City of Everett
Section 3A Economic Feasibility Analysis

Analysis by the Metropolitan Area Planning Council

January 30, 2024

INTRODUCTION

In 2021, Massachusetts adopted MGL Chapter 40A Section 3A, which requires that MBTA Communities have at least one zoning district where multifamily housing can be built by right. In its Section 3A Compliance Guidelines, the Executive Office of Housing and Livable Communities (EOHLC) stipulates that local inclusionary zoning policies, which require that a percentage of units in new housing be affordable, may conflict the Section 3A by-right requirement if the inclusionary policy makes new development economically infeasible. For the purposes of determining compliance with Section 3A, EOHLC considers an inclusionary policy to be consistent with by-right zoning if the policy requires that no more than 10% of new units be affordable to households earning at least 80% of area median income (AMI).

To advance housing goals and address local need, many municipalities in Greater Boston have inclusionary policies that go beyond this threshold. In such cases, the Section 3A Compliance Guidelines stipulate that EOHLC may, at its discretion, allow for affordability greater than 10% of units or deeper than 80% AMI if the inclusionary policy is supported by an Economic Feasibility Analysis (EFA).

Everett's current inclusionary policy requires that 15% of new units be affordable to households earning 80% AMI, a level of affordability that aligns with local housing goals but goes beyond the threshold set by EOHLC in the Compliance Guidelines. As such, to apply its inclusionary policy to new development projects in its Section 3A district, the City must conduct an EFA to confirm that the inclusionary zoning is feasible. This analysis was undertaken according to EOHLC's EFA Guidelines and is intended to satisfy the requirement for an EFA and demonstrate the feasibility of Everett's inclusionary zoning policy in its 3A district.

SUMMARY

In short, this analysis finds that **<u>Everett's current inclusionary policy is economically feasible</u>** and is unlikely to pose a risk of deterring development in its Section 3A district. The policy's affordability requirements—15% of units affordable to households earning 80% AMI—are common in Massachusetts inclusionary policies and are well supported by Everett's market rents.

Scenario	Units	Construction	Parking	IRR	Return on Cost	Inclusionary policy feasible under 3A zoning
Scenario 1	10	Wood frame	Surface	16.0%	5.8%	**YES**
Scenario 2	25	Wood frame	Surface	17.0%	5.9%	**YES**
Scenario 3	60	Podium	Podium	16.3%	5.8%	**YES**
Scenario 4	125	Podium	Podium	16.2%	5.8%	**YES**

An explanation of the above development scenarios, details regarding model assumptions and inputs, and a discussion of the analysis results are included in the following sections.

LOCAL CONTEXT

CURRENT INCLUSIONARY POLICY

Everett first adopted an inclusionary policy in 2015 and, in the ensuing years, has since made several updates as its housing market has evolved. The current iteration of the policy was enacted in 2018 and is codified in Section 32 of the City's zoning ordinance. Additional minor amendments to the policy modifying the affordability requirements for sites with environmental contamination were made in 2022.

Everett's inclusionary policy requires that 15% of units in both rental and ownership housing be affordable to households earning 80% AMI, which is consistent with policy trends across the state. One notable aspect of the policy is that the City does not allow for a payment in lieu of affordable units.

In addition to its inclusionary zoning ordinance, Everett has an Affordable Housing Linkage Ordinance that requires developers to pay into a dedicated fund that may be used solely for creating new affordable units and/or the rehabilitation and extension of existing affordable housing. The current payment schedule for residential developments is $1,000 per new residential unit. Although the linkage fee ordinance is independent from the inclusionary zoning ordinance, the linkage fee is incorporated into this analysis because it impacts project feasibility.

