STATEMENT OF WORK

OBJECTIVES

The objectives are to develop a general scope of services organized by task. In addition, goals and objectives of each task are summarized to support an overall appreciation of the expectations of each task. Parameters are provided to assist in understanding the expected level of detail, deliverables, what the end products need to accomplish, and how these products will be used. This scope of services is to provide the overall framework and direction for the proposed study.

SCOPE OF SERVICES OUTLINE

PROJECT DESCRIPTION

Goal: *To identify plausible development scenarios and financial feasibility of an affordable housing development at the Ashby BART location with the object of employee retention in the City of Berkeley.*

Methods: The study will begin upon the acceptance of this statement of work and will continue through 08/24/2001, for a study duration of approximately three months. The scope of this study will include:

1. Public and Stakeholder Due Diligence
2. Comparable Analysis Study
3. Preparation of Development Scenarios
4. Market Research and Demand Analysis
5. Financial Feasibility Study

PUBLIC AND STAKEHOLDER DUE DILIGENCE

Goal: *To establish an understanding of the public and stakeholder efforts, preferences and outstanding issues as it relates to the successful completion of the project goal.*

Methods: Establish and attend meetings with the representatives of employees of the City of Berkeley, the University of California, and the Berkeley Unified School Distict, BART's Manager of Property Development, the nine organization partner group of the Ed Robert's Campus and other relevant organization representatives as identified by the City Manager. The purpose of these meeting will be to discuss the proposal submitted to the City of Berkeley and dated January 3, 2001 and identify issues that are critical to the implementation of any proposed development.

Products:

- Assessment of issues critical to the public for use by both the Service Provider and the City of Berkeley in preparing prospective development scenarios.

COMPARABLE ANALYSIS STUDY

Goal: *To profile successful regional and national public/private developments for purposes of identifying best practices in the realm of design and financing initiatives.*

Methods: Comparable subjects will be identified as those satisfying one or more of the following characteristics:

- Transit-Oriented Development
- Affordable Rental/Ownership Development
- Public development initiatives in cities of 100,000 to 200,000 residents
- Public development initiatives toward the goal of local employee retention

This analysis will include subject features, functions and benefits. In addition, operating expenses and financing sources will be included when available.

Products:

- Comparable analysis report of no fewer than four projects or initiatives.

PREPARATION OF DEVELOPMENT SCENARIOS

Goal: *To create a portfolio of prototypes for the subject site, identifying associated costs and characteristics of separate development initiatives. Identify a subset of these prototypes that represent the most promising scenarios.*

Methods: The portfolio will model developments differentiated by following parameters:

- Percent of space developed (Including planned unit development)
- Height and density
- Amount and location of parking
- Unit sizes
- Affordable housing mix
- Ownership/rental mix
- Associated development mix (Retail, Community Services, etc.)

The portfolio will be prepared addressing issues identified in the Public and Stakeholder Due Diligence and the utilizing, where possible, the best practices identified in the Comparable Analysis. A brief discussion of design issues may also accompany some prototypes. The City of Berkeley shall select a subset of these prototypes for which the Service Provider shall provide more detailed analysis during the remainder of the contract period.

Products:

- Summary financial projections and discussion of development prototypes for no fewer than six unique scenarios.

MARKET RESEARCH AND DEMAND ANALYSIS

Goal: *To provide an understanding of the current housing supply, market forecasts and prospective demand within the target market.*

Methods: An analytical report of current market conditions will be prepared which will include:

- Current housing supply
- Absorption and Vacancies
- Rents and Values

An analytical report of market forecasts will be prepared which will include:

- Projected Housing Supply
- Absorption and Vacancies
- Rents and Values
- Employment Growth
- Population Growth
- Space Needs

A demand analysis of the characteristics of target tenants will be prepared. Emphasis will be placed upon the preferences, income, space needs and commute of the employees represented in the proposal submitted to the City of Berkeley on January 3, 2001. Focus Groups may be conducted with the purpose of identifying unique challenges and opportunities the subject location presents to prospective tenants.

Products:

- Market research and demand analysis report.

FINANCIAL FEASIBILITY STUDY

Goal: *Identify the capital requirements, operating costs and revenues associated with development at the subject site. Identify the sources of funding available for development including non-financial or indirect forms of assistance.*

Methods: Prepare refined financial models for the subset of development prototypes selected by the City of Berkeley. These refinements will include detailed estimates of hard and soft costs as well as projections of revenues and expenses. In addition, the financial feasibility study will identify and model expected sources of funding, including but not limited to LIHTC, project based Section 8 authorities, HUD and AFL-CIO Housing Investment Trust funding, in order to identify the minimum capital requirements necessary for development. Sensitivity analysis will be performed based on selected market and cost scenarios.

The Service Provider will work with the City of Berkeley to identify non-financial or indirect forms of assistance including but not limited to zoning considerations, project approvals and coordinated design.

Products:

- Sources of financing summary.
- Refined financial projections of construction costs, revenues and financing for a subset of development prototypes.

PROJECT MILESTONE DATES

Goal: *Keep the project on schedule.*

Methods: Major submission dates and milestones are listed below. A detailed project schedule will be developed upon commencement of the study. Items not included in this Statement of Work that arise out of this study will be evaluated as to impact on this project schedule.

Milestone	**Tentative Date(s)**
Kickoff Meeting	Week of 06/04/01
Public and Stakeholder Due Diligence Assessment of Issues	06/22/01
Comparable Analysis Study	06/22/01
Preparation of Development Scenarios	07/10/01
Selection of Scenario Subset	07/16/01
Market Research and Demand Analysis	08/09/01
Sources of Funding Overview	08/13/01
Financial Model Preparation	08/21/01
Financial Model Review	08/24/01

COMPARABLE ANALYSIS STUDY

OBJECTIVE

To profile successful regional and national public/private developments for purposes of identifying best practices in design, financing and the approach to site specific challenges. Select comparables with characteristics that highlight considerations particularly relevant to any proposed development at the Ashby BART location. Develop an organized comparable analysis study that can be used as a framework for discussions regarding possible development scenarios at the Ashby BART location.

SUMMARY OF SELECTED COMPARABLES

The Village at Overlake Station
Redmond, WA

An intensive study by the City of Seattle on transit-oriented development has initiated several transit related joint development projects including The Village at Overlake Station. The 300-unit, 100% affordable housing development will include two stories of parking for 582 cars. Development requirements for this project mandated the preservation of the park and ride spaces while promoting the effective dual use of the site as both a transit hub and residential development. The Village at Overlake Station uniquely illustrates the construction, financing and management considerations required of such a development.

Ohlone-Chynoweth Commons
San Jose, CA

Ohlone-Chynoweth Commons was developed to address both the desperate need for affordable housing in the San Jose area as well as the desire to reduce the demands on an overburdened highway system. As the first transit-oriented joint development project of the Santa Clara Valley Transportation Authority (VTA), the implementation of this 192 unit affordable housing project has been studied since its completion in an attempt to identify best practices in development and design. Ohlone-Chynoweth Commons helps to demonstrate some of these lessons learned in the practical development of transit-oriented projects.

CarLink I
Davis, CA

Created as a joint development project among Honda Motors, the University of California at Davis and others, CarLink I was an experiment in the viability of car sharing programs. Operated out of the Dublin-Pleasanton BART station, 54 volunteers shared 12 automobiles for a period of 10 months. CarLink I was included in this study as an example of alternative transportation practices that are increasing part of transit-oriented developments.

SUMMARY OF SELECTED COMPARABLES

Strobridge Court
Castro Valley, CA

Completed by Bridge Housing in 1997, Strobridge Court created 96 units of senior and family housing adjacent to the Castro Valley BART station. As the first joint development on BART owned property, the success of this award-winning project has contributed to the active support of transit-oriented initiatives as outlined in BART's 1999 Strategic Plan. Strobridge Court aids in understanding the challenges of joint developments requiring BART cooperation, and outlines some of the considerations for public agencies involved in joint development projects.

Lenzen Avenue
San Jose, CA

As one of the first teacher-oriented affordable housing developments in California, the Lenzen Avenue project will provide 88-unit of housing consisting of studios, one-bedroom and two-bedroom units. Even the site location, across the street from the school district's administrative offices, contributes to an amenity package designed to accommodate the needs of a specific population. The Lenzen Avenue project helps to define the special requirements and unique characteristics of affordable housing dedicated for teachers and other school personnel.

Albina Corner
Portland, OR

Albina Corner is a unique example of high-density, mixed-used, infill development. Located in a historic design area, the project provides 43 units of affordable housing and 12,000 square feet of retail space on three-quarters of an acre, while remaining compatible with the surrounding neighborhood. Many of the concepts of "smart" infill housing design, especially shared parking practices, are successfully implemented in this project. Although it is yet to be determined if the density and reduced parking of Albina Corner are appropriate for a development at the Ashby site, the project provides a practical example of aggressive land use policies.

Transit Oriented Development

The Village at Overlake Station
Redmond, Washington

Goal: *The King County Department of Transportation owned and operated a five-acre site in the City of Redmond, Washington utilized as a park & ride lot for its bus transit system. King County solicited and received proposals for transit-oriented developments that would focus on housing, linked with ancillary services that would preserve the use of the park & ride parking.*

Development Details	
Expected Completion:	April 2002 with some apartments occupied as early as January 2002
Location:	Overlake Commercial Area of Redmond, WA
Unit Mix:	308 rental housing units; 100% affordable to households earning 60% AMI (~$40,000)
Density:	62 Units/Acre
Rents:	Studios- $650/mo 3BR- $936/mo
Parking:	Two-Floor Structure of 536 Parking stalls. Shared parking allocates 150-200 spaces for Park & Ride commuters during the day.
Ancillary Services:	4,500 sq ft Day Care Facility
Total Cost:	$40,000,000 (Projected)
Developer and Partners:	Developer: Langly Properties, LLC Architect: Hewitt Architects
Financing:	King County Housing Authority- $26,500,000 FNMA - $13,500,000

Practices:

Encourage Alternate Transportation- Located in a dense employment and residential area, the Village at Overlake Station is geared toward "Workforce" affordable households. This population is perceived as a group of households that has a need for alternatives to single occupancy vehicle use as well as a high probability of using alternatives when available. New residents receive a free bus pass for two years to further encourage transit use. A five-car FlexCar program will also be included in the development.

Leverage Community Amenities- The Overlake Area is a major employment center with about 600 firms, including the main campus of Microsoft. Establishments within walking distance of the community include grocery stores, restaurants and personal services. Linking the development to the existing retail in the surrounding area is considered a significant design element. The inclusion of a 4,500 sq. ft. day care facility is a complimentary service, compatible with the target housing populations as well as the community at large.

Parking Management Plan- Significant effort was devoted to the creation of a parking management system based on the results of an outsourced parking study. This parking study also helped the project negotiate with King County the optimal number of spaces dedicated to park and ride use. In addition, the study helped convince the stakeholders of the viability of the reduced parking proposal, as well as the complimentary usage patterns of the resident vs. commuter users. The resulting negotiations provided a 50-year lease requiring a parking management plan which ensures at least 150 stalls are available to commuters in the morning commute hours. Spaces reserved for the residential units assume that 30 units will not require parking. It should be noted that the original Park & Ride lot originally accommodated 360 spaces and was considered underutilized at the time the RFP was issued.

Provide Dual-Usage- Transit functions are maintained at the lowest level of the development in an attempt to provide the clear separation of transit and housing functions at the site. The development also needed design that provided traffic considerations and separate access to the parking garage, loading zones for tenants, the main office and day care facility.

Funding and Land Lease:

The King County Housing Authority issued $26.5 million worth of tax-exempt bonds underwritten by Bank of America. An additional $13.5 million of equity was provided by Columbia Housing and Fannie Mae in a tax credit limited partnership.

King County's Housing and Community Development Program helped reduce the interest costs of the project by using a credit enhancement program. This enabled the project to borrow at the low rate afforded by the county's high-grade bond rating. This credit enhancement represented a contribution of approximately $3.4 million dollars. The developer will provide all the initial equity required during pre-development to the closing of the bond financing.

The City of Redmond waived $1.7 million in development fees, and King County Department of Transportation, which is leasing the land to the housing authority, contributed $1.3 million dollars of additional funds. Some of these funds have been earmarked for the construction of 30 apartments for the disabled. In consideration for use of the land, the developer has proposed that 50% of distributed cash flow pass through to the King County Department of Transportation.

Special Considerations:

FTA Involvement- The Federal Transit Administration had contributed to the development of the original park-and-ride lot. Under the terms of the original grant, the agency had to approve any incidental or non-transit use of the property. Failure to receive approval would have resulted in the reimbursement of the federal grant by King County (the Grantee).

Parking Operation and Security- It is envisioned that a separate management company may be used for the management of the parking facility, however the same management company may elect to operate both. No security cameras are to be installed in the structure as it was deemed that they would give users a sense false of protection and ultimately increase the liability for the owner. Instead, construction plans call for the structure will be well lit, with a generous distribution of "panic buttons" located throughout.

Temporary Parking and Construction Concerns- Construction of the project will require that the park & ride lot be closed in its entirety during the completion of the parking garage. The county will provide alternate parking during this period. The construction plans call for the park & ride facility to be open within one-years time, while construction on the residential units continues. This contingency must be considered in the development and implementation of a construction plan.

Transit Oriented Development

Ohlone-Chynoweth Commons
San Jose, CA

Goal: *The Santa Clara Valley Transportation Authority (VTA) uses joint development programs to promote projects that integrate transportation with medium-high density residential developments. The four facets of the VTA's joint development program seek to: 1) enhance the quality of the station environment; 2) improve linkages between transit and the community; 3) improve system patronage; and 4) generate revenues for the transit system.*

Ohlone-Chynoweth Commons

Development Details	
Year Completed:	December 2000
Location:	San Jose – South of Chynoweth Avenue @ Pearl Avenue
Unit Mix:	195 family rental units; 78 VLI; 113 LI; 2 manager's unit
Density:	27 units/ acre
Rents:	$900 - $1,350/ mo
Parking:	369 parking spaces + 200 park & ride spaces
Ancillary Services:	4,400 sq ft ground-floor commercial space, day care and community center.
Total Cost:	$31,600,000
Developer and Partners:	Developer: Eden Housing Contractor: L&D Construction Architect: Chris Lame & Associates
Financing:	City of San Jose - $5,200,000 Tax-Exempt Bonds- $14,500,000 PG&E- $10,500,000 (LIHTC) Federal Transportation Funds- $824,00 Affordable Housing grant- $500,000 State Proposition 1 funds- $350,000

Practices:

Encourage Transit System Ridership - A major goal of joint development is to enhance the quality of the transit experience and promote ridership. The Guadalupe Line, which runs by this station, connects the residential areas of South San Jose to the large and growing employment centers to the north. The development of housing, particularly affordable housing, adjacent to the stations, improves the link between jobs and housing, and provides a commuting alternative for moderate-income workers. Transit improvements, such as new lighting and security features, were also incorporated into the project.

Improve the Link Between Transit and Community - Joint development at this and other stations in the system encourages the inclusion of convenience retail, computer space and day care facilities in the projects. This encourages the neighborhood to patronize the local offering of services, building a sense of community, saving time and eliminating vehicle trips for increasingly time-constrained workers. In addition, the on-site presence of active residents and economic activity around the station provides the additional benefit of crime deterrence.

Strong Development Partners- Eden Housing was one of five developers to respond to the VTA's proposal. As California's oldest non-profit developer, Eden Housing brought a great deal of affordable housing development experience to the project. In addition, Eden Housing coordinates a variety of social support services for the residents in Ohlone-Chynoweth. The appeal of a developer committed to integrate social services and quality of life amenities was viewed as an excellent method to maximize the livability of the neighborhood.

Funding and Land Lease:

The City of San Jose issued a $14.5 million tax-exempt bond and the San Jose Redevelopment Agency loaned $5.2 million at 3% over 40 years to fund the project. Tax credit equity of $10.5 million was also committed, with PG&E as the tax credit investor. State Proposition 1 funds of $350,000 were used to reimburse school fees, and an Affordable Housing Grant of $500,000 was also required to finance the project. The VTA is leasing the property to the Chynoweth Housing Association, L.P. for 75 years at approximately $300,000/yr. Federal Transportation Funds of $824,000 were made available for station improvements.

Special Considerations:

Underutilized Parking Capacity-The Ohlone-Chynoweth joint development project is on a parcel of 11.6 acres on the west side of the station. At time of development only 20 to 25 percent of the 1,166 previously existing park-and-ride spaces were being used with any regularity. The transit agency projected the maximum demand for future spaces to be between 500 and 600 spaces, of which 200 were be provided as part of the Ohlone-Chynoweth development.

Land Use Plan- In order to assess the development potential of the site, three alternative scenarios were developed for analysis and critique. The plan defined the general organization of land use, a system of access and internal circulation, and a new layout for the transit operations. The land use plan also included a site development plan, with specifics on roadway widths and curbs, rail lines and platforms, bus stops, a general pattern for public landscaping, and building setbacks for the residential parcels.

Lack of experience- The VTA, at the time of this development, admits to having no "TOD institutional memory." In addition, because there is no single model to follow, each transit station provides unique challenges. This lack of experience and few active examples of similar developments required a great deal of effort in convincing project stakeholders, particularly financing authorities, to support the project.

Alternative Transportation Solutions

CarLink I
Davis, CA

Goal: *Allow groups of individuals to share vehicles close to their homes, offices and transportation stations. Better integrate the automobile within the transportation system.*

Practices:

Effective Car Pooling- CarLink I was launched as a research project supported by government and private industry partners on January 20, 1999. In the study, 54 individuals shared 12 natural gas powered vehicles based out of the Dublin-Pleasanton BART station for 10 months.

Users were organized between "Homeside" and "Workside" users. Homeside users drove a CarLink vehicle between their homes and the BART station, keeping the car overnight and on weekends. Workside users utilized the carshare vehicles during the workday, commuting from the Dublin-Pleasanton BART station to and from work. Homeside users paid $200/mo while Workside users paid $60/mo. The monthly fees included fuel, insurance, registration and maintenance costs.

Multiple Benefits- The CarLink I study was completed in November of 1999. A June 2000, report from UC Davis detailed the following findings:

- Several Homeside users reported that if CarLink became a permanent service, they would sell one of their personal cars.
- CarLink resulted in at least 20 new BART trips each day, and an average net commute reduction of about 20 vehicle miles per day.
- Average commute times were a few minutes shorter for Homeside users and about 15 minutes longer for Workside commuters.

Continued Development- CarLink II is currently underway in Palo Alto. The primary goal of CarLink II is to further identify the target markets and technologies that will help reduce the inconveniences inherent in car sharing. In addition, numerous car share programs are burgeoning throughout the nation, including several for-profit providers.

Working with BART

Strobridge Court
Castro Valley, CA

Goal: *Create an effective joint development program with BART to build a transit-based, "intergenerational" affordable housing development at the Castro Valley BART station. Effectively manage community reticence and opposition resulting from the proposed development.*

<table>
<tr><th colspan="2">Development Details</th></tr>
<tr><td>Year Completed:</td><td>1997</td></tr>
<tr><td>Location:</td><td>Castro Valley BART Station</td></tr>
<tr><td>Unit Mix:</td><td>96 Units; 100% Affordable</td></tr>
<tr><td>Density:</td><td>32 Units/ Acre</td></tr>
<tr><td>Rents:</td><td>
<table>
<tr><th>1BR</th><th>2BR</th><th>3BR</th><th>4BR</th></tr>
<tr><td>52 Units</td><td>14 Units</td><td>28 Units</td><td>2 Units</td></tr>
<tr><td>$401-$571</td><td>$480-$703</td><td>$586-$741</td><td>$725/$896</td></tr>
<tr><td colspan="2">Senior Restricted</td><td colspan="2">Unrestricted/Family</td></tr>
</table>
</td></tr>
<tr><td>Parking:</td><td>130 Spaces</td></tr>
<tr><td>Ancillary Services:</td><td>2,400 sq ft of commercial space, dedicated to a BART Police Substation</td></tr>
<tr><td>Total Cost:</td><td>$13,000,000</td></tr>
<tr><td>Developer and Partners:</td><td>Developer: Bridge Housing
Architect: Treffinger, Walz & MacLeod
General Contractor: Agresti & Associates</td></tr>
<tr><td>Financing:</td><td>Wells Fargo Bank, Alameda County, SAMCO, Federal Home Loan Bank, CalPERS, World Savings</td></tr>
</table>

Practices:

Developing Consensus within BART- In a June 18, 1999 roundtable discussion of real estate development at transit stations, John Rennels, Jr. of BART used his experience with the Strobridge Court project to illustrate the main challenges encountered by public agencies as they engage in joint development projects. In managing the BART element of this project, a consensus within the organization concerning the importance of transit-oriented development needed to be created. His list of challenges also included:

- Internal negotiations
- Working with elected officials
- Addressing replacement parking
- Understanding economics and market conditions
- Identifying appropriate uses around stations
- Enhancing station facilities

Community Involvement- The original proposal submitted by Bridge to BART, which owned and operated the land as a park and ride, included 250 units of housing and 650 sq ft of commercial space. Once presented to the surrounding communities, opposition to the proposed density, general reticence of affordable housing and concerns about parking emerged. This community involvement process resulted in the evolution of the project to the current 96 units and the inclusion of the 2,400 sq ft BART substation. Critical to the success of this process was remaining sympathetic to the interests of the community, and achieving community buy-in through education. In addition, neighborhood opposition was vehement enough that Bridge abandoned its original intention to pursue zoning variances.

Funding and Land Lease:

Equity funding of $8,500,000 was raised through an allocation of low-income housing tax credits, and sold to Edison Capital. The County provided at-risk predevelopment funding, which is now part of the permanent financing. Metropolitan Transportation Commission and the S.H. Cowell Foundation grants were also used in financing the development. The land is leased from BART. The terms of the lease were unavailable.

Special Considerations:

Overdeveloped Parking- The development was constructed with 130 spaces. Almost 18% of the parking available for use by community residents remains vacant. In addition, the 19 guest parking spaces were also reported as being "underutilized". It was unclear whether the abundance of parking can be attribute to BART access, or general reduced automobile ownership by the tenants of the development. However, property management reported that the Strobridge Court population can be characterized as active users of BART for both commuting and recreation purposes. There are no special transportation programs developed by BART that exist specifically for the residents of Strobridge Court. Further conversations with Bridge Housing indicated that some of the additional parking was supplied to satisfy the requests of local residents and may not have been required by BART.

Teacher Oriented Housing

Lenzen Avenue
San Jose, CA

Goal: *Utilize affordable housing as a tool in retaining current teachers and nurturing a workforce that will ensure the continued quality of local teaching talent. Develop, design and market housing which address the specific housing needs of this target population.*

<table>
<tr><th colspan="2">Development Details</th></tr>
<tr><td>Year Completed:</td><td>RFQ issues January 2000
Developer Selected June 2000
Completion Expected Mid 2002</td></tr>
<tr><td>Location:</td><td>San Jose, CA</td></tr>
<tr><td>Unit Mix:</td><td>88 Units; 18 VLI/69 LI/ 1 manger’s unit</td></tr>
<tr><td>Density:</td><td>55 Units/ Acre</td></tr>
<tr><td>Rents:</td><td>
<table>
<tr><th></th><th>Studio</th><th>1 BR</th><th>2 BR</th></tr>
<tr><td>VLI
(50% AMI)</td><td>7 @
$735</td><td>7 @
$779</td><td>4@
$924</td></tr>
<tr><td>LI
(60% AMI)</td><td>31@
$887</td><td>31@
$942</td><td>7@
1,120</td></tr>
</table>
</td></tr>
<tr><td>Parking:</td><td>143 Spaces</td></tr>
<tr><td>Ancillary Services:</td><td>Swimming Pool, Courtyard and Community Room, Computer Lab, Exercise Facility</td></tr>
<tr><td>Total Cost:</td><td>$14,762,000</td></tr>
<tr><td>Developer and Partners:</td><td>Developer: Core Development
Architect: David Baker Associates</td></tr>
<tr><td>Financing:</td><td>City of San Jose - $4,161,000
Application submitted to the California Debt Limit Allocation Committee (CDLAC) for tax-exempt bond allocation- $9,000,000</td></tr>
</table>

Practices:

Strategic Marketing- The Lenzen Avenue project is designed specifically for single, younger teachers. As a result, the product mix is weighted with more studios and one-bedroom units. In contrast, a second teacher development, Roberts Avenue, is designed for older, credentialed tenants. As a result, this development includes more two and three-bedroom units.

Housing amenities were carefully selected and designed. These amenities include a computer lab wired into the SJUSD network that will enable teachers to manage their workload, further their education, and eliminate the need to purchase a home computer. The project itself is located across the street from the San Jose Unified School District administrative offices. All of these design features enable the property manager to market the apartments directly to the teachers through the districts. Flexible lease structures were required in order to provide protection to the developer in the case that teacher demand was insufficient.

Community Involvement- As with many San Jose development projects, Community group meetings were held at the earliest planning stages to achieve a neighborhood buy-in. The meeting was held in the administrative offices of the San Jose Unified School District on July 26, 2000. In this instance, affordable housing geared toward the teacher population provided little in the way of public resistance. Most concerns regarded the hours of construction and noise generation. San Jose communicated that there were strong parallels in this process with their experience in senior housing developments.

Funding:

The permanent financing for the project will consist of a tax-exempt bond and allocation of 4% tax credits. The project is not eligible for the 9% tax credit program since it does not meet eligibility criteria under any of the program categories.

The total city funds of $4,161,000 were allocated to land acquisition ($2,700,000) and anticipated predevelopment expenses ($1,461,000). Up to $9,000,000 in tax-exempt bonds will be issued to finance construction of the project. The bonds will be secured solely by project revenues.

Special Considerations:

Concurrent Development- The City of San Jose is aggressively pushing forward with three affordable housing development projects targeted for teachers and other school personnel. The third project, Jackson/Commodore, is expected to provide an additional 100 unit, and is currently in the location identification stage. In this instance, property owned by the school district may be classified as "surplus" and transferred to the City at the prevailing market rate.

Teacher/Senior Housing- The Robert's Avenue development, mentioned briefly above, will also have 100 senior units. In this instance the City believes that this tenant mix combines a senior population that can provide active community involvement with a teacher population in need of community services.

Infill Development and Shared Use Parking

Albina Corner
Portland, OR

Goal: *Effectively use infill and high-density development practices to restore previously used sites for new uses. Encourage affordable housing within these developments as a solution to Portland's rapidly increasing housing costs. Utilize creative design elements, shared-use parking practices and a mix of space use toward the goal of effective, high-density development.*

Albina Corner

Development Details	
Year Completed:	1997
Location:	Northeast Portland
Unit Mix:	43 Units; 32 1BR, 15 2BR, 1 4BR
Density:	64 Units/ Acre
Rents:	43 units@ 51%-80% AMI 1 unit below 50% AMI
Parking:	42 Spaces
Ancillary Services:	12,000 sq ft commercial space
Total Cost:	$4,400,000
Developer and Partners:	Developer: Portland Community Design Architect: Andrews Architects
Financing:	Us Bank Network for Oregon Affordable Housing Oregon Department of Housing and Community Services Portland Development Commission

Practices:

Infill Design- A 1993 zoning change encouraged high-density housing and mixed-use developments, including apartments over ground floor retail shops of which Albina Corner is an example. The development sits on three-quarters of an acre and combines 43-units of affordable housing with 12,000 square feet of commercial space. Albina Corner was the first transit-oriented development constructed outside of Portland's downtown area.

Many of the design features are consistent with the principle objectives of effective infill housing. These design elements include:

- *Promoting Pedestrian Traffic.* Increased setbacks of two feet from the allowable boundary widen the sidewalks, improve pedestrian access and take advantage of the corner lot location.
- *Providing Commercial Uses Addressing Neighborhood Needs.* Convenience oriented tenants include a bank, coffee shop, art gallery and day care center.
- *Effective Use of Space.* An open-sky, central courtyard for the development is constructed over the first floor shops. Three floors of residential development are situated around this elevated, landscaped courtyard.

Shared Use Parking- Following the principle, that parking requirements should take into account different peaks in demand, Albina Corner utilizes a shared parking system that reduces the number of required parking spaces. On-site parking provides only 42 spaces for the 43 residential units and 12,000 sq.ft of commercial space within the development. In order to secure funding, the lenders needed to be convinced by the development team that area apartment parking lots remained virtually empty during the workday, providing ample parking for the customers of retail tenants.

Community Involvement- The developer, Portland Community Design, and the Portland Development Commission initiated the first of 9 neighborhood meetings early in the planning stages. Two community wide meetings were also conducted. During construction, 33% of the subcontractors were community based.

Funding:

The Oregon Housing Trust Fund provided a grant of $100,000 in initial investment. The project was financed through a combination of $360,000 in low-income housing tax credits, as well as low interest and conventional loans, involving 11 different public and private institutions. Coordination of this funding did result in significant development delays. Albina Community Bank, a neighborhood lender, acted as both a financing source and tenant in the project, anchoring the commercial space. Income from the first floor commercial tenants covers the operating costs of the development.

