

September 8, 2005

Written Testimony

of

Z.C. 04-33

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President, Forest City Washington, Inc

Director, Forest City Enterprises, Inc

on behalf of the

Forest City Enterprises, Inc

Submitted to

The Zoning Commission for the District of Columbia

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Madam Chairman and distinguished Members of the Zoning Commission

Thank you very much for the opportunity to submit comments on the proposals before the Zoning Commission (the "Commission") to require the provision of affordable housing through a mandatory Inclusionary Zoning ordinance in the District of Columbia (the "District"). As President of Forest City Washington ("FCW") and a Director of Forest City Enterprises, Inc ("FCE"), I am pleased to be able to do so on behalf of FCE. FCE is a publicly traded real estate company engaged in the ownership, development, acquisition and management of commercial and residential real estate throughout the United States. The testimony that follows is composed of four parts – a description of the problem of affordable housing provision in the District, a comparison of various Inclusionary Zoning programs across the country, an analysis of the impact of Inclusionary Zoning on development activity in the District, and a concluding consideration of possible solutions.

I. AFFORDABLE HOUSING AND THE DISTRICT OF COLUMBIA

A fundamental challenge facing every urban city is to ensure safe, clean, affordable, and diverse living environments that promote stability and security and enhance quality of life for its citizens. FCE is grateful for the opportunity to address some of the issues and challenges for the private sector development community under the proposed Inclusionary Zoning policies. We are pleased that the Commission is devoting such appropriate consideration to the contents and consequences of these proposals. In its consideration, however, it is vital that the Commission strikes a balance that ensures the delivery of affordable housing and also promotes the housing market in general. Speaking on behalf of FCE, I want to

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emphasize the deep and abiding concerns that we in the development sector share with the District in shaping a framework for a workable and sustainable affordable housing policy for the city

FCE has a strong history of providing affordable housing. Forest City Residential Management Inc., a division of FCE, operates thousands of affordable housing units nationwide. FCE has extensive experience in developing and managing mixed income housing. FCE has developed 40,000 units of federally-subsidized housing and \$600 million of 80/20 revenue bond-financed developments. In urban areas, FCE is committed to working in partnership with urban communities to provide housing to diverse income groups. In the Washington, D.C. metropolitan area, FCE has included an affordable housing component (80/20) in all of its residential rental developments. In the near Southeast neighborhood of the District, FCW is revitalizing Arthur Capper Carrollsburg, a HOPE VI redevelopment project. The project includes 1,247 rental units, 707 of which will be public housing. Of the for-sale units, 50 will be for Section 8 tenants and 348 for moderate income tenants. In addition the project includes two new senior buildings providing a total of over 300 units. FCE recognizes that the advancement of affordable housing objectives in the United States may generate the most advantageous environment for real estate companies. Nowhere is this more true than in the District, where efforts to promote housing development can only enhance the climate for real estate investment. Here our policy interests and our commercial interests go hand in hand.

The growing concern is, however, that Inclusionary Zoning housing policies do not solve the problem of affordable housing. Recent studies indicate that in some cities, Inclusionary Zoning is a failing policy that is detrimental to developers' economic bottom line and the housing market, but, most importantly, ineffective for the low to moderate income groups meant to be served. It appears that when cities place the onus of the affordability problem on the development community through zoning policies, the results are ultimately unsuccessful. Placing a majority of the burden on one segment of the community will not solve the District's affordable housing problem.

Our years of experience have proven to us that a philosophy of shared responsibility and coordinated action does result in the development of healthy affordable living spaces. Inclusionary Zoning reform alone will not improve affordable housing. Such reforms will be sustainable only when people, non-profits, the government and the private sector coordinate efforts, use common sense strategies and implement real economic solutions. The key is not *what* we are doing, but *how* we are doing it. How will we succeed in providing affordable housing in the District? Through partnerships with the public and private sectors, a mix of incentives and funding from all possible funding streams that promote affordable housing development, with a variety of programs and services and total inclusion of all concerned for affordable housing in the country -- this is the model that will work. In the Commission's consideration of the proposals, this context is critical. We hope the Commission will examine the issues set forth below closely, not only in assessing these proposed Inclusionary Zoning policies, but also in a broader study of the whole system of providing affordable housing to District residents.

II. COMMON PROBLEMS IN MANDATORY INCLUSIONARY ZONING POLICIES

Fortunately, the choice before the Commission is not between mandatory Inclusionary Zoning and nothing. Rather, the Commission and, in fact, the Council of the District, have at their disposal an array of policy options which can be extremely effective in contending with the challenge of providing affordable housing. The solution to a workable Inclusionary Zoning policy is to avoid some of its most common problems.

First, Inclusionary Zoning has not been very successful in its most basic premise -- it has not resulted in affordable units actually being built, nor has it adequately addressed affordable housing needs.

The attached chart (Exhibit A) sets forth the requirements of certain mandatory Inclusionary Zoning policies that have resulted in limited amounts of affordable housing units. In some cities, *voluntary* Inclusionary Zoning policies have had similar or better results. In addition, studies show that an Inclusionary Zoning policy that does not use a mix of incentives, but places the burden solely on private developers, tends to be ineffective and costly

In developing any affordable housing policy, FCE encourages the Commission to work with public and private groups and agencies to ensure that any such policy does not

- Force buyers to subsidize lower priced units,
- Artificially raise prices on other market-rate units in a development,
- Limit the amount of potential equity that could be generated on the subsidized homes;
- Limit the pool of potential buyers to whom these homes can be resold,
- Create disincentives for landowners to make their land available for residential use; and
- Establish price controls on new development which lowers assessed values, and which would cost the District tax revenues each year

Finally, and perhaps the most unfortunate consequence of Inclusionary Zoning policies that do not foster collaboration or provide the necessary incentives to developers, is that affordable housing and new housing production decreases in jurisdictions after enactment of such policies. A recent study by economists examined the impact of Inclusionary Zoning ordinances in approximately 45 cities in the San Francisco Bay area. In those cities, production of new housing units fell an average of 31% the year following adoption of the ordinance. As a result of the restricted housing supply, new home prices were \$22,000 to \$44,000 higher than they would have been absent such Inclusionary Zoning ordinances.¹ While there is evidence that Inclusionary Zoning has not worked to effectively and adequately meet the needs of some metropolitan areas, by avoiding some of the pitfalls noted above, the Commission can identify and implement an effective affordable housing policy that would actually promote affordable housing for low to moderate income groups in the District.