Policy Component		**Notes**
Threshold	10 new residential units	Project size at which policy applies
Affordable units	15% of total units	Any fractional unit is rounded up to a full unit. The ordinance requires that affordable units have a mix of unit types (e.g. one-bedroom, two-bedroom) proportionate to market-rate units.
Affordability level	80% AMI	Applies to both rental and ownership projects. See Appendix I for affordability calculations.
Linkage fee	$1,000 per new unit of housing	Codified in Section 4-5 of the City's Building Regulations, part of its General Ordinances
Alternative methods	In-lieu fee	Not permitted
	Off-site units	Off-site units are subject to the Planning Board's special permit review and approval. As this option is not available by right, it is not considered in this analysis.
Density bonus incentive for greater affordability	Up to 50% increase in the total number of units based on the baseline plan that could be developed by right (density bonus) 25% of affordability requirement is applied for bonus units	This cost offset would allow an increase of up to 50% of the total number of units that would normally be permitted, as well as greater flexibility in other dimensional requirements. The housing unit bonus is subject to the Planning Board's discretionary review, so it is not incorporated into the assumptions of this analysis.

Special considerations for sites requiring environmental remediation	A by-right reduction of the affordability unit requirement down to 10% of the total dwelling units	For any site with a recorded activity and use limitation (AUL) and/or other significant remediation, a reduction of the affordability unit requirement down to 10% of the total number of dwelling units is automatic. However, as this is dependent on site conditions, it is not considered in this analysis.
Administration process	Special permit	Inclusionary zoning policy is administered via Special Permit in conjunction with Site Plan Review (i.e. Site Plan Review and Special Permit consideration are undertaken concurrently at applicant meetings and/or hearings).

3A Zoning District

In December 2023, Everett City Council amended the Commercial Triangle Economic Development District (CTEDD) to satisfy the requirements of Section 3A. The amended CTEDD permits by-right multifamily (non-mixed-use) development. The dimensional requirements of this district include an allowable building height up to 35’ for multifamily housing, maximum density of 50 units per acre, no minimum lot size or width, and no district-wide density caps. New developments must provide 0.5 off-street parking spaces per unit.

Recent Development

In the past five years, Everett has permitted about 28 multifamily projects subject to its inclusionary policy. These projects ranged in size from 15 to 741 units and, collectively, generated a total of 550 new affordable units.

Total units	Total units	Affordable units	Year Permitted
536 Broadway	15	3	2022
108 Ferry St	16	3	2021
403 Main St	16	3	2023
20-22 Chelsea St	17	3	2023
605 Broadway	18	2	2019
657 Broadway	18	3	Currently in review process
322-324 Ferry St	19	3	2019
319 Broadway	20	3	2021
19 Paris St	20	3	Currently in review process
366 Broadway	24	4	2021
445-455 Broadway St	25	5	2023
52 School St	46	7	2022
30 Beacham St	51	5	2019
6 Norman St	66	3	2020
596 Broadway	85	13	2019

25 Garvey St	127	125	2022
530 Second St	133	13	2021
165 Bow St	149	23	2022
1911 Revere Beach Pkwy	153	22	2022
99 East Elm St	190	19	2022
128 Spring St	230	23	2022
337 Second St	350	17	2022
114 Spring St	385	20	2021
65 Norman St	396	59	2020
45 Garvey St	591	23	2021
380 Second St	620	62	2022
1690 Revere Beach Pkwy	741	38	2022

While previous development does not guarantee future project feasibility, it does indicate that the City's inclusionary policy has been viable in recent development projects, including small projects. Given that development in the amended CTEDD zoning district will be permitted by right rather than via special permit, these recent permitting trends support the conclusion that development under Everett's current inclusionary policy will be feasible in the new 3A district.

Pro Forma Analysis

MAPC's analysis utilizes a development pro forma, a tool that is typically used by a developer to understand whether a real estate project is likely to be profitable. A pro forma takes into account dozens of project-specific real estate development variables to arrive at a projected level of financial return. As each of these variables change—for example, as construction costs decrease or interest rates increase—profitability goes up or down. If the anticipated profitability falls too low, the project will be considered too risky or too unprofitable to pursue.

