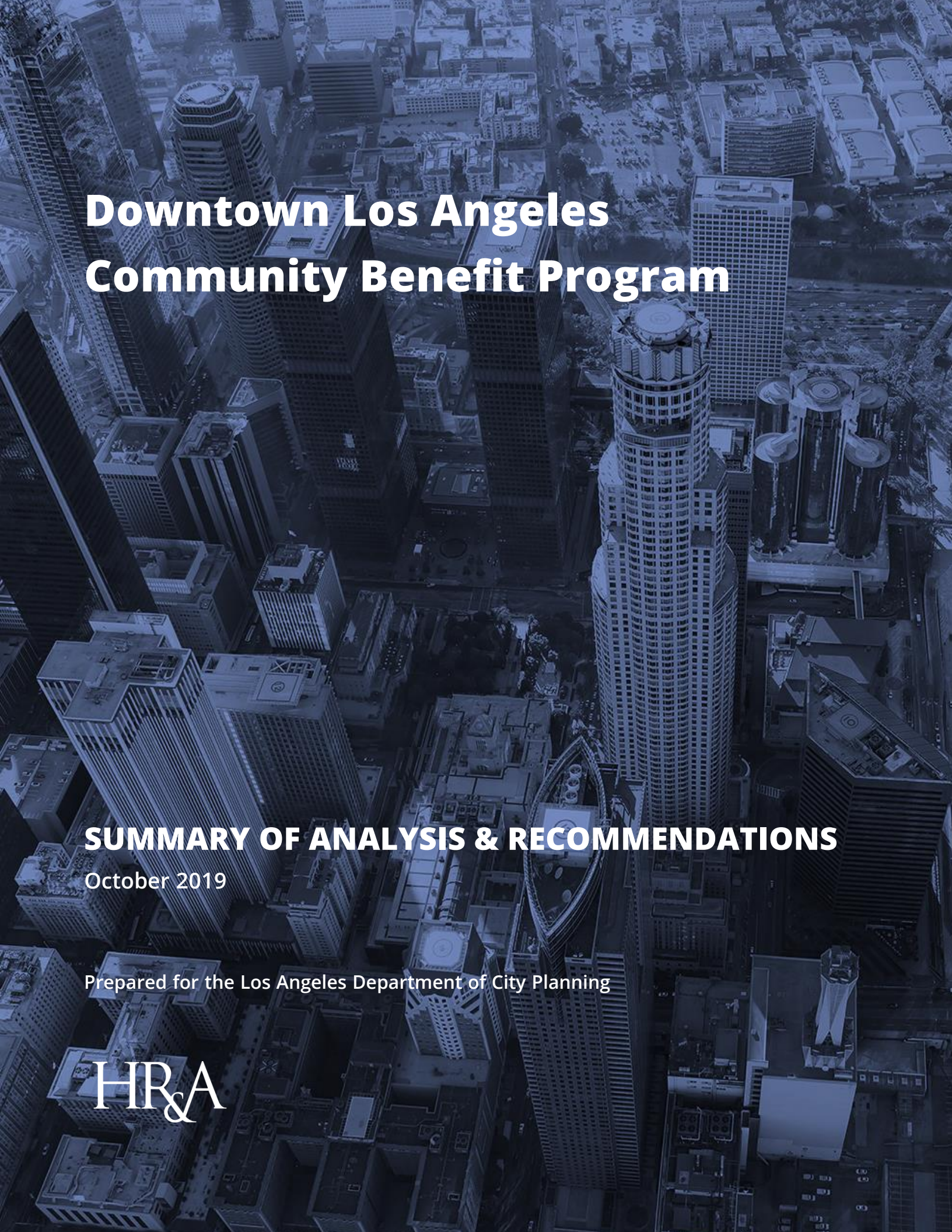


Downtown Los Angeles Community Benefit Program

SUMMARY OF ANALYSIS & RECOMMENDATIONS

October 2019

Prepared for the Los Angeles Department of City Planning

HR&A

TABLE OF CONTENTS

EXECUTIVE SUMMARY

INTRODUCTION AND OBJECTIVES

As part of its update to the Downtown Community Plan, which is comprised of the Central City and Central City North Community Plan areas and approximates the area of Downtown Los Angeles, the Los Angeles Department of City Planning ("LADCP") sought to develop an integrated Downtown-specific incentive zoning system, now known as the Downtown Community Plan Community Benefits Program ("Community Benefits Program"). This program will allow developers to provide or otherwise cause the creation of specific community benefits in return for access to above-baseline density and other property development standards. It responds to problems LADCP identified with existing programs, including:

- The broad and loosely defined range of community benefits;
- Inconsistency and unpredictability between the location of the provision of public benefits and development sites;
- A general lack of calibration between incentives whereby Downtown developers have favored the Transfer of Floor Area Ratio ("TFAR") over other available incentive systems that more directly produce Downtown benefits; and
- A significant pool of City-owned TFAR priced below market value that may hinder the achievement of public benefits, including funding. the preservation of historic resources or creating recreational and open space.

These other incentive zoning programs currently available in and around Downtown Los Angeles that generate certain community benefits in return for access to more generous development standards were evaluated as part of developing a new, integrated public benefit incentive zoning system, including:

- The City's ordinance to implement the State affordable housing density bonus program (i.e. SB 1818);
- The Greater Downtown Housing Incentive Ordinance;
- The Downtown TFAR program; and

Source: Wikimedia Commons

- The Cornfield Arroyo Seco Specific Plan.

In addition, there are several development impact fees that are intended to generate funds for specific public benefits, which were considered in developing a new integrated system. These included the recently updated Quimby/Parks fees and the Affordable Housing Linkage Fee.

LADCP retained HR&A Advisors, Inc. ("HR&A") to evaluate options to create a comprehensive public benefits incentive zoning system in the Downtown LA area that incorporates or modifies the existing programs, clearly prioritizes affordable housing, enables the direct provision of other community benefits and allows for a source of flexible funding similar to the existing TFAR program. More specifically, LADCP staff identified several priority public benefits that should be facilitated in the Community Benefits Program, including:

- Affordable housing;
- Parks and open space;
- Historic preservation;
- Childcare facilities; and
- Community facilities.

This Report summarizes the process that HR&A, in collaboration with Torti Gallas + Partners, undertook to inform the structure and incentives included in the new Community Benefits Program.

EXISTING PROGRAMS

In tandem with a case study analysis of incentive zoning tools used in other United States cities, HR&A evaluated the City's existing incentive zoning systems, particularly as they relate to the Downtown Community Plan. HR&A focused this effort on the TFAR program and the Greater Downtown Housing Incentive Ordinance ("GDHI"). Although not necessarily applicable in Downtown, HR&A also examined the Transit Oriented Communities ("TOC") Program, the incentives offered in the Cornfield Arroyo Seco Specific Plan ("CASP"), the Senate Bill 1818 ("SB1818") Affordable Housing Density Bonus Program, as well as a number of development projects that obtained discretionary approvals through the General Plan Amendment process in exchange for project-specific community benefits.

HR&A analyzed these programs by reviewing City documents, data retrieved from public and proprietary sources, development entitlement applications, news articles, and conducting interviews with experienced Downtown developers, land use attorneys, and City staff.

Downtown currently has the most generous development standards in the City of Los Angeles (the "City", or "Los Angeles", or "LA"), and although there are development fees in place to support the production of affordable housing and parks and open space on a citywide basis, there are a limited number of tools available to encourage developers to provide social and physical infrastructure to preserve and enhance the vibrancy of Downtown specifically. Several constraints of the TFAR program and the Greater Downtown Housing Incentive Ordinance programs have been observed, including the provision of a relatively narrow range of community benefits (e.g., not including historic preservation, childcare and cultural amenities, among others), some of which are not even targeted to Downtown.

Furthermore, there is a general lack of calibration between incentives whereby Downtown LA developers have favored TFAR over other available incentive systems, which does not always deliver the highest priority community benefits needed in Downtown. A significant pool of City-owned undeveloped airspace above existing buildings that can be transferred as floor area is available to developers through the TFAR program. This transferable floor area is priced using a formula that is not aligned with value created for developers, as discussed later in this Report. TFAR's pricing structure has limited the production of public benefits within Downtown, particularly for affordable housing, as very few new residential buildings in Downtown using TFAR have included deed-restricted affordable housing units.

The effectiveness of these programs in terms of their ability to mitigate project-specific impacts and address Downtown public needs varies considerably. Public benefits provided through the TFAR program are sometimes allocated to specific Downtown projects, but also to a range of organizations and initiatives located outside Downtown. Less frequently used General Plan amendments and other existing incentive programs deliver community benefits that are generally provided on-site with each new Downtown project and are tailored to community context and needs.

The considerations listed below guided development of the new Community Benefits Program:

- Prioritizing and providing public benefits in a new or amended incentive zoning system should be informed by input and achieve buy-in from elected officials, developers and the broader community.
- Appropriate incentives and public benefits should be aligned within specific Downtown subareas, which may have distinct and unique needs and/or market realities.
- To avoid conflict between incentive zoning systems, different programs should be either integrated or cross-referenced to ensure that they do not compete. Existing incentive zoning systems policies generally do not reference one another or provide

guidance as to how programs can or cannot be used in tandem.

- Affordable housing requirements should be incorporated into an incentive zoning system that aligns with existing City and State policies. Any additional affordable housing requirements will need to meet the minimum requirements of SB1818 and the GDHI and should also be carefully calibrated to be market-responsive so as not to produce an adverse effect on overall Downtown development.
- The new program should be carefully calibrated to align with Downtown real estate development economics and proposed changes to the Downtown Community Plan and its property development standards.

POTENTIAL COMMUNITY BENEFITS FORGONE THROUGH THE TFAR SYSTEM

To illustrate the relative benefits of the new Community Benefits program to the public, HR&A compared the recent utilization of TFAR to the structure of the new Community Benefits Program. Within subareas in the Downtown Community Plan where most TFAR projects have been developed, HR&A estimates that the TFAR program could have undervalued development rights by over 50 percent, in comparison to the market value of the additional development rights achieved. In total, 12 recent TFAR projects paid or will pay roughly $25,000,000 for roughly 823,000 square feet of TFAR, or roughly $30 per square foot. This figure includes a residential/hotel outlier which purchased TFAR at a cost of over $35 per square foot, bringing up the average. Using a conservative average market value of $65 per square foot of additional floor area as the supportable payment for additional floor area, as calculated by HR&A, the TFAR program could have secured as much as $28,500,000 in additional community benefits, while maintaining healthy, market-aligned profit margins for projects utilizing TFAR.

The new Community Benefits Program is calibrated to better align private benefit with public benefit by more explicitly incentivizing the production of affordable housing, new parks and open space needed in certain parts of Downtown, as well as community facilities, which could include childcare centers, public bathrooms, or other spaces available free of charge to non-profit organizations. HR&A also anticipates that the new Downtown Community Plan and associated Community Benefits Program will provide meaningful benefits to developers, including time and cost savings, in addition to a reduction in risk associated with project approvals.

PRECEDENTS

To evaluate potential approaches for the new Downtown Community Benefits Program, HR&A assessed the success of systems elsewhere that employ zoning flexibilities and other incentives to produce public benefits. To do so, HR&A undertook a case study analysis of well-established incentive zoning systems in other large cities across The United States. These include two cities in California (San Francisco and San Diego) which have particular relevance as they are subject to California's Statewide "Density Bonus" law.

The programs assessed include:

- Density bonuses for on- or off-site public benefits or in-lieu financial contributions to a public benefits fund; and
- Transfer of Development Rights ("TDR") to and from adjacent parcels, specified sending and receiving sites as well as area-wide transfer districts.

Specifically, HR&A analyzed density bonus and TDR programs in Austin, Chicago, New York City, Portland, San Diego, San Francisco, and Seattle. Where cities employed both density bonus and TDR, HR&A evaluated the individual programs of these cities and assessed how the programs interact with one another. HR&A conducted research using a range of sources, including professional literature, city ordinances, and city-commissioned studies. To supplement this analysis, HR&A conducted interviews with key staff and stakeholders from relevant city agencies. HR&A assembled a set of key lessons learned from these cities which are particularly relevant to Los Angeles, to help inform a better integrated and more productive incentive zoning system for Downtown LA. Key findings and conclusions from this analysis include the following:

- Setting appropriate baseline zoning regulations can incentivize program participation. Through the Re:Code LA and Community Plan Update processes, Los Angeles has an opportunity to ensure that the baseline zoning in Downtown is calibrated such that developers are motivated to exceed it. Doing so will require careful calibration to avoid perceptions of "taking away" development rights from current owners.
- To promote clarity regarding implementation procedures and certainty in outcomes, density bonus and TDR programs should be easy to understand and consistently executed. This will require a clearly defined set of standards and procedures and explanatory outreach to the development and property owner communities, and appropriate staff training and supervision.
- Periodic re-calibration of the programs will help ensure that they continue to produce public benefits that are aligned with the incentives provided. Housing and real estate markets change quickly, and construction prices can grow ahead of inflation.
- Integrating the TFAR program with density bonus programs can eliminate pricing disadvantages for either of the programs. Many of the cities across the U.S. run these two programs in parallel, often disadvantaging one through pricing undercuts. Integrating the two in a tiered system can result in a less complex administrative process.
- Examples of strategies cities have employed to implement a tiered system include:
    - Permitting only the maximum allowable Floor Area Ratio ("FAR") to be achieved through the use of both TDR and density bonus programs.
    - Requiring that any FAR bonuses are achieved through an equal (or other specified ratio) usage of certain density bonus and TDR programs.
    - Requiring developers to provide minimum amounts of affordable housing or other specific public benefit in order to access additional bonus FAR from TDR or other bonus programs.
- Programs are most effective when bonuses are calibrated to produce sufficient incremental value for private developers, over and above any public benefits produced, to encourage additional development in light of increased risk and cost. Without such calibration, developers will have little incentive to utilize the density bonus incentive programs.

Source: Wikimedia

- For TDR programs, a large geographic transfer radius can increase the pool of potential TDR buyers. However, value of FAR is often tied to land values, which can create an incentive to transfer FAR from less expensive property to more expensive property. This can shift infrastructure burden among neighborhoods and leave some areas under- or over-capacity.

THE NEW COMMUNITY BENEFITS PROGRAM

Based on HR&A's analysis of existing zoning programs and nationwide precedents, HR&A recommended a "tiered" incentive system with prioritized FAR bonuses

allowing development projects to exceed by-right "base" FARs by providing public benefits in an established sequence or "levels.". The draft Downtown Community Plan, which was recently released for public review, includes a Community Benefits Program, which intends to incentivize the production of priority community benefits, particularly affordable housing. It also offers a more legible, transparent and ministerial process (administered by LADCP staff) for the provision of incentives and associated community benefits and encourages the direct (by developers) provision of on-site community benefits. It is important to note that the new Downtown Community Plan does not change current by-right entitlement standards, nor does it impose additional requirements for developers who choose to build within the existing base zoning.

As described in the draft DCP, "there are several paths a development project may take as part of this elective program. The project pathway and required community benefits will relate to the project type. Residential projects will always be required to provide affordable housing, followed by a selection of community benefits such as publicly accessible open space, community facilities, and preservation of a historic resource. Non-residential projects will be required to provide a selection of community benefits." The financial feasibility of providing these benefits was analyzed and community benefit requirements were calibrated by HR&A.

For multi-family residential projects, a first level allows developers to access a 35 percent FAR bonus, in exchange for providing a certain number of on-site, deed-restricted affordable housing units. A second level allows developers to access an additional FAR bonus up to the maximum allowable FAR in exchange for providing publicly accessible street-level open space or various types of community facilities. To access this level, developers must first provide a minimum percentage of affordable units, as required under the first level. Some projects may also utilize an option to purchase development rights from nearby historic buildings in order to preserve or restore said buildings. Projects located within the existing TFAR program boundaries have the option to utilize the TFAR program after providing a certain amount of community benefits under both the first and second levels.

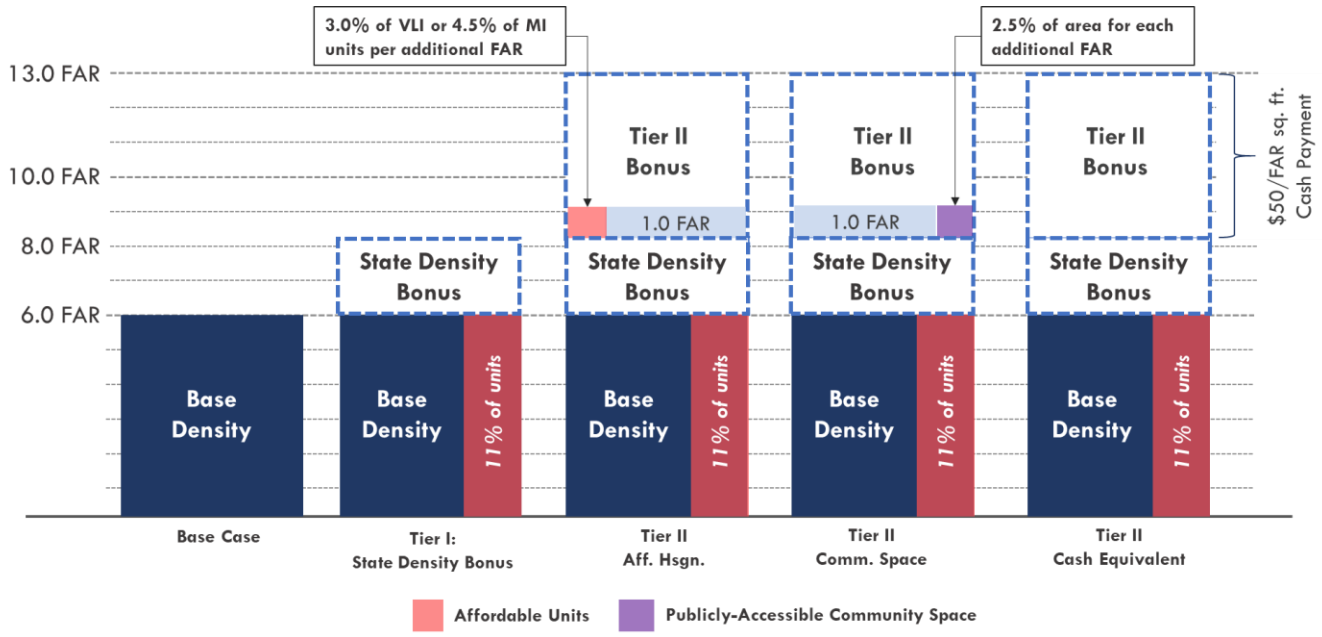
Commercial office, retail and hotel projects are not required to provide affordable housing under the first level of the Community Benefits Program, but may still utilize the second level to access an additional FAR bonus up to the maximum allowable FAR in exchange for providing publicly-accessible ground floor open space or various other types of community facilities. As with multi-family residential projects, some commercial projects may also utilize an option to purchase development rights from nearby historic buildings in order to preserve or restore said buildings. Projects located within the existing TFAR program boundaries have the option to utilize the TFAR program after providing a certain amount of community benefits under the second Community Benefits Program level.

NEW COMMUNITY BENEFIT PROGRAM REQUIREMENTS/INCENTIVES

HR&A tested 11 illustrative development prototypes prepared by Torti Gallas + Partners distributed across seven "Place Types" (i.e., combinations of real estate submarkets) in Downtown Los Angeles to determine the order of magnitude of public benefits (e.g., increased affordable housing, public open space, community facilities) that could be derived from the incremental value to developers created through the utilization of additional FAR and density that may be offered through the Community Benefits Program. Based on analysis of real estate market conditions, detailed financial feasibility analysis and sensitivity testing, HR&A determined that the magnitude of public benefits that can be leveraged varies significantly across Place Types within the Downtown area and will require program segmentation. Key findings from HR&A's analysis are as follows:

- Development in Place Types represented by stronger rental residential submarkets, such as South Park, the Historic Core and adjacent neighborhoods could produce substantial incremental value from higher-intensity (FAR) projects, which in turn could be translated into substantial amounts of public benefit. Specifically, HR&A recommends that for every additional 1.0 Level 2 FAR in Strong Submarkets, the City could request either:

Figure E-1: Proposed Incentive Zoning Program Structure



- An additional 3.0 percent of base units as income-restricted units for very low-income households or 4.5 percent of base units for moderate-income households; or
- 2.5 percent of the incremental square footage for community facilities; or
- 7.5 percent of the parcel area for publicly accessible, high quality, open space; or
- Require that $50 per FAR square foot be paid as an in-lieu fee for one or more public benefit. It should be noted that this exceeds the average price paid for TFAR (inclusive of transfer fee and public benefit fee payment), which is approximately $32 per square foot. However, offering an in-lieu fee may discourage the provision of community benefits on-site.

This structure is shown in Figure E-1 above.

- In Place Types represented by relatively less-mature residential submarkets, such as in the Fashion District and Chinatown, higher-intensity, high-rise developments may not be as likely (as compared to smaller projects that could be developed with Type V and/or Type IIIB construction) and are therefore unlikely to support the same level of public benefits as stronger submarkets in exchange for additional FAR above certain thresholds through the Program, at least in the near term.
- Condominium developments (in all Place Types) utilizing incentives associated with the State Density Bonus Program are unlikely to support the provision of additional public benefit beyond the first tier of incentive zoning for affordable housing, even at the maximum FARs contemplated under the Program. This assumes that affordable for-sale residential units must be built for moderate income households (at a higher percentage than lower affordability levels) due to complications with identifying low-income buyers who could qualify for financing. However, the for-sale affordable units which could be produced in such projects could fulfill the City objective of producing affordable for-sale units for moderate income households, if developers elect (or are encouraged by the City) to target that income category.
- Hotel and office developments in Downtown Los Angeles are also unlikely to produce sufficient incremental value at greater FARs, even in strong submarkets, such as South Park and the Financial District. These projects, which meet other City objectives, such as supporting the Los Angeles Convention Center and tourism in general, and generating Transient Occupancy Tax revenue, are already eligible for other City financial incentives.

- The elimination of parking minimums, as contemplated in pending updates to the Downtown Community Plan can help the City capture as much as 30 percent more incremental value from higher FARs offered by the Program within stronger Place Types in Downtown. This does not assume a complete elimination of parking, but rather a reduction aligned with actual experience in other cities where parking minimums have been eliminated.
- The City's Affordable Housing Linkage Fee has a substantial impact on the overall feasibility of projects and could detract from achieving Level 2 and Level 3 (as discussed below) public benefits. HR&A recommends that the City consider exempting residential buildings in Downtown utilizing Levels 2 and 3 of the Public Benefits Program from the Linkage Fee to produce a greater amount of Downtown-specific, on-site public benefits.

ADVANTAGES OF THE NEW COMMUNITY BENEFITS SYSTEM

The new Community Benefits Program will not only address the pricing disconnect inherent in the TFAR program, as described previously, but will also ensure that projects developed in Downtown will contribute community benefits that enhance the vibrancy of Downtown. First and foremost, the Community Benefits Program incentivizes the production of affordable housing. The Community Benefits Program will also incentivize the production of new parks and open space, which are greatly needed in certain parts of Downtown, as well as community facilities, which may otherwise be prohibitively expensive to produce, or that may require allocation of City funds that could be used for other purposes.

HR&A anticipates that the new Downtown Community Plan and associated Community Benefits Program will also provide benefits to developers. The Community Benefits Program will provide several options for developers to access maximum FARs, and unlike the TFAR program, will not require discretionary approval by the Planning Commission and City Council. The new Community Benefits Program will be ministerial (administered by LADCP staff) and includes clear and transparent options for accessing more generous development rights. The new Downtown Community Plan will also substantially reduce the time necessary to secure entitlements for projects requesting additional floor area.

EXISTING PROGRAMS

HR&A closely examined three existing City incentive zoning policies that apply to the Downtown Plan area, which cover Downtown Los Angeles ("Downtown"): the Downtown TFAR program; the GDHI; and projects which have sought a general plan amendment process and provided tailored community benefits. Although not directly applicable to the Downtown Community Plan update, HR&A also evaluated similar programs within the City, including the TOC Program, the incentives offered in the CASP, and the SB1818 Affordable Housing Density Bonus Program.

These policies all vary in their geography, intention, incentives, and method of providing public benefits, although there is some degree of overlap among these elements. Among the three applicable programs, the GDHI is focused solely on providing affordable housing, while TFAR and are aimed at a broader set of public benefits. The GDHI is structured to provide only on-site public benefits, whereas the provision of public benefits under TFAR is less direct and provided off-site and/or through funds allocated by the City.

TRANSFER OF FLOOR AREA RIGHTS (TFAR)

The TFAR program was adopted in 1975 and later modified in 2007 to facilitate the transfer of floor area from the Los Angeles Convention Center to sites throughout Downtown. Its original adoption was intended to facilitate the implementation of the Central City Community Plan and City Center Redevelopment Plans, which were carried out under the now-dissolved Community Redevelopment Agency of the City of Los Angeles ("CRA/LA").

The program allows the transfer of floor area between sites within a designated area of Downtown that generally comprises the Financial District, the Historic Core, and South Park neighborhoods. The current maximum FAR, or the size of a building relative to the size of the land area, that buildings can achieve in Downtown Los Angeles is 13:1, only through the use of incentive programs. TFAR is the most-used program to achieve an FAR above the baselines of 6:1 and 3:1 in the applicable subareas of Downtown.

The City differentiates TFAR transactions between those for 49,999 square feet or less ("Little TFAR"), and those of 50,000 or more square feet ("Big TFAR"). The former requires only the Department of City Planning Director's approval, but the latter must receive approval by the City Council and Planning Commission and is subject to a public hearing (i.e. discretionary approval).

Applicants can utilize the TFAR program by making a "Public Benefit Payment." The amount of the TFAR payment is determined by a codified formula based on the market (or appraised) land value, lot size, FAR, and square footage to be transferred. The applicant must also make a second payment, the "TFAR Transfer Payment," if the applicant is purchasing floor area from a City-owned site. The TFAR Transfer Payment is a cash payment into a City-controlled fund. The Public Benefit Payment must also be at least 50 percent cash, with the remaining 50 percent permitted to be provided in cash or through the provision of an equal dollar amount in off-site public benefits.

Proceeds of these cash payments are deposited into the Public Benefits Payment Trust Fund ("Trust Fund") which is administered by a Public Benefit Trust Fund Committee that includes City staff members from several departments. TFAR payments are allocated to projects (described further below) that are determined to provide a public benefit, including but not limited to affordable housing, public open space, historic preservation, and streetscape and transportation improvements. These payments can be utilized to fund projects within two miles of the location of projects utilizing TFAR, which in some cases includes locations outside of Downtown. There are no requirements that community benefit-producing projects be located at or in the immediate area around the project.

TFAR PAYMENT FORMULA

Public Benefits Payments are calculated using a formula based on the valuation of the lot receiving additional floor area, using the following formula:

(Parcel Value / Parcel SF / Parcel Floor Area Ratio) x 0.40 x Floor Area Transfer SF =

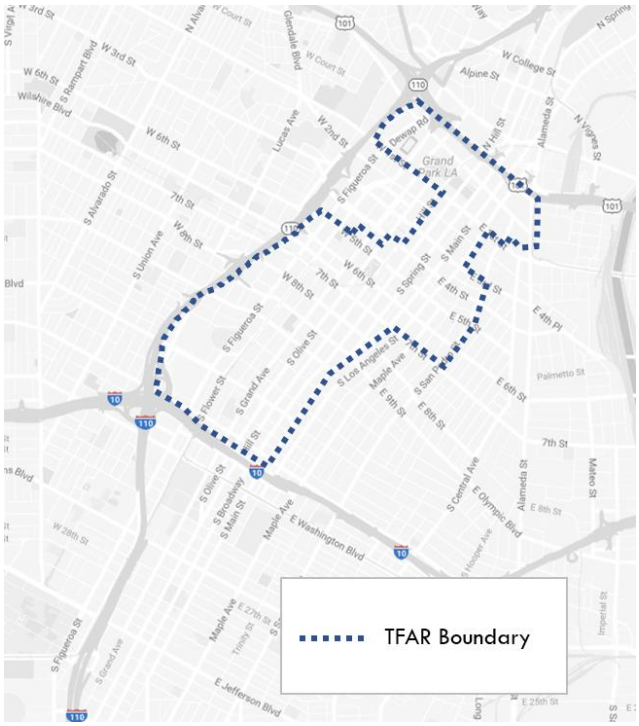
Public Benefit Payment Estimate

Transfer Payments (from City-owned or CRA/LA, Designated Local Authority floor area banks, of which the Los Angeles Convention Center is the most common

transfer site) are calculated as the greater of 10 percent of the Public Benefit Payment or $5.00 per transferred SF. As discussed in more detail below, this formula tends to underprice the value of development rights, particularly in contrast to other incentive zoning systems nationally that require the provision of affordable housing or other community benefits.

The proceeds of these cash payments are deposited into the "Public Benefits Payment Trust Fund," which is administered by the "Public Benefit Trust Fund Committee," including representatives for Downtown Council members; the Department of City Planning; Mayor's Office; Chief Administrative Officer; Chief Legislative Analyst, and the local Neighborhood Council. This committee allocates funds to projects that are determined to provide a public benefit, including but not exclusive to affordable housing, public open space, historic preservation, and streetscape and transportation improvements.

Figure 1: Map of TFAR Boundary



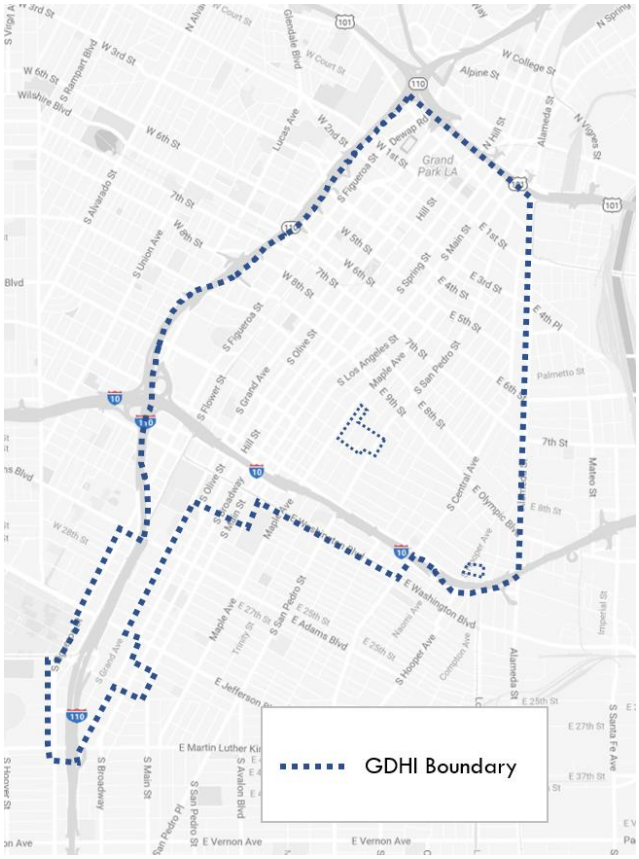
Source: Google Maps; City of Los Angeles; HR&A Advisors

Until the 2007 modification, floor area transfers were crafted and executed by the CRA/LA for individual sites. Enabling the Convention Center to transfer its vast amount of unused floor area effectively created a large pool of purchasable additional floor area, whereby a developer would no longer need to seek transactions with individual private property owners to assemble floor area. Following dissolution of redevelopment in 2012, the Department of City Planning assumed a lead role in implementing the TFAR program. However, a proportion of Convention Center floor area remains in the ownership of the CRA/LA successor agency, necessitating that a process be created to facilitate transfers from that proportion of floor area. Nevertheless, the Department of City Planning has proposed increasing the amount of available floor area at the Convention Center site, thus increasing the amount of transferable floor area within City purview.

GREATER DOWNTOWN HOUSING INCENTIVE ORDINANCE (GDHI)

The GDHI was adopted in 2007 to encourage the construction of affordable housing in Downtown by providing developers with an FAR bonus for including affordable units in their projects. Downtown does not have maximum intensity standards (i.e. units per acre, as opposed to FAR density), and therefore SB1818, the State law that permits "density bonuses" (i.e. permission to build more residential units on a site than allowed by-right) does not apply. As such, the GDHI was implemented by the City to effectively mirror SB1818's structure and provide commensurate benefits. As shown in Figure 2, the program's boundaries include the majority of Downtown, and extends South of the Interstate 10 Freeway to Washington Boulevard, as well as a strip that surrounds Flower Street and ends at Martin Luther King Jr. Boulevard. Like SB1818, the GDHI includes other development concessions such as relaxed requirements for open space, yards, and parking, in addition to the primary FAR bonus incentive.

Figure 2: Map of GDHI Boundaries



Source: Google Maps; City of Los Angeles; HR&A Advisors

PROGRAMS NOT BEING UPDATED AS PART OF THE DOWNTOWN COMMUNITY PLAN UPDATE

The following incentive zoning systems – TOC, CASP, and SB1818 – do not apply to the Downtown Community Plan Updates. TOCs effectively mirror the GDHI in structure and degree of incentives offered, and therefore are not likely to have a near-term impact on Downtown's incentive zoning environment. The CASP is within the Central City North Community Plan area, but the existing specific plan regulations supersede any changes to the community plan. Finally, SB1818, which is an affordable housing density bonus program, as explained in greater detail in this section, does not apply Downtown because applicable units-per-acre requirements do not apply within Downtown.

TRANSIT ORIENTED COMMUNITIES (TOC)

The TOC program was adopted in 2017. It is the result of the voter-approved Measure JJJ ballot initiative, which stipulates that the City must prepare an affordable housing incentive program that applies to anywhere in the city within a half-mile of a major transit station. TOCs are structured similarly to the GDHI and SB1818 programs, but include a tiered system intended to reflect the differences in community context and access to quality transit. Tier 4 offers developers the highest density close to high quality transit, and Tier 1 offers the least density as it is further from quality transit. The TOC program offers a number of incentives that vary in degree based on the corresponding Tier, including FAR and density increases, and relaxed parking, yard, setback, building height and open space requirements. Projects may not use both the TOC program and any other density bonus or other incentive system.

CORNFIELD ARROYO SECO SPECIFIC PLAN (CASP)

The CASP was adopted in 2012 and is intended to facilitate mixed-use transit-oriented development in a portion of the Chinatown and Lincoln Heights neighborhoods along the Los Angeles River and the Metro Gold Line light rail, rather than in Downtown as a whole. It provides an FAR bonus incentive for the on-site provision of affordable housing, community facilities, open space, and pedestrian passageways, as well as a TFAR mechanism that allows transfers within certain areas. Developers that purchase floor area from a City-owned site must pay a "Floor Area Payment" of at least 50 percent cash, which is deposited into the "Cornfield Arroyo Seco Floor Area Payment Trust Fund" and administered by a committee of City officials. The proceeds are intended to be used to pay for an array of public benefits such as affordable housing, community facilities, and open space. Certain elements of CASP may be relevant to the re-design of a future Downtown incentive zoning system.

The CASP has only been used to secure entitlements by one project to date, although several other projects are in the pipeline. It is a fairly new program and applies to a comparatively small geography. Additionally, current market rate residential rents may

not be high enough to support the level of required commercial floor area and affordable housing. Moreover, the structure of the CASP may be a deterrent to developers. It offers developers numerous options to make public benefit tradeoffs to receive additional floor area, but the level of complexity and unproven processes may make it risky and time-consuming for developers to attempt to use. The City has recently made efforts to clarify alternative community benefits and incentives.

SB1818 STATE AFFORDABLE HOUSING DENSITY BONUS PROGRAM (SB1818)

SB1818 is State of California legislation adopted in 2005 to incentivize private developers to build mixed-income multifamily buildings. It requires local jurisdictions to grant density bonuses to developments that include a certain percentage of affordable housing units. The program is applicable Citywide in areas zoned for multifamily residential development with maximum allowable development intensities measured in units per acre, and thus does not apply to Downtown, where density is defined in terms of FAR only. Cities within California are allowed to modify the program to further incentivize this kind of development by providing additional concessions like relaxed requirements for setbacks, open spaces, and parking, among other requirements. The City of Los Angeles enacted its SB1818 density bonus ordinance in 2008, which includes a menu of concessions that developments may use, and provisions for requesting off-menu zoning flexibilities, and also provides a density bonus for projects that propose to provide a childcare facility.

Prior to the adoption of Measure JJJ and development of the associated TOC program, some developers have pursued Zone Changes or General Plan Amendments to achieve desired density and zoning flexibilities instead of pursuing a density bonus. A City Planning official estimates that developers typically double a site's density through Zone Changes and General Plan Amendments, meaning that prior to Measure JJJ, a 100 percent increase in density could be achieved through these processes compared with a maximum of a 35 percent increase through SB1818, and no affordable housing requirement may apply. Measure JJJ now requires payment of prevailing construction wages and specified affordable housing requirements.

Developers using a density bonus under SB 1818 tend to build at the deepest affordability level (very low income) in order to provide the fewest number of affordable to units. Data from Housing and Community Investment Department indicates that 98 percent of all affordable units built between 2008 to 2014 using SB1818 were restricted to very low- and low-income households, while only two percent were restricted to moderate-income households. Minimizing the ratio of affordable to market rate units in a project provides the greatest financial returns for developers. The marginal additional rent they would receive at higher income affordable housing levels, such as moderate income, does not offset the loss that would be incurred for the additional units they would have to build in order to receive the same density bonus.

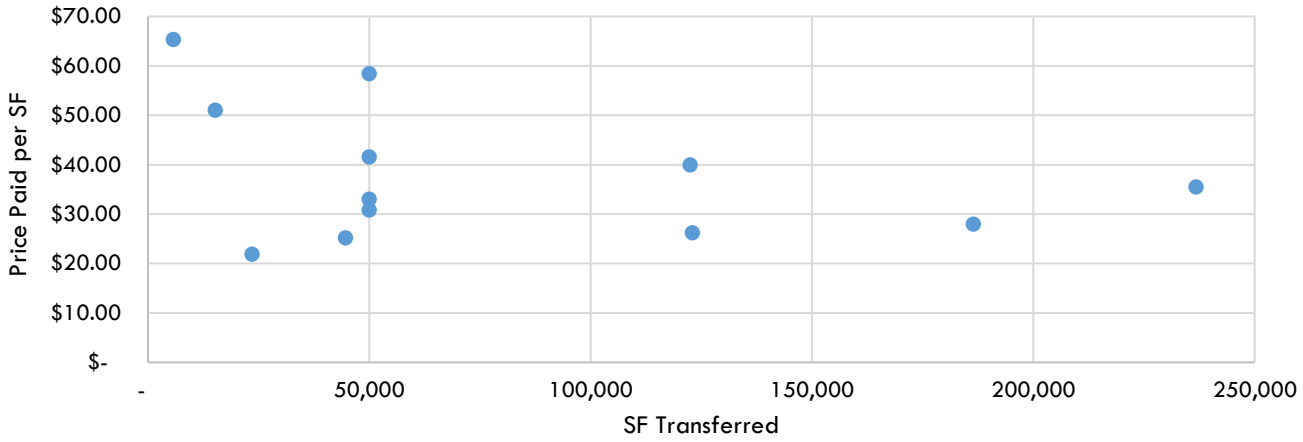
A number of developments that are currently subject to density limitations in the adjoining "City West" neighborhood within the Westlake Community Plan area, west of the 110 Freeway have used SB1818. This suggests that there may be developer interest in the type of incentive structure embodied in SB1818 in some pockets of Downtown.

HISTORICAL OUTCOMES & USAGE OF EXISTING PROGRAMS

There is a degree of overlap among the TFAR and GDHI with respect to intended public benefits, particularly affordable housing. However, developers have tended to favor certain systems over others due to the respective economic benefits achievable through each system's approval processes and development incentives. Ultimately, the driving force behind the usage of these programs is the combination of a strong real estate market and limited available land and zoned capacity, which places additional development rights at a premium.

In the heart of Downtown, developers tend to use TFAR to achieve additional floor area rather than other mechanisms, because it is the most cost-effective and relatively low risk in terms of entitlement uncertainty. This has resulted primarily in the City managing the provision of public benefits associated with more

Figure 3: TFAR Payment Price per SF (2015-2018)



flexible zoning through the allocation of funds generated by TFAR.

REVIEW OF TFAR TRANSACTIONS INITIATED BETWEEN 2015 AND 2018

HR&A reviewed 12 TFAR payments made or committed between 2015 and 2018 to understand how the utilization of the TFAR program compares to the new Community Benefits Program. These 12 transactions totaled roughly $32,750,000 for just under 960,000 square feet of TFAR and averaged $33 per square foot.

Of the 12 transactions, two were mixed-use hotel projects, eight were mixed-use multi-family residential projects, one was a mixed-use hotel/residential project, and one was a very small commercial addition to an existing building. The amount of TFAR purchased varied substantially across the 12 transactions, but many developers purchased just under 50,000 square feet of TFAR, demonstrating a strong preference to avoid the discretionary approval process required for larger transactions. Eight projects used "Little TFAR" (less than 50,000 square feet and processed by LADCP through a ministerial process), totaling roughly 290,000 additional square feet with an average transfer of roughly 36,000 square feet. Four projects used "Big TFAR" (in excess of 50,000 square feet and transferred from the Convention Center or other sites), totaling roughly 670,000 additional square feet with an average transfer size of 167,000 square feet. Across the 12 transactions, payments totaled roughly $32,750,000 for roughly 960,000 square feet of TFAR; these payments were inclusive of transfer fee,

Figure 4: Distribution of TFAR Revenues (2015-2018)

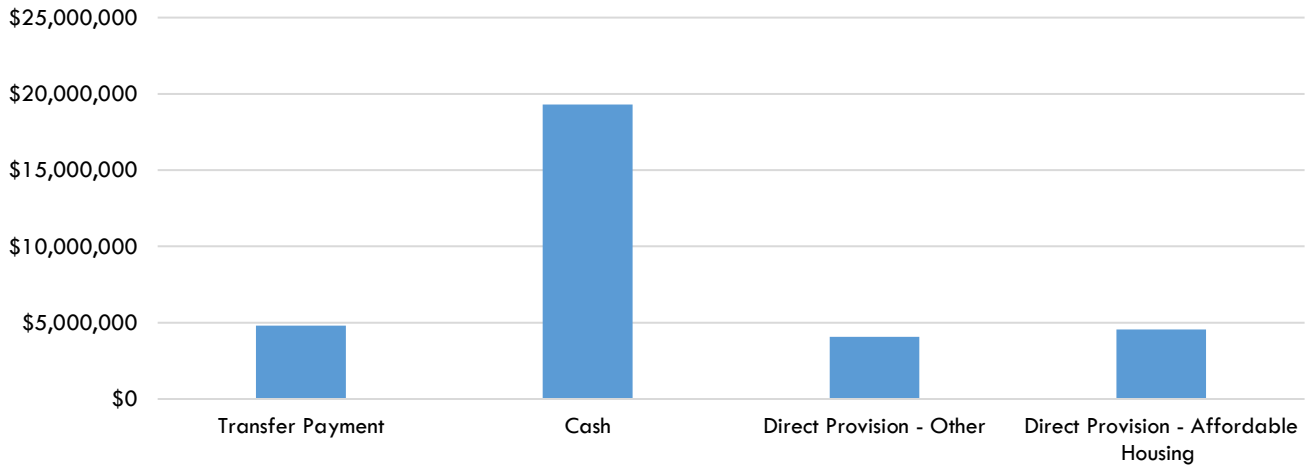
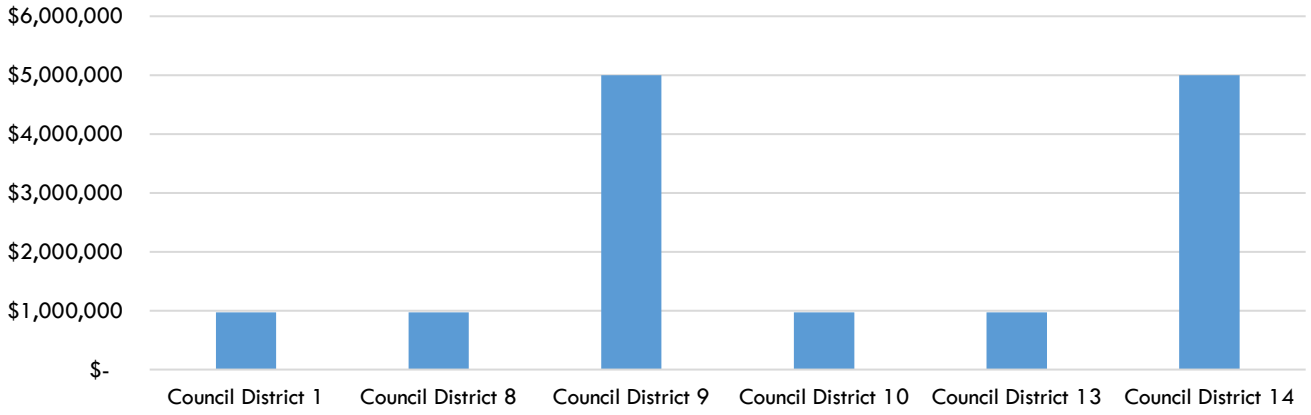


Figure 5: Distribution of TFAR Funds by Council District



cash payment, and direct provision (including donations to charitable organizations or downtown infrastructure projects). Payments averaged $33 per square foot, although prices paid per square foot varied significantly, as shown in Figure 3 above.

As shown in Figure 4 on the previous page, only 14 percent, or roughly $4,500,000, of TFAR payments were directed by developers to affordable housing preservation or creation. Although it appears that these funds were largely dedicated to the rehabilitation and preservation of existing affordable housing units, this sum amounts roughly to the cost of ground-up construction of only 10 affordable housing units. Roughly 12 percent ($4,000,000) of TFAR payments were directly spent by developers on other community benefits, including streetscape improvements, the proposed Downtown Los Angeles Streetcar, and various improvements or services/events. HR&A assumed that transfer payments were paid in alignment with the stated requirements (greater of 10 percent of public benefit payment or $5 per transferred SF). These payments totaling roughly $4,750,000. Transfer payments, in addition to the vast majority of TFAR payments (amounting to an additional $19,250,000), were provided in cash to the TFAR Public Benefit Payment Trust Fund.

The Public Benefits Trust Fund can be used, at Council Districts' request, to fund designated projects within a two-mile radius of the property receiving TFAR allocations. In 2018, LADCP determined that portions of Council Districts 1, 8, 9 and 10, 13, 14 were eligible to receive funds. In 2018, roughly $15,750,000 was transferred from the Trust Fund to roughly 33 projects, including $2,000,000 for Citywide programs. The distribution of the $13,750,000 to various Council District-designated projects is shown in Figure 5. Several of these projects were outside of the conventional boundaries of Downtown. Projects funded included construction or rehabilitation of various affordable housing projects, improvements to several parks (including Echo Park and MacArthur Park outside of Downtown), public art and programming, job training, immigration services.

GREATER DOWNTOWN HOUSING INCENTIVE

This program has not yet been used by a completed building, although developers occasionally apply to use the program, primarily because of the availability of floor area and comparatively low-cost of TFAR. Rather than building and maintaining affordable housing, which can be costly and administratively time-consuming, developers find it more cost-effective to purchase TFAR to obtain additional floor area, which has primarily been from the LA Convention Center.