Special Considerations:

Shared Parking Study- The success of projects such as Albina Corner, motivated Metro, a directly elected regional government of 24 Oregon cities, to conduct a shared parking study financed through a federal transportation grant. This report includes an extensive discussion of shared parking considerations, a draft model of shared parking ordinance provisions, and a summary of discussions with planning staff, developers, business and neighborhood associations. The complete report is available to the public.

Parking Structure- The parking structure required of any development at the Ashby station, adds to both the complexity and expense of the project. In the case of Overlake, the developer partnered with two contractors for the project, one of which specialized in garage construction. Design issues also become increasingly important, as protecting residents from exhaust, noise and vibration will be critical to any effective housing development. In addition, the dual use nature of the parking structure requires that additional thought be placed on traffic flow, as well as the separation of spaces reserved for residential use from the public access BART parking. This is also illustrated in the Ohlone-Chynoweth development.

In addition, the total cost of building parking may not be included in the project value available for LIHTC allocation. In most cases, the costs associated with replacement parking are not entitled for inclusion of the project value. However, it may be possible to include a percentage of the cost if it can be shown that the replacement parking is not permanently dedicated to the transportation use. For example, Overlake argued that the replacement parking should be considered "owned" by the project except for the time period that it is guaranteed to be available for use of as a public park and ride. As such, Overlake was able to include a percentage of the replacement parking costs in the value of the project upon which its tax-credit allocation was based.

Transportation Demand Management- Orchestrating a parking management plan that fits the demand schedules of both commuters and tenants should be considered an important component of any development at the Ashby station. In addition, it is likely that a parking study will be useful in negotiations with BART, regarding replacement parking concerns, financiers, and the community at large. It may also be desirable to explore a shared parking arrangement with any adjacent developments.

Shared Parking- Shared parking is most effective when land uses have significantly different peak parking characteristics that vary by time of day. The studies conducted for both the Overlake and Albina Corner projects further suggest that the parking demands of transportation and residential users are highly complimentary. However, shared parking plans must also be designed in combination with other transportation demand efforts such as car share or car pooling programs, and access to transit.

Concerns that emerge from shared parking relate to both acceptance by the neighborhood and the impact on financing. It is important to promote acceptance through an awareness program that addresses both residents and local businesses alike. From a financing perspective, funding may be reduced as a response to the perceived increase in risk of a project with parking below traditional standards.

Car Share- A car share program should be considered viable for any residential development at the Ashby station. In addition, it should be possible to provide a car share program at no expense to the development. In addition, spaces dedicated to the car share program may count toward replacement parking requirements.

Affordable Housing Targeted for Teachers – Housing developed specifically for teachers necessitates several considerations. The approach taken by San Jose recognizes that different teaching populations have very different housing requirements. As a result, it may be important to identify a specific teacher population (younger vs. older) in order to adequately define the product offering as well as improve overall livability.

Various questions still exist involving lease terms and structure as well as a specific marketing strategy for these types of projects. Specifically, lease term need to simultaneously define teacher eligibility requirements (income thresholds and employment status) while providing enough flexibility in the event that response of the teacher population is not sufficient to achieve complete occupancy. A meeting with the developer of the Roberts Avenue project has been set for the week of June 25th to examine these issues.

Transit Oriented Development- Motivated by increased traffic congestion, affordable housing needs, and "smart growth" policies, a number of cities, such as Portland, Seattle and San Jose are admittedly taking risks on early developments, in an attempt to establish process guidelines that will facilitate future developments. In some cases, this has made the already difficult process of funding these projects even more challenging.

However, this "success breeds success" policy of transit-oriented development is slowly uncovering a series of best practices. Toward this resolve, the VTA commissioned a study of the Ohlone-Chynoweth project four months after completion. In this April 2001 report the VTA targets areas of improvement for future projects. The following is excerpted from this report:

- *Identify local businesses that would be particularly appropriate for the development.* VTA also recommends offering these businesses reduced rent for a period of time to assist in their establishment and ensure the success of the retail component of the project.
- *Design pathways to provide direct connections to nearby neighborhoods.* Pedestrian friendly design encourages the larger neighborhood to use the transit station and patronize the retail.
- *Hold meetings with the homeowners associations early in the process.* The VTA also recommends meeting with representatives of all affected groups at the same time.

However, there is also a consensus that there is no template for all transit-oriented development. To be successful each project must address the unique characteristics and needs of the surrounding population. From their experience in developing transit-oriented developments in Portland, Grub and Ellis attempted to define some of these "local" success factors:

- *Know the place.* Know who lives in the surrounding neighborhood, the mix of retailers, as well as the area's design and function.
- *Know the market.* Address changing trends, living patterns and demographics.
- *Understand access.* Find the mix complementary retailers and provide them with clear neighborhood access and visibility.

Development Prototype

Executive Summary

The *Development Prototype* document is an attempt to discuss and quantify the general characteristics of several theoretical developments at the Ashby BART Station. In each instance, the various cases have been selected in that they represent a change in one or more of the following assumptions:

- **Density**- The number of total housing units to be developed, and measured in units/acres. Scenarios have been selected that illustrate High Density, Moderate Density and Low Density Developments.

- **Parking**- The total number of parking spaces provided by the development, and the construction costs associated with those parking spaces.

- **Affordability**- The percentage of affordable apartments within the development, and their level of affordability as a percentage of Area Median Income. Scenarios have been selected which illustrate mixtures of units available to Very Low Income, Low Income, and Moderate Income tenants, as well as those apartments offered at market rates.

- **Mix of Uses** – The portion of the development that is dedicated to residential apartment housing vs. other uses. Scenarios have been prepared that illustrate associated retail, office or for-sale housing developments.

In each instance, the primary focus has been to examine the associated development costs, and financing requirements associated with the various changes in assumptions.

General Assumptions

Several assumptions remain constant throughout the analysis, and are a product of either the physical site constraints, or the prevailing market. Some of these more important assumptions are detailed in the table that follows:

Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.6
Land Cost (Air Rights)	55,000
Construction Cost (Residential)	$125/SQFT
Mortgage Financing Interest Rate (%)	7.45%

Development Prototypes

For purposes of creating a benchmark with which to compare alternatives, the analysis begins with the design of a base model-**Prototype I**. This base model develops the entire site to residential purposes, maximizing the current zoning provisions and providing 100% affordable housing.

Benefits	Barriers
• Provide the greatest achievable number of housing units and maximizes development efficiencies, if they exist.	• No consideration for design implications. High Density development not always the most livable.

Prototype I creates a housing project with the following characteristics:

Total Units	326
Total Density (Units/Acre)	91
Total Parking Spaces (Including BART replacement spaces)	653
Construction Costs (Per Unit)	$230,000
Total Project Costs	$75,000,000
Supportable Mortgage	$30,000,000

Within this prototype, changes in the various assumptions outlined above yield the following observations.

Change in Assumptions	Implication
• *Higher Density*- Fewer family apartments, smaller overall apartment size.	• Equal overall project costs, with reduced construction costs per unit by 6%.
• *Reduced Parking*- Reduce the overall development by 100 spaces (A reduction of $2.1 million in parking related construction costs).	• As parking costs are a significant portion of the overall development (18%) in Prototype I, reducing parking requirements decreases overall development costs, and decreases the financing gap, by equal amounts.
• *Increased Parking Costs*- Increase the parking construction cost assumption by 17%.	• This illustrates the sensitivity of the development similar to above, but in a less favorable direction. An increase in parking related costs directly increases the projects over costs and financing gap.

Prototype II deviates slightly from the benchmark by assuming a more moderate density. With these development costs now held constant, this model seeks to examine the effect various levels of affordability have on the supportable mortgage financing this development could expect to retain.

Prototype II creates a development with the following characteristics:

Total Units	286
Total Density (Units/Acre)	79
Total Parking Spaces (Including BART replacement spaces)	502
Construction Costs (Per Unit)	$219,000
Total Project Costs	$63,000,000

Within this framework, the changes in affordability levels were distinguished as follows:

Affordability Assumption	Implication
• *ABAG Projected Need* - Affordability levels determined by the need as projected by the Association of Bay Area Governments. Largest amount of Very Low Income housing of all the models.	• Supportable mortgage financing of approximately $27,0000 or 43% of project costs.
• *Workforce Housing*- Affordability level weighted toward moderate level income households. This level of housing has been referred to as "workforce" housing as it commonly caters to individual that work in metropolitan areas in which they have been increasingly priced out of the market.	• Supportable mortgage financing increases approximately 12% to $29,000,000.
• *Section 8 Program Rents*- In addition to the traditional affordability measurements, HUD has approved rent subsidies that may be provided in the operation of the City's rent assistance program. This model assumes 100% of the apartments are eligible for such assistance.	• Fairly high rents that can be collected under the City subsidy program results in mortgage financing of $33,000,000 or 52% of project costs.
• *Market Rate*- Market rate rents with the minimum state inclusionary affordability requirements (20% Low Income).	• Supportable mortgage financing of $31,000,000 or 49% of project costs.

Prototype III creates a high-density, high-rise type development which reaches beyond permitted zoning regulations. While the size of this development is of questionable appropriateness for the subject site, it attempts to illustrate the economies of scale that are achieved on a per unit basis, are comparable with the per unit costs illustrated in *Prototype I* with reduced parking. In essence, construction costs do not exhibit significant cost savings on a per unit basis as the project grows in size.

Prototype IV attempts to assemble a more cohesive development that represents a logical combination of uses. In one instance, office space or other private commercial development is created on one portion of the site. In the other instance, the possibility of for-sale housing is explored. In each case the residential rental-housing component of the mixed –use development occupies a central area of 1.2 Acres.

By assuming moderate density as before, this model attempts to illustrate the project economics on a more moderately sized development. This residential component of *Prototype IV*, in both instances, is of the following characteristics.

Total Units	83
Total Density (Units/Acre)	72
Total Parking Spaces (Including BART replacement spaces)	200
Construction Costs (Per Unit)	$239,000
Total Project Costs	$20,000,000
Supportable Mortgage	$9,000,000

On the remaining 2.4 Acres, the following associated mixed-uses are more closely examined. In each case, the perceived benefit to the adjacent residential development could come in the form of indirect subsidies such as site and infrastructure improvements, or by providing residents with desirable ancillary services.

Associated Mix-Use Development	Implication
• *Office or Other Private Commercial* – 120,000 SQFT of Office or Commercial Space.	• Relatively low office rents do not encourage stand-alone office development. However, a private concern could finance a community center, or similar project, if it can raise the approximately $30 million necessary for development.
• *For-Sale Housing*- Condominium or Townhouse development designed for absorption by the marketplace.	• The extremely low land costs associated with development at this location suggest that a for-sale condominium development may be feasible.

DEVELOPMENT PROTOTYPES

OBJECTIVE

To create a portfolio of representative prototypes for the subject site, identifying the associated costs, densities and sustainable financing of each development initiative. Assemble simple financial models of each prototype to illustrate the impact of changes in development assumptions. Utilize the information compiled in the analysis to identify a subset of prototypes that represent the most promising scenarios.

SELECTION OF DEVELOPMENT SCENARIOS

PROJECT DESCRIPTION

Methods: The following prototypes were prepared based on a set of scenarios structured and refined during discussions with industry professionals and perceived development stakeholders. These discussions included those with developers, architects, and transportation (BART) representatives. Each scenario has been selected to highlight the cost considerations and required subsidies associated with each prototype. Where necessary, design considerations are discussed. However, it is not the intent of this analysis to identify or suggest the ultimate nature of the development. Instead, it is the primary goal to highlight the various development possibilities, and discuss the economic considerations related to each. The following is a brief outline of the selected prototypes:

Prototype I-- Given the subject plot size, and current allowable zoning, the Base Model does not attempt to incorporate design elements, but instead develops one large, affordable housing project, maximizing the current zoning provisions. The goal of this prototype is to identify the costs and subsidies required of such a project, and outline the impact unit sizes, parking requirements, and parking costs would have on any development. The four models prepared are:

i. *Base Model-Maximum allowable density, zoning required parking and 100% BART replacement parking.*
ii. *Same as the Base Model with a change in unit mix.*
iii. *Same as the Base Model with a reduction of parking replacement.*
iv. *Same as the Base Model with an increase in the cost per parking space.*

Prototype II- Utilizing a more moderate density assumption than that derived in the Base Model, the goal of this prototype is to illustrate the impact of various affordability levels on the overall economics of the development. The four models prepared are:

i. *Base Affordability Model- Same affordability assumptions as the Base Model with reduced density.*
ii. *Same as Base Affordability Model with higher concentration of 80% AMI apartments.*
iii. *Same as Base Affordability Model with rents as allowed under the Housing Choice Voucher Program (Section 8 program).*
iv. *Same as Base Affordability Model with higher concentration of Market rate apartments.*

Prototype III- This prototype creates a high-density model that reaches beyond the allowable zoning requirements. While this type of development may not be appropriate at the subject site, the goal is to identify the presence of any economies of scale that may be achieved. The model prepared is:

i. High Density Development -131 Units/Acre, 4 residential stories

Prototype IV- The final model reduces overall density by dividing the subject plot into two development parcels. Using several assumptions from the base model, this prototype attempts to assemble a more cohesive development structure that represents a combination of uses. The subdivision of the plot is based on recently proposed development proposals at the subject site. The two development models prepared are:

i. *Office (Other Commercial) Space/ Rental Mixture*
ii. *Ownership/ Rental Mixture*

PROTOTYPE I- BASE MODEL

The general assumptions of the Base Model are:

- Mixed-Use Development
- 100% Affordable
- C-SA Permitted Density (Including 25% Density Bonus)
- 100% BART Replacement Parking
- Residential/Commercial Parking as per Current Zoning

Accurately determining the area that can be realistically developed is complicated by both the narrow southern triangle formed by the intersection of MLK and Adeline Streets, as well as an easement that exists on the property for possible future street widening. As a result, it will be an assumption of the Base Model, and of all the development prototypes, that the subject site consists of 3.6 Acres.

C-SA zoning district requirements, which govern development at the subject site, do not define absolute development density. Instead, density is a function of open space and parking requirements. Residential developments in the C-SA district generally comply with R-4 zoning regulations. However, a mixed-use development, such as the Base Model, can provide increased density in that only 40 SQFT of open space per dwelling need be provided.

Height requirements remain the same as R-4 regulations, and the Base Model assumes a height of 36(ft), or 3 stories. However, it should be noted that the prototypes assume a two-story parking deck, of which the first story is assumed to be below-grade, given the slope of the subject property away from Adeline. As a result, the Base Model is composed of two-stories of residential development atop two levels of platform parking.

BART Parking is completely replaced on the first level of the parking structure, for a total of 350 replacement spaces. It is assumed that certain efficiencies in parking can be achieved that allow for complete parking replacement, while reserving space for traffic access and parking ramps. Parking for the residential tenants is located on the second floor of the parking structure, and is allotted as one space per 1,000 SQFT of residential dwelling. Parking for commercial tenants is also reserved as per C-SA zoning requirements.

Prototype I- Project Outline

Unit Type	*Apartments*
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	2
Open Space (SQFT/Unit)	40
Average Unit Size	875
Common Area Percentage	20%
Units	261
Density Bonus (@ 25%)	65
Total Units	326
Pre-Bonus Density (units per acre)	72
Total Density	91
FAR	2.39
Parking Spaces per Unit (@ 1space/1000SQFT)	0.88

Unit Distribution and Rents

Affordability Mix	
50% AMI	28%
60% AMI	12%
80% AMI	60%
Market	0%

One Bedroom	25%	**82**
Two Bedroom	50%	**163**
Three Bedroom	25%	**82**
		326

Unit Mix	#	%Med. Inc	SQFT	Mo. Rent
1 Bedroom	23	50%	610	$626
1Bedroom	10	60%	610	$752
1 Bedroom	49	80%	610	$1,002
1 Bedroom	0	Market	610	$1,100
2 Bedroom	46	50%	890	$805
2 Bedroom	20	60%	890	$966
2 Bedroom	98	80%	890	$1,288
2 Bedroom	0	Market	890	$1,400
3 Bedroom	23	50%	1115	$895
3 Bedroom	10	60%	1115	$1,074
3 Bedroom	49	80%	1115	$1,432
3 Bedroom	0	Market	1115	$1,600
		Total Gross Rents		**$4,239,856.00**

The average apartment size of 875 SQFT per unit is calculated as a function of the unit size distribution. Individual apartment areas were selected as the average of a representative sample of medium- to high-density housing projects. The allocation of affordable housing distribution was as per the ABAG Regional Housing Need Allocation for Alameda County. Rents were computed based on the City of Berkeley Household Income Guidelines for 2001.

Construction costs have been estimated at $125/SQFT, on quotes from industry professionals. Commercial or retail space construction rates, although not markedly different, are estimated at $115/SQFT. These construction cost estimates will be used for the Base Model as well as all the prototypes in this study. The costs associated with platform parking are estimated to be $60/SQFT. The total cost per parking space is calculated using an average parking space size of 350 SQFT.

Mortgage financing is based on a recent quotation from FNMA. Operating costs are based on industry averages. As the project is an affordable housing development in an area of high housing demand, very low vacancy rates are assumed. In addition, it is assumed that the permanent financing will carry a preferred debt-coverage ratio of 1.10. These additional assumptions will be used for the Base Model as well as all the prototypes in this study.

Prototype I- Development Cost Structure

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	$55,000
Construction Cost/SQFT (Residential)	$125.00
Construction Cost/SQFT (Commercial)	$115.00
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	285
Commecial Parking Spaces	18
Total Parking Area	228,674
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype I- Development Summary

Given the above assumptions, the Base Model is constructed at an average unit cost of $230,000. On a per unit basis, approximately $135,000 (59%) of the unit costs are related to the structure construction costs, $42,000 (18%) are related to parking construction costs, and $53,000 (23%) are related to project soft costs. The project is able to sustain mortgage financing of approximately $30 million leaving a $45 million gap on this development project with a total development cost of $75 million.

DEVELOPMENT SUMMARY

Land Cost	$55,000
Residential Units	326
Unit Square Footage	285,355
Common Area Square Footage	57,071
Commercial Square Footage	10,000
Total Square Footage	342,426
Structure Construction Cost	$43,953,209
BART Parking Spaces	350
Resident Parking Spaces	285
Commercial Parking Spaces	18
Parking Construction Cost	$13,720,449
Soft Costs	$17,302,098
Total Development Cost	$75,030,756
Per Unit	$230,071
Project Value	$75,030,756

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent (Residential)	$4,239,856
-Vacancies	($84,797)
-Expected Expenses	($1,483,950)
Gross Scheduled Rent (Retail)	$120,000
-Vacancies	($6,000)
-Expected Expenses	($33,600)
Net Operating Income	$2,751,509

DEBT-EQUITY POSITION- Bottom Lines

Project Cost (from above)	**$75,030,756**
Supportable Mortgage	$29,686,540
Required Initial Cash (Gap)	$45,344,216
Cost per Unit	**$230,071**
Subsidy per Unit	$139,042
Gap (Less Replacement Parking)	$31,623,767
Subsidy per Unit (Less Replac. Parking)	$96,970
Effective Loan to Value	39.57%
Project Value from Cap Rate	$30,572,325

PROTOTYPE IA – CHANGE IN UNIT MIX

In this instance, the distribution of apartments offers fewer family units, in favor of a higher percentage of one and two bedroom units. The reduced number of three bedroom apartments reduces the average unit size to 825 SQFT per unit, enabling the development to achieve a density of 102 units/acres. A smaller unit size also decreases the parking requirement per unit, as governing zoning requirements allocate zoning as a function of unit size instead of on a per unit basis.

UNIT DISTRIBUTION

One Bedroom	40%	138
Two Bedroom	40%	138
Three Bedroom	20%	69
		346

Prototype IA- Project Outline

Unit Type	*Apartments*
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.40
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	2
Open Space (SQFT/Unit)	40
Average Unit Size	825
Common Area Percentage	20%
Units	277
Density Bonus (@ 25%)	69
Total Units	346
Pre-Bonus Density (units per acre)	81
Total Density	102
FAR	2.38
Parking Spaces per Unit (@ 1space/1000SQFT)	0.83

Prototype IA- Development Summary Comparison

Given the above assumptions, Prototype IA constructs 346 units at an average cost of $217,000. On a per unit basis, approximately $127,000 (59%) of the unit costs are related to structure construction costs, $40,000 (18%) are related to parking construction costs, and $50,000 (23%) are related to project soft costs. The project still sustain mortgage financing of slightly more than $30 million leaving a similar financing gap on this project with similar development costs to the Base Model.

DEVELOPMENT SUMMARY	Prototype I-Base Model	Prototype IA- Unit Mix
Land Cost	$55,000	$55,000
Residential Units	326	346
Unit Square Footage	285,355	285,489
Common Area Square Footage	57,071	57,098
Commercial Square Footage	10,000	10,000
Total Square Footage	342,426	342,586
Structure Construction Cost	$43,953,209	$43,973,283
BART Parking Spaces	350	350
Resident Parking Spaces	285	285
Commercial Parking Spaces	18	18
Parking Construction Cost	$13,720,449	$13,723,260
Soft Costs	$17,302,098	$17,308,963
Total Development Cost	$75,030,756	$75,060,505
Per Unit	$230,071	$216,909
Project Value	$75,030,756	$75,060,505

OPERATING SUMMARY (FULL OCCUPANCY)		
Gross Scheduled Rent (Residential)	$4,239,856	$4,318,962
-Vacancies	($84,797)	($86,379)
-Expected Expenses	($1,483,950)	($1,511,637)
Gross Scheduled Rent (Retail)	$120,000	$120,000
-Vacancies	($6,000)	($6,000)
-Expected Expenses	($33,600)	($33,600)
Net Operating Income	$2,751,509	$2,801,346

DEBT-EQUITY POSITION- Bottom Lines		Bottom Lines
Project Cost (from above)	**$75,030,756**	**$75,060,505**
Supportable Mortgage	$29,686,540	$30,224,240
Required Initial Cash (Gap)	$45,344,216	$44,836,265
Cost per Unit	**$230,071**	**$216,909**
Subsidy per Unit	$139,042	$129,567
Gap (Less Replacement Parking)	$31,623,767	$31,113,006
Subsidy per Unit (Less Replac. Parking)	$96,970	$89,910
Effective Loan to Value	39.57%	40.27%
Project Value from Cap Rate	$30,572,325	$31,126,068

PROTOTYPE IB- CHANGE IN PARKING REQUIREMENTS

As parking costs constitute almost 20% of the total development costs in the Base Model, Prototype IB reduces the total number of constructed parking spaces. For simplicity purposes, the model assumes that only 250 replacement spaces are provided. However, while this substitution has been made for BART parking, the result is analogous to a reduction in the residential parking requirement to a ratio of one space for every three dwelling units.

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	$55,000
Construction Cost/SQFT (Residential)	$125.00
Construction Cost/SQFT (Commercial)	$115.00
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	250
Residential Parking Spaces	285
Commecial Parking Spaces	18
Total Parking Area	193,674
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype IB- Development Summary Comparison

As parking is provided at a significant cost to the development, with no resulting revenue, any reduction in parking provides direct efficiencies to the development. In this instance, eliminating 100 spaces saves the project $2.73 million, or $8,375 per unit, in parking and associated soft costs. Parking related expenses now account for 16% ($36,000) of the total unit cost of $221,700. With identical NOI, mortgage financing remains the same as the Base Model, however the gap narrows slightly to approximately $43 million on a $72 million development.

DEVELOPMENT SUMMARY	Prototype I-Base Model	Prototype IB- Reduced Parking
Land Cost	$55,000	$55,000
Residential Units	326	326
Unit Square Footage	285,355	285,355
Common Area Square Footage	57,071	57,071
Commercial Square Footage	10,000	10,000
Total Square Footage	342,426	342,426
Structure Construction Cost	$43,953,209	$43,953,209
BART Parking Spaces	350	250
Resident Parking Spaces	285	285
Commercial Parking Spaces	18	18
Parking Construction Cost	$13,720,449	$11,620,449
Soft Costs	$17,302,098	$16,672,098
Total Development Cost	$75,030,756	$72,300,756
Per Unit	$230,071	$221,700
Project Value	$75,030,756	$72,300,756

OPERATING SUMMARY (FULL OCCUPANCY)		
Gross Scheduled Rent (Residential)	$4,239,856	$4,239,856
-Vacancies	($84,797)	($84,797)
-Expected Expenses	($1,483,950)	($1,483,950)
Gross Scheduled Rent (Retail)	$120,000	$120,000
-Vacancies	($6,000)	($6,000)
-Expected Expenses	($33,600)	($33,600)
Net Operating Income	$2,751,509	$2,751,509

DEBT-EQUITY POSITION- Bottom Lines		Bottom Lines
Project Cost (from above)	**$75,030,756**	**$72,300,756**
Supportable Mortgage	$29,686,540	$29,686,540
Required Initial Cash (Gap)	$45,344,216	$42,614,216
Cost per Unit	**$230,071**	**$221,700**
Subsidy per Unit	$139,042	$130,670
Gap (Less Replacement Parking)	$31,623,767	$30,993,767
Subsidy per Unit (Less Replac. Parking)	$96,970	$95,038
Effective Loan to Value	39.57%	41.06%
Project Value from Cap Rate	$30,572,325	$30,572,325

PROTOTYPE IC- INCREASE IN PARKING COSTS

As in the Base Model, Prototype IC provides complete BART replacement parking, as well as residential and retail spaces as per zoning for a total of 653 total parking spaces. In this instance however, parking construction costs are increased to $70 SQFT, or $24,500 per space.

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	342,426
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	$55,000
Construction Cost/SQFT (Residential)	$125.00
Construction Cost/SQFT (Commercial)	$115.00
Parking Cost/SQFT	$70
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	285
Commecial Parking Spaces	18
Total Parking Area	228,674
Parking Cost/SQFT	$70
Parking Cost/Space	$24,500

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype IC- Development Summary Comparison

In contrast to Prototype IB, an increase in parking related costs directly increase the project's financing gap. In this instance, a $3 million increase in parking related expenses increases unit costs by $9,000. Parking related expenses now account for almost 21% ($49,000) of the total unit cost of $239,000. With identical NOI, mortgage financing remains the same as the Base Model, and the gap now increases to over $48 million on a development that costs $78 million to construct.