III. THE DIFFICULTIES OF IMPLEMENTING A MANDATORY INCLUSIONARY ZONING POLICY IN THE DISTRICT

Proponents assert that a key component to a “successful” mandatory Inclusionary Zoning policy is striking an appropriate balance between compensation or incentives to the developer, typically in the form of bonus density (when possible), and the required amount of set asides. This makes economic sense because without adequate compensation to the developer, cost of development increases and the pace of housing development drops markedly as developers invest their capital elsewhere. As a consequence, fewer market units and, thus, affordable units are produced. In short, incentives, such as bonus density, do help developers defray the costs of building affordable units.

We can all agree that the District is a unique city. Unlike the majority of the cities that have mandatory Inclusionary Zoning policies, certain District and federal laws, rules, regulations and programs limit the amount of bonus density that can be offered to developers pursuant to such programs. First and foremost, the 1910 Height Act, which restricts the height of all private/commercial buildings, makes the traditional density incentive ineffective and may not adequately offset loss of income to developers. Moreover, the Height Act is congressionally mandated and its restrictions, as such, cannot be amended or waived by the Commission. Also, the developable land in the District is constrained. Within the District’s

¹ Powell, Benjamin, Ph D and Edward Stringham, Ph D, "Housing Supply and Affordability: Do Affordable Housing Mandates Work?" Reason Public Policy Institute, Policy Study 318, April 2004.

69 square mile area, there are a number of large parks and a considerable amount of valuable land owned or set aside for the federal government. In fact, 57% of the District's total acreage is tax exempt, of which, 72% is federally owned, 10% is owned by the District, and 18% is used by non-profits. Of the remaining taxable land, 75% is zoned residential, 13% commercial, and 3% industrial. Nine percent is categorized as "vacant"

In addition, there are over 30 historic neighborhood districts in the District. Historic designation restrictions limit the size and use of any development, and any construction, alterations or density changes in such historic districts would require additional review processes and delay. The grant of any bonus density in these areas would not only change the character of the neighborhoods, but more than likely would also foster resentment in the surrounding community. Furthermore, as noted in an Office of Planning report, there are five zones in the central part of the District in which no additional density could be traded for incentives or compensation in an Inclusionary Zoning ordinance. Also, no additional bonus density can be granted in the Downtown Development District. Accordingly, for a significant portion of the District, the granting of bonus density would be wholly ineffective in providing compensation to offset the cost of building affordable units.

The proposals before the Commission do not provide adequate flexibility or offsets to address the unique challenges in the District. In an effort to demonstrate that a mandatory Inclusionary Zoning program would be effective in producing affordable housing and to understand its impact on residential development, the Office of Planning conducted an economic feasibility analysis which utilized five scenarios to determine whether the proposed inclusionary zoning programs would provide developers with a target return for condominiums between 20%-21% profit on total development costs. Utilizing a variety of assumptions, including but not limited to revenues, expenses, occupancy, and capital costs, the Office of Planning's analysis attempted to measure how the two proposals would influence the return on costs, the Internal Rate of Return and the impact on land. The Office of Planning Report concluded that its economic model demonstrates that an Inclusionary Zoning proposal would, for for-sale projects, achieve an estimated return on costs for developers of no less than 20%.

However, when the data and inputs used by the Office of Planning were remodeled by an outside real estate consulting group, Reznick Group, P C, as detailed in the spreadsheets attached in Exhibit B, a number of discrepancies became apparent, making the comparison of base cases with CMIZ and OP scenarios problematic.

First, there are several instances where the Office of Planning did not consistently employ their own assumptions.

Example 1. The assumptions show that the projections will employ an 80% debt ratio to Total Development Costs (TDC). In the rental tables, Tables 17 through 19 and Tables 23 through 25, the percentage of debt relative to TDC differs among all six tables, fluctuating between 71% and 76%. When the project cannot support the 80% level of debt, the gap is covered by the developer through additional equity. In this example, developer equity is set as high as 29% of TDC. The result is that cash flows are more consistent among the scenarios, but at the expense of return on artificially inflated equity investments.

Example 2. The assumptions show that the projections will employ a 23% soft cost number (sometimes shown as 18% soft cost and 5% contingency). The base case of high rise rental, Table 23, includes the 23% of cost at \$11,690,550. The alternative scenarios, Tables 24 and 25, show only 18% of costs at \$11,056,905. The logic should show that at 23% soft costs, with the additional 40 units, soft cost should have increased to \$13,264,268. Instead of increasing costs by \$2.2M, the models reduced costs by \$6M.

Second, there are two assumptions made in the CMIZ and OP scenarios which are undocumented and thus are impossible to evaluate. In Tables 6 and 7, The CMIZ and OP scenarios assume that affordable condominium purchasers will pay real property taxes and condominium fees on a pro rata basis, relative to their income level. There is no explanation about who, if anyone, will cover the additional amounts of taxes and condominium fees due. By reducing the amount of real estate taxes and condominium fees below the amount owed by market rate condominium purchasers, the affordable condominium purchasers appear to service mortgages much higher than they could otherwise. The projected capacity of affordable purchasers to service these higher amounts allows for the CMIZ and OP projections to state a higher sales price on units to the affordable purchasers. When the affordable condominium purchasers pay the full condominium fee and real property taxes on the taxed value, as established by the selling price of the market rate units (truer value), then the selling price per unit falls. For example, In Table 21, with these reductions to cash available for debt service, the affordable studio would sell for \$138,617 not \$162,780, the one bedroom will sell for \$129,246 not \$172,680, and the two bedroom will sell for \$116,877 not \$206,113.

As demonstrated in Exhibit B, Reznick group, P C employed an approach that was more inclusive of other costs and included our experience in the marketplace for observed prices. Otherwise, it relied on Office of Planning's assumptions. The consulting group's model illustrated a very different picture of the impact of Inclusionary Zoning on estimated returns for both condominium and apartment projects.

Apartment Development – The CMIZ and OP analyses assume \$3,800 of operating expenses and \$2,100 of property taxes for total expenses of \$5,900. Our experience suggests that operating expenses should be \$5,900 and property taxes an additional amount, approximately \$2,100. At the lower level of operating expenses projected by CMIZ and OP, the developer return for high rise rental is approximately 7%. Assuming \$8,000 (\$5,900 operating expenses and \$2,100 in taxes) per unit for expenses, the returns calculated are approximately -10% for market rate units – and even worse if affordability requirements are forced onto a project without adequate subsidy. With affordable units, the returns fall to approximately -18% at the 80% AMI level. This analysis also explains the lack of new rental under construction in the District.