Another reason for its lack of use is the amount of land zoned for manufacturing uses within its applicable boundaries. Nearly all of the areas within the GDHI's boundaries that allow residential development by-right overlap with the TFAR area boundaries. The majority of the area within the GDHI's boundaries that does not overlap with the TFAR area is zoned for manufacturing uses, and thereby cannot be used for residential development.

GENERAL PLAN AMENDMENTS

At least 20 applications have been filed with the Department of City Planning for the development of mixed-use buildings in the Arts District. These pipeline projects (as of 2018) would cumulatively result in approximately 5,100 live/work units and 2,746,000 square feet of office and retail uses, as well as the creation of hundreds of affordable housing units, murals, public art galleries, paseos, and open spaces.

Although there is not a formal structure for approval of these projects, the process currently employed by LADCP is well regarded by the development community. Community benefit requirements are generally tailored to produce financially feasible projects, reinforce neighborhood character, and provide sensible public benefits.

The current ad-hoc approval process has helped to unlock development potential in the Arts District. The amount of commercial square footage and multifamily units in the current development pipeline far surpasses the amount of development that occurred in the Arts District over the past decade. In tandem with a strong real estate market, the relatively clear and predictable approval process has helped create a feasible path for new, mixed-use development, despite it being discretionary.

POTENTIAL COMMUNITY BENEFITS FOREGONE THROUGH THE TFAR PROGRAM

To understand the relative benefits of the new Community Benefits program to the public, HR&A compared the recent utilization of TFAR to the structure of the new Community Benefits Program. Within applicable subareas in the Downtown Community Plan where market conditions are strong enough to require the provision of community benefits, HR&A estimates that the market value for additional development rights for multifamily buildings is equal to between $65 and $85 per square foot of additional floor area on average for incremental floor area between 6:1 and 13:1 FAR. Recent TFAR payments for the 12 transactions reviewed averaged $33 per square foot, suggesting that the TFAR program could have under-valued development rights by over 50 percent. This estimate is based on HR&A's analysis of a set of illustrative South Park and Historic Core rental or for-sale residential towers. HR&A's analysis accounts for the additional development costs and City fees associated with changes to physical configuration of buildings (including parking, City open space requirements) associated with higher-rise construction and assumes that required developer profit margins grow proportionally to the overall value of the completed project.

HR&A found that the value of development rights on a per-square foot basis generally diminishes as the building grows taller. For example, HR&A estimates that for some multifamily rental and condominium projects, the value of development rights exceeds $130 per square foot of additional floor area for a set of prototypical projects increasing in size from 6 FAR to 8 FAR. For projects increasing to as much as 13 FAR, HR&A estimates that the average value of additional development rights ranges between $65 and $85 per square foot of additional floor area on average, with relatively smaller supportable values at higher FARs contributing to a lower average value overall.

POTENTIAL FORGONE COMMUNITY BENEFIT VALUE IMPLICATIONS

Mixed-use residential projects accounted for all but roughly 71,000 square feet of 960,000 square feet transferred in recent years, representing a substantial amount of foregone community benefit. These FAR purchases average roughly 99,000 square feet (or 81,000 SF when excluding a residential/hotel outlier which proposes to utilize roughly 237,000 SF of TFAR). In total, these projects paid or will pay roughly $25,000,000 for roughly 823,000 square feet of TFAR, or roughly $30 per square foot. This figure includes a residential/hotel outlier which purchased TFAR at a cost of over $35 per square foot, bringing up the average. Using a conservative average market value of $65 per square foot of additional floor area, as calculated by HR&A as the supportable payment for additional floor area, the TFAR program could have secured as much as $28,500,000 in additional community benefits, while maintaining healthy, market-aligned profit margins for projects utilizing TFAR.

As noted previously, the average size of TFAR transactions appears to have been heavily skewed by a preference to purchase under 50,000 square feet of additional floor area to avoid a discretionary decision making process; this may have limited the overall size of the buildings and limited the amount of community benefits produced. HR&A estimates that many multifamily rental and condominium projects in South Park and the Historic Core purchasing smaller amounts of TFAR may have been able to support community benefit payments approaching $130 per square foot, due to the development economics noted above. This suggests that the TFAR program could have achieved as much as $82,250,000 in additional community benefits while maintaining market-aligned developer profit margins.

POTENTIAL FOREGONE AFFORDABLE HOUSING BENEFITS

The nine mixed-use multi-family residential projects which utilized TFAR between 2015 and 2018 produced or will produce roughly 2,600 residential units. The first level of the new Community Benefits Program is roughly representative of the additional FAR purchased by several of these residential projects through the TFAR program. In strong markets, including South Park, North Park, Little Tokyo and the Historic Core, the first level of the Community Benefits Program requires 5 percent of units be made available to households earning under 20 percent of Area Median Income ("AMI"), and one of the following: 5 percent for extremely low income households, 7.5 percent for very low income households, 10 percent for lower income households, or 20 percent for moderate income households. This suggests that the TFAR program, which generated less than $5 million in direct payments to fund affordable housing between 2015 and 2018 (with a slightly higher amount of money distributed by the Trust Fund for affordable housing purchases during the most recent allocation), could have produced over 260 affordable units, in addition to other community benefits from hotel and commercial projects. The cost of constructing 260 affordable units could exceed $130 million, assuming a cost of roughly $500,000 per unit.

Source: Wikimedia Commons

PRECEDENT DENSITY BONUS AND TRANSFER OF DEVELOPMENT RIGHTS PROGRAMS

To evaluate potential approaches for the new Downtown Community Benefits Program, HR&A assessed the success of systems elsewhere that employ zoning flexibilities and other incentives to produce public benefits. The programs assessed include:

- Density bonuses for on- or off-site public benefits or in-lieu financial contributions to a public benefits fund; and
- Transfer of development rights ("TDR") to and from adjacent parcels, specified sending and receiving sites as well as area-wide transfer districts.

HR&A analyzed density bonus and TDR programs in Austin, Chicago, New York City, Portland, San Diego, San Francisco, and Seattle. Where cities employed both density bonus and TDR, HR&A evaluated the individual programs of these cities and assessed how the programs interact with one another. HR&A conducted research using a range of sources, including professional literature, city ordinances, and city-commissioned studies. To supplement this analysis, HR&A conducted interviews with key staff and stakeholders from relevant city agencies. HR&A assembled a set of key lessons learned from these cities which are particularly relevant to Los Angeles, to help inform a better integrated and more productive incentive zoning system for Downtown LA.

Density Bonus programs are a bonus-based tool that permits developers to increase the maximum allowable floor area on a property in exchange for providing public benefits. Density bonuses are used by municipalities across the U.S. to achieve a wide range of public benefits, including but not limited to provision of affordable housing, preservation of historic buildings, higher levels of urban design, provision of public open space, arts and cultural uses and various social services such as childcare. Typically, a density bonus program provides specific quantities of additional floor area above a by-right threshold, in return for prescribed public benefits.

Density bonus programs work best in mature urban areas where there is strong development market and limited land availability. As such, they are most commonly used in established downtown areas and inner-city districts, where additional density is most appropriate, real estate values are high, and undeveloped land is scarce and at a premium. Such bonus-based programs are most effective when they clearly benefit both the developer and the community benefits.

Transfer of Development Rights ("TDR") are voluntary programs that allow landowners to sell unused rights to a developer, or other interested party who then can use the rights to increase the density of development at another designated location. Select cities across the U.S. have successfully implemented TDR programs that support the creation of housing and infrastructure, the revitalization of downtowns, and/or design flexibility by allowing increased density at specific locations.

SUMMARY OF FINDINGS AND CONCLUSIONS

Success factors of programs in other Cities include:

PROGRAM DESIGN

- Density bonus programs need to be clear and transparent to all stakeholders. Public benefits need to be clearly defined and correspond with bonuses to ensure clarity of implementation and certainty in outcomes. A successful program should ideally integrate relevant existing programs and eliminate competing ones to ensure effectiveness.
- For an effective density bonus program, the most essential public benefits should be prioritized. Cities may need a host of public amenities, but the need for some benefits are more acute, such as affordable housing and open spaces.
- A tiered program of bonuses and incentives is likely to produce better results. Many cities across the country run TFAR and Density Bonus programs in parallel, often disadvantaging one through uncompetitive pricing structures. Establishing zoning regulations that require utilization of both

TDR and density bonus programs to reach maximum FAR reduces competition between programs.

- A centralized database of available TDR is critical to promote the use of the program. It can also provide an opportunity for "receiving" site developers and "sending" site property owners to come together.
- Allowing TDRs to be sold to a speculative buyer without having to wait for a proposed development can create a larger pool of potential buyers. However, in some cities, transferable development rights are held by select buyers for an extended time period, causing TDR pricing to be misaligned with the market.
- Calibration is required for TDR programs such that the floor area available for transfer is proportional to available development sites. A large geographic transfer area creates more demand and TDR take-up. However, since the value of FAR is often tied to land values, a large transfer radius can create an incentive to transfer FAR from less expensive property to more expensive property - which can shift infrastructure burden among neighborhoods and leave some areas under- or over-capacity.
- "Gatekeeper requirements" can be used to ensure compliance with local planning objectives. In order to ensure developer participation in enhanced urban design and preservation of neighborhood character, the cities have found success implementing gatekeeper requirements, similar to Los Angeles's Downtown Design Guidelines. Such provisions necessitate compliance to basic program objectives that may not already be embodied in the zoning code before developers can participate in the bonus system.

PROGRAM IMPLEMENTATION

- Density bonus programs are most effective when bonuses are calibrated to produce sufficient incremental value for private developers. These must be over and above any public benefits produced to encourage additional development in light of increased risk and cost. Without such calibration, developers will have little incentive to utilize the density bonus.
- Consideration should be given to strategies that permits the production of affordable housing and public benefits through a fund or contributions, rather than directly by the developer. The use of in-lieu fees may result in higher concentration of development in high cost areas without associated public amenities for the community.
- Consideration should also be given to the trade-offs between socio-economic integration and increased housing supply. The former can be achieved through on-site affordable housing and the latter by collecting in-lieu payments. Depending on local policy objectives, incentives can be "right-sized" to prioritize one over the other.

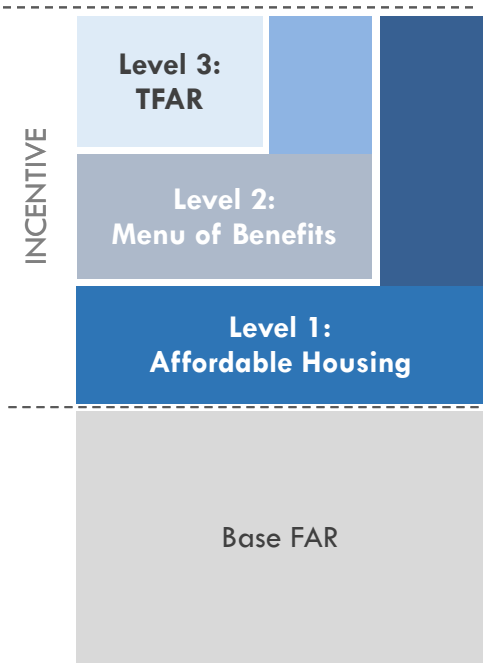
ON-GOING ADMINISTRATION OF PROGRAM

- To be efficient, programs should be periodically calibrated to ensure that the city derives adequate community benefits from the surplus available from development in high cost areas. Housing and real estate markets change quickly. Regular calibration of any in-lieu payments with existing market conditions captures the true cost of providing public benefits in high-cost areas.
- Integrating local subsidy (including relief from certain fees) and tax incentive programs may be critical to enable developers to feasibly provide public benefits. Cities like New York integrate and market their local tax credit programs to encourage developers to participate in density bonus programs.
    - To ensure consistent funding of a range of public benefits, payments should be directed to a specific reserve of funds that advance district-specific public benefits. These may include infrastructure improvements, the creation of open space and historic landmark theater preservation, or a citywide fund to allow for a larger geographic reach.

INCENTIVE ZONING STRUCTURE RECOMMENDATION

Through an iterative process, LADCP staff and HR&A determined that a "tiered" incentive zoning system with multiple levels was the preferred structure for Downtown Los Angeles. This structure would include a series of prioritized FAR bonuses that would allow development projects to exceed by-right "base" FARs by providing public benefits in an established sequence (the "tiers"). As an illustrative example, if each "tier" were to provide a given development project with an additional 1.0 FAR in exchange for a defined set of public benefits, a development project with a base FAR of 6.0 could achieve an FAR of 7.0 only by providing a Level 1 benefit. If a developer wished to achieve an FAR of 8.0, the project would be required to provide both a Level 1 and Level 2 benefit. If a developer wished to achieve an FAR of 9.0, the project would be required to provide Level 1, Level 2 and Level 3 benefits for a total bonus of 3.0 FAR. This structure is shown in conceptual form in Figure 13 at right, and the components of each tier are explained in detail on subsequent pages.

Figure 13: Conceptual Tiered Incentive Zoning Structure



LEVEL 1: AFFORDABLE HOUSING

The first bonus level will prioritize the provision of on-site affordable housing, specifically with the intent of creating a mix of units affordable to households with a range of incomes from up to 30 percent (i.e. "extremely low-income") to 150 percent of Area Median Income ("AMI"). If in-lieu fees are to be incorporated into the system, fee levels can be based on information from BAE Urban Economics' 2017 "In-Lieu Fee Study for Compliance with City of Los Angeles Measure JJJ," which calculated the cost of delivering various types of affordable housing in Downtown Plan area. City staff should consider setting in-lieu fees equal to the Total Development Cost per unit figures calculated in the BAE Urban Economics report, rather than the report's "recommended" in-lieu fees, which were calculated based on specific formulas set forth by Measure JJJ, because the recommended fees are substantially lower than the cost to deliver affordable housing units. In addition, the fees should be re-calibrated on a regular basis to account for changes in construction cost and land value to ensure that any in-lieu fees generated can produce the same (or greater) number of affordable units than would be required to be produced on site.

Although upper tiers of FAR bonuses would support the provision of other public benefits, the Community Benefits Program structure permits developers to maximize FAR solely through the provision of affordable housing. In essence, developers would be required to provide a minimum amount of Level 1 affordable housing benefits before accessing Level 2 or Level 3 incentives, but a site's applicable maximum allowable FAR could also be accessed with additional affordable housing alone. Non-residential projects, which will be required to pay the pending affordable housing Linkage Fee, can directly access Level 2 and 3 incentives.

LEVEL 2: MENU OF PUBLIC BENEFITS

The second bonus level will be available in return for developers providing one or more items from a menu of public benefits, which could potentially vary by Downtown subarea to respond to local needs. This bonus tier could only be used after providing a certain amount of Level 1 affordable housing. LADCP staff indicated that the second level should make additional FAR available for the provision of the following public benefits:

- Community facilities (i.e. schools, government facilities, public services, and childcare facilities);
- Preservation of historic landmarks and buildings listed as contributors to historic districts; and
- Parks and open space of a significant scale.

LEVEL 3: TRANSFER OF FLOOR AREA RIGHTS

The third and final level permits utilization of the existing Transfer of Floor Area Rights ("TFAR") system. More specifically, the existing TFAR system, which allows for the purchase of up to 49,999 square feet of development rights, or transfer of more than 50,000 square feet of development rights from sites with unbuilt allowable floor area, may only be used after providing a minimum amount of Level 1 affordable housing and Level 2 public benefits.

INCENTIVE ZONING STRUCTURE CONSIDERATIONS

A tiered system is the first step toward achieving a clear prioritization of public benefits and will effectively prioritize the provision of affordable housing. LADCP should consider including an option to offer additional incentives to encourage developers to provide certain benefits. Ideally this would entail flexibility in terms of a time period during which the additional incentives are offered, as well as the physical location and scale of each incentive to allow LADCP to respond to specific needs for public benefits and adjust them over time as needs change. This prioritization could take the form of a list of additional FAR bonuses associated with certain public benefits corresponding to Downtown subareas that is updated on a set timeframe (i.e. annually, biannually, etc.) to accommodate and adapt to changing neighborhood needs.

EXEMPTION OF PUBLIC BENEFIT FLOOR AREA FROM OVERALL FAR/BUILDABLE FLOOR AREA CALCULATIONS

Excluding the public benefit floor area from project FAR calculations is a strategy that is sometimes used to make the provision of public benefits (and associated incentives) more attractive to developers. Regardless of whether LADCP chooses to exempt public benefit floor area, HR&A calibrated the overall bonus (in terms of actual project buildable area) required to support any benefit so that benefits and incentives are commensurate. As such, this exemption may be a useful "optics" strategy, but would not create a "double bonus," given that HR&A's calibration will take this exemption into account in its analysis.

POTENTIAL NEED FOR A PARALLEL TRANSFER OF DEVELOPMENT RIGHTS SYSTEM TO INCENTIVIZE PARTICULAR PUBLIC BENEFITS

As previously noted, incentives included in the proposed FAR bonus system described above may not generate benefits applicable to the preservation of historic resources. A TDR mechanism and marketplace would more effectively generate funds for these public benefits, allowing the sale and transfer of unused development rights from landmark, contributor, (the "donor site") to a development site (the "receiver site") or a speculative buyer. This TDR mechanism would operate in parallel with the proposed tiered FAR system, potentially as a Level 2 option, to avoid competition with the existing TFAR program. Implementation of a parallel TDR program would require LADCP to develop a publicly accessible database of eligible donor sites and associated receiver sites, the latter of which would be permitted to purchase and transfer floor area from donor sites.

NEW COMMUNITY BENEFIT PROGRAM REQUIREMENTS/INCENTIVES

ANALYTICAL APPROACH

To support HR&A's analysis, Torti Gallas + Partners ("TGP") prepared three-dimensional prototypical building development illustrations ("prototypes") and associated numerical characteristics for various land uses (e.g., mixed-use residential, office, hotels) for seven Place Types, with several variations totaling 11 prototypes (as defined in consultation between HR&A and LADCP) including South Park, Financial District, Historic Core, Chinatown, Arts District, Fashion District and Skid Row. TGP produced three programmatic alternatives for each of the development prototypes, which included: 1) a **base case** using by-right FAR for the applicable Place Type; 2) a **Level 1** alternative utilizing the State Density Bonus Program (applicable for residential prototypes only); and 3) a **Level 2** alternative that takes advantage of the maximum FAR bonus available in each Place Type that would be made available through the proposed Community Benefit Program, and consistent with the pending Community Plan updates. HR&A used these development prototypes and their programmatic alternatives to evaluate the amount of public benefit that can be feasibly required from developers in exchange for the bonus FAR. Specifically, HR&A utilized the Level 2 alternatives to test the amount of different kinds of public benefits (e.g., increased affordable housing, public open space, community facilities) by modifying the mix of uses within each Level 2 building envelope.

To determine the order of magnitude of public benefits that the Community Benefits Program could leverage in exchange for additional FAR above and beyond the State Density Bonus in Downtown, HR&A developed a detailed Residual Land Value ("RLV") model, which accounts for development costs and net revenues, and solves for the potential land value that a well-informed, capable developer could afford to pay for land and earn a market-responsive return on investment. The RLV calculations involve estimating the "capitalized value" (which is the price an investor would pay for a stream of rental income and/or condo sales) of the completed development and then subtracting from it: (1) total development cost (i.e., hard construction costs, soft costs and financing costs, but not land cost); (2) estimated costs of sale; and (3) an allowance for developer profit. Key assumptions used in the modeling are included in Appendix ZZ, along with copies of the RLV model results.

In a tiered program of public benefits, it is expected the residual land value in development projects under by-right FARs should support land prices roughly equal to prevailing market values for developable property. The City can then capture a portion (although not all) of incremental residual land value derived from more generous development standards by requiring public benefits, such as affordable housing, publicly accessible community facilities, catalytic open spaces, or in-lieu cash payments.

RANGE OF PUBLIC BENEFITS

Based on previous discussion with LADCP, a range of public benefits was identified and prioritized for Downtown, including:

- Affordable Housing, above and beyond the requirements of the State Density Bonus Program;
- Community facilities such as
    - Childcare facilities,
    - Community rooms, social service offices, and resource centers,
    - Public restrooms; and
- Public parks and publicly accessible open spaces of meaningful sizes, and in addition to basic zoning requirements.

It may not always be feasible or appropriate to provide certain public benefits on-site. LADCP could permit developers utilizing Level 2 density bonuses to pay in-lieu fees, on a general or case-by-case basis. However, permitting in-lieu fees will require an appropriate administrative structure to receive and disburse payments, protect the purchasing power of the funds with annual inflation adjustments, and establish procedures for timely and efficient

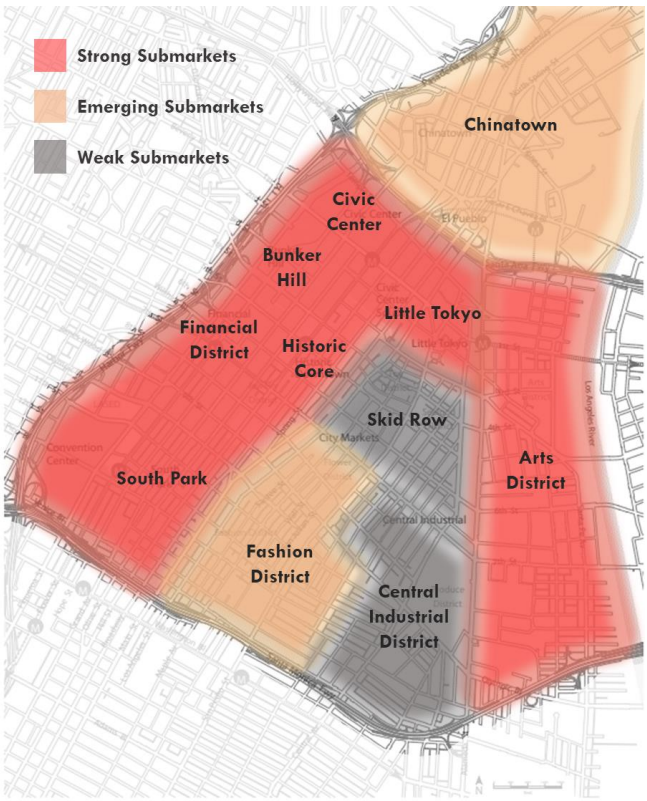
translation of collected fees into public benefits. As a part of its analysis, HR&A has determined the dollar value equivalent in-lieu of providing these on-site public benefits that could be applied as an in-lieu fee for any of the benefits listed above.

DOWNTOWN LOS ANGELES PLACE TYPES AND SUBMARKET AREAS

As noted previously, the scale of supportable public benefits varies widely based on real estate submarket conditions and the particulars of individual projects or development regulations. To appropriately align the public benefits to the market value of the additional density, HR&A reviewed market data and tested performance of the development prototypes within each Downtown Place Type. Based on HR&A's analysis, market performance is similar in several Place Types and therefore the Community Benefits Program can utilize the same incentives structure in those Place Types. Certain other submarkets may require differing levels of community benefits. HR&A recommends that the structure of the Community Benefits Program be designed to accommodate three general submarkets, as follows and as shown in Figure 14 at right:

- Place Types with strong market conditions, i.e. South Park, the Historic Core, and the Arts District, which have the potential to produce substantial amounts of public benefits in exchange for additional densities offered through the proposed Community Benefits Program.
- Place Types with emerging/strengthening market conditions, i.e. the Fashion District and Chinatown, which are moderately well-performing submarkets, but are unlikely to support larger high-rise developments until market performance matures further, and thus are not able to support public benefits to the same degree as Place Types with strong submarkets.
- Place Types with weak market conditions, i.e. Skid Row and certain areas of the Central Industrial District, which are unlikely to support market-rate development and public benefits in the near future.

Figure 14: Map of Downtown Los Angeles Place Types and their relative Submarket Condition



FINANCIAL ANALYSIS SCENARIOS

HR&A utilized a combination of the original prototypes and three additional prototype variations designed to test provision of on-site affordable housing, publicly accessible community facilities or payment of in-lieu fees, and their related RLV estimates, to generate a concise set of financial feasibility scenarios applicable to all the Place Types in a Downtown Community Benefits Program.

- **Base Case Scenario:** Developments utilizing by-right FAR only. These developments do not include any public benefits.
- **Level 1 Scenario:** This development scenario reflects use of the State Density Bonus Program only. Due to State regulations and in alignment with City objectives, a developer would have to utilize the available FAR offered through Level 1

in exchange for the provision of affordable housing, before accessing Level 2 incentives. For rental projects, HR&A assumed that 11 percent of "base" units would be reserved for very low-income households for which the developer would receive a 35 percent increase in FAR, as this is the most commonly chosen option (as opposed to larger percentages of other affordable housing categories) and the most financially feasible for developers. Because there is not a base residential density in Downtown, HR&A utilized the gross square footage per unit in the prototypes to calculate the "base" density.

- **Level 2 Scenario with Additional Affordable Housing**: This development scenario would allow incrementally greater FAR through the provision of affordable units, including Level 1 (i.e., State Density Bonus) affordable units as well as additional Level 2 affordable units. HR&A calibrated the incremental value produced by each Level 2 bonus FAR to a specified percentage of affordable units (as a percentage of base density units) for each Downtown submarket. To determine the maximum percentage of public benefits that can be leveraged in exchange for the maximum available additional FAR, HR&A held the residual land value constant across all financial feasibility analyses for each development prototype.
- **Level 2 Scenario with Community Facilities or Open Space**: Community space is assumed to be a non-revenue generating floor area in a building, potentially replacing ground floor retail space. In this case, the assumption is that although the developer will build this space, they and/or subsequent building owners, will not receive any rent from it as the space will be leased out to a non-profit community or other organization at a breakeven rate. If, alternatively, ground floor open space is provided as the community benefit, the building's footprint and height may have to change, and the developer would be required to build out open space to certain standards. For additional Level 2 FAR, a percentage of each additional FAR would be required to be provided as community facilities or open space, again calibrated to each Downtown submarket.
- **Level 2 Scenario with Payments In-lieu:** This development scenario assumes that in lieu of on-site public benefits, an equivalent per-square foot value payment (recognized as an additional development cost) would be required for each additional FAR square foot.

FINDINGS

The financial feasibility testing undertaken by HR&A resulted in the following findings that affect the structure of the recommended Community Benefits Program.

AFFORDABLE HOUSING LINKAGE FEE

The City's Affordable Housing Linkage Fee ("AHLF") may have a substantial adverse impact on the proposed Community Benefits Program and the scale of benefits that could be captured. There is an inherent conflict between the affordable housing requirements of the State Density Bonus and the AHLF, which should be resolved in Downtown. While the State Density Bonus requires developers to provide affordable units, calculated as a percentage of a project's base residential density, the AHLF requires affordable units as a percentage of the total project unit count, including the both market rate and affordable units. This means that the State Density Bonus requires fewer units to satisfy its affordable housing requirement to unlock additional density (in this analysis represented by the Level 1 density bonus). AHLF requires a substantially greater number of on-site affordable units for a project to be exempted from the fees. As a result, this conflict adversely affects the financial feasibility for some development prototypes.

AHLF also captures a significant portion of the incremental land value generated in the higher FAR scenarios, limiting the scale of on-site public benefit that could be provided. HR&A tested the prototypical developments in each Place Type with and without the AHLF and found that by eliminating the AHLF the City could capture substantial Downtown-specific public benefits in strong submarkets. Accordingly, HR&A recommends that Level 2 projects (but not Level 1 projects) be exempted from the AHLF.

CONSTRUCTION TYPE

Construction type also has considerable bearing on the potential capture of public benefits.

Where residential submarkets have not matured sufficiently, building concrete or steel high-rise structures to utilize available bonus FAR may be less likely compared to strong submarkets. For example, in the Fashion District and Chinatown the residential rental rates are currently not on par with the more mature submarkets like South Park. Here, the by-right FAR (Base Case Scenario) could be developed using wooden frame construction over a concrete podium to produce market-aligned residual land values. However, achieving higher FAR scenarios would require changing to concrete or steel frame construction, which may not be financially feasible in the near term.

PARKING

Parking is one of the most significant contributors to project hard costs and therefore parking ratios can have significant impact on project feasibility. Similar to the Downtown Community Plan update, many cities have eliminated downtown parking minimums and have witnessed significant reductions in parking ratios over time. For example, in Seattle, the parking ratio per apartment unit dropped by more than half between 2004 and 2017. In Minneapolis, after a change in the zoning code in 2015, parking ratios dropped from 1.2 spaces per unit (similar to current ratios in Downtown) to 0.7 spaces per unit.

Reduced parking can be leveraged to capture more public benefits. The proposed elimination of parking minimums may result in reduced parking ratios and consequently, lower overall development costs. The City can leverage the reduced cost of development to require proportionately larger percentages of public benefits from developers utilizing the Community Benefits Program.

Based on precedents from other cities, HR&A assumed an average of 0.8 parking spaces per residential unit, 1 parking space per 1,000 square feet of retail and commercial space, and 0.4 parking spaces per hotel key. We found that these reduced parking ratios would allow the City to capture as much as 30 percent more public benefit in strong submarkets such as in South Park. Actual parking ratios in proposed projects should be monitored closely.

CONCLUSIONS AND RECOMMENDATIONS

Based on our analysis, HR&A concludes that place Types with stronger rental residential submarkets are most likely to produce substantial incremental value through higher FARs, which could be leveraged to produce public benefits such as affordable housing, publicly-accessible community facilities or open space, or in-lieu payments, if desired (refer to Figure 15 on the following page).

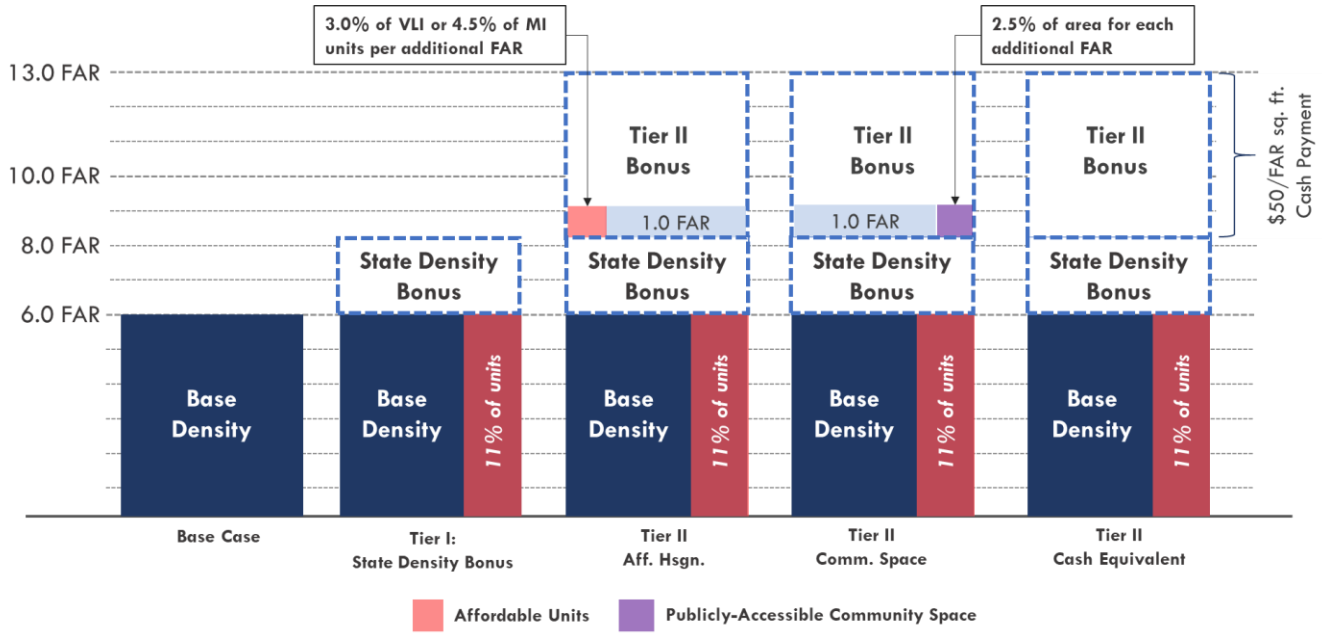
RENTAL RESIDENTIAL PROTOTYPES

HR&A recommends that for every additional 1.0 Level 2 FAR in Strong Submarkets, the City could request either:

- An additional 3.0 percent of base units as income-restricted units for very low-income households or 4.5 percent of base units for moderate-income households; or
- 2.5 percent of the incremental square footage for community facilities; or
- 7.5 percent of the parcel area for publicly accessible, high quality, open space; or
- Require that $50 per FAR square foot be paid as an in-lieu fee for one or more public benefit. It should be noted that this exceeds the average price paid for TFAR (inclusive of transfer fee and public benefit fee payment), which is approximately $32 per square foot. However, offering an in-lieu fee may discourage the provision of community benefits on-site.

HR&A found that each additional FAR can support incrementally less public benefit (with the exception of projects that would transition from wood frame to concrete or steel frame construction). Theoretically, the system could be calibrated to require more public benefit from the purchase of the first several FARs above Level 1, although this would add complexity to the system and may disincentivize greater density of development. It should also be noted that in certain submarkets like the Arts District, the base FARs are

Figure 15: Proposed Incentive Zoning Program Structure



very low, and as such the "base" residential density (calculated using average unit size as a proxy) is very low. In combination with high rents and lower construction costs associated with wood-frame construction, the Arts District could support requirements as great as 12.5 percent of base units to be provided for very-low income households per additional FAR, or in-lieu fees of up to $75 per FAR square foot.

In emerging submarkets such as the Fashion District and Chinatown, where residential rents do not generally support high-rise construction, it is unlikely that the proposed Community Benefits Program will produce near-term incremental value for public benefits. HR&A recognizes that in these submarkets, projects may not utilize benefits beyond Level 1, and the City may not see immediate Level 2 benefits in these areas in the near term.

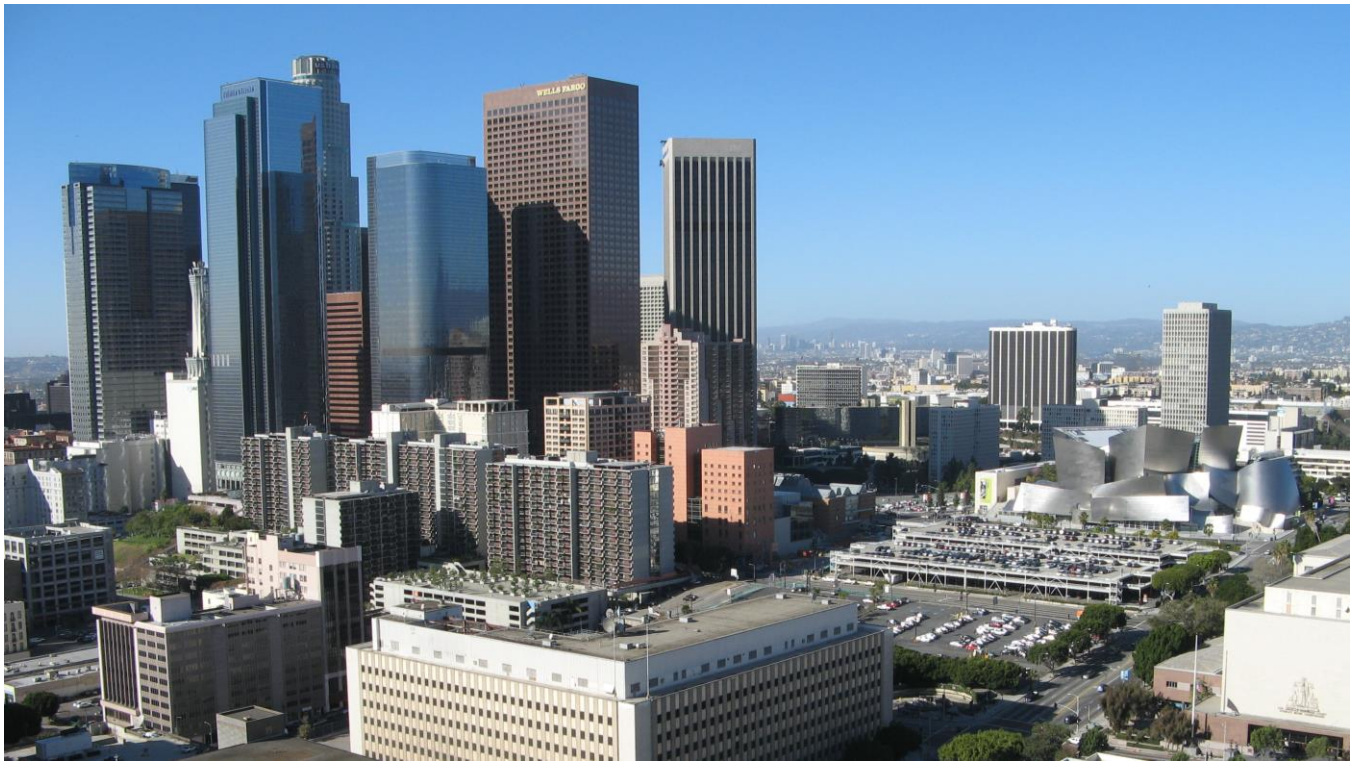
Weaker submarkets such as Skid Row are unlikely to accommodate demand for market-rate units in the near future and do not support rents at a level that would justify non-subsidized construction. As many of the projects built in these areas are 100 percent affordable housing, HR&A recommends that the City not impose any public benefits requirements and permit projects in these areas to achieve greater FARs if they are providing 100 percent affordable housing.

The City's future re-calibration and update of public benefit requirements should also re-evaluate these currently weaker submarkets.

FOR-SALE RESIDENTIAL PROTOTYPES

Condominium developments, which are likely to be developed only in stronger submarkets, with affordable units restricted for moderate-income households, as would be required by Level 1 of the proposed Community Benefits Program, do not produce sufficient surplus feasibility for additional public benefits. This is because HR&A assumed affordable for-sale units would be restricted to moderate-income households, recognizing that households in low- and very low-income categories typically do not qualify for mortgages from commercial lenders, and developers are reluctant to build units for which they cannot find buyers.

The State Density Bonus Program requires 30 percent of for-sale units (calculated as share of a project's base density) to be reserved for moderate-income households in exchange for 35 percent additional density. Generally, condominium developments that include this many affordable units are not feasible. However, HR&A determined that condo projects that



Source: Wikimedia Commons

provide the State-mandated 30 percent affordable for-sale units (again calculated as a share of base density) are feasible at the maximum FARs contemplated in the Downtown Community Plan, but do not produce sufficient incremental value to produce any additional on-site public benefits. HR&A believes that the production of affordable for-sale units in such condo developments is well-aligned with the City's objective of adding ownership affordable units and affordable units across all income categories.

COMMERCIAL PROTOTYPES

Office and hotel developments in Downtown Los Angeles are also unlikely to produce sufficient incremental value through bonus FARs to provide any additional public benefits. The current office and hotel market in Downtown Los Angeles does not currently justify new ground-up development. Very little Class A office space has been added in the past few years and hotel developments have frequently received tax subventions (wherein a share of Transient Occupancy and certain other project-specific taxes are returned to the development, as determined on a case-by-case basis). However, office and hotel development both are central to the City's economic development objectives of adding employment-generating uses and increasing hotel rooms in Downtown near the Convention Center, respectively.

Although neither office nor hotel development prototypes generate residual values equal to multi-family rental product, the maximum FARs envisioned in the Downtown Plan generate greater residual values, but do not produce sufficient incremental value for on-site public benefits. Based on HR&A's financial feasibility analysis, we recommend that the City incentivize the development of office and hotel uses in Downtown by permitting the development of office or hotel space above base FARs (in single- or mixed-use buildings) without requiring the provision of additional public benefits. The City's re-calibration and update of public benefit requirements should re-evaluate office and hotel project feasibility.

Source: Wikimedia Commons

ADVANTAGES OF THE NEW COMMUNITY BENEFITS PROGRAM

The new Community Benefits Program will not only address the pricing disconnect inherent in the TFAR program, as described previously, but will also ensure that projects developed in Downtown will contribute community benefits that enhance the vibrancy of Downtown. First and foremost, the Community Benefits Program incentivizes the production of affordable housing. Many buildings that have been developed in Downtown in recent years are 100 percent market rate; mixed-income communities have been demonstrated to improve outcomes for lower-income residents. The production of affordable housing is also a Citywide priority due to California's affordable housing crisis. The new Downtown Community Plan anticipates that over the next 20 years, Downtown will accommodate an outsized portion of Citywide development, in comparison to its relatively modest share of land area. The production of affordable housing in Downtown, where land tends to be more expensive and residential projects necessarily are positioned by developers towards the luxury end of the pricing spectrum, will ensure that Downtown remains a place for all Angelenos as Downtown's residential population grows substantially.

The Community Benefits Program will also incentivize the production of new parks and open space, which are greatly needed in certain parts of Downtown, as well as community facilities, which could include childcare centers, public bathrooms, or other spaces available free of charge to non-profit organizations. As noted previously, the cost of land in Downtown makes acquiring property to locate these types of uses difficult, as these uses generate only modest revenues (if any). By allowing larger and more dense buildings,

while recapturing a portion of this value through community benefit requirements or cash payments, the Community Benefits Program will incentivize the production of these expensive public benefits that may otherwise be prohibitively expensive to produce, or that may require allocation of City funds that could be used for other purposes. The Community Benefits Program will also encourage developers to share in the provision of social and physical infrastructure to preserve and enhance the vibrancy of Downtown where their projects are located.

TIME AND COST SAVINGS TO DEVELOPERS

HR&A anticipates that the new Downtown Community Plan and associated Community Benefits Program will also provide benefits to developers. As described previously, the Community Benefits Program will provide several options for developers to access maximum FARs, and unlike the TFAR program, will not require discretionary approval by the Planning Commission and City Council for applications to access more than 50,000 square feet of additional FAR. This will allow developers to pursue entitlements outside of the uncertain discretionary review process and will ensure that the value captured for community benefits will be spent in the neighborhoods where projects are located. It also avoids the appearance of conflict of interest that some perceive with the current system in which developers choose how to allocate certain shares of benefit payments. The new Community Benefits Program will be entirely ministerial (administered by LADCP staff) and includes clear and transparent options for accessing more generous development rights.

The new Downtown Community Plan will also substantially reduce the time necessary to secure entitlements for projects requesting additional floor area. Under the previous Community Plan, a project requiring Site Plan Review and requesting a TFAR transfer over 50,000 square feet, would require full environmental analysis, a hearing before an LADCP hearing officer, a meeting with the CRA/LA Board, a City Planning Commission hearing, and City Council action. Under a best-case scenario, projects requiring this sequence of events would need at least a year and half or two years to secure entitlements and to purchase TFAR. Under the new Downtown Community Plan, projects receiving a categorical environmental exemption could secure entitlements, including approval to access additional floor area, in as little as six months. Projects not eligible for a categorical exemption may require as much as one year to secure entitlements. Developers generally expect a return on investment of between 15 and 20 percent, accounting for both the cost of debt and expected return on equity (which is substantially higher than the cost of debt due to the risk associated with real estate development projects). For an illustrative one-acre parcel, for which recent transactions in Downtown have exceeded $500 per land square foot (or roughly $21,750,000 per acre), a one-year savings to secure entitlements and purchase additional floor area could be worth as much as $3,250,000 to a developer, plus the avoided cost of legal and other consultants services necessary under the existing TFAR program.

APPENDIX A: PRECEDENT SYSTEMS

AUSTIN, TX | DOWNTOWN DENSITY BONUS PROGRAM

Adopted in 2008 and updated in 2014, Austin's Downtown Density Bonus program is applicable to areas of Downtown Austin that were designated for additional density. In addition to the standard density bonus, wherein developers gain additional density by the provision of affordable units or certain public benefits in their projects, developers also have an option of making a donation to the Housing Assistance Fund in-lieu of on-site affordable units. One of the key features of this voluntary program is the "gatekeeper requirements", which requires residential and non-residential projects to meet some basic urban design criteria before they can participate in the density bonus program. The program is calibrated such that each community benefit has an associated, clearly defined bonus. These public benefits include but are not limited to green buildings, historic preservation, cultural uses and family-friendly housing. For larger bonus requests in residential developments, affordable housing is prioritized with an option of on-site or in-lieu fees. To keep the program relevant and competitive, recalibration was recommended every five years. The program is administered by the Planning and Development Review Department and any additional density is awarded by the City Council. Since the program was recently implemented, its use has been limited. As of 2016, only three projects have used the Density Bonus Program.

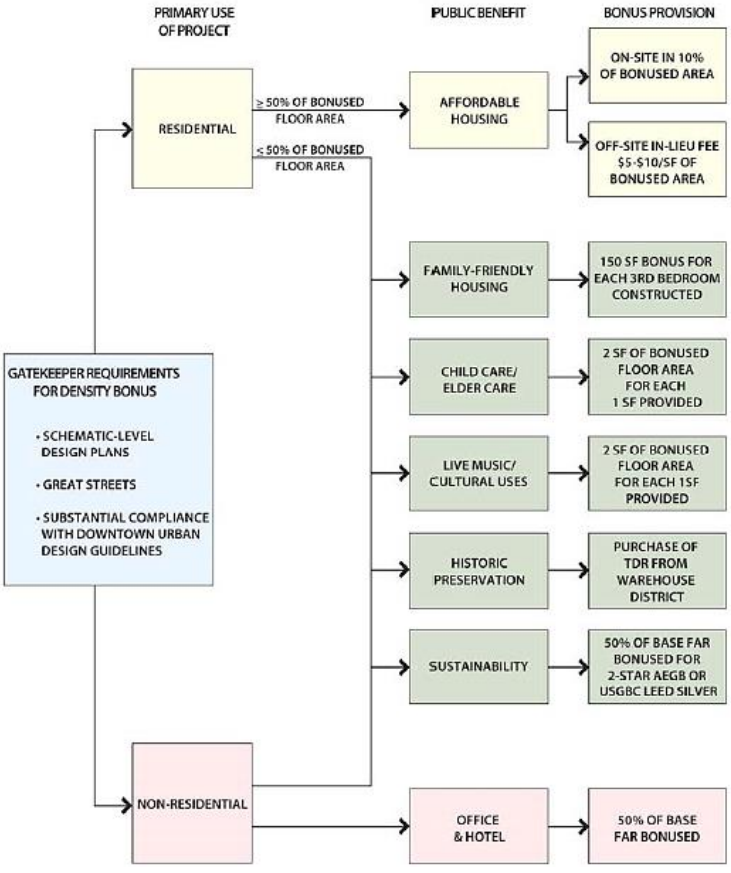
Some of the key success factors are as follows:

- Gatekeeper requirements ensure basic compliance with urban design and neighborhood compatibility issues. These requirements are above and beyond what is otherwise required by existing zoning.
- A streamlined administrative process makes implementation easier and results predictable. These attributes encourage developers to take advantage of the density bonus program.
- Clearly defined public benefits with corresponding bonuses make it less time-consuming and more cost-effective for developers to pursue the program. The elimination and incorporation of competing programs removed unnecessary complications in program implementation.

Less successful features of the program are as follows:

- A lack of re-calibration of the in-lieu fee to current market conditions has resulted in developers paying into the fund instead of providing affordable units on-site. Critics argue that the fees have been set too low and have not been updated to keep up with the changing market conditions.

