

Burlingame Residential Impact Fee Study

FY 2023/24 Update

June 2024

Prepared for

City of Burlingame



Prepared by

Seifel Consulting, Inc.

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Burlingame Residential Impact Fee Study– FY 2023/24 Update

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Burlingame Residential Impact Fee Study– FY 2023/24 Update

Summary of Study Recommendations and Findings

June 2024

A. Introduction

The City of Burlingame asked Seifel Consulting, Inc. (Seifel) to prepare a financial analysis to evaluate potential updates to the City’s residential impact fee program that was adopted in 2019. The purpose of the study is to help the City attain its Housing Element goals and to modify its residential impact fee program to continue to incentivize the onsite provision of affordable housing within new development given changes in development conditions and State Law that have occurred since 2019.

Revenues from the housing fee program are used to support and build new affordable homes for City residents. For new apartment developments with 11 or more units and new ownership developments with 7 or more units, all developers are required to pay a housing fee. As shown in Exhibit 1 below, the City’s existing fee levels range from \$14 to \$35 per square foot depending on residential density (units per acre), whether a project is rental or ownership, and whether the development utilizes construction labor at prevailing/area wages.

Exhibit 1
Current Burlingame Residential Impact Fee Structure

	Impact Fee – Per Square Foot	
	Base	With Prevailing / Area Wage
Rental Multifamily – 11 units and above		
Up to 50 du/ac	\$17.00 / sq ft	\$14.00 / sq ft
51-70 du/ac	\$20.00 / sq ft	\$17.00 / sq ft
71 du/ac and above	\$30.00 / sq ft	\$25.00 / sq ft
For Sale Multifamily (Condominiums) – 7 units and above		
	\$35.00 / sq ft	\$30.00 / sq ft
Notes: 1. Rental Multifamily with total of 10 units or fewer are exempt. 2. For Sale Multifamily (Condominiums) with total of 6 units or fewer are exempt. 3. Rental projects that convert to condominiums within 10 years of completion of construction would be subject to the fee differential as a condition of conversion. Source: City of Burlingame		

New residential projects also have an “in-lieu” option that allows a developer to provide affordable unit(s) onsite in lieu of paying the housing fee.¹ To waive the fee obligation, at least ten percent (10%) of onsite housing units must be affordable for a period of 55 years or longer to households at the following income levels and affordable housing cost:

- Rental– 10% of rental units onsite to moderate-income households (80% - 120% AMI) at affordable rents set at or below 110% area median income (AMI)
- Ownership– 10% of for-sale units onsite to above-moderate income households (120% -150% AMI) at affordable sales prices set at or below 135% AMI.

This report summarizes the findings and recommendations from the financial analysis of the City’s housing fee program that was undertaken during 2023 and 2024 based on the following process:

- Review the City’s Housing Element goals and existing Residential Impact Fee Program to understand the City’s housing priorities and how the fee program could best help implement them.
- Develop a set of typical rental and ownership housing projects to analyze based on residential developments that have been recently developed in Burlingame.
 - Five types of developments are analyzed that are representative of what has been built in Burlingame– three typical apartment projects at various densities, a condominium project and a single family attached (SFA or townhome) project.
- Analyze how the use of State Density Bonus Law (DBL) could affect the housing development and feasibility of these typical projects.
- Compile and analyze data regarding housing conditions, revenues, costs and underwriting criteria that would be used by lenders and investors before funding new housing.
- Analyze the financial performance of each typical housing project under a variety of scenarios, including different housing fee levels and different percentages of onsite affordable housing at various target affordability levels.
- Review the draft findings with City staff, Ad-Hoc Committee and developer stakeholders and then refine the analysis based on their collective feedback.²
- Based on this collective input, refine the analysis, summarize key findings from the analysis and prepare recommendations regarding changes to the residential impact fee program in collaboration with City staff and Ad-Hoc Committee.
- Present the study findings and recommendations to the City Council for consideration.

¹ Due to the passage of Measure T in 1987, Burlingame cannot directly regulate the price for which property is sold, leased, rented, transferred or exchanged, and thus cannot impose an inclusionary housing requirement as part of its zoning code. To promote the provision of affordable housing, Burlingame has adopted the residential impact fee program, which allows developers an “in-lieu” alternative to provide onsite affordable housing units instead of paying the housing fee.

² The analysis was refined several times based on this feedback to incorporate updated data regarding development revenues and costs, including updated calculations of the City’s and School District’s development impact fees for each of the prototypes.

B. Recommendations

Based on the financial analysis, the following recommendations are provided for consideration by the City Council regarding the residential impact fee program and the alternative provision of affordable housing units onsite in-lieu of paying the fee. These policy changes will help the City to achieve its Housing Element goals to encourage new housing development, including affordable housing, and to incentivize developers to provide onsite affordable housing instead of paying the housing fee.

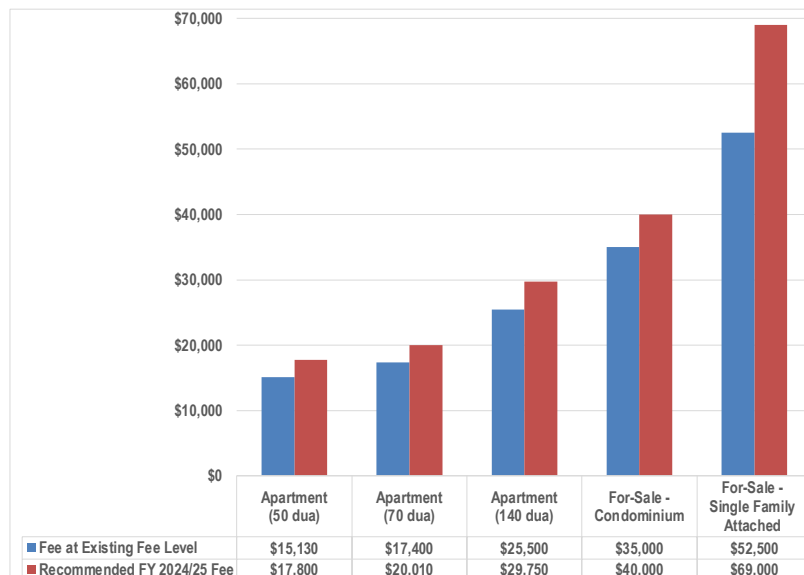
1. Residential impact fee

New residential development would continue to pay the housing fee following the same framework as the current housing fee program with the following recommended changes:

- Clarify that the housing fee applies to all types of for-sale housing with 7 units or more.
- Increase the housing fee in FY 2024/25 by the following percentages from current 2019 levels to incentivize onsite affordable units—
 - 15% for apartments and condos
 - 30% for single family attached (SFA or townhomes)
 - These proposed increases in fee levels are within the maximum justified fee levels according to the City's 2015 Nexus Study.
- Increase the residential fee annually thereafter based on an annual inflation index that is consistent with an index recommended by the City's 2024 impact fee study for other similar fees.

Exhibit 2 compares the current and recommended housing fee levels for typical housing developments evaluated in this study.

Exhibit 2
Comparison of Current and Recommended FY 2024/25 Housing Fee Levels Per Unit
for Typical Housing Developments



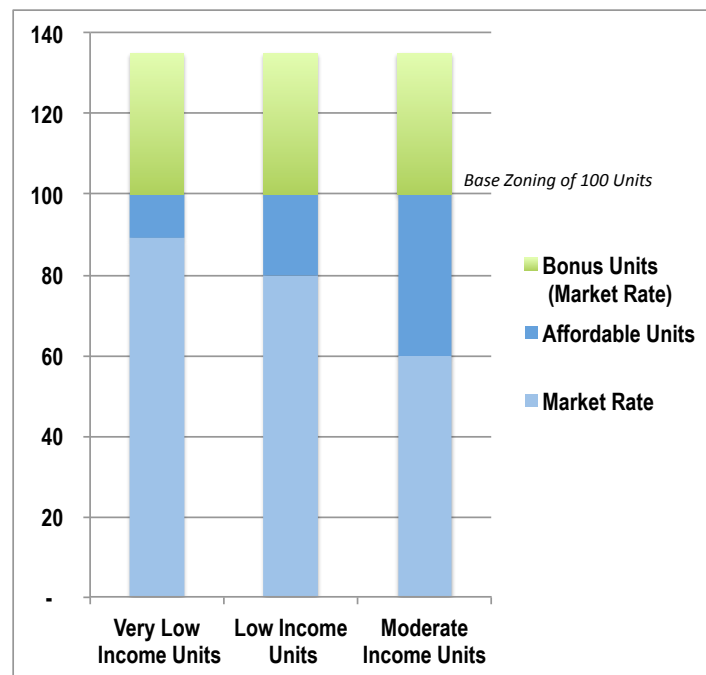
2. Onsite Affordable Alternative

New residential development will continue to have an “in-lieu” option of providing affordable housing units onsite as an alternative to paying the housing fee. Developers would need to provide housing units onsite for a period of 55 years or longer that are affordable to households at the following income levels:

- Maintain the same onsite alternatives as the current program that do not trigger State Density Bonus Law (DBL)–
 - Rental– 10% of rental units onsite to moderate-income households at affordable rents based on 110% AMI or below.
 - Ownership– 10% of for-sale units onsite to above-moderate income households at affordable sales prices based on 135% AMI or below.
 - On-site units would need to remain affordable for a period of 55 years or longer.
- Implement ongoing changes to DBL to incentivize the provision of affordable housing at deeper levels of affordability, for example, providing 10% of units onsite that are affordable to very low income households at 50% AMI.
- Streamline the process for developers to use DBL by utilizing State household income and affordable housing cost standards.

Exhibit 3 illustrates how the DBL incentivizes the provision of onsite affordable units by providing a 35% density bonus if developers provide the following percentages of affordable units based on existing zoning (base density)– 11% affordable to very low income households or 20% to low income households or 40% to moderate income households.

Exhibit 3
Correlation of Onsite Provision of Housing Affordable at Various Household Incomes
With 35% Density Bonus Allowed by State Density Bonus Law



C. Summary of Findings

This report presents an updated financial analysis to help the City evaluate how to modify the residential impact fee program to continue to incentivize the onsite provision of affordable housing within new development given changes in development conditions and State Law that have occurred since 2019.

1. Housing Development Conditions

The development of new infill housing in Burlingame like many other Bay Area cities continues to be complex, costly and risky to undertake given the following factors that make it challenging for new development to be financially feasible and for developers to attract sufficient funding to build it.

- As the development process from entitlement, construction to occupancy often takes from 5 to 10 years, changing economic, market and legislative conditions create uncertainty and volatility.
- Ongoing changes in economic and market conditions affect development and operating costs, future potential revenues, cash flow, project valuation, and return thresholds that must be obtained to attract sufficient funding to build housing.
- The national and regional economies of the Bay Area have experienced significant economic upheaval and relatively high inflation since 2018. Many housing costs have rapidly increased since including construction, insurance, interest rates, and operating costs.
 - Construction costs, which have risen due to increased cost of building materials, labor, professional services, and insurance.
 - Interest rates have risen significantly since 2021, which has increased the cost of loans and investment capital required to fully fund new housing development.
 - Operating costs, which have risen due to increased cost of supplies, wages and insurance.
- Capitalization rates (cap rates), which are used to measure property values, tend to follow interest rate patterns over time, and as cap rates increase, apartment developers typically find it more challenging to secure funding for new housing.³
 - As cap rates increase, underwriters lower their expectation of future apartment values in relationship to project net operating income.
 - As the expectation of future apartment values declines, developers have less “margin” to cover development costs, which makes it more difficult to secure funding particularly if building costs have also been increasing.
- Infill sites require substantial upfront investments to pay for property acquisition costs, obtain governmental approvals, pay applicable fees, and undertake site improvements.
 - Expensive property acquisition costs, particularly in areas of high demand such as Burlingame.
 - Complex governmental approval process that can take a significant time and may require significant changes to the development program and related design and engineering modifications from what is originally proposed.

³ A capitalization rate is equal to the ratio of a property’s net operating income (NOI) to its purchase price or value. NOI is equal to revenues less operating costs. Low cap rates mean that properties are perceived by the marketplace to have a high value in relationship to their income producing potential. Conversely, high or increasing cap rates mean that properties have a lower value in relationship to their income producing potential.

- Public fees for municipal costs related to land use planning, application processing, permits and public infrastructure/facilities (development impact fees).
- High site improvement costs including environmental remediation, building demolition, public infrastructure, and a broad variety of site improvements.
- Expensive foundation costs due to the inclusion of podium or underground parking and the vertical integration of multiple uses with different design and construction requirements.
- For many years, new housing development has not kept pace with the growing demand for housing. This is particularly true of San Mateo County, where strong economic growth has intensified housing demand, which in turn contributes to increases in home prices and rents.
 - Sales prices and apartment rents have continued to increase over the past five years in the City and surrounding areas.
 - While household incomes have also increased, many households continue to experience significant differences between the cost of housing and what they can afford to pay for housing, referred to as the “affordability gap.”
 - To provide onsite affordable housing, developers must be able to generate sufficient development revenues in comparison to costs to offset this affordability gap and attract capital funding.

Collectively, these housing development conditions have made it challenging for developers to build, secure funding and operate new housing in Burlingame. In addition, higher housing costs have increased the affordability gap for renter and owner households, which also affects development feasibility.

2. Financial Analysis Framework

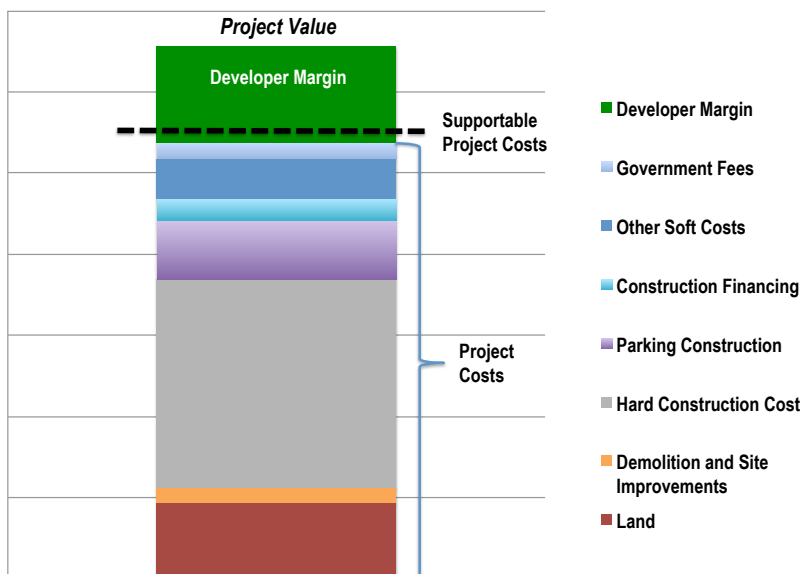
The financial analysis uses a pro forma model similar to what a developer, lender and/or investor would use to analyze development feasibility for infill housing.⁴ The financial analysis projects the following development revenues, costs, and margin (return) based on a broad variety of development scenarios that were developed in consultation with City staff:

- **Development Revenues**– Projected revenues from the future sale or value of new housing that includes market rate housing and onsite affordable housing depending on the scenario.
- **Development Costs**– Projected costs including land, direct costs (such as building construction) and indirect costs (including housing impact fees, other fees and other soft costs such as insurance).
- **Margin (return)**– Difference between development revenues and costs.
 - $\text{Return} = \text{Development Revenues} - \text{Development Costs}$

⁴ Infill housing is most feasible when land values and site improvement costs can be spread over a greater number of units while the average construction cost per housing unit remains about the same, resulting in a lower total development cost per unit. However, greater density (higher dwelling unit/acre) may also significantly increase building costs per unit. (For example, when a significant amount of expensive podium or underground parking is required to accommodate higher density.)

For new housing development to be considered financially feasible, a developer must demonstrate to its capital sources (investors and lenders) that there is sufficient developer margin (return) above anticipated development costs to address potential development risks and to repay capital at market rate terms, as illustrated in Exhibit 4 below. The payment of the housing fee or the decrease in potential housing revenues associated with alternatively providing onsite affordable housing units must be factored in to the financial analysis that a developer performs and presents to its capital sources to secure funding.

Exhibit 4 Development Feasibility Framework



The updated financial analysis follows a similar methodology to the analysis performed prior to the adoption of the City's fee in 2018⁵ and is focused on addressing the following questions:

- How have economic and housing development conditions changed since the fee was adopted, and how does this affect the development of housing in the City of Burlingame?
- Since the residential impact fee has remained the same since 2019, how much should the fee increase given inflation in housing development costs and revenues? Is the payment of the housing fee more or less feasible compared to providing affordable housing units onsite?
- Could the City increase the 10% onsite affordable housing alternative or change the target income level of affordable units while incentivizing developers to provide affordable units onsite? How is new housing development affected by using or not using State Density Bonus Law (DBL)?

⁵ The prior analysis also analyzed five representative types of developments in Burlingame— three apartment projects at various densities, a condominium project and a single family attached (SFA or townhome) project.

To test the feasibility of housing development, the financial analysis was conducted for five typical rental and for-sale projects under various scenarios that compare existing City requirements (Status Quo) compared to potential policy changes:

- Existing City housing fee compared to fee increases of 15% or 30% over current fee levels given that the City’s housing fees have not changed since 2019.
- Affordable onsite alternatives analyzed without and with the use of DBL at various target AMI levels (ranging from 50% – 135% AMI) and onsite affordable percentages (10% – 24%).
 - Existing City requirements (Status Quo) do not trigger DBL so analyzed under current zoning.
 - The analysis also evaluates whether density bonus (DB) units are included or not, as some developers may not increase the density or number of units even if allowed to do so. (For example, choosing to utilize DBL for incentives, concessions and/or waivers.)

Exhibit 5 summarizes the scenarios that were tested for each of the residential product types.

Exhibit 5 Summary of Scenarios Tested for Residential Product Types

Housing Types	Affordable Onsite Requirement (10% - 24% analyzed)		Residential Fee Per Square Foot (Base– Without Prevailing Wage)		
	Status Quo (10% Onsite)	Income Ranges Tested	2015 Maximum Nexus	Status Quo (2019 Fee)	Fee Increases Tested (15-30% increase)
Apartments (50 dua)	110% AMI	50% to 110% AMI	\$85	\$17	\$20-\$22
Apartments (70 dua)	110% AMI	50% to 110% AMI	\$85	\$20	\$23-\$26
Apartments (140 dua)	110% AMI	50% to 110% AMI	\$85	\$30	\$35-\$39
Condominiums (Condo)	135% AMI	70% to 135% AMI	\$56	\$35	\$40-\$46
Single Family Attached (SFA)	135% AMI	70% to 135% AMI	\$52	\$35	\$40-\$46

3. Key Findings

The Technical Appendix of this report presents supplemental text and presentation slides that describe the financial analysis framework and present the analysis results as well as supporting data.

a. Feasibility of Rental Housing

The study evaluated development feasibility for each of the rental scenarios associated with the three apartment development types, and the financial analysis indicates the following.

- Land values and construction costs (including parking) significantly affect development feasibility
- Apartment rents have not been increasing as fast as construction and other development costs, making it more difficult for apartments to be financially feasible.
- Given the high level of development costs associated with new apartments compared to potential revenues and associated development values, apartment projects are not generating target returns under all of the scenarios tested.
- Higher density apartment developments with density bonus units are more financially feasible compared to the payment of fees.
- Onsite affordable housing requirements of 10% of total units focused on moderate income households (between 80% and 120% AMI) are more financially feasible, do not trigger a density bonus and best correlate to housing fee levels between \$20 to \$30/SF.
- Provision of onsite very low income housing at 5% or 10% with density bonus units are more feasible than without density bonus.

b. Feasibility of Ownership (For-Sale) Housing

The study evaluated development feasibility for the various condominium and SFA scenarios that were tested, and the financial analysis indicates the following.

- Housing prices have been increasing rapidly, and most buyers need significant cash or “trade-up” value in homes to afford new units, making it much more difficult for first-time homebuyers to purchase a new home.
- For-sale housing prices have been increasing faster than rents, and new SFA units are typically priced between \$1.5 to \$2.0 million (about double the value of apartments).
- For-sale developments, particularly SFA, are more financially feasible than apartments given high market sales prices, but the housing affordability gap is significant, particularly for larger SFA units.
- Onsite affordable housing requirements of 10% of units focused on households between 110% AMI (for condominium developments with density bonus units) and 135% AMI (Status Quo) are financially feasible for ownership housing.
- The condo fee alternatives with a 15% or 30% increase in fees are less feasible than the current onsite requirement of 10% at 135% (Status Quo) or 10% at 110% AMI.
- Allowing onsite affordable units to be smaller in size than market rate units if they met minimum size standards by bedroom size, particularly for SFA units, would enhance financial feasibility and encourage the provision of onsite affordable housing.

c. Feasibility Findings From Scenarios Tested

In summary, the financial analysis indicates that the development of rental housing is not feasible under any scenario given current development conditions and return thresholds while for-sale housing is feasible under the City's existing program:

- **Rental**– The analysis indicates that new apartment development does not generate sufficient project returns to be feasible and attract investment under any scenario (including Status Quo) although density bonus alternatives achieve better returns.
- **For-Sale**– The analysis indicates that condominium and SFA development is feasible under the existing onsite affordable housing alternative (Status Quo), and SFA development is feasible under any of the housing fee scenarios. Condo development is feasible under the current housing fee level and is marginally feasible with a 15% fee increase.

Exhibit 6 summarizes the feasibility findings for the onsite affordable housing scenarios.

Exhibit 6
Summary of Feasibility Findings for Onsite Affordable Housing Scenarios

Scenarios Tested	Onsite Affordable Housing Scenarios	
	Without Density Bonus (DB) Units	With Density Bonus (DB) Units
Rental Feasibility– 5.5% Target Yield on Cost	All rental scenarios not feasible.	All rental scenarios not feasible but more feasible with inclusion of density bonus units
For-Sale Feasibility– 15% Developer Margin (Return)	Status Quo feasible for condo and SFA scenarios, but not deeper affordability	Only condo tested with density bonus and feasible for 110% AMI with DB units.

d. Comparison of Fee Payment Versus Provision of Onsite Affordable Housing

Given the City's Housing Element goals and policies to incentivize onsite affordable housing within new development, the financial analysis compares development feasibility assuming alternative housing fee levels compared to the provision of 10% onsite affordable housing at alternative target household incomes. The results indicate that the housing fee should be increased by at least 15% to incentivize onsite affordable housing:

- **Rental**– The current onsite requirement (Status Quo) and 10% density bonus alternatives are more feasible or similarly feasible than if the housing fee is increased by 15%.
- **For-Sale Condo**– The current onsite requirement (Status Quo) and 10% @ 110% AMI density bonus alternative are more feasible than if the housing fee is increased by 15%.
- **For-Sale SFA**– The current onsite requirement (Status Quo) is feasible but less feasible compared to the housing fee scenarios with fees increased by 15% or 30%.

Exhibit 7 summarizes the feasibility comparison of fee payment versus the provision of 10% onsite affordable housing.

Exhibit 7
Feasibility Comparison Between 10% Affordable Onsite and 15% Increase in Housing Fee

Scenarios Tested	Feasibility of 10% Affordable Onsite Compared to 15% Increase in Residential Fee					
	Without Density Bonus Units			With Density Bonus (DB) Units		
Housing Types	Status Quo	Deeper Affordability	Deepest Affordability	Status Quo	Deeper Affordability	Deepest Affordability
Apartments (50 dua)	More or Same	More or Same	Less	N/A	More or Same	More or Same
Apartments (70 dua)	More or Same	Less	Less	N/A	More or Same	More or Same
Apartments (140 dua)	More or Same	More or Same	Less	N/A	More or Same	More or Same
Condominiums (Condo)	More or Same	More or Same	Less	N/A	More or Same	Less
Single Family Attached (SFA)	Less	Less	Less	N/A	N/A	N/A

Burlingame Residential Impact Fee Study– FY 2023/24 Update

Technical Appendix A– Financial Analysis

This technical appendix (Technical Appendix A) begins with an overview of the financial analysis that was performed for the City of Burlingame to evaluate potential updates to the City’s residential impact fee program that was adopted in 2019. The purpose of the analysis is to help the City understand and evaluate potential modifications to the residential impact fee program to continue to incentivize the onsite provision of affordable housing within new development.

Supplemental documentation and findings from the analysis are presented in Technical Appendix B, which was shared in draft form with the Ad-Hoc Committee and the developer stakeholders.

A. Financial Analysis Framework

To test the feasibility of new housing development in Burlingame, a financial analysis was conducted for five typical rental and for-sale projects under various scenarios that compare existing City requirements (Status Quo) to potential policy changes regarding the housing fee payment versus the alternative provision of onsite affordable housing.

As described by the Urban Land Institute, the process for developing infill housing can be complex and challenging but provides significant opportunities to create vibrant mixed-use and mixed-income neighborhoods. To develop housing, developers must secure a development site and make it ready for construction, which typically involves a multi-step process that includes preparing and refining a development program to address existing site conditions, comply with government requirements and incorporate input from a broad variety of stakeholders. A developer must also secure government approvals and funding commitments prior to starting construction. This predevelopment period is typically the riskiest phase of development, and developers often need to raise private investor capital (equity) to fund predevelopment costs.

Given the high risks associated with new development not occurring or not occurring as planned, developers must be able to generate sufficient returns or profit to attract private equity commensurate with these risks. Private equity must also be raised during the construction and the sales or lease-up period, as private lenders typically require a 35% to 40% equity contribution for infill housing projects.

Throughout the predevelopment process, and most importantly prior to initiating construction, a developer must be able to demonstrate to its private capital sources (private investors and lenders) that there is sufficient developer margin (return) to accommodate potential risks and repay capital at specified levels of return. In most capital structures, the priority of capital repayment is as follows: 1) construction and permanent lenders, 2) private investors who typically receive a preferred return and a share of profits that are generated by the development and 3) the developer.

Exhibit A-1 below illustrates the development feasibility framework for new development that was used in this financial analysis. As this exhibit indicates, developers must achieve a sufficient developer margin (or return) as illustrated by the top green bar, after taking into account all development costs in order for new development to be fully funded and proceed toward construction.

Exhibit A-1 Development Feasibility Framework

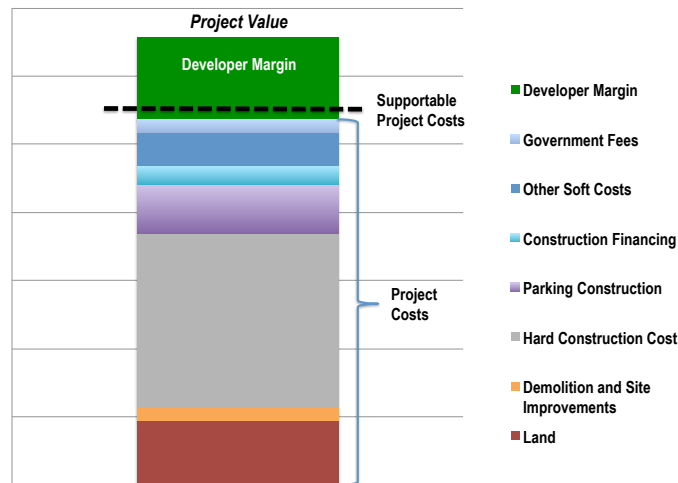
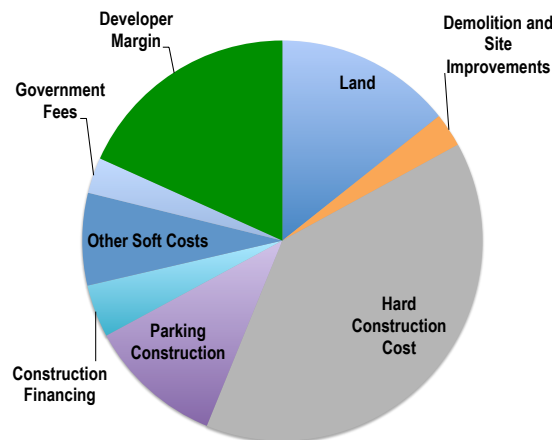


Exhibit A-2 illustrates the typical development costs associated with housing development that include land acquisition, direct costs consisting of demolition, site improvements and building hard construction (for housing and parking) and indirect costs consisting of architecture, engineering, construction financing, government fees, insurance, and other soft costs).

Exhibit A-2 Typical Development Costs for Infill Development



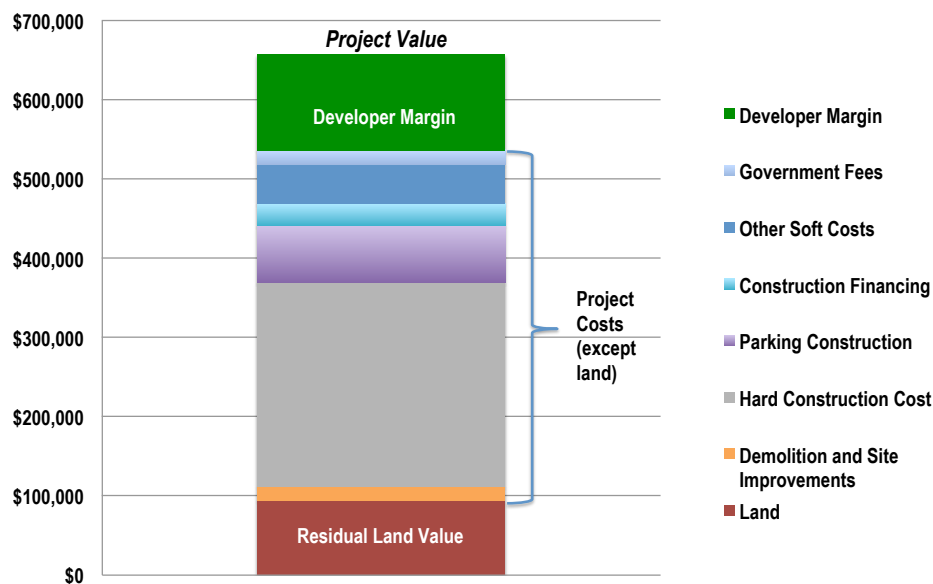
Building construction costs are the most significant cost component to developing housing. Residential building costs increase based on the type of construction, with wood-frame development (referred to as “Type V” construction) being the least expensive, and concrete/steel, fire-resistive development (referred to as “Type I” construction) being the most expensive on a per square foot basis. Most of the new residential development in Burlingame is Type V wood-frame construction built over a concrete podium slab with parking below, or underground parking.

Parking costs are a major contributor to residential construction costs as the costs of constructing a parking space within a building can range from \$40,000 to \$100,000 per space depending on the location of the parking and the site conditions. (For example, the cost of building underground parking is higher in locations that require significant environmental remediation and/or have high water tables.) Requiring substantial amounts of ground floor retail space and associated parking also significantly increases costs.

Residential construction costs have increased significantly since 2018 due to rapid increases in material costs (including lumber, concrete and steel) and robust demand for construction labor and subcontractors. Some construction experts report that construction costs on the Peninsula have annually increased between 5% to 10% per year over the past five years.

