

**Development and Financing Cost Assumptions
Owner Housing Prototypes
San Jose Inclusionary Housing Analysis**

	Owner 1 Type I High-Rise Condos	Owner 2 Type V Stacked Flat Condos	Owner 3 Type V Townhomes	Owner 4 Single Family Detached
Land Acquisition Cost				
Low Land Cost Per Gross SF Site Area	N/A	\$34	\$23	\$32
Middle Land Cost Per Gross SF Site Area	\$67	\$77	\$59	\$46
High Land Cost Per Gross SF Site Area	\$97	\$106	\$91	\$71
Development Cost Assumptions				
Site Improvement Costs per SF	\$30	\$30	\$20	\$15
Site Improvement Costs per Unit	\$13,000	\$24,000	\$51,000	\$73,000
Unit Hard Construction per SF (1)	\$300	\$135	\$110	\$110
Unit Hard Construction per Unit (1)	\$386,000	\$205,000	\$190,000	\$221,000
Hard Cost Contingency (2)	7.00%	5.00%	5.00%	4.00%
Architectural/Engineering (2)	5.00%	5.00%	5.00%	5.00%
City Impact and Permit Fees per Unit (3)	\$21,000	\$22,000	\$25,000	\$35,000
Environmental Phase I	\$7,000	\$7,000	\$7,000	\$7,000
Soils Testing	\$20,000	\$20,000	\$20,000	\$20,000
Property Taxes During Construction (% TDC)	1.20%	1.00%	1.00%	0.80%
Insurance During Construction (4)	2.00%	2.50%	2.50%	1.00%
Selling/Closing Costs (per unit)	\$7,000	\$2,000	\$2,000	\$5,000
Sales Commissions (% TDC)	2.00%	2.00%	2.00%	2.00%
Developer Overhead (2)	3.00%	3.00%	3.00%	3.00%
Developer Profit (% TDC)	9.00%	9.00%	9.00%	9.00%
HOA fes (per unit per month)	\$700	\$400	\$275	\$150
Construction Loan				
Construction Loan % of TDC	70.00%	70.00%	70.00%	70.00%
Constr. Loan Amt.	\$84,981,338	\$43,806,746	\$28,986,033	\$22,303,008
Interest Rate (Prime + 0.25%)	6.25%	6.25%	6.25%	6.25%
Loan Fees	1.00%	1.00%	1.00%	1.00%
Average Loan Balance--Construction Period	60.00%	60.00%	60.00%	60.00%
Construction Period	18 Months	18 Months	15 Months	12 Months
Absorption Period (5)	15 Months	8 Months	NA	NA
Total Sales at Construction Completion (5)	108 Units	108 Units	75 Units	45 Units
Remaining Loan Balance at Const Completion	\$22,821,612	\$6,787,179	\$3,281,421	\$0
Months to Pay off Remaining Loan Balance	7 Months	3 Months	2 Months	0 Months
Average Loan Balance--Absorption Period	50.00%	50.00%	50.00%	50.00%
Period	\$4,780,200	\$2,464,129	\$1,358,720	\$836,363
Construction Loan Interest--Absorption Period	\$392,758	\$58,330	\$13,636	\$0
Total Construction Loan Interest	\$5,172,958	\$2,522,459	\$1,372,356	\$836,363
Construction Loan Fees	\$849,813	\$438,067	\$289,860	\$223,030
Mezzanine Debt				
Mezzanine Debt % of TDC (6)	15.00%	15.00%	15.00%	15.00%
Mezzanine Debt Amount	\$18,210,287	\$9,387,160	\$6,211,293	\$4,779,216
Rate of Return	12.00%	12.00%	12.00%	12.00%
Average Draw--Construction	75.00%	75.00%	75.00%	75.00%
Months to Pay off Mezzanine Debt (7)	5 Months	5 Months	3 Months	1 Months
Return During Construction	\$2,458,389	\$1,267,267	\$698,770	\$430,129
Return During Absorption (8)	\$1,683,585	\$524,018	\$192,922	\$35,082
Total Return on Mezzanine Debt	\$4,141,973	\$1,791,284	\$891,693	\$465,211
Average Market Sales Price Per Unit	\$575,553	\$342,774	\$342,728	\$542,566

(1) Includes parking hard costs and contractor profit, overhead and general conditions.

(2) As a percentage of direct costs (site improvements and hard costs).

(3) Estimated based on South Bay Cost of Development Survey, 2005-2006, developer interviews, and Housing Department projects

(4) As a percentage of TDC, exclusive of land cost and developer profit.

