



City of La Cañada Flintridge

# Housing Element – Discussion Item on Density

City Council Workshop

Tuesday, July 5, 2022  
6:00 p.m.

# Issues

- Sites Inventory is problematic as currently proposed:
  - HCD is aware that past rezoning of land to allow 20-30 du/ac (Mixed Use and R-3/high density residential) has not resulted in production of any new multi-family housing in the last 8+ years, regardless of income.
  - Likelihood that HCD will not accept a density of 20-30 du/ac for lower-income units due to lack of evidence of production and concerns expressed by the public.
  - City has received feedback that some property owners object to have their property included because they do not intend to discontinue their existing use during the 8-year cycle. While some indicate it is because they do not intend to discontinue the existing use, others indicate it is because the proposed densities will not “pencil out.”

# Issues, continued

## ■ Sites Inventory is problematic as currently proposed (continued):

- City's existing development standards have been identified as constraints to development to achieve densities that facilitate the RHNA. (Existing Draft Housing Plan acknowledges this and includes programs to revise them—however, based on expressed public opposition to reducing existing development standards, staff and consultant are concerned that revising them without “real world” testing could result in standards that would continue to be a constraint to development.)
- Due diligence with property owners is necessary to find out if there is interest/likelihood that the property would be available for development and recycle to mixed or residential use.
- Moderate-income and lower-income units are not likely to be constructed in LCF without a requirement to do so, such as inclusionary regulations.

# Economic Analysis

- Conducted by Michael Baker International (MBI)
  - Utilized a recent sale on Foothill Boulevard that is to be utilized for medical office as the base condition
  - Analyzed development costs, operating income, determined net sales proceeds
  - MBI determined that a residential development at a density of 26 du/ac was comparable to the medical office use when the gross value per square foot of parcel area is determined

# Economic Analysis

- Scenarios Analyzed
  - Scenario A = 100% above-moderate & 15% Inclusionary on 0.5 acres
  - Scenario B = 15% Inclusionary on 1.0 acres
  - Scenario C = 15% Inclusionary on 1.5 acres
- Minimum density of 26 du/ac is DRAFT and may increase based on revised development standards

# Economic Analysis

## DRAFT DEVELOPMENT SCENARIOS

	Scenario A			Scenario A'		
	Site Area, acres	0.5		Site Area, acres	0.5	
Affordable	Market Rate			15% Inclusionary Rental		
Number of Stories	2			2		
Lot Coverage Maximum percent look at existing zoning code for parameters	80%	17,424		80%	17,424	
Density, units/acre	26		Guest Parking Spaces	26		Guest Parking Spaces
Number of Units	13		3	13		3
Affordable	0			2		
Unit Mix						
Unit Mix, Floor Areas, units	No. Units			No. Units		
Studio	450	1	1	450	1	1
1-bedroom	600	1	1	600	1	1
2-bedroom	800	5	10	800	5	10
3-bedroom	1000	6	13.5	1000	6	13.5
4-bedroom	<u>1200</u>	0	0	<u>1200</u>	0	0
Affordable				<u>2</u>		
Residential units, area, sq. ft.	11,050	850		11,050	850	
Landscaping/Openspace						
Building Efficiency	0.9			0.9		
Commercial, net leasable sq. ft.	-			-		
Amenities/Common Area	1,000			1,000		
Total Gross Building Area, (sq. ft.), parking not included/area available	-	13,278	17,424	-	13,278	17,424
FAR. N:1	0.61			0.61		
Parking Spaces, 200 sq. ft. each	29			29		
Parking Ratio	11.5.05.004			11.5.05.004		

