



# *Preliminary Analysis of Initiative Ordinance on Minimum Inclusionary Housing Requirements*



**SCENARIO:**  
**Mid-Rise Building (Type III Construction)**  
**Rental Apartments**  
**On-site affordable housing @ 25%**

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***A. Return on Cost Calculation***

$$\begin{array}{ccc} \text{Return} & & \text{Annual Revenue} \\ \text{on} & = & \text{-----} \\ \text{Cost} & & \text{Development Cost} \end{array}$$

Return on Cost @ 25% Affordable: **4.9%**

Minimum to get investment: **5.5% to 6.0%**

Difference (percent of minimum): **-11% to -18%**



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***B. Land Price Adjustment***

Land Value @ 12% Affordable: **\$138,000/unit**

Land Value @ 25% Affordable: **\$82,500/unit**

Change in Land Value: **- 40%**

*Land value if retaining retail use: \$130,000/unit*

$$\begin{array}{l} \text{Return} \\ \text{on} \\ \text{Cost} \end{array} = \frac{\text{Annual Revenue}}{\text{Development Cost}}$$

# **COMPARISON:** ***On-Site vs. In-Lieu Fee Option*** ***With Proposed New Fee Rates***

<b>Scenario</b>	<b>Land Value with On-Site (at 25%)</b>	<b>Land Value with In-Lieu (at 33%)</b>	<b>Developer will Choose...</b>
<b>Apartment Building</b>			
Low-Rise	\$ 86,500	\$ 84,000	<b>On-Site</b>
Mid-Rise	\$ 82,500	\$ 89,000	<b>In-Lieu</b>
High-Rise	\$ 71,000	\$ 88,000	<b>In-Lieu</b>
<b>Condo</b>			
Low Rise	\$ 92,000	\$ 85,000	<b>In-Lieu</b>
Mid Rise	\$ 67,000	\$ 89,000	<b>In-Lieu</b>
High Rise	\$ 56,000	\$ 80,000	<b>In-Lieu</b>

