



KEYSER MARSTON ASSOCIATES™  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:  
REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**To:** Cynthia Nelson, Deputy City Manager for Development Services  
City of Santa Ana

**From:** Kathleen Head

**Date:** May 22, 2010

**Subject:** Station District EIR: Alternatives Testing

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Keyser Marston Associates, Inc. (KMA) has been engaged to prepare financial analyses of the “Project” and three alternative development scenarios identified in the draft Station District Environmental Impact Report (EIR). The California Environmental Quality Act (CEQA) Guidelines require EIR’s to evaluate a “range of reasonable alternatives to the project, or location of the project, which could feasibly attain the basic objectives of the project”. The alternatives being evaluated in the following analysis represent three out of the six alternatives identified in the draft EIR.

**DESCRIPTION OF THE PROJECT AND THE ALTERNATIVES**

The Project and the three alternatives being evaluated in this analysis can be described as follows:

**Project**

The Project identified in the draft EIR can be described as follows:

1. Sites A – E are developed with 27 townhomes and single-family homes. Of this total, five units will be sold to moderate income households.
2. Site F is developed with four market rate and one moderate income ownership units.
3. Lot #1 is developed with 74 podium apartment units that are rented to extremely low and very-low income households.

4. Lots #2 through #4 are developed with 38 at-grade apartment units that are rented to extremely-low and very-low income households.
5. The Mercy House project includes 12 new construction apartment units for extremely-low, very-low, and low income households.

The Agency has completed the property assemblage activities required to implement the proposed scope of development for the Project.

**Alternative #4: Rehabilitate in Place**

Alternative #4 varies from the Project in the following ways:

1. The Santa Ana Redevelopment Agency (Agency) owns 13 improved properties within the boundaries of Sites A – E:
  - a. The 13 homes are rehabilitated and then sold to low or moderate income households.
  - b. This action replaces 27 new development ownership units that are included in the Project.
2. Lot #1 includes a motor court developed with 13 studio apartment units. These units are converted into one 1-bedroom unit and six 2-bedroom units. The remaining area on Lot #1 is developed with 31 new townhouse style apartment units.
3. The Agency owned property located on Lot #4 is rehabilitated and then sold to a low or moderate income household. The balance of the site is developed with four townhouse style apartment units.
4. The Mercy House project includes two rehabilitated homes and six new development units.
5. The development scopes for Lot F, #2 and #3 are unchanged from the scope identified for the Project.

No additional property needs to be assembled to undertake this alternative.

**Alternative #5: Relocate and Rehabilitate on Agency Owned Infill Sites**

The objective in Alternative #5 is to create a concentration of historic homes along Fifth and Sixth Streets between Mortimer and Lacy Streets. This analysis of this alternative is conceptual in nature. It is not intended to identify specific properties proposed for rehabilitation, relocation or demolition. Rather, the analysis identifies one potential scenario based on an assessment of the suitability of various receiver sites (vacant Agency-owned properties) combined with the identification of houses to be moved based on their historic significance and current location. While this analysis refers to specific addresses, it in no way is meant to presuppose a particular scenario. It is merely meant to assist in determining the relative economic feasibility of the alternatives.

To accomplish this objective, the following assumptions were applied:

1. The Agency owns eight homes within the identified area. These homes are rehabilitated and sold to low or moderate income households.
2. The Agency owns five vacant parcels within the identified area, and three vacant parcels in other parts of the district. These eight parcels serve as receiver sites for historic homes located on properties earmarked for new development. The relocated and rehabilitated homes are sold to low or moderate income households.
3. The eight relocation homes identified in this analysis were selected based on the following criteria:
  - a. The homes are currently owned by the Agency, or have been identified as potential future acquisitions.
  - b. Given the size constraints associated with the receiver sites, no multi-unit dwellings are considered for relocation.
  - c. The selected single-family homes include at least two-bedrooms.

The Agency identified 20 potential property acquisitions to assist in achieving the Project objectives. Only seven of the 20 potential acquisitions fulfill all the criteria identified in #3 above. Therefore, this analysis is based on the assumption that these seven homes, plus one home that is currently owned by the Agency, are used as the relocation houses. The assemblage costs for the acquisition of the seven properties are included in the implementation cost estimate for Alternative #5.

**Alternative #6: Rehabilitate 611 North Minter Street in Place**

Alternative #6 is based on the Project with the exception of the development scope for Lot #1. The changes to the Lot #1 development are:

1. The 13 studio apartments in the motor court are converted and rehabilitated into one 1-bedroom unit and six 2-bedroom units.
2. The remaining site area is developed with 31 at-grade apartment units.

**ANALYSIS SCOPE AND ASSUMPTIONS**

The purpose of the KMA analysis is to identify the following information pertaining to the Project and the three alternatives:

1. To quantify the number of residential units, the housing tenure, and the affordable housing mix, to be provided.
2. To estimate, on an order of magnitude basis, the Agency costs to be incurred in the future to complete the identified activities.

The major assumptions applied in the KMA analysis are:

1. The scope of development information is based on the definition of the Alternatives and the Project presented in the draft EIR.
  - a. Lot #1
    - i. The development scope that includes 74 podium apartment units is based on a pro forma analysis prepared by KMA.
    - ii. The development that includes 31 new development units, plus the motor court conversion to seven units, was prepared by William Hezmalhalch Architects, Inc. (WHA).
  - b. The development scopes for Lots #2 and #3 were created by KMA based on a pro rata share of an at-grade apartment pro forma analysis submitted by Related Companies of California (Related) for Lots #2 through #4.

- c. Lot #4
    - i. The development scope that includes 13 units was created by KMA based on a pro rata share of an at-grade apartment pro forma analysis submitted by Related for Lots #2 through #4.
    - ii. WHA prepared the development scope that includes four units.
  - d. The ownership housing development on Lots A – E, and on Lot F, are based on a pro forma analysis prepared by KMA.
2. The income and affordability assumptions were created by KMA. The affordable rent and sales price calculations are based on the requirements imposed by California Health and Safety Code Sections 50053 and 50052.5, respectively.
  3. The following costs used in the KMA analysis are based on estimates prepared by City of Santa Ana (City):
    - a. Property acquisition costs;
    - b. Tenant relocation costs;
    - c. Demolition costs;
    - d. Rehabilitation costs; and
    - e. Home moving costs.
  4. The financial gap estimates are based on pro forma analyses prepared by KMA. These pro forma analyses are based on conceptual development plans, and should only be used to provide order of magnitude estimates of the financial gaps associated with the development. These pro formas should not be used for financial planning purposes.

