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## Santa Barbara Economic Feasibility Analysis

Prepared for the City of Santa Barbara

September 24, 2021



# bae urban economics

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Jessica Metzger  
City of Santa Barbara  
Planning Division  
Community Development Department  
630 Garden Street  
Santa Barbara, CA 93101

Dear Ms. Metzger,

BAE is pleased to submit this Economic Feasibility Analysis for the City of Santa Barbara.

It has been a pleasure working with you and your team, and we look forward to answering any questions you may have.

Sincerely,



Stephanie Hagar  
Associate Principal



Aaron Barker  
Vice President

San Francisco  
2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

Sacramento  
803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

Los Angeles  
448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

Washington DC  
1140 3<sup>rd</sup> St. NE, 2<sup>nd</sup> Floor  
Washington, DC 20002  
202.588.8945

New York City  
234 5<sup>th</sup> Ave.  
New York, NY 10001  
212.683.4486

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# EXECUTIVE SUMMARY

The City of Santa Barbara is in the process of establishing new maximum building size standards for multi-unit development, and has proposed a new method for governing residential project sizes based on Floor-to-Lot Area Ratio (FAR). Under the new FAR standard, apartment and condominium development regulations would shift from allowing a maximum number of units per acre to allowing a maximum building size based on FAR. The maximum allowable building size would vary based on location within the City, and is shown on the Draft FAR Map in Appendix A.

Each proposed FAR “zone” would include three “Tiers” of development rights. Tiers 2 and 3 would apply to rental developments only, with Tier 3 allowing for more FAR than Tier 2 in exchange for additional affordable housing. Tier 2 projects would be required to provide 10 percent of units affordable to Moderate-Income households, whereas Tier 3 projects would be required to provide 15 to 20 percent of units affordable to Moderate-Income households. Tier 1 would apply to condominium projects only, and would allow for less FAR than Tier 2. Condominium projects are also required to provide affordable units.

The purpose of this Economic Feasibility Study (Study) is to analyze the extent to which the adoption of new building size standards under an FAR standard could help incentivize the production of affordable units as part of an update to the existing Inclusionary Housing Ordinance. Specifically, the Study aims to analyze whether an FAR standard that complies with existing development guidelines such as height, setbacks, and open space might provide sufficient incentive for the production of affordable units. The Study also explores how much additional FAR would be required to incentivize developers to “opt in” to providing affordable housing above and beyond what is already required.

## Study Approach

The Economic Feasibility Study was conducted in several phases. The first phase included in-depth outreach to the Santa Barbara development community to obtain input on the types of projects that developers are likely to pursue under the proposed FAR standards, and to inform key assumptions for the financial feasibility testing. Next, BAE and John Kaliski Architects (JKA) worked closely with the City to formulate a series of twelve development prototypes that represent a range of projects that could be built under the proposed FAR standards, including projects in various FAR zones and at each Tier. BAE then prepared static proformas to assess financial feasibility, as well as determine whether additional FAR in Tier 3 would incentivize developers to construct projects according to the Tier 3 standards, including meeting higher affordable housing requirements.

## Key Findings

Key findings from the Study include the following:

- **Most of the rental prototypes that were analyzed were either feasible or marginally feasible.** In many but not all cases, these prototypes were feasible or marginally feasible even with a 20 percent affordability requirement, provided that the 20-percent requirement was paired with 20 percent additional FAR in Tier 3.
- **The Draft FAR Map would allow for more flexibility to tailor projects to local market conditions.** When compared to the existing AUD Program, developers could achieve higher densities than those currently allowed, even if other existing development standards remained unchanged. Consistent with local practitioner interviews, an FAR standard could also allow for smaller units and/or a higher share of studios and one-bedrooms.
- **The increase in FAR that would be available to Tier 3 projects would generally provide an incentive for developers to pursue Tier 3 projects over Tier 2 projects, even with a higher affordability requirement in Tier 3.** If Tier 3 requires 15 percent affordability, a 20-percent increase in FAR is generally sufficient to incentivize development in the FAR 2.0 and 3.0 Zones. If Tier 3 requires 20 percent affordability, a 20-percent increase in FAR may not be sufficient to incentivize Tier 3 development on all sites.
- **Tier 2 projects were either feasible or marginally feasible assuming a 10 percent inclusionary requirement.** This is consistent with findings from local practitioners, who indicated that the existing inclusionary policy has proved challenging in some cases. This suggests that while there could be continued feasibility challenges, the FAR standard could enhance feasibility in many cases.
- **Projects on small lots tend to face more challenges in achieving financial feasibility.** In the FAR 3.0 Zone, projects on large lots tended to be more feasible than projects on small lots, suggesting that additional incentives could be needed to achieve feasibility on small lots.
- **Developers of small (less than ten-unit) projects that can pay an in-lieu fee instead of providing affordable units may not be incentivized to pursue Tier 3 projects.** For very small projects, the shift from Tier 2 to Tier 3 may lead to a requirement to provide affordable units instead of paying the in-lieu fee and may require a shift to more costly structured parking. This can counteract the financial incentive to pursue a higher-FAR project. This is especially true for sites in low FAR (e.g., FAR 1.0) zones.
- **The proposed FAR thresholds could incentivize the development of condominiums rather than rental units in some cases, particularly on small, low-FAR sites where Tier 1 projects have the option to pay an in-lieu fee.** Condominium projects on larger sites may be less financially feasible than rental projects on the same sites, incentivizing rental development over condominiums in other cases.

## Policy Recommendations

Key policy recommendations from this Study include:

**Recommendation 1. Consider streamlining the development review process for residential projects.** Interviews with some local development practitioners indicated that the approvals process can be lengthy and uncertain, and that a streamlined approvals process would improve financial feasibility. Streamlining would be particularly beneficial for projects that may face greater obstacles to feasibility, particularly those on small sites. If the City chooses to require 20 percent affordability for Tier 3 projects, streamlining could also provide a means to improve the feasibility of Tier 3 projects relative to Tier 2 projects.

**Recommendation 2: Consider additional incentives to facilitate residential development on small sites.** Incentives for such sites—defined in this Study as less than one-quarter acre—could include a streamlined approvals process as described above, additional FAR allowances, and/or reduced affordability requirements.

**Recommendation 3: Consider additional FAR incentives if the City chooses to require 20 percent affordability for Tier 3 projects.** Such incentives could include FAR bonuses above the 20 percent analyzed in this Study, with the following caveats:

- In FAR Zones 2.0 and 3.0, as well as in the FAR 2.5 Zone outside of the General Commercial (C-G) and Manufacturing Commercial (M-C) districts, such FAR bonuses would likely need to be coupled with modifications to existing development guidelines, such as some combination of relaxed open space requirements, setback requirements, and height restrictions. Modifications to these development standards may be necessary to enable additional FAR on these sites because existing standards limit the maximum FAR that can reasonably be achieved to approximately 2.4 in the FAR 2.0 zone and 3.6 in the FAR 3.0 zone. Assuming height limits will not be changed as part of this process as they are bound by the City Charter, more immediate options could include reducing required setbacks above the second floor, or allowing for additional flexibility in meeting private open space requirements.
- In FAR Zones 1.0 and 1.5, as well as in FAR Zone 2.5 within the C-G and M-C districts, such FAR bonuses could be facilitated by reducing required setbacks above the second floor, as well as allowing for additional flexibility in meeting private open space requirements. However, adjustments to these development standards may not be necessary to achieve more than a 20-percent increase in FAR in these zones.

**Recommendation 4: Consider increases to inclusionary housing in-lieu fees to make the feasibility of small Tier 1 and Tier 2 projects that pay an in-lieu fee more similar to the feasibility of Tier 3 developments that provide affordable units on site.** In the FAR 1.0 Zone, Tier 2 projects that pay an in-lieu fee due to their small size tend to be more financially

feasible than larger Tier 3 projects (e.g., 10 or more units) that would be required to provide affordable units on site. Similarly, Tier 1 (condominium) projects that would pay an in-lieu fee may also be more feasible than rental projects that provide affordable housing on site. Increases to existing in-lieu fees could help incentivize Tier 3 development with on-site affordable housing rather than Tier 1 or 2 projects that pay an in-lieu fee.

For the FAR 1.0 Zone prototypes tested in this study, the Tier 2 prototype would no longer be economically favorable compared to the Tier 3 prototype if the in-lieu fee for the Tier 2 project were increased to approximately \$49 per square foot, from the current rate of \$25 per square foot. The Tier 1 (condominium) prototype would no longer be economically favorable compared to the Tier 2 prototype if the fee charged were equal to 9.5 percent of the in-lieu fee, as opposed to five percent per the current ordinance. This adjustment assumes that the rental in-lieu fee for the Tier 2 project would remain at \$25 per square foot. If the in-lieu fee for the Tier 2 project is increased as discussed above, the in-lieu fee for the Tier 1 project would also need to increase to achieve approximately the same feasibility across the Tier 1 and 2 prototypes.

**Recommendation 5: Continue allowing for flexibility in meeting parking requirements for residential projects, particularly for Tier 3 development, and consider reductions in residential parking requirements outside of the CBD.** This includes continuing to allow for parking reductions and elimination of parking requirements for eligible projects in the CBD and considering reductions in parking requirements for residential developments outside of the CBD, particularly for Tier 3 development. While this incentive will not necessarily be attractive for all projects, in some cases elimination and/or reduction of parking requirements significantly enhances feasibility. In addition, the City could consider explicitly excluding any underground parking, as well as parking lifts, from project FAR. While underground parking is not feasible for all projects under current market conditions, the ability to provide underground parking could provide needed flexibility under the right market conditions.



# INTRODUCTION

Like many coastal California cities, the City of Santa Barbara faces an acute shortage of housing affordable to Low, Moderate-, and Middle-Income households. The City's Average Unit-Size Density Incentive Program (AUD Program), adopted by Council in 2013, was intended to address this shortage in part by allowing increased density and the construction of smaller residential units near transit. The AUD Program has incentivized the creation of up to 526 residential units, and is set to expire in February 2022.

In October 2020, City Council directed City Staff to establish new maximum building size standards for multi-unit development. The maximum building size would be determined based on the project's lot size, and governed by a Floor-to-Lot Area Ratio (FAR) standard. Under the new FAR standard, apartment and condominium development regulations would shift from allowing a maximum number of units per acre to allowing a maximum building size instead.

The intent of the revised building size standards is to encourage compatibility in building size, protect the City's historic resources, clarify community expectations, and expand opportunities for additional, smaller housing units.

The maximum allowable building size will vary based on location within the City, and apply only to mixed-use and residential projects. Maximum FARs are currently visualized on the "Draft FAR Map," which was reviewed by the Santa Barbara Architectural Board of Review (ABR); the Historic Landmarks Commission (HLC); the Planning Commission; and City Council. The Draft FAR Map is shown in Appendix A.

Each FAR "zone" within the Draft FAR Map would include three "Tiers" of development rights:

- "Tier 1" projects would apply to condominium projects only. Under Tier 1, condominium projects would no longer be subject to maximum densities, but instead be governed by maximum building size. Tier 1 condominium projects would be eligible to build up to 80 percent of the maximum FAR as shown in the Draft FAR Map. Eligible condominium projects would provide 15 percent of project units at prices affordable to Middle-Income households, consistent with the City's existing Inclusionary Housing Ordinance for ownership developments.
- "Tier 2" projects would be eligible to build up to the maximum FAR as shown on the Draft FAR Map. Eligible multifamily rental projects would be required to provide 10 percent of total project units as affordable to Moderate-Income households, consistent with the City's existing AUD inclusionary housing requirements.

- “Tier 3” projects would be eligible for an FAR Bonus of 20 percent above the Tier 2 standards. Eligible multifamily rental projects would be required to provide anywhere from 15 to 20 percent of total project units as affordable to Moderate-Income households.

## **Purpose of this Study**

The purpose of this Economic Feasibility Study is to analyze the extent to which the adoption of new building size standards could work in conjunction with potential adjustments to the City’s Inclusionary Housing Ordinance. Specifically, the Study aims to analyze whether Tier 2 development rights provide sufficient incentive for complying with the City’s existing Inclusionary Ordinance without impacting project feasibility. The Study also explores how much additional floor area would be required to incentivize developers to “opt in” to providing more affordable housing under Tier 3.

This Study reviews the economic implications of the proposed building size standards and potential bonus levels, along with related updates to affordable housing requirements, to establish a coherent set of guidelines and best practices to help the City achieve its policy goals. This includes ensuring that any updates to the Inclusionary Housing Ordinance do not adversely impact the production of new housing in the City.

## ***FAR Mapping Process***

In December 2020, a working group was formed to review and provide feedback to staff on the initial Draft FAR Map for all areas in the City where multi-unit housing is currently allowed.

The working group consisted of two members each from the Planning Commission, Historic Landmarks Commission (HLC), and Architectural Board of Review (ABR). This group represented a range of interests in the community, offering a diverse array of viewpoints on future housing growth in Santa Barbara. A majority of the working group members supported using the Draft FAR Map for public outreach and comment.

## ***Existing Affordable Housing Requirements for New Developments***

The City of Santa Barbara currently has two sets of existing affordable housing requirements that apply to new residential development in the area encompassed by the Draft FAR Map.

Rental Developments: Chapter 30.150 of the Municipal Code, approved in 2019, requires that rental projects with ten or more units provide ten percent of total project units onsite at rental rates affordable to Moderate-Income households. Projects with less than ten units must either build one unit affordable to households at the Moderate-Income level or pay an In-Lieu Fee per square foot, based on the net floor area of each rental housing unit.

Under the City's inclusionary program for rental projects, the maximum income for a Moderate-Income household is 120 percent of Area Median Income (adjusted by household size). A target income of 100 percent of Area Median Income is used to calculate the affordable rents for inclusionary units.

At the time of this Study's publication, there were 20 pending and 10 approved units affordable to Moderate-Income households pursuant to the City's Inclusionary Ordinance for rental developments, as well as several smaller projects would pay in-lieu fees.

Ownership Developments: The City has an existing Inclusionary Housing Ordinance for ownership projects that requires, in projects where there are ten or more ownership units, that fifteen percent (15 percent) of the units (excluding any density bonus units) be sold at prices affordable to Middle- or Upper-Middle-Income households. In 2009, the ordinance was amended to apply to ownership projects of two (2) through nine (9) units as well as projects of 10 or more units. Projects of two (2) through nine (9) units are generally required to provide one unit as an owner-occupied Middle-Income restricted unit or pay a pro-rated in-lieu fee based on the number and size of the proposed units.

### ***FAR Program Goals***

Some of the goals of the FAR program that informed the recommendations in this study include:

- Encourage development of new multi-unit rental housing affordable to moderate-income households.
- Provide standards that do not economically favor condominium development over rental development.
- Provide standards that allow for efficient redevelopment of urban infill sites to increase housing, especially in the Central Business District.
- Allow for building sizes appropriate for each location with an option of larger development with increased affordability.

### **Study Approach**

The Economic Feasibility Study was conducted in several phases. The first phase included in-depth outreach to the Santa Barbara development community. The findings were summarized and presented to the Planning Commission on August 5, 2021, and are described in further detail in the Practitioner Interviews section below.

Next, based in part on findings from this outreach, BAE and JKA worked closely with the City to formulate a series of development prototypes that applied the City's existing development standards to representative parcels on the Draft FAR Map.

BAE then conducted a pro-forma analysis on these prototypes to evaluate the economics of developing multifamily rental projects and condominiums in Santa Barbara. Specifically, the pro-forma analysis tested the extent to which new market-rate residential development under the proposed FAR standard could absorb updated requirements to provide affordable units, while maintaining financial feasibility under current (as of 2021) market conditions.

Based on the findings of the financial feasibility analysis, the Study then evaluates a series of policy options for the area covered by the Draft FAR Map, and provides a preliminary set of recommendations for successful implementation.

## **Practitioner Interviews**

As a first step, BAE and JKA conducted a series of interviews with active members of the Santa Barbara development community in order to inform the Economic Feasibility Study. BAE and JKA began holding stakeholder interviews on July 6, 2021, holding nine interview sessions with a total of fourteen members of the Santa Barbara development community. The purpose of these interviews was to inform two key components of the feasibility study. First, the interviews informed the consultant team's development of multifamily residential prototypes that were analyzed in the study. Therefore, interviews included discussions to try to identify how developers might respond to the proposed FAR-based standards in terms of the unit mixes, parking ratios, and other key development features in projects that are proposed in the future. The second purpose of the developer interviews was to inform the consultant team's key assumptions for financial feasibility modeling. Accordingly, the interviews included discussions related to construction costs, land costs, operating expenses, capitalization rates, developer profit thresholds, and other key financial assumptions.

Accordingly, interviewees consisted of practitioners, such as developers, architects, property owners, and entitlement consultants, that have active or recent multifamily residential developments in Santa Barbara. These practitioners therefore are deeply familiar with the local development environment, including local development costs, the City's residential development standards and residential development entitlement process, and local market challenges and opportunities. Interviewees included nine developers, four architects, and one entitlement consultant. Architects that were interviewed included some of the participants in the 2020 charrette on building forms and floor areas, which focused on Downtown Santa Barbara, that was held by the Santa Barbara chapter of the American Institute of Architects (AIASB). Developers that were interviewed included three representatives from the City's Housing Authority.

It should be noted that the input received from the practitioners varied between interviews, making it difficult to provide a direct comparison between each interviewee's responses. The practitioner interviews focused on each practitioner's specific areas of expertise, resulting in differences in the type of information and specific assumptions that were discussed in each interview. For some of the key assumptions discussed in the interviews, such as construction

cost assumptions, some practitioners were relatively confident in their responses and provided first-hand information from recent projects, whereas others cautioned that their estimate for a specific assumption might be out of date or slightly outside of their areas of expertise. In these cases, the consultant team weighted the responses differently depending on the interviewee.

For the hard cost assumptions in particular, interviewees provided information in a number of different formats, including costs per square foot, costs per unit, costs that included (or excluded) the cost of parking, and costs on a gross square foot basis or net rentable square foot basis. Other interviewees provided total development costs rather than hard costs specifically. As a result, it is not possible to provide a direct comparison across interviews for the topics discussed in the interviews. Instead, the consultant team used each interview to inform the key assumptions used in the analysis in different ways, depending on the type of input received from each interview. In addition, the consultant team reviewed information from other recent projects within the region to assess whether input from developers and the assumptions used in the analysis are consistent with other projects. For example, one developer noted that construction costs in Santa Barbara tend to be higher than in Los Angeles, and therefore the consultant team reviewed information on recent projects in Los Angeles to determine whether the construction cost assumptions that were used in the analysis for Santa Barbara reflected this premium. However, among the interviewees that provided responses, there was general agreement on some key inputs, such as soft costs, land costs, and operating expenses.

The practitioner interviews were a key component of the study process, and the input received during these interviews is reflected in both the prototypes and the financial modeling described in subsequent sections of this report. In addition to input on the pro-forma assumptions, the interviews provided the following findings that impacted the prototypes and recommendations that are discussed in this report:

- Practitioners generally anticipate that the FAR-based standard will lead to a larger number of units on a given site, with these units being smaller on average than the units built under the AUD program.
- While some practitioners reported that they generally aim to provide one parking space per unit for residential projects, even if allowed to provide less, others reported having undertaken projects with fewer than one space per unit and a continued interest in lower parking ratios, particularly for projects in the Downtown area.
- Most practitioners reported that the approvals process for a residential development project is lengthy and includes a lot of uncertainty, which has a negative impact on development feasibility. Interviewees recommended that the City adopt more objective standards, though one stakeholder expressed the need to balance this with ensuring that Santa Barbara continues to see high-quality projects with attention to aesthetics.

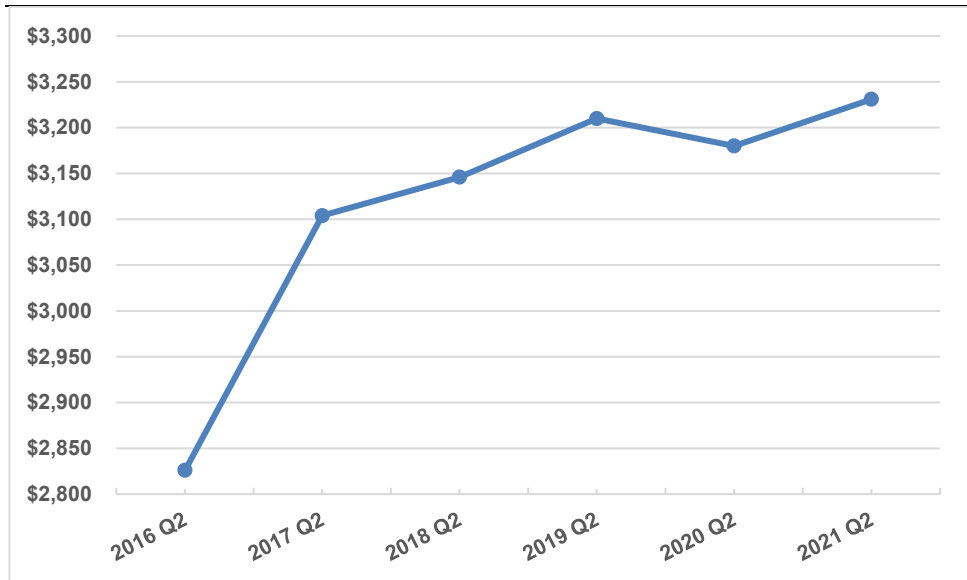
## Santa Barbara Rental Market

To establish a comparative sample of recently built multifamily projects within the area encompassed by the Draft FAR Map, BAE and JKA analyzed the City’s existing AUD project database, cross-referenced with market data pulled from CoStar<sup>1</sup> in August 2021. The sample references market-rate multifamily projects that were approved for occupancy in 2017 or later.

The sample includes all multifamily projects for which rental data can be sourced, and excludes both 100 percent affordable projects, as well as projects where unit sizes do not correspond with those indicated by local practitioners as likely to be constructed.<sup>2</sup>

Multifamily rents in the Draft FAR Map Area have increased over the past five years. Figure 1 below displays monthly asking rents for the rental market sample between the second quarter of 2016 and the second quarter of 2021 (the most recent full quarter of data available at the time of this analysis), based on data from Costar. As shown, the monthly asking rent increased from approximately \$2,826 per unit per month in the second quarter of 2016 to approximately \$3,231 per unit per month in the second quarter of 2021.

**Figure 1: Monthly Asking Rents/Unit for Multifamily Sample, Q2 2016 - Q2 2021**



Sources: Costar, 2021; BAE, 2021.

<sup>1</sup> CoStar is a third-party commercial research firm with a comprehensive database of real estate information, and is updated on a continuing basis, with quarterly reporting.

<sup>2</sup> This sample excludes the Olive Street Lofts, where “studios” average 1,052 square feet in size.

Overall, the trend shown in Figure 1 indicates that multifamily rents have increased by approximately 14.3 percent between the second quarter of 2016 and the second quarter of 2021. The growth rate was even higher on a per square foot basis, rising from \$3.53 per square foot to \$4.05 per square foot over the same time period, or an increase of 14.7 percent.