For policy makers, a pro forma model is a useful tool to understand how a particular policy might impact the local housing market. By undertaking a feasibility study when considering adoption or application of inclusionary zoning, a municipality is better equipped to design a policy that both meets affordability goals and minimizes the risk of dampening development. For this EFA, the intent is not to test a variety of policy options, but rather to document the viability of a policy that has already been adopted. Therefore, rather than compare the impacts of a range of different inclusionary policy requirements, this analysis will test a single inclusionary policy across several hypothetical projects likely to be developed in Everett's 3A district to evaluate whether the policy risks impeding the production of multifamily housing.

MAPC's pro forma financial model incorporates a wide range of variables, which are reviewed in detail in the following sections. These inputs form the backbone of any feasibility analysis and must be carefully researched and calibrated to reflect Everett's local development conditions to ensure an accurate analysis. This analysis derives its inputs from several sources. First, it relies on quantitative market data from industry sources, which include CoStar, Warren Group, Zillow, RS Means, and MAPC's rental listings database. These provide a picture of Everett's overall housing market, including properties of all ages, sizes, and conditions. To supplement this data, MAPC staff conducted a survey of recently developed market properties that are likely more representative of future new development. Finally, MAPC conducted interviews with real estate professionals active locally and in the region, including market-rate developers, affordable housing developers, property managers, and lenders.

This analysis was grounded in the EFA guidelines provided by EOHLC and is intended to satisfy the requirement to demonstrate feasibility of an inclusionary zoning policy in a 3A district.

MODEL COMPONENTS AND INPUTS

The pro forma financial model can be divided into six broad components, each of which interact with each other and can impact profitability positively or negatively:

- The type of development likely to occur (“development scenarios”)
- Characteristics of new development project (“development program”)
- How much it costs to build the new development project
- Once the project is occupied, how much revenue it generates and how much it costs to keep running (“operating”)
- Financing terms
- Whether the development project is financially feasible (“profitability metrics”)

DEVELOPMENT SCENARIOS

This analysis considers four hypothetical development projects. These were defined based on recent permitted projects, dimensional parameters of the newly amended Commercial Triangle Economic Development District (CTEDD), and discussions with city staff. These scenarios are representative of the range of projects that may be developed in Everett’s 3A district.

Scenario	Project size	Construction	Parking	Notes
Scenario 1	10 units	Wood frame	Surface	Ten units is the smallest project size subject to Everett’s inclusionary policy.
Scenario 2	25 units	Wood frame	Surface	A median size lot in the 3A district multiplied by the DU/AC based on the 3A compliance model
Scenario 3	60 units	Podium	Podium	An average size lot in the 3A district multiplied by the DU/AC based on the 3A compliance model
Scenario 4	125 units	Podium	Podium	Representative of recent projects on large lots in the CTEDD

While projects larger than those represented here may certainly be built in the 3A district, this analysis assumes that if the inclusionary policy is viable for a 125-unit project it will also be viable for larger projects, which are typically more cost effective due to of economies of scale.

Development Program

The development program defines the physical components of the new building. Some of these are grounded in local markets: for example, parking ratios and unit sizes vary widely from municipality to municipality depending on proximity to transit, neighborhood walkability, land costs, and zoning. Other inputs, such as the amount of space devoted to common area, are generally consistent with regional industry standards.

Input	Value	Source(s)
Unit mix	5% Studios 40% One-bedrooms 50% Two-bedrooms 5% Three-bedrooms	CoStar, developer interviews
Common area	15% of residential area	Developer interviews, industry standard
Unit size	Studios: 500 sqft. One-bedrooms: 750 sqft. Two-bedrooms: 1050 sqft. Three-bedrooms: 1300 sqft.	CoStar, Developer interviews, review of recent properties on market
Parking ratio	0.5 spaces/unit	Zoning ordinance
Parking type	Varies based on development scenario	Recent development projects, developer interviews

Development Costs

This set of inputs reflects how much it costs to build housing in Everett. In addition to the cost of the materials and labor needed to construct the building itself and its associated parking, development costs also include the cost of purchasing land (acquisition cost) and the costs associated with the non-physical aspects of developing a building (soft costs), such as architecture and engineering fees, financing and loan closing costs, and legal fees.