Land costs are also a major contributor to development costs, and they vary widely for infill development. Land costs are determined by the marketplace based on the price at which property owners are willing to sell their property and what developers can afford to pay for land after considering all non-land related development costs including a sufficient allowance for developer margin or return. This “residual” value of land for future residential uses (often referred to as “residual land value”) must exceed the property’s value given its current use. Exhibit A-3 below illustrates how developers typically calculate residual land value to determine how much they can afford to pay for property acquisition.

Exhibit A-3
Residual Land Value Per Residential Unit



Since most infill sites in Burlingame that might be developed as housing have existing buildings generating rental income, the developer must typically pay an amount that is significantly higher than the existing property value based on this rental income to incentivize the owner to sell. Some property owners require developers to purchase property outright, while others are willing to allow developers to pay for the opportunity to develop property in the future by entering into an option to purchase property.

Typically, land purchase options provide for a certain period of time during which a developer can undertake pre-development activities, and option payments typically increase over time, particularly if performance milestones are not met. At some point, most property owners require developers to purchase property outright or let the option expire if the pre-development process extends for a long time.

B. Residential Development Scenarios Analyzed

In consultation with City staff, Seifel evaluated the same five types of rental and for-sale housing that were previously analyzed in 2018, although the development characteristics for each housing type has been modified to reflect recent development experience in the City of Burlingame as follows:

- Multifamily apartments on a 2-acre site– three apartment scenarios have been analyzed at densities of 50, 70 and 140 dwelling units per acre (dua)
- Condominiums on a .5-acre site– one condominium (condo) scenario at 50 dua
- Single family attached (SFA) homes on a 1.7-acre site– one SFA scenario at 18 dua

City staff provided a variety of information and input regarding recent residential development in Burlingame for each of these residential types, including residential densities and development programs. Seifel interviewed developers undertaking projects in Burlingame and nearby cities to gather data regarding development conditions, residential unit sizes, residential revenues, development costs and land prices. See Appendix Table 1 for a summary of the key development characteristics of each residential prototype.

1. Housing Fee Payment Scenarios

The financial analysis evaluates financial feasibility under three alternative housing fee levels– existing fee levels (Status Quo) and assuming a 15% and 30% increase over existing fee levels to take into account inflationary adjustments as the fee levels have remained the same since 2019. Exhibit A-4 summarizes the housing fee scenarios that were evaluated for each prototype.

Exhibit A-4
Housing Fee Payment Scenarios for Five Prototypes

Residential Impact Fee	Apartment (50 dua)	Apartment (70 dua)	Apartment (140 dua)	For-Sale - Condominium	For-Sale - Single Family Attached
Fee at Existing Fee Level	\$17 /SF	\$20 /SF	\$30 /SF	\$35 /SF	\$35 /SF
Fee with 15% Increase	\$20 /SF	\$23 /SF	\$35 /SF	\$40 /SF	\$40 /SF
Fee with 30% Increase	\$22 /SF	\$26 /SF	\$39 /SF	\$46 /SF	\$46 /SF
Fee at Existing Fee Level	\$15,130 /unit	\$17,400 /unit	\$25,500 /unit	\$35,000 /unit	\$52,500 /unit
Fee with 15% Increase	\$17,800 /unit	\$20,010 /unit	\$29,750 /unit	\$40,000 /unit	\$60,000 /unit
Fee with 30% Increase	\$19,580 /unit	\$22,620 /unit	\$33,150 /unit	\$46,000 /unit	\$69,000 /unit

2. Onsite Affordable Scenarios

The financial analysis also evaluates the financial feasibility and financial trade-offs to a developer from including onsite affordable units versus paying the housing fee as one of the City's key housing goals is to incentivize the onsite provision of affordable housing within new development rather than fee payment. The existing City requirements (Status Quo) for the onsite affordable housing alternative in-lieu of fee payment do not trigger State Density Bonus Law. In recent years, several developers have chosen to provide affordable housing units at lower target income levels and/or at a higher percentage than required to waive the housing fee.

Affordable onsite alternatives are analyzed without and with the use of DBL at various target AMI levels (ranging from 50% – 135% AMI) and onsite affordable percentages (10% – 24%). The analysis also evaluates whether density bonus (DB) units are included or not, as some developers may not increase the density or number of units even if allowed to do so. (For example, choosing to utilize DBL for incentives, concessions and/or waivers.) Please refer to Appendix Table 2 for an overview of DBL requirements and Appendix Table 3 for a summary of State DBL scenarios that were analyzed.

The following exhibits (Exhibits A-5 and A-6) summarize the scenarios tested for onsite affordable rental and ownership prototypes with and without density bonus in comparison with the housing fee scenarios. As indicated in the exhibits, the density bonus scenarios are analyzed for apartments at a base density of 70 and 140 dua and for condominiums at a base density of 50 dua.

Exhibit A-5
Summary of Scenarios Analyzed for Apartment Prototypes

Scenarios		Density Bonus	Rental (Apartment) Alternatives
Affordable Housing on Site Without Density Bonus			
Onsite 1	5% at 50% AMI + 5% at 80% AMI	None	Three (50/70/140 dua)
Onsite 2	5% at 60% AMI + 5% at 110% AMI	None	Three (50/70/140 dua)
Onsite 3	10% @110% AMI (Status Quo)	None	Three (50/70/140 dua)
Affordable Housing on Site With Density Bonus			
Onsite 1.1	5% at 50% AMI + 5% at 80% AMI of Base Density	20%	Two (84/168 dua)
Onsite 1.2	10% at 50% AMI of Base Density	32.5%	Two (93/186 dua)
Onsite 1.3	15% at 50% AMI of Base Density	50%	Two (105/210 dua)
Residential Impact Fee (No Affordable Housing on Site)			
Fee 1	Fee the Existing Level	None	Three (50/70/140 dua)
Fee 2	Fee with 15% Increase	None	Three (50/70/140 dua)
Fee 3	Fee with 30% Increase	None	Three (50/70/140 dua)

Exhibit A-6
Summary of Scenarios Analyzed for For-Sale Prototypes (Condo and SFA)

Scenarios		Density Bonus	Condominium (Condo) Alternatives	Single Family Attached (SFA) Alternatives
Affordable Housing on Site Without Density Bonus				
Onsite A	10% at 70% AMI	None	One (50 dua)	One (18 dua)
Onsite B	10% at 110% AMI	None	One (50 dua)	One (18 dua)
Onsite C	10% at 135% AMI (Status Quo)	None	One (50 dua)	One (18 dua)
Affordable Housing on Site With Density Bonus				
Onsite A.1	10% at 70% AMI of Base Density	20%	One (60 dua)	
Onsite B.1	10% at 110% AMI of Base Density	5%	One (52 dua)	
Onsite C.1	24% at 70% AMI of Base Density	50%	One (76 dua)	
Residential Impact Fee (No Affordable Housing on Site)				
Fee 4	Fee the Existing Level	None	One (50 dua)	One (18 dua)
Fee 5	Fee with 15% Increase	None	One (50 dua)	One (18 dua)
Fee 6	Fee with 30% Increase	None	One (50 dua)	One (18 dua)

C. Projected Development Revenues and Costs

Projected development revenues and costs were developed based on data provided by the City of Burlingame, interviews and meetings with real estate professionals who are actively developing residential projects in Burlingame and nearby cities, as well as data provided in the development feasibility studies prepared for the 21 Elements as a resource for the Sixth Cycle Housing Element updates in San Mateo County.

1. Development Revenues

Revenues from new residential development are projected from the following sources:

- Rental revenues, which are generated by the monthly rental of apartments, and the associated market value of an apartment unit based on this rental income.¹
- Sale of residential units, either from the sale of single family attached homes or condominiums.

In collaboration with City staff, Seifel assembled residential market data for the housing product types for the City of Burlingame and surrounding cities in the northern part of San Mateo County as of 2023. See Appendix Table 4 for a summary of anticipated market revenues from apartments and for-sale units.

¹ The value of an apartment unit is based on standard appraisal valuation technique using capitalized net operating income (net operating income divided by an assumed cap rate for apartments).

a. Apartment Rents and Values

Based on a typical bedroom mix of apartments, average market rents for an apartment building with typical average unit sizes of 850-890 net square feet (NSF) are estimated to range from approximately \$4,300 to \$4,500 per month (about \$5.15 per NSF). See Appendix 5 for a summary of data from recent apartment developments that was used to prepare the apartment rent assumptions.

The potential value of an apartment unit is estimated by capitalizing the annual net operating income using a 4.5% capitalization rate (cap rate) for residential apartments and deducting sales-related expenses to project net apartment revenues for the financial analysis. Net operating income (NOI) is equal to project revenues less a 5 percent vacancy allowance less operating expenses (including property taxes). While cap rates have increased, they are comparatively lower in desirable cities like Burlingame. The assumed 4.5% cap rate reflects the robust market conditions for housing on the Peninsula. Sales expenses are assumed at 3% of value and include sales/brokerage fees, title/recording fees and other sales related expenses.

b. Condominium and Single Family Attached Sales Prices

Sales prices for condominiums and single family attached units vary based on location, unit size, building amenities, and whether units have a view premium, among other factors. Sales prices for each housing prototype are based on anticipated sales value per net square foot (NSF) for a typical new development of comparable height, target market and unit size in developments located in or near Burlingame.

As the average size of units, design features and amenities typically differ between condominium and single family attached developments, the projected market pricing takes this into account. Condominium market sales prices typically range from \$1,050 to \$1,150/NSF, and the average price for condominium units has been assumed to be about \$1.125 million. Single family attached units are typically higher priced, ranging from \$1,100 to \$1,300/NSF, and the average price for these units is projected to be about \$1.875 million. (These sales prices are assumed to include the cost of parking.)

2. Affordable Rents and Sales Prices

Affordable rents and sales prices for onsite affordable units are calculated based on the affordable housing cost definitions in California Health and Safety Code Sections 50052.5 and 50053 that are referenced in State Density Bonus Law. These definitions utilize the annual areawide median income (AMI) levels published by the California Department of Housing and Community Development (HCD) for San Mateo County according to the following household income levels:

- Very Low Income (also referred to as VLI) means a household whose income is 50% or below AMI, adjusted for household size.
- Low Income household (also referred to as LI) means a household whose income is above 50% up to 80% AMI..
- Moderate Income household (also referred to as MOD) means a household whose income is above 80% up to 120% AMI.
- Above Moderate Income (also referred to as Above MOD) means a household whose income is above 120% AMI. This analysis focuses on Above MOD households up to 150% AMI.

Affordable housing cost is calculated based on the following percentages of AMI for each income level:

- Very Low Income– Affordable housing cost based on 30% of 50% AMI for renters and owners.
- Low Income– Affordable housing cost based on 30% of 60% AMI for renters and 30% of 70% AMI for owners.
- Moderate Income– Affordable housing cost based on 30% of 110% for renters and 35% of 110% AMI for owners.
- Above Moderate Income (for onsite affordable ownership units per existing policy)– Affordable housing cost based on 35% of 135% AMI for owners.

The calculation of affordable rent is based on the affordable housing cost for renters less an allowance for utilities. The calculation of affordable sales price is based on the affordable housing cost for owners less an allowance for utilities, mortgage payments, property taxes and homeowner association fees.

2. Development Costs

Development cost assumptions were developed based on data provided in the development feasibility studies prepared for the 21 Elements as a resource for the Sixth Cycle Housing Element updates in San Mateo County and interviews with real estate professionals who are actively developing residential projects in Burlingame and nearby cities. Development costs vary from project to project but generally consist of three major cost categories: land costs, direct costs to improve and construct buildings (also known as hard costs) and indirect costs such as architectural design and engineering services, construction financing, and insurance (also known as soft costs). See Appendix Table 6 for an overview of development cost assumptions.

a. Land Costs

Property values in the City of Burlingame (and the Peninsula) vary widely depending on the existing use of the property and the future use of the property. Many residential infill sites have existing buildings that generate rental income, for example from retail uses. Given this, developers must typically purchase property at prices that are significantly higher than the existing property value based on this rental income to incentivize the owner to sell while maintaining development feasibility.

The City retained an appraiser, Valbridge Property Advisors, to compile data on confirmed residential land sales for the five housing types evaluated in the analysis. Burlingame has a small number of recent sales transactions, and land prices on the Peninsula vary widely for all residential products so land value assumptions are based on a limited sample of confirmed land sales.

Based on the Valbridge data, land values are assumed to range from \$220 to \$275 per square foot of land, or about \$9.6 million to \$12.0 million per acre. However, land costs may be much higher than this level, particularly when a developer is purchasing a commercial property that achieves high retail and office rents such as in downtown Burlingame. See Appendix Table 7 for a summary of land sales data and land valuation assumptions.

For residential development, developers evaluate how much they can afford to pay for land based on the supportable residual land value per unit under alternative development programs assuming the ultimate value of the development is sufficient to support development costs and achieve sufficient developer margin or return thresholds to attract private capital.

Developments that can achieve higher numbers of dwelling units per acre can spread the cost of land over a greater number of housing units, which typically improves development feasibility unless higher density increases building costs substantially, for example if underground parking needs to be provided.

b. Direct Costs (Hard Costs)

Direct costs include all of the hard construction costs that are associated with new development.

- Demolition and site improvements are often needed to ready the site for development, including the demolition of existing structures, environmental remediation work, utility upgrades, and the provision of landscaping improvements.
- Building hard construction costs include the construction costs related to residential, parking and any ground floor retail uses.

Residential hard construction costs are based on wood-frame construction over podium or below-grade (underground) parking. Building hard construction costs include costs related to general conditions plus general contractor (GC) overhead, profit, insurance and other GC costs. No additional hard cost contingency factor was assumed in this analysis.

c. Indirect Costs (Soft Costs)

Indirect costs (also known as soft costs) include all of the other costs associated with new development. Indirect costs include government fees for planning, permitting and development impact fees, construction financing and other soft costs, such as professional services (architectural design, engineering, environmental studies, market analysis, legal, marketing, etcetera).

City staff provided data and calculations regarding the potential government fees that would need to be paid for each prototype to cover fees charged by the City, local School Districts and other public agencies. These fee calculations were reviewed and updated in response to developer feedback, and the fee estimates for each product type are summarized in Appendix Table 8.

Developers use construction loans to finance a large share of the development costs during construction. The construction financing assumptions reflect a moderate interest rate environment for construction loans and relatively conservative equity requirements. Other soft costs are based on representative percentages of hard construction costs based on a review of pro formas, interviews with real estate professionals and the prior 2018 analysis.

D. Development Feasibility Metrics

A developer cannot proceed to build a project unless the project generates sufficient developer margin (return) to warrant the risk and to attract the capital investment required to fund the project. Developers, lenders and investors evaluate and measure returns in several ways. Based on input from real estate developers, equity investors and lenders, development returns are based on two key measures typically used by the real estate community: Developer Margin (Return) and Yield on Cost. These metrics are used to evaluate development feasibility for the housing types and scenarios analyzed in this study.

1. Developer Margin (Return)

Developer margin or return is equal to the difference between development revenues and development costs. (As described above, development costs consist of land, direct costs and indirect costs without any consideration of profit.) or in summary:

- **Developer Margin (Return) = Development Revenues less Development Costs**

Developers and investors use different target return thresholds depending on the level of complexity of the project, construction types, construction schedule, sales/rental absorption timeline, potential equity sources including the use of tax credits. Projects with longer timelines have higher risk and as a result require a higher return on cost.

The lowest return threshold for mixed income apartments is based on the allowable developer fee (or return) according to the relevant tax credit regulations used by the California Tax Credit Allocation Committee to implement Federal and State tax credit laws. These regulations allow a maximum developer fee for new construction 4% Low Income Housing Tax Credit projects that is equal to 15% of the project's unadjusted eligible basis, which is approximately 14% of total development costs. (The unadjusted eligible basis excludes land acquisition costs and a portion of other project costs.)

Typically, the developer margin (return) to attract private capital investment for market rate developments ranges from 15% to 25% of development cost depending on the complexity, size and time frame for development, as well as whether the development is an apartment development, a for-sale condominium or a single family attached development. This analysis uses a 15% target developer margin (return) for the ownership development types to measure development feasibility.

2. Yield on Cost (also known as Return on Cost) for Apartments

The most important feasibility return metric for apartment developments is called Return on Cost or Yield on Cost (YOC). YOC is measured based on Net Operating Income (NOI) divided by development costs. (NOI is equal to project revenues less vacancy allowance less operating expenses.) Another important feasibility metric is the calculation of supportable project costs, which is calculated by dividing NOI by the YOC. If supportable project costs exceed total development costs (before consideration of developer return/profit), then the project is financially feasible.

Over the past decade, many institutional investors and pension funds have underwritten projects with a YOC of between 5.5% to 6% in desirable areas like Burlingame in the Bay Area, although these target yields typically increase or decrease in relationship to interest rates and other competing investment returns, such as the stock market. This analysis uses a 5.5% target YOC for apartments to measure development feasibility. Apartment developments that do not achieve this target YOC are not likely to be able to attract the necessary capital to fund new development, particularly if the YOC is well below a 5.5%. YOC thresholds have increased since 2021 as interest rates and the cost of capital has increased.

E. Development Feasibility Results for Rental Housing

The financial analysis evaluated development feasibility for each of the rental scenarios associated with the three apartment development types based on a target YOC at 5.5%. Exhibit A-7 below presents and compares the feasibility results for the rental housing fee scenarios with the onsite affordable housing scenarios without a density bonus. The financial analysis indicates that none of the apartment scenarios analyzed are feasible as the YOC is significantly below 5.5% for all scenarios. The provision of onsite affordable housing under the City's existing requirements (Status Quo) of 10% at 110% AMI is more feasible compared to the housing fee scenarios while the alternative onsite affordable housing requirements with deeper affordability levels (such as 5% at 50% AMI and 5% at 80% AMI) are less feasible than the housing fee scenarios.

Exhibit A-7
Apartment Financial Results for Housing Fee Scenarios
Compared to 10% Onsite Affordable Housing Scenarios Without Density Bonus

Base Density Residential Impact Fee	Fee 1 (Fee at Existing Level)			Fee 2 (Fee with 15% Increase)			Fee 3 (Fee with 30% Increase)		
	50 dua \$17 /SF	70 dua \$20 /SF	140 dua \$30 /SF	50 dua \$20 /SF	70 dua \$23 /SF	140 dua \$35 /SF	50 dua \$22 /SF	70 dua \$26 /SF	140 dua \$39 /SF
On-Site Inclusionary Units % of Affordable Units Weighted Average AMI	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A
Development Feasibility	Per SF \$42	Per Unit \$37,000	Per SF \$42	Per Unit \$36,500	Per SF \$42	Per Unit \$37,000	Per SF \$42	Per Unit \$36,000	Per SF \$42
Net Operating Income	\$896	\$797,000	\$905	\$787,000	\$913	\$776,000	\$896	\$797,000	\$905
Project Value	\$880	\$783,000	\$840	\$731,000	\$842	\$715,000	\$883	\$786,000	\$843
Total Development Costs (TDC)	\$847	\$720,000	\$885	\$788,000	\$846	\$736,000	\$851	\$724,000	\$861
Developer Margin or Return	\$16	\$14,000	\$64	\$56,000	\$72	\$61,000	\$12	\$11,000	\$61
Return on Cost (NOI/TDC)	4.7%	5.0%	5.0%	4.7%	5.0%	5.0%	4.7%	5.0%	5.0%
Onsite 3 - Status Quo (10% @110% AMI)	4.8%	5.1%	5.2%	4.8%	5.1%	5.2%	4.8%	5.1%	5.2%
Onsite 2 (5% @60% AMI + 5% @110% AMI)	4.7%	4.9%	5.1%	4.7%	4.9%	5.1%	4.7%	4.9%	5.1%
Onsite 1 (5% @50% AMI + 5% @80% AMI)	4.6%	4.9%	4.9%	4.6%	4.9%	4.9%	4.6%	4.9%	4.9%

Exhibit A-8 below summarizes the results of a similar development feasibility analysis for rental housing that compares the financial results from the housing fee scenarios with the onsite affordable housing scenarios that utilize a density bonus for the two higher density apartment prototypes. This analysis likewise indicates that none of these apartment scenarios are feasible. The provision of onsite affordable housing under the City's existing requirements (Status Quo) of 10% at 110% AMI is more feasible compared to the housing fee scenarios while the other potential onsite affordable housing requirements are similarly feasible because the density bonus improves development feasibility for deeper affordability levels (such as 50% AMI).

Exhibit A-8
Financial Results of Rental Fee Scenarios
Compared to 10% Onsite Affordable Housing Scenarios With Density Bonus

Base Density <i>Residential Impact Fee</i>	Fee 1 (Fee at Existing Level)				Fee 2 (Fee with 15% Increase)				Fee 3 (Fee with 30% Increase)			
	70 dua \$20 /SF		140 dua \$30 /SF		70 dua \$23 /SF		140 dua \$35 /SF		70 dua \$26 /SF		140 dua \$39 /SF	
On-Site Inclusionary Units												
% of Affordable Units	0%		0%		0%		0%		0%		0%	
Weighted Average AMI	N/A		N/A		N/A		N/A		N/A		N/A	
Development Feasibility	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Net Operating Income	\$42	\$36,500	\$42	\$36,000	\$42	\$36,500	\$42	\$36,000	\$42	\$36,500	\$42	\$36,000
Project Value	\$905	\$787,000	\$913	\$776,000	\$905	\$787,000	\$913	\$776,000	\$905	\$787,000	\$913	\$776,000
<u>Total Development Costs (TDC)</u>	<u>\$840</u>	<u>\$731,000</u>	<u>\$842</u>	<u>\$715,000</u>	<u>\$843</u>	<u>\$734,000</u>	<u>\$847</u>	<u>\$720,000</u>	<u>\$846</u>	<u>\$736,000</u>	<u>\$851</u>	<u>\$724,000</u>
Developer Margin or Return	\$64	\$56,000	\$72	\$61,000	\$61	\$53,000	\$66	\$56,000	\$59	\$51,000	\$61	\$52,000
Return on Cost (NOI/TDC)	5.0%		5.0%		5.0%		5.0%		5.0%		5.0%	
<i>Onsite 3 - Status Quo (10% @110% AMI)</i>	5.1%		5.2%		5.1%		5.2%		5.1%		5.2%	
<i>Onsite 1.2 (10% @50%AMI of Base Density)</i>	5.2%		5.2%		5.2%		5.2%		5.2%		5.2%	
<i>Onsite 1.1 (5% @50%AMI + 5% @80% AMI of Base Density)</i>	5.2%		5.2%		5.2%		5.2%		5.2%		5.2%	

F. Development Feasibility Results for Ownership Housing

Development feasibility is analyzed for each of the for-sale scenarios associated with the condominium and SFA development types based on a 15% developer margin (return). Exhibit A-9 below presents and compares the feasibility results for the ownership housing fee scenarios with the onsite affordable housing scenarios without a density bonus. The financial analysis indicates that condominium and SFA development is feasible under the existing onsite affordable housing alternative (Status Quo), and SFA development is feasible under any of the housing fee scenarios. Condo development is feasible under the current housing fee level and is marginally feasible with a 15% fee increase (achieves 14% vs. 15% developer margin).

Exhibit A-9
For-Sale Financial Results for Housing Fee Scenarios
Compared to 10% Onsite Affordable Housing Scenarios Without Density Bonus

	Condo						Single Family Attached					
	Fee 4 (Fee at Existing Level)		Fee 5 (Fee with 15% Increase)		Fee 6 (Fee with 30% Increase)		Fee 4 (Fee at Existing Level)		Fee 5 (Fee with 15% Increase)		Fee 6 (Fee with 30% Increase)	
	50 dua \$35		50 dua \$40		50 dua \$46		18 dua \$35		18 dua \$40		18 dua \$46	
Base Density Residential Impact Fee												
On-Site Inclusionary Units												
% of Affordable Units	0%		0%		0%		0%		0%		0%	
Weighted Average AMI	N/A		N/A		N/A		N/A		N/A		N/A	
Development Feasibility	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Project Value	\$1,125	\$1,125,000	\$1,125	\$1,125,000	\$1,125	\$1,125,000	\$1,250	\$1,875,000	\$1,250	\$1,875,000	\$1,250	\$1,875,000
Total Development Costs (TDC)	<u>\$980</u>	<u>\$980,000</u>	<u>\$985</u>	<u>\$985,000</u>	<u>\$992</u>	<u>\$992,000</u>	<u>\$1,055</u>	<u>\$1,582,000</u>	<u>\$1,060</u>	<u>\$1,590,000</u>	<u>\$1,066</u>	<u>\$1,599,000</u>
Developer Margin or Return	\$145	\$145,000	\$140	\$140,000	\$133	\$133,000	\$195	\$293,000	\$190	\$285,000	\$184	\$276,000
Return on Project Cost (Margin/TDC)	15%		14%		13%		19%		18%		17%	
Onsite C - Status Quo (10% @135% AMI)	16%		16%		16%		16%		16%		16%	
Onsite B (10% @110% AMI)	14%		14%		14%		15%		15%		15%	
Onsite A (10% @70% AMI)	10%		10%		10%		13%		13%		13%	

Exhibit A-10 below summarizes and compares the financial results from the condominium housing fee scenarios with the onsite affordable condo scenarios that utilize a density bonus. The provision of 10% onsite affordable units for households at 110% AMI with a density bonus is more feasible than the condo fee alternatives with a 15% or 30% increase in fees.

Exhibit A-10
Condominium Financial Results for Housing Fee Scenarios
Compared to 10% Onsite Affordable Housing Scenarios With Density Bonus

	Condo					
	Fee 4 (Fee the Existing Level)		Fee 5 (Fee with 15% Increase)		Fee 6 (Fee with 30% Increase)	
	50 dua \$35		50 dua \$40		50 dua \$46	
Base Density Residential Impact Fee						
On-Site Inclusionary Units						
% of Affordable Units	0%		0%		0%	
Weighted Average AMI	N/A		N/A		N/A	
Development Feasibility	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Project Value	\$1,125	\$1,125,000	\$1,125	\$1,125,000	\$1,125	\$1,125,000
Total Development Costs (TDC)	<u>\$980</u>	<u>\$980,000</u>	<u>\$985</u>	<u>\$985,000</u>	<u>\$992</u>	<u>\$992,000</u>
Developer Margin or Return	\$145	\$145,000	\$140	\$140,000	\$133	\$133,000
Return on Project Cost (Margin/TDC)	15%		14%		13%	
Onsite C - Status Quo (10% @135% AMI)	16%		16%		16%	
Onsite B.1 (10% @110% AMI of Base Density)	15%		15%		15%	
Onsite A.1 (10% @70% AMI of Base Density)	12%		12%		12%	

Appendix Table 1
Overview of Residential Prototypes
Financial Analysis of Affordable Housing Program
City of Burlingame

Building Characteristics	Apartments (50 dua)	Apartments (70 dua)	Apartments (140 dua)	Condominiums	Single Family Attached
Building Type	Wood-Frame	Wood-Frame	Wood-Frame	Wood-Frame	Wood-Frame
Total Residential Units	100	140	280	25	31
Residential Net Square Feet (NSF)	89,000	121,800	238,000	25,000	46,500
Average Unit Size (NSF)	890	870	850	1,000	1,500
Parking Type	Podium	Podium	Podium	Underground	Tuck-Under
Parking Ratio (Space/Unit)	1 to 1.3	1 to 1.3	1 to 1.3	1.3 to 1.5	2.0
Efficiency Factor ^a	75%	75%	78%	80%	N/A
Residential Gross Square Footage (GSF)	118,667	162,400	305,128	31,250	54,706
Floor Area Ratio (FAR) ^b	1.4	1.9	3.5	1.4	0.7
Land Area (SF)	87,120	87,120	87,120	21,780	74,052
Land Area (Acres)	2.00	2.00	2.00	0.50	1.70
Percent Site Utilization Given Setbacks	75%	75%	75%	75%	75%
Units per Acre	50	70	140	50	18

Notes:

(a) Ratio of residential net square footage to residential gross square footage

(b) Floor area ratio (FAR) measures density by dividing residential gross building area by total site area

Source: City of Burlingame, Seifel Consulting, Inc.

Appendix Table 2
Overview of State Density Bonus Requirements as of 2023
Financial Analysis of Affordable Housing Program
City of Burlingame

Restricted Household Income Levels	Minimum Density Bonus		35% Bonus	50% Bonus
	Minimum Percent of Restricted Units	Percent of Density Bonus Granted	Required Percent of Restricted Units	Required Percent of Restricted Units
Very Low <i>(Rental or For-Sale Units)</i>	5%	20%	11%	15%
Low <i>(Rental or For-Sale Units)</i>	10%	20%	20%	24%
Moderate <i>(For-Sale Units)</i>	10%	5%	40%	44%

Affordable Housing Cost Requirements of State Density Bonus Law (DBL)

Very Low Income– Affordable housing cost based on 30% of 50% AMI for renters and owners.

Low Income– Affordable housing cost based on 30% of 60% AMI for renters and 30% of 70% AMI for owners.

Moderate Income– Affordable housing cost based on 30% of 110% for renters and 35% of 110% AMI for owners.

Note: onsite affordable housing must be provided at one of these household income levels.

Senior, Transitional Youth and Student Housing are subject to different density bonus requirements.

In 2024, DBL allows greater density with more moderate income units are provided, which was not analyzed for Burlingame.

Source: California Health and Safety Code.

Appendix Table 3
Summary of State Density Bonus Scenarios
Financial Analysis of Affordable Housing Program
City of Burlingame

Provision of Affordable Housing at Any of the Following Household Income Levels	Onsite Affordable Units Provided as Percent of Base Density <i>Peach shading indicates this option is analyzed.</i>					
Very Low <i>(Rental or For-Sale Units)</i>	N/A	N/A	5%	10%	11%	15%
Low <i>(Rental or For-Sale Units)</i>	N/A	N/A	10%	20%	20%	24%
Moderate <i>(For-Sale Units)</i>	10%	15%	25%	40%	40%	44%
Applicable Density Bonus as Percent of Base Density	5%	10%	20%	32.5%	35%	50%

Analysis uses the affordable housing cost requirements of State Density Bonus Law (DBL).

Affordable Housing Cost Requirements per California Health and Safety Code

Very Low Income– Affordable housing cost based on 30% of 50% AMI for renters and owners.

Low Income– Affordable housing cost based on 30% of 60% AMI for renters and 30% of 70% AMI for owners.

Moderate Income– Affordable housing cost based on 30% of 110% for renters and 35% of 110% AMI for owners.

Note: onsite affordable housing must be provided at one of these household income levels.

Senior, Transitional Youth and Student Housing are subject to different density bonus requirements.

In 2024, DBL allows greater density when more moderate income units provided, which was not analyzed for Burlingame.

Source: City of Burlingame, California Health and Safety Code.

