STAFF REPORT

COMMUNITY DEVELOPMENT

DATE: November 17, 2020

TO: Justin Hess, City Manager

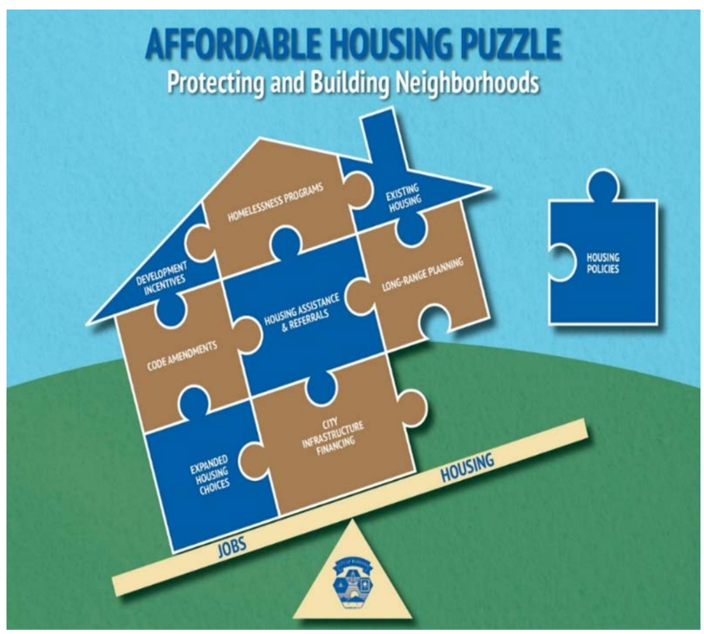
FROM: Patrick Prescott, Community Development Director
VIA: Fred Ramirez, Asst. Community Development Director, Planning
Simone McFarland, Asst. Community Development Director, Housing and Economic Development
Lisa Frank, Senior Planner
Maribel Leyland, Housing Authority Manager

SUBJECT: Request for City Council Direction on Updates to the City of Burbank's Inclusionary Housing Regulations

RECOMMENDATION

Provide policy direction to City staff on updates to the Inclusionary Housing regulations.

BACKGROUND



In 2017, the City Council set the goal to build 12,000 dwelling units during the next 15 years. The goal is consistent with the City's Affordable Housing Strategy and is a key piece in the housing puzzle. Updating and implementing housing policies, coupled with the goal of 12,000 units, will assist the City's efforts to generate housing for all economic segments of the community while continuing to facilitate responsible development that builds and protects neighborhoods. Two policy areas staff is proposing for review are the current Inclusionary Housing and Density Bonus regulations. This report and accompanying study session address Inclusionary Housing, while a separate report and study session have been prepared for City Council consideration regarding updates to local Density Bonus law.

The City's Inclusionary Housing Ordinance was adopted in 2006 (see Attachment 1, Ordinance No. 3694) and has not been updated since. This study session is the first focused discussion and request for City Council direction on potential updates to the Inclusionary Housing regulations. City Council direction on these policy questions will help provide guidance to staff as we move to the next steps in the process, which includes community input and eventual development of updated regulations.

DISCUSSION

Inclusionary Housing

Background

Inclusionary housing refers to strategies and policies that require or encourage a certain amount of affordable housing to be provided as a part of market-rate residential projects. "Affordable housing" as used here refers to dwelling units that are deed-restricted for households making below a certain income threshold as determined by State income thresholds. Attachment 2 provides definitions for the different income levels (Very Low, Low, and Moderate-Income) when referring to affordable housing in this context. More than 170 jurisdictions in California have inclusionary housing policies, although the specifics of these policies can vary from one jurisdiction to another. As noted above, in 2006 the City adopted its own Inclusionary Housing Ordinance applicable to rental and ownership projects. A summary of the existing Inclusionary Housing regulations is provided in Attachment 3.

Recent Legislation - AB 1505

Although the City has had Inclusionary Housing regulations in place for the last 14 years, the rental component of the Ordinance was unenforceable from 2009 through 2017 due to a California Appellate Court ruling in *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles*. In the "Palmer Decision" the courts held that inclusionary housing requirements imposed on rental projects were a form of rent control and therefore in conflict with the existing 1995 Costa-Hawkins Rental Act that does not allow for such rental cost restrictions when a unit is vacated. In 2017 the Governor signed AB 1505 (known as the "Palmer Fix") as part of the 2017 package of housing bills. The "Palmer Fix" overturned the 2009 court ruling and authorizes - though does not mandate - a city or county to impose affordable housing requirements as a condition of development for rental housing, with certain limitations. With AB 1505, the rental component of the City's existing Inclusionary Ordinance therefore became enforceable again starting January 1, 2018. Attachment 4 is a memo prepared by the Department of Housing and Community Development (HCD) that summarizes the bill in detail, including the general criteria for new inclusionary housing regulations that the City must adhere to in the event of an update.

Impact of Existing Ordinance

To date, the City's Inclusionary Housing regulations have yielded limited results for rental housing because of the legal restrictions imposed by the Palmer court ruling. Although the affordability requirements for ownership housing continued to be legally enforceable, no ownership projects have been subject to the Inclusionary Housing regulations due to the limited amount of ownership housing that has occurred since its adoption. For rental projects, the Inclusionary Ordinance has been applied to one 8-unit development project in 2019 in which the developer opted to pay an in-lieu fee, and one 42-unit mixed use Density Bonus project in 2020, which resulted in one additional affordable unit beyond what was already being provided through the Density Bonus affordability requirement. It is important to note that although the City's Inclusionary Housing regulations did not technically apply to several recent large development projects which were already in the queue, such as the 777 Front Street and the First Street Village projects, the City achieved an affordable housing component in each project as part of negotiations with the developers through the Planned Development (PD) process. As demonstrated during the project approvals, the amount of affordable units were in line with the City's ordinance especially compared to what could be achieved through payment of by right in-lieu fees (see discussion in Section 3, below).

Policy Questions

Unlike State Density Bonus law, not all Inclusionary Housing requirements are the same. Some cities do not have them at all. Because of this variability, there are important policy questions to consider. Three of these big picture policy areas are summarized below.

1. Keep existing Inclusionary Ordinance, update it, or remove it?

Summary: As part of ongoing discussions on the City's housing strategy, prior City Council direction to staff included revisiting the Inclusionary Ordinance to see how it could be updated. Staff is therefore seeking to confirm that the Council still wishes to pursue updating the regulations. In light of the fact that State law does not mandate a city to have inclusionary housing regulations, the City could either (1) opt to keep the existing Inclusionary Housing requirements as they are (which are summarized in Attachment 3), (2) update portions of the current regulations such as the specific affordability requirements for rental and ownership projects, incentives for on-site construction, and the in-lieu fee structure, or (3) remove the requirement altogether.

In response to earlier Council direction, staff previously engaged Keyser Marston Associates (KMA) to prepare a report that provides detailed information on the background, methodology and financial considerations for crafting inclusionary regulations. The analysis was completed in February 2019 and is provided in Attachment 5. Financial feasibility analysis is especially critical to updating inclusionary requirements when considering AB 1505 and existing Housing Element law, which specify that jurisdictions cannot unduly constrain the production of housing through overly restrictive requirements.

If the City Council directs staff to proceed in updating the Inclusionary Housing regulations, the consultant would complete an updated economic feasibility analysis to ensure that the specific findings are as up to date as possible. If the City does not update the regulations, the existing Inclusionary Ordinance would remain as it is, however, there is no current basis for the criteria in the current ordinance as it was adopted nearly 15 years ago, and without a new economic analysis it would be difficult to defend the current regulations and whether it's a constraint on development. If the City removes the inclusionary housing requirement altogether, the City could still receive affordable housing set-asides through Density Bonus applications, and through negotiation of affordability components as was done in the projects previously mentioned, but not through any other by right market-rate projects which are not utilizing Density Bonus.

Staff Recommendation: Staff recommends that the Council direct staff to proceed in drafting updated Inclusionary Housing regulations as directed in previous discussions with the Council to ensure that the Inclusionary Ordinance achieves full potential based on current economic and market conditions. Preparation of draft updated regulations would be subject to the completion of an updated economic analysis, community input, and by examining best practices from surrounding jurisdictions in the region.

2. Affordability Requirement - Provide Options

Summary: If the Council directs staff to proceed in updating the Inclusionary Housing regulations, one of the key considerations is how the City will approach updating the affordability level and percentages required. Specifically, the question is, will the City provide different options, or keep the existing approach that imposes one standard for all rental projects and one standard for all ownership projects?

As outlined in Attachment 3, the existing Inclusionary Ordinance established a uniform requirement for all rental and ownership projects. In the case of a rental project, for example, 15% of units must be set-aside as affordable, further broken down into 5% of the units for Very Low-Income households and 10% of the units for Low-Income households, with no option for Moderate-Income or other variation. Staff believes that this approach does not align with the Council's current housing goals and, further, does not sufficiently account for other external factors such as the City's Regional Housing Needs Assessment (RHNA) requiring housing production at all income levels, the increasing use of Density Bonus incentive, and the heightened obligation for financial feasibility established by AB 1505. These factors are important for the following reasons:

- The Council goal of 12,000 housing units over the next 15 years is intended to address the needs of Burbank's workforce, which includes job sectors that generate a need for affordable and workforce housing at a range of levels, including those that would be considered Moderate-Income (along with market-rate). Similarly, the City's 6^{th} cycle RHNA and associated Housing Element requires planning for housing production at all affordability levels. Providing developers with multiple options for the affordability component creates a better chance of generating housing across all four income categories: Very Low-, Low-, Moderate, and Above-Moderate income.

- In the last few years developers are increasingly seeking to use State Density Bonus, resulting in a greater number of development projects that already include deed-restricted affordable units because of the affordability obligation through Density Bonus, which could include Very Low-, Low-, or Moderate-Income units. The expectation is that developers will continue to make use of the Density Bonus option, which presents an opportunity to compare the affordability requirements through Density Bonus to that of Inclusionary Housing so that the two requirements work effectively together in generating the optimal amount of affordable housing in a project while still ensuring economic feasibility.

- State law is clear in establishing that cities cannot unduly constrain the production of housing, including through onerous and financially unrealistic affordability requirements. In fact, HCD has the authority to review a city's inclusionary housing regulations if it requires that more than 15% of the units be restricted to households earning less than 80% of the county area median income (AMI) if the jurisdiction has not met at least 75% of its RHNA allocation for Above-Moderate Income units. Providing options will help the City to maintain local control by providing greater assurances that HCD will not scrutinize the regulations.

Staff Recommendation: Staff recommends that the City allow options for the Inclusionary Housing affordability standard, particularly for rental projects. This could consist of a tiered approach with different percentage requirements according to the affordability level pursued by the developer. For instance, a higher percentage affordability level might be required for Moderate-Income units than for that of Very Low-Income units. Such an approach would provide multiple options to developers in how they would comply with the requirement, which facilitates housing production at a variety of affordability levels. Alternatively, if the Council prefers to target housing production at specific affordability levels, staff could work with KMA to evaluate how this might be economically feasible through the inclusionary housing program design.

For this study session, staff is not proposing specific percentages for different affordability levels. With City Council direction, staff would further evaluate this issue based on findings from an updated economic feasibility analysis. The analysis would address rental projects and ownership projects separately similar to what was done in the previous feasibility analysis provided in Attachment 5. Additionally, in light of the potential for HCD to reject local inclusionary housing regulations that exceed 15% affordability, staff also recommends using this percentage as a cap for the inclusionary requirement. The 2019 financial feasibility analysis can be referenced for a general idea of what types of percentages might be economically justified from the perspective of State law and to maintain market competitiveness.

3. Additional Options for Fulfilling Inclusionary Housing Requirement

Summary: Per AB 1505, jurisdictions are required to provide options for alternative means of fulfilling the affordable housing requirement. Such options could include payment of an in-lieu fee, off-site construction of affordable units, land dedication, and the acquisition and rehabilitation of existing units. These alternative options are similar to those in the City's existing Inclusionary Housing regulations. Staff is seeking City Council direction on how to approach these alternative options, including the extent to which construction of on-site units should be required or incentivized. State law does not specify how the alternative options should be established. However, as with the rest of the inclusionary housing requirement, local regulations must be financially feasible and cannot constrain housing development.

As previously noted, the existing City regulations allows a developer to choose payment of an in-lieu fee as an option by-right without discretionary approval to do so. Based on staff's conversations with prospective developers, the in-lieu fee option has been preferable to building the affordable units within the project (assuming there is no Density Bonus component). As highlighted with the discussion and negotiation for affordable units as part of the 777 Front Street project, the building of housing units - and specifically affordable units - is a significant community/public benefit, rather than a project applicant paying a fee in-lieu of constructing said affordable units. In the example of 777 Front Street, the City's in-lieu fee that would have applied is $10.27 per square foot of residential (for projects with 14 or more units). Based on the proposed 645,806 square feet of residential in that project, this would have amounted to just over $6.63 million to be deposited in an affordable housing fund.

The City's historic cost for building multifamily units is approximately $500,000 per unit; in-lieu funds in the amount of $6.63 million could have potentially supported the building of 12 affordable units, compared to 69 units that would be provided if 12% of the total units in the project were set aside for Moderate Income households. As this example illustrates, it can be assumed that payment of in-lieu fees would result in less actual affordable housing production than an approach that requires, in most cases, building of the units by the project applicant. This approach would also help to reduce the City's 3 to 1 jobs-to-housing imbalance and make some progress in addressing the significant increase in the fair-share requirement to build more housing as part of the State mandate through the RHNA allocation under the next 8-year Housing Element cycle.

Staff Recommendation: Staff recommends maintaining a similar approach as the existing Inclusionary Housing regulations with some key differences to better align with the goal of facilitating the building of affordable housing units along with workforce and market rate units. In order to ensure that the affordable units will be built (rather than pay a fee in-lieu) staff recommends that the in-lieu fee payment option be allowed by-right only for smaller projects, while requiring all other projects to seek City discretionary approval to do so. In those instances, the developer would be required to build the affordable units in the project unless they've been able to demonstrate unique circumstances subject to discretionary approval. The threshold for what is considered a "small project' for these purposes would be determined through the updated economic feasibility analysis. Furthermore, staff recommends updating the in-lieu fee payment schedule from the original fees established in 2006. This is important so that in instances where the in-lieu is applicable, the fees will be more aligned with current supportable market conditions consistent with City fiscal policy.

FISCAL IMPACT

There is no fiscal impact associated with the City Council providing policy direction and input on the updates to the City's Inclusionary Housing regulations. As the draft ordinance is developed, staff will provide the City Council fiscal impact estimates that may result from the implementation of the updated ordinance.

CONCLUSION

Updates to the City's Inclusionary Housing regulations present an opportunity for the City to plan for the future in a manner that leverages future development in order the to meet the City's goals of facilitating the production of affordable housing – while also promoting responsible development that protects and preserves existing residential neighborhoods.

The three big picture policy areas summarized above are intended to confirm Council direction on key questions. Those three questions are:

- Should the City keep the existing Inclusionary Housing Ordinance in place, update the Ordinance, or remove it?
- Should the City provide different options for developers in terms of the affordability levels and percentages in a project, or keep the existing approach that imposes one specific standard for all rental projects and one for all ownership projects?
- How should the City approach the creation of alternative options to on-site construction, as required by State law?

While these don't encompass every aspect of the Inclusionary Housing regulations, Council feedback on these three items will allow staff to ensure alignment with Council goals and policies before moving forward with draft regulations.

ATTACHMENTS

Attachment 1 – Inclusionary Housing City Council Ordinance No. 3694
Attachment 2 – Los Angeles County 2020 Affordable Income Limits
Attachment 3 – City of Burbank Inclusionary Housing Implementing Regulations
Attachment 4 – HCD technical memo regarding Assembly Bill 1505
Attachment 5 – Draft Keyser Marston Associates Inclusionary Housing Study dated February 2019

Eff. 5/6/06

ORDINANCE NO 3694

AN ORDINANCE OF THE COUNCIL OF THE CITY OF BURBANK AMENDING CHAPTER 31 OF THE BURBANK MUNICIPAL CODE RELATING TO INCLUSIONARY HOUSING 1701

City Attorney's Synopsis

This Ordinance amends the Burbank Municipal Code to provide for an inclusionary housing requirement for applicable residential projects of five (5) units are more Applicants may rent or sell at least fifteen percent (15%) of the units to affordable households or pay an in-lieu fee among other options The fee will be deposited in an affordable housing fund which must be used to increase and improve the affordable housing supply Further, the Ordinance provides for certain incentives and concessions available to developers who must comply with this Ordinance

THE COUNCIL OF THE CITY OF BURBANK FINDS

A Affordable housing is a crisis in the City of Burbank as housing supply continues to lag behind housing demand, while rents increase For-sale housing prices have skyrocketed, rendering homeownership out of reach for all but upper income households

B The City and the Redevelopment Agency of the City of Burbank have aggressively used redevelopment set-aside funds, HOME and CDBG funds, tax credits, bonds, and other public programs and tools to create, improve, and preserve affordable housing

C The Housing Element of the General Plan documents the City's affordable housing needs, sets forth policies for the City to encourage and facilitate private sector development of affordable housing The Housing Element acknowledges that public sector support alone is insufficient to address Burbank's affordable housing needs

D In December 2001, the City completed a Housing Profile to evaluate the impact of the City's escalating housing market on Burbank's residents and workforce, and laid the groundwork for identifying gaps in the City's current affordable housing programs

E In response to the findings of the Housing Profile, in April 2002, the City of Burbank and Burbank Redevelopment Agency formed a Blue Ribbon Task Force ("Task Force") on Affordable Housing charged with taking a comprehensive look at the City's affordable housing needs and providing recommendations to expand Burbank's stock of affordable housing Over a period of six months and eight committee meetings, the Task Force developed a consensus Report recommending implementation of a series of 16 housing programs, including adoption of an Inclusionary Housing Ordinance to integrate affordable units within market rate developments

F At its meeting of February 18, 2003, the City Council was presented with the Task Force's recommendations, and directed staff to initiate steps to begin implementation of identified housing programs, with inclusionary housing identified as an immediate priority Staff returned to Council on March 18, 2003 with general guidelines for an Inclusionary Housing Ordinance, and received direction from Council to proceed in drafting the Ordinance and In-Lieu Fee structure for future Council consideration At a study session on November 22, 2005, City Council requested additional analysis and information on a proposed inclusionary ordinance

G In May, 2003, the City established a stakeholder's committee comprised of members of the local development, real estate and planning community to elicit the opinions and insight of community partners during development of the Ordinance The City also conducted a series of workshops before the community, the Burbank Chamber of Commerce, and the Burbank Board of Realtors to solicit input on the draft Inclusionary Housing Ordinance

H Given the urgent and significant need for affordable housing, the Council finds that the community's interests are best served by adoption of the Inclusionary Housing Ordinance, and outweighs the resulting increased cost of market rate housing

I On October 24, 2005, the Planning Board, after a noticed public hearing, adopted Resolution No 3007, did not recommend that the Council approve the proposed Inclusionary Ordinance

J On March 21, 2006, the Council held a duly noticed hearing, and considered all evidence before it, including but not limited to the Negative Declaration and the Staff Report dated March 21, 2006, which is incorporated herein by this reference

K A fee study has been prepared by Keyser Marston Associates, which is attached to the staff report dated March 21, 2006, and incorporated herein by this reference (hereafter "Fee Study") The Fee Study shows that the amount of the fee is based on the gap between market and affordable housing costs The Fee Study from late 2003 called for a fee between the range of $7 and $15 per square foot based on the size of project (number of units) and whether it was providing rental or ownership units The Fee Study was updated based on the current market conditions and the study concluded that the affordability gap is much larger than what was identified in 2003 The Fee Study supports a tiered in-lieu fee structure, providing reduced fees for residential developments of between 10 and 13 units, and further fee reductions for developments of between five and nine units as it was determined that these smaller projects have more difficultly paying the large fee because of profit margins

L This Ordinance was examined in a Negative Declaration which was prepared in accordance with the California Environmental Quality Act (CEQA Guidelines, Section 15070) In Resolution No 27,203, the Council approved and adopted the subject Negative Declaration and considered the Negative Declaration prior to approving the Ordinance The Negative Declaration states that the proposed ordinance will not have the potential to cause significant adverse impacts

M This Ordinance is subject to the provisions of the California Environmental Quality Act ("CEQA") City Council has adopted a Negative Declaration on the Ordinance which documents the absence of any significant environmental impacts which can not be mitigated to a less than significant level

THE COUNCIL OF THE CITY OF BURBANK ORDAINS

1 Division 5 to Article 6 of Chapter 31, entitled Affordable Housing Incentives, is hereby added to the Burbank Municipal Code to read as follows

Division 5. Affordable Housing Incentives

Sec. 31-633. Definitions.

The following words or phrases as used in this Division shall have the following meanings These definitions shall apply only within this Division and shall not apply to other Divisions of this Chapter In the event of a conflict between the definitions in this Section and the definitions of Section 31-203, these definitions shall prevail

"Accessible Housing Unit" means for purposes of receiving an inclusionary housing credit, an accessible housing unit must be a fully built handicapped unit during time of construction with standards in excess of California Building Code Chapter 11A requirements

"Adaptive Reuse" means conversion of all or part of a previously non-residential structure to residential use For example, conversion of second story office space in the downtown to residential lofts would be Adaptive Reuse

"Affordable Housing Fund" means a separate fund for deposit of In-Lieu Housing Fees, and other sources as applicable, as defined under Section 31-648 of this Division

"Affordable Ownership Housing Cost" means the Total Housing Costs paid by a qualifying household, which shall not exceed a specified fraction of their gross income as specified in California Health and Safety Code Section 50052 5

"Affordable Rent" means the Total Housing Costs, including a reasonable utility allowance, paid by a qualifying household, which shall not exceed a specified fraction of their gross income as specified in California Health and Safety Code Section 50053 Affordable Unit means a dwelling unit within a Housing Development which will be reserved for, and restricted to, Very Low Income Households or Low Income Households at an Affordable Rent or is reserved for sale to a moderate income household at an Affordable Purchase Price

"Affordable Purchase Price" means the purchase price for an Affordable Unit for Moderate Income Households that is calculated so that the total monthly housing cost does not exceed the Affordable Ownership Housing Cost

"Affordable Unit" means a dwelling unit within a Housing Development which will be reserved for sale or rent to, and is made available at an Affordable Rent or Affordable Ownership Cost to, very low, low, or moderate-income households, or is a unit in a Senior Citizen Housing Development

"Area Median Income" means area median income for Los Angeles County as published pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision

"Child Care Facility" means a child day care facility other than a family day care home, including, but not limited to, infant centers, preschools, extended day care facilities, and school age child care centers

"Condominium Project" means a Housing Development as defined in subdivision (f) of Section 1351 of the Civil Code, but not including the conversion of existing rental apartments to condominiums

"Density Bonus" means a density increase over the Maximum residential density, in the manner set forth in Section 31-635

"Density Bonus Housing Agreement" means a recorded agreement between a developer and the City as described in Section 31-642 of this Division to ensure that the requirements of this Division are satisfied The agreement, among other things, shall establish the number of Affordable Units, their size, location of the Affordable Units within the Housing Development, terms and conditions of affordability, and production schedule

"Density Bonus Units" means those residential units granted pursuant to the provisions of this Division which exceed the otherwise allowable maximum residential density for the development site

"Development Agreement" means an agreement entered into between the city and a developer pursuant to Section 65864 of the California Government Code, and under the authority vested in the Council pursuant to Section 31-1997 of the Burbank Municipal Code

"Development Standard" means any site or construction condition that applies to a Housing Development pursuant to this Chapter "Site and construction conditions" means standards that specify, control, or regulate the physical development of a site and buildings on the site in a Housing Development

"Director" means the Director of the Community Development Department of the City, or the designee or designees of such person, or such other persons as may be designated by the City Manager

"Discretionary Approval" means any entitlement or approval as in Chapter 31 of the Municipal Code, including but not limited to a conditional use permit, variance, and subdivision map. Housing Development means one or more groups of projects for residential units constructed or to be constructed in the City for sale or for rent For the purposes of this Division, "Housing Development" also includes a subdivision, planned unit development, or Condominium Project, the substantial rehabilitation and conversion of an existing commercial building to residential use, and the substantial rehabilitation of an existing multifamily dwelling, where the rehabilitation or conversion would create a net increase of residential units

"Household Income Levels Very Low, Low and Moderate" means households whose gross incomes do not exceed the qualifying very low, low and moderate income limits established in Section 6932 of the California Code of Regulations, and amended periodically based on the U S Department of Housing and Urban Development (HUD) estimate of median income in the Los Angeles-Long Beach Primary Metropolitan Statistical Area, and as adjusted by the State Department of Housing and Community Development (HCD) Pursuant to Code Sections 6926, 6928 and 6930, these income limits are equivalent to the following

<u>Very low income household</u> 50 percent of area median income, adjusted for household size appropriate for the unit and other factors determined by State Department of Housing and Community Development pursuant to Section 50105 of the California Health and Safety Code

<u>Low income household</u> 80 percent of area median income, adjusted for household size appropriate for the unit and other factors determined by State Department of Housing and Community Development pursuant to Section 50079 5 of the California Health and Safety Code

<u>Moderate income households</u> 120 percent of area median income adjusted for household size appropriate for the unit and other factors determined by State Department of Housing and Community Development pursuant to Section 50093 of the California Health and Safety Code

"Housing Development" means one or more groups of projects for residential units constructed or to be constructed in the City for sale or for rent For the purposes of this Division, "Housing Development" also includes a subdivision, planned unit development, or Condominium Project, the substantial rehabilitation and conversion of an existing commercial building to residential use, and the substantial rehabilitation of an existing multifamily dwelling, where the rehabilitation or conversion would create a net increase of residential units

"Housing Units" shall mean the total number of residential units in a Housing Development, including the Affordable Units and the Market Rate Units

"Incentives" or concessions are defined in Section 31-640

"Inclusionary Housing Agreement" means a legally binding agreement between a developer and the city which sets forth those provisions necessary to ensure fulfillment of the requirements of this Division, whether through the provision of Inclusionary Units or through an alternative method

"Inclusionary Unit" means a dwelling unit offered for rent or sale to Very Low, Low or Moderate Income households, at an Affordable Rent or Affordable Ownership Housing cost, pursuant to this Division

"In-Lieu Fee" means a fee paid to the City by a developer subject to this Chapter in-lieu of providing the required Inclusionary Units

"Market Rate Unit/s" means all unit/s within a Housing Development excluding the Affordable Units

"Maximum Residential Density" means the maximum number of residential units permitted by this Chapter and the Land Use Element of the General Plan on the date an application for a Density Bonus and Incentives or Concessions is deemed complete, prior to the application of the Density Bonus pursuant to this Division

"Off-Site Unit" means an Inclusionary Unit that will be built separately or at a different location(s) than the main Residential Development, in accordance with the standards

"On-Site Unit" means an Inclusionary Unit that will be built as part of the main Residential Development, in accordance with the standards

"Qualifying Resident" means senior citizens or other persons eligible to reside in a Senior Citizen Housing Development

"Planned Development" means a development (other than a community apartment project, a Condominium Project, or a stock cooperative) having either or both of the following features

(1) The common area is owned either by an association or in common by the owners of the separate interests who possess appurtenant rights to the beneficial use and enjoyment of the common area

(2) A power exists in the association to enforce an obligation of an owner of a separate interest with respect to the beneficial use and enjoyment of the common area by means of an assessment which may become a lien upon the separate interests in

accordance with Section 1367 or 1367 1 of the California Civil Code As used in this Division, Planned Development is not development created by planned development zoning pursuant to Division 10 of Article 19 of this Chapter

"Residential Development" refers to projects involving new construction of residential dwelling units, inclusive of mixed use developments, Adaptive Reuse, and Substantial Rehabilitation involving a net increase in dwelling units, subject to the provisions of this Division

"Senior Citizen Housing Development" means a Housing Development as defined in California Civil Code Section 51 3

"Substantial Rehabilitation" means the rehabilitation of a dwelling unit(s) including correction of code violations, Title 24 upgrades, seismic rehabilitation (where appropriate), and accessibility upgrades such that the unit is returned to the City's housing supply as decent, safe and sanitary housing The minimum cost threshold for substantial rehabilitation is $40,000 per unit, as that amount may be adjusted for inflation pursuant to the Inclusionary Housing Implementing Regulations

"Total Housing Costs" means the total monthly or annual recurring expenses required of a household to obtain shelter For a rental unit, total housing costs include the monthly rent payment and utilities For an ownership unit, total housing costs include the mortgage payment (principal and interest), utilities, homeowner's association dues, taxes mortgage insurance and any other related assessments

Sec. 31-644. Purpose of Inclusionary ordinance.