Input	Value	Source(s)
Acquisition	Varies based on the project scale: $60,000 per unit (20 or fewer units) $50,000 per unit (more than 20 and fewer than 50 units) $40,000 per unit (50 or more units)	City assessor data, developer interviews
Construction	Wood frame: $300 per sqft. Podium: $315 per sqft	RS Means, developer interviews
Parking	Surface: $15,000 per space Podium: $35,000 per space	RS Means, developer interviews
Soft Costs	20% of hard costs	Developer interviews, industry standard
Linkage Fee	$1,000 per unit	Zoning ordinance
Total Dev. Cost	$450,000 per unit	Developer interviews

While total development cost is not itself an input into the financial model, it is an important way to confirm consistency of inputs.

OPERATING

Operating inputs are comprised of two main components. The first is operating revenue, which consists primarily of income from rents but may also include parking or laundry fees. Rental income comes from both market rate units and affordable units. The second is operating expenses, which cover the costs of keeping a building running such as snow plowing, marketing and leasing, and building maintenance.

Input	**Value**	**Source(s)**
Vacancy	5%	Developer and lender interviews
Parking Income	$100 per space monthly	Developer interviews
Rental income – Market rate units	Studios: $2,550/mo. One-bedrooms: $2,950/mo. Two-bedrooms: $3,350/mo. Three-bedrooms: $3,800/mo.	Zillow, CoStar, MAPC Rental Listings Database, developer interviews, review of recent properties on market
Note: See appendix for detailed documentation of market rents.		
Rental income – Affordable units at 80% AMI	Studios: $2,074 One-bedrooms: $2,370 Two-bedrooms: $2,666 Three-bedrooms: $2,961	U.S. Department of Housing and Urban Development
Note: See appendix for detailed documentation of affordable rents.		
Operating Expenses	Varies based on the project scale: $10,000 per unit per year (20 or fewer units) $9,500 per unit (more than 20 and fewer than 50 units) $9,000 per unit (50 or more units)	Developer interviews
This equates to roughly 35% of net operating income.		

For-sale development differs from rental development in that, rather than receiving ongoing revenue from rents, the developer receives one-time revenue at the time each condominium unit is sold.

Input	**Value**	**Source(s)**
Lease-up period	12-24 months depending on project size	Lender and developer interviews
Construction interest rate	7.0%	Lender and developer interviews
Market sales prices	Studios: $425,000 One-bedrooms: $515,000 Two-bedrooms: $635,000 Three-bedrooms: $725,000	Zillow, CoStar, developer interviews, review of recent properties on market
Affordable sales prices (80% AMI)	Studios: $193,000 One-bedrooms: $222,000 Two-bedrooms: $250,000 Three-bedrooms: $279,000	U.S. Department of Housing and Urban Development, Executive Office of Housing and Livable Communities
Note: See appendix for detailed documentation of affordable sales prices.		

FINANCING

For the most part, financing terms are set not by the developer, but by the mortgage lender and a project's equity investors.

Input	Value	Source(s)
Perm. Interest Rate	6.5%	Developer and lender interviews
Term	30 years	Developer and lender interviews
Debt Service Coverage Ratio (DSCR)	1.2	Developer and lender interviews
Loan to Value Ratio (LTV)	65%	Developer and lender interviews
Cap Rate	5.0%	Assessor data, Costar
Debt Equity Ratio	70/30	Developer interviews

PROFITABILITY METRICS

Developers typically use several profitability metrics when considering whether to pursue a project and may rely more heavily on one or another depending on market conditions. To assess feasibility, this analysis relies on two different metrics that developers and lenders commonly use to determine anticipated profitability of a potential development project. The first, internal rate of return (IRR), considers project returns over an extended period of time. The second, return on cost (ROC), measures a point-in-time return at project completion.

