



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: David M. Guhin, Assistant City Manager/Director
City of Santa Rosa

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From: Keyser Marston Associates, Inc.

Date: September 6, 2018

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Subject: High-Density Multi-Family Residential Incentives

Introduction

As it is a top priority of the City of Santa Rosa to increase the number of residents living in downtown, the City is exploring ways to incentivize high-density residential development in the downtown over the next several years.

Under consideration is a High-Density Multi-Family Residential Incentive Program (Incentive Program) that would apply to multi-family projects located within the Downtown Station Area Plan and General Plan Downtown Core Boundary. The program would waive the Park Impact Fee and the Capital Facilities Fee on residential units above the first three residential floors for projects located in the Downtown Core and above the first two floors for projects located elsewhere in the Downtown Station Area Plan and General Plan Downtown Core Boundary. The program would also defer the timing for payment of water and wastewater demand fees until after issuance of occupancy and provide additional incentives specifically for affordable/ inclusionary housing projects.

The purpose of this conceptual pro forma analysis is to provide an understanding of the development economics of high-density apartment developments in downtown Santa Rosa, and the impact that proposed incentives might have on the feasibility of residential development going forward. The analysis uses prototypes developed with City staff to evaluate the effect of potential incentives on the development economics of apartment projects of different heights, construction types, and submarkets.

The conclusion is that high-density residential development currently faces challenges due to high development costs and the inability to project future apartment rent growth to offset rising costs. If the City Council chooses to provide incentives, the incentives would create a positive impact and increase the likelihood that projects can move forward. While other variables in addition to fee incentives must be addressed, the fee incentive is one piece of the puzzle that developers could use as they seek to fund projects in the near term.

Current Development Impact Fee Levels and Potential Incentives

The City has three types of development impact fees that could be reduced or deferred to encourage high-density residential development:

- Park Impact Fee (\$7,734 per unit)
- Capital Facilities Fee (\$5,433 per unit)
- Water and wastewater demand fees (\$9,490 per unit)

In the context of high-density downtown apartment projects (100+ units per acre), the following observations are made regarding existing development impact fees:

- High-density apartments are more expensive to build than lower-density, suburban projects due to higher land values and construction costs.
- Unit size does not determine the amount of the above development impact fees, i.e. fees are the same for a studio apartment as a three-bedroom unit. High-density apartments therefore pay more in fees on a square foot basis versus lower-density projects. For example, the above development impact fees amount to \$28 per net sq. ft. for a high-density project with 800 sq. ft. units versus \$14 per net sq. ft. for a low-density project with 1,600 sq. ft. units.
- Development impact fees for high-density projects are significant relative to land values in the downtown area. Land values in the downtown area are estimated to range from \$75 to \$100 per sq. ft. of land while development impact fees amount to \$50 per land sq. ft. assuming a density of 100 units per acre.
- As fees are due upon issuance of building permits, fees must be financed with equity during the construction phase, which adds to the project's total cost.

The City is considering several incentives for high-density multi-family projects including a reduction in Park Impact and Capital Facilities fees and a deferral of the timing for the payment of water and wastewater demand fees. The reduction in Park Impact and Capital Facilities fees would be achieved through a cap on the number of floors of residential units subject to the fees. It is proposed that fees be paid on the first three

residential floors and waived on upper floors for projects located in the Downtown Core zoned CD-7 or CD-10, which permits heights of 7 and 10 stories, respectively. Elsewhere in the Downtown Specific Plan Area where the height allowed by zoning is less than CD-7 and CD-10 zoning, fees would be paid on the first two residential floors and waived on upper floors. For affordable and inclusionary projects, a reduction in Park and Capital Facilities fees for non-exempt units is being considered as well. For detail on proposed incentives, please see the Staff report dated September 25, 2018.

Approach to Analysis

This conceptual analysis relies on generic residential apartment prototypes to illustrate “average” or “typical” high-density apartment projects envisioned for downtown. By its nature the conceptual analysis can only provide an overview-level assessment of real estate development economics. The development economics may be better or worse when a specific project is proposed, due to any number of unique circumstances, such as site configuration and conditions, construction efficiencies, project design, land cost basis, and sources of capital. As a result, all financial and programmatic estimates are preliminary in nature.

The analysis presents a snapshot in time as of mid-2018. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different, so the pro forma conclusions are not expected to hold over a longer-term time horizon.

A summary of the conceptual pro forma analysis is provided below; financial and market inputs are detailed in the attached tables. The financial and market inputs are based on third party real estate sources, such as land sales transactions and apartment rental rates. This information was adjusted to reflect the prototypes being evaluated.

Conceptual Development Prototypes

In collaboration with City staff, four generic prototypes were selected to serve as examples of the types of high-density residential development that the City seeks to encourage in the downtown:

- 5-story low-rise building (Type V construction over a podium)
- 6-story mid-rise building (Type III construction over a podium)
- 7-story mid-rise building (Type III construction over a podium)
- 10-story high-rise building (Type I construction)

The building prototypes are assumed to exhibit a similar unit mix and size (an average of 800 sq. ft., consistent with recently built and/or proposed projects). All prototypes are assumed to be for rent as this is the predominant tenure of recently proposed high-density projects in the downtown area. While projects may be required to provide a minimum amount of ground floor commercial, this analysis focuses on the development economics of apartments and presumes that commercial development will pay for itself.