Figure 6: Austin's Downtown Density Bonus Program



Source: HR&A Advisors, Inc.

NEW YORK CITY, NY | INCLUSIONARY ZONING PROGRAM

In 1987, New York City adopted the R10 Inclusionary Zoning program to address rising costs in the housing market and chronic displacement of working-class families in Manhattan and Downtown Brooklyn. The Program has undergone several modifications with the intent of promoting "economic integration" in high-cost areas of the City. The R10 program, applicable to high-density R10 and commercial districts, grants developers a density bonus of up to 20 percent of the base allowable FAR in exchange for providing on- or off-site permanently affordable units. In 2005, the City implemented the Designated Area Program ("DAP"), a voluntary, incentive-based program, applicable to certain rezoned medium and high-density areas. DAP offers developers a density bonus of up to 33 percent above the base FAR in exchange for setting aside 20 percent of the residential floor area for low-income families. The program was structured to enable developers to use various other public financing and tax incentive options to feasibly produce public benefits.

The R10 program has been instrumental in adding affordable units in some of the most expensive housing markets in New York City. However, the DAP has contributed relatively more units, because strong real estate markets in "designated areas" such as West Side and Brooklyn Waterfront offered higher financial returns, encouraging developers to participate in the program.

New York City implemented a Mandatory Inclusionary Housing Program ("MIH") in 2016 that mandates affordable housing for projects requesting up zoning or within up zoned areas. The MIH is relatively new and little can be inferred regarding the success or failure of the program. For the purpose of this Study we have therefore only analyzed the existing R10 and DAP programs.

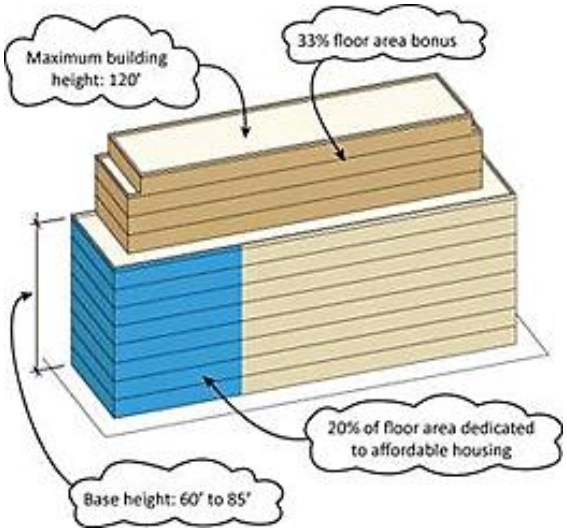
Some of the key success factors of the aforementioned programs are as follows:

- Mutually exclusive geographies of programs eliminate competition. R10 and DAP were implemented in different areas and successfully created area-specific public benefits.
- The use of parallel subsidy and tax incentive programs, such as housing tax credit, and tax abatements, enables developers to feasibly provide on-site affordable units. According to New York City, the tax incentives are the primary drivers of affordable housing and zoning tools would be less effective without the incentives.

Some of the less successful features of the program are as follows:

- Offering density bonus in up-zoned areas in the New York City as attracted less voluntary participation. In most up zoned areas, the additional density is enough to produce a financially feasible project. The additional density offered by the voluntary density bonus program is often not supported by the market, making it redundant.
- Lack of integration with a rent-stabilization policy has resulted in a loss of rent-stabilized units through demolition. However, Special Districts in Hudson Yards have worked particularly well in preserving rent-regulated units by mandating anti-harassment and including relocation requirements.

Figure 7: Diagrammatic Representation of the Designated Area Program



Source: The City of New York

NEW YORK CITY, NY | TDR SUBDISTRICT PROGRAMS

New York City has a variety of TDR mechanisms, with unique programs designed for specific districts in the City, and different benefits targeted to different land uses. Two of the City's "subdistrict" programs have been particularly successful and are relevant to Downtown Los Angeles: The Theater Subdistrict Program and the Hudson Yards Subdistrict Program.

The Theater Subdistrict program has evolved over time but was initially established in 1982 to preserve the Broadway theater industry in the face of redevelopment pressure from adjacent neighborhoods. Through this program, theaters can transfer their available development rights anywhere within the approximately 50-acre subdistrict in exchange for preserving a legitimate theater use. Contributions from TDR receiving sites, on a per square foot basis, must be made to a Theater Subdistrict Fund, managed by the city, which is reserved for other projects and programs that promote new theater work and develop new audiences. The program's success can be primarily attributed to the following factors:

- A contribution to the Theater Subdistrict Fund is required, In addition to payment for theater rehabilitation on the sending site. This provides grants for theater-related uses, including renovations and programming.
- The city clearly articulated the public benefits associated with the program to the public. This has made the increased density more politically viable.
- The city inventories available TDR in the subdistrict. This increases awareness regarding available TDR within the development community and has encouraged program utilization.

The Hudson Yards Subdistrict Program was created to facilitate commercial and residential development and create an open space network in the Hudson Yards neighborhood. Two TDR programs comprise the program, one that facilitates transfer of development rights from Eastern Rail Yards ("ERY"), which is planned future open space and currently owned by the Metropolitan Transportation Authority ("MTA"). ERY TDRs are priced by ratio to the receiving site's appraised per-square-foot as-of-right development rights. Hudson Yards' other TDR program facilitates transfers from privately owned sites within the planned Hudson Boulevard and Park ("Phase II"), enabling property owners to realize the value of their property, which is slated for future parkland. Similar to the Theater Subdistrict program, pricing for Phase II TDRs is determined by the market. In addition to the transfer options, developers can gain additional density thought District Improvement Bonuses ("DIBs") by contributing to a District Improvement Fund, providing affordable housing, or providing open space, among other options. Developers must take advantage of both DIBs and transfers to achieve maximum FAR, as described in the diagram below. The key advantages of the Hudson Yards Subdistrict program are:

- Developers are incentivized to utilize both TDR and the DIB program. Both programs are required to meet achieve maximum FAR in the Hudson Yards Subdistrict.
- The District Improvement Fund provides a range of benefits. These include affordable housing, open space, infrastructure improvements, or other amenities- promoting multiple public benefits.

Illustration of Hudson Yards Density Bonus and TDR Options

* May also include Phase II Mid-Block Boulevard Air Rights Transfer

Source: New York City Department of Planning

PORTLAND, OR | CENTRAL CITY FAR BONUS PROGRAM

Updated in 2003, Portland Central City's FAR Bonus Program includes 18 different bonus options that operate within the maximum density and height parameters of the Central City development standards. The bonus options vary significantly based on the location of the project and the public benefits produced include but are not limited to affordable housing, day care, public art, open space, and other sustainable features. Some of the incentives are widely used, while others are seldom utilized, if at all. According to a 2007 study, the Residential Bonus contributed nearly 1,500 additional units over what is allowable by the base density and is considered one of the more successful bonus options.

One key success factor is:

- A comprehensive list of public benefits and flexibility of options available to developers. Some of these are widely used; many developers have taken advantage of affordable housing and bike room options.

Some of the less successful features of the program are as follows:

- Although the list of benefits is extensive, the cost of providing each benefit is not always aligned to the surplus created by the additional density, making the overall program far less effective. The misalignment of benefit and bonus often stems from the high cost of providing the benefit with not enough bonus, notably a program targeted toward the rehabilitation of theaters.
- There is a lack of clarity, simplicity and certainty of the program. With 18 options and two parallel programs (the bonus and an FAR transfer program), the incentive system is complex, and the results are often unclear. Furthermore, bonus options are not prioritized, and the program fails to address the more "at-risk" public benefits. According to Portland staff, although affordable housing was a greater need, other cheaper benefits were included which weakened overall program effectiveness.
- The low cost of providing certain public benefits for the same amount of density bonus de-prioritizes more "at risk" public benefits. A 2007 study comparing cost of public benefits demonstrated that some bonuses such as the bike locker room and the eco-roof are more economically feasible for developers. While comparing the relative value of the bonus, it is clear that providing affordable housing, eco-roofs, locker rooms among others are the most cost-effective for developers and are therefore most frequently used.
- The FAR transfer program pricing often out-competes the bonus program options. Developers can purchase additional density through the transfer program, which is a less expensive option that providing on-site community benefit.

Figure 8: Various Density Bonuses implemented in Portland

Bonus for Retail in Target Area (1 bonus sf for each sf of retail)

Bonus for Moderate Income Housing (3 bonus sf for each 1 sf)

Bonus for Housing in CBD (up to 3.0 FAR)

Bonus for Underground Parking (2 bonus sf for each 1 sf of underground parking)

Source: HR&A Advisors, Inc.

PORTLAND, OR | CENTRAL CITY FAR TRANSFER OPTIONS

The City of Portland's TDR and density bonus mechanisms include a number of programs adopted between 1988 and 2003 within the City's Central City. In total, Portland has a total of 18 bonus options and 6 transfer options. The TDR programs were designed to meet a range of public policy objectives, including the preservation of historic landmarks, and the creation of residential housing and preservation of SRO units, and open space in the South Waterfront District. Portland's TDR programs fall within four major categories, based on geographic reach: intra-project transfers, cross-district transfers; sub-district transfers; and Central City Master Plan transfers. The programs operate within the maximum density and height parameters of the Central City District, and the price of the FAR is set through negotiation.

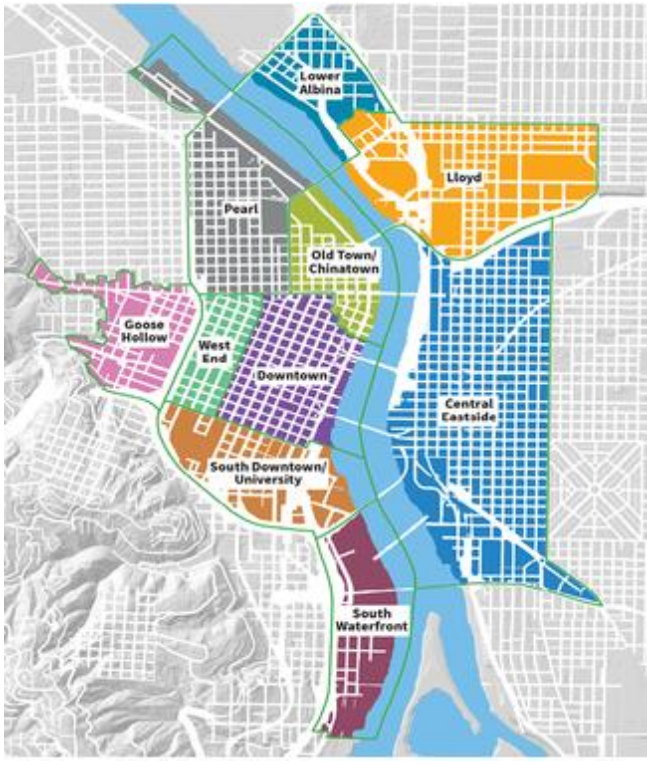
Some of the key successes of Portland's TDR programs are:

- The programs allow owners of SRO housing sites to transfer unused rights anywhere within the Central City District, allowing for flexibility in the concentration of density. Sending site owners must record covenants to preserve their properties if SROs are located on the sending site.
- The city has recently allowed historic landmarks that have made seismic improvements to transfer FAR to other sites in the Central City.

However, some of the challenges associated with the programs include:

- There is a lack of a common "marketplace." Without this repository of information, receiving site developers and sending site property owners have struggled to come to together.
- The value of FAR is closely tied to land values, which differ widely across the Central City. This creates an incentive to transfer FAR from less expensive property to more expensive property - which can shift infrastructure burden among neighborhoods and leave some areas under- or over-capacity.
- The Baseline FAR may be set too high to fully incentive developers to purchase TDR.
- The large number of different TDR and density bonus programs in Portland results in competition among programs. This means that developers opt for the lowest cost option, which sometimes produces fewer benefits.

Figure 9: Portland Central City Districts



Source: City of Portland

SAN DIEGO, CA | FAR PAYMENT BONUS PROGRAM

In 2007, San Diego's Downtown Community Plan ("DCP") implemented a FAR Payment Bonus Program to pay for acquisition, design and development of downtown parks and enhanced public right-of-way in Downtown San Diego. The Program offers additional density over the base FAR in exchange for bonus payments combinations, which are annually adjusted based on the Consumer Price Index and the cost of providing public benefits. However, only 50 percent of additional density can be purchased through the payment option and can only be unlocked by providing other public benefit such as parks, energy-efficient building, green roofs or affordable housing. Developers can achieve the last tier of additional density offered by the SB1818 density bonus statute in exchange for affordable housing.

Apart from the FAR Payment Program, San Diego's Inclusionary Affordable Housing Ordinance requires all residential developments of ten units or more to pay an inclusionary affordable housing fee or set aside ten percent of the units, on- or off-site, for low-income families, for both rental and ownership projects. San Diego also administers an affordable housing commercial linkage fee to address workplace impact on housing, which runs independently of a city-wide inclusionary housing requirement for residential development.

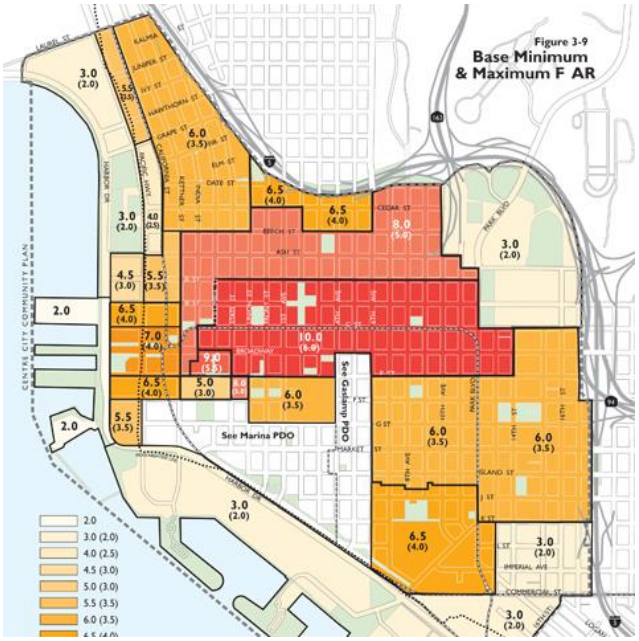
Some of the key successful features of the program are as follows:

- There is a clearly defined purpose of the funds collected through the FAR Payment Bonus Program. The fund is administered by a single agency for a designated purpose, which eliminates the likelihood of underutilization or inefficient use of funds.
- A tiered system of bonuses prioritizes benefits. San Diego created a system wherein the developers are required to provide certain basic public benefits such as green roofs and energy-efficient buildings to take full advantage of the program.
- Certain uses are exempted from FAR calculations. Historical buildings, public uses, above grade public parking, main-street commercial uses, and cultural uses in the proposed projects within the area are exempted from gross project FAR, effectively allowing increased density.

Some of the less successful features of the program include;

- Bonuses are not calibrated based on the cost of producing them. For example, the same bonus density of 0.5 FAR can be achieved through the provision of an eco-roof or through providing 10 percent of the site area as a park although both have very different construction and operating costs.
- The program is complicated and competes with other city-wide programs. There are differing requirements for each of the public benefits programs and the bonus payment program competes with the transfer of development rights program.

Figure 10: Base and Maximum FAR in San Diego Downtown



Source: San Diego Civic

SAN FRANCISCO, CA | AFFORDABLE HOUSING BONUS PROGRAM

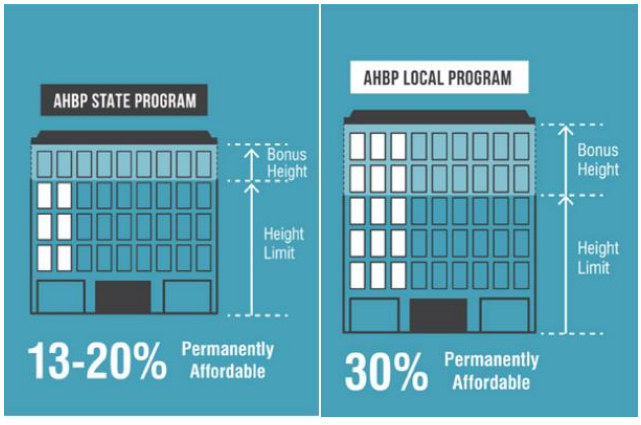
San Francisco's Affordable Housing Bonus Program ("AHBP"), a voluntary bonus program, was first adopted in 1992 and revised in 2002 with the intent of responding to the ongoing housing crisis and displacement of low-income families. Applicable to planned unit developments ("PUD") and conditional use permits ("CUP"), AHBP has had limited success, as San Francisco was already built out upon its creation and few projects required a CUP. In 2011, San Francisco introduced the Inclusionary Affordable Housing program, which required developers to pay an affordable housing fee as a percentage of the total number of units built. The program also offers the option of providing on- or off-site affordable units. In addition, developers can request the California State Density Bonus (SB1818 and others), which offers up to 35 percent additional density in lieu of providing on-site affordable units.

Given the overlaps between the various programs, San Francisco recently decided to revise and update the AHBP to implement an enhanced version of the SB1818 program. The updated program will offer density bonus to developers in exchange for either providing on- or off-site affordable housing or making a commensurate in-lieu payment. However, the off-site and in-lieu fee options are calibrated to dis-incentivize using them.

Some of the key lessons that San Francisco incorporated into its proposed update of the AHBP are as follows:

- An alignment of in-lieu fees to existing market conditions to reflect the "true" cost of providing on-site affordable units. The city calculates this by evaluating the difference between the cost of producing on-site affordable unit and the cost incurred by San Francisco to develop a comparable unit elsewhere. The fee schedule is proposed to be updated annually and broken down by unit type, which will help developers decide which option would be most beneficial for them – to build on-site, off-site or pay in-lieu fees.
- San Francisco has designed the program to disincentivize off-site affordable unit production. In addition to aligning in-lieu fees to market conditions, San Francisco requires a higher percentage of permanently units produced off site.
- San Francisco incentivized inclusionary housing through enhanced bonuses. Judicial decisions prevent California jurisdictions from mandating inclusionary housing in rental housing projects due to conflicts with the Costa-Hawkins Rental Housing Act. San Francisco, in this case, offers an enhanced bonus encouraging developers to use it. By allowing significantly higher densities through program participation, San Francisco intends to incentivize developers to provide public benefits in high-cost areas.

Figure 11: Comparison between SB 1818 and the AHBP Program



Source: The City of San Francisco

SAN FRANCISCO, CA | LANDMARK TDR PROGRAM

San Francisco's TDR program was created as part of the City's 1985 Downtown Plan in response to unprecedented growth and potential loss in historic buildings. The program is limited to downtown historic preservation, and receiving areas are limited by zoning designation rather than transfer radius. Historic properties in San Francisco's C-3 zoning district can transfer their floor area, and the amount of TDR that can be transferred is the difference between the floor area allowed by zoning and the actual floor area of the existing building. The program has been one of the most successful landmark preservation TDR programs, primarily due to the following factors:

- The program allows any third-party developers, brokers, investors, speculators, or financial institutions to own speculative TDR. This widens the pool of potential buyers and sellers, independent of whether they own land to which the TDR might be transferred.
- The program allows sending and receiving sites to be anywhere within the city's downtown. The only restriction is that transfers must be within the same zoning designation, creating a larger, more viable market for potential buyers and sellers.
- The city lowered its baseline development threshold as part of the 1985 Downtown Plan (excluding historic buildings) creating an incentive for developers to buy TDR. The strong public support for historic preservation has reduced resistance to the higher density allowances.
- The program has a straight-forward, three-step certification process and does not require discretionary approval. As such, developers have come to rely on TDR as an understandable and dependable technique.

Some of the limitations of the program include:

- Transfer properties are limited to historic buildings. This limits the floor area available for transfer and results in a narrow scope of public benefits.
- Lack of awareness regarding available TDR supply has deterred developers from taking advantage of potential transfers. Availability of historic and speculative TDR is not well-documented, and the need to identify TDR opportunities adds complexity to the transfer process.

Old St. Mary's Cathedral, San Francisco, CA

Old St. Mary's Cathedral in San Francisco is one of the many landmarks in San Francisco that has participated in the TDR program.

Source: Wikimedia Commons

SEATTLE, WA | INCENTIVE ZONING PROGRAM

Early forms of bonus-based zoning tools were available in Seattle since the 1960s, but in 2001, Downtown Seattle rezoning led to the adoption of a voluntary incentive zoning program. The main intent of the revised program was to refocus on producing more affordable housing. In eligible areas, the program offers developers two choices: a performance option and a payment option. The performance option allows developers to achieve extra floor area beyond the base FAR and height in exchange for providing public benefits. The payment option allows developers to make cash contributions towards Seattle's Affordable Housing Trust Fund. Apart from these options, certain zones in Downtown Seattle allow developers to purchase Housing Transferable Development Rights ("TDR") from owners of Housing TDR sending sites.

Recent studies show that Seattle's incentive zoning program has had limited and uneven success, with most developers opting for the payment option. To address some of these shortcomings of the program, in 2016 the City Council proposed to introduce a city-wide mandatory housing affordability program, including a commercial linkage fee, which will eliminate Seattle's incentive zoning program.

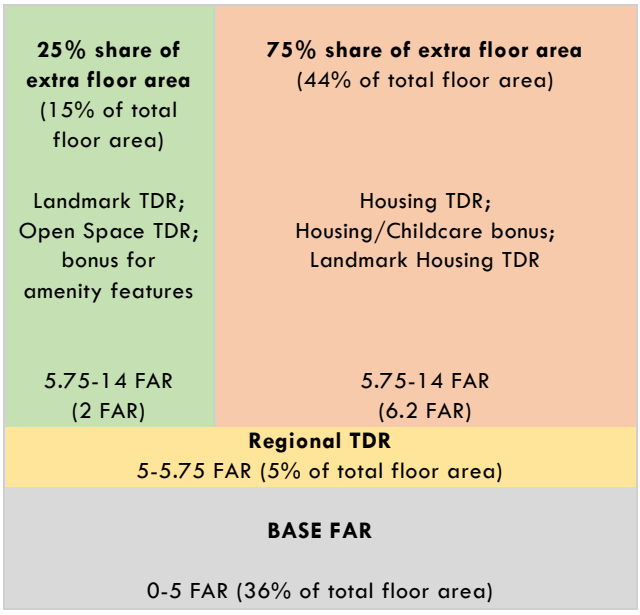
Some of the key success features of the program include:

- A tiered system of bonuses and transfers are associated with different public benefits and prioritized certain "at risk" public benefits, such as affordable housing and historic preservation. There are several tranches of bonuses and transfers in-lieu of providing benefits. The baseline incentive is available via regional TDR transfers for commercial buildings, and any further density is available through provision of affordable housing, open space or other public benefits.
- A simplified bonus structure for residential projects facilitates ease in program implementation and administration. Residential projects seeking additional density must set aside a certain percentage of the floor area for affordable units or make an in-lieu payment.
- There is a clearly defined use of the in-lieu payment. The cash contributions to the program supports affordable housing built by non-profits in lower-income neighborhoods.

Some of the less successful features of the program are as follows:

- Voluntary participation in already up-zoned areas is less effective. Many developers have not chosen to seek additional FAR and height in exchange for providing expensive public benefits. However, increasingly developers found added value in pursuing the bonuses since markets have strengthened after the Great Recession.
- The density bonus incentive and payment options are not always aligned to existing market conditions. As such, developers have chosen less expensive options, specifically avoiding the affordable housing bonus which fails to reflect the true cost of providing affordable housing.

Figure 12: Seattle's Incentive Zoning Program Structure



Source: The City of Seattle

SEATTLE, WA | TDR PROGRAMS

Seattle has multiple TDR programs dating back to 1985, which were designed to retain low-income housing, preserve historic landmarks, encourage infill development, and create incentives for varying building heights in the city's downtown. Developers can either purchase development rights directly from sending site owners or from the Seattle's TDR bank which buys, holds and sells development rights. Each downtown district has its own mechanisms, guidelines, and TDR calculation formulas per the specific planning goals for the district. In some zoning districts, transfers can take place only between sites within the same block and zoning designation, while in others, some can receive density from any sending district. The transferable area is determined based on the potential floor area that could be developed on a site and subtracting the amount that has already been developed. The city reviews the TDR calculations and certifications to verify the transfer, but TDR pricing is set by the market. Key lessons learned from Seattle's TDR programs include:

- While Seattle offers a number of bonuses for on-site amenities, the city employs low baseline FARs to promote TDR utilization. It also encourages multiple programs to be layered with one another to achieve maximum FAR, including combining density bonus and TDR, which provides more flexibility.
- A publicly owned TDR bank makes it easier for developers to purchase TDR. This eliminates the need to determine the amount of development rights for individual sites and by serving as a central entity from which developers can purchase rights.
- The Seattle Office of Housing actively advertises the ability to use TDR. Non-profit organizations and property owners to have used it to preserve of affordable units, among other initiatives.
- However, some of the Seattle's TDR provisions are complicated. The lack of awareness of the available buyers and sellers may discourage developers from participating in the programs.

Benaroya Hall, Seattle, WA

Benaroya Hall is the home of the Seattle Symphony, constructed in 1998, and was funded in part by revenues generated from the City's landmark TDR program.

Source: Wikimedia Commons

APPENDIX B: ASSUMPTIONS AND MODELING RESULTS

HR&A developed financial feasibility models for the development of prototypes prepared by Torti Gallas + Partners for each of the selected Downtown Place Types. Sheets summarizing the Torti Gallas + Partners analysis, the assumptions described below and HR&A's financial feasibility analysis underlying the recommendations for the new Community Benefits program are included on the following pages. HR&A made minor changes to Torti Gallas + Gallas' parking and residential efficiency calculations to standardize assumptions across all prototypes. Minor differences in unit count, net square footage and parking space/square footage numbers are a result of these changes and/or rounding.

Key assumptions used in these models, which were based on market conditions at the time of HR&A's analysis, include the following:

DEVELOPMENT COST ASSUMPTIONS

- Hard Cost: HR&A's hard cost assumptions for the RLV analysis were based on Marshall and Swift Cost Estimator software for each of the land uses and associated construction types based on number of stories. Construction types used for this analysis include steel, concrete, and wood frame construction. HR&A also added a standard 5 percent hard cost contingency.
- Soft Cost: Soft costs include permits and fees, professional and management fees, marketing, legal and accounting fees, taxes and insurance, and contingencies, using percentages of total hard costs, based on HR&A's experience. HR&A used the City's Building Permit Cost Estimator to determine permit fees and separately estimated Quimby and Parks Fees and AHLF.
- Financing Cost: Financing fees are based on current commercial loan underwriting standards and are equal to about 10 percent of the hard cost.

REVENUE ASSUMPTIONS

- Rents for Market-rate Apartments: Apart from rents in Skid Row, which lacks comparable market-rate product, HR&A benchmarked rental rates in all other Place Types in Downtown based on a market scan of new rental apartments comparable to the proposed prototypes.
- Rents and Sale Prices of Income-Restricted Units: In order to unlock Level 2 densities, developers need to utilize State Density Bonus and provide the necessary income-restricted units. HR&A based these rents on requirements published and updated annually by the City's Housing and Community Investment Department.

PROJECT VALUE

- Cap Rates: Project value is calculated by dividing the net operating income by the income capitalization rate applicable to the use of the building. HR&A used RERC Q3-2017 cap rates for Los Angeles to derive project value for each of the prototypes.
- Developer Profit Margin: While profit margins are a function of the scale of development risk and risk appetite of the developer, industry standard for typical mixed-use rental residential development is about 15 percent. To account for the higher risk of developing condominium projects and time to fully sell units, HR&A assumed a higher developer profit margin of 20 percent. The following pages contain the results of applying these assumptions to 11 illustrative development prototypes.

Price Premium	1.00
Escalation Factor	1.00

REVENUES

Market Rate		**South Park**		**Chinatown**		**Skid Row**		**Pershing Square**		**Fashion District**		**Arts District**	
Apartments	**Unit Size**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**
Studio	500	$2,250	$4.50	$1,800	$3.60	$783	$1.57	$2,250	$4.50	$2,100	$4.20	$2,400	$4.80
One-Bedroom	900	$3,510	$3.90	$2,700	$3.00	$1,060	$1.18	$3,510	$3.90	$2,700	$3.00	$3,600	$4.00
Two-Bedroom	1,200	$4,620	$3.85	$2,880	$2.40	$1,281	$1.07	$4,620	$3.85	$3,480	$2.90	$3,960	$3.30
Three-Bedroom	1,350	$4,860	$3.60	$3,105	$2.30	$1,678	$1.24	$4,860	$3.60	$3,780	$2.80	$4,320	$3.20

		South Park		**Chinatown**		**Skid Row**		**Pershing Square**		**Fashion District**		**Arts District**	
Condominiums	**Unit Size**	**Price Per Unit**	**Per SF**	**Price Per Unit**	**Per SF**	**Price Per Unit**	**Per SF**	**Price Per Unit**	**Per SF**	**Price Per Unit**	**Per SF**	**Price Per Unit**	**Per SF**
Studio	500	$500,000	$1,000	$500,000	$1,000	$500,000	$1,000	$500,000	$1,000	$500,000	$1,000	$500,000	$1,000
One-Bedroom	900	$855,000	$950	$855,000	$950	$855,000	$950	$855,000	$950	$855,000	$950	$855,000	$950
Two-Bedroom	1,200	$1,080,000	$900	$1,080,000	$900	$1,080,000	$900	$1,080,000	$900	$1,080,000	$900	$1,080,000	$900
Three-Bedroom	1,350	$1,147,500	$850	$1,147,500	$850	$1,147,500	$850	$1,147,500	$850	$1,147,500	$850	$1,147,500	$850

Annual Rents/SF	**South Park**	**Chinatown**	**Skidrow**	**Pershing Sq.**	**Fashion District**	**Arts District**
Retail (Annual Rent)	$50.00	$45.00	$0.00	$50.00	$52.00	$48.00
Office (Annual Rent)	$48.00	$42.00	$0.00	$52.00	$42.00	$0.00
Hotel (RevPAR per Key)	$300.00	$300.00	$0.00	$300.00	$300.00	$0.00

COSTS

Development Cost	**Podium**	**Type II**	**Type I**	**Other**	
Building Type					
Residential - Apartment	$148	$215			
Residential - Condominium	$200	$268	$303		
Retail (tuck-in)	$172	$188	$191		
Office	$224	$292	$320		
Hotel	$165	$210	$285		
Parking Type					
Subterranean				$101	** Includes mechanical ventilation with ducts and blowers
Structure				$76	** Includes mechanical ventilation with ducts and blowers
Surface				$6	**not needed

REVENUES **Updated based on Lease Comps

Affordable

Apartments	**Very Low**	**Low**	**Moderate**	**Utils(12/2017)**
Studio	$470	$583	$1,150	$97
One-Bedroom	$535	$665	$1,313	$113
Two-Bedroom	$647	$744	$1,473	$131
Three-Bedroom	$1,275	$821	$1,631	$151

HCIDLA - Rental Limits (2017)	**Ext. Low**	**Very Low**	**Low**	**Moderate**
Studio	$340	$567	$680	$1,247
One-Bedroom	$389	$648	$778	$1,426
Two-Bedroom	$437	$778	$875	$1,604
Three-Bedroom	$486	$1,426	$972	$1,782

Condominiums	**Very Low**	**Moderate**
Studio	$83,073	$198,894
One-Bedroom	$94,611	$226,869
Two-Bedroom	$110,258	$259,207
Three-Bedroom	$130,884	$296,271

***look at a curbed article

Notes:

11% Very Low Income Units and 20% Low Income units yields 35% Bonus

Capitalization Rates

Residential	4.8%
Retail	5.8%
Office	5.7%
Hotel	6.8%

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype I (Apts.) ***Arts District***
Santa Fe/7th

			TIER I	TIER II	TIER II
Development Program[1]	**Base Case**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	94,704	94,704	94,704	94,704	94,704
Gross Building Area (GSF)	141,393	564,534	564,534	564,534	564,534
FAR (based on GSF)[2]	1	6	6	6	6
Net Leasable Area (in SF)	127,254	508,081	508,081	508,081	508,081
Residential - Apartment	127,254	492,869	492,869	492,869	492,869
Residential - Condominium	-	-	-	-	-
Retail	-	15,212	15,212	(2)	15,212
Community Space - Public Benefit	-	-	-	*15,214*	-
Office	-	-	-	-	-
Hotel	-	-	-	-	-
Building Efficiency	1	1	1	1	1
Subterranean Parking	-	112,320	112,320	112,320	112,320
Structured Parking	56,470	112,320	112,320	112,320	112,320
Surface Parking	-	-	-	-	-
Total Residential Parking (Spaces)	**141**	**558**	**558**	**558**	**558**
Unit Mix[3]					
Market Rate	112	466	396	419	466
Affordable - VLI	-	14	84	61	14
Total Units	**112**	**480**	**480**	**480**	**480**
Development Costs					
Hard Cost[4]	$33,243,760	$152,320,990	$152,320,990	$152,320,990	$152,320,990
Soft Cost[6]	$8,384,338	$36,422,211	$30,298,901	$30,126,372	$30,298,901
Financing Cost[5]	$4,079,554	$18,496,834	$17,896,749	$17,879,841	$17,896,749
Total Development Cost (TDC)	**$45,707,652**	**$207,240,034**	**$200,516,640**	**$200,327,204**	**$200,516,640**
Total Development Cost per SF	$323	$367	$355	$355	$355
Net Operating Income[7]					
Residential	$3,653,362	$13,791,566	$12,096,464	$12,654,177	$13,931,599
Retail	$0	$672,857	$672,857	($97)	$672,857
Office	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$3,653,362**	**$14,464,423**	**$12,769,321**	**$12,654,080**	**$14,604,456**
Value Generated					
Project Value	$76,111,700	$298,925,282	$263,610,657	$263,627,013	$301,842,637
Weighted Cap Rate[8]	4.8%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($2,283,351)	($8,967,758)	($7,908,320)	($7,908,810)	($9,055,279)
Net Condo Sales Revenue	$0	$0	$0	$0	$0
Net Project Value Generated	$73,828,349	$289,957,524	$255,702,337	$255,718,202	$292,787,358
Less: Developer Profit[5]	($11,074,252)	($43,493,629)	($38,355,351)	($38,357,730)	($43,918,104)
Less: Development Cost	($45,707,652)	($207,240,034)	($200,516,640)	($200,327,204)	($200,516,640)
Total Residual Land Value					
Total	**$17,046,445**	**$39,223,861**	**$16,830,346**	**$17,033,268**	**$48,352,614**
Per SF of Land	**$180**	**$414**	**$178**	**$180**	**$511**
Public Benefits					
Affordable Housing (% of Base Units)	0.0%	12.5%	75.0%	54.5%	12.5%
Community Space FAR (per FAR of bonus)				2.7%	
Cash Payments per Addn. FAR square feet					$74

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

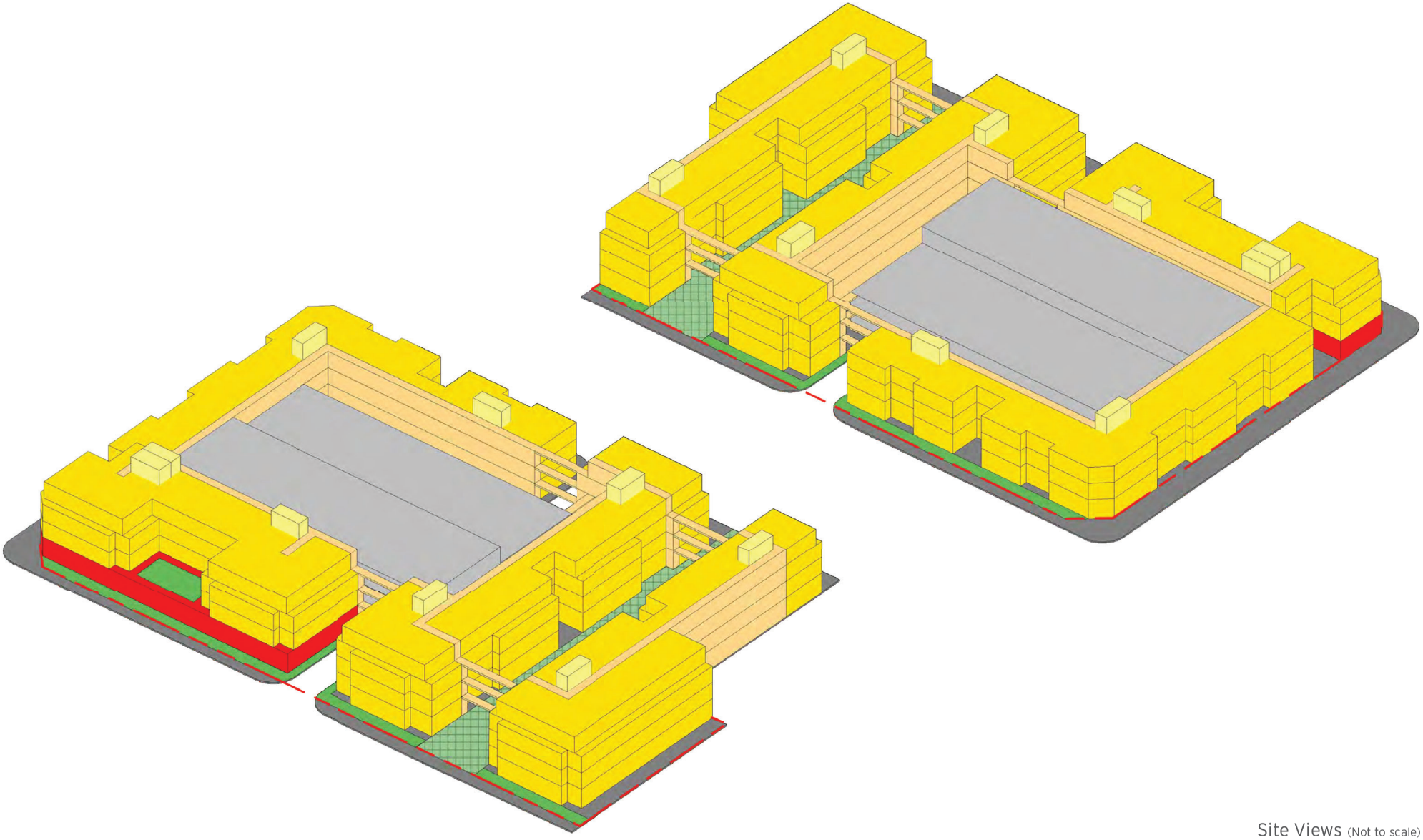
Base Scenario

Development Program	
Land Area (SF)	94,704.0
Max Building SF	142,056.0
Gross Building Area (GSF) Excluding Parking	141,971.0
FAR	1.5
Rentable Area - Residential (NSF)	120,085.0
Rentable Area - Retail (NSF)	10,417.0
Vertical Cores - (NSF)	4,240.0
Open Space - Percentage	12%
Parking	
Subterranean GSF	-
# of Vehicle Spaces	
# of Bicycle Spaces	-
# of Levels	0
Structured GSF	56,470.0
# of Vehicle Spaces	150
# of Bicycle Spaces	-
# of Levels	2.5
Total Parking GSF	56,470.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

- Amenity Space - Vehicle Accessible
- Amenity Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

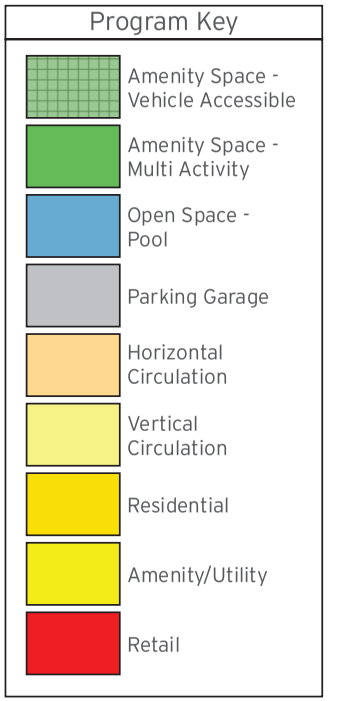
Plan and Site Information
Proposed Zoning Base - Case Study I
LOS ANGELES ZONING ORDINANCE



Site Views (Not to scale)

Proposed Zoning Base - Case Study I

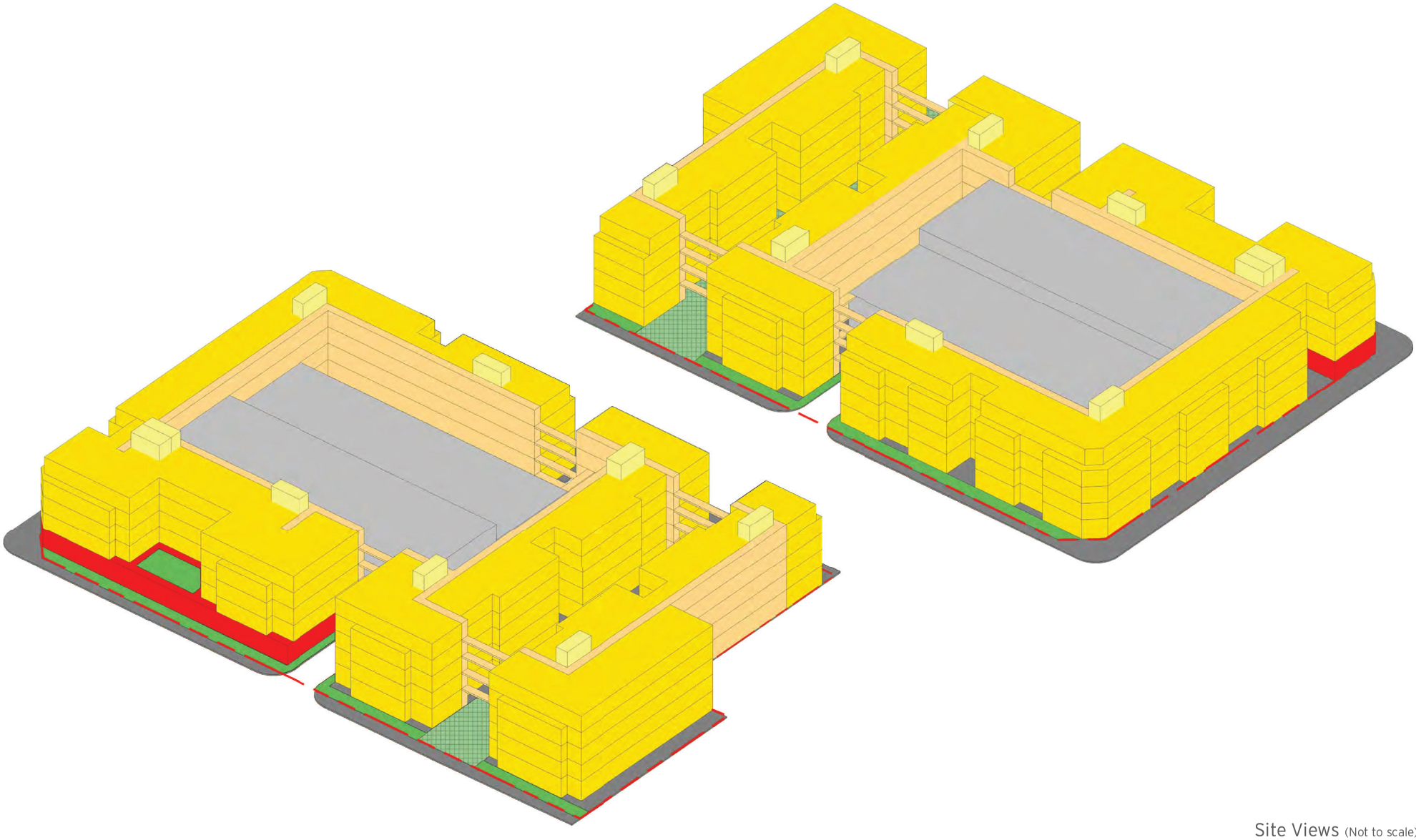
State Mandated Affordable Housing Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		94,704.0
Max Building SF		191,775.6
Gross Building Area (GSF) Excluding Parking		191,229.0
FAR		2.03
Rentable Area Residential (NSF)		166,124.0
Rentable Area - Retail (NSF)		10,417.0
Open Space - Percentage		11%
Parking		
Subterranean GSF		
# of Vehicle Spaces		
# of Bicycle Spaces		-
# of Levels		
Structured GSF		79,058.0
# of Vehicle Spaces		210
# of Bicycle Spaces		-
# of Levels		3.5
Total Parking GSF		79,058.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-



Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study I

LOS ANGELES ZONING ORDINANCE



Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study I

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		94,704.0
Max Building SF		568,224.0
Gross Building Area (GSF)		568,215.0
FAR		6.0
Rentable Area - Residential (NSF)		532,191.0
Rentable Area - Retail (NSF)		5,834.0
Open Space - Percentage		11%
Parking		
Subterranean GSF		87,500.0
# of Vehicle Spaces		233
# of Bicycle Spaces		-
# of Levels		1
Structured GSF		99,840.0
# of Vehicle Spaces		275
# of Bicycle Spaces		-
# of Levels		3
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