While the metrics used here have been verified by local developers, it is important to note that a minimum IRR or ROC required to advance a project varies depending on the local housing market, the developer's requirements, those of their lenders and equity investors, and project-specific conditions.

Input	Value	Sources/Notes
Internal Rate of Return (IRR)	15%	Developer interviews
Return on Cost (ROC)	5.5%	Developer interviews

Analysis

In short, this analysis finds that **Everett's current inclusionary policy is economically feasible** and is unlikely to pose a risk of deterring development in its Section 3A district.

Scenario	Units	Construction	Parking	IRR	Return on Cost	Inclusionary policy feasible under 3A zoning
Scenario 1	10	Wood frame	Surface	16.0%	5.8%	**YES**
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Scenario 3	60	Podium	Podium	16.3%	5.8%	**YES**
Scenario 4	125	Podium	Podium	16.2%	5.8%	**YES**

In each of the four scenarios considered, the IRR was well above the 15% threshold, and the ROC was above the 5.5% threshold. Homeownership projects were similarly viable under the current inclusionary policy, with a projected return on cost in the range of 8-14% depending on project size and construction type.

Although project returns are dependent on dozens if not hundreds of variables and cannot be attributed to any one variable, there are several factors that had a notable influence on these results. The first is Everett's inclusionary policy itself. The requirement of 15% affordable units at 80% AMI is a moderate policy that is common across the state. Specifically, the target affordability level of 80% AMI is higher than that in many of Everett's peer cities in Greater Boston's inner core, which makes the policy a much more manageable lift than if the target affordability level was at 60% AMI.

The policy does not allow an in-lieu fee, which in some municipalities is key to ensuring feasibility for the smallest projects. However, this is balanced by Everett's policy threshold of 10 units, which is on the higher end of thresholds common in Massachusetts policies. While in some markets a 6-unit project may have difficulty providing an affordable unit on-site, in Everett the 10-unit threshold is high enough to support the on-site requirement. This is borne out not only by this feasibility analysis but also by actual development in Everett, which in the past five years includes at least nine projects 20 units or smaller that provided on-site affordable units.

In addition to its inclusionary policy, Everett assesses an affordable housing linkage fee. While a high linkage fee combined with a substantive inclusionary policy could negatively impact project feasibility, Everett's linkage fee of $1,000 per unit is modest—for a unit that costs $450,000 to develop, it represents a 0.2% increase in total development costs—and has little impact on project returns.

An additional factor in the inclusionary policy's feasibility is the low parking requirement, which is 0.5 spaces per unit in CTEDD, rather than the 2 spaces per unit required elsewhere in Everett's zoning ordinance. Off-street parking is expensive to build ($35,000 or more per space for podium parking) and also use space that could otherwise be devoted to housing. Thus the significantly reduced parking requirement in the CTEDD district, available by right, offsets some of the costs of the affordable units.

Finally, development in Everett tends to be large in size and thus benefit from economies of scale. Of the 27 multifamily projects developed in Everett in the past five years, 15 projects were larger than fifty units. In general, larger projects tend to be more profitable because project costs can be divided among a larger number of units.

In conclusion, this analysis finds that the policy will be viable across a range of development projects likely in Everett's 3A district. Rents and sales prices are lower in Everett than on other municipalities in Greater Boston's inner core, but are still sufficiently high to balance the city's inclusionary requirements given the factors described above. Everett can confidently apply its inclusionary policy in its 3A district with little risk of negatively impacting new development.

Appendix I: Affordable Rents and Sales Prices

Income Limits

Each year, the U.S. Department of Housing and Urban Development sets a specific income amount that defines what it means to be low-income in a given region. For these purposes, Everett is part of Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area, which covers an area that stretches from the South Shore to southern New Hampshire. In 2023, the income levels eligible for housing created through Everett's inclusionary policy (80% of area median income) are highlighted below.

