\$797,000	\$925,000	\$921,000	\$832,000
80% Market-Rate / 20% Affordable	(\$135,000)	\$346,000	\$571,000	\$673,000	\$364,000
Economic Impact of Incorporating Affordable Housing On-Site					
Per Market-Rate Unit	(\$818,000)	(\$451,000)	(\$354,000)	(\$248,000)	(\$468,000)
Per Market-Rate Net SF	(\$364)	(\$226)	(\$157)	(\$133)	(\$220)

As shown in Table II-4, the economic impacts to a developer of including 20% moderate income units on-site are estimated to range from \$248,000 to \$818,000 per market-rate unit, or \$133 to \$364 per SF of market-rate residential living area.

F. 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.

Lower Income

As detailed in Appendix D, the analysis assumed off-site affordable housing projects affordable to lower income households to be stacked-flat apartments over tuck-under parking on a 20,000 SF site. The KMA analysis estimated the development costs, operating budget, and anticipated funding sources for the affordable housing development prototypes under three financing scenarios: (i) no Low Income Housing Tax Credits (Tax Credits); (ii) with 9% Tax Credits; and (iii) with 4% Tax Credits. The following key assumptions were used to estimate a potential in-lieu fee based on implementing inclusionary housing production in an off-site location:

- Total development costs for the three financing scenarios, excluding acquisition, estimated to average \$623,000 per unit. The development budget for the 4% Tax Credit scenario was assumed to include the payment of prevailing wages due to the requirements of other State funding sources assumed in the analysis.
- Acquisition costs of \$500 per SF of site area based on a survey of residential land sales in City.
- Monthly rents at 60% AMI for the No Tax Credits financing scenario.
- Monthly rents at an average of 50% AMI for the 9% and 4% Tax Credit scenarios in order to competitively apply for Tax Credits.

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

Table II-5: Off-Site Affordable Units – Average Net Operating Income per Unit per Year ⁽¹⁾			
	RENTAL		
	Stacked Flat Apartments		
	No Tax Credits	9% Tax Credits	4% Tax Credits
Average Monthly Rent, 2024	\$1,450	\$1,190	\$1,190
Effective Gross Income ⁽²⁾	\$16,880	\$13,840	\$13,840
(Less) Operating Expenses ⁽³⁾	(\$7,960)	(\$8,160)	(\$8,760)
Net Operating Income	\$8,920	\$5,680	\$5,080
⁽¹⁾ Reflects net operating income per unit for each financing scenario. ⁽²⁾ Reflects rental income; other income such as laundry and vending; and a vacancy factor of 5.0%. ⁽³⁾ Includes payroll, management fees, administration, utilities, maintenance, insurance, tenant services, property assessments, and replacement reserves.			

Funding sources available for the affordable units are assumed to include a combination of first mortgage debt, warranted equity investment, 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.

Table II-6: Off-Site Affordable Units – Sources of Funds per Unit			
	RENTAL		
	Stacked Flat Apartments		
	No Tax Credits	9% Tax Credits	4% Tax Credits
Supportable Permanent Loan	\$101,000	\$64,000	\$56,000
Warranted Equity Investment	\$10,000	\$0	\$0
Tax Credit Equity Investment ⁽¹⁾	\$0	\$429,000	\$384,000
Other State Funding Sources	\$0	\$0	\$125,000
Total Sources of Funds	\$111,000	\$493,000	\$565,000
(1) Includes Federal and State tax credit equity investment.			

The outcome of the KMA analysis indicates a developer would find it more economically beneficial to pursue 9% or 4% Tax Credits when developing an affordable housing project in an off-site location. As shown in Table II-7, the affordability gap for a lower income affordable unit financed with 9% and 4% Tax Credits is estimated to average \$530,000 per affordable unit. These figures are calculated as the difference between total development costs and acquisition costs as compared to total funding sources.

Table II-7: Off-Site Affordable Units - Average Affordability Gap per Unit				
	RENTAL			
	Stacked Flat Apartments			
	No Tax Credits	9% Tax Credits	4% Tax Credits	Average ⁽¹⁾
Total Sources of Funds	\$111,000	\$493,000	\$565,000	\$529,000
(Less) Total Development Costs	(\$552,000)	(\$613,000)	(\$705,000)	(\$659,000)
(Less) Acquisition Costs ⁽²⁾	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)
Affordability Gap per Affordable Unit	(\$841,000)	(\$520,000)	(\$540,000)	(\$530,000)
(1) Excludes outcome from No Tax Credits scenario. Assumes off-site compliance for Low Income units would be met through the development of a Low Income Housing Tax Credit project with a combination of Extremely, Very Low, Low Income units.				
(2) Reflects KMA estimate of \$500 per SF site area based on survey of residential land sales in the City.				

As shown above, KMA estimates that an affordable rental unit has an estimated average financing gap of \$530,000. In other words, for the market-rate developer or City to facilitate creation of off-site lower income units would require a contribution of \$530,000 per unit. As shown in Table II-8, assuming a 20% lower income inclusionary requirement, the required number of off-site lower income units is calculated against the total number of market-rate units approved plus the inclusionary units produced off-site. This equates to \$135,000 per market-rate unit developed (i.e., $\$530,000 \div 80\% \times 20\%$).

Table II-8: Estimate of Funding Gap for Off-Site Units - Lower Income	
Affordability Gap per Off-Site Affordable Unit	\$530,000
<u>Per Market-Rate Unit</u> @ 20% Lower Income Inclusionary Set-Aside	\$133,000/Unit
<u>Per Market-Rate Net Square Fee</u> @ 20% Lower Income Inclusionary Set-Aside	\$64/SF Average

Moderate Income

KMA also prepared an estimate of the affordability gap associated with developing for-sale moderate income affordable housing in an off-site location. The KMA analysis assumed off-site affordable housing projects affordable to moderate income households to be stacked-flat condominiums over podium parking on a 15,000-SF site. Using the same framework and assumptions described for lower income off-site production above, KMA estimates the average financing gap required to develop a moderate income unit in an off-site location is \$1,184,000 per affordable unit. As shown in Table II-9, this figure is calculated as the affordability gap outcome assuming 100% of units at moderate income plus a land acquisition cost estimate of \$750,000 per unit of \$500 per SF of site area.

Table II-9: Off-Site Affordable Units – Affordability Gap per Unit - Moderate Income	
Residual Land Value per Affordable Unit	(\$434,000)
(Less) Land Acquisition Costs	(\$750,000)
Affordability Gap per Affordable Unit	(\$1,184,000)

Assuming a 20% 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 \$296,000 per market-rate unit developed (i.e., $\$1,184,000 \div 80\% \times 20\%$).

Table II-10: Estimate of Funding Gap for Off-Site Units - Moderate Income	
Affordability Gap per Off-Site Affordable Unit	\$1,184,000
Per Market-Rate Unit @ 20% Moderate Income Inclusionary Set-Aside	\$296,000/Unit
Per Market-Rate Net Square Fee @ 20% Moderate Income Inclusionary Set-Aside	\$142/SF Average

Funding Gap for Affordable Housing Off-Site

As shown in Table II-11, 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.

To create an affordable lower income unit off-site, KMA estimates that the City would need to receive an average in-lieu fee of \$133,000 per market-rate unit. On a per-SF basis, the City would need to receive a fee ranging between \$59 and \$71, depending on the market-rate prototype, or an average of \$64 per SF living area.

To create an affordable moderate income unit off-site, KMA estimates that the City would need to receive an average in-lieu fee of \$296,000 per market-rate unit. On a per-SF basis, the City would need to receive a fee ranging between \$132 and \$158, depending on the market-rate prototype, or an average of \$142 per SF living area.

Table II-11: Funding Level Required to Create Affordable Housing Off-Site					
	FOR-SALE				
	Single-Family	Townhomes	Townhomes	Townhomes	Average
	2 units R1-B Zone 2,250 SF Avg. Unit Size	3 Units R-3/P Zone 2,000 SF Avg. Unit Size	4 Units R-3 Zone 2,250 SF Avg. Unit Size	10 Units R-4 Zone 1,870 SF Avg. Unit Size	
20% LOWER - RENTAL					
Affordability Gap per Market-Rate Unit	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000
Per Market-Rate Net SF	\$59	\$67	\$59	\$71	\$64

Table II-11: Funding Level Required to Create Affordable Housing Off-Site					
	FOR-SALE				
	Single-Family	Townhomes	Townhomes	Townhomes	Average
	2 units R1-B Zone 2,250 SF Avg. Unit Size	3 Units R-3/P Zone 2,000 SF Avg. Unit Size	4 Units R-3 Zone 2,250 SF Avg. Unit Size	10 Units R-4 Zone 1,870 SF Avg. Unit Size	
20% MODERATE – FOR-SALE					
Per Market-Rate Unit	\$296,000	\$296,000	\$296,000	\$296,000	\$296,000
Per Market-Rate Net SF	\$132	\$148	\$132	\$158	\$142

G. Potential In-Lieu Fees

As summarized in Table II-12, Approach 1 -- an in-lieu fee based on the economic impact on the developer to provide units on-site is estimated to range between \$133 to \$364 per SF of market -rate residential living area. By comparison, an in-lieu fee based on Approach 2 -- the funding level required of the City to develop affordable housing in an off-site location is estimated to range from \$132 and \$158 per SF living area to create an affordable moderate income unit off-site; or between \$59 and \$71 per SF living area to create an affordable lower income unit off-site.