The purpose of provisions 31-644 through 31-655 (hereafter the "Inclusionary Ordinance') is to

a) Encourage the development and availability of housing affordable to a broad range of households with varying income levels consistent with the City's Housing Element

b) Increase the supply of affordable housing in conjunction with market rate housing development

c) Establish a regulatory tool to facilitate private sector development and/or financial support of affordable housing to supplement public sector programs

d) Support the creation of mixed income developments and neighborhoods

Sec. 31-645. Applicability.

(a) Size Threshold An inclusionary requirement shall apply to all projects involving new construction of five (5) or more residential dwelling units, including units developed in commercial districts and/or within mixed use developments, Adaptive Reuse, or Substantial Rehabilitation involving a net increase in dwelling units

(b) Exemptions This requirement shall not apply to projects which fall into one or more of the following categories

(1) Residential Developments for which an application for Development Review has been submitted prior to the effective date of this Division, as long as i) that application is determined to be completed by the City Planner, or his designee, which determination can occur before or after the effective date, ii) the subject Development Review application is approved and does not expire, iii) an application for plan check is submitted timely, and that the plan check application does not expire, and iv) a building permit is issued

(2) Residential Developments with a valid Development Agreement prior to the effective date of this Division

(3) Residential Developments for which the Burbank Redevelopment Agency enters into a Redevelopment Agreement

Sec. 31-646. Inclusionary Unit Requirement.

(a) Calculation At least fifteen percent (15%) of all newly constructed dwelling units in Residential Developments shall be developed, offered to and sold or rented to Very Low, Low and Moderate Income Households, at an Affordable Rent or Affordable Ownership Housing Cost, as follows

(1) For-sale projects - All Inclusionary Units (15% of the total Residential Development) shall be sold to Low and/or Moderate Income Households

(2) Rental projects - A minimum of five percent (5%) of units in the total Residential Development shall be Very Low Income, the remaining ten percent (10%) of the units shall be Low Income

In calculating the required number of Inclusionary Units, any decimal fraction shall be rounded up to the nearest whole number Any additional units authorized as a density bonus under Section 31-635 of the Burbank Municipal Code will not be counted in determining the required number of Inclusionary Units

(b) Phase-in of Requirement For a period of six (6) months from the effective date of this Inclusionary Ordinance, for those Residential Developments that obtain a Discretionary Approval or, if no Discretionary Approval is required, obtain a building permit within that period, the inclusionary requirement is reduced to ten percent (10%) as follows

(1) For-sale projects - Inclusionary Units shall be sold to Low and/or Moderate Income Households

(2) Rental projects - A minimum of three percent (3%) of all the units shall be Very Low Income, the remaining seven percent (7%) of the units shall be Low Income

(c) Inclusionary Credits As a means of providing incentives to address the City's goals for lower income and special needs housing, the Inclusionary Unit requirement set forth in this Section may be reduced as follows

(1) If Very Low Income rental units are provided in lieu of required Low Income rental units, a credit of 1 25 units for every 1 unit shall be provided
(2) If Low Income owner units are provided in lieu of required Moderate Income owner units, a credit of 2 units for every 1 unit shall be provided
(3) If a greater number of inclusionary rental or ownership units are provided for large families (3 or more bedrooms) than required by the project, or a fully accessible unit is provided for the physically disabled, a credit of 1 5 units for every 1 unit shall be provided

Sec. 31-647. Alternatives to On-site Construction.

On-site development of Inclusionary Units is the City's preferred approach to achieving mixed income housing and compliance with this Division Nonetheless, as a means of providing flexibility, the Developer may request one or more of the following alternatives in lieu of including the Inclusionary Units within the Residential Development

(a) Off-site units A Developer of a project with 5-9 units may satisfy the requirement of providing Inclusionary Units as part of the Residential Development, in whole or in part, through new construction, Substantial Rehabilitation, or through Adaptive Reuse at a site different than the site of the Residential Development A Developer of a project with 10 or more units may propose to meet the requirements of this Division by submitting a request for new construction, Substantial Rehabilitation, or Adaptive Reuse of the required Inclusionary Units off-site, subject to the discretion of the City Council
(1) Site Suitability As stipulated in the City's Inclusionary Housing Implementing Regulations, the alternative site(s) proposed for the off-site Inclusionary Units must be suitable in size with the appropriate zoning in place to accommodate the same number and type of Inclusionary Units required The parcel(s) must be served by the necessary infrastructure and be environmentally suitable for residential development
(2) Standards for Off-Site Units The proposed off-site Inclusionary Units may have a modified design standard from the base Residential Units in terms of size, appearance, materials and finished quality, but at a minimum, must be of a standard comparable to market rate units within the neighborhood where the off-site units are to be provided and be of a quality consistent with contemporary standards for new housing The number of bedrooms provided in the Inclusionary Units must at a minimum be in the same proportion as the base Residential Development
(3) Timing Before or at the same time a Residential Development receives a building permit for all or any portion of the Residential Development, the off-site land shall have received all the necessary project-level approvals and/or entitlements necessary for development of the Inclusionary Units on such land The Director may condition the certificate of occupancy (C of O) on the Residential Development with the C of O on the off-site Inclusionary Units Alternatively, the Director may require the developer post a performance bond for the off-site units prior granting the C of O on the base Residential Development

(b) Land Donation A Developer of a project with 5-9 units may satisfy the requirement of providing Inclusionary Units as part of the Residential Development, in whole or in part, by a conveyance of land to the City for the construction of the required Inclusionary Units A Developer of a project with 10 or more units may propose to meet the requirements of this Division by submitting a request to convey land for construction of the required Inclusionary Units, subject to the discretion of the City Council The proposed land donation must be of equivalent or greater value than is produced by applying the City's current In-Lieu Fee to the Developer's inclusionary obligation as determined by a certified City appraisal paid for by the applicant

(1) Site Suitability Standards for site suitability under conveyance of land shall be the same as those specified for the off-site construction option The site must have the appropriate general plan and zoning designations to accommodate at least the same number of Inclusionary Units required, and must be served by the necessary infrastructure and be environmentally suitable for residential development All property taxes and special taxes must be current before the title is conveyed to the City or other person designated by the City Council

(2) Number of Inclusionary Units to be Credited The number of Inclusionary Units credited to the property to be conveyed shall consist of the number of Inclusionary Units which can reasonably be developed on the land given i) the mix of Inclusionary Unit sizes and type of structure, ii) densities permitted under applicable planning and zoning designations, and iii) site, infrastructure, environmental and other physical and planning constraints

(3) Timing No later than the date of approval of the final subdivision map, parcel map, or other development application for the Residential Development, the transferred land will have all the permits and approvals, other than building permits, necessary for development of the required Inclusionary Units on the transferred land Title to the land shall be conveyed to the City or other person designated by the City Council before a building permit is issued for all or any portion of the Residential Development

(c) In Lieu Fee A Developer may pay a fee in lieu of all of the Inclusionary Units in that amount set forth in the Fee Resolution, which has been adopted by Council as Resolution No 26,994 The fee shall be paid prior to the issuance of building permit The initial fee amount is calculated based upon the in-lieu fee structure for rental projects For ownership projects, once the final maps are approved by City Council, in-lieu fees are re-calculated at the ownership rate and the balance refunded to the applicant The fees collected shall be deposited in the Affordable Housing Fund, described in Section 31-648

Sec. 31-648. Affordable Housing Fund.

(a) Housing Fund There is hereby established a separate Affordable Housing Fund ("Fund") This Fund shall receive all in-lieu housing fees contributed under Section 31-647 and may also receive monies from other sources

(b) Purpose and Limitations Monies deposited in the Fund must be used to increase and improve the supply of housing affordable to Very Low, Low and Moderate Income Households in the City Monies may also be used to cover reasonable administrative or related expenses associated with the administration of this Section

(c) Implementation The Director may develop procedures to implement the purposes of the Fund consistent with the requirements of this Division and any adopted budget of the City

(d) Expenditures Fund monies shall be used in accordance with City's Housing Element, Redevelopment Plan, or subsequent plan adopted by the City Council to construct, rehabilitate or subsidize affordable housing or assist other governmental entities, private organizations or individuals to do so Permissible uses include, but are not limited to, assistance to housing development corporations, equity participation loans, grants, pre-home ownership co-investment, pre-development loan funds, participation leases or other public-private partnership arrangements The Fund may be used for the benefit of both rental and owner-occupied housing

Sec. 31-649. Affordable Housing Incentives.

In order to offset the potential costs and/or other impacts associated with provision of Inclusionary Units, the Developer may request various affordable housing incentives to provide the Inclusionary Units On-Site The Council has adopted Implementing Regulations in conjunction with this ordinance that identifies the various incentives offered and the process to obtain those incentives The Implementing Regulations are on file with the City Clerk and the City Planner The Developer may request one or more of incentives subject to the discretion of the City Approval authority for the granting of incentives is broken down into three tiers based on the level of discretion required Administrative, Planning Board, or City Council (refer to Implementing Regulations for further detail on incentives) If a waiver or modification is requested, the Developer must provide a Pro Forma analysis to show the waiver or modification is necessary to make the Residential Development with the affordable units economically feasible When an incentive is requested that requires Planning Board or City Council approval, that body shall also have the authority to hear an automatic appeal of the Development Review application

Sec. 31-650. Compliance Procedures.

(a) General Approval of an Inclusionary Housing application in accordance with the Implementing Regulations and implementation of an approved Inclusionary Housing Agreement is a condition of approval of any Discretionary Approval or building permit for any Development for which this Division applies

(b) Inclusionary Housing Plan Concurrent with the Developer's first application for a Discretionary Approval for a Residential Development, the Developer shall submit to the Director an Inclusionary Housing Plan for review and approval No Discretionary Approval shall be granted without submission of the Inclusionary Housing Plan

(1) Contents of Inclusionary Housing Plan The Inclusionary Housing Plan shall contain the following information

i A brief description of the Residential Development including the number of Market Rate and Inclusionary Units proposed, the basis for the calculation of the number of Inclusionary Units, and whether the Development is seeking a density bonus

ii The unit mix, location, structure type, and size of the Market Rate and Inclusionary Units, and whether the Residential Development is an ownership or rental project A floor plan depicting the location of the Inclusionary Units shall be provided

iii The income level of the Inclusionary Units

iv In the event the Developer proposes a phased project, a phasing plan that provides for the timely development of the Inclusionary Units as the Residential Development is built out The phasing plan shall provide for development of the Inclusionary Units concurrently with the Market Rate Units

v A description of the specific incentives being requested of the City, and supporting Pro Forma analysis demonstrating these incentives are necessary to make the Residential Development with the affordable units economically feasible

vi If conveyance of land or an off-site Inclusionary Unit alternative is proposed, information necessary to establish compliance with Section 31-690 of the Ordinance

vii Any other information reasonably requested by the Director to assist with evaluation of the Plan under the standards of this Division

(2) Review and Approval of Plan The Director shall approve, conditionally approve or reject the Inclusionary Housing Plan within a reasonable time after the date of a complete application for that approval If the Inclusionary Housing Plan is incomplete, the Inclusionary Housing Plan will be returned to the Developer along with a list of the deficiencies or the information required At any time during the review process, the Director may require from the Developer additional information reasonably necessary to clarify and supplement the application or determine the consistency of the proposed Inclusionary Housing Plan with the requirements of this Division

(c) Inclusionary Housing Agreement Except for those cases where the requirements of this Division are satisfied by payment of an In-Lieu Fee or the conveyance of land to the City, all Developers whose projects are not exempt from this Division shall enter into an Inclusionary Housing Agreement with the City The Director is hereby authorized to execute the Inclusionary Housing Agreement on behalf of the City No building permit shall be issued for all or any portion of the Residential Development unless the Inclusionary Housing Agreement has been executed in a recordable form in accordance with the Implementing Regulations

(1) Contents of Inclusionary Housing Agreement The Inclusionary Housing Agreement must include, at a minimum, the following information

i Description of the development, including whether the Inclusionary Units will be rented or owner-occupied

ii The number, size and location of Very Low, Low or Moderate Income Units iii Inclusionary incentives by the City (if any), including the nature and amount of any local public funding

iv Provisions and/or documents for resale restrictions, deeds of trust, rights of first refusal or rental restrictions

v Provisions for monitoring the ongoing affordability of the units, and the process for qualifying prospective resident households for income eligibility

vi Any additional requirements requested by the Director relevant to compliance with this Division

(2) Recording of Agreement Inclusionary Housing Agreements that are acceptable to the Director must be recorded against owner-occupied Inclusionary Units and residential projects containing rental Inclusionary Units Additional rental or resale restrictions, deeds of trust, rights of first refusal and/or other documents acceptable to the Director must also be recorded against owner-occupied Inclusionary Units In cases where the requirements of this Division are satisfied through the development of Off-Site Units, the Inclusionary Housing Agreement must simultaneously be recorded against the property where the Off-Site Units are to be developed

Sec. 31-651. Standards for Inclusionary Units.

Inclusionary Units built under this Division must conform to the following standards

(a) Design Except as otherwise provided in this Division, Inclusionary Units must be dispersed throughout a Residential Development and be comparable in construction quality and exterior design to the Market-rate Units Inclusionary Units may be smaller in aggregate size and have different interior finishes and features than Market-rate Units so long as the interior features are durable, of good quality and consistent with contemporary standards for new housing The number of bedrooms must at a minimum be the same as those in the Market-rate Units and at the same percentage

(b) Timing All Inclusionary Units must be constructed and occupied concurrently with or prior to the construction and occupancy of Market-rate Units In phased developments, Inclusionary Units must be constructed and occupied in proportion to the number of units in each phase of the Residential Development

(c) Duration of Affordability Requirement Inclusionary Units shall be reserved for Very Low, Low and Moderate Income Households at the ratios established pursuant to Section 31-646, and shall be provided at the applicable Affordable Rent or Affordable Ownership Housing Cost

1) An Inclusionary Unit that is for rent shall remain reserved for the target income level group at the applicable Affordable Rent in perpetuity for as long as the land is used for housing, which shall be less than 55 years

2) An Inclusionary Unit that is for sale shall remain reserved for the target income level group at the applicable Affordable Ownership Housing Cost in perpetuity for as

long as the land is used for housing, which shall be not less than 55 years, subject to the City provisions for earlier termination set forth in the Inclusionary Housing Agreement

Purchasers of affordable units must remain as owner-occupants, and may not rent out the unit

Sec. 31-652. Periodic Review.

The Housing In-Lieu Fee and inclusionary requirements authorized by this Division and Implementing Regulations shall be re-evaluated at a minimum every year and a report shall be provided to Council

Sec. 31-653. Final decision.

No decision issued under the Inclusionary Ordinance is final unless appealed to the City Council The developer may file a request for Council appeal by filing a written letter to the Director requesting Council appeal within fifteen (15) days of the action A developer of any project subject to the requirements of this Inclusionary Ordinance, may appeal to the City Council for a reduction adjustment, or waiver of the requirements based upon the absence of any reasonable relationship or nexus between the impact of the development and either the amount of the fee charged or the inclusionary requirement

2 If any part of this Ordinance is held to be invalid for any reason, such decision shall not affect the validity of the remaining portion of this Ordinance, and this City Council hereby declares that it would have passed the remainder of this Ordinance, if such invalid portion thereof has been deleted

3 This Ordinance shall become effective at 12 01 a m of the thirty-first day after publication In the event this Ordinance and Ordinance No 3693 (Density Bonus) each become effective, the City Clerk shall only print Section 31-633 once Each Ordinance provides for the exact same Section 31-633

4 The City Clerk shall certify to the passage of this Ordinance and cause the City Attorney Synopsis of this Ordinance to be published once in a newspaper of general circulation, published and circulated in the City of Burbank, California

5 This Ordinance shall become effective at 12 01 a m of the thirty-first day after publication

PASSED AND ADOPTED this 28th day of March, 2006

Jef Vander Borght
Mayor of the City of Burbank

Attest

Margarita Campos, CMC, City Clerk

Approved as to Form and Legal Content
Dennis A Barlow, City Attorney

By Mary F Riley
Mary F Riley, Sr Asst City Attorney

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF BURBANK)

I, Margarita Campos, CMC, City Clerk of the City of Burbank, do hereby certify that the foregoing Ordinance No 3694 was duly and regularly passed and adopted by the Council of the City of Burbank at its regular meeting held on the 28th day of March, 2006, by the following vote

AYES Council Members Campbell, Golonski, Ramos and Vander Borght.

NOES Council Member Gordon.

ABSENT Council Members None.

I further certify that said Synopsis was published as required by law in a newspaper of general circulation in the City of Burbank, California on the 5th day of April, 2006

Margarita Campos, CMC, City Clerk

LOS ANGELES COUNTY
2020 Affordable Income Limits
(Income figures based on Department of Housing and Community Development Income Limits dated April 30, 2020)

1 Person Household		**2 Person Household**		**3 Person Household**		**4 Person Household**	
Median Income:	**$54,100**	**Median Income:**	**$61,850**	**Median Income:**	**$69,550**	**Median Income:**	**$77,300**
Income Category	Annual Income (1)	Income Category	Annual Income	Income Category	Annual Income	Income Category	Annual Income
Extremely Low	$23,700	Extremely Low	$27,050	Extremely Low	$30,450	Extremely Low	$33,800
Very Low	$39,450	Very Low	$45,050	Very Low	$50,700	Very Low	$56,300
Low*	$63,100	Low*	$72,100	Low*	$81,100	Low*	$90,100
Moderate	$64,900	Moderate	$74,200	Moderate	$83,500	Moderate	$92,750

*Lower income exceeding median income is an anomaly just for this County due to HUD historical high cost adjustments to median. Household lower income figures are derived based on very-low income figures not adjusted by HUD to account for any exceptions

5 Person Household		**6 Person Household**		**7 Person Household**		**8 Person Household**	
Median Income:	**$83,500**	**Median Income:**	**$89,650**	**Median Income:**	**$95,850**	**Median Income:**	**$102,050**
Income Category	Annual Income	Income Category	Annual Income	Income Category	Annual Income	Income Category	Annual Income
Extremely Low	$36,550	Extremely Low	$39,250	Extremely Low	$41,950	Extremely Low	$44,650
Very Low	$60,850	Very Low	$65,350	Very Low	$69,850	Very Low	$74,350
Low*	$97,350	Low	$104,550	Low*	$111,750	Low*	$118,950
Moderate	$100,150	Moderate	$107,600	Moderate	$115,000	Moderate	$122,450

Note: Low income exceeding median income is an anomaly for this county due to HUD historical adjustments to median income. Household lower income figures are derived from very-low figures that are not adjusted by HUD for exceptions

DEFINITIONS

1. Annual Income: Gross income from all sources for all members of the household.

City of Burbank
Planning Division

INCLUSIONARY HOUSING
Implementing Regulations

275 East Olive Avenue
Burbank, California 91502
www.burbankca.org/planning
818.238.5250

On March 28, 2006, the Burbank City Council adopted an Inclusionary Zoning Ordinance (#3694) that requires developers of housing to provide units that are affordable to low and moderate income households. These guidelines will assist potential developers in understanding the requirements placed upon housing projects in the City of Burbank. The City Council has given the Community Development Director the authority to make minor modifications to these regulations if necessary and they will be reviewed every five years by the City Council.

APPLICABILITY

The requirement applies to projects involving construction of five or more new housing units. Therefore, developers of one single family home, a duplex, a triplex or a four-unit apartment project are not subject to the requirements of this ordinance. The requirement is based upon the number of units being constructed and is not affected by the number of existing units on the site. The ordinance does not apply to project applicants who have submitted a complete Development Review application as of the effective date of the ordinance.

REQUIREMENTS

Fifteen percent (15%) of all newly constructed units must be available for Low or Moderate Income households. For rental projects, 5% of the units must have rents which are affordable to Very Low Income households and 10% of the units must have rents which are affordable to Low Income households. Developers may not use moderate income units to meet low or very low income unit requirements. Very Low income households are defined as those earning 50% of the median family income (MFI) for LA County and Low income are those earning 80% MFI. Income levels are adjusted for household size appropriate for the unit.

Where the units are offered for sale, all of the affordable units (15%) must be available for Low or Moderate income households. Moderate Income households are defined as those which earn up to 120% MFI, adjusted for household size. These income definitions are based upon the housing cost definition within the California Health and Safety Code and are consistent with income thresholds used in Burbank's other housing programs.

The attached sheet lists the current median family income by household size and the maximum affordable rents and/or housing costs permitted for Very Low, Low, and Moderate Income units. These incomes, rents and housing cost figures are updated annually consistent with the published U.S. Department of Housing and Urban Development (HUD) income limits.

In calculating the overall number of required affordable units, any decimal fraction shall be rounded up to the nearest whole number.

Example: Construction of 15 new units to be offered for rent
15 units x 15% = 3 affordable units
15 units x 5% = 1 unit to be offered for very low income
15 units x 10% = 2 unit to be offered for low income

Conclusion: A 15 unit project must provide a total of three affordable units. One of these units will be available to very low income earning households and the other two will be available to low income earning households. Therefore 12 units may be offered for rent at market rates.