Appendix Table 4
Prototype Sales Prices and Rents
Financial Analysis of Affordable Housing Program
City of Burlingame

Prototype	Residential Net Square Feet (NSF)	Monthly Rent or Sales Price Monthly Rent
Apartments (50 dua) <i>Average Per Unit</i> <i>Total Residential NSF</i> <i>Type V Wood Frame, Podium</i>	890 89,000	\$4,484
Apartments (70 dua) <i>Average Per Unit</i> <i>Total Residential NSF</i> <i>Type V Wood Frame, Podium</i>	870 121,800	\$4,428
Apartments (140 dua) <i>Average Per Unit</i> <i>Total Residential NSF</i> <i>Type III or Type I, 75 to 85 Feet, Podium</i>	850 238,000	\$4,364
Condominiums <i>Average Per Unit</i> <i>Total Residential NSF</i> <i>Type V Wood Frame, Underground Parking</i>	1,000 25,000	\$1,125,000
Single Family Attached (For Sale) <i>Average Per Unit</i> <i>Total Residential NSF</i> <i>Type V Wood Frame, Tuck-Under Parking</i>	1,500 46,500	\$1,875,000

Source: City of Burlingame, Seifel Consulting, Inc.

Appendix Table 5
Market Rent Profile for Recently Developed Apartment Buildings
Financial Analysis of Affordable Housing Program
City of Burlingame

	Studio (0 Bedroom)	One Bedroom	Two Bedroom	Three Bedroom	Weighted Average or Total
Recent Apartment Developments					
Bedroom Mix (Planned and Built)	7%	58%	32%	3%	100%
Unit Size					
Minimum	478 SF	657 SF	842 SF	1,238 SF	N/A
Maximum	654 SF	929 SF	1,188 SF	1,509 SF	N/A
Average	600 SF	760 SF	1,100 SF	1,400 SF	870 SF
Bedroom Mix (Leasing as of Spring 2023)	7%	52%	38%	2%	100%
Unit Size					
Average	476 SF	693 SF	1,048 SF	1,163 SF	820 SF
Monthly Rent (Leasing as of Spring 2023)					
Average	\$3,158	\$3,808	\$4,842	\$6,770	\$4,224
Median	\$3,129	\$3,731	\$4,834	\$6,989	\$4,184
Average Monthly Rent Per SF	\$6.63	\$5.49	\$4.62	\$5.82	\$5.25
2023 Analysis Assumptions (70 du/acre)					
Unit Size	600 SF	760 SF	1,026 SF	1,400 SF	870 SF
Monthly Rent	\$3,399	\$3,995	\$5,051	\$6,633	\$4,428
Average Rent Per SF	\$5.67	\$5.26	\$4.92	\$4.74	\$5.15
Bedroom Mix	7%	54%	35%	4%	100%

Source: City of Burlingame, Seifel Consulting Inc.

Appendix Table 6
Development Cost Factors
Financial Analysis of Affordable Housing Program
City of Burlingame

Development Costs		Apartments (50 dua)	Apartments (70 dua)	Apartments (140 dua)	Condominiums	Single Family Attached
Land						
Land Value Per Land SF	per Land SF	\$220	\$240	\$275	\$275	\$240
Land Value Per Unit	per Unit	\$192,000	\$149,000	\$86,000	\$240,000	\$573,000
Direct Costs ^a						
Building and Site Improvement Costs	per Unit	\$452,000	\$440,000	\$466,000	\$536,000	\$747,000
Building and Site Improvement Costs	per GSF	\$381	\$379	\$427	\$429	\$423
Building and Site Improvement Costs	per NSF	\$508	\$505	\$548	\$536	\$498
Indirect Costs ^b						
Permits & Fees (Excl. Housing) ^c	per Unit	\$27,300	\$26,700	\$26,200	\$35,300	\$39,900
Burlingame Housing Fee	per Unit	\$15,130	\$17,400	\$25,500	\$35,000	\$52,500
Other Soft Costs	per Unit	\$64,700	\$64,900	\$71,700	\$97,600	\$123,100
<i>Other Soft Costs as % of Construction Costs</i>		<i>16%</i>	<i>16%</i>	<i>16%</i>	<i>20%</i>	<i>20%</i>
Construction Financing Costs						
Total Financing Costs	% of Direct Costs	6.9%	7.2%	8.4%	6.5%	5.9%
Loan to Cost Ratio (LTC)	% of Dev't Costs	60%	60%	60%	60%	60%
Loan Interest Rate		6.5%	6.5%	6.5%	6.5%	6.5%
Construction/ Absorption Period	in months	25	26	31	22	20
Outstanding Balance (Utilization Rate)	% of Dev't Costs	60%	60%	60%	60%	60%
Loan Fees	% of Loan Amount	1.5%	1.5%	1.5%	1.5%	1.5%
Total Development Cost Per Unit		\$767,000	\$712,000	\$688,000	\$943,000	\$1,527,000
2018 Total Development Cost Per Unit		\$653,000	\$592,000	\$537,000	\$794,000	\$1,382,000
<i>% Increase of 2018 to 2023</i>		<i>17%</i>	<i>20%</i>	<i>28%</i>	<i>19%</i>	<i>10%</i>
Return (Yield) on Cost		5.50%	5.50%	5.50%	NOT APPLICABLE	
Return on Project Value (Sales Revenues)		NOT APPLICABLE			15%	15%

Note: Development costs are based on review of similar project pro formas in the Bay Area and interviews with developers, construction experts, other real estate professionals, and City staff.

(a) Direct costs include site work, demolition as well as residential and parking construction costs.

(b) Other soft costs include architectural and engineering fees (typically ranging from 5% for larger projects to 7% of direct costs for smaller projects), taxes, insurance, legal & accounting, developer project management and overhead, sales and marketing and other consultant services.

The higher allowance of indirect costs for ownership housing is attributable to higher cost of sales, marketing and insurance costs. These costs depend on the size, complexity and time frame of the project, and these percentage estimates assume a streamlined design and approval process.

(c) Permits & fees were calculated by the City based on recent experience with similar projects and exclude proposed housing fees.

Source: Development pro forma data on comparable projects, interviews with real estate professionals, City of Burlingame, Seifel Consulting, Inc.

Appendix Table 7
Summary of Land Sales Data and Assumptions
Financial Analysis of Affordable Housing Program
City of Burlingame

Feasibility Study Prototypes			Land Value Data and Assumptions from 2023 Appraisal Data					
			Sales Price per Land SF			Sales Price Per Unit (Without Density Bonus)		
Residential Type	Parcel Size	Density per acre (dua)	Weighted Average	Median	2023 Update	Weighted Average	Median	2023 Update
Apartment	2 acres	50	\$223	\$276	\$220	\$121,000	\$133,000	\$192,000
Apartment	2 acres	70	\$223	\$276	\$240	\$121,000	\$133,000	\$149,000
Apartment	2 acres	140	\$235	\$281	\$275	\$107,000	\$130,000	\$86,000
Condominium	0.5 acres	50	\$251	\$225	\$275	\$113,000	\$184,000	\$240,000
Single Family Attached	1.7 acres	18	\$172	\$123	\$240	\$434,000	\$397,000	\$581,000

Source: Valbridge Property Advisors

Appendix Table 8
Summary of Non-Housing Fee Estimates for Each Prototype
Financial Analysis of Affordable Housing Program
City of Burlingame

2023 Fee Estimates for Typical Unit	Apartments (50 dua)	Apartments (70 dua)	Apartments (140 dua)	Condominiums	Single Family Attached
City Impact Fees	\$5,156	\$5,156	\$5,156	\$5,156	\$5,156
School Impact Fees	\$4,263	\$4,167	\$4,072	\$4,790	\$7,185
Sewer and Water Capacity Charge	\$9,007	\$8,970	\$8,933	\$11,239	\$11,239
Building Permit, Plan Check and Other Fees	<u>\$8,852</u>	<u>\$8,377</u>	<u>\$8,087</u>	<u>\$14,149</u>	<u>\$16,329</u>
Total Fee Estimate Per Unit	\$27,278	\$26,670	\$26,247	\$35,334	\$39,909
Fees Per Unit (Rounded to \$100)	\$27,300	\$26,700	\$26,200	\$35,300	\$39,900
<i>Fees Per Residential NSF (Rounded to \$1)</i>	<i>\$31</i>	<i>\$31</i>	<i>\$31</i>	<i>\$35</i>	<i>\$27</i>

Source: City of Burlingame

Appendix Table 9
Summary of Burlingame Existing Residential Fee Program
Financial Analysis of Affordable Housing Program
City of Burlingame

Prototype	Residential NSF per Unit	Existing Fees (2019)		Maximum Nexus Amount (2015 Study)
		City Housing Fee (Base)	City Housing Fee (Prevailing Wage)	
Apartments (50 dua)	890	\$17	\$14	\$85
Apartments (70 dua)	870	\$20	\$17	\$85
Apartments (140 dua)	850	\$30	\$25	\$85
Condominiums	1,000	\$35	\$30	\$56
Single Family Attached	1,500	\$35	\$30	\$52

Source: City of Burlingame, Seifel Consulting, Inc.

Appendix Table 10
Summary of Fee Scenarios
Financial Analysis of Affordable Housing Program
City of Burlingame

Residential Impact Fee	Apartment (50 dua)	Apartment (70 dua)	Apartment (140 dua)	For-Sale - Condominium	For-Sale - Single Family Attached
Fee at Existing Fee Level	\$17 /SF	\$20 /SF	\$30 /SF	\$35 /SF	\$35 /SF
Fee with 15% Increase	\$20 /SF	\$23 /SF	\$35 /SF	\$40 /SF	\$40 /SF
Fee with 30% Increase	\$22 /SF	\$26 /SF	\$39 /SF	\$46 /SF	\$46 /SF
Fee at Existing Fee Level	\$15,130 /unit	\$17,400 /unit	\$25,500 /unit	\$35,000 /unit	\$52,500 /unit
Fee with 15% Increase	\$17,800 /unit	\$20,010 /unit	\$29,750 /unit	\$40,000 /unit	\$60,000 /unit
Fee with 30% Increase	\$19,580 /unit	\$22,620 /unit	\$33,150 /unit	\$46,000 /unit	\$69,000 /unit

Source: City of Burlingame, Seifel Consulting, Inc.

Technical Appendix B– Supplemental Documentation and Findings

Burlingame Residential
Impact Fee Study – FY 2023/24
June 2024



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Technical Appendix B

Supplemental Documentation and Findings

1. Housing Development Scenarios Analyzed
2. Feasibility Analysis Framework
3. Financial Analysis Results
 - Apartment
 - Condominium
 - Single Family Attached
4. Supporting Data
 - Real Estate Trends
 - Key Data Sources

1. Housing Development Scenarios Analyzed



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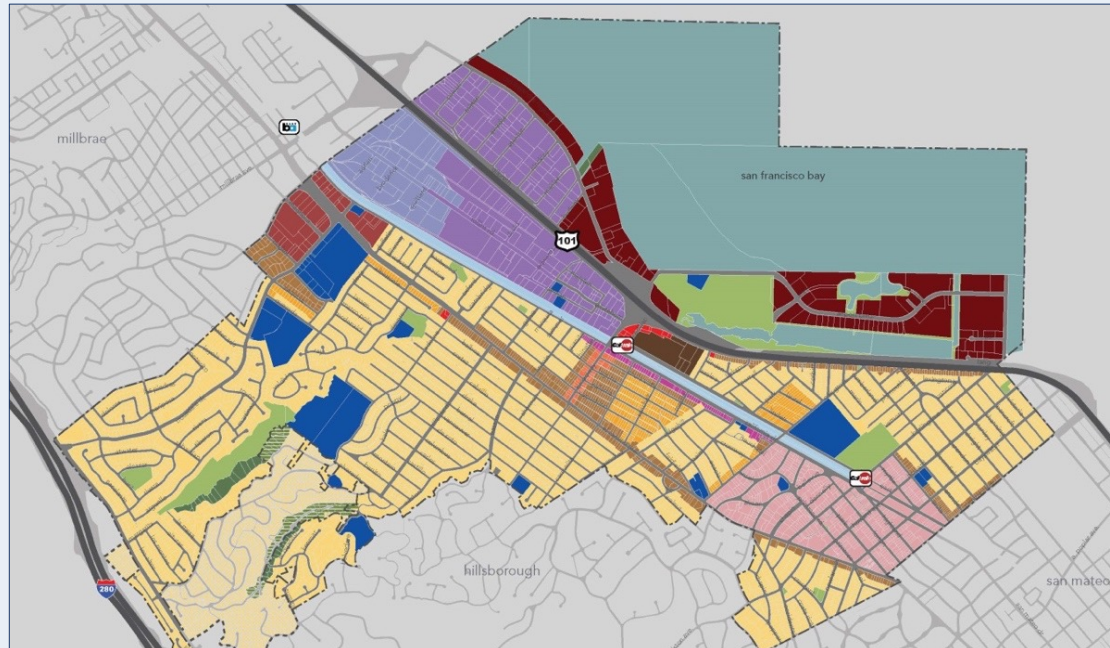
ENR
Engineering News-Record



Three Typical Development Types Studied

Same three basic prototypes as 2018 Housing Study with updates to typical unit size, density and parcel size to reflect current conditions

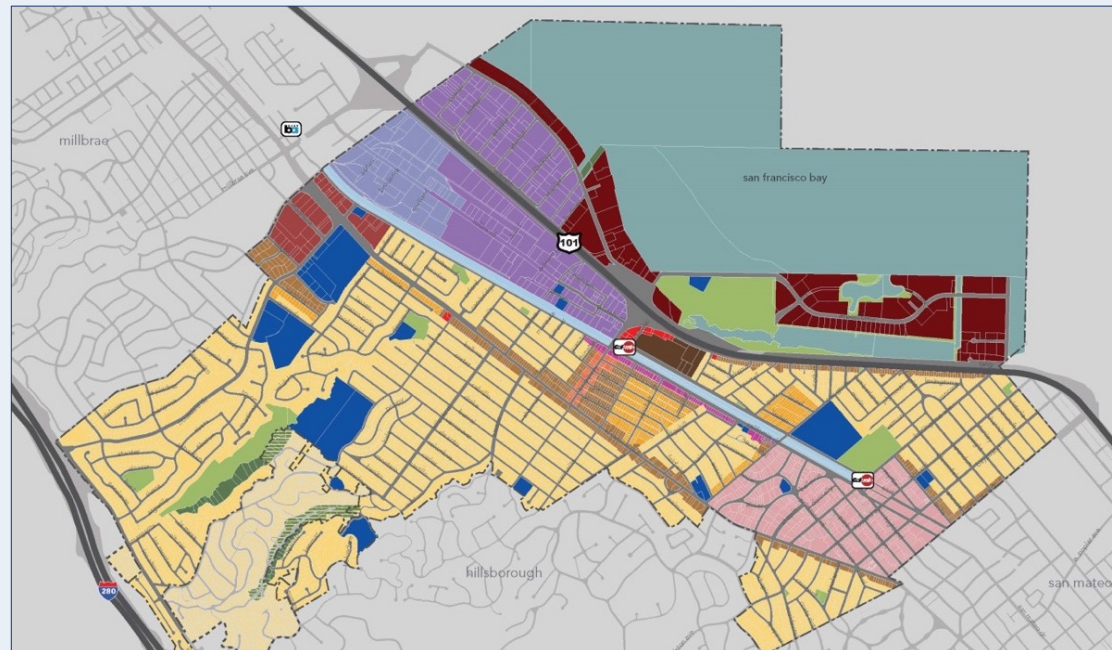
- 1) Multifamily apartments on a 2-acre site (at 50, 70 and 140 du/acre)
- 2) Condominiums on a .5-acre site (at 50 du/acre)
- 3) Single family attached homes on a 1.7-acre site (at 18 du/acre)



Three Affordable Housing Scenarios

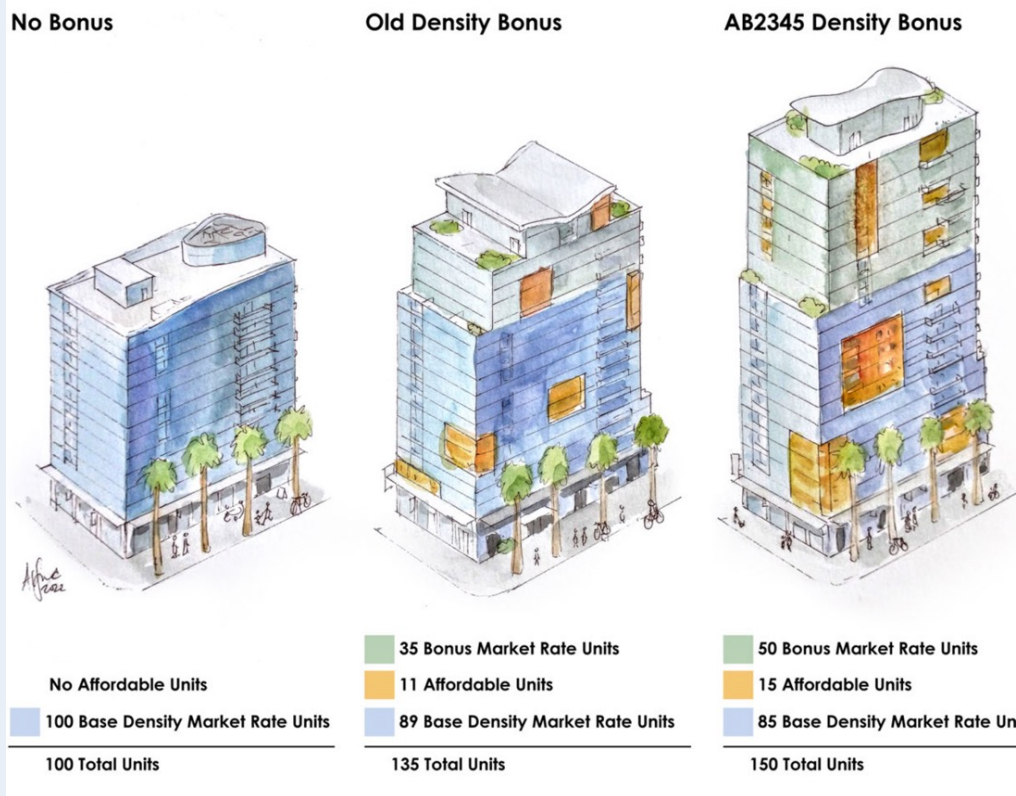
An additional affordable housing scenario (Onsite With Density Bonus) has been added that was not studied in the 2018 Housing Study

- 1) Onsite affordable housing without density bonus
- 2) Onsite affordable housing with density bonus
- 3) Residential impact fee at alternative fee levels



Recent Changes to State Density Bonus Law Allow Greater Amounts of Density

Illustration by Alfred Twu



AB 2345 authorized a 50% density bonus based on the following alternative provision of onsite affordable housing as percent of base density:

- 15% very low income OR
- 24% low income OR
- 44% moderate income

Note: 2023 legislation allows greater density if additional moderate income units are provided to any of the above alternatives, which was not analyzed for Burlingame.

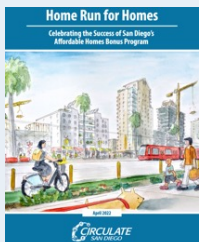


Illustration above shows the allowable density bonus based on providing onsite affordable housing for very low income households

Onsite Affordable Housing Allows Use of Density Bonus Law (DBL)

Density Bonus Law (Government Code 65915 et seq.) incentivizes onsite provision of affordable housing:

- Increases density and/or height based on percent of affordable units at target income levels
- Provides concessions, incentives and waivers
- Reduces parking requirements and contains other special requirements and provisions

Restricted Household Income Levels	Minimum Density Bonus		35% Bonus	50% Bonus
	Minimum Percent of Restricted Units	Percent of Density Bonus Granted	Required Percent of Restricted Units	Required Percent of Restricted Units
Very Low <i>(Rental or For-Sale Units)</i>	5%	20%	11%	15%
Low <i>(Rental or For-Sale Units)</i>	10%	20%	20%	24%
Moderate <i>(For-Sale Units)</i>	10%	5%	40%	44%

Affordable Housing Cost Requirements of State Density Bonus Law (DBL)

Very Low Income— Affordable housing cost based on 30% of 50% AMI for renters and owners.

Low Income— Affordable housing cost based on 30% of 60% AMI for renters and 30% of 70% AMI for owners.

Moderate Income— Affordable housing cost based on 30% of 110% for renters and 35% of 110% AMI for owners.

Note: onsite affordable housing must be provided at one of these household income levels.

Senior, Transitional Youth and Student Housing are subject to different density bonus requirements.

In 2024, DBL allows greater density with more moderate income units are provided, which was not analyzed for Burlingame.

Onsite Affordable Housing Scenarios

- **Status Quo** – No density bonus with existing onsite requirements
 - Rental – Moderate Income – 10% @ 110% AMI
 - Density Bonus triggered at 5% @ 50% AMI or 10% @ 60% AMI
 - For-Sale – Above Moderate (Missing Middle) – 10% @ 135% AMI
 - Density Bonus triggered at 10% @ 110% AMI
- **Density Bonus** – A variety of onsite affordable scenarios tested at deeper affordability that can trigger Density Bonus
 - Rental Scenarios at Deeper Affordability (from 50% AMI to 80% AMI)
 - Only 70 dua and 140 dua tested
 - For-Sale Scenarios at Deeper Affordability (from 70% AMI to 110% AMI)
 - Only Condo tested
- **Density Bonus may not result in more units**
 - Some developers utilize incentives, waivers and concessions, and projects may not include all or any of the allowable bonus units

Onsite Affordable Housing with Density Bonus Alternatives Analyzed in Study

Provision of Affordable Housing at Any of the Following Household Income Levels	Onsite Affordable Units Provided as Percent of Base Density <i>Peach shading indicates this option is analyzed.</i>					
Very Low <i>(Rental or For-Sale Units)</i>	N/A	N/A	5%	10%	11%	15%
Low <i>(Rental or For-Sale Units)</i>	N/A	N/A	10%	20%	20%	24%
Moderate <i>(For-Sale Units)</i>	10%	15%	25%	40%	40%	44%
Applicable Density Bonus as Percent of Base Density	5%	10%	20%	32.5%	35%	50%

Analysis uses the affordable housing cost requirements of State Density Bonus Law (DBL).

Affordable Housing Cost Requirements per California Health and Safety Code

Very Low Income— Affordable housing cost based on 30% of 50% AMI for renters and owners.

Low Income— Affordable housing cost based on 30% of 60% AMI for renters and 30% of 70% AMI for owners.

Moderate Income— Affordable housing cost based on 30% of 110% for renters and 35% of 110% AMI for owners.

Note: onsite affordable housing must be provided at one of these household income levels.

Senior, Transitional Youth and Student Housing are subject to different density bonus requirements.

In 2024, DBL allows greater density when more moderate income units provided, which was not analyzed for Burlingame.

Summary of Rental and For-Sale Onsite Affordable Housing Scenarios Tested

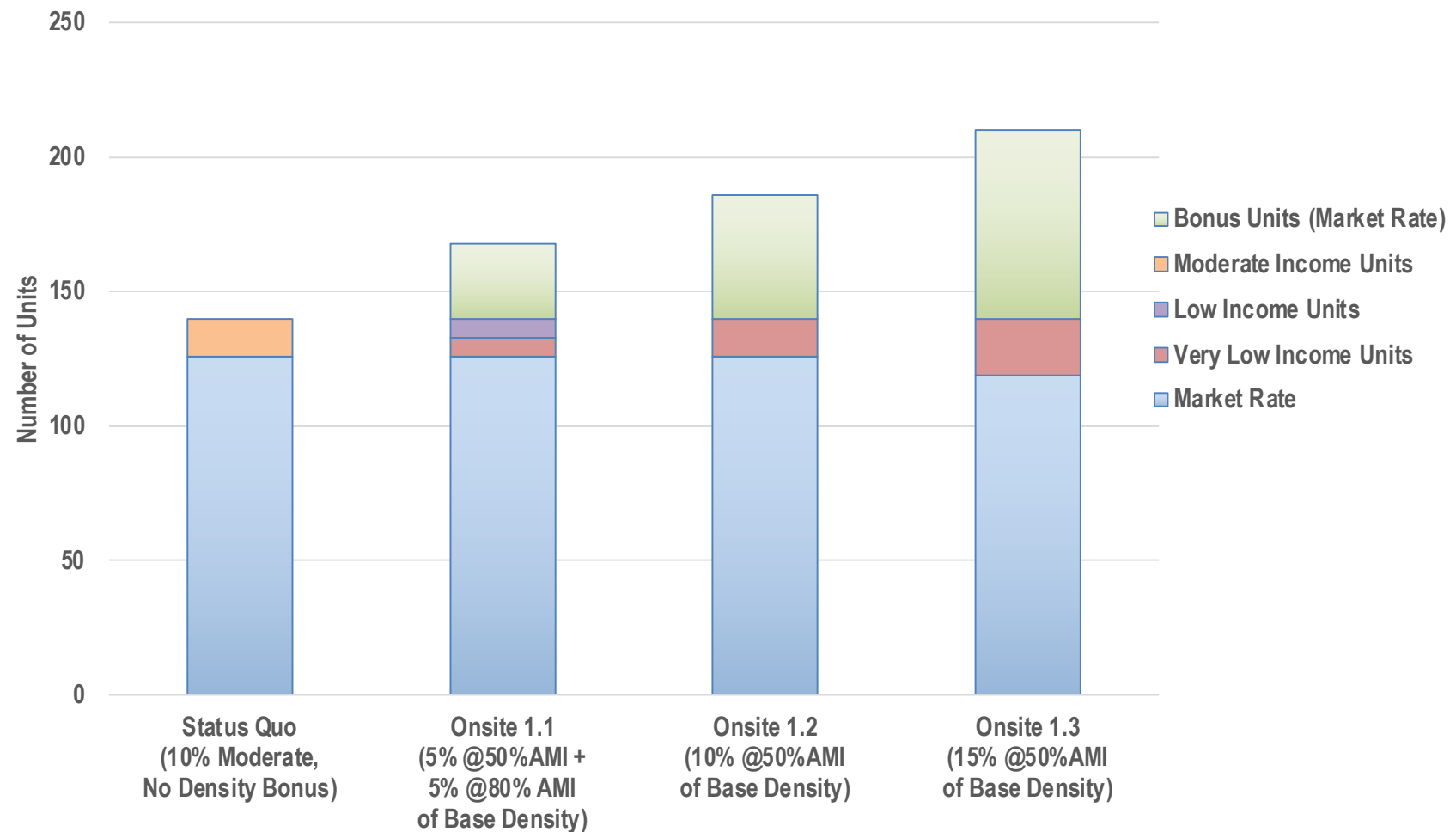
Rental Scenarios

- **Status Quo– 10% at 110% AMI – No Density Bonus triggered**
- 5% at 50% AMI + 5% at 80% AMI – up to 20% Density Bonus of Base Density
- 10% at 50% AMI– up to 32.5% Density Bonus of Base Density
- 15% at 50% AMI – up to 50% Density Bonus of Base Density
- 5% at 60% AMI + 5% at 110% AMI – No Density Bonus triggered

For-Sale Scenarios

- **Status Quo– 10% at 135% AMI– No Density Bonus triggered**
- 10% at 110% AMI of Base Density – up to 5% Density Bonus of Base Density
- 10% at 70% AMI of Base Density – up to 20% Density Bonus of Base Density
- 24% at 70% AMI of Base Density – up to 50% Density Bonus of Base Density

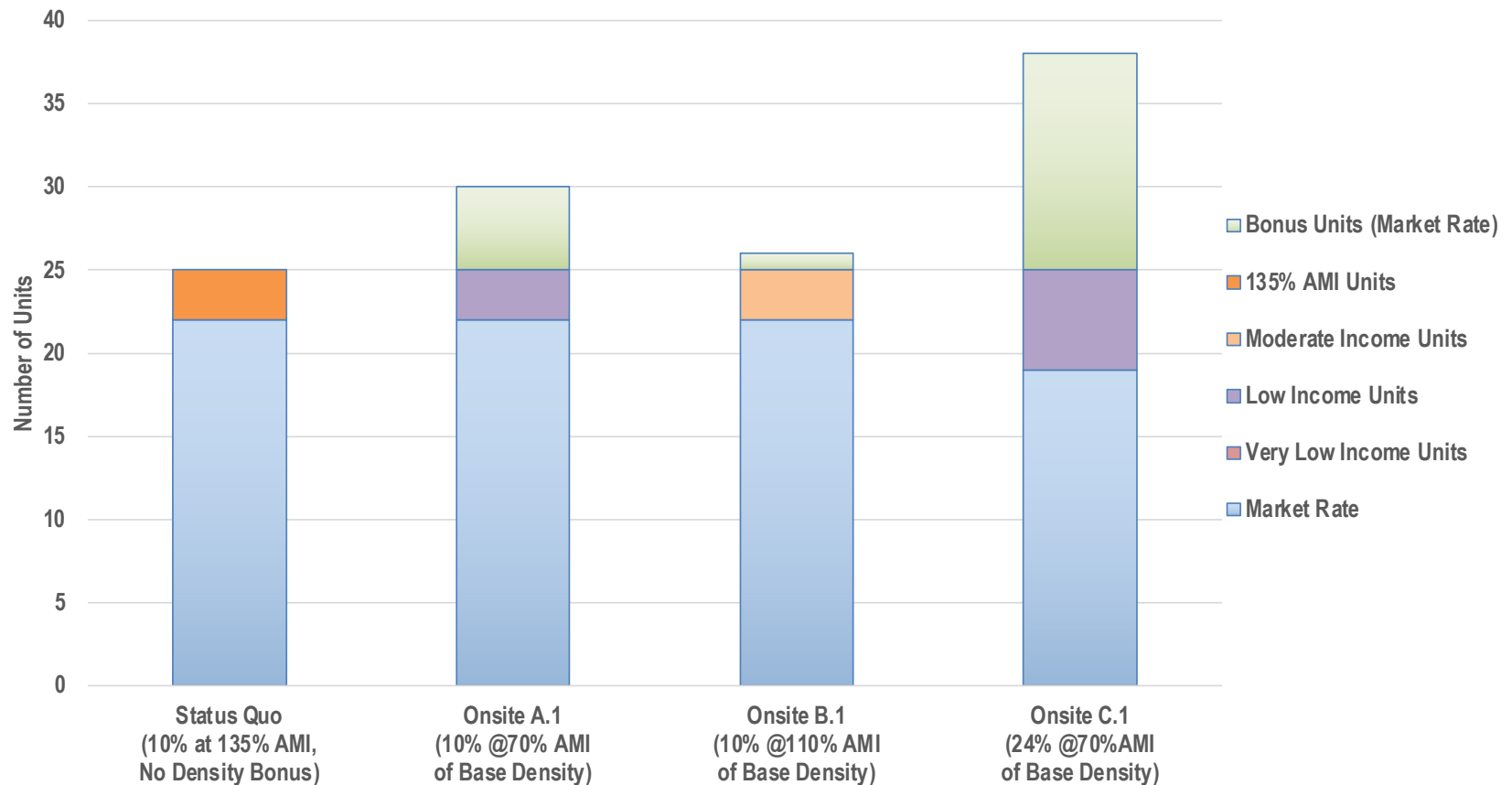
Rental Onsite Alternatives— Status Quo Compared With Density Bonus



Graph illustrates increased number of allowable units at apartment base density of 70 du/a.