Table II-12: Potential Fee Levels		
	Approach to Setting Fee Levels	
	Approach 1: On-Site Production	Approach 2: Off-Site Production
FOR-SALE – 20% MODERATE		
Per Market-Rate Net SF	\$133 - \$364 Average: \$220	\$132 - \$158 Average: \$142
RENTAL – 20% LOWER		
Per Market-Rate Net SF	---	\$59 - \$71 Average: \$64

In view of these findings, the City may wish to consider an in-lieu fee of \$59 per SF of market-rate residential living area, as shown in Table II-13.

Table II-13: Potential Fee Levels	
Per Market-Rate Net SF	\$59/SF

This potential fee 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 market-rate projects. It should be noted that using the off-site production approach as the benchmark results in a per-SF in-lieu fee that is higher than existing per-unit fees found in other areas of the County. Refer to Section IV and Appendix E for further detail.

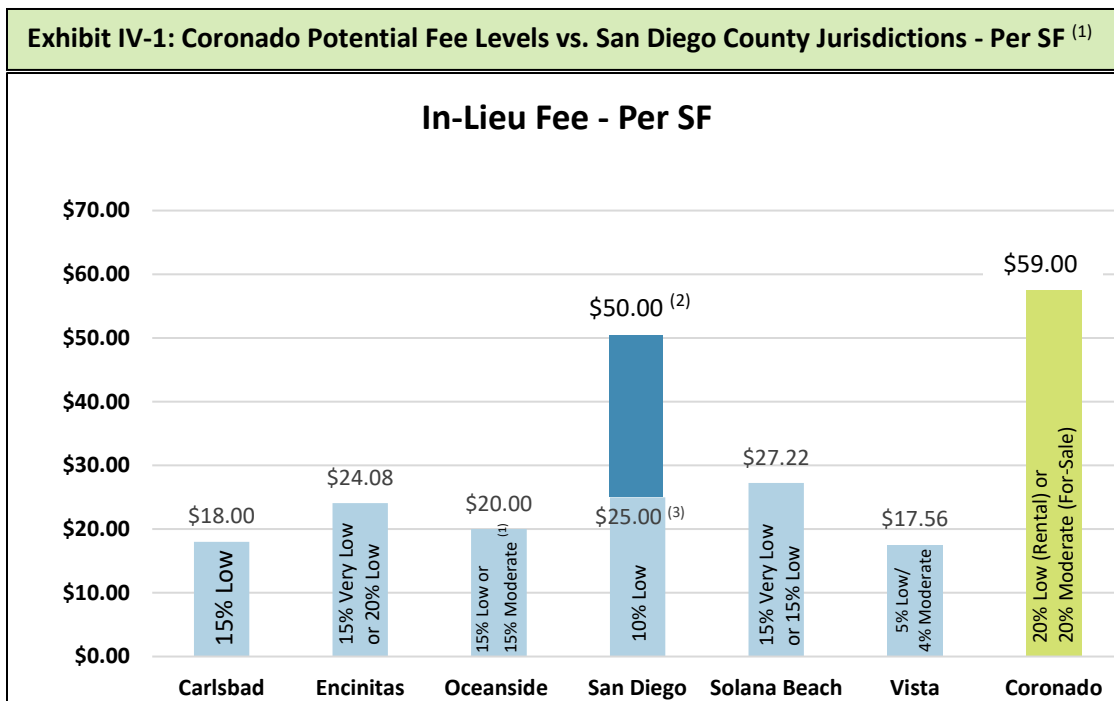
III. POTENTIAL FEE LEVEL ADJUSTMENTS

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)

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 Exhibit IV-1, in comparison with the potential fee level for the City of Coronado. Further information on each jurisdiction's inclusionary program and fee levels is presented in Appendix E. 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.



(1) Inclusionary requirement of 15% moderate in the City of Oceanside available to for-sale developments only.

(2) Reflects in-lieu fee available to projects in San Diego's University Community Plan Area who do not produce any on-site affordable housing units.

(3) Reflects in-lieu fee available to developments located outside of the City of San Diego's North City Future Urbanizing Area (FUA).

As shown in the exhibit above, the recommended per-SF fee of \$59 for the City would exceed other per-SF fees in the County.

Outside of San Diego County, within Southern California, KMA found a number of jurisdictions with similar or higher fees than the potential fee level proposed for the City, as summarized in Table IV-1.

Table IV-1: Comparison of Affordable Housing Fees, Select Southern California Jurisdictions		
City	In-Lieu Fee Amount	
Glendale	Sliding scale: 8 Units @ \$28.71/SF; 21 Units @ \$55/SF	
Mission Viejo	Ownership	\$41.90/SF
	Rental	\$58.20/SF
Pasadena	Sliding scale by sub-area and project site \$34.19/SF - \$73.52/SF	
Ventura	Ownership	\$29.80 - \$66.30/SF
	Rental	\$20.30 - \$48.90/SF
Santa Monica	Ownership	\$41.70/SF
	Rental	\$35.70/SF

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 Coronado 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 Coronado and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City of Coronado 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 Coronado 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

Appendix A	Summary of Potential In-Lieu Fees
Appendix B	Estimate of Affordable Sales Prices and Rents
Appendix C	In-Lieu Fee Financial Analysis Approach 1: On-Site Production
Appendix D	In-Lieu Fee Financial Analysis Approach 2: Off-Site Production
Appendix E	Comparison of Affordable Housing Fees, San Diego County

APPENDIX A

Summary of Potential In-Lieu Fees

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 CORONADO

	A	B	C	D	E
	FOR-SALE				Average
	Single-Family	Townhomes	Townhomes	Townhomes	
	2 Units 2,250 SF Avg. Unit Size R1-B Zone	3 Units 2,000 SF Avg. Unit Size R-3/P Zone	4 Units 2,250 SF Avg. Unit Size R-3 Zone	10 Units 1,870 SF Avg. Unit Size R-4 Zone	
I. Residual Land Value - Per Unit 100% Market-Rate	\$683,000	\$797,000	\$925,000	\$921,000	\$832,000
20% MODERATE INCOME					
II. Residual Land Value - Per Unit 80% Market-Rate / 20% Affordable	(\$135,000)	\$346,000	\$571,000	\$673,000	\$364,000
III. Economic Impact of Affordable Housing On-Site					
Per Market-Rate Unit	\$818,000	\$451,000	\$354,000	\$248,000	\$468,000
% Change ⁽¹⁾	119.8%	56.6%	38.3%	26.9%	56.3%
Per Market-Rate Net SF	\$364	\$226	\$157	\$133	\$220

(1) Reflects the % change in residual land value resulting from incorporating 20% of units on-site for affordable housing.

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 CORONADO

	A	B	C	D	E
	FOR-SALE				Average
	Single-Family	Townhomes	Townhomes	Townhomes	
	2 Units 2,250 SF Avg. Unit Size R1-B Zone	3 Units 2,000 SF Avg. Unit Size R-3/P Zone	4 Units 2,250 SF Avg. Unit Size R-3 Zone	10 Units 1,870 SF Avg. Unit Size R-4 Zone	
20% LOWER - RENTAL					
I. Affordability Gap per Affordable Unit ⁽¹⁾	\$530,000	\$530,000	\$530,000	\$530,000	\$530,000
II. Funding Required for Inclusionary Housing Production Off-Site					
Affordability Gap per Market-Rate Unit @ 20.0% ⁽²⁾	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000
Per Market-Rate Net SF	\$59	\$67	\$59	\$71	\$64

(1) Reflects average affordability gap per affordable unit assuming off-site compliance for Low Income units would be met through the development of a project financed with Low Income Housing Tax Credits with a combination of Extremely Low, Very Low, and Low Income units.

(2) Assumes inclusionary requirement applied to total number of market-rate units approved [i.e., (gap ÷ 80%) x 20%].