**FINDINGS**

The results of the KMA analysis are summarized in Table 1, and detailed in the following appendices:

A:	Estimates of Agency Costs
B:	Pro Forma Analyses
1	Lot #1 – 74 Apartment Units
2	Lot #1 with Motor Court – 38 Units
3	38 Apartment Units – At Grade Development
4	12 Units New Development – Mercy House
5	8 Rehab and New Units – Mercy House
6	32 Townhouse & Single-Family Homes

The key findings can be summarized as follows:

	Alternative #4	Alternative #5	Alternative #6	Project
Number of Units				
Rental	75	124	88	124
Ownership	24	21	32	32
Total Units	99	145	120	156
Agency Costs	\$17,064,000	\$29,448,000	\$22,341,000	\$22,830,000
Cost / Unit	\$172,400	\$203,100	\$186,200	\$146,300

TABLE 1

**ALTERNATIVES ANALYSES  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

	Alternative 4	Alternative 5	Alternative 6	Base Case
	Rehabilitate in Place	Relocate & Rehabilitate on Agency Owned Infill Sites	Rehabilitate 611 N. Minter Street in Place	Project
<b>I. <u>Number of Residential Units Provided</u></b>				
A. Rental Units				
Extremely-Low Income Units	13	28	17	28
Very-Low Income Units	57	91	66	91
Low Income Units	2	2	2	2
Moderate Income Units	0	0	0	0
Market Rate Units	0	0	0	0
Manager Units	3	3	3	3
<b>Total Rental Units</b>	<b>75</b>	<b>124</b>	<b>88</b>	<b>124</b>
B. Ownership Units				
Low Income Units	19	16	0	0
Moderate Income Units	1	1	6	6
Market Rate Units	4	4	26	26
<b>Total Ownership Units</b>	<b>24</b>	<b>21</b>	<b>32</b>	<b>32</b>
<b>Total Residential Units Provided</b>	<b>99</b>	<b>145</b>	<b>120</b>	<b>156</b>
<b>II. <u>Agency Costs</u></b>				
Property Assemblage	\$0	\$7,169,000	\$5,239,000	\$5,239,000
Demolition	0	686,000	1,011,000	1,135,000
House Moving & Rehabilitation <sup>1</sup>	2,900,000	6,149,000	0	0
Financial Gaps	14,164,000	15,444,000	16,091,000	16,456,000
<b>Total Agency Costs</b>	<b>\$17,064,000</b>	<b>\$29,448,000</b>	<b>\$22,341,000</b>	<b>\$22,830,000</b>
<b>III. <u>Agency Cost / Residential Unit</u></b>				
	\$172,400	\$203,100	\$186,200	\$146,300

<sup>1</sup> As pertinent, the estimated rehabilitation costs for the existing homes on the Mercy House site, and the motor court units, are included in the financial gap pro formas for the Mercy House and Lot #1 projects.

**APPENDIX A  
ESTIMATES OF AGENCY COSTS  
ALTERNATIVES ANALYSES  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**



APPENDIX A - TABLE 1

POTENTIAL AGENCY PROPERTY ACQUISITIONS <sup>1</sup>  
 ESTIMATED ACQUISITION AND RELOCATION COSTS  
 ALTERNATIVES ANALYSES  
 STATION DISTRICT EIR  
 SANTA ANA, CALIFORNIA

	Alternative 4	Alternative 5	Alternative 6	Base Case
	Rehabilitate in Place	Relocate & Rehabilitate on Agency Owned Infill Sites	Rehabilitate 611 N. Minter Street in Place	Project
1 812 E. Santa Ana Blvd.				
2 611 N. Garfield				
3 911 Brown St.		***		
4 617 E. Sixth St.		***		
5 613 E. Sixth St.		***		
6 609 E. Sixth St.		***		
7 607 E. Sixth St.		***		
8 515 E. Fifth St.		***		
9 519 E. Fifth St.		***		
10 609 E. Fifth St.		***		
11 702 E. Sixth St.		***	***	***
12 706 E. Sixth St.		***	***	***
13 701 E. Fifth St.		***	***	***
14 713 E. Fifth St.		***	***	***
15 602 E. Fifth St.; 409 N. Minter				
16 702 E. Fifth St. (Parking Lot)				
17 708 E. Fifth St.				
18 716 E. Fifth St.				
19 720 E. Fifth St. (Belongs to 716 5th)				
20 610 E. Sixth St. (and 608)				
<b>Total Estimated Assemblage Cost</b>	\$0	\$7,168,856	\$5,239,428	\$5,239,428

<sup>1</sup> Properties marked with \*\*\* are assumed to be acquired in each Alternative respectively.

APPENDIX A - TABLE 2

ESTIMATED DEMOLITION COSTS  
ALTERNATIVES ANALYSES  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA

	Alternative 4	Alternative 5	Alternative 6	Base Case
	Rehabilitate in Place	Relocate & Rehabilitate on Agency Owned Infill Sites	Rehabilitate 611 N. Minter Street in Place	Project
<b>I. Agency Owned Parcels</b>				
1	505 N. Minter; 507 N Minter, 601-603 E. 5th		\$97,000	\$97,000
2	610-612 E. 5th St.		30,000	30,000
3	620 E. 5th St.		51,800	51,800
4	621 E. 5th; 508 & 510 N. Porter		54,600	54,600
5	712 E. 5th St.		41,400	41,400
6	501 E. 5th St.		43,800	43,800
7	615 E. 5th St.		48,800	48,800
8	505 E. 5th St.		43,700	43,700
9	611 N. Minter St	123,600		123,600
10	720 E. Sixth St.	23,100	23,100	23,100
11	714 E. Sixth St.	34,900	34,900	34,900
12	710 E. Sixth St.		37,600	37,600
13	623 N. Garfield	114,500	114,500	114,500
14	801 SA Blvd / 707 N. Garfield	36,400	36,400	36,400
	<b>Total Agency Owned Parcels</b>	<b>\$0</b>	<b>\$657,600</b>	<b>\$781,200</b>
<b>II. Potential Agency Acquisitions</b>				
1	812 E. Santa Ana Blvd.			
2	611 N. Garfield			
3	911 Brown St.			
4	617 E. Sixth St.			
5	613 E. Sixth St.			
6	609 E. Sixth St.			
7	607 E. Sixth St.			
8	515 E. Fifth St.			
9	519 E. Fifth St.			
10	609 E. Fifth St.			
11	702 E. Sixth St.	43,700	43,700	43,700
12	706 E. Sixth St.	86,000	86,000	86,000
13	701 E. Fifth St.	74,700	74,700	74,700
14	713 E. Fifth St.	149,000	149,000	149,000
15	602 E. Fifth St.; 409 N. Minter			
16	702 E. Fifth St. (Parking Lot)			
17	708 E. Fifth St.			
18	716 E. Fifth St.			
19	720 E. Fifth St. (Belongs to 716 5th)			
20	610 E. Sixth St. (and 608)			
	<b>Total Potential Agency Acquisitions</b>	<b>\$0</b>	<b>\$353,400</b>	<b>\$353,400</b>
<b>III. Total Demolition Costs</b>	<b>\$0</b>	<b>\$685,900</b>	<b>\$1,011,000</b>	<b>\$1,134,600</b>

