CITY OF KIRKLAND
Planning and Building Department
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MEMORANDUM

To: Planning Commission

From: Adam Weinstein, AICP, Planning & Building Director
Allison Zike, AICP, Deputy Planning & Building Director
Scott Guter, AICP, Senior Planner

Date: April 19, 2023

Subject: NE 85TH ST STATION AREA PLAN – PHASE 2 – FILE NO. CAM20-00153

RECOMMENDATION

Receive a briefing from City staff, A Regional Coalition for Housing (ARCH) staff, and consultants Street Level Advisors and BAE Urban Economics on the analysis informing the proposed draft affordable housing requirements for the NE 85th St Station Area, and hold a study session to discuss the draft requirements. Provide staff with direction to finalize the draft affordable housing requirements prior to the public hearing anticipated to be held in May 2023.

BACKGROUND

At a June 28, 2022 special meeting, following a planning process extended to allow for more community input and project analysis, City Council (Council) adopted a plan for the NE 85th St Station Area. The adoption of the plan created a new subarea chapter in the city's Comprehensive Plan, and paves the way for a thriving, transit-oriented, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services. At that time, Council also adopted the first phase (Phase 1) of Station Area Zoning code amendments which implemented a Form-based Code (FBC) for the Commercial Mixed-use District, and the NE 85th St Station Area Plan Design Guidelines for the full subarea.

In Fall 2022, the Planning Commission (PC) held three study sessions, on October 13, October 27, and November 10, 2022, to specifically discuss the code amendments for Phase 2 of the Station Area Plan. Phase 2 of the Station Area is guided by the goals and policies adopted for the subarea in Phase 1. The Phase 2 adoption process includes specific parcel rezones, and Zoning Code and Municipal Code amendments to implement the FBC for the Neighborhood Mixed-use, Civic Mixed-use, and Urban Flex districts (see Figure 1). Phase 2 will also include adoption of the final Planned Action Ordinance (PAO) for the full Station Area.