TABLE A-3

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 CORONADO

	A	B	C	D	E
	FOR-SALE				Average
	Single-Family	Townhomes	Townhomes	Townhomes	
	2 Units 2,250 SF Avg. Unit Size R1-B Zone	3 Units 2,000 SF Avg. Unit Size R-3/P Zone	4 Units 2,250 SF Avg. Unit Size R-3 Zone	10 Units 1,870 SF Avg. Unit Size R-4 Zone	
20% MODERATE - FOR-SALE					
I. Affordability Gap per Affordable Unit ⁽¹⁾	\$1,184,000	\$1,184,000	\$1,184,000	\$1,184,000	\$1,184,000
II. Funding Required for Inclusionary Housing Production Off-Site					
Affordability Gap per Market-Rate Unit @ 20.0% ⁽²⁾	\$296,000	\$296,000	\$296,000	\$296,000	\$296,000
Per Market-Rate Net SF	\$132	\$148	\$132	\$158	\$142

(1) Reflects affordability gap assuming off-site compliance met through the development of stacked flat condominiums with 100% of units at Moderate Income.

(2) Assumes inclusionary requirement applied to total number of market-rate units approved [i.e., (gap ÷ 80%) x 20%].

APPENDIX B

Estimate of Affordable Rents and Sales Prices

TABLE B-1

**ESTIMATE OF AFFORDABLE SALES PRICES - SINGLE-FAMILY HOMES/TOWNHOMES - 110% AMI
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO**

Number of Bedrooms		1	2	3
I.	Benchmark Household Size ⁽¹⁾	2.0	3.0	4.0
	County of San Diego Median income	\$95,600	\$107,550	\$119,500
	Percent of AMI	110%	110%	110%
II.	Benchmark Household Income ⁽²⁾	\$105,160	\$118,305	\$131,450
	Income Allocation to Housing	35%	35%	35%
	Amount Available for Housing	\$36,806	\$41,407	\$46,008
III.	HOA Fees ⁽³⁾	\$350 /Month	\$350 /Month	\$350 /Month
	Utilities ⁽⁴⁾	\$268 /Month	\$353 /Month	\$466 /Month
	Annual Taxes ⁽⁵⁾	1.05%	1.05%	1.05%
	Flat Tax ⁽⁶⁾	\$643	\$643	\$643
IV.	Available for Mortgage	\$25,009	\$28,170	\$30,995
V.	Interest Rate ⁽⁷⁾	6.79%	6.79%	6.79%
	Down Payment	10.0%	10.0%	10.0%
VI.	Supportable Mortgage	\$320,008	\$360,452	\$396,597
	Add: Down Payment	<u>\$35,600</u>	<u>\$36,045</u>	<u>\$39,660</u>
VII.	Maximum Unit Price (Rounded)	\$356,000	\$396,000	\$436,000

(1) Assumed family size per California Health & Safety Code §50052.5, reflects the number of bedrooms in the unit plus one.

(2) State of California Department of Housing and Community Development (HCD) 2024 income limits.

(3) HOA Fees based on data from Redfin.com

(4) See Table B-2.

(5) Based on affordable unit price. Property tax may be based on market value of actual unit if project is granted a density bonus.

(6) Reflects City flat tax on all properties

(7) Reflects national 30-year fixed mortgage 52-week average interest rate per FreddieMac.com effective October 29, 2024.

Source: State of California Department of Housing and Community Development, San Diego County Department of Housing and Community Development, California Redevelopment Law H&SC § 50052.5.

TABLE B-2

**UTILITY ALLOWANCES - FOR-SALE UNITS - TOWNHOMES/SINGLE-FAMILY HOMES
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO**

A. Utilities (Annual) ⁽¹⁾

Number of Bedrooms	1	2	3
Electric Heat	\$19	\$25	\$35
Electric Cooking	\$12	\$17	\$22
Electric Water Heater	\$26	\$33	\$44
Other Electric	\$44	\$61	\$78
Air Conditioning	\$10	\$17	\$22
Water	\$93	\$136	\$201
Sewer	\$26	\$26	\$26
Trash	<u>\$38</u>	<u>\$38</u>	<u>\$38</u>
Total Utilities	\$268	\$353	\$466

B. Total Annual Utilities	\$3,216	\$4,236	\$5,592
----------------------------------	----------------	----------------	----------------

(1) Source: Housing Authority of the County of San Diego 2024 Utility Allowance Schedule, effective March 1, 2024.

TABLE B-3

ESTIMATE OF AFFORDABLE RENTS - 50% AMI, 2024
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO

Number of Bedrooms	1	2	3
--------------------	---	---	---

A. Health and Safety Code Section 50053 - Very Low Income

Household Size ⁽¹⁾	2.0	3.0	4.0
Percent of AMI	50%	50%	50%
Household Income ⁽²⁾	\$47,800	\$53,775	\$59,750
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$1,195	\$1,344	\$1,494
(Less) Utility Allowance ⁽³⁾	<u>(\$101)</u>	<u>(\$136)</u>	<u>(\$179)</u>
Maximum Monthly Rent	\$1,094	\$1,208	\$1,315

B. Low Income Housing Tax Credit (LIHTC) Program

Household Size ⁽⁴⁾	1.5	3.0	4.5
Percent of AMI	50%	50%	50%
Household Income ⁽⁵⁾	\$56,825	\$68,200	\$78,800
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost ⁽⁶⁾	\$1,420	\$1,705	\$1,969
(Less) Utility Allowance ⁽³⁾	<u>(\$101)</u>	<u>(\$136)</u>	<u>(\$179)</u>
Maximum Monthly Rent	\$1,319	\$1,569	\$1,790

C. Maximum Monthly Rent

Maximum Monthly Rent	\$1,094	\$1,208	\$1,315
-----------------------------	----------------	----------------	----------------

(1) Assumed family size per California Health & Safety Code §50052.5, reflects the number of bedrooms in the unit plus one.

(2) Based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(3) Reflects County of San Diego utility allowances, as of March 1, 2024.

<u>Monthly Utility</u>	<u>One</u>	<u>Two</u>	<u>Three</u>
Electric Heating	\$19	\$25	\$35
Electric Cooking	\$12	\$17	\$22
Other Electric	\$44	\$61	\$78
Electric Water Heating	<u>\$26</u>	<u>\$33</u>	<u>\$44</u>
Total	\$101	\$136	\$179

(4) As assigned by Low Income Housing Tax Credit Program.

(5) California Tax Credit Allocation Committee 2024 maximum income levels for projects placed in service on or after April 1, 2024.

(6) California Tax Credit Allocation Committee 2024 maximum rents for projects placed in service on or after April 1, 2024.

TABLE B-4

ESTIMATE OF AFFORDABLE RENTS - 60% AMI, 2024
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO

Number of Bedrooms	1	2	3
A. Health and Safety Code Section 50053 - Low Income			
Household Size ⁽¹⁾	2.0	3.0	4.0
Percent of AMI	60%	60%	60%
Household Income ⁽²⁾	\$57,360	\$64,530	\$71,700
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$1,434	\$1,613	\$1,793
(Less) Utility Allowance ⁽³⁾	<u>(\$101)</u>	<u>(\$136)</u>	<u>(\$179)</u>
B. Maximum Monthly Rent	\$1,333	\$1,477	\$1,614

(1) Assumed family size per California Health & Safety Code §50052.5, reflects the number of bedrooms in the unit plus one.

(2) Based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(3) Reflects County of San Diego utility allowances, as of March 1, 2024.

