



KEYSER MARSTON

A S S O C I A T E S

INCLUSIONARY HOUSING: FEASIBILITY STUDY

Prepared for:

County of Santa Cruz

Prepared by:

Keyser Marston Associates, Inc.

May 21, 2026

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
A.	BACKGROUND	1
B.	PROGRAM DESIGN PARAMETERS	3
C.	FINANCIAL ANALYSES	4
D.	CONCLUSIONS	7
II.	INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS	9
A.	SURVEY OF EXISTING INCLUSIONARY HOUSING PROGRAMS.....	9
B.	STATE DENSITY BONUS AND INCLUSIONARY HOUSING OBLIGATIONS.....	11
C.	STRUCTURING ISSUES	12
III.	METHODOLOGY	14
A.	PARAMETERS.....	14
B.	PROGRAM FOUNDATION.....	15
C.	FEASIBILITY STUDY STRUCTURE.....	16
D.	FINANCIAL ANALYSIS ORGANIZATION	17
IV.	OWNERSHIP HOUSING ANALYSES	18
A.	PROTOTYPES	18
B.	PRO FORMA ORGANIZATION AND ASSUMPTIONS	19
C.	PRO FORMA ANALYSES.....	20
D.	SUMMARY: OWNERSHIP HOUSING DEVELOPMENT ANALYSIS	24
V.	RENTAL DEVELOPMENT ANALYSIS.....	26
A.	PROTOTYPES	26
B.	PRO FORMA ORGANIZATION AND ASSUMPTIONS	27
C.	PRO FORMA ANALYSES.....	29
D.	SUMMARY: RENTAL DEVELOPMENT ANALYSIS	33
VI.	FEASIBILITY STUDY CONCLUSIONS.....	35
A.	OWNERSHIP HOUSING DEVELOPMENT	35
B.	RENTAL DEVELOPMENT	35

ATTACHMENTS

Attachment 1: Selected 2023 Housing Element Programs

Appendix A: Program H-3H

Appendix B: H-3J

Attachment 2: Inclusionary Housing Program Surveys

Appendix A: Statewide

Appendix B: Representative Sample of Jurisdictions

Attachment 3: Affordable Housing Cost Calculation Methodologies

Appendix A: Affordable Sales Price Calculation Methodology

Appendix B: Affordable Rent Calculation Methodology

Attachment 4: Ownership Housing Development

Appendix A: Home Resale Surveys

Appendix B: Affordable Sales Price Calculations

Pro Forma Analyses

Appendix C: Townhome Prototype on a 1.0 Acre Site (13 to 15 Units / Acre)

Appendix D: Townhome Prototype on a 1.0 Acre Site (16 to 21 Units / Acre)

Appendix E: Small Lot Detached Home Prototype on a 2.4 Acre Site (7 to 9 Units / Acre)

Attachment 5: Rental Development

Appendix A: Apartment Rent Surveys

Appendix B: Affordable Rent Calculations

Appendix C: Pro Forma Analyses: Rental Development on a 1.2 Acre Site

I. EXECUTIVE SUMMARY

A. Background

SCOPE OF THE ENGAGEMENT

The Santa Cruz County (County) Board of Supervisors adopted the Sixth Cycle 2023 Housing Element, for the 2023-2031 period, (2023 Housing Element) on November 14, 2023, and it was certified by the California Department of Housing and Community Development (HCD) on April 12, 2024. The 2023 Housing Element includes the following two programs that require the County to evaluate potential modification to its Inclusionary Housing program:¹

1. Program H-3H requires completion of:
 - a. A nexus and feasibility study based on current market and economic conditions; and
 - b. Development of recommendations for potential changes to various aspects of the County's Inclusionary Housing program, which is codified in Chapter 17.10 of the Santa Cruz County Code (Chapter 17.10).
2. Program H-3J recommends reinstating the 15% onsite affordable unit requirement for rental developments. This was converted into an alternative compliance option by Ordinance 5200, which was adopted by the Board of Supervisors in 2015.

Keyser Marston Associates, Inc. (KMA) was selected by the County to prepare the following reports:

1. An Inclusionary Housing: Feasibility Study (Feasibility Study).
2. The following nexus studies related to the County's existing Affordable Housing Impact Fee:
 - a. A nexus study related to future non-residential development; and
 - b. A nexus study related to future ownership housing and rental development.

This report represents KMA's Feasibility Study. The nexus studies are provided in a separate report.

The KMA Feasibility Study reflects a real world perspective based on the firm's core experience in real estate development economics, real estate transactions, and developer negotiations services. By way

¹ The full text of these programs is provided in Attachment 1.

of background, over the past 25 years KMA Los Angeles office has assisted more than 50 jurisdictions in the Inclusionary Housing program adoption and updating processes. In 2013 KMA was engaged by the County to evaluate policy options and to provide recommendations for use in updating the County's Affordable Housing Regulations. The KMA report was submitted in August 2014.

The KMA Feasibility Study identifies supportable Inclusionary Housing program requirements for ownership housing and rental developments. The fundamental purpose is to identify Inclusionary Housing obligations that balance the interests of property owners and developers against the County's need for affordable housing. The KMA evaluation methodology has been continually evolving over time. Each study is tailored to reflect the specific characteristics of the jurisdiction being evaluated.

INCLUSIONARY HOUSING PROGRAM REQUIREMENTS

The County's Inclusionary Housing program was originally adopted in 1978 under the auspices of the voter authorized "Measure J". The Inclusionary Housing program currently imposes the following restrictions on new residential development:

1. Ownership Housing Development:
 - a. Ownership housing developments that include seven or more units must allocate at least 15% of the units in the development to low to moderate income households at prices affordable to moderate income households.²
 - b. Ownership housing developments that include between one and six units are required to pay the County's Affordable Housing Impact Fee, but developers have the option to provide affordable units in lieu of paying the fee.
 - c. Ownership housing developments that are required to produce a fraction of an affordable unit may choose to pay the Affordable Housing Impact Fee in-lieu of producing an additional affordable unit.
2. Rental Development:
 - a. Rental developments are required to pay Affordable Housing Impact Fees that are set at a rate that is assessed per square foot of habitable area in the project.

² The Inclusionary Housing program provides alternative compliance methods including participation in the County's existing unit conversion program, financial contribution to a nonprofit affordable housing project in an off-site location, and provision of rental units to fulfill the affordable housing obligation.

- b. Developers of rental developments may opt to allocate at least 15% of the units in the project to low income households rather than paying the Affordable Housing Impact Fee.
- c. Developers of rental developments that propose to include affordable units to earn a density bonus, or for other reasons, may request a credit against the Affordable Housing Impact Fee for those affordable units. The methodology used to determine the amount of the credit is defined in the County's Affordable Housing Guidelines. These guidelines are adopted by the Board of Supervisors to implement Chapter 17.10.

B. Program Design Parameters

Inclusionary Housing programs are continually the subject of court challenges and State legislation. The following sections describe three consequential events that have influenced Inclusionary Housing policy in Santa Cruz County.

PALMER CASE

In 2009, the California Court of Appeal, Second District ruled in *Palmer/Sixth Street Properties, LP v. City of Los Angeles*, 175 Cal App. 4th 1396 (*Palmer*) that Inclusionary Housing requirements could not be imposed on rental housing developments in California. Prior to the Palmer case ruling the County imposed a 15% onsite affordable unit requirement on rental developments. Following this ruling the onsite affordable housing production requirement was removed from Chapter 17.10, and made into an alternative compliance option.

SAN JOSE CASE

In 2015, the California Supreme Court ruled in *California Building Industry Association v. County of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. However, the *San Jose* ruling also imposed the following limitations on the requirements that jurisdictions can impose:

- 1. Inclusionary Housing obligations cannot be confiscatory; and
- 2. Inclusionary Housing obligations cannot deprive a property owner of a fair and reasonable return on their investment.

The court did not provide criteria under which jurisdictions can evaluate these limitations. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in evaluating potential requirements in order to comport with the court's ruling.

ASSEMBLY BILL 1505

In 2017 the State Legislature adopted Assembly Bill (AB) 1505, which restored the authority of California jurisdictions to impose Inclusionary Housing requirements on rental housing developments. In recognition of this authority, 2023 Housing Element Program H-3J requires the County to study the financial feasibility of reinstating the 15% onsite affordable unit requirement for rental developments.

C. Financial Analyses

KMA created prototype ownership housing and rental developments based on a review of the following:

1. The 2023 Housing Element;
2. Recently developed residential projects in the region; and
3. Residential projects that are currently in the County's pipeline.

The prototypes do not represent actual projects. Instead, they represent composites of projects that have recently been developed or proposed, and on the results of KMA market surveys.

OWNERSHIP HOUSING DEVELOPMENT PROTOTYPES

In 2018 the Board of Supervisors created an enhanced density bonus program, to be used in conjunction with the Government Code Section 65915 et seq. (Section 65915) density bonus, to encourage residential development that meets the County's 15% Inclusionary Housing goals, particularly for ownership housing. Based on a review of recent development proposals KMA found that developers of ownership housing developments are making use of this enhanced density bonus. Based on this finding KMA created the ownership housing prototypes that are described in the table on the following page:

Project Descriptions Ownership Housing Development Prototypes			
	Townhome Prototype on a 1.0 Acre Site	Townhome Prototype on a 1.0 Acre Site	Small Lot SFH Prototype on a 2.4 Acre Site
Base Zoning	13 Units Per Acre	16 Units Per Acre	7 Units Per Acre
<u>Unit Mix</u>			
Two-Bedroom Units	2		
Three-Bedroom Units	11	16	17
Total Units	13	16	17
Enhanced Density Bonus	15 Units Per Acre	21 Units Per Acre	9 Units Per Acre
<u>Unit Mix</u>			
Two-Bedroom Units	2		
Three-Bedroom Units	13	21	21
Total Units	15	21	21
<u>Square Feet of Habitable Area Per Unit</u>			
Two-Bedroom Units	1,100		
Three-Bedroom Units	1,540	1,200	2,200

RENTAL DEVELOPMENT PROTOTYPES

The rental development prototypes that KMA created are described in the following table:

Project Descriptions Rental Development on a 1.2 Acre Site Rental Development Prototypes			
	Zoning Compliant Alternative	50% Section 65915 Density Bonus Alternative	70% Section 65915 Stacking DB Alternative
Density (Units/Acre)	50	75	85
<u>Unit Mix</u>			
Studio Units	18	27	31
One-Bedroom Units	12	18	20
Two-Bedroom Units	18	27	31
Three-Bedroom Units	12	18	20
Total Units	60	90	102
<u>Square Feet of Habitable Area Per Unit</u>			
Studio Units	450	450	450
One-Bedroom Units	625	625	625
Two-Bedroom Units	800	800	800
Three-Bedroom Units	1,200	1,200	1,200
Weighted Average Unit Size	740	740	738
Parking Spaces Per Unit	1.70	1.63	1.62

The ownership housing and rental development prototypes were used to assess the impacts associated with the following development characteristics:

1. Housing type
2. Site size
3. Achievable density
4. Parking requirements

The Feasibility Study methodology can be described as follows:

1. KMA undertook market surveys to compile information pertaining to:
 - a. The values of land and improved properties;
 - b. Common densities of ownership housing and rental developments;
 - c. Unit mixes in ownership housing and rental developments; and
 - d. Ownership housing sales prices and apartment rents.
2. KMA estimated the difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for each affordable unit. This difference is called the “Affordability Gap”.
3. KMA prepared pro forma analyses to identify the Inclusionary Housing production requirements that can reasonably be imposed on new residential development.

The Feasibility Study is meant to assist the County in evaluating and potentially updating the existing Inclusionary Housing program. The focus of this analysis is to identify requirements that achieve the County’s goals and objectives while recognizing that the requirements cannot be confiscatory and cannot deprive property owners of a fair and reasonable return on their investment.

D. Conclusions

OWNERSHIP HOUSING DEVELOPMENT

Based on the results of the Feasibility Study, a 15% moderate income Inclusionary Housing requirement can be supported for ownership housing developments. For reference purposes, KMA also evaluated the following for each of the three ownership housing development prototypes:

1. The impact created by increasing the moderate income production requirement to 20% (from the current 15% requirement); and
2. The Inclusionary Housing production requirement that could be supported if a low income requirement were imposed.

The analyses indicate that if the moderate income requirement is set at 20% neither of the identified evaluation benchmarks being applied are met. The three ownership housing development prototypes demonstrated support for a low income requirements that ranged from 9% to 11%.

RENTAL DEVELOPMENT

Since the mid-1980s, multifamily rental development in the unincorporated areas of Santa Cruz County has largely been limited to subsidized affordable housing developments. This is also largely the case for the incorporated cities located in Santa Cruz County with the exception of the downtown and westside areas within the City of Santa Cruz.

KMA was only able to identify one recently constructed market-rate rental development in unincorporated Santa Cruz County, and it is a small mixed-use project that includes 13 rental residential units.³ When KMA expanded the search to incorporated cities we were only able to identify one project that was developed within the past 10 years, and one project that is currently in the development process.⁴ These larger scale developments were used to inform the prototypes that KMA analyzed in the Feasibility Study.

Program H-3H of the 2023 Housing Element requires the County to study the feasibility of modifying the Inclusionary Housing program to subject rental development to an affordable housing production requirement. The results of the KMA Feasibility Study can be summarized as follows:

³ The 13-unit mixed use project is located at 1135 17th Avenue in the Live Oak area of unincorporated Santa Cruz County.

⁴ Both of the identified projects are located in the City of Watsonville. The survey excluded development located in the downtown and westside areas of the City of Santa Cruz.

1. Under current market and financial conditions, a 12% low income requirement can be supported for a zoning compliant (i.e., a non-density bonus) rental development.
2. Rental developments that can use the Government Code Section 65915 et seq. (Section 65915) density bonus would be subject to the following very low income requirements:
 - a. Section 65915(b)(1)(B) provides a 50% density bonus for developments that allocate 15% of the units allowed by a site's base zoning to very low income households.⁵ This equates to 11.1% of the total number of units included in the prototype that was analyzed.
 - b. KMA evaluated a scenario where the Section 65915(b)(1)(B) density bonus is combined with the Section 65915(v)(2) stacking bonus. This would provide a 70% density bonus in return for allocating 20% of the units allowed by a site's base zoning to very low income households. This equates to 11.8% of the total number of units in the prototype that was analyzed.

Based on the lack of rental development in unincorporated Santa Cruz County over multiple real estate cycles, it can be concluded that rental development will continue to be financially challenging. If the County wishes to encourage rental development it would be prudent to continue the existing policy that requires the developers of rental developments to pay an Affordable Housing Impact Fee, while allowing affordable housing units to be produced as a compliance alternative.

⁵ A 50% density bonus is also provided for projects that allocate 24% of the base zoning units to low income households. However, it is mathematically advantageous to select the 15% very low income option.

II. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

A. Survey of Existing Inclusionary Housing Programs

Nearly 200 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to increase affordable housing development, generally within otherwise market rate developments, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

To assist the County in evaluating options for updating its existing Inclusionary Housing program, it is useful to identify the elements that are typically included in programs being implemented in other California jurisdictions. To that end, KMA compiled the following survey information:

Inclusionary Housing Surveys	
Appendix A	Statewide
Appendix B	Representative Sample of Jurisdictions

STATEWIDE SURVEY

The statewide survey results can be summarized as follows:

1. In California, the majority of Inclusionary Housing programs include a threshold project size below which developments are not subject to the Inclusionary Housing obligations. Common thresholds found in the survey fall between three and 10 units, with a five unit median threshold and a seven unit average threshold. The County's program falls within that range, with a seven unit threshold.
2. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established affordable housing requirements in the range of 10% to 20% of the units in otherwise market rate developments that will be subject to the Inclusionary Housing requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being required, often with fewer units required when those units are more deeply affordable.

- b. Inclusionary Housing obligations have a disproportionate impact on smaller developments, because there are fewer market rate units available to spread the impact created by the income and affordability standards. As shown in the survey, a sliding scale requirement is sometimes used to mitigate these impacts.
- c. The length of the covenant period imposed on the affordable units varies from jurisdiction to jurisdiction. California Health and Safety Code (H&SC) Section 33413 applies covenant periods of 45 years for ownership housing units and 55 years for rental units. These standards are commonly used, but both shorter and longer covenant periods are imposed throughout the Inclusionary Housing programs in California.

REPRESENTATIVE SAMPLE OF JURISDICTIONS

KMA extracted a representative sample of jurisdictions from the 113 statewide survey for a more targeted review. The survey is presented in Attachment 2: Appendix B and it is comprised of the following jurisdictions:

Counties	Incorporated Cities
Monterey	Capitola
San Benito	Santa Cruz
San Luis Obispo	Scotts Valley
San Mateo	Watsonville
Santa Barbara	
Santa Clara	
Sonoma	

The results of this survey can be summarized as follows:

1. The threshold residential project size that triggers some form of an affordable housing obligation ranges from one to seven units.
2. The programs have established affordable housing requirements in the range of 10% to 20% of the units in otherwise market rate developments that will be subject to the Inclusionary Housing requirements. Three of the programs also include a requirement to provide units to households with gross income that exceeds the moderate income limit (120% of the relevant area median income (AMI)).

3. The requirements imposed on the restricted units range from 30% to 150% of the relevant AMI. In common terms this range includes extremely low (30% of AMI) to the above moderate or “middle” (150% of AMI) income levels.
4. Variance between ownership housing and rental development affordability requirements:
 - a. Five of the jurisdictions impose deeper affordability restrictions on rental developments than are imposed on ownership housing developments;
 - b. Four of the jurisdictions do not vary the affordability requirements between ownership housing and rental developments;
 - c. One jurisdiction does not impose an affordable housing production requirement on rental developments; and
 - d. One jurisdiction terminated their Inclusionary Housing program.
5. The covenant period requirements range from 55 years to perpetuity for rental development and 45 years to perpetuity for ownership housing development.

The sampled jurisdictions impose widely disparate Inclusionary Housing obligations. However, it is important to note that in general these sampled jurisdictions impose among the more stringent requirements exhibited among the 113 jurisdictions included in the statewide survey.