# Economic Analysis, continued

	cost unit	Cost per unit	Total	Scenario A 0.5 Market Rate		Scenario A' 0.5 15% Inclusionary Rental	
				Aver. Per Dwelling Un	Total	Aver. Per Dwelling Un	Total
<b>Development Costs</b>							
<b>Direct Costs, per unit</b>							
Off-site improvements,	per sq. ft. of site	\$5.00		\$8,376.92	\$108,900	\$8,376.92	\$108,900
On-site improvements,	per sq. ft. of site	\$30.00		\$50,261.54	\$653,400	\$50,261.54	\$653,400
Parking,	per space	\$50,000		\$109,615.38	\$1,425,000	\$109,615.38	\$1,425,000
Residential Construction w/Elevators	per sq. ft. of gross buildin	\$210.00		\$198,333.33	\$2,578,333	\$198,333.33	\$2,578,333
Amenities,	per sq. ft. common area	\$50.00		\$3,846.15	\$50,000	\$3,846.15	\$50,000
Contingency, 15% of above direct costs				\$55,565.00	<u>\$722,345</u>	\$55,565.00	<u>\$722,345</u>
<b>Total Direct Cost</b>				<b>\$425,998</b>	<b>\$5,537,978</b>	<b>\$425,998</b>	<b>\$5,537,978</b>
<b>Indirect Costs</b>							
Architecture & Engineering, 8% of direct cc	0.08			\$34,079.87	\$443,038	\$34,079.87	\$443,038
Permits & Fees, residential, per sq. ft	\$4.40			\$4,494.02	\$58,422	\$4,494.02	\$58,422
Permits & Fees, non-residential, per sq. ft.	\$4.40	\$10.00			\$0		\$0
Schoos Fee	\$4.10			\$3,485.00	\$45,305	\$3,485.00	\$45,305
Legal & accounting, 1.5% of direct	0.005			\$2,129.99	\$27,690	\$2,129.99	\$27,690
Insurance, 0.5% of direct	0.015			\$6,389.98	\$83,070	\$6,389.98	\$83,070
Developer's Fee, 4.0% of direct	0.04			\$17,039.93	\$221,519	\$17,039.93	\$221,519
Marketing/Lease-up, residential, per unit		\$500			\$6,500		\$6,500
Marketing/Lease-up, non-residential, per sq. ft.		\$10			\$0		\$0
Contingency, 10% of above indirect costs	0.1			\$6,811.88	\$88,554.42	\$6,811.88	\$88,554.42
<b>Total Indirect Cost</b>				<b>\$74,431</b>	<b>\$974,099</b>	<b>\$74,431</b>	<b>\$974,099</b>
<b>Financing Costs</b>	<b>6% of direct cost</b>			\$25,559.90	<b>\$332,279</b>	\$25,559.90	<b>\$332,279</b>
<b>Total Development Cost, excluding land acquisition</b>					<b>\$6,844,356</b>		<b>\$6,844,356</b>
cost per residential unit				\$525,989	\$526,489	\$525,989	\$526,489
Cost per net rentable floor area					\$619		

# Economic Analysis, continued

	Site Area, acres Affordable				Scenario A		Scenario A'	
					0.5 Market Rate		0.5 15% Inclusionary Rental	
<b>Operating Income-Residential Rental</b>					<b>Rental Income</b>		<b>Rental Income</b>	
Gross Scheduled Rents, annual per unit, total Market Rate								
Market rate								
Studio						\$30,000		\$0
1 bedroom	\$2,500.00					\$36,000		\$0
2 bedroom	\$3,000.00					\$210,000		\$210,000
3 bedroom	\$3,500.00					\$302,400		\$302,400
4 bedroom	\$4,200.00					\$0		\$0
Affordable								
Studio	60%	80%	100%	120%				
1 bedroom	\$811.00	\$1,082.00	\$1,352	\$1,623				
2 bedroom	\$869.00	\$1,159.00	\$1,449	\$1,739		\$0		\$9,732
3 bedroom	\$1,043.00	\$1,391.00	\$1,739	\$2,087		\$0		\$10,428
4 bedroom	\$1,205.00	\$1,607.00	\$2,009	\$2,411		\$0		\$0
4 bedroom	\$1,345.00	\$1,793.00	\$2,241	\$2,690		\$0		\$0
Gross Annual						\$578,400		\$532,560
Gross per sq. ft.						\$52		\$48
(less) Operating Expenses, per unit per year						(\$6,000)		(\$6,000)
(less) vacancy 3%						(\$17,352)		(\$15,977)
(less) taxes, 1% of residential construction cost 1%						(\$25,783)		(\$25,783)
(less) Replacement reserves, per unit per year						(\$2,000)		(\$26,000)
Marketing & Leasing 2%						(\$11,568)		(\$10,651)
Net Annual Operating Income						<b>\$419,749</b>		<b>\$386,848</b>
Capitalization Rate, Capitalized Value 4.0%						4.0% \$10,493,725		4.0% \$9,671,202
Gross Value per sq. ft. of parcel						\$602		\$555
Market Price per unit						\$807,210		\$743,939
(less) Cost of Sale, percent of gross 3%						3% (\$314,812)		3% (\$290,136)
(less) Developer's Profit, percent of gross revenue 12%						12% (\$1,259,247)		12% (\$1,160,544)
<b>Net Sales Proceeds Residential Rental</b>						<b>\$8,919,666</b>		<b>\$8,220,521</b>
<b>Net Sale Proceeds per Square Foot</b>						<b>\$410</b>		<b>\$377</b>
<b>Total Net Sales Proceeds</b>						<b>\$8,919,666</b>		<b>\$8,220,521</b>
<b>(less) Development Costs</b>						<b>(\$6,844,356)</b>		<b>(\$6,844,356)</b>
<b>Residual Land Value</b>						<b>\$2,075,311</b>		<b>\$1,376,166</b>
<b>Per Unit</b>						<b>\$159,639</b>		<b>\$105,859</b>
<b>Per sq. ft. of site</b>						<b>\$95</b>		<b>\$63</b>



