

To: Susie Murray-Planner City of Santa Rosa 2/1/2017

From: Rick Deringer Applicant DeTurk Winery Village

Financial Analysis of Concessions for Density Bonus Hearing

The following analysis is being submitted to justify the financial need for the two concessions, which is required to justify the economic ability for affordable housing.

1. Parking concession. The current City Code for parking requires this project to provide 1 ½ parking spaces per unit plus additional parking for Commercial uses. Per the traffic and parking study prepared by W-Trans this would require;
(270 residential parking spaces and 34 parking spaces for commercial for a total of 304 required spaces. Under the conditions of Density Bonus, taking into consideration State Law AB744 this amount drops to 132 residential units and 42 commercial spaces for a total of 174 spaces, or a reduction of 130 parking spaces. At an average cost to produce each space of approximately \$15,000 this creates a savings of approximately \$1,950,000. This savings will be needed to cover the losses created to us from 15 very low income housing units, see below)
2. Height concession. There are currently 185 apartment units requested in this project, of which there are 34 Fourth Floor one-bedroom units and 20 Fourth Floor 2 bed-room units. This totals 54 units impacted by the 4th floor height concession. If we did not receive approval of the fourth-floor concession, we would remove the 54 units from the 185 units currently proposed and have just 131 units. This is 6 units less than the maximum density of 40 units per acre. Since there is no requirement for on-site affordable housing there would be no economic incentive to produce any affordable housing, thereby making this concession economically feasible.
 - a. Income reduction of affordable units: Adding in the affordable units will have a significant economic income loss from these units. The maximum, on average, we can charge rent on

these units under the current affordable guideline is approximately \$725 per month or about \$1,000 per month less than what we will receive for market rate units. Based on 15 units we will lose approximately \$180,000 per year or nearly \$10,000,000 over the 55-year holding period of these units. This makes the creation of 33 additional market rate units critical to offset the reduction of income from the economic reduction created by providing the affordable units.

- b. Potential sales reduction created by the affordable units. The cost of producing each unit in this project is estimated to be \$285,000. That cost is the same for market rate units as well as affordable units. The most optimistic sales price we anticipate from the sale of these apartment project units will equate to about \$330,000 per unit. Because this is an apartment project all housing units will be sold in bundle with the building associated with these specific units. However, as to the affordable units that sales price value will drop to approximately \$185,000 per units bases on a cap rate analysis of income created by these affordable units. That represents another \$2,175,000 loss that must be made up by the additional 33 Density Bonus units.

Bottom line without the concessions we will not be able to produce any affordable housing units.

Applicant Rick Deringer DeTurk Winery Village