B. State Density Bonus and Inclusionary Housing Obligations

Developers commonly use the Section 65915 density bonus to reduce the financial impact created by the imposition of Inclusionary Housing obligations. The State Legislature regularly amends Section 65915, and it is the County’s responsibility to remain in compliance with the requirements imposed by Section 65915 as amended.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to count the affordable units used to fulfill Section 65915 affordable housing requirements towards the Inclusionary Housing obligations that will be imposed on a project.⁶ Based on that ruling, a developer must be allowed to use the same affordable units to fulfill both the Inclusionary Housing obligations and the Section 65915 requirements. However, in order to exercise this option, the developer must apply the more stringent of the two programs’ requirements.

⁶ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (*Napa*).

C. Structuring Issues

In structuring an Inclusionary Housing program, it is important to understand that the courts and the State Legislature have placed the following key limitations on the requirements that can be imposed.

SAN JOSE CASE

In the *San Jose* case, the California Supreme Court ruled that Inclusionary Housing programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing obligations are a planning tool rather than an exaction. This is interpreted to mean the following:

1. Affordable housing production requirements can be imposed on ownership housing developments; and
2. In-lieu fee payment options that are included in Inclusionary Housing production programs are not subject to the Assembly Bill 1600 nexus requirements imposed by the Mitigation Fee Act.

While case law to date has held that Inclusionary Housing programs are not subject to the Mitigation Fee Act, these programs must comply with the following criteria:

1. The obligations cannot be "confiscatory"; and
2. The obligations cannot deprive a property owner of a fair and reasonable return on their investment.

Since the court did not provide criteria under which jurisdictions can evaluate these limitations, each jurisdiction is left to create an evaluation methodology. The objective is to balance the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in identifying requirements that comport with the court's ruling.

AB 1505

AB 1505 amended Section 65850 of the California Government Code and added Section 65850.01. This legislation restored a jurisdiction's ability to impose Inclusionary Housing obligations on rental developments after that ability had been struck down by the Palmer case.

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01(a) gives HCD the authority to review the

restrictions imposed by an Inclusionary Housing program on rental developments if it requires more than 15% of the units to be restricted to low income households (those earning less than 80% of AMI), and if one of the following conditions applies:

1. The jurisdiction has failed to meet at least 75% of the allocated share for above moderate income units as set forth in its Regional Housing Needs Allocation (RHNA). This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or
2. HCD finds that the jurisdiction has not submitted their annual housing element report for at least two consecutive years.

The County has not met at least 75% of its RHNA for above moderate income units over the past five years. As such, HCD has the authority under Section 65850.01(a) to review any increased Inclusionary Housing obligations the may County propose to impose on rental development. In addition, in a technical guidance memorandum dated October 21, 2019, HCD reaffirmed its authority to review Inclusionary Housing ordinances as part of its review of a jurisdiction's Housing Element.

CALIFORNIA GOVERNMENT CODE SECTION 65583(A)

California Government Code Section 65583(a) (Section 65583(a)) requires the County to analyze potential and actual constraints placed on the development of housing. HCD has the discretion to require the County to demonstrate that the Inclusionary Housing obligations do not create a constraint to housing development. Within that context, it is important to recognize that the requirements imposed by an Inclusionary Housing program can only be expected to fulfill a small portion of the unmet need for affordable housing in unincorporated Santa Cruz County.

III. METHODOLOGY

The purpose of the Feasibility Study is to identify financially feasible Inclusionary Housing production requirements under the current market and financial conditions being exhibited in unincorporated Santa Cruz County. The components of the analysis are described in the following sections of the Feasibility Study.

A. Parameters

As the first step in the evaluation process, it is necessary to identify the parameters that will be applied in the analysis. One measurement is the Sixth Cycle RHNA Allocation Plan, which is used as a tool in the Housing Element process. For unincorporated Santa Cruz County this covers the period between 2023 and 2031, and the allocations are detailed in the following table:

Sixth Cycle RHNA Allocation Unincorporated Santa Cruz County 2023 through 2031		
Income Category	Total Obligation	% of Total
Extremely Low / Very Low ⁷	1,492	32%
Low	976	21%
Moderate	586	13%
Above Moderate	1,580	34%
Totals	4,634	100%

Notable factors to be considered are:

1. Over 30% of the unmet need for additional housing in the Sixth Cycle falls in the above moderate income category.
2. Outside financial subsidies are often available to affordable housing developments in which all of the units are income restricted to low income households, especially those in which a significant number of the units are restricted to extremely low and/or very low income

⁷ 2023 Housing Element Law requires the County to consider extremely low income households as a part of the very low income household category. The County's 2023 Housing Element assumes that 50% of the identified very low income household need is attributable to extremely low income households.

households. There are numerous affordable housing developers in the region that have experience obtaining these subsidies.

3. There are a limited number of outside funding programs available to assist low income units, and effectively no subsidies available to assist moderate or “middle” income units.

For these reasons it is KMA’s opinion that the County’s Inclusionary Housing Program should maintain its affordability requirements at the low income level for rental units and the moderate income level for ownership housing units. In addition, the Inclusionary Housing program should balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.

B. Program Foundation

The financial analyses included in the Feasibility Study are predicated on the requirements imposed by court rulings and State legislation. In evaluating the financial impacts associated with the imposition of Inclusionary Housing obligations KMA placed the most weight on the following impacts:

1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed Inclusionary Housing production requirements; and
2. The future increases in market rate sales prices and rents that would need to be achieved to offset the proposed Inclusionary Housing production requirements.

The financial impacts analysis is used to identify Inclusionary Housing obligations that achieve the following goals:

1. Minimizing the reduction in supportable land values so that there will not be a disincentive for property owners to sell their properties; and
2. Imposing obligations of a magnitude that can potentially be offset by near-term increases in achievable market rate sales prices and rents.

It is important to understand that every proposed project embodies unique characteristics. It is therefore KMA’s opinion that a conservative approach should be used in establishing the Inclusionary Housing obligations. The benchmarks standards KMA used in evaluating potential requirements are:

Financial Impact Goals Benchmark Evaluation Standards	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing obligations.	30%
OR	
The increase in market rate sales prices or rents that would be needed to offset the proposed requirements.	6%

KMA evaluates the results of these tests in order to develop a comprehensive perspective on the financial impacts created by Inclusionary Housing obligations. These analyses collaboratively inform the KMA conclusions as to the Inclusionary Housing obligations that can be supported.

C. Feasibility Study Structure

The KMA financial analyses components are described in the following sections of this report.

DEVELOPMENT PROTOTYPES

County staff provided KMA with a list of ownership housing and rental developments that are currently in the pipeline. In addition, KMA reviewed the 2023 Housing Element and compiled data pertaining to recent ownership housing and rental development that has occurred. This information was used to create the prototype residential developments that were evaluated.

It is important to understand that the prototypes used in the Feasibility Study do not represent actual projects. Instead, the prototypes represent composites of projects that have recently been developed or proposed for development and the results of KMA market surveys.

PRO FORMA ANALYSES

KMA prepared the following pro forma analyses to assist in identifying the supportable Inclusionary Housing obligations:

Ownership Housing Development

Existing ownership housing development in unincorporated Santa Cruz County is focused on detached home and townhome developments. Based on recent trends KMA made the assumption that in the foreseeable future ownership housing development will be focused on developments with densities ranging from 9 to 21 units per acre.

Rental Development

KMA identified a small number of market rate rental development that are currently being proposed in unincorporated County areas and in the incorporated cities located within Santa Cruz county. The downtown and westside areas within the City of Santa Cruz were excluded from this analysis due to the fact that the residential real estate development occurring in these areas is significantly different from the development occurring in the rest of Santa Cruz County.

Based on the available information KMA evaluated the following rental development types:

- 1. A zoning compliant development at a density of 50 units per acre.
- 2. A development that allocates 15% of the units allowed by the site’s base zoning to very low income households. This entitles the development to a 50% Section 65915 density bonus.
- 3. A development that allocates 20% of the units allowed by the site’s base zoning to very low income households. This entitles the development to a 70% Section 65915 stacking density bonus.

D. Financial Analysis Organization

The following sections of the Feasibility Study describe the assumptions, analysis and findings related to ownership housing and rental developments. The analyses are supported by the following Attachments:

Financial Analysis Organization	
Attachment 3:	Affordable Housing Cost Calculation Methodologies
Attachment 4:	Ownership Housing Development
Attachment 5:	Rental Development

IV. OWNERSHIP HOUSING ANALYSES

The County's Inclusionary Housing program requires moderate income units to be included in ownership housing developments. The moderate income category is commonly applied to the ownership housing component of Inclusionary Housing programs throughout the state. This reflects the fact that moderate income households are more likely to have the savings and good credit necessary to qualify for mortgages, as well as more discretionary income to devote to the ongoing costs associated with home ownership than those of low income households.

The ownership housing development analyses are based on the assumption that the Inclusionary Housing requirements in ownership housing developments will continue to be set at the moderate income level, and that the enhanced density bonus will continue to be offered. KMA estimated the supportable Inclusionary Housing production requirements based on these assumptions.

A. Prototypes

The prototype ownership housing development alternatives presented in the following table were used to evaluate the impacts created by project types anticipated to be developed in unincorporated Santa Cruz County:

Project Descriptions Ownership Housing Development Prototypes			
	Townhome Prototype on a 1.0 Acre Site	Townhome Prototype on a 1.0 Acre Site	Small Lot SFH Prototype on a 2.4 Acre Site
Base Zoning	13 Units Per Acre	16 Units Per Acre	7 Units Per Acre
<u>Unit Mix</u>			
Two-Bedroom Units	2		
Three-Bedroom Units	11	16	17
Total Units	13	16	17
Enhanced Density Bonus	15 Units Per Acre	21 Units Per Acre	9 Units Per Acre
<u>Unit Mix</u>			
Two-Bedroom Units	2		
Three-Bedroom Units	13	21	21
Total Units	15	21	21
<u>Square Feet of Habitable Area Per Unit</u>			
Two-Bedroom Units	1,100		
Three-Bedroom Units	1,540	1,200	2,200

B. Pro Forma Organization and Assumptions

DEVELOPMENT ALTERNATIVES

Market Rate Alternatives

KMA analyzed 100% market rate ownership housing development prototypes to use as baseline value measures. The 100% market rate scenarios are based on development scopes that comport with the base zoning standards that are imposed on the development site. The analyses are organized as follows:

Pro Forma Analyses – Market Rate Alternatives Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The estimated developer profit levels for the 100% market rate alternatives are used as the benchmark profit percentage for the purpose of estimating the impacts created by the imposition of Inclusionary Housing production requirements.

Moderate Income Alternatives

KMA prepared sensitivity analyses for the three prototypes to identify the percentage of moderate income housing units that could be supported under the benchmark financial impact parameters. These prototypes include the use of the enhanced density bonus at levels that have been applied by recently developed and proposed ownership housing developments. The pro forma analyses for the affordable housing alternatives are organized as follows:

Pro Forma Analyses – Moderate Income Alternatives Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Estimated Financial Impacts: Inclusionary Housing Requirement

KMA measured the financial impacts created by the imposition of Inclusionary Housing production requirements using the evaluation tools described previously in the Feasibility Study. These tools were used to identify the moderate income requirements that can be feasibly imposed on ownership housing developments.

AFFORDABLE SALES PRICE ASSUMPTIONS

The Affordable Sales Price calculation methodology that is applied in the affordable housing alternatives is described in Attachment 3: Appendix A. The results are presented in the following table:

Affordable Sales Prices Moderate Income Units Ownership Housing Development Prototypes		
	Condo / Townhomes	Detached Homes
Two-Bedroom Units	\$403,300	\$447,800
Three-Bedroom Units	\$431,800	\$491,100

C. Pro Forma Analyses

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE (13 TO 15 UNITS PER ACRE)

The pro forma analyses for the Townhome Prototype on a 1.0 Acre Site (13 to 15 Units Per Acre) are provided in Attachment 4: Appendix C. The characteristics of the prototype are described in the following table:

Unit Information Townhome Prototype on a 1.0 Acre Site Densities at 13 to 15 Units Per Acre			
Total Units		Square Feet of Habitable Area Per Unit	
Base Zoning	13 Units	Two-Bedroom Units	1,100
Enhanced Density Bonus	15 Units	Three-Bedroom Units	1,540

The results of the pro forma analyses are presented in the table on the following page:

Project Economics Townhome Prototype on a 1.0 Acre Site Densities at 13 to 15 Units Per Acre Ownership Housing Development Prototypes		
	Market Rate Alternative	Moderate Income Inclusionary Obligation
<u>Development Costs</u>		
Total	\$13,230,000	\$14,845,000
Per Unit	\$1,018,000	\$990,000
Per Square Foot of Habitable Area	\$691	\$668
<u>Weighted Average Sales Prices</u>		
Market Rate Units	\$1,202,300	\$1,204,300
Moderate Income Units		\$235,000
Net Revenue	\$14,770,000	\$16,155,000
<u>Developer Profit</u>		
Total	\$1,540,000	\$1,310,000
As a % of Total Development Cost	11.6%	8.8%
Inclusionary Housing Requirement		15.0%
<u>Estimated Financial Impacts: Inclusionary Housing Requirement</u>		
Acq Cost Reduction to Offset Impact		31%
% Price Increase to Offset Impact		6.2%

The analysis indicates that if a 15% moderate income requirement is applied the estimated impacts are slightly higher than the evaluation benchmarks being applied in this analysis. However, it is KMA's opinion that variances of this magnitude can be considered insignificant.

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE (16 TO 21 UNITS PER ACRE)

The pro forma analyses for the Townhome Prototype on a 1.0 Acre Site (16 to 21 Units Per Acre) are provided in Attachment 4: Appendix D. The characteristics of the prototype are described in the following table:

Unit Information Townhome Prototype on a 1.0 Acre Site Densities at 16 to 21 Units Per Acre			
Total Units		Square Feet of Habitable Area Per Unit	
Base Zoning	16 Units	Three-Bedroom Units	1,200
Enhanced Density Bonus	21 Units		

The results of the pro forma analyses are presented in the following table:

Project Economics Townhome Prototype on a 1.0 Acre Site Densities at 16 to 21 Units Per Acre		
	Market Rate Alternative	Moderate Income Inclusionary Obligation
<u>Development Costs</u>		
Total	\$15,235,000	\$18,863,000
Per Unit	\$952,000	\$898,000
Per Square Foot of Habitable Area	\$793	\$749
<u>Weighted Average Sales Prices</u>		
Market Rate Units	\$1,140,000	\$1,140,000
Moderate Income Units		\$431,800
Net Revenue	\$17,237,000	\$20,616,000
<u>Developer Profit</u>		
Total	\$2,002,000	\$1,753,000
As a % of Total Development Cost	13.1%	9.3%
Inclusionary Housing Requirement		15.0%
<u>Estimated Financial Impacts: Inclusionary Housing Requirement</u>		
Acq Cost Reduction to Offset Impact		20%
% Price Increase to Offset Impact		3.5%

The analysis indicates that if a 15% moderate income requirement is applied the prototype outperforms both of the evaluation benchmarks being applied in this analysis.

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE (7 TO 9 UNITS PER ACRE)

The pro forma analyses for the Small Lot Detached Home Prototype on a 2.4 Acre Site (7 to 9 Units Per Acre) are provided in Attachment 4: Appendix E. The characteristics of the prototype are described in the following table:

Unit Information Small Lot Detached Home Prototype on a 2.4 Acre Site Densities at 7 to 9 Units Per Acre			
Total Units		Square Feet of Habitable Area Per Unit	
Base Zoning	17 Units	Three-Bedroom Units	2,200
Enhanced Density Bonus	21 Units		

The results of the pro forma analyses are presented in the following table:

Project Economics Small Lot Detached Home Prototype on a 2.4 Acre Site Densities at 7 to 9 Units Per Acre		
	Market Rate Alternative	Moderate Income Inclusionary Obligation
<u>Development Costs</u>		
Total	\$23,868,000	\$27,844,000
Per Unit	\$1,404,000	\$1,326,000
Per Square Foot of Habitable Area	\$638	\$613
<u>Weighted Average Sales Prices</u>		
Market Rate Units	\$1,640,000	\$1,640,000
Moderate Income Units		\$491,100
Net Revenue	\$26,347,000	\$29,288,000
<u>Developer Profit</u>		
Total	\$2,479,000	\$1,444,000
As a % of Total Development Cost	10.4%	5.2%
Inclusionary Housing Requirement		15.0%
<u>Estimated Financial Impacts: Inclusionary Housing Requirement</u>		
Acq Cost Reduction to Offset Impact		25%
% Price Increase to Offset Impact		4.9%

The analysis indicates that if a 15% moderate income requirement is applied the prototype outperforms both of the evaluation benchmarks being applied in this analysis.

D. Summary: Ownership Housing Development Analysis

The preceding section of the Feasibility Study used pro forma analyses of prototype ownership housing developments to assist in identifying the Inclusionary Housing production requirements that can currently be supported. Based on the results of the analyses KMA concluded that a 15% moderate income Inclusionary Housing production requirement can be supported by ownership housing development.

For reference purposes, KMA also evaluated the following for each of the three ownership housing development prototypes:

1. The impact created by the imposition of a 20% moderate income production requirement; and
2. The Inclusionary Housing production requirement that could be supported if a low income requirement were imposed.

The results of these analyses are summarized in the following table.

Alternative Inclusionary Housing Requirements Ownership Housing Development Prototypes			
	Townhome Prototype on a 1.0 Acre Site	Townhome Prototype on a 1.0 Acre Site	Small Lot Detached Home Prototype on a 2.4 Acre Site
Total Units			
Base Zoning	13	16	17
Enhanced Density Bonus	15	21	21
Density			
Base Zoning	13 Units Per Acre	16 Units Per Acre	7 Units Per Acre
Enhanced Density Bonus	15 Units Per Acre	21 Units Per Acre	9 Units Per Acre
<u>20% Moderate Income Inclusionary Obligation</u>			
Property Acquisition Cost Reduction to Offset Impact	55%	39%	44%
% Market Rate Sales Price Increase to Offset Impact	11.9%	7.2%	9.0%
Supportable Low Income Inclusionary Obligation	9.0%	11.0%	11.0%

As shown in the table on the previous page:

1. If the moderate income Inclusionary Housing production requirement is set at 20% neither of the evaluation benchmarks being applied in this analysis are met.
2. If the Inclusionary Housing production requirement is set at the low income level, a 9% to 11% Inclusionary Housing requirement could be supported.