**APPENDIX A - TABLE 3  
ESTIMATED HOUSE MOVING & REHABILITATION COSTS <sup>1</sup>  
ALTERNATIVES ANALYSES  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

	Alternative 4	Alternative 5	Alternative 6	Base Case
	Rehabilitate in Place	Relocate & Rehabilitate on Agency Owned Infill Sites	Rehabilitate 611 N. Minter Street in Place	Project
<b>I. Agency Owned Parcels</b>				
1 505 N. Minter; 507 N Minter, 601-603 E. 5th	\$525,000	\$525,000 <sup>2</sup>		
2 610-612 E. 5th St.	405,000	405,000 <sup>2</sup>		
3 620 E. 5th St.	228,800	228,800 <sup>2</sup>		
4 621 E. 5th; 508 & 510 N. Porter	376,800	376,800 <sup>2</sup>		
5 712 E. 5th St.	275,400	275,400 <sup>2</sup>		
6 501 E. 5th St.	170,400	170,400 <sup>2</sup>		
7 615 E. 5th St.	164,400	164,400 <sup>2</sup>		
8 505 E. 5th St.	165,300	165,300 <sup>2</sup>		
9 611 N. Minter St <sup>3</sup>				
10 720 E. Sixth St.	100,800			
11 714 E. Sixth St.	107,800			
12 710 E. Sixth St.	211,300	354,300 <sup>4</sup>		
13 623 N. Garfield	169,299			
14 801 SA Blvd / 707 N. Garfield <sup>3</sup>				
<b>Total Agency Owned Parcels</b>	<b>\$2,900,299</b>	<b>\$2,665,400</b>	<b>\$0</b>	<b>\$0</b>
<b>II. Potential Agency Acquisitions</b>				
1 812 E. Santa Ana Blvd.				
2 611 N. Garfield				
3 911 Brown St.		536,800 <sup>4</sup>		
4 617 E. Sixth St.		408,535 <sup>4</sup>		
5 613 E. Sixth St.				
6 609 E. Sixth St.		447,300 <sup>4</sup>		
7 607 E. Sixth St.		510,800 <sup>4</sup>		
8 515 E. Fifth St.		548,514 <sup>4</sup>		
9 519 E. Fifth St.		513,014 <sup>4</sup>		
10 609 E. Fifth St.		519,096 <sup>4</sup>		
11 702 E. Sixth St.				
12 706 E. Sixth St.				
13 701 E. Fifth St.				
14 713 E. Fifth St.				
15 602 E. Fifth St.; 409 N. Minter				
16 702 E. Fifth St. (Parking Lot)				
17 708 E. Fifth St.				
18 716 E. Fifth St.				
19 720 E. Fifth St. (Belongs to 716 5th)				
20 610 E. Sixth St. (and 608)				
<b>Total Potential Agency Acquisitions</b>	<b>\$0</b>	<b>\$3,484,059</b>	<b>\$0</b>	<b>\$0</b>
<b>III. Total House Moving &amp; Rehabilitation Cost</b>	<b>\$2,900,299</b>	<b>\$6,149,459</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> The estimated costs are net of the projected resale revenue generated by the unit.

<sup>2</sup> These units are assumed to be rehabilitated in place.

<sup>3</sup> The estimated rehabilitation costs for these units are included in the financial gap pro formas for these projects.

<sup>4</sup> These units are assumed to be relocated to Agency owned properties to create a historic home concentration.

APPENDIX A - TABLE 4

FINANCIAL GAP ANALYSES <sup>1</sup>  
 ALTERNATIVES ANALYSES  
 STATION DISTRICT EIR  
 SANTA ANA, CALIFORNIA

	Alternative 4 Rehabilitate in Place	Alternative 5 Relocate & Rehabilitate on Agency Owned Infill Sites	Alternative 6 Rehabilitate 611 N. Minter Street in Place	Base Case Project
Lots A-E Ownership	\$0	\$0	\$1,012,500	\$1,012,500
Lot F Ownership	187,500	187,500	187,500	187,500
Lot 1 Rental	10,293,000	10,658,000	10,293,000	10,658,000
Lot 2 Rental	1,367,000	1,367,000	1,367,000	1,367,000
Lot 3 Rental	1,481,000	1,481,000	1,481,000	1,481,000
Lot 4 Rental	456,000	1,481,000	1,481,000	1,481,000
Mercy House Rental	379,000	269,000	269,000	269,000
<b>Total Financial Gap</b>	<b>\$14,163,500</b>	<b>\$15,443,500</b>	<b>\$16,091,000</b>	<b>\$16,456,000</b>

<sup>1</sup> Based on pro forma analyses presented in Appendix B.

**APPENDIX B  
PRO FORMA ANALYSES  
ALTERNATIVES ANALYSES  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

**APPENDIX B1  
PRO FORMA ANALYSES  
LOT 1 - 74 APARTMENT UNITS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B1 - TABLE 1

ESTIMATED CONSTRUCTION COSTS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA

<b>I. Direct Costs<sup>1</sup></b>				
Off-site Improvements				\$500,000
On-site Improvements	106,286	Sf Land	\$21 /Sf Land	2,196,000
Structured Parking	177	Spaces	\$21,328 /Space	3,775,000
Residential Shell Costs	111,234	Sf GBA	\$69 /Sf GBA	7,719,000
Community Room Costs	4,878	Sf GBA	\$70 /Sf GBA	343,000
Retail	1,625	Sf GBA	\$114 /Sf GBA	185,000
Furnishings, Fixtures & Equipment	74	Units	\$3,108 /Unit	230,000
Contractor Fees / General Requirements	14%	Construction Costs		2,040,000
Insurance	2%	Construction Costs		249,000
Contingency Allowance	5%	Other Direct Costs		862,000
<b>Total Direct Costs</b>	<b>117,737</b>	<b>Sf GBA</b>	<b>\$154 /Sf GBA</b>	<b>\$18,099,000</b>
<b>II. Indirect Costs</b>				
Architecture, Engineering & Consulting	6%	Direct Costs		\$1,071,000
Permits & Fees <sup>2</sup>	74	Units	\$30,608 /Unit	2,265,000
Taxes, Insurance, Legal & Accounting	3%	Direct Costs		571,000
Marketing & Leasing <sup>3</sup>	74	Units	\$1,892 /Unit	140,000
Developer Fee <sup>4</sup>	9%	Eligible Basis		2,000,000
Contingency Allowance	5%	Other Indirect Costs		302,000
<b>Total Indirect Costs</b>				<b>\$6,349,000</b>
<b>III. Financing Costs</b>				
Interest During Construction <sup>5</sup>	\$12,399,000	Loan Amount	5.50% Interest	\$796,000
Financing Fees				
Gap Loan <sup>3</sup>				50,000
Construction Loan	\$12,399,000	Loan Amount	2.00 Points	248,000
Permanent Loan	\$3,022,000	Loan Amount	2.00 Points	60,000
Reserves <sup>3</sup>		3 Months Operating Expenses / Debt Service		164,000
TCAC Fees <sup>6</sup>				96,000
<b>Total Financing Costs</b>				<b>\$1,414,000</b>
<b>IV. Total Construction Costs</b>	<b>117,737</b>	<b>Sf GBA</b>	<b>\$220 /Sf GBA</b>	<b>\$25,862,000</b>

<sup>1</sup> Estimates assume prevailing wage requirements will NOT be imposed on the Project.