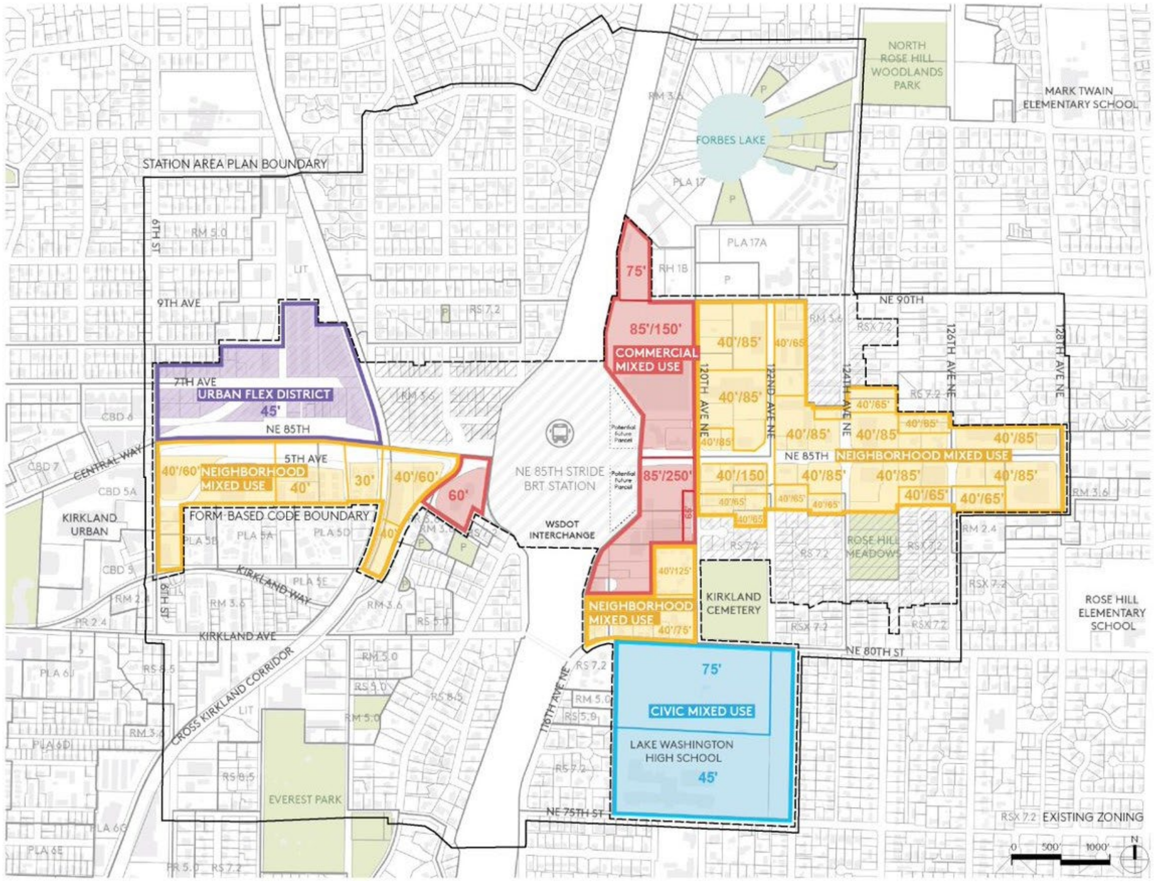

Figure 1: Regulating District Phases of the NE 85th Station Area Plan.

On February 23, 2023 the PC held a public hearing to collect public testimony, deliberate, and make recommendations on the proposed Phase 2 amendments to the Kirkland Zoning Code (KZC) and Municipal Code (KMC). At that hearing, the PC opted to delay the public hearing specifically concerning the draft Station Area affordable housing requirements. The PC requested that staff conduct additional vetting of the inclusionary standards with the development community to ensure that redevelopment under the ultimate requirements remains feasible. Per PC direction at the meeting, the background information and recommendations on affordable housing were not included in the staff presentation for the public hearing, and the PC did not collect public testimony on the topic. A full summary of the February 23 public hearing was given to Council on March 7, 2023. The PC recommendations on the remaining Phase 2 code amendments are found in the staff report to Council.

STATION AREA AFFORDABLE HOUSING BACKGROUND AND ANALYSIS

Creating more opportunities for housing, particularly affordable housing, in the Station Area has been a primary focus since the early phases of this project. Affordable housing is paramount among the benefits the community wants to see achieved with future growth (per extensive community input gathered beginning in 2020 and continuing to the current project phase), which was emphasized by direction from the PC and Council, and accordingly emphasized in the adopted goals and policies in the subarea

Comprehensive Plan Chapter (Ch. XV.G). Staff has worked diligently to identify the best method to encourage and enable housing production, and maximize affordable housing, in the subarea, without hindering the long-term development potential of the Station Area. In addition to adopted Comprehensive Plan goals and policies, staff seeks to develop a regulatory framework that is balanced with the Incentive Zoning program for commercial development adopted in Phase 1 (i.e., taking care not to make either commercial or residential development substantially more attractive to developers than the other). Additionally, staff worked to create a simple structure that is easy for developers to understand, staff to administer, and for the community to understand likely development outcomes.

Given the above background and considerations, City staff has collaborated with staff from ARCH through our existing interlocal agreement to develop the recommended affordable housing requirements for the Station Area. ARCH staff and their consultant team, incorporating feedback from local and regional housing developers, have completed an analysis to support this joint recommendation that evaluates the increased value of properties in the Station Area resulting from the proposed code amendments (e.g., increased height/development capacity, lower parking requirements, abating property taxes through Multifamily Housing Tax Exemption) and identifies the affordable housing set-aside (as a percentage of total units) that can be supported in a given zone by that increased value. A background memorandum on the City's housing needs, and context and methodology behind the analysis was prepared by ARCH staff and their consultants, and is included as Attachment 1.