INCLUSIONARY CREDITS FOR DEEPER INCOME TARGETING, SPECIAL NEEDS UNITS

The City has greater needs for certain housing types and therefore will offer a credit to developers who provide this housing. The desired housing is identified below:

- If Very Low Income rental units are provided in lieu of required Low Income rental units, the developer will receive a credit of 1.25 units for every 1 unit toward the 15% total
- If Low Income owner units are provided in lieu of required Moderate Income owner units, the developer will receive a credit of 2 units for every 1 unit toward the 15% total
- If a greater number of affordable rental or ownership units are provided for large families (3 or more bedrooms) than required for the project or fully accessible units (in excess of California Building Code Chapter 11A requirements) are provided for the physically disabled, the developer will receive a credit of 1.5 units for every 1 unit.

IN-LIEU FEE OPTION

Developers may elect to pay an in-lieu fee rather than provide the affordable units within the project. The in-lieu fee structure is tiered, providing reduced fees for residential developments of between 10-13 units, and further fee reductions for developments of between 5-9 units. The attached sheet identifies the current fees which may be adjusted annually based on market indicators. The in-lieu fee is to be paid prior to issuance of a building permit, and deposited into the City's Affordable Housing Fund. These funds will be used for affordable housing projects throughout the City. The initial fee amount charged is based on the Rental Fee Structure. For ownership projects, once final maps are approved by City Council, in-lieu fees will be re-calculated at the ownership rate and any balance will be refunded to the applicant, or additional fees will apply.

OTHER ALTERNATIVES TO ON-SITE CONSTRUCTION

Under certain circumstances described below, developers may be permitted to meet their requirement through a means other than on-site construction or an in-lieu fee. Small projects (5-9 units) are permitted to use all of these options by right; all other projects may be permitted to use these options subject to discretionary approval by the City Council. These options are:

1) Off-site development

The developer may construct the affordable units off-site within another project (including a mixed use project). The off-site development option is subject to the following criteria:

- Site suitability requirements. The off-site location selected by the developer must be suitable in size and have the appropriate zoning and meet other applicable requirements to accommodate the same number and type of affordable units required. Off-site parcels must be served by infrastructure and be environmentally suitable for residential development.
- The off-site units must be located within the City of Burbank
- The off-site units may have a different design standard from the base project units in terms of size, appearance, materials and finished quality, but shall be comparable to market rate units within the neighborhood where the off-site units are constructed and be of a quality consistent with new housing.
- The off-site units must, at a minimum, have the same bedroom mix as the base residential project.

2) Off-Site Substantial Rehabilitation and Adaptive Reuse

In-lieu of constructing the affordable units on-site, the developer may perform substantial rehabilitation of existing off-site units. This option also includes adaptive re-use of an existing non-residential building. The rehabilitation and adaptive reuse option is subject to the following criteria:

- The minimum standards threshold for substantial rehabilitation shall include corrections of code violations, Title 24 upgrades, seismic rehabilitation (where appropriate) and accessibility upgrades.
- The minimum cost threshold for substantial rehabilitation is $40,000 per unit, adjusted periodically for inflation, while demonstrating the standards upgrades listed above.
- Site suitability requirements – Any substantial rehabilitation or adaptive re-use project must involve a site which has suitable zoning to accommodate the same number, type, and bedroom mix of affordable units required.

3) Donation of Land

The developer may donate land in lieu of constructing the affordable units within the project. The land donation option is subject to following criteria:

- Land donation must be of equal or greater value than in-lieu fee alternative as determined by a certified City appraisal paid for by the applicant.
- Site suitability requirements – the land to be donated must have the appropriate zoning and meet other applicable requirements to accommodate the type and size of development including environmental considerations. The land to be donated shall obtain all entitlements for residential construction (other than a building permit).
- The number of affordable units to be credited will be based on zoning and the holding capacity of the site and any other applicable factors.
- Title to the land shall be conveyed to the City before a building permit is issued for any or all portions of the residential development.

INCENTIVES FOR ON-SITE CONSTRUCTION

The City recognizes that this inclusionary requirement is an added cost for developers. However, the City has a need for affordable units. Therefore, the City will offer incentives (which result in a cost savings) to developers to construct the units on-site within their proposed projects. It is important to note that all concessions given will be based on the applicant demonstrating that it is not financially feasible to build the project without the incentives. Besides these concessions listed below, the City will offer assistance, at no cost to the developer, with screening potential tenants or purchasers to determine qualification for the affordable units and the City will also assist in marketing the affordable units.

The incentives (or concessions) are broken down into three tiers depending on their level of impact on residents of the project and/or the surrounding community. Concessions with an anticipated greater impact require a higher level of review and approval. The three tiers of approval are administrative (Community Development Director), Planning Board, and City Council as outlined below.

If a single project requests multiple concessions from different tiers, all requested concessions would be subject to the highest applicable level of review and approval. For example, if a proposed project requested two Tier 1 concessions and one Tier 2 concession, all concessions, including those from Tier 1, would be subject to Planning Board approval under Tier 2. Combinations of concessions from lower tiers may also automatically result in a higher level of review, as noted below.

<u>Tier 1</u>
(Administrative approval by the Community Development Director with appeal to Planning Board and City Council)

- Reduce common open space area by up to 30% and/or reduce private open space area by up to 30% per unit or eliminate private open space for 30% of units
    - 30% reduction of both common and private open space not allowed – must mix and match between the two to reach average equivalent
    - Does not allow for reduced minimum open space dimensions
- Increase lot coverage from 60% to 70% when greater than 300 feet from R-1 zoned property
- Increase building height up to the maximum height otherwise allowed in the zone when greater than 300 feet from R-1 zoned property
- Allow laundry/utility room on third floor when 150 to 300 feet from R-1 zoned property
- Reduce side yard setback for three story projects from 6 feet to 5 feet

<u>Tier 2</u>
(Planning Board approval with appeal to City Council)

- Any three or more concessions from Tier 1 requested for one project
- Other increases in lot coverage not covered in Tier 1
- Reduce front, side or rear average setbacks and façade breaks (not minimum setbacks)
- Reduce 50% of amenities
- Reduce 25% of landscaping requirements or amenities

<u>Tier 3</u>
(City Council approval)

- Any five or more concessions from Tier 1 and/or Tier 2 requested for one project

- Any additional reductions or variations thereof not specifically covered in Tiers 1 and 2 (e.g. reduce open space greater than 30%, three stories of habitable space when less than 300 feet from R-1, etc.)
- Deviation from any other development standards not addressed in Tiers 1 and 2 (e.g. parking, landscaping, amenities, etc.)
- Development impact fee waivers on affordable units, and fee deferrals on market rate units until issuance of certificate of occupancy
- Any direct financial assistance, including that for purchasers of affordable units.

<u>Findings which must be made in order to grant incentives:</u>
Before granting any of the above concessions, the Community Development Director, Planning Board, or City Council must make each of the following findings:

1. The concession or incentive is required in order to provide for affordable housing costs or for rents for the targeted units.
2. The concession or incentive would not have a specific adverse impact upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is not feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to low and moderate income households.
3. The applicant has shown that the waiver or modification of development standards is necessary to make the housing units economically feasible.

OTHER REQUIREMENTS

Listed below are various other requirements found in the ordinance; these requirements are found in various sections of the ordinance, but are offered here together for easy reference:

1. Standards for Affordable Units and Project Construction
   - There must not be significant identifiable differences between the affordable and market rate units that are visible from the exterior of the dwelling units.
   - Affordable units may be smaller in aggregate size and have different interior features as long as interiors are of good quality, and consistent with construction standards for new housing. The bedroom mix must at a minimum be the same as those in the market rate units.
   - Affordable units must be dispersed throughout the development.
   - On-site units must be constructed simultaneously with market rate units and offered for sale or rent prior to or at the same time as the market rate units
   - Developers must produce evidence of site control as part of the project application package
   - Any person who occupies an affordable unit (rental or purchase) shall occupy that unit as his or her principal residence.

2. Affordable Unit Sales and Project Operating Requirements
   - Units must remain affordable in perpetuity which shall be defined as the useful life of the structure.
   - The City or Redevelopment Agency shall be given the opportunity to purchase affordable for-sale units created pursuant to the on- or off-site affordable unit options.
   - Purchasers of affordable units must remain as owner-occupants, and may not rent out the unit.

- Newly constructed inclusionary units must first be offered to eligible low and moderate income households displaced by any demolition necessary to construct the project.

3. Land Conveyance for Off-Site Requirement

- Any developer using the land donation option may dedicate land, sell land at below market rate or option the land on behalf of the City or an eligible non-profit affordable housing developer.
- The fair market value of the parcels shall be supported by an estimate of value prepared by a qualified real estate appraiser hired by the City and paid for by the applicant. A Phase I assessment shall be required before any parcel can be considered for conveyance and a Phase II assessment shall be required if necessary based on the Phase I.
- Conveyance of land or an option to purchase land to the City or an eligible non-profit affordable housing developer shall be completed prior to the City's final sign-off on construction permits for the market rate units, or issuance of a certificate of occupancy.
- An eligible non-profit affordable housing developer is a private, non-profit corporation with (1) a current exemption under Section 501(c)(3) of the IRS code; (2) a certificate of good standing from the Secretary of State in which the organization is incorporated; and (3) has the development of housing affordable to low-income households as one of its principle missions. The non-profit affordable housing developer intended as the recipient of land pursuant to the Land Acquisition Option must be identified as part of the project application.

COMPLIANCE PROCEDURES

Approval of an Inclusionary Housing Plan and implementation of an approved Inclusionary Housing Agreement is a condition of approval for any Development for which this ordinance applies and for applicants who elect not to pay the in-lieu fee.

Inclusionary Housing Plan. Concurrent with the Developer's first application for a Residential Development, the Developer shall submit to the Director an Inclusionary Housing Plan for review and approval. No Approval shall be granted without submission of the Inclusionary Housing Plan.

1) Contents of Inclusionary Housing Plan. The Inclusionary Housing Plan shall contain the following information:

i. A brief description of the Residential Development including the number of Market Rate and Inclusionary Units proposed, and the basis for the calculation of the number of Inclusionary Units.

ii. The unit mix, location, structure type, and size of the Market Rate and Inclusionary Units, and whether the Residential Development is an ownership or rental project. A floor plan depicting the location of the Inclusionary Units shall be provided.

iii. The income level of the Inclusionary Units.

iv. In the event the Developer proposes a phased project, a phasing plan that provides for the timely development of the Inclusionary Units as the Residential Development is built out. The phasing plan shall provide for development of the Inclusionary Units concurrently with the Market Rate Units.

v. If the substantial rehabilitation option is selected, an accounting of the costs to be incurred, which will be verified by receipts and invoices after rehabilitation is complete.

vi. If conveyance of land or an off-site Inclusionary Unit alternative is proposed, information necessary to establish compliance with Section 31-690 of the Ordinance.

vii. If the Developer is requesting fulfillment of the Inclusionary Housing requirement through payment of an In-Lieu Fee for Residential Developments with 10 or more units, submittal of the required ProForma analysis along with information necessary to support the findings required by Section 31-690 for approval of the fee alternative. Calculation of the total fee payment required.

viii. A description of the specific incentives being requested of the City which shall also be accompanied by a ProForma analysis supporting why the incentives are necessary.

ix. Any other information reasonably requested by the Director to assist with evaluation of the Plan under the standards of this Division.

2) Review and Approval of Plan. The Director shall approve, conditionally approve or reject the Inclusionary Housing Plan within a reasonable time after the date of a complete application for that approval. If the Inclusionary Housing Plan is incomplete, the Inclusionary Housing Plan will be returned to the Developer along with a list of the deficiencies or the information required. At any time during the review process, the Director may require from the Developer additional information reasonably necessary to clarify and supplement the application or determine the consistency of the proposed Inclusionary Housing Plan with the requirements of this ordinance.

<u>Inclusionary Housing Agreement.</u> Except for those cases where the requirements of this ordinance are satisfied by payment of an In-Lieu Fee or the conveyance of land to the City, all Developers whose projects are not exempt from this ordinance as specified in Section 31-688(b) shall enter into an Inclusionary Housing Agreement with the City. The Director, except when the matter is decided by the City Council, is hereby authorized to execute the Inclusionary Housing Agreement on behalf of the City. No building permit shall be issued for all or any portion of the Residential Development unless the Inclusionary Housing Agreement has been recorded in accordance with the Implementation Procedures.

1) Contents of Inclusionary Housing Agreement. The Inclusionary Housing Agreement must include, at a minimum, the following information:

i. Description of the development, including whether the Inclusionary Units will be rented or owner-occupied.

ii. The number, size and location of Very Low, Low or Moderate Income Units.

iii. Inclusionary incentives by the City (if any), including the nature and amount of any local public funding.

iv. Provisions and/or documents for resale restrictions, deeds of trust, rights of first refusal or rental restrictions.

v. Provisions for monitoring the ongoing affordability of the units, and the process for qualifying prospective resident households for income eligibility.

vi. Any additional requirements requested by the Director relevant to compliance with this ordinance.

2) Recording of Agreement. Inclusionary Housing Agreements that are acceptable to the Director must be recorded against owner-occupied Inclusionary Units and residential projects containing rental Inclusionary Units. Additional rental or resale restrictions, deeds of trust, rights

of first refusal and/or other documents acceptable to the Director must also be recorded against owner-occupied Inclusionary Units. In cases where the requirements of this ordinance are satisfied through the development of Off-Site Units, the Inclusionary Housing Agreement must simultaneously be recorded against the property where the Off-Site Units are to be developed.

ATTACHMENTS

- Current median family income by household size and the maximum affordable rents and/or housing costs permitted for Very Low, Low, and Moderate income units.
- Current in-lieu fee schedule by project size

STRADLING YOCCA CARLSON & RAUTH
a Professional Corporation
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
(949) 725-4000
(949) 725-4100 (telecopy)

2008 Los Angeles County Affordable Housing Worksheet

1. Income Eligibility[1]

The first step in determining eligibility for an affordable housing program is determining whether the family which will be purchasing or renting the housing unit meets the following income standards applicable to Los Angeles County, based upon the size of the family:

Income Level	*1 person household*	*2 person household*	*3 person household*	*4 person household*	*5 person household*	*6 person household*	*7 person household*	*8 person household*
Extremely Low	$15,950	$18,200	$20,500	$22,750	$24,550	$26,400	$28,200	$30,050
Very Low	$26,550	$30,300	$34,100	$37,900	$40,950	$43,950	$47,000	$50,050
Lower	$42,450	$48,500	$54,600	$60,650	$65,500	$70,350	$75,200	$80,050
Median	$41,900	$47,800	$53,800	$59,800	$64,600	$69,400	$74,200	$78,900
Moderate	$50,300	$57,400	$64,600	$71,800	$77,500	$83,300	$89,000	$94,800

[1] Based on currently effective median income of Los Angeles County, as released by the Department of Housing and Community Development ("HCD") by memorandum dated as of February 28, 2008, which memorandum was posted to the HCD website on March 13, 2008. These median income numbers are revised annually.

2. Determining Affordable Housing Cost

For **ownership housing**, the second step in determining compliance with affordable housing requirements is determining whether the total housing costs payable by the buyer are within allowable amounts.

For **Extremely Low Income** Buyers:[2]

- purchasing a ***0 bedroom*** house, monthly housing payments may not exceed **$314.25**
- purchasing a ***1 bedroom*** house, monthly housing payments may not exceed **$358.50**
- purchasing a ***2 bedroom*** house, monthly housing payments may not exceed **$403.50**
- purchasing a ***3 bedroom*** house, monthly housing payments may not exceed **$448.50**
- purchasing a ***4 bedroom*** house, monthly housing payments may not exceed **$484.50**
- purchasing a ***5 bedroom*** house, monthly housing payments may not exceed **$520.50**

For **Very Low Income** Buyers:[3]

- purchasing a ***0 bedroom*** house, monthly housing payments may not exceed **$523.75**
- purchasing a ***1 bedroom*** house, monthly housing payments may not exceed **$597.50**
- purchasing a ***2 bedroom*** house, monthly housing payments may not exceed **$672.50**
- purchasing a ***3 bedroom*** house, monthly housing payments may not exceed **$747.50**
- purchasing a ***4 bedroom*** house, monthly housing payments may not exceed **$807.50**
- purchasing a ***5 bedroom*** house, monthly housing payments may not exceed **$867.50**

[2] Affordable Housing Cost for Extremely Low Income Households is the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5 (b)(1).

[3] Affordable Housing Cost for Very Low Income Households is the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5 (b)(2).

For **Lower Income** Buyers:[4]

- purchasing a ***0 bedroom*** house, monthly housing payments may not exceed **$733.25**
- purchasing a ***1 bedroom*** house, monthly housing payments may not exceed **$836.50**
- purchasing a ***2 bedroom*** house, monthly housing payments may not exceed **$941.50**
- purchasing a ***3 bedroom*** house, monthly housing payments may not exceed **$1,046.50**
- purchasing a ***4 bedroom*** house, monthly housing payments may not exceed **$1,130.50**
- purchasing a ***5 bedroom*** house, monthly housing payments may not exceed **$1,214.50**

In addition, for any Lower Income Household whose income falls within the following guidelines, it is **optional** for the agency to require that **affordable housing cost not exceed 30 percent of the gross income of the household:**[5]

- ***1 person households*** whose income is between **$29,330 and $42,450**
- ***2 person households*** whose income is between **$33,460 and $48,500**
- ***3 person households*** whose income is between **$37,660 and $54,600**
- ***4 person households*** whose income is between **$41,860 and $60,650**
- ***5 person households*** whose income is between **$45,220 and $65,500**
- ***6 person households*** whose income is between **$48,580 and $70,350**
- ***7 person households*** whose income is between **$51,940 and $75,200**
- ***8 person households*** whose income is between **$55,230 and $80,050**

[4] Affordable Housing Cost for Lower Income Households is the product of 30 percent times 70 percent of the area median income adjusted for family size appropriate for the unit. Health and Safety Code Section 50052.5(b)(3).

[5] Health and Safety Code Section 50052.5(b)(3)

For **Moderate Income** Buyers:[6]

- purchasing a ***0 bedroom*** house, monthly housing payments may not exceed **$1,344.29**
- purchasing a ***1 bedroom*** house, monthly housing payments may not exceed **$1,533.58**
- purchasing a ***2 bedroom*** house, monthly housing payments may not exceed **$1,726.08**
- purchasing a ***3 bedroom*** house, monthly housing payments may not exceed **$1,918.58**
- purchasing a ***4 bedroom*** house, monthly housing payments may not exceed **$2,072.58**
- purchasing a ***5 bedroom*** house, monthly housing payments may not exceed **$2,226.58**

In addition, for any Moderate Income Household whose income falls within the following guidelines, it is **optional** for the agency to require that **affordable housing cost not exceed 35 percent of the gross income of the household:**[7]

- **1 person households** whose income is between **$46,090 and $50,300**
- **2 person households** whose income is between **$52,580 and $57,400**
- **3 person households** whose income is between **$59,180 and $64,600**
- **4 person households** whose income is between **$65,780 and $71,800**
- **5 person households** whose income is between **$71,060 and $77,500**
- **6 person households** whose income is between **$76,340 and $83,300**
- **7 person households** whose income is between **$81,620 and $89,000**
- **8 person households** whose income is between **$86,790 and $94,800**

---

6 Affordable Housing Cost for Moderate Income Households is not less than 28 percent of the gross income of the household, and not more than the product of 35 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. Health and Safety Code Section 50052.5(b)(4).

7 Health and Safety Code Section 50052.5 (b)(4).

For purposes of determining Affordable Housing Cost, ***"Monthly Housing Payments"*** include an estimate of the following costs for the upcoming twelve months:[8]

- principal and interest payments on the mortgage loan, including rehabilitation loans
- mortgage loan insurance fees
- property taxes and assessments
- fire and casualty insurance
- property maintenance and repairs
- a reasonable allowance for utilities (including garbage collection, sewer, water, electricity, gas and other fuels, but not telephone service). Such an allowance shall take into consideration the cost of an adequate level of service.
- homeowner association fees
- space rent, if the housing unit is on rented land

8 25 California Code of Regulations Section 6920.

3. Determining Affordable Rent

For **rental housing**, the second step in determining compliance with affordable housing requirements is determining whether the total rent costs payable by the tenant are within allowable amounts.

For **Extremely Low Income** Households:[9]

- renting a **0 bedroom** unit, monthly rent may not exceed **$314.25**
- renting a **1 bedroom** unit, monthly rent may not exceed **$358.50**
- renting a **2 bedroom** unit, monthly rent may not exceed **$403.50**
- renting a **3 bedroom** unit, monthly rent may not exceed **$448.50**
- renting a **4 bedroom** unit, monthly rent may not exceed **$484.50**
- renting a **5 bedroom** unit, monthly rent may not exceed **$520.50**

For **Very Low Income** Households:[10]

- renting a **0 bedroom** unit, monthly rent may not exceed **$523.75**
- renting a **1 bedroom** unit, monthly rent may not exceed **$597.50**
- renting a **2 bedroom** unit, monthly rent may not exceed **$672.50**
- renting a **3 bedroom** unit, monthly rent may not exceed **$747.50**
- renting a **4 bedroom** unit, monthly rent may not exceed **$807.50**
- renting a **5 bedroom** unit, monthly rent may not exceed **$867.50**

9 Affordable Rent for Extremely Low Income Households is the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053 (b)(1).

10 Affordable Rent for Very Low Income Households is the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053 (b)(2).

For **Lower Income** Households:[11]

- renting a **0 bedroom** unit, monthly rent may not exceed **$628.50**
- renting a **1 bedroom** unit, monthly rent may not exceed **$717.00**
- renting a **2 bedroom** unit, monthly rent may not exceed **$807.00**
- renting a **3 bedroom** unit, monthly rent may not exceed **$897.00**
- renting a **4 bedroom** unit, monthly rent may not exceed **$969.00**
- renting a **5 bedroom** unit, monthly rent may not exceed **$1,041.00**

In addition, for any Lower Income Household whose income falls within the following guidelines, it is **optional** for the agency to require that **affordable rent not exceed 30 percent of the gross income of the household**:[12]

- **1 person households** whose income is between **$25,140 and $42,450**
- **2 person households** whose income is between **$28,680 and $48,500**
- **3 person households** whose income is between **$32,280 and $54,600**
- **4 person households** whose income is between **$35,880 and $60,650**
- **5 person households** whose income is between **$38,760 and $65,500**
- **6 person households** whose income is between **$41,640 and $70,350**
- **7 person households** whose income is between **$44,520 and $75,200**
- **8 person households** whose income is between **$47,340 and $80,050**

---

11 Affordable Rent for Lower Income Households is the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053 (b)(3).

12 Health and Safety Code Section 50053 (b)(3).

For **Moderate Income** Households:[13]

- renting a **0 bedroom** unit, monthly rent may not exceed **$1,152.25**
- renting a **1 bedroom** unit, monthly rent may not exceed **$1,314.50**
- renting a **2 bedroom** unit, monthly rent may not exceed **$1,479.50**
- renting a **3 bedroom** unit, monthly rent may not exceed **$1,644.50**
- renting a **4 bedroom** unit, monthly rent may not exceed **$1,776.50**
- renting a **5 bedroom** unit, monthly rent may not exceed **$1,908.50**

In addition, for any Moderate Income Household whose income falls within the following guidelines, it is **optional** for the agency to require that **affordable rent not exceed 30 percent of the gross income of the household:**[14]

- **1 person households** whose income is between **$46,090 and $50,300**
- **2 person households** whose income is between **$52,580 and $57,400**
- **3 person households** whose income is between **$59,180 and $64,600**
- **4 person households** whose income is between **$65,780 and $71,800**
- **5 person households** whose income is between **$71,060 and $77,500**
- **6 person households** whose income is between **$76,340 and $83,300**
- **7 person households** whose income is between **$81,620 and $89,000**
- **8 person households** whose income is between **$86,790 and $94,800**

[13] Affordable Rent for Moderate Income Households is the product of 30 percent times 110 percent of area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053 (b)(4).

[14] Health and Safety Code Section 50053 (b) (4).

For purposes of determining Affordable Rent, ***"Rent"*** is an average of estimated housing costs for the next twelve months. ***"Rent"*** includes the total of monthly payments for all of the following:[15]

- Use and occupancy of a housing unit and land and facilities associated therewith.
- Any separately charged fees or service charges assessed by the lessor which are required of all tenants, other than security deposits.
- A reasonable allowance for utilities not included in the above costs, including garbage collection, sewer, water, electricity, gas, and other heating, cooking, and refrigeration fuels. Utilities does not include telephone service. Such an allowance shall take into consideration the cost of an adequate level of service.
- Possessory interest taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the lessor.

15 25 California Code of Regulations Section 6918.

City of Burbank
Planning Division
INCLUSIONARY HOUSING
In lieu Fee Schedule

PROJECT SIZE	OWNERSHIP PROJECTS (per square foot)	RENTAL PROJECTS (per square foot)
14+ units	$20.07	$10.27
10 to 13 units	$16.46	$8.42
5 to 9 units	$11.24	$5.75

PASSED and ADOPTED this 21st day of March, 2006.

Ord. No. 3694, effective on May 6, 2006.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov

October 21, 2019

MEMORANDUM FOR: Planning Directors and Interested Parties

FROM: Zachary Olmstead, Deputy Director
Division of Housing Policy Development

SUBJECT: **Rental Inclusionary Housing**
Chapter 367, Statutes of 2017 (Assembly Bill 1505)

This memorandum provides guidance regarding Assembly Bill (AB) 1505 (Chapter 367, Statutes of 2017), effective January 1, 2018.