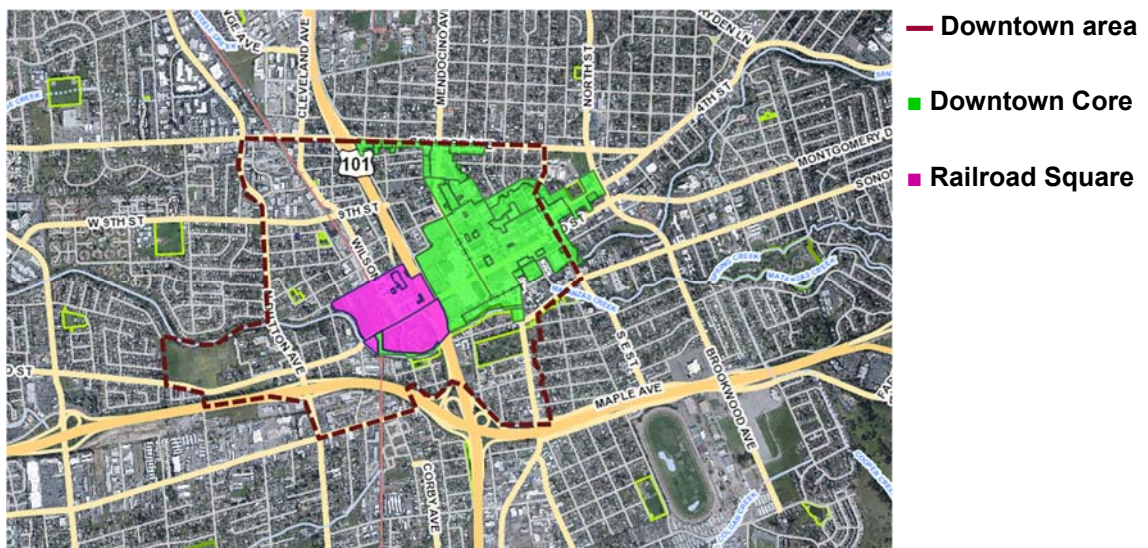
Downtown Submarkets

While the proposed Incentive Program would encompass the entire downtown area, defined by the Downtown Station Area Plan and General Plan Downtown Core Boundary, this analysis focuses on two submarkets where fee incentives are most likely to apply based on current zoning (see map):

- Downtown Core: zoned “Downtown Commercial” (CD), which permits heights between 5 and 10 stories
- Railroad Square: zoned “Transit Village – Mixed” (TV-M), which permits heights up to 5 stories.

Market assumptions (rents and land prices) for the low-rise (5-story) prototype reflect the Railroad Square submarket. Market assumptions for mid-rise and high-rise prototypes reflect the Downtown Core submarket.

High-Density Zoning Districts in the Downtown Station Area Plan and General Plan Downtown Core Boundary



Factors Affecting Development Economics of High-Density Apartments

There are number of factors that impact the likelihood that high-density apartment projects are funded and built. In a dynamic market, these factors change. The following is a summary of key factors:

- *Construction Costs:* Construction costs continue to increase. Direct construction costs for a to-be-built project are estimated to be approximately \$225 per square foot of gross building area for low-rise (Type V) projects, \$235 to \$240 per square foot for midrise (Type III) projects, and \$270 per square foot for high-rise (Type I) projects. The pricing reflects many variables, including parking ratios of at least one parking space per unit.
 - The direct construction cost per unit (before land and indirect costs) is estimated to range from \$225,000 to \$270,000 per unit based on the building type. Total development costs, including land and indirect costs, is in the range of \$350,000 to \$395,000 per unit.
- *Land Costs:* Land values are in the range of \$75 to \$100+ per sq. ft. of land area, or \$20,000 to \$35,000 per entitled depending on the density and location. If land owners have limited options, i.e. accepting a lower value versus continuing to hold for investment, land owners may be willing to accept a lower price. Alternatively, the land owner can wait for the next cycle.
- *Asking Rents:* The average one-bedroom asking rent for the top tier of recently completed projects in Santa Rosa is approximately \$2,350 per month. Asking rents for high-density apartments in downtown are projected to be similar or slightly higher, ranging from \$2,350 to \$2,500 per month (depending on building type and location). Rents exceeding this range would approach current asking rents of smaller single-family homes.
- *Project Values:* The project's value upon completion is determined by capitalizing the net operating income, i.e. net operating income divided by the capitalization rate. The capitalization rate is based on benchmarks published by nationally recognized research firms. The conceptual pro forma estimates that the capitalization rate for residential projects is currently in the range of 4.5% to 5.0%.
- *Profit Target:* Profit is defined as the difference between value and cost. The estimated minimum profit target for all prototypes is 10% to 15% of costs. Achieving the threshold level of profit is used in determining if the project is worth pursuing. Equity partners weigh the projected return on high-density apartments with investment opportunities in other geographic locations and elsewhere in the capital markets.