The analysis completed by ARCH and their consultants concludes, in brief, that:

- The Phase 2 zoning amendments to increase development capacity add significant value to future projects;
- The draft affordable housing requirements (discussed in Attachment 1) capture some of that significant value for affordable housing production;
- While the affordable housing requirements add cost for future development, the net result of the increased development capacity value and affordable housing requirements makes future projects more profitable than they would be under existing allowed capacity and affordable housing requirements;
- Under current market conditions today, development under either existing conditions (i.e., current zoning and affordable housing requirements) or the proposed Station Area requirements (i.e., increased development capacity and draft affordable housing requirements) is unlikely to be feasible; and
- Once market conditions calibrate and improve enough for base projects to be feasible, the higher densities combined with higher affordable housing requirements will likely be attractive to developers because they will improve the profitability of project.

Summary of Proposed Inclusionary Regulations

The analysis by ARCH and their consultants yielded a calibrated minimum affordable housing set-aside (in percentage terms) that can be supported by redevelopment, varying slightly according to the maximum height allowed in each Station Area zone.

The affordable housing requirements in the Station Area will pair with the Incentive Zoning program for commercial development adopted with Phase 1, and set forth in KZC 57.30. For parcels in the Neighborhood-Mixed-use (NMU) district where the regulating plan in KZC 57.10.030 indicates a "base" and "bonus" maximum allowed height (see Figure 2), while the Incentive Zoning program requires development to "earn" bonus capacity above the base height on a per-square-foot basis, the affordable housing requirements are proposed to apply to the total of all housing units in the development, regardless of units provided within the base or bonus capacity.

The proposed Station Area affordable housing requirements are included in Attachment 1, along with a background analysis that supports the draft requirements, and are shown below:

	Renter-occupancy		**Owner-occupancy**	
	Set-aside	**Affordability Level**	**Set-aside**	**Affordability Level**
Draft Requirements for Station Area Urban Flex and Neighborhood Mixed-use zones with maximum heights below 65 feet				
Mandatory (eligible for 8-year MFTE)	10%	50% of median income	10%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 80% of median income	10% plus 10%	80% of median income 110% of median income
Draft Requirements for Station Area Neighborhood Mixed-Use zones with maximum heights 65 feet or greater				
Mandatory (eligible for 8-year MFTE)	15%	50% of median income	15%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 60% of median income	10% plus 10%	80% of median income 100% of median income

These draft requirements are structured to provide developers a choice between complying with the base mandatory requirement eligible for a 8-year MFTE, or the optional requirement eligible for a 12-year MFTE. Additional background analysis and data is provided in Attachment 1.

Near-term Considerations for Affordable Housing Requirement Implementation

As noted above, the ARCH and consultant analysis, which incorporates developer feedback, shows that projects would be infeasible (under current market conditions) with the recommended inclusionary zoning requirements. However, the analysis also concludes that projects would be feasible when market conditions ease, which most regional economists expect to happen within the next few years. As noted in the ARCH memo, the real estate market is highly cyclical, and it is very difficult to establish development regulations that precisely align with the market. Therefore, best practice is to adopt affordable housing set-aside regulations that are appropriate across the market cycle – a little lower of a set-aside than what might be possible at the peak of the market and perhaps a little higher of a set-aside than what is feasible at the low point.

Staff believes that the recommended inclusionary requirements are appropriate in the context of the expected market longer-term cycle. However, if the Planning Commission wishes to address the desire to encourage development in the Station Area soon after the Phase 2 zoning is adopted (when market conditions may not be optimal), one option is that the new zoning *development allowances* (increased height, reduced setbacks, etc.) would go into effect immediately after adoption[1]. At the same time, the new *inclusionary zoning requirements* could be phased-in, for example a set-aside between the existing 10% and recommended 15% could be established for a specified period of time (perhaps 1 year) and potentially limited to a certain number of "pioneer" residential units so that near-term projects already in the planning phase could be feasible in the context of difficult (but expected to improve) market conditions.

Another option would be to enact the recommended 15% inclusionary provisions but also consider additional development incentives, such as further reductions in parking minimums, (or a follow-up amendment to the Building Code to enable 6 stories of Type IIA wood frame construction, a policy already enacted in Seattle that has allowed builders to achieve 85' heights through more cost-effective construction).