Monthly Utility	One	Two	Three
Electric Heating	\$19	\$25	\$35
Electric Cooking	\$12	\$17	\$22
Other Electric	\$44	\$61	\$78
Electric Water Heating	\$26	\$33	\$44
Total	\$101	\$136	\$179





APPENDIX C

In-Lieu Fee Financial Analysis

Approach 1: On-Site Production

TABLE C-1

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

	A			B			C			D																																																														
	Single Family Homes			Townhomes			Townhomes			Townhomes																																																														
	R1-B Zone - 2 Units			R-3/P Zone - 3 Units			R-3 Zone - 4 Units			R-4 Zone - 10 Units																																																														
																																																																								
I. Site Area	0.16 Acres 7,000 SF			0.12 Acres 5,250 SF			0.17 Acres 7,500 SF			0.32 Acres 14,000 SF																																																														
II. Gross Building Area (GBA)																																																																								
Residential Area	4,500 SF 100%			6,000 SF 100%			9,000 SF 100%			18,700 SF 100%																																																														
Common Area ⁽¹⁾	0 SF 0%			0 SF 0%			0 SF 0%			0 SF 0%																																																														
Total GBA - Residential	4,500 SF 100%			6,000 SF 100%			9,000 SF 100%			18,700 SF 100%																																																														
III. Number of Units	2 Units			3 Units			4 Units			10 Units																																																														
IV. Unit Mix	<table><tr><th></th><th># of Units</th><th>Unit Size</th></tr><tr><td>Two Bedroom</td><td>1 Unit 50%</td><td>1,750 SF</td></tr><tr><td>Three Bedroom</td><td>0 Units 0%</td><td>-</td></tr><tr><td>Four Bedroom</td><td>1 Unit 50%</td><td>2,750 SF</td></tr><tr><td>Total/Average</td><td>2 Units 100%</td><td>2,250 SF</td></tr></table>				# of Units	Unit Size	Two Bedroom	1 Unit 50%	1,750 SF	Three Bedroom	0 Units 0%	-	Four Bedroom	1 Unit 50%	2,750 SF	Total/Average	2 Units 100%	2,250 SF	<table><tr><th></th><th># of Units</th><th>Unit Size</th></tr><tr><td>1 Unit</td><td>33%</td><td>1,500 SF</td></tr><tr><td>2 Units</td><td>67%</td><td>2,250 SF</td></tr><tr><td>0 Units</td><td>0%</td><td>-</td></tr><tr><td>3 Units</td><td>100%</td><td>2,000 SF</td></tr></table>				# of Units	Unit Size	1 Unit	33%	1,500 SF	2 Units	67%	2,250 SF	0 Units	0%	-	3 Units	100%	2,000 SF	<table><tr><th></th><th># of Units</th><th>Unit Size</th></tr><tr><td>1 Unit</td><td>25%</td><td>1,500 SF</td></tr><tr><td>3 Units</td><td>75%</td><td>2,500 SF</td></tr><tr><td>0 Units</td><td>0%</td><td>-</td></tr><tr><td>4 Units</td><td>100%</td><td>2,250 SF</td></tr></table>				# of Units	Unit Size	1 Unit	25%	1,500 SF	3 Units	75%	2,500 SF	0 Units	0%	-	4 Units	100%	2,250 SF	<table><tr><th></th><th># of Units</th><th>Unit Size</th></tr><tr><td>2 Units</td><td>20%</td><td>1,350 SF</td></tr><tr><td>8 Units</td><td>80%</td><td>2,000 SF</td></tr><tr><td>0 Units</td><td>0%</td><td>-</td></tr><tr><td>10 Units</td><td>100%</td><td>1,870 SF</td></tr></table>				# of Units	Unit Size	2 Units	20%	1,350 SF	8 Units	80%	2,000 SF	0 Units	0%	-	10 Units	100%	1,870 SF
	# of Units	Unit Size																																																																						
Two Bedroom	1 Unit 50%	1,750 SF																																																																						
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8 Units	80%	2,000 SF																																																																						
0 Units	0%	-																																																																						
10 Units	100%	1,870 SF																																																																						
V. Density	12 Units/Acre			25 Units/Acre			23 Units/Acre			31 Units/Acre																																																														
VI. Construction Type	Type V			Type V			Type V			Type V																																																														
VII. Stories	2 Stories			2 Stories			2 Stories			3 Stories																																																														
VIII. Parking																																																																								
Type	Garage and Surface			Garage and Surface			Garage and Surface			Garage																																																														
Spaces - Residential	4 Spaces			6 Spaces			8 Spaces			20 Spaces																																																														
Ratio	2.0 Spaces/Unit			2.0 Spaces/Unit			2.0 Spaces/Unit			2.0 Spaces/Unit																																																														

(1) Prototypes do not have shared indoor common areas.

TABLE C-2

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

	A			B			C			D		
	Single Family Homes			Townhomes			Townhomes			Townhomes		
	R1-B Zone - 2 Units			R-3/P Zone - 3 Units			R-3 Zone - 4 Units			R-4 Zone - 10 Units		
	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments
I. Direct Costs												
Off-Site Improvements ⁽¹⁾	\$105,000	\$53,000	\$15 Per SF Site	\$79,000	\$26,000	\$15 Per SF Site	\$113,000	\$28,000	\$15 Per SF Site	\$140,000	\$14,000	\$10 Per SF Site
On-Site Improvements/Landscaping ⁽¹⁾	\$175,000	\$88,000	\$25 Per SF Site	\$131,000	\$44,000	\$25 Per SF Site	\$188,000	\$47,000	\$25 Per SF Site	\$280,000	\$28,000	\$20 Per SF Site
Parking	\$0	\$0	Included Below	\$0	\$0	Included Below	\$0	\$0	Included Below	\$0	\$0	Included Below
Shell Construction - Residential	\$1,575,000	\$788,000	\$350 Per SF GBA	\$1,950,000	\$650,000	\$325 Per SF GBA	\$2,925,000	\$731,000	\$325 Per SF GBA	\$6,078,000	\$608,000	\$325 Per SF GBA
FF&E/Amenities	\$100,000	\$50,000	Allowance	\$75,000	\$25,000	Allowance	\$100,000	\$25,000	Allowance	\$150,000	\$15,000	Allowance
Contingency	<u>\$147,000</u>	<u>\$74,000</u>	7.5% of Above Directs	<u>\$168,000</u>	<u>\$56,000</u>	7.5% of Above Directs	<u>\$166,000</u>	<u>\$42,000</u>	5.0% of Above Directs	<u>\$332,000</u>	<u>\$33,000</u>	5.0% of Above Directs
Total Direct Costs	\$2,102,000	\$1,051,000	\$467 Per SF GBA	\$2,403,000	\$801,000	\$401 Per SF GBA	\$3,492,000	\$873,000	\$388 Per SF GBA	\$6,980,000	\$698,000	\$373 Per SF GBA
II. Indirect Costs												
Architecture & Engineering	\$147,000	\$74,000	7.0% of Directs	\$168,000	\$56,000	7.0% of Directs	\$244,000	\$61,000	7.0% of Directs	\$489,000	\$49,000	7.0% of Directs
Permits & Fees ⁽²⁾	\$46,000	\$23,000	\$10 Per SF GBA	\$41,000	\$14,000	\$7 Per SF GBA	\$56,000	\$14,000	\$6 Per SF GBA	\$105,000	\$11,000	\$6 Per SF GBA
Legal & Accounting	\$32,000	\$16,000	1.5% of Directs	\$36,000	\$12,000	1.5% of Directs	\$52,000	\$13,000	1.5% of Directs	\$105,000	\$11,000	1.5% of Directs
Taxes & Insurance	\$265,000	\$133,000	5.0% of Market Value	\$356,000	\$119,000	5.0% of Market Value	\$533,000	\$133,000	5.0% of Market Value	\$1,182,000	\$118,000	5.0% of Market Value
Developer Fee	\$84,000	\$42,000	4.0% of Directs	\$96,000	\$32,000	4.0% of Directs	\$140,000	\$35,000	4.0% of Directs	\$279,000	\$28,000	4.0% of Directs
Marketing/Sales	\$265,000	\$133,000	5.0% of Market Value	\$356,000	\$119,000	5.0% of Market Value	\$533,000	\$133,000	5.0% of Market Value	\$1,182,000	\$118,000	5.0% of Market Value
Contingency	<u>\$42,000</u>	<u>\$21,000</u>	5.0% of Above Indirects	<u>\$53,000</u>	<u>\$18,000</u>	5.0% of Above Indirects	<u>\$78,000</u>	<u>\$20,000</u>	5.0% of Above Indirects	<u>\$167,000</u>	<u>\$17,000</u>	5.0% of Above Indirects
Total Indirect Costs	\$881,000	\$441,000	41.9% of Directs	\$1,106,000	\$369,000	46.0% of Directs	\$1,636,000	\$409,000	46.8% of Directs	\$3,509,000	\$351,000	50.3% of Directs
III. Financing Costs ⁽³⁾	\$263,000	\$132,000	12.5% of Directs	\$300,000	\$100,000	12.5% of Directs	\$437,000	\$109,000	12.5% of Directs	\$873,000	\$87,000	12.5% of Directs
IV. Development Costs ⁽⁴⁾	\$3,246,000	\$1,623,000	\$721 Per SF GBA	\$3,809,000	\$1,270,000	\$635 Per SF GBA	\$5,565,000	\$1,391,000	\$618 Per SF GBA	\$11,362,000	\$1,136,000	\$608 Per SF GBA

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

(2) KMA estimate, includes building fees, fire fees, water capacity fees, development impact fees, Regional Transportation Congestion Improvement Program (RTCIP) fees, and Coronado Unified School District fees.