V. RENTAL DEVELOPMENT ANALYSIS

A. Prototypes

Since the mid-1980s, multifamily rental development in the unincorporated areas of Santa Cruz County has been largely limited to subsidized affordable housing developments built primarily with significant financial assistance from the County's former redevelopment agency. The lack of market-rate multifamily rental development is also largely been the case for the incorporated cities located in Santa Cruz County with the exception of the downtown and westside areas within the City of Santa Cruz.

KMA was only able to identify one recently constructed market rate rental development in unincorporated Santa Cruz County, and it is a small mixed-use project. When KMA expanded the search to incorporated cities we were only able to identify one project that was developed within the past 10 years, and one project that is currently in the development process.⁸

The rental prototypes that KMA evaluated in the Feasibility Study are described in the following table:

Project Descriptions Rental Development on a 1.2 Acre Site Rental Development Prototypes			
	Zoning Compliant Alternative	50% Section 65915 Density Bonus Alternative	70% Section 65915 Stacking DB Alternative
Density (Units/Acre)	50	75	85
<u>Unit Mix</u>			
Studio Units	18	27	31
One-Bedroom Units	12	18	20
Two-Bedroom Units	18	27	31
Three-Bedroom Units	12	18	20
Total Units	60	90	102
<u>Square Feet of Habitable Area Per Unit</u>			
Studio Units	450	450	450
One-Bedroom Units	625	625	625
Two-Bedroom Units	800	800	800
Three-Bedroom Units	1,200	1,200	1,200
Weighted Average Unit Size	740	740	738
Parking Spaces Per Unit	1.70	1.63	1.62

⁸ The survey excluded development located in the downtown and westside areas within the City of Santa Cruz.

The distribution of units and the unit sizes that were applied in each of the development alternatives are presented in the following table:

Unit Information Rental Development Prototypes			
Distribution of Units		Square Feet of Habitable Area Per Unit	
Studio Units	30%	Studio Units	450
One-Bedroom Units	20%	One-Bedroom Units	625
Two-Bedroom Units	30%	Two-Bedroom Units	800
Three-Bedroom Units	20%	Three-Bedroom Units	1,200

B. Pro Forma Organization and Assumptions

DEVELOPMENT ALTERNATIVES

Market Rate Alternative: Zoning Compliant Alternative

The Market Rate Alternative: Zoning Compliant Alternative is based on a rental development that complies with the zoning and development standards imposed by the Santa Cruz County Code. The 100% market rate rental development prototype that was used as baseline value measures is organized as follows:

Pro Forma Analysis - 100% Market Rate Alternative Rental Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Stabilized Return on Investment

The estimated stabilized return on investment generated by the 100% market rate alternative is used as the benchmark for the purpose of estimating the impacts created by the imposition of Inclusionary Housing production requirements.

Affordable Housing Alternatives

1. KMA prepared an analysis of the prototype development based on the following assumptions:

- a. A development scope that comports with the zoning and development standards imposed by the Santa Cruz County Code; and
 - b. The Inclusionary Housing production requirement is fulfilled with low income units.
2. KMA evaluated two alternatives that include the use of the Section 65915 density bonus.

The pro forma analyses for the affordable housing alternatives are organized as follows:

Pro Forma Analyses – Affordable Housing Alternatives Rental Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Financial Impacts: Inclusionary Housing Requirement

KMA measured the financial impacts created by the imposition of Inclusionary Housing production requirements using the evaluation tools described previously in the Feasibility Study. These tools were used to identify the affordable housing requirements that can be feasibly imposed on rental developments.

AFFORDABLE RENT ASSUMPTIONS

The Affordable Rent calculation methodology that is applied in the affordable housing alternatives is described in Attachment 3: Appendix B. The results are presented in the following table:

Affordable Rents Rental Development Prototypes		
	Low Income - Rent Based on 60% of the HUD AMI	Very Low Income - Rent Based on 50% of the HUD AMI
Studio Units	\$1,930	\$1,583
One-Bedroom Units	\$2,197	\$1,802
Two-Bedroom Units	\$2,430	\$1,985
Three-Bedroom Units	\$2,660	\$2,166

C. Pro Forma Analyses

The pro forma analyses are provided in Attachment 5: Appendix C, and are organized as follows:

Development Alternatives Rental Development Pro Forma Analyses	
Exhibit I:	Market Rate Alternative: Zoning Compliant Alternative
Exhibit II:	Low Income Inclusionary Housing Requirement: Zoning Compliant Alternative
Exhibit III:	Very Low Income Density Bonus Requirement @ 15% Base Zoning Units 50% Section 65915 Density Bonus Alternative
Exhibit IV:	Very Low Income Density Bonus Requirement @ 20% Base Zoning Units 70% Section 65915 Stacking Density Bonus Alternative

LOW INCOME INCLUSIONARY HOUSING REQUIREMENT: ZONING COMPLIANT ALTERNATIVE

The results of the pro forma analysis is presented in the following table:

Project Economics Low Income Inclusionary Housing Requirement - Zoning Compliant Alternative Rental Development Prototypes		
<u>Development Costs</u>		
Total	\$30,540,000	
Per Unit	\$509,000	
Per Square Foot of Habitable Area	\$690	
	Market Rate Rents	Low Income Rents
Studio Units	\$2,244	\$1,930
One-Bedroom Units	\$3,308	\$2,197
Two-Bedroom Units	\$3,792	\$2,430
Three-Bedroom Units	\$4,094	\$2,660
	Market Rate Alternative	Low Income Inclusionary Housing Requirement
Operating Expenses/Unit	\$12,617	\$12,367
Stabilized Net Operating Income	\$1,546,000	\$1,489,000
Stabilized Return on Total Investment	5.06%	4.88%
Inclusionary Housing Requirement		12%
<u>Estimated Financial Impacts: Inclusionary Housing Requirement</u>		
Acq Cost Reduction to Offset Impact		29%
% Market Rate Rent Increase to Offset Impact		3.5%

The analysis indicates that if a 12% low income requirement is imposed the estimated financial impacts are:

1. The 29% estimated property acquisition cost reduction required to offset the financial impact is lower than the 30% benchmark being applied in the analysis.
2. The 3.5% percentage increase in the achievable market rents required to offset the impact is significantly lower than the 6% benchmark being applied in this analysis.

The analysis indicates that if a 12% low income requirement is applied, the prototype outperforms both of the evaluation benchmarks being applied in this analysis. However, if the low income requirement is increased to 13%, neither of the evaluation benchmarks are met.

SECTION 65915 DENSITY BONUS ALTERNATIVES

The use of the Section 65915 density bonus can potentially mitigate the impacts created by the income and affordability controls imposed by an Inclusionary Housing program. For the purposes of this analysis, KMA assumed that developers typically would choose to provide very low income units to fulfill the affordability requirements imposed by Section 65915.

The density bonus percentage that can be used on an efficient basis depends on the characteristics of the development site. KMA prepared pro forma analyses to evaluate the impact of the Section 65915 density bonus under the following two alternatives:

1. A 50% density bonus provided under the requirements imposed by Section 65915(b)(1)(B); and
2. A 70% stacking density bonus provided under the requirements imposed by a combination of Section 65915(b)(1)(B), Section 65915(v)(1)(B), and Section 65915(v)(2).

The purpose of the analysis was to compare the economic characteristics of the Zoning Compliant Alternative to the characteristics of a rental development that makes use of the benefits provided by the Section 65915 density bonus. The comparative measures that were applied are:

1. The estimated stabilized return on total investment; and
2. The percentage of affordable units that would be provided.

Very Low Income Density Bonus Requirement @ 15% Base Zoning Units
50% Section 65915 Density Bonus Alternative

The results of the pro forma analyses are presented in the following table:

Project Economics Very Low Income Density Bonus Requirement @ 15% Base Zoning Units 50% Section 65915 Density Bonus Alternative Rental Development Prototypes		
<u>Development Costs</u>		
Total	\$46,050,000	
Per Unit	\$511,700	
Per Square Foot of Habitable Area	\$690	
	Market Rate Rents	Very Low Income Rents
Studio Units	\$2,244	\$1,583
One-Bedroom Units	\$3,308	\$1,802
Two-Bedroom Units	\$3,792	\$1,985
Three-Bedroom Units	\$4,094	\$2,166
Operating Expenses/Unit	\$12,233	
Stabilized Net Operating Income	\$2,189,000	
	Low Income Inclusionary Housing Requirement	Very Low Income Density Bonus Requirement
Stabilized Return on Total Investment	4.88%	4.75%
Inclusionary Housing Requirement		
As a % of Base Zoning Units		15.0%
As a % of Total Units	12%	11.1%

The results of the analysis indicate the following:

1. The 50% Section 65915 Density Bonus Alternative generates a slightly lower estimated stabilized return on total investment than does the Zoning Compliant Alternative.
2. Under the 50% Density Bonus Alternative, the requirement to allocate 15% of the base zoning units to very low income households equates to 11.1% of the total units in the project. This is slightly lower than the 12% low income requirement that is supported by the Zoning Compliant Alternative.

*Very Low Income Density Bonus Requirement @ 20% Base Zoning Units
70% Section 65915 Stacking Density Bonus Alternative*

The results of the pro forma analyses are presented in the following table:

Project Economics Very Low Income Density Bonus Requirement @ 20% Base Zoning Units 70% Section 65915 Stacking DB Alternative Rental Development Prototypes		
<u>Development Costs</u>		
Total	\$51,518,000	
Per Unit	\$505,100	
Per Square Foot of Habitable Area	\$680	
<u>Market Rate Rents</u>	<u>Market Rate Rents</u>	<u>Very Low Income Rents</u>
Studio Units	\$2,244	\$1,583
One-Bedroom Units	\$3,308	\$1,802
Two-Bedroom Units	\$3,792	\$1,985
Three-Bedroom Units	\$4,094	\$2,166
Operating Expenses/Unit	\$12,206	
Stabilized Net Operating Income	\$2,472,000	
	Low Income Inclusionary Housing Requirement	Very Low Income Density Bonus Requirement
Stabilized Return on Total Investment	4.88%	4.80%
Inclusionary Housing Requirement		
As a % of Base Zoning Units		20.0%
As a % of Total Units	12%	11.8%

The results of the analysis indicate the following:

1. The 70% Section 65915 Density Bonus Alternative generates a slightly lower estimated stabilized return on total investment than does the Zoning Compliant Alternative.
2. Under the 70% Density Bonus Alternative, the requirement to allocate 20% of the base zoning units to very low income households equates to 11.8% of the total units in the project. This is roughly equivalent to the 12% low income requirement that is supported by the Zoning Compliant Alternative.

D. Summary: Rental Development Analysis

FEASIBILITY STUDY CONCLUSIONS

Based on the results of the rental development analyses KMA concluded that a 12% low income requirement can be supported by zoning compliant rental developments. KMA also evaluated the impact created by the use the Section 65915 density bonus. The results of the density bonus analyses indicate that the affordable units as a percentage of the total units in the development will be slightly lower or equivalent to the percentage of affordable units generated by zoning compliant rental developments.

Alternative Inclusionary Housing Requirements Rental Development Prototypes			
	Low Income Inclusionary Housing Requirement - Zoning Compliant Alternative	Very Low Income Density Bonus Requirement @ 15% Base Zoning Units	Very Low Income Density Bonus Requirement @ 20% Base Zoning Units
Density (Units/Acre)	50	75	85
Total Units	60	90	102
Stabilized Return on Total Investment	4.88%	4.75%	4.80%
Inclusionary Housing Requirement			
As a % of Base Zoning Units		15%	20%
As a % of Total Units	12%	11.1%	11.8%

It is important to consider that over multiple real estate cycles there has been a lack of market-rate multifamily rental development in unincorporated Santa Cruz County. As such, it can be concluded that the imposition of an Inclusionary Housing production requirement on rental housing development would create an additional constraint to future development opportunities.

HOUSING CHOICE VOUCHER PROGRAM

The City of Santa Cruz imposes a 20% low income Inclusionary Housing production requirement on rental development. However, up to 5% of these units may be occupied by tenants that are receiving rental assistance from the United States Department of Housing and Urban Development (HUD)

Housing Choice Voucher Program. The allowable rent for these units is set at the lesser of the applicable payment standard or the affordable rent for a moderate income household.⁹

The factors for the County to consider in relation to the imposition of this type of requirement are:

1. Households that hold Housing Choice Vouchers can choose to reside in any development that accepts vouchers. They cannot be required to reside in a specific project.
2. Lenders will not include the prospective rental income from Housing Choice Vouchers in their projected cash flow models when underwriting new construction loans for the following reasons:
 - a. There is no guarantee that any given unit in the project will ultimately be leased to a Housing Choice Voucher holder; and
 - b. A tenant with a Housing Choice Voucher that does choose to lease a unit in the project will take that voucher with them when they choose to relocate.
3. The Fair Market Rents established by HUD are often less than the rent that can be achieved by a new market rate rental unit located in Santa Cruz County
4. Neither the County, nor any other locality, can legally bar a landlord from renting any of their units, including Inclusionary Units, to Housing Choice Voucher holders. Therefore, no new benefit is being offered to landlords by imposing a requirement to restrict certain Inclusionary Units to rental by Housing Choice Voucher holders

For these reasons and related concerns, whether warranted or not, some developers are not interested in seeking out Housing Choice Voucher recipients as tenants. Their concerns are not ameliorated by the speculative potential of receiving rents at the payment standard approved by HUD. As such, it is KMA's opinion that imposing a requirement for developers to set aside certain Inclusionary Units in their project for Housing Choice Voucher recipients (above and beyond the base Inclusionary Housing requirement, as has been proposed in the past) would create an additional constraint or disincentive to the development of rental housing in the county.

⁹ The City of Santa Cruz Inclusionary Housing requirements are codified in Chapter 24.16 of the Santa Cruz Municipal Code.

VI. FEASIBILITY STUDY CONCLUSIONS

The results of the Feasibility Study can be summarized as follows:

A. Ownership Housing Development

The conclusions derived from the ownership housing development analyses are:

1. A 15% moderate income Inclusionary Housing production requirement can be supported by ownership housing development.
2. If the moderate income requirement is set at 20%, neither of the identified evaluation benchmarks being applied are met.
3. If a mandatory low income requirement is imposed, in place of the moderate income requirement, a 9% to 11% Inclusionary Housing requirement could be supported.

B. Rental Development

Under current market and financial conditions, the supportable Inclusionary Housing production requirements for rental development are:

1. A 12% low income requirement can be supported for zoning compliant rental developments.
2. Rental developments that can use the Government Code Section 65915 density bonus would be subject to the following very low income requirements:
 - a. Section 65915(b)(1)(B) provides a 50% density bonus for developments that allocate 15% of the units allowed by a site's base zoning to very low income households. This equates to 11.1% of the total number of units in the prototype that was analyzed in the Feasibility Study.
 - b. KMA combined the Section 65915(b)(1)(B) density bonus with the Section 65915(v)(2) stacking bonus to achieve a 70% density bonus. This requires 20% of the units allowed by a site's base zoning to be allocated to very low income households. This equates to 11.8% of the total number of units in the prototype that was analyzed in the Feasibility Study.

Program H-3H of the 2023 Housing Element requires the County to study the feasibility of modifying the Inclusionary Housing program to subject rental development to an affordable housing production requirement. Based on the lack of market-rate multifamily rental development in unincorporated Santa Cruz County over multiple real estate cycles, it can be concluded that rental development will continue to be financially challenging. If the County wishes to encourage rental development, it would be prudent to continue the existing policy that requires the developers of rental developments to pay an Affordable Housing Impact Fee, while allowing affordable housing units to be produced as a compliance alternative.

ATTACHMENT 1
SELECTED 2023 HOUSING ELEMENT PROGRAMS
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

HOUSING ELEMENT PROGRAM H-3H

Commission a new nexus study and evaluation of the County’s inclusionary housing program (aka “Measure J”) codified in County Code Chapter 17.10. The study should, at a minimum, evaluate the nexus related to the following aspects of the program, and provide recommendations for legally defensible and warranted updates: possible updates to the Affordable Housing Impact Fee (AHIF) rates and fee structure, which provides different fee rates for various categories of residential developments; the mandatory inclusionary percentage required of ownership projects subject to the ordinance (currently 15%); which types of projects are required to meet the mandatory inclusionary requirements (ownership and/or rental) rather than being allowed to pay the housing impact fees; the project size threshold that triggers the mandatory inclusionary requirements (currently seven net new units); requirements related to replacement of existing affordable units on the site; whether or not replacement affordable units can or should be counted toward the mandatory inclusionary requirements; affordability levels; and harmonizing the program with State density bonus law. The study shall comply with applicable State law regarding nexus studies and inclusionary housing, including, to the extent applicable, Government Code Section 65850.01. If the outcome of the study results in a proposal to increase the mandatory inclusionary requirements above 15%, the State HCD may require the County to produce an economic feasibility study as set forth in GC 65850.01. If that is the case, the required feasibility study shall be produced within one year of completion of the nexus study and prior consideration of any ordinance to increase the inclusionary percentage. Any updates to the County inclusionary program shall not be a constraint on residential development.

- Responsibility: CDI Planning, County Counsel
- Timeframe: June 2025 (for nexus study)
- Funding Source: CDI Budget
- Measurable Outcome: Completed nexus study and evaluation; and if directed by the Board, completion of draft ordinance to amend Chapter 17.10 within one year of study completion (or within two years, if an economic feasibility study is required).

APPENDIX B

HOUSING ELEMENT PROGRAM H-3J

Modify the County’s inclusionary housing requirements in SCCC Chapter 17.10 to make the following changes: 1) Require 15% of all rental units developed in residential rental projects subject to the inclusionary requirements of Chapter 17.10 to be provided as affordable (“Measure J”) units (consistent with SCCC 17.10.039, except that this section shall serve as the mandatory compliance option for rental projects of 7 or more new units, rather than an alternative compliance option); and 2) Do not count replacement units (those required to replace any existing affordable units on the site, as defined in SCCC 17.12.025) toward the 15% inclusionary requirements of Chapter 17.10.

- Responsibility: CDI, Housing Advisory Commission, Planning Commission, Board of Supervisors
- Timeframe: December 2025, or as soon as practicable following completion of Program H-3H
- Funding Source: General Budget
- Measurable Outcome: Ordinance amending SCCC Chapter 17.10 to make the changes described above.