Conceptual Pro Forma Analysis Findings

The conceptual pro forma analysis compares the estimated profit supported by the development prototypes to the minimum profit target of 10% to 15% based on a range of development impact fee levels for Park Impact and Capital Facilities illustrating the effect of potential fee incentives:

- Park Impact and Capital Facilities fees at current levels (~\$13,100 per unit)
- 75% of current Park and Capital Facilities fees
- 50% of current Park and Capital Facilities fees
- 25% of current Park and Capital Facilities fees
- No Park and Capital Facilities fees (not the intent of the City, but shown for illustrative purposes).

The City is considering fee incentives that would waive Park Impact and Capital Facilities fees for units above the second or third residential floor. The attached staff report provides examples of how the fee waiver would apply to buildings of different heights. It is estimated that, after incentives, a five-story market rate building would pay 75% of current Park Impact and Capital Facilities fees (or 50% of fees if located outside the Downtown Core), a six- to seven-story building would pay 50% to 60% of current fees, and a ten-story building would pay 33% of current fees. The full range of fee levels is shown below for all prototypes for discussion purposes.

Per the table below, high-density residential development currently faces challenges due to high development costs and the inability to project future rent growth to offset rising costs. The analysis indicates that even if Park and Capital Facilities impact fees were completely waived for 2018 (which is not the intent of the City), the estimated development profit would still fall at or below the lower end of the targeted profit range.

Estimated Profit Per Unit Before and After Park and Capital Facilities Fee Incentives

Submarket	Stories	Value/ Unit	Cost/ Unit	Estimated Profit Per Unit				
				CFF, Park Impact Fee Level:				
				Full	75%	50%	33%	None
Railroad Sq.	5	\$380,000	\$352,000	8%	9%	10%	11%	12%
Downtown Core	6	\$390,000	\$365,000	7%	8%	9%	9%	11%
	7	\$390,000	\$365,000	7%	8%	9%	9%	11%
	10	\$410,000	\$395,000	4%	5%	6%	6%	7%

Profit is shown as a percentage of development costs.

Deferral of Water and Wastewater Fee Payment

In addition to Park and Capital Facilities fee incentives, the City is considering a deferral of the timing for the payment of water and wastewater demand fees for high-density projects in the downtown area. By deferring the fee payment, there can be significant savings to the developer, since fees are typically financed with equity, which requires a return once it is funded.

The carrying cost with equity during the construction period effectively increases the cost of the fee by nearly 25% over two years, assuming that equity requires a 12% rate of return. The effect is that water and wastewater fees of \$9,500 per unit become \$11,800 per unit when the cost of capital is included.

As illustrated in the table below, if water and wastewater fees were paid at, say, the close of permanent financing, which might be two or more years after when the fee would normally be paid, then the developer does not have to fund the return on equity for the fee payment during the construction period. Assuming the City charges a modest interest rate of 3% per year, the cost savings to the developer would be approximately \$1,700 per unit.

Potential Cost Savings to Developer from Deferral of Water and Wastewater Demand Fees

Units	Demand Fees/Unit	Total Fee	Financing Cost Savings Over 2 Years		
			Annual*	2 Years	Per Unit
300	\$9,500	\$2,850,000	9%	\$513,000	\$1,700

*Difference between estimated 12% return on equity and estimated 3% interest to be charged by City.

Deferral of the payment of water and wastewater demand fees enhances the return over time to the developer and investors, i.e. to the extent dollars can be invested on a deferred basis, then the return over time is higher when compared to investing the same dollars up front, say two years earlier at issuance of permits.

Additional Incentives for Affordable/ Inclusionary Projects

The City may consider additional fee incentives for affordable housing and/or inclusionary housing projects in the downtown area. The development of high-density affordable/inclusionary projects is especially challenging considering that the value per unit supported by below-market rents is significantly less than the estimated development cost. As shown in the table below, the gap between the capitalized value of an affordable unit and the estimated development cost ranges from \$185,000 to \$266,000 per unit, depending on the income level targeted. While the application of Low Income Housing Tax Credits may reduce this gap, it is common for developers of

To: David Guhin
Subject: High-Density Residential Incentives

September 6, 2018

Page 8

affordable units to require local support on the order of \$100,000 to \$200,000 per unit. By providing additional fee incentives, the City would potentially reduce the subsidy required from other local sources such as the Santa Rosa Housing Authority. These funding sources, in turn, could support additional affordable units, moving the City closer toward the affordable housing goals outlined in the Housing Action Plan.

Development Cost versus Capitalized Value of Affordable Units

	60% AMI	80% AMI
Building Height	7 Stories	7 Stories
Unit Type/ Size	1BR, 800 SF	1BR, 800 SF
Monthly Rent (incl. Utilities) Per Unit	\$1,105	\$1,414
Value Supported by Rent Per Unit	\$123,000	\$204,000
Development Cost (incl. Profit) Per Unit	<u>\$389,000</u>	<u>\$389,000</u>
Gap (Cost minus Value) Per Unit	\$266,000	\$185,000

Conclusions and Recommendations

High-density residential development currently faces challenges due to high development costs and the inability to project future apartment rent growth to offset rising costs. If the City Council chooses to provide incentives, the incentives would create a positive impact and increase the likelihood that projects can move forward. While other variables in addition to fee incentives must be addressed, the fee incentive is one piece of the puzzle that developers could use as they seek to fund projects in the near term.