High Rise Condominium Development – In a high rise condominium project that would otherwise see overall return on costs of 20%, each two bedroom, two bath condominium unit sold to purchasers at 80% AMI would cost the developers \$360,000, or more than three times the profit margin, for each market rate unit sold. Each unit sold to purchasers at 50% AMI would cost developers \$450,000, or more than four times the profit margin for each market rate unit sold. The return to developers on a one bedroom, one bath, affordable unit sold at the 50% AMI level would be -74.78%.

The bottom line is that affordable housing production has costs. We have presented the financial analysis (Exhibit B) on a per-unit basis in order to highlight these costs. To attempt to force developers to foot the bill alone would be both unwise and unfair. The creation of affordable housing is a community responsibility and should be funded as such. At the very least, building affordable housing should be made to be a break-even endeavor for those undertaking these beneficial projects. Without adequate compensation to developers, a Mandatory Inclusionary Zoning policy as contemplated by OP and the CMIZ would result in a substantial loss of development for the District.

IV. IMPORTANT CONSIDERATIONS FOR ANY INCLUSIONARY ZONING POLICY FOR D.C.

If a District Inclusionary Zoning policy is to be effective in providing sustainable affordable housing, it must be flexible, discretionary and highly incentivized. The Inclusionary Zoning policy must be designed to fit the District's unique characteristics. It must promote collaboration among the nonprofit, government and business sectors and balance stakeholder interests, and it should encourage participation by developers from the onset. Moreover, the Commission must carefully consider the development patterns in the District, the affordable housing needs of residents, the local political culture and political feasibility of the program. Finally, the Commission must investigate the District's political commitment to provide resources for administration of the program.

Additional considerations for Inclusionary Zoning include adopting a discretionary or voluntary policy. Although some cities are selecting mandatory Inclusionary Zoning policies, given the restricted amount of bonus density that can be given to developers in the District, mandatory Inclusionary Zoning policies are not necessarily a solution for D.C. As set forth in the attached chart, voluntary programs may be a better alternative, especially when a city's goal is to provide affordable housing for low to moderate income families.

While it is also important that Inclusionary Zoning endeavors increase the supply of both affordable rental and owner-occupied units, it is equally important that the Commission implement different development options, regulations and requirements with respect to such rental and owner-occupied units.

The Inclusionary Zoning ordinance should also include incentives, subsidies and a blend of funding to counterbalance the lack of compensation afforded by limited or unavailable density bonus. While some of the below incentives are outside of the Commission's jurisdiction, the list demonstrates the incentives or offsets that would be necessary to ensure that an Inclusionary Zoning policy would be economically feasible for developers.

- (a) Tax increment financing (in redevelopment areas),
- (b) Tax abatement;
- (c) Tax deferrals;
- (d) Subsidized tax exempt bond financing at high loan to cost,
- (e) Low Income Housing Tax Credits,
- (f) Capital subsidy through use of housing trust funds or other sources,
- (g) Expedited permitting,
- (h) Flexible design,
- (i) Flexible zoning,
- (j) Relaxed development standards;
- (k) Reduced parking requirements, or
- (l) Fee waivers, deferrals or reductions.

The proposals before the Commission do provide for buyouts or payments in lieu of the inclusionary requirement and would allow the developer to develop affordable housing off site. We believe that such buyouts and the offsite option can be effectively used to create affordable housing within the District in larger numbers. However, as drafted, the procedures or requirements for the buyout and off site options are burdensome and costly and, in effect, act as a disincentive for developers to exercise these options. The Commission should not only revise the requirements of these options, but, in order to provide greater flexibility to developers, consider allowing developers to (i) transfer density bonus to other development projects within the city or to other developers building within the city, and (ii) rehabilitate

units in lieu of building new affordable units within the same ward or within certain distances of development

In further consideration of the District's unique characteristics (i.e., height restrictions, land constraints, etc.), any Inclusionary Zoning policy should also provide full or partial exemptions of certain requirements when additional burdensome and costly circumstances exist, such as (a) when the project involves historic rehabilitation; (b) when the site requires environmental remediation, (c) when the project incorporates public streets and other infrastructure, or (d) when the project involves substantial rehabilitation of existing buildings and market conditions or costs impede such rehabilitation

V. CONCLUSION

In order for the District's proposed Inclusionary Zoning policy to best achieve its objective of creating more affordable housing, the policy must have realistic requirements, carefully crafted and flexible incentives and public/private collaboration. The incentives offered must not only help to defray the additional financial burden of providing affordable units, but must also provide maximum flexibility and account for the very different economic conditions that may impact the feasibility of creating affordable housing at particular sites. Appropriate adjustments to the requirements of any such policy, as well as appropriate exemptions and waivers, will therefore often be necessary to counter particular market forces, land constraints or construction and zoning restrictions. Failure to provide realistic incentives and requirements or foster a way in which public and private groups can strategically coordinate, collaborate and fund development will have the unintended consequence of slowing residential development in general and, thus, the creation of affordable units. This would be counterproductive and result in a failed opportunity for the District to further expand its income, real estate, sales and other taxes by being unable to attract new residents and related businesses.

On behalf of FCE, thank you for the opportunity to present our views

Exhibit A

**For the Written Testimony of Forest City Enterprises, Inc. Submitted to The Zoning Commission
for the District of Columbia**

September 8, 2005.

Inclusionary Zoning – Mandatory Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
Boston, MA <i>Mandatory</i> (2000) Population: 589,141	10 or more units	At least 50% of set-aside at less than 80% AMI; remaining set-aside at between 80-120% AMI (averaging 100% AMI)	10%	<u>Density bonus</u> : None. <u>Other Incentive(s)</u> : Increased height and floor area ratio allowances permitted in the financial district	<u>Rental</u> : “In perpetuity” <u>Sale</u> : No less than 30 yrs; extension of 20 yrs	<u>Fee</u> : 15% of the total number of market-rate units times an affordable housing cost factor <u>Off-site</u> : may build off-site – set-aside increases to 15%	200 units produced between 2000 and 2003; 66 units/yr.	
Cambridge, MA <i>Mandatory</i> (1998) Population: 101,355	10 or more units in residential or mixed use development; residential development containing 10,000 square feet or more of gross floor area (each 1,000 square feet = dwelling unit)	Set-aside at no more than 65% AMI	15%	<u>Density Bonus</u> : 30%. <u>Other Incentive(s)</u> : May build 2 additional units on the lot for each 1 affordable unit	“[T]o the extent legally permissible” (generally 50 yrs for rent units)	<u>Off-site</u> : only allowed if property owner can show “significant hardship”	Less than 200 units produced in 4 years; approx. 50 units/yr.	<u>Unit types</u> : Units must be comparable in size & materials to other units in the overall project <u>Parking</u> : 1 parking space per unit; if fewer than 1 parking space provided for each unit in development, number of affordable unit parking spaces must be in same proportion as number provided to market rate units
Denver, CO <i>Mandatory – for sales</i> (2002) Population: 554,636	30 or more for-sale new or substantially rehabilitated dwelling units Voluntary for	Set-aside at no more than 80% AMI; set-aside at 95% AMI for	10%	<u>Density Bonus</u> : 10% <u>Other Incentive(s)</u> : Expedited permit processing;	<u>Rental</u> : 15 yrs <u>Sale</u> : 15 yrs	<u>Fee</u> : 50% of price per affordable unit not provided <u>Off-site</u> : build the required	Only 43 units produced in first year.	<u>Unit type/distribution</u> : Must be dispersed & of same type as market-rate units. <u>Exterior</u> : must be