Like most communities, rents in Santa Barbara dipped slightly as a result of economic disruptions associated with the COVID-19 pandemic. Between Q2 2019 and Q2 2020, asking rents dipped by 0.9 percent, from \$3,210 to \$3,180 per month. However, rents have since rebounded to exceed those in the pre-COVID quarter.

***Impact of AUD Program on Sample Unit Sizes and Distribution***

Under the AUD Program, buildouts tended to favor mixes with a comparatively large share of two- and three- bedroom units. This is due to an existing standard that limits residential densities to 63 units per acre in the Priority Housing Overlay; 28 to 36 units per acre in the High-Density tier; and 15 to 27 units per acre in the Medium-High density tier. The existing limits on density tend to incentivize larger units because projects with smaller units are unable to maximize the net leasable FAR allowance for a site while remaining within the density limits. Table 1 illustrates this in more detail. At least 71.3 percent of project units in the multifamily sample were dedicated to two and three-bedroom units. Studios and one-bedroom units, meanwhile, comprised approximately 28.8 percent of the multifamily sample. The multifamily sample also provides an important survey of typical unit sizes by bedroom count.

**Table 1: Multifamily Sample by Bedroom Count and Unit Size**

<u>Bedroom Count</u>	<u>Units (#)</u>	<u>Share (%)</u>	<u>Average Unit Size (sf, net)</u>
Studio	37	13.5%	592
One Bedroom	42	15.3%	614
Two Bedrooms	185	67.3%	837
<u>Three Bedrooms</u>	<u>11</u>	<u>4.0%</u>	<u>1055</u>
Combined Sample	275	100.0%	803

Sources: CoStar, 2021; BAE, 2021.

The multifamily sample also provides an important survey of average asking rents by bedroom count, as well as average asking rents per square foot. These inputs are used for the feasibility analysis, and are described in further detail in the subsequent section.

**Table 2: Multifamily Sample Asking Rents per Month and Per Square Foot, Q2 2021**

	<b>Asking Rent (\$/month)</b>	<b>Asking Rent (\$/sf)</b>
Studio	\$2,803	\$4.61
One Bedroom	\$2,953	\$4.82
Two Bedrooms	\$3,262	\$3.88
<u>Three Bedrooms</u>	<u>\$4,137</u>	<u>\$3.92</u>
Combined Sample	\$3,231	\$4.05

Sources: CoStar, 2021; BAE, 2021.

## Santa Barbara Condominium Market

Similar to the approach for comparable units in rental developments, the condominium sample includes recently-built projects to capture the revenue premium associated with newer construction. Due to the comparative lack of new condominium construction under the AUD Program, however, the geography was expanded to include areas not covered by the Draft FAR Map, and also includes units that were approved for occupancy in 2011 or later. The sample includes all sales from the most recent 12-month period at the time of data collection as captured by Redfin.

Table 3 illustrates the distribution of condominium comparables by bedroom count, as well as by average unit size. Similar to the multifamily comparables, bedroom counts are skewed even more heavily towards two- and three-bedroom units, which comprise 90.2 percent of project units in the condominium sample.

Average unit sizes for condominiums are also significantly higher than for multifamily rental projects. The average one-bedroom unit size, for example is 1,132 square feet, compared to 614 square feet in the multifamily sample.

**Table 3: Condominium Sample by Bedroom Count and Unit Size**

<b>Bedroom Count</b>	<b>Units (#)</b>	<b>Share (%)</b>	<b>Average Unit Size (sf, net)</b>
Studio	0	0.0%	n/a
One Bedroom	5	9.8%	1,132
Two Bedroom	34	66.7%	1,537
<u>Three Bedrooms</u>	<u>12</u>	<u>23.5%</u>	<u>1,933</u>
Combined Sample	51	100.0%	1,459

Sources: Redfin, 2021; BAE, 2021.



Table 4 provides survey of sales prices by bedroom count, as well as sales prices per square foot. These inputs are used for the feasibility analysis, and are described in further detail in the subsequent section.

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**Table 4: Condominium Sample Sales Price by Bedroom Count and Unit Size, Aug 2020-21**

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<u>Bedroom Count</u>	<u>Sales Price (\$/unit)</u>	<u>Sales Price (\$/sf)</u>
Studio	n/a	n/a
One Bedroom	\$1,070,000	\$926.00
Two Bedroom	\$1,260,000	\$823.00
<u>Three Bedrooms</u>	<u>\$1,125,000</u>	<u>\$555.00</u>
Combined Sample	\$1,190,000	\$813.00

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Sources: Redfin, 2021; BAE, 2021.

# FINANCIAL FEASIBILITY ANALYSIS

The financial feasibility analysis uses static residential development pro-forma models for twelve prototype projects to evaluate the feasibility of updating affordability standards as part of the City's Inclusionary Housing Program. Static pro-forma models represent a form of financial feasibility analysis that developers often use at a conceptual level of planning for a development project as an initial test of financial feasibility to screen for viability.

This chapter provides an overview of the twelve prototype projects that were evaluated, including the methodology, key assumptions, and findings from the financial feasibility analysis.

## Prototype Projects

JKA developed 12 (twelve) diagrammatic prototypes utilizing CAD/GIS software to reflect the full range of intensities under consideration by the City under the Draft FAR Map.

JKA began the work by compiling, reviewing, and analyzing existing development standards and guidelines to develop an understanding of densities, heights, setbacks, parking, open yard, and intensities of development allowed in the area covered by the Draft FAR Map. Prototypes were developed collaboratively with input from the BAE and City staff, and visualized as massing diagrams on typical sites. JKA quantified each prototype in terms of floor area, number of stories, height, number of parking spaces, etc. to allow cross comparisons between the developed prototypes as well as comparison with existing development standards.

BAE and JKA worked closely with the City to ensure the prototypes conformed to existing development guidelines and standards that would *not* change under the FAR system. These include setback and open yard requirements, height restrictions, parking, fire access, minimum unit sizes, and others.

The prototypes also incorporate anticipated guidelines of the FAR system, which would count the mass of the building above grade, as well as enclosed in the structure. This requires including any above-ground parking podium towards the FAR limit, but would exclude subterranean parking from the FAR calculation, as well as air shafts and unenclosed balconies.

The twelve residential prototypes are based on projects that have recently been completed, and are considered to be representative of the likely range of near- to medium-term residential development in Santa Barbara. Two of the twelve prototypes were informed by local architects to illustrate a scenario in which no parking was provided to provide cost efficiencies, as well as free up floor area that would otherwise have been dedicated to parking.

To promote Citywide goals such as enhancing pedestrian activity and activating street frontages, all prototype projects within the Central Business District feature a nominal amount of ground-floor commercial space to be included on the ground-floor. Prototypes outside the CBD (e.g., in R-MH and/or R-M zones) would not feature any commercial space.

For the purpose of this Study, all affordability requirements for prototype projects were rounded up to the nearest full unit.

### ***Lot Size and Dimension***

Based on a review of the City's existing AUD project database to identify trends in lot size and dimension, two lot sizes were selected for prototyping:

- “Small” lots are characterized by dimensions of 100 feet by 100 feet, which is a typical size for two consolidated single-family lots. This equates to a parcel size of 10,000 square feet, or 0.23 acres.
- “Large” lots are 130 feet wide by 200 feet deep. This equates to a parcel size of 26,000 square feet, or 0.60 acres. This lot size was based in part on a review of lot sizes in recent projects, an understanding that narrower lots resulted in layout inefficiencies, as well as a shortage of larger lots in urban infill locations.

The following section describes prototype buildouts within each FAR Zone, and are summarized in Table 5.

### ***Tier 1 Prototypes***

Tier 1 Prototypes apply to condominium projects only. Under Tier 1, condominium projects would be eligible to build up to 80 percent of the maximum FAR as shown in the Draft FAR Map. This includes up to 1.6 in the FAR 2.0 Zone, and 0.8 in the FAR 1.0 Zone.

### ***Tier 2 Prototypes***

Three FAR Zones were selected for the purposes of this analysis. These were chosen in part based on the Draft FAR Map provided by the City, and encompass the FAR 1.0, 2.0, and 3.0 zones. Additional analysis of existing parcels and AUD Projects confirmed this range to be appropriate, with numerous projects in less dense areas falling below 1.0 FAR, and select projects in the Central Business District approaching 2.5 FAR. Utilizing this range provided opportunities to acknowledge existing limits while studying bonus options.

### **FAR 1.0 Zone**

Prototypes in the FAR 1.0 Zone feature two-to-three stories of residential units. The condominium prototype is configured as a townhome-style product, with two-story rowhouses served by tuck-under parking. The multi-unit prototypes feature two-to-three stories of residential units that would be served by a combination of surface and podium parking. None of the FAR 1.0 Zone Prototypes would exceed 33.5 feet.

Due to a combination of existing open space requirements and height restrictions in the associated R-M zone, Tier 2 prototypes in FAR 1.0 Zone do not currently maximize the full available FAR. Instead, this prototype maximizes the buildout under existing design guidelines to allow for surface (as opposed to podium) parking.

#### FAR 2.0 Zone

Prototypes in the FAR 2.0 Zone include three stories of residential units. The units would be served by a combination of surface and podium parking, depending on the intensity of the development program. The prototypes would rise to a maximum height of 44 feet, within the with maximum height limit of 45 feet in R-M and R-MH zones.

#### FAR 3.0 Zone

Prototypes in the FAR 3.0 Zone include three-to-four stories of residential units. The units sit atop a single-story podium that incorporates a nominal amount of commercial space, as well as parking for both residents and shoppers. The prototypes would rise to a maximum height of 48 feet.

#### ***Tier 3 Prototypes***

For the purposes of this Study, Tier 3 Prototypes would be eligible for 20 percent more floor area in exchange for the dedication of affordable units beyond the City's existing inclusionary requirements.

#### FAR 1.0 Zone

In the FAR 1.0 zone, Tier 3 Prototypes rise to a maximum of 1.2 FAR. These additional units are accommodated by dedicating ground floor area to both residential apartments and podium parking. None of the FAR 1.0 Zone Prototypes would exceed 35.5 feet.

#### FAR 2.0 Zone

In the FAR 2.0 zone, Tier 3 Prototypes rise to a maximum of 2.40 FAR. These additional units are accommodated by shifting from surface parking to podium parking, leading to an increase in overall project cost, but additional floor area that can be dedicated to residential units. Similar to Tier 2, the prototype would rise to a maximum height of 44 feet.

#### FAR 3.0 Zone

In the FAR 3.0 Zone, Tier 3 Prototypes rise to a maximum of 3.60 FAR in exchange for providing 20 percent of total project units as affordable to Moderate-Income households. The additional units are accommodated by one extra floor of residential space, with a maximum building height of 58.5 feet. While this exceeds the maximum allowable height of 48 feet within the CBD, up to 60 feet in height may be allowed pursuant to Section 30.140.100 for projects that qualify as a Community Benefit Housing Project.

The No Parking Scenario, however, only achieves an FAR of 3.39 on the “large” lot due to constraints associated with building envelope and open yard in the absence of a parking podium.

***Inclusionary Requirements for Smaller Developments***

To test the impact of existing inclusionary requirements for smaller developments (e.g., projects with fewer than 10 units), two of the twelve prototypes would be required to pay an in-lieu fee due to project size. These include a six-unit condominium project in FAR Zone 1.0, as well as a seven-unit rental project in the same location.

***Unit Size and Distribution***

Prototypes are intended to evaluate the extent to which a more flexible distribution of unit mix and size under the Draft FAR Map might accommodate additional affordability.

To establish a baseline for comparison, JKA and BAE analyzed the City’s existing AUD project database, cross referenced with CoStar.

The multifamily sample drawn from AUD Projects, for example, features average unit sizes of 803 net square feet, with 71 percent of project units dedicated to two or more bedrooms.

The Prototypes, meanwhile, feature average unit sizes of 723 net square feet, with 33 percent of project units dedicated to two or more bedrooms. In general, these adjustments are in line with how practitioners indicated they might shift production under a revised set of development guidelines as discussed in the Practitioner Interviews section.

**Table 5: Summary of Prototypes by FAR Zone and Tier**

	FAR 1.0 Tier 1 Condo	FAR 1.0 Tier 2 Rental	FAR 1.0 Tier 3 Rental	FAR 2.0 Tier 1 Condo	FAR 2.0 Tier 2 Rental	FAR 2.0 Tier 3 Rental
<b>Floor Area Ratio</b>	0.79	0.72	1.18	1.58	1.91	2.35
Site Size (acres)	0.23	0.23	0.23	0.60	0.60	0.60
Building Height (ft)	25.5	35.5	35.5	44	44	45
Parking Treatment	Tuck-Under	Surface	Podium	Surface/Podium	Surface/Podium	Surface/Podium
Total Parking Spaces	6	8	10	32	42	39
<b>Dwelling Units (#)</b>	6	7	10	27	44	55
Affordable Units (%)	n/a	n/a	15-20%	15%	10.0%	15-20%
Avg. Unit Size (net, sf)	1,113	912	786	1,038	782	766
	FAR 3.0 Tier 2 Rental	FAR 3.0 Tier 3 Rental	FAR 3.0 Tier 2 Rental	FAR 3.0 Tier 3 Rental	FAR 3.0 Tier 3 Rental	FAR 3.0 Tier 3 Rental
<b>Floor Area Ratio</b>	<b>3.01</b>	<b>3.60</b>	<b>2.88</b>	<b>3.51</b>	<b>3.39</b>	<b>3.58</b>
Site Size (acres)	0.60	0.60	0.23	0.23	0.60	0.23
Size Size (sf)	26,000	26,000	10,000	10,000	26,000	10,000
Building Height (ft)	48.5	58.5	48.5	58.5	58.5	58.5
Parking Treatment	Podium	Podium	Podium	Podium	None	None
Total Parking Spaces	57	57	17	17	0	0
<b>Dwelling Units (#)</b>	<b>66</b>	<b>88</b>	<b>22</b>	<b>29</b>	<b>105</b>	<b>36</b>
Affordable Units (%)	10%	15-20%	10%	15-20%	15-20%	15-20%
Avg. Unit Size (net, sf)	670	671	715	726	664	717

## Feasibility Methodology

The methodology used for this study involved preparation of static pro-forma financial feasibility models for each of the twelve prototypes described above. The static pro-forma models represent a form of financial feasibility analysis that developers often use at a conceptual level of planning for a development project, as an initial test of financial feasibility for a development concept to screen for viability. BAE developed the various modeling inputs and assumptions needed for the financial feasibility analysis based on interviews with residential developers and other residential real estate professionals active in the area, data from industry publications and databases, experience with recent development projects in the local area, input from City staff, and other research. The detailed pro-formas that BAE prepared for this analysis are provided in Appendix D.

All assumptions used in this analysis are consistent with estimates provided by developers that BAE interviewed for this project, as well as with BAE's experience with recent projects in Southern California. However, it should be noted that development costs, residential rents, and residential sale prices are subject to variation, even among projects that are relatively similar, and the sources that BAE used to estimate assumptions for this study reflected this variation.

The assumptions used in this Study reflect current conditions at the time that the analysis was conducted (i.e., the second and third quarters of 2021). At the time of this Study, the impacts of the COVID-19 pandemic were still impacting construction economics, though some of the more dramatic swings in construction costs and supply chain disruptions had shown signs of stabilizing. The price of lumber, which peaked in May 2021, had dropped by nearly two-thirds.<sup>3</sup> Interest rates, meanwhile, were forecast to remain low for the foreseeable future. On the demand side, residential rents, which decreased somewhat in response to the pandemic, have generally increased to pre-pandemic levels.

### ***Residual Land Value***

The pro-forma models are structured to calculate the residual land value associated with each prototype. The residual land value for a residential rental project is equal to the market value of the completed project at stabilization, net of total development costs and developer profit. The capitalized value of the project at stabilization is defined as the annual net operating income (NOI) from the project (i.e., annual income from the project net of operating expenses), divided by the capitalization rate (cap rate). The cap rate is a common metric used to estimate the value of a property based on its NOI, and varies based on property type, location, and other property-specific characteristics. The residual land value for a residential rental project can be summarized as follows:

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<sup>3</sup> <https://tradingeconomics.com/commodity/lumber>

$$\begin{aligned} &\text{Capitalized Value at Stabilization (i.e., NOI / cap rate) - Total Development Costs} \\ &= \\ &\text{Residual Land Value} \end{aligned}$$

The residual land value for a for-sale project is equal to the net sale proceeds from the project (i.e., total revenue from sales after subtracting marketing costs) net of total development costs including developer profit:

$$\begin{aligned} &\text{Net Sale Proceeds (total revenues less marketing costs) - Total Development Costs} \\ &= \\ &\text{Residual Land Value} \end{aligned}$$

The residual land value approximates the maximum amount that a developer should be willing to pay for a given site, based on the value of the project that the developer would build on that site. In general, a development pro-forma that shows a residual land value that is approximately equivalent to the typical sale price for land among recent comparable sales indicates a financially feasible project. If a developer is able to acquire land for a price that is lower than the residual land value associated with his or her project, the difference between the residual land value and the actual sale price essentially represents additional project profit. For the purposes of this analysis, a project that generates residual land value in excess of actual site acquisition costs could potentially absorb an inclusionary requirement under current market conditions while remaining within the necessary feasibility thresholds.

#### ***Residual Land Value Feasibility Thresholds***

This analysis uses different residual land values for each of the three FAR zones that are represented by the prototype projects. In general, sites with lower development potential (e.g., those in the FAR 1.0 zone) tend to have a lower sale price per site square foot than sites with more development potential (e.g., those in the FAR 3.0 Zone). To identify residual land value thresholds for this study, BAE used information on recent land sales in Santa Barbara as well as input received during the practitioner interviews. Due to a lack of recent sales of vacant land in Santa Barbara, the analysis focused on recently-completed multifamily development projects in Santa Barbara to identify the sale price for the project sites when each site was purchased prior to redevelopment with residential uses. From this sample, BAE removed two records for which the land sale price was unavailable and two records for which the land sale occurred in 2012.

Of the remaining records, two sales were for properties located in the FAR 3.0 Zone, both with sale prices above \$200 per site square foot. This is somewhat consistent with the range of \$150 to \$200 per site square foot that practitioners cited during the interview process.

The sale records also included two sales of properties in the FAR 1.0 Zone, with sale prices of \$67 and \$63 per site square foot, respectively. The sale records did not include any sales of



properties in the FAR 2.0 Zone. Based on these data, the analysis uses the following residual land values to assess feasibility:

- **FAR 3.0 Zone:** This study defines a feasible project as one that results in a residual land value of at least **\$200 per site square foot**, with residual land values **between \$150 and \$200 per site square foot indicating marginal feasibility**
- **FAR 2.0 Zone:** This study defines a feasible project as one that results in a residual land value of at least **\$135 per site square foot** (i.e., the midpoint between the threshold in the FAR 1.0 zone and the threshold in the FAR 3.0 zone).
- **FAR 1.0 Zone:** This study defines a feasible project as one that results in a residual land value of at least **\$70 per site square foot**

# FINANCIAL FEASIBILITY FINDINGS

This section presents the findings from the financial feasibility analysis. Table 10 at the end of this section provides a summary of the financial feasibility findings for the prototypes evaluated in this Study, and the full pro-formas are shown in Appendix D.

## **Multifamily Rental Findings**

As noted above, multifamily rental projects would be classified as either Tier 2 or Tier 3 projects under the proposed FAR standards. This study assumes that Tier 3 projects will be eligible for a 20-percent FAR bonus compared to Tier 2, in exchange for providing additional units affordable to Moderate-Income households. This study also assumes that Tier 2 projects would provide 10 percent of units as affordable to Moderate-Income households, while Tier 3 projects test providing either 15-percent or 20-percent of units as affordable to Moderate-Income households.

The analysis of the Tier 2 and 3 prototypes demonstrates that a 20-percent increase in FAR is sufficient to incentivize development at the Tier 3 level in the FAR 3.0 and FAR 2.0 zones if Tier 3 requires 15 percent affordability. Findings are mixed regarding whether the increase in FAR is sufficient to incentivize development at the Tier 3 level if Tier 3 requires 20 percent affordability. In the FAR 1.0 zone, the analysis indicates that the increase in FAR may be insufficient to incentivize Tier 3 development, at least in some cases as discussed in greater detail below.

Most of the Tier 2 and 3 prototypes were either feasible or marginally feasible, even with a 20 percent affordability requirement in Tier 3. Exceptions include the FAR 3.0 Zone prototype on the small site at Tier 2 and at Tier 3 if the Tier 3 affordability requirement is 20 percent and the project provides parking. These scenarios face financial feasibility issues due to the challenges of developing on a small site as well as the high cost of land in the FAR 3.0 zone.

### ***FAR 1.0 Zone***

The analysis of the prototypes in the FAR 1.0 Zone demonstrates that a 20-percent increase in FAR in Tier 3 may not be sufficient to incentivize Tier 3 development, at least for small sites. This is due in part to the fact that a project built at Tier 2 is small enough to pay a partial in-lieu fee rather than provide affordable units on site. As shown in Table 6, the Tier 2 prototype in the FAR 1.0 Zone results in a residual land value of \$111 per site square foot—higher than the \$70 per site square foot threshold. This prototype would consist of a total of seven units and would pay a partial in-lieu fee instead of providing affordable units. In addition, due to its low FAR, this prototype is able to provide surface parking to meet most of the parking needed for the project, which is substantially more cost-effective than providing structured parking in a podium.

The Tier 3 project would have a total of 10 units, and therefore would provide two affordable units—whether the inclusionary requirement for Tier 3 is 15 percent or 20 percent. The Tier 3 project would also shift all of the parking to a podium structure, adding to development costs. As a result, the Tier 3 prototype is feasible than the Tier 2 prototype on this site, with a residual land value of \$94 per site square foot.

This suggests that a 20-percent increase in FAR in the FAR 1.0 Zone is likely to be insufficient to incentivize developers to pursue Tier 3 development, at least in cases where the shift from Tier 2 to Tier 3 necessitates a shift from paying an in-lieu fee to providing an inclusionary unit, and a shift from surface parking to structured parking. These findings indicate that additional incentives would likely be needed to encourage developers to pursue Tier 3 projects in the FAR 1.0 Zone, such as an FAR increase that exceeds 20 percent, a height limit increase, or a streamlined approvals process for Tier 3 projects.

Table 6 also demonstrates that all prototypes in the FAR 1.0 Zone are financially feasible, with residual land values that exceed the threshold used to test feasibility in this Study.

**Table 6: Summary of Financial Feasibility Findings, FAR 1.0 Zone Prototypes**

	<b>Tier 2 - 10% Affordable</b>	<b>Tier 3 - 15% Affordable</b>	<b>Tier 3 - 20% Affordable</b>
FAR 1.0 Small Site (a)	\$111	\$94	\$94

Note: (a) The Tier 2 project in this scenario would consist of seven units and would pay a partial in-lieu fee instead of providing affordable units. Both Tier 3 projects would consist of ten units. Due to rounding of the affordability requirements, the Tier 3 projects would provide two affordable units regardless of whether Tier 3 requires 15 percent affordability or 20 percent affordability.