SUMMARY
CONCEPTUAL PRO FORMA ANALYSIS
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: KMA assumptions based on planned and recently built projects (Tables 3 and 4)

	Prototype A Five Stories Table 1	Prototype B Six Stories Table 2	Prototype C Seven Stories Table 3	Prototype D 10 Stories Table 4
Submarket	Railroad Sq.	DT Core	DT Core	DT Core
Zoning	TV-M	CD-7	CD-7	CD-10
Building Type	Type V over podium	Type III over podium	Type III over podium	Type I
Density	100 du/acre	130 du/acre	150 du/acre	190 du/acre
Average Unit Size	800	800	800	800
Building Efficiency	80%	80%	80%	80%
Parking Ratio	1.0	1.0	1.0	1.0
<u>Conceptual Pro Forma</u>				
Value Per Unit	\$380,000	\$390,000	\$390,000	\$410,000
Cost Per Unit	\$352,000	\$365,000	\$365,000	\$395,000
Profit Per Unit	\$28,000	\$25,000	\$25,000	\$15,000
Profit as % of Costs	8%	7%	7%	4%
<u>Profit After Incentives</u>				
	fee/du			
Full Parks Fee, CFF	\$13,100	8%	7%	7%
75% Parks, CFF	\$9,825	9%	8%	8%
50% Parks, CFF	\$6,550	10%	9%	9%
33% Parks, CFF	\$4,367	11%	9%	9%
No Parks, CFF*	\$0	12%	11%	11%

* Full fee waiver not under consideration. Shown for illustrative purposes only.

TABLE 1
CONCEPTUAL PRO FORMA: FIVE STORIES
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

PROGRAM

Submarket	Railroad Square
Construction Type	Type V over podium
Building Stories	4 over 1
Density	100 du/acre
Average Unit Size	800 SF/unit
Building Efficiency	80% efficiency
Parking Ratio	1.0 spaces/unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$75 /SF land	\$33,000
Estimated Direct Costs	\$225 /GSF	\$225,000
Indirect Costs	22% of direct costs	\$49,000
Capital Facilities and Parks Fees		\$13,100
Housing Allocation Fee		\$1,800
Water/Wastewater Cxn Fees		\$9,500
Other Governmental Fees ¹		\$4,600
Construction Financing	5.50% interest rate 2 years 55% avg drawdown	\$16,000
Total Development Cost Per Unit		\$352,000

OPERATING INCOME

Weighted Average Rent Per Month	\$2.94 PSF/mo	\$2,350
Other Income Per Month	\$1,200 /year	\$100
Vacancy		5%
Effective Gross Income Per Year		\$27,900
Operating Exp. (incl. Prop. Tax) Per Year		\$9,000
Net Operating Income		\$18,900

ESTIMATED CAPITALIZED VALUE

Estimated Capitalized Value	5.00% cap rate	\$380,000
vs. Estimated Development Costs		\$352,000

ESTIMATED PROFIT

Estimated Profit Before Incentives	Value minus costs	\$28,000
	As % of costs	8.0% of cost

¹ Building inspection, plan review, fire permit, technology, advanced planning, micrographics, state-mandated fees, and school fees.

TABLE 2
CONCEPTUAL PRO FORMA: SIX STORIES
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

PROGRAM

Submarket	Downtown core
Construction Type	Type III over podium
Building Stories	4 over 2
Density	130 du/acre
Average Unit Size	800 SF/unit
Building Efficiency	80% efficiency
Parking Ratio	1.0 spaces/unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$100 /SF land	\$34,000
Estimated Direct Costs	\$235 /GSF	\$235,000
Indirect Costs	21% of direct costs	\$50,000
Capital Facilities and Parks Fees		\$13,100
Housing Allocation Fee		\$1,800
Water/Wastewater Cxn Fees		\$9,500
Other Governmental Fees ¹		\$4,600
Construction Financing	5.50% interest rate 2 years 55% avg drawdown	\$17,000
Total Development Cost Per Unit		\$365,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.00 PSF/mo	\$2,400
Other Income Per Month	\$1,200 /year	\$100
Vacancy		5%
Effective Gross Income Per Year		\$28,500
Operating Exp. (incl. Prop. Tax) Per Year		\$9,100
Net Operating Income		\$19,400

ESTIMATED CAPITALIZED VALUE

Estimated Capitalized Value	5.00% cap rate	\$390,000
vs. Estimated Development Costs		\$365,000

ESTIMATED PROFIT

Estimated Profit Before Incentives	Value minus costs	\$25,000
	As % of costs	6.8% of cost

¹ Building inspection, plan review, fire permit, technology, advanced planning, micrographics, state-mandated fees, and school fees.

