

Inclusionary Housing In-Lieu Fee Analysis



KEYSER MARSTON ASSOCIATES

Keyser Marston Associates, Inc.

October 23, 2024

Inclusionary Housing In-Lieu Fee Study: Objective

- Evaluate the potential of updating the City's inclusionary housing in-lieu fee
- Analyze the financial impact of an inclusionary housing in-lieu fee on market-rate developers
- Recommend an appropriate fee level for the City



Approach and Methodology

Prepared financial pro formas for three (3) for-sale and four (4) multi-family rental development concepts for the City:

Approach 1 **On-Site Production**

Financial impact of incorporating
affordable units on-site

100% Market-Rate	vs.	85% Market Rate 15% Affordable (5% Low Income and 10% Moderate Income)
---------------------	-----	---

Approach 2 **Off-Site Production**



Funding gap for inclusionary housing
production off-site

100% Affordable 9% Low Income Housing Tax Credits	100% Affordable 4% Low Income Housing Tax Credits
---	---



Residential Development Prototypes

FOR-SALE			
APPROACH 1: ON-SITE PRODUCTION			
	Single-Family Very Low Density	Single-Family Low Density	Townhomes Low Medium Density
			
Site Area	10.0 Acres	5.0 Acres	3.0 Acres
Density	3.7 DU/AC	5.0 DU/AC	16.0 DU/AC
Number of Units	37 Units	25 Units	48 Units
Average Unit Size	3,203 SF	2,620 SF	1,381 SF

Residential Development Prototypes

RENTAL		
APPROACH 1: ON-SITE PRODUCTION		
	Garden Apartments w/ Attached Garages Medium High Density	Mixed-Use Stacked Flats Mixed-Use 2
		
Site Area	2.0 Acres	1.0 Acres
Density	30.0 DU/AC	45.0 DU/AC
Number of Units	60 Units	45 Units
Average Unit Size	1,015 SF	720 SF
Retail	---	10,000 SF

Residential Development Prototypes

RENTAL		
APPROACH 2: OFF- SITE PRODUCTION		
	Stacked Flats over Podium Parking	Mixed-Use Stacked Flats Mixed-Use 2
		
Site Area	3.0 Acres	2.0 Acres
Density	30.0 DU/AC	45.0 DU/AC
Number of Units	90 Units	90 Units
Average Unit Size	830 SF	758 SF
Retail	---	7,500 SF

Estimated Funding Gaps

	<u>Approach 1</u> On-Site Production	<u>Approach 2</u> Off-Site Production
Per Market-Rate Unit	\$42,000 - \$167,000 Average: \$92,000	\$30,000
Per Market-Rate Net SF	\$30 - \$65 Average: \$51	\$9 - \$42 Average: \$23

Potential In-Lieu Fee Levels

	5% Low Income 10% Moderate
Per Market-Rate Unit	\$20,000 to \$30,000
Per Market-Rate Net SF	\$20 to \$30

San Diego County Jurisdictions
*Inclusionary set-aside requirements
and AMI levels vary widely*

\$500 to \$7,000/Unit
\$18 to \$35/SF

Carlsbad	\$18/SF
Vista	\$17.56/SF
Oceanside	\$20/SF
Encinitas	\$24.08/SF
Solana Beach	\$27.22/SF
Del Mar	\$35/SF