It is important to note that any phase-in of new, more robust inclusionary zoning requirements comes with opportunities and downsides, and is not a guarantee that development will be able to overcome *current* market challenges. It is possible that the incremental impact on feasibility could enable projects to move forward in the short-term (potentially catalyzing development in the Station Area), however it is also possible that projects will nonetheless be stalled and the city would lose an opportunity to maximize development of additional units of affordable housing units with redevelopment when conditions improve.

DISCUSSION QUESTIONS

At the April 27, 2023 meeting, the Commission will have the opportunity to discuss the information contained herein, and ask questions of City staff, ARCH staff, and the ARCH consultant team. The PC should discuss the following as a group:

- Do the proposed draft requirements for affordable housing align with the adopted goals and policies to maximize housing, specifically affordable housing, in the Station Area?
- Are there any changes the PC wants to make to the draft requirements prior to the forthcoming public hearing to collect public testimony on the proposal?
- Does the PC support phasing in implementation of the new inclusionary zoning requirements to account for existing market conditions?
- Is there any additional information the PC requests from staff prior to the public hearing on draft affordable housing requirements?

NEXT STEPS

Staff will utilize the feedback received from the Planning Commission study session and complete a final draft of the affordable housing regulations. A Planning Commission public hearing on the proposed regulations is tentatively scheduled for May 25, 2023.

ATTACHMENTS

1. NE 85th St Station Area Inclusionary Zoning Memorandum, prepared by ARCH, dated April 18, 2023

cc: File Number CAM20-00153

Parties of Record (CAM20-00153)

MEMORANDUM

To: Adam Weinstein, Planning and Building Director, City of Kirkland
Allison Zike, Deputy Director, City of Kirkland
Scott Guter, Senior Planner, City of Kirkland

From: Lindsay Masters, Executive Director
Mike Stanger, Senior Planner

Subject: 85th Street Station Area inclusionary zoning

Date: April 18, 2023

Recommendation

Staff recommends the Planning Commission consider code amendments, in conjunction with those proposed in the NE 85th Street Station Area Plan to raise height limits and reduce parking minimums, that would revise housing affordability requirements.

This recommendation is refined from the one prepared for the Planning Commission in February. It incorporates direct feedback from developers regarding market assumptions and evaluation by economic and housing consultants, described below in detail.

	Renter-occupancy		Owner-occupancy	
	Set-aside	**Affordability Level**	**Set-aside**	**Affordability Level**
Draft Requirements for Station Area Urban Flex and Neighborhood Mixed-use zones with maximum heights below 65 feet				
Mandatory (eligible for 8-year MFTE)	10%	50% of median income	10%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 80% of median income	10% plus 10%	80% of median income 110% of median income
Draft Requirements for Station Area Neighborhood Mixed-Use zones with maximum heights 65 feet or greater				
Mandatory (eligible for 8-year MFTE)	15%	50% of median income	15%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 60% of median income	10% plus 10%	80% of median income 100% of median income

(“MFTE” stands for multifamily tax exemption, and “set-aside” means dwelling units reserved as affordable housing as a percentage of total units in a development.)

For proposed Urban Flex zones and Neighborhood Mixed-Use zones with height limits below 65 feet, staff recommends the requirements shown in the table above, which match the existing inclusionary requirements in the pre-Station Area Rose Hill Business District zones.

Background

State law authorizes cities planning under the Growth Management Act to establish incentives or requirements for affordable housing where they increase residential capacity, reduce parking, waive or exempt development fees, expedite permitting, or provide other benefits for residential, commercial, industrial, or mixed-use development (RCW 36.70A.540). The City of Kirkland has successfully utilized this statute for many years through its mandatory inclusionary program, which is codified in Chapter 112 of the Kirkland Zoning Code (KZC) and Chapter 5.88 of the Kirkland Municipal Code (KMC).

The City has also adopted Comprehensive Plan Policy H-3.2, which states that the city will "require affordable housing when increases to development capacity are considered." Text accompanying the policy explains: *Rezones, height and bulk modifications, and similar actions … can add significant value for property owners and an opportunity to create affordable housing with minimal (if any additional) cost to the owner. When the City considers amendments to the Comprehensive Plan, Zoning Code, or other regulations, the City should compare the economic value of the increased capacity to the economic cost of providing affordable units and decide whether to require affordable housing in return.*

Existing city code requires the following in areas presently under consideration for reclassification to Neighborhood Mixed-Use (NMU):

- 10 percent of dwelling units must be affordable at 50 percent of King County's area median family income ("50 AMI") for renter-occupied housing.
- 10 percent of dwelling units must be affordable at 80 percent of median income ("80 AMI") for owner-occupied housing.
- Developments of less than 4 units are exempt.