TABLE 3
CONCEPTUAL PRO FORMA: SEVEN STORIES
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

PROGRAM

Submarket	Downtown core
Construction Type	Type III over podium
Building Stories	5 over 2
Density	150 du/acre
Average Unit Size	800 SF/unit
Building Efficiency	80% efficiency
Parking Ratio	1.0 spaces/unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$100 /SF land	\$29,000
Estimated Direct Costs	\$240 /GSF	\$240,000
Indirect Costs	21% of direct costs	\$50,000
Capital Facilities and Parks Fees		\$13,100
Housing Allocation Fee		\$1,800
Water/Wastewater Cxn Fees		\$9,500
Other Governmental Fees ¹		\$4,600
Construction Financing	5.50% interest rate 2 years 55% avg drawdown	\$17,000
Total Development Cost Per Unit		\$365,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.00 PSF/mo	\$2,400
Other Income Per Month	\$1,200 /year	\$100
Vacancy		5%
Effective Gross Income Per Year		\$28,500
Operating Exp. (incl. Prop. Tax) Per Year		\$9,100
Net Operating Income		\$19,400

ESTIMATED CAPITALIZED VALUE

Estimated Capitalized Value	5.00% cap rate	\$390,000
vs. Estimated Development Costs		\$365,000

ESTIMATED PROFIT

Estimated Profit Before Incentives	Value minus costs	\$25,000
	As % of costs	6.8% of cost

¹ Building inspection, plan review, fire permit, technology, advanced planning, micrographics, state-mandated fees, and school fees.

TABLE 4
CONCEPTUAL PRO FORMA: 10 STORIES
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

PROGRAM

Submarket	Downtown core
Construction Type	Type I tower
Building Stories	10 stories
Density	190 du/acre
Average Unit Size	800 SF/unit
Building Efficiency	80% efficiency
Parking Ratio	1.0 spaces/unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$100 /SF land	\$23,000
Estimated Direct Costs	\$270 /GSF	\$270,000
Indirect Costs	20% of direct costs	\$55,000
Capital Facilities and Parks Fees		\$13,100
Housing Allocation Fee		\$1,800
Water/Wastewater Cxn Fees		\$9,500
Other Governmental Fees ¹		\$4,600
Construction Financing	5.50% interest rate 2 years 55% avg drawdown	\$18,000
Total Development Cost Per Unit		\$395,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.13 PSF/mo	\$2,500
Other Income Per Month	\$1,200 /year	\$100
Vacancy		5%
Effective Gross Income Per Year		\$29,600
Operating Exp. (incl. Prop. Tax) Per Year		\$9,500
Net Operating Income		\$20,100

ESTIMATED CAPITALIZED VALUE

Estimated Capitalized Value	4.90% cap rate	\$410,000
vs. Estimated Development Costs		\$395,000

ESTIMATED PROFIT

Estimated Profit Before Incentives	Value minus costs	\$15,000
	As % of costs	3.8% of cost

¹ Building inspection, plan review, fire permit, technology, advanced planning, micrographics, state-mandated fees, and school fees.

APPENDIX A
DEVELOPMENT PIPELINE: DOWNTOWN STATION AREA SPECIFIC PLAN AREA
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: City of Santa Rosa