DEVELOPMENT SUMMARY	Prototype I-Base Mode	Prototype IC- Higher Parking Costs
Land Cost	$55,000	$55,000
Residential Units	326	326
Unit Square Footage	285,355	285,355
Common Area Square Footage	57,071	57,071
Commercial Square Footage	10,000	10,000
Total Square Footage	342,426	342,426
Structure Construction Cost	$43,953,209	$43,953,209
BART Parking Spaces	350	350
Resident Parking Spaces	285	285
Commercial Parking Spaces	18	18
Parking Construction Cost	$13,720,449	$16,007,191
Soft Costs	$17,302,098	$17,988,120
Total Development Cost	$75,030,756	$78,003,520
Per Unit	$230,071	$239,187
Project Value	$75,030,756	$78,003,520

OPERATING SUMMARY (FULL OCCUPANCY)		
Gross Scheduled Rent (Residential)	$4,239,856	$4,239,856
-Vacancies	($84,797)	($84,797)
-Expected Expenses	($1,483,950)	($1,483,950)
Gross Scheduled Rent (Retail)	$120,000	$120,000
-Vacancies	($6,000)	($6,000)
-Expected Expenses	($33,600)	($33,600)
Net Operating Income	$2,751,509	$2,751,509

DEBT-EQUITY POSITION- Bottom Lines		
Project Cost (from above)	**$75,030,756**	**$78,003,520**
Supportable Mortgage	$29,686,540	$29,686,540
Required Initial Cash (Gap)	$45,344,216	$48,316,980
Cost per Unit	**$230,071**	**$239,187**
Subsidy per Unit	$139,042	$148,157
Gap (Less Replacement Parking)	$31,623,767	$32,309,789
Subsidy per Unit (Less Replac. Parking)	$96,970	$99,073
Effective Loan to Value	39.57%	38.06%
Project Value from Cap Rate	$30,572,325	$30,572,325

Prototype I- Complete Development Summary

DEVELOPMENT SUMMARY	Prototype I-Base Model	Prototype IA- Unit Mix	Prototype IB- Reduced Parking	Prototype IC-Higher Parking Costs
Land Cost	$55,000	$55,000	$55,000	$55,000
Residential Units	326	346	326	326
Unit Square Footage	285,355	285,489	285,355	285,355
Common Area Square Footage	57,071	57,098	57,071	57,071
Commercial Square Footage	10,000	10,000	10,000	10,000
Total Square Footage	342,426	342,586	342,426	342,426
Structure Construction Cost	$43,953,209	$43,973,283	$43,953,209	$43,953,209
BART Parking Spaces	350	350	250	350
Resident Parking Spaces	285	285	285	285
Commercial Parking Spaces	18	18	18	18
Parking Construction Cost	$13,720,449	$13,723,260	$11,620,449	$16,007,191
Soft Costs	$17,302,098	$17,308,963	$16,672,098	$17,988,120
Total Development Cost	$75,030,756	$75,060,505	$72,300,756	$78,003,520
Per Unit	$230,071	$216,909	$221,700	$239,187
Project Value	$75,030,756	$75,060,505	$72,300,756	$78,003,520
OPERATING SUMMARY (FULL OCCUPANCY)				
Gross Scheduled Rent (Residential)	$4,239,856	$4,318,962	$4,239,856	$4,239,856
-Vacancies	($84,797)	($86,379)	($84,797)	($84,797)
-Expected Expenses	($1,483,950)	($1,511,637)	($1,483,950)	($1,483,950)
Gross Scheduled Rent (Retail)	$120,000	$120,000	$120,000	$120,000
-Vacancies	($6,000)	($6,000)	($6,000)	($6,000)
-Expected Expenses	($33,600)	($33,600)	($33,600)	($33,600)
Net Operating Income	$2,751,509	$2,801,346	$2,751,509	$2,751,509
DEBT-EQUITY POSITION- Bottom Lines				
Project Cost (from above)	**$75,030,756**	**$75,060,505**	**$72,300,756**	**$78,003,520**
Supportable Mortgage	$29,686,540	$30,224,240	$29,686,540	$29,686,540
Required Initial Cash (Gap)	$45,344,216	$44,836,265	$42,614,216	$48,316,980
Cost per Unit	**$230,071**	**$216,909**	**$221,700**	**$239,187**
Subsidy per Unit	$139,042	$129,567	$130,670	$148,157
Gap (Less Replacement Parking)	$31,623,767	$31,113,006	$30,993,767	$32,309,789
Subsidy per Unit (Less Replac. Parking)	$96,970	$89,910	$95,038	$99,073
Effective Loan to Value	39.57%	40.27%	41.06%	38.06%
Project Value from Cap Rate	$30,572,325	$31,126,068	$30,572,325	$30,572,325

PROTOTYPE II- AFFORDABILITY MODEL

This model uses the same cost assumptions as the Base Model, however, by increasing the open space to 175 SQFT per Unit, the overall project density is reduced to 79 Units per acre. One, two and three-bedroom units are distributed, as a percentage of total units, in the same manner as in the Base Model. The City defines a family-size two-bedroom unit to be 850 SQFT. As a result, this model utilizes this definition in determining the average unit size. A total of 286 units of housing are provided in this model.

Affordable rents are calculated as to not exceed 30% of a Household's Gross Income. Household income guidelines are as based on an Area Median income of $71,600 for a four person household. In addition to the traditional affordability measurements, HUD has approved rent subsidies that may be provided in the operation of the City's Section 8 program. These allowable rent levels are indicated as a separate category in the unit rent schedule on the following page.

Prototype II- Project Outline

PROJECT OUTLINE

Unit Type	*Apartments*
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	100%
Useable Lot Area	156,815
# of Residential Stories	2
Open Space (SQFT/Unit)	175
Average Unit Size	850
Common Area Percentage	20%
Units	229
Density Bonus (@ 25%)	57
Total Units	286
Pre-Bonus Density (units per acre)	64
Total Density	79
FAR	1.93
Parking Spaces per Unit (@ 1space/1000SQFT)	0.85

UNIT DISTRIBUTION

One Bedroom	25%	72
Two Bedroom	50%	143
Three Bedroom	25%	72
		286

Prototype II- Development Cost Structure

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	291,882
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	$55,000
Construction Cost/SQFT (Residential)	$125.00
Construction Cost/SQFT (Commercial)	$115.00
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	243
Commecial Parking Spaces	9
Total Parking Area	210,782
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

Prototype II- Unit Rent Schedules

Unit Mix	%Med. Inc	SQFT	Mo. Rent
1 Bedroom	50%		$626
1Bedroom	60%		$752
1 Bedroom	80%		$1,002
1 Bedroom	Section 8 rents		$1,155
1 Bedroom	Market		$1,200
2 Bedroom	50%		$805
2 Bedroom	60%		$966
2 Bedroom	80%		$1,288
2 Bedroom	Section 8 rents		$1,386
2 Bedroom	Market		$1,400
3 Bedroom	50%		$895
3 Bedroom	60%		$1,074
3 Bedroom	80%		$1,432
3 Bedroom	Section 8 rents		$1,583
3 Bedroom	Market		$1,600

The allocation of affordable units (Affordability Mix) for each case in this model is as follows:

Case I- As per ABAG Allocation

Affordability Mix	
50% AMI	28%
60% AMI	12%
80% AMI	60%
Section 8	0%
Market	0%

Case II-Moderate Income Housing

Affordability Mix	
50% AMI	0%
60% AMI	10%
80% AMI	90%
Section 8	0%
Market	0%

Case III – Section 8 Rents

Affordability Mix	
50% AMI	0%
60% AMI	0%
80% AMI	0%
Section 8	100%
Market	0%

Case VI- Market Rate (with Inclusionary Requirement)

Affordability Mix	
50% AMI	0%
60% AMI	20%
80% AMI	0%
Housing Voucher	0%
Market	80%

With all other inputs being equal, the $62 million development produces, 286 units at an average unit price of $219,000. The affordability mixture determines the rent roll of each project, thus dictating the NOI and sustainable mortgage. The project supported by the Section 8 program (*Case III*) achieves the greatest NOI due to the relatively high rents that can be collected under the City subsidy program. As a result, it supports of mortgage of approximately $33 million, leaving a financing gap of $29 million.

The market rate project (*Case IV*) must meet State of California affordability guidelines to be granted the density bonus. As a result, the allocation of apartments at 60% AMI reduce the overall rent roll, allowing the project to support mortgage financing of $31 million. The 100% affordable projects in *Case I* and *II* support mortgages of $26 million and $29 million respectively.

Prototype II- Affordability Model

	Case I	*Case II*	*Case III*	*Case IV*
% Of Total Units				
1 Bedroom	25%	25%	25%	25%
2 Bedroom	50%	50%	50%	50%
3 Bedroom	25%	25%	25%	25%
Affordability Mix				
50% AMI	28%	0%	0%	0%
60% AMI	12%	10%	0%	20%
80% AMI	60%	90%	0%	0%
Housing Voucher	0%	0%	100%	0%
Market	0%	0%	0%	80%

DEVELOPMENT SUMMARY

Land Cost	$55,000	$55,000	$55,000	$55,000
Residential Units	286	286	286	286
Unit Square Footage	243,235	243,235	243,235	243,235
Common Area Square Footage	48,647	48,647	48,647	48,647
Commercial Square Footage	10,000	10,000	10,000	10,000
Total Square Footage	291,882	291,882	291,882	291,882
Structure Construction Cost	$37,635,242	$37,635,242	$37,635,242	$37,635,242
BART Parking Spaces	250	250	250	250
Resident Parking Spaces	243	243	243	243
Commercial Parking Spaces	9	9	9	9
Parking Construction Cost	$10,546,934	$10,546,934	$10,546,934	$10,546,934
Soft Costs	$14,454,653	$14,454,653	$14,454,653	$14,454,653
Total Development Cost	$62,691,828	$62,691,828	$62,691,828	$62,691,828
Per Unit	$219,081	$219,081	$219,081	$219,081
Project Value	$62,691,828	$62,691,828	$62,691,828	$62,691,828

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent	**$3,720,327**	**$4,193,485**	**$4,730,204**	**$4,491,204**
-Vacancies	($74,407)	($83,870)	($94,604)	($89,824)
-Expected Expenses	($1,302,114)	($1,467,720)	($1,655,572)	($1,571,922)
Gross Scheduled Rent	$120,000	$120,000	$120,000	$120,000
-Vacancies	($6,000)	($6,000)	($6,000)	($6,000)
-Expected Expenses	($33,600)	($33,600)	($33,600)	($33,600)
Net Operating Income	**$2,424,206**	**$2,722,295**	**$3,060,429**	**$2,909,859**

DEBT-EQUITY POSITION	**Bottom Lines**	**Bottom Lines**	**Bottom Lines**	**Bottom Lines**
Project Cost (from above)	**$62,691,828**	**$62,691,828**	**$62,691,828**	**$62,691,828**
Supportable Mortgage	**$26,155,206**	**$29,371,347**	**$33,019,529**	**$31,395,003**
Required Initial Cash (Gap)	$36,536,622	$33,320,481	$29,672,300	$31,296,826
Cost per Unit	**$219,081**	$219,081	$219,081	$219,081
Subsidy per Unit	$127,680	$116,441	$103,692	$109,369
Gap Less Replacement Parking	$25,989,689	$22,773,547	$19,125,366	$20,749,892
Subsidy per Unit	$90,823	$79,584	$66,835	$72,512
Effective Loan to Value	41.72%	46.85%	52.67%	50.08%
Project Value from Cap Rate	$26,935,623	$30,247,728	$34,004,763	$32,331,765

PROTOTYPE III- HIGH DENSITY MODEL

Created outside of permitted C-SA zoning requirements, actual development of this prototype would require both height as well as parking requirement variances. The end result is four stories of residential housing over two stories of structured parking to at a housing density of 131 units/acre.

Parking is allocated as one space for every three units. BART Parking has been completely replaced on the first level, and market rate rents have been estimated. It has been assumed that the greater concentration of housing units would require a larger retail component than in the Base Case. Toward this goal, the High Density Model provides 40,000 SQFT of retail, which also requires an additional 78 parking spaces.

Prototype III- Unit Distribution and Rents

% Of Total Units	
1 Bedroom	25%
2 Bedroom	50%
3 Bedroom	25%

Affordability Mix	
50% AMI	25%
60% AMI	0%
80% AMI	0%
Market	75%

One Bedroom	118
Two Bedroom	236
Three Bedroom	118
	472

Unit Mix	#	%Med. Inc	SQFT	Mo. Rent
1 Bedroom	0	50%	540	$626
1Bedroom	0	60%	540	$752
1 Bedroom	0	80%	540	$1,002
1 Bedroom	118	Market	540	$1,200
2 Bedroom	0	50%	890	$805
2 Bedroom	0	60%	890	$966
2 Bedroom	0	80%	890	$1,288
2 Bedroom	236	Market	890	$1,400
3 Bedroom	0	50%	1115	$895
3 Bedroom	0	60%	1115	$1,074
3 Bedroom	0	80%	1115	$1,432
3 Bedroom	118	Market	1115	$1,600
		Total Gross Rents		**$7,924,551.94**

Prototype III- Project Outline

PROJECT OUTLINE

Unit Type	*Apartments*
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	94%
Useable Lot Area	147,406
# of Residential Stories	4
Open Space (SQFT/Unit)	50
Average Unit Size	875
Common Area Percentage	20%
Units	472
Density Bonus (@ 25%)	-
Total Units	472
Total Density (units per acre)	131
FAR	3.41
Parking Spaces per Unit (@ 1space/1000SQFT)	0.33

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	495,284
Total Floor Area (Commercial)	40,000
Land Cost/SQFT	$55,000
Construction Cost/SQFT (Residential)	$125
Construction Cost/SQFT (Commercial)	$115
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	350
Residential Parking Spaces	156
Commecial Parking Spaces	78
Total Parking Area	204,281
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.20
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

Prototype III- Development Summary

Even at this high density and with liberal parking requirements, the project is only able to achieve marginal savings on a per unit basis. In addition, an increase in the retail component forces the project to sustain $6.5 million of retail related development costs. It should be noted that at a 9% cap rate the project value as determined by the cap rate approaches the construction costs of $102 million at an average monthly rent of approximately $2,500/mo.

DEVELOPMENT SUMMARY

Land Cost	$55,000
Residential Units	472
Unit Square Footage	412,737
Common Area Square Footage	82,547
Commercial Square Footage	40,000
Total Square Footage	495,284
Structure Construction Cost	$66,510,562
BART Parking Spaces	350
Resident Parking Spaces	156
Commercial Parking Spaces	78
Parking Construction Cost	$12,256,878
Soft Costs	$23,630,232
Total Development Cost	$102,452,672
Per Unit	$217,199
Project Value	$102,452,672

OPERATING SUMMARY (FULL OCCUPANCY)

Gross Scheduled Rent	$7,924,552
-Vacancies	($158,491)
-Expected Expenses	($2,773,593)
Gross Scheduled Rent	$480,000
-Vacancies	($24,000)
-Expected Expenses	($134,400)
Net Operating Income	$5,314,068

DEBT-EQUITY POSITION	**Bottom Lines**
Project Cost (from above)	**$102,452,672**
Supportable Mortgage	$52,556,584
Required Initial Cash (Gap)	$49,896,088
Cost per Unit	**$217,199**
Subsidy per Unit	$105,779
Gap Less Replacement Parking	$37,639,210
Subsidy per Unit	$79,795
Effective Loan to Value	51.30%
Project Value from Cap Rate	$59,045,197

PROTOTYPE IV – REDUCED DENSITY DEVELOPMENT

In the previous prototypes, each development took the 3.6 acre plot and developed the entire acreage as a single project. However, several past studies, as well as the most recent development proposal from the Jewish Community Center, divide the parcel into three distinct sub-divisions with a development proposal for each plot. The subdivisions are organized as follows:

Southern Triangle- The narrow southern triangle is a plaza area of approximately 15,000 square feet. Development on this area becomes more difficult because of the odd shape of the property, as well as traffic access and traffic flow challenges. The prototype below either ignores development of this area, or contributes the plaza to the open space requirements of the relevant zoning codes.

Middle Portion- The middle portion of the site occupies an area of approximately 1.2 Acres, including approximately 350 feet of frontage along Adeline. At the current time, approximately 110 spaces, including 10 spaces reserved for peoples with disabilities occupy this area. The central location of this plot, suggests that it may be best suited for residential housing uses.

Northern Portion- The northern portion of the Ashby Station creates the largest and most regular (closest to rectangular) plot available at the site. This entire area, of approximately 2.44 Acres, features prominent frontage along both Ashby and Adeline Street. As a result both visibility and access for commercial purposes can be easily accommodated. In one model that follows, a mixed-use, non-residential development resides on this parcel. In the second model, this parcel is used to develop a condominium development. At the current time approximately 240 BART spaces occupy this area.

Prototype IVA- Office (Other Commercial Space)/ Rental Mixture

This prototype is based on the proposal presented by the Jewish Community Center. In their design proposal, the middle portion of the subject site is dedicated to residential use, and developed as per R-4 residential zoning requirements. The final development consists of apartments with an average unit size of 850 SQFT and a project that achieves a density of 72 units per acre. Residential parking requirements are also as per R-4 zoning regulations, and the affordability distribution is as per the Base Case.

A 120,000 SQFT community center space is developed on the 2.44 acres that compose the Northern Portion. For both developments, all BART parking is replaced on the ground level of a two-story parking platform, and an additional 150 spaces of parking are provided for the commercial complex. Although the JCC proposal is used as an example for this prototype, the goal is to illustrate the economics of construction of a large commercial development on this plot. Office rents of $1.75 SQFT are assumed.

Prototype IVA- Commercial/ Rental Mix

Residential Development- Middle Portion

PROJECT OUTLINE

Unit Type	Apartment
Parcel Size (SQFT)	156,815
Parcel Size (Acres)	3.60
Lot Coverage	100%
Useable Lot Area (Office)	106,286
Office FAR	1.35
Useable Lot Area (Apartment)	50,529
# of Residential Stories	2
Open Space (SQFT/Unit)	250
Average Unit Size	850
Common Area Percentage	20%
Units	66
Density Bonus (@ 25%)	17
Total Units	83
Apartment Density (units per acre)	72
Parking Spaces per Unit (@ 1space/1000SQFT)	0.85

UNIT DISTRIBUTION

One Bedroom	21
Two Bedroom	21
Three Bedroom	42
	83

DEVELOPMENT COST STRUCTURE

Total Floor Area (Residential)	84,768
Total Floor Area (Commercial)	10,000
Land Cost/SQFT	$50,000
Construction Cost/SQFT (Residential)	$125.00
Construction Cost/SQFT (Commercial	$115.00
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	25%

PARKING COST STRUCTURE

Replacement Parking Spaces	110
Residential Parking Spaces (APT)	71
Commecial Parking Spaces	18
Total Parking Area	69,524
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.10
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.00%

OPERATING COST STRUCTURE

Avg. Residential Vacancy Rate	2.0%
Residential Expense Ratio (%)	35.0%
Average Retail Vacancy Rate	5.0%
Retail Expense Ratio (%)	28%

RENTS

Retail (SQFT)	$1

Commercial Development- Northern Portion

PROJECT OUTLINE

Unit Type	Office/Community Center
Parcel Size (SQFT)	106,286
Parcel Size (Acres)	2.44
Lot Coverage	100%
Useable Lot Area (Office)	106,286
Total Office Space (SQFT)	120,000
Common Area Percentage	20%
FAR	1.35
Parking Spaces	150

DEVELOPMENT COST STRUCTURE

Total Floor Area	144,000
Construction Cost/SQFT (Commercial)	$115.00
Parking Cost/SQFT	$60
Soft Costs as % of Construction Costs	30%

PARKING COST STRUCTURE

Replacement Parking Spaces	240
Commecial Parking Spaces	150
Total Parking Area	136,500
Parking Cost/SQFT	$60
Parking Cost/Space	$21,000

FINANCING STRUCTURE

Required Debt-Coverage Ratio	1.20
Interest Rate (%)	7.45%
Term (years)	30
Cap Rate	9.50%

OPERATING COST STRUCTURE

Average Retail Vacancy Rate	5%
Retail Expense Ratio (%)	15%

RENTS

Office (SQFT)	$1.75

Prototype IVA- Development Summary

Residential Development- Middle Portion

DEVELOPMENT SUMMARY	
Land Cost	$0
Residential Rental Units	83
Unit Square Footage	70,640
Common Area Square Footage	14,128
Commercial Square Footage	10,000
Total Square Footage	84,768
Structure Construction Cost	$11,746,047
BART Parking Spaces	110
Resident Parking Spaces (APT)	71
Commercial Parking Spaces	18
Parking Construction Cost	$4,171,447
Soft Costs	$3,979,373
Total Development Cost	$19,896,867
Per Unit	$239,415
Project Value	$19,896,867

OPERATING SUMMARY (FULL OCCUPANCY)	
Gross Scheduled Rent	$1,111,513
-Vacancies	($22,230)
-Expected Expenses	($389,029)
Gross Scheduled Rent	$120,000
-Vacancies	($6,000)
-Expected Expenses	($33,600)
Net Operating Income	$780,653

DEBT-EQUITY POSITION	Bottom Lines
Project Cost (from above)	$19,896,867
Supportable Mortgage	$8,422,610
Required Initial Cash (Gap)	$11,474,257
Cost per Rental Unit	**$239,415**
Subsidy per Unit	$138,067
Gap Less Replacement Parking	$7,302,810
Subsidy per Unit	$87,873
Effective Loan to Value	42.33%
Project Value from Cap Rate	$8,673,923

Commercial Development- Northern Portion

DEVELOPMENT SUMMARY	
Land Cost	$55,000
Office Square Footage	120,000
Common Area Square Footage	24,000
Total Square Footage	144,000
Structure Construction Cost	$16,560,000
BART Parking Spaces	240
Resident Parking Spaces (APT)	150
Commercial Parking Area (SQFT)	136,500
Parking Construction Cost	$8,190,000
Soft Costs	$7,425,000
Total Development Cost	**$32,175,000**
Per SQFT	$268
Project Value	$32,175,000

OPERATING SUMMARY (FULL OCCUPANCY)	
Gross Scheduled Rent	$210,000
-Vacancies	($10,500)
-Expected Expenses	($31,500)
Net Operating Income	$168,000

DEBT-EQUITY POSITION	
Project Cost (from above)	$32,175,000
Supportable Mortgage	$1,661,534
Required Initial Cash (Gap)	$30,513,466
Cost per SQFT	**$268**
Project Value from Cap Rate	$1,768,421

The $20 million residential development creates 83 total units with an average unit cost of $240,000. On a per unit basis, approximately $142,000 (59%) of the unit costs are related to structure construction costs, $50,000 (21%) are related to parking construction costs, and $48,000 (20%) are related to project soft costs. The project sustains mortgage financing of slightly less than $9 million leaving a financing gap of $11 million.

As a stand-alone office project, the development on the northern portion does not look very promising, but a private concern could finance such a project with a capital campaign if it can raise the $30 million development costs. It is also possible, that the affordable housing development could receive additional subsidies from the commercial complex developer in the form of parking structure enhancements. For example, the Jewish Community Center proposal assumed that many of the costs associated with access roads and parking ramps, features required of both developments, could be shouldered by the commercial development.

PROTOTYPE IVB- OWNERSHIP / RENTAL MIXTURE

The final prototype assumes the same 83 unit affordable housing development on the middle portion of the property, with a for-sale condominium development occupying the northern 2.44 Acres. As a product designed for absorption by the marketplace, it is assumed that the development can have a maximum density of 45 units/acre, and an average unit size of 980 SQFT. It may be that both of these assumptions are fairly aggressive, and more detailed market research will be needed to determine specific sizes and densities required of the marketplace. It is assumed that the project is developed over a two-year period.

Although actual land costs are minimal, the replacement-parking requirement imputes a land cost of approximately $60 per SQFT. This implied land cost is key to the feasibility of the condominium development. As this imputed land cost near market rates, a for-sale condominium project begins to pencil. However, as such developments are very sensitive to the sales price of individual units, it does not take a large movement in condominium prices to change the outlook of the development dramatically. The attached model shows the project breaking even at a condominium price of $235,000 per unit. This break-even price includes 20% of the units being sold at the affordable levels required by zoning. For comparison, at an assumed sales price of $200,000 per unit, the development would loose approximately $3 million dollars.

Prototype IV B- Calculating Land Costs

Calculating Imputed Land Costs

Number of Replacement Spaces	241
Replacement Space Cost (SQFT)	$5,061,000
Land Cost	55,000
Total Parking and Land Cost	$5,116,000
Total Acreage	2.44
Imputed Land Cost Per Acre	$2,096,721

Prototype IV B- Project Outline

PROJECT OUTLINE

Parcel Acreage	2.44
Land Cost Per Acre	$2,096,721
Average Unit Size (SQFT)	980
Average Unit Hard Costs (SQFT)	$125.00
Parking/ Unit	$21,000
Costs Per Unit	$143,500
Soft Costs per Unit	$35,875
Total Costs per Unit (Not including Land)	**$179,375**
Lender's Interest Rate	12%
Loan-to-Value	80%
Land Loan	4,092,800
Investor Pay-in For Land Loan	1,023,200
Investor Required Return	12%
Interest Rate	12%
LTV Ratio	80%
Investor Pay in	20%
Investor Required Return on Pay in	5%

Prototype IVB- For-Sale Condominium Cash Flow Summary

Unit Mix	#	%Med. Inc	SQFT	Sales Price
2Bedroom	88	100%	980	$235,000
2 Bedroom	22	80%	980	$154,560
	110			

Accounts	Month 0	Month 6	Month 12	Month 18	Month 24
Cash	$0	$0	$0	$0	$0
Unsold Inventory	0	0	0	0	0
Accrued Land Loan & Interest	$4,092,800	$4,092,800	$3,829,500	$1,783,939	$0
Current Interest on Land Loan	$0	$245,568	$229,770	$107,036	$0
Accrued investory Pay in	$1,023,200	$1,023,200	$1,084,592	$1,149,668	$834,293
Accrued Return to Investor	$0	$61,392	$65,076	$68,980	$50,058
Units Constructed		27	27	27	27
Unit Construction Costs		$4,923,844	$4,923,844	$4,923,844	$4,923,844
Accrued construction Loan & Interest		$3,939,075	$3,939,075	$3,939,075	$3,939,075
Current Interest on Construction Loan		$236,345	$236,345	$236,345	$236,345
Investor Pay-in (Construction)		$984,769	$984,769	$984,769	$984,769
Accrued return to Investor		$24,619	$24,619	$24,619	$24,619
Market Rate Units Sold		5	27	27	27
Affordable Rate Units Sold		22			
Average Unit Sales Price		$170,648	$235,000	$235,000	$235,000
Revenues from Unit Sales and Retained Cash		$4,684,288	$6,450,750	$6,450,750	$6,450,750
Repayment of Construction Loan and Interest		$4,175,420	$4,175,420	$4,175,420	$4,175,420
Cash before Repayment of Land Loan		$508,868	$2,275,331	$2,275,331	$2,275,331
Repayment of Land Loan and Interest		$508,868	$2,275,331	$1,890,976	$0
Cash before Repayment to Investors		$0	$0	$384,355	$2,275,331
Repayment ot Land Investor		$0	$0	$384,355	$884,350
Cash before Repayment to Construction Investor		$0	$0	$0	$1,390,980
Repayment to Cosntruction Investor		$0	$0	$0	$1,009,388
Total Outstanding Balances (all sources)		($5,923,480)	($3,942,995)	($1,843,681)	$0
Remainder		$0	$0	$0	$381,592

Parking Costs- City zoning regulations that allocate parking as a function of dwelling space, as opposed to a per-unit requirement, can provide significant cost savings to the project. As illustrated in the financial models, these costs savings are similar in nature to a reduction in the number of replacement BART spaces provided. Replacement parking can also be interpreted to reflect an imputed land cost equal to the cost of platform parking construction. In this instance, the replacement of BART parking imputes a land cost of $60 per SQFT. As land prices appreciate, this cost may closely reflect market land values, making development more feasible.

Housing Choice Voucher Program-The rents allocated by the Housing Choice Voucher Program may allow a development to sustain a NOI comparable to that of market rate development. However, as the Housing Choice Voucher program is allocated on a year-by-year basis, lenders may interpret such a program as having a higher associated risk.

Interm Parking- Not reflected in these projections are any costs associated with the intermediate parking that must be provided to BART commuters during the construction period. It is anticipated that the developer may be responsible for shouldering these costs, and that these costs could be significant.

Associated Developments- If the subject site is developed in phases, similar to in nature to the product described in Prototype IV, non-financial subsidies, such as parking infrastructure and BART station improvements may be provided by the associated developer, making affordable housing more feasible than it would be as a stand-alone development.

MARKET RESEARCH AND DEMAND ANALYSIS

OBJECTIVE

To provide an understanding of the current housing supply, market forecasts and prospective demand within the target market for any proposed development at the Ashby BART station. Define and describe the relevant market utilizing primary and secondary sources of data. Identify and project trends within the relevant market that may impact any proposed development. Provide an economic basis for key assumptions of the financial feasibility study.

Methods: The following analysis was compiled and prepared in an effort to categorize the current market for multi-unit apartment and/or condominium development in Berkeley, CA. The data collected herein has been aggregated to evaluate current trends, as well as to discern future market potential. The contents of this analysis are as follows:

- Overview of the current household population and the current housing stock.
- Identification of the development pipeline.
- Examination of historical and projected housing demand.
- Discussion of consumer housing preferences.
- Projection of rent and vacancy trends.
- Discussion of the competitive apartment market by price, size and amenities.
- Projections of apartment market absorption.
- Discussion of current condominium values, based on comparable sales.
- Overview of land values.
- Summary of findings and implications.

Secondary data was utilized extensively in the preparation of this report. These data sources include:

- United States Census Bureau (1990 and 2000 Census)
- City of Berkeley, Draft General Plan Housing Element (June 2001)
- California Department of Housing and Community Development
- Association of Bay Area Governments
- Wilbur Smith Associates
- Home Builders Association of Northern California
- National Association of Realtors
- Torto Wheaton Research
- Hendricks & Partners Research
- ApartmentComps
- Data Quick

Population, Households and the Housing Stock

The population of Berkeley, CA as determined by the 2000 Census was 102,743. This represented an increase of only 19 people since 1990, making Berkeley one of the slowest growing cities in the Bay Area. By 2005, however, this trend should change as the Association of Bay Area Governments projects a 7.5% population increase to 110,400.

Berkeley households numbered 44,955 in 2000. This represented an increase of 3.2% over the 1990 household total. This increase in household population can be attributed to a larger percentage of the Berkeley population residing in households over 1990 levels. The average household size also increased, from 2.1 persons per household in 1990 to 2.16 persons per household in 2000. By 2005, also using ABAG projections, total households could increase by 1.3% to 45,535.