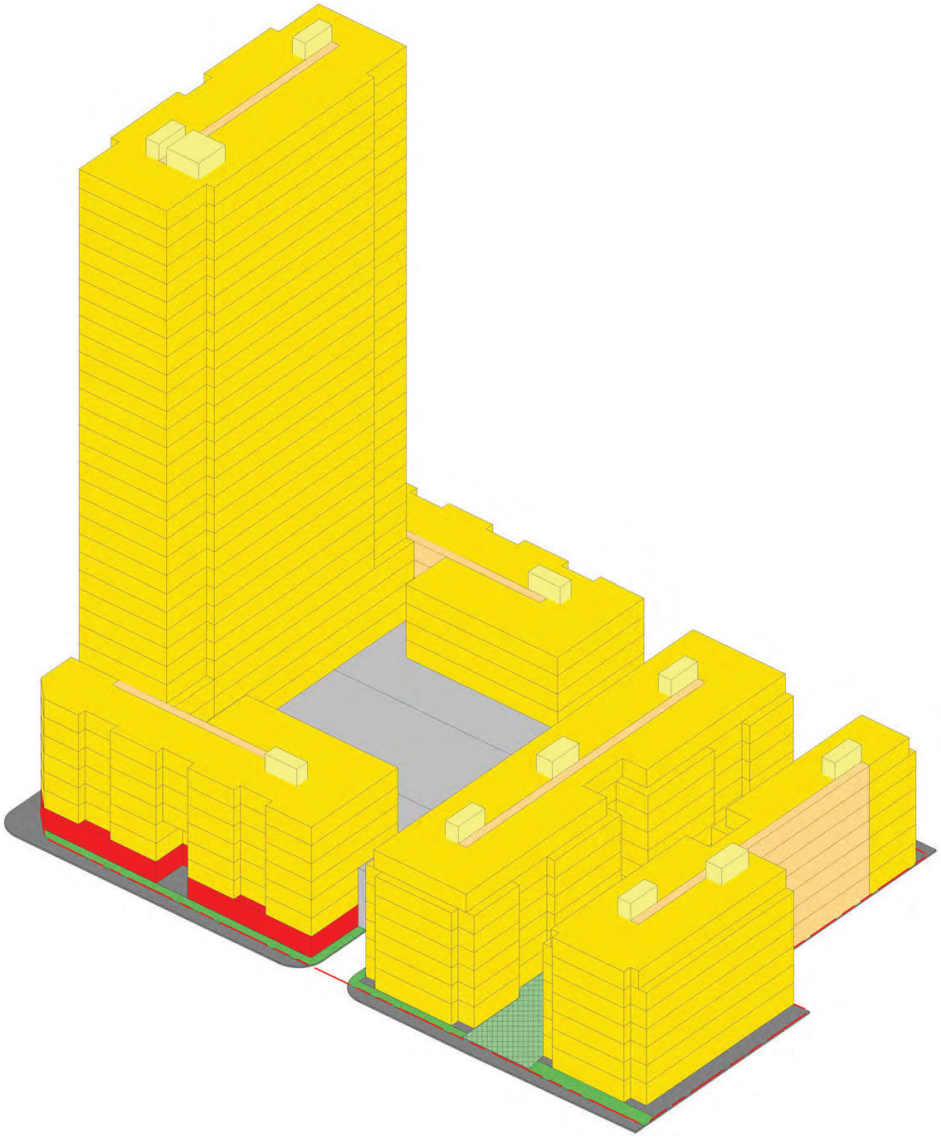
Program Key

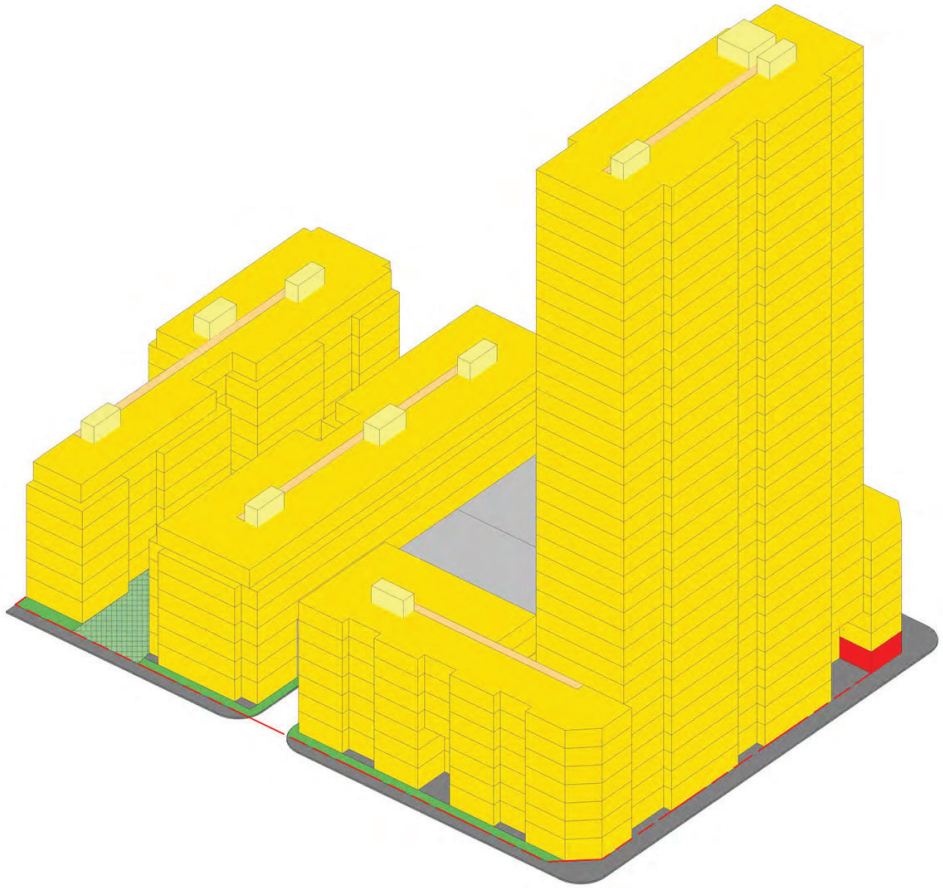
- Amenity Space - Vehicle Accessible
- Amenity Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

Plan and Site Information

Proposed Zoning Bonus - Case Study I

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study I

LOS ANGELES ZONING ORDINANCE

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype II (Apts.) ***Fashion District***
Maple and Pico

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Space**	**Cash Payments**
Land Area (in SF)	26,336	26,336	26,336	26,336	26,336	26,336
Gross Building Area (GSF)	105,180	142,210	210,680	210,680	210,680	210,680
FAR (based on GSF)[2]	4	5	8	8	8	8
Net Leasable Area (in SF)	94,662	127,989	189,612	189,612	189,612	189,612
Residential - Apartment	88,918	122,184	184,207	184,207	184,207	184,207
Residential - Condominium	-	-	-	-	-	-
Retail	5,744	5,805	5,405	5,405	5,405	5,405
Community Space - Public Benefit	-	-	-	-	-	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Parking Ratio	0.8	0.8	0.8	0.8	0.8	0.8
Subterranean Parking	8,353	8,353	8,353	8,353	8,353	8,353
Structured Parking	16,706	25,059	41,765	41,765	41,765	41,765
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	75	103	156	156	156	156
Unit Mix[3]						
Market Rate	94	118	183	183	183	183
Affordable - VLI	-	11	11	11	11	11
Total Units	**94**	**129**	**194**	**194**	**194**	**194**
Development Costs						
Hard Cost[4]	$22,242,047	$35,526,148	$54,980,631	$54,980,631	$54,980,631	$54,980,631
Soft Cost[6]	$5,853,196	$8,658,399	$13,321,830	$11,103,422	$11,103,422	$11,103,422
Financing Cost[5]	$2,753,334	$4,330,086	$6,693,641	$6,476,237	$6,476,237	$6,476,237
Total Development Cost (TDC)	**$30,848,577**	**$48,514,633**	**$74,996,101**	**$72,560,290**	**$72,560,290**	**$72,560,290**
Total Development Cost per SF	$293	$341	$356	$344	$344	$344
Total Development Cost per Unit	$328,176	$376,082	$386,578	$374,022	$374,022	$374,022
Net Operating Income[7]						
Residential	$2,187,103	$2,793,584	$4,310,328	$4,310,328	$4,310,328	$4,310,328
Retail	$264,655	$267,465	$249,035	$249,035	$249,035	$249,035
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$2,451,758**	**$3,061,049**	**$4,559,364**	**$4,559,364**	**$4,559,364**	**$4,559,364**
Value Generated						
Project Value	$50,127,664	$62,811,139	$94,092,218	$94,092,218	$94,092,218	$94,092,218
Weighted Cap Rate[8]	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($1,503,830)	($1,884,334)	($2,822,767)	($2,822,767)	($2,822,767)	($2,822,767)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$48,623,834	$60,926,805	$91,269,452	$91,269,452	$91,269,452	$91,269,452
Less: Developer Profit[5]	($7,293,575)	($9,139,021)	($13,690,418)	($13,690,418)	($13,690,418)	($13,690,418)
Less: Development Cost	($30,848,577)	($48,514,633)	($74,996,101)	($72,560,290)	($72,560,290)	($72,560,290)
Total Residual Land Value						
Total	**$10,481,682**	**$3,273,152**	**$2,582,933**	**$5,018,744**	**$5,018,744**	**$5,018,744**
Per SF of Land	**$398**	**$124**	**$98**	**$191**	**$191**	**$191**
Public Benefits						
Affordable Housing (% of Base Units) Community	0%	12%	12%	12%	12%	12%
Space (Percentage of Additional FAR) Cash					0.00%	
Payments per Addn. FAR square feet						($52)

SOURCES & NOTES:

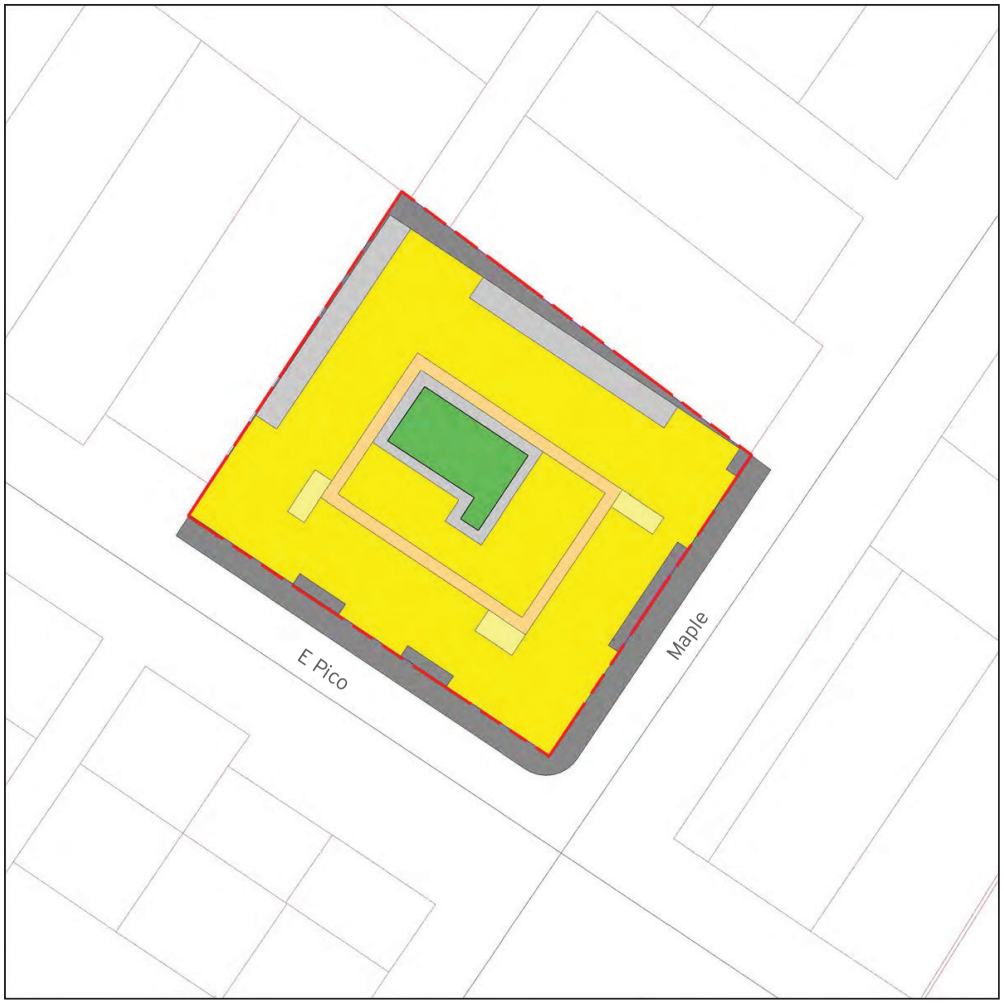
1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Scenario

Development Program	
Land Area (SF)	26,336.0
Max Building SF	105,344.0
Gross Building Area (GSF) Excluding Parking	105,180.0
FAR	4.0
Rentable Area - Residential (NSF)	91,016.0
Rentable Area - Retail (NSF)	5,744.0
Vertical Cores - (NSF)	3,600.0
Open Space - Percentage	15%
Parking	
Subterranean GSF	8,353.0
# of Vehicle Spaces	28
# of Bicycle Spaces	-
# of Levels	1
Structured GSF	25,059.0
# of Vehicle Spaces	84
# of Bicycle Spaces	
# of Levels	3
Total Parking GSF	33,412.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

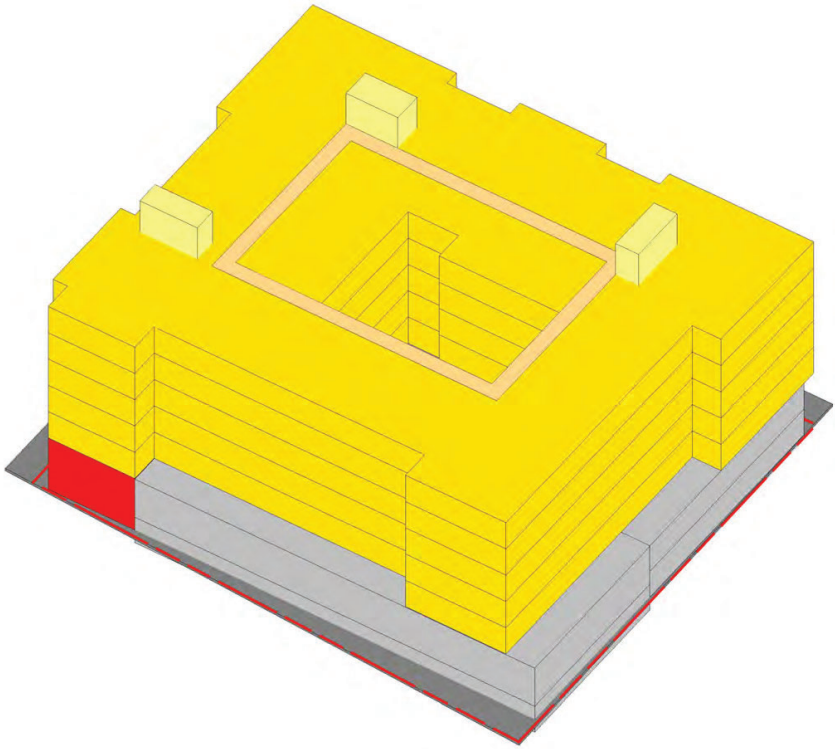
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

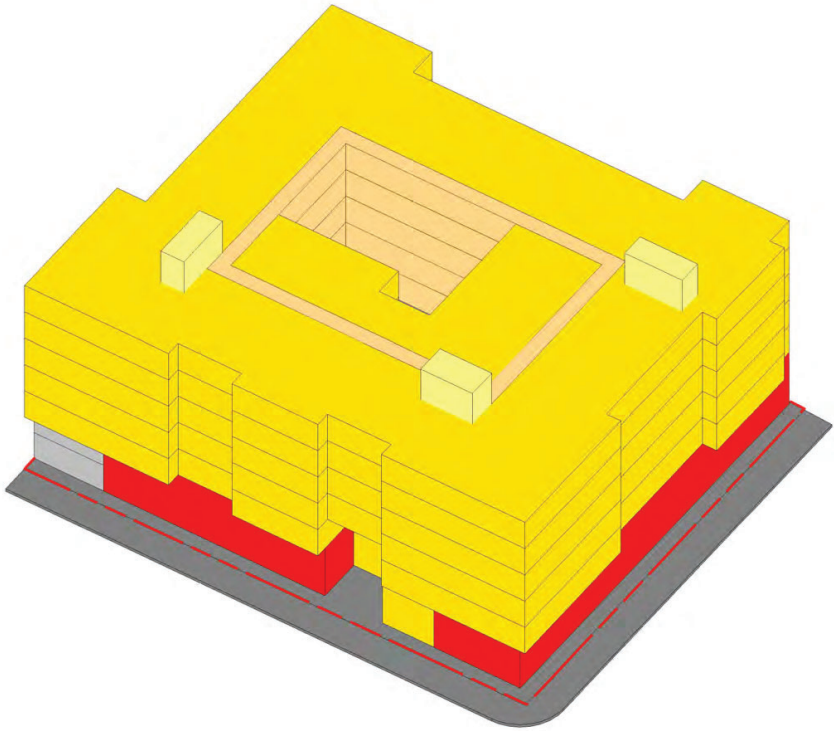


Plan and Site Information

Proposed Zoning Base - Case Study II

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

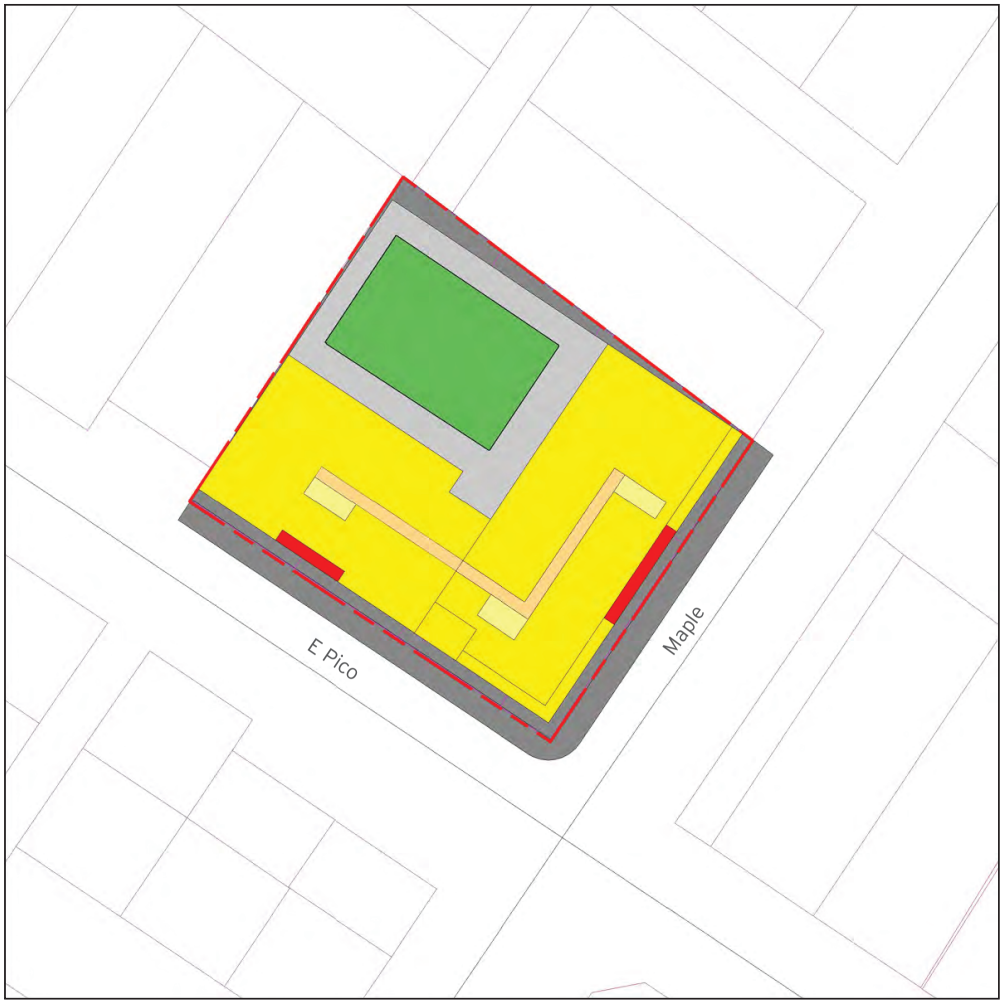
Proposed Zoning Base - Case Study II

LOS ANGELES ZONING ORDINANCE

State Mandated Affordable Housing Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		26,336.0
Max Allowable Building SF		142,214.4
Gross Building Area (GSF) Excluding Parking		142,210.0
FAR		5.4
Rentable Area Residential (NSF)		127,636.0
Rentable Area - Retail (NSF)		5,805.0
Open Space - Percentage		36%
Parking		
Subterranean GSF		16,706.0
# of Vehicle Spaces		56
# of Bicycle Spaces		-
# of Levels		2
Structured GSF		25,059.0
# of Vehicle Spaces		84
# of Bicycle Spaces		-
# of Levels		3
Total Parking GSF		41,765.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

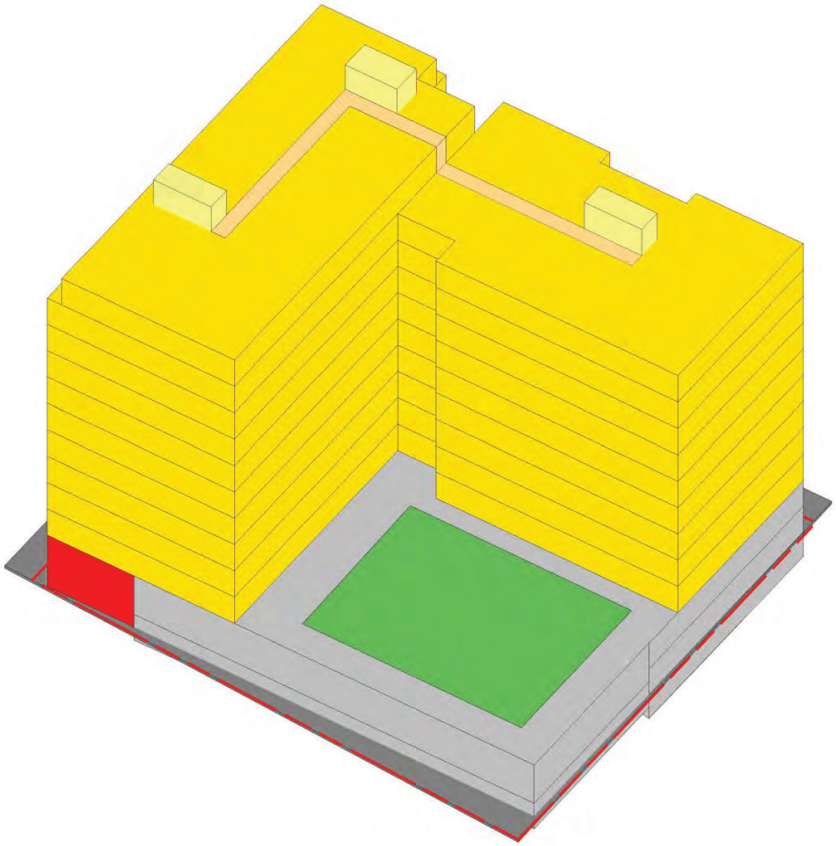
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

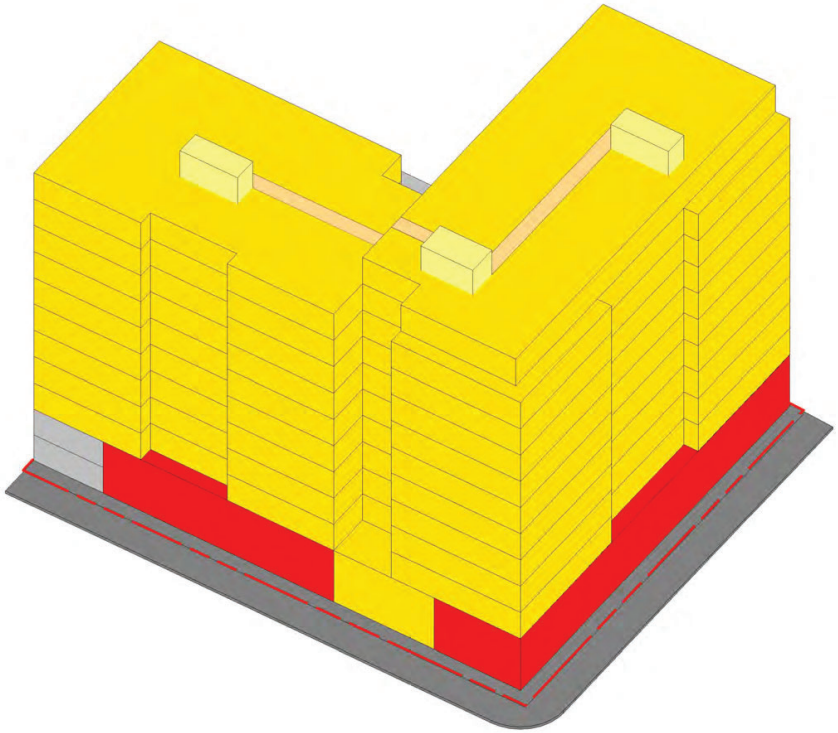


Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study II

LOS ANGELES ZONING ORDINANCE

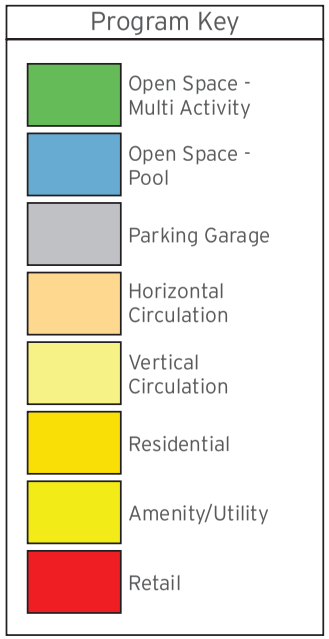


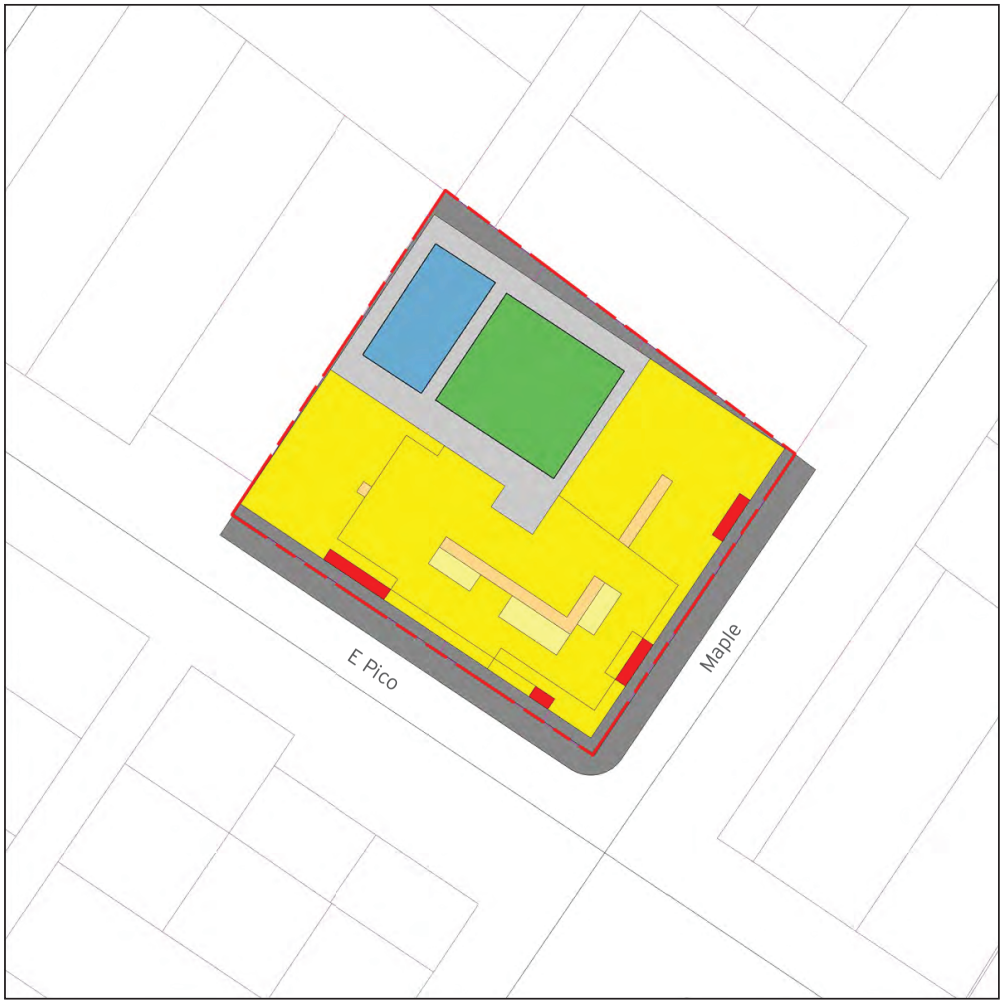


Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study II

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		26,336.0
Max Building SF		210,688.0
Gross Building Area (GSF)		210,680.0
FAR		8.0
Rentable Area - Residential (NSF)		191,418.0
Rentable Area - Retail (NSF)		5,405.0
Open Space - Percentage		36%
Parking		
Subterranean GSF		25,059.0
# of Vehicle Spaces		84
# of Bicycle Spaces		-
# of Levels		3
Structured GSF		41,765.0
# of Vehicle Spaces		140
# of Bicycle Spaces		-
# of Levels		5
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-





Plan and Site Information

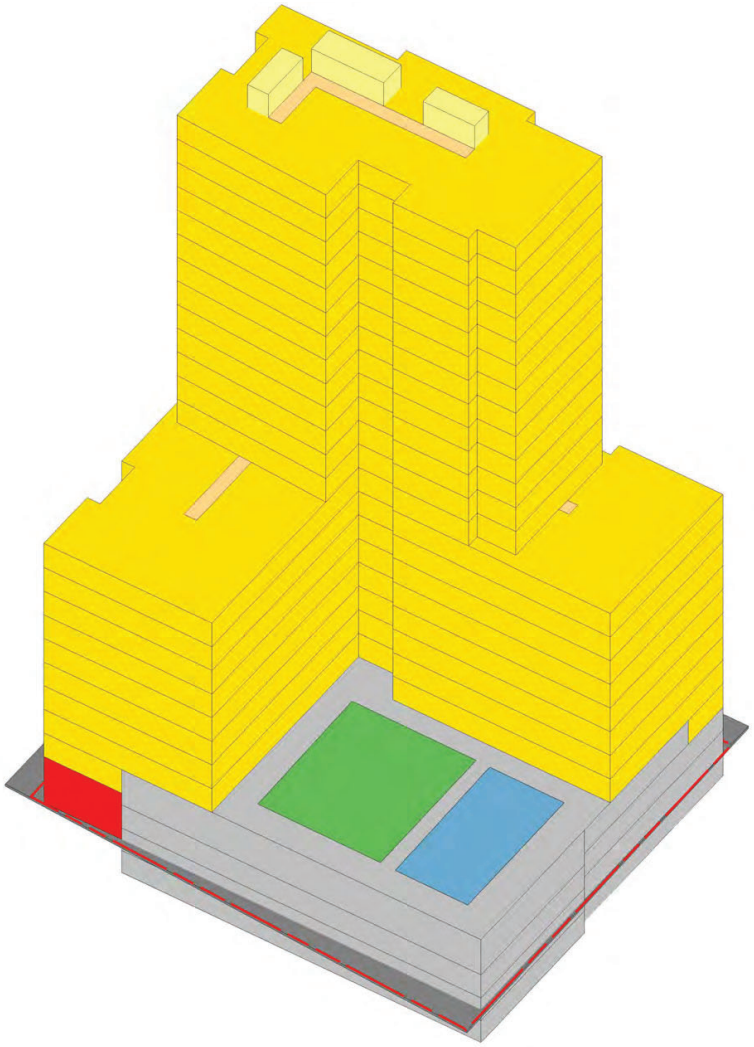
Proposed Zoning Bonus - Case Study II

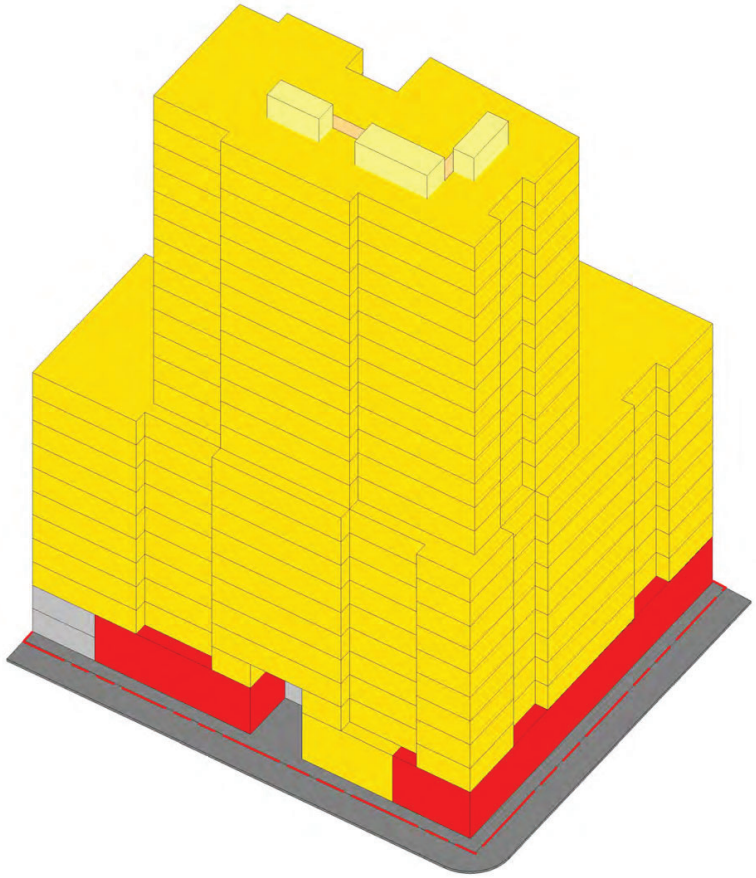
LOS ANGELES ZONING ORDINANCE

TORTI GALLAS + PARTNERS

HR&A Advisors, Inc.

Jan 22, 2018





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study II

LOS ANGELES ZONING ORDINANCE

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype III (Apts.) ***Pershing Square***

Pershing Square

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	36,665	36,665	36,665	36,665	36,665	36,665
Gross Building Area (GSF)	218,522	296,939	476,547	476,547	476,547	476,547
FAR (based on GSF)[2]	6	8	13	13	13	13
Net Leasable Area (in SF)	196,670	267,245	428,892	428,892	428,892	428,892
Residential - Apartment	191,523	261,918	419,939	419,939	419,939	419,939
Residential - Condominium	-	-	-	-	-	-
Retail	5,147	5,327	8,953	8,953	(0)	8,953
Community Space - Public Benefit	-	-	-	-	8,953	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	-	35,379	106,137	106,137	106,137	106,137
Structured Parking	72,940	72,940	72,940	72,940	72,940	72,940
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	162	222	355	355	355	355
Unit Mix[3]						
Market Rate	202	254	421	397	411	421
Affordable - VLI	-	23	23	47	33	23
Total Units	**202**	**277**	**444**	**444**	**444**	**444**
Development Costs						
Hard Cost[4]	$55,837,514	$81,347,971	$138,816,759	$138,816,759	$138,816,759	$138,816,759
Soft Cost[6]	$13,784,705	$19,346,154	$32,463,557	$27,399,179	$27,293,417	$27,399,179
Financing Cost[5]	$6,822,978	$9,868,024	$16,785,471	$16,289,162	$16,278,797	$16,289,162
Total Development Cost (TDC)	**$76,445,197**	**$110,562,150**	**$188,065,787**	**$182,505,101**	**$182,388,973**	**$182,505,101**
Total Development Cost per SF	$350	$372	$395	$383	$383	$383
Total Development Cost per Unit	$378,442	$399,141	$423,572	$411,048	$410,786	$411,048
Net Operating Income[7]						
Residential	$6,035,537	$7,693,512	$12,675,114	$12,059,449	$12,413,976	$12,675,114
Retail	$237,148	$245,442	$412,509	$412,509	($21)	$412,509
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$6,272,685**	**$7,938,953**	**$13,087,623**	**$12,471,958**	**$12,413,955**	**$13,087,623**
Value Generated						
Project Value	$129,829,122	$164,513,248	$271,177,105	$258,350,751	$258,624,143	$271,177,105
Weighted Cap Rate[8]	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($3,894,874)	($4,935,397)	($8,135,313)	($7,750,523)	($7,758,724)	($8,135,313)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$125,934,248	$159,577,850	$263,041,792	$250,600,229	$250,865,419	$263,041,792
Less: Developer Profit[5]	($18,890,137)	($23,936,678)	($39,456,269)	($37,590,034)	($37,629,813)	($39,456,269)
Less: Development Cost	($76,445,197)	($110,562,150)	($188,065,787)	($182,505,101)	($182,388,973)	($182,505,101)
Total Residual Land Value						
Total	**$30,598,914**	**$25,079,023**	**$35,519,736**	**$30,505,094**	**$30,846,633**	**$41,080,422**
Per SF of Land	**$835**	**$684**	**$969**	**$832**	**$841**	**$1,120**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11%	11%	23%	16%	11%
Community Space (Percentage of Additional FAR)					5.0%	
Cash Payments per Addn. FAR square feet						$41

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype III (Apts.) ***Pershing Square***
Pershing Square

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	36,665	36,665	36,665	36,665	36,665	36,665
Gross Building Area (GSF)	218,522	296,939	476,547	476,547	476,547	476,547
FAR (based on GSF)[2]	6	8	13	13	13	13
Net Leasable Area (in SF)	196,670	267,245	428,892	428,892	428,892	428,892
Residential - Apartment	191,523	261,918	419,939	419,939	419,939	419,939
Residential - Condominium	-	-	-	-	-	-
Retail	5,147	5,327	8,953	8,953	(0)	8,953
Community Space - Public Benefit	-	-	-	-	8,953	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	-	35,379	106,137	106,137	106,137	106,137
Structured Parking	72,940	72,940	72,940	72,940	72,940	72,940
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	162	222	355	355	355	355
Unit Mix[3]						
Market Rate	202	254	421	384	411	421
Affordable - VLI	-	23	23	23	33	23
Affordable - MI	-	-	-	37	-	-
Total Units	**202**	**277**	**444**	**444**	**444**	**444**
Development Costs						
Hard Cost[4]	$55,837,514	$81,347,971	$138,816,759	$138,816,759	$138,816,759	$138,816,759
Soft Cost[6]	$13,784,705	$19,346,154	$32,463,557	$27,399,179	$27,293,417	$27,399,179
Financing Cost[5]	$6,822,978	$9,868,024	$16,785,471	$16,289,162	$16,278,797	$16,289,162
Total Development Cost (TDC)	**$76,445,197**	**$110,562,150**	**$188,065,787**	**$182,505,101**	**$182,388,973**	**$182,505,101**
Total Development Cost per SF	$350	$372	$395	$383	$383	$383
Total Development Cost per Unit	$378,442	$399,141	$423,572	$411,048	$410,786	$411,048
Net Operating Income[7]						
Residential	$6,035,537	$7,702,019	$12,683,621	$12,066,631	$12,426,297	$12,683,621
Retail	$237,148	$245,442	$412,509	$412,509	($21)	$412,509
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$6,272,685**	**$7,947,460**	**$13,096,130**	**$12,479,140**	**$12,426,276**	**$13,096,130**
Value Generated						
Project Value	$129,829,122	$164,690,470	$271,354,327	$258,500,376	$258,880,833	$271,354,327
Weighted Cap Rate[8]	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($3,894,874)	($4,940,714)	($8,140,630)	($7,755,011)	($7,766,425)	($8,140,630)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$125,934,248	$159,749,756	$263,213,698	$250,745,365	$251,114,408	$263,213,698
Less: Developer Profit[5]	($18,890,137)	($23,962,463)	($39,482,055)	($37,611,805)	($37,667,161)	($39,482,055)
Less: Development Cost	($76,445,197)	($110,562,150)	($188,065,787)	($182,505,101)	($182,388,973)	($182,505,101)
Total Residual Land Value						
Total	**$30,598,914**	**$25,225,143**	**$35,665,856**	**$30,628,460**	**$31,058,274**	**$41,226,542**
Per SF of Land	**$835**	**$688**	**$973**	**$835**	**$847**	**$1,124**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11.4%	11%	11%	16%	11%
Affordable Housing (MI % of Base Units)	0%	0%	0%	18%	0%	0%
Community Space (Percentage of Additional FAR)					5.0%	
Cash Payments per Addn. FAR square feet						$41

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

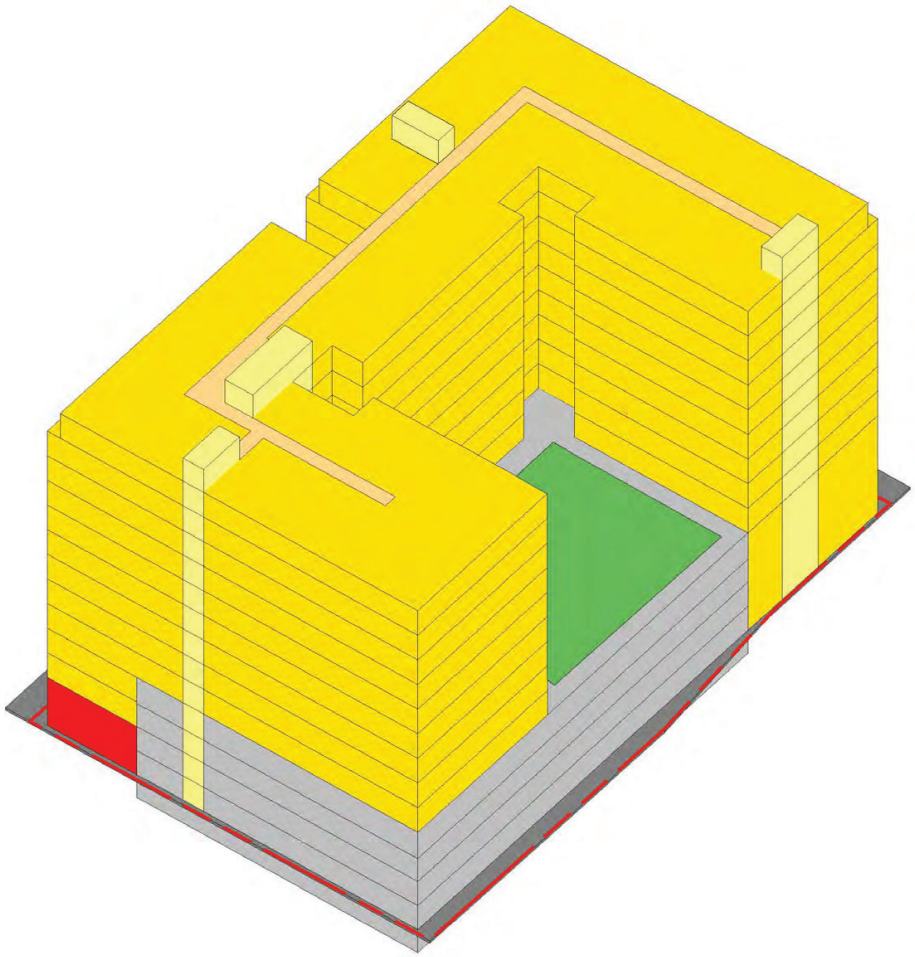
Base Scenario

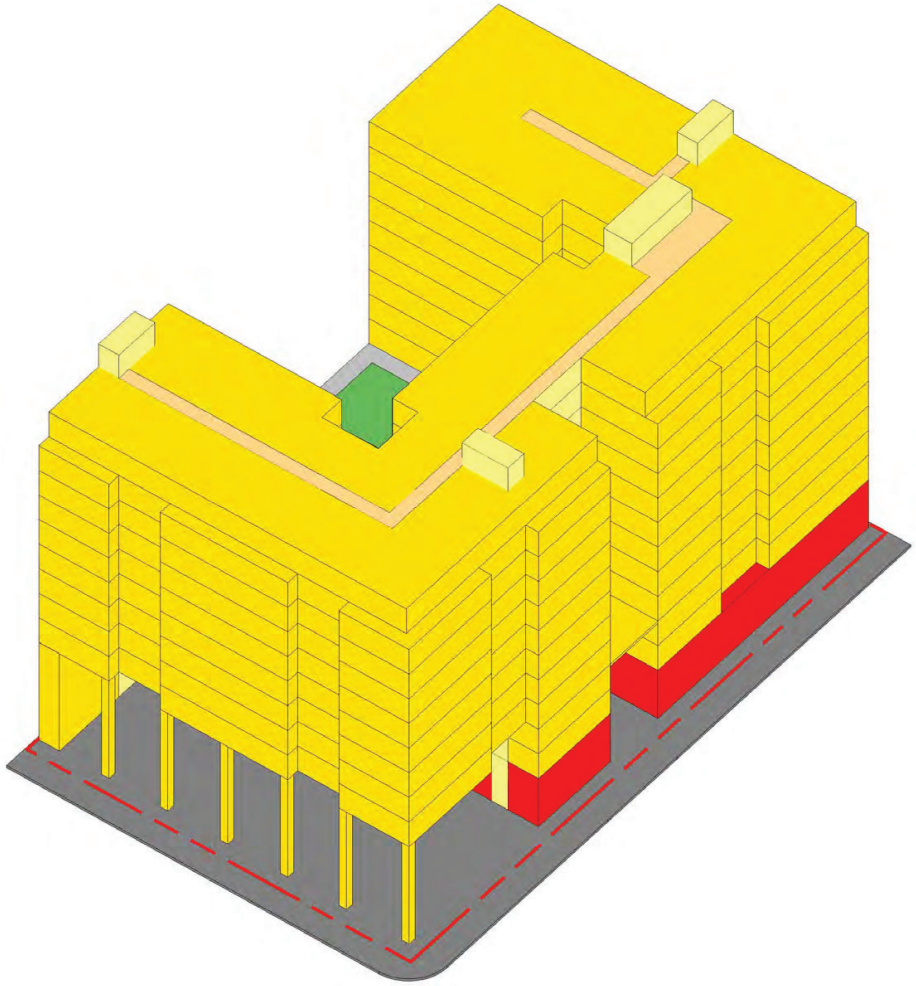
Development Program	
Land Area (SF)	36,665.0
Max Building SF	219,990.0
Gross Building Area (GSF) Excluding Parking	218,522.0
FAR	6.0
Rentable Area - Residential (NSF)	185,675.0
Rentable Area - Retail (NSF)	5,147.0
Vertical Cores - (NSF)	8,590.0
Open Space - Percentage	24%
Parking	
Subterranean GSF	35,379.0
# of Vehicle Spaces	61
# of Bicycle Spaces	-
# of Levels	1
Structured GSF	72,940.0
# of Vehicle Spaces	180
# of Bicycle Spaces	-
# of Levels	4
Total Parking GSF	72,940.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

Plan and Site Information
Proposed Zoning Base - Case Study III
LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Base - Case Study III

LOS ANGELES ZONING ORDINANCE

State Mandated Affordable Housing Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		36,665.0
Max Building SF		296,986.5
Gross Building Area (GSF) Excluding Parking		296,939.0
FAR		8.1
Rentable Area Residential (NSF)		271,564.0
Rentable Area - Retail (NSF)		5,327.0
Open Space - Percentage		28%
Parking		
Subterranean GSF		106,137.0
# of Vehicle Spaces		183
# of Bicycle Spaces		-
# of Levels		3
Structured GSF		72,940.0
# of Vehicle Spaces		180
# of Bicycle Spaces		-
# of Levels		4
Total Parking GSF		179,077.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