(5) Assumes an absorption rate of 6 units per month, beginning at start of construction, for Owner 1 and 2.

Owner 3 and 4 assumed to be built in phases and leased up as completed.

(6) Exclusive of developer profit.

(7) Assumes payments on mezzanine debt begin after construction loan is paid off in full.

(8) Assumes returns paid on 100% of mezzanine debt until construction loan is paid off, and then returns on an average of 50% of mezzanine debt for the months remaining until paid off in full.

Source: David Paul Rosen & Associates.

**Estimated Prototype Development Costs
Owner Housing Prototypes
San Jose Inclusionary Housing Analysis**

	Owner 1 Type I High-Rise Condos	Owner 2 Type V Stacked Flat Condos	Owner 3 Type V Townhomes	Owner 4 Single Family Detached
Gross Site Area	2.000	2.855	5.513	6.250
Net Lot Area	2.000	2.855	4.410	5.000
No. of Units	200	157	75	45
Parking Spaces	329	287	185	117
Net Square Feet Living Area	218,800	186,750	118,300	83,700
Total Net Square Feet	218,800	202,450	129,550	90,450
Ratio Net/Gross SF	85%	85%	100%	100%
Total Gross Square Feet Building Area	257,412	238,176	129,550	90,450
LOW LAND ACQUISITION COSTS	N/A	\$4,228,369	\$5,522,864	\$8,712,000
MIDDLE LAND ACQUISITION COSTS	\$5,837,040	\$9,576,013	\$14,167,346	\$12,523,500
HIGH LAND ACQUISITION COSTS	\$8,450,640	\$13,182,563	\$21,851,330	\$19,329,750
SITE IMPROVEMENTS	\$2,613,600	\$3,730,914	\$3,841,992	\$3,267,000
BUILDING SHELL HARD COSTS	\$77,223,529	\$32,153,824	\$14,250,500	\$9,949,500
HARD COST CONTINGENCY	\$5,588,599	\$1,794,237	\$904,625	\$528,660
ARCH./ENG./CONSTR. SUPERVISION	\$3,991,856	\$1,794,237	\$904,625	\$660,825
CITY IMPACT AND PERMIT FEES	\$4,200,000	\$3,454,000	\$1,875,000	\$1,575,000
CONSTRUCTION LOAN FEES	\$849,813	\$438,067	\$289,860	\$223,030
CONSTRUCTION LOAN INTEREST	\$5,172,958	\$2,522,459	\$1,372,356	\$836,363
RETURN ON MEZZANINE DEBT	\$4,141,973	\$1,791,284	\$891,693	\$465,211
ENVIRONMENTAL PHASE I	\$7,000	\$7,000	\$7,000	\$7,000
SOILS TESTING	\$20,000	\$20,000	\$20,000	\$20,000
PROPERTY TAXES DURING CONST. (1)	\$2,401,356	\$1,031,556	\$568,800	\$280,101
INSURANCE	\$2,311,297	\$1,325,126	\$681,032	\$193,379
SALES COMMISSIONS (1)	\$2,668,174	\$1,375,408	\$910,080	\$700,251
SELLING/CLOSING COSTS	\$1,400,000	\$314,000	\$150,000	\$225,000
DEVELOPER OVERHEAD	\$2,395,114	\$1,076,542	\$542,775	\$396,495
DEVELOPER PROFIT (1)	\$12,006,782	\$6,189,336	\$4,095,358	\$3,151,131
HOA CARRYING COSTS (2)	\$579,600	\$176,400	\$30,938	\$10,125
TOTAL COST, EXCLUDING LAND	\$127,571,654	\$59,194,390	\$31,336,631	\$22,489,072
PER UNIT	\$637,858	\$377,034	\$417,822	\$499,757
PER SQUARE FOOT	\$495.59	\$248.53	\$241.89	\$248.64
TOTAL COST, WITH LOW LAND COST	N/A	\$63,422,759	\$36,859,495	\$31,201,072
PER UNIT	N/A	\$403,967	\$491,460	\$693,357
PER SQUARE FOOT	N/A	\$266.28	\$284.52	\$344.95
TOTAL COST, WITH MIDDLE LAND COST *	\$133,408,694	\$68,770,403	\$45,503,977	\$35,012,572
PER UNIT	\$667,043	\$438,028	\$606,720	\$778,057
PER SQUARE FOOT	\$518.27	\$288.74	\$351.25	\$387.09
TOTAL COST, WITH HIGH LAND COST	\$136,022,294	\$72,376,953	\$53,187,961	\$41,818,822
PER UNIT	\$680,111	\$461,000	\$709,173	\$929,307
PER SQUARE FOOT	\$528.42	\$303.88	\$410.56	\$462.34

(1) Calculated as a percentage of TDC, assuming the middle-range land cost.