These requirements were adopted in 2009. These requirements also satisfy the same requirements for an eight-year exemption from taxation on the residential improvement values of a project (Chapter 5.88 KMC). This MFTE program has an optional 12-year exemption that requires projects to set aside an additional 10 percent of their units for affordability at 80 AMI. The city adopted the current MFTE program in 2008. (State law authorizes MFTE under Chapter 84.14 RCW.) The zoning districts considered for reclassification from Light Industrial (LI) to Urban Flex do not currently permit residential use and have no affordable housing requirement.

The King County Growth Management Planning Council (GMPC) is considering Countywide Planning Policy amendments that would require the city to "plan for and accommodate" an increase in housing units by 2044 having affordability levels as follows:

Proposed Affordable Housing Needs, 2019-2044

Affordability level (Pct of median income)	Net new permanent housing units
0% - 30%	4,797 not "permanent supportive housing" 2,893 "permanent supportive housing"

Affordability level (Pct of median income)	Net new permanent housing units
31% - 50%	3,057
51% - 80%	975
81% - 100%	197
101% to 120%	220
Total	12,139

These figures are similar to the total interim affordable housing target adopted by the City Council in October 2021.

The city's intent to up-zone parts of the 85th Street Station Area to increase height limits and allow more residential development now provides a major opportunity to capture greater affordability in future development in the area, particularly at affordability levels where the city has the greatest projected need for new housing. The following analysis describes how staff arrived at recommended provisions for Neighborhood Mixed and Urban Flex zones.

Analysis

To determine how much affordability could be achieved through the proposed up-zone, ARCH staff modeled the economic values created for landowners and developers – by increasing housing capacity, reducing parking, and abating property taxes (MFTE) – in comparison to the economic "cost" (or public value) of providing affordable units. This fulfills the city's Policy H-3.2, cited above. The model measures the impact of proposed regulatory changes but does not evaluate the entire set of parameters that affect development feasibility (e.g., financing costs, operating expenses, etc.).

Specifically, ARCH's model accounts for the following factors:

- Increased land value created by additional market rate units allowed with increased height.
- Construction cost savings from reduced parking minimums.
- In scenarios with set-asides of 20 percent, the value of extending the eight-year property tax exemption on all residential improvements to twelve years.
- The gap between market rents and affordable rents beyond what is already required in existing code.

The model evaluates each of these per affordable unit in order to create a ratio between the value created by the first three factors and the value of the fourth factor. When the benefit ratio equals or exceeds 1.2, we conclude that the proposed regulations would improve the viability of housing development.

Using assumptions the city's Phase 1 consultant analysis used in 2021, which supported the feasibility of residential development in a variety of scenarios, staff modeled different prototypes and program parameters. This preliminary analysis found that the proposed incentives add significant value to projects, and even by increasing the affordable housing set-aside to 20 or 25 percent, the net result of the proposed program would make projects more profitable compared to existing development regulations.

To supplement this analysis, ARCH hired a team of consultants, Street Level Advisors and BAE Urban Economics (BAE), who have extensive experience performing economic feasibility and inclusionary zoning analysis around the country. The team evaluated ARCH's model and built a complementary, pro forma-based model to test feasibility. Feasibility is indicated through a project's estimated yield on cost, or relationship of net operating income to total development cost.

Developer input and additional market research provided important insights into changing market conditions, notably increases in construction costs and projected market rents. Market rents in recently-built Kirkland apartments average roughly $3.50 per square foot, but developers told BAE that they are currently estimating higher rents, in the neighborhood of $4.25 per square foot, to justify new projects and offset rising construction costs.