(3) Includes loan fees, interest during construction, and interest during sales.

(4) Excludes acquisition costs.

TABLE C-3

**GROSS SALES PROCEEDS AND RESIDUAL LAND VALUE
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY
 CITY OF CORONADO**

A									
Single Family Homes									
R1-B Zone - 2 Units									
100% @ Market-Rate						80% @ Market-Rate 20% @ Affordable			
I. Gross Sales Proceeds	Unit Size	# Units	\$/SF	Price/Unit	Total	# Units	\$/SF	Price/Unit	Total
A. Market-Rate									
Two Bedroom	1,750 SF	1	\$1,300	\$2,275,000	\$2,275,000	0	\$1,300	\$2,275,000	\$0
Four Bedroom	2,750 SF	1	\$1,100	\$3,025,000	\$3,025,000	1	\$1,100	\$3,025,000	\$3,025,000
Subtotal/Average	2,250 SF	2	\$1,178	\$2,650,000	\$5,300,000	1	\$1,100	\$3,025,000	\$3,025,000
B. Affordable - Moderate ⁽¹⁾⁽²⁾									
Two Bedroom	1,750 SF	0	\$0	\$0	\$0	1	\$226	\$396,000	\$396,000
Four Bedroom	2,750 SF	0	\$0	\$0	\$0	0	\$159	\$436,000	\$0
Subtotal/Average	2,250 SF	0	\$0	\$0	\$0	1	\$226	\$396,000	\$396,000
C. Total/Average	2,250 SF	2	\$1,178	\$2,650,000	\$5,300,000	2	\$760	\$1,711,000	\$3,421,000
II. Total Gross Sales Proceeds									
(Less) Cost of Sale			3.0% of Value		(\$159,000)		3.0% of Value		(\$103,000)
(Less) Target Developer Profit			10.0% of Value		(\$530,000)		10.0% of Value		(\$342,000)
III. Total Net Sales Proceeds					\$4,611,000				\$2,976,000
(Less) Development Costs ⁽³⁾					(\$3,246,000)				(\$3,246,000)
IV. Residual Land Value					\$1,365,000				(\$270,000)
Per Unit					\$683,000				(\$135,000)
Per SF Site Area					\$260				(\$51)

(1) Affordable sales prices based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(2) Reflect maximum ownership housing payment at 35% of 110% AMI; see Table B-1.

(3) See Table C-2.

TABLE C-4

**GROSS SALES PROCEEDS AND RESIDUAL LAND VALUE
 INCLUSIONARY HOUSING IN-LIEU FEE STUDY
 CITY OF CORONADO**

B									
Townhomes									
R-3/P Zone - 3 Units									
100% @ Market-Rate						80% @ Market-Rate 20% @ Affordable			
I. Gross Sales Proceeds	Unit Size	# Units	\$/SF	Price/Unit	Total	# Units	\$/SF	Price/Unit	Total
A. Market-Rate									
Two Bedroom	1,500 SF	1	\$1,300	\$1,950,000	\$1,950,000	0	\$1,300	\$1,950,000	\$0
Three Bedroom	2,250 SF	2	\$1,150	\$2,588,000	\$5,176,000	2	\$1,150	\$2,587,500	\$5,175,000
Subtotal/Average	2,000 SF	3	\$1,188	\$2,375,000	\$7,126,000	2	\$1,294	\$2,588,000	\$5,175,000
B. Affordable - Moderate ⁽¹⁾⁽²⁾									
Two Bedroom	1,500 SF	0	\$0	\$0	\$0	1	\$264	\$396,000	\$396,000
Three Bedroom	2,250 SF	0	\$0	\$0	\$0	0	\$194	\$436,000	\$0
Subtotal/Average	1,500 SF	0	\$0	\$0	\$0	1	\$264	\$396,000	\$396,000
C. Total/Average	2,000 SF	3	\$1,188	\$2,375,000	\$7,126,000	3	\$929	\$1,857,000	\$5,571,000
II. Total Gross Sales Proceeds									
(Less) Cost of Sale			3.0% of Value		(\$214,000)		3.0% of Value		(\$167,000)
(Less) Target Developer Profit			10.0% of Value		(\$713,000)		10.0% of Value		(\$557,000)
III. Total Net Sales Proceeds					\$6,199,000				\$4,847,000
(Less) Development Costs ⁽³⁾					(\$3,809,000)				(\$3,809,000)
IV. Residual Land Value					\$2,390,000				\$1,038,000
Per Unit					\$797,000				\$346,000
Per SF Site Area					\$455				\$198

(1) Affordable sales prices based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(2) Reflect maximum ownership housing payment at 35% of 110% AMI; see Table B-1.

(3) See Table C-2.

TABLE C-5

GROSS SALES PROCEEDS AND RESIDUAL LAND VALUE
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO

C										
Townhomes										
R-3 Zone - 4 Units										
100% @ Market-Rate						80% @ Market-Rate 20% @ Affordable				
I. Gross Sales Proceeds										
	Unit Size	# Units	\$/SF	Price/Unit	Total	# Units	\$/SF	Price/Unit	Total	
A. Market-Rate										
Two Bedroom	1,500 SF	1	\$1,350	\$2,025,000	\$2,025,000	0	\$1,350	\$2,025,000		\$0
Three Bedroom	2,500 SF	3	\$1,150	\$2,875,000	\$8,625,000	3	\$1,150	\$2,875,000		\$8,625,000
Subtotal/Average	2,250 SF	4	\$1,184	\$2,663,000	\$10,650,000	3	\$1,278	\$2,875,000		\$8,625,000
B. Affordable - Moderate ⁽¹⁾⁽²⁾										
Two Bedroom	1,500 SF	0	\$0	\$0	\$0	1	\$264	\$396,000		\$396,000
Three Bedroom	2,500 SF	0	\$0	\$0	\$0	0	\$174	\$436,000		\$0
Subtotal/Average	2,250 SF	0	\$0	\$0	\$0	1	\$176	\$396,000		\$396,000
C. Total/Average	2,250 SF	4	\$1,184	\$2,663,000	\$10,650,000	4	\$1,002	\$2,255,000		\$9,021,000
II. Total Gross Sales Proceeds										
(Less) Cost of Sale				3.0% of Value	(\$320,000)			3.0% of Value		(\$271,000)
(Less) Target Developer Profit				10.0% of Value	(\$1,065,000)			10.0% of Value		(\$902,000)
III. Total Net Sales Procees										
					\$9,265,000					\$7,848,000
(Less) Development Costs ⁽³⁾					(\$5,565,000)					(\$5,565,000)
IV. Residual Land Value										
Per Unit					\$3,700,000					\$2,283,000
Per SF Site Area					\$925,000					\$571,000
					\$493					\$304

(1) Affordable sales prices based on State of California Department of Housing and Community Development (HCD) 2024 income limits..

(2) Reflect maximum ownership housing payment at 35% of 110% AMI; see Table B-1.

(3) See Table C-2.

TABLE C-6

GROSS SALES PROCEEDS AND RESIDUAL LAND VALUE
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO

D									
Townhomes									
R-4 Zone - 10 Units									
100% @ Market-Rate						80% @ Market-Rate 20% @ Affordable			
I. Gross Sales Proceeds	Unit Size	# Units	\$/SF	Price/Unit	Total	# Units	\$/SF	Price/Unit	Total
A. Market-Rate									
Two Bedroom	1,350 SF	2	\$1,350	\$1,823,000	\$3,646,000	0	\$1,350	\$1,822,500	\$0
Three Bedroom	2,000 SF	8	\$1,250	\$2,500,000	\$20,000,000	8	\$1,250	\$2,500,000	\$20,000,000
Subtotal/Average	1,870 SF	10	\$1,265	\$2,365,000	\$23,646,000	8	\$1,337	\$2,500,000	\$20,000,000
B. Affordable - Moderate ⁽¹⁾⁽²⁾									
Two Bedroom	1,350 SF	0	\$0	\$0	\$0	2	\$293	\$396,000	\$792,000
Three Bedroom	2,000 SF	0	\$0	\$0	\$0	0	\$218	\$436,000	\$0
Subtotal/Average	1,870 SF	0	\$0	\$0	\$0	2	\$212	\$396,000	\$792,000
C. Total/Average	1,870 SF	10	\$1,265	\$2,365,000	\$23,646,000	10	\$1,112	\$2,079,000	\$20,792,000
II. Total Gross Sales Proceeds									
(Less) Cost of Sale			3.0% of Value		(\$709,000)		3.0% of Value		(\$624,000)
(Less) Target Developer Profit			10.0% of Value		(\$2,365,000)		10.0% of Value		(\$2,079,000)
III. Total Net Sales Proceeds					\$20,572,000				\$18,089,000
(Less) Development Costs ⁽³⁾					(\$11,362,000)				(\$11,362,000)
IV. Residual Land Value					\$9,210,000				\$6,727,000
Per Unit					\$921,000				\$673,000
Per SF Site Area					\$658				\$481

(1) Affordable sales prices based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(2) Reflect maximum ownership housing payment at 35% of 110% AMI; see Table B-1.