The 2000 Census reported the total housing stock as 46,875 units within the city limits of Berkeley. This represented an increase of 2.4% or 1,140 units since 1990. An itemized distribution of the 2000 housing stock was unavailable, however, the Berkeley Draft General Plan Housing Element, itemized the distribution of 1990 housing units as follows:

Berkeley's Housing Stock by Building Type, 1990

Structure	Number of Units	Percent of Total Units
1 Unit	20,565	45.0%
2 Units	4,722	10.3%
3-4 Units	4,940	10.8%
5-9 Units	4,902	10.7%
10-19 Units	4,672	10.2%
20 or more	5,326	11.6%
Other	608	1.3%
Total Units	45,735	100.0%

Source: Draft General Plan Housing Element, City of Berkeley

Since the 1990 Census, owner-occupancy rates have fallen slightly from 44% of all units to 42.7% of all units in 2000. As a result, renter-occupied units now constitute over 57% of the Berkeley housing market. For comparison purposes, renter-occupied units represent 45% of all units for Alameda County as a whole.

As outlined in the General Plan, land use policies call for 3,000 new housing units to be developed in Berkeley over the next 20 years. If achieved, this supply of approximately 150 units per year would represent a 163% increase over the 10-year average of net housing production of 57 units per year.

Development Pipeline

In the General Plan Housing Element, eight projects, representing 363 units, constitute the "development pipeline". For purposes of this analysis, four additional projects that have recently received Use Permits have been added. The inclusion of these projects brings the current development pipeline to 605 Units. The addresses and relative sizes of these developments are provided below:

Housing Developments in the Construction Pipeline (10 Units or More)

Project Address	Units
3132 MLK, Jr. Way	37
2116 Allston Way	91
2136 Center Street	68
2101 Milvia Street	21
2700 San Pablo Avenue	75
2100 Shattuck Avenue	20
2701 Shattuck Avenue	19
3222-24 Adeline Street	19
2161 Allston Way	60
1392 University Avenue	131
1719-25 University Avenue	64
Total Construction Pipeline	**605**

Source: Draft General Plan Housing Element, City of Berkeley; City Manager's Office

In addition, the City of Berkeley has also prepared a list of projects that represent the best estimate of the housing unit inventory that could break ground by March 2003. It can be reasonably expected that either the number of units associated with any development may change, or that any development itself may fall of this list, or be replaced by an alternate project. However, the list that follows may be helpful in indicating the relative size of this extended development pipeline:

Housing Developments in the Extended Pipeline

Expected To Break Ground by March 2003

Project Address	Units
2076 Ashby Avenue	20
2700 Bancroft Way	90
2526 Durant Avenue	76
2020 Kittredge Street	328
2575 San Pablo Avenue	16
1607 Shattuck Avenue	70
1797 Shattuck Avenue	168
2593-99 Telegraph Ave	41
Total Extended Pipeline	**809**

Source: City Manager's Office

Historical and Projected Housing Demand

Projections of local housing demand have been based on an analysis of the area that includes existing and anticipated rental housing markets, demographics, and the economy. The analysis of the existing rental housing market is based on the establishment of an appropriate market area for the proposed project defined by the boundary inclusive of both Alameda and Contra Costa counties. As this report relies heavily on secondary data sources, this convenient definition of the appropriate market area enables the most effective use of government statistical information.

In the simplified models that are constructed on the following pages, demand is determined primarily by the household composition of any county or city population. In addition to this primary household demand, a certain percent of the current housing stock is deemed to be of substandard quality and in need of replacement. This replacement requirement is reflected in the model as an additional increase in demand. Lastly, the model also imposes a "natural" vacancy rate. This is a historical rate associated with the housing stock reflecting normal vacancies as a result of housing turnover or transition. In instances where vacancies fall below these "natural" levels, the market is exhibiting periods of excess demand that must be incorporated within the model.

The supply side of this model is a function of the current housing stock. Increases in supply are a function of new construction. Future construction is estimated utilizing historical yearly permitting levels, or the development pipeline where available. The apartment share of housing supply and demand is based on the characteristics of the market housing tenure. Once complete, this model can characterize housing shortfall, or surplus, over a projected timeframe.

For evaluation purposes, these projections have been compared to the housing need determinations of the Association of Bay Area Governments. While the ABAG study and this demand model calculate housing needs over slightly different time frames, a comparative summary is presented below. In both cases the ultimate conclusion is the same: The housing markets of Alameda and Contra Costa Counties will need significant additions of new supply to satisfy future demand.

	Alameda County	Contra Costa County	City of Berkeley
DEMAND MODEL			
Total Shortfall 2005	(25,615)	(32,361)	(2,151)
New Construction 2000-2005	21,170	4840	845
Total Housing Need Production 2000-2005	46,785	37,201	2,951
Total Yearly Housing Need Production	7,797	6,200	492
ABAG PROJECTIONS			
Projected Total Housing Need 1999-2006	46,793	34,710	1269
Projected Total Yearly Housing Need	6,239	4,628	169

Housing Demand - Alameda County

	1990 [1]	1995 [2]	1996	1997	1998	1999	2000 [3]	2005 [4]	2010	2015	2020
Total Population	1,279,182	1,344,157	1,356,339	1,381,705	1,415,841	1,438,516	1,443,741	1,573,200	1,615,900	1,641,700	1,671,700
Total Household Population	1,242,068	1,308,502	1,320,286	1,348,941	1,383,709	1,406,046	1,418,322	1,539,600	1,581,200	1,605,800	1,634,600
Persons Per Household	2.59	2.67	2.68	2.72	2.77	2.78	2.71	2.87	2.86	2.84	2.82
Total Households	479,563	490,076	492,644	495,934	499,534	505,772	523,366	536,446	552,867	565,423	579,645
Household Demand Growth		2.19%	0.52%	0.67%	0.73%	1.25%	3.48%	2.50%	3.06%	2.27%	2.52%
+ Substandard Housing Replacement	45,370	46,346	46,638	46,899	47,343	47,805	48,616	50,522	52,427	54,332	56,238
Substandard Replacement Rate[b]	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Vacancy Rate[b]	4.88%	4.10%	3.50%	4.40%	4.40%	4.40%	3.10%	4.00%	4.00%	4.00%	4.00%
+ Demand over Normal Vacancy							4,619				
Estimated Annual Demand	524,933	536,422	539,282	542,833	546,877	553,577	576,601	586,968	605,294	619,755	635,883
* Apartment Share	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Estimated Apartment Demand	236,220	241,390	242,677	244,275	246,095	249,110	259,470	264,135	272,382	278,890	286,147
New Apartment Supply											
Total Housing Units	504,109	514,955	518,197	521,101	526,034	531,166	540,183	561,353	582,523	603,693	624,863
Rental Housing Share	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Rental Housing Units	226,849	231,730	233,189	234,495	236,715	239,025	243,082	252,609	262,135	271,662	281,188
1. Starts											
2. Permitted & Approved											
3. Proposed/ Build-Out											
4. Trend[b]								21,170	21,170	21,170	21,170
Total Estimated Supply	226,849	231,730	233,189	234,495	236,715	239,025	243,082	252,609	262,135	271,662	281,188
Total Demand-Supply Gap	(20,824)	(21,467)	(21,085)	(21,732)	(20,843)	(22,411)	(36,418)	(25,615)	(22,771)	(16,062)	(11,020)
Total Apartment Demand-Supply Gap	(9,371)	(9,660)	(9,488)	(9,780)	(9,379)	(10,085)	(16,388)	(11,527)	(10,247)	(7,228)	(4,959)

[1]1990 Census; [2]California Department of Finance Projections (1995-1999);[3] Census 2000; [4]Association of Bay Are Governments; [5-6] California Department of Housing and Community Development

Housing Demand - Contra Costa County

	1990 [1]	1995 [2]	1996	1997	1998	1999	2000 [3]	2005 [4]	2010	2015	2020
Total Population	803,732	863,335	872,631	887,065	906,541	924,427	948,816	1,021,500	1,076,800	1,124,900	1,116,900
Total Household Population	792,760	852,022	861,336	876,634	896,490	914,645	936,031	1,010,000	1,065,300	1,113,300	1,156,900
Persons Per Household	2.64	2.67	2.67	2.69	2.72	2.75	2.72	2.81	2.79	2.77	2.75
Total Households	300,288	319,109	322,598	325,886	329,592	332,598	344,129	359,431	381,828	401,913	420,691
Household Demand Growth		6.27%	1.09%	1.02%	1.14%	0.91%	3.47%	4.45%	6.23%	5.26%	4.67%
+ Substandard Housing Replacement	28,455	30,279	30,565	30,868	31,203	31,492	31,912	32,348	32,783	33,219	33,654
Substandard Replacement Rate[b]	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Vacancy Rate[b]	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.9%	4.0%	4.0%	4.0%	4.0%
+ Demand over Normal Vacancy							2,286				
Estimated Annual Demand	328,743	349,389	353,162	356,754	360,794	364,090	378,327	391,778	414,611	435,132	454,345
* Apartment Share	39%	32%	32%	32%	32%	32%	31%	31%	31%	31%	31%
Estimated Apartment Demand	128,210	111,804	113,012	114,161	115,454	116,509	116,146	120,276	127,286	133,586	139,484
New Apartment Supply											
Total Housing Units	316,170	336,438	339,607	342,980	346,695	349,912	354,577	359,417	364,257	369,097	373,937
Rental Housing Share	39%	32%	32%	32%	32%	32%	31%	31%	31%	31%	31%
Rental Housing Units	123,306	107,660	108,674	109,754	110,942	111,972	108,855	110,341	111,827	113,313	114,799
1. Starts											
2. Permitted & Approved											
3. Proposed/ Build-Out											
4. Trend[b]								4840	4840	4840	4840
Total Estimated Supply	123,306	107,660	108,674	109,754	110,942	111,972	108,855	110,341	111,827	113,313	114,799
Total Demand-Supply Gap	(12,573)	(12,951)	(13,555)	(13,774)	(14,099)	(14,178)	(23,750)	(32,361)	(50,354)	(66,035)	(80,408)
Total Apartment Demand-Supply Gap	(4,904)	(4,144)	(4,338)	(4,408)	(4,512)	(4,537)	(7,291)	(9,935)	(15,459)	(20,273)	(24,685)

[1]1990 Census; [2]California Department of Finance Projections (1995-1999);[3] Census 2000; [4]Association of Bay Are Governments; [5-6] California Department of Housing and Community Development

City of Berkeley

	1990 [1]	1995 [2]	1996	1997	1998	1999	2000 [3]	2005 [4]	2010	2015	2020
Total Population	102,724	104,535	104,667	106,335	108,139	109,267	102,743	110,400	110,600	110,800	110,900
Total Household Population	91,442	92,151	92,469	93,972	95,752	96,807	97,102	97,900	98,100	98,300	98,400
Persons Per Household	2.10	2.11	2.12	2.15	2.19	2.20	2.16	2.15	2.15	2.15	2.15
Total Households	43,544	43,673	43,617	43,708	43,722	44,003	44,955	45,535	45,628	45,721	45,767
Household Demand Growth		0.30%	-0.13%	0.21%	0.03%	0.64%	2.16%	1.29%	0.20%	0.20%	0.10%
+ Substandard Housing Replacement	4,116	4,132	4,136	4,138	4,140	4,160	4,219	4,286	4,354	4,421	4,489
Substandard Replacement Rate[b]	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Vacancy Rate[b]	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.8%	4.0%	4.0%	4.0%	4.0%
+ Demand over Normal Vacancy							578				
Estimated Annual Demand	47,660	47,806	47,754	47,846	47,862	48,163	49,751	49,821	49,982	50,142	50,256
* Apartment Share	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Estimated Apartment Demand	26,690	26,771	26,742	26,794	26,803	26,971	27,860	27,900	27,990	28,080	28,143
New Apartment Supply											
Total Housing Units	45,735	45,912	45,958	45,982	45,996	46,219	46,875	47,625	48,375	49,125	49,875
Rental Housing Units	25,612	25,711	25,736	25,750	25,758	25,883	26,250	27,000	27,750	28,500	29,250
1. Apartment Starts & Additions		99	26	13	8	125	367				
2.Apartment Unit Construction Trend[b]								750	750	750	750
Total Estimated Supply	25,612	25,711	25,736	25,750	25,758	25,883	26,250	27,000	27,750	28,500	29,250
Total Demand-Supply Gap	(1,925)	(1,894)	(1,796)	(1,864)	(1,866)	(1,944)	(2,876)	(2,196)	(1,607)	(1,017)	(381)
Total Apartment Demand-Supply Gap	(1,078)	(1,060)	(1,006)	(1,044)	(1,045)	(1,089)	(1,610)	(900)	(240)	420	1,107

[1]1990 Census; [2]California Department of Finance Projections (1995-1999);[3] Census 2000; [4]Association of Bay Are Governments; [5-6] California Department of Housing and Community Development

Consumer Preferences

The Home Builders Association of Northern California (HBA), working in conjunction with the California Alliance for Jobs and National Survey Systems, compiled a survey of recent homeowners and shoppers. As set forth by the HBA, one of the primary goals of the survey was to gather consumer preference information with respect to housing densities and styles, particularly those associated with attached housing. This report is particularly relevant to any for-sale housing development at Ashby Station as project absorption would be effected by the ability to successful compete in the housing market with detached housing. The composition of the survey participants, and a summary of relevant responses have been provided below. The complete report and survey can be accessed through http://www.hbanc.org/govaffairs/govtrends.html

HBA Consumer Preference Survey Respondents

New Home Shoppers					
Santa Clara County		**Alameda and Contra Costa Counties**		**Merced, San Benito, San Joaquin and Stanislous Counties**	
Attached or Detached	Detached Only	Attached or Detached	Detached Only	Attached or Detached	Detached Only
21	36	47	118	0	11
57		165		11	

New Home Buyers					
Santa Clara County		**Alameda and Contra Costa Counties**		**Merced, San Benito, San Joaquin and Stanislous Counties**	
Attached or Detached	Detached Only	Attached or Detached	Detached Only	Attached or Detached	Detached Only
33	64	22	141	18	221
97		163		239	

Relevant Finding of the Home Builders Association Housing Preference Survey:

Single-family detached housing is the preference for a vast majority of homes shoppers and homeowners.

- Over 80% of all survey respondents were considering detached homes only. Respondents from Santa Clara County were most likely to consider attached or detached homes, followed by Alameda and Contra Costa County. Respondents considering detached homes only, did so because they prefer more privacy, desire to have a yard and greater living space.

Those considering attached homes are younger, first-time homebuyers, attracted by the lower costs associated with attached homes.

- The average age of respondents in Alameda and Contra Costa Counties that were considering or had considered the purchase of an attached home were more likely to be between the age of 31-40. For the survey as a whole, over 50% of respondents considering attached housing were less than 40 years of age.

- 61% of respondents who were considering attached or detached homes were first-time homebuyers. Respondent considering attached homes reported lower cost and a lack of desire for a yard as their primary reasons.

- The average annual household income by respondents who were considering detached or attached housing was $97,500. The average annual household income by respondents who were considering detached housing only was $112,000.

Consumers prefer to live near their work, and many are working from home at least part-time.

- 71% of the respondents from Alameda or Contra Costa Counties work in either Alameda or Contra Costa County. 36% of all respondents reported working in either Alameda (22%) or Contra Costa (14%) Counties. 63% of all respondents work and live in the same county.

- Of those respondents who did not live and work in the same county, 54% did not do so as a result of prohibitive housing costs.

- 55% of respondents expect that they, or someone in their household will work either part-time or full-time out of the home.

Homebuyers will endure significant commutes to save on housing costs, however, location alone is not enough to attract single-family home shoppers to attached housing.

- Nearly 23% of all respondents said they would travel an additional 80 miles to and from work to achieve a 20% savings housing costs. Over 31% of respondents would be willing to drive an additional 40 miles to and from work each day to achieve a 10% savings in housing costs.

- Of all respondents, nearly 62% would be inclined to commute further for relatively lower density single-family detached housing.

- Over three-quarters of respondents considering detached homes only, reported that they would not have considered an attached home if were located very close to their workplace.

Access to public transportation is of some importance to a majority of households, and a top priority to almost 20% of Alameda and Contra Costa county homeowners and home shoppers.

- Of all respondents 31% of all respondents reported that accessibility to public transit was totally unimportant to them in their home purchase decision, while 12% reported that it was a top priority. In Alameda and Contra Costa Counties, 18% reported accessibility to public transit as a top priority.

Consumers consider highly the value of good schools and good design in their housing decision.

- 65% of Alameda and Contra Costa respondents reported that quality schools were either a "1" (top priority) or "2" ranking out of a seven point scale.

- Three quarters of all respondents ranked floor plans and design as either a "1"(top priority) or "2" ranking out of a seven point scale.

Rents and Vacancy Trends

The East Bay apartment market has benefited from the high occupancy levels and increasing rent trends that have categorized apartment markets throughout the Bay Area. By the first quarter of 2001, rents have exhibited a year-over-year increase of greater than 25%. The average apartment, in a development greater than 20 units, now averages over $1300/mo. Consistent with the data presented below, the General Plan Housing Element estimates Berkeley's median gross apartment rent was $1,100/month in the year 2000. However, the market may be beginning to display signs that demand may have reached a peak, and rents are leveling off.

Hendricks & Partners Apartment Research Division reported that while vacancy rates remained extremely tight, they have started easing, if only marginally, from 1.5% to 1.6% across the East Bay market. Vacancy rates for Berkeley rental units were 2.8% in the year 2000, above the East Bay averages as a whole, but still fairly tight.

Apartments > Than 20 Units

	Vacancy			Average Rent		
	1999	**2000**	**2001**	**1999**	**2000**	**2001**
North/West Alameda County	1.70%	1.60%	1.40%	$915	$1,032	$1,297
South/East Alameda County	1.50%	2.30%	1.90%	$1,114	$1,230	$1,575
North/West Contra Costa County	1.80%	1.10%	1.40%	$999	$1,104	$1,367
South/East Contra Costa County	1.20%	1.70%	1.30%	$791	$908	$1,094
Total	**1.60%**	**1.60%**	**1.50%**	**$958**	**$1,074**	**$1,346**

Source: Hendricks & Partners Apartment Research Division

The first quarter of 2001 also saw a continued influx of jobs to the East Bay (construction, engineering and architectural firms), from the higher cost areas in the rest of the Bay Area. These relocations helped increase employment growth by 3.8%. Throughout 2001, Hendricks & Partners projects this trend will help fuel an increase of 1.4% in overall population growth throughout the East Bay in 2001, which should outpace population growth in other locations throughout the Bay Area

National trends may also portend well for the apartment markets of the East Bay. Torto Wheaton Research argues that, even in the face of a recession, the current demographic make-up of the population favor multi-unit housing markets. The two fasted growing populations nationwide are the population aged 18-25 and those 55 and older. Increases in these demographics, both target markets, are expected to provide strong demand for multi-unit housing developments. Torto Wheaton also projects Oakland vacancy rates to remain below 5% throughout the next several years.

The Competitive Apartment Market

A database provided by Apartmentcomps.com (http://www.apartmentcomps.com) was utilized to prepare the following competitive apartment market overview. This database represents information compiled from May through August of 2001. Thirty-five apartment complexes, representing a competitive supply of over 8,000 units, were located in the area between Alameda and Richmond, CA. In summarizing the market below, unit sizes and rents are calculated as both simple averages and median levels. A complete list of apartments by location, rents, size and amenities has also been included for reference purposes and completeness.

Summary of Comparables	
Total Apartments (Development)	35
Total Apartments (Units)	8,026
Total Developments <200 units	10
Total Developments >200 units	25
Low Occupancy	89%
High Occupancy	100%
Average Occupancy	98%

Summary of Market Apartment Composition and Rents

Unit Type	Average Unit Size(SqFt)	Median Unit Size(SqFt)	Average Unit Rent	Median Unit Rent	Average Rent per SqFt
Studio	493	470	$921	$885	$1.89
One Bedroom/ One Bath	704	671	$1,146	$1,048	$1.68
Two Bedroom/ One Bath	937	877	$1,430	$1,350	$1.57
Three Bedroom/ Two Bath	1,217	1,200	$2,104	$1,975	$1.72

Apartment Comparables

				Studio			1 Bedroom			2 Bedroom			3 Bedroom		
Project Name	**Year Built**	**Total Units**	**Percent Occupied**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sq.ft)**	**Rent per SqFt**
Del Norte Place 11720 San Pablo Avenue El Cerrito,CA 94530 (510)-237-8300	1992	135	94%	-	-	-	$1,262	678	$1.86	$1,593	893	$1.78	-	-	-
Civic Plaza Apartments 10944 San Pablo Avenue El Cerrito, CA 94530 (510)232-5798	1988	162	99%	-	-	-	$1,133	671	$1.69	$1,346	831	$1.62	-	-	-
Archstone Marina Bay 1 Marina Lakes Drive Richmond, CA 94804 (510) 235-2244	1991	468	96%	-	-	-	$1,625	775	$2.10	$1,843	997	$1.85	-	-	-
Montoya Garden 5005 Montoya Avenue San Pablo, CA 94805 (510) 235-6341	1963	96	100%	$850	500	$1.70	$975	650	$1.50	$1,075	850	$1.26	-	-	-
Villa Alvarado 1330 Contra Costa Avenue San Pablo, CA 94806 (510) 236-7761	1971	197	95%	$895	456	$1.96	$1,045	650	$1.61	$1,373	860	$1.60	-	-	-
Cove At Marina Bay 1 Schooner Court Richmond, CA 94804 (510) 232-9494	1987	224	93%	-	-	-	$1,445	741	$1.95	$1,645	995	$1.65	-	-	-
Colina Apartments 5405 Morrow Drive San Pablo, CA 94806 (510) 223-9363	1958	59	100%	-	-	-	-	-	-	$950	700	$1.36	-	-	-
New Brighton Apartments 1260 Brighton Street Albany, CA 94706 (510) 524-8985	1965	60	100%	-	-	-	$1,195	750	$1.59	$1,350	800	$1.69	$1,450	900	$1.61
Kona Apartments 2645 Church Lane San Pablo, CA 94806 (510) 223-9111	1972	52	100%	$750	670	$1.12	$800	720	$1.11	$950	860	$1.10	-	-	-
Creekview Apartments 3535 El Portal Drive El Sobrante, CA 94803 (510) 222-8623	1991	194	96%	-	-	-	$1,026	707	$1.45	$1,275	920	$1.39	-	-	-
Casa Ensenda 2422 Road 20 San Pablo, CA 94806 (510) 235-8256	1971	76	99%	-	-	-	$950	725	$1.31	$1,090	800	$1.36	-	-	-
Heritage Grove Apartments 4935 San Pablo Dam Road El Sobrante, CA 94803 (510) 223-0417	1987	75	100%	-	-	-	$995	700	$1.42	$1,200	800	$1.50	-	-	-
Mediterranea 4740 Appian Way El Sobrante, CA 94803 (510) 223-6690	1969	50	98%	-	-	-	$1,027	750	$1.37	$1,272	967	$1.32	$1,670	1300	$1.28
Hilltop Willow Branch 2200 River Street San Pablo, CA 94806 (510) 234-8844	1950	60	100%	-	-	-	$750	550	$1.36	$875	700	$1.25	-	-	-
Westridge at Hilltop 2490 Lancaster Drive Richmond, CA 94806 (510) 222-2730	1970	401	97%	$885	470	$1.88	$1,010	580	$1.74	-	-	-	-	-	-
Hilltop 2300 Lancaster Drive Richmond, CA 94806 (510) 222-2306	1977	342	97%	-	-	-	$1,020	668	$1.53	$1,345	834	$1.61	-	-	-
Summit at Hill Top 3600 Sierra Ridge Road Richmond, CA 94806 (510) 223-7001	1990	240	98%	-	-	-	$1,233	651	$1.89	$1,450	858	$1.69	-	-	-
Hilltop Bayview 3400 Richmond Parkway Richmond, CA 94806 (510) 2223-2000	1988	1008	98%	-	-	-	$1,230	704	$1.75	$1,605	1000	$1.61	-	-	-
Emery Bay Club 6401 Shellmound Street Emeryville, CA 94608 (510) 658-5589	1988	685	90%	$1,273	583	$2.18	$1,625	702	$2.31	$1,925	990	$1.94	$2,250	1230	$1.83
Bridgecourt 1325 40th Street Emeryville, CA 94608 (510) 654-9540	1997	220	97%	-	-	-	$1,487	671	$2.22	$2,095	1113	$1.88	-	-	-
Watergate Condos 10 Commodore Drive Emeryville, CA 94608 (510) 654-8700	1971	1247	98%	$1,150	470	$2.45	$1,300	530	$2.45	$1,800	950	$1.89	-	-	-

Apartment Comparables

				Studio			1 Bedroom			2 Bedroom			3 Bedroom		
Project Name	**Year Built**	**Total Units**	**Percent Occupied**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sqft)**	**Rent per SqFt**	**Rent**	**Size (Sq.ft)**	**Rent per SqFt**
Piedmont Apartments 215 West MacArthur Boulevard Oakland, CA 94611 (510) 658-7170	1973	250	99%	$646	396	$1.63	$756	620	$1.22	$906	800	$1.13	-	-	-
Summit Crest 2801 Summit Street Oakland, CA 94609 (510) 452-2471	1970	98	100%	-	-	-	$945	500	$1.89	$1,400	700	$2.00	-	-	-
Fairmount Heights 55-77 Fairmount Avenue Oakland, CA 94611 (510) 268-0497	1972	177	100%	-	-	-	$1,050	650	$1.62	$1,295	1150	$1.13	-	-	-
Grand Lake Terrace 383 MacArthur Boulevard #220 Oakland, CA 94610 (510) 763-2338	1968	109	99%	-	-	-	$1,395	713	$1.96	$1,695	925	$1.83	-	-	-
Alice Lake Apartments 1553 Alice Street Oakland, CA 94612 (510) 444-6625	1964	84	100%	$800	450	$1.78	$1,000	650	$1.54	$1,200	850	$1.41	-	-	-
Jackson Lake Apartments 1553 Jackson Street Oakland, CA 94612 (510) 832-7636	1960	192	100%	$1,100	480	$2.29	$988	625	$1.58	$1,400	950	$1.47	-	-	-
President Apartments 1565 Madison Street Oakland, CA 94612 (510) 272-9574	1968	66	100%	-	-	-	$838	700	$1.20	-	-	-	-	-	-
1200 Lakeshore Apartments 1200 Lakeshore Avenue Oakland, CA 94606 (510) 834-1200	1967	172	100%	-	-	-	$2,075	1000	$2.08	$2,550	1325	$1.92	$3,225	1700	$1.90
Merrit Terrace 421 East 18th Street Oakland, CA 94606 (510) 452-4888	1974	83	N/A	$895	500	$1.79	-	-	-	-	-	-	-	-	-
Lake View Towers 201 East 12th Street Oakland, CA 94601 (510) 893-5556	1965	81	100%	-	-	-	$1,188	640	$1.86	$1,500	840	$1.79	-	-	-
Regency Tower 1130 3rd Aenue Oakland, CA 94606 (510) 893-3764	1972	179	100%	-	-	-	$1,150	800	$1.44	$1,350	1033	$1.31	-	-	-
Oakbrook Manor 1232 East 19th Street Oakland, CA 94606 (510) 536-9229	1957	144	99%	$885	450	$1.97	$1,100	650	$1.69	$1,335	850	$1.57	$1,700	1000	$1.70
Glenview 1948 East 29th Street Oakland, CA 94606 (510) 261--3487	1956	70	89%	-	-	-	$1,000	800	$1.25	-	-	-	-	-	-
Marina View Towers 1100 Pacific Marina Alameda, CA 94501 (510) 521-3600	1969	84	95%	-	-	-	$1,500	650	$2.31	$2,075	1000	$2.08	$2,330	1170	$1.99
Atlantic 1825 Poggi Street Alameda, CA 94501 (510) 522-6364	1966	186	100%	-	-	-	$843	650	$1.30	$1,013	900	$1.13	-	-	-

