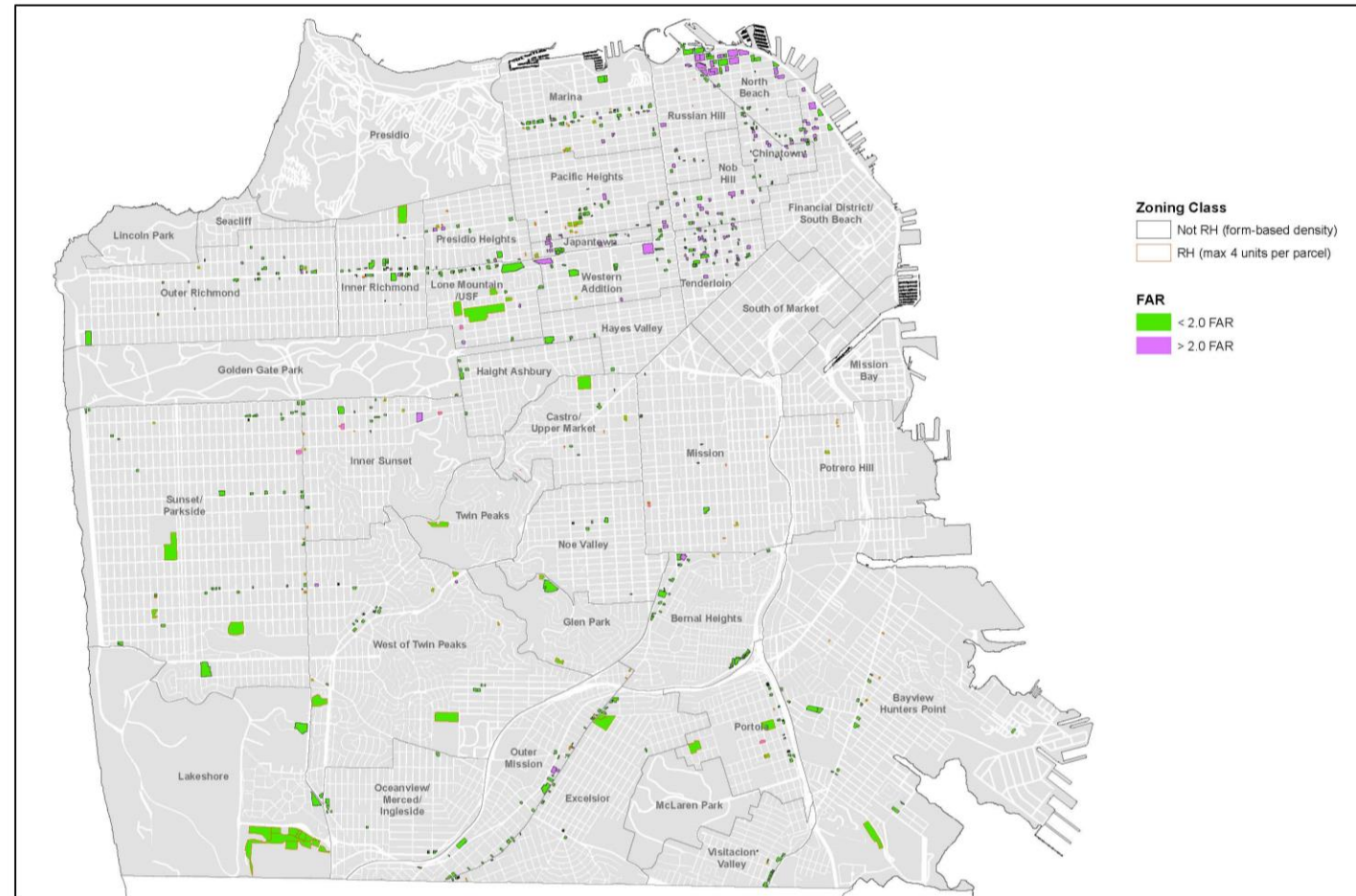


Automotive Use Housing Density Feasibility Analysis: Purpose

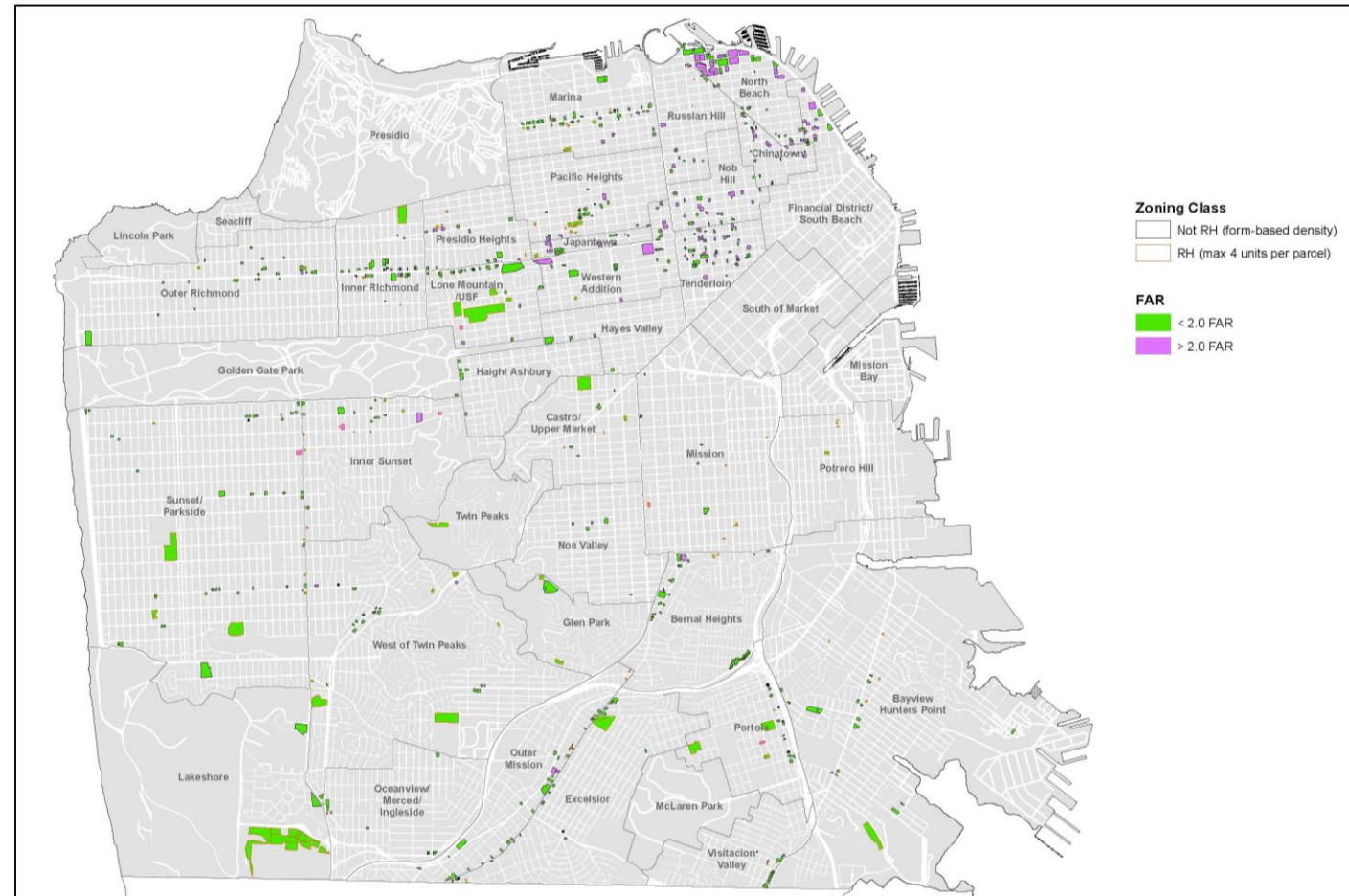
In July 2022, Planning Department was asked to engage consultants to conduct financial feasibility analysis of the proposed ordinance to assess the potential for increased public benefits above existing requirements (e.g. higher inclusionary requirement).