AB 1505 authorizes the legislative body of any city or county to adopt an inclusionary housing ordinance that includes residential rental units affordable to lower- and moderate-income households (Government Code, § 65850, subd. (g).)

Among other things, this bill specifies:

- requirements for alternative means of compliance for inclusionary ordinances,
- parameters for the California Department of Housing and Community Development (HCD) review of inclusionary housing ordinances, under limited circumstances, by requesting the submittal of an economic feasibility study to ensure the ordinance does not unduly constrain the production of housing, and
- criteria for HCD to review economic feasibility studies.

Copies of bills and other materials from the 2017-2018 session can be obtained at http://leginfo.legislature.ca.gov/ or the legislative Bill Room at 916-445-2323. For additional information or questions, please contact the Division of Housing Policy Development at (916) 263-2911.

BACKGROUND AND INTENT OF AB 1505

Article XI, section 7 of the California Constitution grants each city and county the power "to make and enforce within its limits all local, police, sanitary and other ordinances and regulations not in conflict with general laws." This is generally referred to as the police power of local governments. The Planning and Zoning Law (Gov. Code, §§ 65000 to 66035) sets forth minimum standards for cities and counties to follow in land use regulation, but the law also establishes the Legislature's intent to "provide only a minimum of limitation in order that counties and cities may exercise the maximum degree of control over local zoning matters." (Government Code § 65800).

Many jurisdictions, pursuant to their police power, adopted inclusionary housing requirements that require developers to ensure that a certain percentage of housing units in a new development be affordable to moderate- and lower-income households. Most, if not all, of such requirements applied to both rental and ownership housing.

Legislative Findings on AB 1505

"Inclusionary housing ordinances have provided quality affordable housing to over 80,000 Californians, including the production of an estimated 30,000 units of affordable housing in the last decade alone. Since the 1970s, over 170 jurisdictions have enacted inclusionary housing ordinances to meet their affordable housing needs."

Despite the many local inclusionary requirements, court decisions changed the environment regarding rental inclusionary requirements. In 2009, in *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles* (2009) 175 Cal.App.4th 1396*,* the Second District California Court of Appeal opined that the city's inclusionary housing requirements associated with a specific plan, as applied to rental housing, conflicted with, and were preempted by, a state law known as the Costa-Hawkins Rental Housing Act. (Civil Code, §§ 1954.50 to 1954.535.)

The Costa-Hawkins Act, adopted in 1995, allows landlords to set the initial rent for a new unit and to increase the rent to market levels whenever a unit is vacated. The Court of Appeal concluded that the city's inclusionary requirement clearly conflicted with Palmer's right to set the rental rate for his units because the City would limit the rent that he could charge for the affordable units. After the *Palmer* decision, most jurisdictions with inclusionary housing ordinances that included rental housing stopped applying the inclusionary requirements on rental housing development.

In response to the court cases, AB 1505 supersedes the holding and dicta in the *Palmer/Sixth Street Properties* case to the extent that the decision conflicts with a local jurisdiction's authority to adopt inclusionary housing ordinances on residential rental unit developments. The enactment of AB 1505 reaffirms the authority of local governments to include rental units within inclusionary ordinance requirements and adds a limited HCD review, under certain circumstances, of economic feasibility studies to demonstrate the ordinance does not unduly constrain the production of housing.

LOCAL AUTHORITY

While local governments have long held the authority to adopt ordinances and regulate land use, recent court cases made that authority relative to rental inclusionary housing less clear. In response, AB 1505 provides clear authority that all cities and counties, including charter cities and counties, may adopt ordinances that require, as a condition of development, a certain percentage of rental units affordable to lower- or moderate-income households, including very low and extremely low- income households, and to reaffirm adoption of the same be conducted openly, consistent with the Ralph M. Brown Act.

> *California Building Assn. V. of San Jose*
> (2015) 61 Cal.4th 435
>
> In 2010, the City of San Jose adopted an inclusionary housing ordinance that applied a 15 percent inclusionary requirement for lower- and moderate-income households. The California Building Industry Association (CBIA) filed a lawsuit alleging that inclusionary requirements were an “exaction" that needed to be justified by the impact of the project, like traffic fees. The California Supreme Court ruled that inclusionary requirements are not “exactions.” Rather, the ruling stated that enforcing affordable housing requirements to address a growing housing problem is “constitutionally legitimate” so long as it "bears a real and substantial relationship to the public interest", and cited the need to increase the number of affordable units given the severe scarcity of affordable housing in California, and the desirability of having economically diverse communities.

In clarifying this authority, AB 1505 also recognizes the importance of flexibility and mitigating development costs in meeting inclusionary requirements. The law states that inclusionary ordinances with rental housing must provide alternative means for compliance. Local governments may seek alternative means of compliance such as in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units. This list of alternative means is not exhaustive, and a local government could include additional means. A local government may also wish to consider other factors when allowing alternative means such as land dedication, off-site construction, and acquisition and rehabilitation. Examples include strategic locations that minimize displacement, improve access to jobs and transportation, or improve a community’s inclusiveness.

HCD REVIEW AUTHORITY

Since 1969, California has required that all jurisdictions (cities and counties) adequately plan to meet the housing needs of everyone in the community. California's local governments meet this requirement by adopting Housing Elements as part of their general plan pursuant to Gov. Code section 65580. Housing Elements are adopted every five to eight years and are subject to HCD review.

Pursuant to Government Code section 65583(a)(5), a jurisdiction's Housing Element must include an analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including, but not limited to, land use controls, fees and other exactions required of developers, local processing and permit procedures, and any locally adopted ordinances that directly impact the cost and supply of residential development. The element must also address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing. As an inclusionary ordinance falls under this requirement, the Housing Element must include a description and analysis of the inclusionary housing ordinance framework, which would then be subject to HCD review. For more guidance on this analysis, please see the HCD's Building Blocks Webpage.

AB 1505 provides HCD authority to review economic feasibility studies related to rental inclusionary housing ordinances. However, HCD is not required to review these economic feasibility studies and local governments are only required to submit the studies upon HCD request after meeting several other conditions (see below). Further, HCD will not review the actual inclusionary ordinance pursuant to AB 1505. HCD's review is limited to a review of an economic feasibility study that provides evidence that the ordinance does not unduly constrain the production of housing. AB 1505 did not alter HCD's review authority of inclusionary ordinances, rental and owner, as part of its obligation to review Housing Elements of the general plan.

CONDITIONS TRIGGERING SUBMITTAL TO HCD

Local governments are only required to submit economic feasibility studies if specified conditions exist:

- *Rental Inclusionary*: AB 1505 only applies to ordinances with rental inclusionary requirements. Ordinances with only ownership housing do not trigger requirements under AB 1505.

- *Adopted or Amended Post September 15, 2017*: Local governments who do not adopt or amend ordinances after September 15, 2017, do not trigger AB 1505 and are not required to prepare or submit economic feasibility studies to HCD.

Jurisdictions adopting or amending ordinances after September 15, 2017, may consider conducting an economic feasibility study prior to the adoption or amendment of an inclusionary housing ordinance, but are not required to do so.

- *Level of Affordability*: Only inclusionary ordinances that require more than 15 percent of the total number of units to be rented by households at 80 percent or less of area median income (AMI) are subject to AB 1505. Inclusionary ordinances that require less than 15 percent for 80 percent or less AMI household, or solely target household above 80 percent of AMI, do not trigger a submittal or review by HCD under AB 1505.

- *HCD Findings*: HCD may review any inclusionary rental-housing ordinance if it finds either of the following apply:

  (1) The jurisdiction failed to meet at least 75 percent of its share of its above-moderate income Regional Housing Need Allocation (RHNA) (prorated based on the length of time within the planning period) over at least a five-year period, based on the jurisdiction's annual Housing Element report; or

  (2) The jurisdiction failed to submit the annual Housing Element report for at least two consecutive years.

> *Annual Progress Reports*
>
> Local governments are required to submit Annual Progress Reports on implementation of the general plan pursuant to Gov. Code section 65400. The report includes progress toward the RHNA by income group. HCD makes that data available through interactive maps at Interactive RHNA Maps. For assistance on annual reports, contact APR@hcd.ca.gov.

- *HCD Request and Time Limits*: Local governments are only required to submit an economic feasibility study upon HCD request. HCD cannot request to review an economic feasibility study for an ordinance if more than 10 years have passed since the adoption or amendment of that ordinance, whichever is later.

Examples of when the review provisions of AB 1505 apply:

- Jurisdiction adopted an inclusionary housing ordinance for both ownership and rental units in 2003. Due to the results of the *Palmer/Sixth Street Properties* case, the jurisdiction deleted the reference to rental units in the inclusionary housing ordinance. In 2019, the jurisdiction amends the inclusionary housing ordinance to reinstate its application to rental units.

- Jurisdiction adopted an inclusionary housing ordinance for both ownership and rental units in 2003. The ordinance requires on-site construction of the affordable rental units and does not provide for alternative means of compliance to the on-site requirement for rental units. In 2019, the jurisdiction amends the inclusionary housing ordinance to include alternative means of compliance to the on-site requirement for rental units.

- Jurisdiction adopts a new inclusionary housing ordinance for rental units in 2018.

Examples of when the review provisions of AB 1505 do not apply:

- Enforcement of a preexisting ordinance: A jurisdiction with an inclusionary housing ordinance adopted in 2003 for both ownership and rental units did not enforce the inclusionary requirement for rental units due to the results of the *Palmer/Sixth Street Properties* case. Now, the jurisdiction is enforcing the inclusionary requirement for rental units without adopting or amending the ordinance.

- Reinstatement of a previously suspended ordinance: A jurisdiction with an inclusionary housing ordinance adopted in 2008 for both ownership and rental units suspended the inclusionary requirement for rental units due to the results of the *Palmer/Sixth Street Properties* case. Now, the jurisdiction is reinstating the suspended inclusionary requirement for rental units without adopting an, or amending the, inclusionary housing ordinance.

HCD REVIEW PROCESS, CRITERIA AND TIMING

Review Process

Step 1: Evaluate applicability of AB 1505 review to subject inclusionary ordinance.

Third parties can request HCD's evaluation of a jurisdiction's rental inclusionary housing ordinance by submitting a request to the HCD's accountability and enforcement email address, ComplianceReview@hcd.ca.gov. HCD may also initiate an evaluation of an inclusionary housing ordinance based on information contained within a Housing Element, Annual Progress Report, stakeholder comment letter, phone call, news article, or additional source.

Step 2: If HCD requests evidence that the ordinance does not unduly constrain the production of housing, the jurisdiction must submit an economic feasibility study to HCD within 180 days from its receipt of HCD's request. When complying with the HCD request, the jurisdiction should submit sufficient information to demonstrate how the study meets the specified criteria below.

Step 3: Upon submission of an economic feasibility study, HCD has 90 days to issue a finding as to whether or not the study meets all specified criteria. During its review, HCD may consult with any local government, agency, group, or person prior to issuance of its findings.

Specified Criteria

- A qualified entity with demonstrated expertise in the preparation of economic feasibility studies prepared the economic feasibility study.

- The study methodology followed best professional practices and was sufficiently rigorous to allow an assessment of whether the rental inclusionary requirement, in combination with other factors that influence feasibility, is economically feasible.

- If the economic feasibility study was prepared after September 15, 2017, the jurisdiction must have made it available on its website for at least 30 days. After the 30-day period expired, the study must have been placed on the agenda of a regularly scheduled meeting of the jurisdiction's legislative body for consideration and approval.

The economic feasibility study should not be confused with a "nexus study" required when a jurisdiction seeks to justify impact mitigation fees, such as commercial linkage fees, prepared pursuant to Government Code section 66000. Inclusionary requirements may be based on the existing and projected housing needs of the region and other factors reasonably related to the regional welfare. They need not be based on a demonstration of the additional need for affordable housing generated by new residential development.

If a jurisdiction fails to submit an economic feasibility study to HCD within 180 days of receiving HCD's request, or if HCD makes a final decision that the economic feasibility study does not meet the statutory requirements, the jurisdiction's rental inclusionary requirement cannot require more than 15 percent of the total number of units in a development be affordable to households at 80 percent of the area median income. The jurisdiction may continue implementing a requirement at more than 15 percent once it has submitted an economic feasibility study to HCD providing evidence that the inclusionary housing ordinance does not unduly constrain housing production, and HCD makes a finding that the study meets the statutory requirements.

APPEALS

A jurisdiction can appeal HCD's finding that the economic feasibility study does not meet the statutory requirements by submitting an appeal to the Director of HCD. Once HCD receives the appeal, it has 90 days to issue a final decision, unless the timeline is extended by a mutual agreement between the jurisdiction and HCD.

Attachment A
AB 1505 Revisions to Sections 65850, 65850.01, and Section 3

SECTION 1. Section 65850 of the Government Code is amended to read:

65850. The legislative body of any county or city may, pursuant to this chapter, adopt ordinances that do any of the following:
(a) Regulate the use of buildings, structures, and land as between industry, business, residences, open space, including agriculture, recreation, enjoyment of scenic beauty, use of natural resources, and other purposes.
(b) Regulate signs and billboards.
(c) Regulate all of the following:
(1) The location, height, bulk, number of stories, and size of buildings and structures.
(2) The size and use of lots, yards, courts, and other open spaces.
(3) The percentage of a lot which may be occupied by a building or structure.
(4) The intensity of land use.
(d) Establish requirements for off street parking and loading.
(e) Establish and maintain building setback lines.
(f) Create civic districts around civic centers, public parks, public buildings, or public grounds, and establish regulations for
those civic districts.
<u>*(g) Require, as a condition of the development of residential rental units, that the development include a certain percentage of residential rental units affordable to, and occupied by, households with incomes that do not exceed the limits for moderate income, lower income, very low income, or extremely low income households specified in Sections 50079.5, 50093, 50105, and 50106 of the Health and Safety Code. The ordinance shall provide alternative means of compliance that may include, but are not limited to, in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units.*</u>

SECTION. 2.

Section 65850.01 is added to the Government Code, to read:

<u>***65850.01.*** *(a) The Department of Housing and Community Development, hereafter referred to as "the department" in this section, shall have the authority to review an ordinance adopted or amended by a county or city after September 15, 2017, that requires as a condition of the development of residential rental units that more than 15 percent of the total number of units rented in a development be affordable to, and occupied by, households at 80 percent or less of the area median income if either of the following apply:*</u>
<u>*(1) The county or city has failed to meet at least 75 percent of its share of the regional housing need allocated pursuant to Sections 65584.04, 65584.05, and 65584.06, as applicable for the above-moderate income category specified in Section 50093 of the Health and Safety Code, prorated based on the length of time within the planning period pursuant to paragraph (1) of subdivision (f) of Section 65588, over at least a five-year period. This determination shall be made based on the annual housing element report submitted to the department pursuant to paragraph (2) of subdivision (a) of Section 65400.*</u>
<u>*(2) The department finds that the jurisdiction has not submitted the annual housing element report as required by paragraph (2) of subdivision (a) of Section 65400 for at least two consecutive years.*</u>

(b) Based on a finding pursuant to subdivision (a), the department may request, and the county or city shall provide, evidence that the ordinance does not unduly constrain the production of housing by submitting an economic feasibility study. The county or city shall submit the study within 180 days from receipt of the department's request. The department's review of the feasibility study shall be limited to determining whether or not the study meets the following standards:

(1) A qualified entity with demonstrated expertise preparing economic feasibility studies prepared the study.

(2) If the economic feasibility study is prepared after September 15, 2017, the county or city has made the economic feasibility study available for at least 30 days on its Internet Web site. After 30 days, the county or city shall include consideration of the economic feasibility study on the agenda for a regularly scheduled meeting of the legislative body of the county or city prior to consideration and approval. This paragraph applies when an economic feasibility study is completed at the request of the department or prepared in connection with the ordinance.

(3) The study methodology followed best professional practices and was sufficiently rigorous to allow an assessment of whether the rental inclusionary requirement, in combination with other factors that influence feasibility, is economically feasible.

(c) If the economic feasibility study requested pursuant to subdivision (b) has not been submitted to the department within 180 days, the jurisdiction shall limit any requirement to provide rental units in a development affordable to households at 80 percent of the area median income to no more than 15 percent of the total number of units in a development until an economic feasibility study has been submitted to the department and the department makes a finding that the study meets the standards specified in paragraphs (1), (3), and, if applicable, (2), of subdivision (b).

(d) (1) Within 90 days of submission, the department shall make a finding as to whether or not the economic feasibility study meets the standards specified in paragraphs (1), (3), and, if applicable, (2), of subdivision (b).

(2) If the department finds that the jurisdiction's economic feasibility study does not meet the standards in paragraphs (1), (3), and, if applicable, (2), of subdivision (b), the jurisdiction shall have the right to appeal the decision to the Director of Housing and Community Development or his or her designee. The director or his or her designee shall issue a final decision within 90 days of the department's receipt of the appeal unless extended by mutual agreement of the jurisdiction and the department.

(3) If in its final decision the department finds that jurisdiction's economic feasibility study does not meet the standards in paragraphs (1), (3), and, if applicable, (2), of subdivision (b), the jurisdiction shall limit any requirement to provide rental units in a development affordable to households at 80 percent of the area median income to no more than 15 percent of the total number of units in a development until such time as the jurisdiction submits an economic feasibility study that supports the ordinance under review and the department issues a finding that the study meets the standards in paragraphs (1), (3), and, if applicable, (2), of subdivision (b).

(e) The department shall not request to review an economic feasibility study for an ordinance more than 10 years from the date of adoption or amendment of the ordinance, whichever is later.

(f) The department shall annually report any findings made pursuant to this section to the Legislature. The report required by this subdivision shall be submitted in compliance with Section 9795.

(g) The Legislature finds and declares that ensuring access to affordable housing is a matter of statewide concern and not a municipal affair, as that term is used in Section 5 of Article XI of the California Constitution. Therefore, this section shall apply to an ordinance proposed or adopted by any city, including a charter city.

SEC. 3. *The Legislature finds and declares all of the following:*

(a) Inclusionary housing ordinances have provided quality affordable housing to over 80,000 Californians, including the production of an estimated 30,000 units of affordable housing in the last decade alone.
(b) Since the 1970s, over 170 jurisdictions have enacted inclusionary housing ordinances to meet their affordable housing needs.
(c) While many of these local programs have been in place for decades, a 2009 appellate court decision has created uncertainty and confusion for local governments regarding the use of this tool to ensure the inclusion of affordable rental units in residential developments.
(d) It is the intent of the Legislature to reaffirm the authority of local jurisdictions to include within these inclusionary housing ordinances requirements related to the provision of rental units.
(e) The Legislature declares its intent in adding subdivision (g) to Section 65850 of the Government Code, pursuant to Section 1 of this act, to supersede the holding and dicta in the court decision of Palmer/Sixth Street Properties, L.P. v. City of Los Angeles (2009) 175 Cal.App.4th 1396 to the extent that the decision conflicts with a local jurisdiction's authority to impose inclusionary housing ordinances pursuant to subdivision (g) of Section 65850 of the Government Code, as added pursuant to Section 1 of this act.
(f) In no case is it the intent of the Legislature in adding subdivision (g) to Section 65850 of the Government Code, pursuant to Section 1 of this act, to enlarge, diminish, or modify in any way the existing authority of local jurisdictions to establish, as a condition of development, inclusionary housing requirements, beyond reaffirming their applicability to rental units.
(g) This act does not modify or in any way change or affect the authority of local jurisdictions to require, as a condition of the development of residential units, that the development include a certain percentage of residential for-sale units affordable to, and occupied by, households with incomes that do not exceed the limits for moderate-income, lower income, very low income, or extremely low income households.
(h) It is the intent of the Legislature to reaffirm that existing law requires that the action of any legislative body of any city, county, or city and county to adopt a new inclusionary housing ordinance be taken openly and that their deliberations be conducted openly consistent with the requirements of the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).
(i) Except as provided in subdivision (e), in no case is it the intent of the Legislature in adding subdivision (g) to Section 65850 of the Government Code, pursuant to Section 1 of this act, to enlarge, diminish, or modify in any way the existing rights of an owner of residential real property under Sections 1954.50 to 1954.535, inclusive, of the Civil Code and Sections 7060 to 7060.7, inclusive, of the Government Code.

KEYSER MARSTON ASSOCIATES

INCLUSIONARY HOUSING STUDY

Prepared for:

City of Burbank

Prepared by:

Keyser Marston Associates, Inc.

February 1, 2019

ATTACHMENT 5-1

TABLE OF CONTENTS

ATTACHMENTS

I. OVERVIEW

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Burbank (City) to prepare an Inclusionary Housing Study that includes evaluations of both production and in-lieu fee payment options. The following report presents the results of the analysis, and is focused on the following:

1. The impacts created by the imposition of affordable housing requirements; and

2. Estimates of the fee amounts that can be supported for projects that are permitted to pay a fee in lieu of producing affordable housing.

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

A. Context

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

B. Key Court Cases and Statutes

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

Palmer Case

In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles,* 175 Cal. App. 4th 1396 (*Palmer*), that the local affordable housing requirements being imposed by the City of Los Angeles violated the Costa-Hawkins Rental Housing Act (Costa-

Hawkins). Specifically, Costa-Hawkins allows landlords to set the initial monthly rent for a new unit, and then to increase the monthly rent to the market level each time a unit is vacated. The Court found that the imposition of long-term income and affordability restrictions on rental housing units is a violation of this provision.

It is commonly believed that the *Palmer* ruling prohibits jurisdictions from requiring developers to construct affordable rental housing units as a part of their Inclusionary Housing program. In an effort to comply with *Palmer*, many jurisdictions eliminated the requirement that market rate rental housing projects provide affordable rental housing units. Instead, some jurisdictions replaced affordable housing production models with a linkage or impact fee methodology.

San Jose Case

In 2015, the California Supreme Court ruled in the *California Building Industry Association v. City of San Jose,* 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing Ordinances should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This, in turn, means that Inclusionary Housing Ordinances are not subject to the requirements imposed by the "Mitigation Fee Act".[1]

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

1. The requirements are not "Confiscatory"; and

2. The requirements do not deprive a property owner of a fair and reasonable return.

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

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

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

AB 1505

AB 1505, which is otherwise known as the "*Palmer* Fix", was signed into law in September 2017. AB 1505 amends Section 65850 of the California Government Code and adds Section 65850.01. This legislation provides jurisdictions with the ability to adopt ordinances that require rental residential projects to include a defined percentage of affordable housing units.

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

1. The jurisdiction has failed to meet at least 75% of its RHNA allocation for above-moderate income units. This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or

2. HCD finds that the jurisdiction has not submitted their housing element report for at least two consecutive years.

Section 65850.01 (b) allows HCD to require a jurisdiction to submit an economic feasibility study that proves that the inclusionary housing ordinance does not unduly constrain the production of housing. In all likelihood, this Inclusionary Housing Study meets the economic feasibility study standards defined in Section 65850.01 (b). However, if the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards, HCD can potentially intervene in the Inclusionary Housing Ordinance adoption process. This could extend and complicate the approval process.

Section 65850 (g) requires jurisdictions to provide options for alternative means of fulfilling the affordable housing requirement imposed by a rental Inclusionary Housing ordinance. The options that must be provided to developers include, but are not limited to, off-site construction of affordable units, payment of a fee in-lieu of producing affordable housing units, land dedication, and the acquisition and rehabilitation of existing units.

C. Existing Inclusionary Housing Ordinance

In March 2006, the City adopted an Inclusionary Housing Ordinance that is codified in the Burbank Municipal Code Chapter 1, Sections 10-1-644 through 10-1-653. The Inclusionary Housing Ordinance requires income and affordability covenants to be imposed on 15% of the units to units included in new residential development with five or more units. The specific requirements for rental apartment projects and ownership housing projects are:

1. Rental Apartment Projects:
    a. 5% very-low income; and
    b. 10% low income.
2. Ownership Housing Projects – 15% moderate income units.

Following the *Palmer* decision, the City suspended the Inclusionary Housing requirements on rental projects. At this time, the City would like to update the requirements imposed on rental apartment projects, and to update the requirements imposed on ownership housing projects. This update is being undertaken because conditions have changed since the original Inclusionary Housing Ordinance was adopted over 12 years ago.

D. Inclusionary Housing Program Characteristics

To assist the City in evaluating options for updating the Inclusionary Housing Ordinance, it is useful to identify the elements that are typically included in Inclusionary Housing programs. Key components can be summarized as follows:

1. The vast majority of the California Inclusionary Housing programs impose affordable housing requirements on a mandatory basis. However, some programs limit the requirements to projects that are requesting a General Plan modification, a zone change, a density bonus, and/or other variances from the jurisdiction's building code requirements.

2. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the affordable housing production requirements. Common size thresholds range from three to 10 units.

3. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:

   a. The threshold standards are varied as a reflection of the depth of the affordability being provided. For example, some programs allow developers to select between a 15% moderate income requirement and a 10% low income requirement.

   b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement can mitigate these impacts.

c. In jurisdictions with disparate real estate and demographic conditions it is common to impose varying requirements based on defined subareas.

4. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Redevelopment Law standard of 45 years for ownership housing units and 55 years for rental units is commonly used. However, both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

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

1. Construction of a defined percentage of income restricted units within new market rate residential projects;

2. Construction of a defined percentage of income restricted units in a project located in an off-site location;

3. Payment of a fee in lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community;

4. The dedication of land to the jurisdiction that is appropriate for the development of affordable housing; and

5. The acquisition and rehabilitation of existing units.

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

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.

2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:

    a. HOME Program funds that are awarded to the City by the United States Department of Housing and Urban Development (HUD);

    b. Low and Moderate Income Housing Asset Funds (LMIHAF) that are under of the control to the Housing Successor to the former Redevelopment Agency of the City of Burbank;

    c. The Federal and State Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;

    d. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program; and

    e. Funding provided by the Community Development Commission of the County of Los Angeles.

II. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

As discussed previously in this Inclusionary Housing Study, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction. Sections 65850 and 65850.01 amended the California

Government Code to expressly allow Inclusionary Housing requirements to be imposed on rental housing projects.

It is important to remember that Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return. However, recognizing that the courts have not defined these terms, the City has some discretion in establishing evaluation parameters.

It has been KMA's experience that the following sequence of events occurs when an Inclusionary Housing program is adopted:

1. Immediately following approval of an Inclusionary Housing program, the financial impacts created by the imposition of affordable housing requirements are largely borne by developers that had purchased property prior to the imposition of the requirements.

2. After an Inclusionary Housing program is adopted, developers that have not purchased land will attempt to bargain for a lower land price that reflects the impacts created by the Inclusionary Housing requirements.

3. During the initial implementation period for an Inclusionary Housing program, some property owners are reluctant to accept the fact that the value of their land has decreased. In turn, they defer selling their property until market demand causes prices to increase.

4. As is the case with all development requirements, over time land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property.

It is likely that the imposition of affordable housing requirements impacts the values supported by properties that are subject to the requirements. However, the courts have found that this is permissible as long as the requirement is not confiscatory, and the property owner is not deprived of a fair and reasonable return.

III. METHODOLOGY

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

A. Program Foundation

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

A significant number of California Inclusionary Housing programs have been based on a projected +/- 30% reduction in the land cost that can be supported. This KMA Inclusionary Housing Study is focused on identifying income and affordability standards that would fall within that parameter.

B. Financial Impacts

In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Housing units. This is known as the "Affordability Gap."

KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of income restricted units. The financial analyses identify the following:

1. The range of Inclusionary Housing production requirements that can be supported; and

2. The range of in-lieu fees that can be supported.

C. Financial Feasibility Analysis Organization

The financial feasibility analyses are organized as follows:

Step	Study
1.	Creation of residential prototypes that are representative of new market rate development in Burbank.
2.	A survey of representative projects to estimate the achievable market rate sales prices and rents for the prototype units.
3.	Calculations of the Affordable Sales Prices and Affordable Rents.
4.	Projections of the percentage of units that could be designated as Inclusionary Housing units on a financially feasible basis.
5.	Projection of the in-lieu fees per square foot of gross building area (GBA) that could be supported under the following methodologies: a. Pro forma analyses are used to estimate the in-lieu fee amounts that could be supported if the financial impact is limited to amounts that result in a reduction in the land cost that would not be confiscatory or deprive the property owner of a fair and reasonable return. b. Affordability Gap analyses are used to estimate the in-lieu fee amounts that would be required to be imposed to generate sufficient revenue to attract the defined percentage of Inclusionary Housing units.

The financial feasibility analyses are supported by the following Attachments and Appendices:

Attachment 1	<u>Ownership Development</u>
Appendix A	Condominium Analyses
Appendix B	Backup Tables
Attachment 2	<u>Rental Development</u>
Appendix A	Pro Forma Analyses: Medium Density Alternative: 62 Units Per Acre
Appendix B	Pro Forma Analyses: High Density Alternative: 100 Units Per Acre
Appendix C	Backup Tables

IV. OWNERSHIP HOUSING ANALYSES

The affordability requirements for ownership housing projects are generally set at the moderate income level. This is done as a reflection of the fact that moderate income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households. The following ownership housing analyses are used to estimate the supportable Inclusionary Housing production requirements, and to estimate the supportable in-lieu fees per square foot of building area.

A. Condominium Prototype

The key characteristics of the condominium prototype used in the financial feasibility analyses are summarized in the following table:

Table I-1: Condominium Prototype	
Site Area (Square Feet)	43,560
Total Number of Units	36
Density (Units Per Acre)	36
Unit Mix	
One-Bedroom Units	25%
Two-Bedroom Units	50%
Three-Bedroom Units	25%
Average Unit Sizes (Sq Ft)	
One-Bedroom Units	938
Two-Bedroom Units	1,184
Three-Bedroom Units	1,580
Parking	
Parking Spaces Per Unit (Podium)	2.4

B. Projected Market Rate Sales Prices

It is important to note that the prototype analysis is intended to reflect average or typical ownership residential projects rather than any specific project. It should be expected that specific projects would vary to some degree from the prototype.

To assist in projecting the achievable market rate sales prices, KMA compiled the following data:

1. Sales data was compiled for condominiums sold in Burbank between July 2016 and July 2018 (Attachment 1 – Appendix B – Exhibit I – Table 1). This information is used to establish the average sales price per square foot of building area for one, two and three bedroom condominium units.

2. Sales data was compiled for condominiums sold in Pasadena over the past two years (Attachment 1 – Appendix B – Exhibit I – Table 2). This information is disaggregated by zip code and project age and is used to assist in estimating the sales price premium associated with new construction. [2]

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

Table I-2: Projected Market Rate Sales Prices – Ownership Housing		
	% of Total Units	Average Price
One-Bedroom Units	25%	$564,200
Two-Bedroom Units	50%	$696,800
Three-Bedroom Units	25%	$860,100
Average Price Per Square Foot of GBA	100%	$577

[2] The sales information is limited to zip codes in which at least four sales occurred in the categories of projects built before 2008 and projects built after 2007.

C. Affordable Sales Price Calculations

The Affordable Sales Prices calculations are presented in Attachment 1 – Appendix B – Exhibit II. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2018 income statistics for Los Angeles County as a whole. The household incomes for moderate income households are produced and distributed annually by HCD.

2. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code Section 50052.5 (H&SC Section 50052.5). The calculations include the elements described in the following sections of this report.

Household Size

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

Household Income

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

Income Allocated to Housing-Related Expenses

H&SC Section 50052.5 allocates 35% of the benchmark household income to the payment of housing-related expenses:

Housing-Related Expenses

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

Table I-3: Variable Housing Related Expenses – Ownership Housing		
	Monthly Utilities Allowances [3]	Monthly HOA, Insurance & Maintenance
One-Bedroom Units	$121	$320
Two-Bedroom Units	$142	$330
Three-Bedroom Units	$165	$340

The property tax expense estimate is based on 1.1% of the home's estimated unrestricted market rate sales price. This is done because the Los Angeles County assessor will only use the Affordable Sales Price for assessment purposes if the resale restriction covenant is irrevocable.[4]

Supportable Mortgage Amount

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Inclusionary Housing Study were based on a 30-year fully amortizing loan at a 4.93% interest rate. This reflects a 15-year average of published mortgage interest rates. [5]

---

[3]The utilities allowances are based on the assumption that the home owners utilities costs are comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the Burbank Housing Authority schedule effective July 1, 2018.

[4] One of the recommendations in this Inclusionary Housing Study is that the City allow the income and affordability covenant to be bought out upon the first resale of an Inclusionary Unit.

[5] Based on the Freddie Mac Primary Mortgage Market Survey weekly average rates for 30-year fixed rate mortgages during the period from 2003 through 2017.

Benchmark Down Payment

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

Affordable Sales Prices

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

Table I-4: Affordable Sales Price Estimates – Ownership Housing	
	Moderate Income
One-Bedroom Units	$162,300
Two-Bedroom Units	$175,900
Three-Bedroom Units	$183,900

D. Inclusionary Housing Production Analyses: Ownership Housing

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

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

E. Pro Forma Analyses

Market Rate Development Alternatives – Ownership Housing

The 100% market rate alternative provides a baseline against which to measure the impacts associated with affordable housing requirements. The pro forma analysis for the 100% market rate alternative is presented in Attachment 1 – Appendix A – Exhibit I, and the tables are organized as follows:

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

The analysis of the 100% market rate alternative results in an estimated developer profit of 7.8%. The financial gap generated by the moderate income alternative represents the impact created by the Inclusionary Housing requirements.

Supportable Inclusionary Housing Production Requirements – Ownership Housing

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

Moderate Income Alternative Ownership Housing	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Supportable Inclusionary Housing Production Requirements

The results of the KMA analysis of the reduction in the supportable land costs are presented in Attachment 1 – Appendix A – Exhibit II. Based on the results of the land cost reduction analyses, KMA estimated the supportable percentage of moderate income units at 11.1% of the units in ownership housing projects.

F. In-Lieu Fee Analyses: Ownership Housing

KMA estimated the supportable in-lieu fee amounts for ownership housing projects under the two different methodologies. These analyses effectively establish the range of in-lieu fees that could be imposed:

1. The first approach is based on establishing in-lieu fee amounts that generate a financial impact equal to a +/- 30% reduction in supportable land cost. In this approach the in-lieu fee is treated as a development cost, and no Inclusionary Housing production requirements are imposed on the project.

2. The second approach is based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate ownership housing projects.

Land Cost Reduction Approach – Ownership Housing

Pro forma analyses were prepared to test the reduction in supportable land cost created by the imposition of in-lieu fee payment requirements (Attachment 1 – Appendix A – Exhibit III). Based on this analysis, KMA estimates the supportable in-lieu fees for ownership housing projects at $28.99 per square foot of GBA.

Affordability Gap Approach – Ownership Housing

The financial impact associated with fulfilling the Inclusionary Housing requirements within market rate ownership housing projects is equal to the Affordability Gaps associated with the income restricted units. The financial feasibility analysis presented in the preceding section identified a supportable Inclusionary Housing set aside of 11.1% of the units in an ownership housing project. KMA prepared an Affordability Gap analysis based on this assumed set aside.

As shown in Attachment 1 – Appendix A – Exhibit IV, the weighted average Affordability Gap, and resulting in-lieu fee are as follows:

Table I-5: In-Lieu Fee Analysis Affordability Gap Approach – Ownership Housing	
Affordability Gaps	Moderate Income
Per Income Restricted Unit	$530,000
Per Square Foot of GBA	$38.60

V. RENTAL APARTMENT ANALYSES

The City is interested in providing the developers of rental apartment projects the following options for fulfilling Inclusionary Housing production requirements:

1. A low income requirement;
2. A requirement that includes a mix of low and moderate income units; and
3. A moderate income requirement.

The rental pro forma analyses are used to estimate the supportable Inclusionary Housing production requirements under each of the three proposed options. The analysis is also used to estimate the supportable in-lieu fees per square foot of building area.

A. Caveats

A variety of tools are available to reduce the financial impact associated with the imposition of income and affordability restrictions on rental apartment projects. For 100% affordable housing projects, Tax Credit financing is commonly used to fill the financial gap. For mixed-income projects, the California Government Code Sections 65915 - 65918 (Section 65915) density bonus is often used.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to apply Inclusionary Housing units toward the fulfillment of the affordable unit requirements imposed by the Section 65915 density bonus.[6] A developer can request a Section 65915 density bonus for a project as long as the affordable units meet the more restrictive of the jurisdiction's Inclusionary Housing requirements and the requirements imposed by Section 65915.

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, jurisdictions that impose Inclusionary Housing requirements should recognize the likelihood that many developers will request Section 65915 density bonuses.

B. Rental Apartment Prototypes

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

The KMA market survey indicated that rental apartment projects currently being developed in Burbank are maximizing the density that can be achieved from market and financial perspectives. The prototypes used in this analysis reflect the characteristics of recently constructed projects. These prototypes are described in the following table:

Table II-1: Rental Apartment Projects

	Medium Density Alternative: 62 Units Per Acre	High Density Alternative 87 Units Per Acre
Site Area (Square Feet)	174,240	43,560
Total Number of Units	248	87
Density (Units Per Acre)	62	87

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

Table II-1: Rental Apartment Projects		
	Medium Density Alternative: 62 Units Per Acre	High Density Alternative 87 Units Per Acre
<u>Unit Mix</u>		
One-Bedroom Units	87	39
Two-Bedroom Units	124	44
Three-Bedroom Units	37	4
<u>Average Unit Sizes (Sq Ft)</u>		
One-Bedroom Units	840	700
Two-Bedroom Units	1,300	1,100
Three-Bedroom Units	1,500	1,850
<u>Parking</u>		
Parking Spaces Per Unit	1.9	1.9
Parking Type	Podium	Podium

C. Projected Market Rents

In the July 2018, KMA surveyed rental apartment projects in Burbank that received four or more stars in the CoStar quality ranking system (Attachment 2 – Appendix C – Exhibit I). The purpose of this survey was to derive estimates of the currently achievable market rents for the types of projects likely to be constructed in Burbank. However, the characteristics of actual projects will vary to some degree from the prototypes.

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

Table II-2: Projected Monthly Market Rate Rents – Rental Apartments		
	Medium Density Alternatives	High Density Alternative
Average Monthly Rent Per Unit		
One-Bedroom Units	$2,626	$2,660
Two-Bedroom Units	$3,397	$3,113
Three-Bedroom Units	$3,941	$5,333
Average Monthly Rent Per Sq. Ft. of GBA	$2.75	$3.15

D. Affordable Rent Calculations

For the purposes of this Inclusionary Housing Study, the maximum Affordable Rents for the income restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053 (H&SC 50053). The calculations are presented in Attachment 2 – Appendix C – Exhibit II – Table 1, and the assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on 2018 income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD and are distributed by HCD.

2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As was the case in the Affordable Sales Price calculations, this is a benchmark, not an occupancy cap.

3. The household income is set at 60% of AMI for low income households and 110% of AMI for moderate income households.

4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.

5. KMA's calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; basic electric services; and air conditioning. The July 1, 2018 Burbank Housing Authority utilities allowances were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Table II-3: Affordable Rent Calculations – Rental Apartments		
	Low Income	Moderate Income
One-Bedroom Units		
Maximum Monthly Housing Cost	$832	$1,525
(Less) Monthly Utility Allowance	(49)	(49)
Affordable Rent	$783	$1,476
Two-Bedroom Units		
Maximum Monthly Housing Cost	$935	$1,715
(Less) Monthly Utility Allowance	(64)	(64)
Affordable Rent	$871	$1,651
Three-Bedroom Units		
Maximum Monthly Housing Cost	$1,040	$1,906
(Less) Monthly Utility Allowance	(81)	(81)
Affordable Rent	$959	$1,825

E. Inclusionary Housing Production Analyses: Rental Apartments

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the Medium Density and High Density prototype projects:

1. A 100% market rate alternative is evaluated to provide an estimate of the developer return that is generated if no income and affordability requirements are imposed. The return generated from the market rate alternative is used as the threshold return for the various Inclusionary Housing requirements being tested.

2. For the low income alternatives, the City wishes to evaluate an Inclusionary Housing production requirement at 8% of the units in the project. A pro forma analysis is used to validate that a requirement of this magnitude is supported by the project economics.

3. For the mixed-income alternatives, the City wishes to evaluate an Inclusionary Housing production requirement at 10% of the units in the project. A pro forma analysis is used to identify the mix of low and moderate income units that would create the same financial impact as is anticipated to be generated by the 8% low income requirement.

4. For the moderate income alternatives, the goal is to set the Inclusionary Housing production requirement at a percentage that results in the same financial impact as is anticipated to be generated by the 8% low income requirement.

F. Pro Forma Analyses

Market Rate Development Alternatives – Rental Apartments

The 100% market rate alternatives provide a baseline against which to measure the impacts associated with affordable housing requirements. The purpose of the 100% market rate alternatives are to estimate the developer's stabilized return on total investment for a project that is not encumbered by income and affordability restrictions.

The market rate development alternatives are presented in the following Appendices:

1. The Medium Density Alternative is presented in Attachment 2 – Appendix A – Exhibit I.

2. The High Density Alternative is presented in Attachment 2 – Appendix B – Exhibit I.

The pro forma analyses for the 100% market rate alternatives are organized as follows:

Base Case: 100% Market Rate Alternatives Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

The estimated stabilized developer returns on total investment derived from the 100% market rate alternatives are presented in the following table:

Table II-4: Stabilized Developer Return Market Rate Alternatives	
Medium Density Alternative	5.8%
High Density Alternative	5.6%

Supportable Inclusionary Housing Production Requirements

The pro forma analyses for the Inclusionary Housing Production analyses are organized as follows:

Inclusionary Housing Production Alternatives Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Inclusionary Housing Impacts

The results of the KMA pro forma analyses for the alternatives being tested are detailed in the following Appendices:

1. The Medium Density Alternatives are presented in Attachment 2 – Appendix A – Exhibits II, III and IV.

2. The High Density Alternatives are presented in Attachment 2 – Appendix B – Exhibits II, III and IV.

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

Table II-5: Inclusionary Housing Production Analysis Supportable Inclusionary Housing Percentages Rental Apartments		
	Medium Density Alternative	High Density Alternative
Low Income Inclusionary Housing Alternatives		
Affordable Units as a % of Units	8%	8%
Percentage Decrease in Supportable Land Cost	32%	28%
Mixed-Income Inclusionary Housing Alternatives		
Affordable Units as a % of Units	10%	10%
Distribution of Units		
Moderate Income Units	60%	40%
Low Income Units	40%	60%
Percentage Decrease in Supportable Land Cost	32%	30%
Moderate Income Inclusionary Housing Alternatives		
Affordable Units as a % of Units	12%	12%
Percentage Decrease in Supportable Land Cost	32%	32%

G. In-Lieu Fee Analyses: Rental Apartments

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

1. The analysis is based on the assumption that 8% of the total units in a market rate rental apartment project would be subject to Inclusionary Housing requirements at the low income level.

2. The differences between the estimated achievable market rate monthly rents and the defined Affordable Rents are calculated for one-bedroom, two-bedroom and three-bedroom units.

3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.

4. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.

5. The total Affordability Gaps are estimated by capitalizing the annual Affordability Gaps at the threshold returns derived from the pro forma analyses for the market rate alternatives. The results of these calculations are defined as the net Affordability Gaps.

6. The net Affordability Gaps are translated into the supportable in-lieu fees per affordable unit and per square foot of GBA.

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

Table II-6: In-Lieu Fees - Affordability Gap Approach Rental Apartments		
In-Lieu Fee	Medium Density Alternative	High Density Alternative
Per Affordable Unit	$380,000	$353,100
Per Square Foot of GBA	$24.90	$25.30

VI. RECOMMENDATIONS

A. Threshold Project Size

The majority of Inclusionary Housing programs in California include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds fall between three and 10 units. KMA recommends that the threshold project size be maintained at the five unit standard imposed by the City's existing Inclusionary Housing Ordinance.

B. Income and Affordability Standards

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

Ownership Housing

KMA recommends that the City designate moderate income units as the affordable housing type for ownership housing projects. Based on the feasibility evaluation, KMA recommends that the requirement be set no higher than 11% of the units in an ownership housing project.

Rental Apartments

The City wishes to offer developers multiple options for fulfilling the Inclusionary Housing production requirements for rental apartment projects. Specifically, the City would like to allow developers to fulfill Inclusionary Housing requirements with moderate income units until the City has filled 100% of the unmet need for moderate income housing. .

Based on the City's objectives and the results of the preceding analysis, KMA recommends that the following requirements be imposed:

Table III-1: Inclusionary Housing Requirement as a Percentage of Units Rental Apartment Projects	
Low Income Inclusionary Housing Alternative	8%
OR	
Mixed-Income Inclusionary Housing Alternative	
Affordable Units as a % of Units	10%
Distribution of Units	
Moderate Income Units	50%
Low Income Units	50%
OR	
Moderate Income Inclusionary Housing Alternative	12%

The proposed structure is to allow moderate income units to be used to fulfill the City's Inclusionary Housing requirements until the Regional Housing Needs Assessment (RHNA) defined unmet need for moderate income housing units is fulfilled. After that occurs, moderate income units should no longer be allowed to be treated as Inclusionary Housing units. In the event future RHNA's once again identify unmet need for moderate income units, the Mixed-Income Inclusionary Alternative and the Moderate Income Inclusionary Housing Alternative can come back into effect.

C. Covenant Periods

Ownership Housing Units

KMA recommends that the covenant period for ownership Inclusionary Housing units be set at 45 years. When the Inclusionary Unit is originally sold, the home buyer should be required to enter into a covenant agreement with the City that is secured by a deed of trust. In addition, the home buyer should be required to enter into a loan agreement with the City with an original principal that is equal to the Affordability Gap that existed when the home buyer purchased the Inclusionary Unit.[7]

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

1. When the owner of an Inclusionary Unit resells the home, the City loan should become due and payable.

2. The total repayment amount should be set equal to the original principal balance of the City loan plus a share of the equity appreciation.

3. The equity appreciation percentage share can be set equal to the Affordability Gap divided by the fair market value of the home at the time of the initial sale, or it can be based on a sliding scale percentage that decreases over time.

4. The revenue generated by the repayment of the City loans should be deposited into an "Affordable Housing Trust Fund" that will be used to provide assistance to low and moderate income units.

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

Rental Apartment Projects

KMA recommends that the covenants for the Inclusionary Housing rental apartment units should remain in place for not less than 55 years. This covenant period is also applied to projects that use the Section 65915 density bonus.

D. Options for Fulfilling Inclusionary Housing Obligations

Production of Inclusionary Housing Units

KMA recommends that the following parameters be applied to the production of the Inclusionary Housing units on site within a market rate project:

1. The Inclusionary Housing units should be dispersed throughout the project.

2. The exterior improvements of the Inclusionary Housing units should be required to be comparable to the market rate units.

3. The bedroom mix in a project should be the same for the market rate units and the Inclusionary Housing. However, the Inclusionary Housing units should be allowed to be smaller in terms of square footage than the market rate units.

4. The market rate units in a project should be allowed to include enhanced interior improvements. However, the appliance packages provided in the Inclusionary Housing units should be required to be equivalent to the appliances provided as the base models in the market rate units.

Developers should be allowed to fulfill the Inclusionary Housing obligation in an off-site location under the following conditions:

1. The off-site location should be within one mile of the market rate project that is subject to the Inclusionary Housing obligation.

2. Irrespective of the tenure of the market rate project, the Inclusionary Housing obligations should include the following:

   a. The off-site project should be comprised solely of rental apartments; and

   b. The Inclusionary Housing obligation should require that 20% of the units be allocated to low income households. [8]

3. Specific scope, design, building quality and maintenance standards should be imposed by the City. It is not necessary for these standards to mirror the characteristics of the market rate project. Instead, standards should be established that fulfill the needs of targeted population base.

In-Lieu Fee Payment Option

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

1. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. KMA recommends that an in-lieu fee payment be allowed by right for projects with between five and 20 units.

2. An in-lieu fee payment should be allowed for any fractional unit requirement.

3. Projects with more than 20 units should be required to produce the requisite number of Inclusionary Housing units. However, the City Council should have the discretion to

[8] Developers that apply to use the Section 65915 density bonus should be allowed to count very low income rental units towards the low income rental apartments Inclusionary Housing obligation.

allow the in-lieu fee to be paid for projects with more than 20 units, but only under demonstrated extreme hardship circumstances.

Based on the results of the financial analyses included in this Inclusionary Housing Study, KMA recommends that the following in-lieu payment schedule be supported:

Table III-2: Recommended In-Lieu Fee Payments Per Square Foot of GBA		
Number of Units	Ownership Housing	Rental Apartments
5	$11.66	$10.01
6	$12.70	$10.91
7	$13.92	$11.95
8	$15.14	$13.00
9	$16.18	$13.89
10	$17.40	$14.94
11-15	$23.20	$19.92
16-20	$26.10	$22.41
21+	$28.99	$24.90

Other Inclusionary Housing Fulfillment Options

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

KMA recommends that the following options be provided at the discretion of the City Council for both ownership housing and rental apartment projects:

1. Land dedications should be allowed if the following requirements are met:

    a. The site has General Plan and zoning designations in place that allow for the development of the requisite number of affordable housing units; and

    b. The developer makes a cash contribution equal to the financial gap exhibited by the project after factoring in the donation of the site at no cost.

2. The acquisition and rehabilitation of existing residential projects should only be allowed under the following circumstances:

    a. The project meets one of the following criteria:

        i. The project includes affordable units that are at risk of being converted to market rate units within a five year period; or

        ii. The project is a motel that can be adaptively reused as residential units.

    b. The developer must adhere to any statutorily established tenant relocation requirements.

    c. The Inclusionary Housing obligation should require that at least 20% of the units in the project be allocated to low income households.

    d. The direct rehabilitation costs must exceed 25% of the market value of the units after the rehabilitation is completed.[9]

    e. The rents charged for the Inclusionary Housing units that are included in the project must be set at the lower of the established low income rent or at least a 10% discount from the achievable market rents for the units.