Staff have updated ARCH's analysis using the same parameters BAE used to estimate yield on cost. Both ARCH and BAE focused on scenarios where up-zoning allowed development capacity to double. Neither ARCH nor BAE have estimated values for other potential incentives or benefits, such as deeper parking reductions or impact fee waivers.

Findings

Urban Flex district and Neighborhood Mixed-Use zones with maximum height lower than 65 feet

The proposed zoning would allow residential use in the Urban Flex district, where it is presently prohibited, and would raise the building height limit up to 45 feet. Height limits in some portions of the Neighborhood Mixed-Use district would increase to 60 feet. A 10 percent set-aside with 50 AMI affordability would conform these districts to existing affordability requirements in the Station Area, where development has been occurring. Staff believe that these areas would be attractive for residential development given their location near the city center and multi-modal transportation options.

Neighborhood Mixed-Use zones with maximum heights 65 feet or greater

The consulting team's findings are consistent with ARCH's analysis in showing that the proposed zoning changes offer a package of incentives and affordable housing requirements with a net positive impact. BAE's model, however, also shows that rapidly increasing construction costs have created a temporary situation where the most likely project types are not economically feasible.

Specifically, the yield-on-cost analysis indicates that the proposed zoning improves feasibility, even when raising affordability requirements to 15 or 20 percent. But even with increases in projected rents, the analysis found that overall development is unlikely to be feasible under current market conditions. The table below summarizes these results. A more detailed table of cost and revenue assumptions is found in **Attachment 1.**

Feasibility Summary of Inclusionary Housing Scenarios

	Baseline Project	**Alternative Inclusionary Scenarios (with Increased Height, Parking Reductions, and MFTE)**		
Project Characteristics	10% at 50% AMI	15% at 50% AMI	20% at 50% AMI	10% at 50 AMI, 10% at 60% AMI
Total Units	**300**	**600**	**600**	**600**
Units/Acre	*88*	*175*	*175*	*175*

	Baseline Project	Alternative Inclusionary Scenarios (with Increased Height, Parking Reductions, and MFTE)		
Project Characteristics	10% at 50% AMI	15% at 50% AMI	20% at 50% AMI	10% at 50 AMI, 10% at 60% AMI
Total Parking Spaces	**423**	**645**	**645**	**645**
Spaces/Unit	*1.4*	*1.1*	*1.1*	*1.1*
Moderate Rent ($3.50/SF)				
Project Yield on Cost	**4.45%**	**4.70%**	**4.62%**	**4.67%**
Required Yield on Cost	5.75%	5.75%	5.75%	5.75%
Feasibility	**Unlikely**	**Unlikely**	**Unlikely**	**Unlikely**
Improved Feasibility	n.a.	*Yes*	*Yes*	*Yes*
High Rent ($4.25/SF)				
Project Yield on Cost	**5.26%**	**5.57%**	**5.47%**	**5.52%**
Required Yield on Cost	5.75%	5.75%	5.75%	5.75%
Feasibility	**Unlikely**	**Unlikely**	**Unlikely**	**Unlikely**
Improved Feasibility	*n.a.*	*Yes*	*Yes*	*Yes*

Applying the updated assumptions, staff found that the benefit ratio model supports a 15 percent requirement at 50 AMI. An optional 10 percent at 50 AMI plus 10 percent at 60 AMI would be a comparable alternative for developers who wish to utilize the 12-year tax exemption. **Attachment 2** to this memo shows the estimated benefit ratios of these programs side-by-side with the preliminary results. The primary cause for the difference in results is an increased gap between market and affordable rents from 2021 to 2023 estimates. The larger gaps between market and affordable rents caused a significant reduction in the benefit ratios from the preliminary analysis.

Conclusions

ARCH staff's analysis aims to ensure that the cost of affordable housing requirements is proportional to – and less than – the value added by land use and tax incentives. This analysis found that:

- The proposed regulations add significant value to projects.
- The proposed requirements capture some of that value for affordable housing.
- The net result is that the proposed program (including both incentives and requirements) makes projects more profitable than they otherwise would be.

BAE's analysis extended ARCH's study to look also at the feasibility of projects at the current point in the market cycle. They developed a model to study the feasibility of a typical multi-family rental project, which found that:

- Under current conditions, the cost of construction for a project at the base density is higher than can be supported by the current rents for many projects.