ATTACHMENT 2

INCLUSIONARY HOUSING PROGRAM SURVEYS INCLUSIONARY HOUSING: FINANCIAL EVALUATION COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEY STATEWIDE INCLUSIONARY HOUSING: FINANCIAL EVALUATION COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
<u>Inclusionary Requirements: Both Rental and Ownership Projects</u>									
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	No	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45
Alameda	Create on-site units; create off-site units; pay in-lieu fee. Full sch	15%	No	5	4% @ VL + 4% @ Low + 7% @ Mod	59	5	4% @ VL + 4% @ Low + 7% @ Mod	59
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	15%	Yes	5		Perpetual	5		Perpetual
Alhambra	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	5	6% at 120% AMI+ 9% at 80% AMI		5	6% at 120% AMI+ 9% at 80% AMI	
Arcadia	Create on-site units; create off-site units; pay in-lieu fee by right for ownership projects; rental projects with 20 or fewer units; and fractional unit obligations	Rental: 9% to 18% Own: 5%	No	10	9% VL or 5% VL + 6% Low or 14% Low or 18% Mod	55	10	5% Mod	Earlier of first resale or 45 years. Equity share on first resale
Avalon	Create on-site units; create off-site units; pay in-lieu fee. Full sch	20%	No	4	Decided per project	55	4	Decided per project	55
Berkeley	Create on-site units; pay in-lieu fee.	20%	No	5	80% unless subsidies are available	Life of the Building	5	80%	Life of the Building
Brea	On-site units; pay in-lieu fee; land dedication; acquisition and conversion of other units within city. City provides incentives to mitigate the impact of the requirement.	10%	Yes	10	5% ELI; or 7% VLI + 3% up to 140% AMI; or 10% LI + 5% up to 140% AMI; or 20% 120% AMI; or 30% 140% AMI	55	10	5% ELI; or 7% VLI + 3% up to 140% AMI; or 10% LI + 5% up to 140% AMI; or 20% 120% AMI; or 30% 140% AMI	45
Burbank	Create on-site units; create off-site units through new construction, substantial rehabilitation, or adaptive reuse; donate land; pay in-lieu fee.	15%	No	5	5% @ Very Low + 10% @ Low	> of 55 years or as long as resid use	5	Mod	> of 55 years or as long as resid use

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Calabasas	Create on-site units; create off-site units; convert market rate units; preserve or rehab existing housing; pay in-lieu fee.	20%	No	5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50%		5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50% of AMI	
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	15%	No	10	6% @ VL + 9% @ Low	55	10	120%	45
Carlsbad	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	15%	No	1	Low	55	1	Low	30
Chino	Create on-site units; create off-site units; pay in-lieu fee; donate land; create a site within an ownership housing development on which rental units are constructed. Program requirements are only imposed in designated residential overlay areas.	Rental: Up to 26 DU/AC @ 9% / 13% Above 30 DU/AC Ownership @ 3%	Yes	10	80% AMI	> of 75 years or as long as resid use	10	Mod	45
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	20	5% @ Low + 5% @ Mod	Life of Bldg	20	5% @ Low + 5% @ Mod	Life of Bldg
Claremont	Create on-site units; pay in-lieu fee; land donation.	15%	No	5	5% @ Low + 10% @ Mod	> of 55 years or as long as resid use	5	5% Claremont Low + 10% Mod	Equity share on first resale
Colma	Create on-site units; pay in-lieu fee.	20%	No	5	5% @ VL + 5% @ Low + 10% @ Mod	55	5	5% @ VL + 5% @ Low + 10% @ Mod	45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee.	10%	Yes	5		55	5		45
Contra Costa County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	5	3% @ VL + 12% @ Lower	55	5	3% @ Lower + 12% @ Mod	3
Coronado	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	20%	No	2	Low		2	Mod	
Cupertino	1-7 units pays in-lieu fee. Create on-site units; create off-site units; pay impact/linkage fee; donate land.	15%	No	7	50% / 80%	99	7	50% / 120%	99

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Davis	Create on-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	10% - 25%	No	5-19 , 20+	5-19: 15% @ 80% or 10% @ 50%. 20+: 25% @ 80% or 10% @ 50%	Perpetual	5	120%	Perpetual
Del Mar	Create on-site units. In-lieu fee option provided for subdivisions that create new lots.	15% - 20%	No	2	2-30: 15% @ ELI, VL, or Low 30-49: 20% @ ELI, VL, or Low 50+: 20% @ ELI, VL, or Low - At least 20% ELI	55	2	2-30: 15% @ ELI, VL, or Low 30-49: 20% @ ELI, VL, or Low 50+: 20% @ ELI, VL, or Low - At least 20% ELI	55
Downey	Create on-site units; create off-site units; pay in-lieu fee in the case of extreme hardship for apartments.	11%/10%	No	10	Mod	> of 55 years or as long as resid use	10	Mod	45
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	12.5%	No	20	50% @ 120% + 20% @ 80% + 30% @ 50%	55	20	5% @ 80% + 7.5% @ 120%	55
Encinitas	Create on-site units; create off-site units; create ADU's; preserve at-risk units; pay in-lieu fee; donate land.	15%/20%	No	7	15% @ VL or 20% @ Low	Perpetual	7	15% VL or 20% @ Low	Perpetual
Fillmore	Create on-site units; create off-site units; pay in-lieu fee; donate land.	15%	No	5	20+: 5% ELI or VL & 10% Low 17-19: 2 Low + one ELI or VL; 10- 16: 2 Low; 5-9: 1 Low	55	5	20+: 5% ELI or VL & 10% Low 17-19: 2 Low + one ELI or VL; 10- 16: 2 Low; 5-9: 1 Low	45
Fremont	Has a production option, but the in-lieu fee option is more cost effective.	15%	No	2	10% @ Low		2	5% @ Mod + 10% @ Low	
Fort Bragg	Create on-site units. With City Council approval: create off-site units; create small secondary units in SFH projects with 30 or fewer units; acquisition/rehabilitation; land donation.	4-6 Units: 1 7+: 15%	Yes	4	4-6: 1 @ Mod (ADU) 7+: 1/3 @ VLI + 1/3 @ Low + 1/3 @ Mod	55	4	4-6 Condos: 1 @ Mod (ADU) All other: 1/2 at 100% AMI + 1/2 @ Mod	45
Goleta	Create on-site units; create off-site units; donate land; pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremley low and very low income units to low and moderate income units in demonstrated extreme hardship.	20% - reduced to 15% with public benefit	No	5	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	Generally 55 years, but not less than 30 years	5	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	Generally 55 years, but not less than 30 years

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Hayward	Create on-site units; create off-site units; pay in-lieu fee; propose additional alternatives.	6% / 7.5% - 10%	Yes	2	4-6: 1 @ Mod (ADU) 7+: 1/3 @ VLI + 1/3 @ Low + 1/3 @ Mod	55	4	Mod	45
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	10%	No	3	Low	55	3	Mod	45
Irvine	Projects with fewer than 50 units can create on-site units; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonprofit housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	50	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30
Jurupa Valley	Create on-site units; create off-site units; pay in-lieu fee; convert market rate units to affordable units; preserve at-risk housing; donate land.	7%	No	1	25% Mod + 25% Low + 50% VL	55	1	25% Mod + 25% Low + 50% VL	45
Laguna Beach	Create on-site units; create off-site units; pay in-lieu fee; acquire and convert market rate units to covenanted affordable units.	10% to 15%	No	10	10% Low or VL or 15% Mod	25	10	15% Mod	15
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	5	7.5% @ VL + 7.5% @ VL	45	5	5% VL + 5% Low	45
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	Rental: 9% or 6% / Own: 15%	No	10	9% @ Mod or 6% @ VL & Low	55	10	110%	45
Long Beach	Create on-site units; pay in-lieu fee; donate land.	Rental: 8% 2026 / 12% 2027 Own: 10%	No	10	VL or Low	> of 55 years or as long as resid use	10	110%	> of 55 years or as long as resid use
Los Altos	Create on-site units; create off-site units. Program requirements are only imposed in designated areas.	Rental: 5-9 @ 15% & 10+ @ 30%. Ownership @ 15%	No	5	5-9: 15% @ Mod, 10+: 5% @ Low + 15% @ Mod	30	10	7.5% @ Mod, 7.5% @ Low	30

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Los Angeles County	Create on-site units; create off-site units. Program requirements vary by subarea.	5%-20% depending on project size & income standard	No	5	Averages: <40% AMI: 10% or 5% - sm proj <65% AMI: 15% or 7% - sm proj <80% AMI: 20% or 10% sm proj	55 or Perpetual	5	Coastal SLA: Avg 135% AMI SLA & ELA: 20% or 10% SG Valley: 15% or 7% Santa Clarita & Antelope Valley: 5%	Equity share on first sale
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee. Full sch	10%	Yes	5	80% /120%		5	80% /120%	
Mill Valley	Create on-site units.	25%	Yes	4	120%	Perpetual	4	120%	Perpetual
Mission Viejo	Create on-site units; create off-site units; pay in-lieu fee; donate land.	15%	No	1 / Projects with 9 or fewer units produce 1 ADU	7.5% VL + 7.5% Low	55	1 / Projects with 9 or fewer units produce 1 ADU	10% Mod + 5% Low	45
Monterey County	Create on-site units; create off-site units; pay in-lieu fee for projects with three or four units.	25%	Yes	3	On-Site: 6% VL + 6% Low + 8% Mod + 5% Workforce Off-Site: 25% VL	Perpetual	3	On-Site: 6% VL + 6% Low + 8% Mod + 5% Workforce Off-Site: 25% Low	Perpetual
Nevada County	Create on-site units; create off-site units Program requirements are only applied in designated areas.		No	20		30	20		30
Norco	Create on-site units; create off-site units; pay in-lieu fee for projects with 20 or fewer units; donate land.	15%	No	5	6% Mod+9% Low Credits for deeper affordability	Perpetual	5	6% Mod+9% Low Credits for deeper affordability	45%
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	15%	No	10	Low	55	10	Low or Mod	55
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances.	10%	No	10	5% @ VL + 5% Low	55	10	Low	20
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	8	6% @ VL + 4.5% @ Low + 4.5% @ Mod	55	8		45

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	20%	No	10	5% @ 50% + 5% @ 80% + 10% @ 120%	Perpetual	10	110%	45
Petaluma	Create on-site units; pay in-lieu fee; donate land	15%	No	5	7.5% @ VL; 7.5% @ Low	45	5	7.5% @ Low + 7.5% @ Mod	55
Pleasanton	Create on-site units; create off-site units; pay in-lieu fee; donate land; credit transfers; other alternate methods of compliance	15%	Yes	15	50% to 80%		15	50% to 120%	Perpetual
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land; create a site within an ownership housing development on which rental units are constructed.	Rental: 13% Own: SFH 7%; TH/Condos 11%	Yes	3	120%	> of 55 years or as long as resid use	3	120%	45
Poway	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	Rental: 15% Own: 15% or 20%	No	1	Very Low	55	1	15% @ Low or 20% @ Mod	45
Redlands	Create on-site units; create off-site units; pay in-lieu fee; land donation; create a site within an ownership housing development on which rental affordable units are constructed.	Rental: 9%, 10% of 12% Own: 5%	Yes	10	Rental: 5% Low + 7% Mod; or 5% VL + 5% Mod; or 9% Low	55	10	5% Mod	55
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land	20% / 15%	No	20	10% @ Mod + 5% @ Low + 5% @ VL	30	5	Moderate	30
Sacramento County	Has a production option, but the in-lieu fee option is more cost effective.	10%	No	1	80%		1	80%	
San Benito County	Create on-site units; create off-site units; pay in-lieu fee; submit Affordable Housing Plan. Additional off-site radius requirement for remote sites.	16.7% (1/6 units) for 6–10 units; 20% for 11+ units	No	6	For 11+ units: 7.5% @ ELI, 7.5% @ Low, 5% @ Mod	life of bldg	6	For 11+ units: 7.5% @ ELI, 7.5% @ Low, 5% @ Mod	45
San Bruno	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area	15%	No	10	For 6–10 units: in-lieu fee required	55	10	For 6–10 units: in-lieu fee required	45
San Buenaventura	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land.	15% / 10%	No	7	Low	55	7	Mod	45

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
San Clemente	Create on-site units; create off-site units, pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30
San Diego	Create on-site units; create off-site units; rehabilitate existing units, SRO hotel rooms, or conversion of guest rooms; pay in-lieu fee; donate land.	5% to 20% depending on location	No	10	Outside FUA: 10% @ 60% Inside FUA: 20% @ 65% Barrio Logan: 15% VL and Low University Community Plan: 10% @ 60% or 5% @ 80% + Fee or 10% @ 120% +Fee	55	10	Outside FUA: 10% @ 100% or 15% @120% Inside FUA: 20% @ 65% Barrio Logan: 15% VL and Low University Community Plan: 10% @ 60% or 5% @ 80% + Fee or 10% @ 120% +Fee	15
San Francisco	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	15% to 20% / 15% to 26%	Yes	10	55% to 110%		10	80% to 130%	
San Jose	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers; reduction for deeper affordability.	15%	Yes	20	5% @50% + 5% @ 60% + 5% @ 100%	99	20	120%	99
San Juan Capistrano	Create on-site units; pay in-lieu fee.	10%	No	2	Lower Income	55	2	Lower Income	55
San Luis Obispo (City)	Create on-site units; pay an in-lieu fee to fulfill the entire obligation; pay an in-lieu fee for fractional unit obligations.	6% / 10%	Yes	1	3% Very Low + 3% Low	55	1	5% Low + 5% Moderate	45
San Marcos	Create on-site, create off-site units for ownership housing projects; pay an in-lieu fee for six or fewer rental unit projects and for all ownership housing projects.	15%	No	1	Hhld income set by the City. <=25% of the affordable units may be Mod.	55	1	Requirement is set by the City on a project by project basis	55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Affordable housing plan required. May also preserve/rehab existing units or dedicate land. In lieu fees allowed for smaller projects.	20%	Yes	5	10% @ ELI + 10% @ Low	55	5	Up to 10% @ Moderate, remainder @ Low or VLI	55

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
San Rafael	Create on-site units; create off-site units; pay in-lieu fee; land donation. City provides incentives to mitigate the impact of the requirement.	10% to 15%	No	2	2-15 Units: 10% low; 15+ Units: 15% Low or 10% Low + 10% Mod	Perpetual - City Council can reduce to 40 years	2	2-15 Units: 10% low; 15+ Units: 15% Low or 10% Low + 10% Mod	Perpetual - City Council can reduce to 40 years
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; substantially rehab existing units; pay in-lieu fee.	Rental: 5% - 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land.	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale
Santa Barbara (County)	Excludes projects located within the Cuyama Housing Market Area. Create on-site units; pay in-lieu fee to fulfill some or all of the obligation; construct ADUs to fulfill the workforce housing obligation. Coastal Zone development: If the County deems the obligation to be financially infeasible the obligation can be fulfilled elsewhere within the Coastal Zone or within three miles of the Coastal Zone.	15%	Yes	5	5-19 Units: 1 Mod Unit 20+ Units: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce	90	5	5-19 Units: 1 Mod Unit 20+ Units: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce	90
Santa Clara (City)	Create on-site units; create off-site units; dedicate land; pay an in-lieu fee for fractional unit obligations.	15%	No	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	55	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	20
Santa Clara County (Excluding Cities & Stanford Community Plan Area)	Create on-site units; create off-site units; in-lieu fee payments for projects with three to six units and for fractional unit obligations; conversion of existing market rate units.	16%	No	3	Lower	55	3	Moderate	55
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	20%	Yes	2	50% for SRO's 80% all other	Perpetual	2	120%	Perpetual

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation; donate land.	15%	Yes	2	20+ units: 15% equally divided among 50%, 80%, 110% <20 units: 15% at 80% AMI	55	2	20+ units: 15% equally divided among 50%, 80%, 110% <20 units: 15% at 80% AMI	55
Santa Paula	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	10% to 17%	Yes	10	15% Low or 10% VL	55	10	15% Low or 10% VL	45
Santa Rosa	Has a production option, but the in-lieu fee option is more cost effective.	5% to 8% / 10%	No	1	5% @ 50% or 8% @ 60%		2	110%	
Scotts Valley	Create on-site units; create off-site units with City Council approval; in-lieu fee allowed for 1–6 units; full unit required at 7+ units; fractional units may pay in-lieu for the fraction; projects with avg. lot size >1 acre may opt for on-site in-lieu fee with City Council approval.	15%	Yes	7	Based on Health & Safety Code Section 33413 requirement for redevelopment agencies	55	7	Based on Health & Safety Code Section 33413 requirement for redevelopment agencies	45
Solana Beach	Create on-site units; create off-site units; create rental units to fulfill an ownership housing development requirement; preservation or conversion of existing units; payment of the Affordable Housing Impact Fee.	15%	No	5	VL or Low	99	5	VL or Low	99
Sonoma (City)	Create on-site units.	20%	Yes	5	120%	55	5	120%	55
Sonoma County	Create on-site units; create off-site units; in-lieu fee payment based on unit size; alternatively, construct ADU or farmworker unit; acq of existing units and imposition of affordability covenants; land donation.	10% or 15% / 20%	Yes	1	≥15% @ Low/VLI, or ≥10% @ ELI/VLI	55	1	10% @ Low + 10% @ Mod	30 yrs restarts on each resale
South San Francisco	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	No	4		55	4		55
South Pasadena	Create on-site units; create off-site units; pay in-lieu fee for 3 or 4 rental unit projects, ownership for any size project, & fractional units; rehab existing market rate units; donate land.	20%	No	3	10 or fewer units: multiple options 11 or more units: 10% ELI or VL + 10% Low	55	3	Moderate	55
Sunnyvale	Create on-site units; create off-site units; pay in-lieu fee; donate land, unit conversion, other proposals.	15.0%	No	7	5% @ 50% + 10% @ 60%	55	7	100%	30