<sup>2</sup> Based on Developer estimate. The estimate should be verified by City staff.

<sup>3</sup> Based on Developer estimate.

<sup>4</sup> Based on Developer estimate. This amount is the maximum allowed by TCAC.

<sup>5</sup> Includes debt on the 85% of the Tax Credit Equity which will not be funded during construction. Assumes a 15-month construction period with a 60% average outstanding balance and a 5-month absorption period with a 100% average outstanding balance.

<sup>6</sup> Includes a \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

APPENDIX B1 - TABLE 2

STABILIZED NET OPERATING INCOME  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA

<b>I. <u>Gross Residential Income</u><sup>1</sup></b>				
Manager's Unit	1 Unit		\$0 /Unit/Month	\$0
<u>VL Inc Redev/TC @ 30% Median</u>				
2-Bedroom Units @ (1,129-Sf)	11 Units		\$576 /Unit/Month	76,000
3-Bedroom Units @ (1,395-Sf)	4 Units		\$648 /Unit/Month	31,100
<u>VL Inc Redev/TC @ 40% Median</u>				
2-Bedroom Units @ (1,129-Sf)	11 Units		\$786 /Unit/Month	103,800
3-Bedroom Units @ (1,395-Sf)	4 Units		\$890 /Unit/Month	42,700
<u>VL Inc Redev/TC @ 50% Median</u>				
2-Bedroom Units @ (1,129-Sf)	28 Units		\$918 /Unit/Month	308,400
3-Bedroom Units @ (1,395-Sf)	15 Units		\$999 /Unit/Month	179,800
Gross Rental Income				\$741,800
Laundry/Miscellaneous Income	74 Units		\$6 /Unit/Month	5,300
<b>Gross Income</b>				\$747,100
(Less) Vacancy & Collection Allowance	5% Gross Income			(37,400)
<b>Effective Gross Income</b>				<b>\$709,700</b>
<b>II. <u>Operating Expenses</u></b>				
General Operating Expenses	74 Units		\$4,593 /Unit	\$339,900
Property Taxes <sup>2</sup>	74 Units		\$50 /Unit	3,700
Services	74 Units		\$230 /Unit	17,000
Replacement Reserve	74 Units		\$300 /Unit	22,200
<b>Total Operating Expenses</b>				<b>\$382,800</b>
<b>III. <u>Net Operating Income</u></b>				<b>\$326,900</b>

<sup>1</sup> Based on Orange County 2009 Incomes distributed by HUD/HCD. As pertinent, the rents are based on rents published in 2009 by TCAC and California Health and Safety Code Section 50053. Utility Allowances per Developer: \$51 for 2-Bdrm units; and \$77 for 3-Bdrm units.

<sup>2</sup> Based on Developer estimate. Assumes that the Developer will receive the property tax abatement accorded to nonprofit housing organizations that develop income-restricted apartments.



APPENDIX B1 - TABLE 3

REUSE VALUE CALCULATION  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA

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I. Available Funding Sources

Permanent Loan

Net Operating Income	\$326,900	NOI (See Table 2)		
Income Available for Mortgage	1.20	DCR	\$272,417	Debt Service
Interest Rate	8.25%	Interest Rate	9.02%	Mortgage Constant

**Permanent Loan** **\$3,022,000**

Tax Credit Equity<sup>1</sup>

Gross Tax Credit Value	\$16,029,000	
Syndication Rate	\$0.76	/Tax Credit Dollar

**Net Tax Credit Equity** **\$12,182,000**

**Total Available Funding Sources** **\$15,204,000**

II. Reuse Value Calculation

Total Available Funding Sources	\$15,204,000
(Less) Total Construction Costs	(25,862,000)

III. <b>Reuse Value</b>	<b>74 Units</b>	<b>(\$144,000) /Unit</b>	<b>(\$10,658,000)</b>
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<sup>1</sup> Assumes a \$13.7 million requested unadjusted eligible basis, which includes a 130% difficult-to-develop premium, a 9.0% Tax Credit rate and an applicable fraction of 100%.

**APPENDIX B2  
PRO FORMA ANALYSIS  
LOT 1 WITH MOTOR COURT - 38 UNITS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B2 - TABLE 1

**ESTIMATED CONSTRUCTION COSTS  
LOT 1 WITH MOTOR COURT - 38 UNITS  
SANTA ANA, CALIFORNIA**

<b>I. <u>Direct Costs</u><sup>1</sup></b>					
Off-site Improvements					\$500,000
On-site Improvements <sup>2</sup>	85,813	Sf Land	\$21 /Sf Land		1,802,000
Building Costs	51,210	Sf GBA	\$97 /Sf GBA		4,967,000
Motor Court Conversion & Rehabilitation			See 2_19_10 Station EIR for calculation		867,000
Furnishings, Fixtures & Equipment	38	Units	\$3,833 /Unit		146,000
Contractor Fees / General Requirements	14%	Construction Costs Excl Motor Court			948,000
Insurance	2%	Construction Costs Excl Motor Court			135,000
Contingency Allowance	5%	Other Direct Costs Excl Motor Court			400,000
<b>Total Direct Costs</b>	<b>51,210</b>	<b>Sf GBA</b>	<b>\$191 /Sf GBA</b>		<b>\$9,765,000</b>
<b>II. <u>Indirect Costs</u></b>					
Architecture, Engineering & Consulting	7%	Direct Costs			\$684,000
Permits & Fees <sup>3</sup>	38	Units	\$26,667 /Unit		1,013,000
Taxes, Insurance, Legal & Accounting	3%	Direct Costs			293,000
Marketing & Leasing <sup>3</sup>	38	Units	\$2,333 /Unit		89,000
Developer Fee <sup>4</sup>	15%	Eligible Basis			1,796,000
Contingency Allowance	5%	Other Indirect Costs			194,000
<b>Total Indirect Costs</b>					<b>\$4,069,000</b>
<b>III. <u>Financing Costs</u></b>					
Interest During Construction <sup>5</sup>	\$7,867,000	Loan Amount	5.50% Interest		\$368,000
Financing Fees					
Construction Loan	\$7,867,000	Loan Amount	2.00 Points		157,000
Permanent Loan	\$1,595,000	Loan Amount	2.00 Points		32,000
Reserves <sup>6</sup>	3	Months Operating Expenses / Debt Service			85,000
TCAC Fees <sup>7</sup>					56,000
<b>Total Financing Costs</b>					<b>\$698,000</b>
<b>IV. <u>Total Construction Costs</u></b>	<b>51,210</b>	<b>Sf GBA</b>	<b>\$284 /Sf GBA</b>		<b>\$14,532,000</b>

<sup>1</sup> Estimates assume prevailing wage requirements will NOT be imposed on the Project.