(3) See Table C-2.

TABLE C-7

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

A	B	C	D	E
FOR-SALE				Average
Single-Family	Townhomes	Townhomes	Townhomes	
2 Units R1-B Zone	3 Units R-3/P Zone	4 Units R-3 Zone	10 Units R-4 Zone	

I. Moderate Income

A. Residual Land Value - 100% Market Rate	\$1,365,000	\$2,390,000	\$3,700,000	\$9,210,000	
Per Unit	\$683,000	\$797,000	\$925,000	\$921,000	\$832,000
Per SF Site Area	\$260	\$455	\$493	\$658	\$467

APPENDIX D

In-Lieu Fee Financial Analysis

Approach 2: Off-Site Production

TABLE D-1

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



	E				F			
	Stacked Flat Apartments Rental				Stacked Flat Condominiums For-Sale			
								
I. Site Area	0.46 Acres 20,000 SF				0.34 Acres 15,000 SF			
II. Gross Building Area (GBA)								
A. Residential								
Net Rentable Area	20,950 SF	87.5%			12,900 SF	85.0%		
Circulation/Common Area	<u>2,990</u> SF	<u>12.5%</u>			<u>2,280</u> SF	<u>15.0%</u>		
Total GBA - Residential	23,940 SF	100.0%			15,180 SF	100.0%		
B. Retail/Restaurant	---				<u>0</u> SF			
C. Total GBA	23,940 SF				15,180 SF			
III. Number of Units	25 Units				10 Units			
IV. Unit Mix								
	<u># of Units</u>	<u>Unit Size</u>			<u># of Units</u>	<u>Unit Size</u>		
One Bedroom	7 Units	28%	700 SF		2 Units	8%	950 SF	
Two Bedroom	15 Units	60%	850 SF		6 Units	24%	1,250 SF	
Three Bedroom	<u>3</u> Units	<u>12%</u>	<u>1,100</u> SF		<u>2</u> Units	<u>8%</u>	<u>1,750</u> SF	
Total/Average	25 Units	100%	838 SF		10 Units	40%	1,290 SF	
V. Affordability Mix								
Moderate Income	0 Units	0			10 Units	100%		
Very Low / Low Income	25 Units	100%			0 Units	0%		
Manager	<u>0</u> Units	<u>0%</u>			<u>0</u> Units	<u>0%</u>		
Total/Av	25 Units	100%			10 Units	100%		
VI. Density	54 Units/Acre				29 Units/Acre			
VII. Construction Type	Type V				Type V			
VIII. Stories	3 Stories				4 Stories			
IX. FAR	1.20 FAR				1.01 FAR			
X. Parking								
Type	Tuck-under				Podium			
Spaces - Residential	13 Spaces				5 Spaces			
Ratio	0.50 Spaces/Unit				0.50 Spaces/Unit			

TABLE D-2

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

100% Affordable												
Stacked Flats Apartments										Stacked Flat Condominiums		
No Tax Credits				9% Tax Credits			4% Tax Credits			For-Sale		
	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments	Total	Per Unit	Comments
I. Direct Costs												
Off-Site Improvements ⁽¹⁾	\$300,000	\$12,000	\$15 Per SF Site	\$300,000	\$12,000	\$15 Per SF Site	\$300,000	\$12,000	\$15 Per SF Site	\$225,000	\$23,000	\$15 Per SF Site
On-Site Improvements/Landscaping ⁽¹⁾	\$500,000	\$20,000	\$25 Per SF Site	\$500,000	\$20,000	\$25 Per SF Site	\$500,000	\$20,000	\$25 Per SF Site	\$375,000	\$38,000	\$25 Per SF Site
Parking	\$325,000	\$13,000	\$25,000 Per Space	\$325,000	\$13,000	\$25,000 Per Space	\$325,000	\$13,000	\$25,000 Per Space	\$175,000	\$18,000	\$35,000 Per Space
Shell Construction - Residential	\$8,978,000	\$359,000	\$375 Per SF GBA	\$8,978,000	\$359,000	\$375 Per SF GBA	\$8,978,000	\$359,000	\$375 Per SF GBA	\$4,934,000	\$493,000	\$325 Per SF GBA
Shell Construction - Retail	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$300 Per SF GBA
Tenant Improvements	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$0 Per SF GBA	\$0	\$0	\$50 Per SF GBA
FF&E/Amenities	<u>\$213,000</u>	<u>\$8,500</u>	\$9 Per SF GBA	<u>\$212,500</u>	<u>\$8,500</u>	\$9 Per SF GBA	<u>\$212,500</u>	<u>\$8,500</u>	\$9 Per SF GBA	<u>\$50,000</u>	<u>\$5,000</u>	\$3 Per SF GBA
Subtotal	\$10,316,000	\$413,000	\$431 Per SF GBA	\$10,315,500	\$413,000	\$431 Per SF GBA	\$10,315,500	\$413,000	\$431 Per SF GBA	\$5,759,000	\$576,000	\$379 Per SF GBA
Add: Prevailing Wages	\$0	\$0	0.0% of Directs	\$0	\$0	0.0% of Directs	\$1,547,000	\$62,000	15.0% of Directs	\$0	\$0	0.0% of Directs
Contingency	<u>\$516,000</u>	<u>\$21,000</u>	5.0% of Directs	<u>\$516,000</u>	<u>\$21,000</u>	5.0% of Directs	<u>\$593,000</u>	<u>\$24,000</u>	5.0% of Directs	<u>\$288,000</u>	<u>\$29,000</u>	5.0% of Directs
Total Direct Costs	\$10,832,000	\$433,000	\$452 Per SF GBA	\$10,831,500	\$433,000	\$452 Per SF GBA	\$12,455,500	\$498,000	\$520 Per SF GBA	\$6,047,000	\$605,000	\$398 Per SF GBA
II. Indirect Costs												
Architecture & Engineering	\$758,000	\$30,000	7.0% of Directs	\$758,000	\$30,000	7.0% of Directs	\$872,000	\$35,000	7.0% of Directs	\$423,000	\$42,000	7.0% of Directs
Permits & Fees ⁽²⁾	\$130,000	\$5,000	\$5 Per SF GBA	\$130,000	\$5,000	\$5 Per SF GBA	\$130,000	\$5,000	\$5 Per SF GBA	\$87,000	\$9,000	\$6 Per SF GBA
Legal & Accounting	\$162,000	\$6,000	1.5% of Directs	\$162,000	\$6,000	1.5% of Directs	\$187,000	\$7,000	1.5% of Directs	\$91,000	\$9,000	1.5% of Directs
Taxes & Insurance	\$217,000	\$9,000	2.0% of Directs	\$217,000	\$9,000	2.0% of Directs	\$249,000	\$10,000	2.0% of Directs	\$121,000	\$12,000	2.0% of Directs
Developer Fee	\$433,000	\$17,000	4.0% of Directs	\$1,886,000	\$75,000	17.4% of Directs	\$2,148,000	\$86,000	17.2% of Directs	\$242,000	\$24,000	4.0% of Directs
Marketing/Lease-Up/Sales	\$88,000	\$3,500	\$4 Per SF GBA	\$88,000	\$3,500	\$4 Per SF GBA	\$88,000	\$3,500	\$4 Per SF GBA	\$119,000	\$12,000	3.0% of Market Value
Contingency	<u>\$89,000</u>	<u>\$4,000</u>	5.0% of Indirects	<u>\$162,000</u>	<u>\$6,000</u>	5.0% of Indirects	<u>\$184,000</u>	<u>\$7,000</u>	5.0% of Indirects	<u>\$54,000</u>	<u>\$5,000</u>	5.0% of Indirects
Total Indirect Costs	\$1,877,000	\$75,000	17.3% of Directs	\$3,403,000	\$136,000	31.4% of Directs	\$3,858,000	\$154,000	31.0% of Directs	\$1,137,000	\$114,000	18.8% of Directs
III. Financing Costs	\$1,083,000	\$43,000	10.0% of Directs	\$1,078,000	\$43,000	10.0% of Directs	\$1,308,000	\$52,000	10.5% of Directs	\$605,000	\$61,000	10.0% of Directs
IV. Development Costs ⁽³⁾	\$13,792,000	\$552,000	\$576 Per SF GBA	\$15,312,500	\$613,000	\$640 Per SF GBA	\$17,621,500	\$705,000	\$736 Per SF GBA	\$7,789,000	\$779,000	\$513 Per SF GBA

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

(2) KMA estimate, includes building fees, fire fees, water capacity fees, development impact fees, Regional Transportation Congestion Improvement Program (RTCIP) fees, and Coronado Unified School District fees.