- Typical projects will currently generate a yield on cost that is below the assumed threshold for feasibility.
- Under current zoning and market conditions, projects would likely be infeasible even with no additional affordable housing requirements.
- Consistent with ARCH's findings, BAE found that a policy that offered increased density, reduced parking requirements, and increased affordable housing set-asides would improve the financial feasibility of a typical project.
- However, even with improved returns, projects are unlikely to be feasible under current conditions.
- BAE evaluated several alternative affordable housing requirements, and all resulted in project returns that fell short of feasibility.
- Once conditions improve enough for the base project to be feasible, the higher densities combined with higher affordable housing requirements will likely be attractive to developers because they will improve the profitability of projects.

While the economic fundamentals of the Station Area, and Kirkland in general (e.g., healthy job growth, increasing transit services and mobility, school quality, and proximity to other job centers) remain strong and favorable to housing development, staff recognize the inherent challenge in balancing current economic conditions with the city's long-term policy objectives to plan for affordable housing needs. This is not an uncommon situation. Real estate development is highly cyclical, making it challenging for cities to set appropriate affordable housing requirements. When the market is booming and development is highly profitable, very high affordable housing requirements might be feasible. When the market slows down and most projects are infeasible – with or without affordable housing requirements, cities are sometimes tempted to remove or reduce requirements. But cities have not been effective in timing the market and the generally accepted best practice is to attempt to adopt requirements that are appropriate *across the market cycle* – a little lower than what might be possible at the peak of the market and perhaps a little higher than what is feasible at the low point. This approach ensures that when the overall market recovers and projects begin moving forward again, the affordable housing that the city needs will be built.

Attachments

1. Feasibility Analysis Cost and Revenue Assumptions (Yield on Cost Model).
2. Benefit Ratio Analysis of Inclusionary Housing Scenarios (Incentives Model).
3. 2022 Affordable Rent Limits

Attachment 1

<u>Feasibility Summary Cost and Revenue Assumptions (Yield on Cost Model)</u>

"Baseline Project" is a hypothetical development allowed according to current zoning regulations in the Station Area but outside the new Commercial Mixed-Use (CMU) district. The alternative scenarios test the feasibility of developing projects with twice the number of dwelling units as the Baseline Project with regulations revised for greater building heights, reduced parking minimums, and additional affordable housing.

"MFTE" refers to the multifamily limited property tax exemption. Properties that set aside at least 10 percent but less than 20 percent of housing units for affordable housing are eligible for an 8-year exemption, and properties that set aside 20 percent or more are eligible for a 12-year exemption.

Development Cost Assumptions	
Land Cost per Acre	$6,000,000
Hard Cost (per gross sf)	$310
Commercial Tenant Improvement (per sf)	$100
Parking cost per space	$50,000
Soft Costs (% of hard costs)	15.0%
Local Impact Fees (per unit)	$22,500
Developer Fee (% of hard and soft)	4.0%
TOTAL COST (Per Unit) - Low	$502,000
TOTAL COST (Per Unit) - High	$567,000

Operating Revenue Assumptions	
Modest Market Rate Rents	
Studio	$1,750
1-BR	$2,625
2-BR	$3,150
High Market Rate Rents	
Studio	$2,125
1-BR	$3,188
2-BR	$3,825
Other Residential Income (Per Month)	
Parking (per space)	$200
Other Income (Per Unit)	$80
Operating Costs (as % of Gross Revenue)	28%
Property Value / Return Assumptions	
Cap Rate	4.75%
Required Developer Spread	1.00%
Required Yield on Cost	5.75%

(Source: BAE Urban Economics.)