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Thousand Oaks	Create on-site units; rental units to fulfill ownership requirement; in-lieu fee; donate land.	Rental: 10% Own: 5%/10%	Yes	10	Low	> of 55 years or as long as resid use	10	SFH: 5% Mod Condo: 10% Mod	45
Tiburon	Create on-site units; create off-site units; pay in-lieu fee. Full sch	15%	No	3	5% @ Low + 10% @ Mod	Perpetual	3	5% @ Low + 10% @ Mod	Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee. Full sch	15%	No	7	4.5% @ VL + 10.5% @ Low		7	1.5% @ Low + 4.5% @ 100% + 9% @ 120%	
Vista	Create on-site units; pay in-lieu fee	9%	No	20	5% Low or lower + 4% Mod or lower			5% Low or lower + 4% Mod or lower	
Watsonville	Based on Watsonville median income, which is set at 70% of Santa Cruz County median income. On-site affordable units required; in-lieu fee allowed only for 6 units or fewer	20% rental 15% own up to 50 units; 20% above 50 units	Yes	7	5% Median + 5% Low + 10% VL or Section 8 Based on City income	55	7	7 to 50 Units: 5% Above Mod + 5% Mod + 5% AMI 51+ Units: 10% Above Mod + 5 % Mod + 5% AMI	45
West Sacramento	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	10%	No	5	5% @ 50% + 5% @ 60%	55	5	70%	45
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 unit projects.	20%	No	2	Low / Mod	> of 55 years or as long as resid use	2	Low / Mod	> of 55 years or as long as resid use

II. Inclusionary Requirements: Ownership Projects Only

Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances.	12%	No				5	200%	30
Danville	Create on-site units; pay in-lieu fee.	10%	Yes				7	110%	20
Folsom	Create on-site units; create off-site units; pay in-lieu fee; donate land; acq/rehab; other proposals.	10%	No				10	3% @ VL + 7% @ Low	
Lafayette	Create on-site units; create off-site units.	15%	No				2	9% @ Mod + 6% @ VL	45
Monterey	Create on-site units; donate land.	20%	No				6		Perpetual
Mountain View	Create on-site units; pay in-lieu fee.	15%	No				3	100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee.	15%	No				50		55
San Leandro	Create on-site units; pay in-lieu fee.	15%	Yes				2	9% @ Mod + 6% @ Low	55

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period

III. Inclusionary for Ownership Projects & Impact Fee for Rental Projects

Capitola	Create on-site units; create off-site units; pay in-lieu fee; land donation.	15%	Yes				7	Mod	> of life of bldg or 55 years
Emeryville	Ownership: Create on-site units; create off-site units. Rental: Pay impact fee; voluntarily produce off-site units.	Rental: 12% Own: 20%	No	Voluntary production is permitted at 4% VL + 8% Low	55		10	Mod	45
Fontana	Create on-site units; pay in-lieu fee; develop a reduced percentage at deeper affordability.	10%	No				5	4% @ VL + 4% @ Low + 2% @ Mod	55
Palo Alto	Create on-site units; create off-site units; in-lieu for fractional unit; convert market rate units to affordable units; preserve at-risk housing; donate land.	15% < 5 / 20% 5 acres +	Yes				1	67% @ 80-100% 33% @ 100-120%	99
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee.	15%	Yes		55		2	10% @ Mod + 5% @ Low	45
Salinas	The Ordinance does not apply to the Downtown Area. Create on-site units. City Council review and approval is required for off-site construction; partnership with an experienced affordable housing developer; purchase of excess affordable units constructed in the Future Growth Area; and land donation.	12%, 15% or 20%	Yes	Voluntary production is permitted at 4% VL + 8% Low If the impact fee is paid 12% of the unit must be rented to Section 8 tenants			10	4% VL + 8% Low / own or rental + 4% Mod + 4% Wkfrce own or 6% Median + 6% Mod + 3% Wkfrce own or 8% VL + 4% Low rental	Resale at fmv in return for
Santa Cruz County	Create on-site units; participation in the County's existing conversion program; financial contribution to a nonprofit sponsored affordable housing project in an off-site location with additional units; provide affordable rental units; Affordable Housing Impact Fee payment for ownership units with fewer than seven units and for fractional unit obligations.	15%	Yes	Voluntary production in place of Affordable Housing Impact Fee payment			7	Mod	Life of the unit

APPENDIX A

INCLUSIONARY HOUSING SURVEY
STATEWIDE
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Truckee	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land. Requirements vary by zones, neighborhoods or districts.	15%	No				7		Perpetual

IV. Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects

Pittsburg	Create on-site units; pay in-lieu fee.	15%/20%	Yes				5	9% @ Mod + 6% @ Low, or 20% @ Mod	
San Juan Bautista	Create on-site units; pay impact/linkage fee.	6%					6	80%	
San Marcos	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	15%	No			55		120%	55
Solana Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay impact/linkage fee.	15%	No	5		55	5		45

V. Rental Projects Only

Anaheim	Create on-site units; create off-site units; pay in-lieu fee; donate land.	10%	No	35	At least 3% VL + at least 7% Low	> of 55 years or as long as resid use			
Costa Mesa	Applies only to: properties located in areas for which the City has completed a Zone Change and/or General Plan Amendment that allows for residential development; and properties that receive City approval of a General Plan Amendment, Zone Change, or other discretionary approval. Create on-site units; create off-site units; pay in-lieu fee; donate land.	5% or 10% & 4% or 6%	No	50	Projects at 60+ units per acre: 5% VL or 10% Low Properties at less than 60 units per acre: 4% VL or 6% Low	55			
Fullerton	Applies only to the Transportation Specific Plan area. Create on-site units.	15%	No		5% @ VL + 5% @ Low + 5% @ Mod	55			
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land; acquisition/rehabilitation.	15%	No	8	60%	55			

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEY REPRESENTATIVE SAMPLE OF JURISDICTIONS INCLUSIONARY HOUSING: FINANCIAL EVALUATION COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEY
 REPRESENTATIVE SAMPLE OF JURISDICTIONS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
<u>Inclusionary Requirements: Sample Counties</u>									
Santa Cruz County	Create on-site units; participation in the County's existing conversion program; financial contribution to a nonprofit sponsored affordable housing project in an off-site location with additional units; provide affordable rental units; Affordable Housing Impact Fee payment for ownership units with fewer than seven units and for fractional unit obligations.	15%	Yes	Voluntary production in place of Affordable Housing Impact Fee payment			2	Mod	> of life of bldg or 55 years
Monterey County	Create on-site units; create off-site units; pay in-lieu fee for projects with three or four units.	25%	Yes	3	On-Site: 6% VL + 6% Low + 8% Mod + 5% Workforce Off-Site: 25% VL	Perpetual	3	On-Site: 6% VL + 6% Low + 8% Mod + 5% Workforce Off-Site: 25% Low	Perpetual
San Benito County	Create on-site units; create off-site units; pay in-lieu fee; submit Affordable Housing Plan. Additional off-site radius requirement for remote sites.	16.7% (1/6 units) for 6–10 units; 20% for 11+ units	No	6	For 11+ units: 7.5% @ ELI, 7.5% @ Low, 5% @ Mod	Life of bldg	6	For 11+ units: 7.5% @ ELI, 7.5% @ Low, 5% @ Mod	45
San Luis Obispo (County)	The County repealed the Inclusionary Housing Ordinance in 2022, removing the previous 8% set-aside requirement and in-lieu fee structure. The County now operates a voluntary Affordable Housing Fund (Title 29), to which developers can voluntarily contribute.								
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Affordable housing plan required. May also preserve/rehab existing units or dedicate land. In lieu fees allowed for smaller projects.	20%	Yes	5	10% @ ELI + 10% @ Low	55	5	Up to 10% @ Moderate, remainder @ Low or VLI	55
Santa Barbara (County)	Excludes projects located within the Cuyama Housing Market Area. Create on-site units; pay in-lieu fee to fulfill some or all of the obligation; construct ADUs to fulfill the workforce housing obligation. Coastal Zone development: If the County deems the obligation to be financially infeasible the obligation can be fulfilled elsewhere within the Coastal Zone or within three miles of the Coastal Zone.	15%	Yes	5	5-19 Units: 1 Mod Unit 20+ Units: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce	90	5	5-19 Units: 1 Mod Unit 20+ Units: 2.5% VL + 2.5% Low + 5% Mod + 5% Workforce	90

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEY
 REPRESENTATIVE SAMPLE OF JURISDICTIONS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COUNTY OF SANTA CRUZ, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	Affordability	Covenant Period	Threshold Project Size	Affordability	Covenant Period
Santa Clara County (Excluding Cities & Stanford Community Plan Area)	Create on-site units; create off-site units; in-lieu fee payments for projects with three to six units and for fractional unit obligations; conversion of existing market rate units.	16%	No	3	Lower	55	3	Moderate	55
Sonoma County	Create on-site units; create off-site units; in-lieu fee payment based on unit size; alternatively, construct ADU or farmworker unit; acq of existing units and imposition of affordability covenants; land donation.	10% or 15% / 20%	Yes	1	≥15% @ Low/VLI, or ≥10% @ ELI/VLI	55	1	10% @ Low + 10% @ Mod	30 yrs restarts on each resale

II. Inclusionary Requirements: Incorporated Cities in Santa Cruz County

Capitola	Does not apply to rental projects: Create on-site units; create off-site units; pay in-lieu fee; land donation.	15%	Yes				7	Mod	> of life of bldg or 55 years
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	20%	Yes	2	50% for SRO's 80% all other	Perpetual	2	120%	Perpetual
Scotts Valley	Create on-site units; create off-site units with City Council approval; in-lieu fee allowed for 1–6 units; full unit required at 7+ units; fractional units may pay in-lieu for the fraction; projects with avg. lot size >1 acre may opt for on-site in-lieu fee with City Council approval.	15%	Yes	7	Based on Health & Safety Code Section 33413 requirement for redevelopment agencies	55	7	Based on Health & Safety Code Section 33413 requirement for redevelopment agencies	45
Watsonville	Based on Watsonville median income, which is set at 70% of Santa Cruz County median income. On-site affordable units required; in-lieu fee allowed only for 6 units or fewer	20% rental 15% own up to 50 units; 20% above 50 units	Yes	7	5% Median + 5% Low + 10% VL or Section 8 Based on City income	55	7	7 to 50 Units: 5% Above Mod + 5% Mod + 5% AMI 51+ Units: 10% Above Mod + 5 % Mod + 5% AMI	45

ATTACHMENT 3
AFFORDABLE HOUSING COST CALCULATION METHODOLOGIES
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

The Affordable Sales Price calculations are presented in Attachment 4 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2025 income statistics for Santa Cruz County as a whole. The household incomes for moderate income households are produced and distributed annually by the California Department of Housing and Community Development (HCD).
2. The Affordable Sales Price estimates are based on the calculation methodology identified in the 2025 Affordable Housing Guidelines (Guidelines) approved by the County Board of Supervisors.

The elements included in the Affordable Sales Price calculations are described in the following sections of this Attachment.

HOUSEHOLD SIZE

For the sole purposes of calculating Affordable Sales Prices, the Guidelines household sizes based on the number of bedrooms in the home plus one.¹ The Guidelines refer to this as “the family size appropriate for the unit.” This is neither an occupancy minimum nor a maximum; it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

HOUSEHOLD INCOME

For calculation purposes only, the Guidelines apply benchmark household incomes as the standard for determining the Affordable Sales Prices. The benchmark for moderate income households is set at 110% of the area median income (AMI) for Santa Cruz County.

The identified benchmark percentages of AMI are not income caps. The household income qualification standard is based on 120% of AMI for moderate income households based on the actual size of the homebuyer’s household.

¹ For example, the imputed household size for a three-bedroom unit is four persons.

INCOME ALLOCATED TO HOUSING-RELATED EXPENSES

The Guidelines allocate 30% of the benchmark household income to the payment of housing-related expenses.

HOUSING-RELATED EXPENSES

The following table presents the variable housing related expense assumptions used in this analysis:

Variable Housing Related Expenses – Monthly Ownership Housing Development Prototypes				
Number of Bedrooms	Utilities Allowances ²		HOA Dues & Property Insurance ³	
	Townhomes	Detached Homes	Townhomes	Detached Homes
2	\$128	\$128	\$437	\$137
3	\$159	\$159	\$579	\$179
4	\$207	\$207	\$598	\$198

The property tax expense estimate is based on 1.20% of the home’s estimated Affordable Sales Price. This assumes that the County will require the homes to be subject to long-term income and affordability resale controls.

SUPPORTABLE MORTGAGE AMOUNT

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Feasibility Study were based on a 30-year fully amortizing loan at a 6.60% interest rate. ⁴

² The utilities allowances are based on the allowances provided by the Santa Cruz County Affordable Sales Price calculation model. The allowances are adjusted each year based on the change in the CPI measured from March to March each year.

³ For the purposes of this analysis, KMA based the HOA dues estimates on a review of the home resales survey. In practice, the County obtains the actual HOA dues estimate from the seller or the HOA. The property insurance costs are based on the allowances provided by the Santa Cruz County Affordable Sales Price calculation model. The allowances are adjusted each year by the change in the CPI measured from March to March each year.

⁴ Based on the Freddie Mac annual average, between June 2024 and May 2025, for a fixed interest rate loan with a 30-year amortization period.

BENCHMARK DOWN PAYMENT

KMA set the benchmark down payment at 10% of the estimated Affordable Sales Price. A down payment of this magnitude is commonly allowed by affordable housing programs.

AFFORDABLE SALES PRICES

The resulting Affordable Sales Prices are estimated as follows:

Affordable Sales Prices		
Ownership Housing Development Prototypes		
Number of Bedrooms	Townhomes	Detached Homes
2	\$403,300	\$447,800
3	\$431,800	\$491,100
4	\$465,100	\$524,300

APPENDIX B

AFFORDABLE RENT CALCULATION METHODOLOGY

The Affordable Rent calculations are presented in Attachment 5 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2025 income statistics for Santa Cruz County as published annually by the United States Department of Housing and Urban Development (HUD).
2. The household size appropriate for the unit is based on the Guidelines’ standard of the number of bedrooms in the home plus one. As discussed previously, this is a benchmark for calculation purposes only. It is neither an occupancy minimum nor a maximum.
3. The Affordable Rent estimates are based on the calculation methodology imposed by the Guidelines:
 - a. Low income rents are based on 60% of the AMI published by HUD; and
 - b. Very low income rents are based on 50% of the AMI published by HUD.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses (rent and utilities).
5. The following monthly utilities allowances were applied in this analysis.⁵

Utilities Allowances Rental Development	
Number of Bedrooms	Monthly Utilities Allowances
Studio	\$148
One	\$176
Two	\$240
Three	\$307

⁵ Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; and basic electric. The allowances are based on the Santa Cruz County Housing Authority Apartment schedule effective as of January 1, 2026.

AFFORDABLE RENTS

The resulting affordable rents are presented in the following table:

Affordable Rents Rental Development		
Number of Bedrooms	Low Income	Very Low Income
Studio	\$1,930	\$1,583
1	\$2,197	\$1,802
2	\$2,430	\$1,985
3	\$2,660	\$2,166

ATTACHMENT 4

OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

HOME RESALE SURVEY OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

HOME RESALE SURVEY
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

1

Address			Unit Size (SF)	Sales Price		Year Built
				Total	Per SF	
Two-Bedroom Units						
4104 Scotts Valley Dr #205	Scotts Valley	95066	1,080	\$929,000	\$860	2023
4104 Scotts Valley Dr #305	Scotts Valley	95066	1,080	\$910,000	\$843	2024
4104 Scotts Vly #204	Scotts Valley	95066	1,080	\$899,000	\$832	2024
4104 Scotts Vly #305	Scotts Valley	95066	1,080	\$910,000	\$843	2024
4104 Scotts Valley Dr #202	Scotts Valley	95066	1,134	\$919,000	\$810	2024
4104 Scotts Valley Dr #208	Scotts Valley	95066	1,134	\$915,000	\$807	2024
4104 Scotts Valley Dr #301	Scotts Valley	95066	1,134	\$899,000	\$793	2024
4104 Scotts Valley Dr #302	Scotts Valley	95066	1,134	\$919,000	\$810	2024
4104 Scotts Valley Dr #308	Scotts Valley	95066	1,134	\$899,000	\$793	2024
121 Aptos Village Way #1	Aptos	95003	1,263	\$1,199,000	\$949	2025
116 Aptos Village Way #3	Aptos	95003	1,264	\$1,099,000	\$869	2025
116 Aptos Village Way #2	Aptos	95003	1,268	\$1,050,000	\$828	2025
136 Aptos Village Way #3	Aptos	95003	1,271	\$999,000	\$786	2025
136 Aptos Village Way #2	Aptos	95003	1,271	\$1,099,000	\$865	2025
116 Aptos Village Way #4	Aptos	95003	1,375	\$1,325,000	\$964	2025
116 Aptos Village Way #1	Aptos	95003	1,450	\$1,450,000	\$1,000	2025
154 Aptos Village Way #2	Aptos	95003	1,707	\$1,075,000	\$630	2019
Minimum			1,080	\$899,000	\$630	2019
Maximum			1,707	\$1,450,000	\$1,000	2025
Average			1,227	\$1,029,100	\$839	2024
Three-Bedroom Units						
1509 Tera Ct	Capitola	95010	1,410	\$1,090,000	\$773	2018
511 Cathedral Dr	Aptos	95003	1,420	\$1,075,000	\$757	2018
325 Airport Blvd	Soquel	95073	1,514	\$1,250,000	\$826	2019
112 Fife Ln	Aptos	95003	1,591	\$1,100,000	\$691	2018
454 Granite Way	Aptos	95003	1,591	\$1,100,000	\$691	2018
429 Annie Dr	Watsonville	95076	1,622	\$799,000	\$493	2025
13 Loma Prieta Ave	Soquel	95073	1,694	\$1,375,000	\$812	2023
218 Pajaro Cir	Soquel	95073	1,694	\$1,375,000	\$812	2023
2977 Mar Vista Dr #100	Soquel	95073	1,694	\$1,350,000	\$797	2023
46 Oliveira Loop	Soquel	95073	1,694	\$1,350,000	\$797	2023
113 Skyline Vista Way	Watsonville	95076	2,048	\$995,000	\$486	2024
125 Skyline Vista Way	Watsonville	95076	2,048	\$1,025,000	\$500	2025
383 Hansen Ter	Scotts Valley	95066	2,158	\$1,100,000	\$510	2019
385 Hansen Ter	Scotts Valley	95066	2,158	\$1,050,000	\$487	2019
333 Skyforest Way	Scotts Valley	95066	2,158	\$1,009,000	\$468	2020
339 Skyforest Way	Scotts Valley	95066	2,158	\$1,089,000	\$505	2020
403 Cove Ln	Scotts Valley	95066	2,484	\$1,130,000	\$455	2020
301 Cove Ln	Scotts Valley	95066	2,484	\$1,100,000	\$443	2021
205 Cove Ln	Scotts Valley	95066	2,510	\$1,180,000	\$470	2020
106 Cove Ln	Scotts Valley	95066	2,510	\$1,125,000	\$448	2021
Minimum			1,410	\$799,000	\$443	2018
Maximum			2,510	\$1,375,000	\$826	2025
Average			1,932	\$1,133,400	\$587	2021

¹ Source: Redfin. Based on homes that were built after 2015, and resold between April 2023 and April 2026.