For-Sale Onsite Alternatives (Condo)

Status Quo Compared With Density Bonus



Graph illustrates increased number of allowable units at condo base density of 50 du/a.

Burlingame Existing Residential Impact Fees (Municipal Code Section 25.45.030)

Fees established in 2019 and not updated since then

Table HE-12: Residential Impact Fees

	Impact Fee – Per Square Foot	
	Base	With Prevailing / Area Wage
Rental Multifamily – 11 units and above*		
Up to 50 du/ac	\$17.00 / sq ft	\$14.00 / sq ft
51-70 du/ac	\$20.00 / sq ft	\$17.00 / sq ft
71 du/ac and above	\$30.00 / sq ft	\$25.00 / sq ft
For Sale Multifamily (Condominiums) – 7 units and above*		
	\$35.00 / sq ft	\$30.00 / sq ft
* Rental Multifamily with total of 10 units or fewer are exempt; For Sale Multifamily (Condominiums) with total of 6 units or fewer are exempt. Rental projects that convert to condominiums within 10 years of completion of construction would be subject to the fee differential as a condition of conversion. The fee differential shall be based on the fee structure in place at the time of conversion to condominiums, minus the fees originally submitted at the time of construction.		

Source: Burlingame Planning Division, 2022

Residential Impact Fee Scenarios (Different Fee Levels for Rental and For-Sale)

- **Fee at Existing Level**– Typical developments first analyzed at existing fee level
- **Fee With 15% Increase**– Second set of fee scenarios reflect 15% increase in fees based on CPI increase from 2019 to 2023
- **Fee With 30% Increase**–Third set of fee scenarios reflect 30% increase in fees based on ENR BCI increase from 2019 to 2023

Residential Impact Fee	Apartment (50 dua)	Apartment (70 dua)	Apartment (140 dua)	For-Sale - Condominium	For-Sale - Single Family Attached
Fee at Existing Fee Level	\$17 /SF	\$20 /SF	\$30 /SF	\$35 /SF	\$35 /SF
Fee with 15% Increase	\$20 /SF	\$23 /SF	\$35 /SF	\$40 /SF	\$40 /SF
Fee with 30% Increase	\$22 /SF	\$26 /SF	\$39 /SF	\$46 /SF	\$46 /SF
Fee at Existing Fee Level	\$15,130 /unit	\$17,400 /unit	\$25,500 /unit	\$35,000 /unit	\$52,500 /unit
Fee with 15% Increase	\$17,800 /unit	\$20,010 /unit	\$29,750 /unit	\$40,000 /unit	\$60,000 /unit
Fee with 30% Increase	\$19,580 /unit	\$22,620 /unit	\$33,150 /unit	\$46,000 /unit	\$69,000 /unit

2. Feasibility Analysis Framework



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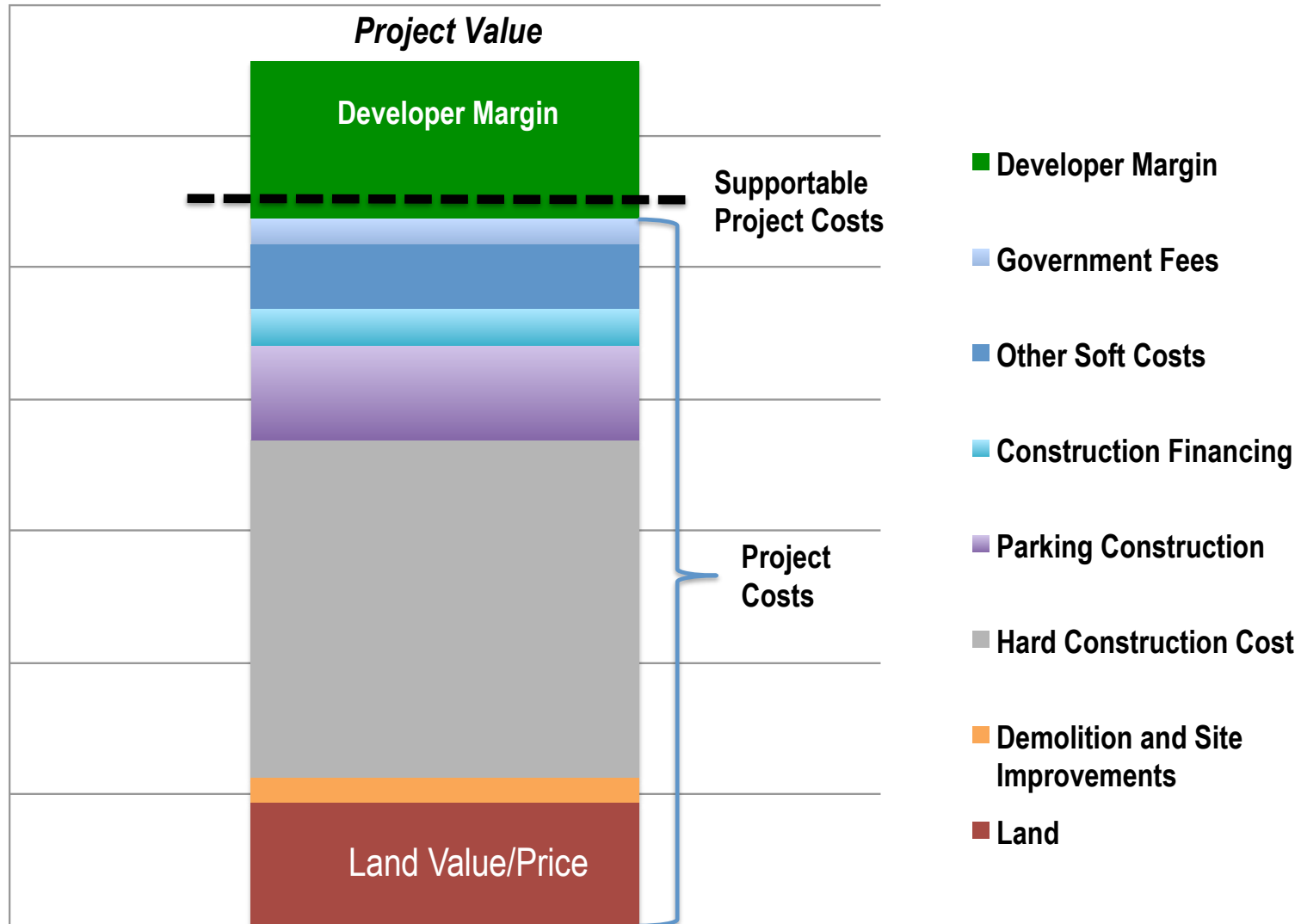


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Development Feasibility Framework Per Residential Unit



Project Value and Return Metrics– Apartments

Metric	Description
Net Operating Income (NOI)	Annual revenue less expenses
Project Value	NOI divided by cap rate
Capitalization rate (cap rate) 2023 – 4.5% assumed 2018 – 4.25% assumed	Project Value divided by NOI Based on investment underwriting criteria and data on market sales
Project Cost or Total Development Cost (TDC)	Total of all project costs without developer margin or return
Developer Margin or Return	Project Value less TDC
Yield on Cost (Return on Cost) 2023 – 5.5% assumed (current underwriting at 6%+) 2018 – 5.25% assumed	Apartment NOI divided by TDC Based on investment underwriting criteria for project returns
Return on Project Cost (TDC) Same as 2018 – 15%+ assumed	Developer margin divided by TDC Based on investment underwriting criteria for project returns

Project Value and Return Metrics– For-Sale

Metric	Description
Project Value	Projected sales revenues
Project Cost or Total Development Cost (TDC)	Total of all project costs without developer margin
Developer Margin/ Return	Project Value from sales revenues less TDC
Return on Project Cost Same as 2018 – 15%+ assumed	Developer margin divided by TDC Based on investment underwriting criteria for project returns

Land Value Trends and Assumptions

2023 land values based on confirmed residential land sales compiled by Valbridge Property Advisors

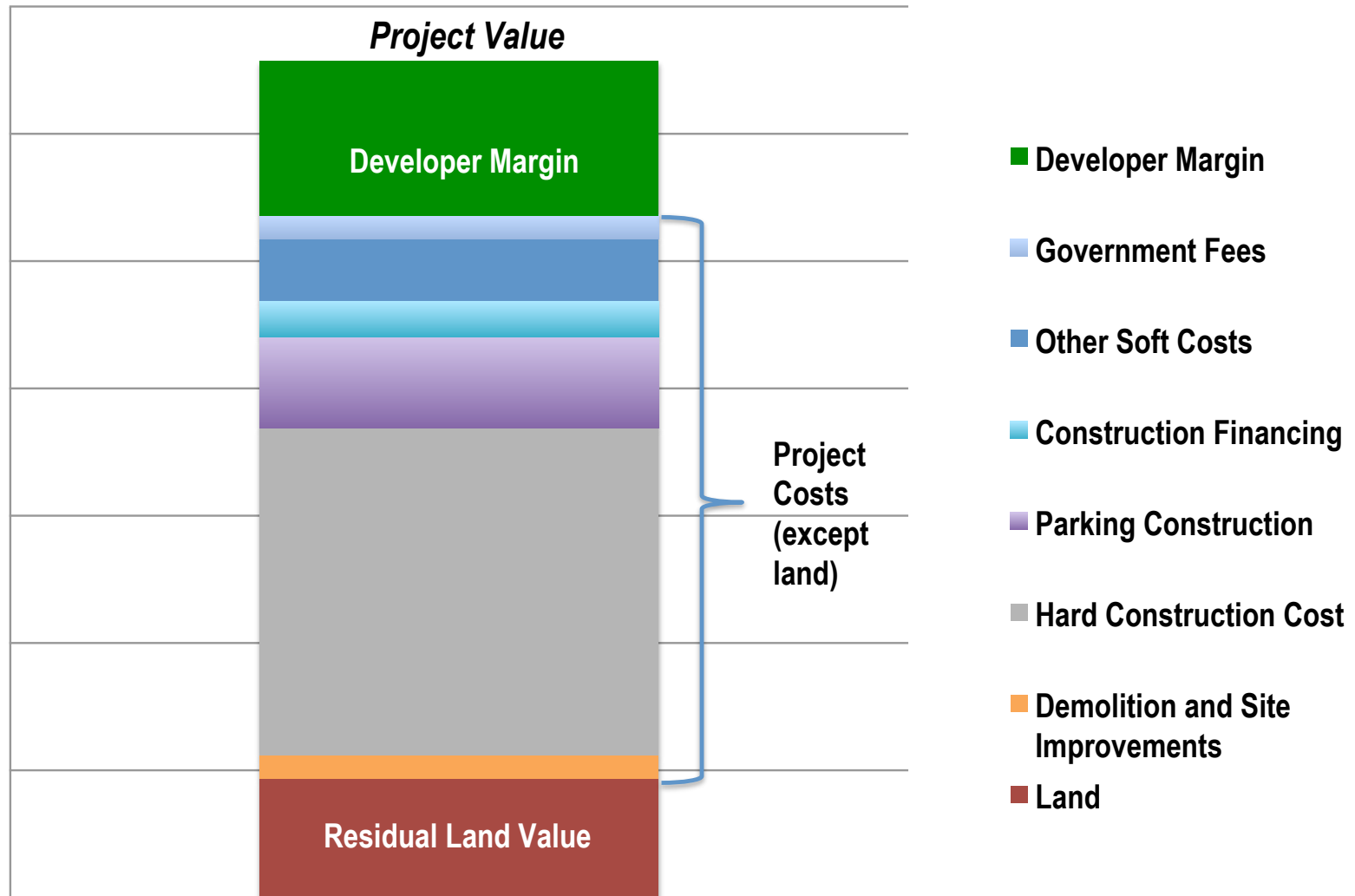
- Burlingame has a small number of recent sales transactions, and land prices on the Peninsula vary widely for all residential products.
- Land value assumptions are based on relevant sales transactions for comparable properties in Burlingame and the Peninsula

2023 land value assumptions reflect 4-10% increase since 2018:

- \$220/Land SF for apartments at 50 du/acre**
- \$240/Land SF for apartments at 70 du/acre and single family attached**
- \$275/Land SF for apartments at 140 du/acre and condos**

Feasibility Study Prototypes				Comparable Land Sales from 2023 Appraisal Data						Pro Forma Assumptions for Land Values				
				Sales Price per Land SF				Sales Price Per Unit		Sales Price per Land SF			Sales Price Per Unit	Sales Price Per Acre
Residential Type	Parcel Size	Density per acre (dua)	Average Parcel Size (SF)	Weighted Average	Median	Lowest Sales Price/SF	Highest Sales Price/SF	Weighted Average	Median	2018 Analysis	2023 Update	% Increase From 2018	2023 Update	2023 Update
Apartment	2 acres	50	167,000	\$223	\$276	\$117	\$362	\$121,000	\$133,000	\$200	\$220	10%	\$192,000	\$9,583,200
Apartment	2 acres	70	167,000	\$223	\$276	\$117	\$362	\$121,000	\$133,000	\$230	\$240	4%	\$149,000	\$10,454,400
Apartment	2 acres	140	167,000	\$235	\$281	\$117	\$453	\$107,000	\$130,000	\$260	\$275	6%	\$86,000	\$11,979,000
Condominium	0.5 acres	50	19,000	\$251	\$225	\$121	\$467	\$113,000	\$184,000	\$260	\$275	6%	\$240,000	\$11,979,000
Single Family Attached	1.7 acres	18	71,000	\$172	\$123	\$42	\$353	\$434,000	\$397,000	\$230	\$240	4%	\$581,000	\$10,454,400

Conducted Residual Land Value Analysis to Review Land Value Assumptions



Residential Hard Construction Cost (by Construction Type)

Number of Stories	Construction Type	Typical Density Range (Du/Acre)
2 to 5 stories	Wood Frame (Type V)	20–70
4 to 6 stories	Type V over Type I Podium	60–100
5 to 8 stories (depending on construction type)	Type V or Type III over Podium Parking or Below Grade Parking	100–180
8+ stories above 85 feet	Type I Over Below Grade Parking	150+

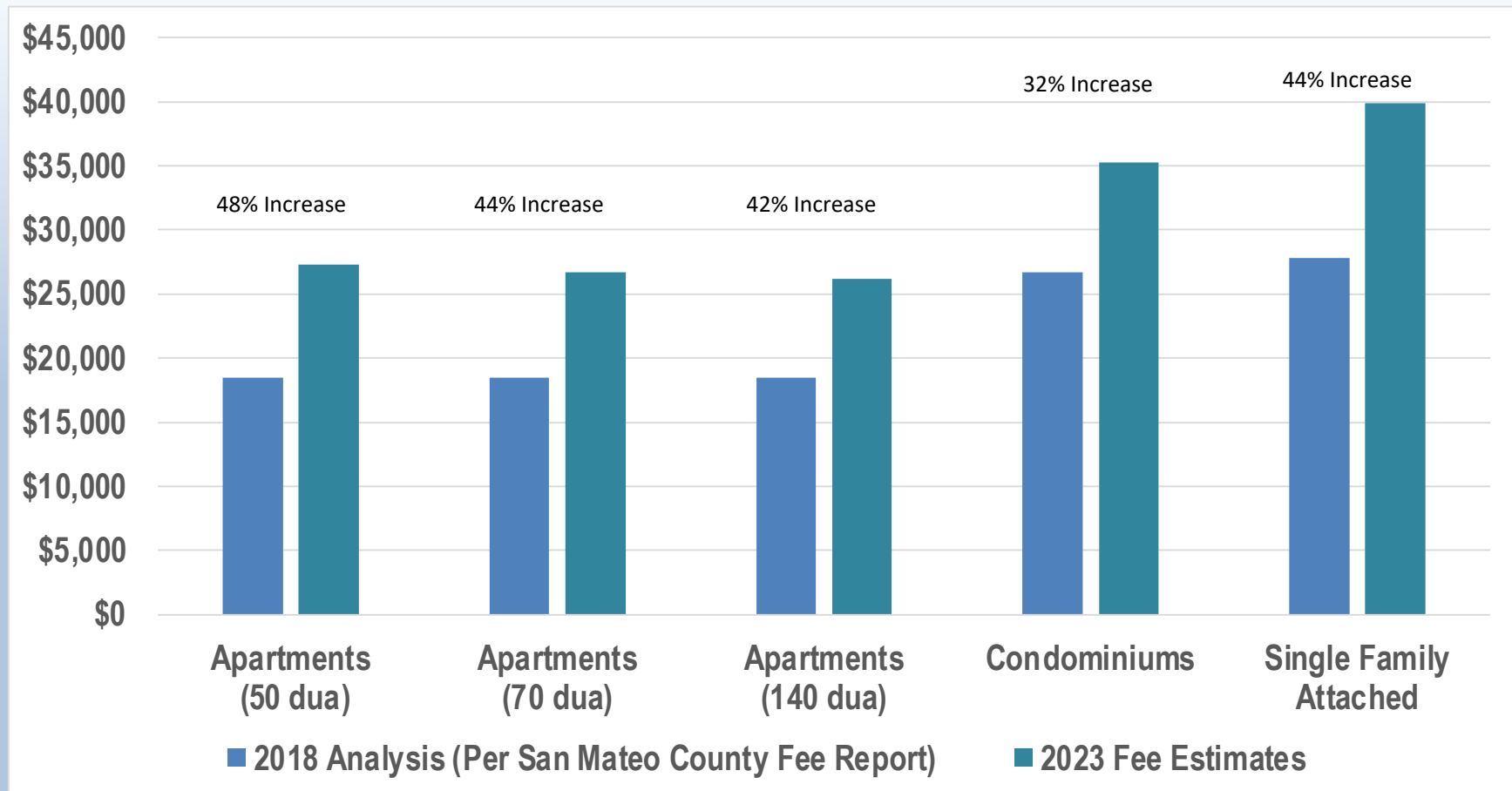
2023 Non-Housing Impact Fee Estimates

(Per Typical Housing Unit)

	Apartments (50 dua)	Apartments (70 dua)	Apartments (140 dua)	Condominiums	Single Family Attached
2023 Fee Estimates for Typical Unit					
City Impact Fees	\$5,156	\$5,156	\$5,156	\$5,156	\$5,156
School Impact Fees	\$4,263	\$4,167	\$4,072	\$4,790	\$7,185
Sewer and Water Capacity Charge	\$9,007	\$8,970	\$8,933	\$11,239	\$11,239
Building Permit, Plan Check and Other Fees	<u>\$8,852</u>	<u>\$8,377</u>	<u>\$8,087</u>	<u>\$14,149</u>	<u>\$16,329</u>
Total Fee Estimate Per Unit	\$27,278	\$26,670	\$26,247	\$35,334	\$39,909
Fees Per Unit (Rounded to \$100)	\$27,300	\$26,700	\$26,200	\$35,300	\$39,900
<i>Fees Per Residential NSF (Rounded to \$1)</i>	<i>\$31</i>	<i>\$31</i>	<i>\$31</i>	<i>\$35</i>	<i>\$27</i>

- **City Impact Fees**– Fees for parks/recreation, capital facilities and other civic facilities, which are calculated on a per unit basis based on FY 2022/23 fee levels
- **School Fees**– Fees for school facilities based on Statewide Level 1 fees for 2023 calculated at \$4.79 per residential square foot
- **Sewer and Water Capacity Charge**– Fees for sewer and water, which are based on the proportion of smaller and larger units (2 bedroom or larger)
- **Building Permit, Plan Check and Other Fees**– Fees for advance planning, plan check, building permit, fire inspection, and other staff predevelopment services, which are primarily based on building valuation

Comparison of Non-Housing Impact Fees from 2018 to 2023



Fees increased by about \$8,000 to \$12,000 per unit since 2018.

Findings From Rental (Apartment) Analysis



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Typical Apartment Characteristics for Financial Pro Forma Analysis

Parcel Size	2 acres
Total Units (Base Density)	100, 140 and 280 units
<i>Market Rate</i>	<i>Onsite– 85% to 90%</i>
<i>Percent Below Market Rate</i>	<i>Onsite– 10% to 15%</i>
Average Unit Size	850 to 890 NSF
Average Monthly Market Rent	About \$4,360 to \$4,480 (About \$5.15/NSF)
Parking Ratio	1.2 to 1.3 spaces/unit
Efficiency Ratio	75% to 78%
Retail	None assumed

Summary of Rental Scenarios at Base Density of 50, 70 & 140 dwelling unit per acre (dua)

- Onsite Without Density Bonus
- Onsite With Density Bonus
- Residential Impact Fee

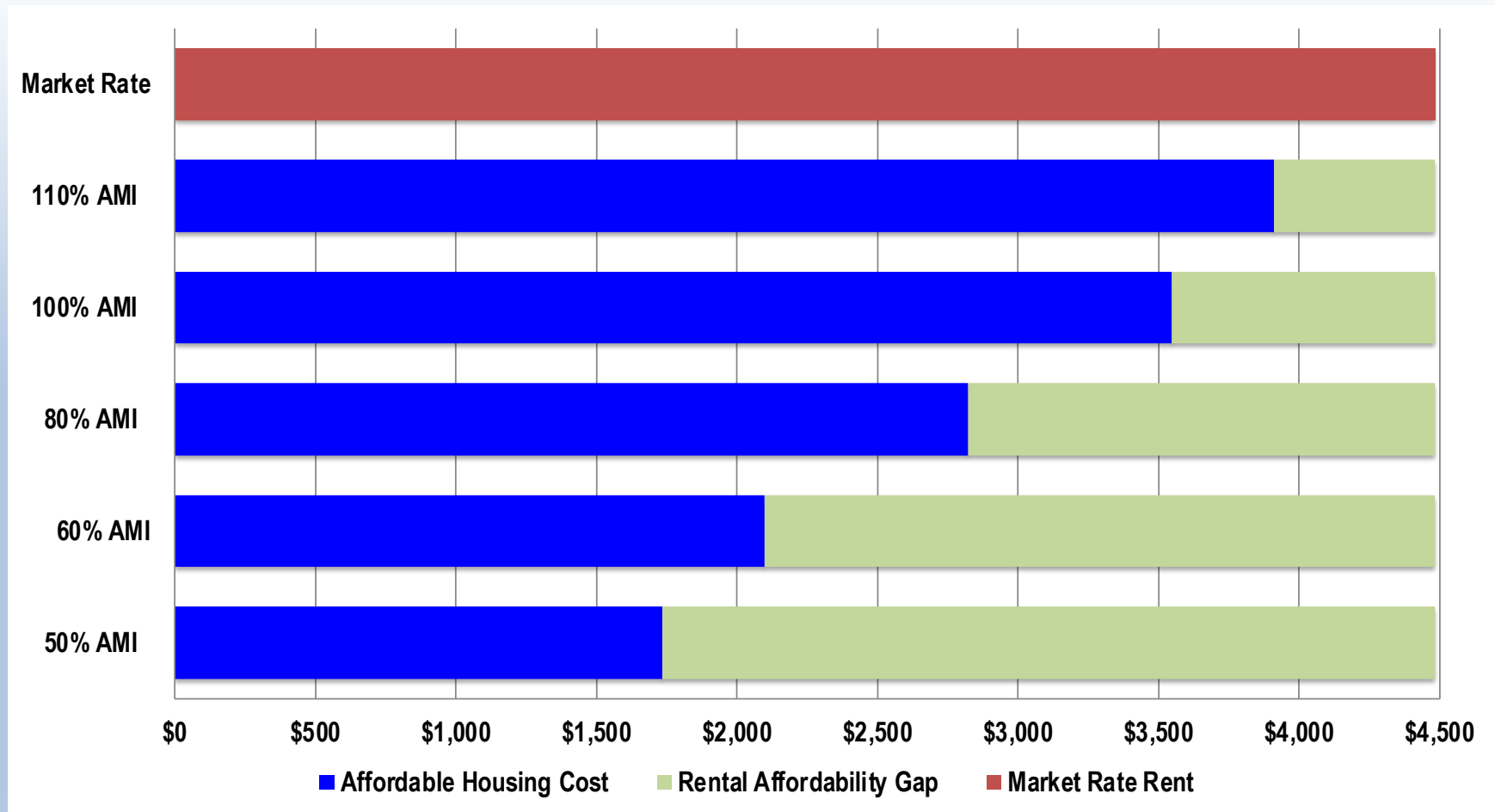
Scenarios		Density Bonus	Rental (Apartment) Alternatives
Affordable Housing on Site Without Density Bonus			
Onsite 1	5% at 50% AMI + 5% at 80% AMI	None	Three (50/70/140 dua)
Onsite 2	5% at 60% AMI + 5% at 110% AMI	None	Three (50/70/140 dua)
Onsite 3	10% @110% AMI (Status Quo)	None	Three (50/70/140 dua)
Affordable Housing on Site With Density Bonus			
Onsite 1.1	5% at 50% AMI + 5% at 80% AMI of Base Density	20%	Two (84/168 dua)
Onsite 1.2	10% at 50% AMI of Base Density	32.5%	Two (93/186 dua)
Onsite 1.3	15% at 50% AMI of Base Density	50%	Two (105/210 dua)
Residential Impact Fee (No Affordable Housing on Site)			
Fee 1	Fee the Existing Level	None	Three (50/70/140 dua)
Fee 2	Fee with 15% Increase	None	Three (50/70/140 dua)
Fee 3	Fee with 30% Increase	None	Three (50/70/140 dua)

Market Rent Profile for Recently Developed Apartment Buildings

	Studio (0 Bedroom)	One Bedroom	Two Bedroom	Three Bedroom	Weighted Average or Total
Recent Apartment Developments					
Bedroom Mix (Planned and Built)	7%	58%	32%	3%	100%
Unit Size					
Minimum	478 SF	657 SF	842 SF	1,238 SF	N/A
Maximum	654 SF	929 SF	1,188 SF	1,509 SF	N/A
Average	600 SF	760 SF	1,100 SF	1,400 SF	870 SF
Bedroom Mix (Leasing as of Spring 2023)	7%	52%	38%	2%	100%
Unit Size					
Average	476 SF	693 SF	1,048 SF	1,163 SF	820 SF
Monthly Rent (Leasing as of Spring 2023)					
Average	\$3,158	\$3,808	\$4,842	\$6,770	\$4,224
Median	\$3,129	\$3,731	\$4,834	\$6,989	\$4,184
Average Monthly Rent Per SF	\$6.63	\$5.49	\$4.62	\$5.82	\$5.25
2023 Analysis Assumptions (70 du/acre)					
Unit Size	600 SF	760 SF	1,026 SF	1,400 SF	870 SF
Monthly Rent	\$3,399	\$3,995	\$5,051	\$6,633	\$4,428
Average Rent Per SF	\$5.67	\$5.26	\$4.92	\$4.74	\$5.15
Bedroom Mix	7%	54%	35%	4%	100%

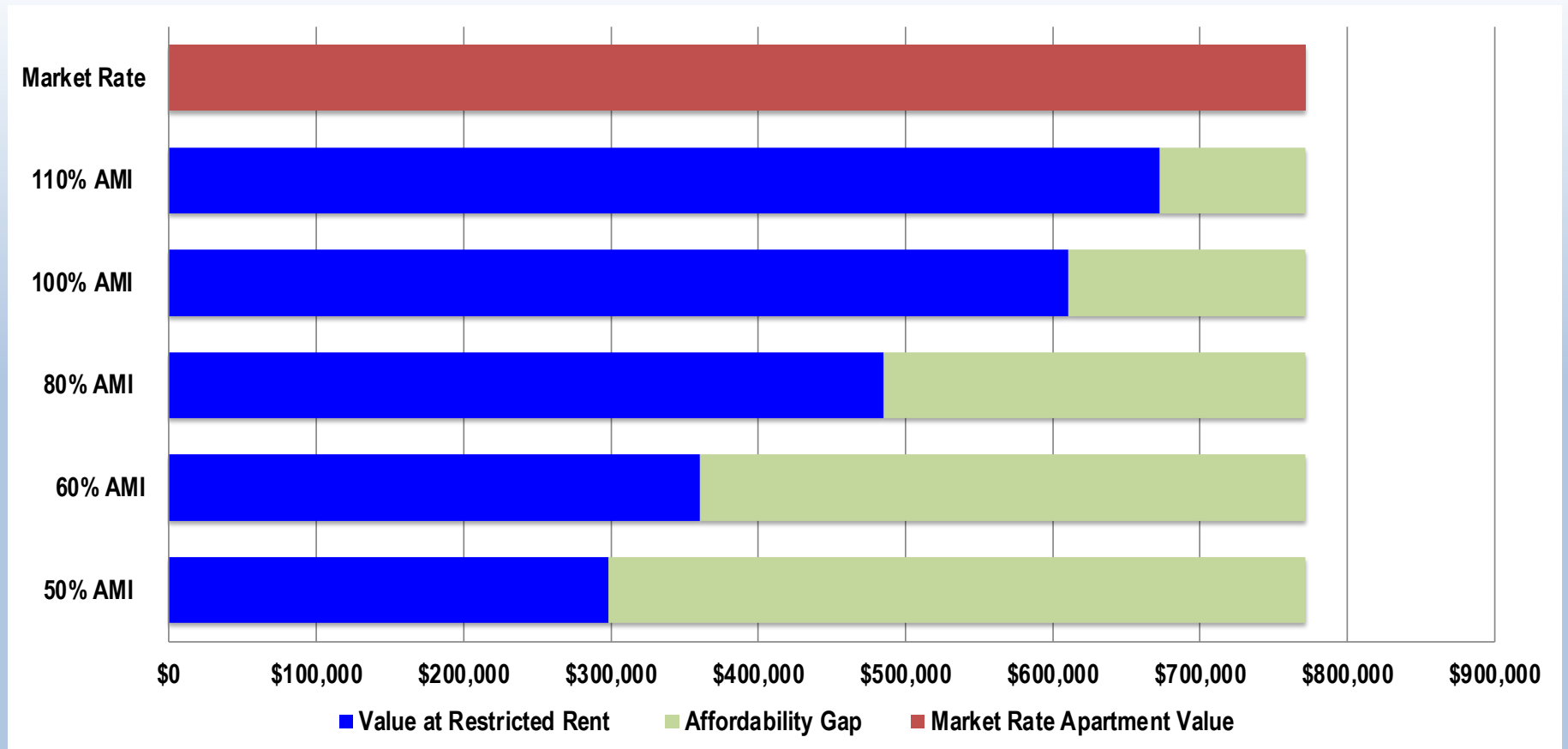
Burlingame Apartment Market Rents

Affordability Gap Per Unit (70 dua)



Burlingame Apartment Values

Affordability Gap Per Unit (70 dua)