(3) Excludes acquisition costs.

TABLE D-3

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

E 100% Affordable										
Stacked Flat Apartments										
No Tax Credits					9% Tax Credits			4% Tax Credits		
I. Gross Scheduled Income (GSI)	Unit Size	# Units	\$/Month	Annual	# Units	\$/Month ⁽¹⁾	Annual	# Units	\$/Month ⁽¹⁾	Annual
One Bedroom @ Very Low - 50% AMI ⁽²⁾	700 SF	0	\$1,094	\$0	7	\$1,094	\$92,000	7	\$1,094	\$92,000
One Bedroom @ Low - 60% AMI ⁽³⁾	700 SF	7	\$1,333	\$112,000	0	\$1,333	\$0	0	\$1,333	\$0
Two Bedroom @ Very Low - 50% AMI ⁽²⁾	850 SF	0	\$1,208	\$0	15	\$1,208	\$217,000	15	\$1,208	\$217,000
Two Bedroom @ Low - 60% AMI ⁽³⁾	850 SF	15	\$1,477	\$266,000	0	\$1,477	\$0	0	\$1,477	\$0
Three Bedroom @ Very Low - 50% AMI ⁽²⁾	1,100 SF	0	\$1,315	\$0	3	\$1,315	\$47,000	3	\$1,315	\$47,000
Three Bedroom @ Low - 60% AMI ⁽³⁾	<u>1,100 SF</u>	<u>3</u>	<u>\$1,614</u>	<u>\$58,000</u>	<u>0</u>	<u>\$1,614</u>	<u>\$0</u>	<u>0</u>	<u>\$1,614</u>	<u>\$0</u>
Total/Average	838 SF	25	\$1,450	\$436,000	25	\$1,190	\$356,000	25	\$1,190	\$356,000
Add: Other Income		\$25 /Unit/Month		<u>\$8,000</u>	\$25 /Unit/Month		<u>\$8,000</u>	\$25 /Unit/Month		<u>\$8,000</u>
Total Gross Scheduled Income (GSI)				\$444,000			\$364,000			\$364,000
II. Effective Gross Income										
(Less) Vacancy		5.0% of GSI		<u>(\$22,000)</u>	5.0% of GSI		<u>(\$18,000)</u>	5.0% of GSI		<u>(\$18,000)</u>
Effective Gross Income (EGI)				\$422,000			\$346,000			\$346,000
III. Operating Expenses										
(Less) Operating Expenses		\$7,500 /Unit/Year		(\$188,000)	\$7,500 /Unit/Year		(\$188,000)	\$7,500 /Unit/Year		(\$188,000)
(Less) Tenant Services		\$0 /Unit/Year		\$0	\$200 /Unit/Year		(\$5,000)	\$500 /Unit/Year		(\$13,000)
(Less) Property Taxes/Assessments ⁽⁴⁾		\$200 /Unit/Year		(\$5,000)	\$200 /Unit/Year		(\$5,000)	\$200 /Unit/Year		(\$5,000)
(Less) Replacement Reserves		\$250 /Unit/Year		(\$6,000)	\$250 /Unit/Year		(\$6,000)	\$500 /Unit/Year		(\$13,000)
(Less) Monitoring Fee		\$0 /Unit/Year		<u>\$0</u>	\$0 /Unit/Year		<u>\$0</u>	\$0 /Unit/Year		<u>\$0</u>
Total Operating Expenses		\$7,960 /Unit/Year		(\$199,000)	\$8,160 /Unit/Year		(\$204,000)	\$8,760 /Unit/Year		(\$219,000)
		47% of EGI			59% of EGI			63% of EGI		
IV. Net Operating Income (NOI)				\$223,000			\$142,000			\$127,000
V. (Less) Debt Service - Other State Funding Source ⁽⁵⁾		0.00% of Loan		<u>\$0</u>	0.00% of Loan		<u>\$0</u>	0.42% of Loan		<u>(\$13,000)</u>
VI. NOI after Debt Service for State Funding Source				\$223,000			\$142,000			\$114,000

- (1) Based on the lower of State of California Department of Housing and Community Development (HCD) 2024 income limits or California Tax Credit Allocation Committee 2024 maximum income and rent levels for projects placed in service on or after May 15, 2023.
- (2) Assumes monthly rents at an average of 50% AMI in order to competitively apply for Tax Credits; see Table B-3 for calculation of affordable rents at 50% AMI.
- (3) See Table B-4 for calculation of affordable rents at 60% AMI.
- (4) Reflects special assessments only. Assumes project will qualify for tax-exempt status.
- (5) 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 CORONADO

E						
100% Affordable						
Stacked Flat Apartments						
I. Sources of Funds	No Tax Credits		9% Tax Credits		4% Tax Credits	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
Supportable Permanent Loan ⁽¹⁾	\$2,531,000	\$101,000	\$1,604,000	\$64,000	\$1,407,000	\$56,000
Warranted Equity Investment ⁽²⁾	\$242,000	\$10,000	\$0	\$0	\$0	\$0
Tax Credit Equity Investment-Federal ⁽³⁾	\$0	\$0	\$8,880,000	\$355,000	\$7,489,000	\$300,000
Tax Credit Equity Investment-State ⁽³⁾	\$0	\$0	\$1,842,000	\$74,000	\$2,098,000	\$84,000
Other State Funding Source ⁽⁴⁾	\$0	\$0	\$0	\$0	\$3,125,000	\$125,000
Deferred Developer Fee ⁽⁵⁾	\$0	\$0	\$0	\$0	\$0	\$0
General Partner Equity Contribution ⁽⁵⁾	\$0	\$0	\$0	\$0	\$0	\$0
Total Sources of Funds	\$2,773,000	\$111,000	\$12,326,000	\$493,000	\$14,119,000	\$565,000
II. (Less) Development Costs excluding Land	(\$13,792,000)	(\$552,000)	(\$15,312,500)	(\$613,000)	(\$17,621,500)	(\$705,000)
III. Residual Land Value	(\$11,019,000)	(\$441,000)	(\$2,986,500)	(\$119,000)	(\$3,502,500)	(\$140,000)

TABLE D-4 (CONT'D.)

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

		E		
		100% Affordable		
		Stacked Flat Apartments		
		No Tax Credits	9% Tax Credits	4% Tax Credits
(1) <u>Supportable Permanent Loan</u>				
NOI	\$223,000	\$142,000	\$114,000	
Interest Rate	7.00%	7.00%	6.25%	
Term (years)	35	35	35	
Debt Coverage Ratio	1.15	1.15	1.15	
Annual Debt Service	\$194,000	\$123,000	\$99,130	
Supportable Permanent Loan	\$2,531,000	\$1,604,000	\$1,407,000	
(2) <u>Warranted Equity Investment</u>				
NOI	\$223,000			
(Less) Annual Debt Service	<u>(\$194,000)</u>			
Project Cash Flow	\$29,000			
Target Return	12.0%			
Warranted Equity Investment	\$242,000			
(3) <u>Low Income Housing Tax Credits</u>				
A. Federal				
<u>Estimate of Eligible Basis:</u>				
Total Development Costs		\$15,312,500	\$17,621,500	
(Less) Ineligible Costs		6% <u>(\$853,000)</u>	7% <u>(\$1,154,000)</u>	
Eligible Basis		\$14,459,500	\$16,467,500	
<u>Tax Credit Proceeds:</u>				
Maximum Eligible Basis		\$14,459,500	\$16,467,500	
(Less) Voluntary Credit Adjustment	40.0%	<u>(\$5,784,000)</u>	0.0%	<u>\$0</u>
Total Requested Unadjusted Basis		\$8,675,500	\$16,467,500	
Impacted Bonus Factor	130%	\$11,278,000	130%	\$21,407,750
Tax Credit Qualified Units/Applicable Factor	100%	\$11,278,000	100%	\$21,407,750
Tax Credit Rate	9.00%	\$1,015,000	4.00%	\$856,000
Maximum Annual Tax Credits		\$1,015,000	N/A	
Total Tax Credits @	10	\$10,150,000	10	\$8,560,000
Limited Partner Share	99.99%	\$10,149,000	99.99%	\$8,559,144
Tax Credit Equity Investment @	87.5%	\$8,880,000	87.5%	\$7,489,000
B. State				
Unadjusted Eligible Basis		\$14,459,500	\$16,467,500	
Requested Eligible Basis	50.0%	\$7,230,000	50.0%	\$8,234,000
Tax Credit Factor	30.0%	\$2,169,000	30.0%	\$2,470,000
Limited Partner Share	99.9%	\$2,167,000	99.9%	\$2,468,000
Tax Credit Equity @	85.0%	\$1,842,000	85.0%	\$2,098,000

TABLE D-4 (CONT'D.)