Inclusionary Zoning – Mandatory Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
	rental.	projects w/ buildings greater than 3 stories, elevators, & over 60% structured parking Voluntary rentals at 80% AMI		\$5,000 subsidy for each affordable unit constructed (up to 50% of total units); \$10,000 subsidy if unit is affordable to households earning no more than 60% AMI (up to 50% of total units); parking reduction up to 20%		number of units at one or more other sites in the same or adjoining statistical neighborhood		indistinguishable from market-rate.
Fairfax County, VA <i>Mandatory</i> (1990, amended 2002) Population: 969,749	More than 50 units in high density areas with sewers	Set-aside at no more than 70% AMI	<u>Sale</u> : 12.5% <u>Multi-family units</u> : 6.25%	<u>Density Bonus</u> : <u>Rental</u> : up to 10% <u>Sale</u> : sliding scale of up to 20% <u>Other Incentive(s)</u> : Reduced bulk regulations	<u>Pre 3/31/98</u> : 50 yrs; <u>Post 3/31/98</u> : <u>Rental</u> : 20 yrs <u>Sale</u> : 15 yrs	<u>Fee</u> : May request fees in lieu based on design feasibility <u>Offsite</u> : not permitted	582 units produced in 9 yrs; 64 units/yr.	Affordable Dwelling Unit Ordinance sets forth specific requirements for units.

Inclusionary Zoning – Mandatory Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
Montgomery County, MD <i>Mandatory</i> (1974, amended 2003) Population: 873,341	20 or more units in subdivisions (served by public water) & high-rise buildings	Set-aside at no more than 70% AMI	12.5 – 15%	<u>Density Bonus:</u> Up to 22%. <u>Other Incentive(s):</u> Ability to build attached units on detached zoned property	<u>Rental:</u> 99 yrs <u>Sale:</u> 30 yrs	<u>Fees & offsite:</u> only allowed in “exceptional cases” at the discretion of the director	Approx. 11,000 units in 31 years; 355 units/yr.	<u>Unit types:</u> Single-family units must have 2 or more BRs; the number of efficiency & 1 BRs in multi-family units must not exceed the ratio that market-rate units bear to the total number of market-rate units in the subdivision
Sacramento, CA <i>Mandatory</i> (2000) Population: 407,075	Any development over 9 units in new growth areas	1/3 of set-aside between 50% and 80% AMI; 2/3 of set-aside at less than 50% AMI	15% single or multi-unit	<u>Density Bonus:</u> 25%. <u>Other Incentive(s):</u> Expedited permit process for affordable units; fee waivers; relaxed design guidelines; may receive priority for subsidy funding (e.g. TIF)	<u>Rental:</u> 30 yrs <u>Sale:</u> 30 yrs	Can dedicate land off-site or build off-site if: - There is insufficient land zoned as multi-family on-site - Alternative land or units must be in “new growth” areas	465 units produced in 3 years; 155 units/yr.	Must comply with all applicable development standards. <u>Unit types/distribution:</u> Must accommodate diverse family sizes & BRs & be dispersed. <u>Exterior:</u> visually compatible with market-rate units. <u>Interior:</u> may vary.

Inclusionary Zoning – Mandatory Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
San Diego, CA <i>Mandatory</i> (1992, expanded in 2003) Population: 1,223,341	<u>City-wide program</u> – All residential development (with certain specified exceptions, e.g. units sold to households earning less than 150% AMI)	<u>Rental</u> : set-aside at or below 65% AMI <u>Sale</u> : set aside at or below 35% AMI	10%	<u>Density Bonus</u> : available for units of 5 or more if: • 20% pre-bonus units for low-income (rent does not exceed 30% of 60% AMI); or • 10% pre-bonus units for very-low income (rent does not exceed 30% of 50% AMI); or • 50% of total units available to seniors	<u>Rental</u> : 55 yrs <u>Sale</u> : none	<u>Fee</u> : calculated based on the square footage of an affordable unit (fees adjusted annually) <u>Off-site</u> : may build off-site within same community or off-site in different one if variance obtained (set-aside does not increase)	1,200 units completed between 1992 & 2003; 109 units/yr.	<u>Unit types</u> : Affordable units must be comparable to market-rate in bedroom mix, design, & overall construction quality, except affordable units need not exceed 3BRs. <u>Unit size/interior</u> : Square footage & interior may be different as long as of good quality & consistent with building standards.

Inclusionary Zoning – Mandatory Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
San Francisco, CA <i>Mandatory</i> (1992, expand in 2002) Population: 776,733	10 or more units	<u>Rental</u> : set-aside at 80% or less AMI <u>Sale</u> : set-aside at 120% AMI	<u>Residential</u> : 10% <u>PUDs</u> = 12%	<u>Density bonus</u> : None. <u>Other Incentive(s)</u> : Refunds available on environmental review & building permit fees that apply to the affordable units	<u>Rental</u> : 50 yrs <u>Sale</u> : 50 yrs	<u>Fee</u> : determined by several factors including projected value of on-site affordable units; payments made to the Citywide Affordable Housing Fund <u>Off-site</u> : may build off-site; set-aside for residential units increases to 15%; set-aside for PUDs increases to 17%	128 Units completed between 1992 & 2000; 16 units/yr. 90 units in 2002.	