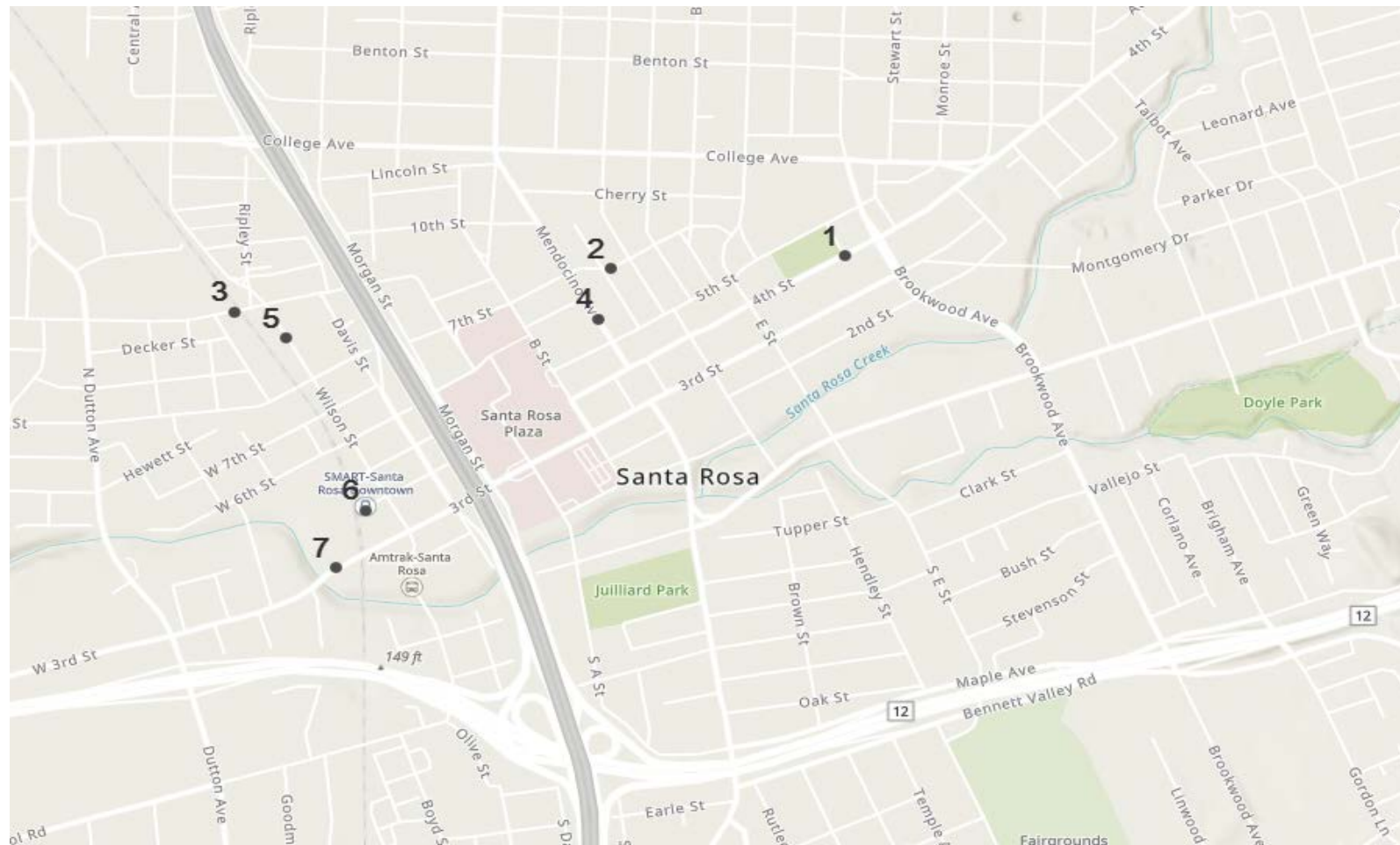
Project	Units	Units/ Acre	Status	Stories	Zoning	Notes
1) 888 Fourth Street 888 4Th St Downtown	52	68	Approved	7	CD-7	
2) Art House 620 7Th St Downtown	21	105	Approved	4	CD5-SA	
3) Deturk Village 8 W 9Th St West End	185	54	Approved	4	TV-R-H-SA	185 units includes density bonus Seeking increase in units to 240
4) 420 Mendocino 420 Mendocino Downtown	128	207	Under Review	6	CD-10-SA	
5) Pullman Lofts 701 Wilson Street West End	72	39	Approved	3	TV-R-SA	
6) Railroad Sq. Transit Village 2 Fourth Street Railroad Square	268	50	Opportunity	TBD	TV-M-H-SA	ROEM selected previously Now being re-bid by SMART
7) Santa Rosa Cannery 3 W 3Rd St Railroad Square	93	72	Inactive	TBD	TV-M-H-SA	Affordable senior housing (as of last active proposal)

APPENDIX A
DEVELOPMENT PIPELINE: DOWNTOWN STATION AREA SPECIFIC PLAN AREA
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: City of Santa Rosa

Project Map



APPENDIX B
ASKING RENTS OF RECENTLY BUILT PROJECTS IN SANTA ROSA
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: Costar

Project	Average Sq. Ft.	Monthly Rent ¹		Rent/ SF	Comments
		Asking	w/ Concessions		
1. Six1Five					Built in 2007
615 Healdsburg Ave					Downtown/ St Rose
1BR	754	\$2,193	\$2,186	\$2.90	79 units, 4 stories
2BR	1,060	\$2,411	\$2,401	\$2.27	88 du/ acre
Total	909	\$2,303	\$2,295	\$2.52	1 pkg. space/unit
2. Annadel Apts.					Built in 2015
1020 Jennings Ave					Coddington
1BR	759	\$2,135	\$2,135	\$2.81	270 units, 3 stories
2BR	1,009	\$2,533	\$2,533	\$2.51	25 du/ acre
3BR	1,191	\$3,374	\$3,374	\$2.83	1.9 pkg spaces/unit
Total	913	\$2,429	\$2,429	\$2.66	
3. Annadel Apts. II					Built in 2018
1020 Jennings Ave					Coddington
1BR	761	\$2,343	\$2,343	\$3.08	120 units, 3 stories
2BR	1,039	\$2,607	\$2,607	\$2.51	25 du/ acre
3BR	1,191	\$3,154	\$3,154	\$2.65	TBD parking ratio
Total	922	\$2,536	\$2,536	\$2.75	
4. Magnolia Place					Built in 2017
1108 14th Street					Junior College
2BR	1,008	\$2,251	\$2,238	\$2.22	20 units, 2 stories
3BR	1,296	\$2,558	\$2,543	\$1.96	18 du/ac
Total	1,066	\$2,312	\$2,299	\$2.16	2.6 pkg. spaces/unit
5. Canyon Oaks					Built in 2018
Thomas Lake Harris Dr					Outer Santa Rosa
3BR	1,446	\$3,195	\$3,195	\$2.21	96 units, 3 stories
Total	1,446	\$3,195	\$3,195	\$2.21	10 du/ acre
					2.3 pkg spaces/unit
Summary (\$/ Month)					
	<i>Min</i>	<i>Max</i>	<i>Average</i>		
1BR	\$2,135	\$2,343	\$2,221		
2BR	\$2,238	\$2,607	\$2,445		
3BR	\$2,543	\$3,374	\$3,067		

¹ At least one parking space appears to be included in lease in all cases.