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

E			
100% Affordable			
Stacked Flat Apartments			
	No Tax Credits	9% Tax Credits	4% Tax Credits
(4) <u>Other State Funding Source</u>			
Total Loan		\$0	\$3,125,000
Annual Debt Service		0.00% \$0	0.42% \$13,000
(5) <u>Estimate of Deferred Developer Fee</u>			
Eligible Basis		\$14,459,500	\$16,467,500
(Less) Developer Fee		<u>(\$1,886,000)</u>	<u>(\$2,148,000)</u>
Unadjusted Eligible Basis		\$12,573,500	\$14,319,500
Total Developer Fee	15.0%	\$1,886,000	15.0% \$2,148,000
Developer Overhead Fee		\$1,886,000	\$2,148,000
(Less) Deferred Developer Fee	0.00%	<u>\$0</u>	0.0% <u>\$0</u>
Upfront Developer Fee		\$1,886,000	\$2,148,000

TABLE D-5

**GROSS SALES PROCEEDS AND RESIDUAL LAND VALUE
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO**

					F
					100% Affordable
					Stacked Flat Condominiums
					For-Sale
I. Gross Sales Proceeds	Unit Size	# Units	Price/Unit ⁽²⁾	Total	
Affordable - Moderate ⁽¹⁾					
One Bedroom	950 SF	2	\$356,000	\$712,000	
Two Bedroom	1,250 SF	6	\$396,000	\$2,376,000	
Three Bedroom	1,750 SF	2	\$436,000	\$872,000	
Total/Average	1,290 SF	10	\$396,000	\$3,960,000	
II. Total Gross Sales Proceeds					
(Less) Cost of Sale		3.0% of Value		(\$119,000)	
(Less) Target Developer Profit		10.0% of Value		(\$396,000)	
III. Total Net Sales Proceeds				\$3,445,000	
(Less) Development Costs ⁽³⁾				(\$7,789,000)	
IV. Residual Land Value				(\$4,344,000)	
Per Unit				(\$434,000)	

(1) Affordable sales prices based on State of California Department of Housing and Community Development (HCD) 2024 income limits.

(2) Reflect maximum ownership housing payment at 35% of 110% AMI, see Table B-1.

(3) See Table D-2.

TABLE D-6

**AVERAGE AFFORDABILITY GAP
INCLUSIONARY HOUSING IN-LIEU FEE STUDY
CITY OF CORONADO**

	Stacked Flat Apartments			Stacked Flat Condominiums	Average
	No Tax Credits	9% Tax Credits	4% Tax Credits	For-Sale	
I. Lower Income					
A. Residual Land Value - 100% Lower Income Per Affordable Unit	(\$11,019,000) (\$441,000)	(\$2,986,500) (\$119,000)	(\$3,502,500) (\$140,000)	---	(\$130,000) ⁽¹⁾
B. Acquisition Costs @ \$500 /SF Site Area ⁽²⁾ Per Affordable Unit	(\$10,000,000) (\$400,000)	(\$10,000,000) (\$400,000)	(\$10,000,000) (\$400,000)	---	(\$400,000) ⁽¹⁾
C. Total Afforability Gap Per Affordable Unit	(\$21,019,000) (\$841,000)	(\$12,986,500) (\$519,000)	(\$13,502,500) (\$540,000)	---	(\$530,000) ⁽¹⁾
II. Moderate Income					
A. Residual Land Value - 100% Moderate Income Per Affordable Unit	---	---	---	(\$4,344,000) (\$434,000)	(\$434,000)
B. Acquisition Costs @ \$500 /SF Site Area ⁽²⁾ Per Affordable Unit	---	---	---	(\$7,500,000) (\$750,000)	(\$750,000)
C. Total Afforability Gap Per Affordable Unit	---	---	---	(\$11,844,000) (\$1,184,000)	(\$1,184,000)

(1) Excludes outcome from No Tax Credits scenario. Assumes off-site compliance for Low Income units would be met through the development of a Low Income Housing Tax Credit project with a combination of Extremely Low, Very Low, and Low Income units.

(2) KMA estimate based on survey of residential land sales in the City.

APPENDIX E

Comparison of Affordable Housing Fees San Diego County

TABLE E-1

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

City	Year Adopted	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	1993 Updated 2024	Yes	Yes	7 units	15% @ Low Income	Yes	Available to projects up to 6 units	In-Lieu Fee	\$18/SF
Chula Vista	1981 Updated 2024	Yes	Yes	20 units	10% (5% Low Income 5% Moderate Income)	Yes	Available to projects of all sizes	In-Lieu Fee	varies by project
Del Mar	2006 Updated 2024	Yes	Yes	2 - 30 units	15% Low, Very Low, or Extremely Low	Yes	Available only to subdivisions creating new lots	In-Lieu Fee	\$27,350 per lot created
				30-49 units	20% @ Low, Very Low, or Extremely Low				
				50+ units	20% @ Low, Very Low, or Extremely Low 20% of inclusionary units @ Extremely Low				
Encinitas	1987 Updated 2024	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	\$24.08/SF
Escondido	---	No Requirement	No Requirement	None	None	None	None	None	None
Oceanside	1983 Updated 2024	Yes	Yes	10 units	<u>Rental</u> 15% @ Low Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$20/SF ⁽¹⁾
					<u>For-Sale</u> 15% @ Low or Moderate Income	Yes	Available to projects of all sizes	In-Lieu Fee	\$20/SF ⁽¹⁾

TABLE E-1

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

City	Year Adopted	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 Diego ⁽²⁾ Outside FUA	2003 Updated 2020	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	1992	Yes	Yes	2 units	20% @ 65% AMI or less	None	None	None	None
San Diego Barrio Logan Community Plan Area	2023	Yes	Yes	10 units	15% Very Low and Low Income	Yes	Available to projects of all sizes; <10 units exempt	In-Lieu Fee	\$25/SF
San Diego University Community Plan Area	2024	Yes	Yes	10 units	<u>Options:</u> 10% @ 60% AMI	None	None	None	None
					5% @ 80% AMI	Yes - Required	Available to all projects; must pay in-lieu fee and provide minimum of 5% of units @ 80% AMI	In-Lieu Fee	\$25/SF
					10% @ 120% AMI	Yes - Required	Available to all projects; must pay in-lieu fee and provide minimum of 10% of units @ 120% AMI	In-Lieu Fee	\$25/SF
					Alternative compliance fee	Yes - Required	Available to all projects; must pay a rate of 200% of applicable fee	In-Lieu Fee	\$50/SF

TABLE E-1

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

City	Year Adopted	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
Poway	2018	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 Marcos ⁽⁴⁾	2000 Update pending 2024	Yes	Yes, as alternative to paying fee	<u>For-Sale</u> 1 unit <u>Rental</u> 6 Units	<u>For-Sale</u> Pay in-lieu fee unless opting to produce inclusionary units of 15% @ Target Households (determined by City) <u>Rental</u> 15% of Target Households (determined by City)	Yes	<u>For-Sale</u> Available to projects of all sizes <u>Rental</u> Projects of 6 or less units and fractional units	In-Lieu Fee	\$9,300/unit
Solana Beach	2011 Updated 2023	Yes	Yes	5 units	15% @ Very Low or Low Income	Yes	Available to all projects	Impact Fee	\$27.22/SF
Vista	1985 Updated 2022	Yes	Yes	20 units	5% @ Low 4% @ Moderate	Yes	Available to projects of all sizes; <20 units exempt Partial affordable units subject to the payment of an in-lieu fee in proportion to the partial unit	In-Lieu Fee	\$17.56/SF

(1) In-lieu fee effective January 1, 2024 - December 31, 2024. Beginning January 1, 2025 and every calendar year thereafter the fee will be administratively adjusted based on the ENR CCI index.

(2) 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 per SF reflects fee beginning July 1, 2024.

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

(4) Reflects City's existing inclusionary ordinance. Proposed update of the City of San Marcos' inclusionary housing in-lieu to be considered by the City Council in November 2024.