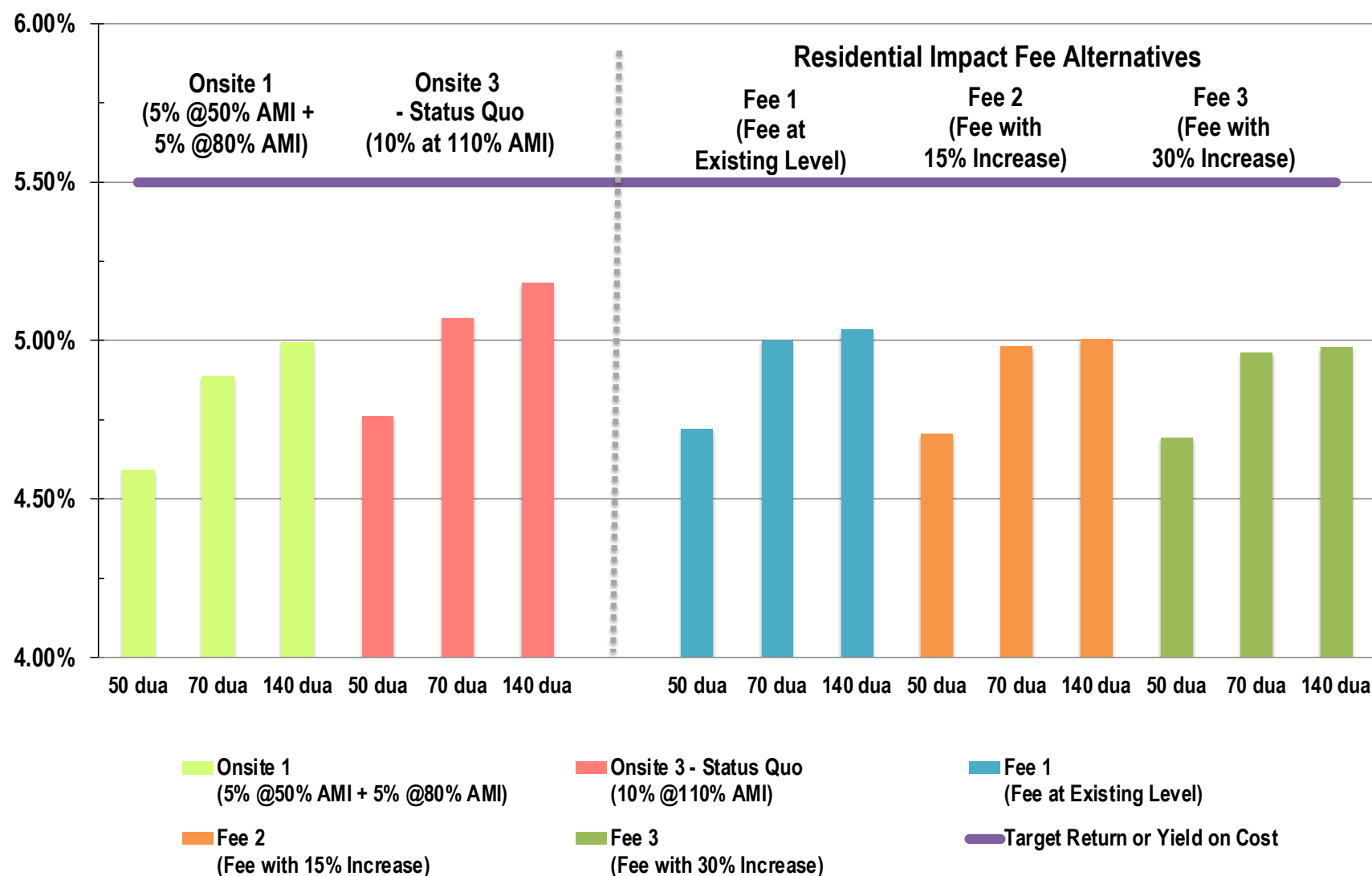


Comparison of Returns for Rental Onsite Alternatives Without Density Bonus

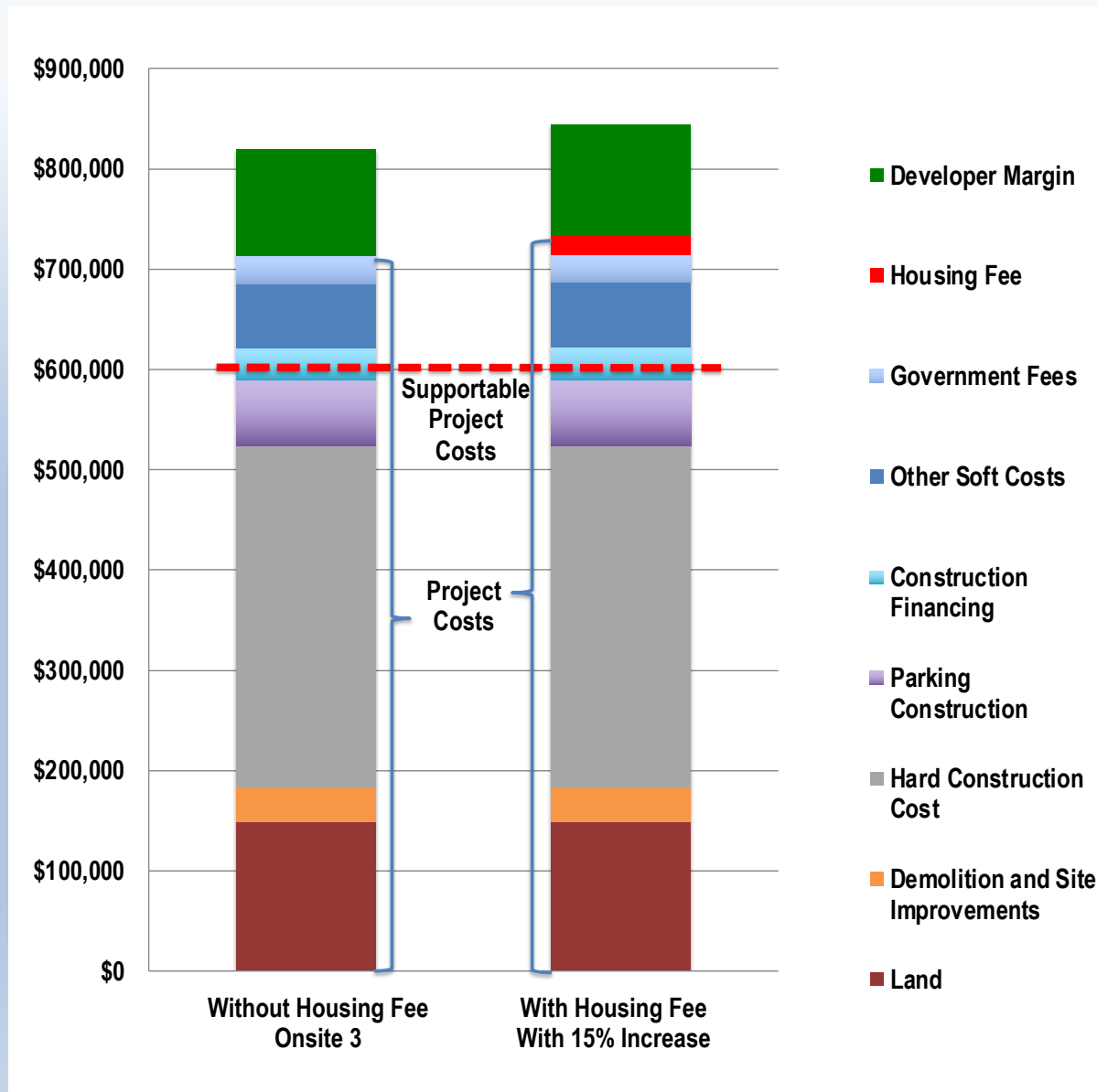


*Current institutional underwriting may be 6%+ based on input from developers.

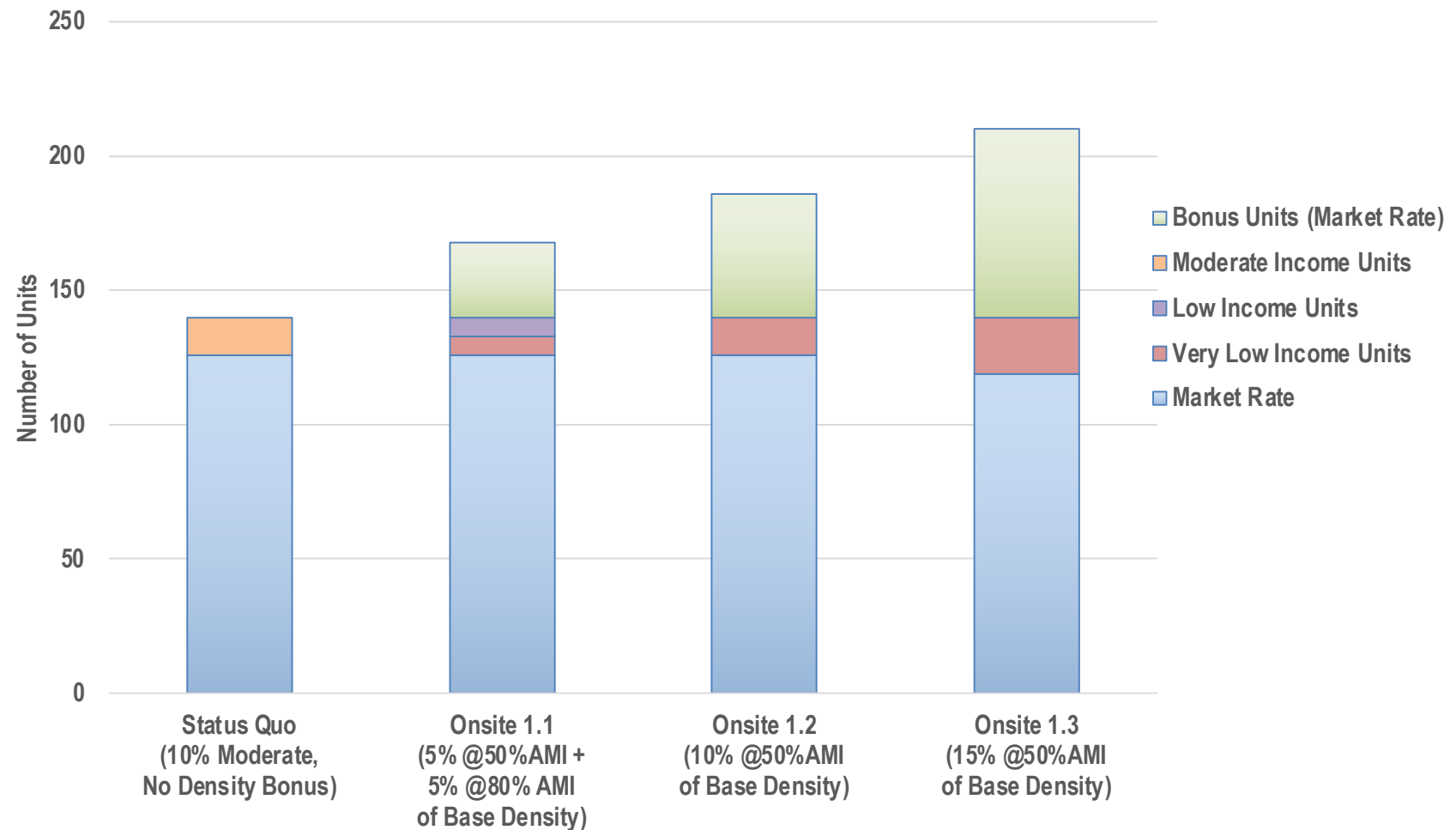
Comparison of Returns for Rental Onsite Alternatives Without Density Bonus to Fee Alternatives



Comparison of Rental Onsite 3 Without Density Bonus to Fee With 15% Increase (at 70 dua)

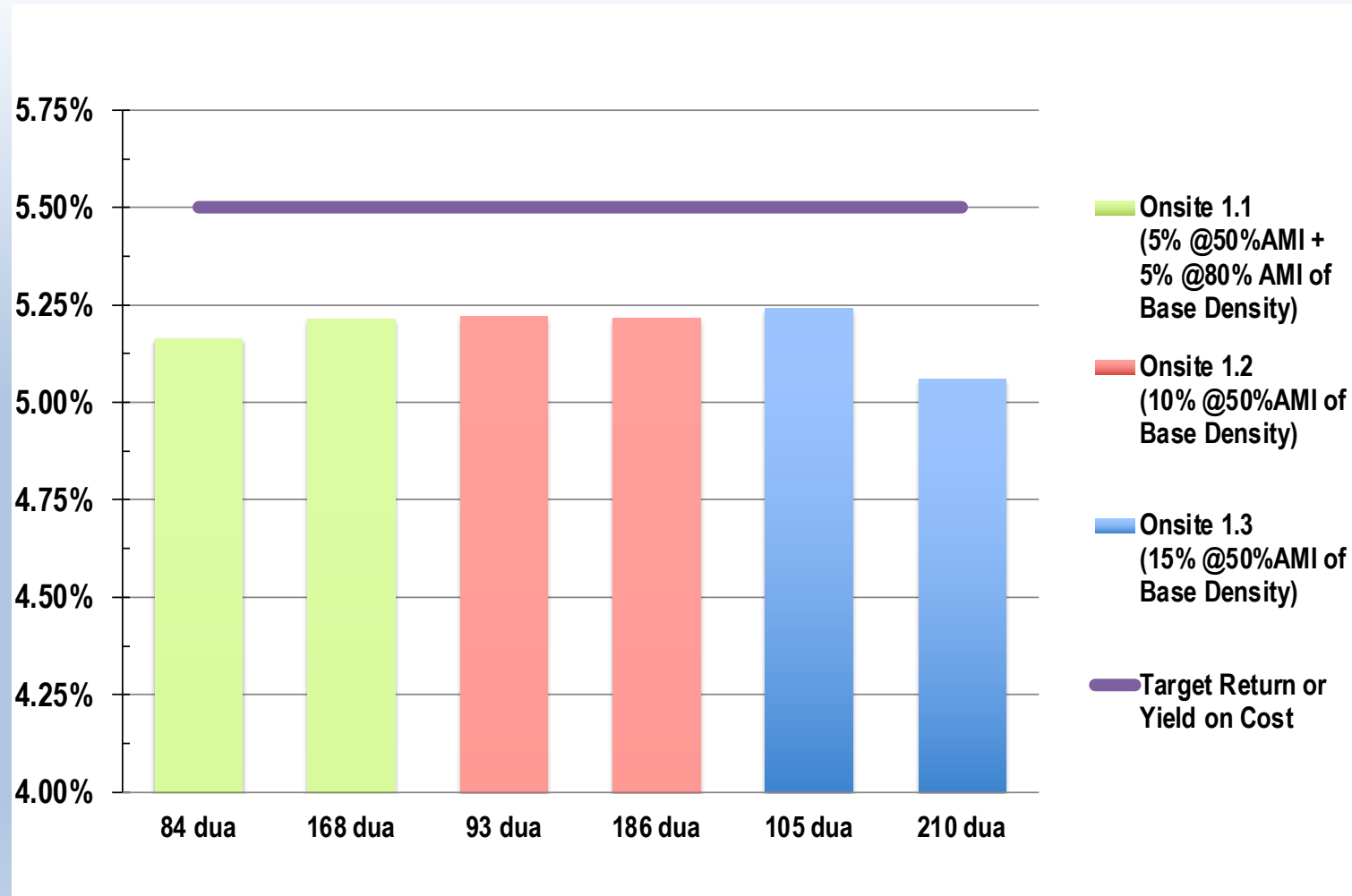


Summary of Rental Onsite Alternatives With Density Bonus Analyzed

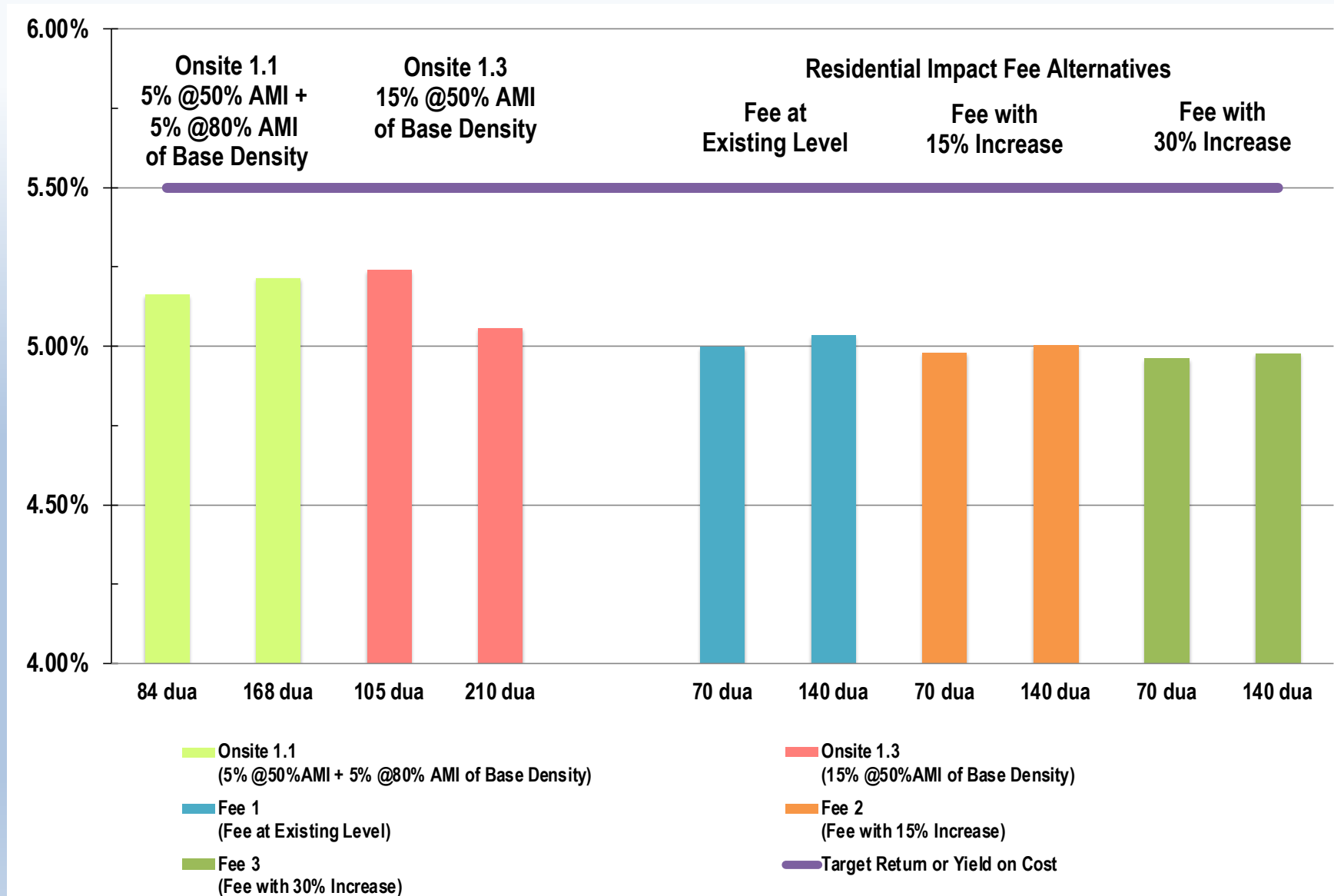


Graph illustrates increased number of allowable units at base density of 70 du/a

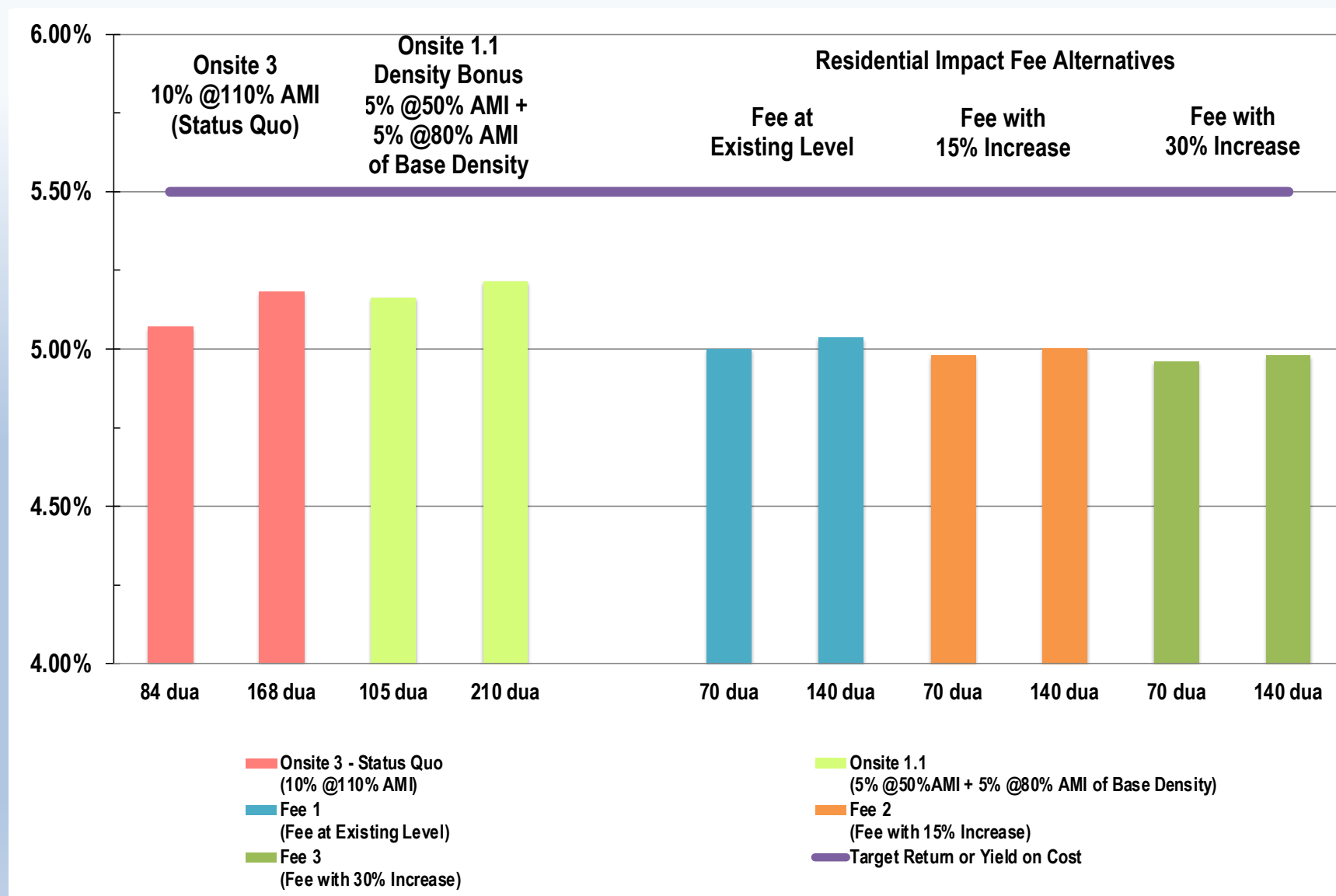
Returns for Rental Onsite Alternatives With Density Bonus (at Base Density of 70 & 140 dua)



Comparison of Returns for Rental Onsite Affordable With Density Bonus Compared to Fee Alternatives



Comparison of Returns for Rental Onsite Alternatives (Without and With Density Bonus) and Fee Alternatives

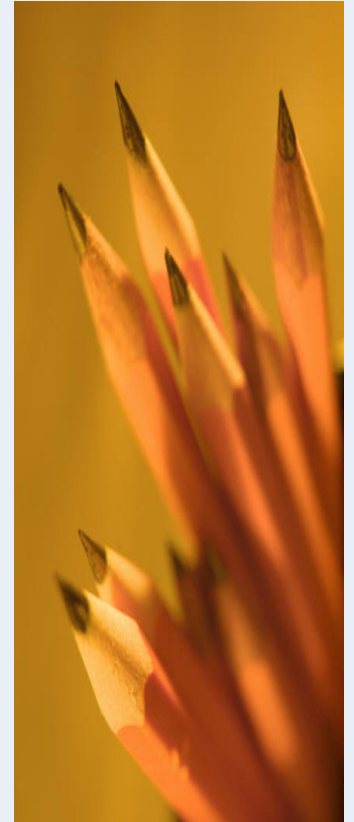


Financial Results of Rental Fee Alternatives Compared to 10% Onsite Alternatives— Status Quo Without Density Bonus Onsite 1.1 and 1.2 With Density Bonus

Base Density <i>Residential Impact Fee</i>	Fee 1 (Fee at Existing Level)		Fee 2 (Fee with 15% Increase)		Fee 3 (Fee with 30% Increase)	
	70 dua \$20 /SF	140 dua \$30 /SF	70 dua \$23 /SF	140 dua \$35 /SF	70 dua \$26 /SF	140 dua \$39 /SF
On-Site Inclusionary Units % of Affordable Units Weighted Average AMI	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A	0% N/A
Development Feasibility	<u>Per SF</u> <u>Per Unit</u>	<u>Per SF</u> <u>Per Unit</u>	<u>Per SF</u> <u>Per Unit</u>	<u>Per SF</u> <u>Per Unit</u>	<u>Per SF</u> <u>Per Unit</u>	<u>Per SF</u> <u>Per Unit</u>
Net Operating Income	\$42 \$36,500	\$42 \$36,000	\$42 \$36,500	\$42 \$36,000	\$42 \$36,500	\$42 \$36,000
Project Value	\$905 \$787,000	\$913 \$776,000	\$905 \$787,000	\$913 \$776,000	\$905 \$787,000	\$913 \$776,000
Total Development Costs (TDC)	<u>\$840</u> <u>\$731,000</u>	<u>\$842</u> <u>\$715,000</u>	<u>\$843</u> <u>\$734,000</u>	<u>\$847</u> <u>\$720,000</u>	<u>\$846</u> <u>\$736,000</u>	<u>\$851</u> <u>\$724,000</u>
Developer Margin or Return	\$64 \$56,000	\$72 \$61,000	\$61 \$53,000	\$66 \$56,000	\$59 \$51,000	\$61 \$52,000
Return on Cost (NOI/TDC)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Onsite 3 - Status Quo <i>(10% @110% AMI)</i>	5.1%	5.2%	5.1%	5.2%	5.1%	5.2%
Onsite 1.2 <i>(10% @50%AMI of Base Density)</i>	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
Onsite 1.1 <i>(5% @50%AMI + 5% @80% AMI of Base Density)</i>	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%

Key Findings from Apartment Analysis

- Land values and construction costs (including parking) significantly affect development feasibility
- Apartment rent increases have not been keeping pace with development costs
- Based on current assumptions, apartment projects do not yield sufficient returns to attract capital (feasibility gap)
- Higher density alternatives are more feasible when development costs per unit are less than lower density projects
- Onsite affordable rental requirements focused on moderate income households are more feasible and do not trigger density bonus
- Provision of onsite very low income housing at 5% or 10% with density bonus are more feasible than without density bonus
- Onsite affordable rental provision more feasible than housing fee
- Fee with 15% increase recommended based on findings



3. Findings From For-Sale Analysis— Condominiums and Single Family Attached



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Typical Condominium Characteristics for Financial Pro Forma Analysis

Parcel Size	0.5 acres
Total Units (Base Density)	25 (50 du/acre)
<i>Market Rate</i>	<i>Onsite– 76% to 90%</i>
<i>Percent Below Market Rate</i>	<i>Onsite– 10% to 24%</i>
Average Unit Size	1,000 NSF
Average Sales Price	About \$1.125 million (\$1,125/NSF)
Parking Ratio	1.3 to 1.5 spaces/unit
Retail	None assumed

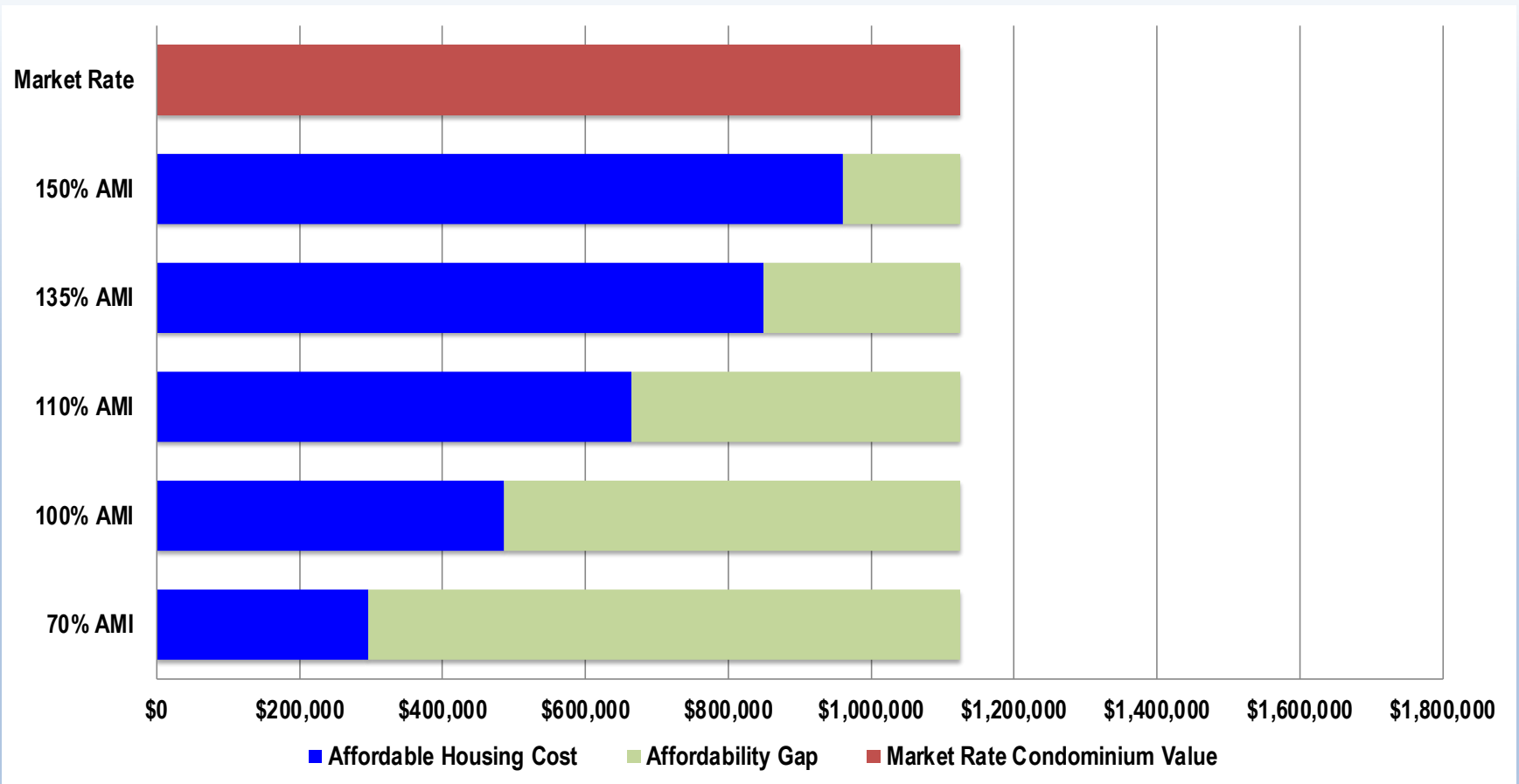
Summary of For-Sale Scenarios

- Onsite Without Density Bonus
- Onsite With Density Bonus (Only Condo Analyzed)
- Residential Impact Fee