---

[9] Based on the California Health and Safety Code Section 33413(2)(A)(iv) definition of substantial rehabilitation.

E. Recommended Program Design

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

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

    a. An administrative procedures manual should be created and updated periodically to reflect changes in economic and demographic characteristics that occur over time.

    b. The Inclusionary Housing program should be updated at regular intervals:

        i. The entire program should be re-evaluated at least every five years.

        ii. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should be adjusted each year based on the percentage change in new home prices in Los Angeles County as published annually be the Real Estate Research Council (RERC).

2. A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Housing units once they are built.

SUMMARY TABLE

OWNERSHIP HOUSING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Project Description**			
	A. Site Area (Sf)			43,560
	B. Total Units			36
	C. Density (Units/Acre)			36
	D. Unit Mix			
	One-Bedroom Units			9
	Two-Bedroom Units			18
	Three-Bedroom Units			9
	Total Units			36
	E. Gross Building Area (Sf)			54,976
	F. Number of Parking Spaces Provided			86
II.	**Development Costs - Market Rate Alternative**			
	A. Property Acquisition Costs			$6,534,000
	Per Square Foot of Land Area			$150
	B. Direct Costs			$11,356,000
	Per Square Foot of GBA			$207
	C. Indirect + Financing Costs			$4,347,000
	As a % of Direct Costs			38%
	Total Development Costs - Market Rate Alternative			$22,237,000
	Per Unit			$617,700
III.	**Net Revenue - Market Rate Alternative**			$23,966,000
IV.	**Developer Profit - Market Rate Alternative**			$1,729,000
	As a % of Total Development Cost			7.8%
V.	**Net Affordability Gap Per Income Restricted Unit**		1	$530,000
VI.	**Supportable Percentage of Inclusionary Units**		2	11.1%
VII.	**In-Lieu Fee Per Square Foot of GBA**			
	Land Cost Reduction Analysis		3	$28.99
	Affordability Gap Analysis		4	$38.60

1 See APPENDIX A: EXHIBIT IV. Based on the difference between the weighted average projected market rate sales prices and the weighted average affordable sales prices.
2 See APPENDIX A - EXHIBIT II - TABLE 3.
3 See APPENDIX A - EXHIBIT III - TABLE 3.
4 See APPENDIX A: EXHIBIT IV. Based on 11.1% of the units being set aside for Moderate Income households.

ATTACHMENT 1

OWNERSHIP HOUSING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A

OWNERSHIP HOUSING
CONDOMINIUM ANALYSES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT I

OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MARKET RATE ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MARKET RATE ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	1	43,560	Sf of Land	$150	/Sf of Land		$6,534,000
II.	**Direct Costs**	2						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Above-Ground Podium Spaces		86	Spaces	$20,000	/Space	1,720,000	
	Building Costs		54,976	Sf of GBA	$125	/Sf of GBA	6,872,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			1,893,000	
	Total Direct Costs							$11,356,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$908,000	
	Public Permits & Fees	3	36	Units	$20,000	/Unit	720,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			341,000	
	Marketing		36	Units	$5,000	/Unit	180,000	
	Developer Fee		3.0%	Gross Sales Revenue			761,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			146,000	
	Total Indirect Costs							$3,056,000
IV.	**Financing Costs**							
	Interest During Construction	4					$977,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5	Points	314,000	
	Total Financing Costs							$1,291,000
V.	**Total Construction Cost**		36	Units	$436,000	/Unit		$15,703,000
	Total Development Cost		36	Units	$618,000	/Unit		$22,237,000

1 Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
2 Based on the estimated costs for similar uses.
3 This is an order-of-magnitude estimate. It should be confirmed by the City staff.
4 Assumes a 6.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MARKET RATE ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Sales Revenue** [1]							
	One-Bedroom Units	9	Units @	$564,200	/Unit	$5,078,000	
	Two-Bedroom Units	18	Units @	$696,800	/Unit	$12,542,000	
	Three-Bedroom Units	9	Units @	$860,100	/Unit	$7,741,000	
	Total Gross Sales Revenue						$25,361,000
II.	**Cost of Sales**						
	Commissions	3.0%	Gross Sales Revenue			$761,000	
	Closing	2.0%	Gross Sales Revenue			507,000	
	Warranty	0.5%	Gross Sales Revenue			127,000	
	Total Cost of Sales						($1,395,000)
III.	**Net Revenue**						$23,966,000

1 Based on sales surveys undertaken by KMA in July and December 2018. See APPENDIX B - EXHIBIT I - TABLE 1 and APPENDIX B - EXHIBIT II - TABLE 2. Based on the Average Sales Price plus a 33% premium for new construction. The premium is based on data from Pasadena condominium sales. (APPENDIX B - EXHIBIT II - TABLE 2). The weighted average price equates to $577 per square foot of saleable area.

APPENDIX A - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MARKET RATE ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Net Revenue**	See APPENDIX A - EXHIBIT I - TABLE 2	$23,966,000
II.	**Total Development Cost**	See APPENDIX A - EXHIBIT I - TABLE 1	$22,237,000
III.	**Developer Profit**	7.8% Total Development Cost	$1,729,000

APPENDIX A - EXHIBIT II

OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	43,560	Sf of Land	$150	/Sf of Land		$6,534,000
II.	**Direct Costs**	[2]						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Above-Ground Podium Spaces		86	Spaces	$20,000	/Space	1,720,000	
	Building Costs		54,976	Sf of GBA	$125	/Sf of GBA	6,872,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			1,893,000	
	Total Direct Costs							$11,356,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$908,000	
	Public Permits & Fees	[3]	36	Units	$20,000	/Unit	720,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			341,000	
	Marketing		36	Units	$5,000	/Unit	180,000	
	Developer Fee	[4]	36	Units	$21,139	/Unit	761,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			146,000	
	Total Indirect Costs							$3,056,000
IV.	**Financing Costs**							
	Interest During Construction	[5]					$987,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5	Points	314,000	
	Total Financing Costs							$1,301,000
V.	**Total Construction Cost**		36	Units	$436,000	/Unit		$15,713,000
	Total Development Cost		36	Units	$618,000	/Unit		$22,247,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[4] Based on the Developer Fee per unit generated by the CONDOMINIUM: MARKET RATE ALTERNATIVE.
[5] Assumes a 6.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Sales Revenue**						
	Market Rate Units [1]						
	One-Bedroom Units	8	Units @	$564,200	/Unit	$4,514,000	
	Two-Bedroom Units	16	Units @	$696,800	/Unit	11,149,000	
	Three-Bedroom Units	8	Units @	$860,100	/Unit	$6,881,000	
	Moderate Income Units [2]						
	One-Bedroom Units	1	Unit @	$162,300	/Unit	162,000	
	Two-Bedroom Units	2	Units @	$175,900	/Unit	352,000	
	Three-Bedroom Units	1	Unit @	$183,900	/Unit	184,000	
	Total Gross Sales Revenue						$23,242,000
II.	**Cost of Sales**						
	Commissions	3.0%	Gross Sales Revenue			$697,000	
	Closing	2.0%	Gross Sales Revenue			465,000	
	Warranty	0.5%	Gross Sales Revenue			116,000	
	Total Cost of Sales						($1,278,000)
III.	**Net Revenue**						$21,964,000

[1] Based on sales surveys undertaken by KMA in July and December 2018. See APPENDIX B - EXHIBIT I - TABLE 1 and APPENDIX B - EXHIBIT II - TABLE 2. Based on the Average Sales Price plus a 33% premium for new construction. The premium is based on data from Pasadena condominium sales. (APPENDIX B - EXHIBIT II - TABLE 2). Based on a sales survey undertaken by KMA in July 2018. The weighted average price equates to $577 per square foot of saleable area.

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

APPENDIX A - EXHIBIT II - TABLE 3

SUPPORTABLE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
OWNERSHIP HOUSING
PRO FORMA ANALYSIS
CONDOMINIUM: MODERATE INCOME ALTERNATIVE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**<u>Funds Available for Development Costs</u>**				
	Net Revenue		See APPENDIX A - EXHIBIT II - TABLE 2	$21,964,000	
	(Less) Threshold Developer Profit	[1]	7.8% Total Development Cost	($1,730,000)	
	Total Funds Available for Development Costs				$20,234,000
II.	**Total Development Cost**		See APPENDIX A - EXHIBIT II - TABLE 1		$22,247,000
III.	**Percentage Decrease in Supportable Land Cost**		31%		$2,013,000
	Inclusionary Housing Production Requirement		11.1% MODERATE INCOME UNITS		

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

APPENDIX A - EXHIBIT III

OWNERSHIP HOUSING
IN-LIEU FEE ANALYSIS
LAND COST REDUCTION APPROACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
OWNERSHIP HOUSING
IN-LIEU FEE ANALYSIS
LAND COST REDUCTION APPROACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	43,560	Sf of Land	$150	/Sf of Land		$6,534,000
II.	**Direct Costs**	[2]						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Above-Ground Podium Spaces		86	Spaces	$20,000	/Space	1,720,000	
	Building Costs		54,976	Sf of GBA	$125	/Sf of GBA	6,872,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			1,893,000	
	Total Direct Costs							$11,356,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$908,000	
	Public Permits & Fees	[3]	36	Units	$20,000	/Unit	720,000	
	Affordable Housing In-Lieu Fee		54,976	Sf of GBA	$28.99	/Sf of GBA	1,594,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			341,000	
	Marketing		36	Units	$5,000	/Unit	180,000	
	Developer Fee		3.0%	Gross Sales Revenue			761,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			225,000	
	Total Indirect Costs							$4,729,000
IV.	**Financing Costs**							
	Interest During Construction	[4]					$1,098,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5	Points	339,000	
	Total Financing Costs							$1,437,000
V.	**Total Construction Cost**		36	Units	$487,000	/Unit		$17,522,000
	Total Development Cost		36	Units	$668,000	/Unit		$24,056,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[4] Assumes a 6.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX A - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
OWNERSHIP HOUSING
IN-LIEU FEE ANALYSIS
LAND COST REDUCTION APPROACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Sales Revenue** [1]						
	One-Bedroom Units	9	Units @	$564,200	/Unit	$5,078,000	
	Two-Bedroom Units	18	Units @	$696,800	/Unit	12,542,000	
	Three-Bedroom Units	9	Units @	$860,100	/Unit	7,741,000	
	Total Gross Sales Revenue						$25,361,000
II.	**Cost of Sales**						
	Commissions	3.0%	Gross Sales Revenue			$761,000	
	Closing	2.0%	Gross Sales Revenue			507,000	
	Warranty	0.5%	Gross Sales Revenue			127,000	
	Total Cost of Sales						($1,395,000)
III.	**Net Revenue**						$23,966,000

[1] Based on sales surveys undertaken by KMA in July and December 2018. See APPENDIX B - EXHIBIT I - TABLE 1 and APPENDIX B - EXHIBIT II - TABLE 2. Based on the Average Sales Price plus a 33% premium for new construction. The premium is based on data from Pasadena condominium sales. (APPENDIX B - EXHIBIT II - TABLE 2). Based on a sales survey undertaken by KMA in July 2018. The weighted average price equates to $577 per

APPENDIX A - EXHIBIT III - TABLE 3

SUPPORTABLE IN-LIEU FEE
OWNERSHIP HOUSING
IN-LIEU FEE ANALYSIS
LAND COST REDUCTION APPROACH
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Funds Available for Development Costs**					
	Net Revenue		See APPENDIX A - EXHIBIT III - TABLE 2	$23,966,000		
	(Less) Threshold Developer Profit [1]	7.8%	Total Development Cost	($1,870,000)		
	Total Funds Available for Development Costs				$22,096,000	
II.	**Total Development Cost**		See APPENDIX A - EXHIBIT III - TABLE 1		$24,056,000	
III.	**Percentage Decrease in Supportable Land Cost**	30%			$1,960,000	
	In-Lieu Fee		See APPENDIX A - EXHIBIT III - TABLE 1		$28.99	/Sf of GBA

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

APPENDIX A: EXHIBIT IV
OWNERSHIP HOUSING
IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
11.1% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A: EXHIBIT IV

IN-LIEU FEE ANALYSIS
AFFORDABILITY GAP APPROACH
OWNERSHIP HOUSING
11.1% INCLUSIONARY REQUIREMENT
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			Moderate Income
I.	**Sales Price Difference**		
A.	**One-Bedroom Units**		
	Market Rate Units		$564,200
	Affordable Sales Price	[1]	162,300
	Difference		$401,900
B.	**Two-Bedroom Units**		
	Market Rate Units		$696,800
	Affordable Sales Price	[1]	175,900
	Difference		$520,900
C.	**Three-Bedroom Units**		
	Market Rate Units		$860,100
	Affordable Sales Price	[1]	183,900
	Difference		$676,200
II.	**Distribution of Total Units**		
	One-Bedroom Units		25%
	Two-Bedroom Units		50%
	Three-Bedroom Units		25%
III.	**In-Lieu Fee**		
	Per Income Restricted Unit		$530,000
	Per Square Foot of GBA		$38.60

[1] See APPENDIX B - EXHIBIT II. Equal to the lesser of the calculated affordable sales price or a 30% discount from the projected market price.

APPENDIX B

OWNERSHIP HOUSING
BACKUP TABLES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			Sales Price		
Address	Zip Code	Unit Size (SF)	Total	Per SF	Year Built
		One-Bedroom Units			
222 N Rose St #211	91505	1,012	$481,000	$475	1980
355 Maple St #233	91505	660	$348,000	$527	1985
355 N Maple St #205	91505	660	$353,000	$535	1985
355 North Maple St #217	91505	660	$425,000	$644	1985
225 N Rose St #201	91505	914	$450,000	$492	1974
4000 W Victory Blvd #101	91505	707	$327,000	$463	1989
201 E Angeleno Ave #418	91502	1,450	$530,000	$366	2005
355 North Maple St #124	91505	770	$348,000	$452	1985
225 N Rose St #404	91505	914	$430,000	$470	1974
201 E Angeleno Ave Unit 430	91502	1,450	$538,500	$371	2005
201 E Angeleno Ave #432	91502	1,450	$480,000	$331	2005
222 N Rose St #311	91505	1,012	$474,000	$468	1980
355 N Maple St Apt 106	91505	770	$355,000	$461	1985
201 E Angeleno Ave #419	91502	1,450	$580,000	$400	2005
300 E Providencia Ave #212	91502	630	$412,000	$654	2002
222 N Rose St #210	91505	1,075	$457,000	$425	1980
355 N Maple St #131	91505	770	$439,000	$570	1985
355 North Maple St #107	91505	770	$430,000	$558	1985
201 East Angeleno Ave #416	91502	1,450	$589,000	$406	2005
250 N First St #317	91502	650	$224,672	$346	2007
4140 Warner Blvd Apt 307	91505	760	$300,000	$395	1964
355 N Maple St #236	91505	660	$347,900	$527	1985
Minimum		630	$224,672	$331	
Maximum		1,450	$589,000	$654	
Average		938	$423,594	$451	

APPENDIX B - EXHIBIT I - TABLE 1

CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
Two-Bedroom Units					
425 S Niagara St #107	91505	1,238	$542,000	$438	1993
525 S Shelton St #103	91506	1,181	$485,000	$411	1977
525 S Shelton St #204	91506	1,016	$460,000	$453	1977
216 W Tujunga Ave W Unit E	91502	1,152	$456,500	$396	1980
540 E Verdugo Ave Unit E	91501	1,358	$495,000	$365	1979
535 E San Jose Ave Unit F	91501	1,253	$485,500	$387	1979
465 E Magnolia Blvd #303	91501	1,270	$572,500	$451	2005
300 East Providencia Ave #114	91502	940	$475,000	$505	2002
557 East Verdugo Ave Unit F	91501	1,229	$500,000	$407	1980
441 East San Jose Ave #305	91501	1,166	$507,777	$435	1981
437 E Palm Ave #206	91501	1,375	$530,000	$385	1981
2310 Fairview St #203	91504	1,202	$450,000	$374	1990
222 N Rose St #201	91505	1,372	$525,000	$383	1980
201 E Angeleno Ave #310	91502	1,270	$590,000	$465	2005
1711 Grismer Ave #90	91504	1,256	$530,000	$422	1975
8015 Via Pompeii	91504	1,244	$440,000	$354	1978
617 E Angeleno Ave #205	91501	968	$400,000	$413	1969
4140 Warner Blvd #201	91505	1,041	$412,000	$396	1964
620 East Angeleno Ave Unit S	91501	1,757	$572,000	$326	1985
355 N Maple St #130	91505	890	$528,000	$593	1985
469 E Providencia Ave #2	91501	1,017	$515,000	$506	1991
150 S San Fernando Blvd #404	91502	1,280	$745,000	$582	2005
4447 W Lakeside Dr #101	91505	1,177	$625,000	$531	2001
201 N Reese Pl #205	91506	1,177	$699,000	$594	2017
201 N Reese Pl #201	91506	1,267	$700,000	$552	2017
626 E Orange Grove Ave #102	91501	970	$515,000	$531	2005
620 N 6th St #116	91501	865	$430,000	$497	1990
230 Bethany Rd #101	91504	1,455	$484,555	$333	1982
609 E Palm Ave #103	91501	1,351	$605,000	$448	1991
626 E Orange Grove Ave E #304	91501	1,061	$492,000	$464	2005
1908 W Victory Blvd W	91506	1,158	$415,000	$358	1986
550 E Santa Anita Ave #202	91501	1,020	$490,000	$480	1990
609 E Palm Ave #105	91501	1,135	$543,000	$478	1991
9549 Via Salerno	91504	1,244	$523,000	$420	1977
150 S San Fernando Blvd #105	91502	1,270	$630,000	$496	2005
550 E Santa Anita Ave #208	91501	1,020	$515,000	$505	1990
365 W Alameda Ave #201	91506	1,250	$502,000	$402	1981
557 E Verdugo Ave Unit R	91501	1,126	$546,000	$485	1980
525 E Verdugo Ave Unit C	91501	1,165	$531,000	$456	1980
222 N Rose St #205	91505	1,198	$446,000	$372	1980
4338 West Kling St	91505	982	$580,000	$591	1963
212 N Valley St #3	91505	1,573	$594,000	$378	1981
355 North Maple St #212	91505	890	$445,000	$500	1985
1809 Peyton Ave #113	91504	1,227	$490,000	$399	1981
9568 Via Bernardo	91504	1,244	$522,500	$420	1977
Minimum		865	$400,000	$326	
Maximum		1,757	$745,000	$594	
Average		1,184	$523,096	$442	

APPENDIX B - EXHIBIT I - TABLE 1

CONDOMINIUM SALES SURVEY
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			Sales Price		
Address	Zip Code	Unit Size (SF)	Total	Per SF	Year Built
		Three-Bedroom Units			
1304 Stanley Ave Apt 2	91206	1,332	$510,000	$383	1980
1328 N Columbus Ave #11	91202	1,555	$630,000	$405	1991
3974 Pennsylvania Ave #110	91214	2,020	$690,000	$342	2007
809 E Acacia Ave Unit C	91205	1,312	$590,000	$450	1975
455 W Wilson Ave #2	91203	1,476	$625,000	$423	2002
827 E Maple St Apt 2	91205	1,284	$560,000	$436	1988
2850 Montrose Ave #11	91214	1,460	$545,000	$373	1982
43 Glenflow Ct	91206	2,003	$800,000	$399	1974
3341 Honolulu Ave Apt 4	91214	1,564	$675,000	$432	1980
415 E Dryden St #104	91207	1,604	$696,000	$434	2004
425 IVY St #5	91204	1,210	$518,000	$428	1981
2606 Canada #301	91208	1,764	$720,000	$408	1982
446 West Stocker St #7	91202	1,462	$680,000	$465	2004
401 N Kenwood St #114	91206	1,280	$530,000	$414	1989
2850 Montrose Ave #3	91214	1,451	$590,000	$407	1982
450 W Dryden St #101	91202	1,388	$590,000	$425	1993
1121 E Wilson Ave Unit 14	91206	1,185	$502,500	$424	1986
1165 Ruberta Ave Unit A	91201	1,587	$660,000	$416	1986
33 Caprock Ct	91206	1,837	$700,000	$381	1974
222 Monterey Rd #602	91206	2,171	$855,000	$394	1982
345 W Pioneer Dr #804	91203	1,783	$850,000	$477	1988
8 Northwoods Ln	91214	2,021	$690,000	$341	1979
Minimum		1,185	$502,500	$341	
Maximum		2,171	$855,000	$477	
Average		1,580	$645,750	$409	

Source: Redfin. The survey includes executed sales that occurred between July 2016 and July 2018.

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
		One-Bedroom Units - Built Before 2008 - 91101			
85 N Madison Ave #45	91101	805	$430,000	$534	1922
85 N Madison Ave #27	91101	510	$389,900	$765	1922
85 N Madison Ave #37	91101	502	$343,000	$683	1922
85 N Madison Ave #48	91101	772	$475,000	$615	1922
80 N Euclid Ave #502	91101	1,106	$700,000	$633	1926
139 S Los Robles Ave #308	91101	660	$495,000	$750	1927
139 S Los Robles Ave #107	91101	640	$548,000	$856	1927
221 South Marengo Ave #8	91101	694	$430,000	$620	1953
400 S Los Robles Ave #304	91101	892	$429,000	$481	1963
601 East Del Mar #207	91101	746	$411,000	$551	1966
601 E Del Mar Blvd #3	91101	746	$411,000	$551	1966
420 S Madison Ave #301	91101	965	$475,000	$492	1970
355 Los Robles Ave #205	91101	772	$336,500	$436	1972
360 S Euclid Ave #314	91101	769	$430,000	$559	1972
355 S Madison Ave #219	91101	694	$420,000	$605	1972
355 S Los Robles Ave #343	91101	675	$375,000	$556	1972
355 S Los Robles Ave #340	91101	791	$365,000	$461	1972
277 Pleasant St #301	91101	882	$385,000	$437	1973
277 Pleasant St #209	91101	882	$429,000	$486	1973
277 Pleasant St #318	91101	882	$429,000	$486	1973
266 S Madison Ave #109	91101	1,192	$592,000	$497	1974
266 S Madison Ave #107	91101	908	$353,000	$389	1974
470 South Los Robles Ave South #17	91101	570	$381,288	$669	1978
156 S OAK Knl #302	91101	660	$390,000	$591	1988
156 S Oak Knoll Ave #305	91101	851	$470,000	$552	1988
286 N Madison Ave #412	91101	1,008	$592,500	$588	2003
175 S Lake Ave #302	91101	1,126	$660,000	$586	2003
160 S Hudson Ave #212	91101	688	$480,000	$698	2004
160 S Hudson Ave #215	91101	774	$492,000	$636	2004
160 Hudson Ave #311	91101	688	$455,000	$661	2004
840 E Green St #209	91101	943	$546,000	$579	2006
840 E Green St #429	91101	979	$588,000	$601	2006
840 E Green St #132	91101	1,038	$599,000	$577	2006
840 E Green St #316	91101	1,216	$635,000	$522	2006
Minimum		502	$336,500	$389	
Maximum		1,216	$700,000	$856	
Average		824	$468,829	$569	

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
		One-Bedroom Units - Built After 2007 - 91101			
217 S Marengo Ave #107	91101	550	$407,000	$740	2008
217 S Marengo Ave #202	91101	550	$429,500	$781	2008
217 S Marengo Ave #204	91101	550	$480,000	$873	2008
139 S Los Robles Ave #206	91101	760	$580,000	$763	2010
133 S Los Robles Ave #208	91101	932	$665,000	$714	2013
288 S Oakland #209	91101	1,068	$848,000	$794	2016
Minimum		550	$407,000	$714	
Maximum		1,068	$848,000	$873	
Average		735	$568,250	$773	
		Two-Bedroom Units - Built Before 2008 - 91101			
297 S Madison Ave #5	91101	1,198	$468,000	$391	1949
295 Madison Ave #3	91101	750	$436,000	$581	1949
485 S Madison Ave #5	91101	1,075	$506,500	$471	1962
400 Los Robles Ave #202	91101	1,288	$515,000	$400	1963
400 S Los Robles Ave #305	91101	1,273	$525,000	$412	1963
465 S Los Robles Ave #14	91101	858	$464,500	$541	1963
601 E Del Mar Blvd #12	91101	1,358	$630,000	$464	1966
497 El Molino Ave #102	91101	968	$440,000	$455	1972
355 S Los Robles Ave #339	91101	927	$555,000	$599	1972
360 S Euclid Ave #315	91101	927	$520,000	$561	1972
360 S Euclid Ave #215	91101	927	$480,000	$518	1972
497 S El Molino Ave #306	91101	969	$480,000	$495	1972
355 S Madison Ave #125	91101	922	$500,000	$542	1972
497 S El Molino Ave #209	91101	1,019	$468,000	$459	1972
497 S El Molino Ave #110	91101	1,017	$472,000	$464	1972
355 S Madison Ave #102	91101	939	$545,000	$580	1972
497 S El Molino Ave #310	91101	1,019	$455,000	$447	1972
500 S Oak Knoll Ave #43	91101	1,180	$530,000	$449	1973
266 S Madison Ave #205	91101	1,317	$619,125	$470	1974
266 S Madison Ave #110	91101	1,316	$575,500	$437	1974
432 S Oak Knoll Ave #3	91101	1,139	$565,000	$496	1980
330 Cordova St #301	91101	1,592	$615,000	$386	1981
330 Cordova St #327	91101	1,592	$725,000	$455	1981
330 Cordova St #362	91101	1,261	$592,300	$470	1981
330 Cordova St #255	91101	1,407	$635,000	$451	1981
330 Cordova St #142	91101	1,463	$755,000	$516	1981
330 Cordova St #178	91101	1,463	$619,000	$423	1981
330 Cordova St #384	91101	1,592	$680,000	$427	1981
227 S Madison Ave #304	91101	1,179	$659,000	$559	1982
500 E Del Mar Blvd #32	91101	1,245	$618,000	$496	1984
500 E Del Mar Blvd #5	91101	1,570	$735,000	$468	1984
501 E Del Mar Blvd #311	91101	1,223	$649,000	$531	1987
300 N El Molino Ave #217	91101	894	$450,000	$503	1987
300 N El Molino Ave #125	91101	982	$490,000	$499	1987