Project Name	Garages	Carports	Security Gagtes	Indoor Pool	Fireplaces	Washer & Dryer	Washer Dryer Connections	Laundry Rooms	Cabana	Pool	Weight Room	Sports Court	PlayGround	Cathedral Ceilings
Del Norte Place 11720 San Pablo Avenue El Cerrito,CA 94530 (510)-237-8300					✖			✖	✖	✖	✖		✖	
Civic Plaza Apartments 10944 San Pablo Avenue El Cerrito, CA 94530 (510)232-5798		✖			✖		✖	✖		✖	✖	✖		✖
Archstone Marina Bay 1 Marina Lakes Drive Richmond, CA 94804 (510) 235-2244		✖	✖		✖	✖			✖	✖	✖	✖		✖
Montoya Garden 5005 Montoya Avenue San Pablo, CA 94805 (510) 235-6341	✖	✖						✖		✖				
Villa Alvarado 1330 Contra Costa Avenue San Pablo, CA 94806 (510) 236-7761		✖	✖					✖	✖	✖				
Cove At Marina Bay 1 Schooner Court Richmond, CA 94804 (510) 232-9494		✖	✖		✖	✖				✖	✖			✖
Colina Apartments 5405 Morrow Drive San Pablo, CA 94806 (510) 223-9363	✖	✖						✖		✖				
New Brighton Apartments 1260 Brighton Street Albany, CA 94706 (510) 524-8985		✖						✖		✖		✖	✖	
Kona Apartments 2645 Church Lane San Pablo, CA 94806 (510) 223-9111		✖						✖		✖				
Creekview Apartments 3535 El Portal Drive El Sobrante, CA 94803 (510) 222-8623	✖		✖		✖		✖		✖	✖	✖			✖
Casa Ensenda 2422 Road 20 San Pablo, CA 94806 (510) 235-8256		✖	✖					✖						✖
Heritage Grove Apartments 4935 San Pablo Dam Road El Sobrante, CA 94803 (510) 223-0417	✖	✖						✖						
Mediterranea 4740 Appian Way El Sobrante, CA 94803 (510) 223-6690		✖			✖			✖		✖				
Hilltop Willow Branch 2200 River Street San Pablo, CA 94806 (510) 234-8844		✖	✖					✖			✖		✖	
Westridge at Hilltop 2490 Lancaster Drive Richmond, CA 94806 (510) 222-2730	✖	✖						✖		✖	✖			
Hilltop 2300 Lancaster Drive Richmond, CA 94806 (510) 222-2306		✖						✖		✖	✖	✖	✖	
Summit at Hill Top 3600 Sierra Ridge Road Richmond, CA 94806 (510) 223-7001						✖		✖	✖	✖	✖			
Hilltop Bayview 3400 Richmond Parkway Richmond, CA 94806 (510) 2223-2000		✖	✖	✖	✖	✖		✖		✖	✖	✖		
Emery Bay Club 6401 Shellmound Street Emeryville, CA 94608 (510) 658-5589	✖		✖		✖			✖	✖	✖	✖	✖	✖	✖
Bridgecourt 1325 40th Street Emeryville, CA 94608 (510) 654-9540	✖		✖	✖	✖		✖	✖	✖	✖	✖			✖
Watergate Condos 10 Commodore Drive Emeryville, CA 94608 (510) 654-8700	✖						✖	✖	✖	✖	✖	✖		

Project Name	Garages	Carports	Security Gagtes	Indoor Pool	Fireplaces	Washer & Dryer	Washer Dryer Connections	Laundry Rooms	Cabana	Pool	Weight Room	Sports Court	PlayGround	Cathedral Ceilings
Piedmont Apartments 215 West MacArthur Boulevard Oakland, CA 94611 (510) 658-7170	✖		✖					✖		✖	✖		✖	
Summit Crest 2801 Summit Street Oakland, CA 94609 (510) 452-2471	✖		✖					✖						
Fairmount Heights 55-77 Fairmount Avenue Oakland, CA 94611 (510) 268-0497								✖	✖	✖	✖			
Grand Lake Terrace 383 MacArthur Boulevard #220 Oakland, CA 94610 (510) 763-2338	✖		✖		✖			✖		✖				
Alice Lake Apartments 1553 Alice Street Oakland, CA 94612 (510) 444-6625	✖							✖	✖		✖			
Jackson Lake Apartments 1553 Jackson Street Oakland, CA 94612 (510) 832-7636	✖	✖	✖					✖	✖	✖	✖			
President Apartments 1565 Madison Street Oakland, CA 94612 (510) 272-9574	✖		✖					✖						
1200 Lakeshore Apartments 1200 Lakeshore Avenue Oakland, CA 94606 (510) 834-1200	✖		✖					✖	✖		✖			✖
Merrit Terrace 421 East 18th Street Oakland, CA 94606 (510) 452-4888								✖						
Lake View Towers 201 East 12th Street Oakland, CA 94601 (510) 893-5556								✖					✖	
Regency Tower 1130 3rd Aenue Oakland, CA 94606 (510) 893-3764	✖		✖					✖		✖	✖	✖		
Oakbrook Manor 1232 East 19th Street Oakland, CA 94606 (510) 536-9229	✖		✖					✖						
Glenview 1948 East 29th Street Oakland, CA 94606 (510) 261--3487		✖						✖						
Marina View Towers 1100 Pacific Marina Alameda, CA 94501 (510) 521-3600		✖						✖			✖			✖
Atlantic 1825 Poggi Street Alameda, CA 94501 (510) 522-6364		✖						✖		✖				

Projecting Market Absorption

In an attempt to determine market absorption levels, the demand models constructed in the previous section can again be used. In this case, net absorption levels are illustrated both as the projected net change in occupied stock, as well as projected maximum levels of sustainable absorption. Maximum absorption levels take in to account the total apartment supply gap indicated in the demand models. Given theses assumptions, net housing absorption levels in Alameda County could average 3,700 units/year in the years from 2001-2005. Over this same time period, the City of Berkeley could expect net rental housing absorption levels of 520 units/year.

Projecting Absorption

Alameda County	**1990**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2005**
Households	479,563	490,076	492,644	495,934	499,534	505,772	523,366	536,446
Total Housing Stock	504,109	514,955	518,197	521,101	526,034	531,166	540,183	561,353
Total Apartment Inventory	226,849	231,730	233,189	234,495	236,715	239,025	243,082	252,609
New Apartment Construction		4,881	1,459	1,307	2,220	2,309	4,058	9,527
Net Absorption ofApartment Stock		6,450	2,798	(849)	2,122	2,208	7,039	6,958
Projected Max. Absorption		16,110	12,811	8,930	11,502	12,293	22,333	18,484
Occupied Apartment Stock	215,779	222,229	225,027	224,178	226,300	228,508	235,547	242,504
Vacancy Rate	4.88%	4.10%	3.50%	4.40%	4.40%	4.40%	3.10%	4.00%
Total Apartment Supply-Demand Gap	(9,371)	(9,660)	(10,013)	(9,780)	(9,379)	(10,085)	(15,294)	(11,527)

City of Berkeley	**1990**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2005**
Households	43,544	43,673	43,617	43,708	43,722	44,003	44,955	45,535
Total Housing Stock	45,735	45,912	45,958	45,982	45,996	46,219	46,875	47,625
Total Apartment Inventory	25,612	25,711	25,736	25,750	25,758	25,883	26,250	27,000
New Apartment Construction		99	26	13	8	125	367	750
Net Absorption		94	24	13	7	119	926	405
Projected Max. Absorption		1,988	1,820	1,877	1,873	2,063	3,802	2,601
Occupied Stock	24,331	24,425	24,450	24,462	24,470	24,589	25,515	25,920
Vacancy Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	2.80%	4.00%
Total Apartment Supply-Demand Gap	(1,925)	(1,894)	(1,796)	(1,864)	(1,866)	(1,944)	(2,876)	(2,196)

In the prototypes prepared previously, a project at the Ashby station was assumed to supply between 100 to 325 new housing units. Given this level of supply, and the projected absorption assumptions, this would represent 2.7% to 8.8% of Alameda County's maximum yearly absorption in any given year from 2001-2005. Over the same time period, a development of this size would represent from 19% to 60% of the City of Berkeley's maximum yearly absorption.

A large-scale development (greater than 150 units) would likely need to generate demand outside that provided solely by the Berkeley housing market alone. If a development at Ashby station could represent 10% of the monthly apartment absorption for Alameda County it could be expected to lease at a rate of 30 units/month. This would not include the additional Section 8 Certificate/Voucher tenants which should help speed overall absorption rates.

Existing Condominium Sales

One of the scenarios presented for analysis anticipated market rate condominiums could constitute part of the development at Ashby station. Data Quick Data was utilized to locate a total of 10 recent condominium sales within 1 mile of the subject site. These 10 comparable sales represent transactions occurring May 1999 through May 2001. The average sales price was $291,780 or approximately $275 per SqFt. Details of these comparable sales, and the locations relative to Ashby Station are indicated below.

Map Location Number	Proximity to Ashby Station (Miles)	Property Address	Sales Price	Sales Price per Sq. ft.	Date of Sale	Bedrooms	Living Area (Sq.ft.)	Year Built
1	0.5	2147 STUART	$282,500	$377	May-01	1	500-750	1940-1945
2	0.5	2141 OREGON	$220,000	$220	October-99	2	750-1000	1965-1970
3	0.6	2312 PRINCE	$318,000	$254	May-01	1	1000-1250	1915-1920
4	0.7	2028 PARKER	$353,000	$202	August-00	4	1500-1750	1905-1910
5	0.7	2323 HOWE	$260,000	$173	March-99	2	1250-1500	1910-1915
6	0.8	2515 ASHBY	$250,000	$250	January-01	1	750-1000	1920-1925
7	0.8	2431 RUSSELL	$381,500	$382	August-00	2	750-1000	1945-1950
8	0.8	2425 RUSSELL	$325,000	$325	July-00	2	750-1000	1945-1950
9	0.8	2411 RUSSELL	$305,000	$305	May-00	2	750-1000	1945-1950
10	0.8	2921 FLORENCE	$221,000	$295	May-99	2	500-750	1905-1910

Within a two-mile radius of Ashby Station, a total of thirty comparables were located utilizing DataQuick data. Based on this larger sample, the average condominium sales price decreased to $279,000 or approximately $257 per SqFt. The median sales price was $270,500. Complete details of these comparables sales appear below.

It should be noted, that a majority of these sales have occurred doing a period of robust economic activity, and record levels of existing condominium sales. At the close of the second quarter of 2001, the seasonally adjusted annual rate for existing condominiums, as reported by the National Association of Realtors, fell 9.2% from the first quarter and 4.1% quarter-over-quarter.

Proximity to Ashby Station (Miles)	Property Address	Sales Price	Sales Price per Sq. ft.	Date of Sale	Bedrooms	Living Area (Sq.ft.)	Year Built
0.5	2147 STUART	$282,500	$377	May-01	1	500-750	1940-1945
0.5	2141 OREGON	$220,000	$220	October-99	2	750-1000	1965-1970
0.6	2312 PRINCE	$318,000	$254	May-01	1	1000-1250	1915-1920
0.7	2028 PARKER	$353,000	$202	August-00	4	1500-1750	1905-1910
0.7	2323 HOWE	$260,000	$173	March-99	2	1250-1500	1910-1915
0.8	2515 ASHBY	$250,000	$250	January-01	1	750-1000	1920-1925
0.8	2431 RUSSELL	$381,500	$382	August-00	2	750-1000	1945-1950
0.8	2425 RUSSELL	$325,000	$325	July-00	2	750-1000	1945-1950
0.8	2411 RUSSELL	$305,000	$305	May-00	2	750-1000	1945-1950
0.8	2921 FLORENCE	$221,000	$295	May-99	2	500-750	1905-1910
1.0	2910 HILLEGASS	$255,081	$255	May-99	1	750-1000	1905-1910
1.0	2029 CHANNING	$280,000	$280	August-00	2	750-1000	1995-2000
1.1	1808 DWIGHT	$329,000	$263	April-01	2	1000-1250	1985-1990
1.1	2804 HILLEGASS	$240,000	$240	February-00	1	1000-1250	1910-1915
1.2	3121 COLLEGE	$270,000	$216	September-99	2	1000-1250	1925-1930
1.2	2725 PRINCE	$270,000	$270	August-99	1	750-1000	1915-1920
1.3	3154 COLLEGE	$290,000	$290	July-00	1	750-1000	1915-1920
1.5	2601 COLLEGE	$260,000	$260	July-99	2	750-1000	1960-1965
1.6	131 TEMESCAL	$340,000	$272	May-01	3	1000-1250	1980-1985
1.6	141 TEMESCAL	$363,000	$290	March-01	3	1000-1250	1980-1985
1.6	5437 CLAREMONT	$224,000	$224	July-00	2	1000-1250	1980-1985
1.6	4 EMERY BAY	$300,000	$240	June-00	3	1000-1250	1980-1985
1.6	5514 DOYLE	$201,000	$268	November-99	1	750-1000	1990-1995
1.6	5514 DOYLE	$250,000	$200	October-99	1	1000-1250	1990-1995
1.6	5514 DOYLE	$319,000	$213	September-99	1	1500-1750	1990-1995
1.6	5514 DOYLE	$271,000	$217	September-99	1	1000-1250	1990-1995
1.7	50 EMERY BAY	$240,000	$240	April-01	2	750-1000	1980-1985
1.7	76 EMERY BAY	$218,000	$256	February-01	2	750-1000	1980-1985
1.7	118 TEMESCAL	$275,000	$220	August-00	2	1000-1250	1980-1985
1.9	5321 MILES	$260,000	$208	May-00	2	1000-1250	1980-1985

Although the land costs at Ashby Station are inconsequential, the following discussion of land values has been provided to create a context for the concept of the imputed land costs associated with development at the Ashby site. The imputed land costs were related to the expense involved with replacement parking and site preparation. In addition, it is expected that a ground lease at the site will be determined based upon the current market value of the parcel.

The Berkeley General Plan indicates that, according to city land records, there are approximately 112 acres of vacant land and surface parking lot property within districts zoned for residential land uses. However, physical and environmental constraints render development on 67% of this property infeasible. A majority of the remaining parcels are concentrated in downtown, central and south Berkeley. It should be noted that the Ashby station parking lot is not included in this inventory of vacant land.

In estimating market land prices, recent transactions for vacant parcels have been outlined within the Berkeley General Plan. The following table is excerpted from this report:

Land Values from Recent Sales in Berkeley

Project Address	Sales Price	Price per SqFt	Date of Sale
University at Acton	NA	$32	1999, appraised
2161 Allston Way	$825,000	$69	February-98
1175 University Avenue	$926,500	$25	November-97
2501 Sacramento Street	$225,000	$19	October-97
2050 Center Street	$775,000	$40	April-97
1627 University Avenue	$260,000	$50	December-96
1801 University Avenue	$400,000	$33	October-96

Source: Draft General Plan Housing Element

Based on these comparable sales, the City estimates that land values range from $50-$70 per SqFt for downtown locations, and from $20-$40 per SqFt for sites outside of the downtown area.

Population and Housing Demand- It appears highly unlikely that the City of Berkeley will exhibit the near zero population growth that it has displayed over the last ten years. The current and extended development pipeline, indicate a commitment to provide the levels of housing targeted for Berkeley by the Association of Bay Area Governments. As a result, future housing supply could increase to approximately 150 units/year. While this would be significant increase over the 10year average, demand projections indicate that this additional supply should be met by significant demand.

Competitive Apartment Market and Median Rents- The table below compares median rents for the City of Berkeley, the sub-market of South Berkeley, and the apartment comparables prepared in this report. Apartment dwellings in the South Berkeley sub-market can expect to collect rents slightly (8%-10%) below those for the Berkeley market as a whole. The discrepancy between Berkeley rents and the sample comparables is most likely a result of the comparable data being more recent by at least six months. It is expected that current median rents for the City of Berkeley should closely mirror those of the comparables.

Comparison of Median Rents

Unit Type	Berkeley[1]	South Berkeley (Market Area 5)[1]	Sample Comparables
Studio	$825	$775	$890
One Bedroom/ One Bath	$1,100	$925	$1,027
Two Bedroom/ One Bath	$1,500	$1,200	$1,350
Three Bedroom/ Two Bath	$1,950	$1,800	$2,250

[1]Berkeley and South Berkeley Rents based on units with new tenancies in 2000
Source: Draft General Plan Housing Element June 2001

Rents and Vacancies- After a period of double-digit rates of rent growth, apartment rents seem to have reached a peak. However, vacancy remain very tight compared with historical levels, and are not expected to exceed 5% in the near future. As a result significant rent concessions do not seem likely in the near-term, and it is conceivable that rents can outpace inflation by 2%-3%, on average, over the next five years.

Absorption- Absorption rates for Alameda County could average approximately 3,700 units per year in the years from 2001-2005. Absorption rates in Berkeley over the same time period could average 540 units per year. If an apartment dwelling can attract 10% of the County's demand, it could expect absorption rates on the average of 30 units/month. An apartment complex over 150 units would represent over 25% of the yearly projected absorption for the City of Berkeley and would require demand from outside the county as a whole. However, as noted earlier, inclusion of additional Section 8 Certificate or Voucher tenants could speed absorption.

Consumer Housing Preferences- Single-family housing is the preference for a vast majority of home shoppers. Those that do consider attached homes are younger, first-time homebuyers attracted to the lower costs associated with attached homes. While consumers prefer to live near their work, a majority of home shoppers would commute relatively far distances to reduce their housing costs. In addition, access to public transportation is of importance to many home shoppers and buyers.

Condominium Sales- Based on comparable sales, condominium prices within the immediate sub-market are valued at approximately $250 per SqFt. However, many of these comparable sales occurred during a period of robust housing demand. It is unclear if values will remain at these levels. In addition, a specific problem at the subject site is that condominiums, if constructed, would be for-sale product on a ground lease. It is unclear how this would affect the overall value of this type of product.

Land Costs- Based on comparables, the land occupied by Ashby station can be estimated to be valued between $25-$35 per SqFt. As discussed previously, the costs of replacing BART parking and other land preparation costs create an imputed land cost for any proposed development. These costs have been estimated at between $65-$75 per SqFt which currently exceed market land costs.

FINANCIAL FEASIBILITY OF HOUSING ALTERNATIVES

EXECUTIVE SUMMARY

Goal: Identify and discuss general characteristics of housing alternatives at the Ashby BART Station consistent with the preservation of the site as a transit station. Prepare a comprehensive analysis discussing associated densities, costs and sources of financing for each of the selected alternatives. Identify scenarios that provide the most effective use of public and private financing sources and satisfy the goal of affordable level housing at the subject site.

Methods:

Two primary development concepts have been created which together; provide an outline of the economics surrounding development at the Ashby BART station. In each instance, the primary focus has been to examine the associated development costs, financing needs and subsidies associated with the selected development approaches. Each approach shares, as the common goal, the desire to examine projects with a focus upon residential alternatives.

Construction costs and financing assumptions are the result of interviews with developers, architects and other industry professionals. There has been no attempt to provide schematic feasibility of the development concepts proposed within this report, however, design considerations and density justifications are provided when relevant.

In each instance the current uses of the BART station, both as parking facility and transit hub are preserved in their entirety and are a requirement of any development at the subject site. Every attempt has been made to identify and address significant developmental challenges throughout this document, however only those that could be quantified with some level of accuracy appear in the financial schedules presented.

It is assumed that the source for financing of these development concepts are from private lending institutions and the Federal Low Income Housing Tax Credit Program. The financing gap, identified in each of these scenarios, refers to the additional funds necessary, above and beyond these primary sources, to financing 100% of development costs. While other sources of funding exist which may assist in closing this financing gap, this document makes no attempt to identify those sources.

DEVELOPMENT CONCEPTS

Concept I- Rental Housing Development

The goal of this concept is to effectively utilize the entire subject site for the development of rental housing and the replacement of BART patron parking. A small portion of the development is committed to providing a retail component deemed necessary of any project this size. In addition to identifying and justifying many of the primary assumptions relevant through the entire analysis, this concept additional looks to identify the subsidies required given various levels of affordability.

Total Units of Rental Housing	**249**
Housing Density (Units/Acre)	**93**
Total Parking Spaces (Including BART replacement spaces)	**580**
Unit Costs	**$247,996**
Total Project Costs	**$61,650,674**

Benefits	Barriers
• 200+ units of high-density housing consistent with the proximity to BART. • Complete preservation of the site's current use as a transit station. • High profile, transit-oriented infill development opportunity.	• High Density development not always the most livable. • Parking construction requires a large platform parking structure at high cost to the development. • Extremely large development project.

Conclusions

Any benefits the development receives from nominal land costs are significantly reduced, if not completely eliminated, by the costs associated with constructing replacement parking, required to preserve the current usage of the site. In addition, parking is provided at a significant cost to the development, with no resulting revenue. As a result, the project has no means to recoup these costs through permanent or LIHTC financing.

This being the case, the financial feasibility of this concept relies primarily on its ability to qualify for the maximum level of Low Income Housing Tax Credits. However, this would also imply that the project would secure over 94% of the available tax credit financing available to the State of California under the current parameters of the program. Cognizant of this fact, this project could be constructed with the smallest level of subsidy, if can remain 100% affordable, and qualify for the maximum level of LIHTC available. The financing gap remaining would be approximately $12 million, or $51,000 per unit.

Concept II – Ownership and Rental Housing Development

The goal of Concept II is to effectively utilize the entire subject site for the development of rental and ownership housing providing for the replacement of BART patron parking and preservation of the site's transit purposes. The assumptions and conclusions developed in Concept I are relied upon heavily in the analysis of this development concept. The primary objective of this concept is to identify the extent to which a market rate, for-sale housing development may provide subsidies to an ancillary affordable housing development. In addition, this model also examines the economics of the rental component at a scale less than that developed in the previous concept.

Total Ownership Units	**108**
Total Rental Units	**93**
Total Ownership Density (Units/Acre)	**65**
Total Rental Density (Units/Acre)	**93**
Total Parking Spaces (Including BART replacement spaces)	**580**
Unit Costs (Ownership Units)	**$316,223**
Unit Costs (Rental Units)	**$257,042**
Total Project Costs (Ownership)	**$34,152,185**
Total Project Costs (Rental)	**$23,404,930**
Total Project Costs	**$57,557,115**

Benefits	Barriers
• Provide lower density ownership housing and complete preservation of the site's current use as a transit station. • Provide 20% affordable ownership housing within the ownership development. • Provides rental housing utilizing the best-case scenarios from Concept I.	• Lower density may not achieve the greatest potential for subject site. • Parking structure development does not provide the greatest efficiency of land available for development. • Density appropriate for "for-sale" product not necessarily consistent with those of transit oriented developments.

Conclusions

As in Concept I, a for-sale condominium project is unable to bear responsibility for replacement parking and sell housing units at the benefit of the developer. However, the condominium development now carries more responsibility for the costs associated with BART replacement parking and improvements and as a result illustrates the value of this implicit parking subsidy.

Reallocation of these costs, which are not eligible for LIHTC funds, improve the qualified basis for the property when applying for tax credits further concentrating their impact on the financial feasibility of this portion of the project on a stand-alone basis. The financing gap remaining would be approximately $3.2 million, or $35,000 per unit, on total costs of $24 million. However, for the project in its entirety, the significant losses suffered by the for-sale portion of the development would make the development of this entire concept financial infeasible.

SITE DESCRIPTION

Description and Location

The subject site of this analysis is the 3.5 acres, triangular area bounded by Ashby Avenue to the North, Martin Luther King Boulevard to the West, and Adeline Street to the East (*See Site Map*). This site currently provides 361 parking spaces for BART patrons, as well as BART station access. These parking facilities are heavily utilized during the weekday, morning hours. The subject site is approximately 17 feet below street grade at Adeline, and gradually slopes toward Martin Luther King Drive where the parking surface is near street grade.

North- The northern boundary of the property consists of approximately 388 feet of frontage along Ashby Avenue. The northern portion of Ashby Avenue, directly facing the subject site, consists of retail and residential development.

There is no vehicular access to the site via Ashby Avenue. Pedestrian access to the subject site across Ashby is possible at both the northwest (intersection of Ashby and MLK) and northeast (intersection of Ashby and Adeline) corners of the site. Traffic at these locations is controlled by traffic signals.

East- The eastern boundary of the site consists of approximately 908 feet of frontage along Adeline Avenue. The eastern portion of Adeline Avenue, directly facing the subject site, consists primary of retail development and the east site BART Plaza.

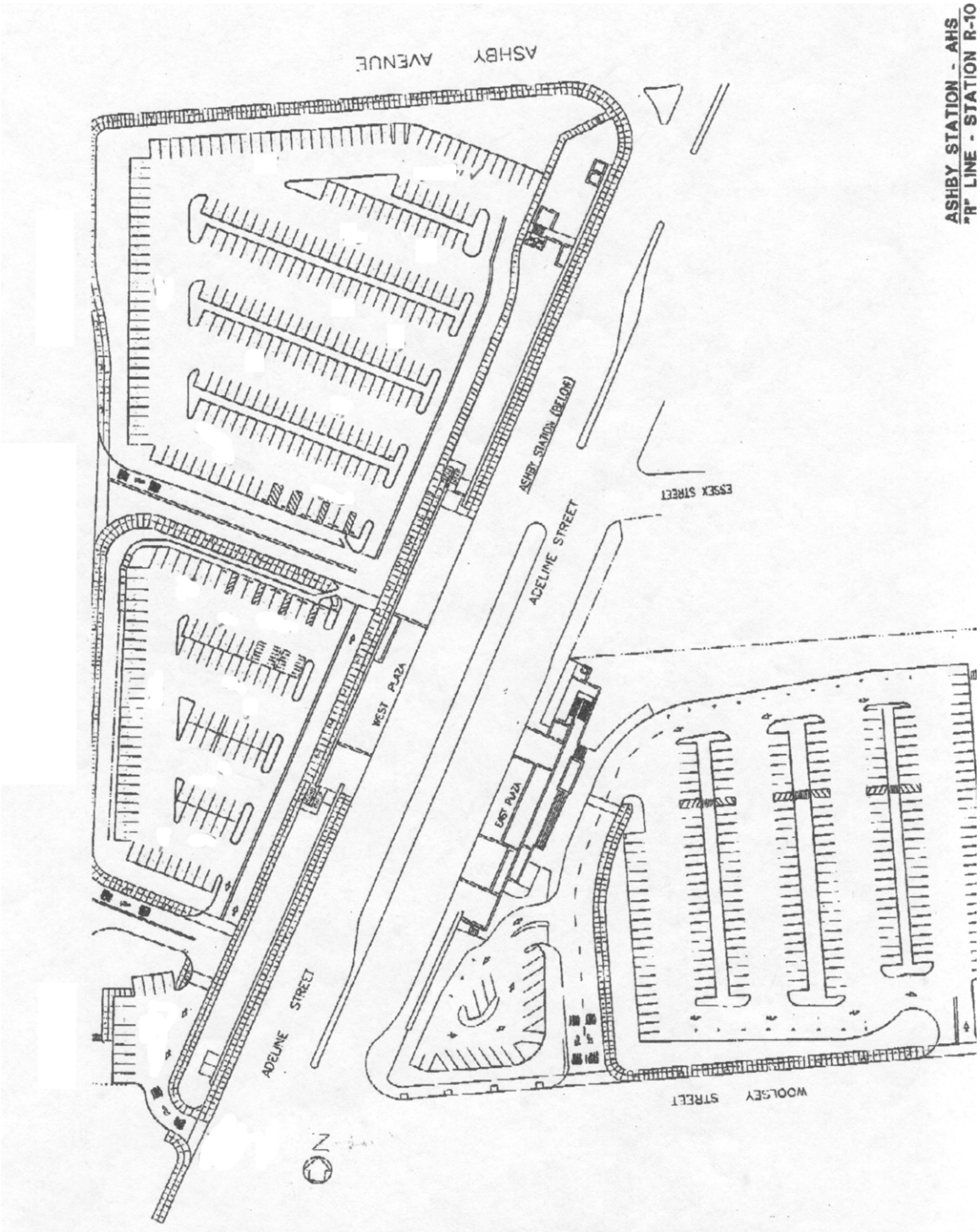
There is one vehicular exit from the subject site onto Adeline near Woolsey Street. Pedestrian access across Adeline to the subject site occurs at the corner of Adeline and Ashby, and at Essex and Woolsey streets. The crossings at Essex and Woolsey streets have no traffic controls.

South- The southern boundary of the property consists of a small triangle formed by the convergence of Adeline and MLK. There is no vehicular access at this southern section. Pedestrian access to either MLK or Adeline is via a pedestrian island. Automobile traffic is controlled by traffic signals.