Inclusionary Zoning – Voluntary Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
Austin, TX <i>Voluntary</i> (2000) Population: 656,562	If developer volunteers for the program: 4 or less units must be 100% affordable; 5 or more units entitles developer to fee waivers depending on the % of affordable units	Set-aside at no more than 80% AMI	10 %	<u>Density Bonus:</u> None. <u>Other Incentive(s):</u> Fee waivers (new construction only) based on a sliding scale of how many affordable units offered; Expedited review; program staff assist developers in resolving development-related issues with other City departments	<u>Rental:</u> 5 yrs <u>Sale:</u> 1 yr	None	3000 units from 2000 to 2004; 750 units/yr.	Entire development volunteering for the program (not just the affordable units) must meet certain standards beyond those required by federal and state law. These include: accessibility standards; transit-oriented standards; and Green Builder standards

Inclusionary Zoning – Voluntary Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
Chapel Hill, NC <i>Voluntary</i> (2000) Population: 48,715 (Note: town council has created a task force to review whether to make program mandatory)	5 or more single-family or two-family lots in any major subdivision or a planned development housing proposal	Set-aside at no more than 80% AMI	15%	<u>Density Bonus:</u> None. <u>Other Incentive(s):</u> With the approval of the town council, affordable housing component may be substituted for floor area restrictions	“Restrictive covenants shall be recorded with the dwelling unit(s) to ensure the continued and ongoing compliance with these requirements and shall be sold to individuals and families who have incomes at or below 100% of the AMI by family size”	<u>Fee:</u> determined by multiplying number of affordable housing units to be provided by an estimate of funding needed to make a homeownership opportunity available to households at or below 80% AMI	154 units produced between 2000 and 2002; 77 units/yr.	

Inclusionary Zoning – Voluntary Programs

Town/City	Threshold Number of Units	Income Target	Set-Aside Requirement	Density Bonus/ Other Developer Incentive	Control Period	In lieu-fee Payment/ Off-site Development	Affordable Units Produced	Development Standards
Lexington, MA <i>Voluntary</i> (1985) Population: 30,355	More than 10 units in new construction or rehabilitation must provide “public benefit” (may include affordable units)	Set-aside at no more than 80% AMI	Varies based on negotiations between developer & planning board: • 5% low-income units; • 15% low-income units; • 25% moderate units; or • 40% middle income units	<u>Density Bonus:</u> Up to 25%.	Independently recorded covenants	If Planning Board determines units cannot be built on-site: <u>Fee:</u> 3% of sales price of all units <u>Off-site:</u> permitted	167 units produced in last 4 years; 42 units/yr.	

Exhibit B

**For the Written Testimony of Forest City Enterprises, Inc. Submitted to The Zoning
Commission for the District of Columbia**

September 8, 2005.

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Introduction to Inclusionary Zoning Models

The attached financial analysis represents an attempt to revise/correct the financial analysis prepared by OP in support of its proposed Mandatory Inclusionary Zoning program. In certain cases, it was necessary to correct unrealistic or erroneous assumptions made by OP. Additionally, in instances where OP did not apply its own assumptions consistently, corrections were made so that all assumptions are applied consistently across property types.

The Commission should note that compliance with any new Inclusionary Zoning code will come at additional expense to the development community, including but not limited to costs associated with permitting, tenant screening and coordination with the DCHA. These costs are not reflected in the financial analysis.

It is our belief that affordable housing is a community objective and should be funded accordingly -- by the community, and not by developers alone. The following analysis is presented on a per-unit basis to highlight the real cost of producing affordable units. These are costs that would be borne by developers alone unless adequate subsidies were provided.

The models focus on High Rise development and are constructed to compare a single market rate unit (Studio, 1 Bedroom, and 2 Bedroom units) to an identical unit rented or sold to an 80% AMI or 50% AMI resident. Thus the measurement of impact on each unit type - by market vs 80% AMI and by market vs 50% AMI - is possible.

Consistency in assumptions is important for meaningful comparisons across models. The assumptions in these models are completely consistent among themselves and largely rely upon the assumptions provided by the "OP Hearing Report on Inclusionary Zoning, July 15, 2005, Attachments." Each detailed assumption and its source is identified.

The concluding comparison for High Rise Rental developments is derived from a comparison of capitalized values of 1) the Market Scenario and the 80% AMI scenario and 2) the Market Scenario and 50% AMI scenario. As you will note below, there is significant value detriment and financial loss caused by the Office of Planning proposed Inclusionary Zoning program in all three unit sizes, for both 80% AMI and 50% AMI levels. The one exception is the Studio unit in the 80% AMI scenario where market rents are slightly lower than 80% AMI rents.

The concluding comparison for High Rise Condominium developments is derived from a comparison of net cash profit after sale. The results of the comparison show that selling units at prices limited to affordability at the 80% AMI and 50% AMI levels causes significant value detriment and financial loss for all unit types.

In order to be consistent with the OP Hearing Report, the condominium sales scenarios assume a 20% profit and overhead for developers. The 20% profit and overhead is shown as a cost item within Total Development Cost. The proforma result is that a market unit sells with \$0 of excess profit because the developer earned a 20% profit and overhead fee in Total Development Cost. This calculation is completed by adjusting the price of the land to its final value. The result is that the land value in the following models is lower than that used in the OP models.

Summary Tables of Developer Value Detriment Due to IZ at 80% and 50% AMI Thresholds

Table 1.	Per Unit Value of Various Unit Sizes capped at 0.0735			
Rental High Rise	Income Level	Studio	1BR	2BR
	Market	78,128	141,488	274,544
	80% AMI	86,690	90,382	112,835
	50% AMI	13,974	12,472	19,343
Detriment Due to IZ	Market less 80% AMI	-8,562	51,106	161,709
	Market less 50% AMI	64,154	129,016	255,201

Table 2.	Per Unit Profit from Sale of Various Unit Sizes			
Condominium High Rise	Income Level	Studio	1BR	2BR
	Market	0	0	0
	80% AMI	-64,242	-154,532	-331,868
	50% AMI	-135,843	-231,248	-423,927
Detriment Due to IZ	Market less 80% AMI	64,242	154,532	331,868
	Market less 50% AMI	135,843	231,248	423,927

High Rise Market Rate Condominium Sales, Analysis by Single Units

Unit Size and Mix:	Per Saleable Sq Ft by Unit Type				Total	Type
	Studio	1BR 1BA	2BR 2BA			
	Mkt House	Mkt House	Mkt House			
	1	1	1	3		Unit Mix
	500	700	1,120	2,320		Rentable Sq Ft
				773		Wtd Avg Rentable Sq Ft

Project Budget:		Wtd Avg per Sq Ft Saleable Dwelling			
		Dwelling Units	Studio	1BR 1BA	2BR 2BA
TDC per saleable sq ft			451.25	451.25	451.25
Total		1,046,900			
TDC Assumptions per Gross Sq Ft:					
Hard Costs	185.00				
Land	71.81				
Soft Costs @ 0.23	59.07	Subtotal	315.88		
Dev OH & Profit @ 0.2	63.18	Total	379.05		
TDC per Gross Sq Ft excluding Parking	379.05				
TDCD per Net Sq Ft	451.25		225,625	315,875	505,400
Building Efficiency	84%				
					1,046,900 Total per All Dwelling Units