Income Limit Category	1 person	2 people	3 people	4 people
50% Area Median Income	$51,950	$59,400	$66,800	$74,200
60% Area Median Income	$62,340	$71,280	$80,160	$89,040
65% Area Median Income	$67,535	$77,220	$86,840	$96,460
70% Area Median Income	$72,730	$83,160	$93,520	$103,880
80% Area Median Income	$82,950	$94,800	$106,650	$118,450
100% Area Median Income	$103,900	$118,800	$133,600	$148,400
110% Area Median Income	$114,290	$130,680	$146,960	$163,240

Affordable Rents

Housing is considered affordable if a household spends no more than 30% of its income on housing expenses. For renter households, this amount is equivalent to the affordable rental price if utilities are included in the rent.

Affordable Monthly Rent (Utilities included)	1 person/ Studio unit	2 people/ One-bdrm unit	3 people/ Two-bdrm unit	4 people/ Three-bdrm unit
80% Area Median Income	$2,074	$2,370	$2,666	$2,961

Affordable Sales Prices

The method for determining the sales price of an affordable unit is outlined in the Massachusetts Chapter 40B Guidelines.

	1 person/ Studio unit	2 person/ One-bdrm unit	3 person/ Two-bdrm unit	4 person/ Three-bdrm unit
80% AMI annual household income	$82,950	$94,800	$106,650	$118,450
70% AMI "window of opportunity"	$72,730	$83,160	$93,520	$103,880
Monthly income available for housing	$1,818	$2,079	$2,338	$2,597
Real Estate Taxes*	$184	$212	$239	$265
Private Mortgage Insurance	$150	$175	$200	$225
Homeowners Insurance	$80	$90	$100	$110
Association/Condo Fee	$200	$220	$240	$260

Monthly Principal and Interest	$1,204	$1,382	$1,559	$1,737
Interest Rate**	6.85%	6.85%	6.85%	6.85%
Mortgage Amount	$183,734	$210,907	$237,959	$265,011
Down Payment	5%	5%	5%	5%
Deed-Restricted Sales Price	**$192,921**	**$221,453**	**$249,847**	**$278,262**

* Based on Everett's FY24 residential tax rate of $11.46.

** Per the Chapter 40B Guidelines, interest rate is one quarter percent above the prevailing fixed 30-year rate as listed on Freddie Mac's interest rate survey, accessed on January 18, 2023.

APPENDIX II: MARKET RENTS AND SALES PRICES

Rent and sales price inputs used in this analysis were informed by data from multiple industry sources, including Zillow, CoStar, Warren Group, and MAPC's Rental Listings Database. However, these sources incorporate all units available in Everett within a given time period, including units that are old, in poor condition, or lack amenities typical of modern development. Therefore, it is important to also consider recent development in Everett that is likely more comparable to future development in the 3A district. For this, MAPC relied on conversations with locally active developers as well as a review of available units in recently-developed or recently-renovated projects. Unsurprisingly, rents in these new and renovated buildings are substantially higher than rents across Everett as a whole. The examples below provide a window into prices specific to new projects and is an important supplement to industry data.

Sample Rents for currently available units in newly constructed/renovated buildings in Everett

Unit type	Monthly rent	Size (sqft.)	Rent per sqft.
Studio	$2,689	510	$5.30
Studio	$2,663	514	$5.20
Studio	$2,275	462	$4.90
Studio	$2,675	575	$4.70
Studio	$2,250	440	$5.10
One-bed	$2,468	562	$4.40
One-bed	$2,827	775	$3.60
One-bed	$2,799	664	$4.20
One-bed	$3,177	774	$4.10
One-bed	$2,250	540	$4.20
One-bed	$2,600	570	$4.60
One-bed	$2,485	563	$4.40
Two-bed	$3,577	1,113	$3.20
Two-bed	$4,027	1,430	$2.80
Two-bed	$2,948	1,056	$2.80
Two-bed	$3,162	1,110	$2.80
Two-bed	$3,325	982	$3.40
Two-bed	$4,075	1,369	$3.00
Two-bed	$2,990	1,006	$3.00
Two-bed	$3,070	1,020	$3.00
Three-bed	$4,546	1,389	$3.30
Three-bed	$3,600	1,100	$3.30
Three-bed	$3,050	1,200	$2.50
Three-bed	$3,200	900	$3.60

Source: Zillow (https://www.zillow.com/everett-ma/rentals) and apartment websites
Buildings in the sample include: 25 Charlton St, 1760 Revere Beach Pkwy, 101 Mill Rd, 600 Broadway, 12 Valley St, 47 Estes St, 256 Main St, 31-33 Highland.