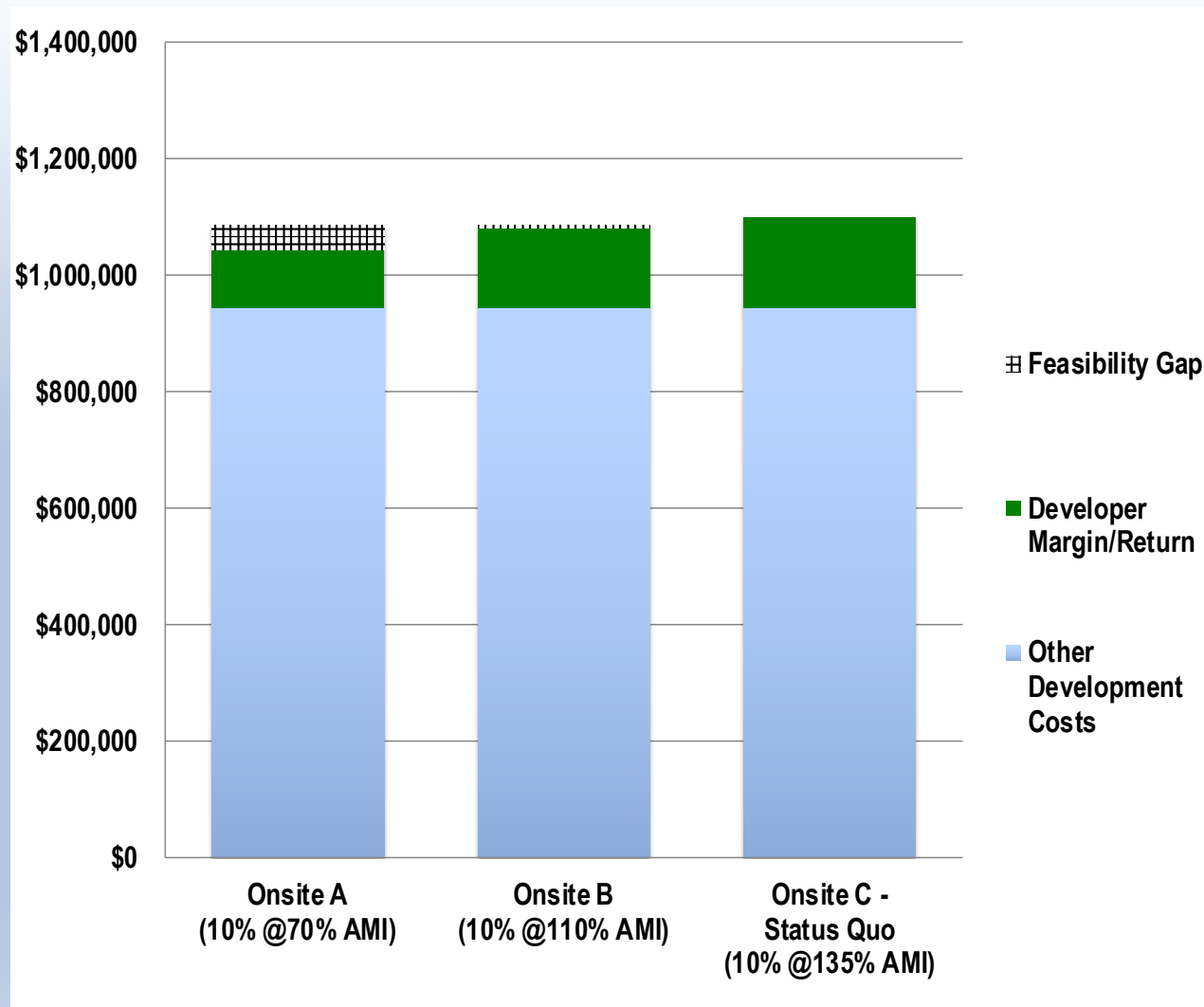
Scenarios		Density Bonus	Condominium (Condo) Alternatives	Single Family Attached (SFA) Alternatives
Affordable Housing on Site Without Density Bonus				
Onsite A	10% at 70% AMI	None	One (50 dua)	One (18 dua)
Onsite B	10% at 110% AMI	None	One (50 dua)	One (18 dua)
Onsite C	10% at 135% AMI (Status Quo)	None	One (50 dua)	One (18 dua)
Affordable Housing on Site With Density Bonus				
Onsite A.1	10% at 70% AMI of Base Density	20%	One (60 dua)	
Onsite B.1	10% at 110% AMI of Base Density	5%	One (52 dua)	
Onsite C.1	24% at 70% AMI of Base Density	50%	One (76 dua)	
Residential Impact Fee (No Affordable Housing on Site)				
Fee 4	Fee the Existing Level	None	One (50 dua)	One (18 dua)
Fee 5	Fee with 15% Increase	None	One (50 dua)	One (18 dua)
Fee 6	Fee with 30% Increase	None	One (50 dua)	One (18 dua)

Burlingame Condominium Prices

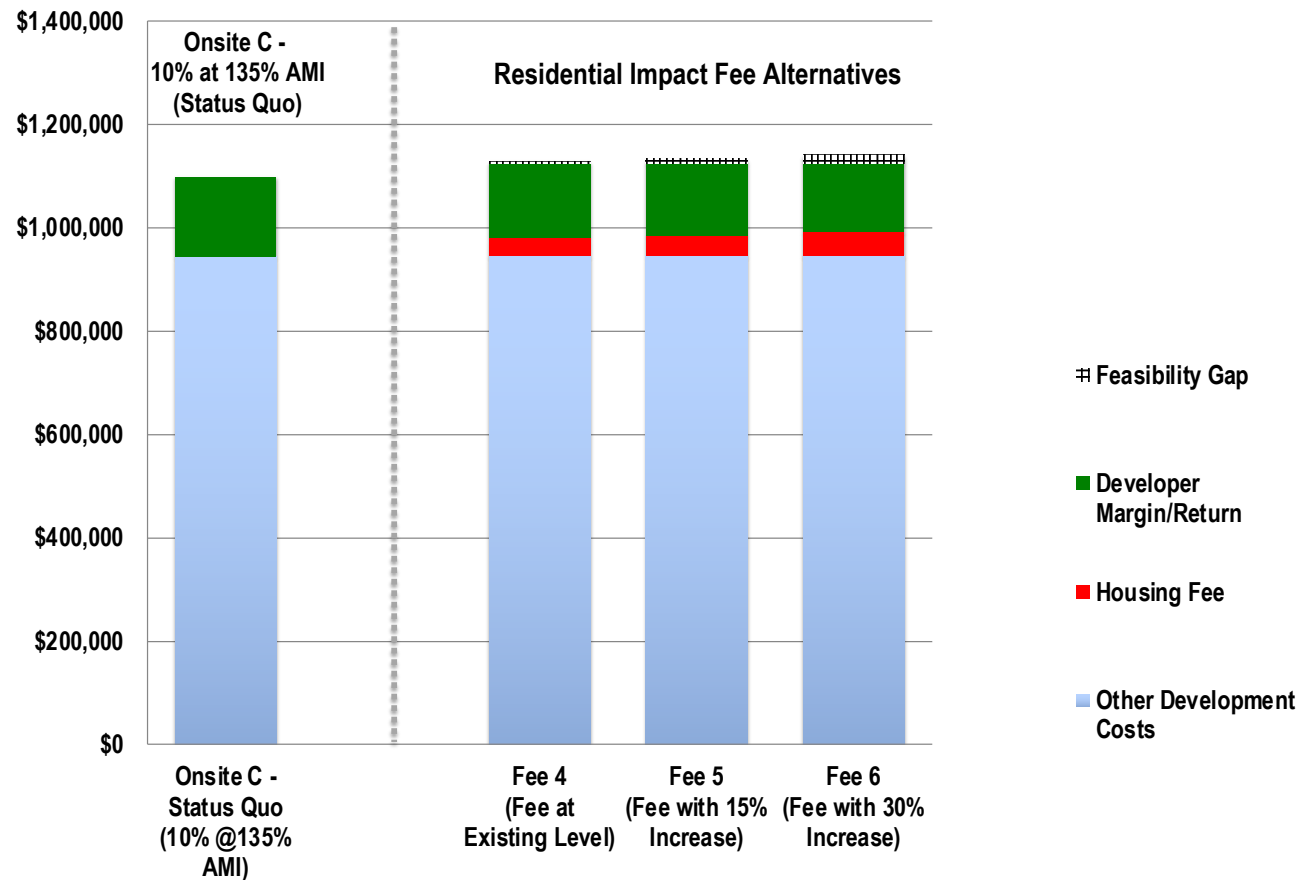
Affordability Gap Per Unit



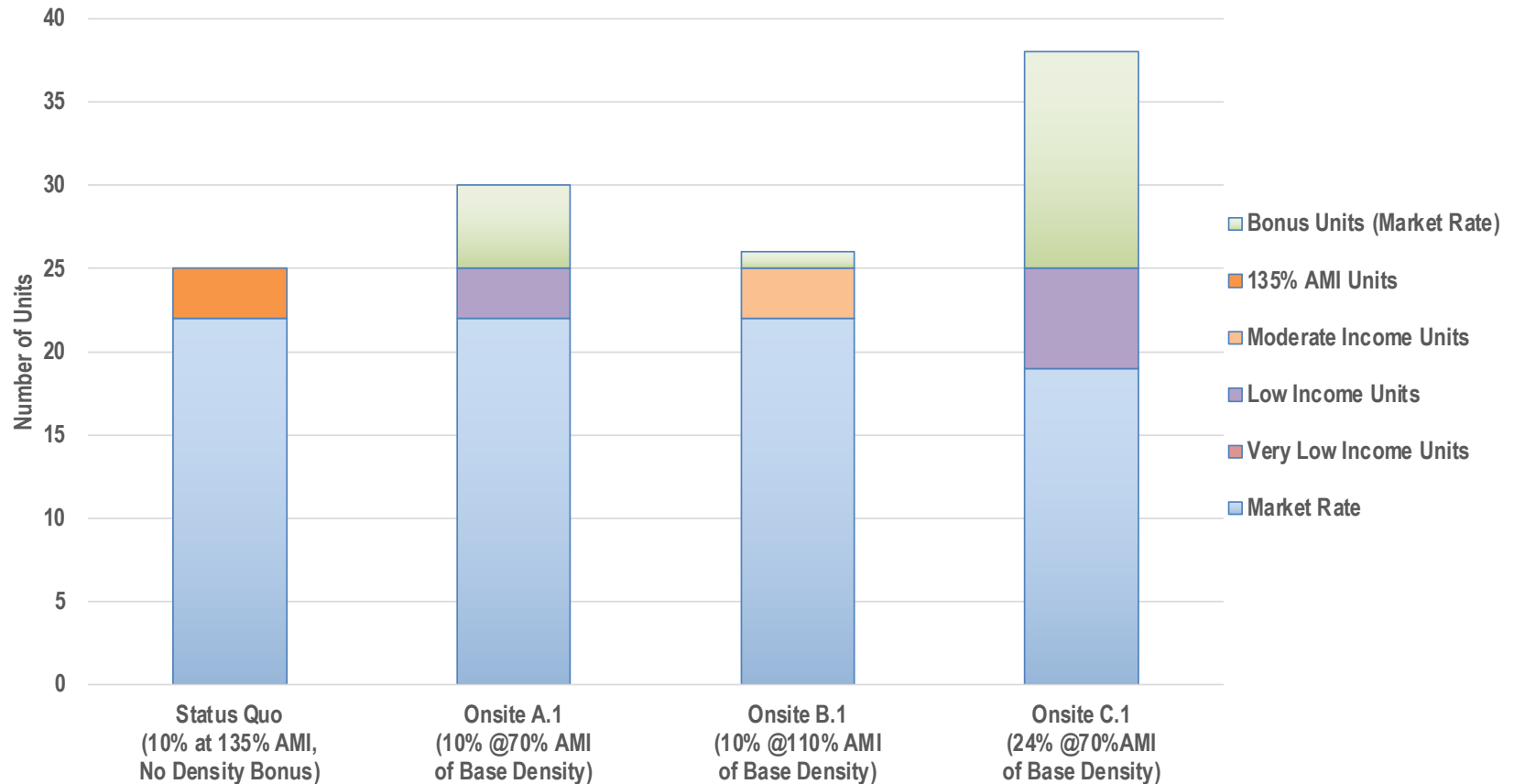
Feasibility of Condo Onsite Affordable Alternatives Without Density Bonus



Feasibility of Fee Alternatives Compared to Condo Onsite C Without Density Bonus

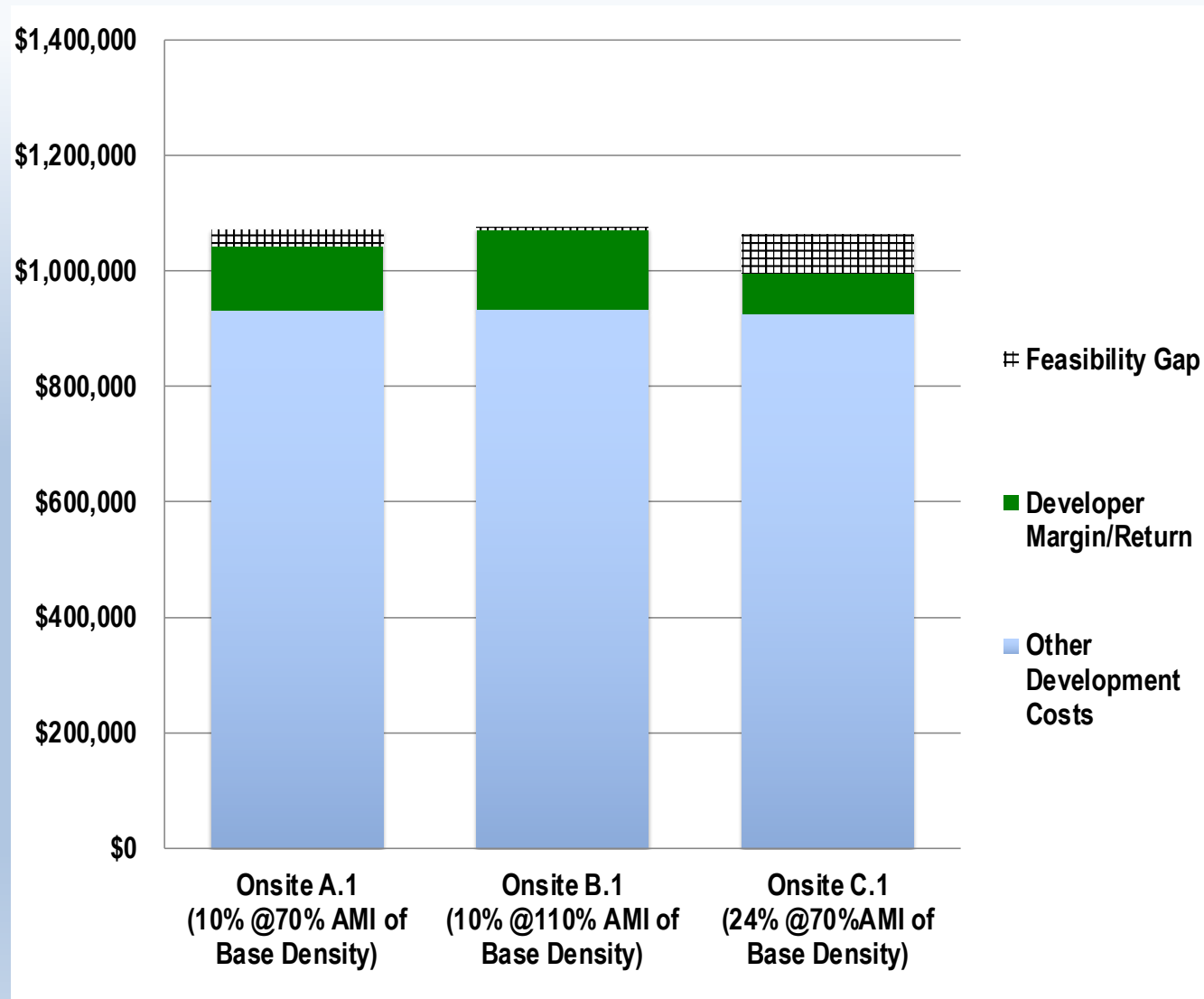


Summary of Condo Onsite Alternatives Analyzed With Density Bonus

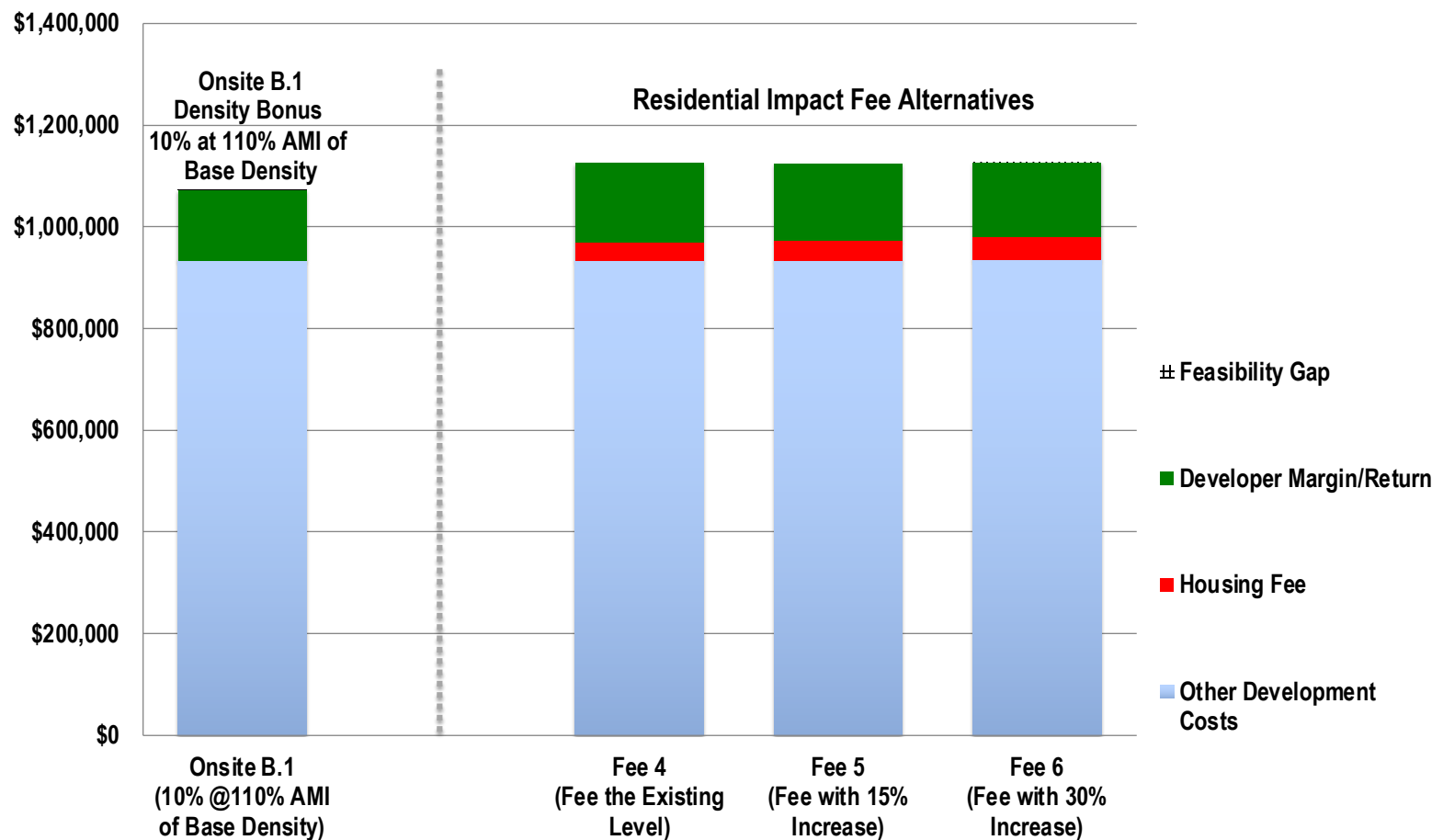


Graph illustrates increased number of allowable units at Condo base density of 50 dua. 44

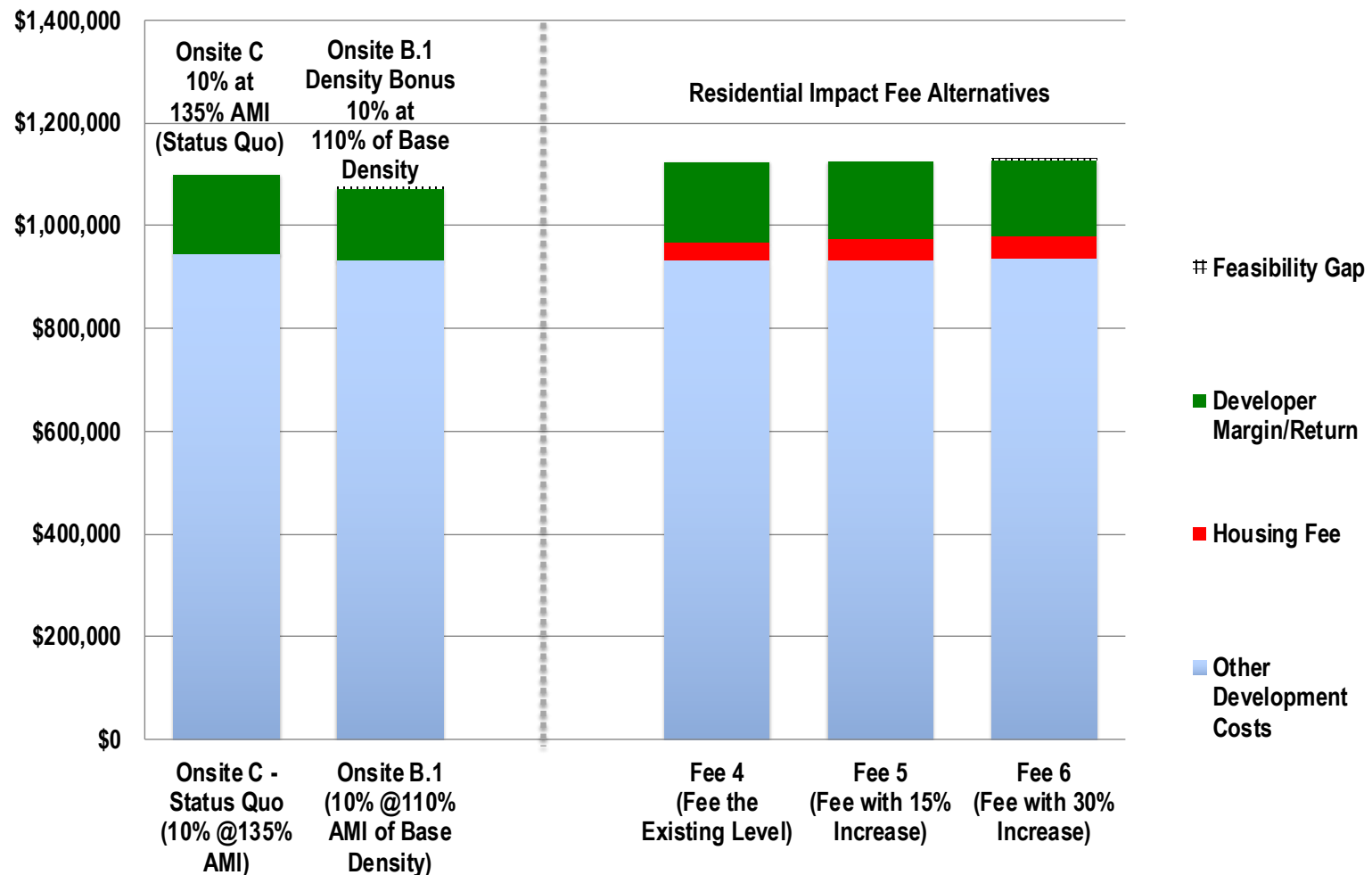
Feasibility Comparison of Condo Onsite Alternatives With Density Bonus



Feasibility Comparison for Condo Onsite B.1 (With Density Bonus) and Fee Alternatives



Feasibility Comparison for Condo Onsite Alternatives (Without and With Density Bonus) and Fee Alternatives

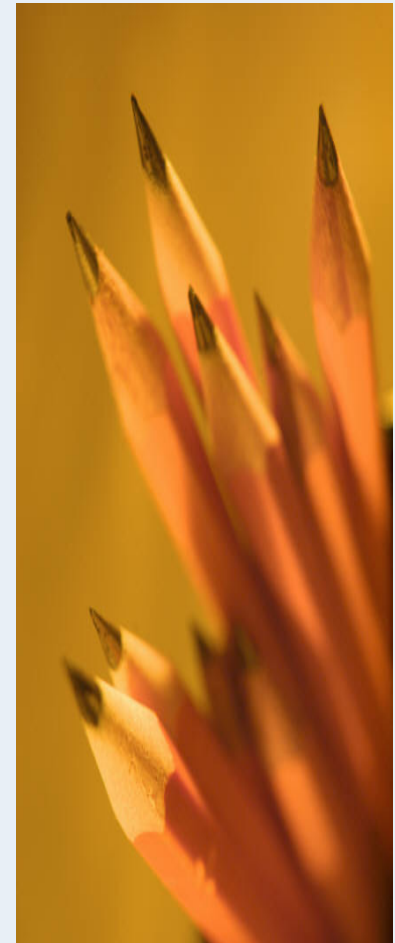


Feasibility Results for Condo Fee Alternatives Compared to 10% Onsite Alternatives— Status Quo Without Density Bonus Onsite A.1 and B.1 With Density Bonus

	Condo					
	Fee 4 (Fee the Existing Level)		Fee 5 (Fee with 15% Increase)		Fee 6 (Fee with 30% Increase)	
	Base Density <i>Residential Impact Fee</i> 50 dua \$35		50 dua \$40		50 dua \$46	
On-Site Inclusionary Units % of Affordable Units Weighted Average AMI	0% N/A		0% N/A		0% N/A	
Development Feasibility	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Project Value	\$1,125	\$1,125,000	\$1,125	\$1,125,000	\$1,125	\$1,125,000
<u>Total Development Costs (TDC)</u>	<u>\$980</u>	<u>\$980,000</u>	<u>\$985</u>	<u>\$985,000</u>	<u>\$992</u>	<u>\$992,000</u>
Developer Margin or Return	\$145	\$145,000	\$140	\$140,000	\$133	\$133,000
Return on Project Cost (Margin/TDC)	15%		14%		13%	
<i>Onsite C - Status Quo (10% @135% AMI)</i>	16%		16%		16%	
<i>Onsite B.1 (10% @110% AMI of Base Density)</i>	15%		15%		15%	
<i>Onsite A.1 (10% @70% AMI of Base Density)</i>	12%		12%		12%	

Key Findings from Condo Analysis

- For-sale housing prices have been increasing faster than rents, and most buyers need significant cash or “trade-up” value in homes to afford new units
- Condos are typically priced between \$1.0 to \$1.3 million
- Smaller affordability gap for condos compared to SFA due to smaller unit size and lower market sales prices
- Condo development is typically more complex and costly to build, finance and insure compared to rental and SFA
- Key feasibility findings for condos
 - Condo development is more feasible than rental given high market sales prices compared to development costs
 - Likely feasible to provide 10% onsite affordable condos for households at 110% AMI with density bonus units and more feasible at 135% AMI (Status Quo)
 - The condo fee alternatives with a 15% or 30% increase in fees are less feasible than onsite Status Quo or 10% at 110% AMI



For-Sale Analysis— Single Family Attached (SFA Without Density Bonus)