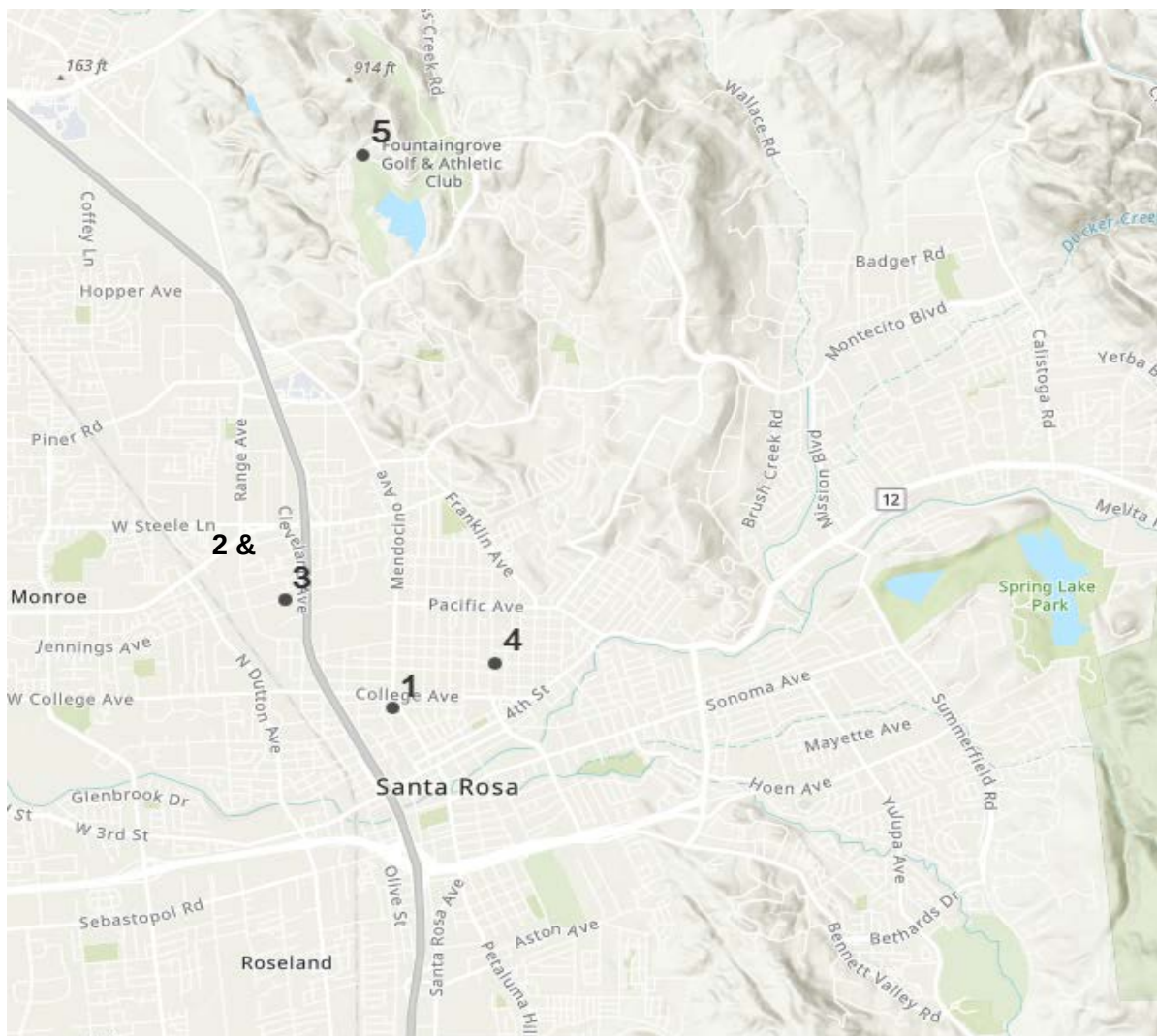
Monthly fee for pets: \$40-\$50 per month (where permitted).