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
625 E Del Mar Blvd #105	91101	1,276	$510,000	$400	1987
625 E Del Mar Blvd #103	91101	1,113	$555,000	$499	1987
221 S Oak Knoll Ave #307	91101	1,180	$575,000	$487	1988
156 S Oak Knoll Ave #107	91101	1,057	$602,000	$570	1988
221 South Oak Knoll Ave #108	91101	1,190	$600,000	$504	1988
221 S Oak Knoll Ave #303	91101	1,220	$605,000	$496	1988
360 Los Robles Ave #8	91101	1,109	$540,000	$487	1989
360 South Los Robles Ave #11	91101	1,033	$590,500	$572	1989
111 S Oak Knoll Ave #108	91101	960	$506,000	$527	1994
111 S Oak Knoll Ave #206	91101	1,122	$612,000	$545	1994
216 S Madison Ave #404	91101	1,234	$825,000	$669	2001
128 N Oak Knoll Ave #315	91101	1,550	$850,000	$548	2004
128 N Oak Knoll Ave #301	91101	1,060	$630,000	$594	2004
160 S Hudson Ave #404	91101	914	$591,000	$647	2004
128 N Oak Knoll Ave #114	91101	1,550	$820,000	$529	2004
160 Hudson Ave #202	91101	916	$550,000	$600	2004
840 E Green St #410	91101	1,729	$1,005,000	$581	2006
Minimum		750	$436,000	$529	
Maximum		1,729	$1,005,000	$647	
Average		1,178	$587,028	$498	

Two-Bedroom Units - Built After 2007 - 91101

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
920 Granite Dr #405	91101	2,419	$1,938,000	$801	2009
345 E Colorado Blvd #506	91101	3,559	$2,300,000	$646	2009
920 Granite Dr #412	91101	2,070	$1,588,000	$767	2009
153 S Hudson Ave #401	91101	2,520	$1,162,000	$461	2013
288 S Oakland Ave #211	91101	1,403	$935,000	$666	2016
288 Oakland Ave S #212	91101	1,403	$1,010,000	$720	2016
288 S Oakland Ave #205	91101	1,436	$878,000	$611	2016
Minimum		1,403	$878,000	$461	
Maximum		3,559	$2,300,000	$801	
Average		2,116	$1,401,571	$662	

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
Two-Bedroom Units - Built Before 2008 - 91105					
99 South Raymond Ave #303	91105	829	$560,000	$676	1898
84 S Grand Ave	91105	1,302	$883,500	$679	1936
329 South Orange Grove Blvd	91105	1,507	$763,500	$507	1957
1000 Orange Grove Blvd #23	91105	1,645	$850,000	$517	1957
1255 S Orange Grove Blvd #4	91105	1,658	$765,000	$461	1959
1187 S Orange Grove Blvd	91105	1,400	$885,000	$632	1960
1123 S Orange Grove Blvd #21	91105	1,905	$1,072,000	$563	1964
437 S Orange Grove Blvd #6	91105	1,980	$1,300,000	$657	1970
480 S Orange Grove Blvd #4	91105	2,084	$980,000	$470	1972
480 S Orange Grove Blvd #1	91105	1,949	$981,000	$503	1972
330 California Blvd #215	91105	1,349	$640,000	$474	1974
783 S Orange Grove Blvd #1	91105	1,873	$930,000	$497	1974
111 S Orange Grove Blvd #109	91105	1,713	$910,000	$531	1974
91 Arlington Dr #7	91105	1,178	$575,000	$488	1974
111 S Orange Grove Blvd #314	91105	1,723	$850,000	$493	1974
294 Palmetto Dr	91105	1,416	$785,000	$554	1975
1 S Orange Grove Blvd #2	91105	2,083	$1,095,000	$526	1980
521 S Orange Grove Blvd #300	91105	3,667	$2,485,000	$678	1988
50 W Dayton St #306	91105	1,123	$750,000	$668	2002
50 W Dayton St #302	91105	1,381	$940,000	$681	2002
50 W Dayton St #206	91105	1,123	$775,000	$690	2002
159 W Green St Unit 507A	91105	1,000	$725,000	$725	2006
111 S De Lacey Ave #110	91105	2,010	$950,000	$473	2007
111 S De Lacey Ave #207	91105	1,360	$758,700	$558	2007
111 S De Lacey Ave #307	91105	1,360	$860,000	$632	2007
111 S De Lacey Ave #314	91105	1,360	$700,000	$515	2007
Minimum		829	$560,000	$461	
Maximum		3,667	$2,485,000	$725	
Average		1,615	$914,181	$566	
Two-Bedroom Units - Built After 2007 - 91105					
238 S Arroyo Pkwy #215	91105	1,250	$750,000	$600	2008
238 S Arroyo Pkwy #405	91105	1,680	$1,000,000	$595	2008
155 Cordova St #203	91105	2,000	$1,205,000	$603	2010
196 S Orange Grove Blvd #203	91105	2,500	$2,000,000	$800	2015
192 S Orange Grove Blvd #101	91105	2,750	$1,880,000	$684	2015
102 S Orange Grove Blvd #106	91105	2,738	$1,882,500	$688	2016
125 Hurlbut St #112	91105	1,160	$828,000	$714	2018
Minimum		1,160	$750,000	$595	
Maximum		2,750	$2,000,000	$800	
Average		2,011	$1,363,643	$678	

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price		Year Built
			Total	Per SF	
Three-Bedroom Units - Built Before 2008 - 91101					
400 S Los Robles Ave #401	91101	1,571	$635,000	$404	1963
525 S Oakland Ave Unit 1-B	91101	1,564	$805,000	$515	1964
515 S Madison Ave #1	91101	1,400	$732,000	$523	1987
317 E Del Mar Blvd #31	91101	1,464	$695,000	$475	1989
372 South Marengo Ave #107	91101	1,531	$789,000	$515	1993
448 S Oak Knoll Ave #1	91101	1,838	$924,606	$503	2004
141 S Hudson Ave #401	91101	2,450	$1,365,000	$557	2006
345 E Colorado Blvd #205	91101	3,577	$1,988,000	$556	2007
Minimum		1,400	$635,000	$404	
Maximum		3,577	$1,988,000	$557	
Average		1,924	$991,701	$515	
Three-Bedroom Units - Built After 2007 - 91101					
920 Granite Dr #509	91101	2,855	$2,100,000	$736	2009
345 E Colorado Blvd #301	91101	3,575	$2,300,000	$643	2009
920 Granite Dr #310	91101	2,350	$1,500,000	$638	2009
383 S Marengo Ave	91101	1,660	$874,500	$527	
Minimum		1,660	$874,500	$527	
Maximum		3,575	$2,300,000	$736	
Average		2,610	$1,693,625	$649	

APPENDIX B - EXHIBIT II - TABLE 2

CONDOMINIUM SALES SURVEY - PASADENA SALES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Address	Zip Code	Unit Size (SF)	Sales Price Total	Sales Price Per SF	Year Built
		Three-Bedroom Units - Built Before 2008 - 91107			
3232 La Vina Way	91107	2,131	$910,000	$427	1974
2450 E Del Mar Blvd #29	91107	1,558	$635,000	$408	1978
53 S Daisy Ave #5	91107	1,989	$720,000	$362	1994
2454 Oswego St #201	91107	1,846	$828,000	$449	2007
Minimum		1,558	$635,000	$362	
Maximum		2,131	$910,000	$449	
Average		1,881	$773,250	$411	
		Three-Bedroom Units - Built After 2007 - 91107			
188 S Sierra Madre Blvd #11	91107	1,685	$1,075,000	$638	2017
188 S Sierra Madre Blvd #1	91107	1,981	$1,241,000	$626	2017
168 S Sierra Madre Blvd #119	91107	1,668	$1,046,000	$627	2018
168 S Sierra Madre Blvd #102	91107	1,764	$1,080,000	$612	2018
168 S Sierra Madre Blvd #118	91107	1,372	$869,000	$633	2018
168 S Sierra Madre Blvd #111	91107	1,691	$1,046,000	$619	2018
168 S Sierra Madre Blvd #304	91107	1,422	$888,000	$624	2018
168 S Sierra Madre Blvd #305	91107	1,457	$898,000	$616	2018
168 S Sierra Madre Blvd #306	91107	1,407	$879,000	$625	2018
168 S Sierra Madre Blvd #303	91107	1,539	$900,000	$585	2018
168 S Sierra Madre Blvd #117	91107	1,457	$891,000	$612	2018
168 S Sierra Madre Blvd #106	91107	1,750	$1,097,000	$627	2018
168 S Sierra Madre Blvd #116	91107	1,413	$889,000	$629	2018
168 S Sierra Madre Blvd #110	91107	1,968	$1,208,000	$614	2018
168 S Sierra Madre Blvd #120	91107	1,716	$1,097,000	$639	2018
168 S Sierra Madre Blvd #301	91107	1,406	$868,000	$617	2018
168 S Sierra Madre Blvd #109	91107	1,688	$1,053,000	$624	2018
168 S Sierra Madre Blvd #201	91107	1,396	$870,000	$623	2018
168 S Sierra Madre Blvd #101	91107	1,716	$1,084,000	$632	2018
168 S Sierra Madre Blvd #108	91107	1,682	$1,060,000	$630	2018
Minimum		1,372	$868,000	$585	
Maximum		1,981	$1,241,000	$639	
Average		1,609	$1,001,950	$623	

APPENDIX B - EXHIBIT II

AFFORDABLE SALES PRICE CALCULATIONS [1]
2018 INCOME STANDARDS - MODERATE INCOME HOUSEHOLDS
OWNERSHIP HOUSING
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I.	**Income Information**				
	Household Income @ 110% Median		$61,000	$68,590	$76,230
	Income Allotted to Housing @ 35% of Income		$21,350	$24,007	$26,681
II.	**Operating Expenses**				
	Annual Utilities Allowance	2	$1,452	$1,704	$1,980
	HOA, Insurance & Maintenance		3,840	3,960	4,080
	Property Taxes @ 1.10% of Market Rate Price		6,206	7,665	9,461
	Total Operating Expenses		$11,498	$13,329	$15,521
III.	**Income Available for Mortgage**		$9,852	$10,678	$11,159
IV.	**Affordable Sales Price**				
	Supportable Mtg @ 4.93% Interest	3	$154,200	$167,100	$174,700
	Home Buyer Down Payment @ 5% Aff Sales Price		8,100	8,800	9,200
	Affordable Sales Price		$162,300	$175,900	$183,900

1 Based on 2018 household incomes published by HCD. The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

2 Utilities allowances are based on Burbank Housing Authority allowances effective as of 7/1/18. Assumes costs for gas heating, cooking and water heating; basic electric; air conditioning; water; sewer; and trash services.

3 Based on the Freddie Mac Primary Mortgage Market Survey average rates for 30-year fixed rate mortgages during the period from 2003 through 2017.

SUMMARY TABLE

RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

		MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE	HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
I.	Project Description		
	A. Site Area (Sf)	174,240	43,560
	B. Total Units	248	87
	C. Density (Units/Acre)	62	87
	D. Unit Mix		
	Studio Units	0	0
	One-Bedroom Units	87	39
	Two-Bedroom Units	124	44
	Three-Bedroom Units	37	4
	Total Units	248	87
	E. Gross Building Area (Sf)	305,032	97,765
	F. Number of Parking Spaces Provided	469	165
	Parking Spaces Per Unit	1.9	1.9
II.	Development Costs - Market Rate Alternative		
	A. Property Acquisition Costs	$23,522,000	$8,712,000
	Per Square Foot of Land Area	$135	$200
	B. Direct Costs	$69,347,000	$23,012,000
	Per Square Foot of GBA	$227	$235
	C. Indirect + Financing Costs	$21,725,000	$7,367,000
	As a % of Direct Costs	31%	32%
	Total Development Costs - Market Rate Alternative	$114,594,000	$39,091,000
	Per Unit	$462,100	$449,300
III.	Stabilized Net Operating Income - Market Rate Alternative	$6,655,000	$2,172,500
IV.	Return on Total Investment - Market Rate Alternative	5.8%	5.6%

SUMMARY TABLE

RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

		MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE	HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
V.	**Affordable Housing Alternatives**		
	A. Low Income Inclusionary Requirement		
	Inclusionary Percentage	8.0%	8.0%
	Reduction in Land Cost Required to Maintain the Return on Total Investment - Market Rate Alternative	32%	28%
	B. Mixed-Income Inclusionary Requirement		
	Inclusionary Percentage	10.0%	10.0%
	Mod/Low Mix	60%/40%	40%/60%
	Reduction in Land Cost Required to Maintain the Return on Total Investment - Market Rate Alternative	33%	31%
	C. Moderate Income Inclusionary Requirement		
	Inclusionary Percentage	12.0%	12.6%
	Reduction in Land Cost Required to Maintain the Return on Total Investment - Market Rate Alternative	33%	32%
VI.	**In-Lieu Fee Per Sf of GBA**	$24.90	$25.30

ATTACHMENT 2

RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A

RENTAL APARTMENTS
PRO FORMA ANALYSES
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT I

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs** [1]	174,240	Sf of Land	$135	/Sf of Land		$23,522,000
II.	**Direct Costs** [2]						
	On-Site Improvements/Landscaping	174,240	Sf of Land	$20	/Sf of Land	$3,485,000	
	Parking [3]						
	At-Grade Spaces	0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces	120	Spaces	$20,000	/Space	2,400,000	
	1st Level Subterranean	193	Spaces	$35,000	/Space	6,755,000	
	2nd Level Subterranean	156	Spaces	$45,000	/Space	7,020,000	
	Building Costs	305,032	Sf of GBA	$125	/Sf of GBA	38,129,000	
	Contractor/DC Contingency Allow	20%	Other Direct Costs			11,558,000	
	Total Direct Costs	305,032	Sf of GBA	$227	/Sf of GBA		$69,347,000
III.	**Indirect Costs**						
	Architecture, Engineering & Consulting	6%	Direct Costs			$4,161,000	
	Public Permits & Fees [4]	248	Units	$20,000	/Unit	4,960,000	
	Taxes, Insurance, Legal & Accounting	3%	Direct Costs			2,080,000	
	Marketing	248	Units	$2,500	/Unit	620,000	
	Developer Fee	5%	Direct Costs			3,467,000	
	Soft Cost Contingency Allowance	5%	Other Indirect Costs			764,000	
	Total Indirect Costs						$16,052,000
IV.	**Financing Costs**						
	Interest During Construction						
	Land [5]	$23,522,000	Cost	3.6%	Avg Rate	$1,270,000	
	Construction [6]	$91,072,000	Cost	3.6%	Avg Rate	2,951,000	
	Loan Origination Fees	60%	Loan to Value	2.0	Points	1,452,000	
	Total Financing Costs						$5,673,000
V.	**Total Construction Cost**	248	Units	$367,000	/Unit		$91,072,000
	Total Development Cost	248	Units	$462,000	/Unit		$114,594,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] Based on 1.9 spaces per unit.
[4] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[5] Based on an 18 month construction period and a 100% average outstanding loan balance.
[6] Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	87	Units @	$2,626	/Unit/Month	2,741,000	
	Two-Bedroom Units	124	Units @	$3,397	/Unit/Month	5,055,000	
	Three-Bedroom Units	37	Units @	$3,941	/Unit/Month	1,750,000	
	B. Affordable Units						
	Studio Units	0	Units @	$0	/Unit/Month	0	
	One-Bedroom Units	0	Units @	$0	/Unit/Month	0	
	Two-Bedroom Units	0	Units @	$0	/Unit/Month	0	
	Three-Bedroom Units	0	Units @	$0	/Unit/Month	0	
	C. Laundry & Miscellaneous Income	248	Units @	$25	/Unit/Month	74,000	
	Total Gross Income						$9,620,000
	Vacancy & Collection Allowance	5%	Gross Income				(481,000)
II.	**Effective Gross Income**						$9,139,000
III.	**Operating Expenses**						
	General Operating Expenses	248	Units @	$4,500	/Unit	$1,116,000	
	Property Taxes	248	Units @	$5,400	/Unit	1,331,000	
	Replacement Reserve Deposits	248	Units @	$150	/Unit	37,000	
	Total Operating Expenses						($2,484,000)
IV.	**Stabilized Net Operating Income**						$6,655,000

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $2.75 per square foot of leasable area.

APPENDIX A - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Stabilized Net Operating Income**	See APPENDIX A - EXHIBIT I - TABLE 2	$6,655,000
II.	**Total Development Cost**	See APPENDIX A - EXHIBIT I - TABLE 1	$114,594,000
III.	**Return on Total Investment**		5.8%

APPENDIX A - EXHIBIT II

RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	1	174,240	Sf of Land	$135	/Sf of Land		$23,522,000
II.	**Direct Costs**	2						
	On-Site Improvements/Landscaping		174,240	Sf of Land	$20	/Sf of Land	$3,485,000	
	Parking	3						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		120	Spaces	$20,000	/Space	2,400,000	
	1st Level Subterranean		193	Spaces	$35,000	/Space	6,755,000	
	2nd Level Subterranean		156	Spaces	$45,000	/Space	7,020,000	
	Building Costs		305,032	Sf of GBA	$125	/Sf of GBA	38,129,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			11,558,000	
	Total Direct Costs		305,032	Sf of GBA	$227	/Sf of GBA		$69,347,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$4,161,000	
	Public Permits & Fees	4	248	Units	$20,000	/Unit	4,962,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			2,080,000	
	Marketing		248	Units	$2,500	/Unit	620,000	
	Developer Fee		5%	Direct Costs			3,467,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			765,000	
	Total Indirect Costs							$16,055,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	5	$23,522,000	Cost	3.6%	Avg Rate	$1,270,000	
	Construction	6	$90,974,000	Cost	3.6%	Avg Rate	2,948,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	1,354,000	
	Total Financing Costs							$5,572,000
V.	**Total Construction Cost**		248	Units	$367,000	/Unit		$90,974,000
	Total Development Cost		248	Units	$462,000	/Unit		$114,496,000

1 Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
2 Based on the estimated costs for similar uses.
3 Based on 1.9 spaces per unit.
4 This is an order-of-magnitude estimate. It should be confirmed by the City staff.
5 Based on an 18 month construction period and a 100% average outstanding loan balance.
6 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	80	Units @	$2,626	/Unit/Month	2,521,000	
	Two-Bedroom Units	114	Units @	$3,397	/Unit/Month	4,647,000	
	Three-Bedroom Units	34	Units @	$3,941	/Unit/Month	1,608,000	
	B. Affordable Units [2]						
	Low Income Rent - 60% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$687	/Unit/Month	0	
	One-Bedroom Units	7	Units @	$783	/Unit/Month	66,000	
	Two-Bedroom Units	10	Units @	$871	/Unit/Month	105,000	
	Three-Bedroom Units	3	Units @	$959	/Unit/Month	35,000	
	C. Laundry & Miscellaneous Income	248	Units @	$25	/Unit/Month	74,000	
	Total Gross Income						$9,056,000
	Vacancy & Collection Allowance	5%	Gross Income				(453,000)
II.	**Effective Gross Income**						$8,603,000
III.	**Operating Expenses**						
	General Operating Expenses	248	Units @	$4,500	/Unit	$1,116,400	
	Property Taxes	248	Units @	$5,000	/Unit	1,242,000	
	Replacement Reserve Deposits	248	Units @	$150	/Unit	37,000	
	Total Operating Expenses						($2,395,400)
IV.	**Stabilized Net Operating Income**						$6,207,600

1 Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $2.75 per square foot of leasable area.

2 The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX A - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**				
	Stabilized Net Operating Income	See APPENDIX A - EXHIBIT II - TABLE 2	$6,207,600		
	Threshold Return on Total Investment [1]		5.8%		
	Total Supportable Investment			$106,890,000	
II.	**Total Development Cost**	See APPENDIX A - EXHIBIT II - TABLE 1		$114,496,000	
III.	**Total Financial Gap**				($7,606,000)
	Percentage Decrease in Supportable Land Cost		32%		
	Effective Developer Return		5.4% Return on Total Investment		

[1] Based on the Developer Return estimated to be generated by the MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

APPENDIX A - EXHIBIT III

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	174,240	Sf of Land	$135	/Sf of Land		$23,522,000
II.	**Direct Costs**	[2]						
	On-Site Improvements/Landscaping		174,240	Sf of Land	$20	/Sf of Land	$3,485,000	
	Parking	[3]						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		120	Spaces	$20,000	/Space	2,400,000	
	1st Level Subterranean		193	Spaces	$35,000	/Space	6,755,000	
	2nd Level Subterranean		156	Spaces	$45,000	/Space	7,020,000	
	Building Costs		305,032	Sf of GBA	$125	/Sf of GBA	38,129,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			11,558,000	
	Total Direct Costs		305,032	Sf of GBA	$227	/Sf of GBA		$69,347,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$4,161,000	
	Public Permits & Fees	[4]	248	Units	$20,000	/Unit	4,962,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			2,080,000	
	Marketing		248	Units	$2,500	/Unit	620,000	
	Developer Fee		5%	Direct Costs			3,467,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			765,000	
	Total Indirect Costs							$16,055,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	[5]	$23,522,000	Cost	3.6%	Avg Rate	$1,270,000	
	Construction	[6]	$90,971,000	Cost	3.6%	Avg Rate	2,947,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	1,352,000	
	Total Financing Costs							$5,569,000
V.	**Total Construction Cost**		248	Units	$367,000	/Unit		$90,971,000
	Total Development Cost		248	Units	$461,000	/Unit		$114,493,000

1 Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
2 Based on the estimated costs for similar uses.
3 Based on 1.9 spaces per unit.
4 This is an order-of-magnitude estimate. It should be confirmed by the City staff.
5 Based on an 18 month construction period and a 100% average outstanding loan balance.
6 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	78	Units @	$2,626	/Unit/Month	2,458,000	
	Two-Bedroom Units	112	Units @	$3,397	/Unit/Month	4,566,000	
	Three-Bedroom Units	33	Units @	$3,941	/Unit/Month	1,561,000	
	B. Affordable Units [2]						
	Moderate Income Rent - 110% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$1,293	/Unit/Month	0	
	One-Bedroom Units	5	Units @	$1,476	/Unit/Month	89,000	
	Two-Bedroom Units	7	Units @	$1,651	/Unit/Month	139,000	
	Three-Bedroom Units	2	Units @	$1,825	/Unit/Month	44,000	
	Low Income Rent - 60% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$687	/Unit/Month	0	
	One-Bedroom Units	4	Units @	$783	/Unit/Month	38,000	
	Two-Bedroom Units	5	Units @	$871	/Unit/Month	52,000	
	Three-Bedroom Units	2	Units @	$959	/Unit/Month	23,000	
	C. Laundry & Miscellaneous Income	248	Units @	$25	/Unit/Month	74,000	
	Total Gross Income						$9,044,000
	Vacancy & Collection Allowance	5%	Gross Income				(452,000)
II.	**Effective Gross Income**						$8,592,000
III.	**Operating Expenses**						
	General Operating Expenses	248	Units @	$4,500	/Unit	$1,116,500	
	Property Taxes	248	Units @	$5,000	/Unit	1,240,000	
	Replacement Reserve Deposits	248	Units @	$150	/Unit	37,000	
	Total Operating Expenses						($2,393,500)
IV.	**Stabilized Net Operating Income**						$6,198,500

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $2.74 per square foot of leasable area.