APPENDIX B

AFFORDABLE SALES PRICE CALCULATIONS OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS
MODERATE INCOME UNITS - 2025 INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

1

		Two-Bedroom Units	Three-Bedroom Units
General Assumptions			
Benchmark Household Size	2	3	4
Area Median Income		\$119,500	\$132,800
I. Condo / Townhomes			
Benchmark Household Income		\$131,450	\$146,080
Income Allotted to Housing @ 30% of Income	3	\$39,435	\$43,824
Expenses			
Annual Utilities Allowance	4	\$1,538	\$1,904
Annual Property Insurance Allowance	4	439	952
Annual HOA Dues Allowance	5	4,800	6,000
Property Taxes @ 1.20% of Affordable Sales Price		4,840	5,183
Total Expenses		\$11,617	\$14,039
Income Available for Mortgage		\$27,818	\$29,785
Affordable Sales Price			
Supportable Mtg @ 6.60% Interest	6	\$363,000	\$388,600
Home Buyer Down Payment @ 10% of ASP		40,300	43,200
Affordable Sales Price - Moderate Income Units		\$403,300	\$431,800
II. Detached Homes			
Benchmark Household Income	3	\$131,450	\$146,080
Income Allotted to Housing @ 30% of Income		\$39,435	\$43,824
Expenses			
Annual Utilities Allowance	4	\$1,538	\$1,904
Annual Property Insurance Allowance	4	439	952
Annual HOA Dues Allowance	7	1,200	1,200
Property Taxes @ 1.20% of Affordable Sales Price		5,374	5,893
Total Expenses		\$8,551	\$9,949
Income Available for Mortgage		\$30,884	\$33,875
Affordable Sales Price			
Supportable Mtg @ 6.60% Interest	6	\$403,000	\$442,000
Home Buyer Down Payment @ 10% of ASP		44,800	49,100
Affordable Sales Price - Moderate Income Units		\$447,800	\$491,100

¹ Based on the calculation methodology identified in the 2025 Affordable Housing Guidelines approved by the County Board of Supervisors.

² Under the 2025 Affordable Housing Guidelines calculation methodology the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Prices. It is neither an occupancy cap nor a floor.

³ The Affordable Sales Price Calculations are based on 110% of Area Median Income.

⁴ Based on the allowances applied by the Santa Cruz County Affordable Sales Price calculation model. The allowances are adjusted each year based on the change in the CPI measured from March to March each year.

⁵ Based on a review of the home resale survey data and information provided by the County.

⁶ Based on the 2025 Freddie Mac annual average interest rate for 30 year fixed interest rate fully amortizing mortgages.

⁷ Based on the allowance used in the City Affordable Sales Price calculations model.

APPENDIX B - EXHIBIT II

AFFORDABLE SALES PRICE CALCULATIONS
 LOW INCOME UNITS - 2025 INCOME STANDARDS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FEASIBILITY STUDY
 COUNTY OF SANTA CRUZ, CALIFORNIA

1

		Two-Bedroom Units	Three- Bedroom Units
General Assumptions			
Benchmark Household Size	2	3	4
Area Median Income		\$119,500	\$132,800
I. Condo / Townhomes			
Benchmark Household Income		\$83,650	\$92,960
Income Allotted to Housing @ 30% of Income	3	\$25,095	\$27,888
Expenses			
Annual Utilities Allowance	4	\$1,538	\$1,904
Annual Property Insurance Allowance	4	439	952
Annual HOA Dues Allowance	5	4,800	6,000
Property Taxes @ 1.20% of Affordable Sales Price		2,714	2,820
Total Expenses		\$9,491	\$11,676
Income Available for Mortgage		\$15,604	\$16,212
Affordable Sales Price			
Supportable Mtg @ 6.60% Interest	6	\$203,600	\$211,500
Home Buyer Down Payment @ 10% of ASP		22,600	23,500
Affordable Sales Price - Moderate Income Units		\$226,200	\$235,000
II. Detached Homes			
Benchmark Household Income	3	\$83,650	\$92,960
Income Allotted to Housing @ 30% of Income		\$25,095	\$27,888
Expenses			
Annual Utilities Allowance	4	\$1,538	\$1,904
Annual Property Insurance Allowance	4	439	952
Annual HOA Dues Allowance	7	1,200	1,200
Property Taxes @ 1.20% of Affordable Sales Price		3,248	3,532
Total Expenses		\$6,425	\$7,588
Income Available for Mortgage		\$18,670	\$20,300
Affordable Sales Price			
Supportable Mtg @ 6.60% Interest	6	\$243,600	\$264,900
Home Buyer Down Payment @ 10% of ASP		27,100	29,400
Affordable Sales Price - Moderate Income Units		\$270,700	\$294,300

¹ Based on the calculation methodology identified in the 2025 Affordable Housing Guidelines approved by the County Board of Supervisors.

² Under the 2025 Affordable Housing Guidelines calculation methodology the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Prices. It is neither an occupancy cap nor a floor.

³ The Affordable Sales Price Calculations are based on 70% of Area Median Income.

⁴ Based on the allowances applied by the Santa Cruz County Affordable Sales Price calculation model. The allowances are adjusted each year based on the change in the CPI measured from March to March each year.

⁵ Based on a review of the home resale survey data and information provided by the County.

⁶ Based on the 2025 Freddie Mac annual average interest rate for 30 year fixed interest rate fully amortizing mortgages.

⁷ Based on the allowance used in the City Affordable Sales Price calculations model.

APPENDIX C

PRO FORMA ANALYSES TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE BASE ZONING @ 13 UNITS PER ACRE ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:

BASE ZONING @ 13 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

MARKET RATE ALTERNATIVE

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 13 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560	Sf of Land	\$65 /Sf of Land		\$2,831,000
II.	<u>Direct Costs</u>	2					
	Sitework	3	13	Units	\$72,600 /Unit	\$944,000	
	Building Costs		19,140	Sf of GSA	\$280 /Sf of GSA	5,359,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		1,261,000	
	Total Direct Costs						\$7,564,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		8.0%	Direct Costs		\$605,000	
	Public Permits & Fees	5	13	Units	\$19,600 /Unit	255,000	
	Taxes, Insurance, Legal & Accounting		2.0%	Direct Costs		151,000	
	Marketing		13	Units	\$5,000 /Unit	65,000	
	Developer Fee		3.0%	Gross Sales Revenue		469,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		77,000	
	Total Indirect Costs						\$1,622,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	6				\$1,033,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	180,000	
	Total Financing Costs						\$1,213,000
V.	Total Construction Cost		13	Units	\$800,000 /Unit		\$10,399,000
	Total Development Cost		13	Units	\$1,018,000 /Unit		\$13,230,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
MARKET RATE ALTERNATIVE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 13 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	2	Units @	\$1,050,000 /Unit	\$2,100,000
	Three-Bedroom Units	11	Units @	\$1,230,000 /Unit	13,530,000
	Four-Bedroom Units	0	Units @	\$0 /Unit	0
	Total Gross Sales Revenue				\$15,630,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0%	Gross Sales Revenue		\$469,000
	Closing	2.0%	Gross Sales Revenue		313,000
	Warranty	0.5%	Gross Sales Revenue		78,000
	Total Cost of Sales				(\$860,000)
III.	Net Revenue				\$14,770,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$817 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE ALTERNATIVE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 13 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$14,770,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$13,230,000</u>
III.	Developer Profit	11.6% Total Development Cost	\$1,540,000

APPENDIX C - EXHIBIT II

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:
ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE

INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$65 /Sf of Land		\$2,831,000
II.	<u>Direct Costs</u>	2				
	Sitework		15 /Unit	\$72,600 /Sf of Land	\$1,089,000	
	Building Costs		22,220 Sf of GSA	\$280 /Sf of GSA	6,222,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		1,462,000	
	Total Direct Costs					\$8,773,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$702,000	
	Public Permits & Fees	5	15 Units	\$19,600 /Unit	294,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		175,000	
	Marketing		15 Units	\$5,000 /Unit	75,000	
	Developer Fee	6	15 Units	\$36,077 /Unit	541,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		89,000	
	Total Indirect Costs					\$1,876,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7			\$1,147,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	202,000	
	Total Financing Costs					\$1,349,000
V.	Total Construction Cost		15 Units	\$800,000 /Unit		\$11,998,000
	Total Development Cost		15 Units	\$989,000 /Unit		\$14,829,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		2 Units @	\$1,050,000 /Unit	\$2,100,000
Three-Bedroom Units		11 Units @	\$1,230,000 /Unit	13,530,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	2			
Two-Bedroom Units		0 Units @	\$403,300 /Unit	0
Three-Bedroom Units		2 Units @	\$431,800 /Unit	864,000
Four-Bedroom Units		0 Units @	\$465,100 /Unit	0
Total Gross Sales Revenue				\$16,494,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$495,000
Closing		2.0% Gross Sales Revenue		330,000
Warranty		0.5% Gross Sales Revenue		82,000
Total Cost of Sales				(\$907,000)
III.	Net Revenue			\$15,587,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$817 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Funds Available for Development Costs		
	Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2	\$15,587,000
	(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost	(\$1,726,000)
	Total Funds Available for Development Costs		\$13,861,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	\$14,829,000
III.	Total Financial Impact		(\$968,000)
	Acq Cost Reduction to Offset Impact	31% of Estimated Current Acquisition Prices	
	% Price Increase to Offset Impact	6.2% Market Rate Units	

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:
ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE

INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$65 /Sf of Land		\$2,831,000
II.	<u>Direct Costs</u>	2				
	Sitework		15 /Unit	\$72,600 /Sf of Land	\$1,089,000	
	Building Costs		22,220 Sf of GSA	\$280 /Sf of GSA	6,222,000	
	Contractor/DC Contingency Allow	4	20% Other Direct Costs		1,462,000	
	Total Direct Costs					\$8,773,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$702,000	
	Public Permits & Fees	5	15 Units	\$19,600 /Unit	294,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		175,000	
	Marketing		15 Units	\$5,000 /Unit	75,000	
	Developer Fee	6	15 Units	\$36,077 /Unit	541,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		89,000	
	Total Indirect Costs					\$1,876,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7			\$1,137,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	202,000	
	Total Financing Costs					\$1,339,000
V.	Total Construction Cost		15 Units	\$799,000 /Unit		\$11,988,000
	Total Development Cost		15 Units	\$988,000 /Unit		\$14,819,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		2 Units @	\$1,050,000 /Unit	\$2,100,000
Three-Bedroom Units		10 Units @	\$1,230,000 /Unit	12,300,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	2			
Two-Bedroom Units		0 Units @	\$403,300 /Unit	0
Three-Bedroom Units		3 Units @	\$431,800 /Unit	1,295,000
Four-Bedroom Units		0 Units @	\$465,100 /Unit	0
Total Gross Sales Revenue				\$15,695,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$471,000
Closing		2.0% Gross Sales Revenue		314,000
Warranty		0.5% Gross Sales Revenue		78,000
Total Cost of Sales				(\$863,000)
III.	Net Revenue			\$14,832,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$818 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX C - EXHIBIT III - TABLE 2		\$14,832,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		(\$1,725,000)
Total Funds Available for Development Costs			\$13,107,000
II. Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1		\$14,819,000
III. Total Financial Impact			(\$1,712,000)
Acq Cost Reduction to Offset Impact	55% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	11.9% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

INCLUSIONARY HOUSING REQUIREMENT @ 9% LOW INCOME UNITS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:

ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE

INCLUSIONARY HOUSING REQUIREMENT @ 9% LOW INCOME UNITS

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560	Sf of Land	\$65	/Sf of Land		\$2,831,000
II.	<u>Direct Costs</u>	2						
	Sitework		15	/Unit	\$72,600	/Sf of Land	\$1,089,000	
	Building Costs		22,220	Sf of GSA	\$280	/Sf of GSA	6,222,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs			1,462,000	
	Total Direct Costs							\$8,773,000
III.	<u>Indirect Costs</u>							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			\$702,000	
	Public Permits & Fees	5	15	Units	\$19,600	/Unit	294,000	
	Taxes, Insurance, Legal & Accounting		2.0%	Direct Costs			175,000	
	Marketing		15	Units	\$5,000	/Unit	75,000	
	Developer Fee	6	15	Units	\$36,077	/Unit	541,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs			89,000	
	Total Indirect Costs							\$1,876,000
IV.	<u>Financing Costs</u>							
	Interest During Construction	7					\$1,163,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5	Points	202,000	
	Total Financing Costs							\$1,365,000
V.	Total Construction Cost		15	Units	\$801,000	/Unit	\$12,014,000	
	Total Development Cost		15	Units	\$990,000	/Unit	\$14,845,000	

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 8 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX C - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 9% LOW INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		2 Units @	\$1,050,000 /Unit	\$2,100,000
Three-Bedroom Units		12 Units @	\$1,230,000 /Unit	14,760,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Low Income Units	2			
Two-Bedroom Units		0 Units @	\$226,200 /Unit	0
Three-Bedroom Units		1 Unit @	\$235,000 /Unit	235,000
Four-Bedroom Units		0 Units @	\$252,500 /Unit	0
Total Gross Sales Revenue				\$17,095,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$513,000
Closing		2.0% Gross Sales Revenue		342,000
Warranty		0.5% Gross Sales Revenue		85,000
Total Cost of Sales				(\$940,000)
III.	Net Revenue			\$16,155,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$815 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT IV - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 15 UNITS PER ACRE
INCLUSIONARY HOUSING REQUIREMENT @ 9% LOW INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX C - EXHIBIT IV - TABLE 2		\$16,155,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		(\$1,728,000)
Total Funds Available for Development Costs			\$14,427,000
II. Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1		\$14,845,000
III. Total Financial Impact			(\$418,000)
Acq Cost Reduction to Offset Impact	13% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	2.5% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX D

PRO FORMA ANALYSES TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE BASE ZONING @ 16 UNITS PER ACRE ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE OWNERSHIP HOUSING DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX D - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:

BASE ZONING @ 16 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

MARKET RATE ALTERNATIVE

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 16 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560	Sf of Land	\$75 /Sf of Land		\$3,267,000
II.	<u>Direct Costs</u>	2					
	Sitework	3	16	Units	\$83,000 /Unit	\$1,328,000	
	Building Costs		19,200	Sf of GSA	\$310 /Sf of GSA	5,952,000	
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		1,456,000	
	Total Direct Costs						\$8,736,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		8.0%	Direct Costs		\$699,000	
	Public Permits & Fees	5	16	Units	\$19,600 /Unit	314,000	
	Taxes, Insurance, Legal & Accounting		2.0%	Direct Costs		175,000	
	Marketing		16	Units	\$5,000 /Unit	80,000	
	Developer Fee		3.0%	Gross Sales Revenue		547,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		91,000	
	Total Indirect Costs						\$1,906,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	6				\$1,117,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	209,000	
	Total Financing Costs						\$1,326,000
V.	Total Construction Cost		16	Units	\$748,000 /Unit		\$11,968,000
	Total Development Cost		16	Units	\$952,000 /Unit		\$15,235,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
MARKET RATE ALTERNATIVE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 16 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	16 Units @	\$1,140,000 /Unit	18,240,000	
	Four-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$18,240,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$547,000	
	Closing	2.0% Gross Sales Revenue		365,000	
	Warranty	0.5% Gross Sales Revenue		91,000	
	Total Cost of Sales				(\$1,003,000)
III.	Net Revenue				\$17,237,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$950 per square foot of saleable area.