<sup>2</sup> Includes offset for sitework costs included in motor court estimate.

<sup>3</sup> Based on assumptions applied in 1/14/10 Related pro forma for at grade apartment development.

<sup>4</sup> Based on Developer estimate. This amount is the maximum allowed by TCAC.

<sup>5</sup> Includes debt on the 85% of the Tax Credit Equity which will not be funded during construction. Assumes a 12-month construction period with a 60% average outstanding balance and a 3-month absorption period with a 100% average outstanding balance.

<sup>6</sup> Based on the minimum required by TCAC.

<sup>7</sup> Includes a \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

APPENDIX B2 - TABLE 2

**STABILIZED NET OPERATING INCOME  
LOT 1 WITH MOTOR COURT - 38 UNITS  
SANTA ANA, CALIFORNIA**

<b>I. <u>Gross Residential Income</u><sup>1</sup></b>				
Manager's Unit: 1-Bedroom @ (420-Sf)	1	Unit	\$0 /Unit/Month	\$0
<u>VL Inc Redev/TC @ 30% Median</u>				
2-Bedroom @ (845-Sf)	1	Unit	\$559 /Unit/Month	6,700
2-Bedroom @ (1,320-Sf)	2	Units	\$559 /Unit/Month	13,400
3-Bedroom @ (1,800-Sf)	1	Unit	\$627 /Unit/Month	7,500
<u>VL Inc Redev/TC @ 40% Median</u>				
2-Bedroom @ (845-Sf)	2	Units	\$769 /Unit/Month	18,500
2-Bedroom @ (1,320-Sf)	4	Units	\$769 /Unit/Month	36,900
3-Bedroom @ (1,800-Sf)	2	Units	\$869 /Unit/Month	20,900
<u>VL Inc Redev/TC @ 50% Median</u>				
2-Bedroom @ (845-Sf)	3	Units	\$901 /Unit/Month	32,400
2-Bedroom @ (1,320-Sf)	15	Units	\$901 /Unit/Month	162,200
3-Bedroom @ (1,800-Sf)	7	Units	\$1,021 /Unit/Month	85,800
Gross Rental Income				\$384,300
Laundry/Miscellaneous Income	38	Units	\$9 /Unit/Month	4,100
<b>Gross Income</b>				\$388,400
(Less) Vacancy & Collection Allowance	5%	Gross Income		(19,400)
<b>Effective Gross Income</b>				<b>\$369,000</b>
<b>II. <u>Operating Expenses</u></b>				
General Operating Expenses	38	Units	\$4,593 /Unit	\$174,500
Property Taxes <sup>2</sup>	38	Units	\$50 /Unit	1,900
Services	38	Units	\$230 /Unit	8,700
Replacement Reserve	38	Units	\$300 /Unit	11,400
<b>Total Operating Expenses</b>				<b>\$196,500</b>
<b>III. <u>Net Operating Income</u></b>				<b>\$172,500</b>

<sup>1</sup> Based on Orange County 2009 Incomes distributed by HUD/HCD. As pertinent, the rents are based on rents published in 2009 by TCAC and California Health and Safety Code Section 50053. Utility Allowances per Developer: \$54 for 1-Bdrm units; \$68 for 2-Bdrm units; and \$98 for 3-Bdrm units.

<sup>2</sup> Assumes that the Developer will NOT receive a property tax abatement.

APPENDIX B2 - TABLE 3

REUSE VALUE CALCULATION  
 LOT 1 WITH MOTOR COURT - 38 UNITS  
 SANTA ANA, CALIFORNIA

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I. Available Funding Sources

Permanent Loan

Net Operating Income	\$172,500	NOI (See Table 2)		
Income Available for Mortgage	1.20	DCR	\$143,750	Debt Service
Interest Rate	8.25%	Interest Rate	9.02%	Mortgage Constant

**Permanent Loan** **\$1,595,000**

Tax Credit Equity<sup>1</sup>

Gross Tax Credit Value	\$9,709,000	
Syndication Rate	\$0.76	/Tax Credit Dollar

**Net Tax Credit Equity** **\$7,379,000**

**Total Available Funding Sources** **\$8,974,000**

II. Financial Gap Calculation

Total Available Funding Sources	\$8,974,000
(Less) Total Development Costs	(14,532,000)

III. <b>Reuse Value</b>	<b>38 Units</b>	<b>(\$146,300) /Unit</b>	<b>(\$5,558,000)</b>
<b>Adjusted For Tie Breaker</b> <sup>2</sup>	<b>54% Premium</b>		<b>(\$10,293,000)</b>

<sup>1</sup> Assumes a \$8.3 million eligible basis, which includes a 130% difficult-to-develop premium, a 9.0% Tax Credit rate and an applicable fraction of 100%.

<sup>2</sup> Based on the premium percentage applied in 5/22/10 pro forma for at grade development.

**APPENDIX B3  
PRO FORMA ANALYSES  
LOTS 2-4 - 38 APARTMENT UNITS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B3 - TABLE 1