Source: BAE, 2021.

**FAR 2.0 Zone**

The findings for the prototypes in the FAR 2.0 Zone indicate that a 20-percent increase in FAR for Tier 3 projects improves financial feasibility if Tier 3 projects have a 15-percent affordability requirement, but does not necessarily improve feasibility if Tier 3 projects have a 20-percent affordability requirement. As shown in Table 7 below, the Tier 2 prototype in the FAR 2.0 Zone results in a residual land value equal to \$182 per site square foot (exceeding the \$135 per site square foot threshold), while the Tier 3 prototype with a 15-percent affordability requirement results in a significantly higher residual land value of \$209 per site square foot. This demonstrates a relatively strong financial incentive for developers to pursue a Tier 3 project with a 15 percent affordability requirement rather than a Tier 2 project with a 10 percent affordability requirement.

The Tier 3 prototype with a 20-percent affordability requirement results in a residual land value of \$176 per site square foot, slightly lower than the residual land value for the Tier 2 project. This suggests that the 20-percent increase in FAR in Tier 3 may not be sufficient to incentivize developers to pursue Tier 3 development if Tier 3 has a 20-percent affordability requirement. These findings may differ from the findings for the FAR 3.0 zone in part because this analysis tested a 20-percent increase in FAR in all FAR zones, which results in a smaller numerical increase in the FAR 2.0 zone (i.e., 0.4 FAR increase, or 2.0 FAR x 20%) than in the FAR 3.0 zone (i.e., 0.6 FAR increase, or 3.0 FAR x 20%). If the City of Santa Barbara chooses to implement a 20-percent requirement for Tier 3 projects in the FAR 2.0 zone, these findings indicate that the City may need to adopt additional incentives for Tier 3 projects to incentivize developers to pursue development at this level. These incentives could include an FAR increase that exceeds 20 percent, height limit increases, or a streamlined approvals process for Tier 3 projects.

Table 7 also demonstrates that all of the prototypes in the FAR 2.0 Zone are financially feasible, with residual land values that exceed the threshold used to test feasibility in this study.

**Table 7: Summary of Financial Feasibility Findings, FAR 2.0 Zone Prototypes**

	<u>Tier 2 - 10% Affordable</u>	<u>Tier 3 - 15% Affordable</u>	<u>Tier 3 - 20% Affordable</u>
FAR 2.0 Large Site	\$182	\$209	\$176

Source: BAE, 2021.

**FAR 3.0 Zone**

The analysis of the prototypes in the FAR 3.0 Zone indicate that all Tier 3 projects were more financially feasible than Tier 2 projects, even with a 20 percent inclusionary requirement in Tier 3. Overall, the findings for the prototypes in the FAR 3.0 Zone demonstrate a strong financial incentive for developers to pursue a Tier 3 project with a 15 to 20 percent affordability requirement, rather than a Tier 2 project with a 10 percent affordability requirement. However, at the 20 percent affordability level many of the Tier 3 prototypes were marginally feasible, indicating that a 20-percent affordability requirement could lead to financial feasibility challenges for some projects.

**Large site:** As shown in Table 8 below, the analysis found that the Tier 2 prototype on a large site in the FAR 3.0 Zone resulted in a residual land value of \$158 per site square foot, indicating marginal feasibility based on a \$150 to \$200 per site square foot feasibility threshold. The analysis evaluated two variations of the Tier 3 prototype on the same site—one with podium parking and the other with no parking included in the project. The Tier 3 prototype with parking results in a residual land value of \$222 per site square foot with a 15-

percent affordability requirement, which would be a feasible project based on prevailing land costs and would be significantly more feasible than the Tier 2 project. With a higher 20-percent affordability requirement, the same Tier 3 prototype with parking results in a residual land value of \$186 per site square foot, indicating a marginally feasible project with a considerable improvement in feasibility compared to the Tier 2 prototype.

The version of the Tier 3 large site prototype that would not include parking resulted in similar findings, though with slightly different residual land values. At the 15 percent affordability level, the prototype without parking resulted in a higher residual land value (\$230 per site square foot) than the analogous prototype with parking (\$222 per site square foot), indicating that the option to omit parking from a Tier 3 project could be attractive to some developers. In the 20 percent affordability scenario, the residual land value for the Tier 3 prototype that does not include parking (\$182 per site square foot) is similar to the residual land value for the Tier 3 prototype that provides parking (\$186 per site square foot), suggesting that the option to omit parking may have a limited effect on feasibility if Tier 3 requires 20 percent affordability. This is likely due to the larger number of units in the no-parking scenario compared to the scenario with parking, resulting in a larger decrease in project revenues as a result of making a larger proportion of units affordable to meet a 20-percent requirement. However, a no-parking option may still be attractive in some cases with a 20-percent affordability requirement, depending on the specific attributes of individual projects. Overall, these findings suggest that a no-parking option for Tier 3 projects could help feasibility in some cases, though this is likely an option that developers would choose selectively, and would likely be limited to projects where at least some resident parking is available off site.

**Small Site:** Table 8 below shows that the Tier 2 prototype on a small site in the FAR 3.0 zone resulted in a residual land value of \$109 per site square foot, falling below the financial feasibility threshold used for this study. As with the large site, the analysis evaluated two variations on the Tier 3 prototype on the small site, one of which provides podium parking and the other with no parking included in the project. The Tier 3 prototype with parking results in a residual land value of \$174 per site square foot with a 15-percent affordability requirement, which would be marginally feasible and significantly more feasible than the Tier 2 project. With a higher 20-percent affordability requirement, the same Tier 3 prototype results in a residual land value of \$126 per site square foot, falling below the feasibility threshold but closer to the marginal feasibility threshold than the Tier 2 prototype.

The version of the Tier 3 small site prototype that would not include parking resulted in significantly improved feasibility compared to the version that would include parking. At the 15 percent affordability level, the prototype without parking resulted in a residual land value of \$261 per site square foot, exceeding the feasibility threshold and the residual land value associated with the analogous prototypes that would include parking. In the 20 percent affordability scenario, the Tier 3 prototype that would not include parking results in a residual land value of \$213 per site square foot, indicating a financially feasible project that is

significantly more feasible than the analogous Tier 2 prototype and the similar prototypes with parking. Similar to the findings for the large site prototypes, this suggests that the option to omit parking may provide an attractive option for some developers, though some developers will nonetheless continue to provide parking due to marketing considerations and other factors.

The findings for the small-site prototypes highlight the challenges associated with achieving financial feasibility on small sites. Table 8 shows that the prototypes on small sites are less likely to meet the feasibility thresholds than are the prototypes on large sites. To some extent, these challenges may be reflected in lower land costs for small sites, which could help feasibility to the extent that owners of small properties recognize that small site sizes limit feasibility. However, to the extent that the City can offer incentives to facilitate development on small sites, such as streamlined approvals for smaller projects and reduced or eliminated parking requirements, these incentives could help to increase the residual land values associated with the prototypes. An increase in the residual land values would indicate that a developer could potentially pay more for these sites than shown below, improving the chances that a property owner would be willing to sell for a price that a developer would be willing to pay and enhancing feasibility.

**Table 8: Summary of Financial Feasibility Findings, FAR 3.0 Zone Prototypes**

	<b>Tier 2 - 10% Affordable</b>	<b>Tier 3 - 15% Affordable</b>	<b>Tier 3 - 20% Affordable</b>
FAR 3.0 Large Site	\$158	\$222	\$186
FAR 3.0 Large Site (no parking)	n/a	\$230	\$182
FAR 3.0 Small Site	\$109	\$174	\$126
FAR 3.0 Small Site (no parking)	n/a	\$261	\$213

Source: BAE, 2021.

## Condominium Findings

The analysis of condominium projects indicates that the FAR standards will have mixed implications for the feasibility of condominium projects, both in terms of the residual land value associated with condominium development and relative to rental development. This analysis focuses on the financial feasibility of condominium development in the FAR 1.0 and 2.0 Zones because the sample of existing condominiums did not include any projects in the FAR 3.0 zone. As shown in Table 9, the condominium prototype on the large site in the FAR 2.0 zone results in a residual land value of \$87 per site square foot, below the feasibility threshold and less feasible than the rental prototypes that could be constructed on the same site. The condominium prototype on the small site in the FAR 1.0 zone results in a residual land value of \$127 per site square foot, indicating a financially feasible project and that a condominium project on this site would be more attractive to a developer than any of the rental prototypes that could be constructed on the same site. The comparatively strong financial feasibility associated with the condominium project on the FAR 1.0 site is due to the small size of the

condominium prototype (six units) which enables the project to pay an in-lieu fee instead of providing affordable units in the project and to provide parking in surface and tuck-under spaces rather than more costly podium parking.

These findings suggest that the FAR thresholds, as analyzed in this study, could incentivize the development of condominiums rather than rental units in some cases, particularly on small, low-FAR sites that only accommodate small projects that would pay an in-lieu fee rather than providing affordable units on site. If City policy favors incentivizing rental units over condominiums on these sites, the City could consider increasing the in-lieu fee for condominium projects to make the feasibility of condominiums that pay in-lieu fees more similar to the feasibility of rental projects on these small sites.

**Table 9: Summary of Financial Feasibility Findings, Condominium Prototypes**

	<b>Tier 1 - Condo</b>	<b>Tier 2 - Rental 10% Affordable</b>	<b>Tier 3 - Rental 15% Affordable</b>	<b>Tier 4 - Rental 20% Affordable</b>
FAR 2.0 Large Site	\$87	\$182	\$209	\$176
FAR 1.0 Small Site (a)	\$127	\$111	\$94	\$94

Notes:

(a) This prototype would not include any affordable units onsite unit due to the small project size (6 units).

Source: BAE, 2021.

**Table 10: Summary of Residential Financial Feasibility Analysis Findings, Santa Barbara, 2021**

**FAR 1.0 and 2.0 Zone Prototypes**

	FAR 1.0 Zone				FAR 2.0 Zone			
	Tier 1 - Condo	Tier 2 - Rental 10% Aff.	Tier 3 - Rental		Tier 1 - Condo	Tier 2 - Rental 10% Aff.	Tier 3 - Rental	
			15% Aff.	20% Aff.			15% Aff.	20% Aff.
Development Program	F1-T1	F1-T2	F1-T3	F1-T3	F2-T1	F2-T2	F2-T3	F2-T3
Floor Area Ratio	<b>0.79</b>	<b>0.72</b>	<b>1.18</b>	<b>1.18</b>	<b>1.58</b>	<b>1.91</b>	<b>2.35</b>	<b>2.35</b>
Site Size (acres)	0.23	0.23	0.23	0.23	0.60	0.60	0.60	0.60
Residential Area (gross, sf)	6,680	6,775	7,969	7,969	32,451	38,360	47,417	47,417
<b>Total Dwelling Units (#)</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>10</b>	<b>27</b>	<b>44</b>	<b>55</b>	<b>55</b>
Average Unit Size (net, sf)	1,113	912	786	786	1,038	782	766	766
Affordable Units (% total)	0%	0%	15%	20%	15%	10%	15%	20%
Residential Parking Ratio (per du)	1.00	1.14	1.00	1.00	1.19	0.95	0.71	0.71
Total Development Costs	\$3,934,073	\$3,744,750	\$4,600,311	\$4,600,311	\$17,632,892	\$21,295,838	\$26,294,819	\$26,294,819
TDC per Unit (exc. land)	\$655,679	\$534,964	\$460,031	\$460,031	\$653,070	\$483,996	\$478,088	\$478,088
<b>TDC (per gross sf, ex. Pkg)</b>	<b>\$589</b>	<b>\$553</b>	<b>\$577</b>	<b>\$577</b>	<b>\$543</b>	<b>\$555</b>	<b>\$555</b>	<b>\$555</b>
Capitalized Value (Rental)	N/A	\$4,856,096	\$5,543,616	\$5,543,616	N/A	\$26,039,594	\$31,741,476	\$30,873,620
Sale Rev. Net Mktg. (Condo)	\$5,748,427	N/A	N/A	N/A	\$19,892,255	N/A	N/A	N/A
Less Development Costs	<b>(\$3,934,073)</b>	<b>(\$3,744,750)</b>	<b>(\$4,600,311)</b>	<b>(\$4,600,311)</b>	<b>(\$17,632,892)</b>	<b>(\$21,295,838)</b>	<b>(\$26,294,819)</b>	<b>(\$26,294,819)</b>
Residual Land Value	\$1,266,885	\$1,111,346	\$943,305	\$943,305	\$2,259,364	\$4,743,756	\$5,446,657	\$4,578,801
RLV (per unit)	\$211,147	\$158,764	\$94,331	\$94,331	\$83,680	\$107,813	\$99,030	\$83,251
<b>RLV (per site sf)</b>	<b>\$127</b>	<b>\$111</b>	<b>\$94</b>	<b>\$94</b>	<b>\$87</b>	<b>\$182</b>	<b>\$209</b>	<b>\$176</b>
Feasibility Threshold (per site sf)	\$70	\$70	\$70	\$70	\$135	\$135	\$135	\$135
<b>Feasible?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Continued on following page.



**Table 10: Summary of Residential Financial Feasibility Analysis Findings, Santa Barbara, 2021 (Continued)**

**FAR 3.0 Zone Prototypes**

Development Program	Large Site					Small Site				
	Tier 2-Rental With Parking 10% Aff.	Tier 3 - Rental				Tier 2-Rental With Parking 10% Aff.	Tier 3 - Rental			
		With Parking		Without Parking			With Parking		Without Parking	
		15% Aff.	20% Aff.	15% Aff.	20% Aff.		15% Aff.	20% Aff.	15% Aff.	20% Aff.
F3-T2-L-P	F3-T3-L-P	F3-T3-L-P	F3-T3-L-NP	F3-T3-L-NP	F3-T2-S-P	F3-T3-S-P	F3-T3-S-P	F3-T3-S-NP	F3-T3-S-NP	
Floor Area Ratio	3.01	3.60	3.60	3.39	3.39	2.88	3.51	3.51	3.58	3.58
Site Size (acres)	0.60	0.60	0.60	0.60	0.60	0.23	0.23	0.23	0.23	0.23
Residential Area (gross, sf)	53,320	70,540	70,540	84,511	84,511	19,645	25,919	25,919	33,264	33,264
<b>Total Dwelling Units (#)</b>	<b>66</b>	<b>88</b>	<b>88</b>	<b>105</b>	<b>105</b>	<b>22</b>	<b>29</b>	<b>29</b>	<b>36</b>	<b>36</b>
Average Unit Size (net, sf)	670	671	671	664	664	715	726	726	717	717
Affordable Units (% total)	10%	15%	20%	15%	20%	10%	15%	20%	15%	20%
Residential Parking Ratio (per du)	0.82	0.61	0.61	0.00	0.00	0.64	0.48	0.48	0.00	0.00
Total Parking Spaces	57	57	57	0	0	17	17	17	0	0
Total Development Costs	\$30,821,363	\$39,622,996	\$39,622,996	\$45,075,374	\$45,075,374	\$11,580,835	\$14,781,220	\$14,781,220	\$18,293,934	\$18,293,934
TDC per Unit (exc. land)	\$466,990	\$450,261	\$450,261	\$429,289	\$429,289	\$526,402	\$509,697	\$509,697	\$429,289	\$429,289
<b>TDC (per gross sf, ex. Pkg sf)</b>	<b>\$578</b>	<b>\$562</b>	<b>\$562</b>	<b>\$533</b>	<b>\$533</b>	<b>\$590</b>	<b>\$570</b>	<b>\$570</b>	<b>\$550</b>	<b>\$550</b>
Capitalized Value (Rental)	\$34,931,711	\$45,385,084	\$44,452,179	\$51,063,134	\$49,811,446	\$12,669,652	\$16,516,431	\$16,036,486	\$20,902,360	\$20,419,521
Sale Rev. Net Mktg. (Condo)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Less Development Costs	<u>(\$30,821,363)</u>	<u>(\$39,622,996)</u>	<u>(\$39,622,996)</u>	<u>(\$45,075,374)</u>	<u>(\$45,075,374)</u>	<u>(\$11,580,835)</u>	<u>(\$14,781,220)</u>	<u>(\$14,781,220)</u>	<u>(\$18,293,934)</u>	<u>(\$18,293,934)</u>
Residual Land Value	\$4,110,348	\$5,762,088	\$4,829,183	\$5,987,760	\$4,736,072	\$1,088,817	\$1,735,211	\$1,255,266	\$2,608,427	\$2,125,587
RLV (per unit)	\$62,278	\$65,478	\$54,877	\$57,026	\$45,105	\$49,492	\$59,835	\$43,285	\$72,456	\$59,044
<b>RLV (per site sf)</b>	<b>\$158</b>	<b>\$222</b>	<b>\$186</b>	<b>\$230</b>	<b>\$182</b>	<b>\$109</b>	<b>\$174</b>	<b>\$126</b>	<b>\$261</b>	<b>\$213</b>
Feasibility Threshold (per site sf)	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
<b>Feasible? (a)</b>	<b>Marginal</b>	<b>Yes</b>	<b>Marginal</b>	<b>Yes</b>	<b>Marginal</b>	<b>No</b>	<b>Marginal</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>

Note: (a) Residual land value between \$150 and \$200 per site sf indicates marginal feasibility for projects in FAR Zone 3.0.  
Source: BAE, 2021.

# POLICY RECOMMENDATIONS

This chapter presents policy recommendations related to updated affordable inclusionary housing policies for the area encompassed by the Draft FAR Map. The recommendations presented below are based on the analysis and findings presented in the preceding chapters of this Study.

**Recommendation 1. Consider streamlining the development review process for residential projects.** Interviews with some local development practitioners indicated that the approvals process can be lengthy and uncertain, and that a streamlined approvals process would improve financial feasibility. Streamlining would be particularly beneficial for projects that may face greater obstacles to feasibility, including those on small sites. If the City chooses to require 20 percent affordability for Tier 3 projects, streamlining could also present an opportunity to improve the feasibility of Tier 3 projects relative to Tier 2 projects.

**Recommendation 2: Consider additional incentives to facilitate residential development on small sites.** Incentives for such sites—defined in this Study as less than one-quarter acre—could include a streamlined approvals process as described above, additional FAR allowances, and/or reduced affordability requirements.

**Recommendation 3: Consider additional FAR incentives if the City chooses to require 20 percent affordability for Tier 3 projects.** Such incentives could include FAR bonuses above the 20 percent analyzed in this Study, with the following caveats:

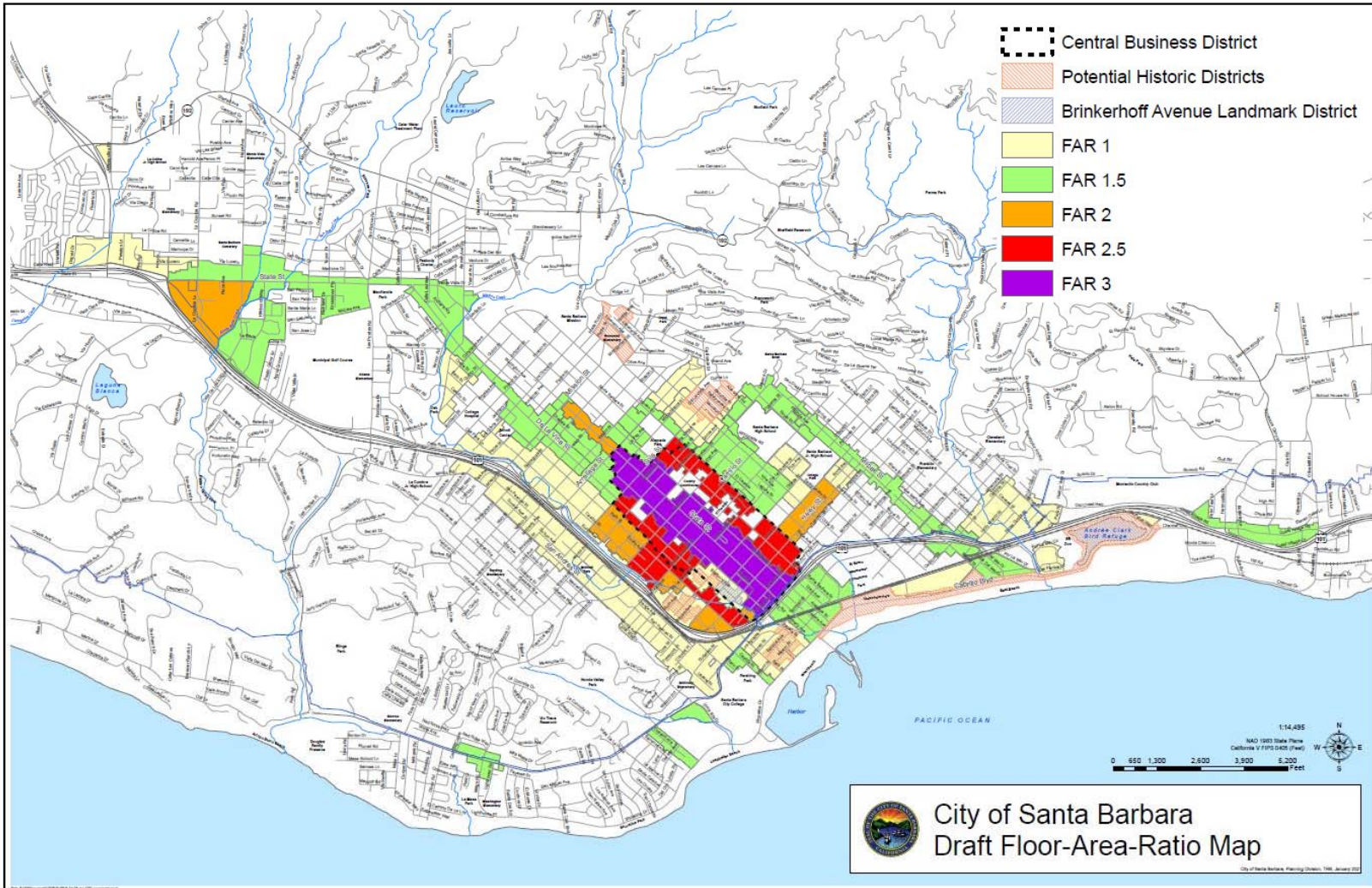
- In FAR Zones 2.0 and 3.0, as well as in the FAR 2.5 Zone outside of the General Commercial (C-G) and Manufacturing Commercial (M-C) districts, such FAR bonuses would likely need to be coupled with modifications to existing development guidelines, such as some combination of relaxed open space requirements, setback requirements, and height restrictions. Modifications to these development standards may be necessary to enable additional FAR on these sites because existing standards limit the maximum FAR that can reasonably be achieved to approximately 2.4 in the FAR 2.0 zone and 3.6 in the FAR 3.0 zone. Assuming height limits will not be changed as part of this process as they are bound by the City Charter, more immediate options could include reducing required setbacks above the second floor, or allowing for additional flexibility in meeting private open space requirements.
- In FAR Zones 1.0 and 1.5, as well as in FAR Zone 2.5 within the C-G and M-C districts, such FAR bonuses could be facilitated by reducing required setbacks above the second floor, as well as allowing for additional flexibility in meeting private open space requirements. However, adjustments to these development standards may not be necessary to achieve more than a 20-percent increase in FAR in these zones.