(2) For Owner Prototypes 1 & 2, assumes carrying HOA costs during absorption period for 50% of units remaining to be sold at end of construction period. For Owner Prototypes 3 & 4, assumes carrying of HOA costs for 50% of units for 3 months.

Source: David Paul Rosen & Associates

Development and Financing Cost Assumptions
Rental Housing Prototype
San Jose Inclusionary Housing Analysis

Renter 1

Stacked Flat
Apartments

Land Acquisition Cost

Low Land Cost Per Gross SF Site Area	\$34.00
Middle Land Cost Per Gross SF Site Area	\$77.00
High Land Cost Per Gross SF Site Area	\$106.00

Development Cost Assumptions

Site Improvement Costs per SF	\$30
Site Improvement Costs per Unit	\$24,000
Building Hard Costs per SF (1)	\$150
Building Hard Costs per Unit (1)	\$198,000
Hard Cost Contingency (2)	5.00%
Architectural/Engineering (2)	5.00%
City Impact and Permit Fees per Unit (3)	\$22,000
Environmental Phase I	\$7,000
Soils Testing	\$20,000
Property Taxes During Construction (% TDC)	1.00%
Insurance During Construction (4)	2.00%
Marketing/Leasing/Start-Up Per Unit	\$5,000
Developer Overhead (2)	2.00%
Developer Profit (% TDC)	5.00%

Construction Loan

Construction Loan As a % of TDC	70.00%
Construction Loan Amount	\$42,109,249
Interest Rate (Prime + 0.25%)	6.25%
Loan Fees	1.00%
Average Loan Balance (Constr)	60.00%
Construction Period	12 Months
Lease-Up Period	3 Months
Total Construction Loan Term	15 Months
Construction Loan Interest - Const. Period	\$1,579,097
Construction Loan Interest - Lease-Up	\$657,957
Total Construction Loan Interest	\$2,237,054
Construction Loan Fees	\$421,092

Permanent Loan

Debt Coverage Ratio	1.25
Mortgage Term	30 years
Interest Rate	8.00%

- (1) Includes parking hard costs and contractor profit, overhead and general conditions.
- (2) As a percentage of direct costs (site improvements and hard costs).
- (3) Estimate based on Housing Department experience and developer interview.
- (4) As a percentage of TDC, exclusive of land costs and developer profit.

**Estimated Prototype Development Costs
Rental Housing Prototype
San Jose Inclusionary Housing Analysis**

	Renter 1
	Stacked Flat Apartments
Acres	2.855
Number of Units	157
Parking Spaces	204
Net Square Feet Living Area	155,900
Total Net Square Feet	175,900
Ratio Net/Gross SF	85%
Total Gross Square Feet Building Area	206,941
LOW LAND ACQUISITION COSTS	\$4,228,369
MIDDLE LAND ACQUISITION COSTS	\$9,576,013
HIGH LAND ACQUISITION COSTS	\$13,182,563
SITE IMPROVEMENTS	\$3,730,914
BUILDING SHELL HARD COSTS	\$31,041,150
HARD COST CONTINGENCY	\$1,738,603
ARCH./ENG./CONSTR. SUPERVISION	\$1,738,603
CITY IMPACT AND PERMIT FEES	\$3,454,000
CONSTRUCTION LOAN FEES	\$421,092
CONSTRUCTION LOAN INTEREST	\$2,237,054
ENVIRONMENTAL PHASE I	\$7,000
SOILS TESTING	\$20,000
PROPERTY TAXES DURING CONSTR. (1)	\$751,951
INSURANCE	\$951,445
MARKETING/LEASE-UP/START-UP	\$785,000
DEVELOPER OVERHEAD	\$695,441
DEVELOPER PROFIT (1)	\$3,007,804
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TOTAL COST, WITHOUT LAND	\$50,580,057
PER UNIT	\$322,166
PER SQUARE FOOT	\$244.42
TOTAL COST, WITH LOW LAND COST	\$54,808,427
PER UNIT	\$349,098
PER SQUARE FOOT	\$264.85
TOTAL COST, WITH MIDDLE LAND COST	\$60,156,070
PER UNIT	\$383,160
PER SQUARE FOOT	\$290.69
TOTAL COST, WITH HIGH LAND COST	\$63,762,620
PER UNIT	\$406,131
PER SQUARE FOOT	\$308.12

(1) Calculated as a percentage of TDC, assuming the middle-range land cost.

Source: David Paul Rosen & Associates