Analysis conducted by Century Urban in August-September 2022



Automotive Use Housing Density Feasibility Analysis: Prototypes

- Residential development prototype scenarios were modeled to evaluate the attractiveness of these prototypes under current San Francisco market conditions.
- The **32 prototypes** include scenarios reflecting:
 - Two site sizes: 6,000 with 40' height limit and 20,000 square feet with 65' height limit
 - For-rent and for-sale
 - Two Submarkets for each site size, representing lower and higher rental rate and sale price areas
 - Existing zoning and density decontrol rezoning
 - With and without state density bonus (SDB)
 - Prevailing wages for construction
 - Project sizes ranging from 4 to 8 stories and 10 to 104 units



Automotive Use Housing Density Feasibility Analysis: Findings

- Preliminary results reflect negative per-unit residual values for all prototype scenarios.**
 - This means that the total estimated costs to develop the prototypes exceed the projected net operating income for rental projects or the projected net sale proceeds for sale projects.
 - Negative residual values across the prototype scenarios suggest an overall challenging environment for development of projects similar to the prototypes regardless of current market land prices, which is **not** yet factored in.

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Prototypes		Rental/Sale				Sale			
		Rental	Rental	Rental	Rental	Sale	Sale	Sale	Sale
		<i>Existing</i>	<i>Existing</i>	<i>Density</i>	<i>Density</i>	<i>Existing</i>	<i>Existing</i>	<i>Density</i>	<i>Density</i>
		No	Yes	No	Yes	No	Yes	No	Yes
Existing Zoning									
State Density Bonus									
Small Lot Scenario - 6,000 SF									
Total Units		10	15	13	20	10	13	13	17
Affordable Units %		20%	13%	15%	10%	20%	15%	15%	12%
Affordable Units #		2	2	2	2	2	2	2	2
Residual Value Per Unit									
Sunset		(\$635,000)	(\$508,000)	(\$504,000)	(\$377,000)	(\$452,000)	(\$336,000)	(\$294,000)	(\$205,000)
% change versus existing zoning				21%	26%			35%	39%
Marina		(\$369,000)	(\$218,000)	(\$235,000)	(\$93,000)	(\$259,000)	(\$193,000)	(\$170,000)	(\$82,000)
% change versus existing zoning				36%	57%			34%	58%
Large Lot Scenario - 20,000 SF									
Total Units		33	50	74	104	33	41	74	92
Affordable Units %		24%	18%	23%	18%	24%	20%	26%	21%
Affordable Units #		8	9	17	19	8	8	19	19
Residual Value Per Unit									
Excelsior		(\$634,000)	(\$487,000)	(\$428,000)	(\$430,000)	(\$539,000)	(\$429,000)	(\$363,000)	(\$394,000)
% change versus existing zoning				32%	12%			33%	8%
Russian Hill		(\$380,000)	(\$259,000)	(\$211,000)	(\$202,000)	(\$138,000)	(\$101,000)	(\$91,000)	(\$107,000)
% change versus existing zoning				44%	22%			34%	-6%

Automotive Use Housing Density Feasibility Analysis: Findings

- Model assumes CEQA Cat Ex, limited entitlement time, and does *not* account for any significant costs for:
 - Remediation
 - Demolition of significant structures
 - Tenant relocation or assistance
 - Substantial holding costs
- Analysis assumed Sec 415 inclusionary rates for 2025 (reflects additional +1% BMR for large projects).
 - Existing economics do not seem to broadly support existing inclusionary, let alone additional value capture opportunity for higher inclusionary or exactions.
 - Inclusionary TAC is starting and will evaluate existing inclusionary requirements.