**ESTIMATED CONSTRUCTION COSTS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

<b>I. <u>Direct Costs</u><sup>1</sup></b>				
Off-site Improvements				\$500,000
On-site Improvements	84,506	Sf Land	\$20 /Sf Land	1,692,000
Building Costs	61,664	Sf GBA	\$70 /Sf GBA	4,316,000
Furnishings, Fixtures & Equipment	38	Units	\$0 /Unit	-
Contractor Fees / General Requirements	14%	Construction Costs		911,000
Insurance	2%	Construction Costs		108,000
Contingency Allowance	5%	Other Direct Costs		376,000
<b>Total Direct Costs</b>	<b>61,664</b>	<b>Sf GBA</b>	<b>\$128 /Sf GBA</b>	<b>\$7,903,000</b>
<b>II. <u>Indirect Costs</u></b>				
Architecture, Engineering & Consulting	7%	Direct Costs		\$553,000
Permits & Fees <sup>2</sup>	38	Units	\$30,461 /Unit	1,158,000
Taxes, Insurance, Legal & Accounting	5%	Direct Costs		411,000
Marketing & Leasing <sup>3</sup>	38	Units	\$3,684 /Unit	140,000
Developer Fee <sup>4</sup>	14%	Eligible Basis		1,460,000
Contingency Allowance	5%	Other Indirect Costs		186,000
<b>Total Indirect Costs</b>				<b>\$3,908,000</b>
<b>III. <u>Financing Costs</u></b>				
Interest During Construction <sup>5</sup>	\$7,162,000	Loan Amount	5.50% Interest	\$320,000
Financing Fees				
Gap Loan <sup>3</sup>				50,000
Construction Loan	\$7,162,000	Loan Amount	2.00 Points	143,000
Permanent Loan	\$1,493,000	Loan Amount	2.00 Points	30,000
Reserves <sup>3</sup>	3	Months Operating Expenses / Debt Service		83,000
TCAC Fees <sup>6</sup>				53,000
<b>Total Financing Costs</b>				<b>\$679,000</b>
<b>IV. Total Construction Costs</b>	<b>61,664</b>	<b>Sf GBA</b>	<b>\$203 /Sf GBA</b>	<b>\$12,490,000</b>

<sup>1</sup> Based on Developer estimate.

<sup>2</sup> Estimates assume prevailing wage requirements will NOT be imposed on the Project.

<sup>3</sup> Based on Developer estimate. The estimate should be verified by City staff.

<sup>4</sup> Based on Developer estimate.

<sup>5</sup> Includes debt on the 85% of the Tax Credit Equity which will not be funded during construction. Assumes a 12-month construction period with a 60% average outstanding balance and a 3-month absorption period with a 100% average outstanding balance.

<sup>6</sup> Includes a \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

APPENDIX B3 - TABLE 2

**STABILIZED NET OPERATING INCOME  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

<b>I. <u>Gross Residential Income</u><sup>1</sup></b>				
Manager's Unit @ 60% Median	1 Unit		\$0 /Unit/Month	\$0
<u>VL Inc Redev/TC @ 30% Median</u>				
2-Bedroom Units @ (1,000-Sf)	5 Units		\$576 /Unit/Month	34,600
3-Bedroom Units @ (1,360-Sf)	3 Units		\$648 /Unit/Month	23,300
<u>VL Inc Redev/TC @ 40% Median</u>				
2-Bedroom Units @ (1,000-Sf)	5 Units		\$786 /Unit/Month	47,200
3-Bedroom Units @ (1,360-Sf)	3 Units		\$890 /Unit/Month	32,000
<u>VL Inc Redev/TC @ 50% Median</u>				
2-Bedroom Units @ (1,000-Sf)	15 Units		\$918 /Unit/Month	165,200
3-Bedroom Units @ (1,360-Sf)	6 Units		\$999 /Unit/Month	71,900
Gross Rental Income				\$374,200
Laundry/Miscellaneous Income	38 Units		\$6 /Unit/Month	2,700
<b>Gross Income</b>				\$376,900
(Less) Vacancy & Collection Allowance	5% Gross Income			(18,800)
<b>Effective Gross Income</b>				<b>\$358,100</b>
<b>II. <u>Operating Expenses</u></b>				
General Operating Expenses	38 Units		\$4,547 /Unit	\$172,800
Property Taxes <sup>2</sup>	38 Units		\$97 /Unit	3,700
Services	38 Units		\$229 /Unit	8,700
Operating Reserve	38 Units		\$0 /Unit	-
Replacement Reserve	38 Units		\$300 /Unit	11,400
<b>Total Operating Expenses</b>				<b>\$196,600</b>
<b>III. <u>Total Net Operating Income</u></b>				<b>\$161,500</b>

<sup>1</sup> Based on Orange County 2009 Incomes distributed by HUD/HCD. As pertinent, the rents are based on rents published in 2009 by TCAC and California Health and Safety Code Section 50053. Utility Allowances per Developer: \$51 for 2-Bdrm units; and \$77 for 3-Bdrm units.

<sup>2</sup> Based on Developer estimate. Assumes that the Developer will receive the property tax abatement accorded to nonprofit housing organizations that develop income-restricted apartments.



APPENDIX B3 - TABLE 3

REUSE VALUE CALCULATION  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA

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I. Available Funding Sources

Permanent Loan

Net Operating Income	\$161,500	NOI (See Table 2)		
Income Available for Mortgage	1.20	DCR	\$134,583	Debt Service
Interest Rate	8.25%	Interest Rate	9.02%	Mortgage Constant

**Permanent Loan** **\$1,493,000**

Tax Credit Equity<sup>1</sup>

Gross Tax Credit Value	\$8,775,000	
Syndication Rate	\$0.76	/Tax Credit Dollar

**Net Tax Credit Equity** **\$6,669,000**

**Total Available Funding Sources** **\$8,162,000**

II. Reuse Value Calculation

Total Available Funding Sources	\$8,162,000
(Less) Total Construction Costs	(12,490,000)

III. **Reuse Value** **38 Units** **(\$113,900) /Unit** **(\$4,328,000)**

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<sup>1</sup> Assumes a \$7.5 million requested unadjusted eligible basis, which includes a 130% difficult-to-develop premium, a 9.0% Tax Credit rate and an applicable fraction of 100%.

**APPENDIX B4  
PRO FORMA ANALYSIS  
12 UNITS NEW DEVELOPMENT - MERCY HOUSE  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B4 - TABLE 1

**ESTIMATED CONSTRUCTION COSTS  
12 UNITS NEW DEVELOPMENT - MERCY HOUSE  
SANTA ANA, CALIFORNIA**

I.	Land Acquisition Cost	15,000 Sf Land	\$30 /Sf	\$450,000
II.	<b>Direct Costs</b> <sup>1</sup>			
	On-Site Imps / Surface Parking	15,000 Sf Land	\$19 /Sf	\$285,000
	Building Costs	14,050 Sf of GBA	\$100 /Sf	1,405,000
	Contractor/DC Contingency Allow	30.0% Other Direct Costs		507,000
	<b>Total Direct Costs</b>			<b>\$2,197,000</b>
III.	<b>Indirect Costs</b>			
	Arch, Engineering & Consulting	10.0% Direct Costs		\$220,000
	Public Permits & Fees <sup>2</sup>	12 Units	\$22,822 /Unit	274,000
	Taxes, Legal & Accounting	1.5% Direct Costs		33,000
	Insurance	12 Units	\$5,000 /Unit	60,000
	Developer Fee	5.0% Direct Costs		110,000
	Soft Cost Contingency Allowance	5.0% Ind+Fin Costs		39,000
	<b>Total Indirect Costs</b>			<b>\$736,000</b>
IV.	<b>Financing Costs</b> <sup>3</sup>			
	Interest During Construction			
	Loan Origination Fees			
	Reserves <sup>1</sup>	12 Units	\$2,917 /Unit	35,000
	<b>Total Financing Costs</b>			<b>\$35,000</b>
V.	<b>Total Construction Cost</b>	12 Units	\$247,000 /Unit	\$2,968,000
	<b>Total Development Cost</b>	12 Units	\$285,000 /Unit	\$3,418,000

<sup>1</sup> Based on Developer estimates.