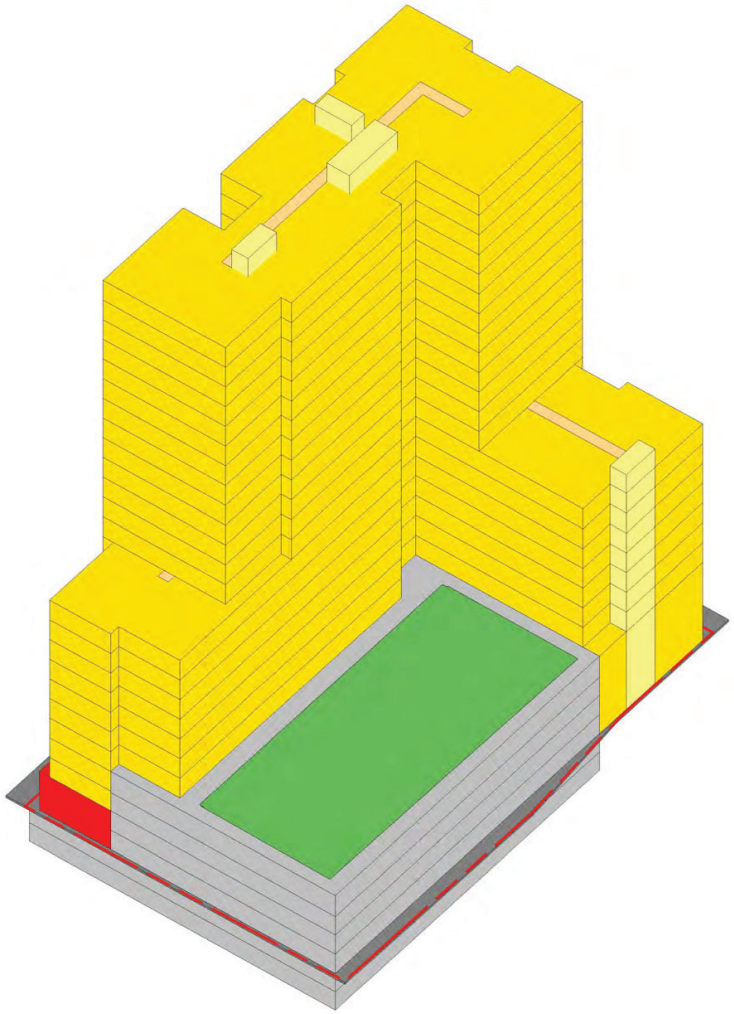
0 25 50 100 FT

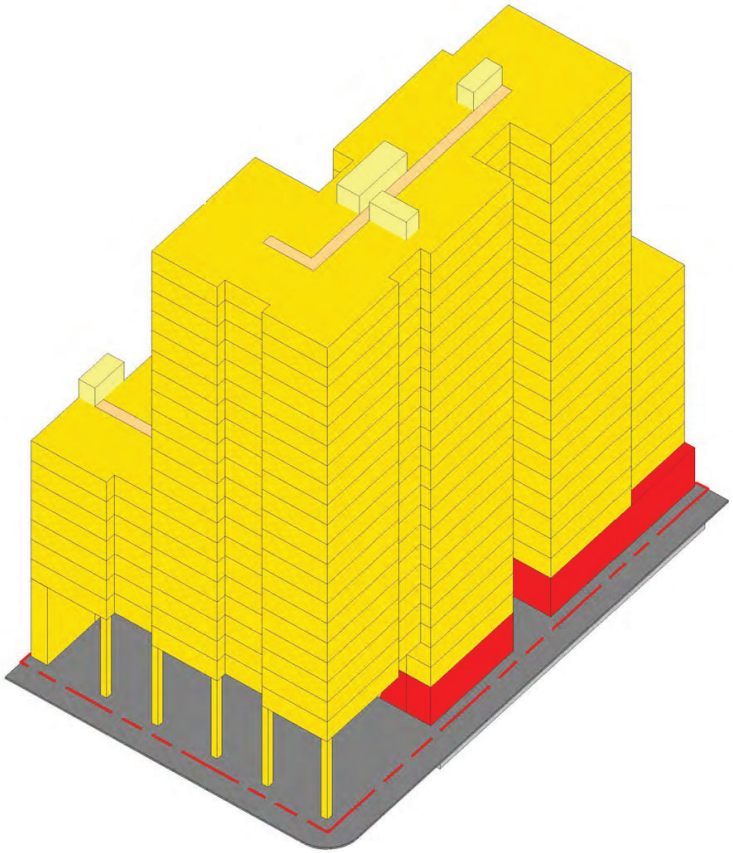
N

Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study III

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study III

LOS ANGELES ZONING ORDINANCE

Bonus Scenario		
Incentives:	-	
Public Benefits:	-	
Development Program		
Land Area (SF)		36,665.0
Max Building SF		476,645.0
Gross Building Area (GSF)		476,547.0
FAR		13.0
Rentable Area - Residential (NSF)		427,849.0
Rentable Area - Retail (NSF)		8,953.0
Open Space - Percentage		28%
Parking		
Subterranean GSF		118,760.0
# of Vehicle Spaces		244
# of Bicycle Spaces		-
# of Levels		4
Structured GSF		65,280.0
# of Vehicle Spaces		180
# of Bicycle Spaces		-
# of Levels		4
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

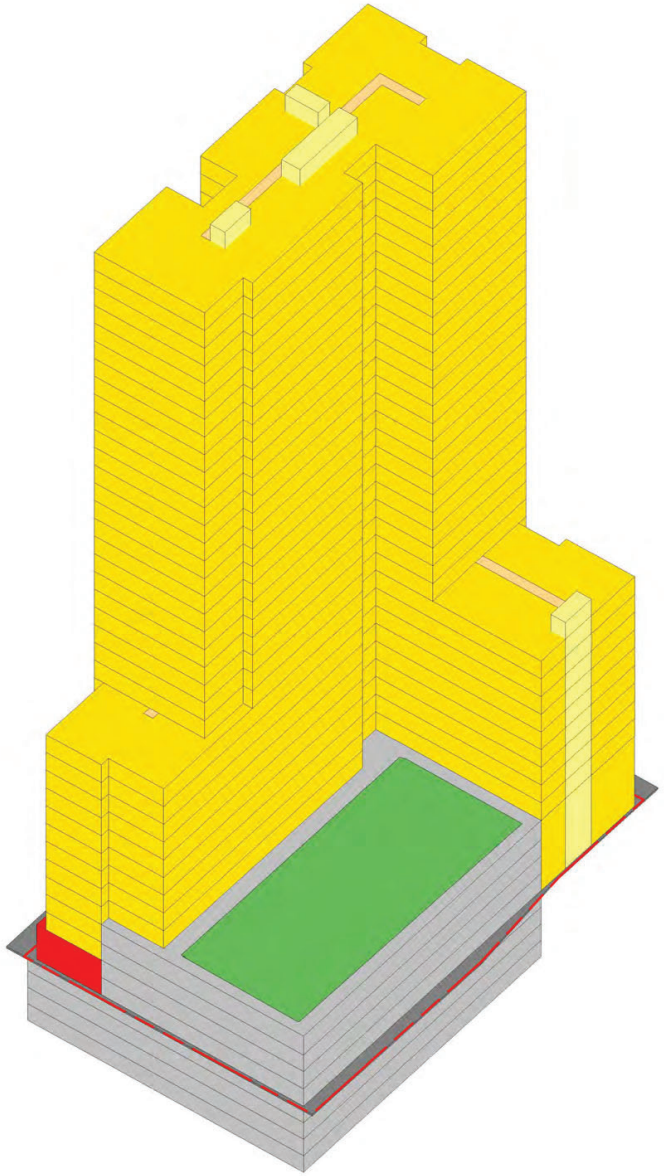
0 25 50 100 FT

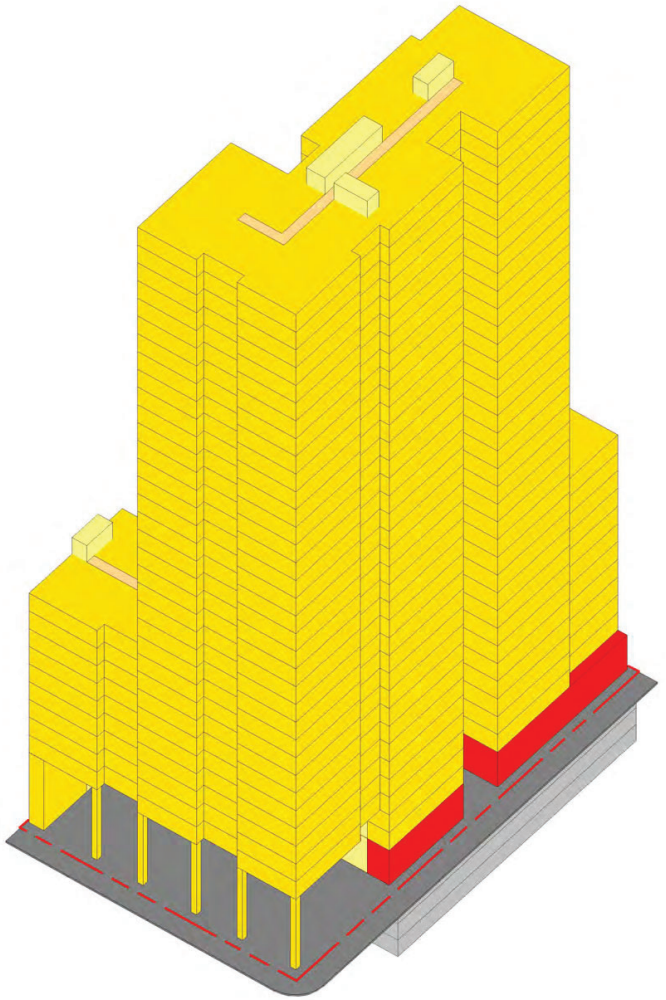
N

Plan and Site Information

Proposed Zoning Bonus - Case Study III

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study III

LOS ANGELES ZONING ORDINANCE

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype III (Office) ***Pershing Square***
Pershing Square

			TIER II	TIER II
Development Program[1]	**Base Case**	**Max. Bonus**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	36,665	36,665	36,665	36,665
Gross Building Area (GSF)	218,248	476,275	476,275	476,275
FAR (based on GSF)[2]	6	13	13	13
Net Leasable Area (in SF)	196,423	428,648	428,648	428,648
Residential - Apartment	-	-	-	-
Residential - Condominium	-	-	-	-
Retail	4,720	4,720	5	4,720
Community Space - Public Benefit	-	-	*4,715*	-
Office	191,703	423,928	423,932	423,928
Hotel	-	-	-	-
Building Efficiency	1	1	1	1
Subterranean Parking	48,070	96,140	96,140	96,140
Structured Parking	32,088	32,088	32,088	32,088
Surface Parking	-	-	-	-
Total Residential Parking (Spaces)	**226**	**354**	**354**	**354**
Unit Mix[3]				
Market Rate	-	-	-	-
Affordable - VLI	-	-	-	-
Total Units	**-**	**-**	**-**	**-**
Development Costs				
Hard Cost[4]	$93,165,469	$194,649,582	$194,649,582	$194,649,582
Soft Cost[6]	$20,174,072	$42,042,771	$39,736,734	$39,792,371
Financing Cost[5]	$11,107,275	$23,195,851	$22,969,859	$22,975,311
Total Development Cost (TDC)	**$124,446,816**	**$259,888,203**	**$257,356,174**	**$257,417,264**
Total Development Cost per SF	$570	$546	$540	$540
Net Operating Income[7]				
Residential	$0	$0	$0	$0
Retail	$217,474	$217,474	$225	$217,474
Office	$8,219,083	$18,175,468	$18,175,677	$18,175,468
Hotel	$0	$0	$0	$0
Net Operating Income (NOI)	**$8,436,557**	**$18,392,942**	**$18,175,901**	**$18,392,942**
Value Generated				
Project Value	$147,943,990	$322,617,405	$318,875,397	$322,617,405
Weighted Cap Rate[8]	*5.7%*	*5.7%*	*5.7%*	*5.7%*
Less: Cost of Sales[5]	($4,438,320)	($9,678,522)	($9,566,262)	($9,678,522)
Net Condo Sales Revenue	$0	$0	$0	$0
Net Project Value Generated	$143,505,671	$312,938,883	$309,309,135	$312,938,883
Less: Developer Profit[5]	($21,525,851)	($46,940,832)	($46,396,370)	($46,940,832)
Less: Development Cost	($124,446,816)	($259,888,203)	($257,356,174)	($257,417,264)
Total Residual Land Value				
Total	**($2,466,996)**	**$6,109,848**	**$5,556,590**	**$8,580,786**
Per SF of Land	**($67)**	**$167**	**$152**	**$234**
Public Benefits				
Community Space FAR (per FAR of bonus)			1.0%	
Cash Payments per Addn. FAR square feet				$33

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

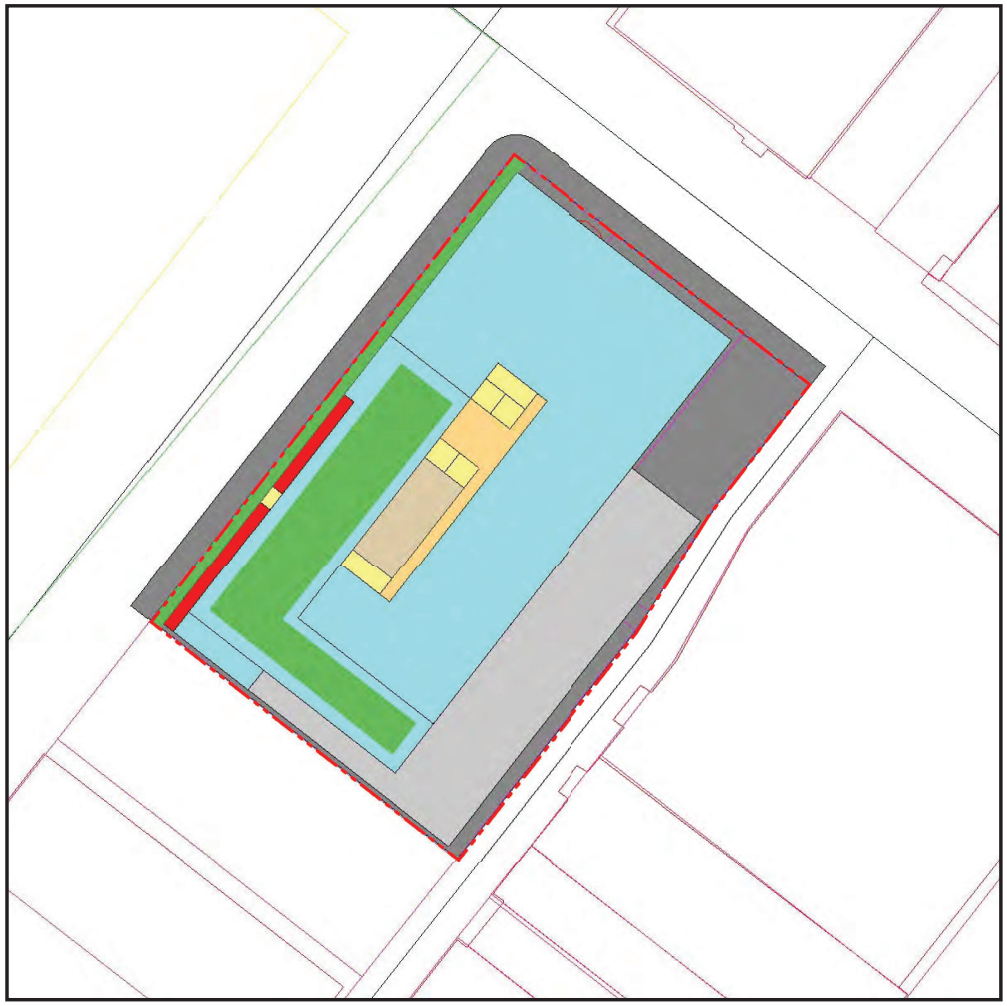
Base Office Scenario

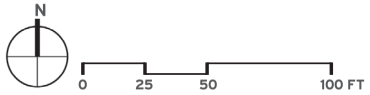
Development Program	
Land Area (SF)	36,665
FAR	6.0
Max Allowable Building SF	219,990
Parking	218,248
Rentable Area - Office (NSF)	191,330
Rentable Area - Retail (NSF)	4,720
Open Space - Percentage	23%
Parking	
Subterranean GSF	48,070
# of Vehicle Spaces	130
# of Bicycle Spaces	-
# of Levels	3
Structured GSF	32,088
# of Vehicle Spaces	96
# of Bicycle Spaces	-
# of Levels	2
Total Parking Spaces	226
Total Parking GSF	80,158

Notes
- Building exceeds HR9.3 facade length, but provides facade break with overhang.
- Building uses vertical/horizontal structural expression as well as wall notch technique.
- Parking structure has tandom parking spaces
- Open space requirements are met by including Hill Street setback as well as rooftop amenity space

Program Key

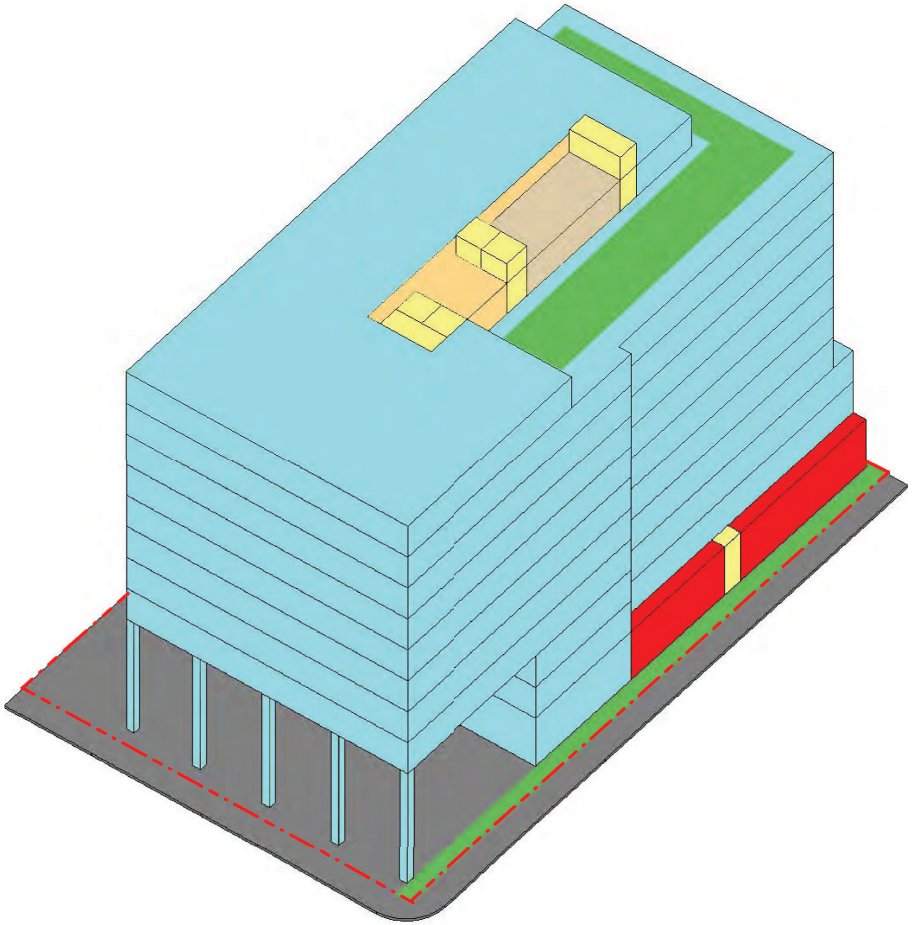
- Amenity Space - Vehicle Accessible
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail
- Hotel
- Office
- Hybrid/Industrial

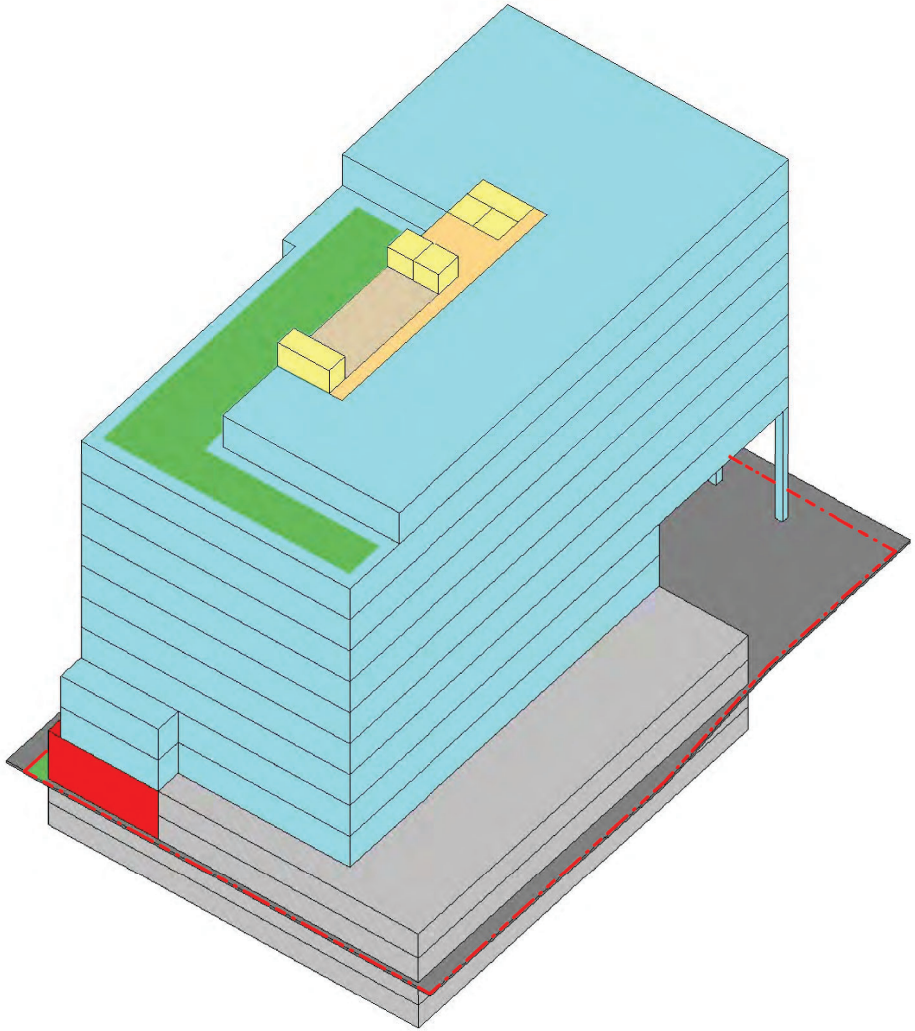




TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Plan and Site Information
Proposed Zoning - Base FAR - Office
(504 South Hill Street) **Case Study III**





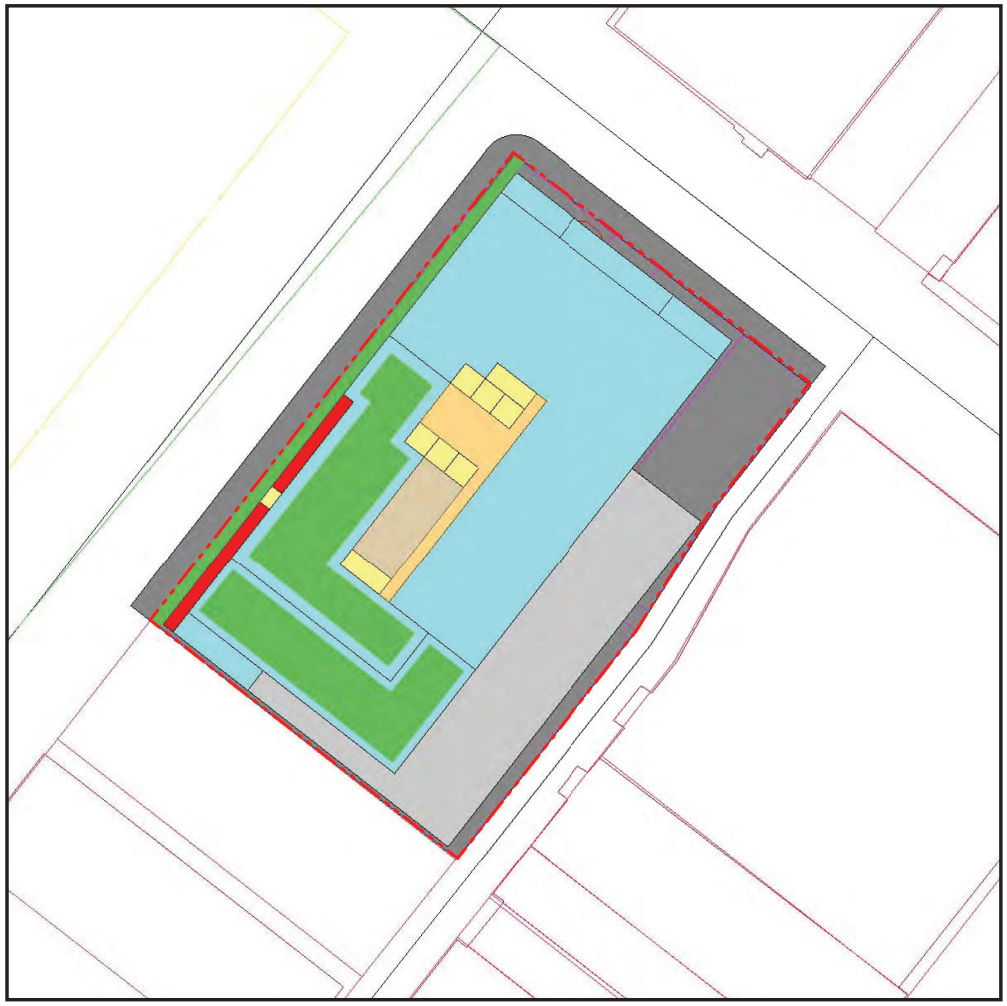
Site Views (Not to scale)
Proposed Zoning - Base FAR - Office
(504 South Hill Street) **Case Study III**

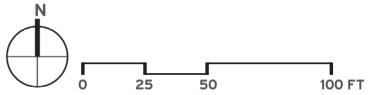
Bonus Office Scenario	
Development Program	
Land Area (SF)	36,665.0
FAR	13.0
Max Allowable Building SF	476,645.0
Gross Building Area (GSF)	476,275.0
Rentable Area - Retail (NSF)	4,720.0
Rentable Area - Office (NSF)	424,290.0
Open Space - Percentage	25%
Parking	
Subterranean GSF	96,140.0
# of Vehicle Spaces	258
# of Bicycle Spaces	-
# of Levels	4
Structured GSF	32,088.0
# of Vehicle Spaces	96
# of Bicycle Spaces	-
# of Levels	2
Total Parking Spaces	354
Total Parking GSF	128,228.0

Notes
- Building exceeds HR9.3 facade length, but provides facade break with overhang.
- Building uses vertical/horizontal structural expression as well as wall notch technique.
- Parking structure has tandom parking spaces
- Open space requirements are met by including Hill Street setback as well as rooftop amenity space

Program Key

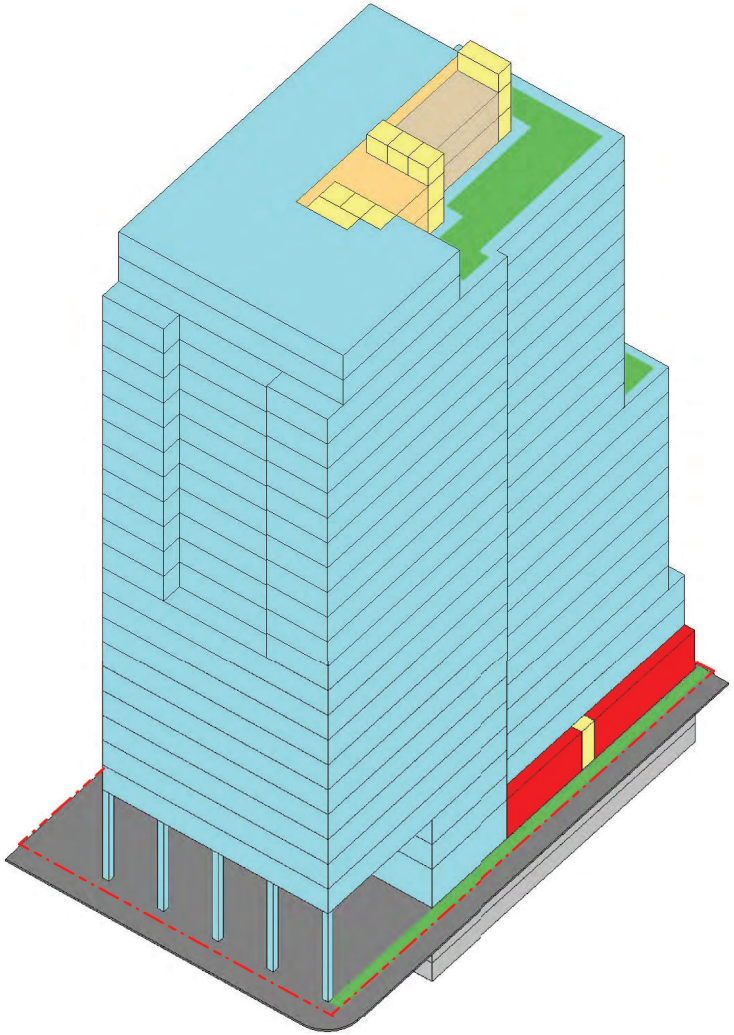
- Amenity Space - Vehicle Accessible
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail
- Hotel
- Office
- Hybrid/Industrial

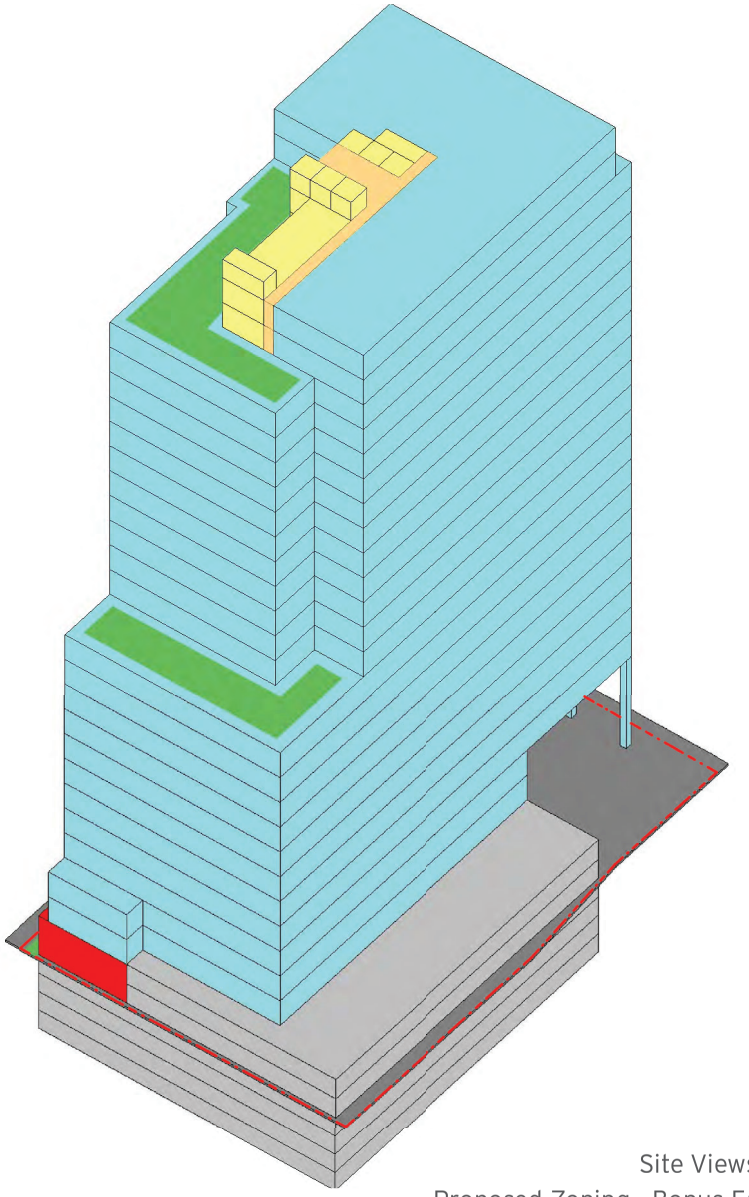




TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Plan and Site Information
Proposed Zoning - Bonus FAR - Office
(504 South Hill Street) **Case Study III**





TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Site Views (Not to scale)

Proposed Zoning - Bonus FAR - Office

(504 South Hill Street) **Case Study III**

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype IV (Apts.) ***Skid Row***
6th and Towne

			TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	15,423	15,423	15,423	15,423	15,423
Gross Building Area (GSF)	46,256	92,198	92,198	92,198	92,198
FAR (based on GSF)[2]	3	6	6	6	6
Net Leasable Area (in SF)	41,630	82,978	82,978	82,978	82,978
Residential - Apartment	41,630	82,978	82,978	82,978	82,978
Residential - Condominium	-	-	-	-	-
Retail	-	-	-	-	-
Community Space - Public Benefit	-	-	-	-	-
Office	-	-	-	-	-
Hotel	-	-	-	-	-
Building Efficiency	1	1	1	1	1
Subterranean Parking	11,922	35,766	35,766	35,766	35,766
Structured Parking	8,932	17,864	17,864	17,864	17,864
Surface Parking	-	-	-	-	-
Total Residential Parking (Spaces)	**42**	**116**	**116**	**116**	**116**
Unit Mix[3]					
Market Rate	36	75	75	75	75
Affordable - VLI	-	5	5	5	5
Total Units	**36**	**80**	**80**	**80**	**80**
Development Costs					
Hard Cost[4]	$12,662,306	$26,379,211	$26,379,211	$26,379,211	$26,379,211
Soft Cost[6]	$3,041,895	$6,229,547	$5,184,022	$5,184,022	$5,184,022
Financing Cost[5]	$1,294,026	$2,686,962	$2,600,810	$2,600,810	$2,600,810
Total Development Cost (TDC)	**$16,998,227**	**$35,295,720**	**$34,164,043**	**$34,164,043**	**$34,164,043**
Total Development Cost per SF	$367	$383	$371	$371	$371
Net Operating Income[7]					
Residential	$373,746	$729,901	$729,901	$729,901	$760,257
Retail	$0	$0	$0	$0	$0
Office	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$373,746**	**$729,901**	**$729,901**	**$729,901**	**$760,257**
Value Generated					
Project Value	$7,786,370	$15,206,263	$15,206,263	$15,206,263	$15,838,678
Weighted Cap Rate[8]	4.8%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($233,591)	($456,188)	($456,188)	($456,188)	($475,160)
Net Condo Sales Revenue	$0	$0	$0	$0	$0
Net Project Value Generated	$7,552,779	$14,750,075	$14,750,075	$14,750,075	$15,363,517
Less: Developer Profit[5]	($1,132,917)	($2,212,511)	($2,212,511)	($2,212,511)	($2,304,528)
Less: Development Cost	($16,998,227)	($35,295,720)	($34,164,043)	($34,164,043)	($34,164,043)
Total Residual Land Value					
Total	**($10,578,365)**	**($22,758,156)**	**($21,626,480)**	**($21,626,480)**	**($21,105,053)**
Per SF of Land	**($686)**	**($1,476)**	**($1,402)**	**($1,402)**	**($1,368)**
Public Benefits					
Affordable Housing (% of Base Units)	0.0%	13.9%	13.9%	13.9%	13.9%
Community Space FAR (per FAR of bonus)				0.0%	
Cash Payments per Addn. FAR square feet					($229)

SOURCES & NOTES:

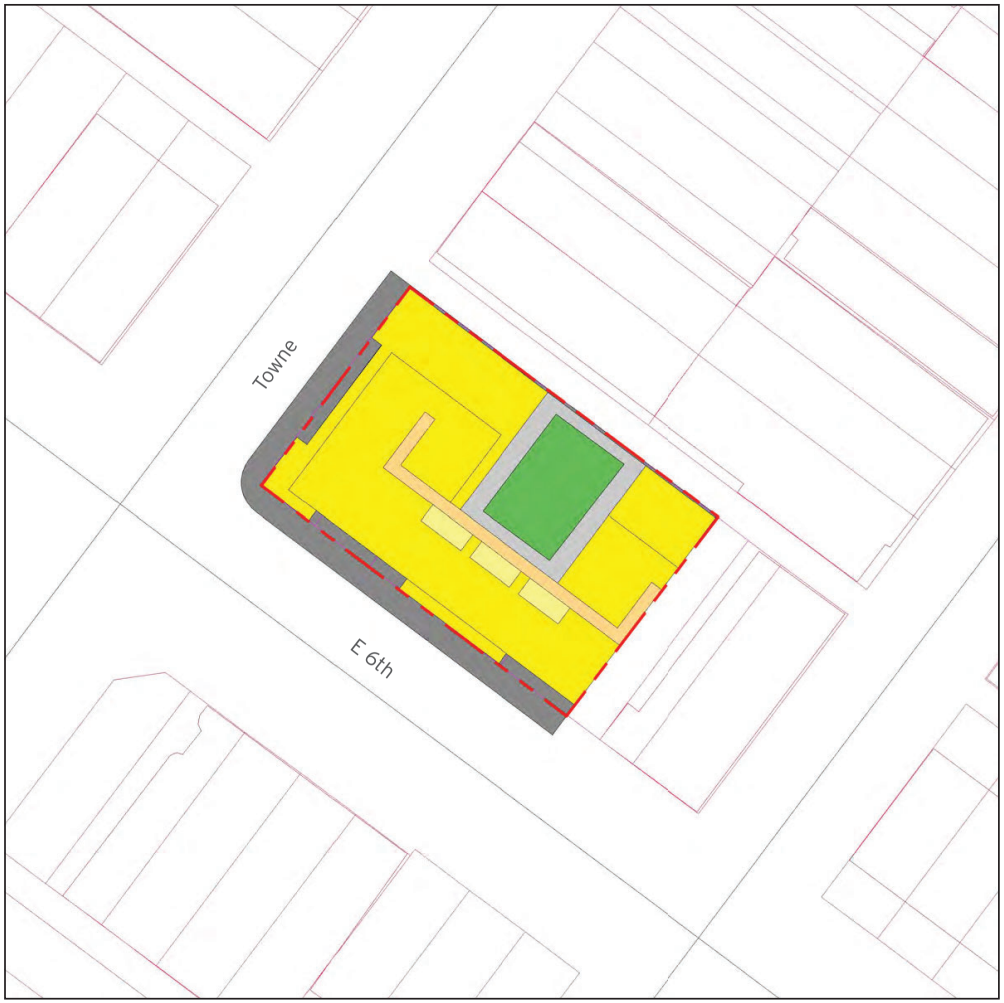
1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Scenario

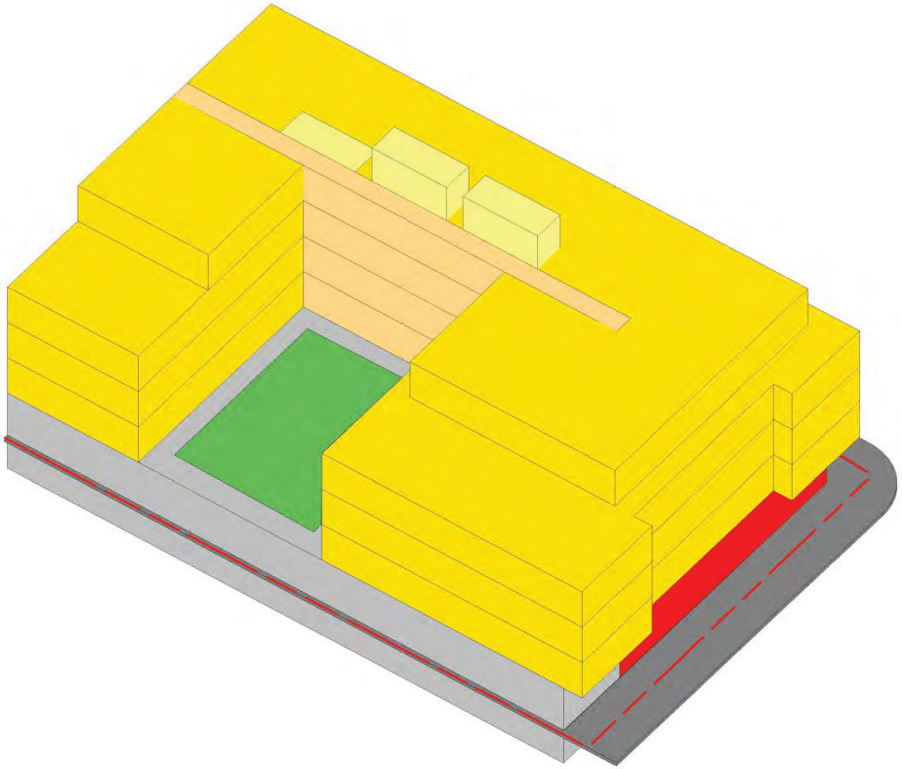
Development Program	
Land Area (SF)	15,423.0
Max Building SF	46,269.0
Gross Building Area (GSF) Excluding Parking	46,205.0
FAR	3.0
Rentable Area - Residential (NSF)	42,216.0
Rentable Area - Retail (NSF)	4,480.0
Vertical Cores - (NSF)	2,080.0
Open Space - Percentage	29%
Parking	
Subterranean GSF	11,922.0
# of Vehicle Spaces	29
# of Bicycle Spaces	-
# of Levels	1
Structured GSF	8,658.0
# of Vehicle Spaces	14
# of Bicycle Spaces	-
# of Levels	1
Total Parking GSF	20,580.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

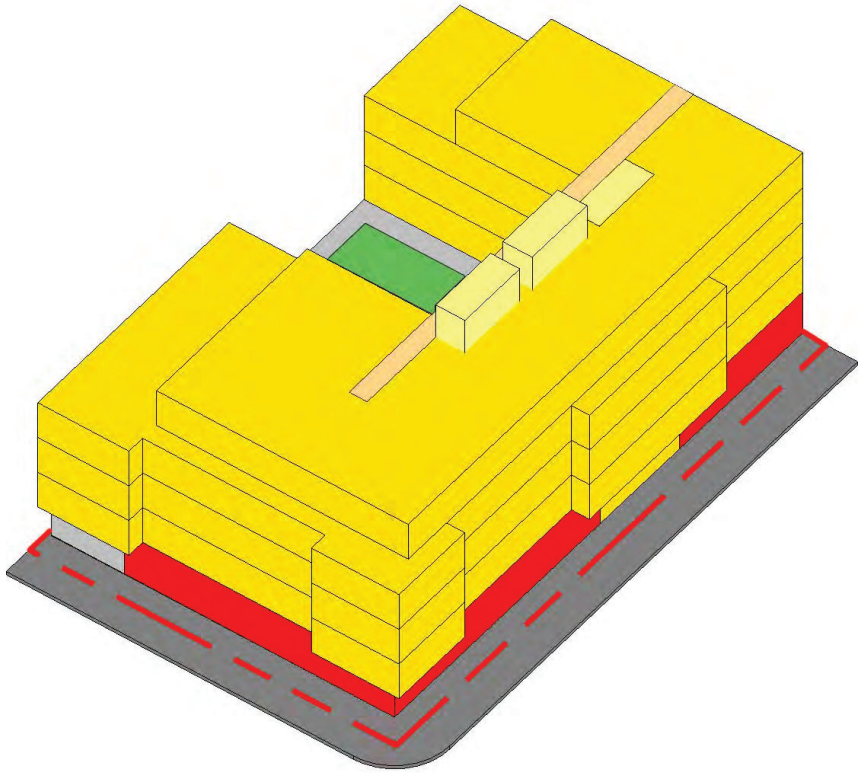
Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail



Plan and Site Information
Proposed Zoning Base - Case Study IV
LOS ANGELES ZONING ORDINANCE





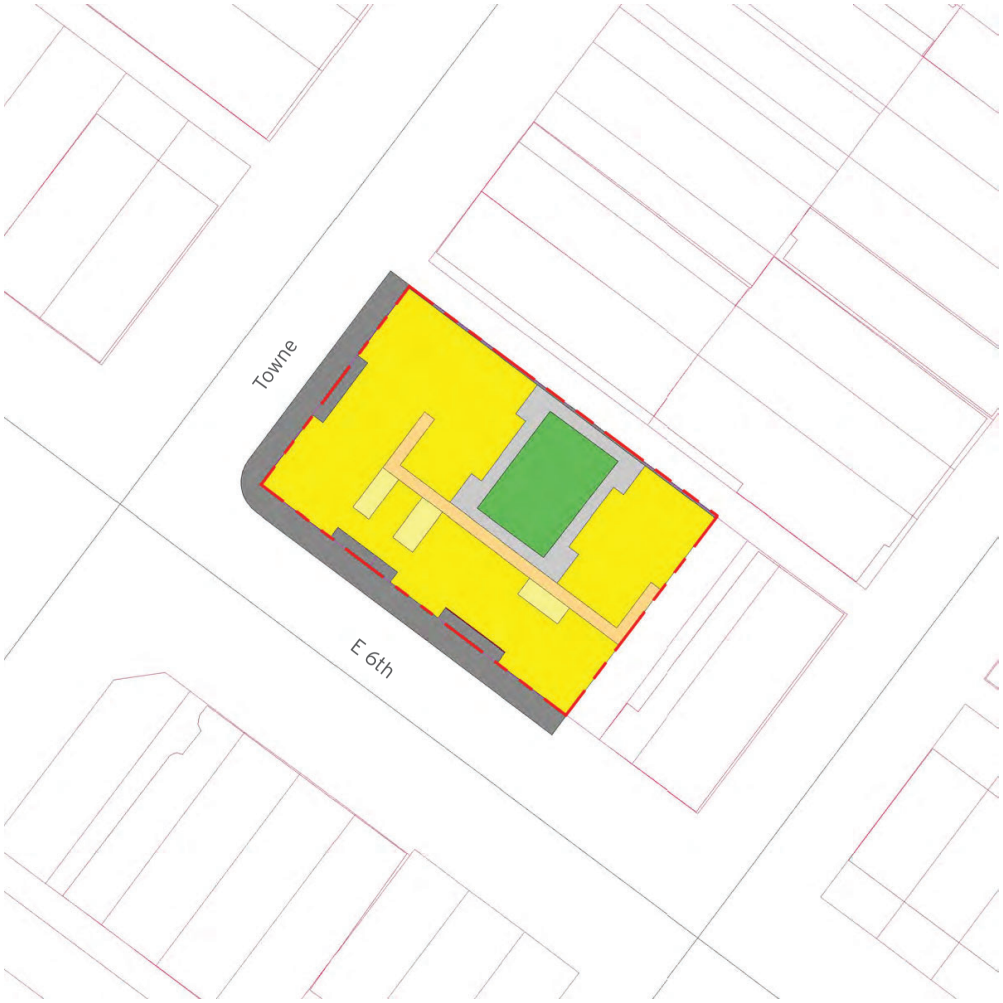
Site Views (Not to scale)

Proposed Zoning Base - Case Study IV

State Mandated Affordable Housing Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		15,423.0
Max Building SF		62,463.2
Gross Building Area (GSF) Excluding Parking		62,299.0
FAR		4.05
Rentable Area Residential (NSF)		52,823.0
Rentable Area - Retail (NSF)		4,451.0
Open Space - Percentage		27%
Parking		
Subterranean GSF		11,922.0
# of Vehicle Spaces		29
# of Bicycle Spaces		-
# of Levels		1
Structured GSF		17,316.0
# of Vehicle Spaces		26
# of Bicycle Spaces		-
# of Levels		2
Total Parking GSF		29,238.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