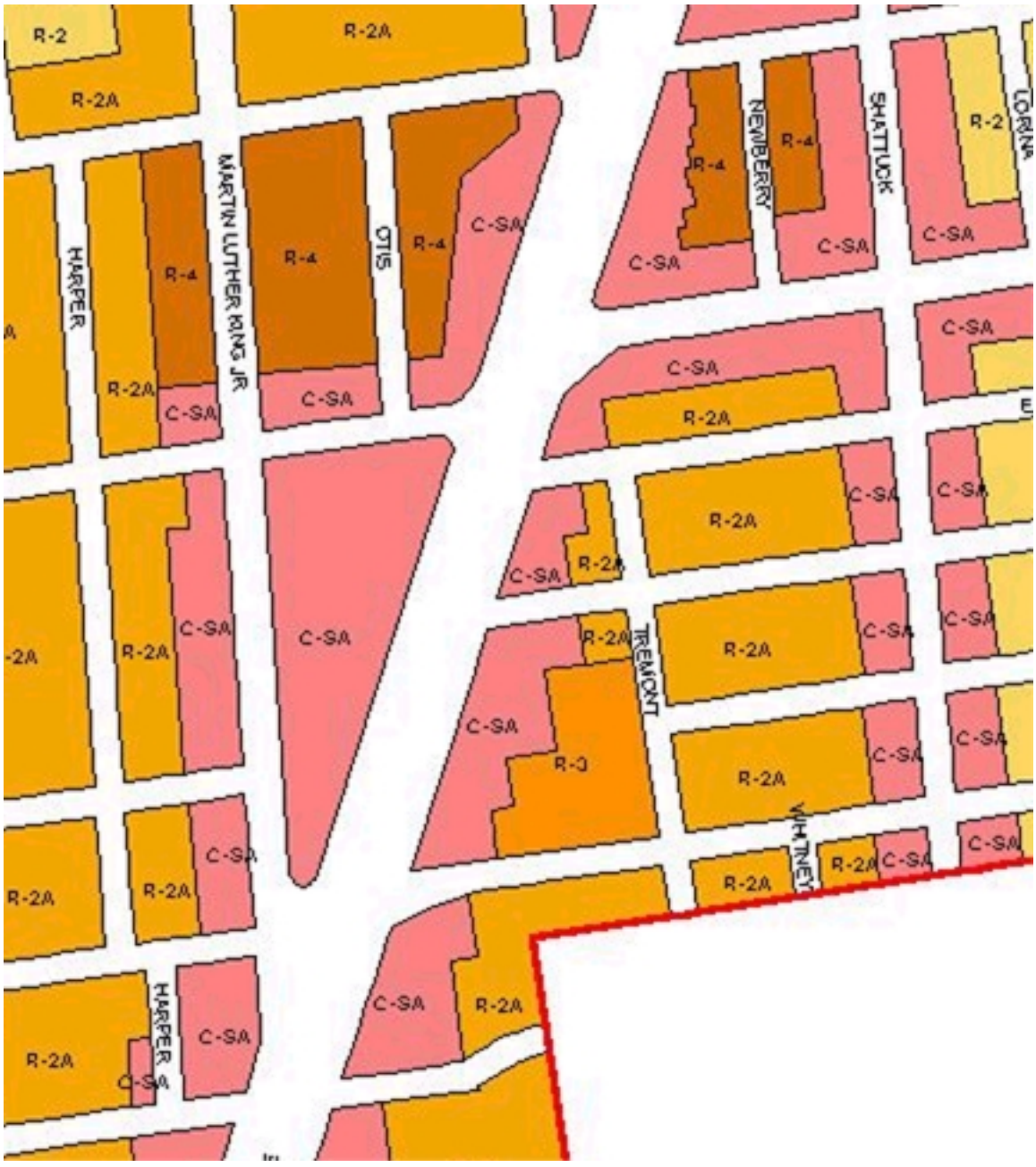
West- The western boundary of the property consists of approximately 840 feet of frontage along Martin Luther King Boulevard. The western portion of MLK, directly facing the subject site, consists of primarily residential development.

This is the sole avenue of access for vehicles that enter and exit the subject site by means of two driveways near Prince Street. Pedestrian access to the subject site across MLK occurs at Prince Street, as well as at the driveway entrance between Prince and Ashby. There are no traffic controls at these pedestrian crosswalks.

SITE MAP


ASHBY STATION - AHS
"R" LINE - STATION R-10
ASHBY AVENUE
ASHBY STADIUM (BLOCK)
ESSEX STREET
ADELINE STREET
WEST PLAZA
EAST PLAZA
ADELINE STREET
WOOLSEY STREET
N

SITE ZONING MAP



C-SA Zoning Requirements and Regulations:

The west parking lot of Ashby Station is zoned as a south area commercial district and subject to the zoning provisions in Chapter 23E.52 of the Berkeley Municipal Code. Unless otherwise noted, the development scenarios prepared within this report comply with these zoning provisions. A brief summary of the regulations that most effected the scenario preparation is outlined below. The City of Berkeley Municipal Code and Zoning Ordinance can be located online at http://www.ci.berkeley.ca.us/bmc/ .

Floor Area Ratio:

The Floor Area Ratio (FAR) shall not exceed four. (Section 23E.52.070)

Height Requirements: (Section 23E.52.70)

Use Type	Height	Stories
Commercial Only	24FT	2
Mixed Use	36FT	3*
Other Uses	24FT	2
Residential Only	36FT	3

*In Mixed Use buildings, the third must be entirely for residential purposes

Off-Street Parking for Commercial Uses:

Off-Street Parking of two spaces per thousand square feet of gross floor area of commercial space need be provided. However, the first one thousand square feet of new gross floor area may be exempted from providing off-street parking. (23E.52.080)

In Mixed Use Projects, the number of off-street parking spaces required for the commercial portion may be modified or waived only by the Board when the proposed Mixed-Use combines retail products stores and/or personal household services, and multi-family residential uses in the same building, or on the same lot. (23E.52.080)

Dwelling Units

For the residential portion of a Mixed Use development, the density coverage and off-street parking requirement are the same as set forth in R-4 District requirements. (23E.52.70)

Off-Street parking for dwelling units under R-4 regulations are one space per every thousand (1,000) square feet of residential dwelling unit (23D.40.080)

Lot Coverage Area Percentages (23D.040.070)

Main Building Height	Interior and Through Lots	Corner Lots
3	40%	45%

Each dwelling unit shall have Usable Open Space of at least forty (40) square feet. (23E.52.40)

LAND CONTROL AND AIR RIGHTS

BART currently maintains control of both the land of the subject site as well as a permanent subsurface easement under Adeline Street and between the station and the property. The City of Berkeley was granted an option to purchase the airs rights of the subject site through an agreement with BART dated October 22, 1964. In this agreement, BART reserved the right to the first ten feet of air space above the average finished "grade" and the cost of these air rights to the City of Berkeley would be $100,000.

Several ambiguities existed in this original agreement, and a Memorandum of Understanding was prepared on June 1, 1997 in which the mutual agreements of the City of Berkeley and BART were approved. The City and BART agreed to work in "a cooperative manner towards identifying, addressing, resolving, and agreeing upon development issues at the Ashby BART station parking lot areas." A formal, negotiated agreement as to the transfer of these air rights would occur "in the event a development project proceeds to fruition". Conveyance of the air rights by the City will "preserve BART's rights including but not limited to the right to require replacement parking".

Outstanding items, recognized in this document as needing clarity prior to development at the site include a formal conveyance agreement that would resolve the following outstanding items.

- Formal "site" definition.
- Formal "air rights" definition.
- Formal "grade" definition.
- Development of a payment mechanism.
- The "rights" of BART at Ashby Station.

However, this Memorandum of Understanding also clarifies several items of particular relevance to development the subject site:

- The balance of payment due for the air rights at Ashby station is $100,000. BART and the City have agreed to the "possibility of allowing separate purchase" of the air rights of the eastern and western parking lot. Toward this end, the $100,000 balance has been allocated as $55,000 for the air rights of the western portion of Ashby station, and $45,000 for the air rights of the eastern portion of Ashby station.
- BART and the City will work cooperatively on "development scenarios in the preliminary design stages and throughout the negotiation, design, predevelopment, construction and occupancy stages" of any development at Ashby station.
- Costs incurred by BART "associated with review, coordination, construction monitoring and other District supports" for any project at Ashby station would be reimbursed by the City.

CONCEPT I- Affordable Rental Housing Over Platform Parking

Goal: Effectively utilize the entire subject site for the development of rental housing and 100% replacement of BART patron parking. Identify required subsidies provided various levels of affordability.

Development Summary:

- **Total development footprint of 2.65 acres**
- **Two-story parking structure**
- **Three levels of residential apartments**
- **249 Units**

Current Site- Usage

This development concept utilizes the entire subject site, as defined in the previous section (*See Site Description*). In addition to providing 361 spaces of parking for BART patrons, including those with disabilities, the subject site also maintains transit station access roads as well as circulation for both pedestrian and vehicular traffic. Conceptually, all the scenarios developed herein, preserve these current uses of Ashby Station as both a transit hub and parking facility, while exploring the possibility of a development that provides housing and retail components.

Parking Garage Design and Construction

In preserving the primary use of the subject site, the costs associated with the replacement of BART patron parking are integral to the economics of every development concept presented within this analysis. While the associated "land costs" associated with the development of the Ashby Station air rights are nominal (*See Land Control and Air Rights*), the costs associated with replacing BART parking can be quite significant.

As mentioned previously, the site currently provides a total of 361 parking spaces for BART patrons over an area of approximately 3.5acres. Parking facility "efficiencies" are measured as the total square footage per space. Ashby station currently maintains surface parking with an efficiency of 400SQFT per space. The current parking surface sits 17 feet below street grade along the property boundary defined by Adeline Street. At the Martin Luther King boundary, the parking surface rests approximately at street grade.

In this model, rental housing would be built on slab, over a two-stories of parking. The first level of parking would provide for the majority of BART parking, while the second level would provide for the remainder of the replacement-parking requirement, plus the parking available for development residents. Each level of parking would be 10 feet floor-to-floor, for a total parking structure height of 20 feet.

As a result of this parking structure height, site excavation would be required to prevent the final structure from encroaching by as much as 5 feet above street level at the Adeline corridor. As the subject site slopes from the Adeline corridor toward MLK, additional excavation would be required on the western portion of the site. Based on discussions with architects and industry professionals, it the assumption that construction of this parking garage would require excavation at an average depth of 14 feet across the area to be occupied by the parking structure.

Additional assumptions are also employed in the design and construction of this parking structure. In order to provide space for parking, access roads, and ramps, parking efficiency is increased to 350 SQFT per space. In addition, the triangular shape of the subject plot (*See Site Map*) makes it impossible to construct a garage that exactly replicates the current efficiency of land use. Instead, these models provide parking utilizing rectilinear structures that provide the maximum coverage over the subject site.

Toward this end, development of the subject site would require the combination of two primary parking structures, of different dimensions that share a common avenue of access. The larger of these two parking structures would be constructed on the northern portion of the subject site, defined as the area bordered by Ashby to the north, and the northernmost access road from MLK to the south (*See Site Description*).

This area currently provides 251 spaces for BART patrons, or almost 70% of the total surface parking, over an area of approximately 2.44 acres. The footprint of the parking structure covering this portion of the site would be 240FT x 300FT and could provide parking for up to 180 spaces per floor. The longer side of this structure would run northeast, parallel to Adeline Street.

The smaller parking structure would be constructed in the middle portion of the subject site, defined in a previous section as the area inclusive of the two access roads to the subject site from MLK. This area currently provides 97 parking spaces for BART patrons over an area of approximately 1.2 acres. The footprint of the parking structure covering this portion of the site would be 180FT x 240FT, and could provide parking for up to 110 spaces per floor. The longer side of this parking structure would also run northeast, parallel to Adeline Street.

While these concepts do not attempt to develop the narrow, southern triangle of the subject site, it is assumed that this area would be landscaped, or otherwise enhanced and contributed as open space. As a result, the13 parking spaces that currently exist in this location are replaced, and provided for, within these parking structures.

The combination of these two parking structures would develop one large "L-shaped" garage with a total footprint of 115,200 SQFT (2.65 acres) providing a total of 580 spaces over two levels of parking.

Within this structure, replacement parking is achieved by reserving 290 parking spaces on the first floor, and an additional 71 spaces on the second level for BART patron use only. The remaining 219 spaces available on the second level remain available for residential and retail uses. The information described above is summarized in the table that follows, and is utilized in every development concepts outlined in this study.

Parking Structure Summary

Current BART patron parking	361
BART Parking Replacement Requirement (spaces)	361
Total BART Parking Replacement Requirement (%)	100%
Footprint of North Garage (SQFT)	72,000
Parking Spaces per Floor	180
Total Parking Spaces provided in North Garage	360
Footprint of South Garage (SQFT)	43,200
Parking Spaces per Floor	110
Total Parking Spaces provided in South Garage	220
Total Footprint of Garage Structures (SQFT)	115,200
Total Parking Spaces Provided	580
Total Parking Spaces Available for Residential or Retail use	219

Residential Housing Design

Several important factors drive the residential component of this concept and make good design extremely important for the ultimate success of the project. The overall concept should be characterized by maximizing the site's potential for high-density development, appropriate for its location to transit. In addition, the "island" location of the site makes connection with the surrounding neighborhood, and improved pedestrian access, of high importance.

Street level retail at the northeast corner, along the intersection of Ashby and Adeline, could help provide community edging at this corridor. In addition, retail at this location enables the development to combine its highest density of residential and retail functions, and possibly the structure's greatest height, at this intersection where it most logical. The replacement of the thirteen BART spaces in the southern triangle enables the creation of significant outdoor space, and improved pedestrian access from the south.

The largest design challenge occurs along MLK, where two levels of parking begin at nearly street-grade, due to the slope of the subject site. As a result, this design would possibly require a larger street setback, and significant landscaping to prevent the garage frontage from becoming an isolating factor from the residential neighbors to the west. However, other design possibilities, such as locating the common areas of the facilities at street level along this corridor, may also be considered.

Zoning and Density

The construction of theses parking garages assumes that there are no incremental efficiencies to be achieved in a second level of parking in any amount less than that provided on the first floor. As a result, parking becomes a driver of the ultimate nature of the final development, as housing density becomes a factor of both total parking capacity as well as current zoning regulations. The relevant zoning regulations require that this project:

- Maintain a maximum height of 36 ft, or 3 stories, above street grade.
- Provide 40SQFT of open space per dwelling.
- Provide one parking space per 1,000 SQFT of residential dwelling.
- Provide two parking spaces per every 1,000SQFT of retail exempting the first 1,000SQFT of retail.

As mentioned above, the parking garages provide a total 580 spaces, of which 219 are available for commercial and residential use. It is assumed that the standard parking requirements for this commercial structure would be waived, or otherwise amended due to its transit-oriented location. As a result, the parking structure reserves the entire 219 parking spaces for residential use. This would enable the project to provide just under 220,000SQFT of residential dwelling space and remain within the current zoning regulations.

Parking Garage

BART Replacement Parking	361	Current Parking Replacement
Total Residential Parking	219	Remaining Parking Capacity
Total Retail Parking	0	Zoning Exemption
Total Parking Spaces	580	Garage Capacity

Open space covenants, as they relate to zoning regulations, are mostly inconsequential, as the park space provided by the southern triangle and the areas not encumbered by the parking garage structure could satisfy these requirements. However, open space is of design consequence in providing this maximum level of housing on the 115,200SQFT (2.65acre) footprint provided by the combined parking structures. In order to achieve this maximum potential, this concept provides three stories of residential housing at a density of approximately 93 units per acre, for a total of 249 units of residential housing.

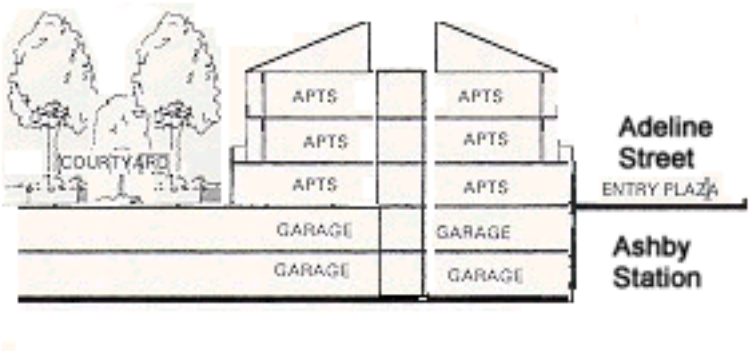
Justifying Density Assumptions:

The floor plan, and diagrams that follow are not intended to provide schematic feasibility, but simply to provide justification for the density assumptions utilized in the model. The diagram below illustrates one theoretic apartments layout, utilizing the one-acre footprint provided by the roof of the Southern Garage. It is assumed that a similar apartment density could be achieved over the roof of the North Garage, and thus the entire site.

This section of development provides 240Ft of frontage along Adeline Street and a depth of 180Ft. Layout consist of a double-loaded apartment structure, providing of a mixture of one, two, and three bedroom units. One bedroom units are 600 SQFT in size, two bedroom units are 875 SQFT in size, and three bedroom units are 1,050 SQFT in size. The layout and sizes of these units are distributed as illustrated below.

Cross-Section View:

Two levels of parking would be located below street level as defined by Adeline Street. Three levels of residential housing are provided above these two levels of parking. The garage would abut Ashby Station, and station improvements would be required to provide improved pedestrian access.



Concept Summary

Utilizing this density of 93 units per acre, the development provides a total of 249 units, and total net rentable space of 210,000 SQFT. Total constructed space of 252,000 SQFT assumes 10,000SQFT of retail and a common area ratio of 20%.

Concept Summary		Units	Size (sqft)
1 bedroom		73	600
2 bedroom		104	875
3 bedroom		72	1,050
	Net Rentable Space(sqft)	249	210,311
Common Area	20%		42,062
Retail			10,000
	Total Constructed Space		262,374
	Footprint		115,200
	FAR		2.28

Cost Assumptions

Acquisition and Predevelopment Costs:

Acquisition Costs for the entire site are $55,000 as per the agreement entered into by the City of Berkeley with BART. Demolition costs are estimated at $5 per SQFT given the current use of the site as blacktop surface parking. Additional site preparation costs are assumed to be comparatively low, again due its current usage. Based on these assumptions, total predevelopment costs are estimated to be $867,000.

Predevelopment Costs			*Source*
Parcel size (acres)		3.5	
Parcel size (sqft)		152,460	
Demolition		$762,300	$5/SQFT as per Mercy Housing
Site Preparation		$50,000	Estimated as per Wilson Equity
Cost(Air Rights)		$55,000	As per Agreement with BART
	Total Predevelopment Costs	$867,300	

Soft Costs:

Soft costs for the development of this concept are estimated to be $9.4 million. The estimates below are based on approximations or estimates provided by developers, architects, or other industry professionals. In certain instances, project comps for developments of a similar size are utilized. Soft costs that are calculated as a percentage of hard costs do not include expenditures associated with BART station improvements. It is assumed that this project will apply for, and subsequently receive, funds through the Low Income Housing Tax Credit program. The line item corresponding to the developer's fee is determined as the maximum level allowable under this program.

Itemized soft costs do not include certain items that are either non-project specific, or generally problematic to estimate. However, while these costs have not been included in this analysis they may be material in nature, and of significant impact to the economic success of the project. A partial list of these costs include:

- Larger citywide planning efforts, including those that may require neighborhood review; and
- Environment impact studies, and the process of the certification of these environmental studies by BART.
- Costs associated with providing interim BART parking during construction.

In addition, at least one neighborhood organization has expressed concern regarding any development at the subject site and has indicated "serious legal obstacles to the project". There has been no attempt to itemize or assess these possible costs.

Soft Costs				*Source*
Desing and Soils				
Architecture & Engineering Fees	7% of Total Hard Costs	0.07	$3,663,370	Architect Quote
Soils/ Environmental /Testing			$75,000	Estimated as per Wilson Equity
Consultants & Fees				
Legal Fees Organization and Closing			$35,000	Estimated as per Mercy Housing
Market Study			$7,000	Estimated as per Mercy Housing
Appraisals			$10,000	Estimated as per Mercy Housing
Civil Survey			$40,000	Estimated as per Mercy Housing
Park and School Fees			$0	
Permits			$180,000	
Utilities			$300,000	
Title and Recording (Construction)			$30,000	Estimated as per Mercy Housing
Title and Recording (Permanent)			$10,000	Estimated as per Mercy Housing
Marketing Costs				
Marketing Costs			$35,000	Estimated as per Mercy Housing
Furnishing			$65,000	Estimated as per Mercy Housing
Other				
Developer Fee			$1,200,000	TCAC Maximum
Contingencies	7.5% of Total Hard Costs	0.075	$3,920,410	Estimated as per Mercy Housing
	Total Soft Costs		$9,575,410	

Hard Costs:

Hard Costs are estimated at $51 million dollars for the development of this concept. Structure costs, estimated at $142 per SQFT, represent approximately 70% of the total project hard costs. The remaining 30% of the total hard costs are associated with the construction of the parking structure. Including the costs of excavation, two-stories of parking are provided at a cost to the development of almost $15 million. Of these costs, construction required to meet the replacement-parking obligation is estimated at nearly $9 million.

It is important to note, that in estimating excavation costs, it is an assumption of this model that the development does not encounter water table or soil concerns. The presence of either of these issues could change the costs associated with excavation by a factor of two or more. This would result not only in increased hard costs, but an increase the percentage of parking related expenditures as a proportion of hard costs.

Hard Costs			Source
			Estimated as per Mercy Housing
Grading & Sewer (sqft)		$12	Estimated as per Mercy Housing
Construction Costs (per sqft)		$130.00	Estimated as per Mercy Housing
Structure Construction Costs		$37,257,063	
Parking Construction Costs			
Parking Effeciency (SQFT/Space)		350	Bryan Grunwald Associates
Podium Parking ($ per SQFT)		$70	Estimated as per Wilson Equity
Excavation Costs ($per SQYD)		$12	Estimated as per Wilson Equity
Excavation (Average Depth in Feet)		14	
Total Excavation Costs		$716,800	
BART Replacement Parking		$8,844,500	
Residential Parking		$5,365,500	
Commercial Parking		$0	
Total Parking Costs		$14,926,800	
Shoring Costs		$50,000	Estimated as per Wilson Equity
Landscaping/Finishing		$100,000	Estimated as per Mercy Housing
BART Station Improvements		$500,000	Estimated as per BART
	Total Hard Costs	$52,833,863	

Total Development Costs

This development scenario provides 249 units of housing, 580 parking spaces for residential and transportation purposes, 10,000 SQFT of retail space and station improvements at a total development cost of approximately $63.2 million. Costs as allocated on a per unit basis total $255,000 per unit.

Development Cost Summary

	Total Predevelopment Costs	$867,300
	Total Soft Costs	$9,575,410
	Total Hard Costs	$52,833,863
	Total Development Costs	$63,276,574
	Total Development Costs/Unit	$254,537

Rent Schedules and Incomes

As mentioned previously, it is assumed that this project will apply for LIHTC funds. As a result it must meet one of the following minimum federal affordability requirements:

- A minimum of 40% of the units must be rent restricted and occupied by households whose incomes are 60% or less of the area median gross income, adjusted for family size, or
- 20% of the units must be both rent restricted and occupied by households whose incomes are 50% or less of the median gross income, adjusted for family size.

In addition to these traditional affordability measures, HUD has approved rent subsidies that may be provided in the operation of the City's Section 8 program for qualified participants. These rent subsidies are calculated based on calculated Fair Market Rents (FMR), and include the cost of shelter rent plus the cost of all utilities, except telephones. These allowable rents, adjusted for utility costs, are indicated as a separate category in the unit rent schedule that follows.

It is also assumed that some of these apartments may be rent restricted and occupied by households whose incomes are 80% of the area median gross income, adjusted for family size. While these apartments may not be included when applying for LIHTC funds (*See Determining the Qualified Basis for Low Income Housing Tax Credits*), it may be one of the project's goals to offer units geared toward "workforce" housing. Finally, it is always an option of the development to offer apartments at market rate rents. As a result, each of the units may collect any one of five different rent schedules. A complete summary of these rent schedules is as follows:

Rents Schedules	**Size (SQFT)**	**Mo. Rent**	*Source*
1- bedroom 50% AMI	600	$671	California Tax Credit Allocation Committee
60% AMI	600	$805	California Tax Credit Allocation Committee
80% AMI	600	$1,002	Calculated
Section 8 (FMR)	600	$1,030	Office of Public Housing (HUD)
Market	600	$1,100	City of Berkeley Housing Element
2-bedroom 50% AMI	875	$805	California Tax Credit Allocation Committee
60% AMI	875	$966	California Tax Credit Allocation Committee
80% AMI	875	$1,288	Calculated
Section 8 (FMR)		$1,286	Office of Public Housing (HUD)
Market	875	$1,500	City of Berkeley Housing Element
3-bedroom 50% AMI	1,050	$895	California Tax Credit Allocation Committee
60% AMI	1,050	$1,074	California Tax Credit Allocation Committee
80% AMI	1,050	$1,432	Calculated
Section 8 (FMR)	1,050	$1,800	Office of Public Housing (HUD)
Market	1,050	$1,900	City of Berkeley Housing Element

Financing Assumptions

Financing quotes are based on Fannie Mae fixed rate for loans priced as of August 27, 2001. The terms for the permanent mortgage are indicated below. The total amount of permanent financing will vary based upon affordability assumptions.

Construction loan rates are priced over the prime rate and a LTV of 80%. In both instances loan fees are 1%. These rates assume that the borrower is a strong developer with good credit and a solid track record of building a project this size.

Permanent Financing

		Source
Annual Interest Rate	8.45%	NewMark Realty Capital, Inc.
Loan Term	30	
Debt-coverage ratio (DCR)	1.15	
Maximum LTV	80%	
Points	1	
Mortgage Constant	0.09	

Construction Financing

			Source
Hard Costs		$52,833,863	NewMark Realty Capital, Inc.
% Financed		80%	
	Construction Loan Amount	$42,267,091	
Annual Interest Rate		9.50%	
Term (months)		12	
Drawdown Factor		55%	
	Construction Interest	$2,208,455	
	Construction Loan Fees 1%	$422,677	

Determining the Qualified Basis for Low Income Housing Tax Credits

This project will utilize LIHTC funds as a significant source of equity financing. The amount of tax credit for which any individual project may be granted is a function of its *qualified basis*. Beginning with the *total development cost* the, *eligible basis* is determined by subtracting the non-depreciable costs itemized below. In addition, total development costs do not include fees associated with financing, marketing, or rent reserves. Traditionally, the costs associated with replacement parking and station improvements are not eligible for tax credit funding. These costs are also subtracted from total project costs.

As Berkeley is defined as a HUD designated Difficult Development Area (DDA), the eligible basis is adjusted by the *DDA multiple* of 130%. Lastly, to determine the *qualified basis*, the eligible basis is multiplied by the fraction of low-income units to total units. In this instance, 100% of the units are assumed to be offered to households whose incomes are 60% or less of the area median gross income.

LIHTC Syndication

Total Development Costs (Less Retail)	$61,650,674
Predevelopment Costs	(867,300)
Replacement Parking and Retail Development Costs	($11,265,300)
Station Improvements	($500,000)
Land Costs	($55,000)
Marketing Costs	($35,000)
Eligible Basis	$48,928,074
Difficult Development Area Adjustment	130%
Percentage of Affordable Units	100%
Qualified Basis	$63,606,496

Determining Syndication Proceeds for Low Income Housing Tax Credits

In each instance, the *qualified basis* is multiplied by the *tax credit rate* to determine the *annual tax credit* for which the project is eligible. It is assumed that the project will elect to syndicate this ten-year revenue stream, in order to receive immediate equity financing. In addition, the value of this tax credit will also include the revenue streams associated with its share of the operating tax shelter as well as cash flows. For purposes of calculating the Net Present Value (NPV) of this revenue stream, the model assumes an internal rate of return (IRR) of 15%. Finally, the model removes *syndication costs* that would reduce the proceeds received by the development. As above, the examples that follow assume 100% of the units are to be offered to households whose incomes are 60% or less of the area median gross income. Similarly to the qualified basis, these schedules will change based on the level of affordability of the project. An example for both the 9% and 4% tax credit program is provided.

Calculating LIHTC Proceeds

LIHTC Syndication (4%)

Applicable Credit	4% LIHTC	4.0%
Limited Partner Share		99%
Limited Partner Required IRR		15%
Total Syndication Costs		$50,000
Years of Tax Credit Pay-In		10
LIHTC Syndication Proceeds (Less Syndication Costs)		$17,933,855

Syndication Pricing (4%)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15	Year 16	Year 30
Yearly Value of LIHTC	$2,518,817	$2,518,817	$2,518,817	$2,518,817	$2,518,817	$2,518,817	$2,518,817			
NPV of LIHTC if taken in Year 0	$12,641,361									
Limited Partner Share of Opertaing TS	$447,650	$447,650	$447,650	$447,650	$447,650	$447,650	$447,650	$308,770	$274,153	($442,644)
NPV of Operating TS in Year 0	$2,617,464									
Limited Partner Share of Cash Flow	$53,708	$249,040	$283,182	$317,701	$352,591	$387,843	$532,292	$719,690	$757,933	$1,303,996
NPV of Cash Flow in Year 0	$2,725,031									
Total Yearly Value to Partnership	$3,020,176	$3,215,508	$3,249,649	$3,284,168	$3,319,058	$3,354,311	$3,498,759	$1,028,460	$1,032,086	$861,352
Total NPV of LIHTC, TS, Cash Flow	$17,983,855									

LIHTC Syndication (9%)

Applicable Credit	9% LIHTC	9.0%
Limited Partner Share		99%
Limited Partner Required IRR		15%
Total Syndication Costs		$50,000
Years of Tax Credit Pay-In		10
LIHTC Syndication Proceeds (Less Syndication Costs)		$33,735,557

Syndication Pricing (9%)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 15	Year 16	Year 30
Yearly Value of LIHTC	$5,667,339	$5,667,339	$5,667,339	$5,667,339	$5,667,339	$5,667,339	$5,667,339			
NPV of LIHTC if taken in Year 0	$28,443,062									
Limited Partner Share of Opertaing TS	$447,650	$447,650	$447,650	$447,650	$447,650	$447,650	$447,650	$308,770	$274,153	($442,644)
NPV of Operating TS in Year 0	$2,617,464									
Limited Partner Share of Cash Flow	$53,708	$249,040	$283,182	$317,701	$352,591	$387,843	$532,292	$719,690	$757,933	$1,303,996
NPV of Cash Flow in Year 0	$2,725,031									
Total Yearly Value to Partnership	$6,168,697	$6,364,029	$6,398,171	$6,432,690	$6,467,580	$6,502,832	$6,647,281	$1,028,460	$1,032,086	$861,352
Total NPV of LIHTC, TS, Cash Flow	$33,785,557									

Operating Expense Assumptions

Operating expenses, associated with owning and managing the project proposed in this scenario, total $1.3 million, or approximately $5,000 per unit. Operating expense assumptions are driven by the standards for developments expecting to apply and receive LIHTC funds.