APPENDIX D - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE ALTERNATIVE
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: BASE ZONING @ 16 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Net Revenue	See APPENDIX D - EXHIBIT I - TABLE 2	\$17,237,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$15,235,000</u>
III.	Developer Profit	13.1% Total Development Cost	<u>\$2,002,000</u>

APPENDIX D - EXHIBIT II

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:
ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$75 /Sf of Land		\$3,267,000
II.	<u>Direct Costs</u>	2				
	Sitework		21 /Unit	\$83,000 /Sf of Land		\$1,743,000
	Building Costs		25,200 Sf of GSA	\$310 /Sf of GSA		7,812,000
	Contractor/DC Contingency Allow	4	20% Other Direct Costs			1,911,000
	Total Direct Costs					\$11,466,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$917,000
	Public Permits & Fees	5	21 Units	\$19,600 /Unit		412,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			229,000
	Marketing		21 Units	\$5,000 /Unit		105,000
	Developer Fee	6	21 Units	\$34,188 /Unit		718,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			119,000
	Total Indirect Costs					\$2,500,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7				\$1,372,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		258,000
	Total Financing Costs					\$1,630,000
V.	Total Construction Cost		21 Units	\$743,000 /Unit		\$15,596,000
	Total Development Cost		21 Units	\$898,000 /Unit		\$18,863,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		18 Units @	\$1,140,000 /Unit	20,520,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$403,300 /Unit	0
Three-Bedroom Units		3 Units @	\$431,800 /Unit	1,295,000
Four-Bedroom Units		0 Units @	\$465,100 /Unit	0
Total Gross Sales Revenue				\$21,815,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$654,000
Closing		2.0% Gross Sales Revenue		436,000
Warranty		0.5% Gross Sales Revenue		109,000
Total Cost of Sales				(\$1,199,000)
III. <u>Net Revenue</u>				\$20,616,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$950 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Funds Available for Development Costs			
	Net Revenue	See APPENDIX D - EXHIBIT II - TABLE 2		\$20,616,000
	(Less) Threshold Developer Profit	¹ 13.1% Total Development Cost		<u>(\$2,479,000)</u>
	Total Funds Available for Development Costs			\$18,137,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1		\$18,863,000
III.	Total Financial Impact			(\$726,000)
	Acq Cost Reduction to Offset Impact	20% of Estimated Current Acquisition Prices		
	% Price Increase to Offset Impact	3.5% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT III

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:
ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$75 /Sf of Land		\$3,267,000
II.	<u>Direct Costs</u>	2				
	Sitework		21 /Unit	\$83,000 /Sf of Land		\$1,743,000
	Building Costs		25,200 Sf of GSA	\$310 /Sf of GSA		7,812,000
	Contractor/DC Contingency Allow	4	20% Other Direct Costs			1,911,000
	Total Direct Costs					\$11,466,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$917,000
	Public Permits & Fees	5	21 Units	\$19,600 /Unit		412,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			229,000
	Marketing		21 Units	\$5,000 /Unit		105,000
	Developer Fee	6	21 Units	\$34,188 /Unit		718,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			119,000
	Total Indirect Costs					\$2,500,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7				\$1,366,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		258,000
	Total Financing Costs					\$1,624,000
V.	Total Construction Cost		21 Units	\$742,000 /Unit		\$15,590,000
	Total Development Cost		21 Units	\$898,000 /Unit		\$18,857,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 5 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	¹			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		17 Units @	\$1,140,000 /Unit	19,380,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	²			
Two-Bedroom Units		0 Units @	\$403,300 /Unit	0
Three-Bedroom Units		4 Units @	\$431,800 /Unit	1,727,000
Four-Bedroom Units		0 Units @	\$465,100 /Unit	0
Total Gross Sales Revenue				\$21,107,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$633,000
Closing		2.0% Gross Sales Revenue		422,000
Warranty		0.5% Gross Sales Revenue		106,000
Total Cost of Sales				(\$1,161,000)
III.	Net Revenue			\$19,946,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$950 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX D - EXHIBIT III - TABLE 2		\$19,946,000
(Less) Threshold Developer Profit	¹ 13.1% Total Development Cost		<u>(\$2,478,000)</u>
Total Funds Available for Development Costs			\$17,468,000
II. Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1		\$18,857,000
III. Total Financial Impact			(\$1,389,000)
Acq Cost Reduction to Offset Impact	39% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	7.2% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX D - EXHIBIT IV

PRO FORMA ANALYSIS

INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE:

ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS

TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	43,560 Sf of Land	\$75 /Sf of Land		\$3,267,000
II.	<u>Direct Costs</u>	2				
	Sitework		21 /Unit	\$83,000 /Sf of Land		\$1,743,000
	Building Costs		25,200 Sf of GSA	\$310 /Sf of GSA		7,812,000
	Contractor/DC Contingency Allow	4	20% Other Direct Costs			1,911,000
	Total Direct Costs					\$11,466,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$917,000
	Public Permits & Fees	5	21 Units	\$19,600 /Unit		412,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			229,000
	Marketing		21 Units	\$5,000 /Unit		105,000
	Developer Fee	6	21 Units	\$34,188 /Unit		718,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			119,000
	Total Indirect Costs					\$2,500,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	7				\$1,385,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		258,000
	Total Financing Costs					\$1,643,000
V.	Total Construction Cost		21 Units	\$743,000 /Unit		\$15,609,000
	Total Development Cost		21 Units	\$899,000 /Unit		\$18,876,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 6 month absorption period; 10% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX D - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		19 Units @	\$1,140,000 /Unit	21,660,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Low Income Units	2			
Two-Bedroom Units		0 Units @	\$226,200 /Unit	0
Three-Bedroom Units		2 Units @	\$235,000 /Unit	470,000
Four-Bedroom Units		0 Units @	\$252,500 /Unit	0
Total Gross Sales Revenue				\$22,130,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$664,000
Closing		2.0% Gross Sales Revenue		443,000
Warranty		0.5% Gross Sales Revenue		111,000
Total Cost of Sales				(\$1,218,000)
III.	Net Revenue			\$20,912,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$950 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT IV - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS
TOWNHOME PROTOTYPE ON A 1.0 ACRE SITE: ENHANCED DENSITY BONUS @ 21 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX D - EXHIBIT IV - TABLE 2		\$20,912,000
(Less) Threshold Developer Profit	¹ 13.1% Total Development Cost		(\$2,480,000)
Total Funds Available for Development Costs			\$18,432,000
II. Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1		\$18,876,000
III. Total Financial Impact			(\$444,000)
Acq Cost Reduction to Offset Impact	12% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	2.0% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX E

PRO FORMA ANALYSES

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE

BASE ZONING @ 7 UNITS PER ACRE

ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX E - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE ALTERNATIVE

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:

BASE ZONING @ 7 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS

MARKET RATE ALTERNATIVE

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: BASE ZONING @ 7 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	104,544	Sf of Land	\$50 /Sf of Land		\$5,227,000
II.	<u>Direct Costs</u>	²					
	Sitework	³	17	Units	\$124,500 /Unit	\$2,117,000	
	Building Costs		37,400	Sf of GSA	\$250 /Sf of GSA	9,350,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		2,293,000	
	Total Direct Costs						\$13,760,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		8.0%	Direct Costs		\$1,101,000	
	Public Permits & Fees	⁵	17	Units	\$19,600 /Unit	333,000	
	Taxes, Insurance, Legal & Accounting		2.0%	Direct Costs		275,000	
	Marketing		17	Units	\$5,000 /Unit	85,000	
	Developer Fee		3.0%	Gross Sales Revenue		836,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		132,000	
	Total Indirect Costs						\$2,762,000
IV.	<u>Financing Costs</u>						
	Interest During Construction	⁶				\$1,793,000	
	Loan Origination Fees		60.0%	Loan to Cost	2.5 Points	326,000	
	Total Financing Costs						\$2,119,000
V.	Total Construction Cost		17	Units	\$1,097,000 /Unit		\$18,641,000
	Total Development Cost		17	Units	\$1,404,000 /Unit		\$23,868,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
MARKET RATE ALTERNATIVE
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: BASE ZONING @ 7 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1			
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0	
	Three-Bedroom Units	17 Units @	\$1,640,000 /Unit	27,880,000	
	Four-Bedroom Units	0 Units @	\$0 /Unit	0	
	Total Gross Sales Revenue				\$27,880,000
II.	<u>Cost of Sales</u>				
	Commissions	3.0% Gross Sales Revenue		\$836,000	
	Closing	2.0% Gross Sales Revenue		558,000	
	Warranty	0.5% Gross Sales Revenue		139,000	
	Total Cost of Sales				(\$1,533,000)
III.	Net Revenue				\$26,347,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$745 per square foot of saleable area.

APPENDIX E - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE ALTERNATIVE
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: BASE ZONING @ 7 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Net Revenue	See APPENDIX E - EXHIBIT I - TABLE 2	\$26,347,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$23,868,000</u>
III.	Developer Profit	10.4% Total Development Cost	<u>\$2,479,000</u>

APPENDIX E - EXHIBIT II

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:
ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	104,544 Sf of Land	\$50 /Sf of Land		\$5,227,000
II.	<u>Direct Costs</u>	²				
	Sitework		21 /Unit	\$124,500 /Sf of Land	\$2,615,000	
	Building Costs		45,389 Sf of GSA	\$250 /Sf of GSA	11,347,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		2,792,000	
	Total Direct Costs					\$16,754,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,340,000	
	Public Permits & Fees	⁵	21 Units	\$19,600 /Unit	412,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		335,000	
	Marketing		21 Units	\$5,000 /Unit	105,000	
	Developer Fee	⁶	21 Units	\$49,176 /Unit	1,033,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		161,000	
	Total Indirect Costs					\$3,386,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷			\$2,096,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	381,000	
	Total Financing Costs					\$2,477,000
V.	Total Construction Cost		21 Units	\$1,077,000 /Unit		\$22,617,000
	Total Development Cost		21 Units	\$1,326,000 /Unit		\$27,844,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 8 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		18 Units @	\$1,640,000 /Unit	29,520,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	2			
Two-Bedroom Units		0 Units @	\$447,800 /Unit	0
Three-Bedroom Units		3 Units @	\$491,100 /Unit	1,473,000
Four-Bedroom Units		0 Units @	\$524,300 /Unit	0
Total Gross Sales Revenue				\$30,993,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$930,000
Closing		2.0% Gross Sales Revenue		620,000
Warranty		0.5% Gross Sales Revenue		155,000
Total Cost of Sales				(\$1,705,000)
III. <u>Net Revenue</u>				\$29,288,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$745 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 15% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Funds Available for Development Costs</u>			
	Net Revenue	See APPENDIX E - EXHIBIT II - TABLE 2		\$29,288,000
	(Less) Threshold Developer Profit	¹ 10.4% Total Development Cost		<u>(\$2,892,000)</u>
	Total Funds Available for Development Costs			\$26,396,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT II - TABLE 1		\$27,844,000
III.	<u>Total Financial Impact</u>			(\$1,448,000)
	Acq Cost Reduction to Offset Impact	25% of Estimated Current Acquisition Prices		
	% Price Increase to Offset Impact	4.9% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX E - EXHIBIT III

PRO FORMA ANALYSIS

**INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:
ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	104,544 Sf of Land	\$50 /Sf of Land		\$5,227,000
II.	<u>Direct Costs</u>	²				
	Sitework		21 /Unit	\$124,500 /Sf of Land		\$2,615,000
	Building Costs		45,389 Sf of GSA	\$250 /Sf of GSA		11,347,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,792,000
	Total Direct Costs					\$16,754,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs			\$1,340,000
	Public Permits & Fees	⁵	21 Units	\$19,600 /Unit		412,000
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs			335,000
	Marketing		21 Units	\$5,000 /Unit		105,000
	Developer Fee	⁶	21 Units	\$49,176 /Unit		1,033,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			161,000
	Total Indirect Costs					\$3,386,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷				\$2,084,000
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points		381,000
	Total Financing Costs					\$2,465,000
V.	Total Construction Cost		21 Units	\$1,076,000 /Unit		\$22,605,000
	Total Development Cost		21 Units	\$1,325,000 /Unit		\$27,832,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		17 Units @	\$1,640,000 /Unit	27,880,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Moderate Income Units	2			
Two-Bedroom Units		0 Units @	\$447,800 /Unit	0
Three-Bedroom Units		4 Units @	\$491,100 /Unit	1,964,000
Four-Bedroom Units		0 Units @	\$524,300 /Unit	0
Total Gross Sales Revenue				\$29,844,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$895,000
Closing		2.0% Gross Sales Revenue		597,000
Warranty		0.5% Gross Sales Revenue		149,000
Total Cost of Sales				(\$1,641,000)
III.	Net Revenue			\$28,203,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$745 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 20% MODERATE INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Funds Available for Development Costs			
Net Revenue	See APPENDIX E - EXHIBIT III - TABLE 2		\$28,203,000
(Less) Threshold Developer Profit	¹ 10.4% Total Development Cost		(\$2,891,000)
Total Funds Available for Development Costs			\$25,312,000
II. Total Development Cost	See APPENDIX E - EXHIBIT III - TABLE 1		\$27,832,000
III. Total Financial Impact			(\$2,520,000)
Acq Cost Reduction to Offset Impact	44% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	9.0% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

APPENDIX E - EXHIBIT IV

PRO FORMA ANALYSIS

INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:

ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX E - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS

INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS

SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE: ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE

OWNERSHIP HOUSING DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	104,544 Sf of Land	\$50 /Sf of Land		\$5,227,000
II.	<u>Direct Costs</u>	²				
	Sitework		21 /Unit	\$124,500 /Sf of Land	\$2,615,000	
	Building Costs		45,389 Sf of GSA	\$250 /Sf of GSA	11,347,000	
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs		2,792,000	
	Total Direct Costs					\$16,754,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8.0% Direct Costs		\$1,340,000	
	Public Permits & Fees	⁵	21 Units	\$19,600 /Unit	412,000	
	Taxes, Insurance, Legal & Accounting		2.0% Direct Costs		335,000	
	Marketing		21 Units	\$5,000 /Unit	105,000	
	Developer Fee	⁶	21 Units	\$49,176 /Unit	1,033,000	
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs		161,000	
	Total Indirect Costs					\$3,386,000
IV.	<u>Financing Costs</u>					
	Interest During Construction	⁷			\$2,070,000	
	Loan Origination Fees		60.0% Loan to Cost	2.5 Points	381,000	
	Total Financing Costs					\$2,451,000
V.	Total Construction Cost		21 Units	\$1,076,000 /Unit		\$22,591,000
	Total Development Cost		21 Units	\$1,325,000 /Unit		\$27,818,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Assumes that the cost for the two-car attached garages is included in the building costs. Guest parking is provided in surface spaces, and the estimated cost is included in the sitework cost estimate.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE ALTERNATIVE.

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period; a 8 month absorption period; 30% of the units are presold and close during first month after completion; and 2.5 points for loan origination fees.

APPENDIX E - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		0 Units @	\$0 /Unit	\$0
Three-Bedroom Units		19 Units @	\$1,640,000 /Unit	31,160,000
Four-Bedroom Units		0 Units @	\$0 /Unit	0
Low Income Units	2			
Two-Bedroom Units		0 Units @	\$270,700 /Unit	0
Three-Bedroom Units		2 Units @	\$294,300 /Unit	589,000
Four-Bedroom Units		0 Units @	\$311,900 /Unit	0
Total Gross Sales Revenue				\$31,749,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$952,000
Closing		2.0% Gross Sales Revenue		635,000
Warranty		0.5% Gross Sales Revenue		159,000
Total Cost of Sales				(\$1,746,000)
III. <u>Net Revenue</u>				\$30,003,000

¹ Based in part on a sales surveys undertaken by KMA in December 2025. See APPENDIX A. The weighted average sales price equates to \$745 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT IV - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
INCLUSIONARY HOUSING REQUIREMENT @ 11% LOW INCOME UNITS
SMALL LOT DETACHED HOME PROTOTYPE ON A 2.4 ACRE SITE:ENHANCED DENSITY BONUS @ 9 UNITS PER ACRE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Funds Available for Development Costs</u>			
	Net Revenue	See APPENDIX E - EXHIBIT IV - TABLE 2	\$30,003,000	
	(Less) Threshold Developer Profit	¹ 10.4% Total Development Cost	(\$2,889,000)	
	Total Funds Available for Development Costs			\$27,114,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT IV - TABLE 1		\$27,818,000
III.	<u>Total Financial Impact</u>			(\$704,000)
	Acq Cost Reduction to Offset Impact	12% of Estimated Current Acquisition Prices		
	% Price Increase to Offset Impact	2.3% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE ALTERNATIVE.

ATTACHMENT 5

RENTAL DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

RENT SURVEY

RENTAL DEVELOPMENT

INCLUSIONARY HOUSING: FEASIBILITY STUDY

COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX A

RENT SURVEY RENTAL DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built
						Total	Per SF	
I. Studio Units								
The Terrace	508 Main St	Watsonville	95076	39	300	\$1,496	\$4.99	2005
	445 Main St	Watsonville	95076	36	365	\$1,770	\$4.85	2018
	9669 Soquel Dr	Aptos	95003	3	430	\$1,986	\$4.62	1980
	Minimum				300	\$1,496	\$4.62	
	Maximum				430	\$1,986	\$4.99	
	Weighted Average				335	\$1,641	\$4.91	
II. One-Bedroom Units								
Live Oak Crossing	1135 17th Ave	Santa Cruz	95062	10	540	\$2,858	\$5.29	2020
	115 Lloyd Ct	Aptos	95003	4	625	\$2,912	\$4.66	1974
The Terrace	445 Main St	Watsonville	95076	18	650	\$2,089	\$3.21	
Baytree Apts	800 Flora Ln	Scotts Valley	95066	6	793	\$2,431	\$3.07	2002
	Minimum				540	\$2,089	\$3.07	
	Maximum				793	\$2,912	\$5.29	
	Weighted Average				641	\$2,432	\$3.89	
III. Two-Bedroom Units								
Live Oak Crossing	1135 17th Ave	Santa Cruz	95062	3	663	\$3,928	\$5.92	
	115 Lloyd Ct	Aptos	95003	2	750	\$3,062	\$4.08	
Seapines Apts	1800-1870 Summer Rd	Aptos	95003	20	800	\$2,330	\$2.91	1983
	139-141 Riverside Dr	Watsonville	95066	8	800	\$1,945	\$2.43	2005
Baytree Apts	800 Flora Ln	Scotts Valley	95066	32	1,028	\$2,980	\$2.90	
Acorn Court Apts	100 Acorn Ct	Scotts Valley	95066	26	1,060	\$3,565	\$3.36	2001
	5050-5054 Wilder Dr	Soquel	95073	8	1,220	\$4,249	\$3.48	1983
	Minimum				663	\$1,945	\$2.43	
	Maximum				1,220	\$4,249	\$5.92	
	Weighted Average				971	\$3,052	\$3.15	
IV. Three-Bedroom Units								
Seapines Apts	1800-1870 Summer Rd	Aptos	95003	15	1,000	\$2,967	\$2.97	
	139-141 Riverside Dr	Watsonville	95066	2	1,100	\$2,652	\$2.41	
Baytree Apts	800 Flora Ln	Scotts Valley	95066	6	1,307	\$3,578	\$2.74	
	Minimum				1,000	\$2,652	\$2.41	
	Maximum				1,307	\$3,578	\$2.97	
	Weighted Average				1,089	\$3,099	\$2.86	

¹ Source: CoStar. Based on a December 2025 survey. The survey excludes covenanted affordable housing projects and senior citizen projects.