**Recommendation 4: Consider increases to inclusionary housing in-lieu fees to make the feasibility of small Tier 1 and Tier 2 projects that pay an in-lieu fee more similar to the feasibility of Tier 3 developments that provide affordable units on site.** In the FAR 1.0 Zone, Tier 2 projects that pay an in-lieu fee due to their small size tend to be more financially feasible than larger Tier 3 projects (e.g., 10 or more units) that would be required to provide affordable units on site. Similarly, Tier 1 (condominium) projects that would pay an in-lieu fee may also be more feasible than rental projects that provide affordable housing on site. Increases to existing in-lieu fees could help incentivize Tier 3 development with on-site affordable housing rather than Tier 1 or 2 projects that pay an in-lieu fee.

For the FAR 1.0 Zone prototypes tested in this study, the Tier 2 prototype would no longer be economically favorable compared to the Tier 3 prototype if the in-lieu fee for the Tier 2 project were increased to approximately \$49 per square foot, from the current rate of \$25 per square foot. The Tier 1 (condominium) prototype would no longer be economically favorable compared to the Tier 2 prototype if the fee charged were equal to 9.5 percent of the in-lieu fee, as opposed to five percent per the current ordinance. This adjustment assumes that the rental in-lieu fee for the Tier 2 project would remain at \$25 per square foot. If the in-lieu fee for the Tier 2 project is increased as discussed above, the in-lieu fee for the Tier 1 project would also need to increase to achieve approximately the same feasibility across the Tier 1 and 2 prototypes.

**Recommendation 5: Continue allowing for flexibility in meeting parking requirements for residential projects, particularly for Tier 3 development, and consider reductions in residential parking requirements outside of the CBD.** This includes continuing to allow for parking reductions and elimination of parking requirements for eligible projects in the CBD and considering reductions in parking requirements for residential developments outside of the CBD, particularly for Tier 3 development. While this incentive will not necessarily be attractive for all projects, in some cases elimination and/or reduction of parking requirements significantly enhances feasibility. In addition, the City could consider explicitly excluding any underground parking, as well as parking lifts, from project FAR. While underground parking is not feasible for all projects under current market conditions, the ability to provide underground parking could provide needed flexibility under the right market conditions.

# APPENDIX A: DRAFT FAR MAP



## APPENDIX B: PROTOTYPES

# Development Prototype F3-T3-L-P

## Typical Tier-3 Mixed-Use Development with Structured Parking within the FAR=3.0 District on a Larger Lot

### DESCRIPTION

4-Story Type V-A R-2 Residential Apartments over 1-Story Type I-A R-2 At-Grade Residential Apartments, B At-Grade Retail/Commercial, and S-2 At-Grade Structured Parking on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts and/or off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

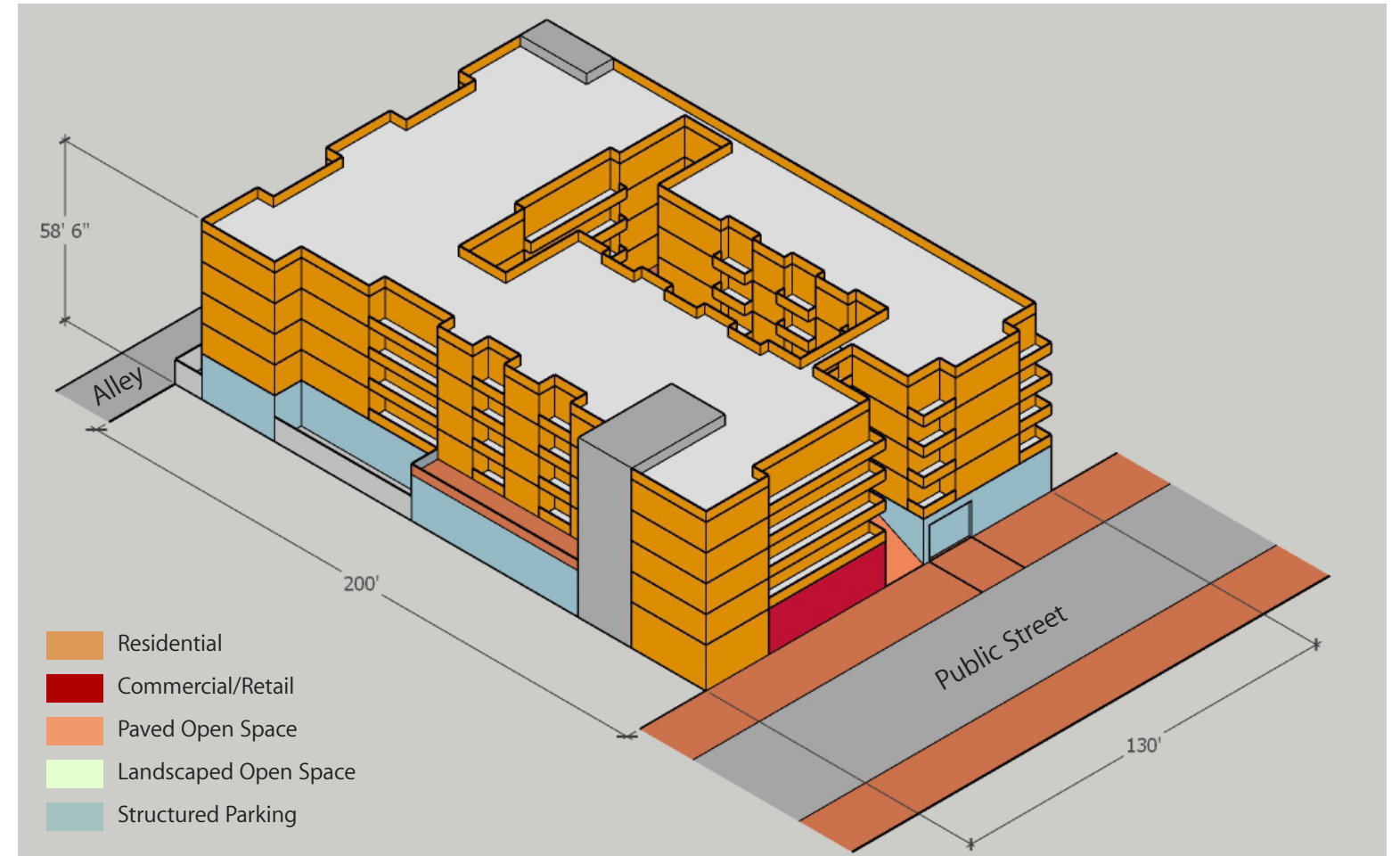
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	100%	
Max. Height	58.5	ft
Max. Height	5	stories
Number of Units	88	DUs
Residential Density	147.4	DUs/acre
Average Unit Size	671	net sf/DU
Average Unit Size	802	FAR sf/DU
<b>FAR</b>	<b>3.60</b>	-
Parking Provided	57	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	14%
1BD	51%
2BD	35%

### PARKING RATIOS

Residential	0.61	space(s)/DU
Commercial	2.00	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	14,830.5	17,470.5	3	11	8	22	-	-	-
4	14,830.5	17,470.5	3	11	8	22	-	-	-
3	14,830.5	17,470.5	3	11	8	22	-	-	-
2	14,580.5	17,470.5	3	12	7	22	-	-	-
1	-	658.0	-	-	-	-	1,100.0	22,024.0	57
<b>Subtotal</b>	<b>59,072.0</b>	<b>70,540.0</b>	<b>12</b>	<b>45</b>	<b>31</b>	<b>88</b>	<b>1,100.0</b>	<b>22,024.0</b>	<b>57</b>

# Development Prototype F3-T2-L-P

## Typical Tier-2 Mixed-Use Development with Structured Parking within the FAR=3.0 District on a Larger Lot

### DESCRIPTION

3-Story Type V-A R-2 Residential Apartments over 1-Story Type V-A R-2 At-Grade Residential Apartments, B At-Grade Retail/Commercial, and S-2 At-Grade Structured Parking on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts and/or off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

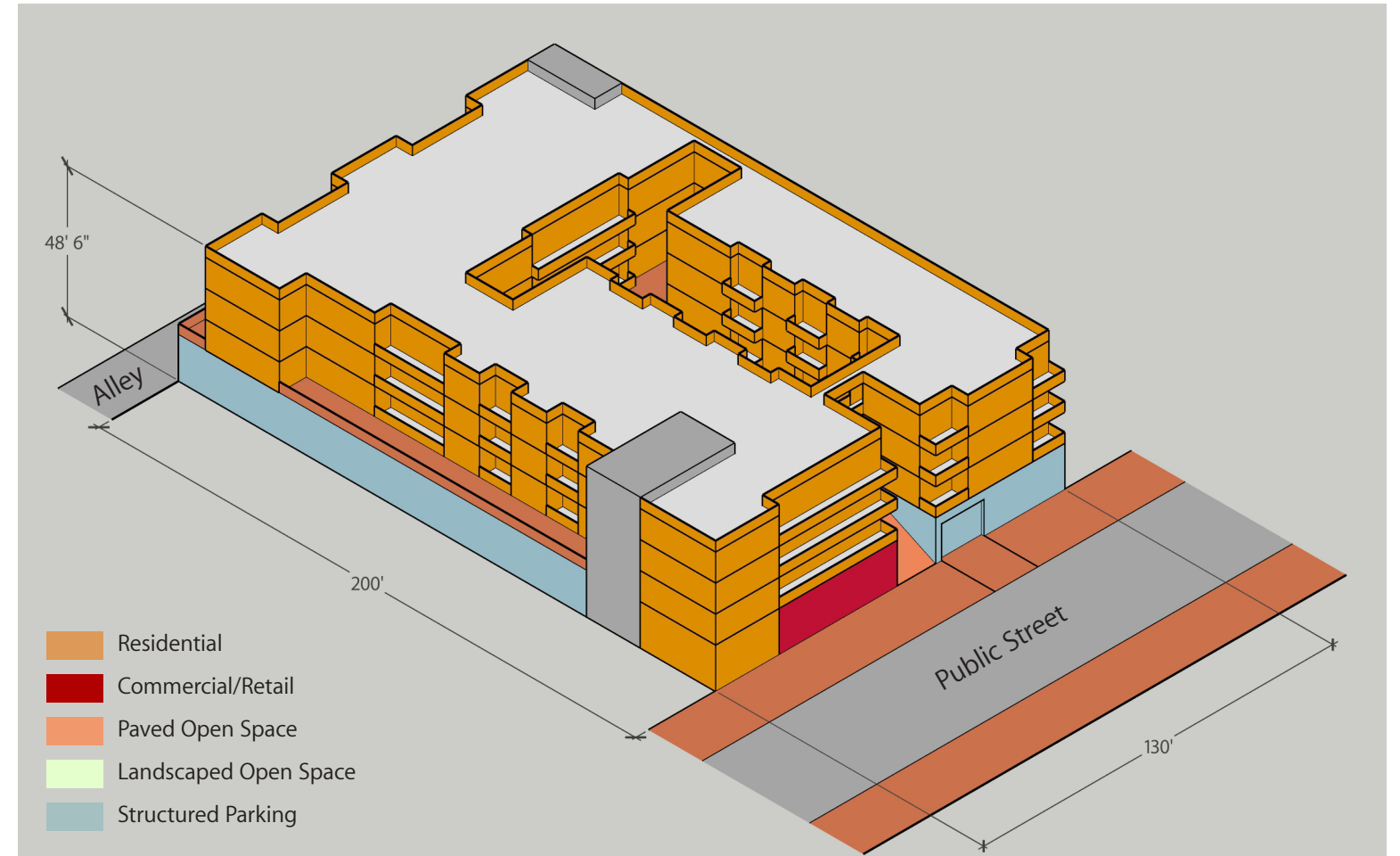
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	100%	
Max. Height	48.5	ft
Max. Height	4	stories
Number of Units	66	DUs
Residential Density	110.6	DUs/acre
Average Unit Size	670	net sf/DU
Average Unit Size	808	FAR sf/DU
<b>FAR</b>	<b>3.01</b>	-
Parking Provided	57	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	14%
1BD	52%
2BD	35%

### PARKING RATIOS

Residential	0.82	space(s)/DU
Commercial	2.00	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	14,830.5	17,470.5	3	11	8	22	-	-	-
3	14,830.5	17,470.5	3	11	8	22	-	-	-
2	14,580.5	17,720.5	3	12	7	22	-	-	-
1	-	658.0	-	-	-	-	1,100.0	23,840.0	57
<b>Subtotal</b>	<b>44,241.5</b>	<b>53,319.5</b>	<b>9</b>	<b>34</b>	<b>23</b>	<b>66</b>	<b>1,100.0</b>	<b>23,840.0</b>	<b>57</b>

# Development Prototype F3-T3-S-P

## Typical Tier-3 Mixed-Use Development with Structured Parking within the FAR=3.0 District on a Smaller Lot

### DESCRIPTION

4-Story Type V-A R-2 Residential Apartments over 1-Story Type I-A R-2 At-Grade Residential Apartments, B At-Grade Retail/Commercial, and S-2 At-Grade Structured Parking on a 100' (width) x 100' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts and/or off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

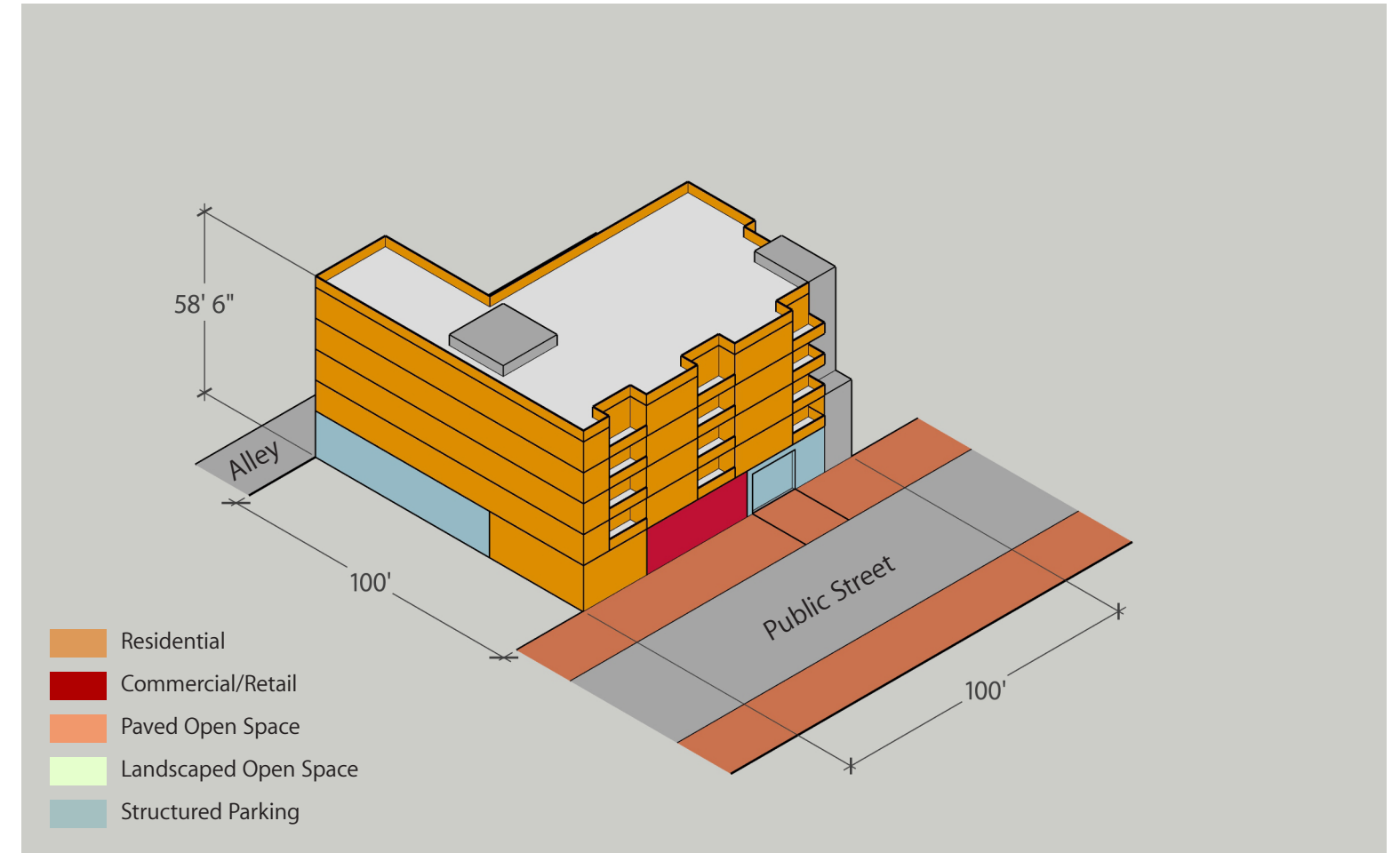
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	100%	
Max. Height	58.5	ft
Max. Height	5	stories
Number of Units	29	DUs
Residential Density	126.3	DUs/acre
Average Unit Size	726	net sf/DU
Average Unit Size	894	FAR sf/DU
<b>FAR</b>	<b>3.51</b>	-
Parking Provided	17	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	14%
1BD	45%
2BD	41%

### PARKING RATIOS

Residential	0.48	space(s)/DU
Commercial	2.00	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	5,328.0	6,274.0	1	2	4	7	-	-	-
4	5,328.0	6,274.0	1	2	4	7	-	-	-
3	5,328.0	6,274.0	1	5	2	8	-	-	-
2	5,078.0	6,274.0	1	4	2	7	-	-	-
1	-	822.5	-	-	-	-	1,257.5	7,920.0	17
<b>Subtotal</b>	<b>21,062.0</b>	<b>25,918.5</b>	<b>4</b>	<b>13</b>	<b>12</b>	<b>29</b>	<b>1,257.5</b>	<b>7,920.0</b>	<b>17</b>



# Development Prototype F3-T2-S-P

## Typical Tier-2 Mixed-Use Development with Structured Parking within the FAR=3.0 District on a Smaller Lot

### DESCRIPTION

3-Story Type V-A R-2 Residential Apartments over 1-Story Type V-A R-2 At-Grade Residential Apartments, B At-Grade Retail/Commercial, and S-2 At-Grade Structured Parking on a 100' (width) x 100' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts and/or off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

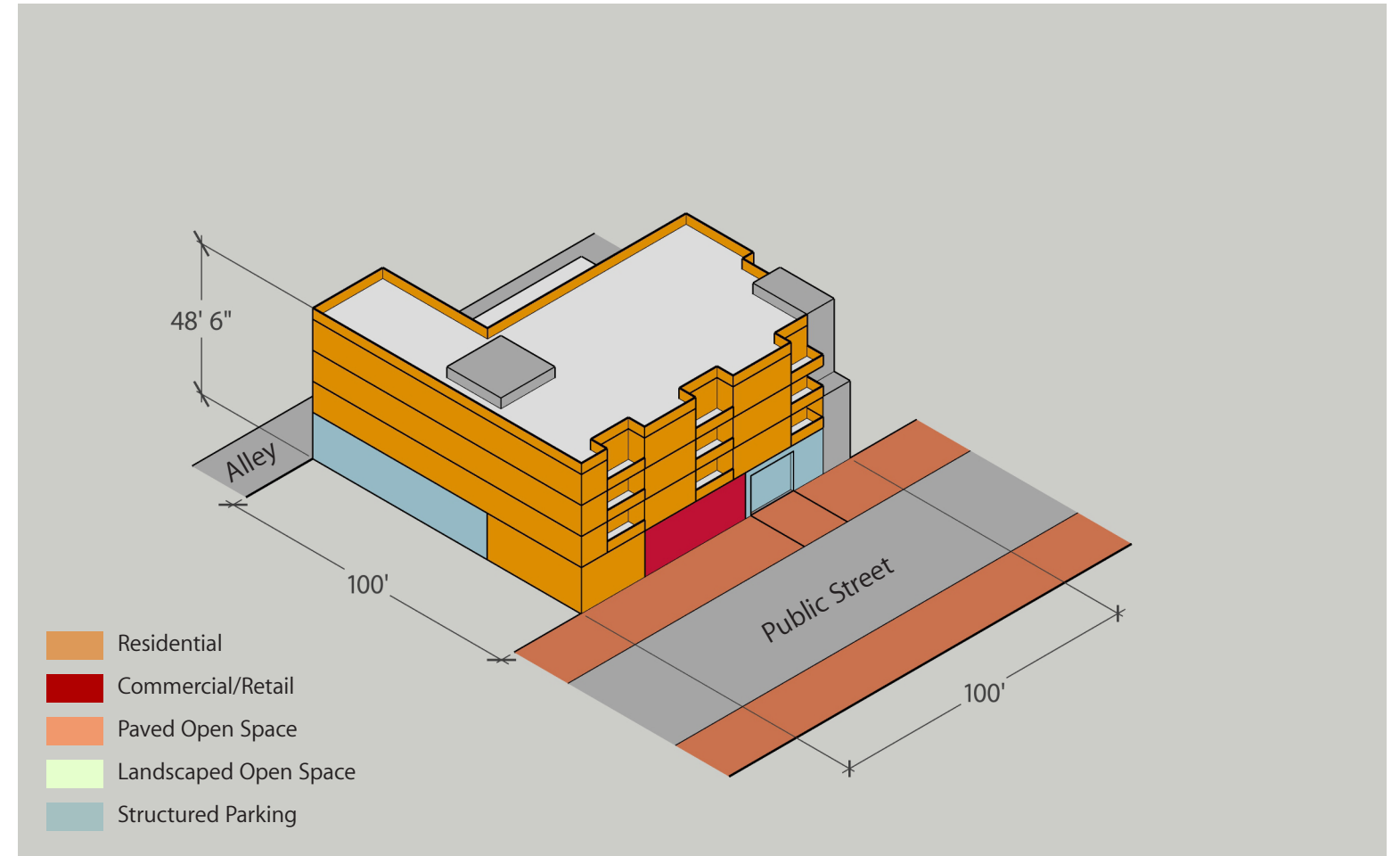
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	100%	
Max. Height	48.5	ft
Max. Height	4	stories
Number of Units	22	DUs
Residential Density	95.8	DUs/acre
Average Unit Size	715	net sf/DU
Average Unit Size	893	FAR sf/DU
<b>FAR</b>	<b>2.88</b>	-
Parking Provided	17	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	14%
1BD	50%
2BD	36%

### PARKING RATIOS

Residential	0.64	space(s)/DU
Commercial	2.00	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	5,328.0	6,274.0	1	2	4	7	-	-	-
3	5,328.0	6,274.0	1	5	2	8	-	-	-
2	5,078.0	6,274.0	1	4	2	7	-	-	-
1	-	822.5	-	-	-	-	1,257.5	7,920.0	17
<b>Subtotal</b>	<b>15,734.0</b>	<b>19,644.5</b>	<b>3</b>	<b>11</b>	<b>8</b>	<b>22</b>	<b>1,257.5</b>	<b>7,920.0</b>	<b>17</b>