Operating Expense Assumptions

		Source
Rent Inflation Factor	2.5%	TCAC Maximum
Residential Vacancy Rate (Year 1)	10.00%	Lease-Up
Residential Vacancy Rate (Thereafter)	5.00%	TCAC Maximum
Operating Reserve	2.00%	Estimated as per Mercy Housing
Expense Inflation Factor	3.5%	

Residential Operating Expenses

	Assumption per SQFT of Gross Leaseable Area		
Utilities	$0.75	$157,734	Estimated as per Mercy Housing
Maintenance Reserve	$300	$74,579	Estimated as per Mercy Housing
Property Taxes	$1.50	$315,467	Estimated as per Mercy Housing
Maintenance & Repairs	$1.85	$389,076	Estimated as per Mercy Housing
Insurance	$0.35	$73,609	Estimated as per Mercy Housing
Administrative	$0.75	$157,734	Estimated as per Mercy Housing
Management	$0.45	$94,640	Estimated as per Mercy Housing
Other/Contingency		$30,000	5% of Annual Expense
	Total Annual Expenses	$1,292,838	
	Total Annual Expenses (per Unit)	$5,201	

Tax Information and Depreciation Schedules

Tax Info

Total Structure and Parking Hard Costs		$60,133,374
Non-Depreciable Soft Cost		($1,300,000)
Replacement Parking		($8,844,500)
Personal Property		($525,000)
Useful Life (years)		27.5
	Annual Depreciation Deduction	$1,798,686
Amount of Personal Property		$525,000
Personal Property Life		7.5
	Personal Property Depreciation	$70,000
	Financing Amortization	$5,043.32
Annual Passive Loss Limit		$1,000,000
Marginal Tax Rate		45%

The Financing Gap and Affordability Levels

As mentioned previously, financing levels provided by both the permanent mortgage and the syndication of the LIHTC will vary depending on the affordability mix of the project. The affordability mixture determines the rent roll of each project, thus dictating the NOI and sustainable mortgage. Higher levels of affordability will reduce the NOI and thus reduce the permanent financing amount. The opposite should hold true for LIHTC funds. A higher percentage of affordable apartments will increase the eligible basis by increasing the affordability multiple.

For purposes of comparison, four cases will be examined in the pages that follow. Case I distributes affordability levels based on the projected needs for the City of Berkeley as provided by the Association of Bay Area Governments. Case II provides a higher proportion of apartments geared toward "workforce" housing, while meeting the minimum LIHTC affordability requirements. Case III maximizes the use of Section 8 Vouchers toward the goal of providing 100% affordability. Finally, Case IV creates a Market Rate development with the inclusionary affordability requirement.

Each of these affordability scenarios is summarized below. The following page illustrates the relationship between these affordability levels and the project rent schedule, NOI, permanent financing and LIHTC eligibility.

Case I- Affordability Allocation Based Upon ABAG projection

Affordability Mix	
50% AMI	28%
60% AMI	12%
80% AMI	60%
Section 8	0%
Market	0%

Case II-"Workforce" Housing

Affordability Mix	
50% AMI	0%
60% AMI	40%
80% AMI	60%
Section 8	0%
Market	0%

Case III – 100% Affordable with Section 8 Housing Vouchers

Affordability Mix	
50% AMI	0%
60% AMI	65%
80% AMI	0%
Section 8	35%
Market	0%

Case VI- Market Rate apartments with Inclusionary Requirement

Affordability Mix	
50% AMI	0%
60% AMI	20%
80% AMI	0%
Housing Voucher	0%
Market	80%

Table IX- Calculation of Rent Schedules, NOI, Permanent and 9% LIHTC Financing

Case I

Rents and Incomes	# of Units	Size (SQFT)	Mo. Rent
1- bedroom 50% AMI	20	600	$671
60% AMI	9	600	$805
80% AMI	43	600	$1,002
Section 8 (FMR)	-	-	-
Market	-	-	-
2-bedroom 50% AMI	29	875	$805
60% AMI	13	875	$966
80% AMI	63	875	$1,288
Section 8 (FMR)	-	-	-
Market	-	-	-
3-bedroom 50% AMI	20	1,050	$895
60% AMI	9	1,050	$1,074
80% AMI	43	1,050	$1,432
Section 8 (FMR)	-	-	-
Market	-	-	-

Residential Operating Expenses	
Gross Annual Residential Rental Income	$3,233,709
Total Annual Expenses (as % of rents)	40%

Other Income	
Total Retail (SQFT)	10,000
Monthly Retail Rent ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000

Permanent Financing	
Stabilized NOI	$1,898,961
Supportable Mortgage	$17,827,406
Yearly Debt Service	$1,651,270
Point Costs	$178,274

LIHTC Syndication	
Total Development Costs	$61,650,674
Predevelopment Costs	($867,300)
Replacement Parking and Retail Developm	($11,265,300)
Station Improvements	($500,000)
Land Costs	($55,000)
Marketing Costs	($35,000)
Eligible Basis	$48,928,074
High Cost Area Adjustment	130%
Percentage of Affordable Units	40%
Qualified Basis	$25,442,598

LIHTC Syndication (9%)		
Applicable Credit	9% LIHTC	9%
Limited Partner Share		99%
Limited Partner Required IRR		15%
Total Syndication Costs		$50,000
Years of Tax Credit Pay-In		10
LIHTC Syndication Proceeds (Less Syndic		$16,634,314

Case II

Rents and Incomes	# of Units	Size (SQFT)	Mo. Rent
1- bedroom 50% AMI	-	-	-
60% AMI	29	600	$805
80% AMI	43	600	$1,002
Section 8 (FMR)	-	-	-
Market	-	-	-
2-bedroom 50% AMI	-	-	-
60% AMI	42	875	$966
80% AMI	63	875	$1,288
Section 8 (FMR)	-	-	-
Market	-	-	-
3-bedroom 50% AMI	-	-	-
60% AMI	29	1,050	$1,074
80% AMI	43	1,050	$1,432
Section 8 (FMR)	-	-	-
Market	-	-	-

Residential Operating Expenses	
Gross Annual Residential Rental Income	$3,366,009
Total Annual Expenses (as % of rents)	38%

Other Income	
Total Retail (SQFT)	10,000
Monthly Retail Rent ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000

Permanent Financing	
Stabilized NOI	$2,027,788
Supportable Mortgage	$19,036,832
Yearly Debt Service	$1,763,294
Point Costs	$190,368

LIHTC Syndication	
Total Development Costs	$61,650,674
Predevelopment Costs	($867,300)
Replacement Parking and Retail Developr	($11,265,300)
Station Improvements	($500,000)
Land Costs	($55,000)
Marketing Costs	($35,000)
Eligible Basis	$48,928,074
High Cost Area Adjustment	130%
Percentage of Affordable Units	40%
Qualified Basis	$25,442,598

LIHTC Syndication (9%)		
Applicable Credit	9% LIHTC	9%
Limited Partner Share		99%
Limited Partner Required IRR		15%
Total Syndication Costs		$50,000
Years of Tax Credit Pay-In		10
LIHTC Syndication Proceeds (Less Syndi		$16,786,210

Case III

Rents and Incomes	# of Units	Size (SQFT)	Mo. Rent
1- bedroom 50% AMI	-	-	-
60% AMI	47	600	$805
80% AMI	-	-	-
Section 8 (FMR)	25	600	$1,030
Market	-	-	-
2-bedroom 50% AMI	-	-	-
60% AMI	68	875	$966
80% AMI	-	-	-
Section 8 (FMR)	37	875	$1,286
Market	-	-	-
3-bedroom 50% AMI	-	-	-
60% AMI	47	1,050	$1,074
80% AMI	-	-	-
Section 8 (FMR)	25	1,050	$1,800
Market	-	-	-

Residential Operating Expenses	
Gross Annual Residential Rental Income	$3,264,142
Total Annual Expenses (as % of rents)	40%

Other Income	
Total Retail (SQFT)	10,000
Monthly Retail Rent ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000

Permanent Financing	
Stabilized NOI	$1,928,595
Supportable Mortgage	$18,105,612
Yearly Debt Service	$1,677,039
Point Costs	$181,056

LIHTC Syndication	
Total Development Costs	$61,650,674
Predevelopment Costs	($867,300)
Replacement Parking and Retail Developme	($11,265,300)
Station Improvements	($500,000)
Land Costs	($55,000)
Marketing Costs	($35,000)
Eligible Basis	$48,928,074
High Cost Area Adjustment	130%
Percentage of Affordable Units	100%
Qualified Basis	$63,606,496

LIHTC Syndication (9%)		
Applicable Credit	9% LIHTC	4%
Limited Partner Share		99%
Limited Partner Required IRR		15%
Total Syndication Costs		$50,000
Years of Tax Credit Pay-In		10
LIHTC Syndication Proceeds (Less Syndica		$17,933,855

Case IV

Rents and Incomes	# of Units	ize (SQFT)	Mo. Rent
1- bedroom 50% AMI	-	-	-
60% AMI	14	600	$805
80% AMI	-	-	-
Section 8 (FMR)	-	-	-
Market	58	600	$1,100
2-bedroom 50% AMI	-	-	-
60% AMI	21	875	$966
80% AMI	-	-	-
Section 8 (FMR)	-	-	-
Market	84	875	$1,500
3-bedroom 50% AMI	-	-	-
60% AMI	14	1,050	$1,074
80% AMI	-	-	-
Section 8 (FMR)	-	-	-
Market	58	1,050	$1,900

Residential Operating Expenses	
Gross Annual Residential Rental Income	$4,146,941
Total Annual Expenses (as % of rents)	31%

Other Income	
Total Retail (SQFT)	10,000
Monthly Retail Rent ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000

Permanent Financing	
Stabilized NOI	$2,788,221
Supportable Mortgage	$26,175,762
Yearly Debt Service	$2,424,540
Point Costs	$261,758

LIHTC Syndication	
Total Development Costs	$61,650,674
Predevelopment Costs	($867,300)
Replacement Parking and Retail Developr	($11,265,300)
Station Improvements	($500,000)
Land Costs	($55,000)
Marketing Costs	($35,000)
Eligible Basis	$48,928,074
High Cost Area Adjustment	130%
Percentage of Affordable Units	0%
Qualified Basis	$0

LIHTC Syndication (9%)		
Applicable Credit	9% LIHTC	NA
Limited Partner Share		NA
Limited Partner Required IRR		NA
Total Syndication Costs		NA
Years of Tax Credit Pay-In		NA
LIHTC Syndication Proceeds (Less Syndi		$0

Bottom Line: Sources and Uses

The greatest impact on the economic viability of any project is its ability to qualify for the maximum level of LIHTC financing. If the project maintains 100% affordability, the syndicated proceeds of this project could total over $33 million if applying for 9% LIHTC funds. This is the scenario illustrated by Case III in the first of the two pages that follows. By comparison, Cases I and II develop a project that is only 40% affordable; and as a result, relinquish almost $16 million in LIHTC equity.

This point is further demonstrated on the second of the two pages that follow in which these programs are assumed to have applied and received 4% LIHTC funds. In these cases, even a development that provides 100% affordability requires significant gap financing from additional sources.

As a result, the best-case scenario is the one illustrated in Case III with 9% LIHTC equity. The additional contribution of project-based Section 8 rents, also enable the project to sustain significant permanent mortgage financing, although this contribution is of less importance to the financial feasibility of the development than the tax credit.

This combination of the maximum use of Section 8 project-rents, 100% affordability and 9% LIHTC equity provides $52 million in combined financing on a project with a total development cost of $66 million. However, even in this instance, the development project would require over $14 million from additional financing sources. On a per unit basis this corresponds to approximately $57,000 per unit.

It is extremely important to note that two significant factors may affect the financial feasibility of the best-case scenario illustrated in Case III. This project would represent a significant amount of the total annual state credits available. It has not been consistent with the recent history of the program to allow one development to account for this large an allocation. Second, this model has makes no differentiation between the rents collected from tenants, and those guaranteed by Section 8 rent subsidies when calculating sustainable financing levels. This has not, however, been the demonstrated approach of lending institutions. Private institutions have either requested a guarantee of these rents by the city in which the development is located, or have exhibited a willingness to lend based on only on a percentage of Section 8 revenues.

Sources and Uses Case I-IV with 9% Funds

Case I

SOURCES	Total	Per Unit
Permanent Mortgage	$17,827,406	$71,713
LIHTC Syndication	$17,049,098	$68,582
GAP (1)	$31,259,470	$125,745
Total Sources	$66,135,974	$266,039
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$178,274	$717
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,135,974	$266,039

Case II

SOURCES	Total	Per Unit
Permanent Mortgage	$19,036,832	$76,578
LIHTC Syndication	$17,207,247	$69,218
GAP (1)	$29,903,989	$120,292
Total Sources	$66,148,068	$266,088
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$190,368	$766
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,148,068	$266,088

Case III

SOURCES	Total	Per Unit
Permanent Mortgage	$18,105,612	$72,832
LIHTC Syndication	$33,893,527	$136,340
GAP (1)	$14,139,618	$56,878
Total Sources	$66,138,756	$266,050
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$181,056	$728
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,138,756	$266,050

Case IV

SOURCES	Total	Per Unit
Permanent Mortgage	$26,175,762	$105,295
LIHTC Syndication	$0	$25,176
GAP (1)	$33,785,109	$135,904
Total Sources	$66,219,458	$266,375
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$261,758	$1,053
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,219,458	$266,375

Sources and Uses Case I-IV with 4% Funds

Case I

SOURCES	Total	Per Unit
Permanent Mortgage	$17,827,406	$71,713
LIHTC Syndication	$17,049,098	$68,582
GAP (1)	$31,259,470	$125,745
Total Sources	$66,135,974	$266,039
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$178,274	$717
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,135,974	$266,039

Case II

SOURCES	Total	Per Unit
Permanent Mortgage	$19,036,832	$76,578
LIHTC Syndication	$10,676,528	$42,947
GAP (1)	$36,434,709	$146,562
Total Sources	$66,148,068	$266,088
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$190,368	$766
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,148,068	$266,088

Case III

SOURCES	Total	Per Unit
Permanent Mortgage	$18,105,612	$72,832
LIHTC Syndication	$18,025,328	$72,509
GAP (1)	$30,007,816	$120,710
Total Sources	$66,138,756	$266,050
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$181,056	$728
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,138,756	$266,050

Case IV

SOURCES	Total	Per Unit
Permanent Mortgage	$26,175,762	$105,295
LIHTC Syndication	$0	$25,176
GAP (1)	$33,785,109	$135,904
Total Sources	$66,219,458	$266,375
USES		
Land Acqusition	$867,300	$3,489
Soft Costs	$8,375,410	$33,691
Hard Costs	$52,833,863	$212,530
Construction Loan Fees	$422,671	$1,700
Construction Loan Interest	$2,208,455	$8,884
Permanent Loan Fees & Points	$261,758	$1,053
Developer Fee	$1,200,000	$4,827
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$201
Total Uses	$66,219,458	$266,375

CONCEPT II- For-Sale Condominiums and Rental Housing Over Platform Parking

Goal: Effectively utilize the entire subject site for the development of rental and ownership housing providing 100% replacement of BART patron parking and preservation of the site's transit purposes. Identify the possibility of a for-sale development providing additional subsidies for rental housing components. Utilize the best-case affordability scenario from Concept I.

Development Summary:

- **Total Development Area of 2.65 acres**
- **Two-story Parking Structure**
- **Three Levels of Residential Construction**
- **108 Units of For-Sale Condominiums**
- **93 Units of Rental Housing**

Current Site- Usage

As in the previous scenario, this development concept utilizes the entire subject site, as defined in the previous section. Also, as in Concept I, this development provides complete replacement of 361 BART parking spaces, and preserves all of these current uses of the site as a transit station. However, this concept seeks to explore the possibility of a development that provides a for-sale housing component in addition to the rental housing and retail elements discussed previously.

Parking Garage Construction

All of the assumptions and costs associated with the construction of the parking garage remain the same. However, in this instance, for-sale condominiums would be developed utilizing the area provided atop the North Garage. As previously mentioned, the North Garage provides an area of 240 FT x 300 FT for total area of 72,000SQFT.

The south garage would provide the footprint for the affordable rental housing development, developed using the same density assumption as in Concept I. The dimensions of the south garage are 180 FT x 240 FT providing for a total development footprint of 43,200SQFT.

As in Concept I, the combination of these two parking structures provides a total of 580 spaces over two levels of parking. As in the previous scenario, the second level would provide 219 spaces available for residential or retail uses after the replacement-parking requirement has been fulfilled. As most of the assumptions for the rental-housing component have been developed in Concept I, this scenario begins the analysis by examining the ownership component of this development.

Condominium Design

Similar design considerations addressed in Concept I also apply to this proposal. However, there are also unique challenges associated with this development, particularly related to its ability to successfully compete with other for-sale housing projects.

The construction of the parking garage does not provide a natural separation of parking for patrons and residents. As a result, the second level of parking must incorporate a design that clearly delineates the "spillover" transit users from development residents. In addition, an additional separation may be needed defining apartment and condominium spaces, further complicating parking garage design and traffic flow. In addition, the transit-oriented nature of this project encourages higher density and reduced parking not normally associated with for-sale housing projects. Both of these factors may have significant effect on the market value and marketability of such a development.

Concept Summary

108 two-bedroom condominiums are developed at a density of 65 units per acre over the 1.65 acre portion of the development site. Total constructed space is 128,000SQFT.

93 units of rental housing are provided at a density of 93 units per acre over the one-acre portion of the development site. This development includes 10,000 SQFT of retail space, for total constructed space of 94,000SQFT.

Condominium Summary		**#**	**Size (sqft)**
2 Bedroom Condominiums		108	990
	Net Space(sqft)		106,920
Common Area	20%		21,384
	Total Constructed Space		**128,304**

Apartment Summary		**Units**	**Size (sqft)**
1 bedroom		27	600
2 bedroom		39	875
3 bedroom		27	1,050
	Net Renatable Space(sqft)	93	78,675
Common Area	20%		15,735
Retail			10,000
	Total Constructed Space		94,410
	Footprint		43,200
	FAR		2.19

Zoning and Density

This project is subject to zoning requirements outlined previously. As a result, parking once again proves to be the driver behind the overall nature of the development. The appropriate zoning regulations will require 79 spaces be reserved for the affordable housing component of this development. As in Concept I, it will be assumed that the retail requirement will be waived due to the developments proximity to transit. As a result, the remaining parking capacity of 140 spaces, will be reserved for use by the condominium development.

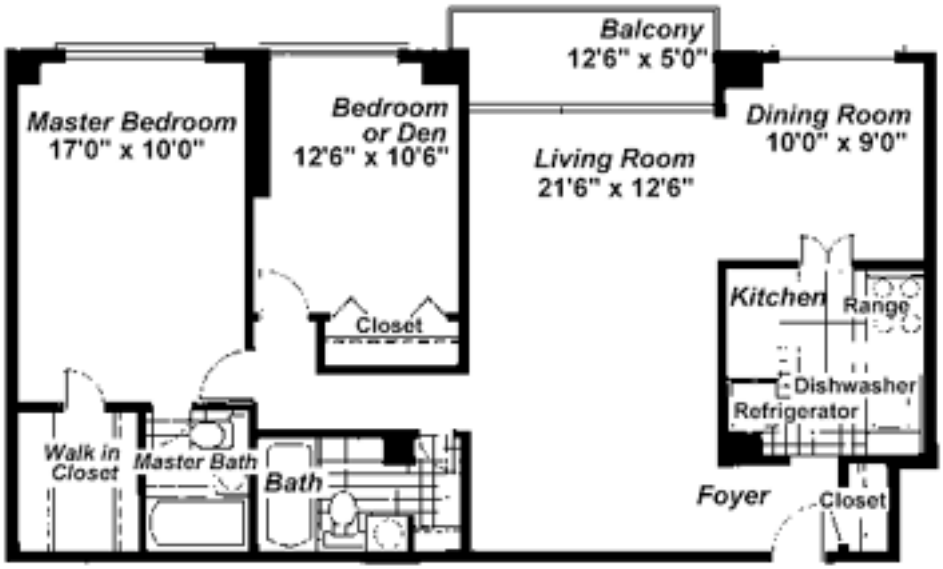
For simplicity purposes, this model assumes that all of the condominiums constructed are two-bedroom, single-story units. Typical for-sale developments would provide two parking spaces per unit. However, this would enable the concept to develop only 70 units, achieving a density of 42 units per acre over the entire 1.65-acre development footprint. This scenario assumes that the development would prefer to achieve a higher density that is deemed more appropriate for its transit-oriented location. However, given the for-sale nature of the project, density cannot be as high as has been assumed for the associated rental development. As a result, this model assumes density of 65 units per acre, providing 108 "stacked-flat" condominiums, with approximately 1.3 parking spaces for each unit.

Justifying Density

As with the previous concept, the floor plan, and diagrams that follow are not intended to provide schematic feasibility, but simply to provide justification for the density assumption of the model.

Unit Floor Plan:

Two Bed/Two Bath 990 SQFT



Proposed Development Layout

Cross-Section View

Condominium Predevelopment Costs

Acquisition Costs for the entire site are $55,000 as per an agreement with BART. This concept assumes that these costs are allocated to the for-sale development, as an implicit subsidy to the affordable housing component on the central portion of the subject site. All other assumptions are the same as in the previous scenario. Total Acquisition costs $440,000.

Land

Parcel size (acres)			1.65
Parcel size (SQFT)			72000
Demolition	$5 per SQFT		$360,000
Site Preparation			$25,000
Cost(Air Rights)			$55,000
	Total Land Cost		**$440,000**

Soft Costs – Condominium Portion Only

Similar soft cost assumptions are utilized below as in Concept I with the exception of the developer's fee. It is assumed that the developer's return is a function of the ultimate success of the project. Soft costs that are calculated as a percentage of hard costs do not include costs related to station improvements. Soft costs total $4.9 million.

Soft Costs

Desing and Soils			
Architecture & Engineering Fees	7% of Total Hard Costs	7%	$1,980,767
Soils/ Environmental /Testing			$75,000
Consultants			
Legal Fees			$35,000
Market Study			$7,500
Appraisals			$10,000
Civil Survey			$40,000
Park and School Fees			$0
Permits			$180,000
Utilities			$300,000
Title and Recording (Construction)			$40,000
Title and Recording (Permanent)			$20,000
Marketing Costs			
Pre-Sales Marketing			$40,000
Furnishings			$65,000
Other			
Contingencies	7.5% of Total Hard Costs	0.075	$2,122,250
	Total Soft Costs		**$4,915,517**

Parking and Station Improvement Costs:

Total parking and station improvement costs total slightly more than $10 million. Station improvements are paid for entirely by the condominium development as a subsidy for the ancillary affordable housing development. Responsibility for replacement parking is allocated based upon the 251 spaces that are displaced by the construction of the North Garage. Residential parking costs are allocated in the final projections on a unit-by-unit basis.

Parking Costs

Parking Efficiency (SQFT/Space)		350
Podium Parking ($ per SQFT)		$70
Excavation Costs ($per SQYD)		$12
Excavation (Average Depth in Feet)		14
Total Excavation Costs		$448,000
BART Replacement		$6,149,500
Residential Parking		$3,430,000
Shoring Costs		$50,000
BART Station Improvements		$500,000
	Total Parking & Improvement Costs	**$10,577,500**

Other Hard Costs

Construction Hard Costs are assumed as in Concept I.

Hard Costs

Grading & Sewer (per sqft)		$12
Construction Costs (per sqft)		$130
	Total Construction Costs(per sqft)	**$142**

Total Development Costs

Total development costs for the project are over $34 million, not including costs associated with financing.

Summary

Total Land Costs	$440,000
Total Hard Costs	$18,219,168
Total Soft Costs	$4,915,517
Total Parking Costs and Station Improvements	$10,577,500
Total Development Costs	**$34,152,185**

Total Development Costs per Unit

Total Development costs per unit are calculated utilizing the hard costs, provided above, multiplied by the average unit size and an appropriate allocation of common area. Unit parking costs, and an appropriate allocation of project soft costs, are also calculated on a per unit basis. The result is a cost per unit of $245,969.

Total Development Costs per Unit

Parcel Acreage	1.65
Land Costs	$440,000
Replacement Parking Land and Improvements	$7,089,500
Average Unit Size (SQFT)	990
Common Area Allotment	198
Average Unit Hard Costs (SQFT)	$142.00
Parking/ Unit	$31,759
Hard Costs Per Unit	$168,696
Soft Costs per Unit	$45,514
Total Costs per Unit	**$245,969**

Financing Assumptions

In addition to the financing assumptions provided in Concept I, this model assumes that private equity financing is utilized to provide the initial gap financing required during construction. It is assumed that the private equity will require a 15% return.

Financing Assumptions

Parking Construction Interest Rate	9.5%	NewMark Financial
Loan-to-Cost	80%	NewMark Financial
Replacement Parking and Improvements Loan	6,023,600	
Investor Pay-in For Parking Loan	1,505,900	
Investor Required Return	15%	Wilson Equity
Construction Interest Rate	9.5%	
LTC Ratio	80%	
Investor Pay in	20%	
Investor Required Return on Pay in	15%	

Unit Mix	#	%Med. Inc	SQFT	Sales Price
2Bedroom	86	100%	990	$435,000
2 Bedroom	22	80%	990	$154,560
	108			

Accounts	Month 0	Month 6	Month 12	Month 18	Month 24
Cash	$0	$0	$0	$0	$0
Unsold Inventory	0	0	0	0	0
Accrued Land Loan & Interest	6,023,600	6,595,842	$6,786,950	$2,056,605	$0
Current Interest on Land Loan	$572,242	$313,302	$322,380	$97,689	$0
Accrued investory Pay in	1,505,900	1,731,785	1,991,553	$2,290,286	$0
Accrued Return to Investor	$225,885	$259,768	$298,733	$343,543	$0
Units Constructed		27	27	27	27
Unit Construction Costs		$6,641,171	$6,641,171	$6,641,171	$6,641,171
Accrued construction Loan & Interest		$5,312,937	$6,388,807	$5,261,833	$6,442,338
Current Interest on Construction Loan		$252,365	$303,468	$249,937	$306,011
Investor Pay-in (Construction)		$1,328,234	$2,756,086	$4,291,027	$4,495,981
Accrued return to Investor		$99,618	$206,706	$321,827	$337,199
Market Rate Units Sold		5	27	27	27
Affordable Rate Units Sold		22	0	0	0
Average Unit Sales Price		$210,648	$435,000	$435,000	$435,000
Revenues from Unit Sales and Retained Cash		$5,687,496	$11,745,000	$11,745,000	$11,745,000
Repayment of Construction Loan and Interest		$5,565,301	$6,692,275	$5,511,770	$6,748,349
Cash before Repayment of Land Loan		$122,195	$5,052,725	6,233,229.77	$4,996,651
Repayment of Land Loan and Interest		$122,195	$5,052,725	2,154,293.87	$0
Cash before Repayment to Investors		$0	$0	$4,078,936	$4,996,651
Repayment ot Land Investor		$0	$0	$2,633,829	$0
Cash before Repayment to Construction Investor		$0	$0	$1,445,107	$4,996,651
Repayment to Cosntruction Investor		$0	$0	$1,445,107	$4,833,179
Total Outstanding Balances (all sources)		($10,206,355)	($7,309,683)	($3,167,746)	$0
Remainder		$0	$0	$0	$163,472

Condominium Summary and Sensitivity Analysis

Given these projections, a condominium development at the subject site does not begin to break-even until the market rates begin to approach $435,000 per unit. The project is burdened by the significant costs associated with replacement parking, as well as the number of inclusionary units that are sold at a net loss to the development. The assumptions of these costs prove to be too much for the project to bear.

Keeping in mind that these returns are sensitive to both changes in hard costs, and unit sales price, the following table displays the projected profit or loss on the project given changes in these assumptions. These results further indicate that such a development does not seem feasible in the current market. In each instance below, the inclusionary requirement of 20% of the total units sold has been preserved.