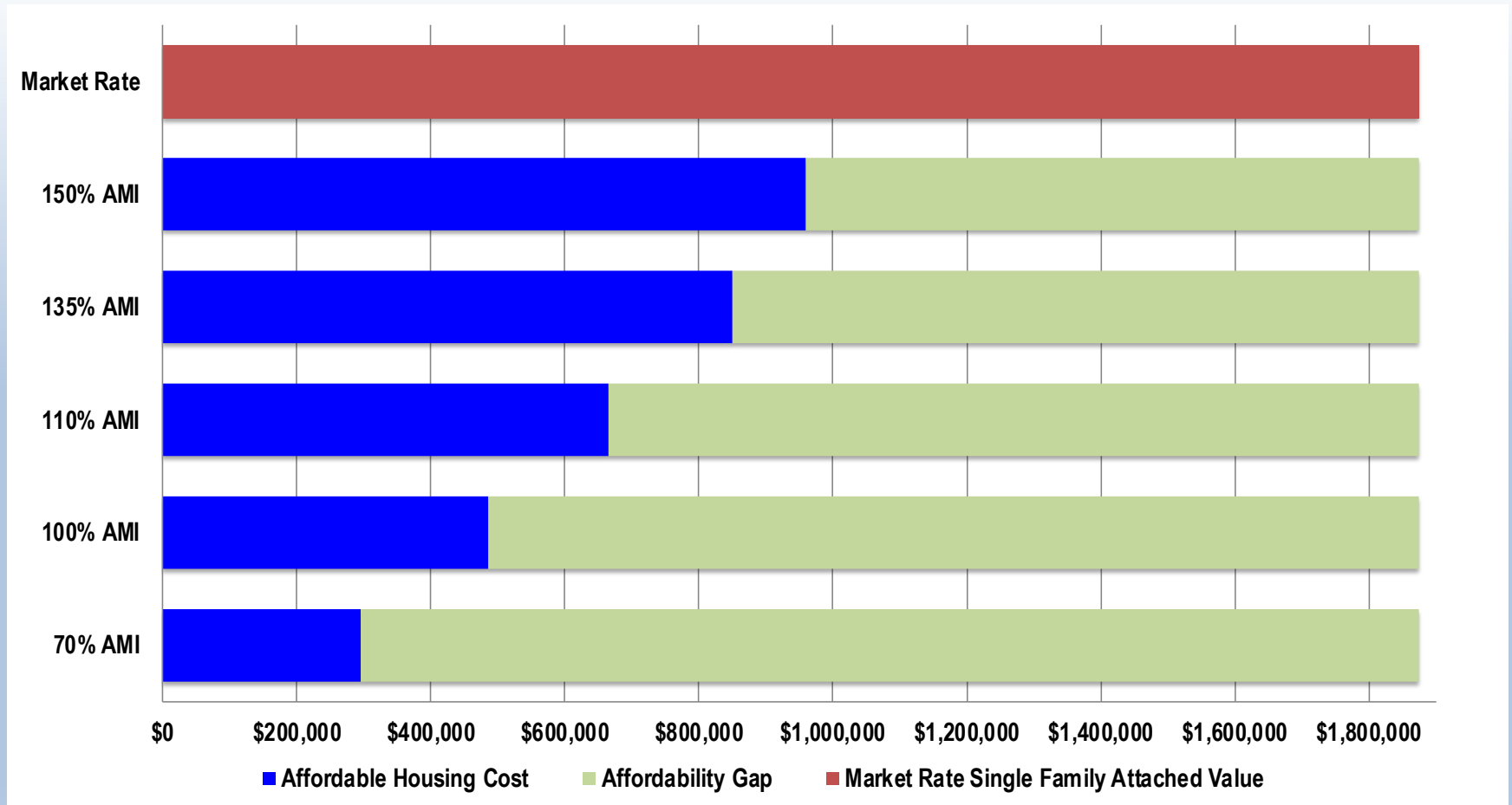


Single Family Attached (SFA) Characteristics for Financial Pro Forma Analysis

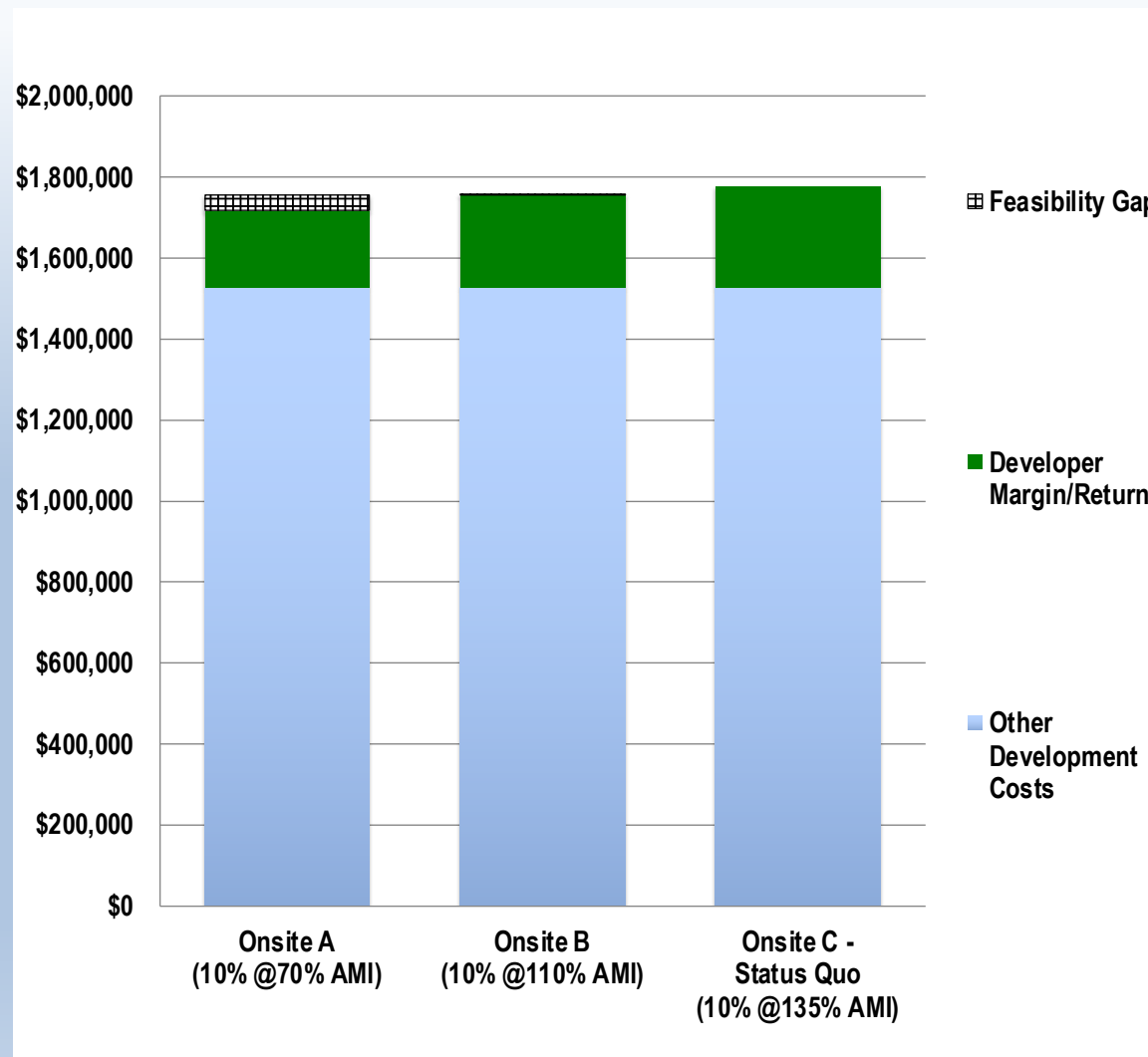
Parcel Size	1.7 acres
Total Units (Base Density)	31 (18 du/acre)
<i>Market Rate</i>	<i>Onsite– 90%</i>
<i>Percent Below Market Rate</i>	<i>Onsite– 10%</i>
Typical Average Unit Size	1,500 NSF
Average Sales Price	About \$1.88 million (\$1,250/NSF)
Parking Ratio	2 spaces/unit
Residential Net Square Feet	46,500 NSF
Retail	None assumed

Burlingame Single Family Attached Prices

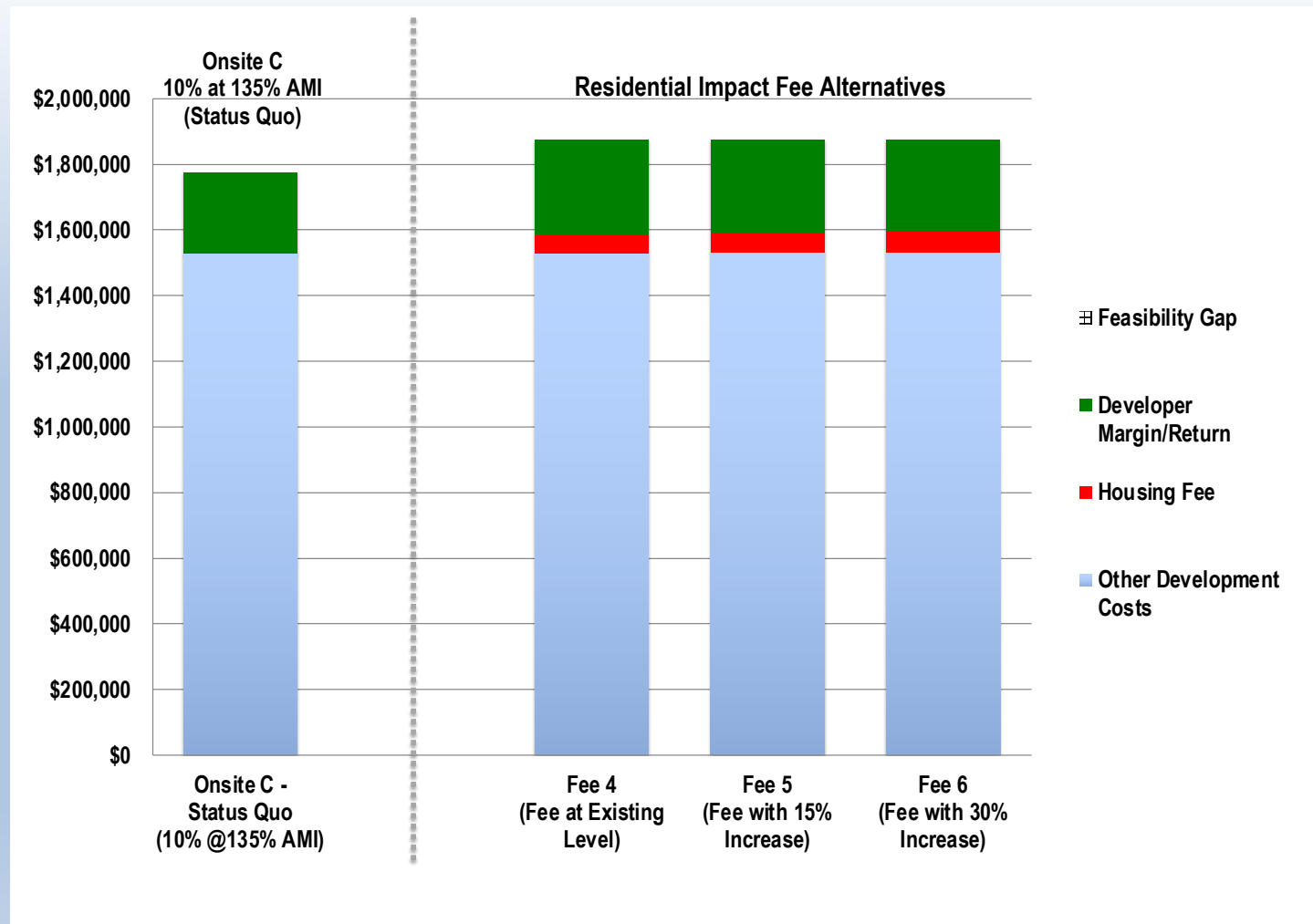
Affordability Gap Per Unit



Feasibility of SFA Onsite Affordable Alternatives (Analyzed Without Density Bonus)



Feasibility of SFA Onsite C (Status Quo) Compared to Fee Alternatives

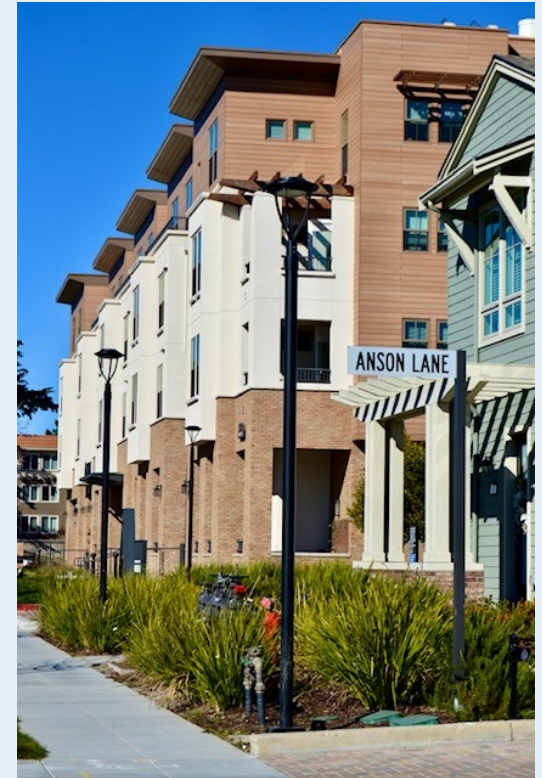


Feasibility Results for SF Fee Alternatives to Onsite C (Status Quo)

	Single Family Attached					
	Fee 4 (Fee at Existing Level)		Fee 5 (Fee with 15% Increase)		Fee 6 (Fee with 30% Increase)	
	Base Density <i>Residential Impact Fee</i> 18 dua \$35		18 dua \$40		18 dua \$46	
On-Site Inclusionary Units % of Affordable Units Weighted Average AMI	0% N/A		0% N/A		0% N/A	
Development Feasibility	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>	<u>Per SF</u>	<u>Per Unit</u>
Project Value	\$1,250	\$1,875,000	\$1,250	\$1,875,000	\$1,250	\$1,875,000
<u>Total Development Costs (TDC)</u>	<u>\$1,055</u>	<u>\$1,582,000</u>	<u>\$1,060</u>	<u>\$1,590,000</u>	<u>\$1,066</u>	<u>\$1,599,000</u>
Developer Margin or Return	\$195	\$293,000	\$190	\$285,000	\$184	\$276,000
Return on Project Cost (Margin/TDC)	19%		18%		17%	
<i>Onsite C - Status Quo (10% @135% AMI)</i>	16%		16%		16%	
<i>Onsite B (10% @110% AMI)</i>	15%		15%		15%	
<i>Onsite A (10% @70% AMI)</i>	13%		13%		13%	

Key Findings from SFA Analysis

- For-sale housing prices have been increasing faster than rents, and SFA units are typically priced between \$1.5 to \$2.0 million
- Greater affordability gap for SFA compared to condos due to larger unit size and higher market sales prices
- Housing affordability gap for SFA units is significant even for households between 135% AMI to 150% AMI
- Key feasibility findings for SFA
 - SFA development more feasible than condos and rental given high market sales prices compared to development costs
 - Status Quo onsite affordable most feasible (10% @135% AMI)
 - 10% onsite affordable at 110% AMI also feasible
 - 10% affordable onsite at 70% AMI not feasible
 - SFA fee alternatives more feasible than 10% @ 135% AMI or 10% @ 110% AMI
 - The SFA housing fee alternatives with a 15% or 30% increase in fees are less feasible than onsite alternative of 10% at 110% AMI or 135% AMI



4. Supporting Data

- Real Estate Trends
- Data Sources



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Key Take Aways Regarding Real Estate Trends

- The nation and Bay Area region have been experiencing significant economic upheaval and inflation over past few years
 - San Francisco is recovering more slowly than its peer cities according to the Bay Area Council and Urban Land Institute
 - While the Peninsula market is comparatively strong given its thriving life science and knowledge sectors, this strength puts upward pressure on land values
- Most housing cost components have increased rapidly over recent years, including land, site costs, construction costs, construction financing, insurance
 - Construction costs have continued to increase through 2023
 - Commercial mortgage rates, investor return expectations and cap rates are projected to increase in 2023 and potentially in the next five years
- Home sales prices and rents have increased significantly since 2015, with recent slowing in price escalation due to rapid rise in interest rates
 - While household incomes have increased rapidly, some of this increase is due to rapid rise in incomes for highest income households
 - Affordability gap has widened for many households
- Housing development feasibility is challenged because the rapid increase in development costs has not been fully offset by increases in home prices and rents

Observations on Data Utilized in Study

- Numerous national, regional and local sources of data were utilized to understand the real estate development climate
- Given the characteristics of the Burlingame market area, relevant housing data is limited and not always consistent
- Valbridge Property Advisors compiled the best data available on comparable land sales but many were outside Burlingame
- Interviews with real estate developers and professionals were undertaken as well as a developer stakeholder meeting in November 2023

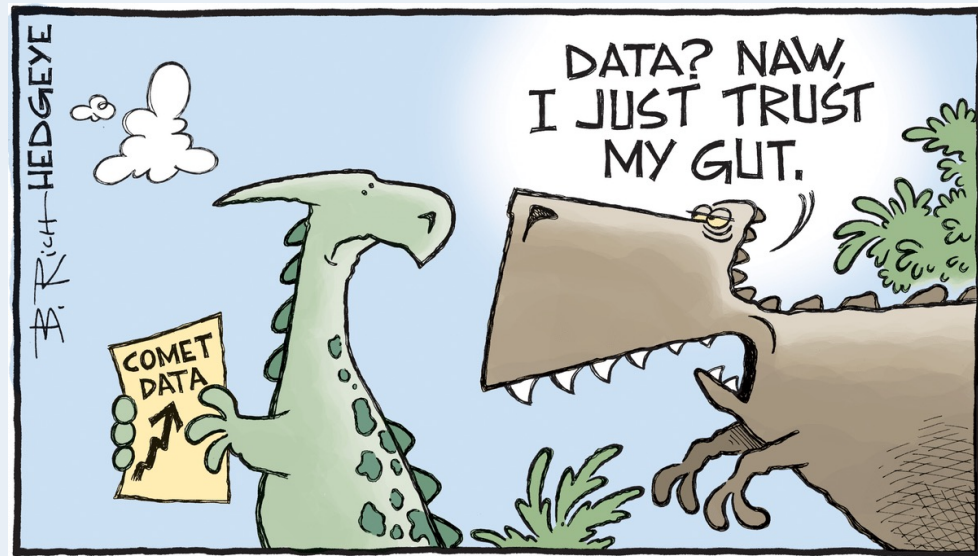
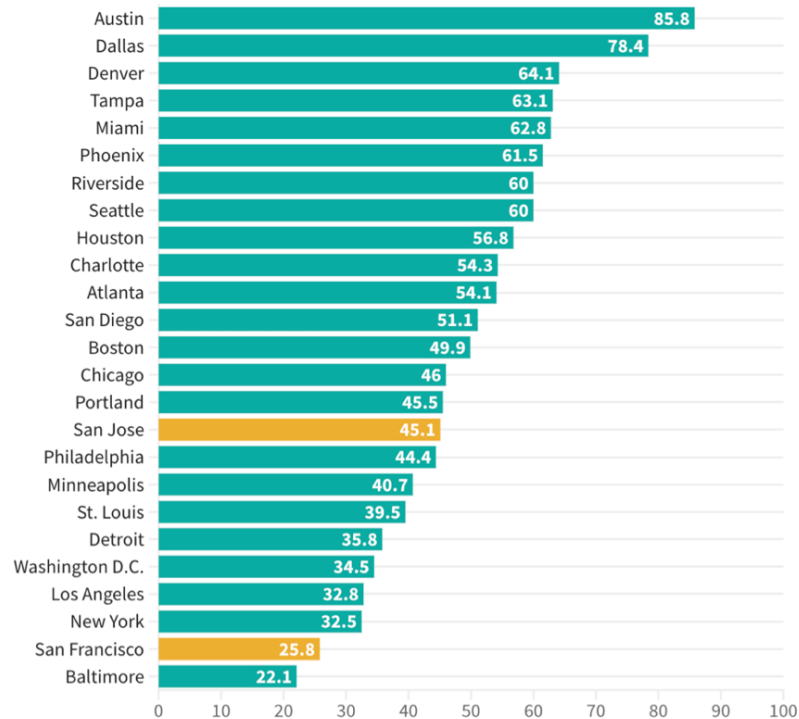


Image credit: B. Rich Hedgeye; <https://app.hedgeye.com/insights/66306-cartoon-of-the-day-trust-the-data?type=macro>

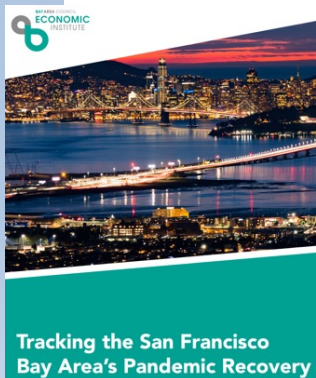
Key Real Estate Trends Affecting Burlingame

Overall Score Across Metro Areas



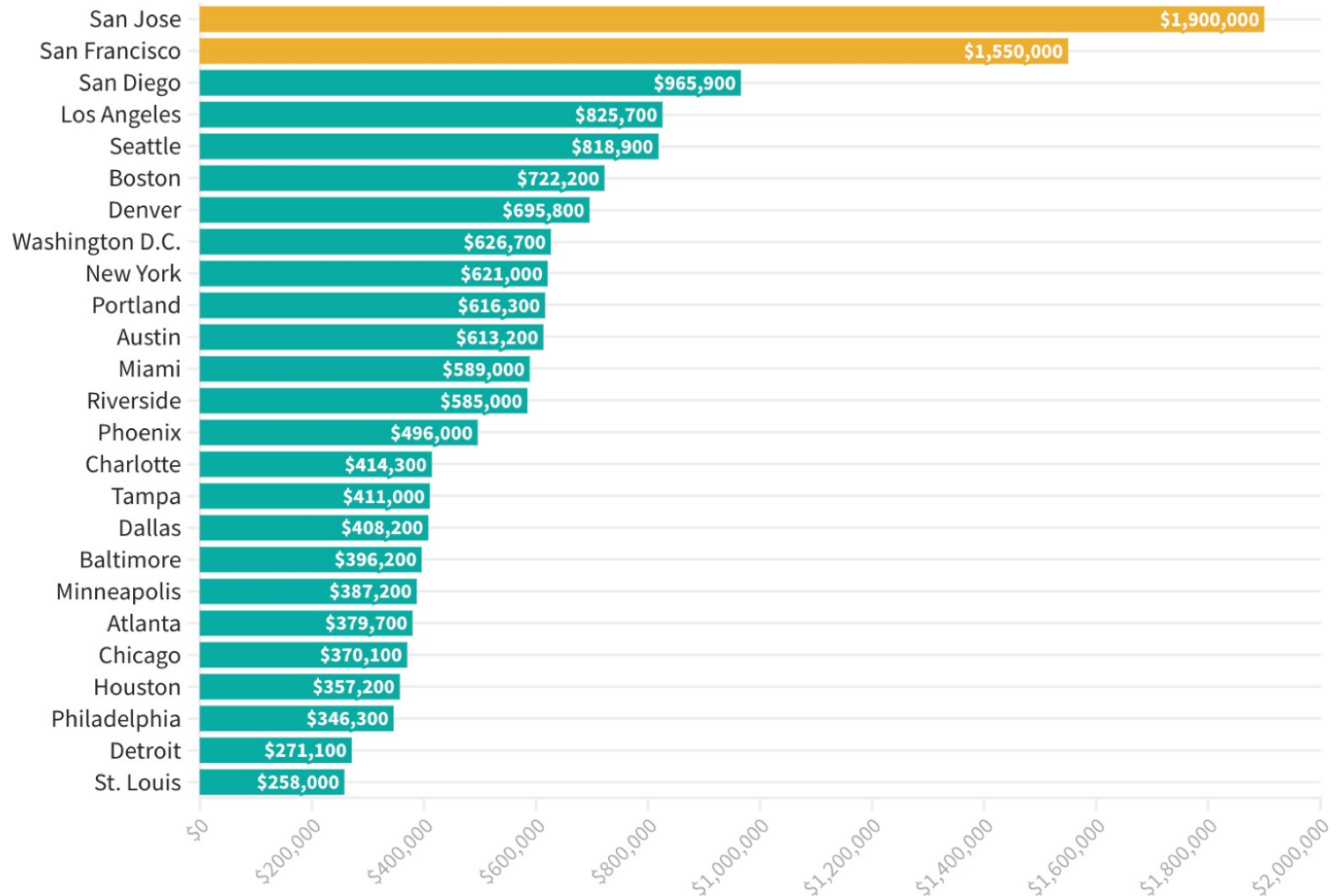
Source: Multiple, see methodology. • Analysis: Bay Area Council Economic Institute
Note: City names reflect the larger metropolitan statistical area they fall within.

- San Francisco is recovering more slowly than its peers.
- SF metro has lost 21,600 jobs (-1%) of pre-pandemic employment.
- Dramatic increase in remote work compared to other regions. (Five-fold increase from 2019 to 2021.)
- Historical imbalance between housing supply and demand continues to make the Bay Area a very expensive place to live.



High Home Prices Compared to Other Areas

Median sales price for single-family homes only, Q2 2022



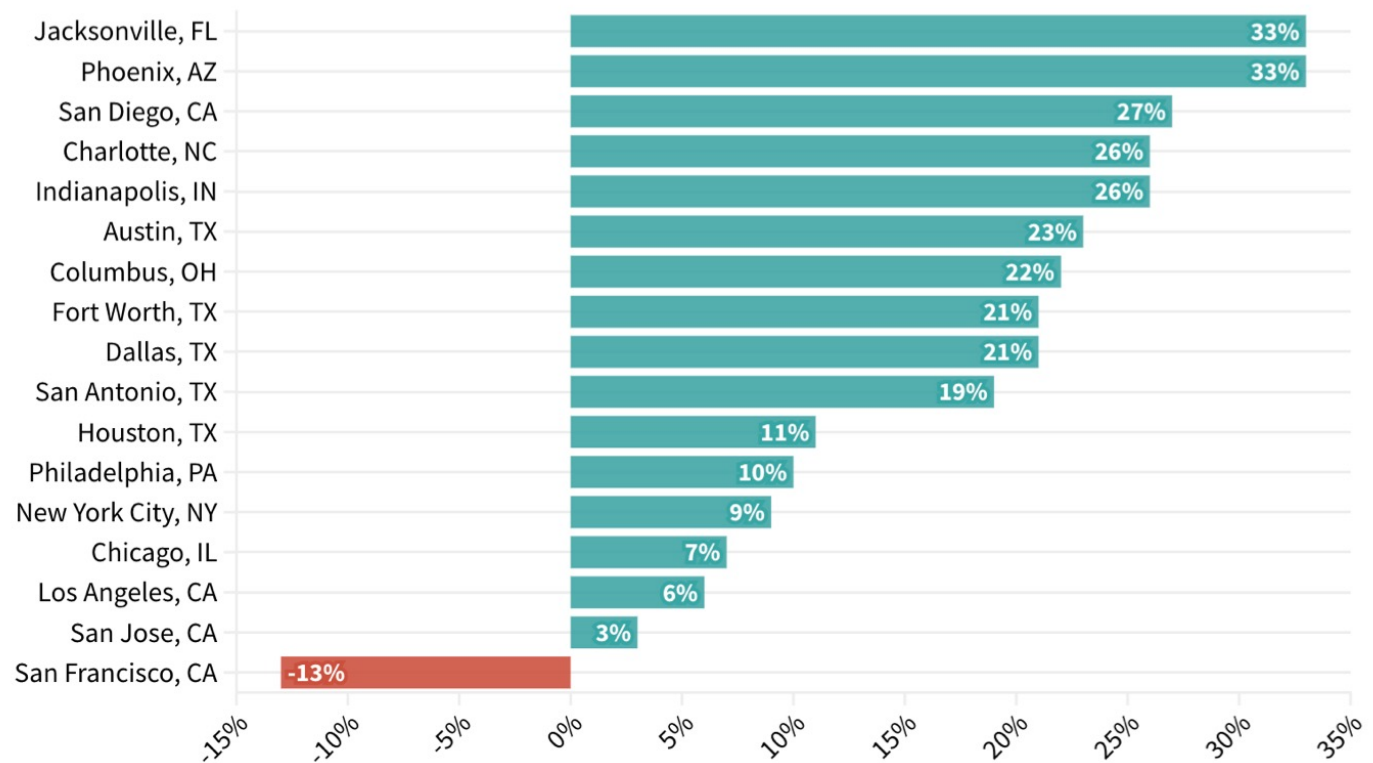
Tracking the San Francisco
Bay Area's Pandemic Recovery

Source: National Association of Realtors • Analysis: Bay Area Council Economic Institute

Lower Rent Growth Compared to Other Areas

As of December 2022, San Francisco is the only major city with rental prices below pre-pandemic rents.

Change in median 2 bedroom rents, December 2019 - December 2022



Source: Apartment List • Analysis: Bay Area Council Economic Institute



Financial market uncertainty and increased interest rates are unsettling housing development

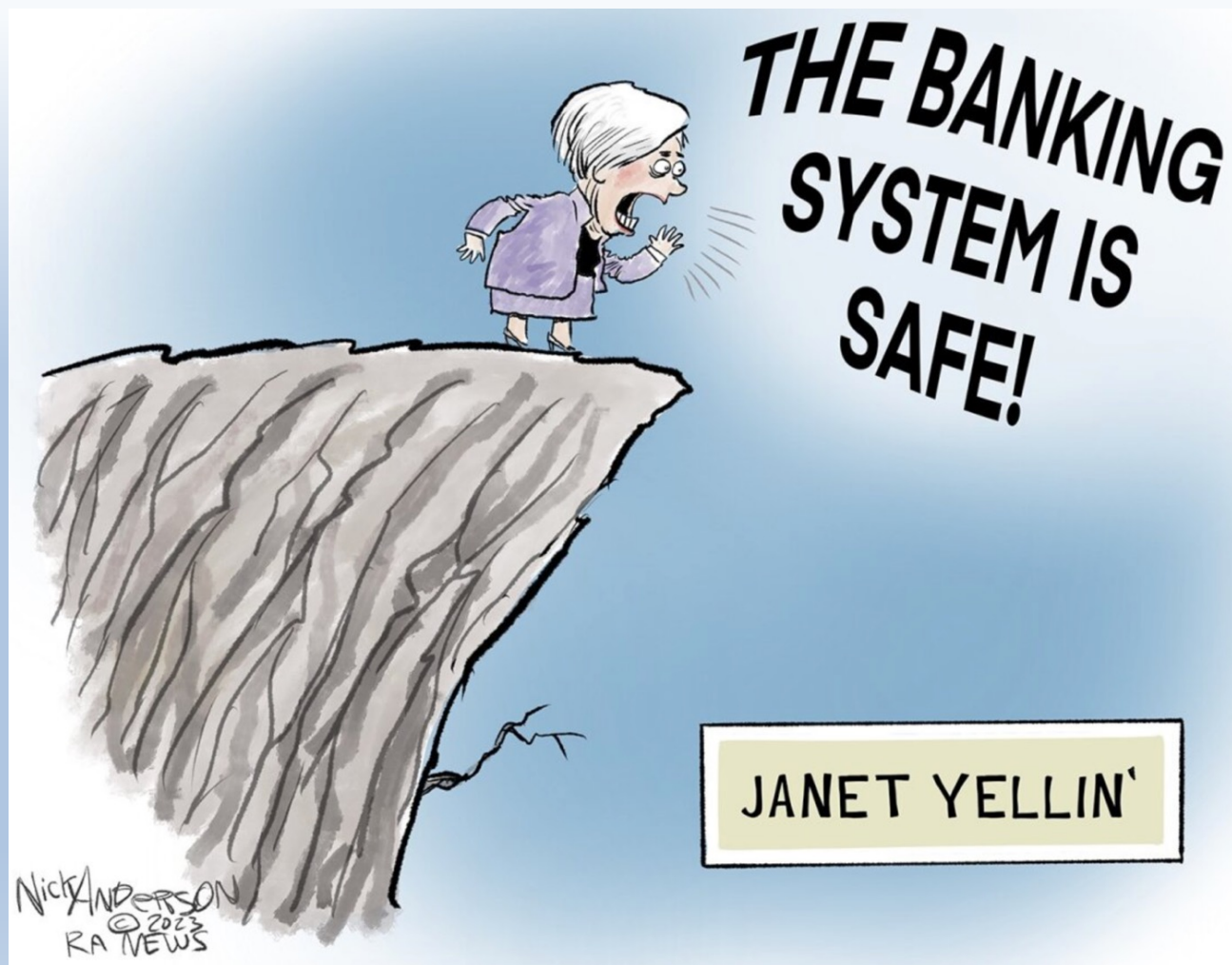


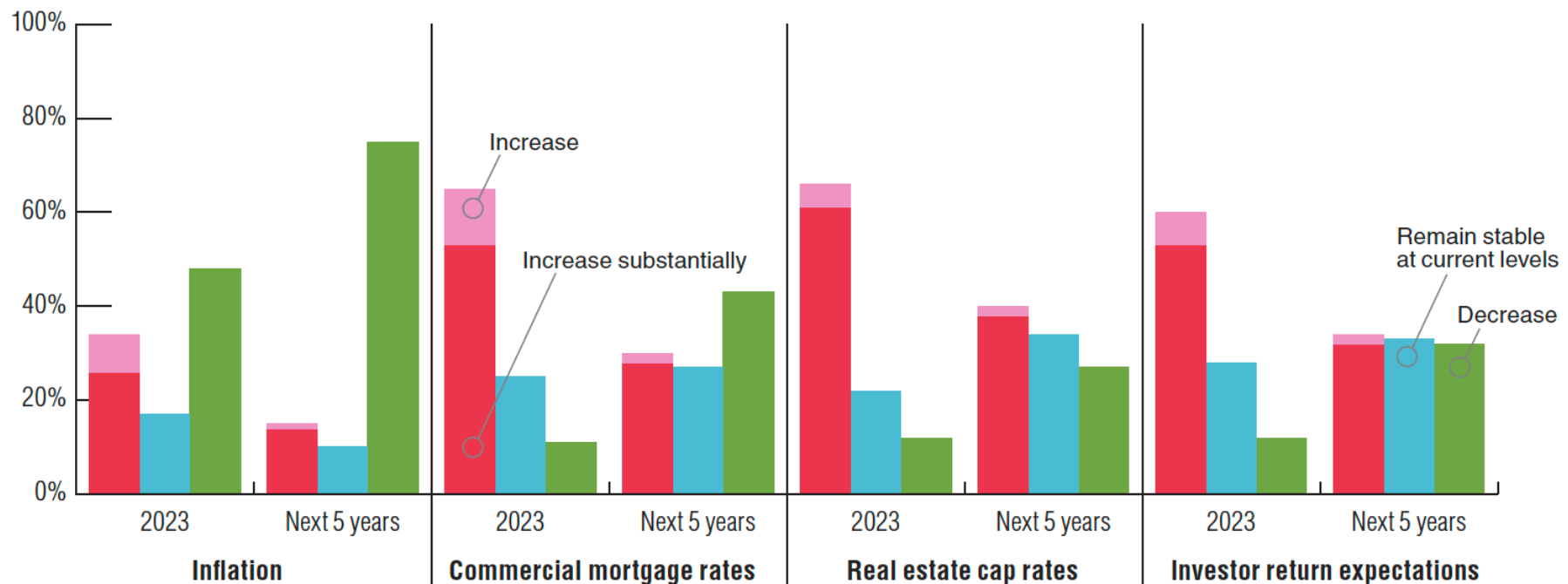
Image credit: Nick Anderson; <https://theweek.com/political-satire/1021897/janet-yellen-offers-reassurance>

Real Estate Capital Trends



Commercial mortgage rates, investor return expectations and cap rates are projected to increase in next 5 years

Exhibit 1-5 Anticipated Changes in Commercial Mortgage Rates, Inflation, Cap Rates, and Expected Returns, Next Five Years



Source: *Emerging Trends in Real Estate 2023* survey.