[2] The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX A - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**			
	Stabilized Net Operating Income	See APPENDIX A - EXHIBIT III - TABLE 2	$6,198,500	
	Threshold Return on Total Investment [1]		5.8%	
	Total Supportable Investment			$106,733,000
II.	**Total Development Cost**	See APPENDIX A - EXHIBIT III - TABLE 1		$114,493,000
III.	**Total Financial Gap**			($7,760,000)
	Inclusionary Percentage	10.0%		
	Mod/Low Mix	60%/40%		
	Percentage Decrease in Supportable Land Cost	33%		
	Effective Developer Return	5.4%	Return on Total Investment	

[1] Based on the Developer Return estimated to be generated by the MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

APPENDIX A - EXHIBIT IV

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX A - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

		Note						
I.	**Property Acquisition Costs**	1	174,240	Sf of Land	$135	/Sf of Land		$23,522,000
II.	**Direct Costs**	2						
	On-Site Improvements/Landscaping		174,240	Sf of Land	$20	/Sf of Land	$3,485,000	
	Parking	3						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		120	Spaces	$20,000	/Space	2,400,000	
	1st Level Subterranean		193	Spaces	$35,000	/Space	6,755,000	
	2nd Level Subterranean		156	Spaces	$45,000	/Space	7,020,000	
	Building Costs		305,032	Sf of GBA	$125	/Sf of GBA	38,129,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			11,558,000	
	Total Direct Costs		305,032	Sf of GBA	$227	/Sf of GBA		$69,347,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$4,161,000	
	Public Permits & Fees	4	248	Units	$20,000	/Unit	4,960,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			2,080,000	
	Marketing		248	Units	$2,500	/Unit	620,000	
	Developer Fee		5%	Direct Costs			3,467,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			764,000	
	Total Indirect Costs							$16,052,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	5	$23,522,000	Cost	3.6%	Avg Rate	$1,270,000	
	Construction	6	$90,969,000	Cost	3.6%	Avg Rate	2,947,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	1,353,000	
	Total Financing Costs							$5,570,000
V.	**Total Construction Cost**		248	Units	$367,000	/Unit		$90,969,000
	Total Development Cost		248	Units	$462,000	/Unit		$114,491,000

1 Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
2 Based on the estimated costs for similar uses.
3 Based on 1.9 spaces per unit.
4 This is an order-of-magnitude estimate. It should be confirmed by the City staff.
5 Based on an 18 month construction period and a 100% average outstanding loan balance.
6 Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX A - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	77	Units @	$2,626	/Unit/Month	2,426,000	
	Two-Bedroom Units	108	Units @	$3,397	/Unit/Month	4,403,000	
	Three-Bedroom Units	33	Units @	$3,941	/Unit/Month	1,561,000	
	B. Affordable Units [2]						
	Moderate Income Rent - 110% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$1,293	/Unit/Month	0	
	One-Bedroom Units	10	Units @	$1,476	/Unit/Month	177,000	
	Two-Bedroom Units	16	Units @	$1,651	/Unit/Month	317,000	
	Three-Bedroom Units	4	Units @	$1,825	/Unit/Month	88,000	
	C. Laundry & Miscellaneous Income	248	Units @	$25	/Unit/Month	74,000	
	Total Gross Income						$9,046,000
	Vacancy & Collection Allowance	5%	Gross Income				(452,000)
II.	**Effective Gross Income**						$8,594,000
III.	**Operating Expenses**						
	General Operating Expenses	248	Units @	$4,500	/Unit	$1,116,000	
	Property Taxes	248	Units @	$5,000	/Unit	1,240,000	
	Replacement Reserve Deposits	248	Units @	$150	/Unit	37,000	
	Total Operating Expenses						($2,393,000)
IV.	**Stabilized Net Operating Income**						$6,201,000

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $2.75 per square foot of leasable area.

[2] The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX A - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**			
	Stabilized Net Operating Income	See APPENDIX A - EXHIBIT IV - TABLE 2	$6,201,000	
	Threshold Return on Total Investment [1]		5.8%	
	Total Supportable Investment			$106,776,000
II.	**Total Development Cost**	See APPENDIX A - EXHIBIT IV - TABLE 1		$114,491,000
III.	**Total Financial Gap**			($7,715,000)
	Inclusionary Percentage	12.0%		
	Percentage Decrease in Supportable Land Cost	33%		
	Effective Developer Return	5.4%	Return on Total Investment	

[1] Based on the Developer Return estimated to be generated by the MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

ATTACHMENT 2

RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B

RENTAL APARTMENTS
PRO FORMA ANALYSES
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT I

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	43,560	Sf of Land	$200	/Sf of Land		$8,712,000
II.	**Direct Costs**	[2]						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Parking	[3]						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		0	Spaces	$20,000	/Space	0	
	1st Level Subterranean		134	Spaces	$35,000	/Space	4,690,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		97,765	Sf of GBA	$125	/Sf of GBA	12,221,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			3,835,000	
	Total Direct Costs		97,765	Sf of GBA	$235	/Sf of GBA		$23,012,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,381,000	
	Public Permits & Fees	[4]	87	Units	$20,000	/Unit	1,740,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			690,000	
	Marketing		87	Units	$2,500	/Unit	218,000	
	Developer Fee		5%	Direct Costs			1,151,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			259,000	
	Total Indirect Costs							$5,439,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	[5]	$8,712,000	Cost	3.6%	Avg Rate	$470,000	
	Construction	[6]	$30,379,000	Cost	3.6%	Avg Rate	984,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	474,000	
	Total Financing Costs							$1,928,000
V.	**Total Construction Cost**		87	Units	$349,000	/Unit		$30,379,000
	Total Development Cost		87	Units	$449,000	/Unit		$39,091,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] Based on 1.9 spaces per unit.
[4] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[5] Based on an 18 month construction period and a 100% average outstanding loan balance.
[6] Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**							
	A. Market Rate Units [1]							
	Studio Units	0	Units @	$0	/Unit/Month	$0		
	One-Bedroom Units	39	Units @	$2,660	/Unit/Month	1,245,000		
	Two-Bedroom Units	44	Units @	$3,113	/Unit/Month	1,644,000		
	Three-Bedroom Units	4	Units @	$5,333	/Unit/Month	256,000		
	B. Affordable Units							
	Studio Units	0	Units @	$0	/Unit/Month	0		
	One-Bedroom Units	0	Units @	$0	/Unit/Month	0		
	Two-Bedroom Units	0	Units @	$0	/Unit/Month	0		
	Three-Bedroom Units	0	Units @	$0	/Unit/Month	0		
	C. Laundry & Miscellaneous Income	87	Units @	$25	/Unit/Month	26,000		
	Total Gross Income							$3,171,000
	Vacancy & Collection Allowance	5%	Gross Income					(159,000)
II.	**Effective Gross Income**							$3,012,000
III.	**Operating Expenses**							
	General Operating Expenses	87	Units @	$4,500	/Unit	$391,500		
	Property Taxes	87	Units @	$5,000	/Unit	435,000		
	Replacement Reserve Deposits	87	Units @	$150	/Unit	13,000		
	Total Operating Expenses							($839,500)
IV.	**Stabilized Net Operating Income**							$2,172,500

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $3.15 per square foot of leasable area.

APPENDIX B - EXHIBIT I - TABLE 3

ESTIMATED DEVELOPER RETURN
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MARKET RATE ALTERNATIVE
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Stabilized Net Operating Income**	See APPENDIX B - EXHIBIT I - TABLE 2	$2,172,500
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT I - TABLE 1	$39,091,000
III.	**Return on Total Investment**		5.6%

APPENDIX B - EXHIBIT II

RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	1	43,560	Sf of Land	$200	/Sf of Land		$8,712,000
II.	**Direct Costs**	2						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Parking	3						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		0	Spaces	$20,000	/Space	0	
	1st Level Subterranean		134	Spaces	$35,000	/Space	4,690,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		97,765	Sf of GBA	$125	/Sf of GBA	12,221,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			3,835,000	
	Total Direct Costs		97,765	Sf of GBA	$235	/Sf of GBA		$23,012,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,381,000	
	Public Permits & Fees	4	87	Units	$20,000	/Unit	1,742,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			690,000	
	Marketing		87	Units	$2,500	/Unit	218,000	
	Developer Fee		5%	Direct Costs			1,151,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			259,000	
	Total Indirect Costs							$5,441,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	5	$8,712,000	Cost	3.6%	Avg Rate	$470,000	
	Construction	6	$30,350,000	Cost	3.6%	Avg Rate	983,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	444,000	
	Total Financing Costs							$1,897,000
V.	**Total Construction Cost**		87	Units	$349,000	/Unit		$30,350,000
	Total Development Cost		87	Units	$449,000	/Unit		$39,062,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] Based on 1.9 spaces per unit.
[4] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[5] Based on an 18 month construction period and a 100% average outstanding loan balance.
[6] Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	36	Units @	$2,660	/Unit/Month	1,149,000	
	Two-Bedroom Units	40	Units @	$3,113	/Unit/Month	1,494,000	
	Three-Bedroom Units	4	Units @	$5,333	/Unit/Month	256,000	
	B. Affordable Units [2]						
	Low Income Rent - 60% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$687	/Unit/Month	0	
	One-Bedroom Units	3	Units @	$783	/Unit/Month	28,000	
	Two-Bedroom Units	4	Units @	$871	/Unit/Month	42,000	
	Three-Bedroom Units	0	Units @	$959	/Unit/Month	0	
	C. Laundry & Miscellaneous Income	87	Units @	$25	/Unit/Month	26,000	
	Total Gross Income						$2,995,000
	Vacancy & Collection Allowance	5%	Gross Income				(150,000)
II.	**Effective Gross Income**						$2,845,000
III.	**Operating Expenses**						
	General Operating Expenses	87	Units @	$4,500	/Unit	$391,900	
	Property Taxes	87	Units @	$4,700	/Unit	407,000	
	Replacement Reserve Deposits	87	Units @	$150	/Unit	13,000	
	Total Operating Expenses						($811,900)
IV.	**Stabilized Net Operating Income**						$2,033,100

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $3.15 per square foot of leasable area.

[2] The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX B - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: LOW INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**			
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT II - TABLE 2	$2,033,100	
	Threshold Return on Total Investment [1]		5.6%	
	Total Supportable Investment			$36,583,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT II - TABLE 1		$39,062,000
III.	**Total Financial Gap**			($2,479,000)
	Percentage Decrease in Supportable Land Cost		28%	
	Effective Developer Return		5.2% Return on Total Investment	

[1] Based on the Developer Return estimated to be generated by the HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

APPENDIX B - EXHIBIT III

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	1	43,560	Sf of Land	$200	/Sf of Land		$8,712,000
II.	**Direct Costs**	2						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Parking	3						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		0	Spaces	$20,000	/Space	0	
	1st Level Subterranean		134	Spaces	$35,000	/Space	4,690,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		97,765	Sf of GBA	$125	/Sf of GBA	12,221,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			3,835,000	
	Total Direct Costs		97,765	Sf of GBA	$235	/Sf of GBA		$23,012,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,381,000	
	Public Permits & Fees	4	87	Units	$20,000	/Unit	1,742,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			690,000	
	Marketing		87	Units	$2,500	/Unit	218,000	
	Developer Fee		5%	Direct Costs			1,151,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			259,000	
	Total Indirect Costs							$5,441,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	5	$8,712,000	Cost	3.6%	Avg Rate	$470,000	
	Construction	6	$30,347,000	Cost	3.6%	Avg Rate	983,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	441,000	
	Total Financing Costs							$1,894,000
V.	**Total Construction Cost**		87	Units	$348,000	/Unit		$30,347,000
	Total Development Cost		87	Units	$448,000	/Unit		$39,059,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] Based on 1.9 spaces per unit.
[4] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[5] Based on an 18 month construction period and a 100% average outstanding loan balance.
[6] Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	35	Units @	$2,660	/Unit/Month	1,117,000	
	Two-Bedroom Units	39	Units @	$3,113	/Unit/Month	1,457,000	
	Three-Bedroom Units	4	Units @	$5,333	/Unit/Month	256,000	
	B. Affordable Units [2]						
	Moderate Income Rent - 110% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$1,293	/Unit/Month	0	
	One-Bedroom Units	2	Units @	$1,476	/Unit/Month	35,000	
	Two-Bedroom Units	2	Units @	$1,651	/Unit/Month	40,000	
	Three-Bedroom Units	0	Units @	$1,825	/Unit/Month	0	
	Low Income Rent - 60% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$687	/Unit/Month	0	
	One-Bedroom Units	2	Units @	$783	/Unit/Month	19,000	
	Two-Bedroom Units	3	Units @	$871	/Unit/Month	31,000	
	Three-Bedroom Units	0	Units @	$959	/Unit/Month	0	
	C. Laundry & Miscellaneous Income	87	Units @	$25	/Unit/Month	26,000	
	Total Gross Income						$2,981,000
	Vacancy & Collection Allowance	5%	Gross Income				(149,000)
II.	**Effective Gross Income**						$2,832,000
III.	**Operating Expenses**						
	General Operating Expenses	87	Units @	$4,500	/Unit	$392,000	
	Property Taxes	87	Units @	$4,600	/Unit	405,000	
	Replacement Reserve Deposits	87	Units @	$150	/Unit	13,000	
	Total Operating Expenses						($810,000)
IV.	**Stabilized Net Operating Income**						$2,022,000

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $3.15 per square foot of leasable area.

[2] The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX B - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MIXED-INCOME INCLUSIONARY REQUIREMENT
HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**			
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT III - TABLE 2	$2,022,000	
	Threshold Return on Total Investment [1]		5.6%	
	Total Supportable Investment			$36,383,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT III - TABLE 1		$39,059,000

III.	**Total Financial Gap**			($2,676,000)
	Inclusionary Percentage	10.0%		
	Mod/Low Mix	40%/60%		
	Percentage Decrease in Supportable Land Cost	31%		
	Effective Developer Return	5.2%	Return on Total Investment	

[1] Based on the Developer Return estimated to be generated by the HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

APPENDIX B - EXHIBIT IV

RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX B - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	43,560	Sf of Land	$200	/Sf of Land		$8,712,000
II.	**Direct Costs**	[2]						
	On-Site Improvements/Landscaping		43,560	Sf of Land	$20	/Sf of Land	$871,000	
	Parking	[3]						
	At-Grade Spaces		0	Spaces	$5,000	/Space	0	
	Above-Ground Podium Spaces		0	Spaces	$20,000	/Space	0	
	1st Level Subterranean		134	Spaces	$35,000	/Space	4,690,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		97,765	Sf of GBA	$125	/Sf of GBA	12,221,000	
	Contractor/DC Contingency Allow		20%	Other Direct Costs			3,835,000	
	Total Direct Costs		97,765	Sf of GBA	$235	/Sf of GBA		$23,012,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,381,000	
	Public Permits & Fees	[4]	87	Units	$20,000	/Unit	1,740,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			690,000	
	Marketing		87	Units	$2,500	/Unit	218,000	
	Developer Fee		5%	Direct Costs			1,151,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs			259,000	
	Total Indirect Costs							$5,439,000
IV.	**Financing Costs**							
	Interest During Construction							
	Land	[5]	$8,712,000	Cost	3.6%	Avg Rate	$470,000	
	Construction	[6]	$30,343,000	Cost	3.6%	Avg Rate	983,000	
	Loan Origination Fees		60%	Loan to Value	2.0	Points	439,000	
	Total Financing Costs							$1,892,000
V.	**Total Construction Cost**		87	Units	$349,000	/Unit		$30,343,000
	Total Development Cost		87	Units	$449,000	/Unit		$39,055,000

[1] Estimated based on a survey of the sales of residentially zoned land in Burbank between 2016 and 2018.
[2] Based on the estimated costs for similar uses.
[3] Based on 1.9 spaces per unit.
[4] This is an order-of-magnitude estimate. It should be confirmed by the City staff.
[5] Based on an 18 month construction period and a 100% average outstanding loan balance.
[6] Based on an 18 month construction period and a 60% average outstanding loan balance.

APPENDIX B - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Gross Income**						
	A. Market Rate Units [1]						
	Studio Units	0	Units @	$0	/Unit/Month	$0	
	One-Bedroom Units	34	Units @	$2,660	/Unit/Month	1,085,000	
	Two-Bedroom Units	39	Units @	$3,113	/Unit/Month	1,457,000	
	Three-Bedroom Units	3	Units @	$5,333	/Unit/Month	192,000	
	B. Affordable Units [2]						
	Moderate Income Rent - 110% AMI & 30% of Income Allotted to Housing						
	Studio Units	0	Units @	$1,293	/Unit/Month	0	
	One-Bedroom Units	5	Units @	$1,476	/Unit/Month	89,000	
	Two-Bedroom Units	5	Units @	$1,651	/Unit/Month	99,000	
	Three-Bedroom Units	1	Unit @	$1,825	/Unit/Month	22,000	
	C. Laundry & Miscellaneous Income	87	Units @	$25	/Unit/Month	26,000	
	Total Gross Income						$2,970,000
	Vacancy & Collection Allowance	5%	Gross Income				(149,000)
II.	**Effective Gross Income**						$2,821,000
III.	**Operating Expenses**						
	General Operating Expenses	87	Units @	$4,500	/Unit	$391,500	
	Property Taxes	87	Units @	$4,600	/Unit	403,000	
	Replacement Reserve Deposits	87	Units @	$150	/Unit	13,000	
	Total Operating Expenses						($807,500)
IV.	**Stabilized Net Operating Income**						$2,013,500

[1] Based on the rent survey presented in APPENDIX C - EXHIBIT I plus a premium for new construction. The weighted average monthly rent equates to $3.15 per square foot of leasable area.

[2] The affordable rent calculations are based on the H&SC 50053 calculation methodology. See APPENDIX C - EXHIBIT II - TABLE 1.

APPENDIX B - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
RENTAL APARTMENTS
PRO FORMA ANALYSIS: MODERATE INCOME INCLUSIONARY REQUIREMENT
MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

I.	**Supportable Investment**			
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT IV - TABLE 2	$2,013,500	
	Threshold Return on Total Investment [1]		5.6%	
	Total Supportable Investment			$36,230,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT IV - TABLE 1		$39,055,000
III.	**Total Financial Gap**			($2,825,000)
	Inclusionary Percentage	12.6%		
	Percentage Decrease in Supportable Land Cost	32%		
	Effective Developer Return	5.2%	Return on Total Investment	

[1] Based on the Developer Return estimated to be generated by the HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE: MARKET RATE ALTERNATIVE.

APPENDIX C

RENTAL APARTMENTS
BACKUP TABLES
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

APPENDIX C - EXHIBIT I

RENTAL APARTMENTS RENT SURVEY
RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Parking Spaces Provided Per Unit
	Studio Units					
Town Center Apartments	333 Andover Drive	1	550	$1,938	$3.52	1.0
Parc Pointe Apartments	620 N Hollywood Way	48	510	$1,750	$3.43	0.9
1200 Riverside	1200 W Riverside Drive	200	466	$1,589	$3.41	1.0
	Minimum		466	$1,589	$3.41	
	Maximum		550	$1,938	$3.52	
	Weighted Average		475	$1,621	$3.41	
	One-Bedroom Units					
Town Center Apartments	333 Andover Drive	65	758	$1,995	$2.63	
Empire Landing	1901 N Buena Vista Street	162	759	$2,161	$2.85	0.8
Parc Pointe Apartments	620 N Hollywood Way	134	734	$2,072	$2.82	
Kenwood Mews Apartments	230 N Kenwwod Street	62	841	$2,459	$2.92	4.0
Olive Plaza Apartments	450 E Olive Avenue	164	600	$1,740	$2.90	0.5
1200 Riverside	1200 W Riverside Drive	70	617	$2,039	$3.30	
Scott Villa Apartments	1555 Scott Road	48	830	$1,991	$2.40	1.1
Taiko Village	1601 Scott Road	4	922	$2,175	$2.36	2.3
Burbank Senior Artist Colony	240 E Verdugo Avenue	70	642	$1,837	$2.86	1.0
	Minimum		600	$1,740	$2.36	
	Maximum		922	$2,459	$3.30	
	Weighted Average		710	$2,016	$2.84	

APPENDIX C - EXHIBIT I

RENTAL APARTMENTS RENT SURVEY
RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

Name	Address	# of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Parking Spaces Provided Per Unit
		Two-Bedroom Units				
Town Center Apartments	333 Andover Drive	74	1,015	$2,435	$2.40	
Empire Landing	1901 N Buena Vista Street	130	1,104	$3,073	$2.78	
Parc Pointe Apartments	620 N Hollywood Way	66	1,027	$2,897	$2.82	
Kenwood Mews Apartments	230 N Kenwwod Street	79	1,025	$2,662	$2.60	
Olive Plaza Apartments	450 E Olive Avenue	19	861	$2,199	$2.55	
Scott Villa Apartments	1555 Scott Road	48	1,050	$2,492	$2.37	
Taiko Village	1601 Scott Road	31	1,400	$2,968	$2.12	
Burbank Senior Artist Colony	240 E Verdugo Avenue	71	867	$2,454	$2.83	
	Minimum		861	$2,199	$2.12	
	Maximum		1,400	$3,073	$2.83	
	Weighted Average		1,041	$2,720	$2.61	
		Three-Bedroom Units				
Empire Landing	1901 N Buena Vista Street	5	1,543	$4,159	$2.70	
Parc Pointe Apartments	620 N Hollywood Way	7	1,110	$3,200	$2.88	
Olive Plaza Apartments	450 E Olive Avenue	15	1,354	$3,663	$2.71	
Taiko Village	1601 Scott Road	8	1,450	$3,299	$2.28	
	Minimum		1,110	$3,200	$2.28	
	Maximum		1,543	$4,159	$2.88	
	Weighted Average		1,354	$3,558	$2.63	

Source: CoStar; July 2018

APPENDIX C - EXHIBIT II - TABLE 1

IN-LIEU FEE ANALYSIS - AFFORDABILITY GAP APPROACH
AFFORDABLE RENT CALCULATIONS
2018 INCOME STANDARDS
RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I.	**General Assumptions**				
	Area Median Income	[1]	$55,450	$62,350	$69,300
	Monthly Utilities Allowance	[2]	$49	$64	$81
II.	**Low Income Rent - 60% AMI & 30% of Income Allotted to Housing**				
	Benchmark Annual Household Income		$33,270	$37,410	$41,580
	Percentage of Income Allotted to Housing Expenses		30%	30%	30%
	Monthly Income Available for Housing Expenses		$832	$935	$1,040
	(Less) Monthly Utilities Allowance		(49)	(64)	(81)
	Maximum Allowable Rent		$783	$871	$959
III.	**Moderate Income Rent - 110% AMI & 30% of Income Allotted to Housing**				
	Benchmark Annual Household Income		$60,995	$68,585	$76,230
	Percentage of Income Allotted to Housing Expenses		30%	30%	30%
	Monthly Income Available for Housing Expenses		$1,525	$1,715	$1,906
	(Less) Monthly Utilities Allowance		(49)	(64)	(81)
	Maximum Allowable Rent		$1,476	$1,651	$1,825

[1] Based on the 2018 Los Angeles County median incomes published by the California Housing & Community Development Department (HCD). The benchmark household size is set at the number of bedrooms in the unit plus one.

[2] Based on Burbank Housing Authority allowances effective as of 7/1/18. Assumes: gas heating, cooking and water heating; basic electric; and air conditioning.

APPENDIX C - EXHIBIT II - TABLE 2
IN-LIEU FEE ANALYSIS - AFFORDABILITY GAP APPROACH
LOW INCOME STANDARD
RENTAL APARTMENTS
INCLUSIONARY HOUSING FEASIBILITY ANALYSIS
BURBANK, CALIFORNIA

			MEDIUM DENSITY ALTERNATIVE: 62 UNITS PER ACRE	HIGH DENSITY ALTERNATIVE: 87 UNITS PER ACRE
I.	**Affordable Units**	[1]		
	One-Bedroom Units		7	3
	Two-Bedroom Units		10	4
	Three-Bedroom Units		3	0
	Total Affordable Units		20	7
II.	**Rent Difference**	[2]		
A.	**One-Bedroom Units**			
	Market Rate Units		($220,000)	($96,000)
	Affordable Units		66,000	28,000
	Difference		($154,000)	($68,000)
B.	**Two-Bedroom Units**			
	Market Rate Units		($408,000)	($150,000)
	Affordable Units		105,000	42,000
	Difference		($303,000)	($108,000)
C.	**Three-Bedroom Units**			
	Market Rate Units		($142,000)	$0
	Affordable Units		35,000	0
	Difference		($107,000)	$0
	Total Rent Difference		($564,000)	($176,000)
	(Less) Vacancy & Collection Allowance	[2]	28,000	9,000
	Net Rent Difference		($536,000)	($167,000)
III.	(Less) Property Tax Difference	[2]	($89,000)	($28,000)
IV.	**Annual Affordability Gap**	[3]	($447,000)	($139,000)
V.	**Total Affordability Gap**		$7,697,000	$2,501,000
	(Less) Development Cost Difference	[2]	(98,000)	(29,000)
	Net Affordability Gap		$7,599,000	$2,472,000
VI.	**In-Lieu Fee**			
	Per Affordable Unit		$380,000	$353,100
	Per Square Foot of GBA		$24.90	$25.30

[1] Based on the distribution applied in the pro forma analyses.
[2] Equal to the difference between the Market Rate Alternative and the 8% Low Income Inclusionary Requirement Alternative.
[3] Based on the Annual Affordability Gap capitalized at the threshold return on total investment.