	Market Rate Condominium Sales Price		
Hard Costs (SQFT)	**$235,000**	**$335,000**	**$435,000**
$125	($15,334,774)	($6,577,056)	$2,886,220
$135	($16,248,035)	($8,153,929)	$1,284,603
$142	($16,887,318)	($9,257,741)	$163,472

Affordable Housing Component of Concept II

The Value of Station Improvement and Land Subsidies

The condominium development has shouldered the responsibility for costs associated with BART station improvements, a majority of the replacement spaces, and the associated air rights. As a result, the 93 unit affordable component is solely responsible for the replacement of the 110 BART spaces displaced by the construction of the South Garage, plus the spaces required by zoning for use of apartment residents. Additional cost assumptions for this model are the same as presented in Concept I.

This model also assumes the rental structure that proved to be the best-case scenario in Concept I. As a result, this development utilizes a rental schedule that maximizes the use of project-based Section 8 rents in a 100% affordable development. The pages that follow summarize this development.

Concept		Units	Size (sqft)	
1 bedroom		27	600	
2 bedroom		39	875	
3 bedroom		27	1,050	
	Net Renatable Space(sqft)	93	78,675	
Common Area	20%		15,735	
Retail				
	Total Constructed Space		94,410	
	Footprint		43,200	
	FAR		2.19	

Parking Garage		
BART Replacement Parking	110	Current Parking Replacement
Total Residential Parking	79	Remaining Parking Capacity
Total Retail Parking	0	Zoning Exemption
Total Parking Spaces	189	Garage Capacity

Predevelopment Costs		
Parcel size (acres)	1.2	
Parcel size (sqft)	52,272	
Demolition	$261,360	$5/SQFT as per Mercy Housing
Site Preparation	$25,000	Estimated as per Wilson Equity
Cost(Air Rights)	$0	As per Agreement with BART
Total Predevelopment Costs	$286,360	

Soft Costs				Source
Desing and Soils				
Architecture & Engineering Fees	7% of Total Hard Costs	0.07	$1,291,886	Architect Quote
Soils/ Environmental /Testing			$75,000	Estimated as per Wilson Equity
Consultants & Fees				
Legal Fees Organization and Closing			$35,000	Estimated as per Mercy Housing
Market Study			$7,000	Estimated as per Mercy Housing
Appraisals			$10,000	Estimated as per Mercy Housing
Civil Survey			$40,000	Estimated as per Mercy Housing
Park and School Fees			$0	
Permits			$180,000	
Utilities			$300,000	
Title and Recording (Construction)			$30,000	Estimated as per Mercy Housing
Title and Recording (Permanent)			$10,000	Estimated as per Mercy Housing
Marketing Costs				
Marketing Costs			$35,000	Estimated as per Mercy Housing
Furnishing			$65,000	Estimated as per Mercy Housing
Other				
Developer Fee			$1,200,000	TCAC Maximum
Contingencies	7.5% of Total Hard Costs	0.075	$1,384,164	Estimated as per Mercy Housing
	Total Soft Costs		$4,663,050	

Hard Costs			Source
			Estimated as per Mercy Housing
Grading & Sewer (sqft)	$12		Estimated as per Mercy Housing
Construction Costs (per sqft)	$130.00		Estimated as per Mercy Housing
Structure Construction Costs	$13,406,220		
Parking Construction Costs			
Parking Effeciency (SQFT/Space)	350		Bryan Grunwald Associates
Podium Parking ($ per SQFT)	$70		Estimated as per Wilson Equity
Excavation Costs ($per SQYD)	$12		Estimated as per Wilson Equity
Excavation (Average Depth in Feet)	14		
Total Excavation Costs	$268,800		
BART Replacement	$2,695,000		
Residential Parking	$1,935,500		
Commercial	$0		
Total Parking Costs	$4,899,300		
Shoring Costs	$50,000		
Landscaping/Finishing	$100,000		Estimated as per Mercy Housing
BART Station Improvements	$0		Estimated as per BART
Total Hard Costs	$18,455,520		
Total Development Costs	$23,404,930		
Total Development Costs/Unit	$251,666		

Rents and Incomes	# of Units	Size (SQFT)	Mo. Rent
1- bedroom 50% AMI	0	600	$671
60% AMI	18	600	$805
80% AMI	0	600	$1,002
Section 8-FMR	9	600	$1,030
Market	0	600	$1,100
2-bedroom 50% AMI	0	875	$805
60% AMI	25	875	$966
80% AMI	0	875	$1,288
Section 8-FMR	14	875	$1,286
Market	0	875	$1,500
3-bedroom 50% AMI	0	1050	$895
60% AMI	18	1050	$1,074
80% AMI	0	1050	$1,432
Section 8-FMR	9	1050	$1,800
Market	0	1050	$1,900

Other Income	
Total Retail (SQFT)	10,000
Retail Rent/Month ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000
Retail Vacancy Rate	5%

Operating Expense Assumptions		Source
Rent Inflation Factor	2.5%	TCAC Maximum
Residential Vacancy Rate (Year 1)	10.00%	Lease-Up
Residential Vacancy Rate (Thereafter)	5.00%	TCAC Maximum
Operating Reserve	2.00%	Estimated as per Mercy Housing
Expense Inflation Factor	3.5%	

Residential Operating Expenses				
	Gross Annual Residential Rental Income		$1,221,143.40	
		per GLA		
Utilities		$0.75	$59,006	Estimated as per Mercy Housing
Maintenance Reserve		$300	$27,900	Estimated as per Mercy Housing
Property Taxes		$1.50	$118,013	Estimated as per Mercy Housing
Maintenance & Repairs		$1.85	$145,549	Estimated as per Mercy Housing
Insurance		$0.35	$27,536	Estimated as per Mercy Housing
Administrative		$0.75	$59,006	Estimated as per Mercy Housing
Management		$0.45	$35,404	Estimated as per Mercy Housing
Other/Contingency			$30,000	5% of Annual Expense
	Total Annual Expenses		$502,414	
	Total Annual Expenses (per Unit)		$5,402	
	Total Annual Expenses (as % of rents)		41%	

Permanent Financing

			Source
Annual Interest Rate		8.45%	NewMark Realty Capital, Inc.
Loan Term		30	
Debt-coverage ratio (DCR)		1.15	
Maximum LTV		80%	
Points		1	
	Mortgage Constant	0.09	
	Stabilized NOI	$751,164	
	Supportable Mortgage	$7,051,915	
	Yearly Debt Service	$653,186	
	Point Costs	$70,519	

Construction Lending

				Source
Hard Costs			$18,455,520	NewMark Realty Capital, Inc.
% financed			80%	
	Construction Loan Amount		$14,764,416	
Annual Interest Rate			9.50%	
Term (months)			12	
Drawdown Factor			55%	
	Construction Interest		$771,441	
	Construction Loan Fees	1%	$147,644	

Tax Info

Total Structure and Parking Hard Costs		$22,968,570
Non-Depreciable Soft Cost		($1,300,000)
Replacment Parking		($2,695,000)
Personal Property		($525,000)
Useful Life (years)		27.5
	Annual Depreciateion Deduc.	$670,857
Amount of Personal Property		$525,000
Personal Property Life		7.5
	Personal Property Depreciation	$70,000
	Financing Amortization	$2,350.64
Annual Passive Loss Limit		$1,000,000
Marginal Tax Rate		45%

LIHTC Syndication

Total Development Costs	$23,404,930
Predevelopment Costs	(286,360)
Replacement Parking and Retail Development Costs	($2,695,000)
Station Improvements	$0
Land Costs	$0
Marketing Costs	($35,000)
Eligible Basis	$20,388,570
High Cost Area Adjustment	130%
Percentage of Affordable Units	100%
Qualified Basis	$26,505,142

Bottom Line: Sources and Uses

The condominium development now carries more responsibility for the costs associated with BART replacement parking and station improvements. It is important not only that these costs have been reallocated, but that these are costs that would not be eligible for inclusion when calculating the qualified basis when applying for LIHTC.

Concept I has firmly illustrated the extent to which these projects rely on LIHTC equity. This instance illustrates that point further. The condominium development is able to provide direct subsidies to the rental component of this development by assuming costs that it would be unable to syndicate. As a result, the condominium development not only provides direct savings to this affordable housing component, but also does so without reducing the level of subsidy for which it would be eligible. The end results are an increase in LIHTC equity financing by almost $20,000 per unit.

In this instance, the financing gap remaining would be approximately $3.2 million, or $35,000 per unit, on total costs of $24 million. However, for the project in its entirety, the significant losses suffered by the for-sale portion of the development would make the development of this entire concept financial infeasible.

SOURCES	**Total**	**Per Unit**
Permanent Mortgage	$7,051,915	$75,827
LIHTC Syndication	**$14,170,603**	**$152,372**
GAP (1)	**$3,222,017**	**$34,645**
Total Sources	$24,444,534	$262,844
USES		
Land Acqusition	$286,360	$3,079
Soft Costs	$3,463,050	$37,237
Hard Costs	$18,455,520	$198,446
Construction Loan Fees	$147,644.16	$1,588
Construction Loan Interest	$771,441	$8,295
Permanent Loan Fees & Points	$70,519	$758
Developer Fee	$1,200,000	$12,903
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$538
Total Uses	$24,444,534	$262,844

The financial feasibility of these alternatives relies on the ability of these projects to secure sources of funding that not only finance the cost associated with the dwelling units, but more importantly, to recoup the costs associated with replacement parking. As a result, replacement parking presents the largest challenge in developing the subject site.

In this examination of housing alternatives, the replacement-parking requirement was achieved through the construction of a two-story parking garage at the subject site. Several important findings relate to the construction of this garage. First, the irregular shape of the subject site prevents replacement parking from achieving the same land efficiency currently achieved at Ashby Station. As a result, the parking efficiency of the garage and its ultimate capacity become one of the primary drivers of project design. Second, this parking constraint combined with the location's proximity to BART lends itself more toward higher-density housing design. This is further illustrated in the failure of the for-sale housing component in Concept II to achieve financial feasibility.

As a matter of course, expenditures related to replacement parking are excluded from the qualified basis when applying for LIHTC. In addition, they provide no revenue for which the project can acquire traditional financing. As a result, these models become highly dependent upon the maximum levels of LIHTC equity. For example, in Concept I construction 249 units of rental housing still requires significant subsidies after syndicating over $33 million in tax credits and maximizing the use of the City's Section 8 programs. In addition, these models utilize two important assumptions that may prove problematic in practice. First, this project would receive tax credit supplements in excess of the amount traditionally allocated to any single project in the administration of the federal program. Secondly, traditional lending institutions do not normally provide financing based on Section 8 rents without revenue guarantees or more stringent loan terms.

However, while the for-sale housing component in Concept II fails to achieve financial viability, it does succeed in illustrating how an adjacent owner/user can provide valuable subsidies to an ancillary rental-housing component. By shifting costs associated with replacement parking, station improvements, or predevelopment costs, away from the affordable rental housing component, the project achieves not only direct savings, but does so without reducing the subsidy provided by the LIHTC program. In addition, dividing the uses across the site also reduces the total amount of funds for which the affordable development must apply, alleviating the additional funding difficulty presented in Concept I. However, as it appears for-sale housing is not financially feasible, an alternate owner-user would need to be identified.

FINANCIAL FEASIBILITY: ADDENDUM

Objective

The *Financial Feasibility* study outlined two scenarios that focused on housing alternatives at Ashby Station. While neither proposal seems feasible at this point in time, the document presents as desirable, the idea of an ancillary development providing implicit subsidies for an affordable housing project. It is the objective of this addendum to briefly explore this idea further.

In the development alternative proposed in this document, a privately funded community center occupies the northern portion of the subject site and provides similar subsidies to an associated rental-housing development.

This addendum introduces an associated commercial development as the development partner for the adjacent 93 units of affordable housing:

Total Commercial Space (Including 10,000SQFT Retail)	**110,000**
Total Rental Units	**93**
Total Rental Density (Units/Acre)	**93**
Total Parking Spaces (Including BART replacement spaces)	**580**
Total Retail Parking Spaces	**140**
Total Commercial Construction Costs	**$32,764,938**
Total Project Costs (Rental)	**$23,404,930**
Unit Costs (Rental Units)	**$257,042**
Total Project Costs	**$57,557,115**

In addition, this concept further examines the associated effect of subsidies by this commercial structure to an ancillary affordable housing project as described in Concept II. Subsidies, in this instance, are in the form of an increase in the replacement parking allocation, as well as the assumption of land costs, station improvements and retail space.

Associated Subsidy	Implication
• Commercial Development assumes greater responsibility for BART replacement parking, land costs, station improvements and retail development.	• Assumption of these costs provides direct cost saving for the adjacent affordable housing project without materially changing the eligible funds that may be received through the LIHTC program.

Community Center and Affordable Housing-Combined Mix-Use Development

Goal: Effectively utilize the northern portion of the site for use as a community center. Examine the effect of this development in providing subsidies in a similar manner as the for-sale development scenario in the Financial Feasibility study.

Current Site- Usage & Parking Garage Construction:

This concept utilizes the same site footprint as the development described in Concept II. As a result, the community center can utilize 140 spaces for the use of its employees and patrons. While this is significantly less than zoning would require, it is once again assumed that it would be reasonable to expect a parking variance given the development's accessibility to BART.

Parking Garage	
BART Replacement Parking	251
Total Residential Parking	-
Total Commercial Parking	140
Total Parking Spaces	391

Concept Overview:

On this footprint of 72,000 SQFT would be constructed a commercial building providing 110,000 SQFT of net commercial space, of which at least 10,000SQFT would be reserved for the retail uses of the community at large. This commercial space is constructed on two levels, for an overall structure height of 4 stories, including the parking structure.

Concept		**Size (sqft)**
Commercial		100,000
	Net Renatable Space(sqft)	100,000
Common Area	20%	20,000
Retail		10,000
	Total Constructed Space	130,000
	Footprint	72,000
	FAR	1.81

Land, Soft and Hard Costs:

Construction of this development will rely on similar costs projections as the previously outlined concepts in estimating predevelopment and soft costs.

Predevelopment Costs			Source
Parcel size (acres)		1.65	
Parcel size (sqft)		72,000	
Demolition		$360,000	$5/SQFT as per Mercy Housing
Site Preparation		$50,000	Estimated as per Wilson Equity
Cost(Air Rights)		$55,000	As per Agreement with BART
	Total Predevelopment Costs	$465,000	

Soft Costs				*Source*
Desing and Soils				
Architecture & Engineering Fees	7% of Total Hard Costs	0.07	$1,822,625	Architect Quote
Soils/ Environmental /Testing			$75,000	Estimated as per Wilson Equity
Consultants & Fees				
Legal Fees Organization and Closing			$35,000	Estimated as per Mercy Housing
Market Study			$7,000	Estimated as per Mercy Housing
Appraisals			$10,000	Estimated as per Mercy Housing
Civil Survey			$40,000	Estimated as per Mercy Housing
Park and School Fees			$0	
Permits			$180,000	
Utilities			$300,000	
Title and Recording (Construction)			$30,000	Estimated as per Mercy Housing
Title and Recording (Permanent)			$10,000	Estimated as per Mercy Housing
Marketing Costs				
Marketing Costs			$0	Estimated as per Mercy Housing
Furnishing			$100,000	Estimated as per Mercy Housing
Other				
Developer Fee			$1,000,000	TCAC Maximum
Contingencies	7.5% of Total Hard Costs	0.075	$1,952,813	Estimated as per Mercy Housing
	Total Soft Costs		$5,562,438	

Construction costs for the community center or commercial structure are estimated to be $122 per SQFT. This construction estimate is used based on a project description that assumes larger structure spans, associated with community center features such as gymnasiums, that are more expensive to build.

Hard Costs		
Grading & Sewer (sqft)		$12
Construction Costs (per sqft)		$110.00
Structure Construction Costs		$15,860,000
Parking Construction Costs		
Parking Effeciency (SQFT/Space)		350
Podium Parking ($ per SQFT)		$70
Excavation Costs ($per SQYD)		$12
Excavation (Average Depth in Feet)		14
Total Excavation Costs		$448,000
BART Replacement		$6,149,500
Residential Parking		$0
Commercial		$3,430,000
Total Parking Costs		$10,027,500
Shoring Costs		$50,000
Landscaping/Finishing		$100,000
BART Station Improvements		$500,000
	Total Hard Costs	$26,537,500

Financing Assumptions:

Estimates for the projected revenue stream of a community center were unavailable. This model assumes that this development collects revenues on par with market rate office rents. These rents have been estimated at $1.50 per month and expenses ratios are based on rules of thumb.

Based on these assumptions, the project achieves NOI of $1.5 million and a sustainable mortgage of approximately $15 million. However, it is assumed that construction of such a project would rely primarily on a capital campaign in order to raise the requisite funds. The assumptions for income, expenses and financing appear on the following page.

Rents and Incomes	Size (SQFT)	Rent & Expenses
Commercial Rent	100,000	$1.5
Average Vacancy Rate		5%
Expense Ratio		15%

Other Income

Total Retail (SQFT)	10,000
Retail Rent ($ per SQFT)	$1.00
Retail Expense (%)	28%
Retail Income (Annual)	$120,000

Operating Expense Assumptions

Rent Inflation Factor	2.5%
Operating Reserve	2.00%
Expense Inflation Factor	3.5%

Permanent Financing-Terms

Annual Interest Rate	8.45%
Loan Term	30
Debt-coverage ratio (DCR)	1.15
Maximum LTV	80%
Points	1
Mortgage Constant	0.09

Permanent Financing

	Stabilized NOI	$1,561,524
	Supportable Mortgage	$14,659,557
	Yearly Debt Service	$1,357,847
	Point Costs	$146,596

Construction Lending

Hard Costs			$26,537,500
% financed			80%
	Construction Loan Amount		$21,230,000
Annual Interest Rate			9.50%
Term (months)			12
Drawdown Factor			55%
	Construction Interest		$1,109,268
	Construction Loan Fees	1%	$212,300

Bottom Line: Sources and Uses

Given the assumptions above, a private owner-user could develop a commercial structure of 110,000 SQFT and at total of 391 spaces of parking for $34 million. Of this total, permanent financing would account for just under $15 million leaving a financing need of over $19 million. Such a private capital need would require the identification of an owner-user with both the ability to raise significant funds, as well as one that provides a complimentary community service desired at the site. As a result, the question becomes less of a financial feasibility issue and more the identification of the appropriate project sponsor.

SOURCES	**Total**
Permanent Mortgage	$14,659,557
Private Financing	**$19,373,543**
Total Sources	$34,033,101
USES	
Land Acqusition	$465,000
Soft Costs	$4,562,438
Hard Costs	$26,537,500
Construction Loan Fees	$212,300.00
Construction Loan Interest	$1,109,268
Permanent Loan Fees & Points	$146,596
Developer Fee	$1,000,000
Other GAP (1) Fees	-
Syndication Costs	-
Total Uses	$34,033,101

On a stand-alone basis, it is unclear that the concept presented above provides the highest and best use for the subject site. While a development could be constructed that provides services for identified community needs, it does not provide for residential housing.

However, such a project could be combined to include a residential housing component. The assumptions for this development are the same as utilized in Concept II and illustrated on pages 37-38 of the *Financial Feasibility* study. Again, this illustrates the value of replacement parking subsidies.

The Value of Parking Subsidies

The commercial structure above now carries the responsibility for the costs associated with land acquisition, a large portion of BART replacement parking, station improvements and retail. In addition, as all of these costs are not included in the calculation the qualified basis for LIHTC funds, shifting these costs to an ancillary development not only provides direct savings to the affordable housing project, but also does so without reducing the subsidy provided by the LIHTC program. Consequently, the all of the development costs reductions are reflected entirely in the project's gap financing needs.

The following table from Concept II is presented again below. It assumes 9% LIHTC funds, and 100% affordability with maximum use of the City's Section 8 program. In this instance, the project gap is once again reduced to $34,000 per unit. However, unlike Concept II this development achieves this level of feasibility in a development that does not require great losses on the part of the associated sponsor. Instead, the partner has agreed to assume some of the costs associated with site development in return for the ability to build at the site. All other assumptions remain the same. It should be noted, that although this example uses the commercial development as the source for subsidies, however the same would be true of any financing vehicle (MTC grants, etc.) that could be applied to land acquisition, BART replacement parking and improvements.

SOURCES	**Total**	**Per Unit**
Permanent Mortgage	$7,051,915	$75,827
LIHTC Syndication	**$14,170,603**	**$152,372**
GAP (1)	**$3,222,017**	**$34,645**
Total Sources	$24,444,534	$262,844
USES		
Land Acquisition	$286,360	$3,079
Soft Costs	$3,463,050	$37,237
Hard Costs	$18,455,520	$198,446
Construction Loan Fees	$147,644.16	$1,588
Construction Loan Interest	$771,441	$8,295
Permanent Loan Fees & Points	$70,519	$758
Developer Fee	$1,200,000	$12,903
Other GAP (1) Fees	-	-
Syndication Costs	$50,000	$538
Total Uses	$24,444,534	$262,844

EXHIBIT A

Meeting with BART
June 27, 2001

Attendees

Jeff Ordway
BART
Manager of Property Development

Kenyon
BART
Senior Real Estate Officer

Dave Fogarty
City of Berkeley
Community Development Project Coordinator

Bill Lambert
City of Berkeley
Manager of Economic Development

Janet Kenedy
City of Berkeley
Senior Project Coordinator

AGENDA

An informal meeting was arranged with BART to discuss and clarify issues as they related to possible development on the West Side of the Ashby BART station. The primary topics discussed were:

I. Replacement Parking Requirements
II. BART Paid Parking Programs- Validated or Paid Parking
III. Development of Ownership Housing on BART Property
IV. Other- Joint Development Issues

I. REPLACEMENT PARKING REQUIREMENTS

It is the official policy of the nine(9) member elected board of BART that joint ventures on BART parking facilities will provide replacement parking at a ratio of 1:1. However, it is not inconceivable that BART would consider, and possibly approve replacement parking at a ratio less than 1:1.

II. BART PARKING PROGRAMS

The implementation of validated parking programs at BART parking facilities are a function of both the costs of implementation and a demonstrated need. Currently, validated parking programs exist at a handful of BART stations and have been implemented as a response to public abuse of BART parking by non-patrons. In addition to validated parking, BART has also utilized a community patrol system (CSA) to monitor parking and ticket or otherwise report non-patron abuse.

The conversion of current parking facilities to a paid parking system within BART would require a two-thirds vote of the elected Members of the Board. At the present time a two-thirds majority should be considered unlikely. However, it is possible that any replacement spaces created above the current supply could be introduced as paid or metered parking. It is possible that BART parking policy may change in the future depending upon the influence of the newly created BART Parking Manager position. In addition, it was mentioned that Cal Poly has conducted a formal parking study. The findings of this study were neither discussed nor disclosed.

III. DEVELOPMENT OF OWNERSHIP HOUSING ON BART PROPERTY

BART will permit the development of ownership housing on BART-owned land. However, the BART will not relinquish ownership of the underlying land, under any circumstances. As a result, any such development would be for-sale product on a ground lease. MARTA, the metro system of Atlanta, is currently developing ownership product under this model and BART will be monitoring the progress and outcome.

IV. OTHER- JOINT DEVELOPMENT ISSUES

Ground Leases: The structure of these ground leases are typically base rent + participation in cash flow + participation in sale or refinance. Base rent is determined as "market" rent for a particular location. The participation ratios were neither discussed nor disclosed. Duration of these leases were neither discussed nor disclosed. BART has also used property swaps in the past. The Fruitvale Transit Village was offered as an example where BART has used both ground leases and a property swap.

Station Improvements: BART considers station improvements as part of joint development projects on a case-by-case basis. In general, BART station improvements that are necessary to connect the "fare-gate" to the community are deemed most important.

Transit-Oriented Development (TOD) Guidelines: At this point in time, BART does not have a formal TOD guideline document. It is the intention of BART to development documentation that outlines "best practices" for TOD. BART should be regarded as open to discussing numerous development possibilities on BART owned parcels.

Zoning Exemptions for Transit Purposes: BART maintains that it is exempt from compliance of zoning regulations on BART-owned land for transit purposes. However, this exemption is not extended to private developers in joint development projects. Whether transit-oriented housing would be considered a "transit purpose" was neither discussed nor disclosed.

Replacement Parking Expenditures: BART should be regarded as open to providing a base rent credit or rebate, in whole or in part, for expenditures relating to replacement parking.

EXHIBIT B

Informal Meeting with Ashby Residents
August 14, 2001

An informal meeting was arranged with a small group of residents of the neighborhood immediately surrounding the Ashby Station. The goal of the meeting was to initiate a dialog concerning development on the West Side of the Ashby BART station. This meeting was not an attempt to garner neighborhood support for any proposed development, but rather to develop an understanding for of the publics concerns and preferences.

V. PEDESTRIAN ACCESS, TRAFIC FLOW AND PARKING

Traffic safety and traffic flow were two major concerns for neighborhood residents. Pedestrian access to the site was currently deemed as "inadequate", particularly across Adeline, where the speed of traffic was categorized as "excessive". Neighbors at Ashby station would like to see any development at Ashby Station successfully connect the island site with the surrounding communities through improve traffic flows and safer pedestrian walkways.

II. NEIGHBORHOOD SAFETY AND SECURITY

A benefit to development at Ashby Station would be an increase in the number of "eyes on the street" that would be the byproduct of housing or other development at the site. Currently, the lack of significant BART related activity during the evening hours further isolates the Ashby site from the community at large. The Ashby Station currently has a BART sponsored security enhancement program.

III. ENTERTAINMENT ORIENTED RETAIL

Residents identified the need for a restaurant, a coffee shop, or other food and beverage or entertainment services as the largest retail need in the neighborhood.

IV. OPPOSITION TO DEVELOPMENT

"NIMBY" sentiment is likely to be high, particularly with those neighbors to the east of the proposed development that have been very vocal in opposition to past projects. However, there does exist a population of residents that are in favor of development and may be helpful in the public acceptance process. The largest concerns are likely to relate to perceived traffic and congestion problems associated with development. In addition, some neighbors consider the current site "open space" and would not like to see any development at this location. There also was an expressed preference toward non-profit developers.

EXHIBIT C

Ashby Station Characteristics and Projections

Wilbur Smith Associates prepared an evaluation of the BART system for use in evaluating system usage and access patterns. The contents of this June 2001 report have been used to prepare the following analysis. It should be noted that this report makes no attempt to distinguish between the supply of parking between the East and West Ashby Lots.

The Ashby station currently provides 244,621 Sq.ft. of parking surface area at a current parking efficiency, of 400 Sq.Ft. per space. In total, BART has provided 611 parking spaces for its patrons.

Parking Inventory and Usage

Type of Space

Surface Spaces	574
Accessible/Handicapped	14
Curb/Street	20
Official BART	3
Total Parking Spaces	**611**

Other

Bicycle Racks	30
Bicycle Lockers	16
Motorcycle Capacity	24

Parking Area

Station Type	Suburban
Total Surface Space (SQFT)	244,621
Parking Efficiency (SQFT/space)	400

Ridership

Existing Weekday Ridership (1999)

Entries	3,940
Exits	3,958
Total	**7,898**

Peak Ridership

AM Peak Riders (1998)	1,947

Source: The BART Access Evaluation System

This report also examined BART patron's modes of access to the Ashby station during the AM commute. In 1998, walking became the most prominent mode of access among morning riders, with nearly 40% of patrons accessing the Ashby station by foot. Almost 34% of the morning riders drove alone to the Ashby Station. (While this is a decrease from 1993 levels, it should be noted that all unrestricted parking spaces are occupied by 7:45AM.) The largest percentage increase in access was exhibited by bicycle riding patrons that in 1998 represented 7.5% of Ashby Station's morning commuters.

Passenger Profile Survey

	Mode of Access (%)	
	1992	**1998**
Drive Alone	40.0%	33.7%
Carpool	6.0%	4.1%
Drop-Off/Taxi	7.5%	8.9%
Walk	40.0%	39.8%
Bicycle	1.0%	7.5%
Transit	5.0%	6.0%

Source: The BART Access Evaluation System

Ashby station maintains traffic of approximately 4,000 daily exists, and ridership of nearly 2000 patrons during the morning commute peak. Within the next five years, ridership growth is expected to increase slightly over 9% to 4,300 daily exits.

The population within one mile of the Ashby station numbers over 48,000 persons, representing almost 21,000 households. Projection for population, household, employment and ridership growth have been provided as follows:

BART Projections

	1995	**2000**	**2005**	**2010**	**2015**	**2020**
Within 1 Mile of Station						
Population	47,307	48,830	49,702	49,189	49,098	48,986
Households	20,473	20,665	20,839	21,004	21,130	21,203
Employment	17,868	18,114	18,681	19,235	19,767	20,064
Ashby Station Ridership						
Ridership Forecasts	3,193	4,007	4,397	4,575	4,824	5,015
Parking Demand Analysis						
Supply	-	608	608	608	608	608
Occupancy (9AM)	-	601	608	608	608	608
Demand	-	705	773	805	848	882
Surplus/Deficiency	-	(97)	(165)	(197)	(240)	(274)

Source: The BART Access Evaluation System