APPENDIX B
ASKING RENTS OF RECENTLY BUILT PROJECTS IN SANTA ROSA
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: Costar

Project Map



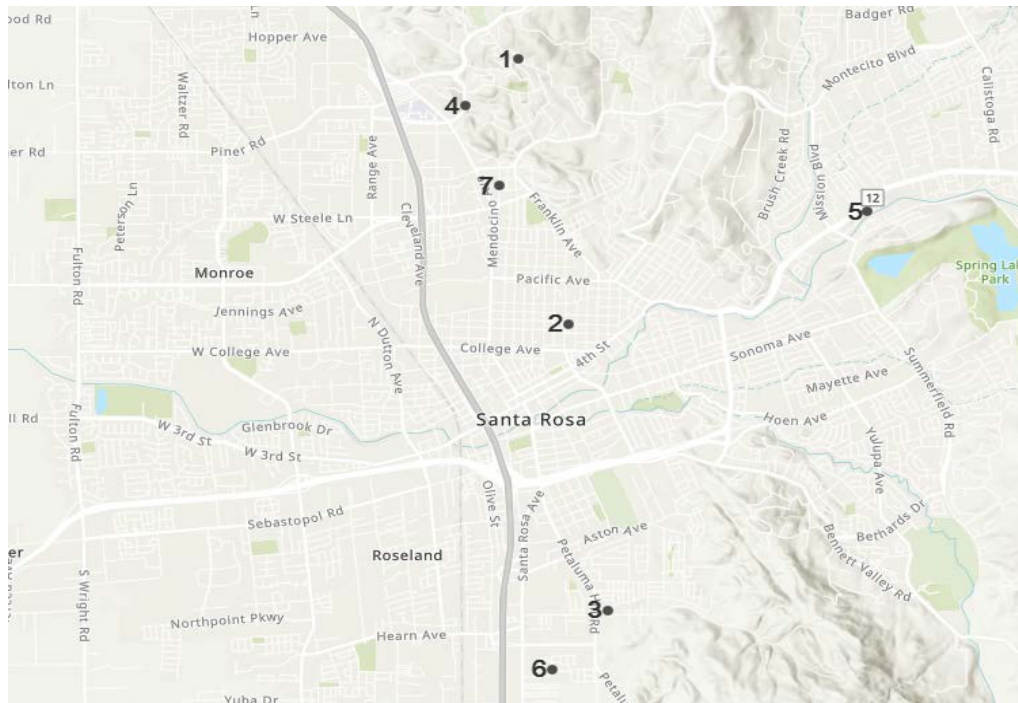
APPENDIX C
RECENT MULTIFAMILY PROPERTY TRANSACTIONS IN SANTA ROSA
DOWNTOWN HOUSING INCENTIVES

SANTA ROSA, CA

9/6/2018

Source: Costar

Property	Year Built	Units	Unts/ Acre	Year Sold	Sale Price	\$/Unit	Cap Rate
1 3680 Kelsey Knolls Grove	2004	124	12	2016	\$42,351,000	\$341,540	4.60%
2 Magnolia Place (1108 14th St)	2017	20	18	2017	\$6,600,000	\$330,000	5.02%
3 2111 Kawana Springs Rd	2002	138	15	2016	\$43,000,000	\$311,594	4.50%
4 200 Bicentennial Way	2003	78	12	2016	\$24,026,000	\$308,026	4.60%
5 4656 Quigg Dr	2003	277	24	2017	\$84,919,408	\$306,568	
6 2327 Summercreek Dr	2004	104	18	2016	\$30,500,000	\$293,269	4.85%
7 2315-2335 Lomitas Ave	2004	28	30	2018	\$7,115,000	\$254,107	



APPENDIX D
CURRENT GOVERNMENTAL FEES
DOWNTOWN HOUSING INCENTIVES
SANTA ROSA, CA

9/6/2018

Source: City of Santa Rosa

Fee Item	Fee Amount	Potential Incentives
Building - Inspection		
Multi-Family Residential	\$0.09 /Sq. Ft.	
Parking Garage	\$0.10 /Sq. Ft.	
Retail Sales	\$0.60 /Sq. Ft.	
Storage	\$0.43 /Sq. Ft.	
Micrographics Fee	0.04% of Valuation	
Plan Review		
Multi-Family Residential	\$0.25 /Sq. Ft.	
Parking Garage	\$0.36 /Sq. Ft.	
Retail Sales	\$1.60 /Sq. Ft.	
Storage	\$1.07 /Sq. Ft.	
Fire Permit Fees		
Fire Inspection	\$7,446 Lump Sum	
Fire Plan Review	\$20,562 Lump Sum	
Fire Micrographics - BLDG	\$700 Lump Sum	
Fire Technology - BLDG	\$700 Lump Sum	
Technology Fee	\$93 Lump Sum	
Advance Planning Fee	\$370 Lump Sum	
Impact - Capital Facilities		
Mini Warehouse	\$1.54 /Sq. Ft.	
Retail	\$14.16 /Sq. Ft.	
Residential, Medium-High Density	\$5,433 /Unit	Reduction
Impact - Parks		
Multifamily - Northeast	\$7,734 /Unit	Reduction
Strong Motion Tax - Residential	0.01% of Valuation	
SB1473 CBSC Fee	0.004% of Valuation	
Housing Allocation Fee ¹	\$1,000 /Unit or \$1.50 /NSF	
School District		
Residential	\$3.48 /SF	
Commercial	\$3.56 /SF	
Water/ Wastewater		
Water Connection	\$2,469 /unit	Deferral
Wastewater Connection	\$7,021 /unit	Deferral
Public Art (Commercial Only)	1% of Valuation	

¹ Fee varies based on unit size. Fees shown are the average per unit or per net square foot for 420 Mendocino (670 NSF/unit).