Sample sales prices for units sold in 2023 in recently constructed buildings in Everett

Unit type	Size (sqft.)	Sales Price	Price/sf
Studio	420	$439,000	$1,045
Studio	460	$535,000	$1,164
Studio	514	$440,000	$856
One-bed	815	$500,000	$612
One-bed	821	$485,000	$591
One-bed	800	$505,000	$631
One-bed	899	$497,500	$553
One-bed	792	$472,800	$597
One-bed	789	$476,000	$603
Two-bed	906	$600,000	$662
Two-bed	1,200	$617,000	$514
Two-bed	1,272	$765,000	$601
Two-bed	1,146	$650,000	$567
Three-bed	1,976	$690,000	$349
Three-bed	1,569	$670,000	$427
Three-bed	1,850	$715,000	$386
Three-bed	2,004	$775,000	$387
Three-bed	1,520	$672,000	$442
Three-bed	1,734	$780,000	$450
Three-bed	1,924	$725,000	$377

Source: Zillow.com
Buildings in the sample include: 210 Broadway, 43 Charlton St, 43 Valley St, 50 Floyd St, 53 Corey St, 145 Vernal St, 38 Alpine Ave, 53 Bryant St
Note: There are fewer examples for sales compared to rental, as only a few listings in newer buildings have come online.

APPENDIX III: EOHLC ASSUMPTIONS CHECKLIST

Revenue Sources	Input	Source
Rents by Bed Count (per SQFT)		
Studio/Efficiency	$5.10	Zillow, CoStar, MAPC Rental Listings Database, developer interviews, review of recent properties on market
One Bedroom	$3.93	
Two Bedroom	$3.19	
Three Bedroom	$2.92	
Sale Value (per SQFT)	$550-$850 depending on unit type	
Other Income		
Parking Revenue (per month per space)	$100	Developer interviews
On-Site Laundry (per month)	n/a	n/a
Other (please list)	n/a	n/a

Construction Costs	Input	Source
Land Acquisition (per unit)	$40,000 - 60,000	Assessor data, developer interviews
Land Development Costs (per unit)	Included in construction costs	
Soft Costs (percentage of hard costs)	20%	Developer interviews
Hard Costs (per SQFT)		
Residential	n/a	n/a
Commercial Stick Built	$300	RS Means, developer interviews
Commercial Podium	$315	RS Means, developer interviews
Commercial Steel	$350	RS Means, developer interviews
Parking Assumptions		
Parking Ratio	0.5	Zoning ordinance, recent projects
Parking Cost by Type		
Surface (per space)	$15,000	RS Means, developer interviews
Structured (per space)	$35,000	RS Means, developer interviews
Underground (per space)	$75,000	RS Means, developer interviews

Operations & Expenses	Input	Source
Vacancy (percentage)	5%	Developer and lender interviews
Collection Loss (percentage)	n/a	n/a
Operating Expense (% of EGI)	34-38%	Developer interviews

Financial	Input	Source
Lending Rate (Percentage)	6.5%	Developer and lender interviews
Lending Term (Years)	30	Developer and lender interviews
Debt Equity Ratio	65%	Developer and lender interviews
Cap Rate	5.0%	CoStar, assessor data
Return Expectations		
Internal Rate of Return (IRR)	15.0%	Developer interviews
Return on Cost (ROC)	5.5%	Developer interviews
Cash on Cash (CoC)	n/a	n/a

APPENDIX IV: FINANCIAL PRO FORMA

Please see excel spreadsheet included separately in the compliance application package.