# Development Prototype F3-T3-L-NP

## Typical Tier-3 Mixed-Use Development without Parking within the FAR=3.0 District on a Larger Lot

### DESCRIPTION

4-Story Type V-A R-2 Residential Apartments over 1-Story Type I-A R-2 At-Grade Residential Apartments and B At-Grade Retail/Commercial on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume no parking stalls are provided.
- Assume parking demand can be fulfilled by off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

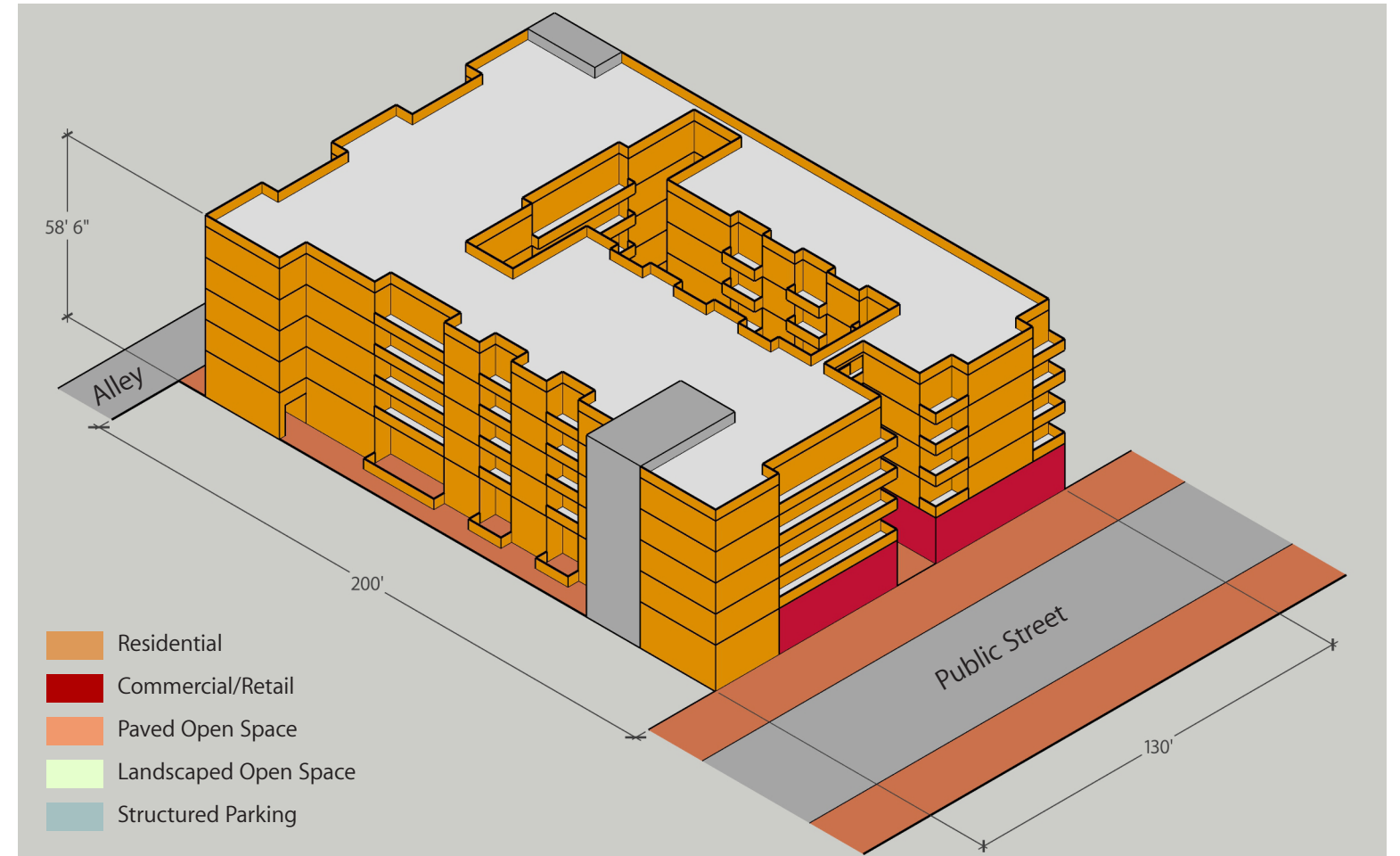
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	70%	
Max. Height	58.5	ft
Max. Height	5	stories
Number of Units	105	DUs
Residential Density	175.9	DUs/acre
Average Unit Size	664	net sf/DU
Average Unit Size	805	FAR sf/DU
<b>FAR</b>	<b>3.39</b>	-
Parking Provided	-	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	12%
1BD	52%
2BD	35%

### PARKING RATIOS

Residential	-	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	14,830.5	17,470.5	3	11	8	22	-	-	-
4	14,830.5	17,470.5	3	11	8	22	-	-	-
3	14,830.5	17,470.5	3	11	8	22	-	-	-
2	14,580.5	17,470.5	3	12	7	22	-	-	-
1	10,683.0	14,628.5	1	10	6	17	3,642.0	-	-
<b>Subtotal</b>	<b>69,755.0</b>	<b>84,510.5</b>	<b>13</b>	<b>55</b>	<b>37</b>	<b>105</b>	<b>3,642.0</b>	-	-

# Development Prototype F3-T3-S-NP

## Typical Tier-3 Mixed-Use Development without Parking within the FAR=3.0 District on a Smaller Lot

### DESCRIPTION

4-Story Type V-A R-2 Residential Apartments over 1-Story Type I-A R-2 At-Grade Residential Apartments and B At-Grade Retail/Commercial on a 100' (width) x 100' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the C-G zone within the Central Business District.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other C-G zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (60' max. allowable height; no setbacks).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume no parking stalls are provided.
- Assume parking demand can be fulfilled by off-site parking spaces in adjoining public parking facilities.

### DEVELOPMENT PARAMETERS

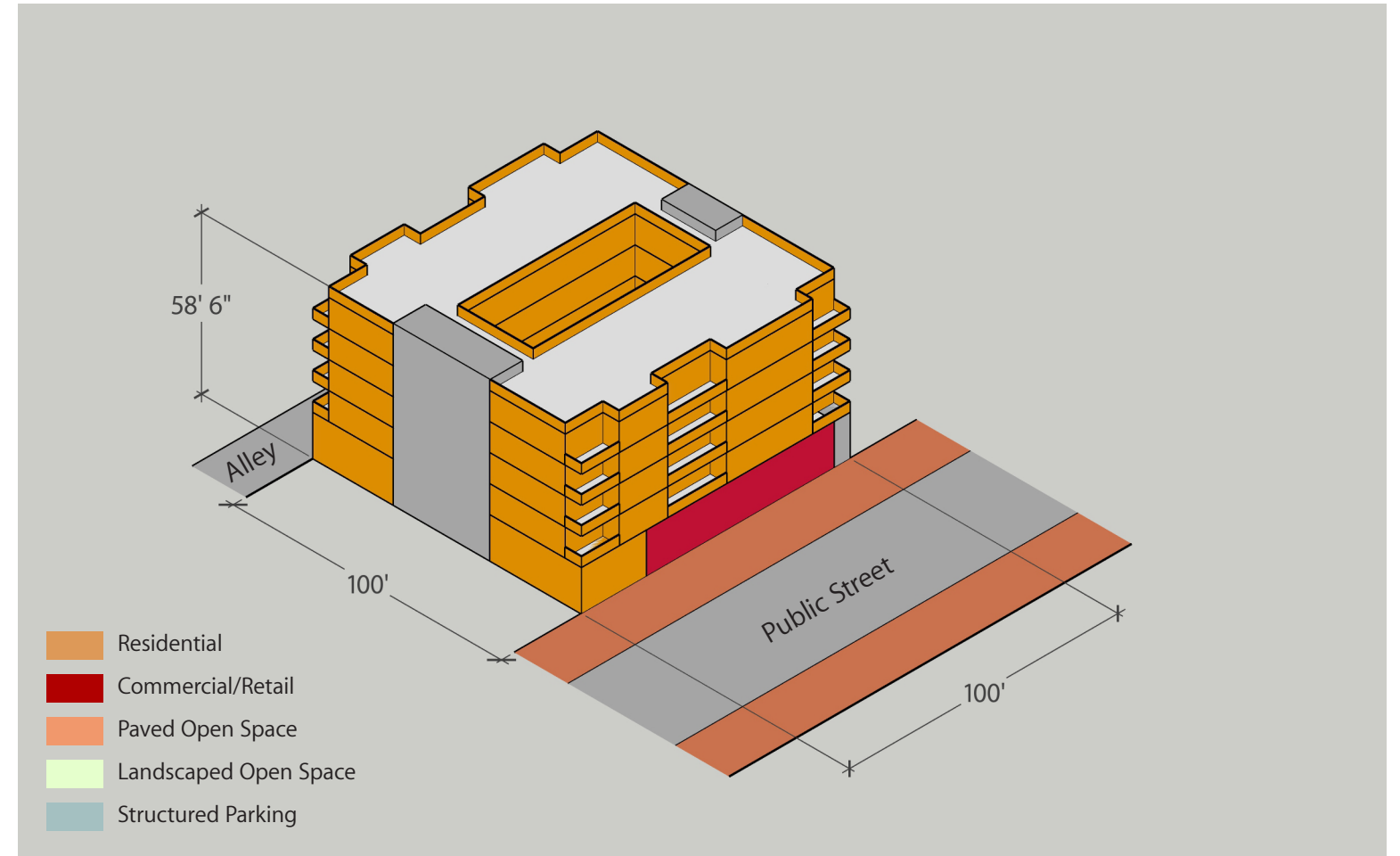
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	82%	
Max. Height	58.5	ft
Max. Height	5	stories
Number of Units	36	DUs
Residential Density	156.8	DUs/acre
Average Unit Size	717	net sf/DU
Average Unit Size	924	FAR sf/DU
<b>FAR</b>	<b>3.58</b>	-
Parking Provided	-	space(s)
Parking Required	-	space(s)

### UNIT MIX

Studio	11%
1BD	53%
2BD	36%

### PARKING RATIOS

Residential	-	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	5,328.0	6,908.0	1	4	3	8	-	-	-
4	5,636.0	6,908.0	1	4	3	8	-	-	-
3	5,636.0	6,908.0	1	4	3	8	-	-	-
2	5,636.0	6,908.0	1	4	3	8	-	-	-
1	3,592.0	5,632.0	-	3	1	4	2,520.0	-	-
<b>Subtotal</b>	<b>25,828.0</b>	<b>33,264.0</b>	<b>4</b>	<b>19</b>	<b>13</b>	<b>36</b>	<b>2,520.0</b>	-	-

# Development Prototype F2-T1

## Typical Tier-1 Condominium Development with Structured Parking within the FAR=2.0 District on a Larger Lot

### DESCRIPTION

3-Story Type V-A R-2 Condominiums over 1-Story Type V-A R-2 At-Grade Residential Apartments, S-2 At-Grade Structured Parking, and Surface Parking on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the R-MH zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-MH zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the residential dwelling units are parked at one space per one-bedroom/two-bedroom unit and two spaces per three-bedroom unit.

### DEVELOPMENT PARAMETERS

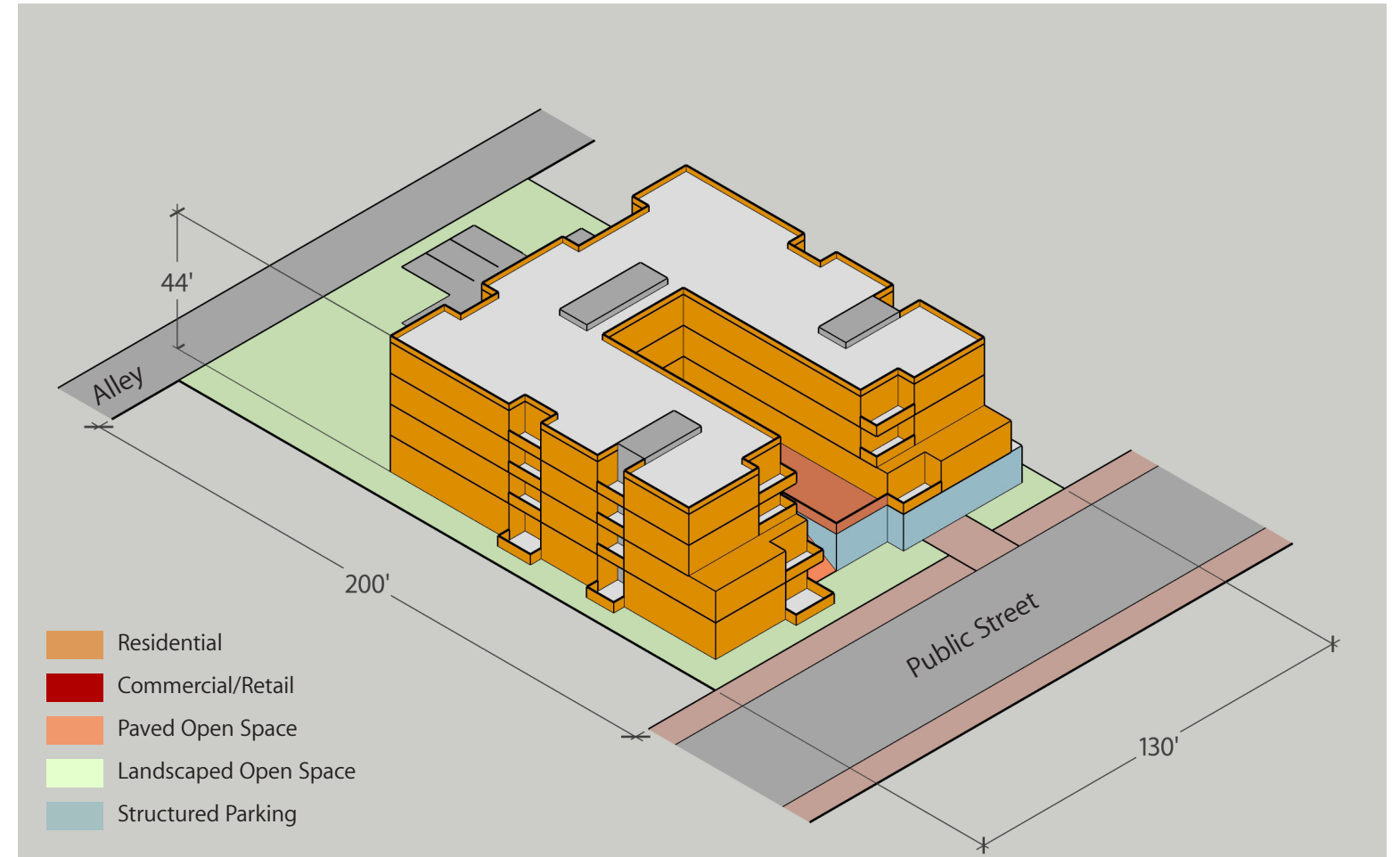
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	50%	
Max. Height	44	ft
Max. Height	4	stories
Number of Units	27	DUs
Residential Density	45.2	DUs/acre
Average Unit Size	1,038	net sf/DU
Average Unit Size	1,202	FAR sf/DU
<b>FAR</b>	<b>1.58</b>	-
Parking Provided	34	space(s)
Parking Required	31	space(s)

### UNIT MIX

1BD	48%
2BD	37%
3BD	15%

### PARKING RATIOS

Residential	1.19	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	1BD	2BD	3BD	Total	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	7,622.0	8,898.0	5	2	1	8	-	-	-
3	7,622.0	8,898.0	5	2	1	8	-	-	-
2	8,254.0	10,130.0	3	4	1	8	-	-	-
1	4,525.0	4,525.0	-	2	1	3	-	8,554.0	22
Surface	-	-	-	-	-	-	-	-	10
<b>Subtotal</b>	<b>28,023.0</b>	<b>32,451.0</b>	<b>13</b>	<b>10</b>	<b>4</b>	<b>27</b>	<b>-</b>	<b>8,554.0</b>	<b>32</b>

# Development Prototype F2-T2

## Typical Tier-2 Residential Development with Structured Parking within the FAR=2.0 District on a Larger Lot

### DESCRIPTION

3-Story Type V-A R-2 Residential Apartments over 1-Story Type V-A R-2 At-Grade Residential Apartments, S-2 At-Grade Structured Parking, and Surface Parking on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the R-MH zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-MH zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts.

### DEVELOPMENT PARAMETERS

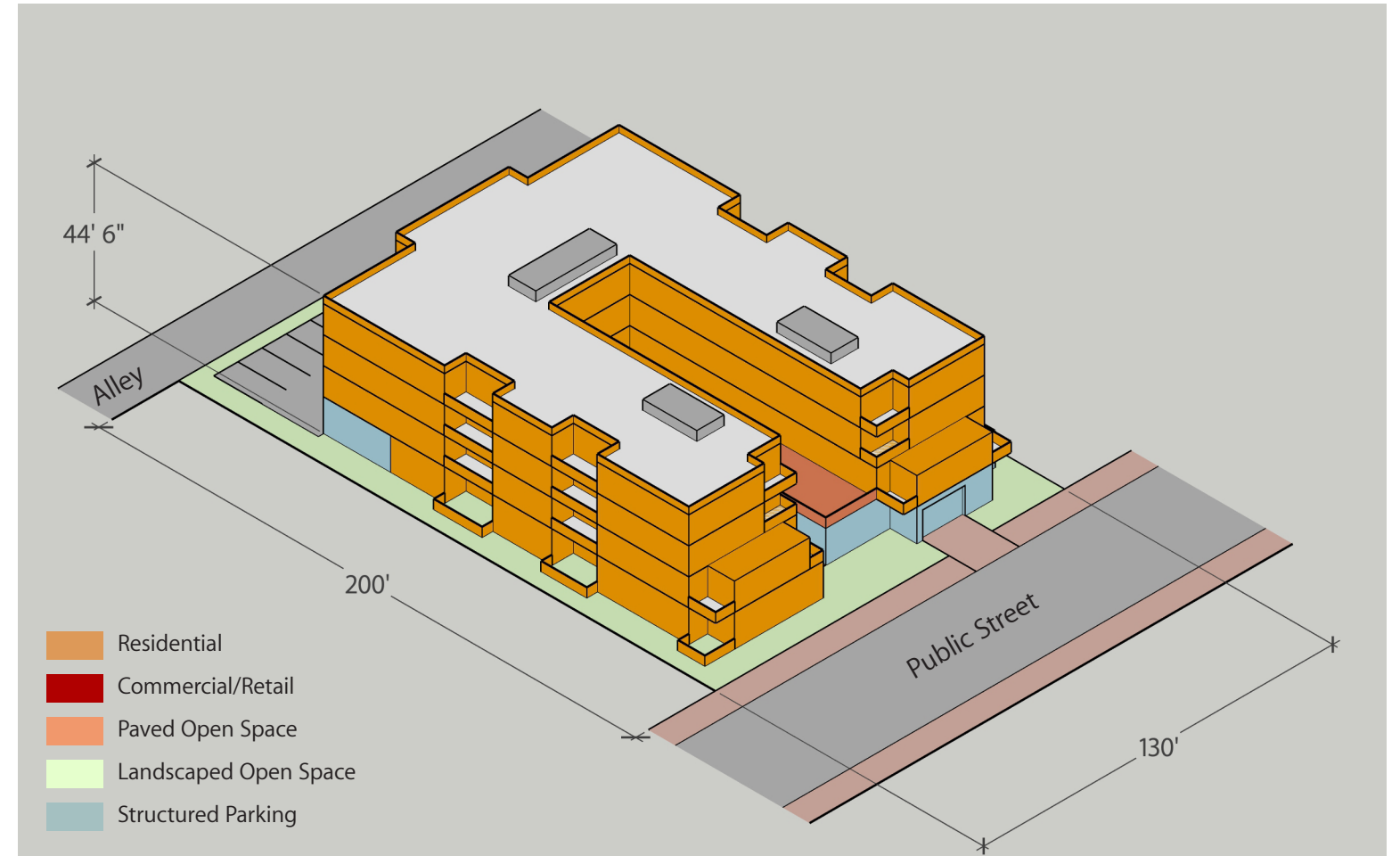
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	61%	
Max. Height	44	ft
Max. Height	4	stories
Number of Units	44	DUs
Residential Density	73.7	DUs/acre
Average Unit Size	782	net sf/DU
Average Unit Size	872	FAR sf/DU
<b>FAR</b>	<b>1.91</b>	-
Parking Provided	42	space(s)
Parking Required	44	space(s)

### UNIT MIX

Studio	11%
1BD	48%
2BD	41%

### PARKING RATIOS

Residential	0.95	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	10,040.0	11,290.0	-	6	6	12	-	-	-
3	10,040.0	11,290.0	-	6	6	12	-	-	-
2	10,600.0	11,290.0	5	7	4	16	-	-	-
1	3,710.0	4,490.0	-	2	2	4	-	11,344.0	32
Surface	-	-	-	-	-	-	-	-	10
<b>Subtotal</b>	<b>34,390.0</b>	<b>38,360.0</b>	<b>5</b>	<b>21</b>	<b>18</b>	<b>44</b>	<b>-</b>	<b>11,344.0</b>	<b>42</b>

# Development Prototype F2-T3

## Typical Tier-3 Residential Development with Structured Parking within the FAR=2.0 District on a Larger Lot

### DESCRIPTION

3-Story Type V-A R-2 Residential Apartments over 1-Story Type V-A R-2 At-Grade Residential Apartments and S-2 At-Grade Structured Parking on a 130' (width) x 200' (depth) interior lot with alley access.

### ASSUMPTIONS

- Assume the project site is located within the R-MH zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-MH zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the rear of the project site adjoins a fire apparatus access road/alley.
- Assume the residential dwelling units can be parked at a ratio less than one space per dwelling unit.
- Assume additional parking demand can be fulfilled by on-site parking lifts.