<sup>2</sup> Based on Developer estimate. The estimate should be verified by the City staff.

<sup>3</sup> It is assumed that 100% of the Project costs will be paid for with assistance funds.

APPENDIX B4 - TABLE 2

STABILIZED NET OPERATING INCOME  
 12 UNITS NEW DEVELOPMENT - MERCY HOUSE  
 SANTA ANA, CALIFORNIA

I. **Income**<sup>1</sup>

Manager	1 Unit @	No Rent	\$0
Low Income Units			
1-Bdrm	1 Unit @	\$1,011 /Month	12,100
2-Bdrm	1 Unit @	\$1,134 /Month	13,600
3-Bdrm	0 Units @	\$1,250 /Month	0
Very-Low Income Units			
1-Bdrm	1 Unit @	\$838 /Month	10,100
2-Bdrm	2 Units @	\$940 /Month	22,600
3-Bdrm	1 Unit @	\$1,034 /Month	12,400
Extremely-Low Income Units			
1-Bdrm	3 Units @	\$494 /Month	17,800
2-Bdrm	2 Units @	\$552 /Month	13,300
3-Bdrm	0 Units @	\$604 /Month	0
<b>Gross Income</b>			\$101,900
(Less) Vacancy & Collection Allow.	5.0% Gross Income		(5,100)
<b>Effective Gross Income</b>			\$96,800

II. **Operating Expenses**

General Operating Expenses	12 Units @	\$4,890 /Unit	\$58,700
Property Taxes	12 Units @	\$0 /Unit	0
Social Services	12 Units @	\$500 /Unit	6,000
Reserves Deposits	12 Units @	\$513 /Unit	6,200
<b>Total Operating Expenses</b>	12 Units @	(\$5,903) /Unit	(\$70,900)

<b>III. Net Operating Income</b>			\$25,900
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<sup>1</sup> Based on Orange County 2009 Incomes distributed by HUD/HCD. The rents are based on the calculation methodology imposed by California Health and Safety Code Section 50053. Utility Allowances per Developer: \$23 for 1-Bdrm units; \$29 for 2-Bdrm units; and \$42 for 3-Bdrm units.

APPENDIX B4 - TABLE 3

FINANCIAL GAP CALCULATION  
12 UNITS NEW DEVELOPMENT - MERCY HOUSE  
SANTA ANA, CALIFORNIA

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<b>I. <u>Outside Assistance Sources</u></b>			
Home Aid In-Kind Services	12 Units @	\$45,700 /Unit	\$548,400
Children & Families Commission	12 Units @	\$116,700 /Unit	1,400,400
Affordable Housing Program	12 Units @	\$83,300 /Unit	999,600
Private Funding	12 Units @	\$16,700 /Unit	200,400
<b>Total Outside Assistance Sources</b>			<b>\$3,148,800</b>
<b>II. Total Development Cost</b>		See APPENDIX B4 - TABLE 1	<b>\$3,418,000</b>
<b>III. <u>Financial Gap</u></b>			
	12 Units	(\$22,400) /Unit	<b>(\$269,200)</b>

**APPENDIX B5  
PRO FORMA ANALYSIS  
8 REHAB AND NEW UNITS - MERCY HOUSE  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B5 - TABLE 1

ESTIMATED CONSTRUCTION COSTS  
 8 REHAB AND NEW UNITS - MERCY HOUSE  
 SANTA ANA, CALIFORNIA

I.	Land Acquisition Cost	15,000 Sf Land	\$30 /Sf	\$450,000
II.	<b>Direct Costs</b> <sup>1</sup>			
	On-Site Imps / Surface Parking	15,000 Sf Land	\$19 /Sf	\$285,000
	Building Costs	6,180 Sf of GBA	\$100 /Sf	618,000
	Rehab Costs <sup>2</sup>	1,508 Sf of GBA	\$214 /Sf	322,000
	Contractor/DC Contingency Allow	30.0% Other Direct Costs		271,000
	<b>Total Direct Costs</b>			<b>\$1,496,000</b>
III.	<b>Indirect Costs</b>			
	Arch, Engineering & Consulting	10.0% Direct Costs		\$150,000
	Public Permits & Fees <sup>3</sup>	8 Units	\$22,822 /Unit	183,000
	Taxes, Legal & Accounting	1.5% Direct Costs		22,000
	Insurance	8 Units	\$5,000 /Unit	40,000
	Developer Fee	5.0% Direct Costs		75,000
	Soft Cost Contingency Allowance	5.0% Ind+Fin Costs		27,000
	<b>Total Indirect Costs</b>			<b>\$497,000</b>
IV.	<b>Financing Costs</b> <sup>4</sup>			
	Interest During Construction			
	Loan Origination Fees			
	Reserves <sup>1</sup>	8 Units	\$4,375 /Unit	35,000
	<b>Total Financing Costs</b>			<b>\$35,000</b>
V.	<b>Total Construction Cost</b>	8 Units	\$254,000 /Unit	\$2,028,000
	<b>Total Development Cost</b>	8 Units	\$310,000 /Unit	\$2,478,000

<sup>1</sup> Based on Developer estimates.

<sup>2</sup> Based on estimates provided by the City.

<sup>3</sup> Based on Developer estimate. The estimate should be verified by the City staff.

<sup>4</sup> It is assumed that 100% of the Project costs will be paid for with assistance funds.