Sale Return:		Wtd Avg per Sq Ft Saleable Dwelling			
		Studio	1BR 1BA	2BR 2BA	Total per All Dwelling Units
Sales Price		237,500	332,500	532,000	475.00
Total Sales		237,500	332,500	532,000	475.00
Transaction Costs	5%	(11,875)	(16,625)	(26,600)	(23.75)
Cost to Build		(225,625)	(315,875)	(505,400)	(451.25)
Profit		-	-	-	-
Cash on Cash Return		20.00%	20.00%	20.00%	0.00%

High Rise 80% AMI Affordable Condominium Sales, Analysis by Single Units

Unit Size and Mix:	Per Saleable Sq Ft by Unit Type				Total	Type
	Studio	1BR 1BA	2BR 2BA			
	Aff House	Aff House	Aff House			
	1	1	1	3		Unit Mix
	500	700	1,120	2,320		Rentable Sq Ft
				773		Wtd Avg Rentable Sq Ft

Project Budget:				Wtd Avg per Sq Ft	
	Dwelling Units	Studio	1BR 1BA	2BR 2BA	Saleable Dwelling
TDC per saleable sq ft		451.25	451.25	451.25	451.25
Total	1,046,900				
TDC Assumptions per Gross Sq Ft:					
Hard Costs	185.00				
Land	71.81				
Soft Costs @ 0.23	59.07	Subtotal	315.88		
Dev OH & Profit @ 0.2	63.18	Total	379.05		
TDC per Gross Sq Ft excluding Parking	379.05				
TDCD per Net Sq Ft	451.25	225,625	315,875	505,400	1,046,900
Building Efficiency	84%				Total per All Dwelling Units

Sale Return:				Wtd Avg per Sq Ft	
		Studio	1BR 1BA	2BR 2BA	Saleable Dwelling
Sales Price		156,172	150,647	151,965	197.75
Total Sales		156,172	150,647	151,965	197.75
Transaction Costs	5%	(7,809)	(7,532)	(7,598)	(9.89)
Cost to Build		(225,625)	(315,875)	(505,400)	(451.25)
Profit		(77,262)	(172,761)	(361,033)	(263.39)
Cash on Cash Return		-21.09%	-45.63%	-65.72%	
					Total per All Dwelling Units

High Rise 50% AMI Affordable Condominium Sales, Analysis by Single Units

Unit Size and Mix:	Per Saleable Sq Ft by Unit Type				Total	Type
	Studio	1BR 1BA	2BR 2BA			
	Aff House	Aff House	Aff House			
	1	1	1	3		Unit Mix
	500	700	1,120	2,320		Rentable Sq Ft
				773		Wtd Avg Rentable Sq Ft

Project Budget:				Wtd Avg per Sq Ft Saleable Dwelling	
	Dwelling Units	Studio	1BR 1BA	2BR 2BA	
TDC per saleable sq ft		451.25	451.25	451.25	451.25
Total	1,046,900				
TDC Assumptions per Gross Sq Ft:					
Hard Costs	185.00				
Land	71.81				
Soft Costs @ 0.23	59.07	Subtotal	315.88		
Dev OH & Profit @ 0.2	63.18	Total	379.05		
TDC per Gross Sq Ft excluding Parking	379.05				
TDCD per Net Sq Ft	451.25	225,625	315,875	505,400	1,046,900 Total per All Dwelling Units
Building Efficiency	84%				

Sale Return:				Wtd Avg per Sq Ft Saleable Dwelling	
		Studio	1BR 1BA	2BR 2BA	Total per All Dwelling Units
Sales Price		80,801	69,893	55,060	88.69
Total Sales		80,801	69,893	55,060	88.69
Transaction Costs	5%	(4,040)	(3,495)	(2,753)	(4.43)
Cost to Build		(225,625)	(315,875)	(505,400)	(451.25)
Profit		(148,864)	(249,477)	(453,093)	(367.00)
Cash on Cash Return		-59.17%	-74.78%	-87.58%	-81.33%

Comparison Tables: Detriment of Inclusionary Zoning on Single Condominiums Units

Comparison Mkt vs 80% AMI Affordable			Studio	1BR 1BA	2BR 2BA	Total
	Market	Profit Above Normal Profit	0	0	0	0
	Affordable	Profit Above Normal Profit	(77,262)	(172,761)	(361,033)	(611,056)
	Affordable less Mkt	Profit Above Normal Profit	(77,262)	(172,761)	(361,033)	(611,056)

Comparison Mkt vs 50% AMI Affordable			Studio	1BR 1BA	2BR 2BA	Total
	Market	Profit Above Normal Profit	0	0	0	0
	Affordable	Profit Above Normal Profit	(148,864)	(249,477)	(453,093)	(851,433)
	Affordable less Mkt	Profit Above Normal Profit	(148,864)	(249,477)	(453,093)	(851,433)

High Rise Market Rate Rental, Analysis by Single Units

Unit Size and Mix:	Per Rentable Sq Ft by Unit Type				
	Studio	1BR 1BA	2BR 2BA	Total	Type
	Mkt Apt	Mkt Apt	Mkt Apt		
	1	1	1	3	Unit Mix
	500	700	1,120	2,320	Rentable Sq Ft
				773	Wtd Avg Rentable Sq Ft

Project Budget:					Wtd Avg per Sq Ft Saleable Dwelling
	Dwelling Units	Studio	1BR 1BA	2BR 2BA	
TDC per rentable sq ft		431.80	431.80	431.80	431.80
Total	1,001,780				
TDC Assumptions per Gross Sq Ft:					
Hard Costs		170.00			
Land		71.81			
Soft Costs and Trans Cost @ 0.25		60.45			
Dev OH & Profit @ 0.2		60.45			
		<i>Subtotal</i>			
		<i>Total</i>			
TDC per Gross Sq Ft excluding Parking		362.71			
TDCD per Net Sq Ft		431.80	215,901	302,261	483,618
Building Efficiency		84%			
					1,001,780 Total per All Dwelling Units

Rental Operation/Return:					Wtd Avg per Sq Ft Rentable Dwelling	Total per All Dwelling Units
			Studio	1BR 1BA	2BR 2BA	
Monthly Rent per Space/Unit			1,150	1,610	2,576	2.30
Potential Rent Revenue			13,800	19,320	30,912	27.60
Vacancy			(690)	(966)	(1,546)	(1.38)
Annual Cost of Operations as % of Potential Rent			(5,900)	(5,900)	(5,900)	(7.63)
Apt RE Taxes/Pilot	0.0096	75%	(1,554)	(2,176)	(3,482)	(3.11)
Cash Before Debt Service			5,656	10,278	19,984	15.48
Debt Service			(11,022)	(15,431)	(24,689)	(22.04)
Cash After Debt Service			(5,367)	(5,153)	(4,705)	(6.56)
Unleveraged Cash on Cash Return			3.14%	4.08%	4.96%	
Leveraged Cash on Cash Return			-14.91%	-10.23%	-5.84%	