# Economic Analysis, continued

	cost unit	Site Area, acres Affordable	Cost per unit	Total	Scenario B 1 15% Inclusionary Rental		Scenario C 1.5 15% Inclusionary Rental	
					Per Unit	Total	Per Unit	Total
<b>Development Costs</b>								
<b>Direct Costs, per unit</b>								
Off-site improvements,	per sq. ft. of site		\$5.00		\$8,376.92	\$217,800	\$8,376.92	\$326,700
On-site improvements,	per sq. ft. of site		\$30.00		\$50,261.54	\$1,306,800	\$50,261.54	\$1,960,200
Parking,	per space		\$50,000		\$103,846.15	\$2,700,000	\$104,807.69	\$4,087,500
Residential Construction w/Elevators	per sq. ft. of gross buildin		\$210.00		\$189,358.97	\$4,923,333	\$192,051.28	\$7,490,000
Amenities,	per sq. ft. common area		\$50.00		\$3,846.15	\$100,000	\$3,846.15	\$150,000
Contingency, 15% of above direct costs					\$53,353.46	<u>\$1,387,190</u>	\$53,901.54	<u>\$2,102,160</u>
<b>Total Direct Cost</b>						<b>\$10,635,123</b>		<b>\$16,116,560</b>
<b>Indirect Costs</b>								
Architecture & Engineering, 8% of direct co	0.08				\$32,723.46	\$850,810		\$1,289,325
Permits & Fees, residential, per sq. ft	\$4.40				\$4,305.98	\$111,956		\$172
Permits & Fees, non-residential, per sq. ft.	\$4.40		\$10.00			\$0	\$10.00	\$0
Schoos Fee	\$4.10				\$3,327.31	\$86,510		
Legal & accounting, 1.5% of direct	0.005				\$2,045.22	\$53,176		\$80,583
Insurance, 0.5% of direct	0.015				\$6,135.65	\$159,527		\$241,748
Developer's Fee, 4.0% of direct	0.04				\$16,361.73	\$425,405		\$644,662
Marketing/Lease-up, residential, per unit			\$500		\$0.00	\$13,000	\$500.00	\$19,500
Marketing/Lease-up, non-residential, per sq. ft.			\$10		\$0.00	\$0	\$10.00	\$0
Contingency, 10% of above indirect costs	0.1					\$170,038.28		\$227,599.00
<b>Total Indirect Cost</b>						<b>\$1,870,421</b>		<b>\$2,503,589</b>
<b>Financing Costs</b>						<b>\$638,107</b>		<b>\$966,994</b>
<b>Total Development Cost, excluding land acquisition</b>						<b>\$13,143,652</b>		<b>\$19,587,143</b>
cost per residential unit						\$505,525		\$502,234
Cost per net rentable floor area								