### DEVELOPMENT PARAMETERS

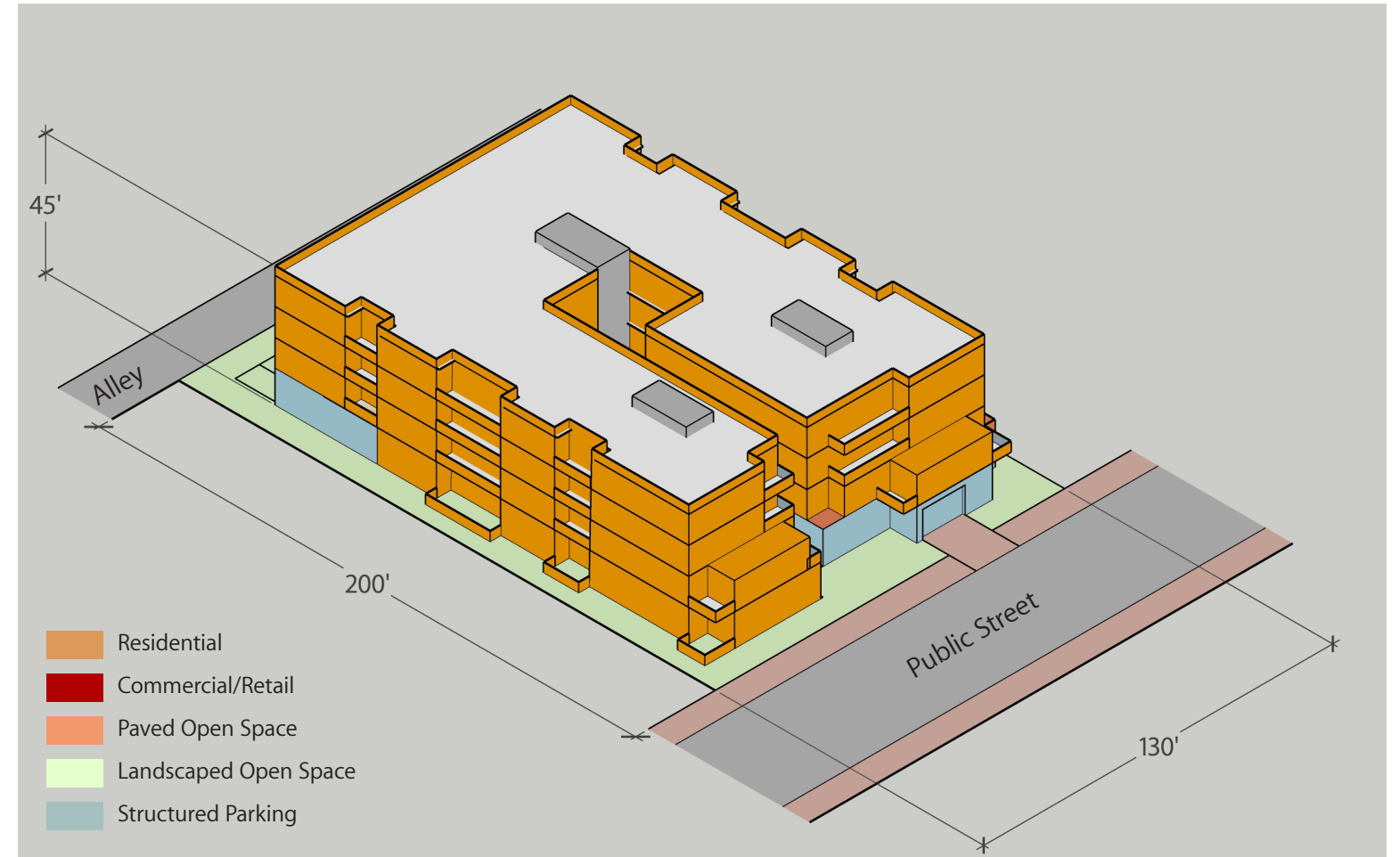
Lot Size	26,000	sf
Lot Width	130	ft
Lot Depth	200	ft
Lot Coverage	69%	
Max. Height	45	ft
Max. Height	4	stories
Number of Units	55	DUs
Residential Density	92.1	DUs/acre
Average Unit Size	766	net sf/DU
Average Unit Size	857	FAR sf/DU
<b>FAR</b>	<b>2.34</b>	-
Parking Provided	39	space(s)
Parking Required	55	space(s)

### UNIT MIX

Studio	9%
1BD	53%
2BD	38%

### PARKING RATIOS

Residential	0.71	space(s)/DU
Commercial	4.00	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	Studio #	1BD #	2BD #	Total #	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	12,651.0	14,061.0	1	10	6	17	-	-	-
3	12,651.0	14,061.0	1	10	6	17	-	-	-
2	13,313.0	14,723.0	3	7	7	17	-	-	-
1	3,502.0	4,302.0	-	2	2	4	-	13,637.0	39
<b>Subtotal</b>	<b>42,117.0</b>	<b>47,147.0</b>	<b>5</b>	<b>29</b>	<b>21</b>	<b>55</b>	<b>-</b>	<b>13,637.0</b>	<b>39</b>

# Development Prototype F1-T1

## Typical Tier-1 Townhouse Development with Tuck-Under Parking within the FAR=1.0 District on a Smaller Lot

### DESCRIPTION

2-Story Type V-A R-3 Townhouses with Tuck-Under Parking on a 100' (width) x 100' (depth) interior lot.

### ASSUMPTIONS

- Assume the project site is located within the R-M zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-M zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the residential dwelling units are parked at one space per one-bedroom/two-bedroom unit and two spaces per three-bedroom unit.

### DEVELOPMENT PARAMETERS

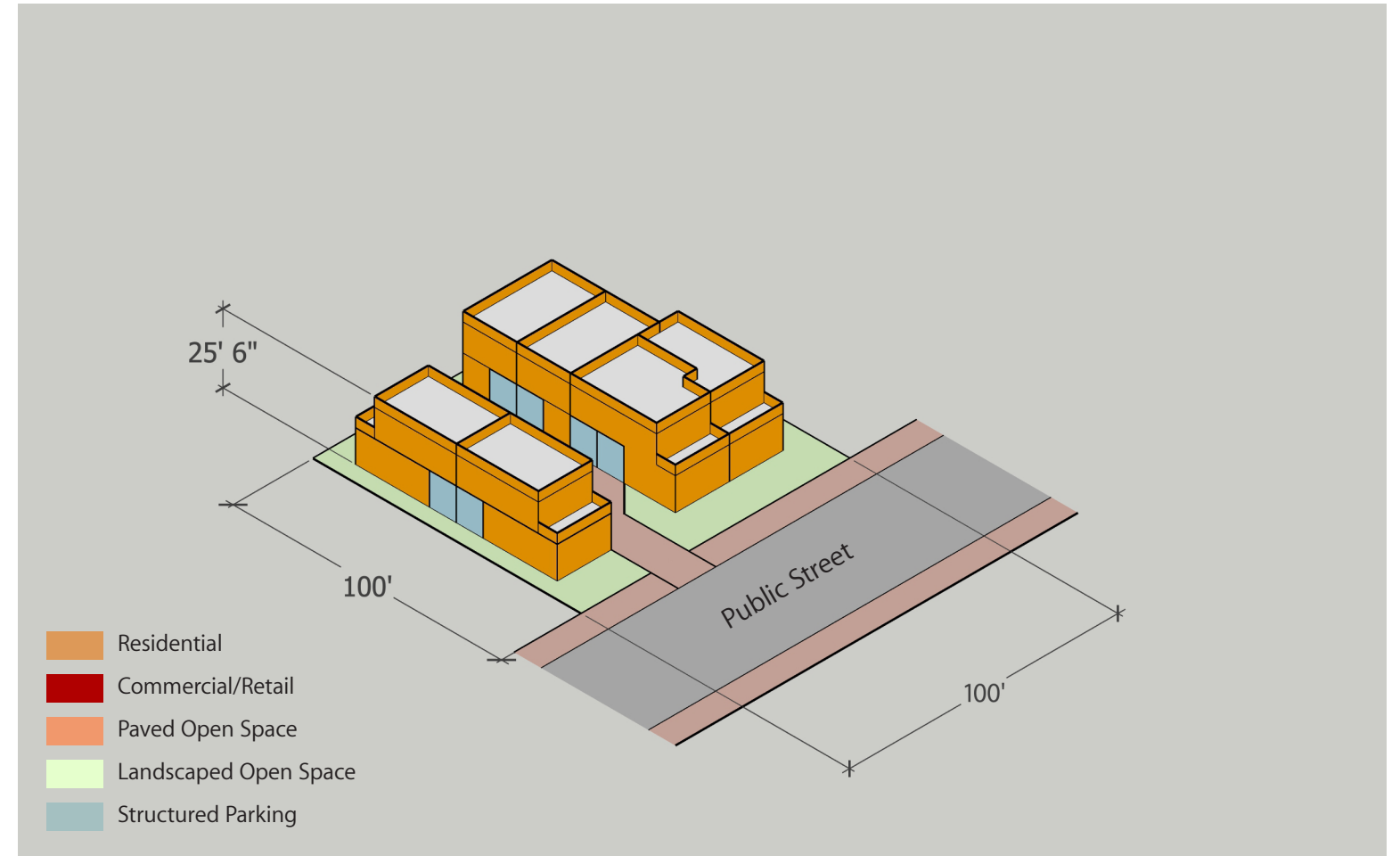
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	47%	
Max. Height	25.5	ft
Max. Height	2	stories
Number of Units	6	DUs
Residential Density	26.1	DUs/acre
Average Unit Size	1,113	net sf/DU
Average Unit Size	1,113	FAR sf/DU
<b>FAR</b>	<b>0.79</b>	-
Parking Provided	6	space(s)
Parking Required	6	space(s)

### UNIT MIX

1BD	-
2BD	100%
3BD	-

### PARKING RATIOS

Residential	1.00	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	1BD	2BD	3BD	Total	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
2	3,220.0	3,220.0	-	6	-	6	-	-	-
1	3,460.0	3,460.0	-	6	-	6	-	1,200.0	6
<b>Subtotal</b>	<b>6,680.0</b>	<b>6,680.0</b>	-	<b>6</b>	-	<b>6</b>	-	<b>1,200.0</b>	<b>6</b>

# Development Prototype F1-T2

## Typical Tier-2 Residential Development with Surface Parking within the FAR=1.0 District on a Smaller Lot

### DESCRIPTION

2- and 3-Story Type V-A R-2 and R-3 Residential Apartments and Townhouse with Surface Parking on a 100' (width) x 100' (depth) interior lot.

### ASSUMPTIONS

- Assume the project site is located within the R-M zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-M zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the residential dwelling units are parked at one space per one-bedroom/two-bedroom unit and two spaces per three-bedroom unit.

### DEVELOPMENT PARAMETERS

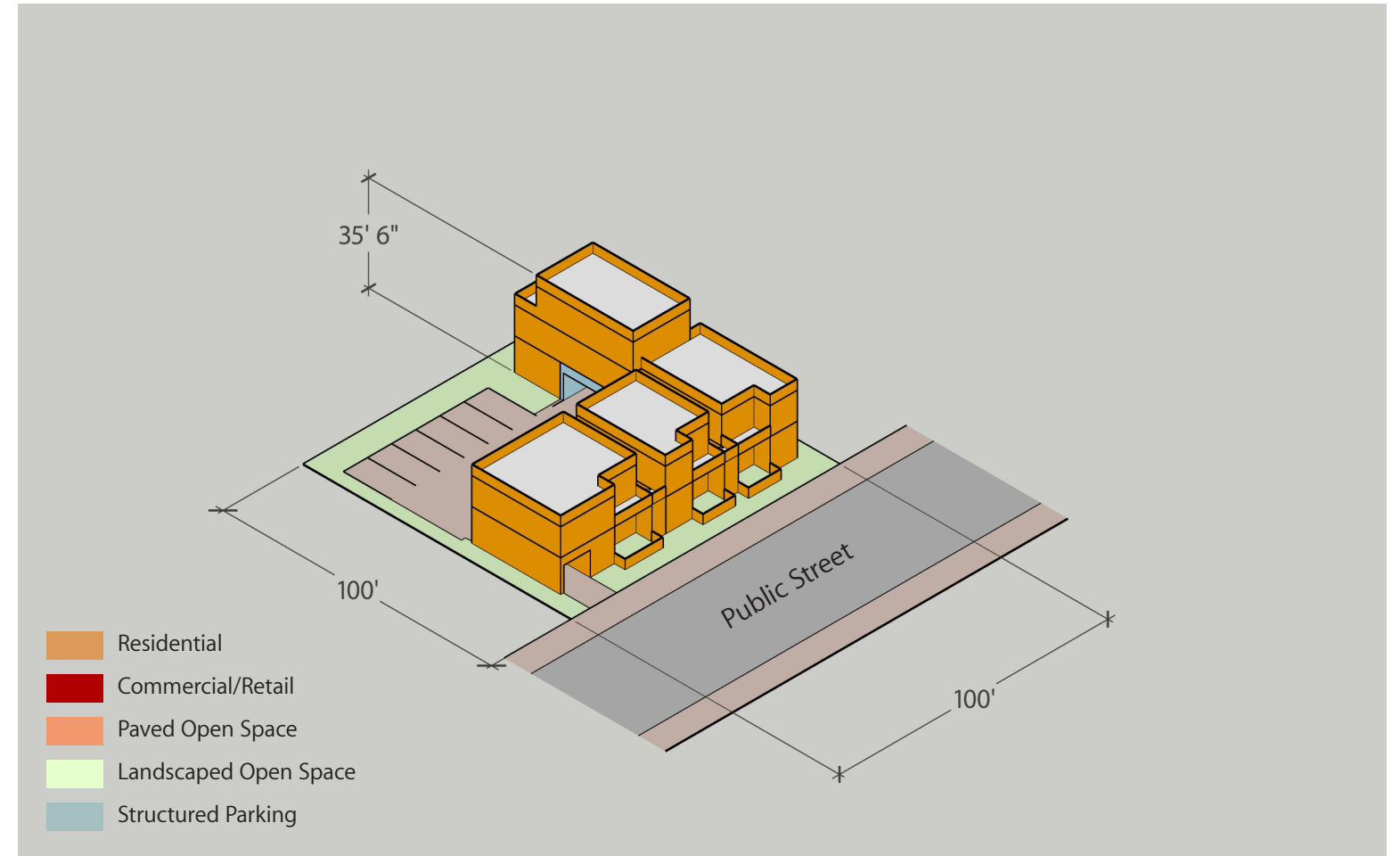
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	33%	
Max. Height	35.5	ft
Max. Height	3	stories
Number of Units	7	DUs
Residential Density	30.5	DUs/acre
Average Unit Size	912	net sf/DU
Average Unit Size	968	FAR sf/DU
<b>FAR</b>	<b>0.72</b>	-
Parking Provided	8	space(s)
Parking Required	8	space(s)

### UNIT MIX

1BD	71%
2BD	14%
3BD	14%

### PARKING RATIOS

Residential	1.14	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	1BD	2BD	3BD	Total	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
3	636.0	636.0	-	-	-	-	-	-	-
2	3,216.0	3,216.0	2	1	1	7	-	-	-
1	2,535.0	2,923.0	3	-	-	-	-	405.0	2
Surface	-	-	-	-	-	-	-	-	6
<b>Subtotal</b>	<b>6,387.0</b>	<b>6,775.0</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>8</b>



# Development Prototype F1-T3

## Typical Tier-3 Residential Development with Structured Parking within the FAR=1.0 District on a Smaller Lot

### DESCRIPTION

2-Story Type V-A R-2 Residential Apartments over 1-Story Type V-A R-2 At-Grade Residential Apartments and S-2 At-Grade Structured Parking on a 100' (width) x 100' (depth) interior lot.

### ASSUMPTIONS

- Assume the project site is located within the R-M zone.
- Except for the FAR, residential density, and parking regulations as proposed in this Feasibility Study, assume the development project complies with all other R-M zone development standards per the Santa Barbara Municipal Code Title 30, as well as the AUD Program Ordinance (45' max. allowable height; 10' min. required front setback and 6' min. required interior setback @ 1st & 2nd floors; 20' min. required front setback and 10' min. required interior setback above 2nd floor).
- Assume the residential dwelling units are parked at one space per one-bedroom/two-bedroom unit and two spaces per three-bedroom unit.

### DEVELOPMENT PARAMETERS

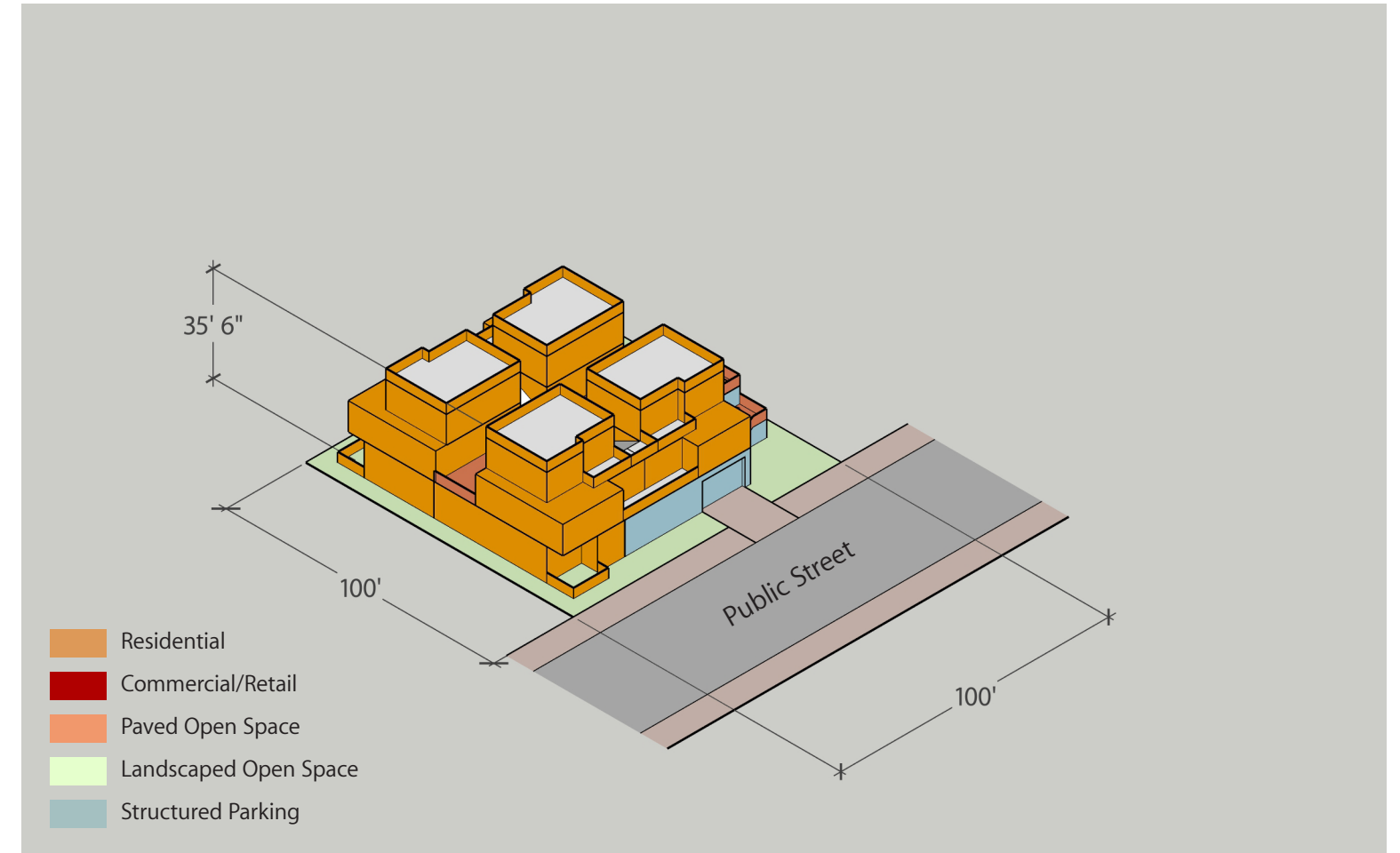
Lot Size	10,000	sf
Lot Width	100	ft
Lot Depth	100	ft
Lot Coverage	66%	
Max. Height	35.5	ft
Max. Height	3	stories
Number of Units	10	DUs
Residential Density	43.6	DUs/acre
Average Unit Size	786	net sf/DU
Average Unit Size	786	FAR sf/DU
<b>FAR</b>	<b>1.17</b>	-
Parking Provided	10	space(s)
Parking Required	10	space(s)

### UNIT MIX

1BD	40%
2BD	60%
3BD	0%

### PARKING RATIOS

Residential	1.00	space(s)/DU
Commercial	-	space(s)/1,000 sf



### DEVELOPMENT PROGRAMS

Level	Residential Program						Retail Program	Parking Program	
	Area		Units				Area	Area	Spaces
	net sf	FAR sf	1BD	2BD	3BD	Total	FAR sf	sf	#
5	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
3	2,492.0	2,492.0	4	-	-	4	-	-	-
2	3,385.0	3,385.0	-	4	-	4	-	-	-
1	2,092.0	2,092.0	-	2	-	2	-	3,794.0	10
<b>Subtotal</b>	<b>7,969.0</b>	<b>7,969.0</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>3,794.0</b>	<b>10</b>

## APPENDIX C: KEY PRO-FORMA ASSUMPTIONS

This appendix includes a description of the key assumptions used in the financial pro-formas used in this study as well as the detailed pro-formas.

### Key Assumptions

The information on key assumptions provided below provides detail on the methodology used for this study to derive total development costs and project values. Developers vary somewhat in the categorization of various project costs, and therefore may show different cost figures for individual cost items even for projects with similar overall development costs. Any variation in the specific cost items described below would not affect the findings of this analysis provided that the total development costs shown each of the following pro-formas are consistent with total development costs for similar projects.

**Hard Costs:** Hard costs are the costs associated with the physical construction of a building, including all construction materials and labor. For all multifamily rental prototypes except for the high-rise prototype, this analysis uses a hard cost assumption of \$388 per square foot of built space. This analysis uses a hard cost premium of 10 percent per built square foot of residential space in the condominium prototype. All pro-formas included use a parking hard cost assumption of \$40,000 per podium space. Hard costs for mechanical parking lifts are estimated to average \$15,000 per lift.

All hard cost assumptions used in this analysis are consistent with Q3 2021 hard cost estimates provided by developers that BAE interviewed for this project as well as with BAE's experience with recent projects in Southern California. However, it should be noted that hard costs are subject to variation, even among projects that are relatively similar, and the sources that BAE used to estimate hard costs for this study reflected this variation.

**Soft Costs:** This analysis assumes that soft costs are equal to 19 percent of hard costs. This soft cost estimate includes engineering, architecture, financing, and CEQA costs, as well as City cost-recovery fees for planning, permitting, and entitlements, but does not include impact fees. Impact fees are included as a separate line item, discussed below.

**Impact Fees:** BAE calculated impact fees for each prototype based on the City's impact fee schedule and the Santa Barbara Elementary and Secondary District impact fee schedule, applied to the characteristics of each prototype.

**Market-Rate Residential Rents:** This analysis assumes that rental rates for market-rate units will be comparable to the current rental rates for recently-constructed multifamily rental developments in the Project Area. The analysis assumes that market-rate rents for these

prototypes will average per \$2,800 month for studio units, \$3,000 per month for one-bedroom units, and \$3,400 per month for two-bedroom units.

**Affordable Residential Rents:** The affordable rental rates used in this analysis are based on the maximum allowable rent levels published in the 2021 Affordable Housing Policies and Procedures Manual.

**Market-Rate Residential Sale Prices:** Market-rate sale prices for the condominium prototype were based on recent sales of relatively new condominiums in the Santa Barbara Plan area, adjusted based on the number of bedrooms and square footage of the units in the condominium prototype. The analysis uses an average sale price of \$650,000 for a one-bedroom condominium unit, \$825,000 for a two-bedroom condominium unit, and \$1 million for a three-bedroom condominium unit.