High Rise 80% AMI Affordable Rental, Analysis by Single Units

Unit Size and Mix:	Per Rentable Sq Ft by Unit Type				Total	Type
	Studio	1BR 1BA	2BR 2BA			
	Aff Rental	Aff Rental	Aff Rental			
	1	1	1	3		Unit Mix
	500	700	1,120		2,320	Rentable Sq Ft
					773	Wtd Avg Rentable Sq Ft

Project Budget:		Dwelling Units	Per Rentable Sq Ft by Unit Type			Wtd Avg per Sq Ft Saleable Dwelling
			Studio	1BR 1BA	2BR 2BA	
TDC per rentable sq ft			431.80	431.80	431.80	431.80
Total		1,001,780				
TDC Assumptions per Gross Sq Ft:						
Hard Costs	170.00					
Land	71.81					
Soft Costs and Trans Cost @ 0.25	60.45	Subtotal	302.26			
Dev OH & Profit @ 0.2	60.45	Total	362.71			
TDC per Gross Sq Ft excluding Parking	362.71					
TDCD per Net Sq Ft	431.80		215,901	302,261	483,618	1,001,780 Total per All Dwelling Units
Building Efficiency	84%					

Rental Operation/Return:		Studio	1BR 1BA	2BR 2BA	Wtd Avg per Sq Ft Rentable Dwelling	Total per All Dwelling Units
Monthly Rent per Space/Unit		1,205	1,281	1,533	1.73	4,019
Potential Rent Revenue		14,462	15,366	18,401	20.79	48,229
Vacancy		(723)	(768)	(920)	(1.04)	(2,411)
Annual Cost of Operations		(5,900)	(5,900)	(5,900)	(7.63)	(17,700)
Apt RE Taxes/Pilot	0.0096 75%	(1,554)	(2,176)	(3,482)	(3.11)	(7,213)
Cash Before Debt Service		6,285	6,521	8,099	9.01	20,905
Debt Service		(11,022)	(15,431)	(24,689)	(22.04)	(51,142)
Cash After Debt Service		(4,737)	(8,910)	(16,591)	(13.03)	(30,238)
Unleveraged Cash on Cash Return		3.49%	2.59%	2.01%		2.50%
Leveraged Cash on Cash Return		-13.17%	-17.69%	-20.58%		-18.11%

High Rise 50% AMI Affordable Rental, Analysis by Single Units

Unit Size and Mix:	Per Rentable Sq Ft by Unit Type				
	Studio	1BR 1BA	2BR 2BA		
	Aff Rental	Aff Rental	Aff Rental	Total	Type
	1	1	1	3	Unit Mix
	500	700	1,120	2,320	Rentable Sq Ft
				773	Wtd Avg Rentable Sq Ft

Project Budget:		Dwelling Units	Per Rentable Sq Ft by Unit Type			Wtd Avg per Sq Ft Saleable Dwelling
			Studio	1BR 1BA	2BR 2BA	
TDC per rentable sq ft			431.80	431.80	431.80	431.80
Total		1,001,780				

TDC Assumptions per Gross Sq Ft:			
Hard Costs	170.00		
Land	71.81		
Soft Costs and Trans Cost @ 0.25	60.45	Subtotal	302.26
Dev OH & Profit @ 0.2	60.45	Total	362.71

TDC per Gross Sq Ft excluding Parking	362.71					
TDCD per Net Sq Ft	431.80	215,901	302,261	483,618	1,001,780	Total per All Dwelling Units
Building Efficiency	84%					

Rental Operation/Return:		Studio	1BR 1BA	2BR 2BA	Wtd Avg per Sq Ft Rentable Dwelling	Total per All Dwelling Units
Monthly Rent per Space/Unit		736	778	931	1.05	2,445
Potential Rent Revenue		8,837	9,338	11,168	12.65	29,342
Vacancy		(442)	(467)	(558)	(0.63)	(1,467)
Annual Cost of Operations		(5,900)	(5,900)	(5,900)	(7.63)	(17,700)
Apt RE Taxes/Pilot	0.0096 75%	(1,554)	(2,176)	(3,482)	(3.11)	(7,213)
Cash Before Debt Service		940	795	1,227	1.28	2,962
Debt Service		(11,022)	(15,431)	(24,689)	(22.04)	(51,142)
Cash After Debt Service		(10,082)	(14,636)	(23,462)	(20.77)	(48,180)
Unleveraged Cash on Cash Return		0.52%	0.32%	0.30%		0.35%
Leveraged Cash on Cash Return		-28.02%	-29.05%	-29.11%		-28.86%

Comparison Tables: Detriment of Inclusionary Zoning on Single Apartment Units

Comparison Mkt vs 80% AMI Affordable			Studio	1BR 1BA	2BR 2BA	Total
Market	Cash Before Debt Service		5,656	10,278	19,984	35,918
	Cash After Debt Service		(5,367)	(5,153)	(4,705)	(15,225)
Affordable	Cash Before Debt Service		6,285	6,521	8,099	20,905
	Cash After Debt Service		(4,737)	(8,910)	(16,591)	(30,238)
Affordable less Mkt	Cash Before Debt Service		629	(3,756)	(11,886)	(15,013)
	Cash After Debt Service		629	(3,756)	(11,886)	(15,013)

Comparison Mkt vs 80% Affordable Value	
Cap Rate	7.35%
Market Units	511,532
Affordable Units	307,278
Affordable Units less Market Units	(204,254) loss in value

Note that these values (mkt and affordable) are much less than the TDC of the units 945,784

Comparison Mkt vs 50% AMI Affordable			Studio	1BR 1BA	2BR 2BA	Total
Market	Cash Before Debt Service		5,656	10,278	19,984	35,918
	Cash After Debt Service		(5,367)	(5,153)	(4,705)	(15,225)
Affordable	Cash Before Debt Service		940	795	1,227	2,962
	Cash After Debt Service		(10,082)	(14,636)	(23,462)	(48,180)
Affordable less Mkt	Cash Before Debt Service		(4,715)	(9,483)	(18,757)	(32,955)
	Cash After Debt Service		(4,715)	(9,483)	(18,757)	(32,955)