APPENDIX B

AFFORDABLE RENT CALCULATIONS RENTAL DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX B

AFFORDABLE RENT CALCULATIONS 2025 INCOME STANDARDS RENTAL DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I.	<u>General Assumptions</u>				
	HUD Published Area Median Income (HUD AMI)	¹ \$138,500	\$158,200	\$178,000	\$197,800
	Monthly Utilities Allowance	² \$148	\$176	\$240	\$307
II.	<u>Affordable Rent Calculations</u>				
	<u>A. Low Income - Rent Based on 60% of the HUD AMI</u>				
	Benchmark Annual Household Income	\$83,100	\$94,920	\$106,800	\$118,680
	Percentage of Income Allotted to Housing Expenses	30%	30%	30%	30%
	Monthly Income Available for Housing Expenses	\$2,078	\$2,373	\$2,670	\$2,967
	(Less) Monthly Utilities Allowance	<u>(148)</u>	<u>(176)</u>	<u>(240)</u>	<u>(307)</u>
	Maximum Allowable Rent	\$1,930	\$2,197	\$2,430	\$2,660
	<u>B. Very Low Income - Rent Based on 50% of the HUD AMI</u>				
	Benchmark Annual Household Income	\$69,250	\$79,100	\$89,000	\$98,900
	Percentage of Income Allotted to Housing Expenses	30%	30%	30%	30%
	Monthly Income Available for Housing Expenses	\$1,731	\$1,978	\$2,225	\$2,473
	(Less) Monthly Utilities Allowance	<u>(148)</u>	<u>(176)</u>	<u>(240)</u>	<u>(307)</u>
	Maximum Allowable Rent	\$1,583	\$1,802	\$1,985	\$2,166

¹ Based on the 2025 Santa Cruz County household incomes published by the United States Department of Housing and Urban Development (HUD). The benchmark household size is set at the number of bedrooms in the unit plus one.

² Based on the Santa Cruz County Housing Authority Apartment utility allowance schedule effective as of 1/1/26. Assumes: Electric Cooking, Electric Heating, and Electric Water Heater; and Basic Electric.

APPENDIX C

PRO FORMA ANALYSES RENTAL DEVELOPMENT ON A 1.2 ACRE SITE RENTAL DEVELOPMENT INCLUSIONARY HOUSING: FEASIBILITY STUDY COUNTY OF SANTA CRUZ, CALIFORNIA

APPENDIX C - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE ALTERNATIVE
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
MARKET RATE ALTERNATIVE
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	52,272	Sf of Land	\$75 /Sf of Land	\$3,920,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		52,272	Sf of Land	\$25 /Sf of Land	\$1,307,000
	Parking	3				
	Surface Parking Spaces		12	Spaces	\$2,500 /Space	30,000
	Above-Ground Parking Spaces		90	Spaces	\$35,000 /Space	3,150,000
	Building Costs		44,400	Sf of GLA	\$275 /Sf of GLA	12,210,000
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		3,339,000
	Total Direct Costs		44,400	Sf of GBA	\$451 /Sf of GBA	\$20,036,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8%	Direct Costs		\$1,603,000
	Public Permits & Fees	5	60	Units	\$19,600 /Unit	1,176,000
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		401,000
	Marketing		60	Units	\$5,000 /Unit	300,000
	Developer Fee		5%	Direct Costs		1,002,000
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		224,000
	Total Indirect Costs					\$4,706,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	6	\$3,920,000	Cost	6.2% Avg Rate	\$365,000
	Construction	7	\$26,620,000	Cost	6.2% Avg Rate	1,238,000
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	275,000
	Total Financing Costs					\$1,878,000
V.	Total Construction Cost		60	Units	\$444,000 /Unit	\$26,620,000
	Total Development Cost		60	Units	\$509,000 /Unit	\$30,540,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ The base requirement is: 1.0 space per unit less than 750 square feet of gross building area and 2.0 spaces per unit greater than 750 square feet of gross building area. 0.20 spaces per unit must be provided for guest parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
MARKET RATE ALTERNATIVE
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. Gross Income

A. Market Rate Units

¹

Studio Units	18 Units @	\$2,244 /Unit/Month	\$485,000
One-Bedroom Units	12 Units @	\$3,308 /Unit/Month	476,000
Two-Bedroom Units	18 Units @	\$3,792 /Unit/Month	819,000
Three-Bedroom Units	12 Units @	\$4,094 /Unit/Month	590,000

B. Miscellaneous Income

60 Units @	\$75 /Unit/Month	54,000
------------	------------------	--------

Total Gross Income		\$2,424,000
Vacancy & Collection Allowance	5% Gross Income	(121,000)

II. **Effective Gross Income** \$2,303,000

III. Operating Expenses

General Operating Expenses	60 Units @	\$5,500 /Unit	\$330,000
Property Taxes	60 Units @	\$7,000 /Unit	418,000
Replacement Reserve Deposits	60 Units @	\$150 /Unit	9,000

Total Operating Expenses	60 Units @	\$12,617 /Unit	(\$757,000)
---------------------------------	------------	----------------	-------------

IV. **Stabilized Net Operating Income** \$1,546,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.45 per square foot of leasable area.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED RETURN ON INVESTMENT
MARKET RATE ALTERNATIVE
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$1,546,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$30,540,000</u>
III.	Estimated Stabilized Return on Total Investment		5.1%

APPENDIX C - EXHIBIT II

**PRO FORMA ANALYSIS
LOW INCOME INCLUSIONARY HOUSING REQUIREMENT
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LOW INCOME INCLUSIONARY HOUSING REQUIREMENT
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	1	52,272	Sf of Land	\$75 /Sf of Land	\$3,920,000
II.	<u>Direct Costs</u>	2				
	On-Site Improvements/Landscaping		52,272	Sf of Land	\$25 /Sf of Land	\$1,307,000
	Parking	3				
	Surface Parking Spaces		12	Spaces	\$2,500 /Space	30,000
	Above-Ground Parking Spaces		90	Spaces	\$35,000 /Space	3,150,000
	Building Costs		44,400	Sf of GLA	\$275 /Sf of GLA	12,210,000
	Contractor/DC Contingency Allow	4	20%	Other Direct Costs		3,339,000
	Total Direct Costs		44,400	Sf of GBA	\$451 /Sf of GBA	\$20,036,000
III.	<u>Indirect Costs</u>					
	Architecture, Engineering & Consulting		8%	Direct Costs		\$1,603,000
	Public Permits & Fees	5	60	Units	\$19,600 /Unit	1,176,000
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		401,000
	Marketing		60	Units	\$5,000 /Unit	300,000
	Developer Fee		5%	Direct Costs		1,002,000
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		224,000
	Total Indirect Costs					\$4,706,000
IV.	<u>Financing Costs</u>					
	Interest During Construction					
	Land	6	\$3,920,000	Cost	6.2% Avg Rate	\$365,000
	Construction	7	\$26,620,000	Cost	6.2% Avg Rate	1,238,000
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	275,000
	Total Financing Costs					\$1,878,000
V.	Total Construction Cost		60	Units	\$444,000 /Unit	\$26,620,000
	Total Development Cost		60	Units	\$509,000 /Unit	\$30,540,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ The base requirement is: 1.0 space per unit less than 750 square feet of gross building area and 2.0 spaces per unit greater than 750 square feet of gross building area. 0.20 spaces per unit must be provided for guest parking.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
LOW INCOME INCLUSIONARY HOUSING REQUIREMENT
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	15 Units @	\$2,244 /Unit/Month	\$404,000
One-Bedroom Units	11 Units @	\$3,308 /Unit/Month	437,000
Two-Bedroom Units	16 Units @	\$3,792 /Unit/Month	728,000
Three-Bedroom Units	11 Units @	\$4,094 /Unit/Month	540,000

B. **Low Income Units**

²

Studio Units	3 Units @	\$1,930 /Unit/Month	69,000
One-Bedroom Units	1 Unit @	\$2,197 /Unit/Month	26,000
Two-Bedroom Units	2 Units @	\$2,430 /Unit/Month	58,000
Three-Bedroom Units	1 Unit @	\$2,660 /Unit/Month	32,000

C. **Miscellaneous Income**

60 Units @	\$75 /Unit/Month	54,000
------------	------------------	--------

Total Gross Income

\$2,348,000

Vacancy & Collection Allowance

5% Gross Income

(117,000)

II. **Effective Gross Income**

\$2,231,000

III. **Operating Expenses**

General Operating Expenses	60 Units @	\$5,500 /Unit	\$330,000
Property Taxes	60 Units @	\$6,700 /Unit	403,000
Replacement Reserve Deposits	60 Units @	\$150 /Unit	9,000

Total Operating Expenses

60 Units @	\$12,367 /Unit	(\$742,000)
------------	----------------	-------------

IV. **Stabilized Net Operating Income**

\$1,489,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.44 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
LOW INCOME INCLUSIONARY HOUSING REQUIREMENT
ZONING COMPLIANT ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$1,489,000
	Threshold Stabilized Return on Total Investment	¹	5.06%
	Total Supportable Investment		\$29,414,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	\$30,540,000
III.	<u>Total Financial Impact</u>		(\$1,126,000)
	Acq Cost Reduction to Offset Impact	29% of Estimated Current Acquisition Prices	
	% Market Rate Rent Increase to Offset Impa	3.5% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT ALTERNATIVE: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS

**VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 15% BASE ZONING UNITS
50% SECTION 65915 DENSITY BONUS ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 15% BASE ZONING UNITS
 50% SECTION 65915 DENSITY BONUS ALTERNATIVE
 INCLUSIONARY HOUSING: FEASIBILITY STUDY
 COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	52,272	Sf of Land	\$75 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²					
	On-Site Improvements/Landscaping		52,272	Sf of Land	\$25 /Sf of Land	\$1,307,000	
	Parking	³					
	Above-Ground Parking Spaces		90	Spaces	\$35,000 /Space	3,150,000	
	1st Level Subterranean		45	Spaces	\$50,000 /Space	2,250,000	
	Building Costs		66,600	Sf of GLA	\$300 /Sf of GLA	19,980,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		5,337,000	
	Total Direct Costs		66,600	Sf of GBA	\$481 /Sf of GBA		\$32,024,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$2,562,000	
	Public Permits & Fees	⁵	90	Units	\$19,600 /Unit	1,764,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		640,000	
	Marketing		90	Units	\$5,000 /Unit	450,000	
	Developer Fee		5%	Direct Costs		1,601,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		351,000	
	Total Indirect Costs						\$7,368,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁶	\$3,920,000	Cost	6.2% Avg Rate	\$365,000	
	Construction	⁷	\$42,130,000	Cost	6.2% Avg Rate	1,959,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	414,000	
	Total Financing Costs						\$2,738,000
V.	Total Construction Cost		90	Units	\$468,000 /Unit		\$42,130,000
	Total Development Cost		90	Units	\$512,000 /Unit		\$46,050,000

¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.

² Based on the estimated costs for similar uses.

³ Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Unit; 1.0 space per One-Bedroom Unit; 2.0 spaces per Two-Bedroom Unit; and 2.0 spaces per Three-

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 15% BASE ZONING UNITS
 50% SECTION 65915 DENSITY BONUS ALTERNATIVE
 INCLUSIONARY HOUSING: FEASIBILITY STUDY
 COUNTY OF SANTA CRUZ, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	24 Units @	\$2,244 /Unit/Month	\$646,000
One-Bedroom Units	16 Units @	\$3,308 /Unit/Month	635,000
Two-Bedroom Units	24 Units @	\$3,792 /Unit/Month	1,092,000
Three-Bedroom Units	16 Units @	\$4,094 /Unit/Month	786,000

B. **Density Bonus Units**

²

Studio Units	3 Units @	\$1,583 /Unit/Month	57,000
One-Bedroom Units	2 Units @	\$1,802 /Unit/Month	43,000
Two-Bedroom Units	3 Units @	\$1,985 /Unit/Month	71,000
Three-Bedroom Units	2 Units @	\$2,166 /Unit/Month	52,000

C. **Miscellaneous Income**

90 Units @	\$75 /Unit/Month	81,000
------------	------------------	--------

Total Gross Income

\$3,463,000

Vacancy & Collection Allowance

5% Gross Income

(173,000)

II. **Effective Gross Income**

\$3,290,000

III. **Operating Expenses**

General Operating Expenses	90 Units @	\$5,500 /Unit	\$495,000
Property Taxes	90 Units @	\$6,600 /Unit	592,000
Replacement Reserve Deposits	90 Units @	\$150 /Unit	14,000

Total Operating Expenses

90 Units @	\$12,233 /Unit	(\$1,101,000)
------------	----------------	---------------

IV. **Stabilized Net Operating Income**

\$2,189,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.45 per square foot of leasable area.

² Under Section 65915(f)(2), 15% of the Base Units are set aside for very-low income households. Section 65915(c)(1)(B)(i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 15% BASE ZONING UNITS
50% SECTION 65915 DENSITY BONUS ALTERNATIVE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$2,189,000
	Threshold Stabilized Return on Total Investment	¹	5.06%
	Total Supportable Investment		\$43,242,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1	\$46,050,000
III.	<u>Total Financial Impact</u>		(\$2,808,000)
	Acq Cost Reduction to Offset Impact	72% of Estimated Current Acquisition Prices	
	% Market Rate Rent Increase to Offset Impa	5.8% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT ALTERNATIVE: MARKET RATE ALTERNATIVE.

APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

**VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 20% BASE ZONING UNITS
70% SECTION 65915 STACKING DB ALTERNATIVE
RENTAL DEVELOPMENT ON A 1.2 ACRE SITE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA**

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 20% BASE ZONING UNITS
 70% SECTION 65915 STACKING DB ALTERNATIVE
 INCLUSIONARY HOUSING: FEASIBILITY STUDY
 COUNTY OF SANTA CRUZ, CALIFORNIA

I.	Property Acquisition Costs	¹	52,272	Sf of Land	\$75 /Sf of Land		\$3,920,000
II.	<u>Direct Costs</u>	²					
	On-Site Improvements/Landscaping		52,272	Sf of Land	\$25 /Sf of Land	\$1,307,000	
	Parking	³					
	Above-Ground Parking Spaces		90	Spaces	\$35,000 /Space	3,150,000	
	1st Level Subterranean		63	Spaces	\$50,000 /Space	3,150,000	
	Building Costs		75,250	Sf of GLA	\$300 /Sf of GLA	22,575,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		6,036,000	
	Total Direct Costs		75,250	Sf of GBA	\$481 /Sf of GBA		\$36,218,000
III.	<u>Indirect Costs</u>						
	Architecture, Engineering & Consulting		8%	Direct Costs		\$2,897,000	
	Public Permits & Fees	⁵	102	Units	\$19,600 /Unit	1,999,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs		724,000	
	Marketing		102	Units	\$5,000 /Unit	510,000	
	Developer Fee		5%	Direct Costs		1,811,000	
	Soft Cost Contingency Allowance		5%	Other Indirect Costs		397,000	
	Total Indirect Costs						\$8,338,000
IV.	<u>Financing Costs</u>						
	Interest During Construction						
	Land	⁶	\$3,920,000	Cost	6.2% Avg Rate	\$365,000	
	Construction	⁷	\$47,598,000	Cost	6.2% Avg Rate	2,213,000	
	Loan Origination Fees		60%	Loan to Cost	1.5 Points	464,000	
	Total Financing Costs						\$3,042,000
V.	Total Construction Cost		102	Units	\$467,000 /Unit		\$47,598,000
	Total Development Cost		102	Units	\$505,000 /Unit		\$51,518,000

- ¹ Estimated in part based on the sales of properties sold in Santa Cruz County and then recently developed with residential uses.
- ² Based on the estimated costs for similar uses.
- ³ Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Unit; 1.0 space per One-Bedroom Unit; 2.0 spaces per Two-Bedroom Unit; and 2.0 spaces per Three-Bedroom Unit. No guest spaces are provided.
- ⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.
- ⁵ Based on estimates provided in the County's certified Sixth Cycle Housing Element constraints analysis. The estimates excluded the Affordable Housing Impact Fee.
- ⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.
- ⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 20% BASE ZONING UNITS
 70% SECTION 65915 STACKING DB ALTERNATIVE
 INCLUSIONARY HOUSING: FEASIBILITY STUDY
 COUNTY OF SANTA CRUZ, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	27 Units @	\$2,244 /Unit/Month	\$727,000
One-Bedroom Units	18 Units @	\$3,308 /Unit/Month	715,000
Two-Bedroom Units	27 Units @	\$3,792 /Unit/Month	1,229,000
Three-Bedroom Units	18 Units @	\$4,094 /Unit/Month	884,000

B. **Density Bonus Units**

²

Studio Units	4 Units @	\$1,583 /Unit/Month	76,000
One-Bedroom Units	2 Units @	\$1,802 /Unit/Month	43,000
Two-Bedroom Units	4 Units @	\$1,985 /Unit/Month	95,000
Three-Bedroom Units	2 Units @	\$2,166 /Unit/Month	52,000

C. **Miscellaneous Income**

102 Units @	\$75 /Unit/Month	92,000
-------------	------------------	--------

Total Gross Income

\$3,913,000

Vacancy & Collection Allowance

5% Gross Income

(196,000)

II. **Effective Gross Income**

\$3,717,000

III. **Operating Expenses**

General Operating Expenses	102 Units @	\$5,500 /Unit	\$561,000
Property Taxes	102 Units @	\$6,600 /Unit	669,000
Replacement Reserve Deposits	102 Units @	\$150 /Unit	15,000

Total Operating Expenses

102 Units @	\$12,206 /Unit	(\$1,245,000)
-------------	----------------	---------------

IV. **Stabilized Net Operating Income**

\$2,472,000

¹ Based in part on the rent survey presented in APPENDIX A. The weighted average monthly rent equates to \$4.45 per square foot of leasable area.

² Under Section 65915(f)(2) and Section 65915(v)(2), 20% of the Base Units are set aside for very-low income households. Section 65915(c)(1)(B)(i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT IV - TABLE 3

ESTIMATED FINANCIAL IMPACTS: INCLUSIONARY HOUSING REQUIREMENT
VERY LOW INCOME DENSITY BONUS REQUIREMENT @ 20% BASE ZONING UNITS
70% SECTION 65915 STACKING DB ALTERNATIVE
INCLUSIONARY HOUSING: FEASIBILITY STUDY
COUNTY OF SANTA CRUZ, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT IV - TABLE 2	\$2,472,000
	Threshold Stabilized Return on Total Investment	¹	5.06%
	Total Supportable Investment		\$48,832,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1	\$51,518,000
III.	<u>Total Financial Impact</u>		(\$2,686,000)
	Acq Cost Reduction to Offset Impact	69% of Estimated Current Acquisition Prices	
	% Market Rate Rent Increase to Offset Impa	4.9% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT ALTERNATIVE: MARKET RATE ALTERNATIVE.