Attachment 2

Benefit Ratio Analysis of Inclusionary Housing Scenarios (Incentives Model)

All values are "per affordable unit:"

Previous Assumptions				**Updated Assumptions**		
Unit mix	35% studio, 40% 1-BR, 25% 2-BR			10% studio, 50% 1-BR, 40% 2-BR		
Unit sizes	470 sf studio, 610 sf 1-BR, 900 sq ft 2-BR			500 sf studio, 750 sf 1-BR, 900 sq ft 2-BR		
AMI		$115,700			$134,600	
Market rents		$3.15	per sq ft		$3.50 - $4.25	per sq ft
(Market rent affordability)		103%	AMI		115% - 139%	AMI
Construction cost of structured parking		$40,000			$50,000	
Cap rate		5.00%			4.75%	
Interest (discount) rate		6.25%			5.75%	
Improvement values		$380,000			$420,000	
Land price (before up-zone)		$65,000	per unit		$65,000	per unit
	15% at 50 AMI	20% at 50 AMI	10% at 50 + 10% at 60 AMI	15% at 50 AMI	20% at 50 AMI	10% at 50 + 10% at 60 AMI
Value of Public Incentives						
Increased Residential Capacity						
Added Market Units	4.00	2.33	2.33	4.00	2.33	2.33
Increased Value	$ 260,000	$ 151,667	$ 151,667	$ 260,000	$ 151,667	$ 151,667
Parking Reduction						
Reduced Stalls	7.30	3.65	3.65	6.70	3.35	3.35
Cost Savings	$ 292,000	$ 146,000	$ 146,000	$ 335,000	$ 167,500	$ 167,500
Multifamily Tax Exemption (MFTE)						
Duration	8 years	12 years	12 years	8 years	12 years	12 years
Tax Abatement	No increase	$ 112,881	$ 112,881	No increase	$ 125,186	$ 125,186
Total Value Created	$ 552,000	$ 410,548	$ 410,548	$ 595,000	$ 444,353	$ 444,353
Value of Affordable Housing						
	Moderate Rent ($3.15 per sq ft)			Moderate Rent ($3.50 per sq ft)		
Rent Gap	$ 282,480	$ 282,480	$ 228,960	$ 431,316	$ 431,316	$ 362,934
Benefits Ratio	2.0	1.5	1.8	1.4	1.0	1.2
Improves feasibility?	*Yes*	*Yes*	*Yes*	*Yes*	*No*	*Yes*
				High Rent ($4.25 per sq ft)		
Rent Gap				$ 579,572	$ 579,572	$ 511,671
Benefits Ratio				1.0	0.8	0.9
Improves feasibility?				*No*	*No*	*No*

Attachment 3

2022 Affordable Rent Limits

Percentage of AMI	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
30%	$ 707	$ 757	$ 909	$ 1,050	$ 1,171
35%	$ 824	$ 883	$ 1,060	$ 1,225	$ 1,366
40%	$ 942	$ 1,010	$ 1,211	$ 1,400	$ 1,561
45%	$ 1,060	$ 1,136	$ 1,363	$ 1,575	$ 1,757
50%	$ 1,178	$ 1,262	$ 1,514	$ 1,750	$ 1,952
55%	$ 1,296	$ 1,388	$ 1,666	$ 1,925	$ 2,147
60%	$ 1,413	$ 1,514	$ 1,817	$ 2,100	$ 2,342
65%	$ 1,531	$ 1,640	$ 1,969	$ 2,275	$ 2,537
70%	$ 1,649	$ 1,767	$ 2,120	$ 2,450	$ 2,732
75%	$ 1,767	$ 1,893	$ 2,271	$ 2,625	$ 2,928
80%	$ 1,884	$ 2,019	$ 2,423	$ 2,800	$ 3,123
85%	$ 2,002	$ 2,145	$ 2,574	$ 2,975	$ 3,318
90%	$ 2,120	$ 2,271	$ 2,726	$ 3,150	$ 3,513
95%	$ 2,238	$ 2,398	$ 2,877	$ 3,325	$ 3,708
100%	$ 2,356	$ 2,524	$ 3,029	$ 3,500	$ 3,903
105%	$ 2,473	$ 2,650	$ 3,180	$ 3,675	$ 4,099
110%	$ 2,591	$ 2,776	$ 3,331	$ 3,850	$ 4,294
120%	$ 2,827	$ 3,029	$ 3,634	$ 4,200	$ 4,684

Rent limits are updated annually based on HUD-published income data. An update to these figures is expected in May of 2023.