Comparison Mkt vs 50% AMI Affordable Value	
Cap Rate	7.35%
Market Units	511,532
Affordable Units	63,161
Affordable Units less Market Units	(448,371) loss in value

Note that these values (mkt and affordable) are much less than the TDC of the units 945,784

Assumptions in High Rise Condominium Model

Assumption	Amount	Source
Sq Footage:		
Studio Apt Sq Ft	500	p3 *
1BR 1BA Apt Sq Ft	700	p3 *
2BR 2BA Apt Sq Ft	1120	p3 *
Development Costs (Gross Sq Ft):		
Hard Costs	185.00	Forest City
Land	71.81	Solved for value
Soft Costs (as percent of Hard and Land)	23%	p3 *
Developer Overhead and Profit	20%	p11 Table 8 *
Building Efficiency	84%	p3 *
Transaction Costs	5%	p11 Table 8 *
Sales:		
Market Sales Sq Ft	475.00	Forest City
Mortgage Terms:		
Down Payment	5%	p10 Table 7 *
Amortization Period	30	p10 Table 7 *
Interest Rate	6.75%	p2 *
Affordable Income for Housing:		
AMI	89,300	p8 *
Income Available for Housing	30%	p8 *
Condo/HOA Fees	.33 sq ft monthly	p10 Table 7 *
Real Estate Taxes:		
Homestead Deduction	38,000	p10 Table 7 *
Assessed Value as % of Total Development Costs	75%	Forest City
Tax Rate	.0096 mills	p10 Table 7 *

* "OP Hearing Report on Inclusionary Zoning, July 15, 2005, Attachments"

Calculations for 80% AMI Affordability of Condominium Purchase

Affordability Assumptions		AMI	89,300
		Income Available for Housing	30%
		Max AMI Threshold	80%

Size of Households				
1	2	3	4	5
70%	80%	90%	100%	108%
\$62,510	\$71,440	\$80,370	\$89,300	\$96,444

80%			
	Studio = 1	1 BR = 1 5	2 BR = 3
HH Income	50,008	53,580	64,296
Avail Housing	15,002	16,074	19,289
Monthly unadjusted	1,250	1,340	1,607
Taxes	(112)	(169)	(289)
Condo/HOA	(167)	(233)	(373)
Max Mort Pmt	971	937	945
Loan Amount	148,363	143,114	144,367
Down Payment	7,809	7,532	7,598
Sales Price	156,172	150,647	151,965
Avg Sq Ft	500	700	1,120
Per Sq Ft	312	215	136

Homestead Deduction	38,000
Assessed Value % Mkt Sales	75%
Taxes	0 0096 mils
Condo/HOA	0 33 sq ft/monthly
Down payment	5 00%
Interest Rate	6.75%
Amortization	30

Calcualtions for 50% AMI Affordability of Condominium Purchase

Affordability Assumptions		AMI	89,300
		Income Available for Housing	30%
		Max AMI Threshold	50%

Size of Households				
1	2	3	4	5
70%	80%	90%	100%	108%
\$62,510	\$71,440	\$80,370	\$89,300	\$96,444

50%			
Studio = 1	1 BR = 1 5	2 BR = 3	
HH Income	31,255	33,488	40,185
Avail Housing	9,377	10,046	12,056
Monthly unadjusted	781	837	1,005
Taxes	(112)	(169)	(289)
Condo/HOA	(167)	(233)	(373)
Max Mort Pmt	503	435	342
Loan Amount	76,761	66,398	52,307
Down Payment	4,040	3,495	2,753
Sales Price	80,801	69,893	55,060
Avg Sq Ft	500	700	1,120
Per Sq Ft	162	100	49

Homestead Deduction	38,000
Assessed Value % Mkt Sales	75%
Taxes	0 0096 mils
Condo/HOA	0 33 sq ft/monthly
Down payment	5 00%
Interest Rate	6 75%
Amortization	30

Assumptions in High Rise Rental Model

Assumption	Amount	Source
Sq Footage:		
Studio Apt Sq Ft	500	p3 *
1BR 1BA Apt Sq Ft	700	p3 *
2BR 2BA Apt Sq Ft	1120	p3 *
Development Costs (Gross Sq Ft):		
Hard Costs	170.00	Forest City
Land	71.81	Solved for value from Condo
Soft Costs (as percent of Hard and Land)	23%	p3 *
Developer Overhead and Profit	20%	p1 *
Building Efficiency	84%	p3 *
Rent & Occupancy:		
Market Rent per Sq Ft	2.30	Forest City
Market Rate Rental	95%	p26 Table 23 *
Affordable Rental	95%	p26 Table 23 *
Operating Expenses:		
Operating Expenses	5,900	Forest City
Real Estate Taxes:		
Assessed Value as % of Total Development Costs	75%	Forest City
Tax Rate	.0096 mils	p26 Table 23 *
Debt Terms:		
Debt Ratio	80%	p6 *
Amortization Period	30	p26 Table 23 *
Interest Rate	6.50%	p3 *
Cap Rate	7.35%	p26 Table 23 *
Affordable Income for Housing:		
AMI	89,300	p8 *
Income Available for Housing	30%	p8 *
Utility Allowances:		
studio	45	p8 *
1BR	59	p8 *
2BR	74	p8 *

* "OP Hearing Report on Inclusionary Zoning, July 15, 2005, Attachments"

Calculations for 80% AMI Affordability of Apartment Rental

Affordability Assumptions:		AMI	89,300
		Income Available for Housing	30%
		Max AMI Threshold	80%

Size of Households				
1	2	3	4	5
70%	80%	90%	100%	108%
\$62,510	\$71,440	\$80,370	\$89,300	\$96,444

80%			
	Studio = 1	1 BR = 1 5	2 BR = 3
HH Income	50,008	53,580	64,296
Avail Housing	15,002	16,074	19,289
Monthly unadjusted	1,250	1,340	1,607
Utility Allowance	(45)	(59)	(74)
Avail after Utility Allowance	1,205	1,281	1,533

Calculations for 50% AMI Affordability of Apartment Rental

Affordability Assumptions		AMI	89,300			
		Income Available for Housing	30%			
		Max AMI Threshold	50%			
Size of Households						
		1	2	3	4	5
		70%	80%	90%	100%	108%
		\$62,510	\$71,440	\$80,370	\$89,300	\$96,444
50%						
		Studio = 1	1 BR = 1.5	2 BR = 3		
HH Income		50,008	53,580	64,296		
Avail Housing		15,002	16,074	19,289		
Monthly unadjusted		1,250	1,340	1,607		
Utility Allowance		(45)	(59)	(74)		
Avail after Utility Allowance		1,205	1,281	1,533		