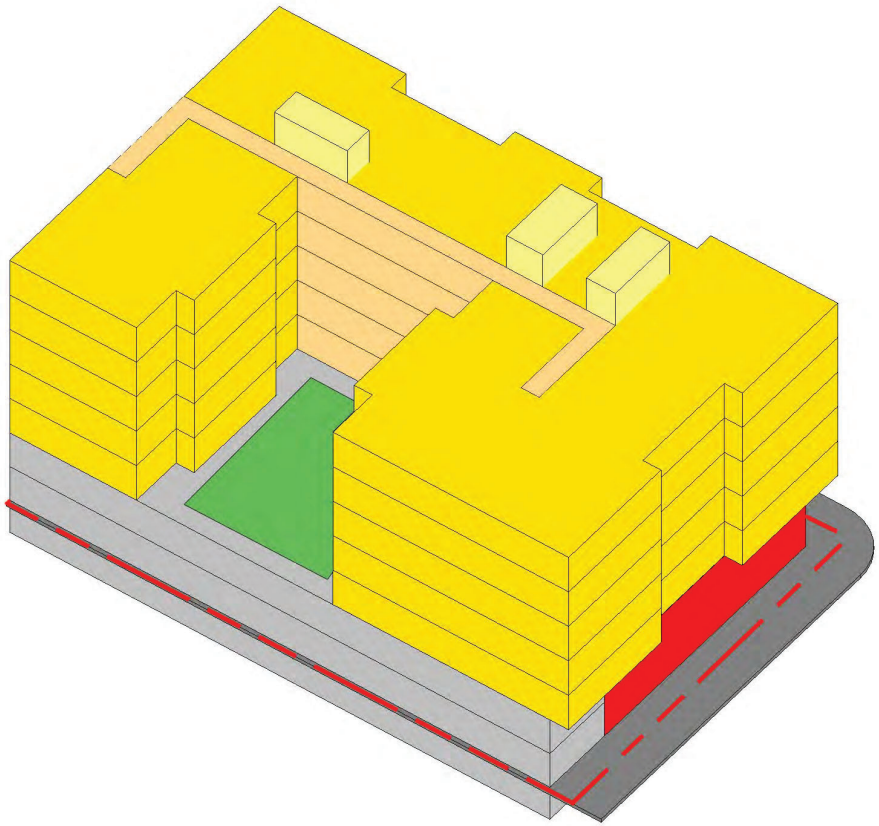
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

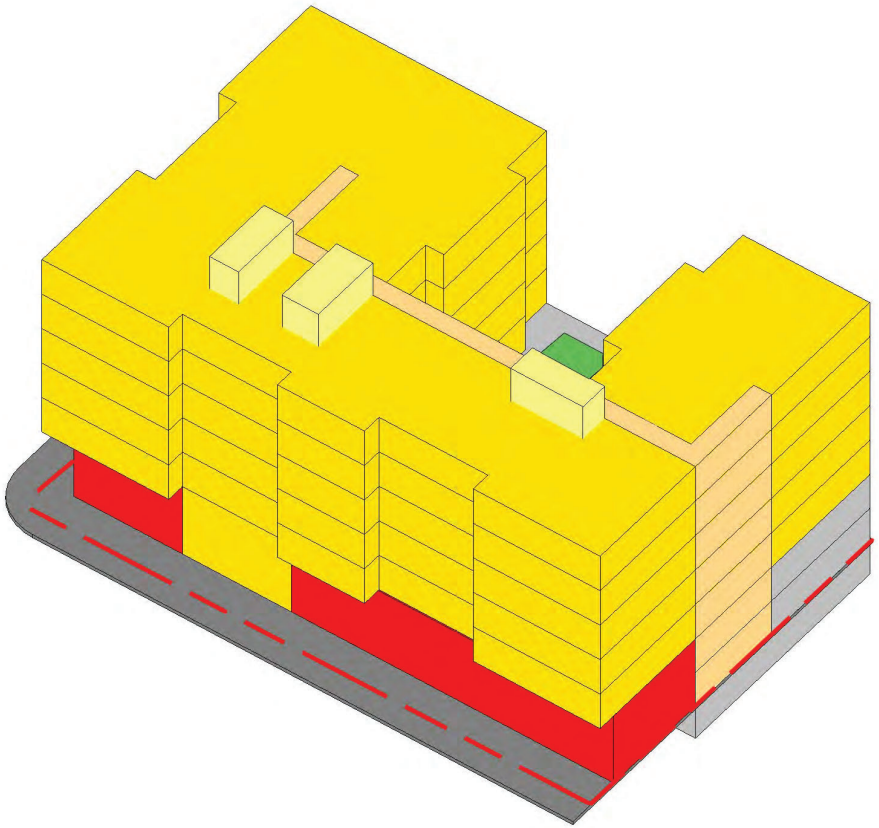


Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study IV

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study IV

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		15,423.0
Max Building SF		92,538.0
Gross Building Area (GSF)		92,326.0
FAR		6.0
Rentable Area - Residential (NSF)		82,475.0
Rentable Area - Retail (NSF)		4,451.0
Open Space - Percentage		36%
Parking		
Subterranean GSF		35,766.0
# of Vehicle Spaces		87
# of Bicycle Spaces		-
# of Levels		3
Structured GSF		17,316.0
# of Vehicle Spaces		26
# of Bicycle Spaces		-
# of Levels		2
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

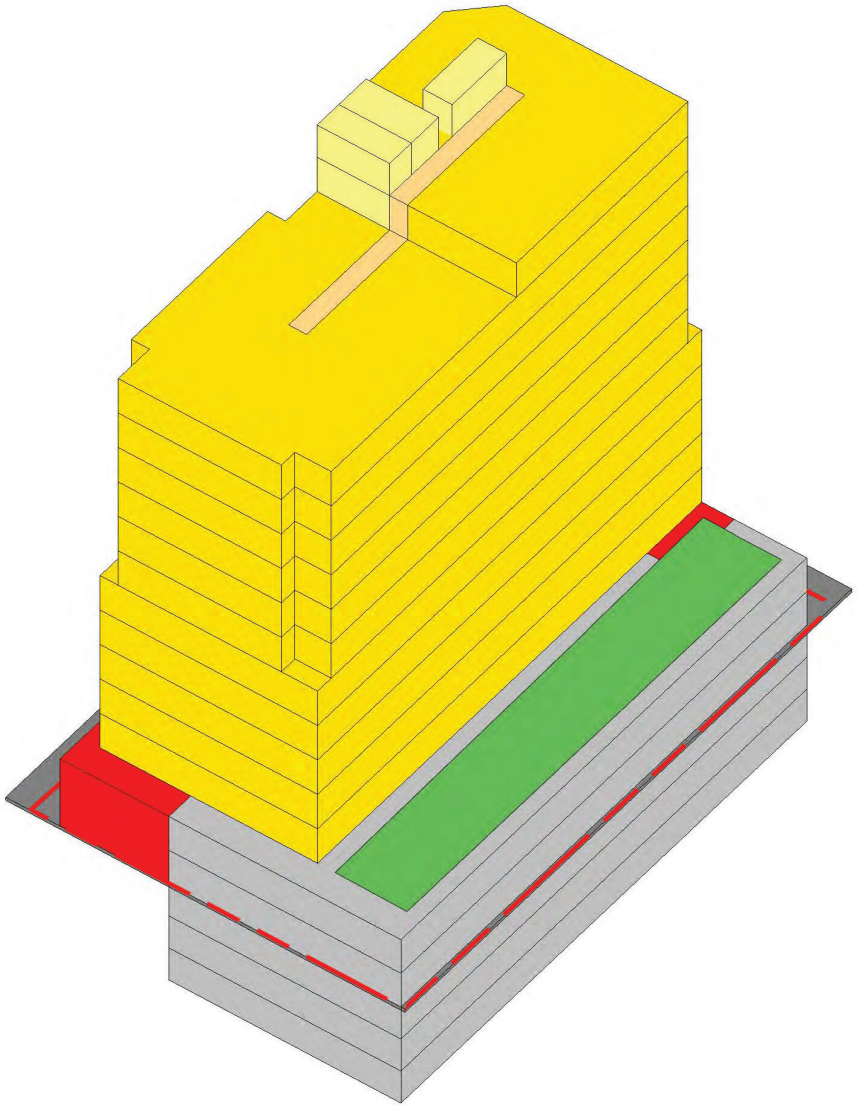
Program Key

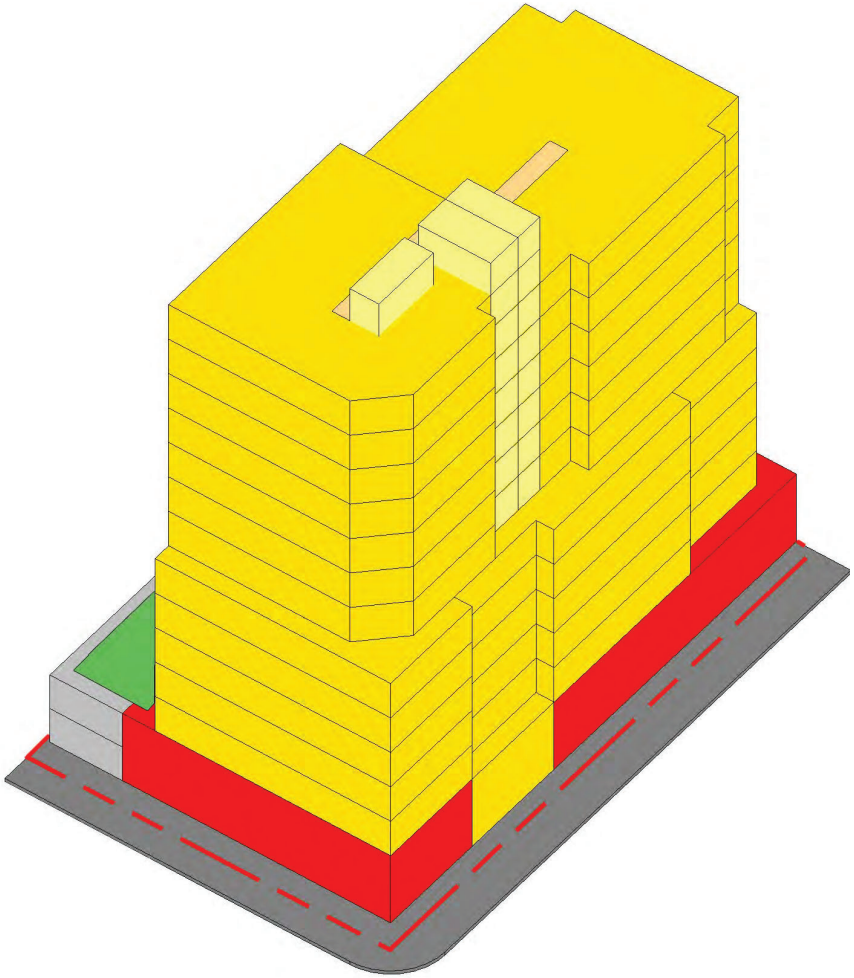
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

Plan and Site Information

Proposed Zoning Bonus - Case Study IV

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study IV

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype V (Apts.) ***Chinatown***
Spring and College

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	28,113		28,113	28,113	28,113	28,113
Gross Building Area (GSF)	168,643		224,460	224,460	224,460	224,460
FAR (based on GSF)[2]	6		8	8	8	8
Net Leasable Area (in SF)	151,779		202,014	202,014	202,014	202,014
Residential - Apartment	143,769		190,603	190,603	190,603	190,603
Residential - Condominium	-		-	-	-	-
Retail	8,010		11,411	11,411	11,411	11,411
Community Space - Public Benefit	-		-	-	-	-
Office	-		-	-	-	-
Hotel	-		-	-	-	-
Building Efficiency	1		1	1	1	1
Subterranean Parking	34,636		89,070	89,070	89,070	89,070
Structured Parking	12,979		-	-	-	-
Surface Parking	-		-	-	-	-
Total Residential Parking (Spaces)	122		161	161	161	161
Unit Mix[3]						
Market Rate	152		184	184	184	184
Affordable - VLI	-		17	17	17	17
Total Units	**152**		**201**	**201**	**201**	**201**
Development Costs						
Hard Cost[4]	$43,391,019		$60,800,129	$60,800,129	$60,800,129	$60,800,129
Soft Cost[6]	$10,721,749		$14,411,136	$12,152,050	$12,152,050	$12,152,050
Financing Cost[5]	$5,303,051		$7,370,704	$7,149,314	$7,149,314	$7,149,314
Total Development Cost (TDC)	**$59,415,819**		**$82,581,970**	**$80,101,493**	**$80,101,493**	**$80,101,493**
Total Development Cost per SF	$352		$368	$357	$357	$357
Total Development Cost per Unit	$390,894		$410,856	$398,515	$398,515	$398,515
Net Operating Income[7]						
Residential	$3,223,783		$3,982,250	$3,980,837	$3,982,250	$3,982,250
Retail	$332,155		$473,186	$473,186	$473,186	$473,186
Office	$0		$0	$0	$0	$0
Hotel	$0		$0	$0	$0	$0
Net Operating Income (NOI)	**$3,555,938**		**$4,455,436**	**$4,454,023**	**$4,455,436**	**$4,455,436**
Value Generated						
Project Value	$72,888,955		$91,121,912	$91,092,486	$91,121,912	$91,121,912
Weighted Cap Rate[8]	4.9%		4.9%	4.9%	4.9%	4.9%
Less: Cost of Sales[5]	($2,186,669)		($2,733,657)	($2,732,775)	($2,733,657)	($2,733,657)
Net Condo Sales Revenue	$0		$0	$0	$0	$0
Net Project Value Generated	$70,702,286		$88,388,255	$88,359,711	$88,388,255	$88,388,255
Less: Developer Profit[5]	($10,605,343)		($13,258,238)	($13,253,957)	($13,258,238)	($13,258,238)
Less: Development Cost	($59,415,819)		($82,581,970)	($80,101,493)	($80,101,493)	($80,101,493)
Total Residual Land Value						
Total	**$681,124**		**($7,451,953)**	**($4,995,738)**	**($4,971,476)**	**($4,971,476)**
Per SF of Land	**$24**		**($265)**	**($178)**	**($177)**	**($177)**
Public Benefits						
Affordable Housing (% of Base Units) Community	0%		11%	11%	11%	11%
Space (Percentage of Additional FAR) Cash					0.0%	
Payments per Addn. FAR square feet					$0	($101)

SOURCES & NOTES:

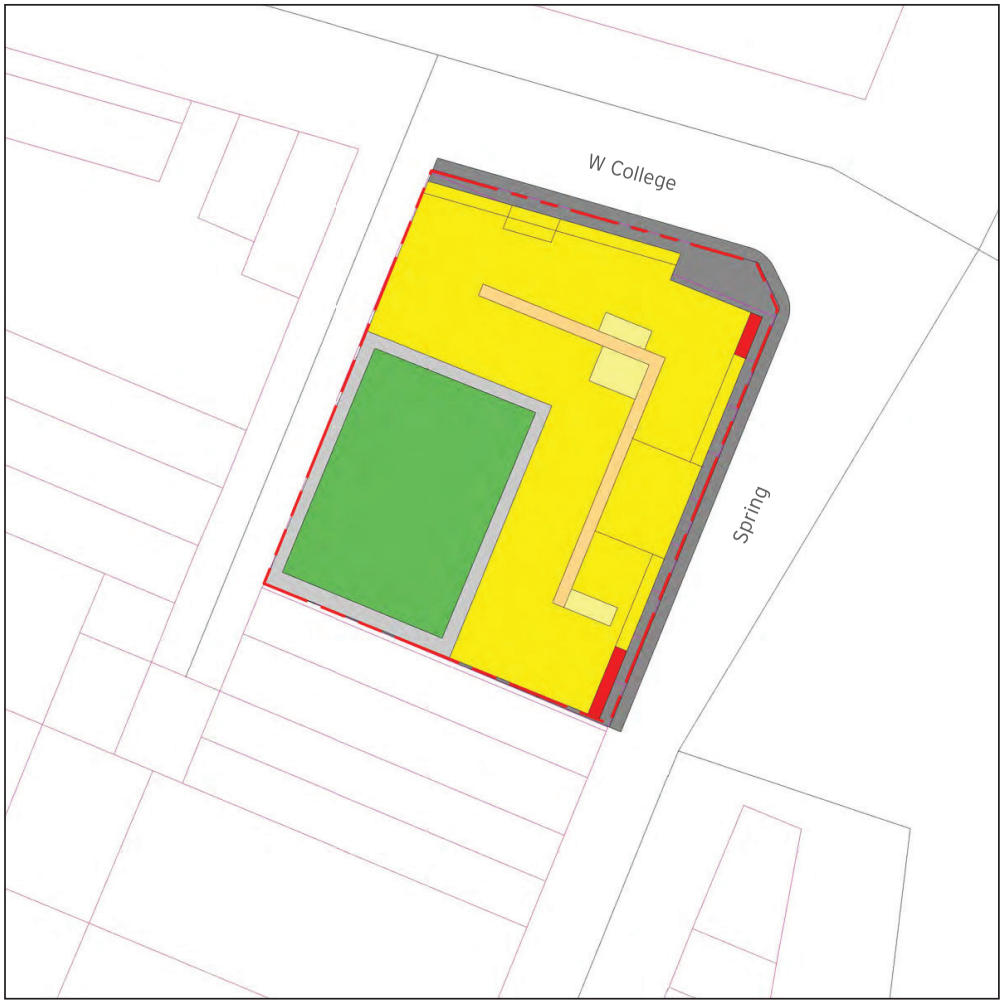
1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Scenario

Development Program	
Land Area (SF)	28,113.0
Max Building SF	168,678.0
Gross Building Area (GSF) Excluding Parking	168,643.0
FAR	6.0
Rentable Area - Residential (NSF)	159,459.0
Rentable Area - Retail (NSF)	8,010.0
Vertical Cores - (NSF)	6,820.0
Open Space - Percentage	34%
Parking	
Subterranean GSF	34,636.0
# of Vehicle Spaces	94
# of Bicycle Spaces	-
# of Levels	2
Structured GSF	25,958.0
# of Vehicle Spaces	71
# of Bicycle Spaces	-
# of Levels	1.5
Total Parking GSF	25,958.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

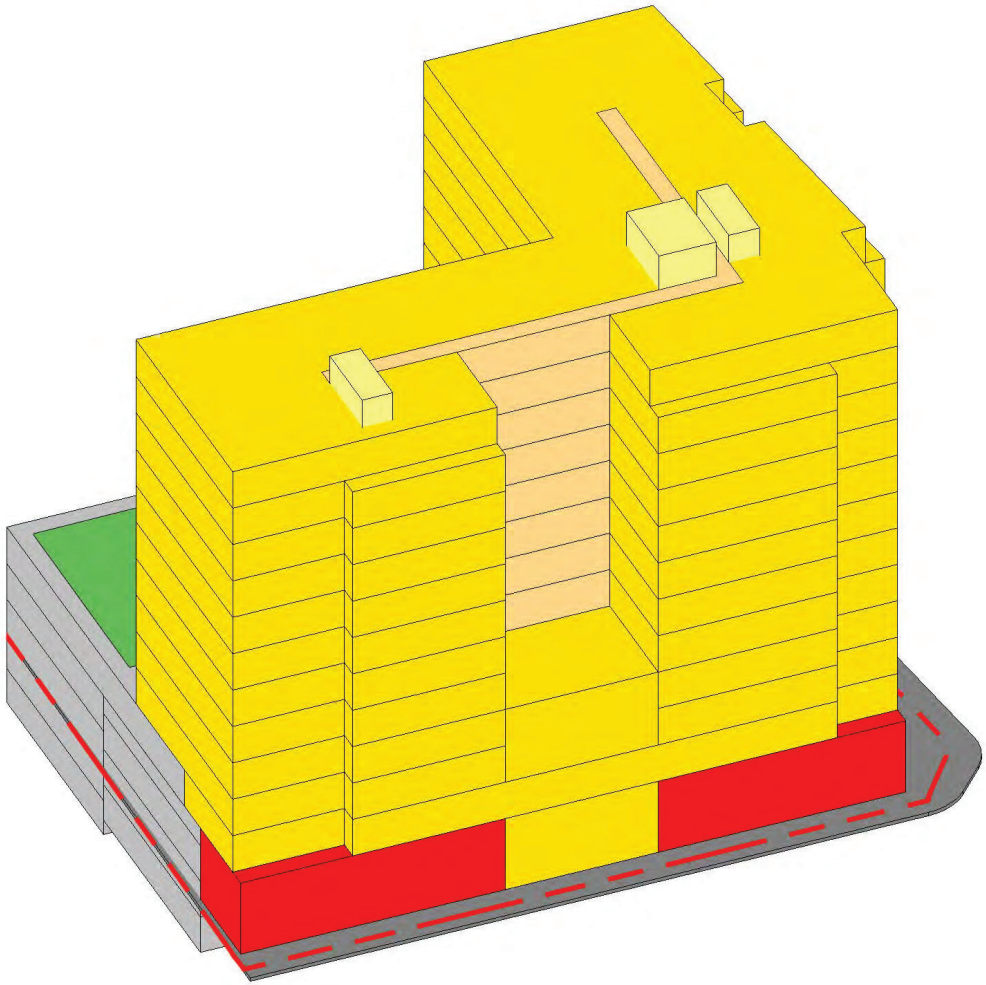
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

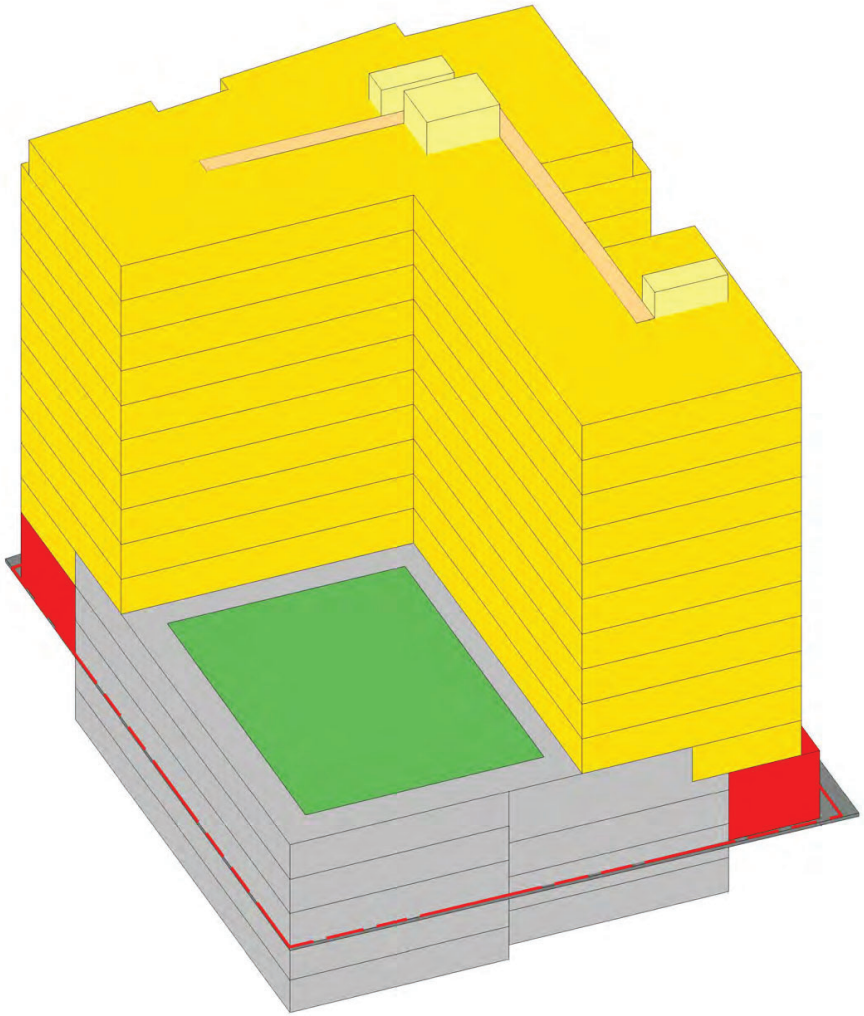


Plan and Site Information

Proposed Zoning Base - Case Study V

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

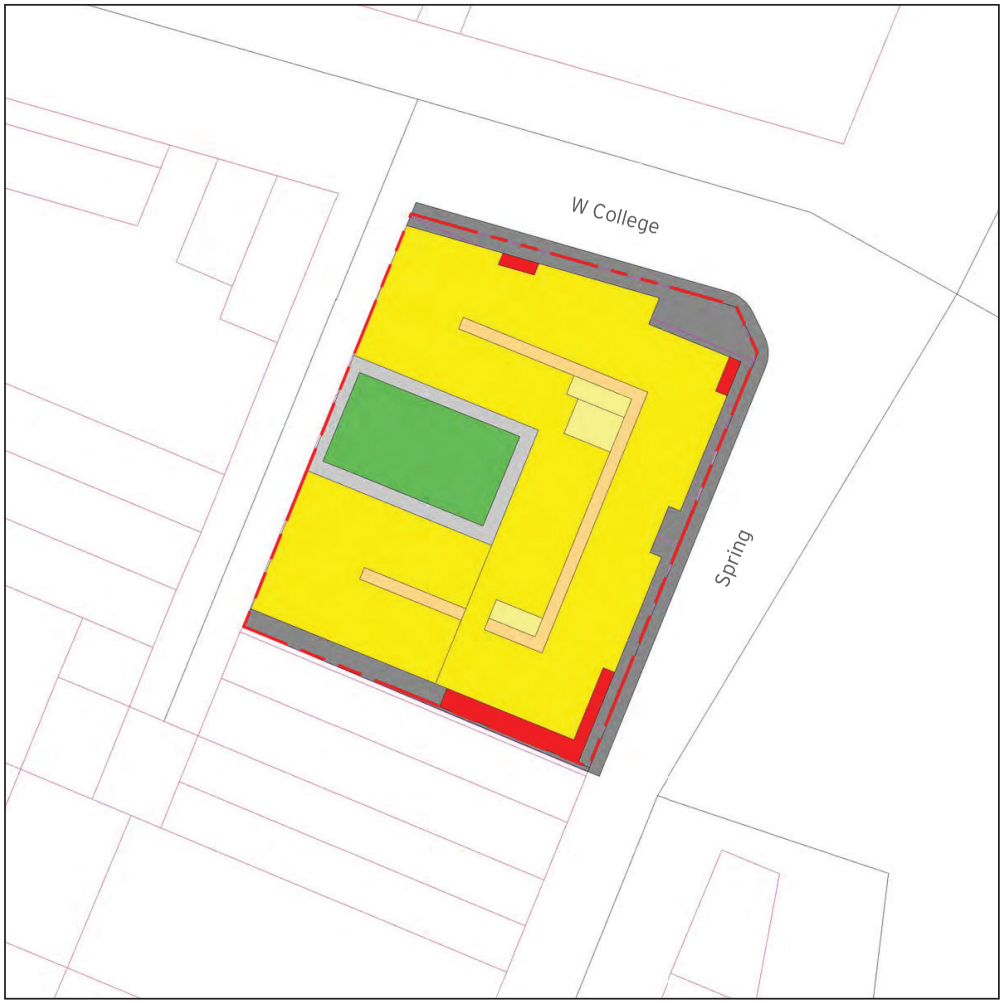
Proposed Zoning Base - Case Study V

LOS ANGELES ZONING ORDINANCE

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		28,113.0
Max Building SF		224,904.0
Gross Building Area (GSF)		224,460.0
FAR		8.0
Rentable Area - Residential (NSF)		196,547.0
Rentable Area - Retail (NSF)		11,411.0
Open Space - Percentage		22%
Parking		
Subterranean GSF		89,070.0
# of Vehicle Spaces		186
# of Bicycle Spaces		-
# of Levels		3
Surface GSF		
# of Vehicle Spaces		24
Structured GSF		-
# of Vehicle Spaces		-
# of Bicycle Spaces		
# of Levels		0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

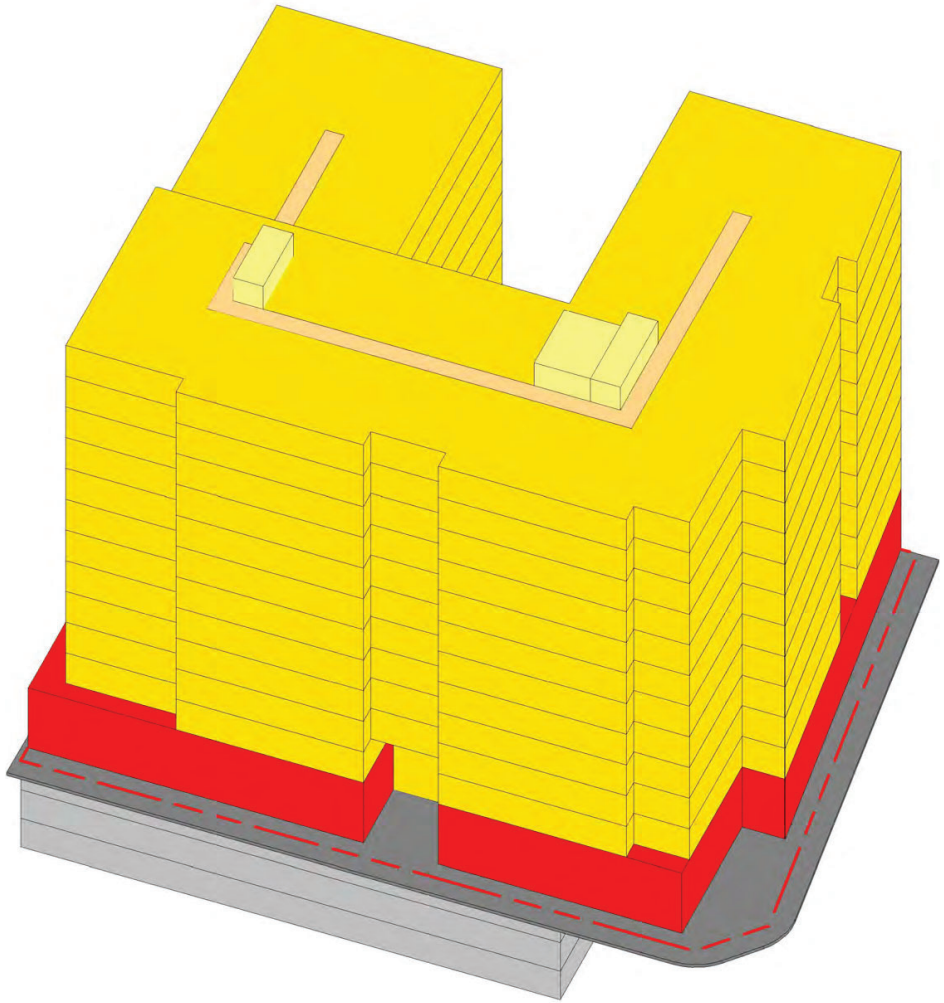
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

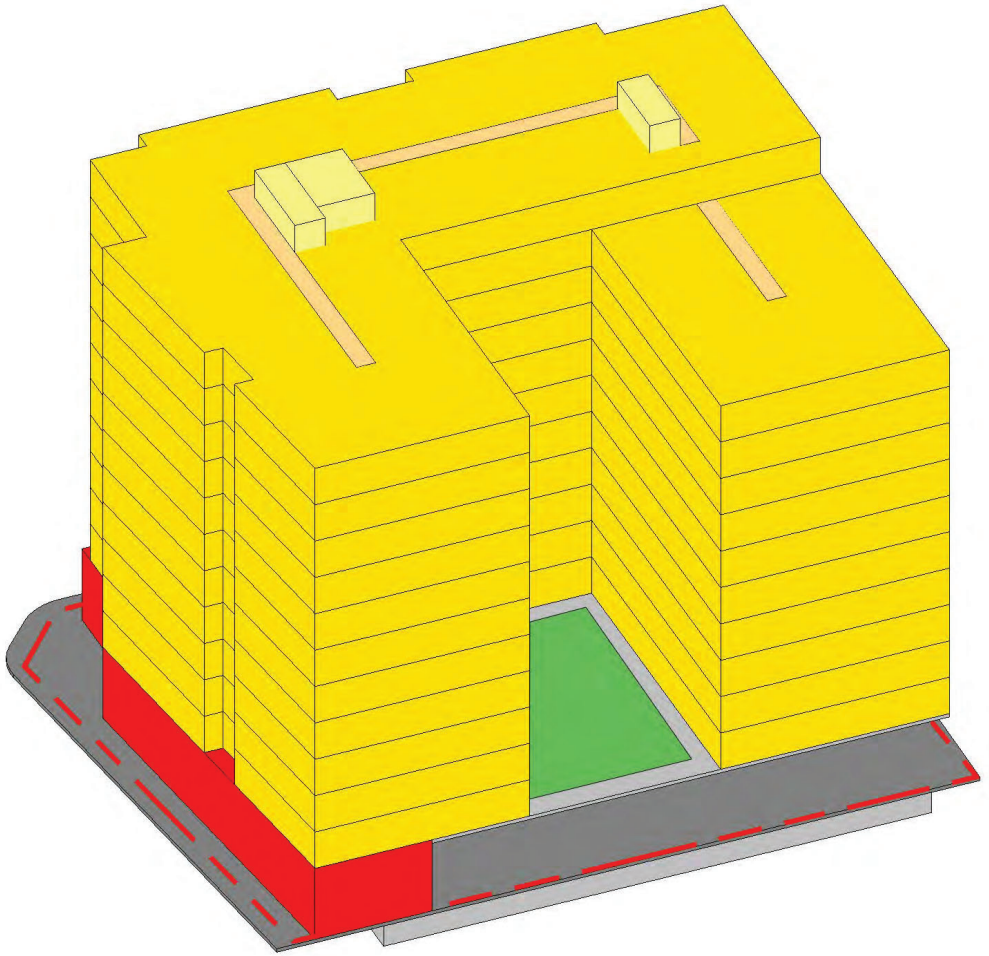


Plan and Site Information

Proposed Zoning Bonus - Case Study V

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study V

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VI (Apts.) ***South Park***
15th and Broadway

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	31,920	31,920	31,920	31,920	31,920	31,920
Gross Building Area (GSF)	191,296	258,473	318,252	318,252	318,252	318,252
FAR (based on GSF)[2]	6	8	10	10	10	10
Net Leasable Area (in SF)	172,166	232,626	286,427	286,427	286,427	286,427
Residential - Apartment	166,406	218,077	270,608	270,608	270,608	270,608
Residential - Condominium	-	-	-	-	-	-
Retail	5,760	14,549	15,819	15,819	7,674	15,819
Community Space - Public Benefit	-	-	-	-	8,145	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	63,164	63,694	63,694	63,694	63,694	63,694
Structured Parking	-	13,299	26,598	26,598	26,598	26,598
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	141	184	229	229	229	229
Unit Mix[3]						
Market Rate	176	210	266	255	266	266
Affordable - VLI	-	20	20	31	20	20
Total Units	**176**	**230**	**286**	**286**	**286**	**286**
Development Costs						
Hard Cost[4]	$49,887,419	$67,799,181	$88,677,642	$88,677,642	$88,677,642	$88,677,642
Soft Cost[6]	$12,199,627	$16,197,490	$20,865,710	$17,611,142	$17,514,927	$17,611,142
Financing Cost[5]	$6,084,531	$8,231,674	$10,735,249	$10,416,301	$10,406,872	$10,416,301
Total Development Cost (TDC)	**$68,171,577**	**$92,228,344**	**$120,278,601**	**$116,705,085**	**$116,599,441**	**$116,705,085**
Total Development Cost per SF	$356	$357	$378	$367	$366	$367
Total Development Cost per Unit	$387,339	$400,993	$420,555	$408,060	$407,690	$408,060
Net Operating Income[7]						
Residential	$5,261,308	$6,373,193	$8,033,490	$7,739,755	$8,033,490	$8,033,490
Retail	$265,392	$670,345	$728,860	$728,860	$353,569	$728,860
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$5,526,700**	**$7,043,538**	**$8,762,351**	**$8,468,615**	**$8,387,060**	**$8,762,351**
Value Generated						
Project Value	$114,186,299	$144,332,522	$179,930,943	$173,811,447	$173,460,407	$179,930,943
Weighted Cap Rate[8]	4.8%	4.9%	4.9%	4.9%	4.8%	4.9%
Less: Cost of Sales[5]	($3,425,589)	($4,329,976)	($5,397,928)	($5,214,343)	($5,203,812)	($5,397,928)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$110,760,710	$140,002,546	$174,533,015	$168,597,103	$168,256,595	$174,533,015
Less: Developer Profit[5]	($16,614,107)	($21,000,382)	($26,179,952)	($25,289,565)	($25,238,489)	($26,179,952)
Less: Development Cost	($68,171,577)	($92,228,344)	($120,278,601)	($116,705,085)	($116,599,441)	($116,705,085)
Total Residual Land Value						
Total	**$25,975,027**	**$26,773,820**	**$28,074,461**	**$26,602,452**	**$26,418,665**	**$31,647,977**
Per SF of Land	**$814**	**$839**	**$880**	**$833**	**$828**	**$991**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11%	11%	18%	11%	11%
Community Space (Percentage of Additional FAR)					13.6%	
Cash Payments per Addn. FAR square feet						$82

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VI (Apts.) ***South Park***
15th and Broadway

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	31,920	31,920	31,920	31,920	31,920	31,920
Gross Building Area (GSF)	191,296	258,473	318,252	318,252	318,252	318,252
FAR (based on GSF)[2]	6	8	10	10	10	10
Net Leasable Area (in SF)	172,166	232,626	286,427	286,427	286,427	286,427
Residential - Apartment	166,406	218,077	270,608	270,608	270,608	270,608
Residential - Condominium	-	-	-	-	-	-
Retail	5,760	14,549	15,819	15,819	7,674	15,819
Community Space - Public Benefit	-	-	-	-	8,145	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	63,164	63,694	63,694	63,694	63,694	63,694
Structured Parking	-	13,299	26,598	26,598	26,598	26,598
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	141	184	229	229	229	229
Unit Mix[3]						
Market Rate	176	210	266	250	266	266
Affordable - VLI	-	20	20	20	20	20
Affordable - MI	-	-	-	16	-	-
Total Units	**176**	**230**	**286**	**286**	**286**	**286**
Development Costs						
Hard Cost[4]	$49,887,419	$67,799,181	$88,677,642	$88,677,642	$88,677,642	$88,677,642
Soft Cost[6]	$12,199,627	$16,197,490	$20,865,710	$17,611,142	$17,514,927	$17,611,142
Financing Cost[5]	$6,084,531	$8,231,674	$10,735,249	$10,416,301	$10,406,872	$10,416,301
Total Development Cost (TDC)	**$68,171,577**	**$92,228,344**	**$120,278,601**	**$116,705,085**	**$116,599,441**	**$116,705,085**
Total Development Cost per SF	$356	$357	$378	$367	$366	$367
Total Development Cost per Unit	$387,339	$400,993	$420,555	$408,060	$407,690	$408,060
Net Operating Income[7]						
Residential	$5,261,308	$6,380,550	$8,040,848	$7,776,088	$8,040,848	$8,040,848
Retail	$265,392	$670,345	$728,860	$728,860	$353,569	$728,860
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$5,526,700**	**$7,050,895**	**$8,769,708**	**$8,504,948**	**$8,394,417**	**$8,769,708**
Value Generated						
Project Value	$114,186,299	$144,485,804	$180,084,225	$174,568,383	$173,613,690	$180,084,225
Weighted Cap Rate[8]	4.8%	4.9%	4.9%	4.9%	4.8%	4.9%
Less: Cost of Sales[5]	($3,425,589)	($4,334,574)	($5,402,527)	($5,237,051)	($5,208,411)	($5,402,527)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$110,760,710	$140,151,230	$174,681,699	$169,331,331	$168,405,279	$174,681,699
Less: Developer Profit[5]	($16,614,107)	($21,022,685)	($26,202,255)	($25,399,700)	($25,260,792)	($26,202,255)
Less: Development Cost	($68,171,577)	($92,228,344)	($120,278,601)	($116,705,085)	($116,599,441)	($116,705,085)
Total Residual Land Value						
Total	**$25,975,027**	**$26,900,201**	**$28,200,843**	**$27,226,546**	**$26,545,046**	**$31,774,359**
Per SF of Land	**$814**	**$843**	**$883**	**$853**	**$832**	**$995**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11.4%	11%	11%	11%	11%
Affordable Housing (MI % of Base Units)	0%	0%	0%	9%	0%	0%
Community Space (Percentage of Additional FAR)					13.6%	
Cash Payments per Addn. FAR square feet						$82

SOURCES & NOTES:

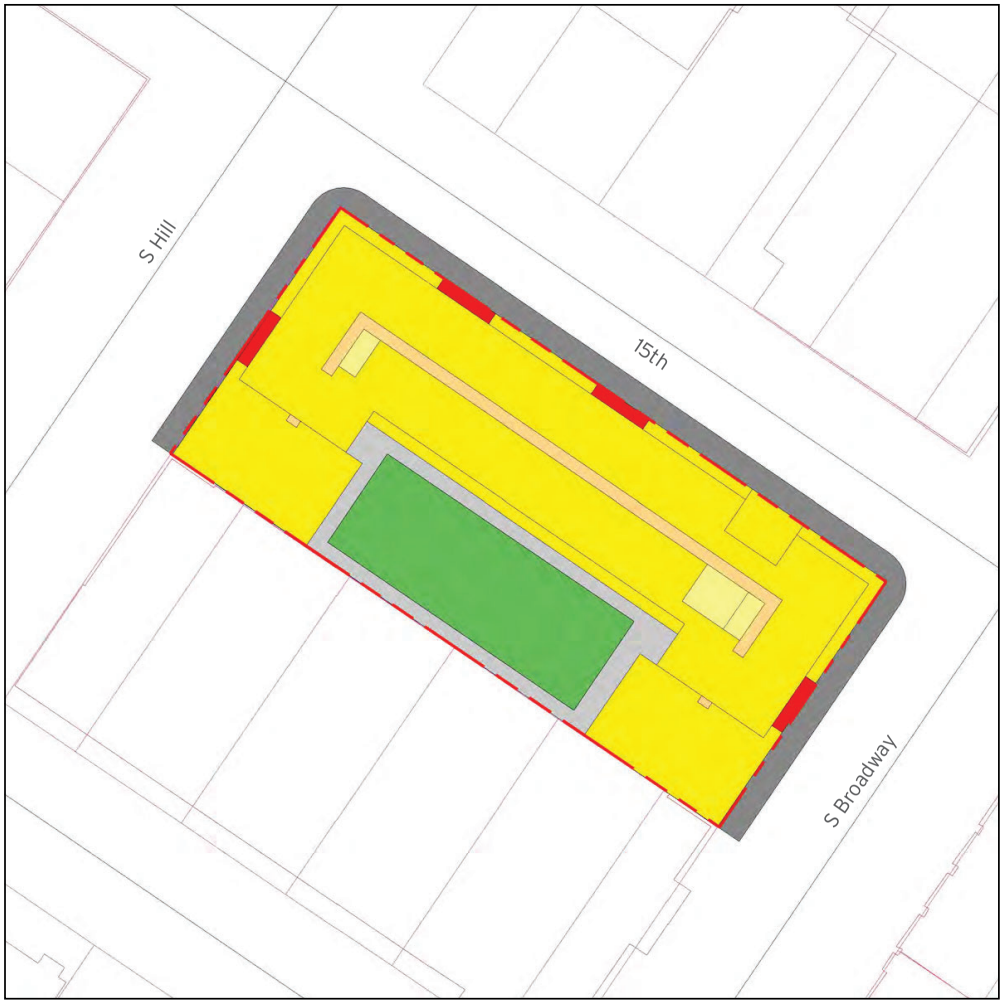
1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Scenario

Development Program	
Land Area (SF)	31,920.0
Max Building SF	191,520.0
Gross Building Area (GSF) Excluding Parking	191,296.0
FAR	6.0
Rentable Area - Residential (NSF)	160,866.0
Rentable Area - Retail (NSF)	17,124.0
Vertical Cores - (NSF)	5,760.0
Open Space - Percentage	23%
Parking	
Subterranean GSF	63,164.0
# of Vehicle Spaces	160
# of Bicycle Spaces	-
# of Levels	2
Structured GSF	26,598.0
# of Vehicle Spaces	48
# of Bicycle Spaces	-
# of Levels	2
Total Parking GSF	89,762.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

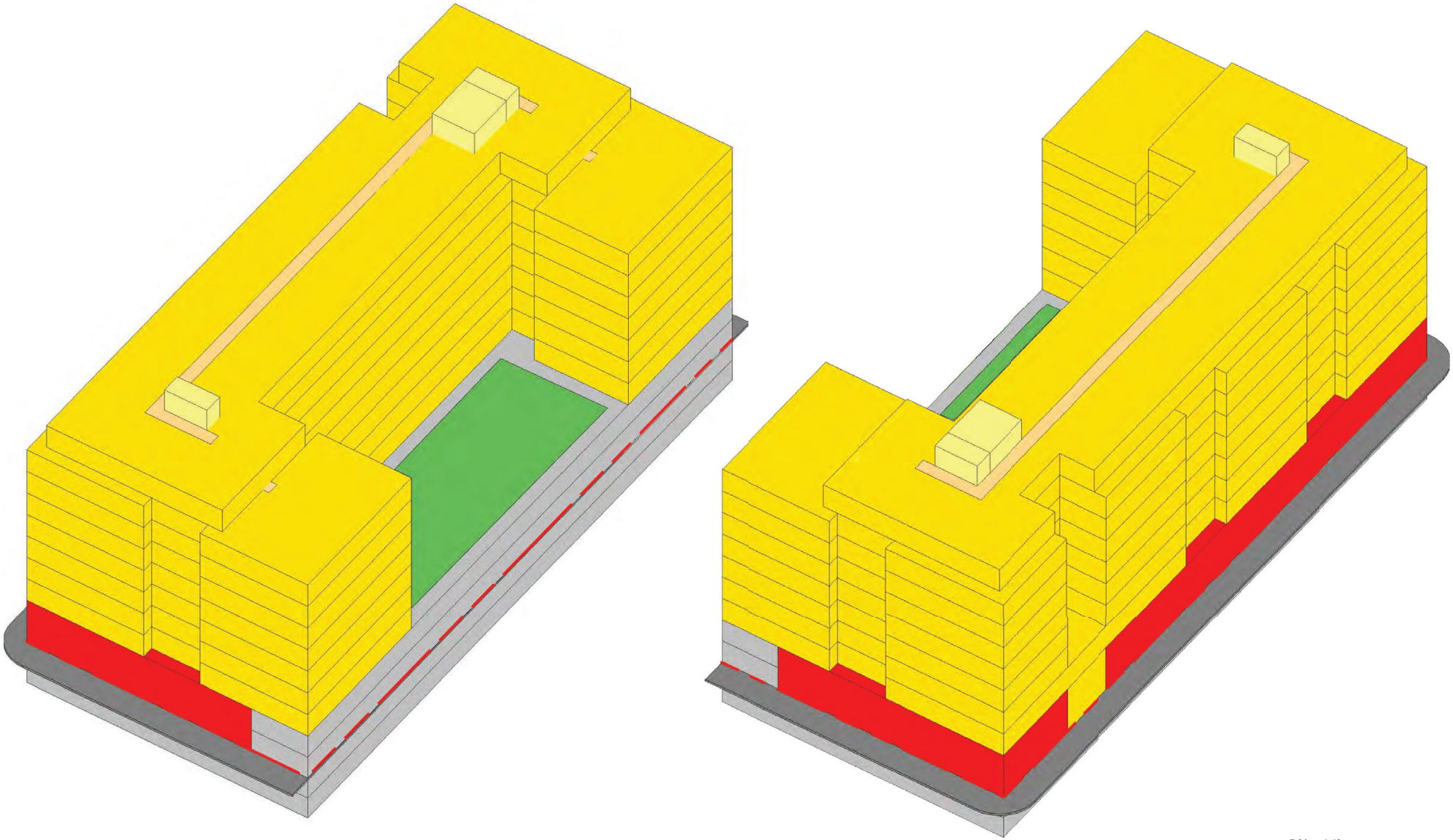
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail



0 25 50 100 FT

N

Plan and Site Information
Proposed Zoning Base - Case Study VI
LOS ANGELES ZONING ORDINANCE



Site Views (Not to scale)

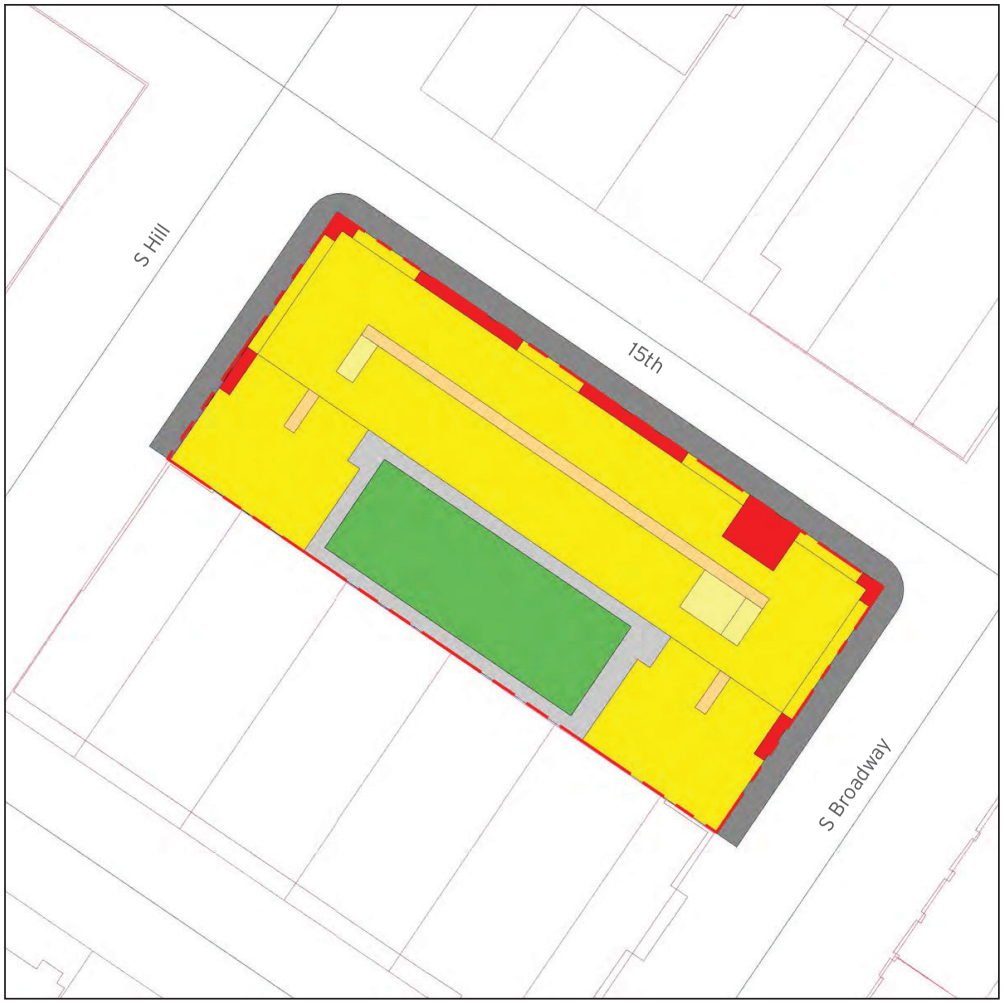
Proposed Zoning Base - Case Study VI

LOS ANGELES ZONING ORDINANCE

State Mandated Affordable Housing Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		31,920.0
Max Building SF		258,552.0
Gross Building Area (GSF) Excluding Parking		258,473.0
FAR		8.1
Rentable Area Residential (NSF)		219,678.0
Rentable Area - Retail (NSF)		17,549.0
Open Space - Percentage		23%
Parking		
Subterranean GSF		63,694.0
# of Vehicle Spaces		160
# of Bicycle Spaces		-
# of Levels		2
Structured GSF		26,598.0
# of Vehicle Spaces		48
# of Bicycle Spaces		-
# of Levels		2
Total Parking GSF		90,292.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

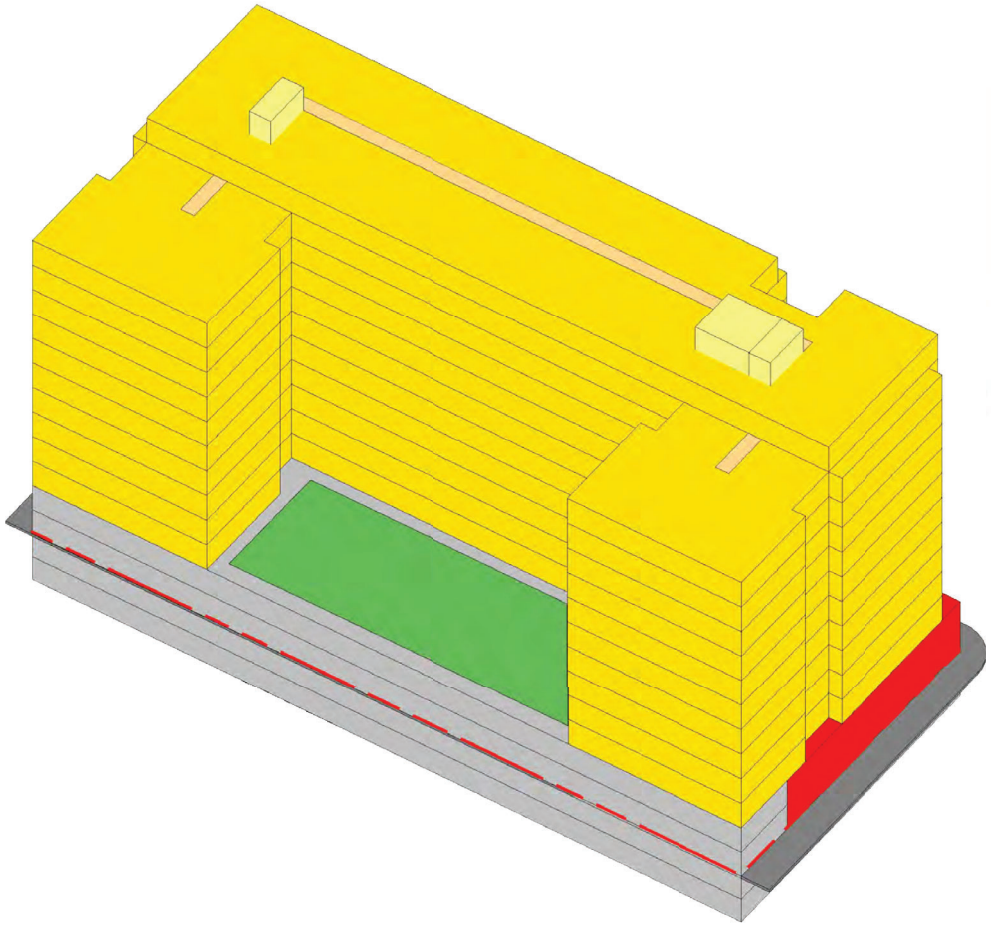
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

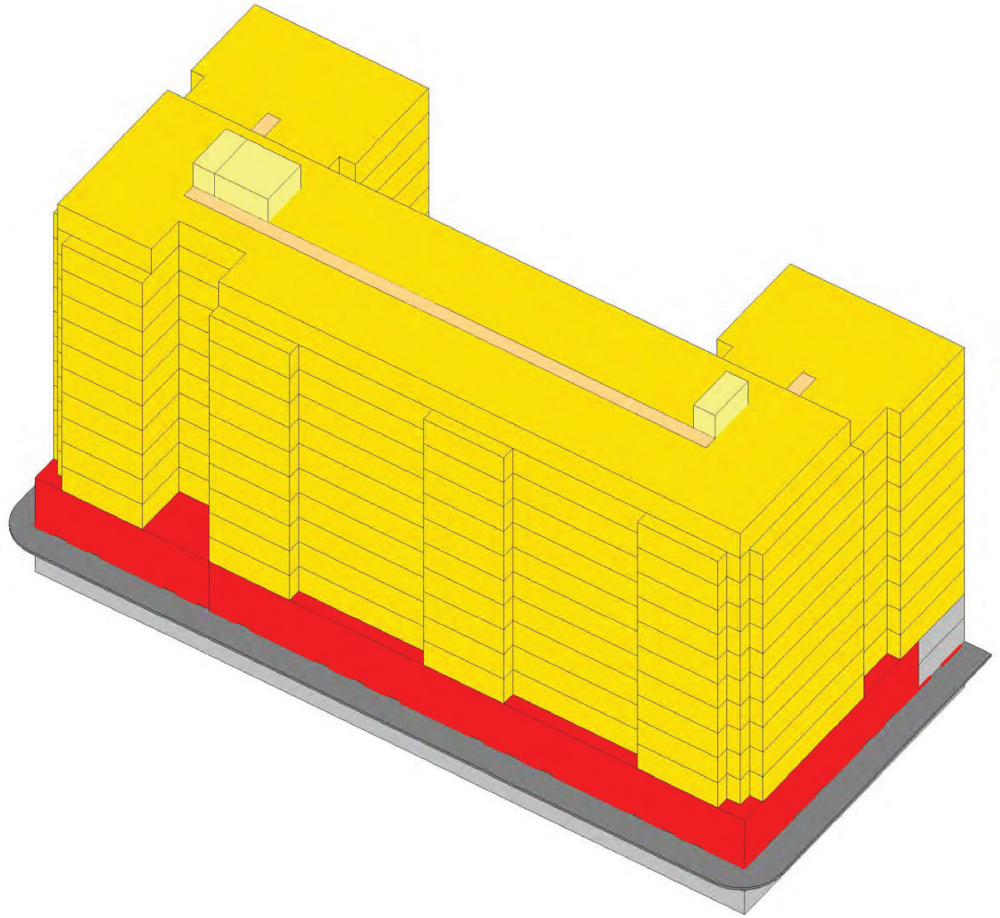


Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study VI

LOS ANGELES ZONING ORDINANCE





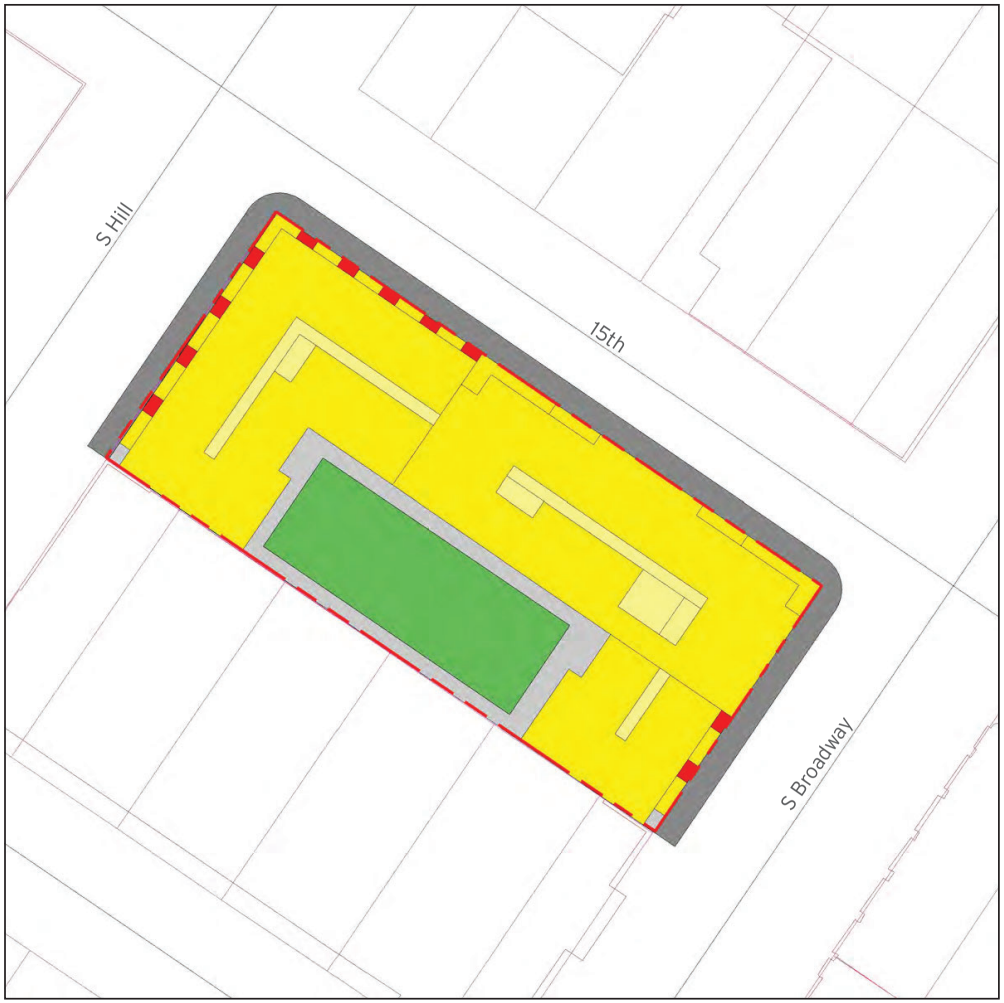
Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study VI

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		31,920.0
Max Building SF		319,200.0
Gross Building Area (GSF)		318,252.0
FAR		10.0
Rentable Area - Residential (NSF)		263,724.0
Rentable Area - Retail (NSF)		15,819.0
Open Space - Percentage		19.97%
Parking		
Subterranean GSF		95,541.0
# of Vehicle Spaces		240
# of Bicycle Spaces		-
# of Levels		3
Structured GSF		26,598.0
# of Vehicle Spaces		48
# of Bicycle Spaces		-
# of Levels		2
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail



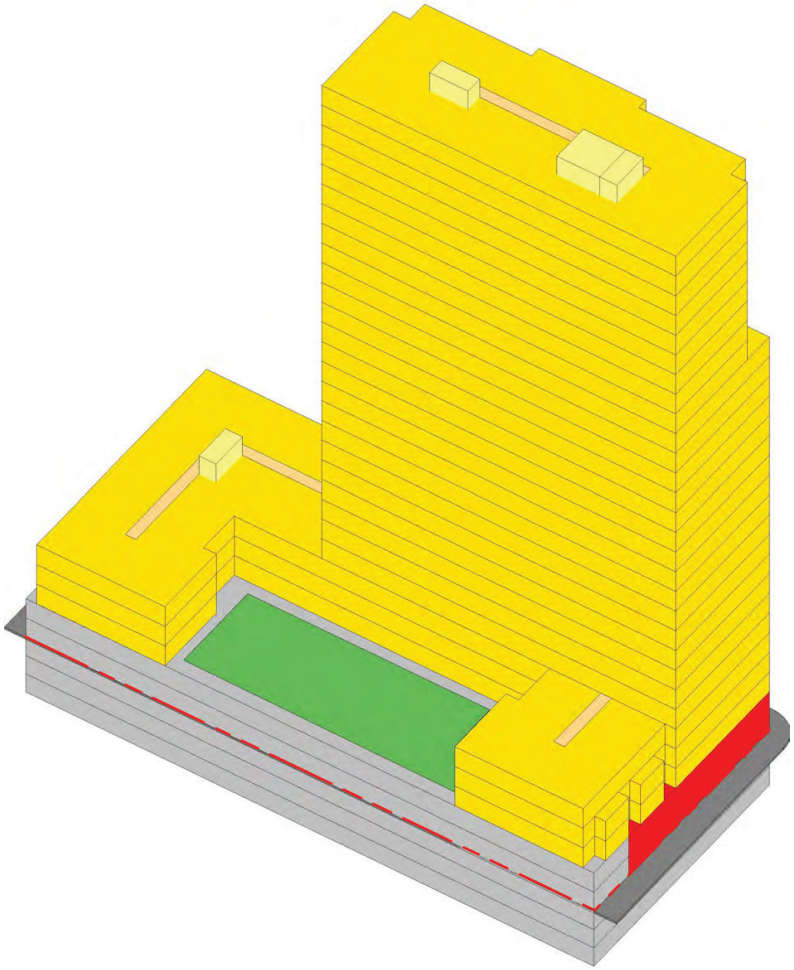
0 25 50 100 FT

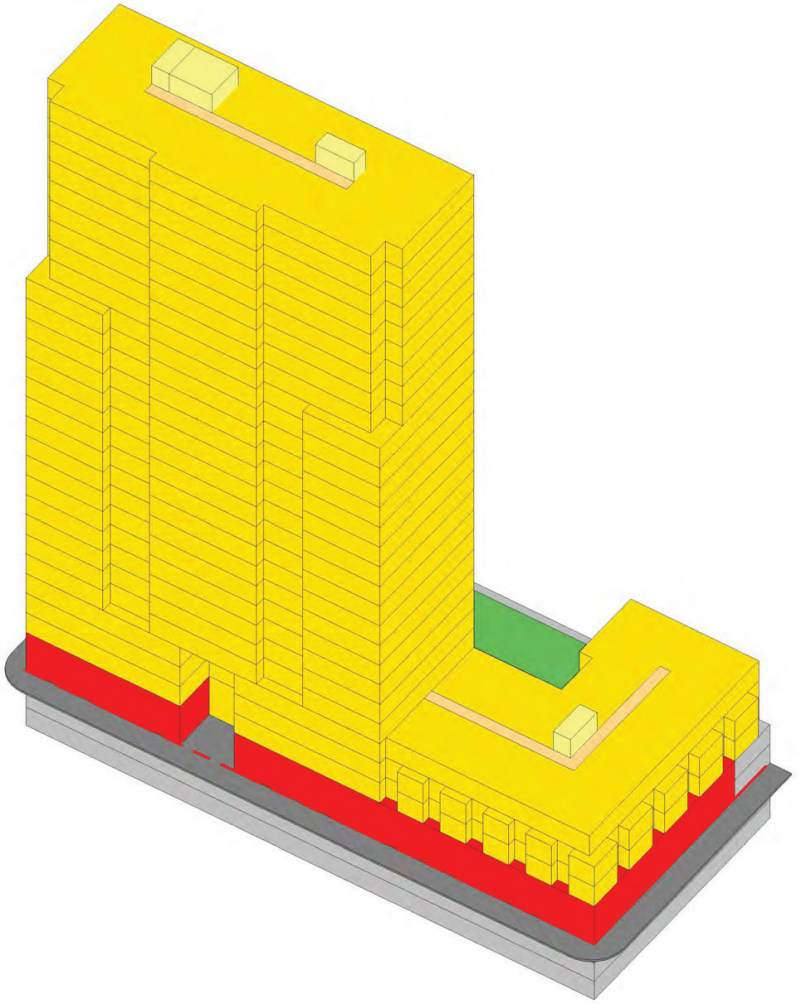
N

Plan and Site Information

Proposed Zoning Bonus - Case Study VI

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study VI

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VI -
(Apts. Open Space)

South Park
15th and Broadway

Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**TIER II Aff. Housing**	**TIER II Open Space**	**TIER II Cash Payments**
Land Area (in SF)	31,920	31,920	31,920	31,920	31,920	31,920
Gross Building Area (GSF)	191,296	258,473	319,168	319,168	319,168	319,168
FAR (based on GSF)[2]	6	8	10	10	10	10
Net Leasable Area (in SF)	172,166	232,626	287,251	287,251	287,251	287,251
Residential - Apartment	166,406	218,077	276,962	276,962	276,962	276,962
Residential - Condominium	-	-	-	-	-	-
Retail	5,760	14,549	10,289	10,289	1	10,289
Community Space - Public Benefit	-	-	-	-	10,288	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	63,164	63,694	63,694	63,694	63,694	63,694
Structured Parking	-	13,299	26,598	26,598	26,598	26,598
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	141	184	235	235	235	235
Unit Mix[3]						
Market Rate	176	210	273	260	272	273
Affordable - VLI	-	20	20	33	21	20
Total Units	**176**	**230**	**293**	**293**	**293**	**293**
Development Costs						
Hard Cost[4]	$52,473,028	$67,593,024	$87,898,808	$87,898,808	$87,898,808	$87,898,808
Soft Cost[6]	$12,633,115	$16,208,129	$21,045,074	$17,398,047	$17,379,809	$17,501,333
Financing Cost[5]	$6,380,402	$8,212,513	$10,676,500	$10,319,092	$10,317,304	$10,329,214
Total Development Cost (TDC)	**$71,486,544**	**$92,013,666**	**$119,620,383**	**$115,615,947**	**$115,595,921**	**$115,729,356**
Total Development Cost per SF	$374	$356	$375	$362	$362	$363
Total Development Cost per Unit	$406,174	$400,059	$408,261	$394,594	$394,525	$394,981
Net Operating Income[7]						
Residential	$4,935,724	$6,047,609	$7,932,291	$7,591,968	$7,979,198	$7,932,291
Retail	$265,392	$670,345	$474,066	$474,066	$55	$474,066
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$5,201,116**	**$6,717,954**	**$8,406,357**	**$8,066,034**	**$7,979,253**	**$8,406,357**
Value Generated						
Project Value	$107,403,299	$137,549,522	$173,429,617	$166,339,554	$166,234,240	$173,429,617
Weighted Cap Rate[8]	4.8%	4.9%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($3,222,099)	($4,126,486)	($5,202,889)	($4,990,187)	($4,987,027)	($5,202,889)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$104,181,200	$133,423,036	$168,226,729	$161,349,367	$161,247,213	$168,226,729
Less: Developer Profit[5]	($15,627,180)	($20,013,455)	($25,234,009)	($24,202,405)	($24,187,082)	($25,234,009)
Less: Development Cost	($71,486,544)	($92,013,666)	($119,620,383)	($115,615,947)	($115,595,921)	($115,729,356)
Total Residual Land Value						
Total	**$17,067,476**	**$21,395,915**	**$23,372,336**	**$21,531,015**	**$21,464,209**	**$27,263,364**
Per SF of Land	**$535**	**$670**	**$732**	**$675**	**$672**	**$854**
Public Benefits						
Affordable Housing (% of Total Units)	0.0%	11.4%	11.4%	18.8%	11.9%	11.4%
Community Space (Percentage of Additional FAR)					17.0%	
Cash Payments per Addn. FAR square feet						$97

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, January 2017 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
8. Based on RERC 2018 data for Los Angeles area.
8. Based on RERC 3Q-2017 data for Los Angeles area.

Bonus Scenario	
Development Program	
Land Area (SF)	31,920.0
FAR	10.0
Max Allowable Building SF	319,200.0
Gross Building Area (GSF)	319,168.0
Rentable Area - Residential (NSF)	289,970.0
Rentable Area - Retail (NSF)	10,289.0
Open Space - Percentage	51%
Parking	
Subterranean GSF	72,678.0
# of Vehicle Spaces	183
# of Bicycle Spaces	-
# of Levels	3
Structured GSF	27,044.0
# of Vehicle Spaces	64
# of Bicycle Spaces	-
# of Levels	2
Total Parking Spaces	247
Total Parking GSF	99,722.0

Program Key

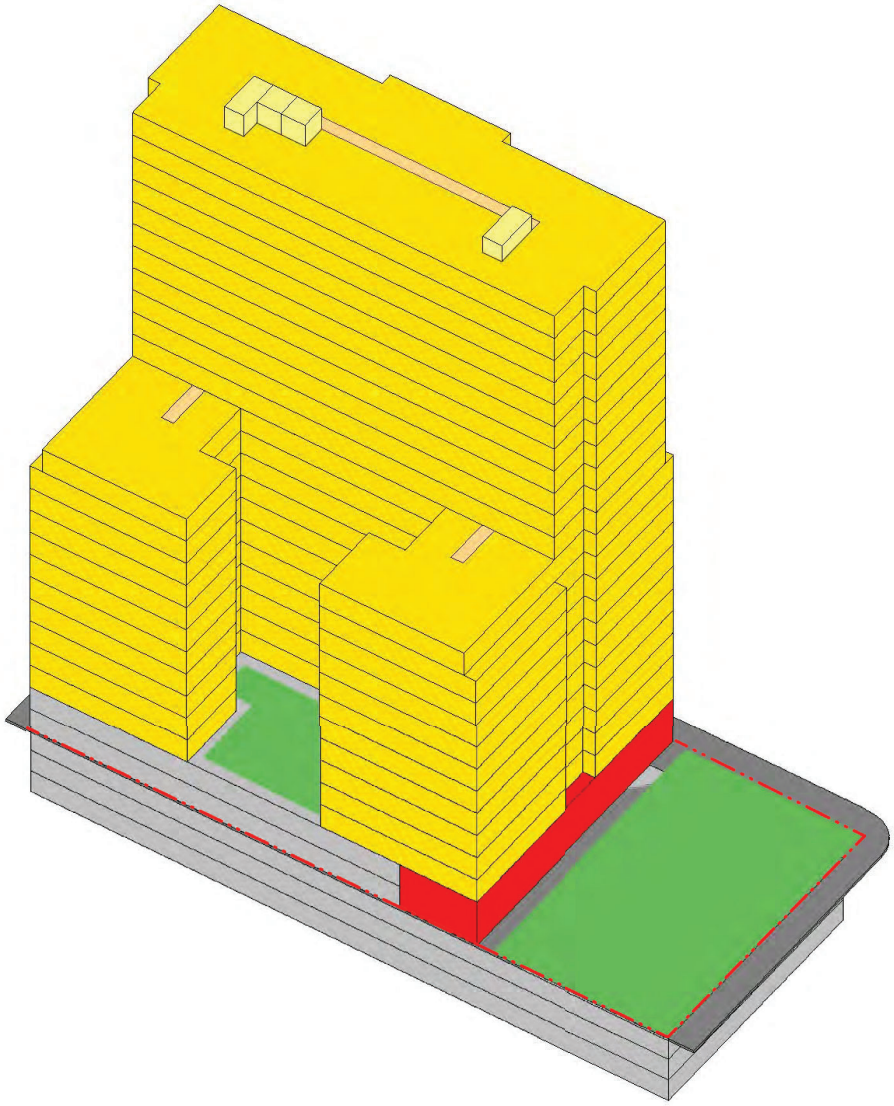
- Amenity Space - Vehicle Accessible
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail
- Hotel
- Office
- Hybrid/Industrial

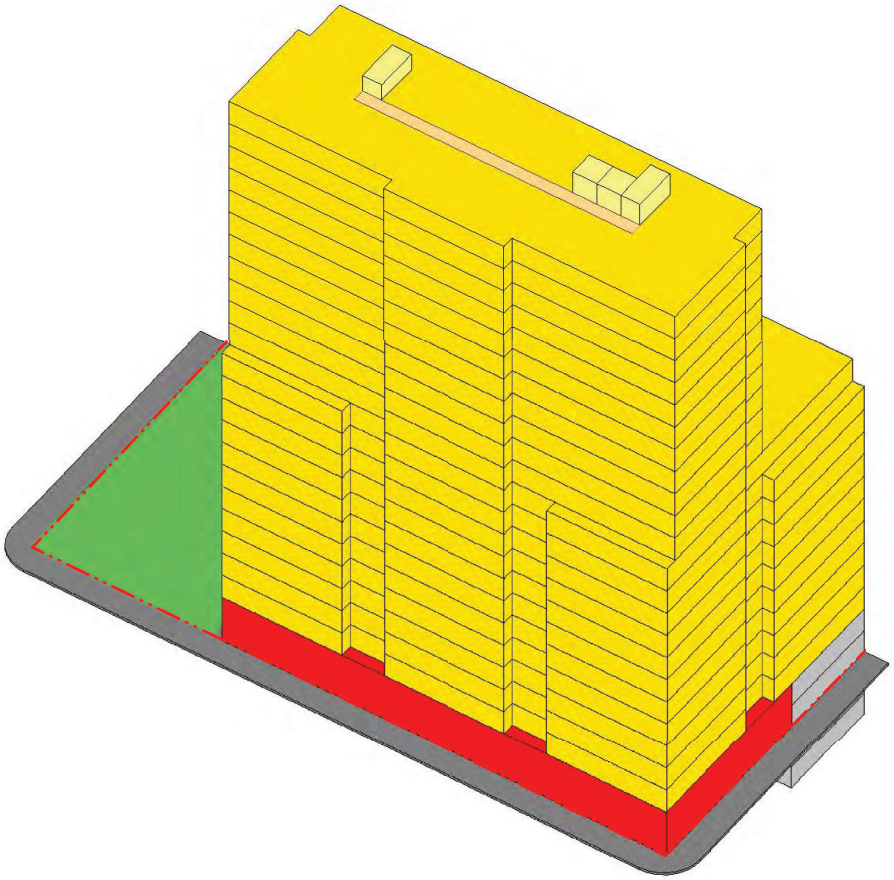
N

0 25 50 100 FT

TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Plan and Site Information
Proposed Zoning - Open Space Bonus FAR
(158-144 West 15th Street & 1501 South Broadway) **Case Study VI**





Site Views (Not to scale)

Proposed Zoning - Open Space Bonus FAR

(158-144 West 15th Street & 1501 South Broadway) **Case Study VI**

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VII (Apts.) ***South Park***
Flower and Venice

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	30,056	30,056	30,056	30,056	30,056	30,056
Gross Building Area (GSF)	180,025	242,938	390,180	390,180	390,180	390,180
FAR (based on GSF)[2]	6	8	13	13	13	13
Net Leasable Area (in SF)	162,023	218,644	351,162	351,162	351,162	351,162
Residential - Apartment	153,093	209,691	342,209	342,209	342,209	342,209
Residential - Condominium	-	-	-	-	-	-
Retail	8,930	8,953	8,953	8,953	(0)	8,953
Community Space - Public Benefit	-	-	-	-	8,953	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	59,380	89,070	89,070	89,070	89,070	89,070
Structured Parking	-	-	51,408	51,408	51,408	51,408
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	130	177	289	289	289	289
Unit Mix[3]						
Market Rate	162	203	344	319	333	344
Affordable - VLI	-	18	18	43	29	18
Total Units	**162**	**221**	**362**	**362**	**362**	**362**
Development Costs						
Hard Cost[4]	$47,598,805	$66,548,304	$113,207,830	$113,207,830	$113,207,830	$113,207,830
Soft Cost[6]	$11,570,307	$15,737,453	$26,530,441	$22,385,930	$22,280,172	$22,385,930
Financing Cost[5]	$5,798,573	$8,064,004	$13,694,350	$13,288,188	$13,277,824	$13,288,188
Total Development Cost (TDC)	**$64,967,685**	**$90,349,762**	**$153,432,621**	**$148,881,948**	**$148,765,826**	**$148,881,948**
Total Development Cost per SF	$361	$372	$393	$382	$381	$382
Total Development Cost per Unit	$401,035	$408,822	$423,847	$411,276	$410,955	$411,276
Net Operating Income[7]						
Residential	$4,841,505	$6,148,932	$10,346,249	$9,718,311	$10,071,426	$10,346,249
Retail	$411,450	$412,509	$412,509	$412,509	($2)	$412,509
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$5,252,955**	**$6,561,442**	**$10,758,759**	**$10,130,821**	**$10,071,424**	**$10,758,759**
Value Generated						
Project Value	$107,958,649	$135,214,984	$222,659,096	$209,577,050	$209,821,340	$222,659,096
Weighted Cap Rate[8]	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($3,238,759)	($4,056,450)	($6,679,773)	($6,287,311)	($6,294,640)	($6,679,773)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$104,719,889	$131,158,534	$215,979,323	$203,289,738	$203,526,700	$215,979,323
Less: Developer Profit[5]	($15,707,983)	($19,673,780)	($32,396,898)	($30,493,461)	($30,529,005)	($32,396,898)
Less: Development Cost	($64,967,685)	($90,349,762)	($153,432,621)	($148,881,948)	($148,765,826)	($148,881,948)
Total Residual Land Value						
Total	**$24,044,221**	**$21,134,992**	**$30,149,804**	**$23,914,329**	**$24,231,869**	**$34,700,477**
Per SF of Land	**$800**	**$703**	**$1,003**	**$796**	**$806**	**$1,155**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11%	11%	27%	18%	11%
Community Space (Percentage of Additional FAR)					6.1%	
Cash Payments per Addn. FAR square feet						$51

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VII (Apts.) ***South Park Flower and Venice***

				TIER II	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	30,056	30,056	30,056	30,056	30,056	30,056
Gross Building Area (GSF)	180,025	242,938	390,180	390,180	390,180	390,180
FAR (based on GSF)[2]	6	8	13	13	13	13
Net Leasable Area (in SF)	162,023	218,644	351,162	351,162	351,162	351,162
Residential - Apartment	153,093	209,691	342,209	342,209	342,209	342,209
Residential - Condominium	-	-	-	-	-	-
Retail	8,930	8,953	8,953	8,953	(0)	8,953
Community Space - Public Benefit	-	-	-	-	8,953	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	59,380	89,070	89,070	89,070	89,070	89,070
Structured Parking	-	-	51,408	51,408	51,408	51,408
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	130	177	289	289	289	289
Unit Mix[3]						
Market Rate	162	203	344	307	333	344
Affordable - VLI	-	18	18	18	29	18
Affordable - MI	-	-	-	37	-	-
Total Units	**162**	**221**	**362**	**362**	**362**	**362**
Development Costs						
Hard Cost[4]	$47,598,805	$66,548,304	$113,207,830	$113,207,830	$113,207,830	$113,207,830
Soft Cost[6]	$11,570,307	$15,737,453	$26,530,441	$22,385,930	$22,280,172	$22,385,930
Financing Cost[5]	$5,798,573	$8,064,004	$13,694,350	$13,288,188	$13,277,824	$13,288,188
Total Development Cost (TDC)	**$64,967,685**	**$90,349,762**	**$153,432,621**	**$148,881,948**	**$148,765,826**	**$148,881,948**
Total Development Cost per SF	$361	$372	$393	$382	$381	$382
Total Development Cost per Unit	$401,035	$408,822	$423,847	$411,276	$410,955	$411,276
Net Operating Income[7]						
Residential	$4,841,505	$6,155,635	$10,352,953	$9,727,105	$10,082,439	$10,352,953
Retail	$411,450	$412,509	$412,509	$412,509	($2)	$412,509
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$5,252,955**	**$6,568,145**	**$10,765,462**	**$10,139,615**	**$10,082,436**	**$10,765,462**
Value Generated						
Project Value	$107,958,649	$135,354,634	$222,798,746	$209,760,257	$210,050,765	$222,798,746
Weighted Cap Rate[8]	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%
Less: Cost of Sales[5]	($3,238,759)	($4,060,639)	($6,683,962)	($6,292,808)	($6,301,523)	($6,683,962)
Net Condo Sales Revenue	$0	$0	$0	$0	$0	$0
Net Project Value Generated	$104,719,889	$131,293,995	$216,114,784	$203,467,450	$203,749,242	$216,114,784
Less: Developer Profit[5]	($15,707,983)	($19,694,099)	($32,417,218)	($30,520,117)	($30,562,386)	($32,417,218)
Less: Development Cost	($64,967,685)	($90,349,762)	($153,432,621)	($148,881,948)	($148,765,826)	($148,881,948)
Total Residual Land Value						
Total	**$24,044,221**	**$21,250,134**	**$30,264,945**	**$24,065,384**	**$24,421,030**	**$34,815,618**
Per SF of Land	**$800**	**$707**	**$1,007**	**$801**	**$813**	**$1,158**
Public Benefits						
Affordable Housing (VLI % of Base Units)	0%	11.1%	11%	11%	18%	11%
Affordable Housing (MI % of Base Units)	0%	0%	0%	23%	0%	0%
Community Space (Percentage of Additional FAR)					6.1%	
Cash Payments per Addn. FAR square feet						$51

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VII (Condo) ***South Park***
Flower and Venice

				TIER I	TIER II	TIER II
Development Program[1]	**Base Case**	**Intermediate**	**Max. Bonus**	**Aff. Housing**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	30,056	30,056	30,056	30,056	30,056	30,056
Gross Building Area (GSF)	180,025	242,938	390,180	390,180	390,180	390,180
FAR (based on GSF)[2]	6	8	13	13	13	13
Net Leasable Area (in SF)	162,023	218,644	351,162	351,162	351,162	351,162
Residential - Apartment	-	-	-	-	-	-
Residential - Condominium	153,093	209,691	342,209	342,209	342,209	342,209
Retail	8,930	8,953	8,953	8,953	8,953	8,953
Community Space - Public Benefit	-	-	-	-	-	-
Office	-	-	-	-	-	-
Hotel	-	-	-	-	-	-
Building Efficiency	1	1	1	1	1	1
Subterranean Parking	89,070	89,070	118,760	118,760	118,760	118,760
Structured Parking	17,136	34,272	85,680	85,680	85,680	85,680
Surface Parking	-	-	-	-	-	-
Total Residential Parking (Spaces)	**208**	**248**	**424**	**424**	**424**	**424**
Unit Mix[3]						
Market Rate	149	159	288	288	288	288
Affordable - VLI	-	45	45	45	45	45
Total Units	**149**	**204**	**333**	**333**	**333**	**333**
Development Costs						
Hard Cost[4]	$61,581,102	$82,642,988	$142,941,974	$142,941,974	$142,941,974	$142,941,974
Soft Cost[6]	$14,698,108	$18,769,090	$32,479,974	$28,702,312	$28,702,312	$28,702,312
Financing Cost[5]	$7,475,363	$9,938,384	$17,191,351	$16,821,140	$16,821,140	$16,821,140
Total Development Cost (TDC)	**$83,754,573**	**$111,350,461**	**$192,613,299**	**$188,465,426**	**$188,465,426**	**$188,465,426**
Total Development Cost per SF	$465	$458	$494	$483	$483	$483
Total Development Cost per Unit	$562,111	$545,836	$578,418	$565,962	$565,962	$565,962
Net Operating Income[7]						
Residential	$0	$0	$0	$0	$0	$0
Retail	$411,450	$412,509	$412,509	$412,509	$412,509	$412,509
Office	$0	$0	$0	$0	$0	$0
Hotel	$0	$0	$0	$0	$0	$0
Net Operating Income (NOI)	**$411,450**	**$412,509**	**$412,509**	**$412,509**	**$412,509**	**$412,509**
Value Generated						
Project Value	$7,093,961	$7,112,232	$7,112,232	$7,112,232	$7,112,232	$7,112,232
Weighted Cap Rate[8]	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Less: Cost of Sales[5]	($212,819)	($213,367)	($213,367)	($213,367)	($213,367)	($213,367)
Net Condo Sales Revenue	$128,299,063	$146,865,416	$257,132,728	$257,040,232	$257,304,147	$256,599,895
Net Project Value Generated	$135,180,205	$153,764,281	$264,031,594	$263,939,098	$264,203,012	$263,498,761
Less: Developer Profit[5]	($27,036,041)	($30,752,856)	($52,806,319)	($52,787,820)	($52,840,602)	($52,699,752)
Less: Development Cost	($83,754,573)	($111,350,461)	($192,613,299)	($188,465,426)	($188,465,426)	($188,465,426)
Total Residual Land Value						
Total	**$24,389,591**	**$11,660,964**	**$18,611,976**	**$22,685,852**	**$22,896,984**	**$22,333,583**
Per SF of Land	**$811**	**$388**	**$619**	**$755**	**$762**	**$743**
Public Benefits						
Affordable Housing (% of Base Units)	0.0%	30.2%	30.2%	30.2%	30.2%	30.2%
Community Space FAR (per FAR of bonus)					0.0%	
Cash Payments per Addn. FAR square feet						($10)

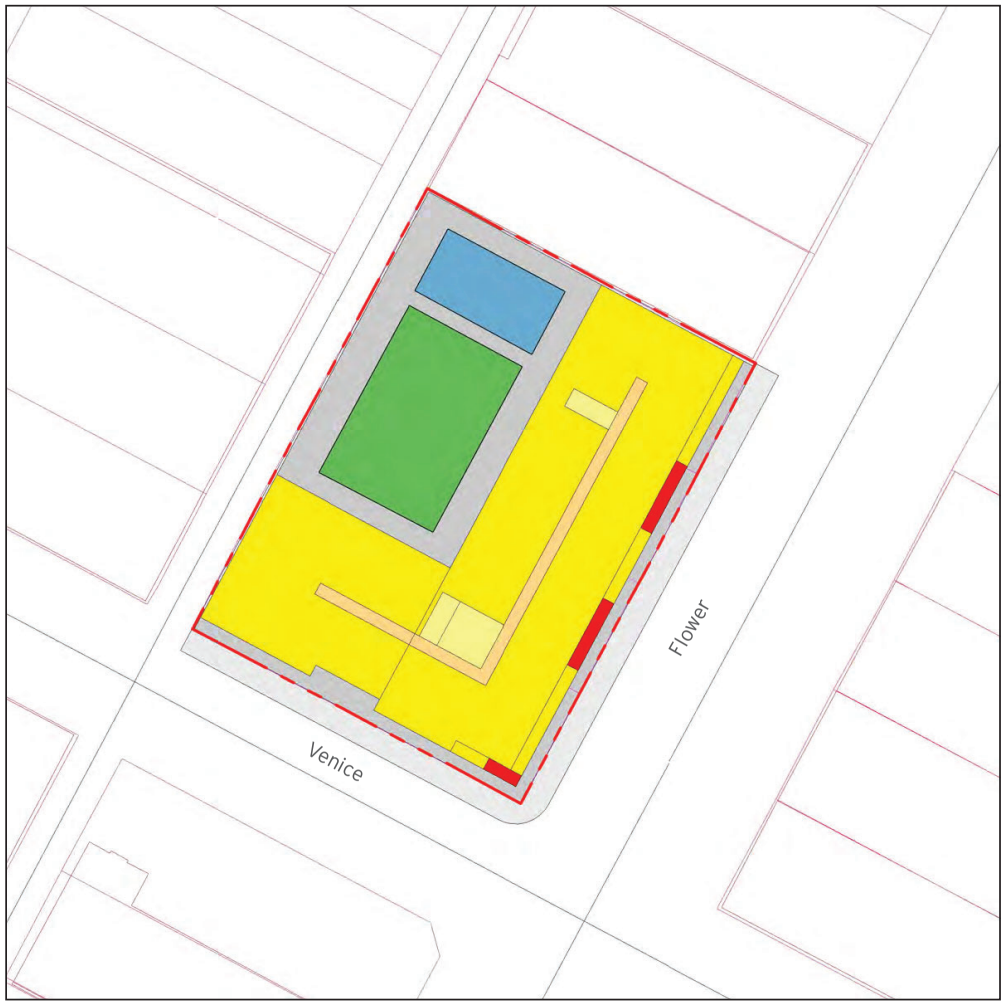
SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in Greater Downtown Area since 2010.
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Scenario	
Development Program	
Land Area (SF)	30,056.0
Max Building SF	180,336.0
Gross Building Area (GSF) Excluding Parking	180,025.0
FAR	6.0
Rentable Area - Residential (NSF)	146,435.0
Rentable Area - Retail (NSF)	8,930.0
Vertical Cores - (NSF)	8,640.0
Open Space - Percentage	34%
Parking	
Subterranean GSF	89,070.0
# of Vehicle Spaces	168
# of Bicycle Spaces	-
# of Levels	3
Structured GSF	17,136.0
# of Vehicle Spaces	40
# of Bicycle Spaces	-
# of Levels	1
Total Parking GSF	106,206.0
Unit Mix	Count
Studio	-
1 Bedroom	-
2 Bedroom	-
3 Bedroom	-
4 Bedroom	-
Total Units	-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail



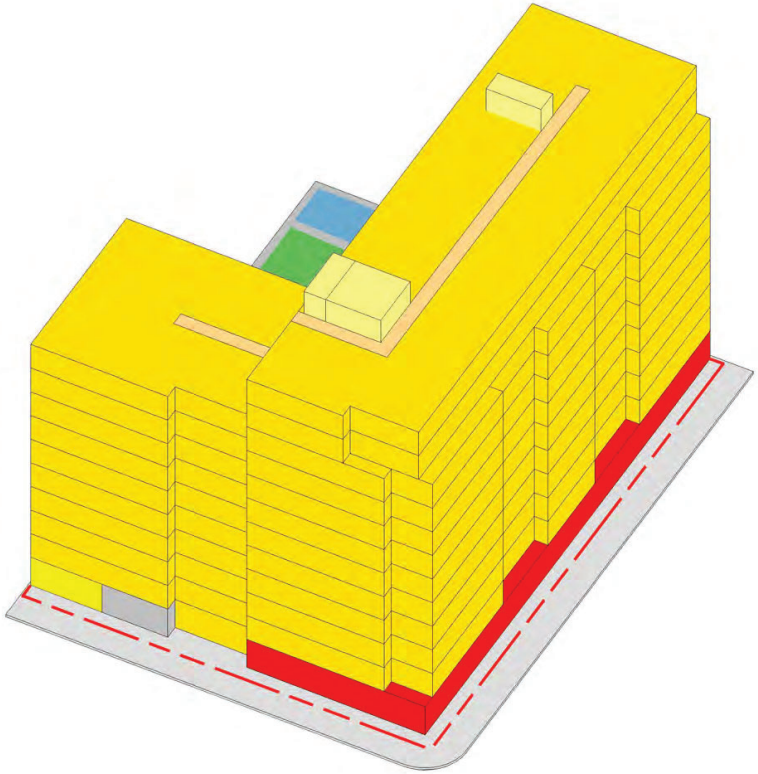
Plan and Site Information

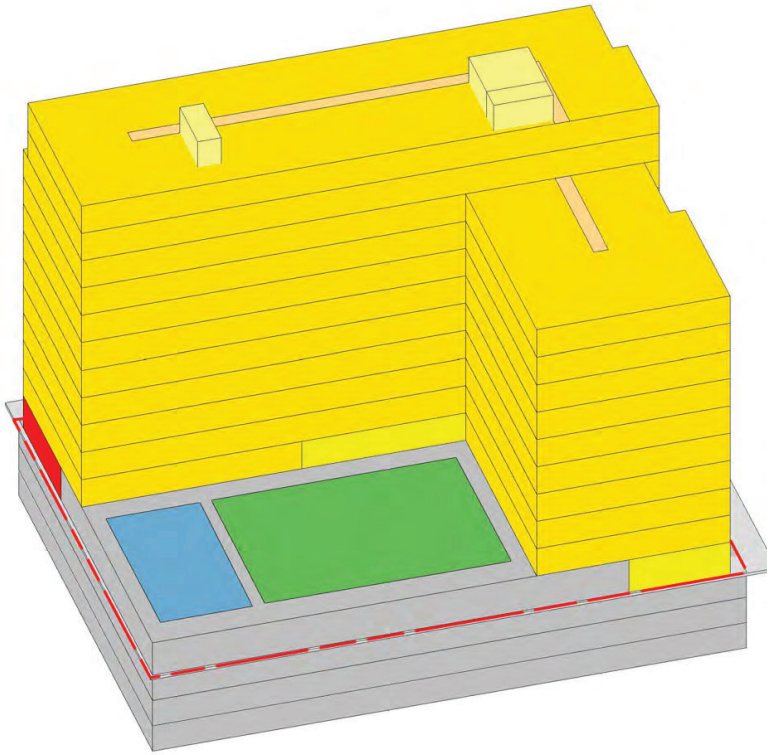
Proposed Zoning Base - Case Study VII

LOS ANGELES ZONING ORDINANCE

TORTI GALLAS + PARTNERS

HR&A Advisors, Inc.