**Affordable Residential Sale Prices:** The affordable condominium sale prices used in this analysis are based on the 2021 Affordable Housing Policies and Procedures Manual.

**Developer Return:** This metric divides total developer profit by total development cost, to judge overall project feasibility. It can be considered as a simple profit margin, irrespective of how a project is financed between debt and equity. In other words, ROC is useful because it allows comparison across all real estate project types (whether income-producing or for-sale units), irrespective of individual choices to leverage equity through use of debt. It is also useful because, as a simple project margin calculation, it can be easily compared to other non-leveraged non-real estate short-term investments such as one-year corporate bonds. Real estate development has higher risk inherent to the investment activity, so the ROC on real estate projects should be higher than these other investment options. This study assumes a 10 percent return on cost, which is built in to each pro forma (expressed in the pro formas as developer profit).

**Capitalization Rate:** The capitalization rate is defined as the net operating income that a property generates divided by the estimated value of the property. Capitalization rates are a common metric used to estimate the value of a rental property based on its net operating income, and vary by property type, location, and other property-specific characteristics. This analysis uses a 4.25 percent capitalization rate to value the multifamily rental properties. This capitalization rate is based on the capitalization rates reported by local practitioners and corroborated by data provided by CoStar.

# APPENDIX D: PRO-FORMAS

**Figure 2: FAR Zone 3.0, Large Lot, Tier 2**

Development Program Assumptions			Cost and Income Assumptions		Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>		<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs		Residential+Commercial	
			Residential + Commercial, per gross sf	\$388 (b)	Podium Parking	\$21,090,552
<b>Total Dwelling Units</b>	<b>66</b>		Podium Parking, per space	\$40,000	Underground Parking	\$2,284,800
Commercial Space (sf, gross)	1,100		Underground Parking, per space	\$50,000	Parking Stackers	\$0
			Parking Stackers, per space	\$15,000	<b>Total Hard Costs</b>	<b>\$23,375,352</b>
GBA (excluding parking, sf)	54,420				<i>Hard Costs per Unit</i>	\$354,172
Gross Residential Area (sf)	53,320		Soft Costs (as a % of hard costs)	19% (c)	<i>Hard Costs per Gross Building sf</i>	\$299
Circulation eff (%)	83%		Impact Fees (per sf residential)	\$3.79 (d)		
Net Residential (sf)	44,241		Impact Fees (per sf commercial)	\$0.61 (d)	<b>Soft Costs</b>	\$4,441,317
					Impact fees	\$202,752
Total Parking Spaces	57		<b>Operating Revenues &amp; Expenses</b>		<b>Total Soft Costs</b>	<b>\$4,644,069</b>
Surface Spaces	0		Average Market Rent, per Month	\$2,959 (e)	<b>Developer Profit</b>	<b>\$2,801,942</b>
Podium Spaces	57		Moderate Income Studio, per Month	\$1,352 (f)		
Underground Spaces	0		Moderate Income 1 BR, per Month	\$1,689 (f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$30,821,363</b>
Parking Ratio (spaces per dwelling unit)	0.82		Moderate Income 2 BR, per Month	\$2,027 (f)	<i>Cost per residential sf</i>	\$578
			Moderate Income 3 BR, per Month	\$2,253 (f)	<i>Cost per residential unit</i>	\$466,990
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26	<b>Valuation Analysis</b>	
Studio	14%	9			<b>Projected Revenue</b>	
One-Bedroom	52%	34	Vacancy Assumption	5.0%	Gross Annual Income	\$2,283,996
Two-Bedrooms	35%	23	Operating Expenses (% gross revenues)	30.0%	Less: Vacancy	(\$114,200)
Three-Bedrooms	0%	0	Developer Profit (as % of total project costs)	10%	Less: Operating Expenses	(\$685,199)
Total		66			Net Operating Income (NOI)	<b>\$1,484,598</b>
Affordable Units	10%	7 (a)	Capitalization Rate	4.25%	Capitalized Project Value	\$34,931,711
					Less Total Development Costs	(\$30,821,363)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>			<b>Residual Land Value (RLV)</b>	<b>\$4,110,348</b>
Studio	1	8			<i>RLV per Unit</i>	\$62,278
One-Bedroom	4	30			<i>RLV per Site sf</i>	\$158
Two-Bedrooms	2	21			<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.8%</b>
Three-Bedrooms	0	0				
Total	7	59				

**Notes:**

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 3: FAR Zone 3.0, Large Lot, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$27,764,444
<b>Total Dwelling Units</b>	<b>88</b>		Podium Parking, per space	\$40,000		Underground Parking	\$2,280,000
Commercial Space (sf, gross)	1,100		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$30,044,444</b>
GBA (excluding parking, sf)	71,640		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$341,414
Gross Residential Area (sf)	70,540		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$321
Circulation eff (%)	84%		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$5,708,444
Net Residential (sf)	59,072					Impact fees	\$268,018
			<b>Operating Revenues &amp; Expenses</b>			<b>Total Soft Costs</b>	<b>\$5,976,462</b>
Total Parking Spaces	57		Average Market Rent, per Month	\$2,960	(e)	<b>Developer Profit</b>	<b>\$3,602,091</b>
Surface Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$39,622,996</b>
Podium Spaces	57		Moderate Income 1 BR, per Month	\$1,689	(f)	<i>Cost per residential sf</i>	\$562
Underground Spaces	0		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential unit</i>	\$450,261
Parking Ratio (spaces per dwelling unit)	0.61		Moderate Income 3 BR, per Month	\$2,253	(f)		
			Commercial Revenue (\$/sf)	\$3.26			
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Vacancy Assumption	5.0%		<b>Valuation Analysis</b>	
Studio	14%	12	Operating Expenses (% gross revenues)	30.0%		<b>Projected Revenue</b>	
One-Bedroom	51%	45	Developer Profit (as % of total project costs)	10%		Gross Annual Income	\$2,967,486
Two-Bedrooms	35%	31	Capitalization Rate	4.25%		Less: Vacancy	(\$148,374)
Three-Bedrooms	0%	0				Less: Operating Expenses	(\$890,246)
Total		88				Net Operating Income (NOI)	<b>\$1,928,866</b>
Affordable Units	15%	14	(a)			Capitalized Project Value	\$45,385,084
						Less Total Development Costs	(\$39,622,996)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<b>Residual Land Value (RLV)</b>	<b>\$5,762,088</b>
Studio	2	10				<i>RLV per Unit</i>	\$65,478
One-Bedroom	7	38				<b>RLV per Site sf</b>	<b>\$222</b>
Two-Bedrooms	5	26				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.9%</b>
Three-Bedrooms	0	0					
Total	14	74					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 4: FAR Zone 3.0, Large Lot, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	\$27,764,444
<b>Total Dwelling Units</b>	<b>88</b>		Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$2,280,000
Commercial Space (sf, gross)	1,100		Podium Parking, per space	\$40,000		Underground Parking	\$0
GBA (excluding parking, sf)	71,640		Underground Parking, per space	\$50,000		Parking Stackers	\$0
Gross Residential Area (sf)	70,540		Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$30,044,444</b>
Circulation eff (%)	84%		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$341,414
Net Residential (sf)	59,072		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$321
Total Parking Spaces	57		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$5,708,444
Surface Spaces	0		<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$268,018
Podium Spaces	57		Average Market Rent, per Month	\$2,960	(e)	<b>Total Soft Costs</b>	<b>\$5,976,462</b>
Underground Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$3,602,091</b>
Parking Ratio (spaces per dwelling unit)	0.61		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$39,622,996</b>
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$562
Studio	14%	12	Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$450,261
One-Bedroom	51%	45	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Two-Bedrooms	35%	31	Vacancy Assumption	5.0%		<b>Projected Revenue</b>	
Three-Bedrooms	0%	0	Operating Expenses (% gross revenues)	30.0%		Gross Annual Income	\$2,906,489
Total		88	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$145,324)
Affordable Units	20%	18	(a)			Less: Operating Expenses	(\$871,947)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>	Capitalization Rate	4.25%		Net Operating Income (NOI)	<b>\$1,889,218</b>
Studio	3	9					
One-Bedroom	9	36					
Two-Bedrooms	6	25					
Three-Bedrooms	0	0					
Total	18	70					
						Capitalized Project Value	\$44,452,179
						Less Total Development Costs	(\$39,622,996)
						<b>Residual Land Value (RLV)</b>	<b>\$4,829,183</b>
						<i>RLV per Unit</i>	\$54,877
						<i>RLV per Site sf</i>	\$186
						<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.8%</b>

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 5: FAR Zone 3.0, Small Lot, Tier 2**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis		
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>		
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial	\$8,100,676	
<b>Total Dwelling Units</b>	<b>22</b>		Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$683,200	
Commercial Space (sf, gross)	1,258		Podium Parking, per space	\$40,000		Underground Parking	\$0	
GBA (excluding parking, sf)	20,902		Underground Parking, per space	\$50,000		Parking Stackers	\$0	
Gross Residential Area (sf)	19,645		Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$8,783,876</b>	
Circulation eff (%)	80%		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$399,267	
Net Residential (sf)	15,734		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$305	
Total Parking Spaces	17		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$1,668,936	
Surface Spaces	0		<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$75,220	
Podium Spaces	17		Average Market Rent, per Month	\$3,151	(e)	<b>Total Soft Costs</b>	<b>\$1,744,156</b>	
Underground Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$1,052,803</b>	
Parking Ratio (spaces per dwelling unit)	0.64		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$11,580,835</b>	
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$590	
Studio	14%	3	Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$526,402	
One-Bedroom	50%	11	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>		
Two-Bedrooms	36%	8	Vacancy Assumption	5.0%		<b>Projected Revenue</b>		
Three-Bedrooms	0%	0	Operating Expenses (% gross revenues)	30.0%		Gross Annual Income	\$828,400	
Total		22	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$41,420)	
Affordable Units	10%	3	(a)			Less: Operating Expenses	(\$248,520)	
Affordable Breakdown	<b>Aff</b>	<b>Market</b>	Capitalization Rate	4.25%		Net Operating Income (NOI)	<b>\$538,460</b>	
Studio	1	2	<b>Valuation Analysis</b>					
One-Bedroom	1	10	<b>Projected Revenue</b>					
Two-Bedrooms	1	7	Capitalized Project Value					\$12,669,652
Three-Bedrooms	0	0	Less Total Development Costs					(\$11,580,835)
Total	3	19	<b>Residual Land Value (RLV)</b>					<b>\$1,088,817</b>
			<i>RLV per Unit</i>					\$49,492
			<i>RLV per Site sf</i>					\$109
			<b>Yield on Cost (NOI as a % of Total Costs)</b>					<b>4.6%</b>

Notes:

(a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.

(b) Includes Commercial Shell and Tenant Improvements

(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.

(d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.

(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.

(f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 6: FAR Zone 3.0, Small Lot, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial	\$10,532,002
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$676,800
Total Dwelling Units	29		Podium Parking, per space	\$40,000		Underground Parking	\$0
Commercial Space (sf, gross)	1,257		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$11,208,802</b>
GBA (excluding parking, sf)	27,176					<i>Hard Costs per Unit</i>	<i>\$386,510</i>
Gross Residential Area (sf)	25,919		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Gross Building sf</i>	<i>\$319</i>
Circulation eff (%)	81%		Impact Fees (per sf residential)	\$3.79	(d)		
Net Residential (sf)	21,062		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$2,129,672
						Impact fees	\$98,998
Total Parking Spaces	17		<b>Operating Revenues &amp; Expenses</b>			<b>Total Soft Costs</b>	<b>\$2,228,670</b>
Surface Spaces	0		Average Market Rent, per Month	\$3,166	(e)	<b>Developer Profit</b>	<b>\$1,343,747</b>
Podium Spaces	17		Moderate Income Studio, per Month	\$1,352	(f)		
Underground Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$14,781,220</b>
Parking Ratio (spaces per dwelling unit)	0.48		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	<i>\$570</i>
			Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	<i>\$509,697</i>
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Studio	14%	4	Vacancy Assumption	5.0%		<b>Projected Revenue</b>	
One-Bedroom	45%	13	Operating Expenses (% gross revenues)	30.0%		Gross Annual Income	\$1,079,920
Two-Bedrooms	41%	12	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$53,996)
Three-Bedrooms	0%	0	Capitalization Rate	4.25%		Less: Operating Expenses	(\$323,976)
Total		29				Net Operating Income (NOI)	<b>\$701,948</b>
Affordable Units	15%	5	(a)			Capitalized Project Value	\$16,516,431
						Less Total Development Costs	(\$14,781,220)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<b>Residual Land Value (RLV)</b>	<b>\$1,735,211</b>
Studio	1	3				<i>RLV per Unit</i>	<i>\$59,835</i>
One-Bedroom	2	11				<i>RLV per Site sf</i>	<i>\$174</i>
Two-Bedrooms	1	11				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.7%</b>
Three-Bedrooms	0	0					
Total	4	25					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021



**Figure 7: FAR Zone 3.0, Small Lot, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial	\$10,532,002
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$676,800
Total Dwelling Units	29		Podium Parking, per space	\$40,000		Underground Parking	\$0
Commercial Space (sf, gross)	1,257		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$11,208,802</b>
GBA (excluding parking, sf)	27,176					<i>Hard Costs per Unit</i>	<i>\$386,510</i>
Gross Residential Area (sf)	25,919		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Gross Building sf</i>	<i>\$319</i>
Circulation eff (%)	81%		Impact Fees (per sf residential)	\$3.79	(d)	<b>Soft Costs</b>	\$2,129,672
Net Residential (sf)	21,062		Impact Fees (per sf commercial)	\$0.61	(d)	Impact fees	\$98,998
			<b>Operating Revenues &amp; Expenses</b>			<b>Total Soft Costs</b>	<b>\$2,228,670</b>
Total Parking Spaces	17		Average Market Rent, per Month	\$3,166	(e)	<b>Developer Profit</b>	<b>\$1,343,747</b>
Surface Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$14,781,220</b>
Podium Spaces	17		Moderate Income 1 BR, per Month	\$1,689	(f)	<i>Cost per residential sf</i>	<i>\$570</i>
Underground Spaces	0		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential unit</i>	<i>\$509,697</i>
Parking Ratio (spaces per dwelling unit)	0.48		Moderate Income 3 BR, per Month	\$2,253	(f)	<b>Valuation Analysis</b>	
			Commercial Revenue (\$/sf)	\$3.26		<b>Projected Revenue</b>	
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Vacancy Assumption	5.0%		Gross Annual Income	\$1,048,539
Studio	14%	4	Operating Expenses (% gross revenues)	30.0%		Less: Vacancy	(\$52,427)
One-Bedroom	45%	13	Developer Profit (as % of total project costs)	10%		Less: Operating Expenses	(\$314,562)
Two-Bedrooms	41%	12	Capitalization Rate	4.25%		Net Operating Income (NOI)	<b>\$681,551</b>
Three-Bedrooms	0%	0				Capitalized Project Value	\$16,036,486
Total		29				Less Total Development Costs	(\$14,781,220)
Affordable Units	20%	6 (a)				<b>Residual Land Value (RLV)</b>	<b>\$1,255,266</b>
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<i>RLV per Unit</i>	<i>\$43,285</i>
Studio	1	3				<b>RLV per Site sf</b>	<b>\$126</b>
One-Bedroom	3	10				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.6%</b>
Two-Bedrooms	2	10					
Three-Bedrooms	0	0					
Total	6	23					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 8: FAR Zone 3.0, Small Lot, No Parking, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)		0.23	<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)		10,000	Construction Hard Costs			Residential+Commercial	\$13,868,270
<b>Total Dwelling Units</b>		<b>36</b>	Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$0
Commercial Space (sf, gross)		2,520	Podium Parking, per space	\$40,000		Underground Parking	\$0
GBA (excluding parking, sf)		35,784	Underground Parking, per space	\$50,000		Parking Stackers	\$0
Gross Residential Area (sf)		33,264	Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$13,868,270</b>
Circulation eff (%)		78%	Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$385,230
Net Residential (sf)		25,828	Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$177
			Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$2,634,971
Total Parking Spaces		0	<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$127,608
Surface Spaces		0	Average Market Rent, per Month	\$3,173	(e)	<b>Total Soft Costs</b>	<b>\$2,762,579</b>
Podium Spaces		0	Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$1,663,085</b>
Underground Spaces		0	Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$18,293,934</b>
Parking Ratio (spaces per dwelling unit)		0.00	Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$550
			Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$508,165
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Studio	11%	4	Vacancy Assumption	5.0%		<b>Projected Revenue</b>	
One-Bedroom	53%	19	Operating Expenses (% gross revenues)	30.0%		Gross Annual Income	\$1,366,693
Two-Bedrooms	36%	13	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$68,335)
Three-Bedrooms	0%	0	Capitalization Rate	4.25%		Less: Operating Expenses	(\$410,008)
Total		36				Net Operating Income (NOI)	<b>\$888,350</b>
Affordable Units	15%	6 (a)				Capitalized Project Value	\$20,902,360
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				Less Total Development Costs	(\$18,293,934)
Studio	1	3				<b>Residual Land Value (RLV)</b>	<b>\$2,608,427</b>
One-Bedroom	3	16				<i>RLV per Unit</i>	\$72,456
Two-Bedrooms	2	11				<b>RLV per Site sf</b>	<b>\$261</b>
Three-Bedrooms	0	0				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.9%</b>
Total	6	30					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 9: FAR Zone 3.0, Small Lot, No Parking, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis		
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>		
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial		
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$0	
<b>Total Dwelling Units</b>	<b>36</b>		Podium Parking, per space	\$40,000		Underground Parking	\$0	
Commercial Space (sf, gross)	2,520		Underground Parking, per space	\$50,000		Parking Stackers	\$0	
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$13,868,270</b>	
GBA (excluding parking, sf)	35,784		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$385,230	
Gross Residential Area (sf)	33,264		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$177	
Circulation eff (%)	78%		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$2,634,971	
Net Residential (sf)	25,828					Impact fees	\$127,608	
			<b>Operating Revenues &amp; Expenses</b>			<b>Total Soft Costs</b>	<b>\$2,762,579</b>	
Total Parking Spaces	0		Average Market Rent, per Month	\$3,173	(e)	<b>Developer Profit</b>	<b>\$1,663,085</b>	
Surface Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$18,293,934</b>	
Podium Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)	<i>Cost per residential sf</i>	\$550	
Underground Spaces	0		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential unit</i>	\$508,165	
Parking Ratio (spaces per dwelling unit)	0.00		Moderate Income 3 BR, per Month	\$2,253	(f)			
			Commercial Revenue (\$/sf)	\$3.26				
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Vacancy Assumption	5.0%		<b>Valuation Analysis</b>		
Studio	11%	4	Operating Expenses (% gross revenues)	30.0%		<b>Projected Revenue</b>		
One-Bedroom	53%	19	Developer Profit (as % of total project costs)	10%		Gross Annual Income	\$1,335,123	
Two-Bedrooms	36%	13	Capitalization Rate	4.25%		Less: Vacancy	(\$66,756)	
Three-Bedrooms	0%	0				Less: Operating Expenses	(\$400,537)	
Total		36				Net Operating Income (NOI)	<b>\$867,830</b>	
Affordable Units	20%	8	(a)			Capitalized Project Value	\$20,419,521	
						Less Total Development Costs	(\$18,293,934)	
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<b>Residual Land Value (RLV)</b>	<b>\$2,125,587</b>	
Studio	1	3				<i>RLV per Unit</i>	\$59,044	
One-Bedroom	4	15				<b>RLV per Site sf</b>	<b>\$213</b>	
Two-Bedrooms	3	10				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.7%</b>	
Three-Bedrooms	0	0						
Total	8	28						

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 10: FAR Zone 3.0, Large Lot, No Parking, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	\$34,163,947
<b>Total Dwelling Units</b>	<b>105</b>		Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$0
Commercial Space (sf, gross)	3,642		Podium Parking, per space	\$40,000		Underground Parking	\$0
GBA (excluding parking, sf)	88,153		Underground Parking, per space	\$50,000		Parking Stackers	\$0
Gross Residential Area (sf)	84,511		Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$34,163,947</b>
Circulation eff (%)	78%		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$325,371
Net Residential (sf)	69,755		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$437
Total Parking Spaces	0		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$6,491,150
Surface Spaces	0		<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$322,516
Podium Spaces	0		Average Market Rent, per Month	\$2,674	(e)	<b>Total Soft Costs</b>	<b>\$6,813,666</b>
Underground Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$4,097,761</b>
Parking Ratio (spaces per dwelling unit)	0.00		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$45,075,374</b>
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$533
Studio	12%	13	Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$429,289
One-Bedroom	52%	55	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Two-Bedrooms	35%	37	Vacancy Assumption	5.0%		<b>Projected Revenue</b>	
Three-Bedrooms	0%	0	Operating Expenses (% gross revenues)	30%		Gross Annual Income	\$3,338,743
Total		105	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$166,937)
Affordable Units	15%	16	(a)			Less: Operating Expenses	(\$1,001,623)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>	Capitalization Rate	4.25%		Net Operating Income (NOI)	<b>\$2,170,183</b>
Studio	2	11				Capitalized Project Value	\$51,063,134
One-Bedroom	8	47				Less Total Development Costs	(\$45,075,374)
Two-Bedrooms	6	31				<b>Residual Land Value (RLV)</b>	<b>\$5,987,760</b>
Three-Bedrooms	0	0				<i>RLV per Unit</i>	\$57,026
Total	16	89				<b>RLV per Site sf</b>	<b>\$230</b>
						<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>4.8%</b>