# Economic Analysis continued

	Site Area, acres Affordable				Scenario B		Scenario C	
					1 15% Inclusionary Rental		1.5 15% Inclusionary Rental	
<b>Operating Income-Residential Rental</b>					<b>Rental Income</b>		<b>Rental Income</b>	
Gross Scheduled Rents, annual per unit, tota Market Rate								
Market rate								
Studio	\$2,500.00				\$30,000		\$30,000	
1 bedroom	\$3,000.00				\$144,000		\$216,000	
2 bedroom	\$3,500.00				\$336,000		\$462,000	
3 bedroom	\$4,200.00				\$453,600		\$756,000	
4 bedroom	\$4,700.00			\$0	\$0		\$0	
Affordable								
	60%	80%	100%	120%				
Studio	\$811.00	\$1,082.00	\$1,352	\$1,623	\$9,732		\$9,732	
1 bedroom	\$869.00	\$1,159.00	\$1,449	\$1,739	\$10,428		\$20,856	
2 bedroom	\$1,043.00	\$1,391.00	\$1,739	\$2,087	\$20,868		\$41,736	
3 bedroom	\$1,205.00	\$1,607.00	\$2,009	\$2,411	\$24,108		\$24,108	
4 bedroom	\$1,345.00	\$1,793.00	\$2,241	\$2,690	\$0		\$0	
Gross Annual					\$1,028,736		\$1,560,432	
Gross per sq. ft.								
(less) Operating Expenses, per unit per year					(\$6,000)	(\$156,000)	(\$6,000)	(\$234,000)
(less) vacancy 3%						(\$30,862)		(\$46,813)
(less) taxes, 1% of residential construction cost 1%						(\$49,233)		(\$74,900)
(less) Replacement reserves, per unit per year					(\$2,000)	(\$52,000)	(\$2,000)	(\$78,000)
Marketing & Leasing 2%						(\$20,575)		(\$31,209)
Net Annual Operating Income						<b>\$740,641</b>		<b>\$1,126,719</b>
Capitalization Rate, Capitalized Value 4.0%					4.0%	\$18,516,015	4.0%	\$28,167,976
Gross Value per sq. ft. of parcel						\$531		\$539
Market Price per unit						\$712,154		\$722,256
(less) Cost of Sale, percent of gross 3%					3%	(\$555,480)	3%	(\$845,039)
(less) Developer's Profit, percent of gross revenue 12%					12%	(\$2,221,922)	12%	(\$3,380,157)
<b>Net Sales Proceeds Residential Rental</b>					0.19	<b>\$15,738,612</b>	0.19	<b>\$23,942,780</b>
<b>Net Sale Proceeds per Square Foot</b>						<b>\$361</b>		<b>\$366</b>
<b>Total Net Sales Proceeds</b>						<b>\$15,738,612</b>		<b>\$23,942,780</b>
<b>(less) Development Costs</b>						<b>(\$13,143,652)</b>		<b>(\$19,587,143)</b>
<b>Residual Land Value</b>						<b>\$2,594,961</b>		<b>\$4,355,637</b>
<b>Per Unit</b>						<b>\$99,806</b>		<b>\$111,683</b>
<b>Per sq. ft. of site</b>						<b>\$60</b>		<b>\$67</b>

# RHNA with 20% Buffer

Income Category <sup>1</sup>	Number of Units <sup>2</sup>	20% Buffer	Total
Lower (Up to 80% AMI)	387	77	464
Moderate (81 - 120%)	139	28	167
Above Moderate (Above 120%)	86	N/A	86
<b>Total</b>	<b>612</b>	<b>105</b>	<b>717</b>

<sup>1</sup>AMI = Area Median Income, which is based on the HCD 2020 State Income Limits for Los Angeles County of \$77,300 for a 4-person household.

<sup>2</sup>SCAG Final RHNA Allocation Plan (adopted by SCAG Regional Council on March 4, 2021)

# Requirements to Accommodate RHNA

- Sites Inventory – each jurisdiction must identify available vacant and underutilized properties
  - For lower income housing – must meet certain requirements for the to be deemed adequate:
    - A minimum of 20 du/acres allowed density (default density per HCD)
    - Between 0.5–10 acres (can include multiple parcels that can be combined into one “site”)
- Fair Housing Requirements:
  - Sites feasible for affordable units distributed throughout City

# Sites Inventory – Lower Income Units

- RHNA = 387 units
- 20% buffer = 77 units
- RHNA + Buffer = 464 units
  
- 464 units @ 20 du/ac = 23.2 acres
- 464 units @ 25 du/ac = 18.6 acres
- 464 units @ 30 du/ac = 15.5 acres