Note: Based on U.S. respondents only.

Burlingame Housing Price Trends

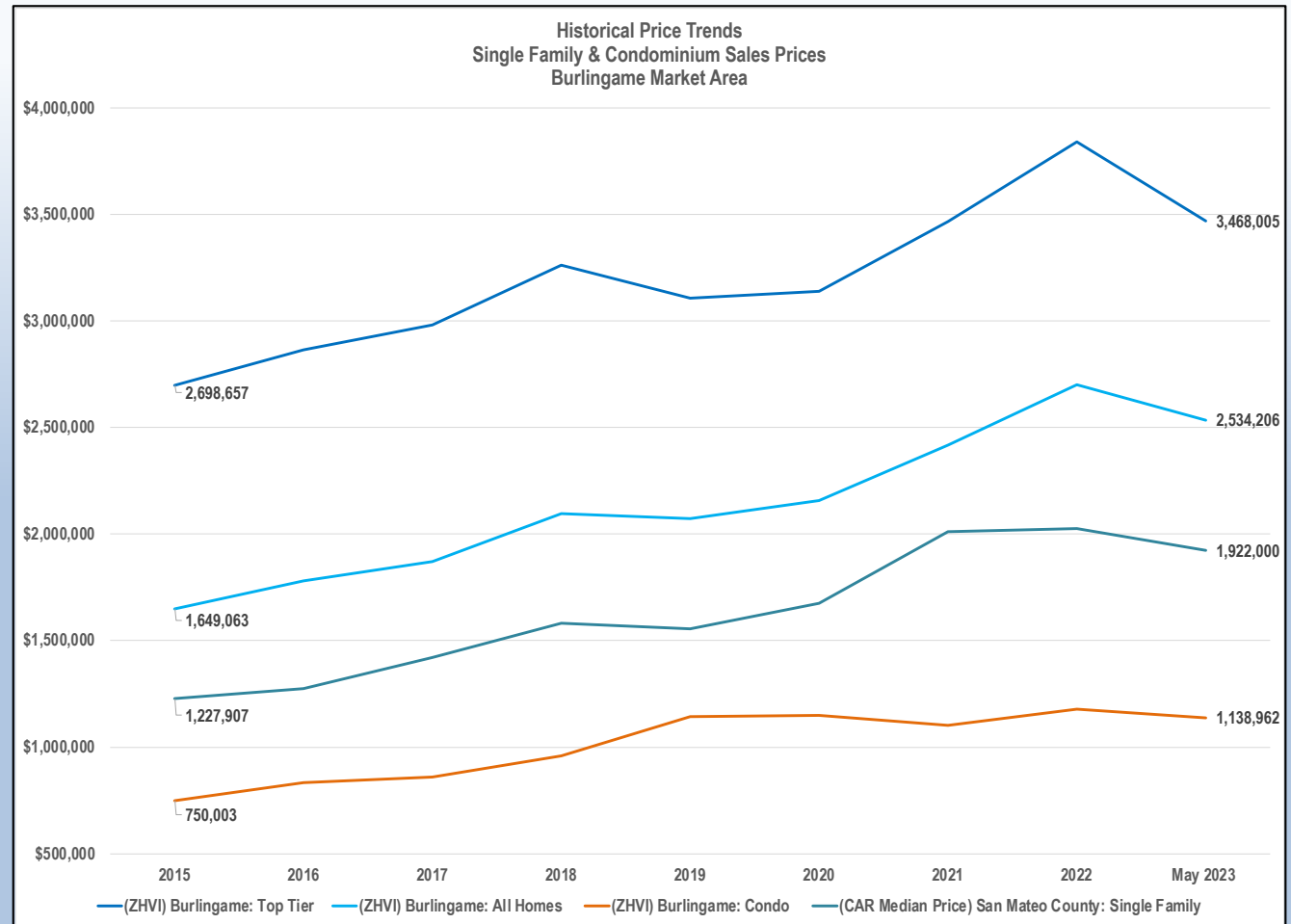
Overall upward trend in Burlingame and San Mateo County



Zillow home index (ZVHI) measures typical value of homes in City:

- “Top Tier” represents values for all homes in 65% to 95% percentile range
- “All Homes” represents values for all homes in 35% to 65% percentile range
- “Condo” represents values for all condos in 35% to 65% percentile range

California Association of Realtors (CAR) measures median price of single family homes for sale in the County based on CAR survey.

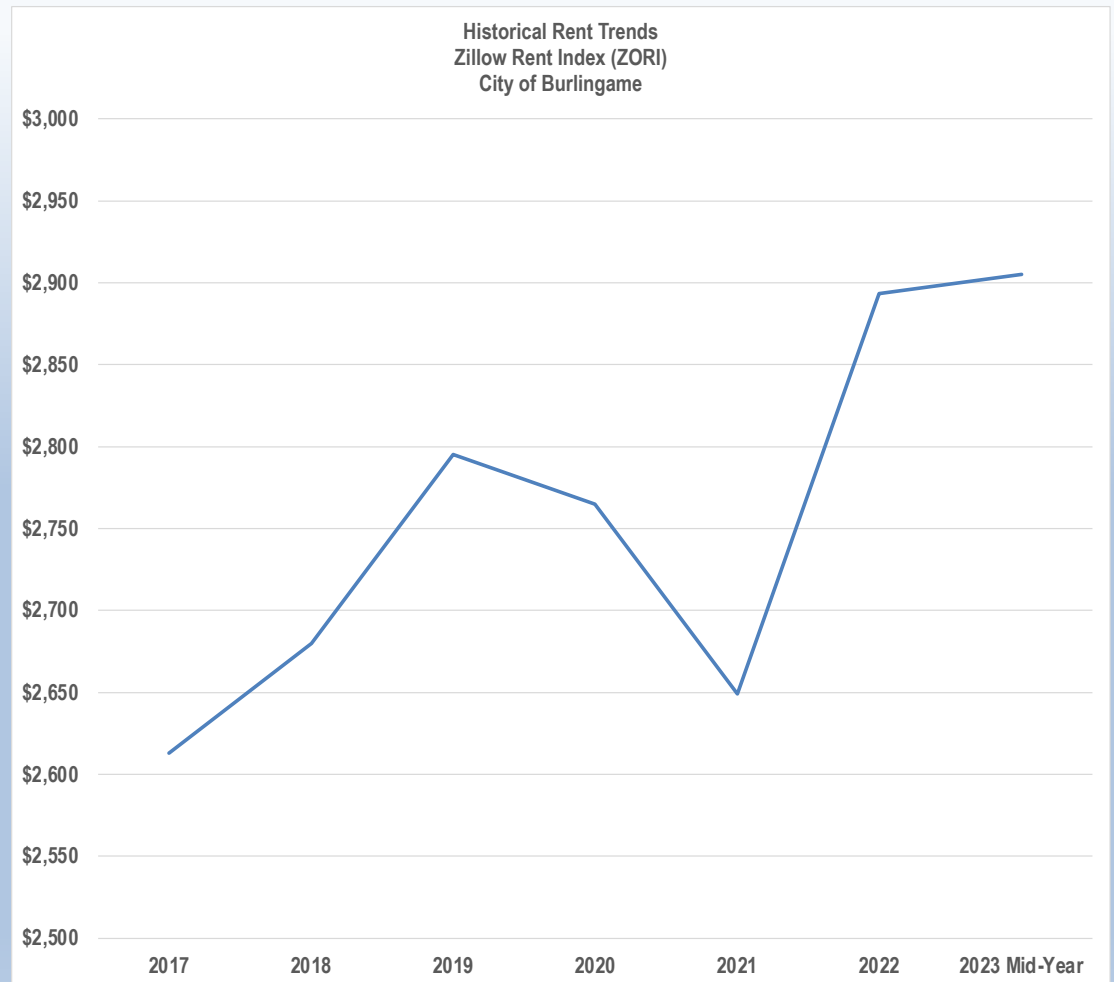


Burlingame Rent Trends (Existing Properties)

Rent recovery from pandemic lows



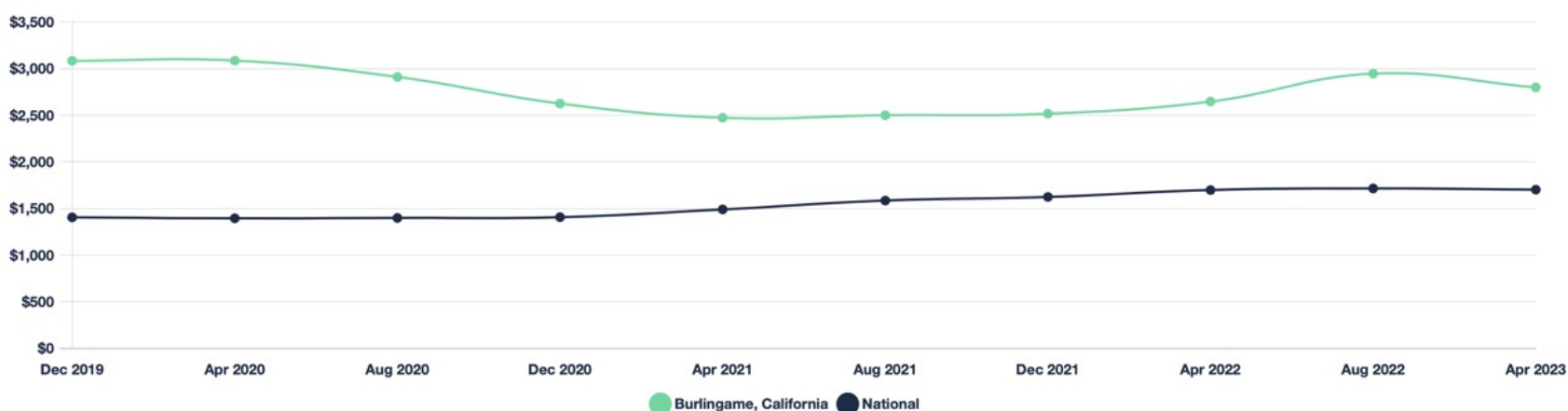
Zillow's rent index (ZORI) is a smoothed measure of typical market rent based on the average of listed rents that fall into the 40% to 60% percentile range for all homes and apartments in an area.



Burlingame 2023 Rent Range

(Newer properties at higher rent levels)

Burlingame, California | Average apartment rent trend



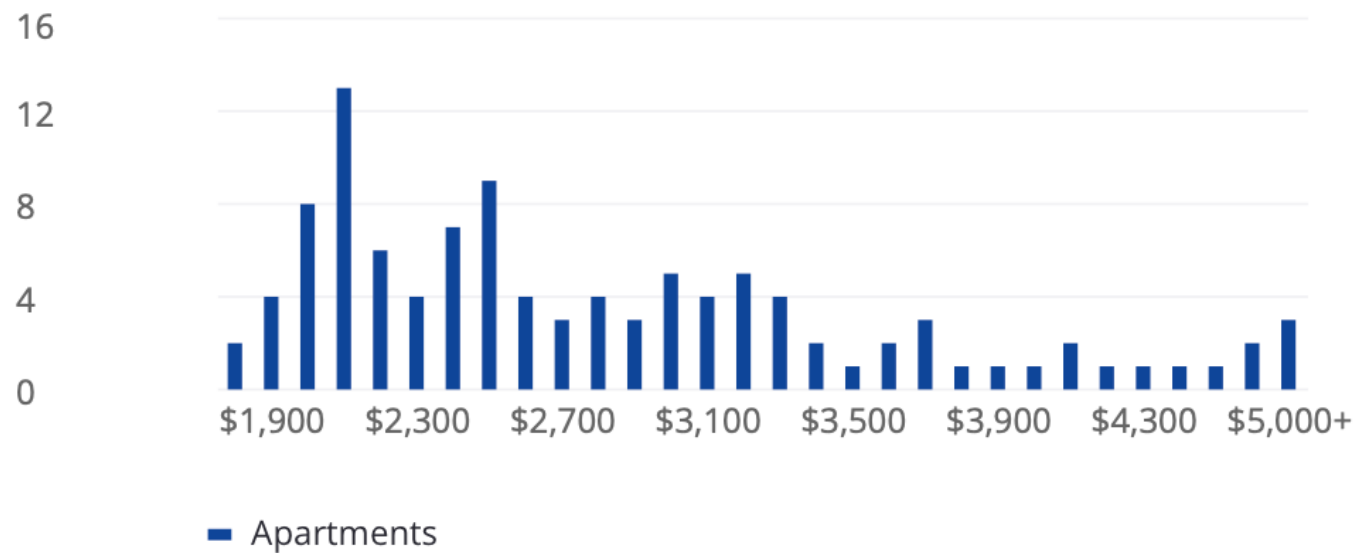
Point2 Homes measures average rents on buildings 50 units or larger which are gathered and verified by Yardi Matrix.

Burlingame 2023 Rent Range

(Newer properties at higher rent levels)

Price Range

The price range for apartments is **\$1,850** to **\$10,000**.



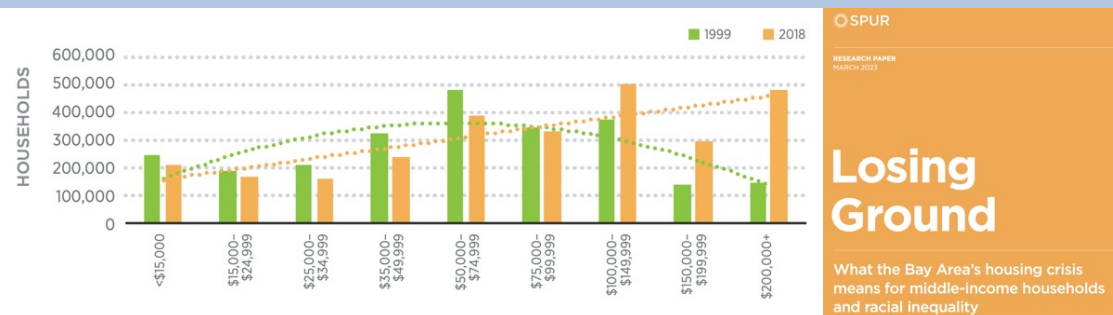
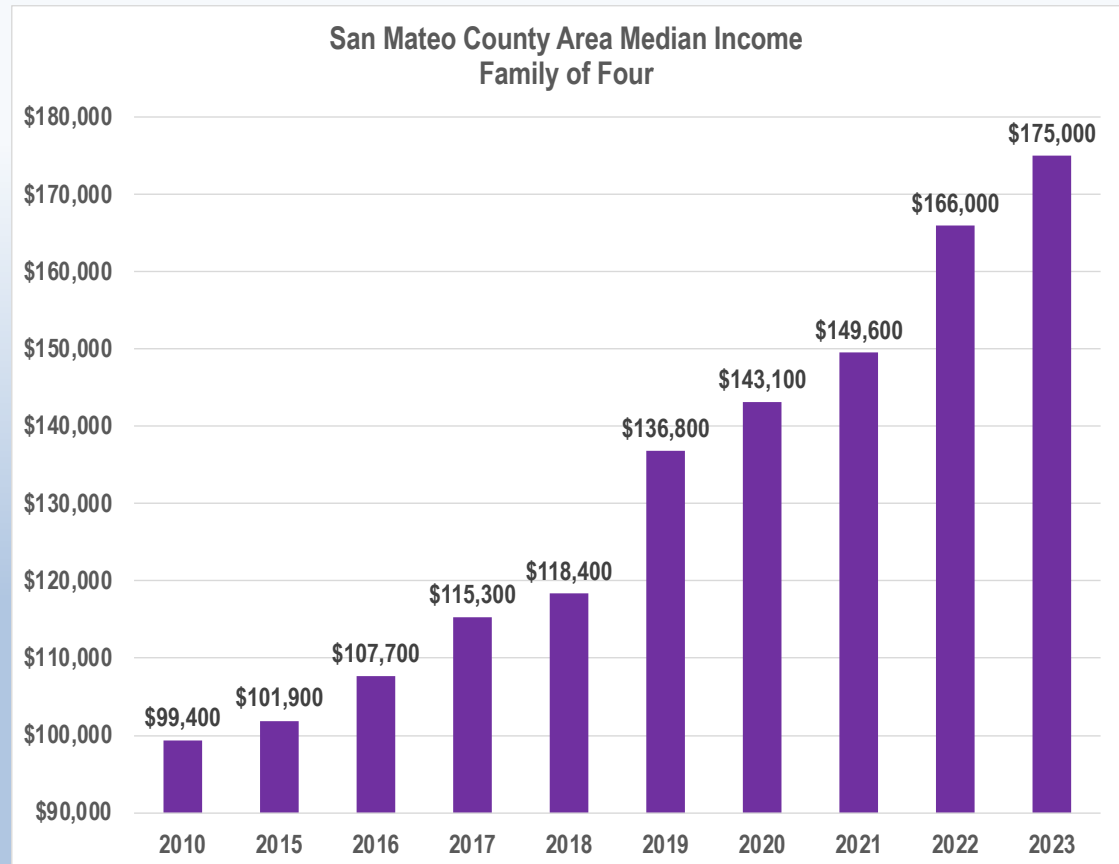
Rapid Growth in Median Household Incomes



California Department of
**Housing and
Community
Development**

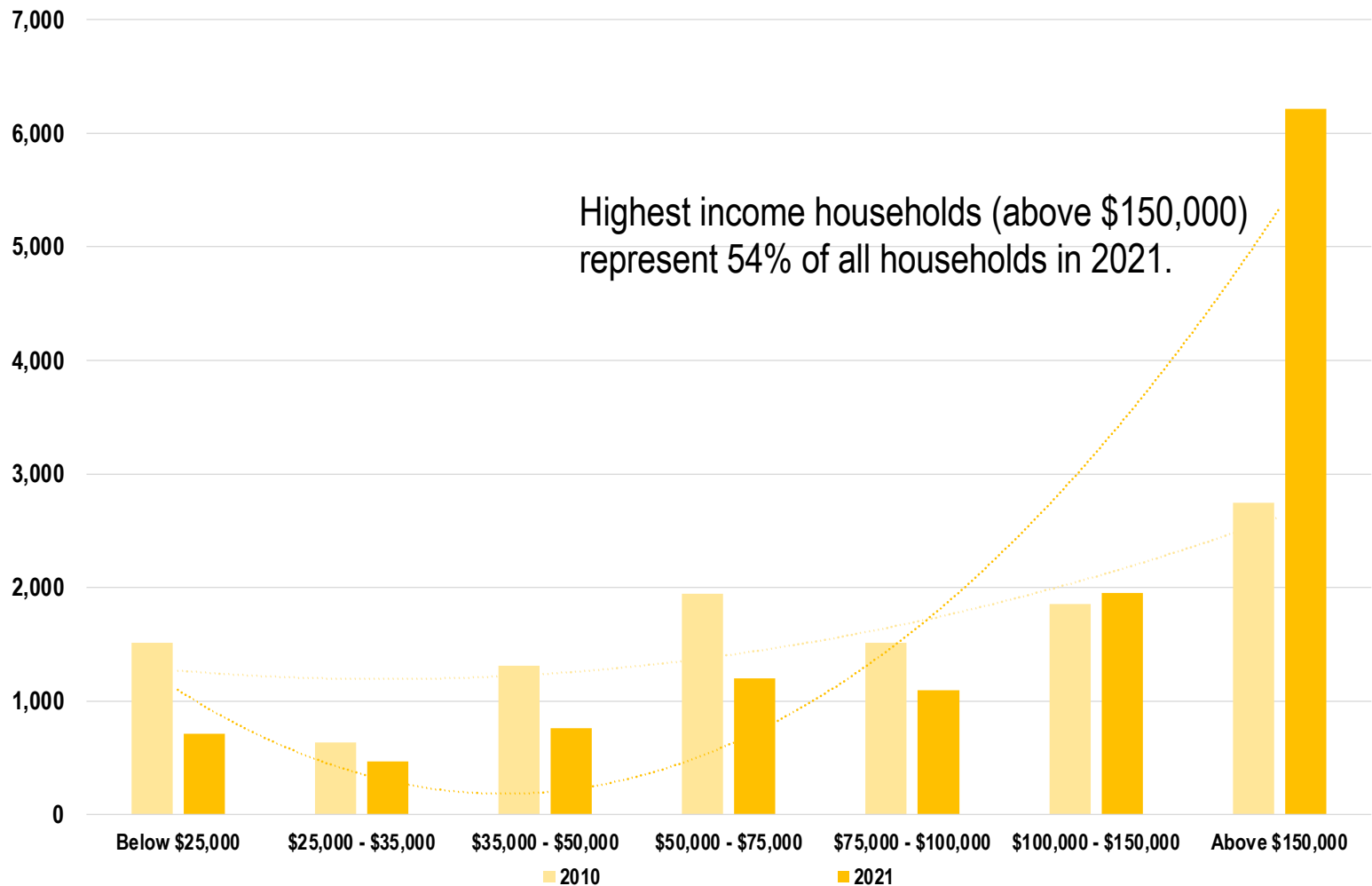
Continued significant growth in household area median income (AMI)

- A portion of this growth in AMI is due to rapid rise in incomes for highest income households.
- Higher income households are outcompeting other households for housing in the County.

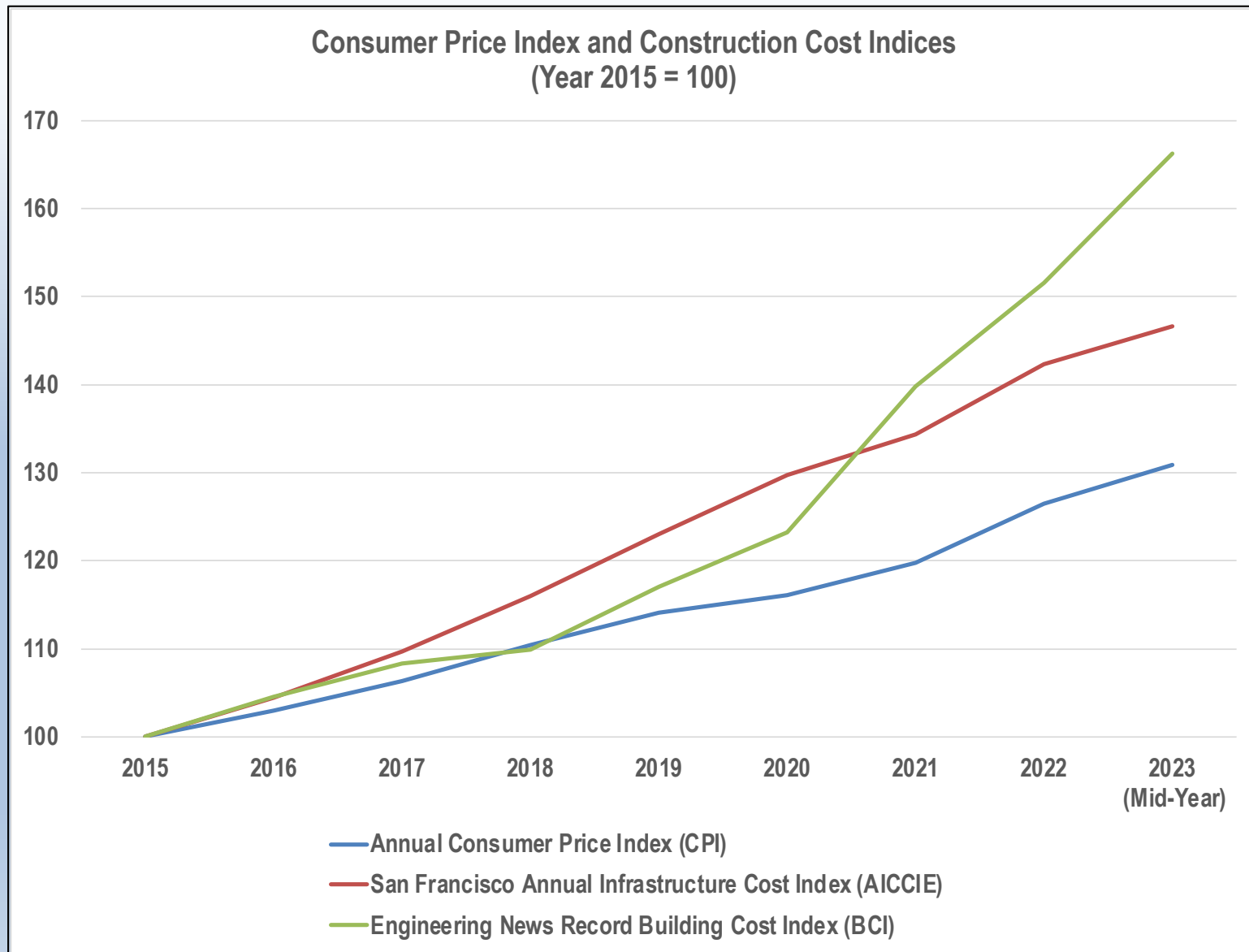


Significant Shift in City's Highest Income Households Since 2010

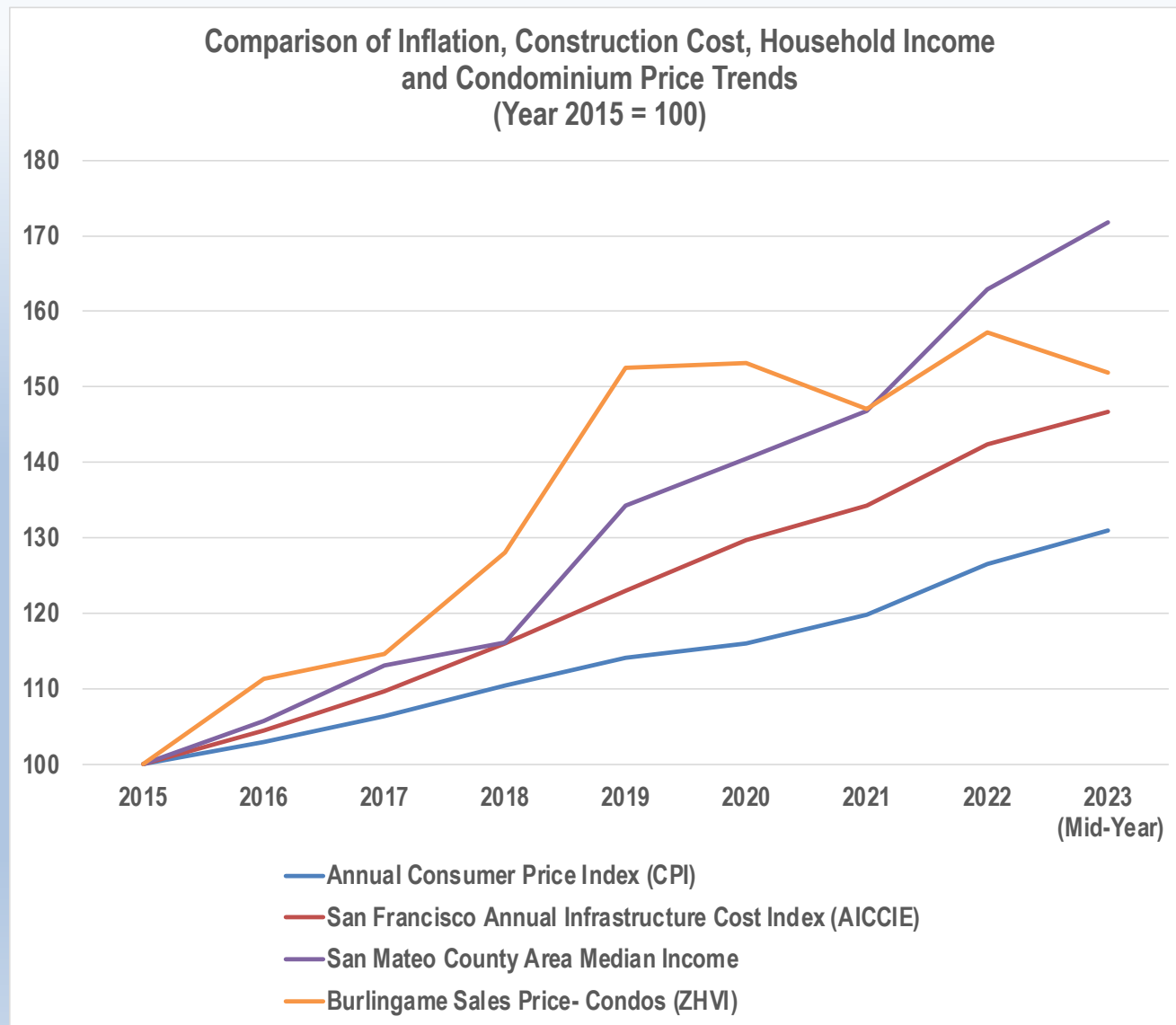
City of Burlingame Household Income Distribution
2010 - 2021



Rapid increase in construction costs, which has not slowed down



Construction costs, incomes and prices have increased significantly since 2015



Summary of Key Data Sources

- Burlingame 2015-2023 Housing Element
- San Mateo and Santa Clara County Development Cost Study (April 2022)
- Bay Area Council (BAC) and BAC Economic Institute
- California Association of Realtors
- California Housing and Community Development
- Engineering News Record
- IRR Viewpoint
- San Francisco Capital Planning Committee (AICCIE construction cost data)
- Saylor Construction and Leland Saylor
- Urban Land Institute (ULI) & ULI SF District Council
- U.S. Bureau of Labor Statistics
- Valbridge Property Advisors
- Zillow
- *Interviews with developers and construction firms*