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 11: FAR Zone 3.0, Large Lot, No Parking, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial \$34,163,947	
<b>Total Dwelling Units</b>	<b>105</b>		Residential + Commercial, per gross sf \$388 (b)			Podium Parking \$0	
Commercial Space (sf, gross)	3,642		Podium Parking, per space \$40,000			Underground Parking \$0	
			Underground Parking, per space \$50,000			Parking Stackers \$0	
			Parking Stackers, per space \$15,000			<b>Total Hard Costs \$34,163,947</b>	
GBA (excluding parking, sf)	88,153		Soft Costs (as a % of hard costs) 19% (c)			<i>Hard Costs per Unit</i> \$325,371	
Gross Residential Area (sf)	84,511		Impact Fees (per sf residential) \$3.79 (d)			<i>Hard Costs per Gross Building sf</i> \$437	
Circulation eff (%)	78%		Impact Fees (per sf commercial) \$0.61 (d)			<b>Soft Costs</b>	
Net Residential (sf)	69,755		<b>Operating Revenues &amp; Expenses</b>			Impact fees \$6,491,150	
			Average Market Rent, per Month \$2,651 (e)			Total Soft Costs <b>\$6,813,666</b>	
Total Parking Spaces	0		Moderate Income Studio, per Month \$1,352 (f)			<b>Developer Profit \$4,097,761</b>	
Surface Spaces	0		Moderate Income 1 BR, per Month \$1,689 (f)				
Podium Spaces	0		Moderate Income 2 BR, per Month \$2,027 (f)			<b>Total Development Costs (Excl. Land) \$45,075,374</b>	
Underground Spaces	0		Moderate Income 3 BR, per Month \$2,253 (f)			<i>Cost per residential sf</i> \$533	
Parking Ratio (spaces per dwelling unit)	0.00		Commercial Revenue (\$/sf) \$3.26			<i>Cost per residential unit</i> \$429,289	
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Vacancy Assumption 5.0%			<b>Valuation Analysis</b>	
Studio	12%	13	Operating Expenses (% gross revenues) 30%			<b>Projected Revenue</b>	
One-Bedroom	52%	55	Developer Profit (as % of total project costs) 10%			Gross Annual Income \$3,256,902	
Two-Bedrooms	35%	37	Capitalization Rate 4.25%			Less: Vacancy (\$162,845)	
Three-Bedrooms	0%	0				Less: Operating Expenses (\$977,071)	
Total		105				Net Operating Income (NOI) <b>\$2,116,986</b>	
Affordable Units	20%	21 (a)				Capitalized Project Value \$49,811,446	
						Less Total Development Costs (\$45,075,374)	
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<b>Residual Land Value (RLV) \$4,736,072</b>	
Studio	3	10				<i>RLV per Unit</i> \$45,105	
One-Bedroom	11	44				<b>RLV per Site sf \$182</b>	
Two-Bedrooms	7	30				<b>Yield on Cost (NOI as a % of Total Costs) 4.7%</b>	
Three-Bedrooms	0	0					
Total	21	84					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 12: FAR Zone 2.0, Large Lot, Tier 1 Condominium**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis		
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>		
Site Size (sf)	26,000		Construction Hard Costs			Residential	\$13,834,204	
Total Dwelling Units	27		Residential, per sf	\$426		Podium Parking	\$880,000	
Built Project Density (units per acre)	45		Podium Parking, per space	\$40,000		Underground Parking	\$0	
Gross Building Area (sf)	32,451		Soft Costs (as a % of hard costs)	19% (b)		<b>Total Hard Costs</b>	<b>\$14,714,204</b>	
Net (% of gross res. area)	86%		Impact Fees (per unit)	\$4,555 (c)		<i>Hard Costs per Unit</i>	<i>\$544,971</i>	
Net (sf)	28,023		Sale Prices			<i>Hard Costs per Gross Building sf</i>	<i>\$453</i>	
Total Parking Spaces	32		Market-Rate 1 BR	\$732,682 (d)		<b>Soft costs</b>	\$2,795,699	
Podium Spaces	22		Market-Rate 2 BR	\$901,791		Impact fees	\$122,989	
Surface Spaces	10		Market Rate 3 BR	\$1,018,363		<b>Total Soft Costs</b>	<b>\$2,918,688</b>	
Parking Ratio (spaces per dwelling unit)	1.19		Middle Income 1 BR	\$365,400 (e)		<b>Developer Profit</b>	<b>\$1,763,289</b>	
Unit Mix	%	#	Middle Income 2 BR	\$457,900		<b>Total Development Costs (Excl. Land)</b>	<b>\$17,632,892</b>	
One-Bedroom	48%	13	Middle Income 3 BR	\$519,800		<i>Cost per residential sf</i>	<i>\$543</i>	
Two-Bedrooms	37%	10	Marketing and Sales Costs	5%		<i>Cost per residential unit</i>	<i>\$653,070</i>	
Three-Bedrooms	15%	4	(% of Sale Price)			<b>Valuation Analysis</b>		
Market	85%	23	Developer Profit	10%		<b>Projected Revenue</b>		
Moderate (100% Target AMI)	15%	4 (a)	(as % of total hard and soft costs)			Gross Sales from Market Rate Units	\$19,230,716	
Affordable Breakdown	<b>Aff</b>	<b>Market</b>						
One-Bedroom	2	11						
Two-Bedrooms	1	9						
Three-Bedrooms	1	3						
Total	4	23						
Notes:								
(a) per Santa Barbara Municipal Code 30.160.								
(b) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.								
(c) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.								
(d) Based on sales of recently-built (2010+) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.								
(e) 2021 Maximum Sales Prices by Bedroom Count at 120 percent Target AMI, City of Santa Barbara								
			Less Marketing Costs					
			Less Total Development Costs					
			<i>Residual Land Value (RLV)</i>					
			<i>RLV per Unit</i>					
			<i>RLV per Site sf</i>					

Source: BAE, 2021

**Figure 13: FAR Zone 2.0, Large Lot, Tier 2**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	\$14,866,612
<b>Total Dwelling Units</b>	<b>44</b>		Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$1,280,000
Commercial Space (sf, gross)	0		Podium Parking, per space	\$40,000		Underground Parking	\$0
GBA (excluding parking, sf)	38,360		Underground Parking, per space	\$50,000		Parking Stackers	\$0
Gross Residential Area (sf)	38,360		Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$16,146,612</b>
Circulation eff (%)	90%		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$366,968
Net Residential (sf)	34,390		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$206
Total Parking Spaces	42		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$3,067,856
Surface Spaces	10		<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$145,384
Podium Spaces	32		Average Market Rent, per Month	\$3,413	(e)	<b>Total Soft Costs</b>	<b>\$3,213,241</b>
Underground Spaces	0		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$1,935,985</b>
Parking Ratio (spaces per dwelling unit)	0.95		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$21,295,838</b>
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$555
Studio	11%	5	Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$483,996
One-Bedroom	48%	21	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Two-Bedrooms	41%	18	Vacancy Assumption	5%		<b>Projected Revenue</b>	
Three-Bedrooms	0%	0	Operating Expenses (% gross revenues)	30%		Gross Annual Income	\$1,702,589
Total		44	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$85,129)
Affordable Units	10%	5 (a)	Capitalization Rate	4.25%		Less: Operating Expenses	(\$510,777)
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				Net Operating Income (NOI)	<b>\$1,106,683</b>
Studio	1	4				Capitalized Project Value	\$26,039,594
One-Bedroom	2	19				Less Total Development Costs	(\$21,295,838)
Two-Bedrooms	2	16				<b>Residual Land Value (RLV)</b>	<b>\$4,743,756</b>
Three-Bedrooms	0	0				<i>RLV per Unit</i>	\$107,813
Total	5	39				<b>RLV per Site sf</b>	<b>\$182</b>
						<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>5.2%</b>

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototy
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 14: FAR Zone 2.0, Large Lot, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$18,376,698
Total Dwelling Units	55		Podium Parking, per space	\$40,000		Underground Parking	\$1,560,000
Commercial Space (sf, gross)	0		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$19,936,698</b>
GBA (excluding parking, sf)	47,417					<i>Hard Costs per Unit</i>	\$362,485
Gross Residential Area (sf)	47,417		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Gross Building sf</i>	\$255
Circulation eff (%)	89%		Impact Fees (per sf residential)	\$3.79	(d)		
Net Residential (sf)	42,117		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$3,787,973
						Impact fees	\$179,710
Total Parking Spaces	39		<b>Operating Revenues &amp; Expenses</b>			<b>Total Soft Costs</b>	
Surface Spaces	0		Average Market Rent, per Month	\$3,378	(e)	<b>\$3,967,683</b>	
Podium Spaces	39		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	
Underground Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>\$2,390,438</b>	
Parking Ratio (spaces per dwelling unit)	0.71		Moderate Income 2 BR, per Month	\$2,027	(f)	<b>Total Development Costs (Excl. Land)</b>	
			Moderate Income 3 BR, per Month	\$2,253	(f)	<b>\$26,294,819</b>	
						<i>Cost per residential sf</i>	\$555
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26		<i>Cost per residential unit</i>	\$478,088
Studio	9%	5				<b>Valuation Analysis</b>	
One-Bedroom	53%	29	Vacancy Assumption	5%		<b>Projected Revenue</b>	
Two-Bedrooms	38%	21	Operating Expenses (% gross revenues)	30%		Gross Annual Income	\$2,075,404
Three-Bedrooms	0%	0	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$103,770)
Total		55	Capitalization Rate	4.25%		Less: Operating Expenses	(\$622,621)
Affordable Units	15%	9				Net Operating Income (NOI)	<b>\$1,349,013</b>
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				Capitalized Project Value	\$31,741,476
Studio	1	4				Less Total Development Costs	(\$26,294,819)
One-Bedroom	4	25				<b>Residual Land Value (RLV)</b>	<b>\$5,446,657</b>
Two-Bedrooms	3	18				<i>RLV per Unit</i>	\$99,030
Three-Bedrooms	0	0				<i>RLV per Site sf</i>	<b>\$209</b>
Total	8	47				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>5.1%</b>

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021



**Figure 15: FAR Zone 2.0, Large Lot, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.60		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	26,000		Construction Hard Costs			Residential+Commercial	
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$18,376,698
Total Dwelling Units	55		Podium Parking, per space	\$40,000		Underground Parking	\$1,560,000
Commercial Space (sf, gross)	0		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$19,936,698</b>
GBA (excluding parking, sf)	47,417		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	\$362,485
Gross Residential Area (sf)	47,417		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	\$255
Circulation eff (%)	89%		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$3,787,973
Net Residential (sf)	42,117		<b>Operating Revenues &amp; Expenses</b>			Impact fees	\$179,710
			Average Market Rent, per Month	\$3,378	(e)	<b>Total Soft Costs</b>	<b>\$3,967,683</b>
Total Parking Spaces	39		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$2,390,438</b>
Surface Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$26,294,819</b>
Podium Spaces	39		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	\$555
Underground Spaces	0		Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	\$478,088
Parking Ratio (spaces per dwelling unit)	0.71		Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
			Vacancy Assumption	5%		<b>Projected Revenue</b>	
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Operating Expenses (% gross revenues)	30%		Gross Annual Income	\$2,018,660
Studio	9%	5	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$100,933)
One-Bedroom	53%	29	Capitalization Rate	4.25%		Less: Operating Expenses	(\$605,598)
Two-Bedrooms	38%	21				Net Operating Income (NOI)	<b>\$1,312,129</b>
Three-Bedrooms	0%	0				Capitalized Project Value	\$30,873,620
Total		55				Less Total Development Costs	(\$26,294,819)
Affordable Units	20%	11 (a)				<b>Residual Land Value (RLV)</b>	<b>\$4,578,801</b>
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<i>RLV per Unit</i>	\$83,251
Studio	1	4				<b>RLV per Site sf</b>	<b>\$176</b>
One-Bedroom	6	23				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>5.0%</b>
Two-Bedrooms	4	17					
Three-Bedrooms	0	0					
Total	11	44					

Notes:

- (a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 16: FAR Zone 1.0, Small Lot, Tier 1 Condominium**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	10,000		Construction Hard Costs			Residential	\$2,847,755
			Residential, per sf			Podium Parking	\$0
			Podium Parking, per space			Underground Parking	\$0
Total Dwelling Units	6					<b>Total Hard Costs</b>	<b>\$2,847,755</b>
Avg. Unit Size (net, sf)	1,113					<i>Hard Costs per Unit</i>	<i>\$474,626</i>
						<i>Hard Costs per Gross Building sf</i>	<i>\$426</i>
Gross Building Area (sf)	6,680		Soft Costs (as a % of hard costs)	19% (b)		<b>Soft costs</b>	\$541,073
Net (% of gross res. area)	100%					Impact fees	\$25,317
Net (sf)	6,680		Impact Fees (per sf residential)	\$3.79 (c)		In-Lieu Fee	\$162,285
						<b>Total Soft Costs</b>	<b>\$728,676</b>
Total Parking Spaces	6		Sale Prices			<b>Developer Profit</b>	<b>\$357,643</b>
Podium Spaces	0		Market-Rate 1 BR	n/a		<b>Total Development Costs (Excl. Land)</b>	<b>\$3,934,073</b>
Tuck-Under Spaces	6		Market-Rate 2 BR	\$912,449 (d)		<i>Cost per residential sf</i>	<i>\$589</i>
Parking Ratio (spaces per dwelling unit)	1.00		Market Rate 3 BR	n/a		<i>Cost per residential unit</i>	<i>\$655,679</i>
			Middle Income 1 BR	\$365,400		<b>Valuation Analysis</b>	
Unit Mix	%	#	Middle Income 2 BR	\$457,900		<b>Projected Revenue</b>	
One-Bedroom	0%	0	Middle Income 3 BR	\$519,800		Gross Sales from Market Rate Units	\$5,474,692
Two-Bedrooms	100%	6				Sales from Moderate 1 BRs	\$0
Three-Bedrooms	0%	0				Sales from Moderate 2 BRs	\$0
			Marketing and Sales Costs	5%		Sales from Moderate 3 BRs	\$0
Market	100%	6	(% of Sale Price)			Total Gross Revenue	\$5,474,692
Moderate (100% Target AMI)	0%	0 (a)	Developer Profit	10%		Less Marketing Costs	<i>(\$273,735)</i>
			(as % of total hard and soft costs)			<b>Less Total Development Costs</b>	<b>(\$3,934,073)</b>
Affordable Breakdown	<u>Aff</u>	<u>Market</u>				<i>Residual Land Value (RLV)</i>	<i>\$1,266,885</i>
One-Bedroom	0	0				<b>RLV per Unit</b>	<b>\$211,147</b>
Two-Bedrooms	0	6				<b>RLV per Site sf</b>	<b>\$127</b>
Three-Bedrooms	0	0					
Total	0	6					

Notes:

- (a) per Santa Barbara Municipal Code 30.160, In-Lieu Fee for ownership projects with less than ten units.
- (b) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (c) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (d) Based on sales of recently-built (2010+) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.
- (e) 2021 Maximum Sales Prices by Bedroom Count at 120 percent Target AMI, City of Santa Barbara

Source: BAE, 2021

**Figure 17: FAR Zone 1.0, Small Lot, Tier 2**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial	\$2,625,685
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$80,000
Total Dwelling Units	7		Podium Parking, per space	\$40,000		Underground Parking	\$0
Commercial Space (sf, gross)	0		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$2,705,685</b>
GBA (excluding parking, sf)	6,775					<i>Hard Costs per Unit</i>	\$386,526
Circulation eff (%)	94%		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Gross Building sf</i>	\$425
Net Residential (sf)	6,387		Impact Fees (per sf residential)	\$3.79	(d)		
			Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$514,080
						Impact fees	\$24,878
Total Parking Spaces	8		<b>Operating Revenues &amp; Expenses</b>			In-Lieu Fee	\$159,675
Surface Spaces	6		Average Market Rent, per Month	\$3,780	(e)	<b>Total Soft Costs</b>	<b>\$698,633</b>
Podium Spaces	2		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$340,432</b>
Underground Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)		
Parking Ratio (spaces per dwelling unit)	1.14		Moderate Income 2 BR, per Month	\$2,027	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$3,744,750</b>
			Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential sf</i>	\$553
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26		<i>Cost per residential unit</i>	\$534,964
Studio	0%	0					
One-Bedroom	71%	5	Vacancy Assumption	5%		<b>Valuation Analysis</b>	
Two-Bedrooms	14%	1	Operating Expenses (% gross revenues)	30%		<b>Projected Revenue</b>	
Three-Bedrooms	14%	1	Developer Profit (as % of total project costs)	10%		Gross Annual Income	\$317,514
Total		7	Capitalization Rate	4.25%		Less: Vacancy	(\$15,876)
Affordable Units	0%	0	(a)			Less: Operating Expenses	(\$95,254)
In-Lieu Fee (\$/sf net residential)		\$25.00				Net Operating Income (NOI)	<b>\$206,384</b>
						Capitalized Project Value	\$4,856,096
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				Less Total Development Costs	(\$3,744,750)
Studio	0	0				<b>Residual Land Value (RLV)</b>	<b>\$1,111,346</b>
One-Bedroom	0	5				<i>RLV per Unit</i>	\$158,764
Two-Bedrooms	0	1				<b>RLV per Site sf</b>	<b>\$111</b>
Three-Bedrooms	0	1				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>5.5%</b>
	0	7					

Notes:

- (a) For developments of less than 10 units, In-Lieu Fee equal to an amount specified by Section 30.150.120.B, Calculation of In-Lieu Fee.  
In-Lieu Fee shall be set at an initial amount equal to \$25.00/sf, based on the net floor area of each AUD Incentive Program rental housing residential unit.
- (b) Includes Commercial Shell and Tenant Improvements
- (c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
- (d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.
- (e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
- (f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 18: FAR Zone 1.0, Small Lot, Tier 3 (15% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis		
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>		
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial		
			Residential + Commercial, per gross sf			\$388 (b)		
Total Dwelling Units	10		Podium Parking, per space			\$40,000		
Commercial Space (sf, gross)	0		Underground Parking, per space			\$50,000		
			Parking Stackers, per space			\$15,000		
GBA (excluding parking, sf)	7,969		Soft Costs (as a % of hard costs)			19% (c)		
Circulation eff (%)	100%		Impact Fees (per sf residential)			\$3.79 (d)		
Net Residential (sf)	7,969		Impact Fees (per sf commercial)			\$0.61 (d)		
			In-Lieu Fee for Fractional Unit					
Total Parking Spaces	10		<b>Operating Revenues &amp; Expenses</b>			<b>Soft Costs</b>		
Surface Spaces	0		Average Market Rent, per Month			\$3,311 (e)		
Podium Spaces	10		Moderate Income Studio, per Month			\$1,352 (f)		
Underground Spaces	0		Moderate Income 1 BR, per Month			\$1,689 (f)		
Parking Ratio (spaces per dwelling unit)	1.00		Moderate Income 2 BR, per Month			\$2,027 (f)		
			Moderate Income 3 BR, per Month			\$2,253 (f)		
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)			\$3.26		
Studio	0%	0	Vacancy Assumption			5%		
One-Bedroom	40%	4	Operating Expenses (% gross revenues)			30%		
Two-Bedrooms	60%	6	Developer Profit (as % of total project costs)			10%		
Three-Bedrooms	0%	0	Capitalization Rate			4.25%		
Total		10						
Affordable Unit Calc.	15%	2 (a)						
Fractional Unit		0						
Affordable Unit Count (#)		2						
Affordable Breakdown	<b>Aff</b>	<b>Market</b>						
Studio	0	0						
One-Bedroom	1	3						
Two-Bedrooms	1	5						
Three-Bedrooms	0	0						
	2	8						
						<b>Valuation Analysis</b>		
						<b>Projected Revenue</b>		
						Gross Annual Income		
						\$362,467		
						Less: Vacancy		
						(\$18,123)		
						Less: Operating Expenses		
						(\$108,740)		
						Net Operating Income (NOI)		
						\$235,604		
						Capitalized Project Value		
						\$5,543,616		
						Less Total Development Costs		
						(\$4,600,311)		
						<b>Residual Land Value (RLV)</b>		
						\$943,305		
						RLV per Unit		
						\$94,331		
						RLV per Site sf		
						\$94		
						Yield on Cost (NOI as a % of Total Costs)		
						5.1%		

Notes:

(a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.

Fractional Unit / Total Moderate Income Unit Requirement x Per Square Foot Fee x Net Floor Area in the Project

(b) Includes Commercial Shell and Tenant Improvements

(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.

(d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.

(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.

(f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021

**Figure 19: FAR Zone 1.0, Small Lot, Tier 3 (20% Moderate-Income)**

Development Program Assumptions			Cost and Income Assumptions			Development Cost Analysis	
Site Size (acres)	0.23		<b>Development Costs</b>			<b>Hard Costs</b>	
Site Size (sf)	10,000		Construction Hard Costs			Residential+Commercial	\$3,088,426
			Residential + Commercial, per gross sf	\$388	(b)	Podium Parking	\$400,000
Total Dwelling Units	10		Podium Parking, per space	\$40,000		Underground Parking	\$0
Commercial Space (sf, gross)	0		Underground Parking, per space	\$50,000		Parking Stackers	\$0
			Parking Stackers, per space	\$15,000		<b>Total Hard Costs</b>	<b>\$3,488,426</b>
GBA (excluding parking, sf)	7,969		Soft Costs (as a % of hard costs)	19%	(c)	<i>Hard Costs per Unit</i>	<i>\$348,843</i>
Circulation eff (%)	100%		Impact Fees (per sf residential)	\$3.79	(d)	<i>Hard Costs per Gross Building sf</i>	<i>\$438</i>
Net Residential (sf)	7,969		Impact Fees (per sf commercial)	\$0.61	(d)	<b>Soft Costs</b>	\$662,801
			In-Lieu Fee for Fractional Unit			Impact fees	\$30,874
Total Parking Spaces	10		<b>Operating Revenues &amp; Expenses</b>			In-Lieu Fee Fractional Unit	\$0
Surface Spaces	0		Average Market Rent, per Month	\$3,311	(e)	<b>Total Soft Costs</b>	<b>\$693,674</b>
Podium Spaces	10		Moderate Income Studio, per Month	\$1,352	(f)	<b>Developer Profit</b>	<b>\$418,210</b>
Underground Spaces	0		Moderate Income 1 BR, per Month	\$1,689	(f)	<b>Total Development Costs (Excl. Land)</b>	<b>\$4,600,311</b>
Parking Ratio (spaces per dwelling unit)	1.00		Moderate Income 2 BR, per Month	\$2,027	(f)	<i>Cost per residential sf</i>	<i>\$577</i>
			Moderate Income 3 BR, per Month	\$2,253	(f)	<i>Cost per residential unit</i>	<i>\$460,031</i>
<b>Unit Mix</b>	<b>%</b>	<b>#</b>	Commercial Revenue (\$/sf)	\$3.26		<b>Valuation Analysis</b>	
Studio	0%	0	Vacancy Assumption	5%		<b>Projected Revenue</b>	
One-Bedroom	40%	4	Operating Expenses (% gross revenues)	30%		Gross Annual Income	\$362,467
Two-Bedrooms	60%	6	Developer Profit (as % of total project costs)	10%		Less: Vacancy	(\$18,123)
Three-Bedrooms	0%	0	Capitalization Rate	4.25%		Less: Operating Expenses	(\$108,740)
Total		10				Net Operating Income (NOI)	<b>\$235,604</b>
Affordable Unit Calc.	20%	2 (a)				Capitalized Project Value	\$5,543,616
Fractional Unit		0				Less Total Development Costs	(\$4,600,311)
Affordable Unit Count (#)		2				<b>Residual Land Value (RLV)</b>	<b>\$943,305</b>
						<i>RLV per Unit</i>	<i>\$94,331</i>
Affordable Breakdown	<b>Aff</b>	<b>Market</b>				<i>RLV per Site sf</i>	<i>\$94</i>
Studio	0	0				<b>Yield on Cost (NOI as a % of Total Costs)</b>	<b>5.1%</b>
One-Bedroom	1	3					
Two-Bedrooms	1	5					
Three-Bedrooms	0	0					
	2	8					

Notes:

(a) per Santa Barbara Municipal Code 30.150.110 - Inclusionary Requirements for Rental Housing Projects.

Fractional Unit / Total Moderate Income Unit Requirement x Per Square Foot Fee x Net Floor Area in the Project

(b) Includes Commercial Shell and Tenant Improvements

(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.

(d) per Santa Barbara Unified Developer Fee Schedule, effective May 2019.

(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.

(f) A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units.

Source: BAE, 2021