APPENDIX B5 - TABLE 2

STABILIZED NET OPERATING INCOME  
 8 REHAB AND NEW UNITS - MERCY HOUSE  
 SANTA ANA, CALIFORNIA

<b>I. <u>Income</u></b> <sup>1</sup>			
Manager	1 Unit @	No Rent	\$0
Low Income Units			
2-Bdrm	1 Unit @	\$1,134 /Month	13,600
3-Bdrm	1 Unit @	\$1,250 /Month	15,000
Very-Low Income Units			
2-Bdrm	2 Units @	\$940 /Month	22,600
3-Bdrm	Units @	\$1,034 /Month	0
Extremely-Low Income Units			
2-Bdrm	3 Units @	\$552 /Month	19,900
3-Bdrm	Units @	\$604 /Month	0
<b>Gross Income</b>			\$71,100
(Less) Vacancy & Collection Allow.	5.0% Gross Income		(3,600)
<b>Effective Gross Income</b>			\$67,500
<b>II. <u>Operating Expenses</u></b>			
General Operating Expenses	8 Units @	\$4,890 /Unit	\$39,100
Property Taxes	8 Units @	\$0 /Unit	0
Social Services	8 Units @	\$500 /Unit	4,000
Reserves Deposits	8 Units @	\$513 /Unit	4,100
<b>Total Operating Expenses</b>			(\$47,200)
<b>III. <u>Net Operating Income</u></b>			\$20,300

<sup>1</sup> Based on Orange County 2009 Incomes distributed by HUD/HCD. The rents are based on the calculation methodology imposed by California Health and Safety Code Section 50053. Utility Allowances per Developer: \$23 for 1-Bdrm units; \$29 for 2-Bdrm units; and \$42 for 3-Bdrm units.



APPENDIX B5 - TABLE 3

FINANCIAL GAP CALCULATION  
8 REHAB AND NEW UNITS - MERCY HOUSE  
SANTA ANA, CALIFORNIA

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<b>I. <u>Outside Assistance Sources</u></b>			
Home Aid In-Kind Services	8 Units @	\$45,700 /Unit	\$365,600
Children & Families Commission	8 Units @	\$116,700 /Unit	933,600
Affordable Housing Program	8 Units @	\$83,300 /Unit	666,400
Private Funding	8 Units @	\$16,700 /Unit	<u>133,600</u>
<b>Total Outside Assistance Sources</b>			\$2,099,200
<b>II. Total Development Cost</b>		See APPENDIX B5 - TABLE 1	\$2,478,000
<b>III. <u>Financial Gap</u></b>			
	8 Units	(\$47,400) /Unit	<u>(\$378,800)</u>

**APPENDIX B6  
PRO FORMA ANALYSIS  
LOTS A-F - 32 FOR SALE UNITS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

APPENDIX B6 - TABLE 1

**ESTIMATED CONSTRUCTION COSTS**  
**LOTS A-F - 32 FOR SALE UNITS**  
**STATION DISTRICT EIR**  
**SANTA ANA, CALIFORNIA**

<b>I. <u>Direct Costs</u></b> <sup>1</sup>				
Off-Site Improvements				\$500,000
On-Site Improvements / Demolition	95,832	Sf of Land	\$13 /Sf	1,280,000
Attached Garages	39	Garages	\$0 /Space	0
Building Costs	45,596	Sf of GBA	\$65 /Sf of GBA	2,964,000
Contractor/DC Contingency Allow.	12%	Other Direct Costs		569,000
<b>Total Direct Costs</b>				<b>\$5,313,000</b>
<b>II. <u>Indirect Costs</u></b>				
Arch, Engineering & Consulting	7.0%	Direct Costs		\$372,000
Public Permits & Fees	32	Units \$30,000 /Unit	960,000	
Taxes, Legal & Accounting	1.5%	Direct Costs		80,000
Insurance	32	Units	\$5,000 /Unit	160,000
Marketing	32	Units	\$5,000 /Unit	160,000
Developer Fee	3.0%	Sales Revenue		248,000
Soft Cost Contingency Allowance	5.0%	Ind+Fin Costs		166,000
<b>Total Indirect Costs</b>				<b>\$2,146,000</b>
<b>III. <u>Financing/Closing Costs</u></b>				
Construction Interest & Loan Fees			\$558,000	
Loan Origination Fees	60.0%	Financed	2.0 Points	75,000
Closing Costs/Comm/Warranties	6.7%	Total Revenue	550,000	
<b>Total Financing/Closing Costs</b>				<b>\$1,183,000</b>
<b>IV. <u>Total Construction Cost</u></b>	<b>32</b>	<b>Units</b>	<b>\$270,100 /Unit</b>	<b>\$8,642,000</b>

<sup>1</sup> Based on similar projects.

<sup>2</sup> Based on similar projects. The estimate should be verified by the City staff.

<sup>3</sup> A 7.0% interest cost for debt and equity; an 18 month construction period; a 9 unit/month absorption period; 10% of the units are presold and close during first month after completion; and 2.0 points for loan origination fees.

<sup>4</sup> See APPENDIX B6 - TABLE 2 for sales revenue estimates. Assumes 3.0% and 2.0% of sales revenues for commissions and closing costs, respectively. Includes \$4,000/unit allowance for warranty costs.

APPENDIX B6 - TABLE 2

REVENUE PROJECTIONS  
 LOTS A-F - 32 FOR SALE UNITS  
 STATION DISTRICT EIR  
 SANTA ANA, CALIFORNIA

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<b>I. <u>Market Rate Units</u><sup>1</sup></b>			
Plan 1 - 1,368 Sf	15 Units @	\$250,000 /Unit	\$3,750,000
Plan 2 - 1,550 Sf	8 Units @	\$275,000 /Unit	2,200,000
Plan 3 (SFD) - 1,368 Sf	3 Units @	\$300,000 /Unit	<u>900,000</u>
<b>Total Market Rate Sales Revenues</b>	26 Units @	\$263,500 /Unit	\$6,850,000
<b>II. <u>Moderate Income Units</u><sup>2</sup></b>			
Plan 1 - 1,368 Sf	3 Units @	\$220,000 /Unit	\$660,000
Plan 2 - 1,550 Sf	2 Units @	\$245,000 /Unit	490,000
Plan 3 (SFD) - 1,368 Sf	1 Unit @	\$270,000 /Unit	<u>270,000</u>
<b>Total Moderate Income Sales Reven</b>	6 Units @	\$236,700 /Unit	\$1,420,000
<b>III. <u>Total Revenue</u></b>	32 Units	\$258,400 /Unit	<u>\$8,270,000</u>

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<sup>1</sup> Per Developer estimates. Average price equates to \$150/sf of gross living area.

<sup>2</sup> All affordable units are 3-Bdrm units. Based on the lesser of the affordable price using the California Health & Safety Code Section 50052.5 calculation methodology, or the projected market price minus \$30,000.

**APPENDIX B6 - TABLE 3**

**REUSE VALUE CALCULATION  
LOTS A-F - 32 FOR SALE UNITS  
STATION DISTRICT EIR  
SANTA ANA, CALIFORNIA**

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<b>I. Total Revenue</b>	See APPENDIX B6 - TABLE 2		\$8,270,000
<b>II. <u>Project Costs</u></b>			
Total Construction Cost	See APPENDIX B6 - TABLE 1	\$8,642,000	
Threshold Profit	10.0% Sales Revenue	827,000	
<b>Total Project Costs</b>			<u>\$9,469,000</u>
<b>III. Reuse Value</b>	32 Units	(\$37,500) /Unit	<b>(\$1,199,000)</b>