Site Views (Not to scale)

Proposed Zoning Base - Case Study VII

State Mandated Affordable Housing Scenario		
Incentives:	-	
Public Benefits:	-	
Development Program		
Land Area (SF)		30,056.0
Max Building SF		243,453.6
Gross Building Area (GSF) Excluding Parking		242,938.0
FAR		8.1
Rentable Area Residential (NSF)		214,457.0
Rentable Area - Retail (NSF)		8,953.0
Open Space - Percentage		34%
Parking		
Subterranean GSF		89,070.0
# of Vehicle Spaces		168
# of Bicycle Spaces		-
# of Levels		3
Structured GSF		34,272.0
# of Vehicle Spaces		80
# of Bicycle Spaces		-
# of Levels		2
Total Parking GSF		123,342.0
Unit Mix – Market Rate	Avg. SF/Unit[1]	Count
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

0 25 50 100 FT

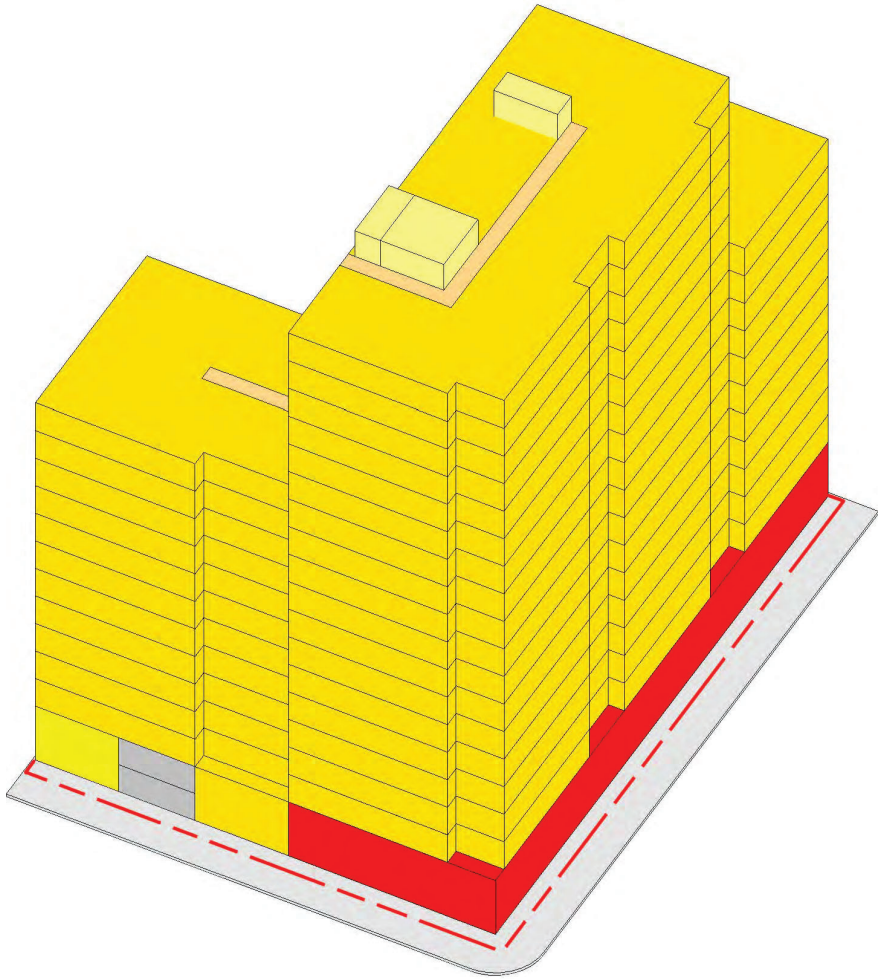
N

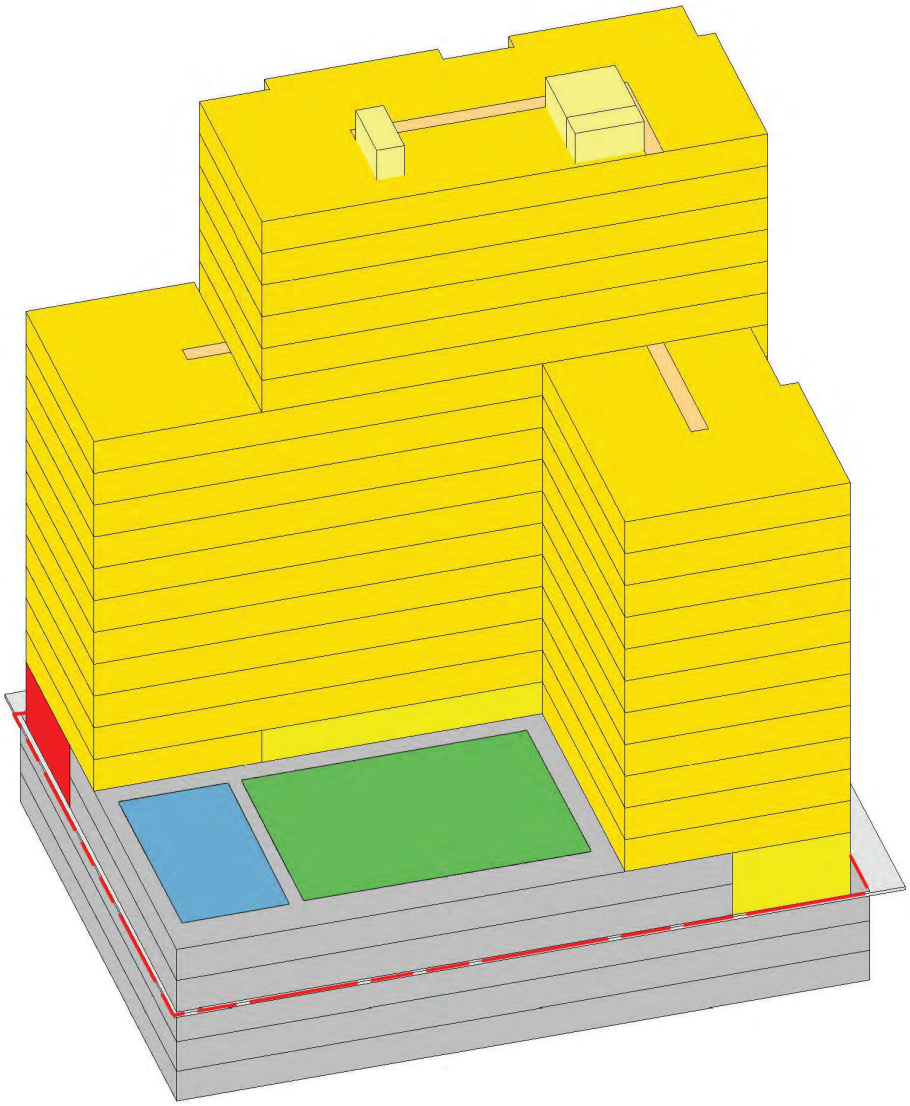
Notes: 5' Setbacks are used on both the Primary and Secondary Streets because the existing sidewalk widths are inadequate. 40' stepback from adjacent parcels above 12 stories

Plan and Site Information

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study VII

LOS ANGELES ZONING ORDINANCE





Site Views (Not to scale)

Proposed Zoning State Mandated Affordable Housing Bonus - Case Study VII

Bonus Scenario		
Incentives:		-
Public Benefits:		-
Development Program		
Land Area (SF)		30,056.0
Max Building SF		390,728.0
Gross Building Area (GSF)		390,180.0
FAR		13.0
Rentable Area - Residential (NSF)		342,987.0
Rentable Area - Retail (NSF)		8,953.0
Open Space - Percentage		34%
Parking		
Subterranean GSF		118,760.0
# of Vehicle Spaces		224
# of Bicycle Spaces		-
# of Levels		4
Structured GSF		85,680.0
# of Vehicle Spaces		200
# of Bicycle Spaces		-
# of Levels		5
Unit Mix – Market Rate	Avg. SF/Unit[1]	Number
Studio	-	-
1 Bedroom	-	-
2 Bedroom	-	-
3 Bedroom	-	-
4 Bedroom	-	-
Total		-

Program Key

- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail

Plan and Site Information

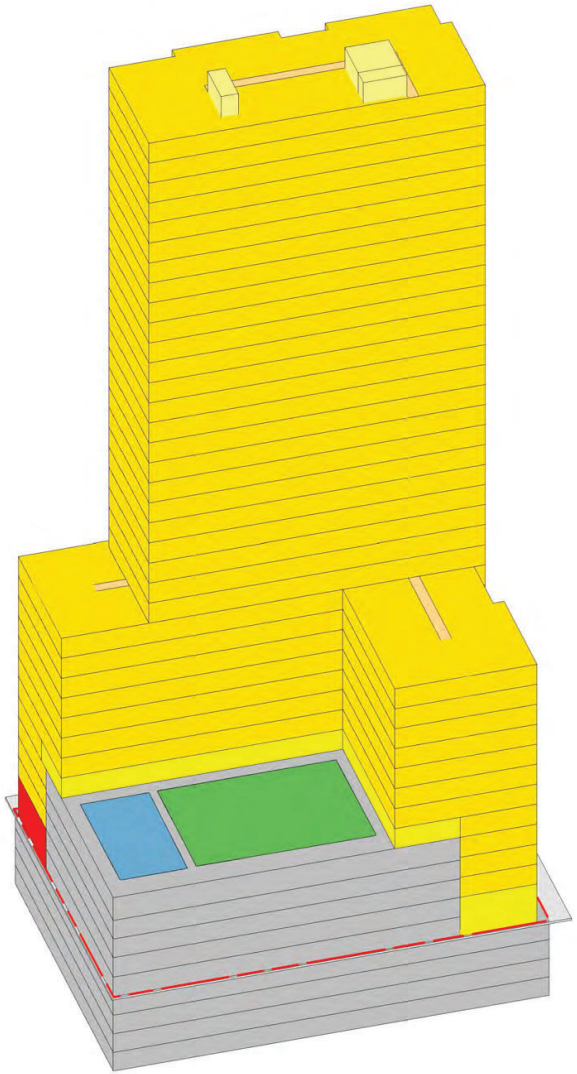
Proposed Zoning Bonus - Case Study VII

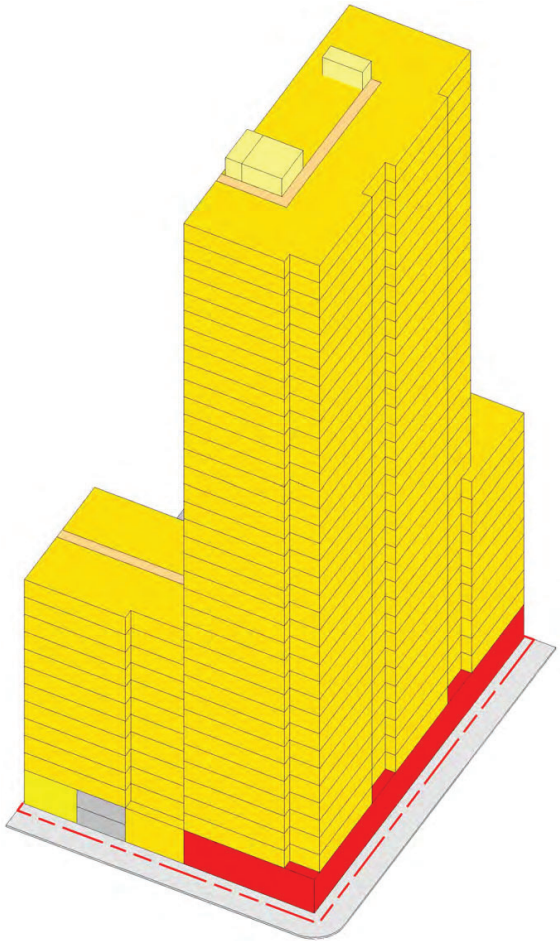
LOS ANGELES ZONING ORDINANCE

TORTI GALLAS + PARTNERS

HR&A Advisors, Inc.

Jan 22, 2018





Site Views (Not to scale)

Proposed Zoning Bonus - Case Study VII

LOS ANGELES ZONING ORDINANCE

TORTI GALLAS + PARTNERS

HR&A Advisors, Inc.

Jan 22, 2018

HR&A Advisors, Inc.
LADCP Downtown Incentive Zoning
Residual Land Value Analysis
Summary | Prototype VII (Hotel) ***South Park Flower and Venice***

			TIER II	TIER II
Development Program[1]	**Base Case**	**Max. Bonus**	**Comm. Benefits**	**Cash Payments**
Land Area (in SF)	30,056	30,056	30,056	30,056
Gross Building Area (GSF)	180,275	390,936	390,936	390,936
FAR (based on GSF)[2]	6	13	13	13
Net Leasable Area (in SF)	162,248	351,842	351,842	351,842
Residential - Apartment	-	-	-	-
Residential - Condominium	-	-	-	-
Retail	8,960	7,360	5,498	7,360
Community Space - Public Benefit	-	-	*1,862*	-
Office	-	-	-	-
Hotel	153,288	344,482	344,482	344,482
Building Efficiency	1	1	1	1
Subterranean Parking	23,917	89,070	89,070	89,070
Structured Parking	34,272	49,488	49,488	49,488
Surface Parking	-	-	-	-
Total Residential Parking (Spaces)	**163**	**288**	**288**	**288**
Unit Mix[3]				
Market Rate	-	-	-	-
Affordable	-	-	-	-
Total Units	**-**	**-**	**-**	**-**
Development Costs				
Hard Cost[4]	$59,531,625	$143,919,672	$143,919,672	$143,919,672
Soft Cost[6]	$11,100,771	$26,394,371	$24,525,203	$24,547,198
Financing Cost[5]	$6,921,975	$16,690,776	$16,507,598	$16,509,753
Total Development Cost (TDC)	**$77,554,371**	**$187,004,819**	**$184,952,473**	**$184,976,624**
Total Development Cost per SF	$430	$478	$473	$473
Net Operating Income[7]				
Residential	$0	$0	$0	$0
Retail	$412,832	$339,112	$253,318	$339,112
Office	$0	$0	$0	$0
Hotel	$7,251,112	$16,295,395	$16,295,395	$16,295,395
Net Operating Income (NOI)	**$7,663,944**	**$16,634,507**	**$16,548,713**	**$16,634,507**
Value Generated				
Project Value	$113,751,792	$245,484,927	$244,005,716	$245,484,927
Weighted Cap Rate[8]	6.7%	6.8%	6.8%	6.8%
Less: Cost of Sales[5]	($3,412,554)	($7,364,548)	($7,320,171)	($7,364,548)
Net Condo Sales Revenue	$0	$0	$0	$0
Net Project Value Generated	$110,339,238	$238,120,379	$236,685,544	$238,120,379
Less: Developer Profit[5]	($16,550,886)	($35,718,057)	($35,502,832)	($35,718,057)
Less: Development Cost	($77,554,371)	($187,004,819)	($184,952,473)	($184,976,624)
Total Residual Land Value				
Total	**$16,233,982**	**$15,397,503**	**$16,230,240**	**$17,425,699**
Per SF of Land	**$540**	**$512**	**$540**	**$580**
Public Benefits				
Community Space FAR (per FAR of bonus)			0.5%	
Cash Payments per Addn. FAR square feet				$6

SOURCES & NOTES:

1. Development program by Torti + Gallas.
2. FAR calculated based on gross building area and land area
3. HR&A, Based on review of market comps of market-rate, luxury apartments built in
4. HR&A. Based on Marshall and Swift, Construction Cost Estimator, 2018 data for LA area. This includes assumptions for prevailing wages, but is factored to remove soft costs, listed separately.
5. HR&A assumption typical for such type of project and/or calculation.
6. HR&A assumption typical for such type of project and/or calculation. City Permits and Fees from LADCP Building Permit and Fee Estimator. Includes Affordable Housing Linkage Fees and Parks Fees.
7. HR&A. Based on review of new comparable projects in the Greater Downtown area.
8. Based on RERC 2018 data for Los Angeles area.

Base Hotel Scenario	
Development Program	
Land Area (SF)	30,056.0
FAR	6.0
Max Allowable Building SF	180,336.0
Parking	180,275.0
Area - Hotel (NSF)	154,971.0
Area - Retail (NSF)	8,960.0
Open Space - Percentage	28%
Parking	
Subterranean GSF	23,917.0
# of Vehicle Spaces	83
# of Bicycle Spaces	-
# of Levels	1
Structured GSF	34,272.0
# of Vehicle Spaces	80
# of Bicycle Spaces	-
# of Levels	2
Total Parking Spaces	163
Total Parking GSF	58,189.0

Notes
- Parking structure has tandom parking spaces
- Open space requirements are met by including Venice Boulevard and Flower Street setback as well as parking deck amenity space

Program Key

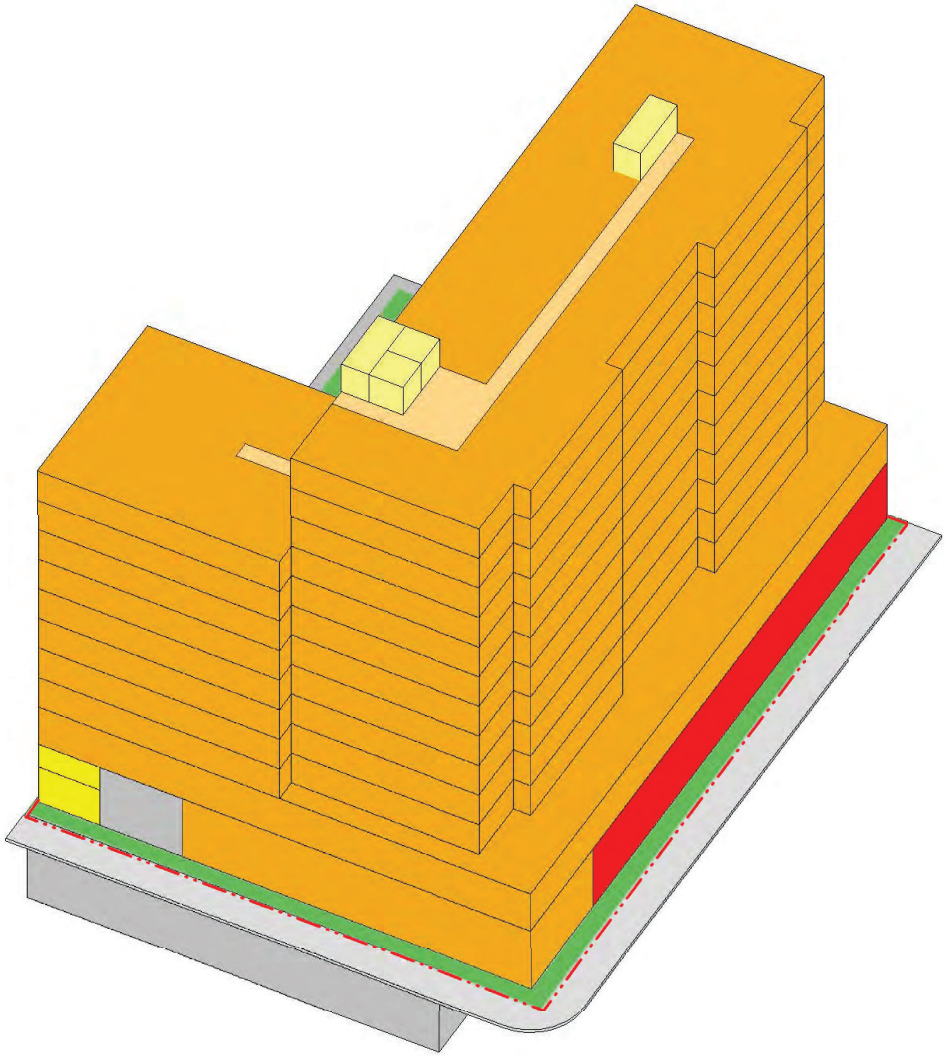
- Amenity Space - Vehicle Accessible
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail
- Hotel
- Office
- Hybrid/Industrial

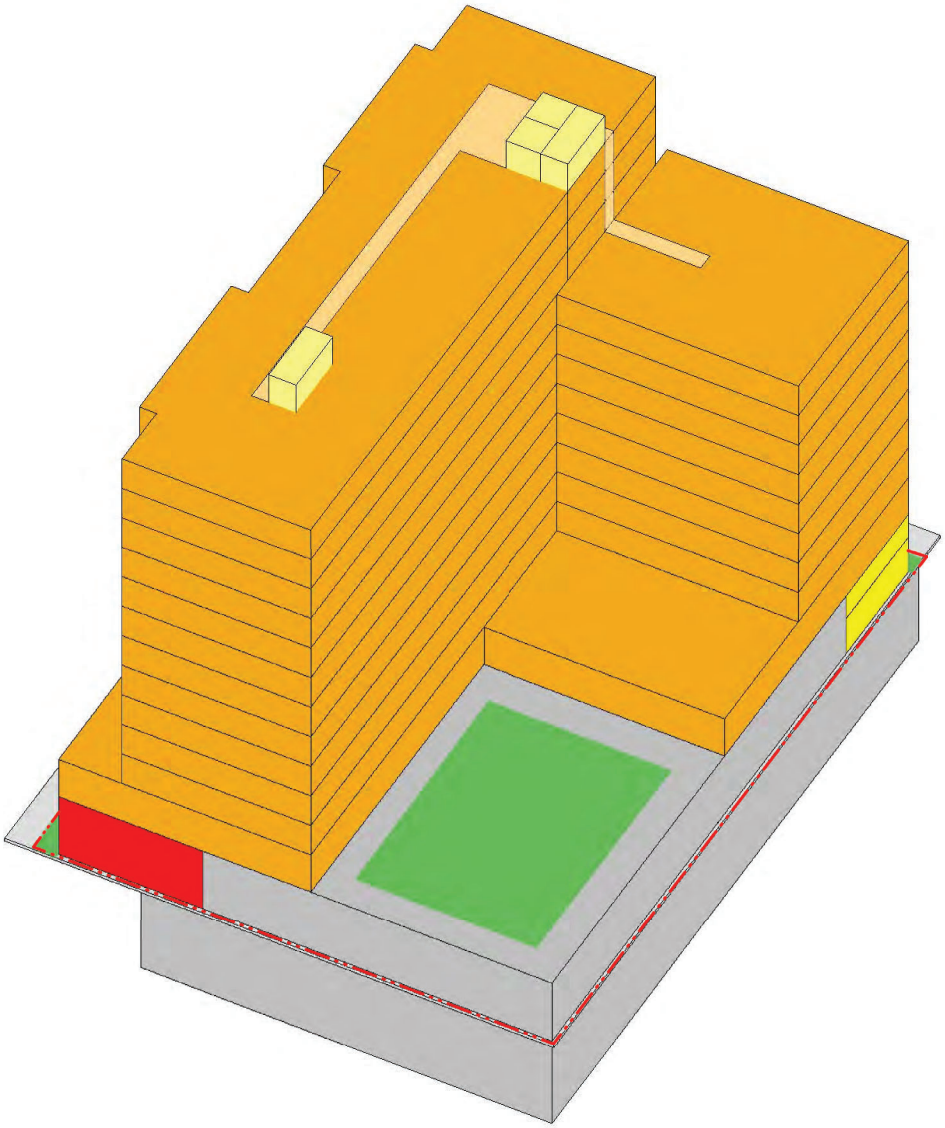
N

0 25 50 100 FT

TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Plan and Site Information
Proposed Zoning - Base FAR - Hotel
(1515-1511 South Flower Street) **Case Study VII**





TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Site Views (Not to scale)

Proposed Zoning - Base FAR - Hotel

(1515-1511 South Flower Street) **Case Study VII**

Bonus Hotel Scenario	
Development Program	
Land Area (SF)	30,056.0
FAR	13.0
Max Allowable Building SF	390,728.0
Gross Building Area (GSF)	390,936.0
Rentable Area - Retail (NSF)	7,360.0
Area - Hotel (NSF)	318,582.0
Hotel Function/Conference SF	30,645.0
Open Space - Percentage	34%
Parking	
Subterranean GSF	89,070.0
# of Vehicle Spaces	168
# of Bicycle Spaces	-
# of Levels	3
Structured GSF	49,488.0
# of Vehicle Spaces	120
# of Bicycle Spaces	-
# of Levels	3
Total Parking Spaces	288
Total Parking GSF	138,558.0

Program Key

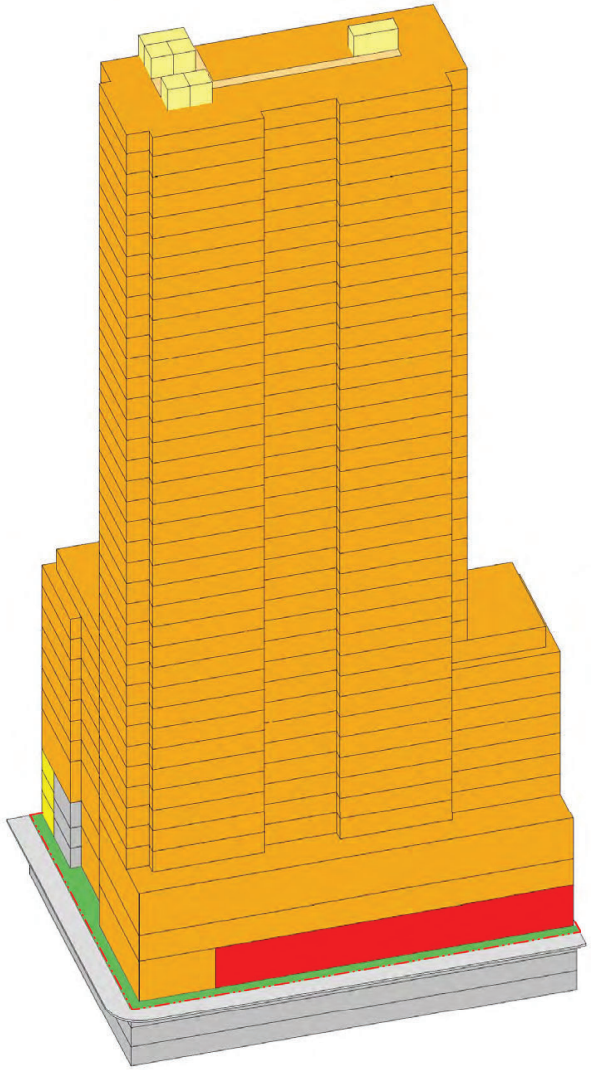
- Amenity Space - Vehicle Accessible
- Open Space - Multi Activity
- Open Space - Pool
- Parking Garage
- Horizontal Circulation
- Vertical Circulation
- Residential
- Amenity/Utility
- Retail
- Hotel
- Office
- Hybrid/Industrial

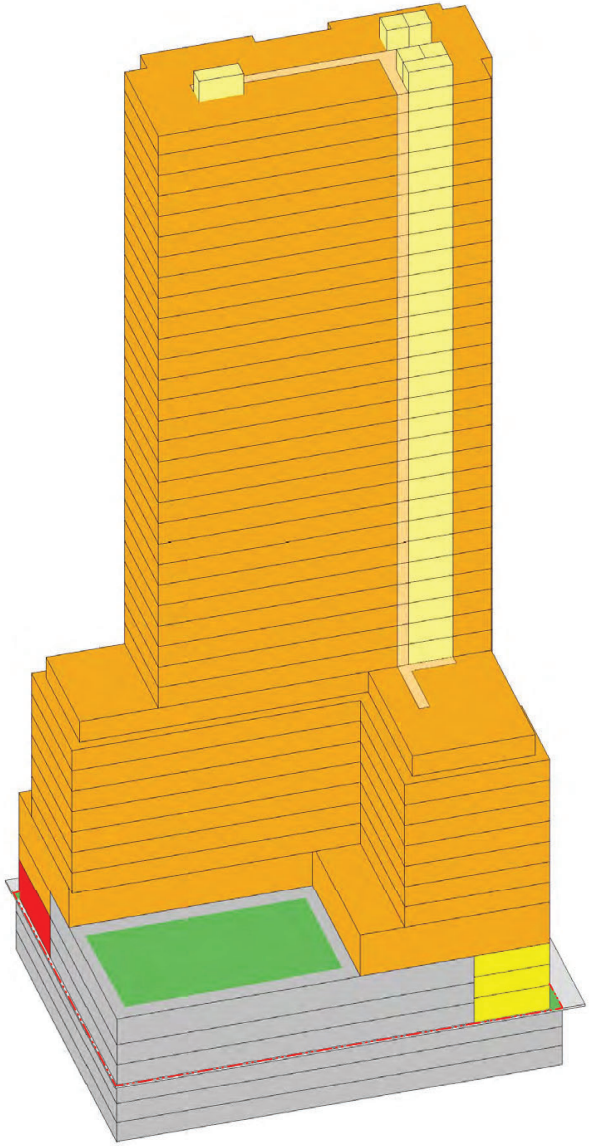
N

0 25 50 100 FT

TORTI GALLAS + PARTNERS | CODE STUDIO | HR&A

Plan and Site Information
Proposed Zoning - Bonus FAR - Hotel
(1515-1511 South Flower Street) **Case Study VII**





Site Views (Not to scale)
Proposed Zoning - Bonus FAR - Hotel
(1515-1511 South Flower Street) **Case Study VII**

APPENDIX C: UPDATED ANALYSIS

An updated analysis of the 2017 report was performed to inform proposed community benefits system changes. Appendix C includes an updated analysis which tests the feasibility of realigning the previously recommended affordable housing calculations with the methods outlined in the City of Los Angeles Transit-Oriented Communities program. This analysis was conducted to support regional goals of maximizing affordable housing near transit and effectively capture benefits through the proposed base and bonus FAR.

See the detailed report on the next page.

HR&A Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	Craig Weber and Brittany Arceneaux, Los Angeles Department of City Planning
From:	HR&A Advisors, Inc.
Date:	November 13, 2020
Re:	Downtown Los Angeles Community Benefits Program – Additional Feasibility Testing

This memorandum summarizes HR&A Advisors, Inc.'s ("HR&A") supplemental analysis to test the financial feasibility of alternate affordable housing requirements for Levels 1 and 2 of the new Downtown LA Community Benefit Program (the "Program").[1] For this assignment, HR&A developed an alternative methodology to test the feasibility of multifamily prototypes with a mix of affordability levels and determine: 1) the FAR bonus necessary to support different Level 1 affordability requirements initially specified by City staff; and 2) supportable provision of Moderate Income units as part of various Level 2 FAR bonuses.

Methodology

To test the different affordability levels, HR&A utilized a detailed Residual Land Value ("RLV") Model similar to the one we developed in 2018 for 7 subareas of Downtown LA. Our RLV model accounts for development costs and net operating income, among other factors, to solve for the amount a well-informed, capable developer could afford to pay for land and earn a market-responsive return on investment. For this analysis, HR&A updated the RLV Model with more current, but pre-COVID-19 pandemic, market-rate rents, construction costs and land values, as well as updated affordable rents, reflecting the City's Housing & Community Investment Department ("HCIDLA") Schedule VI 2020 Income and Rent Limits.[2] We also added new functionality to the RLV Model to enable dynamic testing of prototypes at varying FARs, and with six different rent levels (i.e., Deeply Low Income, Extremely Low Income, Very Low Income, Low Income, Moderate Income, and market rate).

HR&A's financial model for this phase of analysis considers affordable units as a percentage of total units in a project, rather than a percentage of the "base" units. As a result, affordable percentages as expressed actually include higher numbers of total affordable units in a project than in prior analysis. This change aligns the Program with the affordable housing calculation approach in the City's existing Transit Oriented Communities Incentive Program, which applies along the City's transit corridors outside of downtown.

[1] The Downtown LA Community Benefit Program includes two levels of bonus FAR that can be accessed in exchange for community benefits. Level 1 permits developers to provide fixed percentages of Deeply Low, Extremely Low, Very Low, Low, and Moderate Income units in exchange for a 35 percent FAR increase. Level 2 permits developers to access additional FAR in exchange for incrementally greater percentages of Deeply Low, Extremely Low, Very Low, Low, and Moderate Income units.
[2] Data for the COVID-19 pandemic timeframe was not available at the time of analysis.

HR&A considered three prototypes, which were also used in our previous financial feasibility testing:

- Flower/Venice (South Park)
  - Base FAR: 6.0
  - Max FAR: 13.0
  - Height Limit: N/A
- 655 S. Santa Fe (Arts District)
  - Base FAR: 1.5
  - Max FAR: 6.0
  - Height Limit: N/A
- 861 N Spring (Chinatown)
  - Base FAR: 2.0
  - Max FAR: 3.3
  - Height Limit: 5 stories

HR&A first developed the physical parameters of prototypes for three multi-family apartment scenarios in stronger Downtown submarket areas (i.e., South Park, the Arts District, and Chinatown), building on previous work by Torti Gallas and ensured that residual land value results aligned with recent transactions. HR&A then tested supportable inclusionary housing requirements, calibrating each Level 1 and Level 2 scenario to generate a residual land value between 5 and 10 percent greater than the base residual land value to incentivize developers to utilize additional FAR and to account for market fluctuations. HR&A then incrementally tested both community benefit levels of the Program as follows:

- **Level 1:** HR&A first tested City staff-provided fixed percentages of Deeply Low, Extremely Low, Very Low, Low, and Moderate Income (for sale) units to determine the resulting FAR increase percentage necessary to maintain project feasibility and achieve modestly higher residual land values. All affordability levels that were tested were for the provision of *rental* units, except Moderate Income, which tested *for sale* units.
- **Level 2:** Maintaining the affordability levels from the Level 1, HR&A then tested the percentage of Moderate Income units that could be supported by the prototype for each incremental increase in FAR above the Level 1 FAR bonus, as well as the percentage of units at the same affordable rents as Level 1.

Feasibility Results

The Figures below detail the results of affordability testing for each of the three prototypes. The left-hand panel of columns in each Figure details the supportable Level 1 FAR bonuses by affordability scenario, including necessary FAR bonus over base and corresponding resulting FAR for each prototype. The next right-hand panel of columns concern Level 2 bonuses and the resulting affordability levels for the combined Level 1 and Level 2 bonuses. In the Level 2 panel, the first set of columns detail the incremental Level 2 affordable units a developer could feasibly provide for each additional FAR over the Level 1 bonus (as determined by HR&A, which in some cases exceed what was originally anticipated in the Community Benefits Program). Incremental percentages are provided for two income levels: provision of Moderate-Income units for Level 2 or provision of the same income level as Level 1 (e.g., more Deeply Low Income units for the 5

percent Deeply Low Income scenario). The last two Level 2 panel columns detail the total affordable units a project could support at the maximum allowable FAR.

Figure 1. South Park Prototype (Flower/Venice)

Level 1 (Base FAR: 6:1)			Level 2 (Max FAR: 13:1)			
Scenario	Bonus Required	Level 1 FAR	Incremental % per FAR		Total Supportable %	
5% Deeply Low	23%	7.4	3.0% MI	1.6% DLI	5.0% DLI, 16.8% MI	14.3% DLI (2.0%/FAR)
7% Deeply Low	33%	8.0	2.7% MI	1.5% DLI	7.0% DLI, 13.3% MI	14.3% DLI (2.0%/FAR)
8% Extremely Low	37%	8.2	2.4% MI	1.4% ELI	8.0% ELI, 11.8% MI	14.8% ELI (2.1%/FAR)
11% Extremely Low	57%	9.4	1.8% MI	1.0% ELI	11.0% ELI, 6.5% MI	14.8% ELI (2.1%/FAR)
11% Very Low	52%	9.1	2.2% MI	1.4% VLI	11.0% VLI, 8.8% MI	16.5% VLI (2.4%/FAR)
15% Very Low	88%	11.3	1.4% MI	0.9% VLI	15.0% VLI, 2.5% MI	16.5% VLI (2.4%/FAR)
20% Low	N/A	13.0	N/A	0.0% LI	N/A	17.5% LI (2.5%/FAR)
25% Low	N/A	13.0	N/A	0.0% LI	N/A	17.5% LI (2.5%/FAR)
40% Moderate (for sale)	N/A	13.0	N/A	0.0% MI	N/A	37.1% MI (5.3%/FAR)

As shown in Figure 1, the South Park prototype can generally accommodate the inclusion of Level 1 and Level 2 affordable units with up to 15 percent Very Low Income units, although in certain cases with bonuses that exceed the 35 percent bonus currently anticipated by City staff. However, there is not a sufficient FAR bonus available to support the anticipated percentage of Low Income and Moderate Income (for sale) affordable units under the market conditions at the time of this analysis. A description of the results at each income level is as follows:

- **Level 1 Bonuses:**
  - Two affordability scenarios require lower bonuses than 35 percent: 5 percent Deeply Low (23% FAR Bonus), and 7 percent Deeply Low (33% FAR Bonus).
  - Four affordability scenarios require higher bonuses than 35 percent: 8 percent Extremely Low (37% FAR Bonus), 11 percent Extremely Low (57% FAR Bonus), 11 percent Very Low (52% FAR Bonus), and 15 percent Very Low (88% FAR Bonus).
  - Three affordability scenarios were not feasible with any bonus within the maximum FAR: 20 percent Low, 25 percent Low, and 40 percent Moderate (for sale).
- **Level 2 Affordability Requirements:**
  - Supportable Moderate Income requirements ranged between 1.4 percent MI per FAR and 3.0 percent MI per FAR. These results are driven in large part by the scale of Level 1 bonuses and remaining FAR development capacity.
  - Supportable requirements as a continuation of Level 1 incomes ranged between 0.9 percent per FAR and 1.6 percent per FAR.

Figure 2. Arts District Prototype (655 S. Santa Fe Avenue)

Level 1 (Base FAR: 1.5:1)			Level 2 (Max FAR: 6:1)			
Scenario	Bonus Required	Level 1 FAR	Incremental % per FAR		Total Supportable %	
5% Deeply Low	17%	1.8	3.1% MI	1.7% DLI	5.0% DLI, 13.3% MI	12.1% DLI (2.7%/FAR)
7% Deeply Low	17%	1.8	2.3% MI	1.2% DLI	7.0% DLI, 9.8% MI	12.1% DLI (2.7%/FAR)
8% Extremely Low	21%	1.8	1.9% MI	1.0% ELI	8.0% ELI, 8.0% MI	12.3% ELI (2.7%/FAR)
11% Extremely Low	43%	2.2	0.6% MI	0.3% ELI	11.0% ELI, 2.6% MI	12.3% ELI (2.7%/FAR)
11% Very Low	27%	1.9	1.3% MI	0.8% VLI	11.0% VLI, 5.3% MI	14.1% VLI (3.1%/FAR)
15% Very Low	40%	2.1	N/A	0.0% VLI	N/A	14.1% VLI (3.1%/FAR)
20% Low	N/A	2.8	N/A	0.0% LI	N/A	14.8% LI (3.3%/FAR)
25% Low	N/A	2.8	N/A	0.0% LI	N/A	14.8% LI (3.3%/FAR)
40% Moderate (for sale)	253%	5.3	4.3% MI	N/A	43.1% MI	43.1% MI (9.6%/FAR)

Similar to the South Park prototype and as shown in Figure 2, the Arts District prototype can generally accommodate the inclusion of Level 1 and Level 2 affordable units with bonuses less than the 35 percent currently anticipated. With the exception of Level 1 Low Income requirements and Level 2 under a 15 percent Very Low Income Level 1 scenario. Level 2 under a 15 percent Very Low Income Level 1 scenario is infeasible due to the necessity of Type II construction to maximize FAR. Unlike in South Park, HR&A found that the Moderate Income (for sale) condominium prototype is feasible in the Arts District, but requires an FAR bonus that effectively meets the maximum development envelope.

Although most of the Arts District prototype tests are feasible, they generate residual land values that are 45 percent below the recent high benchmark for land sales ($396 per square foot of land) due in part to speculation by developers anticipating discretionary approvals and the new requirement of Type IV heavy timber construction. It is likely that land values will adjust over the next several years subsequent to implementation of new development standards. Use of a 35 percent FAR bonus (in excess of required bonuses for Deeply Low, Extremely Low and Very Low Tier 1 affordability levels) will support project feasibility. The description of the results at each income level is as follows:

- **Level 1 Bonuses:**
  - Five affordability scenarios required lower bonuses than 35 percent: 5 percent Deeply Low (17% FAR Bonus), 7 percent Deeply Low (17% FAR Bonus), 8 percent Extremely Low (21% FAR Bonus), 11 percent Very Low (27% FAR Bonus), and 15 percent Very Low (40% FAR Bonus).
  - Two affordability scenarios required higher bonuses than 35 percent: 11 percent Extremely Low (43% FAR Bonus), and 40 percent Moderate for sale (253% FAR Increase).
  - Two affordability scenarios were not feasible with any bonus within the maximum FAR: 20 percent Low, and 25 percent Low.
- **Level 2 Affordability Requirements:**
  - Supportable Moderate Income requirements ranged between 0.6 MI per FAR – 4.3 percent MI per FAR. Again, these were driven in large part by the scale of Level 1 bonuses and remaining development capacity.
  - Supportable requirements as a continuation of Level 1 incomes ranged between 0.3percent per FAR and 1.7% per FAR. Level 2 could support a higher percentage of affordable units at VLI and ELI by maximizing Type V construction at 8 stories, rather than maximizing the

FAR to 6.0 with Type II construction. However, higher affordable unit requirements would prevent maximizing FAR.

Figure 3. Chinatown Prototype Base Rents (861 N. Spring Street)

Level 1 (Base FAR: 2:1)			Level 2 (Max FAR: 3.3:1)			
Scenario	Bonus Required	Level 1 FAR	Incremental % per FAR		Total Supportable %	
5% Deeply Low	N/A	3.3	N/A	0.0% DLI	N/A	4.4% DLI (3.4%/FAR)
7% Deeply Low	N/A	3.3	N/A	0.0% DLI	N/A	4.4% DLI (3.4%/FAR)
8% Extremely Low	N/A	3.3	N/A	0.0% ELI	N/A	4.4% ELI (3.4%/FAR)
11% Extremely Low	N/A	3.3	N/A	0.0% ELI	N/A	4.4% ELI (3.4%/FAR)
11% Very Low	N/A	3.3	N/A	0.0% VLI	N/A	5.5% VLI (4.3%/FAR)
15% Very Low	N/A	3.3	N/A	0.0% VLI	N/A	5.5% VLI (4.3%/FAR)
20% Low	N/A	3.3	N/A	0.0% LI	N/A	7.8% LI (6.0%/FAR)
25% Low	N/A	3.3	N/A	0.0% LI	N/A	7.8% LI (6.0%/FAR)
40% Moderate (for sale)	N/A	3.3	N/A	0.0% MI	N/A	34.8% MI (26.7%/FAR)

As shown in Figure 3, HR&A has found that the prototype in Chinatown is not feasible with proposed height restrictions of 5 stories. No bonus can support a feasible residual land value with affordable units. However, affordable housing production would be feasible at a maximum FAR of 3.0, no height limits and lower inclusionary requirements.

Figure 4. Chinatown Prototype 15% Rent Premium (861 N. Spring Street)

Level 1 (Base FAR: 2:1)			Level 2 (Max FAR: 4:1)			
Scenario	Bonus Required	Level 1 FAR	Incremental % per FAR		Total Supportable %	
5% Deeply Low	29%	2.6	8.4% MI	3.7% DLI	5.0% DLI, 12.0% MI	10.3% DLI (5.1%/FAR)
7% Deeply Low	44%	2.9	8.0% MI	2.9% DLI	7.0% DLI, 9.0% MI	10.3% DLI (5.1%/FAR)
8% Extremely Low	44%	2.9	5.6% MI	7.1% ELI	8.0% ELI, 6.3% MI	10.5% ELI (5.3%/FAR)
11% Extremely Low	71%	3.4	0.9% MI	0.0% ELI	11.0% ELI, 1.0% MI	10.5% ELI (5.3%/FAR)
11% Very Low	46%	2.9	2.3% MI	0.7% VLI	11.0% VLI, 2.5% MI	11.8% VLI (5.9%/FAR)
15% Very Low	N/A	4.0	N/A	0.0% VLI	N/A	11.8% VLI (5.9%/FAR)
20% Low	N/A	4.0	N/A	0.0% LI	N/A	14.5% LI (7.3%/FAR)
25% Low	N/A	4.0	N/A	0.0% LI	N/A	14.5% LI (7.3%/FAR)
40% Moderate (for sale)	78%	3.6	9.1% MI	N/A	44.3% MI	44.3% MI (22.2%/FAR)

With a 15 percent rent premium, which may be achievable under future market conditions, and modest increase in maximum FAR (from 3.30 to 4.00 FAR), and no story limit, and only proportional increases in development costs, the Chinatown prototype can generally accommodate the inclusion of affordable housing for both Level 1 and Level 2 with bonuses only modestly higher than anticipated by LADCP, as shown in Figure 4. However, the Level 2 Very Low Income test, and the Level 1 and 2 Low Income tests are challenged. The Level 2 Very Low Income test is challenged due to its relatively high inclusionary requirement. Similarly, neither Low Income test is feasible at Levels 1 or 2 due to the relatively high required percentages of Low Income affordable units. With a rent premium and increase in allowable FAR and height, HR&A also found that the Moderate Income (for sale) condominium prototype is feasible in Chinatown. The description of the results at each income level is as follows:

- **Level 1 Bonuses:**
    - One affordability scenarios required a lower bonus than 35 percent: 5 percent Deeply Low (29% FAR Bonus).
    - Five affordability scenarios required higher bonuses than 35 percent: 7 percent Deeply Low (44% FAR Bonus), 8 percent Extremely Low (44% FAR Bonus), 11 percent Extremely Low (71% FAR Bonus), 11 percent Very Low (46% FAR Bonus), and 40 percent Moderate for sale (78% FAR Increase).
    - Two affordability scenarios were not feasible with any bonus within the maximum FAR: 15 percent Very Low, 20 percent Low, and 25 percent Low.
- **Level 2 Affordability Requirements:**
    - Supportable Moderate Income requirements ranged between 0.9 MI per FAR – 3.7 percent MI per FAR. As a continuation of the 40 percent Moderate Income scenario, an additional 4.3 percent of Moderate-Income could be supported in the remaining 0.4 FAR, for a theoretical total of 9.1 percent per FAR, although achieving an incremental 1.0 FAR would require Type II construction.
    - Supportable requirements as a continuation of Level 1 incomes ranged between 0.7 percent per FAR and 3.7 percent per FAR, with the same caveat as noted above for Moderate Income units.

We are available to discuss these results with you as needed.